

Chapter 6

Protection of Entitlement and Ensuring Subsidy

6.1. Failed transactions

The smooth operation of PAHAL (DBTL) Scheme and protection of entitlement of the consumer depend on seamless transfer of advance and subsidy to the account of the entitled domestic LPG consumer. However, cash transfer to the consumer is not effected when a transaction is treated as failed transaction. A transaction is considered as failed one when the transaction is returned or rejected by bank or National Payment Corporation of India (NPCI). In such cases, the bank credits the unpaid amount back to the account of the OMCs. The major reasons for transaction failures and the non-payment of Permanent Advance (PA) to LPG consumers (as noticed from field audit of limited test check) are indicated below:

Table-9: Details of reasons for failed transactions from 1 January to 15 August 2015

Reasons	Number of cases			
	IOCL	HPCL	BPCL	Total
Bank account wrongly entered by the distributor	161	70	39	270
Other data entry errors (Name, Aadhaar number, IFSC, etc.) by the distributor	80	12	29	121
Pending action at the distributor's end	38	40	16	94
Incorrect data given by consumer	69	2	13	84
Other reasons for failed transactions ¹	52	15	115	182
Total	400	139	212	751

As can be seen from the above table, 485 out of 751 failed transactions (representing 64 *per cent*) were due to reasons attributable to distributors, which emphasises the requirement of effective monitoring by OMCs and adequate input controls and validations in the database to ensure its accuracy.

In addition to the above, it was noticed that some transactions failed as some of Grameen Banks were not on the system of NPCI. In the case of Aryavart Kshetriya Grameen Bank, only one IFS Code was mapped to the entire bank. Besides, erratic payments of refill subsidy were noticed in respect of Purvanchal Grameen Bank. It is, therefore, necessary that the OMCs contemplate adequate efforts to ensure synchronisation of all consumer banks with the payment bridge of NPCI.

¹ Inactive Aadhaar number, Difference in name in OMC database and Bank account, Account name changed in Bank.

IOCL and BPCL stated (April/May 2016) that the consumer becomes eligible for subsidy transfer only after suitable verification. For ACTC consumers, the Aadhaar number seeded in the LPG database was looked up in the NPCI database for availability of bank account information and only on its availability, subsidy was triggered. For BCTC consumers, the bank account and IFSC seeded in the LPG database was verified with the bank concerned and subsidy was transferred only after successful verification. In case of errors in data entry, such consumers would remain non-compliant for subsidy transfer. This process of verification had, however, been made inactive during the period December 2014 and March 2015 as per the Control Order which has contributed to the high failure rate. Transactions also failed even after successful mapping, reasons for which could be seen from NPCI portal. The OMCs also pointed out that transactions failed as bank seeding was earlier not restricted to NACH/APB¹ compliant banks linked to NPCI (e.g. Grameen banks) which has now been modified to accept bank seeding only from NPCI linked banks.

HPCL replied (May 2016) that necessary corrective action has already been instituted in the system to prevent failure of transactions and that the current status has improved drastically.

The replies of IOCL and BPCL substantiate the steps taken by them to seed only NPCI compliant bank accounts. While this would reduce the number of failed transactions, it would also deprive a number of genuine consumers from subsidy benefit as their banks (e.g., Grameen banks) are not linked to NPCI. There is a need for expanding the coverage of NPCI linked banks to ensure smooth cash transfer to the deserving consumers. It is also noted that the OMCs have not addressed the need to streamline the data entry mechanism at the distributor's end to ensure accurate seeding of bank details to enable the consumer derive benefits of the Scheme. Further, corrective action taken by HPCL at the instance of Audit is noted.

6.2. Non-transfer of permanent advance

Audit noticed that though consumers have joined the PAHAL (DBTL) Scheme and linked their bank account and in some cases Aadhaar number to the domestic consumer database, transactions for transferring the permanent advance have failed. In the sample studied in Audit, there were 47.23 lakh active domestic LPG consumers who had failed to receive Permanent Advance as on 31 October 2015 as indicated in the table below:

¹ National Automated Clearing House (NACH) and Aadhaar Payment Bridge (APB).

Table-10: Details of LPG Consumers and PA pending for transfer

Name of OMC	Number of active LPG domestic consumers not received PA after becoming CTC	Amount of pending PA for transfer to consumers account (₹ in crore)
IOCL	35,60,916	127.48*
BPCL	2,59,596	9.31
HPCL	9,02,277	32.30*
Total	47,22,789	169.09

**As amount of PA pending for transfer to consumers of IOCL & HPCL was not contained in the data furnished to Audit, average PA amount of BPCL (₹358/-) has been adopted while working out the amount.*

Since the purpose of payment of Permanent Advance (PA) was to assist the consumer in purchasing LPG cylinders at market price without any financial burden, it was imperative that all the eligible LPG consumers received their PA upon their first refill booking. Non-transfer of PA, therefore, defeated the objective of providing for permanent advance.

The OMCs responded (April/May 2016) on the following lines:

- (i) IOCL stated that interim analysis revealed the following reasons for non-triggering of Permanent Advance to CTC compliant consumers:
 - The PA was triggered to a CTC compliant consumer only on making first booking. There were a number of cases in the sample where consumer has become compliant but was yet to book a refill.
 - In some cases, PA was not triggered even after issue of the first refill. This was due to the fact that either the bank data was not complete/not verified/put on hold/deseeded or the consumer had converted to NCTC. (UID Master not complete). IOCL also attributed the non-transfer of PA to system issues like downtime of Change Data Capture Service, for which it assured to take corrective action. Moreover, it was informed that triggering of PA had been put on hold vide Finance Ministry's letter dated 8 March 2016.
- (ii) BPCL stated that PAs were withheld on account of pending Accounts Verification response or negative response received from the banks for BCTC Consumers or in case of Aadhaar Inactive Status for ACTC consumers. All such consumers were advised to rectify the same. Once the error was rectified the payment would be triggered as per re-trigger cycle. BPCL also asserted that both advance and subsidy were on hold for consumers where corrective action was pending.
- (iii) HPCL stated (May 2016) that on a sample review, it was found that:
 - a. Some consumers had given wrong bank account details, which were accepted by the portal initially, but rejected later by bank after verification and were later converted to NCTC from CTC.

- b. In some cases, the wrong bank account details were corrected and payment transferred subsequently, as per refills.

HPCL assured that since Aadhaar numbers for these cases were readily available with the distributor, consumers were being advised to update their Aadhaar numbers in the banks also in order to make them CTC and that corrective action would be taken.

The replies of OMCs need to be viewed in the following context:

- While Audit appreciates IOCL response that in some cases the PA had not been triggered as refills had not been booked, there were a total of 20.73 lakh cases where PA has not been triggered even after the first refill issued to the consumer. IOCL's contention that PA could not be triggered because bank data was incomplete/incorrect is not tenable as subsidy was being transferred to the same consumers. While the system issues are appreciated, they need to be redressed within a specified period, given the implications of non-transfer of PA. Audit notes the assurance of IOCL regarding corrective action.
- The reply of BPCL is not factually correct as audit analysis of the sample indicated that there were 8,509 (2014-15) and 18,394 (2015-16) consumers who had not received their PA after becoming CTC though they received subsidy to the tune of ₹28.19 lakh during the year 2014-15 and ₹98.61 lakh during the year 2015-16 respectively.
- While appreciating the efforts being taken by HPCL for seeding Aadhaar number of consumers, wherever available, in order to make them CTC, it may be stated that after correction of bank account numbers, where payment for refills taken was transferred, steps ought to have been taken for transfer of Permanent Advance also to these consumers.

A significant quantum of failed transactions was noticed which is a matter of concern as it could deprive the genuine LPG consumers of their legitimate subsidy. Audit noticed that a major reason for failure of transactions was inaccurate data entry by distributors