

Bihar Cabinet Passes Resolution Demanding Special Category Status

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Context- The Bihar government has approved the Union government's decision on special category status for the state. Earlier in 2017, the state government had formally requested the Union government for special category status.

What is the Special Category Status

- **Special Category Status (SCS)** is a classification given by the Union Government that helps in the development of geographically and socio-economically disadvantaged countries.
- **Necessity:** These rules are intended to protect the interests and aspirations of certain backward areas or to protect the cultural and economic interests of tribal peoples or to deal with disturbed law and order in some areas.
 - The status was granted by the Development Council, which included the prime minister, union ministers, chief ministers and members of the Planning Commission.
- **Historical Background:** It was launched in 1969 when the Fifth Economic Commission tried to favor some disadvantaged countries. It was named after Dr. Gadgil Mukherjee, the then Vice Chairman of the Gadgil Formula Planning Committee.
 - Initially three states; Assam, Nagaland and Jammu and Kashmir were given special status. Between 1974 and 1979, Himachal Pradesh, Manipur, Meghalaya, Sikkim and Tripura were added to the category.

- In 1990, Arunachal Pradesh and Mizoram and in 2001, Uttarakhand were given special category status. On the recommendation of the 14th Finance Commission, grants under the Gadgil formula were cancelled.
- **Current states seeking status:** Andhra Pradesh, Bihar, Goa, Odisha, Rajasthan.

Criteria for special category status:

- Hilly and difficult terrain;
- Low population density or significant proportion of tribal population;
- Strategic location at the borders of neighboring countries;
- Economic and infrastructural backwardness;
- The essential nature of government finance.

States grant special class status to:

- **Central Assistance:** The government pays 90 percent of government expenses of all central banks.
 - Preferential treatment for receiving central funds.
 - 30 percent of the Centre's gross budget also goes to special category states.
 - Imposition of excise duty to attract industry to the country.
- **Debt Relief:** These states can benefit from debt swaps and debt relief programs.
- **Tax-free:** These states are exempt from customs, corporate tax, income tax and other taxes to attract investment.
 - If they have unspent money in the financial year; it does not expire and is carried over to the next fiscal year.

Difference between special category status and special status:

- The constitution grants a special status by law, which must be approved by a 2/3 majority in both chambers of the parliament, while the special category status is granted by the governing body of the government, the National Development Council.
- Special status gives legal and political rights, while special status only concerns economic, administrative and financial aspects.

Why was Gadgil Formula discontinued?

- Recommendations of the 14th Finance Commission: It presented its report in 2015 and recommended a major change in the approach to decentralization of funds to states.
- **Holistic approach to devolution:** The 14th Finance Commission emphasized a more holistic and formula-based approach to devolution of funds to states, moving away from the earlier practice of designating certain states as "special" and giving them preferential treatment.
- **Uniform treatment of countries:** The political change tried to treat all countries equally, recognizing that there are development problems in different parts of the country.
- **Empowerment of States:** The change in approach was adapted to the principle that States can make decisions based on their individual needs and priorities.

- Countries were given more flexibility in the use of funds and the focus was on improving overall administration and efficiency.

Source: *The Hindu*