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**DIRECT BENEFIT TRANSFER FOR LPG – A CONSUMER
PERSPECTIVE**

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ABSTRACT

Direct Benefit Transfer is an attempt to change the mechanism of transferring subsidies launched by Government of India on 1 January 2013. This program aims to transfer subsidies directly to the people through their bank accounts. In DBT, benefit or subsidy will be directly transferred to citizens living below poverty line. LPG being an essential commodity having a large scale of LPG supply chain has been subject to minimal prevention of trade control and illegal diversions. This growing demand coupled with rising international prices has put increased pressure on LPG subsidy burden. The introduction of DBTL undoubtedly has a lot of merits, but it has also generated a lot of problems on the part of the consumers. This paper aims at analyzing such problems which if overcome, could be highly beneficial to the consumers.

Keywords: subsidy, LPG, benefits, consumer

INTRODUCTION

Direct Benefit Transfer or **DBT** is an attempt to change the mechanism of transferring subsidies launched by Government of India on 1 January 2013. This program aims to transfer subsidies directly to the people through their bank accounts. The primary aim of this Direct Benefit Transfer program is to bring transparency and terminate pilferage from distribution of funds sponsored by Central Government of India. In DBT, benefit or subsidy will be directly transferred to citizens living below poverty line. Central Plan Scheme Monitoring System (CPSMS), being implemented by the Office of Controller General of Accounts, will act as the common platform for routing DBT. CPSMS can be used for the preparation of beneficiary list, digitally signing the same and processing of payments in the bank accounts of the beneficiary using the Aadhaar Payment Bridge.

LPG being an essential commodity having a large scale of LPG supply chain has been subject to minimal prevention of trade control and illegal diversions. LPG being a clean fuel has been adopted as primary cooking fuel in more than 60% households and growing across the country. This growing demand coupled with rising international prices has put increased pressure on LPG subsidy burden.

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Table 1: Table showing amount of subsidy on LPG for 5 years

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Subsidy (Rs. Crores)	14257	21772	29997	39558	46458

Source: Petroleum Planning & Analysis Cell

Direct Benefit Transfer for LPG (DBTL)

The DBTL scheme was first launched in June 1, 2013 and finally covered 291 districts. The Centre has launched the Direct Benefit Transfer of LPG (DBTL) in the entire country with effect from January 1, 2015.

It required the consumer to mandatorily have an Aadhaar number for availing LPG subsidy. The government has comprehensively reviewed the scheme and after examining the difficulties faced by the consumer substantively modified the scheme prior to launch. Some changes have been brought in the modified scheme to enhance consumer convenience.

Consumers who affirm that they do not have Aadhaar number can receive cash directly in their bank account without producing Aadhaar. However, as and when they get Aadhaar they may shift to Aadhaar based cash transfer.

Consumers who are not Cash Transfer Compliant (CTC) will get a three- month grace period during which they will receive the cylinders at subsidized rate. After the grace period, they will get an additional period of three month as parking period. During the parking period they will have to buy cylinders at the market rate. If the consumer joins the scheme within the parking period, the subsidy as per entitlements and consumption during parking period will be transferred to his bank account.

Cost Benefit Analysis of DBTL

A cost benefit analysis of the DBTL scheme is presented in the table below:

Cost implementation of the scheme	Tangible benefits	Intangible benefits
<ul style="list-style-type: none"> • Direct cost • Intangible cost 	<ul style="list-style-type: none"> • Self selection • Aadhar based de-duplication • Savings in subsidy due to reduction in diversion 	<ul style="list-style-type: none"> • Reduction in LPG waiting time • Spin offs to banking sector • Potential for synergy with other schemes

LPG Delivery and Direct Benefit Transfer- Process

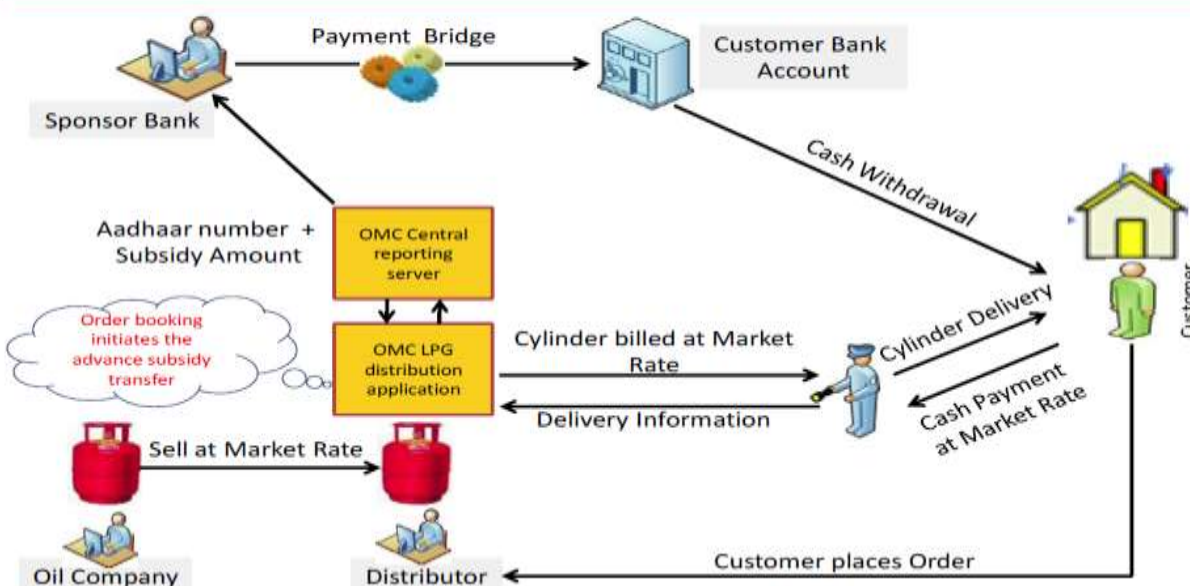


Figure: Diagram showing process of Direct Benefit Transfer in LPG

Benefits Envisaged to Various Stakeholders

- (i) LPG consumers
 - a) Empowerment is enabled. No manual intervention is facilitated.
 - b) There exists prompt and full entitlement. No incentive to divert supply chain.
- (ii) OMCs
 - a) Lower administration efforts with regard to policing of supply chain activities, number of grievances related to usage, diversion and delayed activities, also public auditing of subsidy administration is facilitated.
 - b) Shift from distributor administration to consumer management leading to improved consumer experience and satisfaction.
 - c) Improved quality of consumer database for better analytics.
 - d) Elimination of fake and ghost LPG connections.
 - e) Elimination of artificial product shortage due to diversion.
- (iii) Government Of India
 - a. Reduction in subsidy burden
 - b) Open up domestic LPG sector for policy initiatives in improving competitiveness

Phases for Implementation of DBTL

- (i) Cap consumption of subsidized cylinders –12 cylinders per household per financial year starting from the year 2014-15 have been fixed.
- (ii) Direct transfer of subsidy to consumers into Aadhar enabled bank account.
- (iii) Target segmented consumers to restrict subsidy only to intended beneficiaries

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Other critical success factors of DBTL included extensive Informational Education Campaign (IEC) to enroll for Aadhar, obtain an Aadhar enabled Bank account, training of distributors or officials, Project Implementation team, a robust Grievance Redressal mechanism and a slew of systemic changes in the internal systems of OMCs and in the interface with consumers.

OBJECTIVES

The objective of this research paper concentrates on indentifying the problems after the implementation of DBTL from the consumers' point of view.

METHODOLOGY

The present study is primarily a field based work drawing a lot of content from various secondary sources. Primary data was collected from the households consuming LPG as primary cooking fuel. The primary data were collected by administering structured interview schedules to the sampled respondents.

A method of multi-stage sampling has been adopted for carrying out the study because of the vast size of the population consisting of the LPG consumers. In the first stage, the district, Kamrup has been selected randomly within the state of Assam. Subsequently, out of the various cities, greater Guwahati has been chosen randomly within the selected district in the second stage. Finally, in the third stage, prime areas of the cities were taken up for study on a random basis.

The survey was carried out in the prime locations of the city. The units for the study comprises of the households consuming LPG as cooking fuel. A method of judgement sampling was deemed appropriate for selection of the sample units. A total of 200 households were selected randomly forming the units of the present study.

The secondary sources include web publications and the internet.

LIMITATIONS

The research study is confined only to the prime areas of Guwahati city; as such it is not representative of the whole of Guwahati city. The study is based on only 200 samples and therefore may not be a true representation of the universe which is pertinent for the present study. Due to cost and time constraints also the study could not be undertaken in a massive manner.

FINDINGS AND ANALYSIS

Table 2: Table showing sex of the respondent

Sex	No. of respondents	Percentage
Male	120	60
Female	80	40
Total	200	100

Source: Self-field survey

Around 60% of the households had the LPG connection in the name of the males while 40% had the same enlisted in the names of the female members. All the respondents under study had applied for the DBTL scheme.

Table 3: Table showing the source of information about DBTL

Source of information	No. of respondents	Percentage
Print media	80	40
Electronic media	120	60
Friends/Relatives	40	20

Source: Self-field survey

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Majority of the sample have learned about the scheme from electronic media. This indicates the wide spread reach of the electronic media to the masses in the urban area. The study revealed that social networking sites have been a great help in this regard mostly amongst the youth. While 80% admit the relevance of the print media for knowing about DBTL. Near about 40% of the respondents have learned about the scheme from friends relatives and neighbours.

Around 20% of the sample units required assistance while applying for the DBTL especially for filling up of forms and opening new bank accounts, mainly them being educationally backward. They had to furnish the following documents while applying for DBTL:

- I. PAN card
- II. Address proof
- III. Bank account
- IV. Voter's ID card

Table 4: Table showing household rate of LPG consumption

No. of cylinders	No. Of respondents	Percentage
Less than 12	35	14.5
12	140	70.0
Above 12	25	12.5
Total	200	100

Source: Self-field survey

Roughly 12.5% of the sample respondents were inclined towards consuming annually more than 12 LPG cylinders pre-implementation of DBTL scheme. Post implementation, they are facing troubles in meeting their consumption needs due to which they are resorting to usage of induction cookware; also some of the households have applied for newer LPG connections. Around 70% of the sample is able to function with an annual dosage of 12 cylinders while 14.5% operate with even less.

Table 5: Table showing if respondents avail subsidy on LPG

Particulars	No. of respondents	Percentage
Availing subsidy	120	60
Not availing subsidy	80	40
Total	200	100

Source: Self-field survey

60% of the samples avail subsidy on LPG while 40% of them are seen not availing it. Out of 80 respondents, 30 have voluntarily opted for the Give It Up Scheme under the Modi Government and have disdained their subsidy amount. While 50 respondents fall under the compulsory bracket of giving up their LPG subsidy on account of making an annual income of more than Rs. 10 lakhs.

Table 6: Table showing period of receipt of subsidy

Days	No. of respondents	Percentage
2-3 days	170	85
Within 7 days	30	15
Total	200	100

Source: Self-field survey

The above table reveals that a meager 15% of the units receive the subsidy on LPG within a week's time. While the major chunk of the respondents have asserted to have received the same within a lapse of 2-3 days.

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Almost 90 of the sample respondents are facing problems after the implementation of DBTL. Out of this, 93.33% have expressed having not received timely notifications for receipt of subsidy while 27 respondents faced problems in managing the funds to be paid at the time of delivery of the LPG cylinders. Most of them have economically weak background; as a result the payment on delivery poses a problem to them. 53.33% have cited mismanagement and delay while the delivery of cylinders. Although this existed pre implementation of DBTL, yet after its implementation this situation has multiplied and led to stringent difficulties to the LPG consumers.

Table 7: Table showing problems faced after implementation of DBTL

Problems	No. of respondents	Percentage
No notification for deposit of subsidy	84	93.33
Managing funds for payment on delivery	27	30
Delay in delivery of cylinder	56	53.33

Source: Self-field survey

SUGGESTION AND CONCLUSION

As the findings of the study indicate, challenges pertaining to delay in subsidy transfer, information gaps and lack of financial inclusion remain. Addressing these concerns would be instrumental in improving the customer experience and outlook towards the scheme as well as the hassle-free enrollment of new customers and subsidy transfer for enrolled customers. It is true that DBTL only changes the nature of subsidy disbursement, without changing the entitlements for different socioeconomic groups, and hence may not be considered a 'subsidy reform' in conventional sense of the word. However, it provides a way to have common market price of the commodity. Exclusion of well to-do households from the LPG subsidy net, based on their annual income, is one such step recently announced by the government. Finally, while the government should celebrate the successful implementation and largely positive reception to the scheme by consumers; it is important to note that, going forward, as the government tries to increase LPG penetration in rural areas, DBTL may pose a barrier to LPG access unless financial inclusion is made effective.

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