

IMPACT OF LPG SUBSIDY ON SOCIO-ECONOMIC UPLIFTMENT: A STUDY IN UTTAR PRADESH

Shubhi Jain (Research Scholar)¹ & Prof. V.K Gangal²
Dayalbagh Educational Institute, DEI, Agra, UP

ABSTRACT

Subsidies are provided to make sure equitable utilization of the resources. Developing nation like India provides subsidies for improving the living standard of its vast majority of population and to ensure that they are not deprived of basic comforts of life. Subsidies are often justified once they promote an overall increase in welfare. They include subsidising the power, fuel, LPG, electricity etc. Subsidies are necessary for the rural and backward areas and people who are deprived of such resources. The objective of the paper is to understand the rationale of LPG subsidy and discuss different schemes of government and also to identify if subsidy is really an effective tool of socio-economic upliftment in India and Uttar Pradesh.

This paper includes tools of analysis such as trend analysis and graphical representation of secondary data from government official websites. Out of all government subsidies given in India, the energy subsidies has a direct impact on social growth of majority families that are poor or living in rural conditions, therefore government should be more keen and concerned in planning for energy subsidisation.

Keywords- *Subsidy, Energy, LPG, social-upliftment*

I. INTRODUCTION

Subsidy means to provide maximum consumption privilege to the poor by subsidizing the items consumed by them.

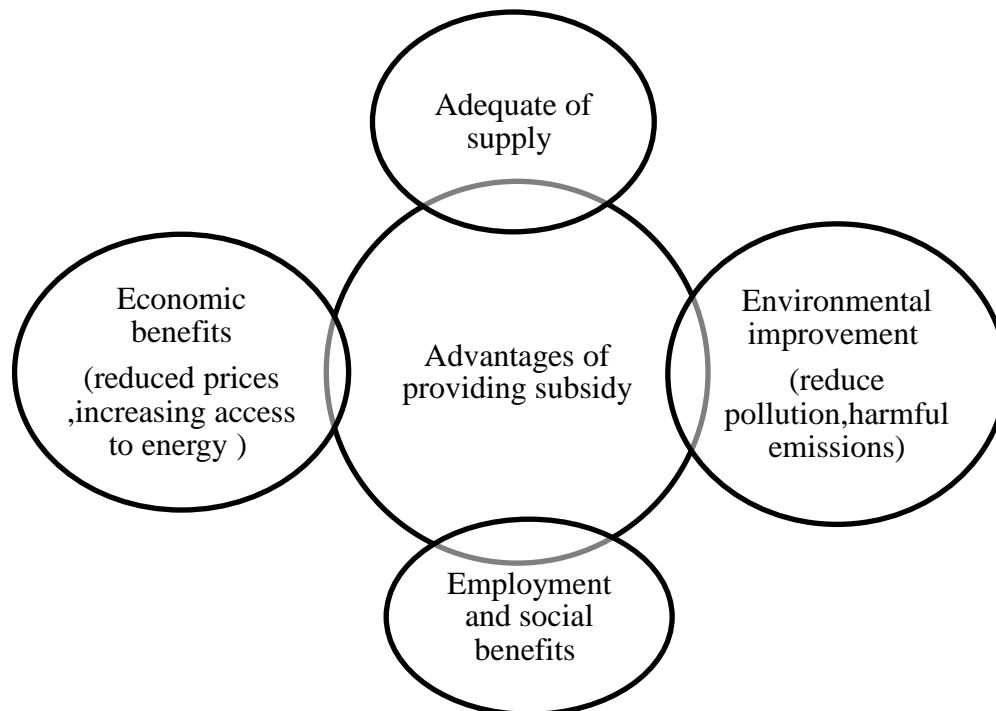
In India, as elsewhere, concept of subsidy is being used from decades to achieve a range of economic, social and environmental objectives for the welfare of overall society. Subsidies are meant for poor people and they shall be ensured equitable allocation of resources required for basic living standards.

SUBSIDY IN ENERGY SECTOR

Uninterrupted energy supply is important for socio-economic development and ecological sustainability for any nation. It has an immediate impact on whole of society, influencing their productivity, health, education and life style etc. Public demand, production, consumption and development purpose are few factors responsible in increasing rate of energy subsidies.

Subsidising the prices of energy resources or fuel for consumers and producers below market levels is a measure that should be taken by government. Energy subsidies could also be direct cash transfers to producers, consumers, or related bodies, also as indirect support mechanisms, like tax exemptions and rebates, price controls, trade restrictions, and limits on market access.

Fig 1, illustrates the advantages of Energy subsidy.



II. REVIEW OF LITERATURE

- **Sharma, S.V. and V.K. Sharma (2017)¹**, the study discusses the inequity in distribution of subsidy. Government provides large subsidies on LPG use in the household sector, resulting in a negative impact on the country's economy. This study examines the strategies and comes to conclusion that India should adopt measures for removing its liquefied petroleum gas (LPG) subsidies.
- **Neeraj Mittal, Anit Mukherjee, and Alan Gelb (2017)²**, the paper gives brief on the framework of LPG subsidy in past and present, it discusses the stages of its implementation, modern strategies of the present and different schemes of government.

- **Dipika Deb Dipal, Kamrul Abedin, Mohammad Maniruzzaman Khan, Md. Mymul Hasan (2015)³**, The paper identifies the impact of energy subsidy on economic, social and environment along with discussing the factors (causes) which led to giving energy subsidy in Bangladesh. The findings of which were that the government was spending more than 4 per cent of GDP on energy subsidies, which is higher than it spending on health and social welfare programs.
- **Shruti Sharma (2014)⁴**, the paper gives us idea on the behaviour, attitude and impact of household and recipients of subsidy. It is based on primary data which discusses about awareness among people about the LPG Subsidy schemes, DBT mode, documents required, mode of payment and receipt etc. The results showed negative attitude towards DBT as majority found it complex, problematic design and implementation of the same.
- **Chittaranjan Nayak and Jasoda Jena (2014)⁵**, The purpose of this paper were to examine the trend and pattern of subsidies in petroleum sector and other subsidies in India, and also find the dynamic relationship among various factors like petroleum subsidies, prices, fiscal balance, economic growth, interest rate and investment in the economy. The study observed and concluded that it was not petroleum subsidy but food and fertilizer subsidy that has grown at a sharper rate.
- **Rahul Anand, David Coady, Adil Mohommad, Vimal Thakoor and James P. (2013)⁶**, this paper evaluates the fiscal and welfare implications of fuel subsidy reform in India. The paper concluded that Fuel subsidies are found to be badly targeted, with the richest 10% of households receiving seven times more in benefits than the poorest 10%.

III. NEED OF THE STUDY

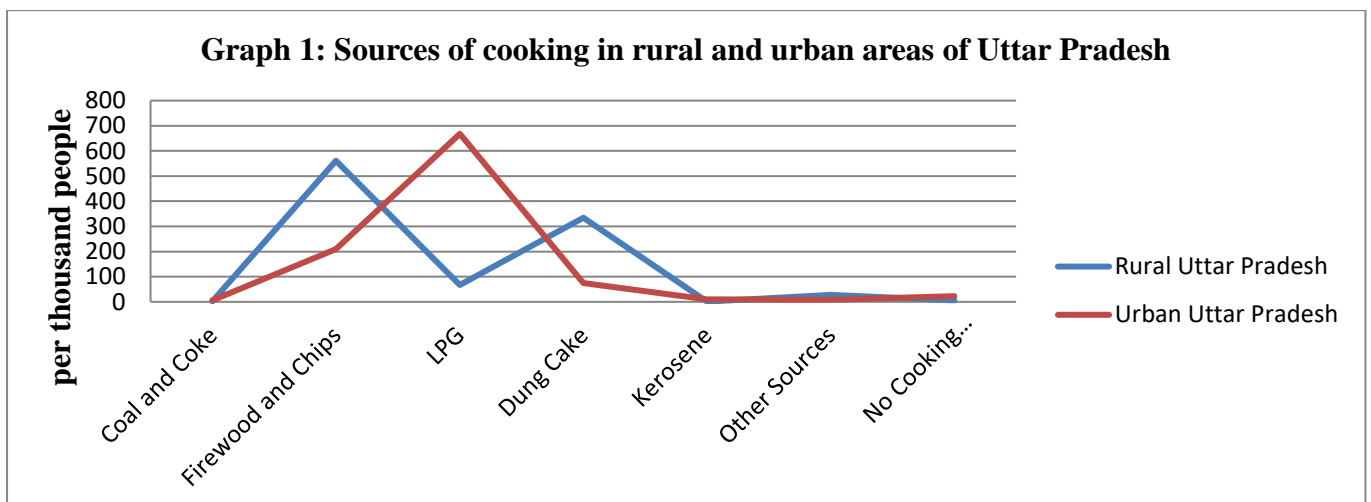
In addition to forming an integral part of government expenditure in India, subsidies for energy have an incredible impact on living standard of people and overall development. One needs to look into the positive effects of subsidies which are far more than the negative effects. Policy reforms would give India the boost that it needs in maintain healthier fiscal balance. The object that is missing is a proper delivery system to ensure that the subsidy reaches the beneficiaries directly.

LPG is safest and cleanest fuel that can be used in cooking without effecting health of the women and household. It is one of the basic requirements for cooking which should be easily and readily available to all citizens of the country at cheaper prices or subsidised rates. Government is doing all the efforts by maintaining transparency, launching schemes, programs to make sure those poor (BPL) families and people living in rural, backward areas get all the benefits of subsidy programs.

Table 1: Primary source of energy for cooking in rural and urban areas (per 1000 households)

	Rural		Urban	
	Uttar Pradesh	India	Uttar Pradesh	India
Coal and Coke	2	11	6	21
Firewood and Chips	561	673	210	140
LPG	67	150	668	684
Dung Cake	334	96	75	13
Kerosene	1	9	10	57
Other Sources	28	49	8	15
No Cooking Arrangement	6	13	23	69

Sources: Energy Sources of Indian Households for Cooking and Lighting, 2011-12,



The data in Table 1 and Graph 1 signifies that mostly people of urban areas are using LPG as primary cooking source whereas, in rural areas firewood, chips and dung cakes are used which is harmful for health and causes indoor pollution.

IV. OBJECTIVES OF THE STUDY

Objectives of this research paper are as follows:

- To understand the rationale and growth of LPG subsidy in India and Uttar Pradesh.
- To discuss different schemes of government promoting use of LPG at central and state level and socio-economic upliftment due to same.

V. LPG SUBSIDY IN INDIA

(A) Liquefied Petroleum Gas (LPG) Liquefied Petroleum Gas (LPG) is a flammable hydrocarbon gas that is a mixture of gases and contains propane and butane. LPG is obtained through gas processing and oil refining, and is liquefied under low pressures. It can be easily used as a heating, cooking and automobile fuel. LPG may be a versatile fuel and its use leads to lower CO₂ emissions. In addition, it requires little or no infrastructure, and is

definitely transportable which makes it a preferred fuel choice in both developing and developed nations.

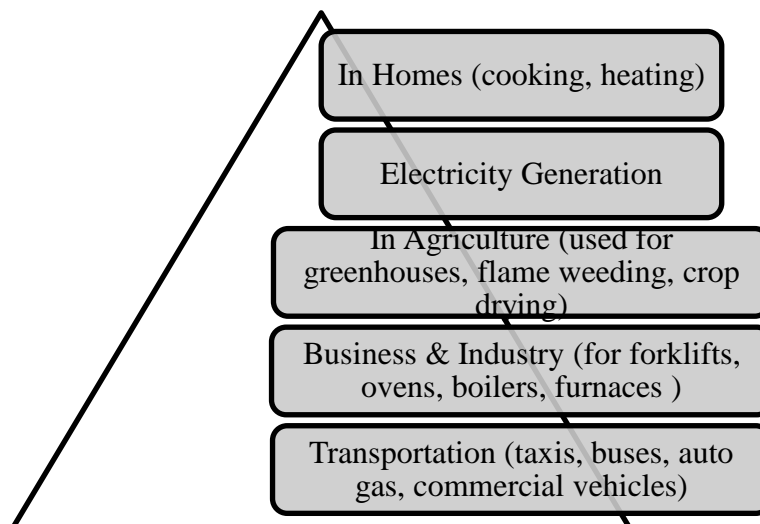
(B) LPG Subsidy: The Ministry offers subsidy on LPG cylinders to the poor households generally BPL families or people living in rural backward areas. Nowadays, this subsidy is directly credited to the bank accounts of the beneficiary under the guidelines of PAHAL scheme in 2013. The subsidy on LPG is that the largest component of the Ministry’s expenditure, with approximately 87% of its total budget allocated thereto. For 2020-21, the budget allocation for LPG subsidy has increased by 9.3% from the revised estimate for the same in 2019-20.

Table 2: Allocation for the Ministry of Petroleum and Natural Gas (in Rs Crore)

	Actual 2016-17	Revised 2017-18	Budget 2018-19	% change	Actual 18-19	Revised 19-20	Budgeted 20-21	% change (RE to BE)
LPG subsidy	18,678	15,656	20,378	30.2%	20,268	34,086	37,256	9.3%
Total	30,231	33,195	31,101	-6.3%	32,371	42,901	42,901	0.0%

Sources: Expenditure Budget, Union Budget 2018-19 2020-21; PR

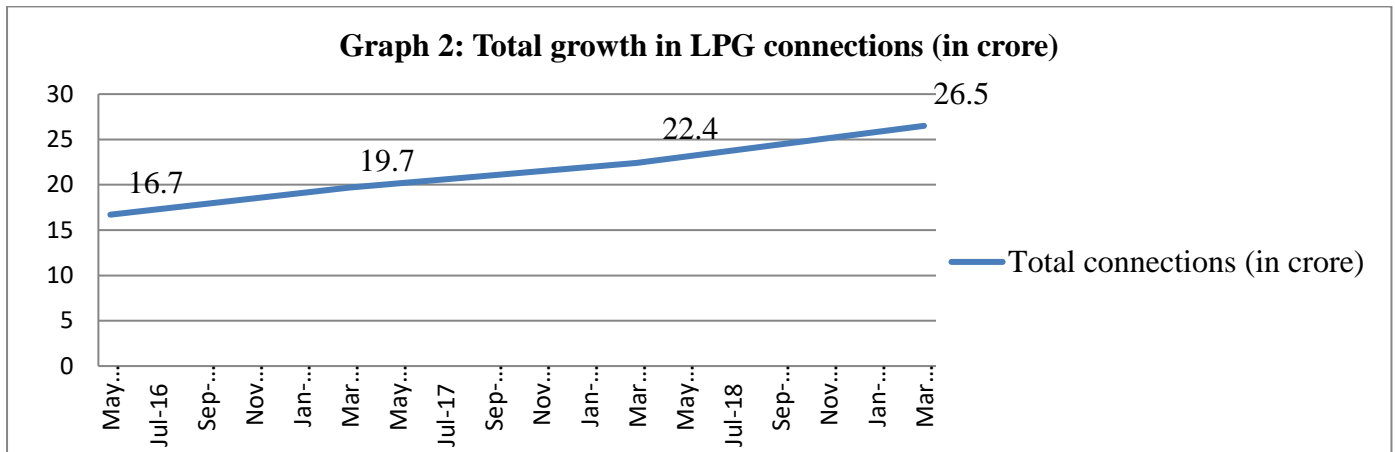
Fig 2, LPG can be used for various purposes, some of them are:



(C) Coverage of LPG in the country

As on	Total connections (crore)	Households (crore)	Coverage (%)
May-2016	16.7	26.9	62.0%
Mar-2017	19.7	27.3	72.8%
Mar-2018	22.4	27.7	80.9%
Mar-2019	26.5	28.2	94.3%

Sources: CAG Performance Audit, December 2019; PRS.



Graph 2, clearly shows that there has been increasing trend in growth of LPG connections over the years (2016-2019) because of government schemes and initiatives.

(D) LPG is used as most preferred cooking fuel due to the following reasons:

- It burns readily and gives off instant heat or flame which can be adjusted to satisfy the heating requirements.
- It can be easily transported and stored in containers.
- It is unlikely to have any kind of harmful effect on the environment as it does not releases harmful emissions.
- It does not release soot when burned and hence vessels can be washed cleanly.
- It is one of the most economical fuel source found in nature.

In India, LPG is primarily used for cooking purposes. Most of the LPG in India is imported, and it's subsidised by the central government for Indian citizens. It is the second largest consumer of liquefied petroleum gases within the world, with LPG consumption growing at a mean rate of 8.4%. The increase in consumption of LPG gas consumers all over country and Uttar Pradesh specifically is due to government schemes and initiatives like Pradhan Mantri Ujjwala Yojana scheme, DBT etc.

The expenditure on subsidies is often divided in three major heads: (i) Direct Benefit Transfer (DBT-PAHAL scheme) for LPG and (ii) Pradhan Mantri Ujjwala Yojana (PMUY) scheme for LPG, and (iii) Kerosene subsidy.

Table 3: Trend of expenditure for subsidies (in Rs Crore)

	Actual 18-19	Revised 19-20	Budgeted 20-21	% change (RE to BE)
DBT-PAHAL	16,478	29,628	35,605	20.2%
PMUY	3,200	3,724	1,118	-70.0%
Kerosene subsidy	4,569	4,483	3,659	-18.4%
Total	24,247	37,835	40,382	6.7%

Sources: Union Budget 2020-21; PRS.

(E) Pradhan Mantri Ujjwala Yojana (PMUY) was launched on 1 May 2016. It was originally targeted providing LPG connections to rural women of below the poverty line (BPL) households but then also covered household in rural backward areas who are deprived of this essential resource. The target was initially to supply 50 million free LPG connections in three years, which was then extended to supply 80 million connections in eight years. The list was later expanded to incorporate all Scheduled Tribe/Scheduled Caste households and Adivasis. Currently, the scheme is extended to all or any rural households, so as to include BPL families who aren't beneficiaries of LPG connections. The scheme led to a rise in LPG consumption by 56% in 2019 as compared to 2014. This scheme proved to be highly popular as it benefited both people and government of the state. Access to LPG gas stoves and cylinders has increased within the scheme.

The official objectives of the Pradhan Mantri Ujjwala Yojana scheme are to empower women and protect their health, reduce the serious health hazards associated with cooking utilising fossil fuels, reducing the number of deaths due to unclean cooking fuels and preventing young children from acute respiratory illnesses caused by indoor air pollution as a result of fossil fuels being burned.

Table 4: Status of Pradhan Mantri Ujjwala Yojana (PMUY)

State/UT	PMUY connections (as of December 2017)	PMUY connections (as of September 2019)	Total LPG consumers (as on September 20, 2019)
Uttar Pradesh	63,27,936	1,47,86,745	3,96,08,333
Total	3,22,39,561	8,03,39,993	27,44,17,002

Sources: Pradhan Mantri Ujjwala Yojana, Ministry of Petroleum and Natural Gas, as accessed on February 10, 2020

India is the second largest consumer of liquefied petroleum gas (LPG) with highest LPG consumption within the country. And lots of the credit goes to the government's push to

supply clean cooking fuel to each household through the Pradhan Mantri Ujjwala Yojana (PMUY)

The three state-owned oil marketing companies which have equally and actively participated are –

- Indian Oil Corporation (IOCL),
- Bharat Petroleum Corporation, (BPCL) and
- Hindustan Petroleum Corporation (HPCL)

(F) Surrendering the LPG Subsidy

Give up Subsidy is a voluntary campaign that was launched in March 2015 by the Indian government aiming to encourage the LPG users who are able to afford to pay the market price for LPG to voluntarily surrender their LPG subsidy, so that the poor can be benefitted and also help to reduce the burden on the government. This would successively stabilise the economy and lower the fiscal deficit of the country. This is also intended to extend the allow subsidising a bigger number of LPG connections. The surrendered subsidy is being redistributed by the government so as to supply cooking gas connections to poor families in rural households freed from cost.

Maharashtra, Uttar Pradesh, Karnataka, Delhi and Tamil Nadu are the highest five states to offer up the subsidy.

(G) Direct Benefit Transfer is a mechanism instituted by the government in March 2013. It is an attempt to change the mechanism of transferring subsidies launched by Government of India. This program aims to transfer subsidies to the people directly in their bank accounts monitored and authorised by government which eventually has led to reduced leakages, delays, fraud or duplicate connections etc.

The main motive and concern is to bring transparency and terminate pilferage through Direct Benefit Transfer program. The DBT mechanism was implemented so as to curb 'ghost beneficiaries'.

(H) Urja Ganga gas pipeline project is another project initiated by government to construct a pipeline of length 2540 km from the states of Uttar Pradesh to Odisha directed to supply piped cooking gas to the households. The government also plans to make 25 industrial clusters in these states which may utilise the gas as fuel and generate employment in these areas.

VI. SOCIAL AND ECONOMIC DEVELOPMENT

Distribution of LPG Subsidy is an opportunity to improve the health and well-being of India's people living in rural and backward areas. Large number of people has been using biomass as cooking fuel in India for the last several decades. Without a focused programme or subsidy scheme such essential resource or fuel cannot reach to this majority population. There are

diseases that have been discovered which happen to be caused by exposure to combustion and pollution i.e. household (cooking) smoke.

The scheme would change lives of women from BPL families in a major way by reducing the chore of cooking with polluting or harmful fuels and go a long way in reducing indoor pollution and other health-related problems faced by them and their families. The scheme is expected to aggressively expand clean cooking gas and improve the health of people by clearing out traditional chulhas currently being used. Over the years there has been increasing number of consumers who have benefited from direct transfer of subsidy on LPG to their bank accounts, which has also resulted in prevention of subsidy leakages to the unintended. The voluntary surrendering of subsidy under the Give It Up campaign has helped the government provide LPG to poor households. The ministry is actively participating along with government and pushing the oil marketing companies (OMCs) in offering customer-centric offerings like online booking and release of new connections and online booking and payment for LPG refills. It has helped eliminate duplicate connections as well as diversion. Therefore it is inferred that by providing LPG subsidy through proper channel and process and its continuous monitoring can help not only living standards society but also benefit the government.

VII. FINDINGS

- Millions of households, especially women in rural areas of India who have been exposed to the smoke from chulhas have been set free from the serious hazard of indoor pollution.
- The ministry's projections and forecasts expect the LPG subsidy, LPG consumption in India to expect to grow and rise at an increasing rate.
- Uttar Pradesh is on top with highest number of consumers under PAHAL scheme, followed by Maharashtra, West Bengal, Tamil Nadu and Bihar.
- (DBTL) scheme, after the launch of PAHAL helped to clear and discontinue duplicate/fake consumers. The schemes and programs helped stopping leakage of gas connection and increase savings.
- Government is strictly identifying households which are capable and still enjoying the subsidy under DBT so that this subsidy reaches to those in need.

VIII. CONCLUSION AND SUGGESTIONS

It will be more advisable if government makes it necessary to submit a copy of income tax return (ITR) every year to the LPG dealer to claim subsidy on cooking gas cylinders so that only poor and middle class families are aided. The relevant central and state agencies, including ministries of health, should develop programmes and practise encouraging and distribute rewards to use the clean fuel for households. Other methods can be linking to other national schemes, like insurance, rural employment, and health for pregnant women, one among the foremost vulnerable groups.

LPG subsidies gives an opportunity to improve the health and well-being of India's poorest families and women who bear the health and labour burden of using biomass, kerosene etc.

for cooking. So to avoid the “chulha trap’ causing diseases over pollution and combustion prevailing in the rural and some urban areas LPG subsidy should be equally and directly given to the poor households. The government has often launched Subsidy schemes to promote and distribute essential day to day services to the population at central as well as state level.

REFERENCES

1. Sharma, S.V. and V.K. Sharma (2017), ‘Socio-economic Impacts of an LPG Subsidy Removal on the Household Sector in India’, in Han, P. and S. Kimura (eds.), *Institutional Policy and Economic Impacts of Energy Subsidies Removal in East Asia. ERIA Research Project Report 2015-23, Jakarta: ERIA, pp.83-99*
2. Neeraj Mittal, Anit Mukherjee, and Alan Gelb, 2017, *Fuel Subsidy Reform in Developing Countries: Direct Benefit Transfer of LPG Cooking Gas Subsidy in India, CGD Policy Paper 114*
3. Dipika Deb Dipal, Kamrul Abedin, Mohammad Maniruzzaman Khan, Md. Mymul Hasan (2015) “Impacts of Energy Subsidy in Bangladesh: An Analysis”
4. Shruti Sharma, may 2014, *Subsidies to Liquefied Petroleum Gas in India: An assessment of the direct benefit transfer in Mysore, International Institute For Social Development,*
5. Chittaranjan Nayak and Jasoda Jena (2014) “Petroleum Subsidies and Macroeconomic Variables in India”
6. Rahul Anand, David Coady, Adil Mohommad, Vimal Thakoor and James P. (2013) “ *The Fiscal and Welfare Impacts of Reforming Fuel Subsidies in India*”
7. Arshi Aadil, Anurodh Giri, August 2018, *Pradhan Mantri Ujjwala Yojana: A demand-side diagnostic study of LPG refills,*
8. *Demand for Grants 2018-19 Analysis Petroleum and Natural Gas, PRS, February 26, 2018, February 26, 2018*
9. *Ministry of Petroleum & Natural Gas Annual Report, Handbook on ‘PAHAL’ (DBTL) Scheme*
10. *Assessment report: Primary survey on household cooking fuel usage and willingness to convert to LPG June 2016, Petroleum Planning & Analysis Cell, Ministry of Petroleum and Natural Gas, Government of India*
11. *Indian Petroleum & Natural Gas Statistics Report , Government of India, 2015-16*
12. *Iisd.org*