



Bihar's Demand for 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](#), [Challenges of SCS](#)

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Why in News?

Recently, the Bihar [Chief Minister](#) reiterated the State's long-standing demand to be granted [special category status](#) by the Centre, a move that would increase the amount of [tax revenues](#) that the State gets from the Centre.

Why is Bihar Demanding Special Category Status (SCS)?

- **Historical and Structural Challenges:** 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**, especially in terms of **irrigation facilities** and the water supply remains inadequate affecting livelihoods and economic stability.
- **Lack of Infrastructure:** Bihar's inadequate infrastructure hampers its overall development, characterised by poor road networks, limited healthcare access, and challenges in educational facilities.
 - In 2013, the [Raghuram Rajan Committee](#) set up by the Centre, placed Bihar in the **"least developed category"**.
- **Poverty and Social Development:** Bihar has a [high poverty rate](#), with a significant number of families living below the poverty line.
 - A recent survey by NITI Aayog reveals that Bihar is the state with the highest number of poor with 26.59% multidimensionally poor in 2022-23 which is much higher than the national average of 11.28%.
 - Per-capita GDP of Bihar is Rs. 60,000 compared to Rs. 1,69,496 as the National average for 2022-23.
 - The state also lags in various [human development indicators](#) as well.
- **Funding for Development:** Seeking SCS is also a means to secure substantial financial

assistance from the central government to address long-standing socio-economic challenges.

- The Bihar government last year estimated that the granting of the special category status will help the State receive an **additional 2.5 lakh crore rupees** over five years to spend on the **welfare of 94 lakh crore poor families**.

What are the Arguments Against Bihar Getting the SCS?

- However, some critics argue that increased funds might **incentivise poor policies** and penalise well-performing states, as the funds will be diverted to poorer states.
- Historically **poor rule of law** in Bihar has been a major barrier to growth and investment.
- The Centre already **devolves 42% of taxes from earlier 32% to states** as per the 14th Finance Commission. Any **additional strain on the Centre's funds** will potentially impact other national schemes and welfare measures.
- **Bihar is one of the fastest-growing states in India**. In 2022-23, Bihar's GDP grew by 10.6%, higher than the national average of 7.2%.
 - Per capita income in real terms grew by 9.4% in the previous year.
- More funds might offer **short-term relief**, but long-term growth depends on **improving governance** and investment climate.
- 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.
- The **Central government** citing the **14thFC report**, which made a recommendation to the Centre that **no State be accorded the SCS**, has **repeatedly denied the demands**.

Other States Demanding SCS

- Since its bifurcation in 2014, **Andhra Pradesh** has been asking for a grant of SCS on the **grounds of revenue loss** due to Hyderabad going to Telangana.
- Additionally, **Odisha** has also been requesting the SCS, highlighting its vulnerability to **natural calamities** such as **cyclones** and a **large tribal population (nearly 22%)**.

What is a Special Category Status?

- **About:**
 - SCS is a classification given by the Centre **to assist the 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. **Telangana** is the newest State of India to be accorded the status.
 - **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**
 - **Nonviable Nature of State Finances**
- **Benefits:**
 - The **Centre pays 90%** of the funds required in a **Centrally-Sponsored Scheme** to special category status states as **against 60% or 75% in the 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.**

▪ Challenges:

- **Resource Allocation:** Granting SCS entails providing additional financial assistance to the state, which can **strain the central government's resources**.
- **Dependency on Central Assistance:** States with SCS often become **heavily reliant** on central assistance discouraging efforts toward **self-sufficiency** and independent economic growth strategies.
- **Implementation Challenges:** Even after the grant of SCS, there might be **challenges in utilising** the funds effectively due to administrative inefficiencies, **corruption**, or lack of proper planning.

Way Forward

- There is a **need to revisit and refine the criteria** for granting SCS to ensure **fairness and transparency**.
- In 2013, the **Raghuram Rajan Committee** set up by the Centre 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**.
- Implement policies that **gradually reduce states' dependency on central assistance** by promoting **self-sufficiency and economic diversification**. Encourage states to generate their revenue streams.
- Analysts suggest that Bihar needs a stronger rule of law for **sustainable economic growth**.
- **Other steps need to be taken to encourage states to create comprehensive development plans including:**
 - **Education Revamp:** The recommendations of the **RTE Forum**, a consortium of experts focus on improving **early childhood development (ICDS centres)**, teacher training, and pedagogy shifts towards a more interactive and technology-integrated approach.
 - **Skilling and Job Creation:** Bihar's youth bulge needs **skilled opportunities**. Focus should be on skilling initiatives aligned with growing industries, alongside fostering entrepreneurship through programs like the SIPB (**Single-window Investment Promotion Board**) to attract businesses and create a job market.
 - **Infrastructure Development:** Improved infrastructure is crucial for overall growth. The focus should be on better irrigation systems to **tackle floods and droughts**, alongside developing a robust transport network to connect rural and urban areas, attracting investment and boosting agricultural trade.
 - **Women's Empowerment and Social Inclusion:** Bihar faces challenges with **gender equality** and social stratification. Initiatives focused on **women's education, skill development**, and **financial inclusion** alongside tackling social inequalities through stricter enforcement of laws and promoting social harmony.

Drishti Mains Question:

Q. Discuss the challenges in granting Special Category Status (SCS) to states in India. How do these challenges impact the fiscal federalism and development objectives of the country?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. The power of the Supreme Court of India to decide disputes between the Centre and the States falls under its (2014)

- (a) advisory jurisdiction
- (b) appellate jurisdiction
- (c) original jurisdiction
- (d) writ jurisdiction

Ans: (c)

Mains:

Q. Growing feeling of regionalism is an important factor in the generation of demand for a separate state. Discuss **(2013)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/bihar-s-demand-for-special-category-status>

