Special Category Status for Bihar & AP

Why In News

- The talks over special category status for the states of Bihar and Andhra Pradesh have once again gained momentum after the victory of the BJP-led National Democratic Alliance (NDA) in the 2024 Lok Sabha elections.
- When Narendra Modi takes oath as the Prime Minister for the third time, the people of Bihar expect a special package that will put the state on the path to becoming a more developed economy," Nishad said.

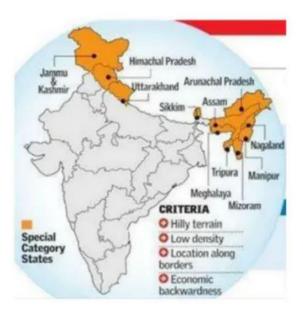


 Meanwhile, N Chandrababu Naidu, who is expected to again take oath as the Chief Minister of Andhra Pradesh, has been demanding a special category status for the state for a long time.

What Is The Special Category Status

- **Introduced in 1969** on the recommendation of the Fifth Finance Commission, the Special Category Status is a classification granted by the central government to assist the development of states which face socio-economic or geographical disadvantages.
- Before Granting This Conditions Are Required
- It must have a low population density and/or a sizeable share of tribal population.
- It should be at a strategic location along international borders.
- Economic and infrastructural backwardness.

- Must have a non-viable nature of state finances
- According to reports, some of the states that have currently been granted Special Category Status are Assam, Nagaland, Himachal Pradesh, Manipur, Meghalaya, Sikkim, Tripura, Arunachal Pradesh, Mizoram and Uttarakhand.



Why Is Bihar Demanding SCS

 Bihar has been asking for it ever since the mineral-rich Jharkhand was carved out of it back in 2000. Among the front-runners in the state is Nitish Kumar, who has been demanding the state's inclusion in the category since 2006.



Bihar has been ranked as the poorest state in India, according to the Centre's
'Multi-dimensional Poverty Index' (MPI) report. It is estimated to have nearly

- 52% of its population, without having proper access to requisite health, education and living standards.
- While the state meets most of the criteria for the **Special Category Status**, it does not fulfil the criteria of hilly terrain and geographically difficult areas.

SCS to Andhra Pradesh

 After its bifurcation in 2014, Andhra Pradesh has also seen many of its political leaders demanding a Special Category Status on the grounds of revenue loss due to the city of Hyderabad going to Telangana.

Benefits

 States that come under Special Category Status used to receive grants based on the Gadgil-Mukherjee formula, which had earmarked nearly 30% of the total central assistance for States to the SCS States, according to a report in The Hindu.



- However, post the abolition of the Planning Commission and the recommendations of the 14th and 15th Financial Commission, this assistance to the Special Category Status states has been subsumed in an increased devolution of the divisible pool funds for all States -- increased from 32% to 41% in the 15th FC.
- Moreover, the Centre-State funding of the centrally sponsored schemes in SCS states is divided in the **90:10 ratio**, which is far more favourable than the 60:40 or 80:20 splits for the other states.
- These states get other various incentives in the form of concessions in customs and excise duties and income tax rates.