

## Chapter 2

### PAHAL (DBTL) Scheme

#### 2.1. Introduction of Direct Benefit Transfer for LPG Scheme

In 2011, a Task Force was set up to suggest ways and means to tackle the problem of increasing under recoveries to OMCs and diversion of domestic subsidised cylinder to the commercial sector having bearing on subsidy outgo. The terms of reference of the Task Force included identification of a framework for direct transfer of subsidy to the consumers based on Aadhaar Number. The Task Force in its report (July 2011) recommended the implementation of LPG subsidy in three phases as follows:

Phase I: Impose cap on consumption of subsidised cylinders.

Phase II: Direct transfer of subsidy to consumers into Aadhaar enabled bank account

Phase III: Target segmented consumers to restrict subsidy only to intended beneficiaries.

Direct Bank Transfer for LPG (DBTL) Scheme was launched (1 June 2013) by GoI with a cap of nine cylinders to achieve efficient subsidy administration. This cap was revised to 11 in February 2014 and to 12 for 2014-15. The Scheme envisaged curbing pilferage in and diversion of domestic LPG distribution system of OMCs by effecting cash transfer of subsidy directly into the bank account of the eligible consumers. The Scheme envisaged payment of market price for the domestic cylinders by LPG consumers and the transfer of subsidy amount directly to consumer's bank account. Domestic LPG consumers were required as per the Scheme to link their Aadhaar Number and Bank Account Numbers with their LPG consumer ID to avail the subsidy on domestic LPG cylinders. The consumers who linked their Bank account and Aadhaar number to their LPG consumer ID were termed Cash Transfer Compliant (CTC) and were eligible to receive a one-time Permanent Advance (PA) of ₹435/- to enable them to pay market price of the first cylinder and subsequently the applicable subsidy amount on delivery of refills. The Scheme was implemented in 291 districts of the country.

#### 2.2. Suspension of DBTL Scheme

Having an Aadhaar number was a pre-requisite for availing subsidy under the DBTL Scheme. This led to consumer grievances, particularly in districts where Aadhaar penetration was low. The DBTL Scheme was suspended in March 2014 and a committee headed by Shri S. G. Dhande was constituted (March 2014) to review the functioning of the Scheme. Subsequently, on 15 November 2014, direct benefit transfer for subsidy on domestic LPG was re-introduced under the "Pratyaksh Hanstantrit Labh Yojana" (PAHAL (DBTL) Scheme).

### **2.3. Introduction of PAHAL (DBTL) Scheme**

The PAHAL (DBTL) Scheme was introduced on 15 November 2014 in 54 districts (1<sup>st</sup> phase) and subsequently extended to the remaining 622<sup>1</sup> districts on 1 January 2015 (2<sup>nd</sup> phase). Unlike DBTL Scheme, Aadhaar number was not mandatory for a consumer to avail of subsidy benefit under the PAHAL Scheme. An LPG consumer had the option of linking her/his bank account to her/his LPG consumer ID without quoting the Aadhaar number and receive subsidy in that bank account.

The PAHAL (DBTL) Scheme is being implemented by the Oil Marketing Companies (OMCs) through its network of LPG distributors who constitute the interface with consumers. The distributors maintain the LPG consumer database (containing the particulars of the domestic LPG consumer, including a unique LPG ID, name, address, date of birth, bank account details and Aadhaar number in case available) for the area earmarked for the distributorship and periodically synchronises the same to the central system maintained by the OMCs. The distributors deliver LPG cylinders in response to a request from the consumer at market prices and uploads proof of receipt by the consumer (indicating completion of the transaction) to the central system. The action for reimbursement of subsidy to the consumer is initiated by the OMC (central system) which sends the advice to the sponsor bank (State Bank of India) and onward to the National Payment Corporation of India (NPCI) enabled payment platform for crediting the bank account of the LPG consumer. The information regarding transfer of subsidy to the consumer is received by the central system of the OMCs who then prefer a subsidy claim with the Government for reimbursement.

### **2.4. Features of PAHAL (DBTL) Scheme**

- Objectives of PAHAL (DBTL) Scheme are:
  - a. Remove incentive for diversion.
  - b. Weed out fake/duplicate connections.
  - c. Protect entitlement and ensure subsidy to the consumer.
  - d. Improve availability/delivery of LPG cylinders to genuine users.
  - e. Allow self-selection in subsidy.
- The conditions for receipt of subsidy under the Scheme are as follows:

Consumers who wished to join the Scheme had to be Cash Transfer Compliant (CTC) to receive LPG subsidy amount and had two options:

  - **Option I (Primary):**

Wherever Aadhaar number is available; it would remain the medium of cash transfer. Thus, an LPG consumer who has an Aadhaar Number has to link it to their Bank account number and LPG consumer number. These

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<sup>1</sup> The Scheme was extended to all districts in the country on 01 January 2015. But OMCs were authorized to exclude some districts/part of district or distributors from the Scheme for reasons like connectivity issues, etc. with the prior approval of Ministry of Petroleum and Natural Gas.

consumers would be referred as **ACTC** (Aadhaar Cash Transfer Compliant) consumers.

▪ **Option II** (Secondary):

If an LPG consumer does not have an Aadhaar number, then he/she can directly receive subsidy in his/her Bank account without the use of Aadhaar number. These consumers would be referred as **BCTC** (Bank Cash Transfer Compliant) consumers.

- Domestic LPG consumers who have already joined the earlier DBTL Scheme by linking their Aadhaar number and Bank account number to the LPG database would not need to take fresh action for receiving subsidy since the subsidy would be transferred to their Bank accounts via Aadhaar number based on the previous seeding.
- In the districts where the Scheme has been launched, domestic LPG cylinders would be sold at market determined price (*i.e.*, price which does not include subsidy) from the date of launch of the Scheme.
- The total cash applicable on LPG cylinder ('total cash' is the difference between market determined price and the subsidised retail selling price as applicable on the date of delivery) would then be transferred to the Bank account of CTC consumer for each subsidised cylinder delivered up to the cap of 12 cylinders for the whole year as per his/her entitlement.
- Non-CTC consumers were allowed 3 months' grace period (up to 14 February 2015 for 1<sup>st</sup> phase and 31 March 2015 for 2<sup>nd</sup> phase) from the date of launch of PAHAL (DBTL) Scheme to become CTC. During this period, such consumers would receive their entitled cylinders at the then applicable subsidised retail selling price.
- After the grace period of three months, all non-CTC LPG consumers got an additional three-month parking period (*i.e.*, up to 14 May 2015 for 1<sup>st</sup> phase and 30 June 2015 for 2<sup>nd</sup> phase), during which time, the sale would be at market determined price for all LPG consumers. During this period, the CTC consumers would get their subsidy in their bank account and the subsidy pertaining to transactions of non-CTC consumers would be held back with the respective OMC. This withheld subsidy amount would be transferred to such LPG consumers who became CTC anytime during this parking period. The withheld subsidy amount relating to such LPG consumers who did not become CTC during the parking period would lapse and sale of refill cylinders to them would continue at market determined price till such time the consumer attains CTC status.
- A one-time permanent advance (PA) would be credited in the bank account of the consumer who joined the Scheme after booking of first refill. The advance would be notified, from time to time, and would be paid as soon as the consumer made the first

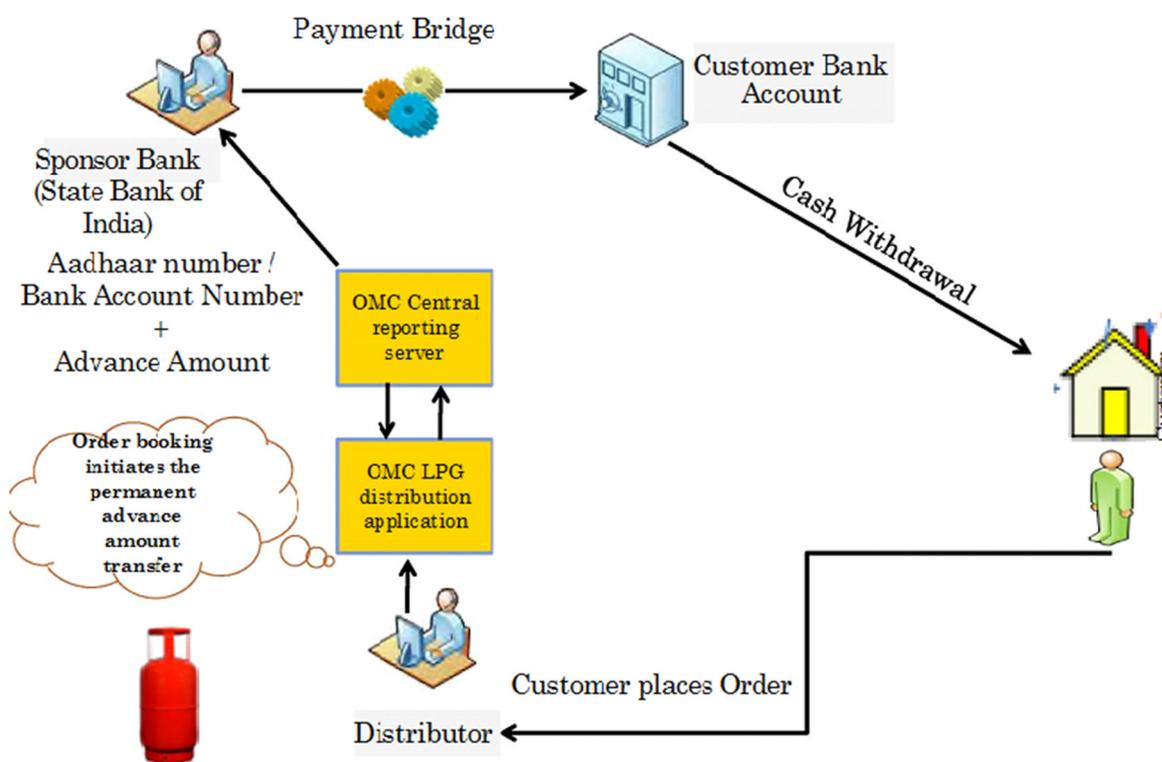
booking for a cylinder after joining the Scheme to ensure that the consumer had sufficient money required to pay for the first LPG cylinder. The PA amount was ₹568/- for the period 15 November 2014 to 31 March 2015. Thereafter, the PA amount has been revised every month and it varied from region to region<sup>1</sup>.

- LPG consumers who were provided permanent advance on a previous scale would not be eligible for any differential payment on account of the revision in the permanent advance

## 2.5. Payment process of the Scheme

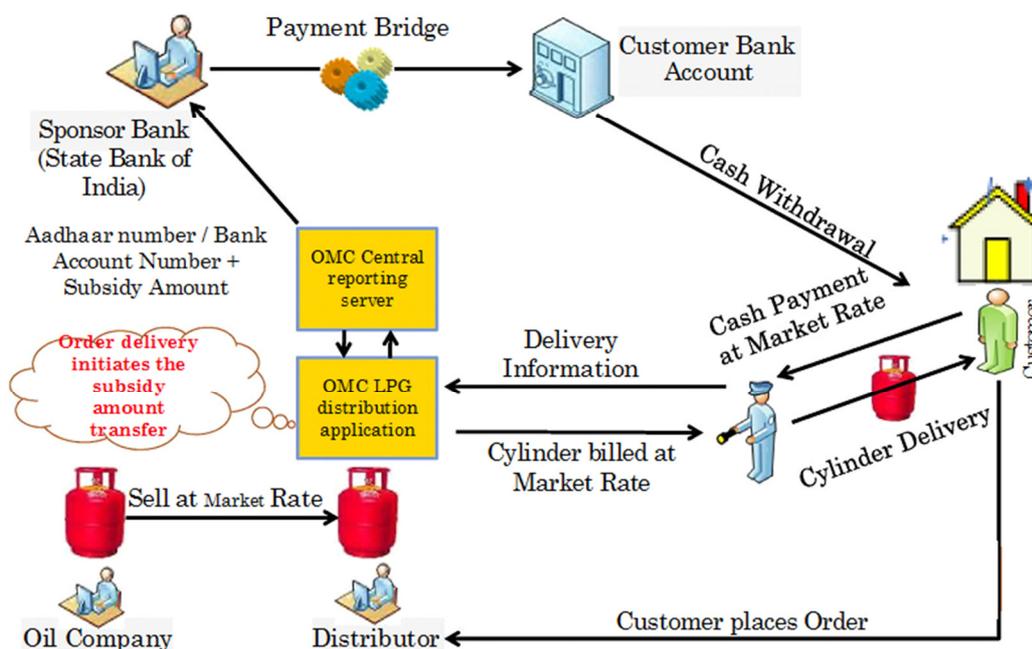
The process of transfer of advance and subsidy to the consumer under the Scheme is represented in the flow charts below:

**Figure-1: Transfer of one time cash advance (Permanent Advance)**



<sup>1</sup> Price varies from sales location to location depending upon transportation charges involved in view of distance from supply point and also State as well as local taxes applicable to that particular sales location.

Figure-2: Transfer of Refill Subsidy



## 2.6. Procedure for settlement of PAHAL (DBTL) claims of OMCs

OMCs were allowed to claim PA in respect of all CTC consumers at the time of launch of the Scheme, but subsequently PA claim was to be made only after disbursement for PA amount to the additional consumers that joined the Scheme. Similarly, OMCs were required to lodge claims with GoI, on quarterly basis, towards subsidy amount successfully transferred to the Bank account of the LPG consumers. However, while lodging such claim OMCs are not entitled to claim the entire subsidy amount transferred to the consumers. OMCs were entitled to claim subsidy amount only after deducting uncompensated cost<sup>1</sup>. Additionally, OMCs are also entitled to claim Project Management Expenditure<sup>2</sup> on quarterly basis, restricted to ₹50 lakh per district.

Ministry of Petroleum and Natural Gas (MoPNG/Ministry) vide letter dated 7 August 2015 introduced monthly settlement mechanism for PAHAL (DBTL) subsidy from the year 2015-16, wherein OMCs were required to open a separate Bank account called 'Buffer Account' for receiving the cash subsidy. OMCs then had to submit Audited statement of DBTL sales made on all India basis to Petroleum Planning and Analysis Cell (PPAC) that would scrutinize the sales figure communicated by OMCs and forward to the Ministry. MoPNG was

<sup>1</sup> Uncompensated cost are the cost elements such as import loss/non-revision loss etc. which are not included in the methodology of cost price determination as mentioned in the appendix attached to the scheme.

<sup>2</sup> Project Management Expenses includes Seeding expenditure, Software charges/upgrade, Expenditure on forms/SMS/seeding, Aadhaar generation camps, etc.

to process and send the proposal along with its recommendation to Integrated Finance Division (IFD) of MoPNG, which after examination would give its concurrence for release of cash subsidy applicable for each month. MoPNG would release the amounts to the Buffer Account of each OMC. Each OMC will be allowed to withdraw the subsidy amount from Buffer Account based on the quantity of LPG sold under PAHAL (DBTL) Scheme during the period. The status of various claims lodged by the OMCs with MoPNG under DBTL/PAHAL Scheme and the subsidy amount sanctioned by Government of India (GoI), for credit to Buffer Account is indicated in Annexure I.

In response to Chapter 10, MoPNG stated (June 2016) that Permanent Advance has been discontinued with effect from 1 April 2016. Department of Expenditure approved adjustment of ₹6702.96 crore of one-time cash incentive (Permanent Advance) paid by the OMCs in the year 2013-14 and 2014-15 to the consumers under the Scheme from the surplus available in the Buffer Account.

### **2.7. Coverage under the PAHAL (DBTL) Scheme**

The PAHAL (DBTL) Scheme intends to cover all domestic LPG consumers which stood at 16.17 crore serviced by 16,781 distributors as on 31 October 2015. Indian Oil Corporation Ltd. (IOCL) accounts for approximately half the market share with 7.82 crore consumers and 8,343 distributors. The other two OMCs cover the balance consumers with the market share divided nearly equally between them (*i.e.*, Bharat Petroleum Corporation Ltd. (BPCL) having 4.06 crore consumers serviced by 4271 distributors and Hindustan Petroleum Corporation Ltd. (HPCL) having 4.29 crore consumers serviced by 4167 distributors). Of the total of 16.17 crore domestic LPG consumers, 10.63 *per cent* have not joined the Scheme and were designated (31 October 2015) as Non Cash Transfer Compliant (NCTC) consumers. Of the 14.45 crore CTC consumers, 8.50 crore (59 *per cent*) were Aadhaar compliant (ACTC consumers). The balance 5.95 crore CTC consumers (41 *per cent*) had furnished only Bank account details and were BCTC consumers (31 October 2015).

### **2.8. IT Systems for implementing PAHAL (DBTL) Scheme**

The three OMCs (IOCL, BPCL and HPCL) had different IT systems and IT architecture for implementing the PAHAL (DBTL) Scheme. IOCL and HPCL had a de-centralised server architecture, a server at the distributor end and a central server with the OMC. The software used on the distributor servers of IOCL is Indsoft while the software used by HPCL is Distributor and Consumer Management System (DCMS). Each distributor maintains the consumer database pertinent to her/ his distributorship and carries out transactions on the server operating on the specified software system (Indsoft for IOCL and DCMS for HPCL).

In the case of IOCL, any consumer creation/change requests are received at distributor premises based on the consumer request and such requests get pushed to Central Server for execution. The Central Server authorizes such requests, executes them based on the business logic and creates/changes the consumer's data first at Central Server. Subsequently, the changes are percolated back to the distributor software along with the request execution status. This mechanism ensures no unauthorized change happens to consumer database at the distributor level and the Central Server always has first information on creation/change of customer details. The transaction data at the distributor end is synchronised with the central server at periodic intervals.

In the case of HPCL, any consumer creation/change requests are received at distributor premises based on the consumer request and action is taken in local DCMS system. Periodically, the requests gets synchronised to the central server. As per this process, all changes are made to consumer database at distributor level and then the data is synchronised to the central server on periodic basis. The central server is used for accumulation of transactions and for generating various periodic and MIS reports.

BPCL, on the other hand, has a single integrated centralised server which operates on software, LPGNext and maintains the consumer master data as well as the record of day to day transactions of the distributors on a real time basis.

## **2.9. Audit findings**

It may be noted that the magnitude of inconsistencies in data highlighted in the observations may not be material in terms of the number of cases or amounts involved when compared with the sample size checked in audit. However, the findings are reported to indicate the extent of achievement of the Scheme objectives and to highlight certain inconsistencies from system perspective so that the Scheme and the systems can be fine-tuned for even better delivery of services to LPG consumers. Audit is of the opinion that any beneficiary in a social security and welfare measure like PAHAL (DBTL) Scheme should not be denied of his/her legitimate benefit only because of inconsistency in data processing and management or in the framework within which it is being implemented.

The audit findings on each objective of PAHAL (DBTL) Scheme are grouped under the following chapters.

- Chapter 3: Removing Incentive for Diversion
- Chapter 4: Weeding out Fake/Duplicate Connections
- Chapter 5: Delivery of Cylinders to Genuine Users
- Chapter 6: Protection of Entitlement and Ensuring Subsidy
- Chapter 7: Self-selection in Subsidy

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Chapter 8: Other Issues

Chapter 9: Savings in Subsidy through PAHAL (DBTL) Scheme

Chapter 10: Conclusion and Recommendations