

# A Study of PAHAL (DBTL) i.e. Direct Benefit Transfer of LPG Subsidy to the Savings Accounts of Beneficiaries under PMJDY- Phase I: Innovative Step towards Subsidy Distribution.

Pooja Bhosale,

*Management Department, JIT University,*

*38675, Paseo Padre Pkwy, Apt # 225, Fremont, CA 94536, USA*

[bhosalepujas@gmail.com](mailto:bhosalepujas@gmail.com)

## *Abstract:-*

**It studies the innovative steps taken by the government after 2014 to connect each and every household of country to the formal financial system i.e. banking system under Pradhan Mantri Jan Dhan yojana (PMJDY) Phase - I and through that, facilitating direct benefit transfer(DBT) of all government subsidies in the savings accounts of beneficiaries. It also studies the innovative ways drew out by government to connect households through Adhaar card number. The paper analyses scope and limitations of earlier campaigns(before 2014) and the efforts taken by government after July 2014 to implement PAHAL yojana and connect 100% beneficiaries to bank, and make available subsidies very fast cutting off all the middle layers between government and beneficiaries and avoiding corruption therefore.**

*keywords - PAHAL, Direct Benefit Transfer, PMJDY Phase- I, Banking system, households*

## I. Introduction

### A. What is LPG and PAHAL

Liquefied Petroleum Gas are flammable mixtures of hydrocarbon gases used as fuel in vehicles, heating appliances and cooking equipment. It is mainly used widely because it is cost effective and efficient way to heat-off grid homes.

33.6 million (28.5%) Indian households used LPG as cooking fuel in 2011 according to the 2011 census of India. It is supplied to their homes in pressurized cylinders and used for cooking as and when required. Considering its wide use and increasing prices LPG is subsidized by government of India. Many schemes were launched by earlier governments to provide LPG subsidies to the weaker section

of the country but the approach was limited and scope of the scheme was also limited. This was the reason that large number of households in country were unreached and didn't get any benefit of LPG subsidy. According to census 2011 only 14.48 crore households out of 24.67 crore households in the country had access to banking services which means only 58.7% households were connected to bank. Huge unbanked segment was not in easy reach of government. Hence providing any subsidy to that sector was big challenge. When government was changed in 2014, Modi government found out this huge unbanked segment and issues related to that. This time government wanted to cut-off the layers in between government and beneficiaries of any government subsidies and transfer all the benefits and subsidies directly to their bank accounts. This was huge step towards economic development of India.

### B. PMJDY Phase I and LPG subsidy

In order to overcome unbanked segment issues and to implement direct benefit transfer the program called the 'Pradhan Mantri Jan Dhan Yojana'

was launched by Honorable Prime Minister on The Independence Day dated 15th August, 2014.

Pradhan Mantri Jan Dhan Yojana Phase I is a National Mission on financial inclusion to provide all households in country with financial services. The objective of this scheme is to connect each and every household in the country to the formal financial system more specifically banking system.

The basic objectives of PMJDY Phase I are giving universal access to banking system to unbanked segment, providing basic banking accounts for savings & remittance

and RuPay Debit card with inbuilt accident insurance and also providing financial literacy to targeted households.(PMJDY brochure)

The another objective of this scheme is to provide efficient way to transfer benefits of various government subsidies to the beneficiaries. Hence, the accounts opened under PMJDY phase I and accounts already exist will get direct benefit of LPG subsidies transfer in their savings accounts.

This huge step was taken to help weaker sections of country to grow. The direct transfer of benefits will be further connected with many other government subsidies and benefits which could financially help weaker and poor segment of the country. LPG has huge roll in economic development of India

### *C. Innovative steps by government for opening accounts and facilitation DBT of subsidies.*

The government has taken following innovative steps to accomplish the financial inclusion mission and DBT operation management.

- Banks were advised to make available basic banking 'No frills' account either with 'nil' or very minimum balances.
- To provide these banking services it was decided to provide banking outlets within 5 kms distance of every village.
- The goal was to open at least one account per family.
- To set up an additional 50,000 Business correspondents (BCs), more than 7000 branches and more than 20,000 new ATMs in the first phase.
- All the government benefits like LPG, MNREGA wages, scholarships are set to transfer directly to the accounts of beneficiaries
- In this connection, in a meeting held in PMO on 26.12.2014, it emerged that even though commendable work has been done by the banks under Pradhan Mantri Jan Dhan Yojana (PMJDY) so far and even though all unbanked households are covered by at least one bank account, there may be instances where the DBTL beneficiary happens to be a member of the family/household other than the member in whose name the account have been opened. In the given situation, transfer of subsidy amount in the account of the DBTL beneficiary will not be possible and will require opening of accounts in the name of such DBTL beneficiaries. With a view to obviate this situation, it has

been decided that on the basis list of LPG beneficiaries made available by OMCs, banks may hold special camps at their branches nearest to the LPG distributors for opening of accounts of DBTL beneficiaries, even if the household already has a bank account, If there is no bank branch in the vicinity, a special desk may be created at a nearby branch to collect all such applications.

- Banks are offered commission for transferring subsidy.
- Government has launched website for PMJDY, PAHAL yojana and MNREGA so that beneficiaries can register themselves online and get the benefits instantly.
- There was an issue regarding transfer of benefits to the dormant accounts, hence government with the help of RBI issued a circular instructing banks to transfer the benefits smoothly into the dormant accounts too.
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- The websites will also provide status, progress reports of work done by government to the public.
- A media plan for creating awareness among citizens regarding the banking correspondents, basic banking services, Banking products available at BC outlets and RuPay debit card is worked out in consultation with bank.
- A web portal is created for reporting/ monitoring progress.
- Gram Dak Sewaks in rural areas are proposed as Business Correspondent of banks.
- Focus is on improved banking technology for Financial Inclusion.

## II. Literature Review

For the sustainable development, there must be an attempt to include all the sections of society. But huge part of rural population is not financially illiterate and unaware and hence it is a big obstruction for the economic growth of the country. It is very serious issue for the country. To overcome such issues, banking sector has come up with some technological innovation such as automated teller machines, Plastic money that is debit and credit cards, e-banking etc. Though introduction of such technologies made huge change in the urban society, a majority of the rural population was unaware of these changes and is excluded from formal financial system of the country which is banking system. [1]

This paper stresses the need of matured, positive attitude and approach and sound strategy to achieve complete financial inclusion. This paper also looks at some of the business models and essential elements of profitable models for financial inclusion so as to increase the meaningful and whole hearted participation of the banks in achieving complete financial inclusion. [2]

The Researcher attempts to introduce the concept of financial inclusion and highlights its need. This paper briefly reviews the Indian banking sector and reports the level of financial exclusion in India. In the second part, it provides a brief understanding on Business Correspondent model and emphasizes how BC model could significantly help in promoting financial inclusion of the excluded population. It concludes by emphasizing some of the operational challenges in its functioning and suggests a way forward. [3]

For building customer awareness E-banking and mobile banking training and education programs should be conducted which will help them literate about complete financial system. New bank branches have been opened and new ATMs have been installed for the purpose of achieving financial inclusion all over the country. PSBs and RRBs played a key role in the financial inclusion process. [4]

It discusses the conceptual aspects of financial inclusion, point out the reasons for financial exclusion, highlight the measures taken by Reserve Bank of India for promoting financial inclusion and the role of banks towards financial inclusion. The study is based on secondary data collected from different publications, journals, and newspaper and websites, magazines. Government of India and Reserve Bank of India has taken various initiatives like opening of no-frills accounts, relaxation on know-your-customer norms, engaging business correspondents for promoting financial inclusion. It concludes that there are certain problems like lower financial literacy, lack of awareness, the cost of transaction and customer acquisition is high and it is not at all cost-effective. RBI has taken various initiatives to strengthen financial inclusion. Information and communication technology offers the opportunity for the banks to improve financial inclusion for the unbanked people in the whole country. [5]

The basic need for financial inclusion is facilitation of Direct benefit transfer of government subsidies to the beneficiaries. In April 2002, the government declared that subsidies for all petroleum based products would be phased out except for LPG and kerosene which the government pledged would see their subsidies phased out within a 3 to 5 year period. LPG and kerosene are very essential sources which are used as a domestic cooking fuels by a large portion of the population in country. Also simultaneously in 2002, LPG subsidies will be paid out of the government funds as opposed to APM pools and subsidies were revised and raised by Rs. 67.75 per cylinder. [6]

#### Why LPG?

LPG is an environmental- friendly and clean fuel which has tremendous potential as replacement for traditional fuels like coal and firewood. As the traditional fuels are limited, the use of LPG as cooking fuel has become unavoidable for people in both cities and rural areas. It is an ideal fuel for modern kitchens today with its features like safety, reliability and convenience. [7]

In today's era, LPG is the most preferable cooking fuel in urban areas. More than 3 million LPG refills are purchased every day, which results in about one billion transactions a year. The author has used 23.2 million transactions that are carried out by about 4 million households in 509 districts [8]

Because of the domestic-sector subsidy and the commercial-sector tax, differential pricing drives the incentive to trade LPG on the black market. Audits reveal that the number of fraudulently created LPG subsidy beneficiaries may run into the millions if counted. [9]

### III. Data Analysis & Interpretation

In July 2014, the first step of Modi government towards transferring any government subsidy directly in bank account of beneficiary was to analyze number of households not having any bank account and banking services, i.e. unbanked segment of country. According to Census 2011 estimate, out of 24.67 crore households in the country, only 14.48 crore (58.7%) households had access to banking services. When survey and analysis was done in 2014, it came to know that 6 crore households in rural and 1.5 crore in urban area needs to be covered. The actions were taken in

2014 and again survey was conducted and report was generated on September 2014 under PMJDY.

The number of accounts opened under PMJDY as on 02/09/2014 is as follows in Table I

Table I

Type of Bank	Rural	Urban	Total
1.Public Sector Banks	11066616	7707103	18773719
2. RRB (Rural Regional Bank)	3389613	423601	3813214
3. Major Private Banks	208099	172244	380343
Grand Total	14664328	8302948	22967276

The number of accounts opened under PMJDY as on 31/01/2015 are as follows in Table II

Table II

Type of Bank	Rural	Urban	Total
1.Public Sector Bank	53300249	45147276	98447525
2. Rural Regional Bank	18489448	3297833	21787281
3. Private Banks	3226397	2012086	5238483
Grand Total	75016094	50457195	125473289

The number of accounts opened under PMJDY as on 27/01/2016 are as follows in Table III

Table III

Type of Bank	Rural	Urban	Total
1. Public Sector Bank	89500000	71300000	160800000
2. Rural Regional Bank	31200000	5200000	36400000
3. Private Banks	4500000	3000000	7400000
Grand Total	125300000	79400000	204700000

When survey and analysis was done in 2014, it came to know that 6 crore households in rural and 1.5 crore in urban area needs to be covered. Then analyzing above tables if we sum up number of accounts opened in last 2 years campaign , the total is almost above 35 crores. Now estimated households to be covered were almost 8 crores and then covered households are 35 crores, which means more than one accounts were opened in each household. This was done under special campaign initiated by government.

PAHAL (DBTL) Scheme- Special campaign for Opening of account of LPG consumers (<http://www.pmjdy.gov.in/files/circular/english/29.12.2014.pdf>) On 26/12/2014 meeting held in PMO (Prime Minister's office ), at that time it was emerged that though commendable work has been done by the banks under Pradhan Mantri Jan Dhan Yojana (PMJDY) so far and even though all unbanked households are covered by at least one bank account, there may be instances where the DBTL beneficiary happens to be a member of the family/household other than the member in whose name the account have

been opened. In the given situation, transfer of subsidy amount in the account of the DBTL beneficiary will not be possible and will require opening of accounts in the name of such DBTL beneficiaries. With a view to obviate this situation, it has been decided that on the basis list of LPG beneficiaries made available by OMCs, banks may hold special camps at their branches nearest to the LPG distributors for opening of accounts of DBTL beneficiaries, even if the household already has a bank account, for a period of fifteen days w.e.f. 01.1.2015 and thereafter on weekly basis. If there is no bank branch in the vicinity, a special desk may be created for the above said period at a nearby branch to collect all such applications. A district wise list of LPG dealers was distributed for identifying centers for holding such camps and LPG distributors were

instructed to help opening the accounts of all LPG beneficiaries on priority basis. The dormant accounts (i.e. inactive from long time) were obstruction in the way of smooth transfer of DBT and hence the ministry guided the banks through RBI circular to make the smooth transfer of benefits even though the accounts are dormant. The objective behind this was to provide benefits to beneficiaries without any obstruction.

Before 2014, campaigns held by earlier governments were limited to almost 121 districts because available reports states so. The reports shows the following result for Direct transfer of LPG subsidy to the beneficiaries by the end of the year 2013 in Table IV

Table IV

	Districts Covered	Total Number of LPG Consumers	Total no. of DBT Transactions
DBT in LPG Subsidy	121	5735290	12771484

As soon as Modi government took charge in 2014, they planned and started efforts under PMJDY to connect all the districts in the country to the banking system (formal financial system) and facilitate direct benefit transfer of all the government subsidies to beneficiaries in their savings accounts. Hence 1 year after that i.e. by 01/04/2015, the

efforts showed the result of covering all the districts in the country and covering 15.01 crore beneficiaries that is almost all beneficiaries. The total cash given for subsidies was Rs. 32862.93 crore and persons who voluntarily gave up subsidy were 6727130. Report as on 01/04/2015 in Table V

Table V

	Districts Covered	Total Number of LPG Consumers	Total Number of DBT Transactions
DBT in LPG Subsidy (PAHAL Yojana)	676 (all)	148558093	28,17,12,144

#### IV. Conclusion

After analyzing above tables we can conclude that the scope of earlier campaigns was very limited. According to Census 2011 estimate, out of 24.67 crore households in the country, only 14.48 crore (58.7%) households had access to banking services and out of that LPG beneficiaries in only 121 districts were covered under the LPG subsidy scheme. This means that less than 58% households of country were getting benefits of LPG subsidy. This was resulted in need of Pradhan Mantri Jan Dhan yojana launch. Under this scheme

100% households of the country were connected to formal financial system covering all districts in country and LPG beneficiaries who were also connected to bank and then LPG subsidies were transferred directly to their savings bank accounts. This was resulted in cutting off layers in between government and beneficiary and therefore cutting off corruption in there. This caused huge financial help to the weaker section of the country and hence their development thereafter. This is huge step towards economic development of country and will lead to reduce the financial gap between rich and poor in the country. LPG subsidies are big deal for

those who leave under poverty level as well as under lower middle class level. [10], [11]

After looking at the scope of this scheme, huge efforts were put in by banks, government, ministry of finance to achieve the targets in just a year and also it is going to raise up the banking business of country as the banks will get commission for transferring subsidies each time to the beneficiaries and banks are also advised by government through RBI to raise their capacity of operations as all of a sudden banks need to deal with crores of additional transactions regarding subsidy schemes of government.

#### V. Suggestions

The government in future should extend the scope of e-transactions to all the government related activities, fines, fees etc. When all the government payments will be connected to e-payment, the corruption will be almost 80% less as government plays huge role in economic system directly or indirectly. So, The efforts, times and money of ordinary citizen of country will be efficiently used. And this will even cause reduction in percentage of Money laundering. This will ultimately cause huge step towards economic development of country and end up by more money in hand to spend by ordinary person in the country resulting in reduction of Fiscal deficit.

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