



Workshop-4: The Economics and Business Models of Identification Schemes

India LPG Experience: 'PAHAL'

Direct Benefits Transfer For LPG (DBTL)

Based on Aadhar

By

Shailendra Kumar Sharma

General Manager(LPG-S)

Indian Oil Corporation Ltd., India



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Agenda



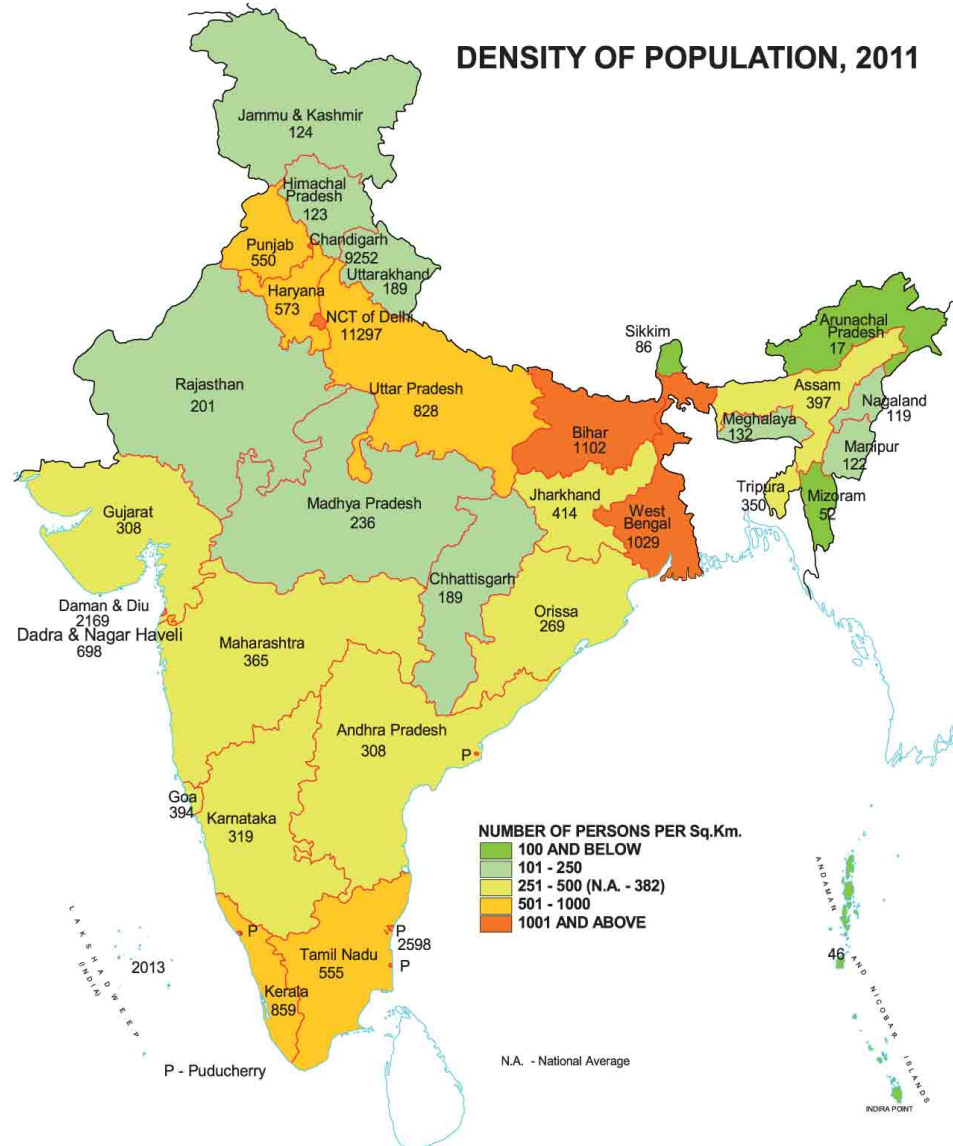
- **Overview : India, IndianOil, LPG Market**
- **LPG Pricing, Under Recovery**
- **Need for better subsidy administration**
- **What is Aadhar?**
- **PaHaL (DBTL) Scheme**
- **Benefits**
- **Agencies Involved in Implementation**
- **Learning's**



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India



➤ 2nd most populous country with multi ethnic, multi lingual, multi cultural population of more than 1.25 billion.

➤ 29 states & 7 union territories , 676 Districts, more than 0.64 million villages. About 60% of the population lives in villages.

➤ There are large variations in the density of population in different parts of the state depending upon the local conditions

➤ Young nation with > 62% of the population between 15 & 59 with large pool of skilled & technical population.



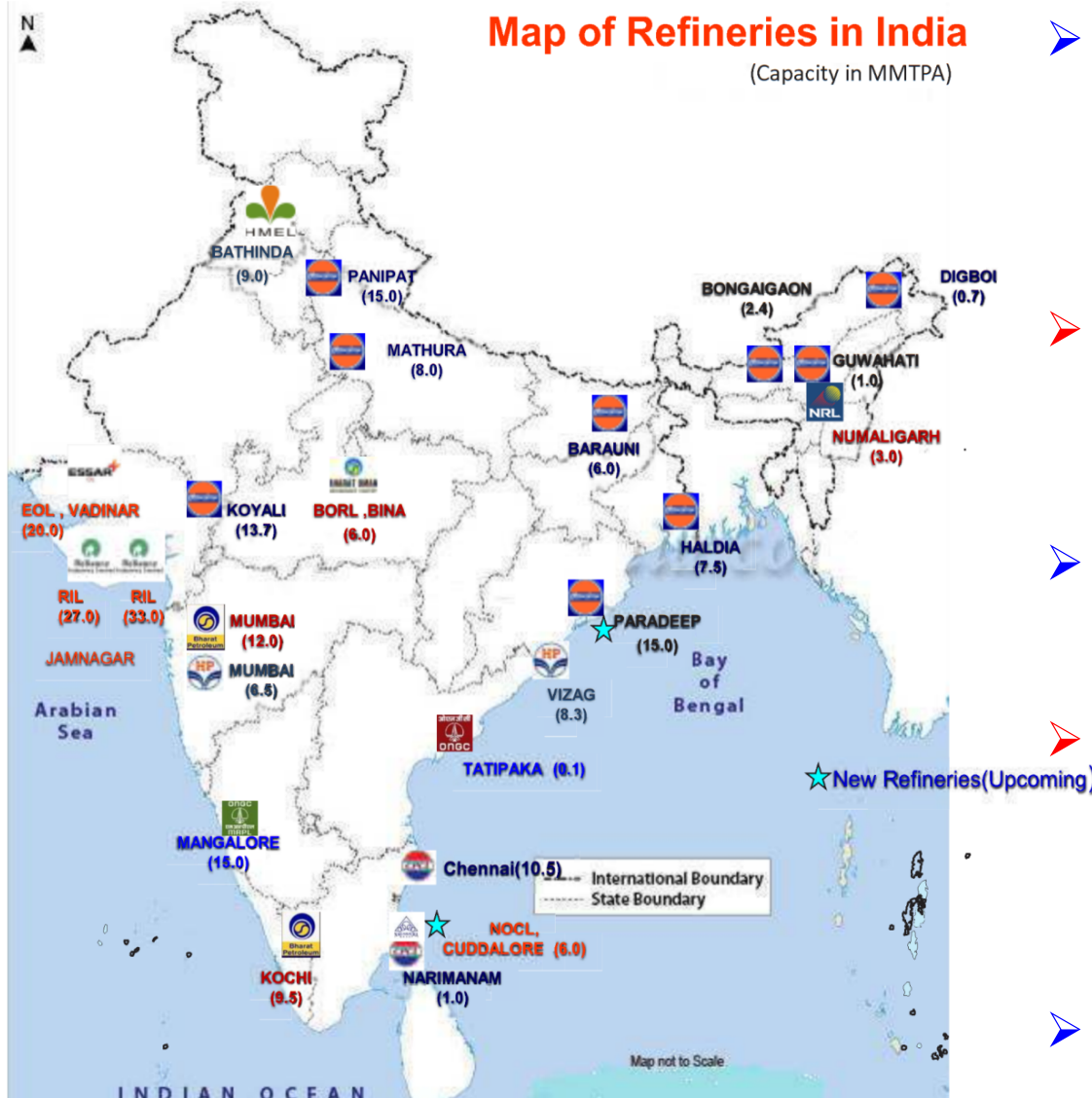
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Map of Refineries in India

(Capacity in MMTPA)



➤ India's largest Commercial Enterprise. Revenue USD 73.7 Billion & Profits USD 862 Million in 2014-15.

➤ 96th position Fortune "Global 500" and is the 20th Largest Petroleum Company in the World.

➤ Products sales of 74 MMT during 2014-15.

➤ Operates more than

- 24000 Retail Outlets
- 8500 LPG distributorships
- 91 bottling Plants

➤ 2 million cylinders supplied every days at door-steps of 90 million LPG Consumers



LPG Industry



❑ Domestic LPG

- Packed product in 14.2 Kg & 5 kg cylinders, home delivered through distributors

❑ Non Domestic LPG

- Packed product in 5kg, 19Kg, 35 Kg and 47.5 kg delivered supply through distributors.

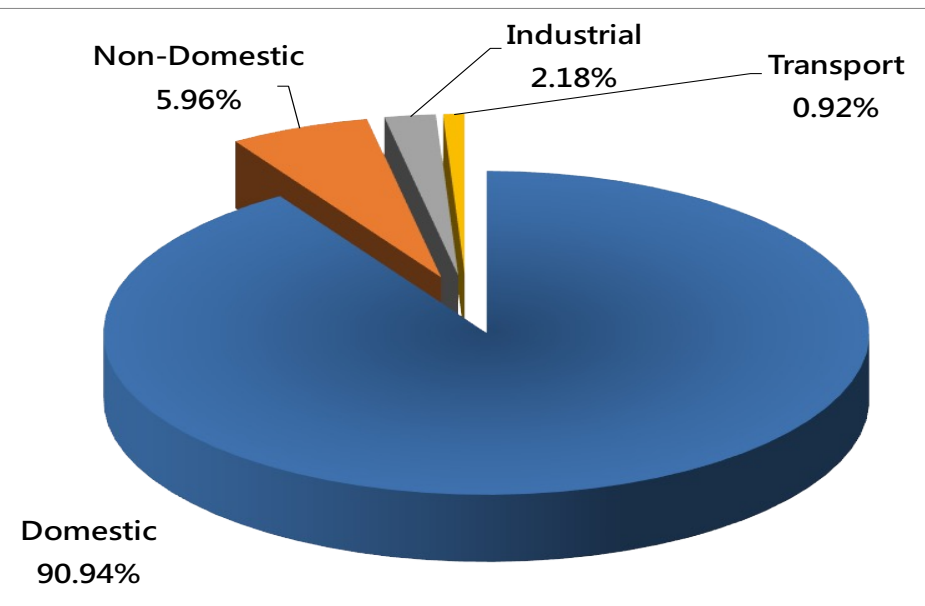
❑ Industrial

- Delivered to Storage Tanks of Customers

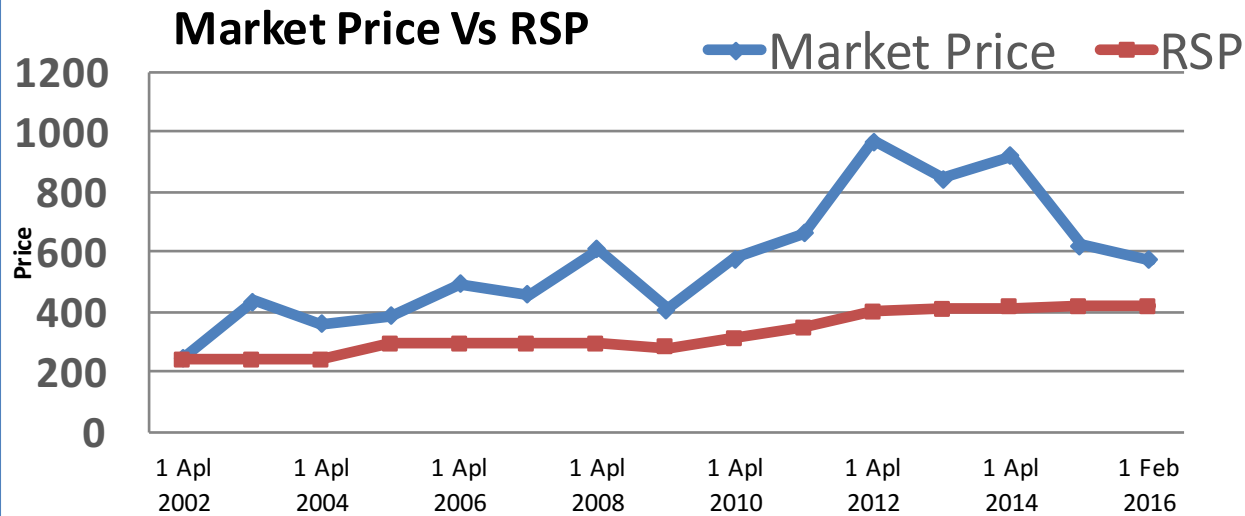
❑ Transport (Auto LPG)

- Through Retail Outlets along with Gasoline/Diesel

- Population of country (Census 2011) : 1221 m Households : 267 m
- Registered LPG consumers : 201 m
Active LPG consumers : 166 m
- LPG Distributorships : 17916
- Bottling plants : 188
- Domestic sale: 17 MMTPA

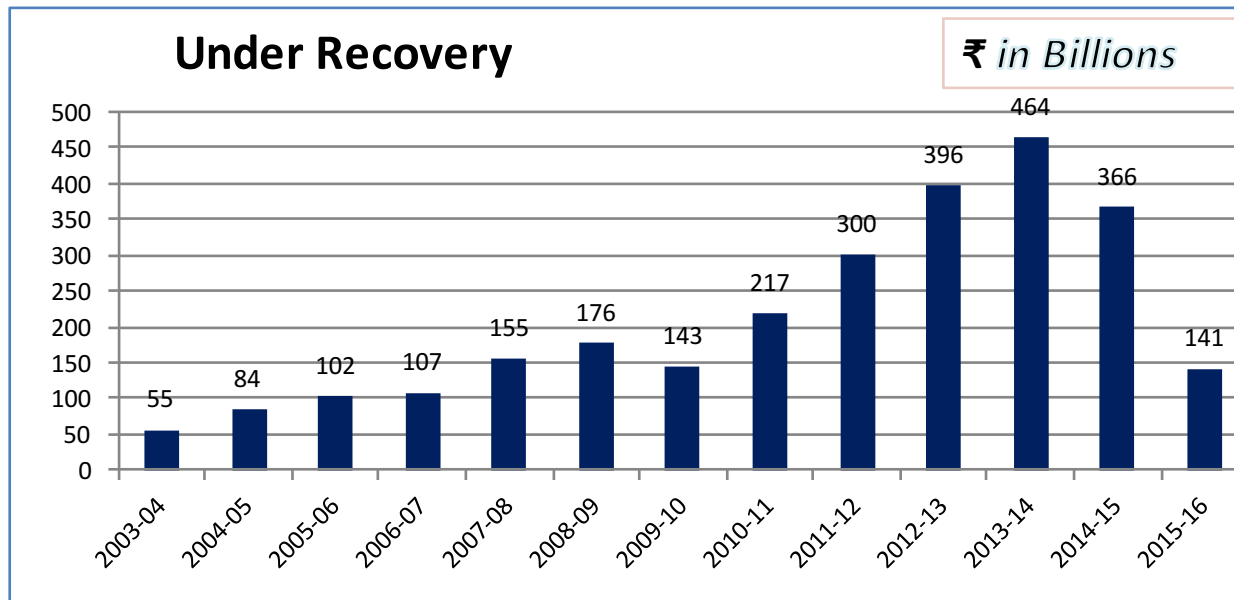


LPG Pricing & Under Recovery



Domestic LPG Pricing in India

- Protection of Domestic Consumers from Price fluctuations.
- Difference of Market Price & that charged from Domestic consumer is given by Govt. as subsidy.



- This under recovery burden could not be sustained indefinitely.
- Need to improve subsidy administration



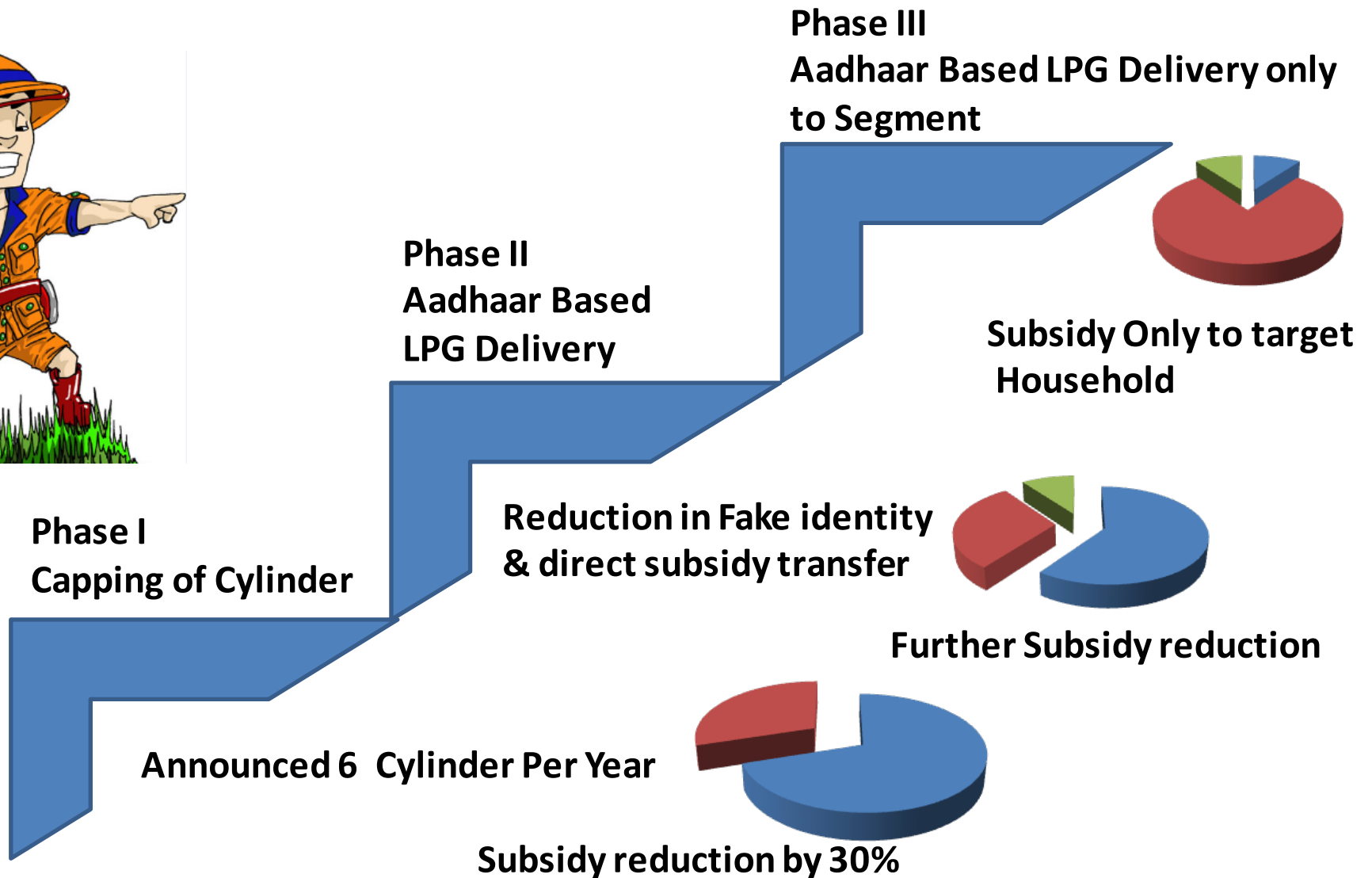
Need to Improve Subsidy Administration



- To ensure entitlement on LPG reaches the actual LPG consumer.
- To reduce the misuse of subsidised LPG, by eliminating the incentive for diversion.
- To improve the availability of LPG for genuine consumers.

A Task force was set up during 2011 to suggest ways and means to tackle above issues.

Task Force Recommendation





What is Aadhaar ?



- Aadhaar is a 12 digit individual identification number issued by the Unique Identification Authority of India on behalf of the Government of India.
- This number will serve as a proof of identity and address, anywhere in India.
- Any individual, irrespective of age and gender, who is a resident in India and satisfies the verification process laid down by the UIDAI can enrol for Aadhaar.
- Each individual needs to enroll only once, which is free of cost.
- Each Aadhaar number will be unique to an individual and will remain valid for life.
- Aadhaar will be:
 - ✓ Easily verifiable in an online, cost-effective way
 - ✓ Unique and robust enough to eliminate the large number of duplicate and fake identities in government and private databases
 - ✓ A random number generated, devoid of any classification based on caste, creed, religion and geography



DBTL Scheme



- Consumers to pay the Market Price for the refill and the Subsidy component is transferred directly to their bank account.
- LPG consumers have to become Cash Transfer Compliant (CTC) to be eligible to receive the subsidy in their bank account by linking their Aadhar with LPG ID and Bank Account.
- On first refill booking, after becoming CTC, One time Permanent Advance is transferred to customer's Bank account, for making cost of first refill affordable at market price.
- Subsidy component is transferred to customer's Bank account after delivery of refill.

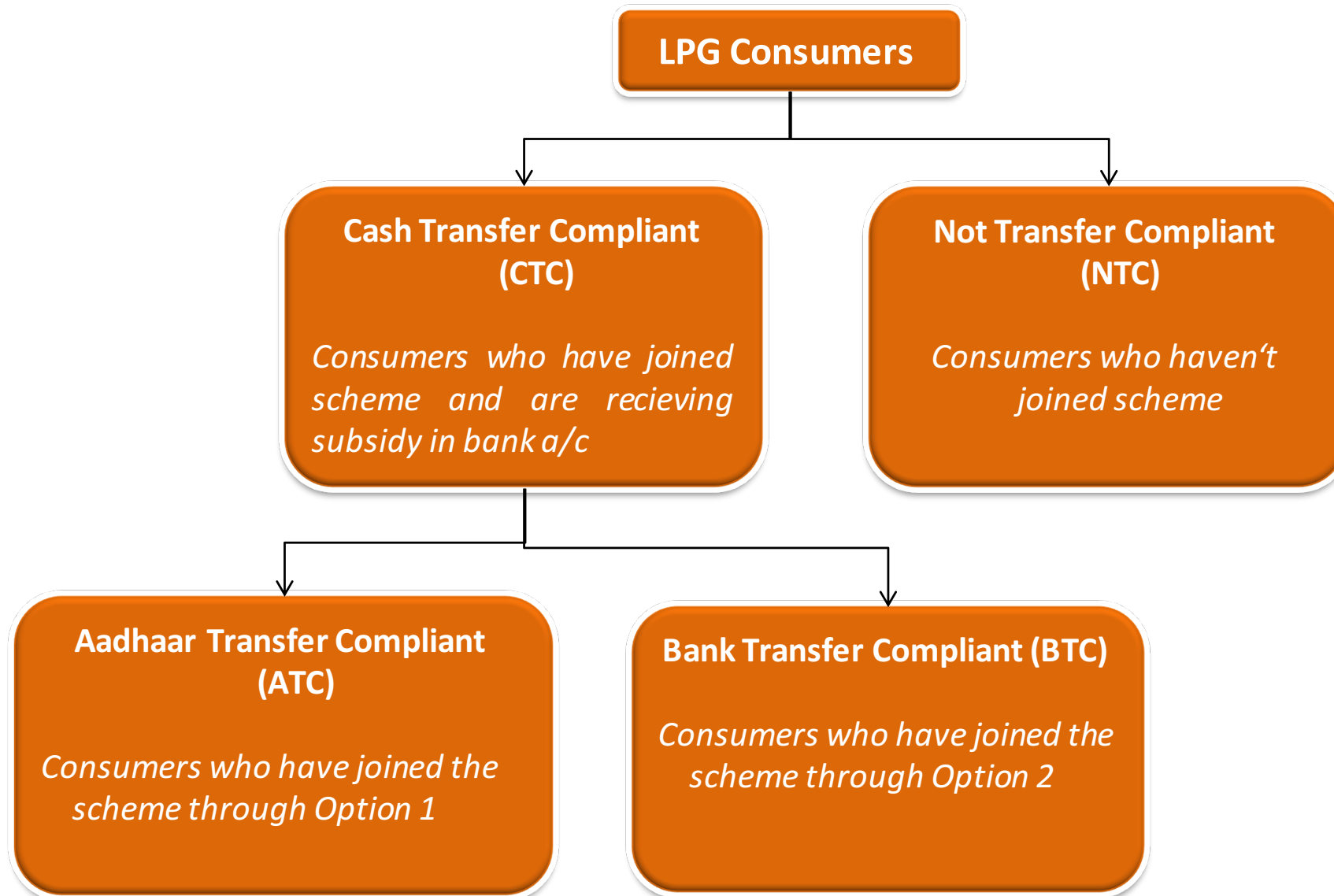


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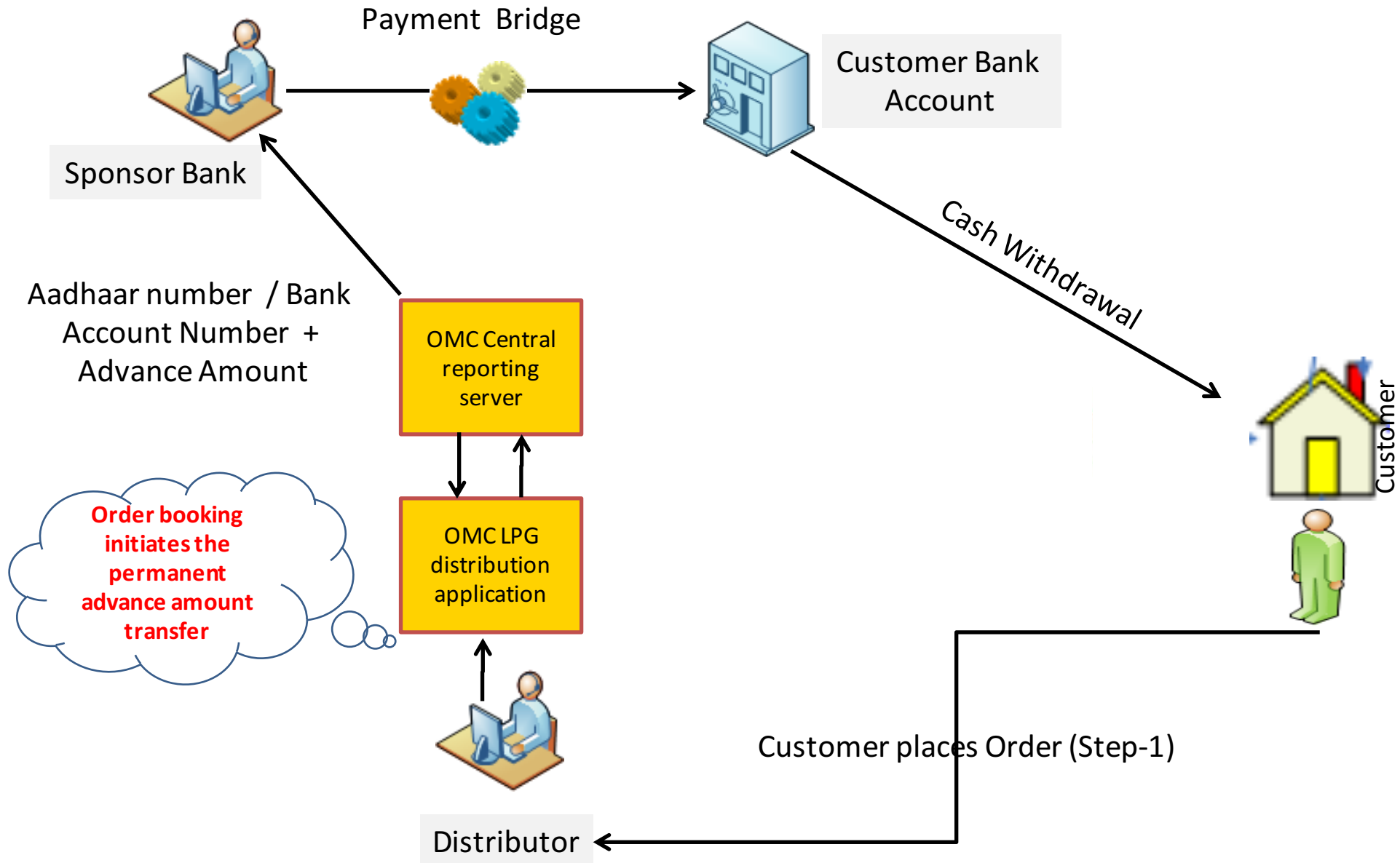
PaHaL (DBTL) - A New Beginning in India

Categories of LPG Consumers

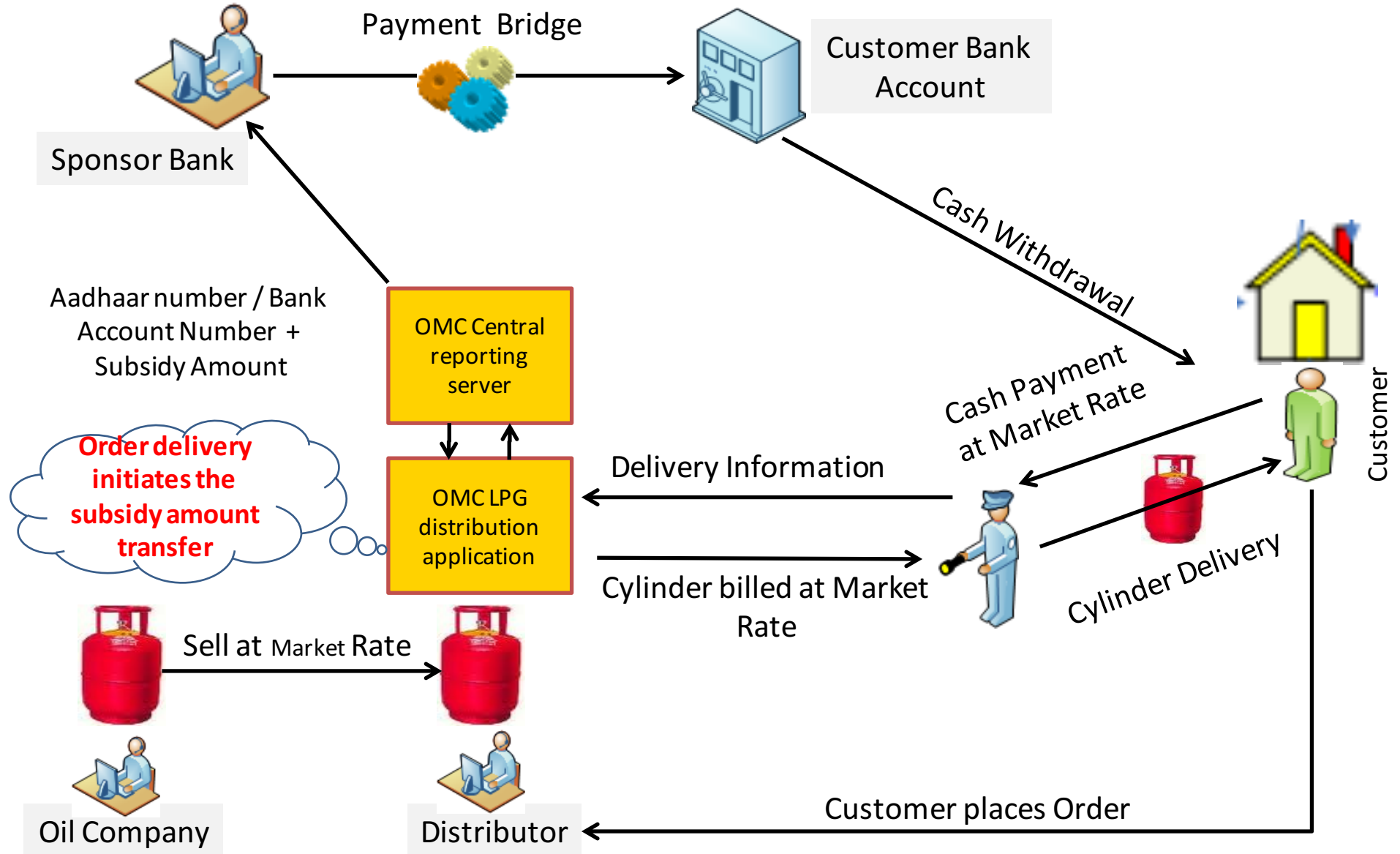




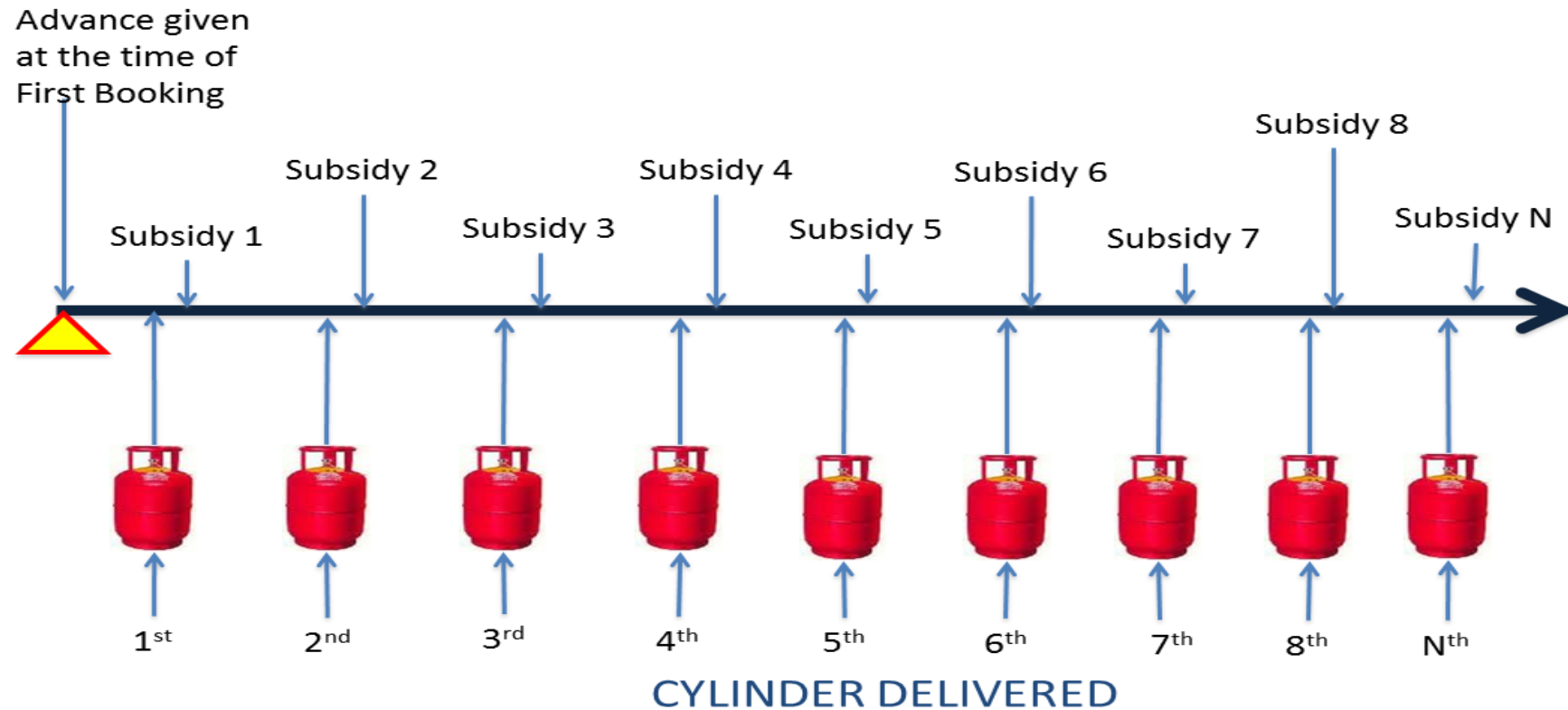
One time Permanent Advance Cash Transfer Process



Subsidy Cash Transfer Process



Cash Transfer Scheme



Note:

'N' denotes the prevailing cap of the subsidized LPG cylinder applicable in a financial year

Largest Cash Transfer Scheme in the World (160 mn consumer)



Status of PAHAL

as on 01.05.16 Industry data



Aadhaar Penetration	• 76.12%
Active Customers	• 167 m
Aadhaar Seeding in LPG	• 126 m (75.5%)
Bank A/c Seeding	• 52 m (31.4%)
CTC Customers	• 154 m (92.3%)
No. Of DBTL Transaction	• 1.5 Billion
Permanent Advance Transferred (Indian Rupees)	• 55 Billion
Subsidy Transferred (Indian Rupees)	• 264 Billion

On 12th August 2015 PaHal scheme was acknowledged by the **Guinness Book of World Records** for being the largest cash transfer program (households).



Benefits of the Scheme

Govt. of India

- Reduce subsidy burden due to:
 - Elimination of supply chain leakages and unauthorized usage.
 - Reduction in multiple connections by way of Aadhaar based De-duplication.
- Improvement in public service delivery

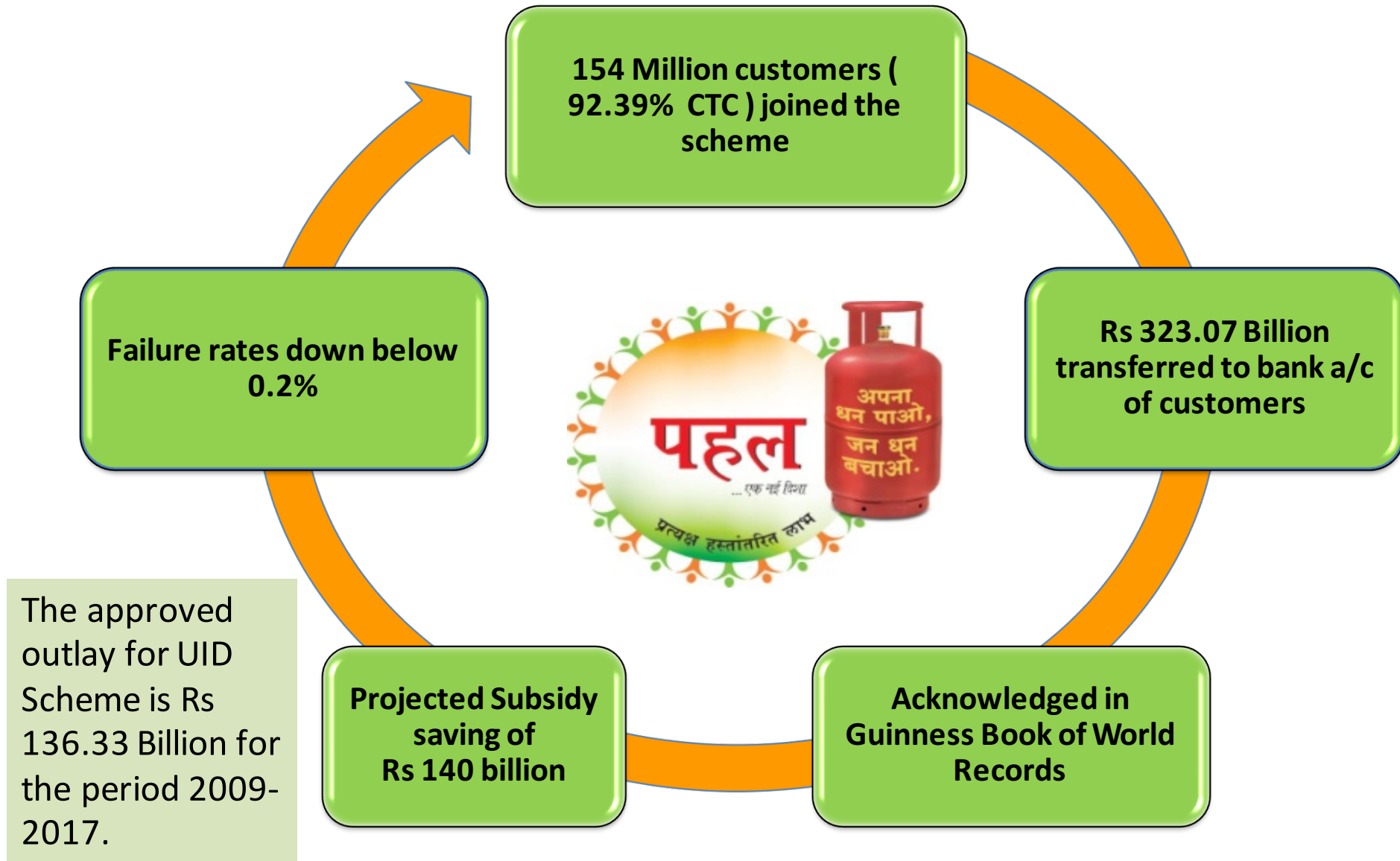
LPG Consumers

- With removal of incentive for diversion, the entitlement will be protected
- Improved availability of new LPG connections in the market.
- Reduction in back-log due to reduced diversion

OMCs

- Reduction in administrative overheads
- Focus on consumer relationship management
- Reduction in product shortage and better management of imports.
- Removal of multiple connections / fake & ghost LPG consumers.

PAHAL :- The Journey Till Now





Impact of PAHAL Scheme

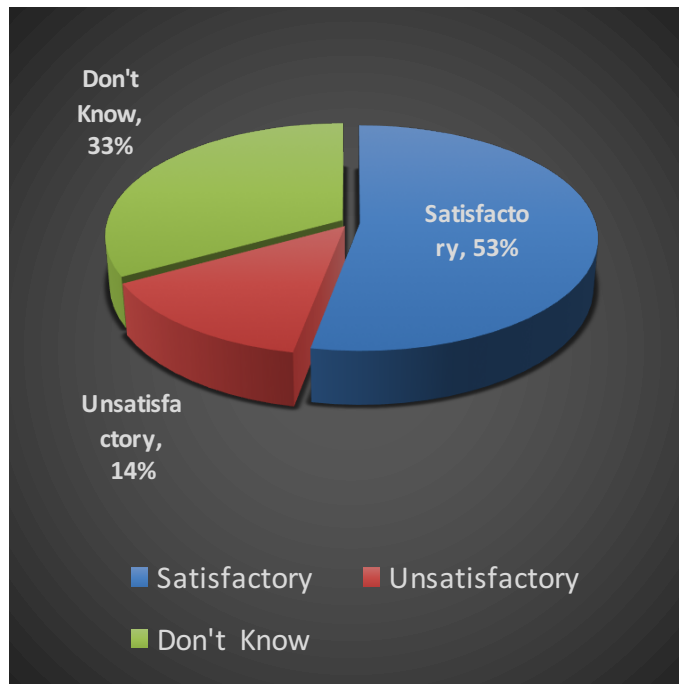


	% Growth in LPG Consumption			
	Domestic		Commercial	
	2014	2015	2014	2015
Jan	17.0	8.5	-20.9	12.1
Feb	12.1	5.7	-13.7	30.2
March	16.0	3.1	-10.0	28.6
April	11.8	7.8	-12.2	36.3
May	17.2	3.5	-2.5	26.9

Above table clearly shows that after implementation of PAHAL scheme, there has been an increase in the % growth of commercial LPG sale whereas % growth rate of domestic LPG sale has come down significantly which indicates that diversion of domestic LPG in commercial sectors has reduced.

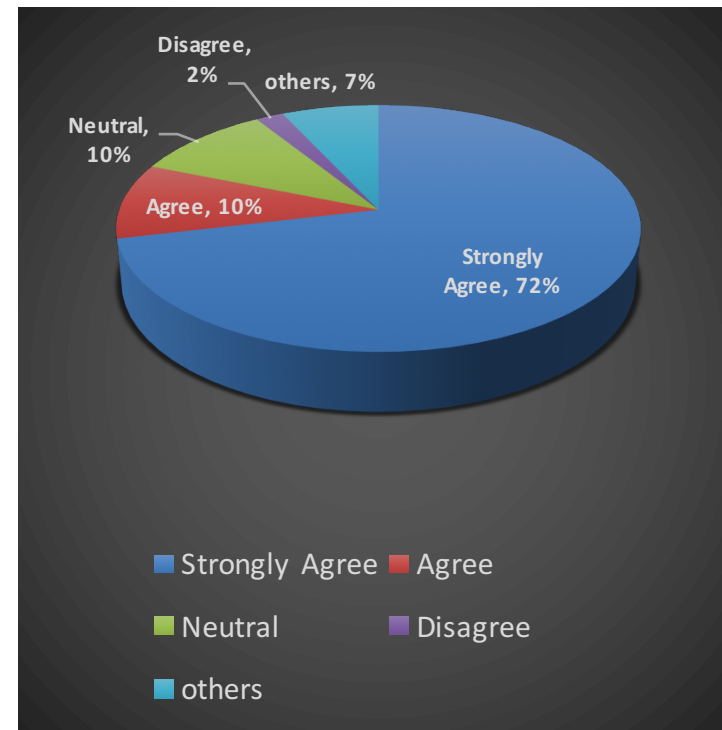


Are you satisfied with Pahal Scheme ?



Survey done by NetCore

Good Govt. initiative?



Survey done by Nielsen



Agencies Involved in Implementation



- **Marketing Companies**
- **LPG Distributors - 17916**
- **UIDAI – Unique Identification Authority of India**
- **NPCI – National Payments Corporation of India**
- **Bankers**



- **Importance of People's representatives and District Administration in Successful implementation of the Scheme**
- **Working in coordination with other Stakeholders**
- **Greater response from Rural Customers contrary to earlier belief**
- **Different strategy for persuading varied spectrum of customers**
- **Unimaginable deadlines possible with untiring efforts**
- **IT solutions to handle such a large scale scheme**
- **Majority of the customers support the schemes of the government**
- **Proper weeding out multiple/fake connections possible by this method**



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Thank you