

## Direct Benefit Transfer Scheme: Issues and Challenges

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### Abstract:

"A smart delivery mechanism will reach the people of India. The consumers will get hassle-free service and at the same time, government would save on subsidies," The Narendra Modi-led government has launched DBTL in 54 districts since November 15. The scheme has been extended to the entire country by January 1. How will it work: a consumer's account would be credited with Rs.568 as one-time advance, while he books his first refill starting January 1<sup>ST</sup>. Post the one-time advance; every time a refill is delivered the subsidy amount will be credited to the bank account linked with LPG connection. The mechanism would be similar to consumers of Indane, Bharat Gas or HP Gas.

Keywords: DBTL, LPG, PSU, etc

### Introduction:

On the New Year day, the government unveiled world's largest direct subsidy roll out scheme - Direct Benefit Transfer for LPG consumer (DBTL) - across all the 676 districts in the country covering 15.3 domestic cooking gas consumer. The scheme is aimed at an efficient subsidy delivery mechanism to the targeted consumer curbing leakages. "A smart delivery mechanism will reach the people of India. The consumers will get hassle-free service and at the same time, government would save on subsidies," The Narendra Modi-led government has relaunched DBTL in 54 districts since November 15. The scheme has been extended to the entire country by January 1. How will it work: a consumer's account would be credited with Rs.568 as one-time advance, while he books his first refill starting January 1<sup>st</sup>. Post the one-time advance; every time a refill is delivered the subsidy amount will be credited to the bank account linked with LPG connection. The mechanism would be similar to consumers of Indane, Bharat Gas or HP Gas. For instance, in the national capital, after the one-time advance of Rs.568, consumer's account would be credited with another Rs.235.91 (which changes every month) for every domestic refill delivered. He will have to shell out another Rs.417 / cylinder from his pocket and pay Rs.652.91 to the cylinder delivery person. This will be valid for

12 subsidised refill quotas for every consumer. The consumers need to register bank account with dealer, Aadhar is not mandatory. In the pilot scheme rolled out in 54 districts since November 15, oil marketing companies -IOC, HPCL and BPCL - have credited Rs.590 crore to consumers' accounts till December 29, 2014. Every day, nearly 30-35 million domestic refills are being delivered across the country This takes the total count of domestic cylinders delivered in a year to about 100 crore. Nearly 99.67% of total domestic consumption is within the subsidised limit of 12 refills every financial year.

The pilot scheme has covered nearly 37 of domestic LPG consumers. The subsidy on domestic cooking gas was Rs. 46,458 crore (shared between government and upstream companies) out of total losses on subsidised petroleum products (under-recovery) at Rs.139, 869 crore in FY14. This is likely to be reduced to the tune of Rs.28, 000 crore for domestic LPG in FY15, while total under-recovery is expected to be around Rs.86, 000 crore.

### CONCEPT OF DIRECT BENEFIT TRANSFER

Transfer of cash subsidy directly to the people living below poverty line. The government gives subsidy to enable common man to have access to the basic necessities like fuel and food

grains at affordable prices. Under this scheme, the covered beneficiaries get the amount directly in their bank accounts.

#### **BENEFITS OF DBT**

In India there are many DBT schemes in existence. The only addition to the existing cash transfer scheme is the addition of one more stage of verification to it that is "Aadhaar card number". The major benefits of DBT present in it are:

1. DBT is linked with usage of both Aadhaar card and biometric verification which will remove the problem of duplication of beneficiaries.
2. Benefits would possibly reach beneficiary on every first of every month and no intermediaries.
3. An intense network, the bank would ensure that the cash must reach the beneficiary at its doorstep.
4. By use of Aadhaar based micro ATM networks, the cash transfers that take place inside India can now be performed instantly with lower cost.

#### **REVIEW OF LITERATURE**

The Direct Benefit Transfer for LPG (DBTL) scheme was rolled out in 291 districts in the country from 1st June 2013 in six phases. It covered nearly 10 crore consumers with over 3770 distributors across the three PSU oil marketing Companies with an aim to achieve the objective of efficient subsidy administration. An amount of Rs. 5400 crore was successfully transferred to more than 2.8 crore LPG consumers across the country. While preliminary results indicated that the scheme met its primary objective of curbing leakages in the distribution system, the speed at which it was rolled out and inclusion of low Aadhaar districts gave rise to consumer grievances. The Government of India took cognizance of this and directed that the scheme be held in abeyance and constituted a Committee on 7th march 2014 to review the scheme and submit its report to the

Government of India after consultation with the stakeholders. The Committee has examined the functioning of the DBTL scheme in depth by meeting all stakeholders to understand every aspect of the scheme and the difficulties encountered by the stakeholders, primarily LPG consumers. The Committee after a detailed study of the scheme design, architecture and implementation structure, audit reports, consumer feedback and interactions with the stakeholders, strongly recommends that DBTL scheme should be recommended as it is a very efficient way to disburse subsidies. The Committee recognises that although the scheme design is indeed very robust and scalable which prevents leakages, it has suggested several systemic changes and enhancements to mitigate the hardships reported by the LPG consumers. These have been presented as 30 recommendations covering various aspects of the scheme. The major recommendations are:

- 1) A Centralized Grievance Resolution
- 2) Permanent advance to be adequate to finance refill purchase
- 3) Reimburse LPG subsidy while consumer is waiting to become eligible to receive the subsidy
- 4) A preparatory period prior to scheme launch • minimum thresholds for launch of scheme launch and for the end of grace period
- 5) Targeted enrollment of LPG consumers • Visibility of NPCi Aadhaar seeding status at all points of contact/SmS/USSD
- 6) incentivize early adopters of the scheme through a free cylinder
- 7) improve last mile access to Banking enhance Subsidy Salience

#### **OBJECTIVES**

This paper is intended to achieve the following objectives:

- 1) To find out the issues related to the direct benefit transfer scheme.
- 2) To identify the major hurdles for the implementation of DBT scheme.

- 3) To examine the awareness about the Direct Benefit Transfer scheme at bottom of the pyramid.
- 4) To suggest the measures to overcome these hurdles for better results.

maintain the accuracy of the data.

### DATA ANALYSIS AND INTERPRETATION

#### Frequency Analysis

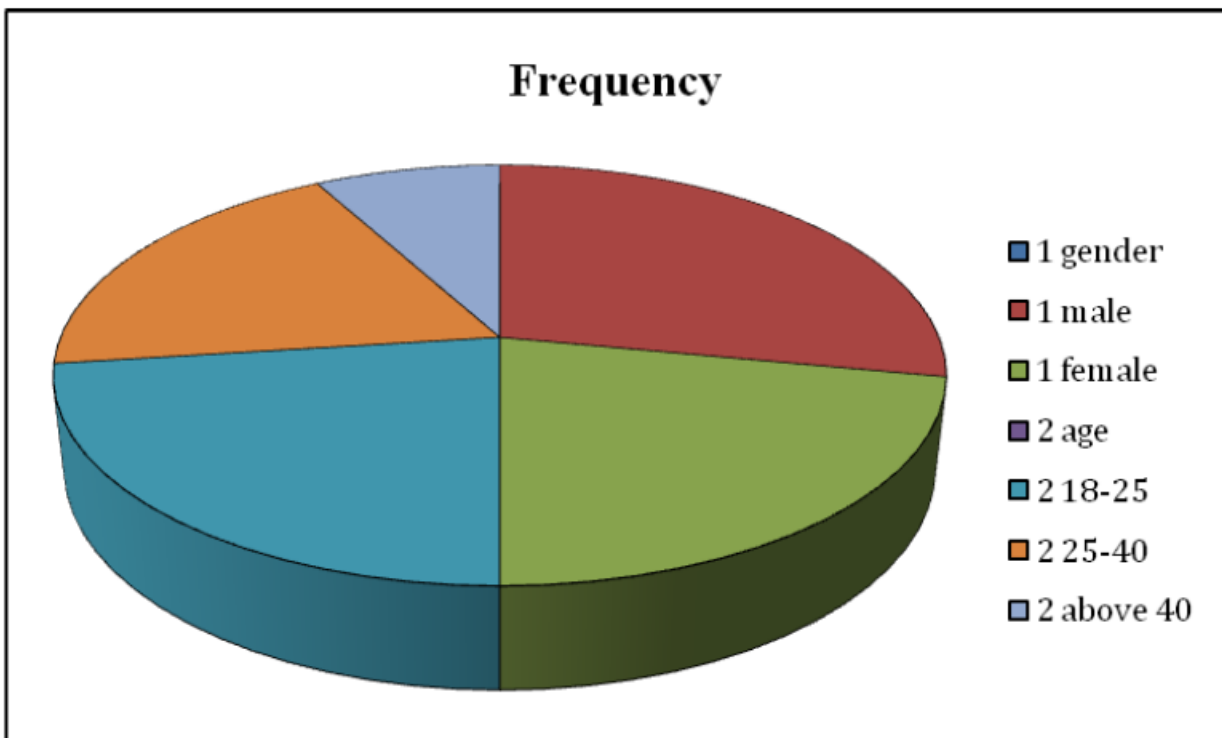
Percentage analysis is one of the descriptive statistical measures used to describe the characteristics of the sample or population in totality. Percentage analysis involves computing measures of variables selected of the study and its finding will give easy interpretation for the reader.

#### RESEARCH METHODOLOGY

The present study is mainly based on primary data collected from the Maharashtra stakeholders of direct benefit transfer scheme. In order to meet the objectives of the study purposive sampling technique is used. Data is collected from the people of selected population data is 169-(139 Male and 30 females) ruralites households (less literate) using schedule method of data collection to Frequency Analysis on Age and Gender

Sr. no.	Particular		Frequency	Percentage
1	Gender	Male	28	56
		Female	22	44
2	Age	18-25	23	46
		25-40	19	38
		Above 40	8	16

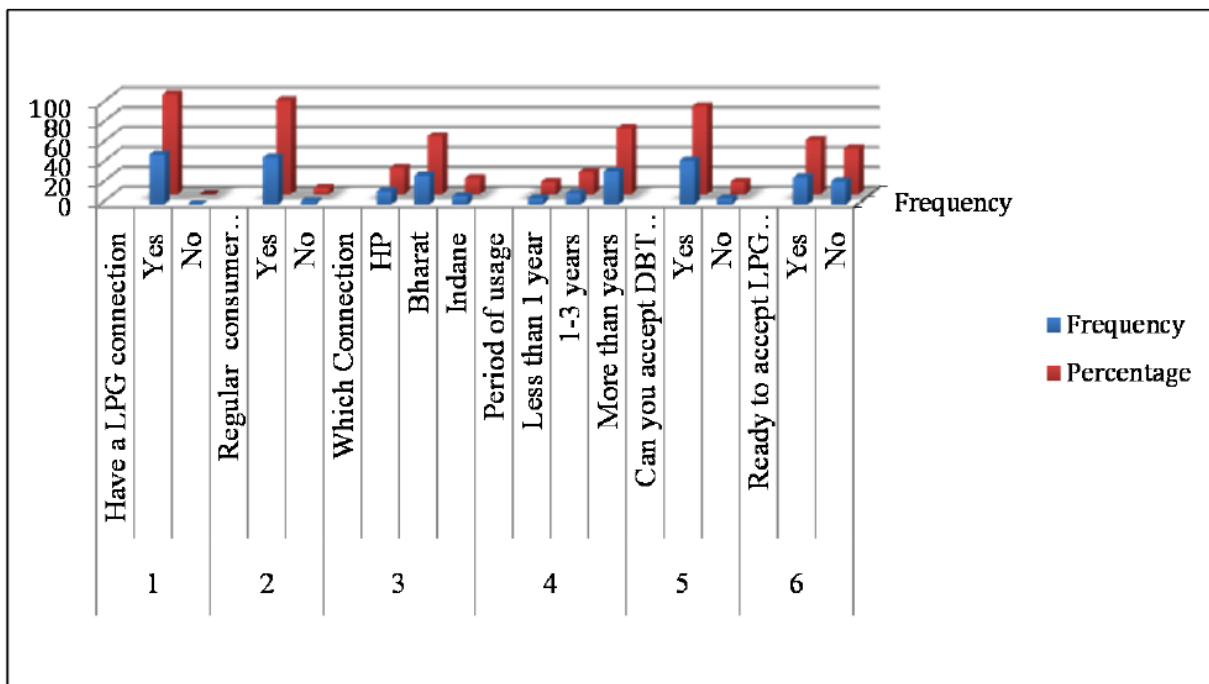
Source: Primary Data



From the table It is inferred that majority (56%) of the respondents are Male. Also among the total respondents (46%) are of the age 18-25 years.

Sr. No.	Particulars		Frequency	Percentage
1	Have a LPG connection	Yes	50	100
		No	0	0
2	Regular consumer of LPG	Yes	47	94
		No	3	6
3	Which Connection	HP	13	26
		Bharat	29	58
		Indane	8	16
4	Period of usage	Less than 1 year	6	12
		1-3 years	11	22
		More than years	33	66
5	Can you accept DBT Scheme	Yes	44	88
		No	6	12
6	Ready to accept LPG without Subsidy	Yes	27	54
		No	23	46

**Source: Primary Data**



**Source: Primary Data**

From the table it is inferred that all the respondents are having LPG connection and most of them are regular consumers of LPG (47%). Most of the respondents are from Bharat Gas (58%) and almost every respondents are using since more than 3 years. Majority of them are accepting DBTL scheme (88%) but half of them are also ready to accept LPG without subsidy.

**HYPOTHESIS**

INDEPENDENT SAMPLE T-TEST

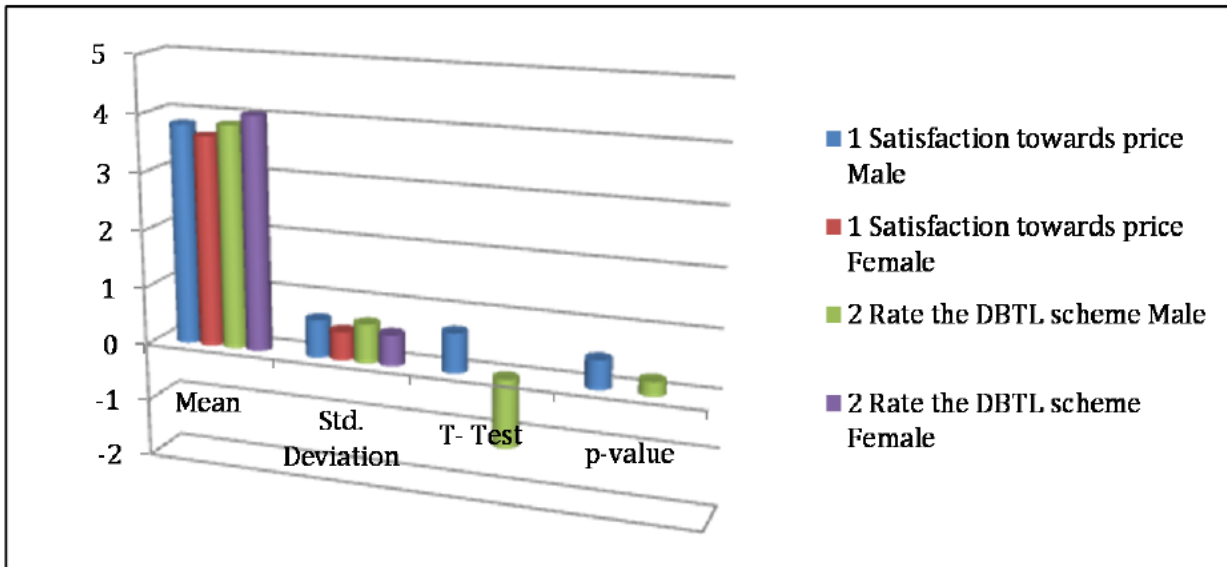
**HYPOTHESIS H1**

**There is association between gender and essentials of LPG**

**HYPOTHESIS H01**

**Null Hypothesis** There is no association between gender and essentials of LPG.

Sr.no.	Particulars	Gender	Mean	Std. Deviation	T- Test	p-value
1	Satisfaction towards price	Male	3.82	0.651	0.684	0.498
		Female	3.64	0.492		
2	Rate the DBTL scheme	Male	3.86	0.670	-1.187	0.241
		Female	4.05	0.53		

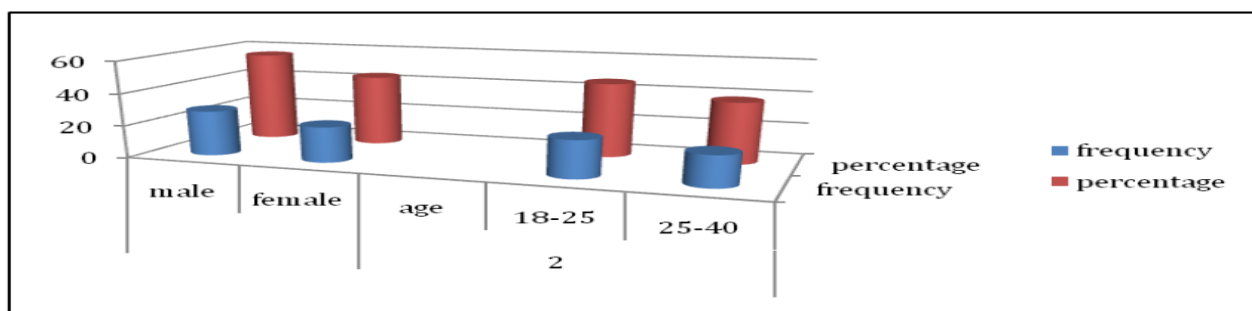


Source: Primary Data

From the above table, it is inferred that p value of satisfaction towards price is 0.498 which is greater than 0.05, in which null hypothesis is accepted and alternative hypothesis is rejected at 5% level of significance. Here is no significant difference between male and female respondents with respect to the satisfaction towards price and rating of DBTL scheme. Male and female Consumers have shown more equal satisfaction in this situation.

**Chi- Square test for association between gender and essentials of LPG.**

Sr. No.	Gender	Whether LPG is essential or not		Chi-square Test	P value
		Yes	No		
1.	Male	24	4	0.100	0.752
2.	Female	19	3		
	Total	43	7		



Source: Primary Data

## HYPOTHESIS H2

There is association between gender and satisfaction towards price.

## HYPOTHESIS H02

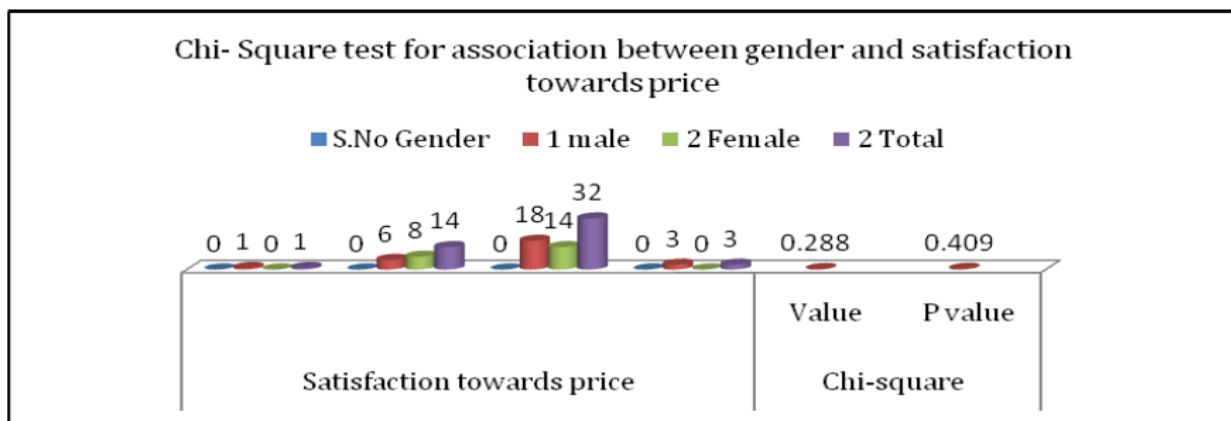
There is no association between gender and satisfaction towards price.

### Chi- Square test for association between gender and satisfaction towards price.

Sr. No.	Gender	Satisfaction towards price				Chi-square Value	P value
		Dissatisfaction	Neutral	Satisfied	Very much satisfied		
1	male	1	6	18	3	0.288	0.409
2	Female	0	8	14	0		
	Total	1	14	32	3		

### Source: Primary Data

Since p value is 0.752 which is greater than 0.050 in which null hypothesis is accepted and alternative hypothesis is rejected at 5% level of significance. Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. There is no association between gender and essentials of LPG. Hence concluded that there is association between gender and essential of LPG.



## HYPOTHESIS 3

There is significant difference between ages of respondents with respect to the factors of Consumer satisfaction towards DBTL scheme.

## HYPOTHESIS H03

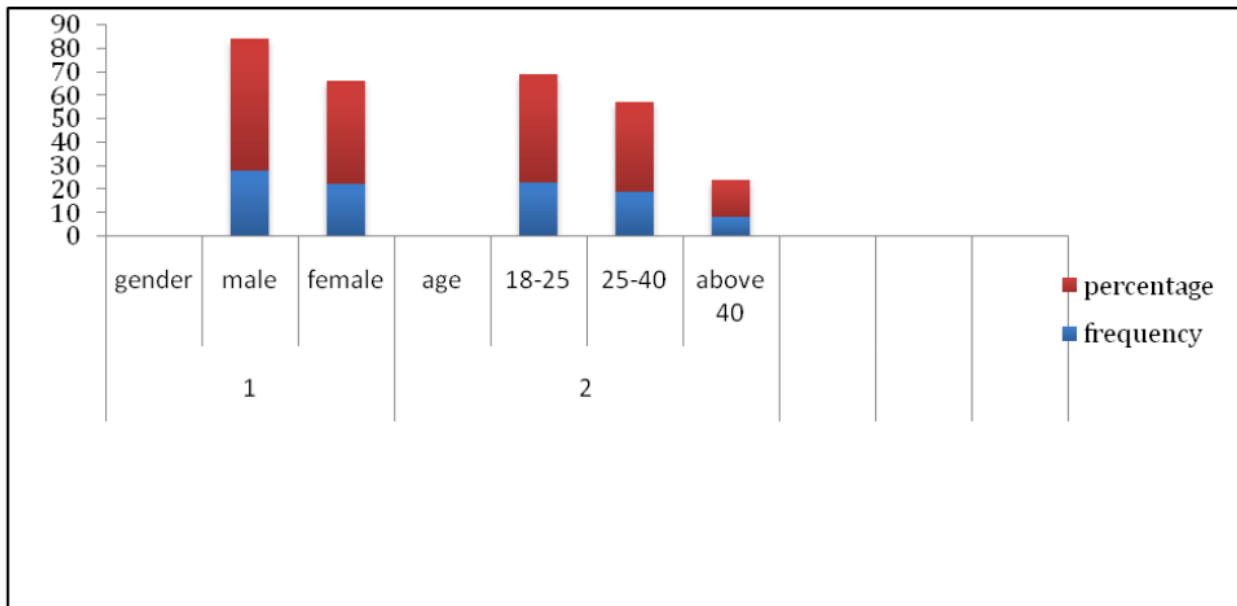
There is no significant difference between ages of respondents with respect to the factors of Consumer satisfaction towards DBTL scheme.

### A test for significant difference between age and factors of satisfaction of DBTL scheme

Sr .No.	Factors of Satisfaction	F-Test	P-value
1	Procedure to link Aadhar and LPG	1.102	0.341
2	Support/guidance/response by gas distributor	1.469	0.241
3	Support/guidance/response by bank	3.966	0.026
4	Timetaken at the gas distribution	1.243	0.298
5	Timetaken at the bank	0.302	0.741
6	DBTL scheme	0.183	0.833
7	Promptness of subsidy credit in bank	1.039	0.362
8	Promptness of subsidy- after purchase	0.185	0.832
9	Price of LPG without subsidy	0.940	0.398
10	Awareness about LPG	0.343	0.712

### Source: Primary Data

From the table, it is inferred that all the p values are ranging above 0.05. Thus, the null value is accepted and alternative is rejected. Therefore there is no significant difference between age and factors of satisfaction.



### Data Analysis and Interpretation

Parameters	Category	Frequency	Percentage
Gender	Female	30	24
	Male	97	76
	<b>Total</b>	<b>127</b>	<b>100</b>
Nativity	Urban	36	28
	Rural	91	72
	<b>Total</b>	<b>127</b>	<b>100</b>
Age	18 to 20	58	45
	21 to 23	55	43
	24 to 26	7	6
	27 to 30	7	6
	<b>Total</b>	<b>127</b>	<b>100</b>
Awareness on DBT	Strongly agree	15	12
	Agree	47	37
	Neither agree nor disagree	31	24
	Disagree	28	22
	Strongly disagree	6	5
	<b>Total</b>	<b>127</b>	<b>100</b>

Data Source: Primary

### FINDINGS

### SECONDARY DATA

Description	Yes	No
Aadhaar Card	130	39
Bank Account	120	49
ATM	1	168
Aadhaar enabled Bank Account	61	108

Table 1 show that out of total 169 respondents 85% respondents have Aadhaar card, 85% have bank account, 44% respondents have ATM cards and only 36% respondent replied that their bank accounts are Aadhaar enabled. The non-linking of Aadhaar number with bank accounts is a major challenge of this program.

### **SUGGESTIONS**

People should be given proper awareness about the scheme by the village panchayats. This can be achieved through the effective participation of the panchayat and the educated youth in the villages. Proper awareness programme can be conducted at village level through educational institutions, non-governmental organizations; self-help groups so that the government can eliminate the misconceptions about the scheme to be implemented in the villages. The officials' in charge for enrollment can give a clear picture about the technology involved in this scheme as well. This will remove all unnecessary fear in the minds of the public. Media's involvement and dissemination about the DBT schemes is also highly pivotal.

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### **CONCLUSION**

Present study highlighted the burning issues related to the implementation of DBT like very few Aadhaar enabled accounts, low accessibility to banking services, very low usage of ATM facilities, and low level of awareness of this scheme at bottom of the pyramid level. Fast expansion of financial inclusion is required for better implementation of this scheme. Socially deprived classes are least, among the unaware group; here government may promote this scheme through gram sabha and self-help groups. Rural people are highly dependent on others to avail banking services so simplified banking services are required so that they can easily get benefit-as they do not feel safe while transacting through others. Among other issues like transfer of subsidy to female member's accounts need to be addressed as cases are of misuse of finance by male members. Moreover, most of the males are daily wage earners and to get subsidy from banks their routine life will also get affected. Above issues require government attention for better implementation and fruitful results