



Special Category Status

For Prelims: [Special Category Status](#), [Bihar Caste-based Survey, 2022](#), Planning Commission, [Article 370](#), Centrally Sponsored Scheme.

For Mains: Special Category Status, Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

[Source: TH](#)

Why in News?

Recently, the Bihar Cabinet has passed a resolution seeking the grant of [Special Category Status \(SCS\)](#) to Bihar.

- The demand comes in the backdrop of the findings from the [“Bihar Caste-based Survey, 2022”](#), which revealed that **nearly one-third of Bihar’s population continues to live in poverty.**

What is a Special Category Status?

- **About:**
 - SCS is a classification given by the **Centre to assist development of states that face geographical and socio-economic** disadvantages.
 - The Constitution does not make a provision for SCS and this classification was later done on the recommendations of the **5th Finance Commission in 1969.**
 - Status was first accorded to Jammu and Kashmir, Assam and Nagaland in 1969.
 - SCS for plan assistance was granted in the past by the National Development Council of the [erstwhile Planning Commission.](#)
 - Eleven States including Assam, Nagaland, Himachal Pradesh, Manipur, Meghalaya, Sikkim, Tripura, Arunachal Pradesh, Mizoram, Uttarakhand and Telangana have been accorded the special category state status.
 - Telangana, the newest State of India, **was accorded the status as it was carved out of another state** Andhra Pradesh.
 - SCS is different from **Special status which imparts enhanced legislative and political rights**, while SCS deals with only economic and financial aspects.
 - For instance, J&K used to have Special status before [Article 370](#) was repealed.
- **Parameters (Based on Gadgil Formula):**
 - Hilly Terrain;
 - Low Population Density and/or Sizeable Share of Tribal Population;
 - Strategic Location along Borders with Neighbouring Countries;
 - Economic and Infrastructure Backwardness; and
 - Nonviable Nature of State finances.
- **Benefits:**
 - In the past, SCS states used to receive approximately 30% of central assistance, determined by the Gadgil-Mukherjee formula.

- However, following the recommendations of the 14th and **15th Finance Commissions (FC)** and the dissolution of the Planning Commission, this assistance to SCS States has been subsumed in an increased **devolution of the divisible pool funds for all States (increased to 41% in the 15th FC from 32%)**.
- The Centre pays 90% of the funds required in a **Centrally-Sponsored Scheme** to special category status states as against **60% or 75% in case of other states**, while the remaining funds are provided by the state governments.
- Unspent money in a financial year does not lapse and is carried forward.
- Significant concessions are provided to these states in excise and customs duties, income tax and corporate tax.
- **30% of the Centre's Gross Budget** goes to Special Category states.

Why is Bihar Demanding Special Category Status (SCS)?

▪ Economic Disparities:

- **Bihar faces significant economic challenges, including a lack of** industrial development and limited investment opportunities.
- The bifurcation of the state resulted in the shifting of industries to **Jharkhand, exacerbating the employment and economic growth** issues in Bihar.

▪ Natural Calamities:

- The state grapples with **natural calamities like floods in the northern region** and severe droughts in the southern part.
- These recurring disasters **disrupt agricultural activities**, affecting livelihoods and economic stability.

▪ Lack of Infrastructure:

- Infrastructure, especially in terms of irrigation facilities and water supply, remains inadequate.
- The absence of sufficient resources for irrigation impacts agricultural productivity, a primary **source of livelihood for a large portion of the population**.

▪ Poverty and Social Development:

- Bihar has a high poverty rate, with a significant number of families living below the poverty line.
- With a per-capita GDP of around Rs 54,000, Bihar has **consistently been one of the poorest States**. Bihar is home to around 94 lakh poor families and the granting of SCS will help the government get about RS 2.5 lakh crore required to fund various welfare measures over the next five years.

▪ Funding for Development:

- Seeking SCS is also a means to secure substantial financial assistance from the central government, allowing Bihar to access funds required for development projects and addressing long-standing socio-economic challenges.

Does Bihar Fulfill Criteria for the Grant of SCS?

- Although Bihar meets most of the criteria for the grant of SCS, it does not fulfil the requirement of **hilly terrain and geographically difficult areas**, which is considered to be the **primary reason for difficulty** in infrastructural development.
- In 2013, the Raghuram Rajan Committee set up by the Centre, placed Bihar in the **“least developed category”** and suggested a new methodology based on a ‘multi-dimensional index’ for devolving funds instead of a SCS, which can be **revisited to address the State's socio-economic backwardness**.

Do other States also Want SCS?

- Since its bifurcation in 2014, Andhra Pradesh has asked for a grant of SCS on the grounds of revenue loss due to **Hyderabad going to Telangana**.
- Additionally, Odisha has also been requesting for the SCS, highlighting its vulnerability to natural calamities such as cyclones and a large tribal population (nearly 22%).
- However, the Central government citing the 14th FC report, which made a recommendation to the

Centre that no State be accorded the SCS, has repeatedly denied their demands.

What are the Concerns Related to Special Category Status?

- **Resource Allocation:**
 - Granting SCS entails providing additional financial assistance to the state, which can strain the **central government's resources**. Balancing the allocation of funds among various states becomes crucial, and granting SCS might lead to disparities or **dissatisfaction among non-SCS states**.
- **Dependency on Central Assistance:**
 - States with SCS often become heavily reliant on central assistance. This could potentially **discourage efforts toward self-sufficiency** and independent economic growth strategies.
- **Implementation Challenges:**
 - Even after the grant of SCS, there might be challenges in utilizing the funds effectively **due to administrative inefficiencies**, corruption, or lack of proper planning. Ensuring that the allocated funds are used for intended purposes is a significant challenge.

Way Forward

- There is a need to **revisit and refine the criteria for granting SCS** to ensure fairness and transparency. Clearly define the parameters for eligibility based on socio-economic indicators, infrastructure development, and other relevant factors.
- There is a need to encourage **states to create comprehensive development plans** that focus on sustainable growth, job creation, infrastructure development, and human capital enhancement. SCS should be a part of a broader strategy for holistic development.
- Implement policies that gradually reduce states' dependency on central assistance by promoting self-sufficiency and economic diversification. Encourage states to generate their revenue streams.

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