

MicroSave India Focus Note #120

PAHAL - from “Discard” to Cherished Success

Lokesh Kumar Singh, Manoj Sharma and Mukesh Sadana

August 2015

India is a social welfare state. Rs. 2,700 billion (US\$43 billion) have been allocated for subsidies in FY 2015-16. This amount is meant to support programmes for low-income households such as the Public Distribution System for essential food items and/or for providing clean fuel such as Liquefied Petroleum Gas (LPG) for cooking. The enormous scale and the sheer number of people involved in the logistics of ferrying food grains, cooking gas and a host of other commodities across the country leads to “leakages”. Leakages here refer to the benefits getting diverted to unintended beneficiaries. A variety of attempts have been made to ensure that subsidies/subsidised commodities reach intended beneficiaries only, and that ineligible households do not get the benefits on account of incorrect targeting.

To achieve the dual objectives of: i) limiting subsidy outlay through de-duplication; and ii) achieving efficiency in payment transfers, the Government of India announced its ambitious “Direct Benefit Transfer” programme on 1st January 2013. Aadhaar, was supposed to be the backbone of the programme. Authorities considered the scheme as one of the less complicated subsidy schemes to transfer cash directly to beneficiaries’ bank accounts. This was largely because of the oil marketing companies’ (OMCs’) well-maintained consumer databases. Unfortunately, the first attempt was unsuccessful and had to be discontinued after Aadhaar-related issues surfaced during the pilot. MicroSave had argued against the discontinuation of DBTL with the rationale that sustained efforts to digitise the databases and connect Aadhaar numbers to bank accounts, better communication with LPG consumers, and greater inter-agency coordination could resolve most issues.

The current government decided to re-launch the programme with slight changes. DBTL in its modified form, called the “Modified DBTL (MDBTL)” - more popularly known as PAHAL, was launched on 15th November 2014. Given MicroSave’s experience in direct benefit transfers, it was a natural outcome that MicroSave was the partner of the Ministry of Petroleum and Natural Gas (MoPNG) as the latter re-launched and rolled-out MDBTL. At the request of MoPNG, MicroSave initiated the following:

Readiness Assessment: Using its district readiness assessment tool, MicroSave started with its assessment of Ludhiana in Punjab and Hoshangabad in Madhya

Pradesh. The objective was to understand front-end challenges in implementation of MDBTL. The major challenges identified were as follows:

1. Communication about pre-requisites of enrolment was unclear, causing ambiguity. For example: Could customers enrol without an Aadhaar number? Were accounts in Co-operatives and Regional Rural Banks also eligible to receive subsidies?
2. In case of mismatch between Aadhaar and bank account details, and/or OMC database, such as different spelling of names, what could be done?
3. Consumers opting for Aadhaar-based enrolment had to complete the additional step of getting their Aadhaar number linked to their bank account. However, some bank branches were not supportive and/or aware enough to facilitate Aadhaar seeding.

MicroSave’s recommendations and interventions were primarily focused on clearer communication.

1. FAQs, in the form of a one-page pamphlet covering topics such as pre-requisites for enrolment, forms to be submitted and a grievance redressal mechanism were developed.
2. Consumers were encouraged to enrol under the scheme with their existing bank accounts; the emphasis on Aadhaar-based enrolments was significantly reduced. This enabled a large proportion of the LPG consumer base to enrol under the scheme.

Restructuring of Transparency Portal: The OMCs maintain a portal www.mylpg.in. LPG consumers can use this portal to access services related to their connections, such as requesting the delivery of gas cylinders and tracking delivery status, as well as services related to PAHAL. MicroSave’s assessment of the user interface highlighted that navigation through the portal was not intuitive, and information was scattered throughout the portal, making it less user-friendly. On the basis of MicroSave’s recommendations, the portal underwent significant modifications. A demo navigation video was uploaded to make the user familiar with the portal and the services it offers.

Impact Assessment of PAHAL: By 31st March 2015, PAHAL had an impressive 126 million enrolments. MicroSave conducted an assessment in 14 districts across three states -- Uttar Pradesh, Uttarakhand and Bihar, with the following objectives:

1. To assess consumer satisfaction with PAHAL
2. To assess satisfaction of LPG distributors

Offices across Asia and Africa

Reach us through info@MicroSave.net and www.MicroSave.net

3. To assess impact on consumption patterns of LPG cylinders
4. To assess impact on cylinder inventories

Also, as an additional objective, *MicroSave* studied the impact of the “Give It Up” campaign. This campaign encourages well-to-do Indians to give up their use of subsidised fuel voluntarily. Our assessment had the following findings:

1. 74% of the respondents were satisfied with the implementation of the programme. The main issues voiced by consumers was related to poor customer care services of OMCs.
2. LPG distributors were largely satisfied. However, with the elimination of ghost beneficiaries, the reduction in LPG cylinder off-take has meant that business volumes have shrunk for the distributors. The resulting reduction in return on investment is a cause of worry for them.
3. The cost of LPG for domestic consumers is still lower than that charged from commercial consumers. A section of domestic LPG consumers, who do not consume their full quota of 12 subsidised cylinders per annum, can divert cylinders out of their quota for unauthorised usage.
4. Cylinder inventories, on account of surrendered connections did not see any significant change for two reasons. First, a large number of consumers have moved residence and were untraceable. The second, and perhaps more significant reason, is that the security deposit for a cylinder is insignificant (as low as Rs.500 for some of the old connections). The market rate for a cylinder is much higher if the consumer decides to sell it.

In response, *MicroSave* made the following recommendations:

1. To enhance the capacity of customer care centres, as the current capacity is inadequate and unable to handle call volumes - leading to client dissatisfaction.
2. Since LPG distributors now have to buy cylinders at the market price, their working capital requirements have increased by approximately 25–30%. OMCs can extend overdraft facilities to LPG distributors to bridge the working capital gap.
3. To curtail the diversion of domestic LPG cylinders for commercial use, there are three possible approaches: i) eliminate the Rs. 24 (US\$0.39) differential in the per kg price of domestic and commercial LPG; ii) implement a progressive subsidy regime where the first few cylinders are provided at a higher subsidy and the subsidy is subsequently tapered down. This approach might encourage more efficient usage of fuel; iii) introduce a cap of 6 – 8 subsidised cylinders.

4. To persuade consumers to return cylinders, offer better than market incentives.
5. [Behavioural economics can be put to use to promote “Give It Up”](#). Affluent sections of society must be conveyed that if they forego their subsidy, the subsidised cylinder will be given to underprivileged sections of society; the government will not only save on the subsidy amount but will pass it on to those in need. Those who “give up” subsidy can be encouraged and offered recognition through simple measures such as a car sticker which reads “You are following a responsible citizen who *Gave It Up*”.

Insights for other DBT Programmes

The *PAHAL* experience provides invaluable insights for DBT programmes.

1. **Political Will** is essential for the success of any programme. All DBT programmes will encounter teething issues but the government’s resolve must be maintained.
2. **Strengthening Back-end Processes:** Consumer satisfaction is positively correlated with clarity of communication and negatively correlated with the complexity of the process that consumers have to go through. The easier the process, the higher the chances of success. It needs a thorough understanding of back-end requirements for data processing.
3. **Flexibility:** Allowing *Aadhaar* as well as non-*Aadhaar*-based enrolments was one example of a flexible response that was implemented without compromising with the core objective of the programme. The decision changed the complexion and expanded the outreach of *PAHAL*.
4. **Clear Communication** about the pre-requisites as well as how to manage exceptions was provided. It significantly helped as consumers were clear about processes involved in enrolment. There is still scope for improvement in communication about subsidy transfer process and timelines.
5. **Robust Co-ordination and Monitoring:** In case of *PAHAL*, co-ordination and monitoring was near perfect. It started with a core team of OMCs which was directly working under the leadership of officials at MoPNG. The team monitored activities on a daily basis and provided inputs to overcome challenges. MoPNG was always on top of the roll-out and officials were involved hands-on with the day-to-day working on *PAHAL*.

Basis *PAHAL*, the government has a successful template that it is eager to replicate. We hope, and expect to see the successful roll out of DBT for other G2P programmes.