

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.