

Direct Benefit Transfer for Kerosene (DBTK)

Do you think the subsidy is only confined around lower and middle economic classes? If yes, then you would wonder how subsidies worth rupees one lakh crore go into the pockets of the rich every year, and that too via merely seven products and services. The 2015-16 economic survey reveals the well-off section is being benefitted the most from the subsidies on small saving schemes, gold, electricity, kerosene, train fare and aviation fuel etc. The well-off consists of 70 per cent of the population, while ironically the impoverished 30 per cent is being accused of availing subsidy benefits.

The economic survey shows 50 per cent of the cheap and subsidised kerosene goes to the rich, which is tantamount to Rs 5,500 crore. Similarly benefits on subsidy accruing on LPG cylinder. Compared to its market value, a cylinder is 36 per cent cheaper in India. 91 per cent of gas connections are registered in the names of middle and upper classes, which means the well-to-do are gulping down Rs 40, 000 crore LPG subsidy.

It is no rocket-science why the debates on balancing and rationalising taxes do not get political backing. In fact, subsidy is not the victim of politics of poverty, but that of wealth. New facts on subsidies confirm not just the poor, even many from the middle class do not get the benefit of subsidy as much as the rich does. The cream of this is scooped away by the urban upper and middle classes as the poor and the rest of the middle classes are stigmatised and forced to carry the cross of subsidy on their heads.

| PER UNIT UNDER RECOVERY (Rs. Per Lit / Cylinder) | | | |
|---|-----------|-----------|------------------|
| | 2013-2014 | 2014-2015 | April – Dec 2015 |
| Diesel | 8.39 | 2.70 | Deregulated |
| PDS Kerosene | 33.98 | 27.93 | 15.54 |
| Subsidised domestic LPG | 499.52 | 409.72 | 153.62 |
| TOTAL UNDER RECOVERIES INCLUDING DBTL (Rs. Crore) | | | |
| Diesel | 62,837 | 10,935 | Deregulated |
| PDS Kerosene | 30,574 | 24,799 | 9,993 |
| Subsidised domestic LPG | 50,327 | 40,551 | 12,092 |
| TOTAL | 143,738 | 76,285 | 22,085 |

Source : MOP&NG

The Ministry of Petroleum and Natural Gas is confident of rolling out the direct benefit transfer for kerosene (DBTK) scheme in the 2016-17 fiscal. "The issue with kerosene is that States will have to compile the consumer list. They have asked for some more time which we have agreed to. I am confident of rolling out a comprehensive DBT for kerosene model in the 2016-17 fiscal," Dharmendra Pradhan, Minister of State (Independent Charge) for Petroleum and Natural Gas, said.

On January 1, the Centre had announced that it had identified 26 districts in eight States to roll out a pilot project of DBTK by April 1, 2016. By March, seven more districts and one more State were added to the list. To make them join the scheme, States will be given fiscal incentives to the tune of 75 per cent of subsidy savings in the first two years, 50 per cent of subsidy saved in the third year and 25 per cent of the subsidy saving in the fourth year.

The nine States identified were Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Haryana.

DBTK, under which kerosene subsidy would be transferred directly into consumers' bank accounts, similar to cooking gas subsidy, was to be rolled out in 40 districts across nine states from April 1. "A host of problems have led to a situation where the rollout of the DBTK scheme has been pushed by at least a month," said a senior oil ministry official. "Bank accounts of all the beneficiaries have not been created. Also, the seeding with Aadhaar numbers is yet to happen."

This highlights how the lack of a centralised database could play spoilsport in implementing schemes where state governments are involved. DBTK aims at removing subsidised kerosene from the supply chain for better targeting of beneficiaries, eliminating pilferage and black-marketing, and cutting down adulteration of the cheap fuel with diesel. While Gujarat and Maharashtra are all set to roll out direct cash transfer, other states are yet to catch up.

Under the scheme, a consumer will pay non-subsidised price of kerosene at the time of purchase. Subsequently, the amount of subsidy will be transferred to the beneficiary's bank account. To avoid any inconvenience to the beneficiaries during the initial purchase through payment of un-subsided price, an initial amount of subsidy will be credited to all eligible people.

"Another major issue is the difficulty being experienced in creation of biometrics of beneficiaries at the point of sale (fair price shop) and overlapping of the states' list of consumers with the list of below-poverty-line (BPL) households. Also, with the launch of the Ujjwala scheme slated on May 1, the focus has temporarily shifted," said the official cited above.

As part of the Ujjwala scheme, the government has already announced providing liquefied petroleum gas connections to 50 million BPL households in three years. States will be given cash incentives of 75 per cent of subsidy saving during the first two years, 50 per cent in the third year, and 25 per cent in the fourth year. The scheme will be launched initially in Chhattisgarh, Haryana, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Gujarat, even as more states are likely to join soon.

Hi-tech route to cut subsidy

To roll out its ambitious JAM trinity plan to directly transfer subsidies to intended beneficiaries and eliminate intermediaries and leakages, the government has started linking the Jan Dhan scheme, Aadhaar numbers and mobile numbers of individuals. The JAM (short for Jan Dhan-Aadhaar-Mobile) trinity was first proposed in the Economic Survey 2014-15.

Mr. Jaitley said the database of 1.2 billion bank accounts, when linked with 900 million mobile phones and about 1 billion Aadhaar numbers, would effectively ensure the subsidies reach only those who actually need them. "So far, our estimates show about Rs.170 billion (Rs.17,000 crore) of subsidy has been saved on cooking gas alone.

Prime Minister Narendra Modi in March said his government plans to extend direct benefit transfer (DBT) to food, kerosene and fertilizers, a day after the Lok Sabha passed the Aadhaar bill that seeks to confer statutory legitimacy to the unique identification project that will serve as a central pillar of the subsidy regime.

“Despite huge improvements in financial inclusion due to Jan Dhan, the JAM preparedness indicators suggest there is still some way to go before bank-beneficiary linkages are strong enough to pursue DBT without committing exclusion errors. In that sense, the JAM agenda is currently jammed by the last-mile challenge of getting money from banks into beneficiaries’ hands, especially in rural India,” the survey said.

The survey said the centre can invest in last-mile financial inclusion by further improving BC networks and promoting the spread of mobile money. The recent licensing of new banks will help. It also pitched for increasing the commission rates for business correspondents to ensure they are incentivized to remain active.

Jaitley said the government was also bringing about several reform measures for the promotion of payments through cards and digital means. The cabinet in February approved measures to promote payments through cards and other electronic means to check tax evasion and ease the transition to a cashless economy.

“The goal of the proposed policy changes is to replace the use of cash, either in government transactions or in regular commerce, by providing the necessary incentives to use digital financial transactions over a period of time through policy intervention. These measures will further strengthen our efforts in financial inclusion as it will be ensured that each eligible account holder under the Pradhan Mantri Jan Dhan Yojana is provided access to digital financial services in addition to the RuPay Card,” Jaitley said.

In this regard, Jaitley said the government was developing PayGov India, which will be developed as a “single unified portal” across central, state governments and their public sector undertakings for collection purposes. Jaitley said mobile banking will be promoted to leverage the huge infrastructure available at lower cost.

“This will also bring efficiency in payments system and ensure that merchants/consumers can leverage their credit history to access instant, low-cost micro-credit through digital means and create necessary linkages between payments transaction history and credit information,” he said.

Sometime technical snags make the queues longer at fair price shops in Andhra Pradesh, even a year after the government pushed for digitisation of the services. Beneficiaries often find themselves waiting or are asked to return the next day, if the point of sale (POS) device in their neighbourhood fair price shop finds it difficult to access the central server at the Aadhaar database.

It’s a good intention of the govt. that subsidy particularly food and fuel should reach to the deserving people in the country. Hope with the intent and technological interventions the subsidy of kerosene shall reach its destined users.