



Health first, fiscal prudence later

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(GS-2: Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources & Government policies and interventions for development in various sectors and issues arising out of their design and implementation.)

Context:

- Subsidised **LPG prices have increased** by a massive 50% in this financial year alone.
- This impacts the gains of the government's flagship scheme, the Pradhan Mantri Ujjwala Yojana (PMUY).

Pradhan Mantri Ujjwala Yojana:

With the tagline of "**Swachh Indhan, Behtar Jeevan**", scheme "**Pradhan Mantri Ujjwala Yojana**" (PMUY) envisages smoke free Rural India by providing concessional LPG connections.

Some of the objectives of the scheme are:

- Empowering women and protecting their health.
- Reducing the serious health hazards associated with cooking based on fossil fuel.
- Reducing the number of deaths in India due to unclean cooking fuel.
- Preventing young children from significant number of acute respiratory illnesses caused due to indoor air pollution by burning the fossil fuel.

Assessment of PMUY:

- Since 2016, PMUY has provided LPG connections to 80 million poor households to reduce women's drudgery and indoor air pollution.
- Providing an upfront connection subsidy of ₹1,600, PMUY helped expand LPG coverage to more than 85% of households.

- In comparison, less than a third of Indian households used LPG as their main cooking fuel in 2011.

However, multiple studies assessing PMUY concluded that while access has increased, many new beneficiaries are not consuming LPG in a sustained manner.

Large-scale primary surveys by the Council on Energy, Environment and Water (CEEW) suggest that, on average, recent PMUY beneficiaries consumed only about half the LPG compared to long-standing regular consumers.

Limitation of PMUY:

- Poor households uptake Limited LPG because of two main reasons.
- Despite the subsidies, the effective price of LPG is not affordable for such households.
- Many rural consumers have access to freely available biomass, making it difficult for LPG to displace it.
- Beyond causing indoor air pollution, biomass use for cooking contributes up to 30% to the ambient PM_{2.5} at the national level, more than the contribution of transport, crop residue or coal burning.

Changing prices:

- The recent increases in the subsidised LPG price have made it more difficult for the poor to sustain LPG use.
- India determines domestic LPG prices based on imported LPG price (we import more than 50% of our consumption).
- As the pandemic set in, the LPG subsidised price began to rise, even when global LPG prices plummeted, contributing to the refiners' margins and government finances.
- However, now with LPG prices rising globally, a 50% reduction in the LPG subsidy budget for FY22 (versus FY21) does not bode well.
- The government is either banking on low global prices or reducing its subsidy burden significantly, even while offering 1 crore new connections under Ujjwala 2.0 in FY22.
- The government's lack of transparency in the pricing of subsidised LPG adds further to the citizen's plight.
- The information about LPG price build-up and subsidy has become more difficult to obtain in recent years.
- As a consumer, one is no more aware of whether the subsidy reduction or global price changes are changing the subsidised LPG prices.

Way forward: Better targeting of subsidies:

- Currently, the government provides a uniform subsidy per cylinder to all LPG consumers.
- Many long-term LPG users, who are also middle- and higher-income households, will continue to use LPG even at a (higher) unsubsidised price.
- In contrast, economically poor households need a greater subsidy to make it affordable for them to use LPG as their main cooking fuel.
- One approach for such targeting is to rely on the existing LPG consumption patterns of consumers.
- Provide households exhibiting low consumption or a decline in LPG consumption over time with greater subsidy per cylinder to sustain health gains.
- Further, the subsidy levels could be dynamic with different slabs reflecting the previous year's consumption.
- Alongside, the de-duplication efforts to weed out households with multiple LPG connections must continue to avoid subsidy leakages.

Conclusion:

- In the post-pandemic rebuilding, the continued support to the economically poor for sustaining LPG use is not merely a fiscal subsidy but also a social investment to free-up women's productive time and reduce India's public health burden.
- This social investment will yield rich dividends in the years ahead through a healthier and productive population.