

MicroSave India Focus Note #119

Using “Behavioural Sciences” to Make Consumers “Give It Up” The Case of LPG Subsidy

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The Government of India’s Modified Direct Benefit Transfer (MDBTL) scheme for liquefied petroleum gas (LPG), more popularly known as *Pahal*, has achieved remarkable success. Within four months of an all-India launch, the scheme has managed to enrol over 120 million consumers.

The government, along with LPG distributors and other stakeholders, has done a commendable job of making *Pahal* successful. However, it has not replicated this success, with the “Give It Up” campaign. Under this campaign, the government is motivating consumers who can afford to pay the market price for LPG to voluntarily surrender or forego their subsidies. The underlying thought is that subsidies should only go to those who really need them.

Despite the fact that the campaign has been running for several months, www.mylpg.in shows that around one million-or a meagre 0.8 per cent of-LPG consumers have given up their subsidies as on July 21, 2015. If just five per cent of the registered LPG consumers gave up the subsidy, this figure would cross six million, leading to a substantial total annual savings of Rs.18,000 million (US\$290 million) approximately. This note presents few strategies that may help the government to stimulate the desired behaviour i.e., to motivate well-off consumers give up subsidy.

MicroSave conducted an impact assessment of the MDBTL scheme across 14 districts in three states – Bihar, Uttar Pradesh and Uttarakhand. One of the objectives was to assess reasons behind poor response to the “Give It Up” campaign. Based on secondary research and our earlier researches we divided consumers into the following three categories:

➤ **Not Aware**

A substantial section (43% in our sample of 6,000) of LPG consumers have little or no information about the “Give It Up” option.

➤ **Aware, Keen But Not Given Up**

LPG consumers (16% in our sample) who know about “Give It Up” and are keen to do so, but have still not exercised the option. This may be because of a perceived

(or real) hassle factor, or because they are not clear about the process of how to “Give It Up”.

➤ **Aware But Not Keen**

LPG consumers who are aware of the option to give up subsidy, but do not want to do so. This is another significant proportion (41% in our sample). The reason for their not wanting to do so could be uncertainty about the benefits of doing so or “group thinking” behaviour -- when others are not giving it up, why should they?

Why Do Those Who Give Up Do So?

Before we get on to strategies to help LPG consumers give up subsidies, it is equally important to understand why over one million consumers surrendered their subsidies. There are three broad reasons:

➤ **Political/Social Affiliations**

Political/social affiliations is the first reason. Giving up subsidies helps individuals enhance political equity. They want to convey the message to would-be supporters that they have given up because they are socially responsible.

➤ **Insignificance Of Subsidy Amount**

Those who are well-off and see the total amount of the subsidy as quite insignificant in comparison to their income and economic status. They feel proud to have given up their subsidies.

➤ **Social Proof**

Consumers who saw their neighbours giving up their subsidies have come forward to do the same.

Based on the results of the survey and LPG consumers’ behaviour, few strategies that may be considered by the government, are listed below:

Concerted Communication

The focus of the *Pahal* communication campaign should now shift to “Give It Up”. This will work best for the category that is **not aware**.

Where to communicate: The communication should reach every place that the target segment (well-off LPG consumers) frequents. These locations include large offices, shopping malls, public places such as airports/railway stations, and parks. The message should prominently display LPG cylinder, similar to *Pahal*

campaign, as it cannot escape attention. Television and advertisements in movie halls are the other major channels to reach well-off consumers.

The Message: With the cap on subsidised cylinders fixed at 12 refills per annum, and a subsidy of Rs.250 (\$4) per cylinder, the maximum subsidy a user can get each year is Rs.3,000 or \$48 (less than Rs.10 per day) at the prevailing prices. The message should clearly communicate that Rs.10 per day worth of subsidy on gas cylinders is negligible in comparison to the respect users can earn for being a responsible citizen.

The message should showcase how giving up the 'insignificant' subsidy amount may benefit someone who cannot afford it at all. Advertisements should promote a sense of pride and social contribution among consumers, thus, acting as a motivation for them to give up insignificant monetary benefits for a larger social cause. Additionally, the campaign should run with high profile role models from various professions and sections of society for larger impact.

Provision of Recognition

Communication should be complemented with recognition and celebration of those who have given it up. One way to do this is by making each consumer who gives up subsidy "an ambassador of the movement". All consumers who give up their subsidy can be issued car stickers, proclaiming "I Gave Up" or "You are following a responsible citizen who *Gave It Up*", along with a certificate of appreciation signed by a role model of the stature of someone like Sachin Tendulkar, for their contribution to nation building. This, we believe would be most effective for the consumer segment that is **aware but not keen** to relinquish their LPG subsidy.

Hassle-free Process

Behavioural science can be used to develop two processes that will help LPG consumers navigate the procedure of giving it up.

For the High Net-worth Individuals (HNIs) –

Those who are in the 30 per cent income tax bracket – the subsidy can be withdrawn automatically. Such consumers shall be sent an SMS with a follow-up call conveying that they were chosen for their ability to buy LPG at market price given their income tax bracket. The call/message must create a sense of pride – that they are helping a needy family by giving up their subsidy. It should also detail out contents of a "Give It Up" kit that would be delivered shortly. Kit includes the car sticker and signed certificate of appreciation. The message will also convey that they can reclaim and exercise their subsidy option if they choose to do so. In case the

consumer wants to continue receiving the subsidy, he/she needs to fill a separate form at the distributor's office or courier Form 5 (used for giving up subsidy available at LPG distributors as well as on www.mylpg.in).

For those not falling under the HNI category but willing to "Give It Up", a simple phone-based method will be most suitable. The consumer can dial a toll-free number where, after going through the verification process, he/she will have the option to give up subsidy. Once the subsidy has been withdrawn, the customer should receive a message thanking him for his contribution and informing him about the "Give It Up" kit that will reach him soon. Here, it is important to ensure that no one calls up and gives up someone else's subsidy without their knowledge/consent. To check this possible malpractice, a strong system should be put in place which verifies the credentials of a customer before withdrawing subsidy on a connection. Below we provide a sample conversation of how the system will work:

Verification Process

Customer: Hello, I want to give up my LPG subsidy.

Representative: Thank you for your commitment to give up subsidy. In order to process your request, I need to verify a few things. May I please know your name?

Customer: Here are the details you have asked for

Representative: Thank you for providing the details. May I also know your 17-digit LPG consumer number?

Customer: Here it is...

Representative: Could you please provide your date of birth and your father's full name?

Customer: Here it is...

Representative: Thank you for providing the details. We are glad to inform that details you provided match with our records. In order to complete the process our representative will visit you along with a form that you need to sign. You will also get a 'Give It Up' kit as a token of thanks for your contribution to nation-building. For this please indicate an appropriate time

Customer: Here it is...

Representative: Thank you so much for your call. A very good day to you!

Conclusion

There are clearly huge potential gains for the government if they are able to motivate consumers to give up their LPG subsidies. This requires well planned and well executed efforts in terms of clear communication and process modifications. However, looking at the potential savings these efforts are worthwhile!