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## “A STUDY ON THE PERCEPTION OF MIDDLE CLASS TOWARDS DE-LINKING OF LPG SUBSIDY”

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### ABSTRACT:

*Indian government has promoted the concept of 'Welfare State' since independence. It has made sure that welfare of the citizens is a major goal, clearly reflecting on its finance i.e. expenditures. The Indian government has strategically placed subsidies in its attempt to reduce the burden of inflation on the common man. Subsidies account for around 14% of GDP. The objective of the subsidy is to reduce the prices of various commodities thereby shift the burden from common man to the government. Government finances this subsidy from its revenues mainly tax collection, whereby the surplus funds are tapped and allocated to priority areas to promote, support and nourish priority sector and to bring about a balanced economic growth and structural development of the economy. Therefore this research focuses on the perception and opinion of the middle class in the city towards de-linking of LPG prices.*

### INTRODUCTION

Over the decades the concept of subsidy has undergone a great transformation. Due to unscientific and opportunistic use of subsidy by progressive governments in India, over usage of subsidy has been the burden on government finance creating a greater budgetary deficit. Increase in budgetary deficit itself has become a major contributor of inflation in the economy. In India subsidies are provided for Crude oil, fertilizers, food etc.

Fuel bill subsidy is one of the major subsidies since India is a oil importing nation, The crude prices are very volatile and our import bill is on rise. This has created a high level of correlation between the crude oil prices and the trade balance. This in turn pushes our trade deficit and creates greater adversity on our BOP situation and Rupee, Dollar exchange rates. RBI report 2005 stated that for every unit dollar increase in crude oil prices, WPI inflation rises by 30 basis

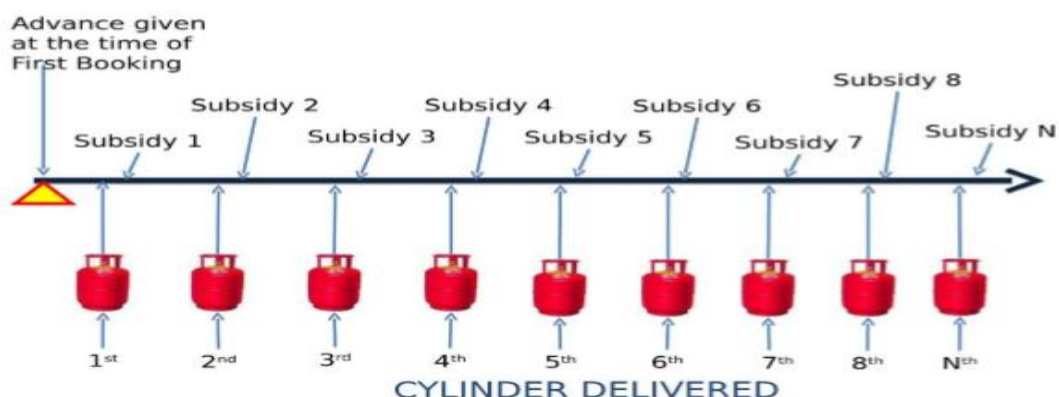
points. The government provides subsidies on oil product to combat the effect on inflation and reduce the burden on common man. But with rising cost of fuel in the world, the Indian Government oil subsidy bill has shown a tremendous increase over a period of time.

Even global financial institutions like WTO and IMF have pulled up India for its poor management of budgetary deficit. These institutions felt that inflation can be under control only when the Government reduces its spending and improves its deficit. Clearly pointing out that the time is right for the government to reduce its subsidy and concentrate on efforts to increase its tax base and cut its spending. Indian government has realized it is time to reduce its subsidy on oil bill. The Government started with de-linking of petrol prices and very recently is in the process of de-linking of LPG prices to reduce its subsidy burden. So the common man is left to bear the increase or decrease in oil prices, thus reducing the role of government in oil sector and leaving the market forces to take charge of prices in oil industry. But the common man's perspective will be different with de-linking the inflation increase and the common man's day to day expenses increase much to the discomfort of their ability to fit the expenses in their budget. But in the long run it will be beneficial for the economy as a whole as it would go on to reduce government budgetary deficit and bring about stronger GDP growth.

### **DIRECT BENEFIT TRANSFER**

The **DBTL (Direct Benefit Transfer of LPG)** scheme, known as PAHAL (Pratyasha Hastaantrit Laabh Scheme), was introduced by the Government of India with the objective of giving cash subsidy on cooking gas. Under this scheme, every consumer will pay the market rate for the LPG cylinder delivered, while the difference between the market rate of the cylinder and the amount fixed the government, for the cylinder will be transferred to the bank account of the customer.

### **Diagram showing delivery of cylinders under the PAHAL scheme.**



The difference between the schemes launched in 2013 and 2014: Under the former, it was mandatory for every consumer who wanted to receive the LPG subsidy to have the Aadhar number. If the consumer did not have an Aadhar card, he/she could not avail the subsidy.

However, under the latter, the LPG subsidy is made available to all consumers, with or without an Aadhar card.

Under this modified scheme, any consumer who joins the scheme can receive the subsidy in his bank account with two options. The consumer who joins this scheme is called a Cash Transfer Compliant (CTC), and he receives the subsidy in his bank account. The two options under this scheme are as follows:

**Option 1: With Aadhar:**

If the consumers have an Aadhar card, they must link their Aadhar number with their bank account in order to receive a subsidy.

**Option 2: Without Aadhar:**

If the consumers do not own an Aadhar card, they must link their bank account with the LPG connection ID to receive the subsidy. This can be done in two ways.

- The consumers' LPG distributor must acquire the bank details of every consumer (account holders' name, account number, IFSC code) from his location and hold this information in the LPG database.
- The bank of the consumer must have all the information about the LG connection, including the 17 digit LPG consumer ID

**This DBTL scheme will benefit three bodies:**

1. LPG consumers
2. Government:
3. Oil marketing companies:

**REVIEW OF LITERATURE**

Cardozo's (1965) initial study of customer effort, expectations and satisfaction. Despite many attempts to measure and explain customer satisfaction, there still does not appear to be a consensus regarding its definition (Giese and Cote, 2000). Customer satisfaction is typically defined as a post consumption evaluative judgment concerning a specific product or service (Gundersen, Heide and Olsson, 1996). It is the result of an evaluative process that contrasts pre purchase expectations with perceptions of performance during and after the consumption experience (Oliver, 1980). The most widely accepted conceptualization of the customer satisfaction concept is the expectancy disconfirmation theory (Barsky, 1992; Oh and Parks, 1997; McQuitty, Finn and Wiley, 2000). The theory was developed by Oliver (1980), who proposed that satisfaction level is a result of the difference between expected and perceived performance. Satisfaction (positive disconfirmation) occurs when product or service is better than expected. On the other hand, a performance worse than expected results with dissatisfaction (negative

disconfirmation). Studies show that customer satisfaction may have direct and indirect impact on business results. Anderson et al. (1994), Yeung et al. (2002), and Luo and Homburg (2007) concluded that customer satisfaction positively affects business profitability. The majority of studies have investigated the relationship with customer behaviour patterns (Söderlund, 1998; Kandampully and Suhartanto, 2000; Dimitriadis, 2006; Olorunniwo et al., 2006; Chi and Qu, 2008; Faullant et al., 2008). According to these findings, customer satisfaction increases customer loyalty, influences repurchase intentions and leads to positive word-of-mouth.

### **STATEMENT OF THE PROBLEM:**

De-linking of LPG subsidy is a cause of worry to the common man mainly due to the fact of the mind set and their inability to understand the implication this may have, in the long run to the economy. Their view is restricted to the expenditures without eyeing the long run economic benefits it may lead to de-linking of LPG is a need today scenario forced upon the Indian economy by not only internal forces but forces of globalization to foster future economic growth.

### **OBJECTIVES:**

1. To study the perception and opinion of the middle class towards de-linking of LPG.
2. To study the effectiveness of direct benefit transfer for LPG. (PAHAL scheme)
3. To study the perception of consumer towards the services of the Gas agencies.
4. To give necessary recommendations for improving the service.

### **RESEARCH METHODOLOGY:**

The method used for the study is both descriptive and analytical.

A descriptive research methodology is one that describes the characteristics of a particular phenomenon that is being studied. This also involves analyzing the data acquired and presenting it in various tables, charts and diagrams to communicate inferences and draw meaningful conclusions.

### **SOURCES OF DATA:**

#### **Primary Data:**

The Primary data for the study has been collected from 150 respondents and it was collected with the help of structured questionnaires in the month of June 2016. Further, the primary data has been collected through interactions with people in gas agencies and other experts in the field.

#### **Secondary Data:**

The Secondary data for the study has been collected from a host of sources like peer reviewed

published journals, Government publications, print media and other online sources.

**SAMPLING:**

The sample of the study is the middle class population. The middle class has been selected for the purpose of study. **Stratified random sampling** has been used for the study. 150 Respondents will be considered as samples for the study. The middle class has been broadly divided into 3 categories of incomes namely:

**Category 1:** Income between Rs. 90,000 to Rs 2,50,000

**Category 2:** Income between Rs. 2,50,000 to Rs. 5,00,000

**Category 3:** Income above Rs. 5,00,000 to Rs.10,00,000

**PLAN OF ANALYSIS:**

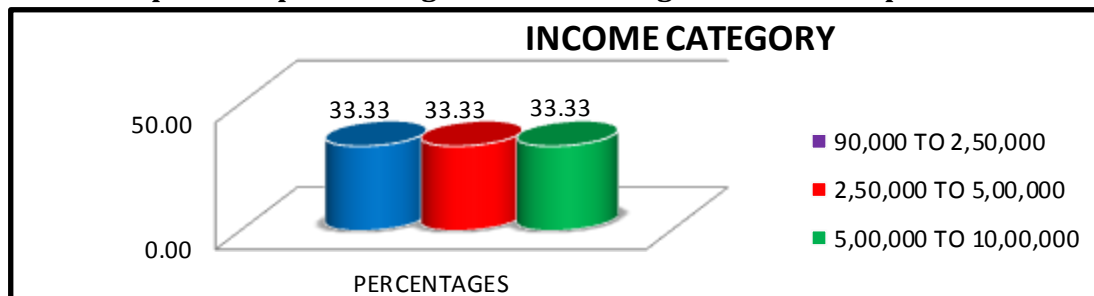
The responses to the questions were analyzed and the data was arranged in table format, often used to permit easy analysis, to facilitate and depict the calculation regarding the responses and show the deviations in responses as well as the percentage of deviation. Visual enhancement of the analysis is presented in the form of illustrations (charts, diagrams etc.) to diagrammatically depict the comparison within the sects of the middle class and differences in perception regarding various aspects of PAHAL and other aspects of LPG. The survey has also undertaken hypothesis testing to understand the significance between incomes and the possibility of giving up of LPG subsidy.

**Table1 – Table showing the Income categories of the Respondents**

INCOME ( Rs.)	Number of Respondents	PERCENTAGES
90,000 TO 2,50,000	50	33.33
2,50,000 TO 5,00,000	50	33.33
5,00,000 TO 10,00,000	50	33.33
<b>TOTAL</b>	<b>100</b>	<b>100</b>

**Analysis :** The table above shows the number of respondents from the bracket of income and their percentages. The percentages of the income categories Rs.90,000-Rs.2,50,000, Rs.2,50,000-Rs.5,00,000, Rs.5,00,000-1,00,0000 are 33.33%. As the total number of respondents selected for the study is 150, stratified random sampling has been used so as to obtain a diverse response from the various sections of the middle class.

**Graph1 - Graph showing the Income categories of the Respondents**



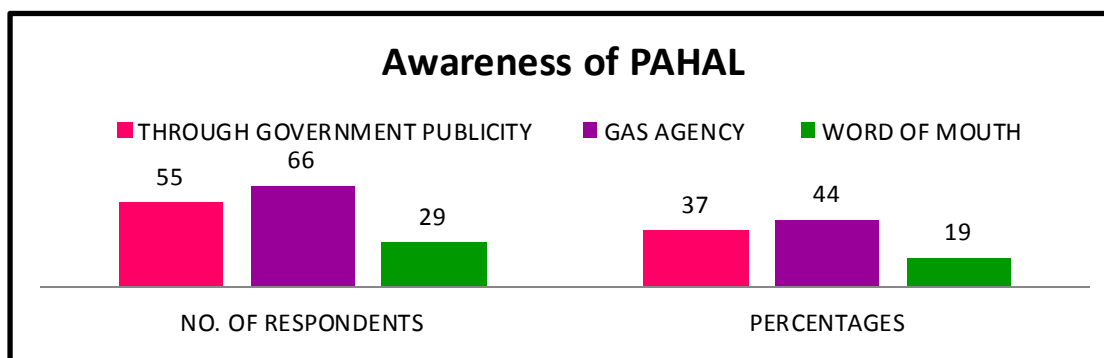
**Inference:** Since this study aims to study the perception of the middle class towards de-linking of LPG subsidy, therefore divide the middle class into 3 categories based on their incomes. Our sample size was 150 for which we used stratified random sampling. Therefore the number of samples retrieved from each category of income has been divided equally ie.50 respondents from each category, so we get a proper insight into the perceptions and the variations in perception between the 3 categories of income. Since the number of respondents has been divided equally, the percentages calculated also turn out to be equal ie.33.33%

**Table2 - Table showing the Awareness of Middle-class towards PAHAL**

Awareness of PAHAL	NO. OF RESPONDENTS	PERCENTAGES
THROUGH GOVERNMENT PUBLICITY	55	36.67
GAS AGENCY	66	44
WORD OF MOUTH	29	19.33
<b>TOTAL</b>	<b>150</b>	<b>100</b>

**Analysis:** The above table reports the results of the survey towards the awareness tools of the respondents in the city of Bengaluru. It is reports that 44% of respondents were aware of PAHAL through Gas agencies, while 36.67% of respondents were aware through Government Publicity and 19% were aware through the word of mouth about PAHAL.

**Graph2 - Graph showing the Awareness of Middle-class towards PAHAL**



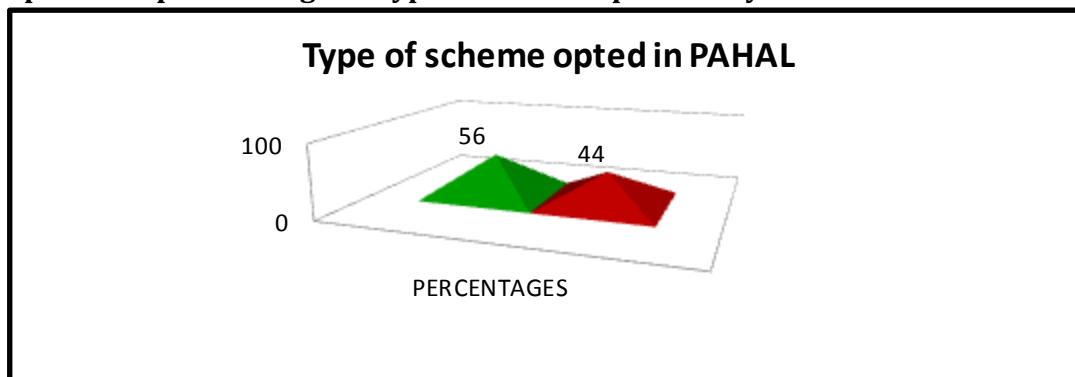
**Inference:** While questioning the respondents, it was clear that most of the respondents were made aware of PAHAL through their respective gas agencies. This shows that gas agencies have done a commendable job in disseminating information about PAHAL along with Government Agencies. The Oil companies have done a good publicity towards PAHAL, which is step forward for de-linking of LPG.

**Table3 -Table showing the Type of Scheme opted for by the middle class in PAHAL**

TYPE OF SCHEME OPTED IN PAHAL	NO. OF RESPONDENTS	PERCENTAGES
Aadhar based cash transfer	84	56
Non-aadhar based cash transfer	66	44
<b>TOTAL</b>	<b>150</b>	<b>100</b>

**Analysis:** From this table one can determine that the Aadhar Based Cash Transfer Scheme in PAHAL is the dominant scheme with 84 respondents opting for this scheme thus forming 56% of the respondents. The Non-Aadhar Based Cash Transfer Scheme has only 66 takers thus forming 44% of the respondents.

**Graph3 - Graph showing the Type of Scheme opted for by the middle class in PAHAL**



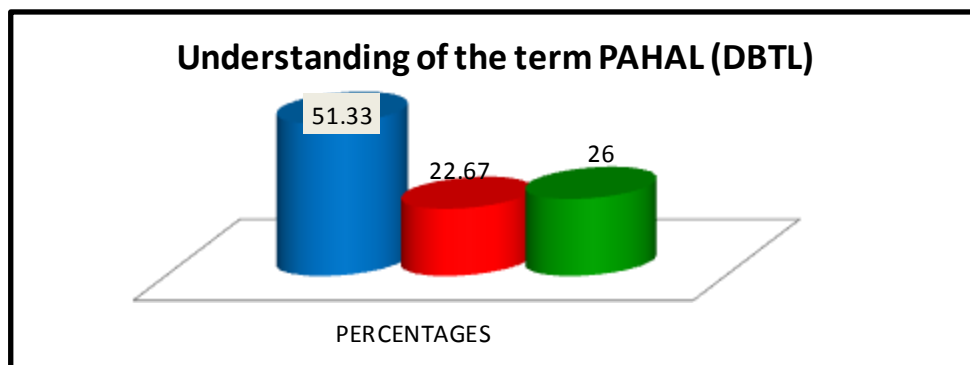
**Inference:** The above results indicate the divide in the schemes opted for by the public in PAHAL. However the reason for this divide is quite simple. Due to the PAHAL (DBTL) scheme that was launched earlier on 1<sup>st</sup> June 2013 which required the consumer to mandatorily have an Aadhar number for availing the LPG subsidy. But at this time Aadhar card had not reached to greater number of people, so as to allow the middle class people without an Aadhar card to avail of DBTL, the second option was introduced. As the Parliament passes the bill on Aadhar Card, making it mandatory for all its citizens, the second option may be pulled out of practice. Linking Aadhar card with gas connections will lead to targeting subsidy only the eligible income group, eliminate duplicate connections, streamline the entire process of LPG connections.

**Table4 – Understanding of the term PAHAL (DBTL)**

Description	NO. OF RESPONDENTS	PERCENTAGES
An effort of the govt. to provide subsidy to the actual household customer	77	51.33
An effort of the govt. to slowly move towards de-linking of LPG and increased prices	34	22.67
An effort of the govt. to increase the documentation process to reduce new connections	39	26
<b>TOTAL</b>	<b>150</b>	<b>100</b>

**Analysis:** From the above table it is clear that 51.33% of the respondents believe that PAHAL is an effort of the government to provide subsidies to the actual household customers. Another 26% respondents believe that this is an effort of the government to increase the documentation process (KYC) to reduce new connections. However the remaining 22.67% also believe that this is a move by the government towards de-linking of LPG and increased prices.

**Graph4 – Understanding of the term PAHAL (DBTL)**



**Inference:** The above graph indicates the perceptions of the PAHAL scheme among the middle class. The primary aim of this Direct Benefit Transfer program is to bring transparency and terminate pilferage from distribution of funds sponsored by Central Government of India. We can infer that the understanding of the aim of the scheme is on the right track. The perception of some respondents that this is a move to bring down the number of double connections and improve transparency and a move of government to de-link LPG prices indicate a fear regarding the middle class towards government policies. But in reality PAHAL is ultimately intended to progress towards de-linking of LPG.

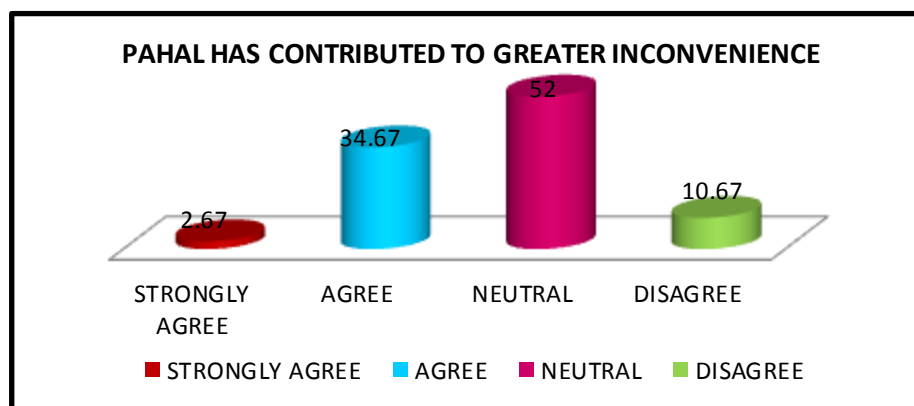


**Table5 -Table showing the middle class’s perception towards whether PAHAL has contributed to greater inconvenience**

PAHAL HAS CONTRIBUTED TO GREATER INCONVENIENCE	NO. OF RESPONDENTS	PERCENTAGES
STRONGLY AGREE	4	2.67
AGREE	52	34.67
NEUTRAL	78	52
DISAGREE	16	10.67
<b>TOTAL</b>	<b>150</b>	<b>100</b>

**Analysis:** The highest percentage ie.52% remains neutral on the aspect of PAHAL contributing to greater inconvenience. However 52 respondents ie.1/3<sup>rd</sup> of the total respondents agree with this aspect of PAHAL. 16 people ie.10.67% do not believe that PAHAL has caused greater inconvenience. However 2.67% people strongly agree that the PAHAL scheme has contribute to greater inconvenience.

**Graph5 – Graph showing the take of the middle class on whether PAHAL has contributed to greater inconvenience.**



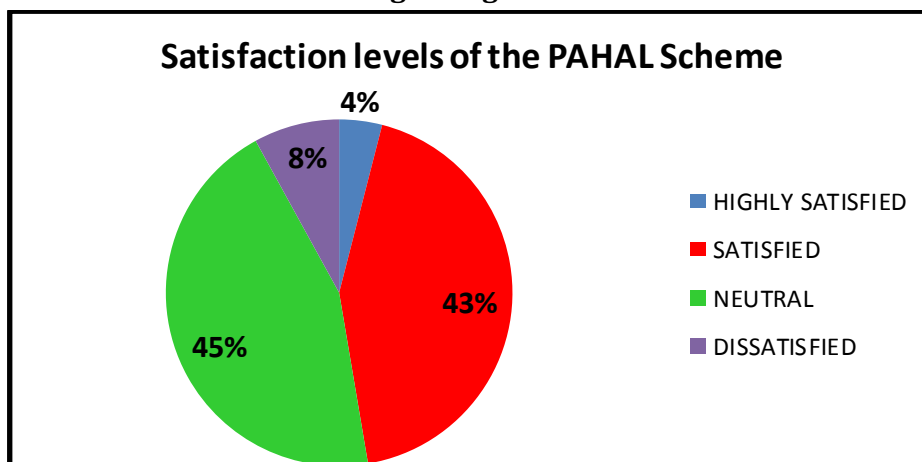
**Inference:** It can be referred from the above graph that a large majority of the respondents chose to remain neutral or agreed to the fact that PAHAL contributed to increasing in the inconvenience is due to the greater documentation and the process of linking it with the bank accounts. This is one time process, to weed out the inefficiencies in the system. But despite a few problems, they remain positive as they believe the scheme has the scope to develop and fix variations and discrepancies. This shows a positive outlook of the middle class towards PAHAL. However there is also cause for worry as there is a high percentage that agrees with the aspect of PAHAL increasing the level of inconvenience.

**Table6 - Table showing the respondents satisfaction level towards timely information about the PAHAL scheme.**

TIMELY INFORMATION FOR THE PAHAL SCHEME	NO. OF RESPONDENTS	PERCENTAGES
HIGHLY SATISFIED	6	4
SATISFIED	65	43.33
NEUTRAL	67	44.67
DISSATISFIED	12	8
TOTAL	150	100

**Analysis:** Majority of the respondents chose to remain neutral about timely information of the scheme. They constitute 44.67% of the respondents. The number of respondents who were satisfied comes a close second with 65 respondents' ie.43.33%. However 8% of the respondents were dissatisfied with the information on the scheme. Only 4% of respondents were highly satisfied with the timely information about the scheme.

**Graph6- Graph showing the varying satisfaction levels with reference to the timely information regarding the PAHAL scheme.**

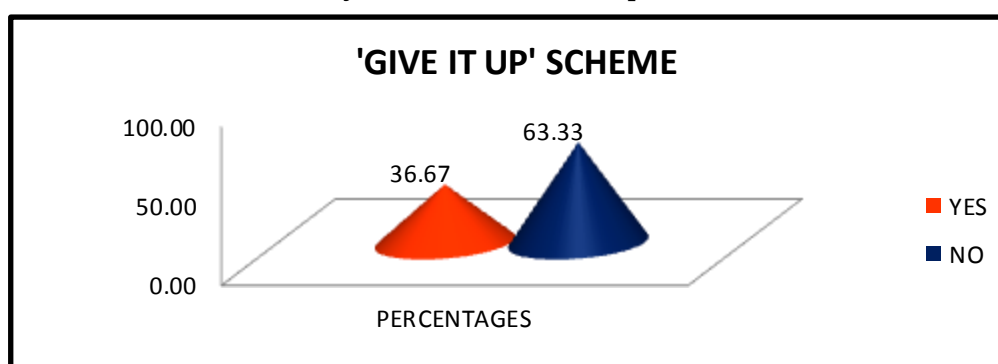


**Inference:** Through the graph we can infer that people mostly chose to remain neutral about whether they were satisfied about the information provided about the PAHAL scheme and whether it was received timely. They attributed this to ignorance regarding receipt of information.

**Table 7 – Table showing the number of respondents who would like to give up their LPG subsidy under the ‘Give it Up’ Scheme.**

WOULD YOU LIKE TO GIVE UP YOUR LPG SUBSIDY UNDER THE 'GIVE IT UP' SCHEME?	NO. OF RESPONDENTS	PERCENTAGES
YES	55	36.67
NO	95	63.33
<b>TOTAL</b>	<b>150</b>	<b>100</b>

**Analysis:** The above table shows that 63.33% of the respondents are not ready to given the subsidy on LPG, while the remaining 36.67% of the respondents were willingly to give up.

**Graph 7 –Graph showing the number of respondents who would like to give up their LPG subsidy under the ‘Give it Up’ Scheme.**

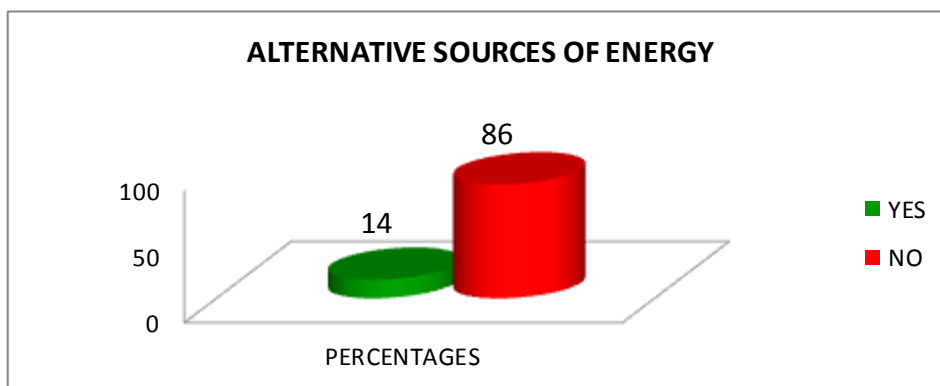
**Inference:** After tabulating the data, it is clear that majority of the respondents are not keen on giving up their LPG subsidies. This clearly shows the inability of people to analyze the big picture and to reduce the share of the burden of subsidy of the government. It makes sense to dole out subsidies to the weaker sections of the society. People with a comfortable level of income should think on to proceed to give up the subsidy on LPG, which will go on to reduce the budgetary deficit and thrust resources to priority areas of spending like health care, education etc.

**Table 8 – Table showing the number of respondents who have been pushed to alternative sources of energy due to de-linking of LPG prices.**

HAVE YOU BEEN PUSHED TO ALTERNATIVE SOURCES OF ENERGY DUE TO DE-LINKING OF LPG PRICES?	NO. OF RESPONDENTS	PERCENTAGES
YES	21	14
NO	129	86
<b>TOTAL</b>	<b>150</b>	<b>100</b>

**Analysis:** More than 4/5<sup>th</sup> of the respondents' ie.86% of the respondents has not been pushed to alternative sources of energy due to de-linking of LPG prices. However 21 out of the 150 respondents' ie.14% have been pushed to using alternative sources.

**Graph 8- Graph showing the number of respondents who have been pushed to alternative sources of energy due to de-linking of LPG prices.**



**Inference:** After tabulation of the data, through graphical representation of the data, we inferred that 86% of the respondents have not felt the need to resort to using alternative sources of energy due to de-linking of LPG of LPG prices. However 21 out of the 150 respondents have been pushed towards using alternative sources such as firewood, solar, electric etc. sources as they proved to be cheaper. The alternative sources of energy have not gained popularity, to reduce the pressure on LPG.

**HYPOTHESIS TESTING:**

**H<sub>0</sub>: Income does not significantly affect the chances of Giving Up of the subsidy on LPG.**

**H<sub>1</sub>: Income significantly affects the chances for Giving Up of the subsidy on LPG.**

Mean	2	1.633333
Known Variance	0.671141	0.233781
Observations	150	150
Hypothesized Mean Difference	0	
z	4.72075527	
P(Z<=z) one-tail	1.17485E-06	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	2.34971E-06	
z Critical two-tail	1.959963985	

Since the P value is more than 0.5, we accept the null hypothesis indicating the income does not significantly affect the chances of giving up the subsidy on LPG.

The hypothesis testing clearly indicates that income is not significantly affecting the chances of

giving up the subsidy on LPG. The fact to be noted is higher income level of the people do not opt for giving up their LPG subsidy. This is significant as the government itself as cancelled subsidy on LPG for people falling in income back of Rs. 10, 00,000 or more for the current year. This is also significant to note that the government should bring about innovative promotion and other measures to kindle citizen initiative to given the subsidy on LPG.

### **LIMITATIONS OF THE STUDY:**

1. There may be personal bias of the respondent while answering the questionnaire.
2. The study is partly conducted among illiterates, which may affect the result of the study.

### **RECOMMENDATION:**

- The government should take up measures to bridge the gap between the time wherein the information about such schemes is released and the time it reaches the end users. The government needs to correct this issue as this will resolve the doubts and misconceptions about the scheme and facilitate better understanding.
- Initiatives should be launched to promote changes in lifestyle etc. so as to make the public aware of the benefits of such changes in lifestyles which range from family planning measures, healthy eating which in time would reduce unnecessary consumption of LPG.
- Measures need to be taken by the government to diminish the misconceptions of the PAHAL scheme as many still do not understand the basic aim of the scheme. The people need to understand the benefits of the scheme.
- Stricter measures should be taken against misdemeanors caused by the gas agencies of the respondents. The main problems range from extraction of extra delivery charges, improper grievance redressal, coercion etc. and this affects the middle class to quite an extent.
- The government needs to fix the problems regarding the timely deposit of the LPG subsidy into the bank accounts of the respective people as there is still a section of the society that faces delays/non-receipt of the LPG subsidy.

### **CONCLUSION:**

The purpose of this study that is "A study on the Perception of the Middle Class towards De-Linking of the LPG Subsidy" was to tabulate the data derived from the questionnaires, and study the responses related to feedback from the 150 respondents in order to find out the differences in the perceptions of the people from the various sections within the middle class.

Our aims was to study and find out the deviations and the gaps and to mainly correct those deviations, find out the reasons as to why such deviations have occurred and prevent such deviations from reoccurring in the future so that the government can meet the standard it sets.

According to this study, it is found that most people have accepted the changes in PAHAL and de-linking of the LPG subsidy but they are still a bit skeptical. The main problem presented is mainly the way these alterations in the scheme have been implemented. They felt that the

government should have done a better job in terms of educating the general public about PAHAL. The government should have taken more initiatives and also taken more measures towards satisfaction of the public's queries regarding the scheme.

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