

DOI No.: <http://doi.org/10.53550/EEC.2022.v28i07s.059>

Comparative Analysis of Cost and Efficiency in Water Use of Groundwater Market Participating and Non-Participating Farms in Cuddalore District of Tamil Nadu

Bala R., Venkataraman R. and Ravichandran S.

Faculty of Agriculture, Annamalai University, Chidambaram, India

(Received 4 April, 2022; Accepted 8 June, 2022)

ABSTRACT

Crop production and human survival primarily depends on available freshwater resources, where upto 70% of the resource is used for irrigation purpose either as surface water or groundwater. Lack of surface water resources increases the dependence on groundwater. Ground water is the backbone of available fresh water resources. Country's economic growth is always dependant on high market opportunity and in-order to boom agricultural economy of our country, groundwater market plays a vital role. This is a highly sensitive market as it has multiple dependant factors like growing population, effective water usage, availability, water restoration which changes demand and decides the role of water market. Although water market is an informal structure, the demand and availability leads the exchange of water for monetary value charged on the basis of area, volume and time. Due to increase in demand and decrease in availability which is caused by various environmental factors, water market plays a vital role in overall contribution towards agrarian economy. This study tries to compare the cost and water use efficiency between water participating and non-participating farms in cuddalore district of Tamil Nadu.

Key words : Irrigation, Groundwater, Groundwater market, Water use efficiency

Introduction

Ground water is one of the nation's most important natural resources. Ground water is not a non-renewable resource, such as a mineral or petroleum deposit, nor it is completely renewable in the same manner and timeframe as solar energy. Ground water is expensive and relatively scarce in recent years. Due to short supply of surface water the farmers are to depend on groundwater to irrigate their land for crop cultivation.

Irrigation water uses up around 70-80% of the world's renewable fresh water supplies. Among the different sources of irrigation water, groundwater

has a mammoth share of 43% and it registered an exponential growth in recent decades owing to its reliable and ready at command features. This over dependence on this source and pressurising demand from the other sectors of the economy leads to over exploitation and unsustainable use of this resource. In such a, scenario the water markets have emerged as an economic instrument to ensure the allocative and technical efficiency in water use and sustain this resource base for inter and intergenerational equity. As water demand increases, the dependence on groundwater increases, this leads to the formation of groundwater markets. Buying and selling of groundwater is common in

arid and semi-arid parts of the world. Informal water markets are reported in many countries like India Pakistan, China and Nepal. In India the water market span over 15 per cent of the total irrigated area (Mukherji, 2008) and it is expanding due to water scarcity and rising irrigation costs. About 55 per cent of farmers are involved in water markets in India (Molle *et al.*, 2003).

With this background, the present study is attempted to study the probable impact that water market creates on the cost and use efficiency of groundwater in two different groundwater scarcity regimes. The objectives of the study are: analysing the existing water market conditions, analysing the irrigation cost differences and its resultant impact on net income, comparing the water use efficiency vis-a-vis water market participation status and suggesting suitable recommendations to improve the efficiency of water markets and water use efficiency for future operations.

Materials and Methods

Study Area

The study was conducted in Annagramam and Cuddalore blocks of Cuddalore district in TamilNadu which represents two different groundwater scarcity regimes viz., semi critical and over exploited status. This region is situated in the tail end of cauvery delta region and characterized by an average annual rainfall of 1315.8 mm. The purposive selection was made for the reason that the number of tubewells and area irrigated under the groundwater were the highest in this district in Tamilnadu.

Sampling Design

In terms of groundwater extraction Annagramam block falls under semi-critical (70-90 per cent of draft) category and Cuddalore falls under over – exploited (more than 100 per cent draft) category as per the stage of groundwater development status. A sample size of 200 groundwater-dependent farmers were equally allocated between the two selected blocks as 100 each. In each block two villages wherein agricultural activities where hectic were purposively selected and the sample size of 100 was distributed as probability proportion to number of tubewells. The sample was later post stratified as: self-users , water sellers and water buyers for all fur-

ther analysis.

Data Analysis

Simple percentage analyses were done to understand the existing groundwater market condition and making comparison on irrigation cost of different water market participating stakeholders. Cost A, Cost B and Cost C concepts were used for working out the cost of cultivation and irrigation cost share of major principal crops so as to make comparison between the water market participating and non- participating farms of the study area.

Cost A₁- All actual expenses in cash and kind incurred in crop production by the farmers

Cost A₂- Cost A₁ + rent paid for leased in land.

Cost B 1- Cost A₁ + Interest on value of owned capital assets

Cost B2 - B1+ Rental value of owned land (net of land revenue) and rent paid for leased in land

Cost C 1- Cost B1 + imputed value of family labour

Cost C2 - B2+ Imputed value of family labour

Cost C3 - Includes managerial cost (C2+ 10 per cent of Cost C2)

Water Use Efficiency

It was found that among the sample farmers, some farmers are participating in water markets i.e. involved in buying and selling of water. Some farmers sell surplus quantity of water to their neighbours and some farmers did not participate in water markets even though they have surplus quantity of water. Buyers also differed in their quality, quantity and timing of water purchased. The difference among various group of farmers in how much quantity of water is effectively utilized for crop production and the influence of other inputs in production are related using the Cobb-Douglas production function. The following model of Cobb-Douglas production function was fitted by incorporating the variables relevant at field level so as to examine the resource productivity of water.

$$Y = aX_1^{b_1}X_2^{b_2}X_3^{b_3}X_4^{b_4}X_5^{b_5}\mu_1$$

Where,

Y = output per acre (in Rs),

X₁ = seed cost per acre (in Rs),

X₂ = labour cost per acre (in Rs),

X₃ = fertilizer cost per acre (in Rs),

X₄ = cost of per irrigations (in Rs),

X₅ = cost of plant protection (in Rs).

μ₁ = error term and

b_1, b_2, b_3, b_4, b_5 = parameters to be estimated.

Results and Discussion

Existing water market conditions of the sample farms

Table 1 shows the tube well operational details of the sample farms such as depth of operation, horsepower distribution, operational size of holding etc. It is observed that in Annagramam and Cuddalore block the average depth of tube well operation was found to be higher among the water sellers group (230 and 350 feet) compared to self users group (229 and 348 feet). Between the blocks the tube well depth was higher in Cuddalore block in both self user (348 feet) and seller group (350 feet).

The distribution of depth of operation showed that the proportion of farmers operating in higher depth (200-250 feet) was found to be greater in self user category which accounted for 66 percent of the total size of sample in Annagramam block. But in Cuddalore block the percentage of farmers operating in higher depth (>450 feet) was noticed higher in sellers category. The horsepower distribution of motors varied in accordance with the depth of operation. The farmers operating with higher HP power motors *viz.*, 20 and 25 HP motors put together was found to be more in water seller group (53 and 75 per cent) compared to self-user group (20 and 10 per cent) in these two blocks.

The operational size category was found in line with the depth and HP. The average operational farm size in each category of marginal, small, medium farmer and overall size of holding was higher in water selling group in Annagramam block, where as in Cuddalore block no much difference was observed between the self user and seller groups in their average farm size. In case of buyers, most of the farmers belonged to marginal and small farmers category and in sellers category, most of the farmers were falling in large farm size category.

Cost of Irrigation

It was found that the investment rate was higher for water sellers compared to self-users. However between self-user and water seller the difference in investment was more in Cuddalore block (15237.93) compared to Annagramam block (13947.81).

The annual cost of tube well irrigation is presented in the Table 2. The annual cost (apportioned fixed cost was the major component and variable cost was negligible due to free electricity) and apportioned fixed cost were higher for cuddalore block compared to Annagramam block. This was due to the difference in investment on tube wells, which was attributed to higher depth and HP's. However the repair and maintenance cost was higher in Annagramam block. Between the two groups the annual cost was naturally higher for water sellers compared to self-users in both the blocks.

Table 1. Tubewell Operational Details of the Sample Farms in the Selected Blocks

S. No.	Particulars	Cuddalore (OE)				Annagramam (SC)			
		Self user	Buyer	Seller	Total	Self user	Buyer	Seller	Total
1	Average depth in feet	348.60	-	350.35	348.50	229.69	-	230.80	230.24
	150-200 ft	25(65.78)	-	1(3.12)	26(37.14)	10(33.33)	-	1(3.03)	11(17.46)
	200-250 ft	9(23.68)	-	11(34.37)	20(28.57)	20(66.66)	-	17(51.51)	37(58.73)
	>250 ft	4(10.52)	-	20(62.5)	24(34.28)	-	-	15(45.45)	15(23.80)
	Total	38(100)	-	32(100)	70(100)	30(100)	-	33(100)	63(100)
2	Horse power								
	5 and 7.5 hp	8(21.05)	-	-	8(11.42)	6(20)	-	-	6(9.52)
	7.5 and 10 hp	26(68.42)	-	8(25)	34(48.57)	18(60)	-	5(15.15)	23(36.50)
	15 and 20 hp	4(10.52)	-	24(75)	28(40.00)	6(20)	-	28(84.89)	34(53.96)
	Total	38(100)	-	32(100)	70(100)	30(100)	-	33(100)	63(100)
3	Operational area size in acres								
	Marginal farmer < 2.5 ac	16(42.10)	17(56.66)	-	33(33.00)	3(10.00)	30(81.08)	-	33(33.00)
	Small farmer 2.5-5 ac	8(21.05)	13(43.33)	2(6.25)	23(23.00)	19(63.33)	7(18.91)	12(36.36)	38(38.00)
	Large farmer >5ac	14(36.84)	-	30(93.75)	44(44.00)	8(26.66)	-	21(63.63)	29(29.00)
	Average area								
	Total	38(100)	30(100)	32(100)	100(100)	30(100)	37(100)	33(100)	100(100)

In any economic operations, the variable cost will only reflect the operational efficiency. However, in this case, since electricity is provided on free of cost and unmetered its estimation and inclusion in the cost assessment has become an infesible task. Hence, comparing the water use efficiency of water market participating and non- participating farms in terms of irrigation cost with the non -inclusion of its variable cost is incomplete and will not reflect the real efficiency of the water market operations. With

this handicap this study tries to capture the economic advantage of water market operations in the prevailing conditions by taking into account only the rectangular hyperbolic nature of the average fixed cost.

Cost of Cultivation

It was observed from the secondary data that banana and sugarcane were the predominant crops of Cuddalore and Annagramam blocks respectively

Table 2. Annual cost of Tube well Irrigation

I S. No	Particulars	Fixed cost			
		Cuddalore (OE)		Annagramam (SC)	
		Self user	Water seller	Self user	Water seller
	Total investment	156323.60 (100.00)	171561.53 (100.00)	132059.60 (100.00)	146007.41 (100.00)
A	Total depreciation on fixed capital @ 12.5per cent	19540.45	21445.19	16507.45	18250.92
B	Interest on fixed capital@ 7per cent	10942.65	12009.30	9244.17	10220.51
	Annual fixed cost(A+B)	30483.10	33454.49	25751.62	28471.43
II	Variable cost				
C	Repair & Maintenance cost	5984.37	6081.96	6982.35	7095.23
D	Variable cost*	0.00	0.00	0.00	0.00
E	Annual total cost (I+II)	36467.47	39536.45	32733.97	35566.66

Table 3. Cost of Cultivation of Banana in Cuddalore Block

S. No.	Particulars	Category		
		Self-user	Sellers	Buyer
I	Cost of Cultivation			
1.	Planting Material	7578.94	7496.87	7470.00
2.	Human Labour	14138.68	14342.81(27.62)	14182.50(26.29)
3.	Machine Labour	8500.00(16.70)	8420.00(16.22)	8520.50(15.79)
4.	Manures and fertilizers	6273.68(12.32)	6250.00(12.03)	6206.66(11.50)
5.	Irrigation**	3120.00(6.13)	3750.00(7.22)	5670.00(10.51)
6.	Plant Protection Chemicals and Growth Regulators	869.21(1.70)	885.31(1.70)	903.70(1.67)
7.	Land Revenue	700(1.37)	700(1.34)	700(1.29)
8.	Interest on Working Capital	2763.58(5.43)	2740.14(5.27)	2763.83(5.12)
9.	Cost A1	43944.09(86.34)	44585.13(85.88)	46417.19(86.04)
10.	Interest on Fixed Capital	1925.34(3.53)	1875.00 (3.56)	1490.75 (3.56)
11.	Cost B1	45869.43	46460.13	47907.94
12.	Rental value of Own Land	3900(7.66)	4275.62(8.23)	4152.24(7.64)
13.	Cost B2	49769.43	50735.75	52060.18
14.	Imputed value of Family Labour	1250(2.45)	1200(2.31)	1450(2.68)
15.	Cost C1	47119.43	47660.13	49357.94
16.	Imputed value of Family Labour	1250(2.45)	1200(2.31)	1450(2.68)
17.	Cost C2	51019.43	51935.75	53510.18
18.	Cost C3	56121.37	57129.32	58861.19
II	Income			
A	Income from crops	74912.68	75029.79	73095.30
B	Income from water selling	-	3700	-
19.	Total Income(A+B)	74912.68	78729.79	73095.30
20.	Net income	18791.31	21600.47	14234.11

which had a share of 20 and 27 percentage of the gross area cultivated. Water rent in the study area are charged on hourly basis irrespective of the crop and type of irrigation.

It could be observed from the cost of cultivation of banana in table 3 that the human labour accounted for a major share among all other input components followed by machine labour and cost of planting material for all the three groups. The total cost of cultivation was the highest in buyers followed by seller and self-user group. The irrigation cost was found to be higher for buyers because of the purchase of water for irrigation. The sellers group get revenue from selling of groundwater for irrigation purpose to the small and marginal farmer's category. Thus the seller's category got benefitted by water market participation.

It could be observed from the cost of cultivation table 4 of sugarcane in that the machine labour cost accounted for a major share among all other inputs components followed by human labours cost and

then cost of manure and fertilizers for all the three groups. The total cost of cultivation was higher for buyers followed by self-users and seller group. The irrigation cost was the highest for buyer group as they purchase water for irrigation. The sellers category got extra revenue from selling of groundwater and it appreciably reduced the seller's cost burden in groundwater extraction. The seller's category got more cost benefit by water market participation.

Between the two blocks the irrigation cost share was higher for banana compared to sugarcane. The income received by the water sellers from groundwater tradind was higher in Cuddalore block (over exploited) compared to Annagrammam block (semi critical)

Water Use Efficiency

Cobb- Douglas form of production function was fitted to compare the water use efficiency between the water market participating and non-participating farms. Seed cost, fertilizer cost, irrigation cost,

Table 4. Cost of Cultivation of Sugarcane in Annagrammam Block

S. No.	Particulars	Sugarcane		
		Self-user	Seller	Buyer
1.	Planting Material (Setts)	10500.00(16.63)	10287.80(16.63)	10500.00(16.14)
2.	Human Labour	11000.00(17.42)	11830.00(19.12)	11200.00(17.22)
3.	Machine Labour	16000.00(25.35)	15500.00(25.06)	16000.00(24.60)
4.	Manures and Fertilizers	10994.50(17.42)	8757.73(14.15)	9482.57(14.58)
5.	Irrigation	2750.00(4.35)	3000.00(4.85)	5400.00(8.30)
6.	Plant Protection Chemicals and Growth Regulators	1074.67(1.70)	1063.93(1.72)	1062.16(1.63)
7.	Land Revenue	500(0.79)	500(0.80)	500(0.76)
8.	Interest on Working Capital	3592.34(5.69)	3425.76(5.53)	3300.13(5.07)
9.	Cost A1	56411.51(89.38)	54365.22(87.89)	57444.86(88.32)
10.	Interest on Fixed Capital	3000(3.16)	2750(4.04)	2000(3.93)
11.	Cost B1	59411.51	57115.22	59444.86
12.	Rental value of Own Land	3200(5.07)	3565(5.76)	3460(5.32)
13.	Cost B2	62611.51	60680.22	62904.86
14.	Imputed value of Family Labour	1500.00(2.37)	1420.00(2.29)	1570.00(2.41)
15.	Cost C1	60911.51 (100.00)	58535.22 (100.00)	61014.86 (100.00)
16.	Imputed value of Family Labour	1500.00(2.37)	1420.00(2.29)	1570.00(2.41)
17.	Cost C2	64111.51	62100.22	64474.86
18.	Cost C3	70522.66	68310.24	70922.34
II	Income			
A	Gross income	104014.60	107625.00	104046.90
B	Income from water selling	-	4500	-
19.	Total income (A+B)	104014.60	112125.00	104046.90
20.	Net income	33491.94	43814.78	33124.56

Note: Irrigation cost was apportioned from the annual cost of tubewell irrigation derived from tubewell investment and for the buyers it was the water market price charged on per hour basis.

Table 7. Water Use Efficiency of Banana in Water Market Participating and Non-Participating Farms of Cuddalore Block (OE)

S. No.	Particulars	Self user			Seller			Buyer		
		Mean	Co-efficient	P Value	Mean	Co-efficient	P Value	Mean	Co-efficient	P value
1	Sucker cost	7578.94	0.6158	0.14*	7486.66	-0.3667	0.001***	7003.12	0.7996	0.13
2	Fertilizer cost	6273.68	0.6603	0.11*	6233.33	0.3645	0.001***	5818.75	0.7013	0.19
3	Cost/Irrigation	863.00	0.0086	0.78	619	-0.01211	0.67	330.31	0.3334	0.05**
4	Labour cost	6138.68	0.0920	0.79	6145.66	0.31199	0.67	5702.34	-0.3673	0.04**
5	Plant protection	869.21	-0.1379	0.45	882.66	-0.32764	0.20	851.25	-0.0675	0.72
6	R ²	0.61	0.75	0.67						

*** = 1% level of significance, ** = 5% level of significance, * = 10% level of significance

Table 8. Water Use Efficiency of Sugarcane in Water Market Participating and Non-Participating Farms of Annagramam block (SC)

S. No.	Particulars	Self user			Seller			Buyer		
		Mean	Co-efficient	P Value	Mean	Co-efficient	P Value	Mean	Co-efficient	P Value
1	Sett cost	8996.66	1.3368	0.001***	10287.8	1.4373	0.004**	7983.68	0.4042	0.611
2	Fertilizer cost	10994.5	0.9388	0.005**	8757.73	-0.5577	0.100*	6482.57	1.0903	0.10*
3	Cost/ Irrigation	710.33	0.0341	0.253	672.72	-0.0142	0.487	256.48	0.1246	0.004**
4	Labour cost	8431.17	-1.0382	0.003**	8830.91	0.3176	0.367	6613.78	-0.1807	0.443
5	Plant protection	1074.67	-0.0110	0.931	1063.93	0.0838	0.518	1062.16	0.0218	0.977
7	R ²	0.57	0.71	0.73						

*** = 1% level of significance, ** = 5% level of significance, * = 10% level of significance

labour cost and cost of plant protection chemicals were the variables used to find the water use efficiency.

In Cuddalore block, sucker cost and fertilizer costs were found to be the significant factors in self-users and sellers category. In the case of buyers, labour cost and irrigation cost were found to be significant factors.

In Annagramam block, sett cost and fertilizer cost were found to be the significant factors in self-users and sellers category. In case of buyers fertilizer and irrigation cost were found to be significant factors.

The cost per irrigation was found to be positively significant in buyer category of both the blocks which indicated that an increase in per irrigation cost due to increase in the quality of irrigation (increased hours or higher water output rate) increased the gross income per hectare because of improvement in water productivity effect. The underlining reason for this phenomena was the explicit nature of the irrigation cost borne by this buyer category farmers, which had a similar type of influence as that of the variable cost in the water buyer farmers decision on water use. In the case of self-user and

seller categories the per irrigation cost did not exert any influence on gross income due to its implicit nature (apportioned to fixed cost) and the farmers decision on water use did not depend on this cost factor.

Conclusion

Groundwater is the predominant source of irrigation in the study area. Since, agriculture heavily dependent on groundwater, water market plays a crucial role in sustaining the groundwater use. Groundwater market gave an opportunity for small and marginal farmers (Most them belonged to buyer's category) to irrigate their own piece of land by participating in the water market transactions which increased their production and helped to sustain their income. Water buyers followed frugal and efficient utilisation of groundwater as compared to self-users and water sellers as they paid for water from their pockets. The water seller group of farmers benefitted much through water sharing even after meeting their own irrigation requirements.

Unlike surface water, groundwater is expensive and relatively scarce in recent years. But its stabilisation function in assuring the production, productivity and thereby farmer's income is immense. Hence to ensure equity by cutting across the farmer's size categories, enabling their physical and economic access to this precious groundwater is essential and which may be possible through strengthening and streamlining the informal groundwater markets. To promote it as a policy option the lacunae in the key areas of water economics such as water pricing, joint ownership, collective farming etc., may be alleviated so as to improve the water use efficiency among the farming community.

Acknowledgement

I would like to express my special thanks of gratitude to my guide Professor R Venkataraman and co-guide Associate Professor S Ravichandran who gave me this opportunity to work on this study and guided to the due course of study.

References

- Anuradha, B., and N. K., Ambujam, 2010. Impact of Water Resources Protection on Local Ground Water Market. *Journal of Water Resource and Protection*. 2(8): 727-730.
- Endo, T. K., Kakinuma and S., Yoshikawa, 2018. Are Water Markets Globally Applicable?. *Environmental Research Letters*. 13(3) : 1-8.
- Mark Giordano 2009. *Annual Review of Environment and Resources*. 34 : 153-178.
- Mukherji, A. 2008. Spatio-Temporal Analysis of Markets of Groundwater Irrigation Services in India. 1976-1977 to 1997-1998. *Hydrogeology Journal*. 16(6) : 1077-1087.
- Rawat, S. and Mukherji, A. 2012. Poor State of Irrigation Statistics in India; The Case of Wells and Tube Wells. *International Journal of Water Resource Development*. 30(2) : 1-20.
- Saleth, R. M. 1996. Water Institutions in India: Economic, Law and Policy. *Commonwealth Publishers*, New Delhi.
- Sharma, P. and Sharma, R.C. 2006. Factors determining farmers' decision for buying irrigation water: Study of groundwater markets in Rajasthan. *Agricultural Economics Research Review*. 19: 39-56.
- Singh, D.R. and Singh, R.P. 2006. "Structure, determinants and efficiency of groundwater markets in western Uttar Pradesh. *Agricultural Economics Research Review*. 19 : 129-144.
- Soumik Ray and Banjul Bhattacharyya, 2015. Availability in Different Source of Irrigation in India: A Statistical Approach. *International Journal of Ecosystem*. 5(3A): 109-116 DOI: 10.5923/c.ije.201501.16
- Taylor, R.G., M.C., Todd., L. Kongola., L. Maurice., E. Nahozya., H. Sanga and Mac Donald, 2013. Evidence of the Dependence of Groundwater Resources on Extreme Rainfall in East Africa. *National Climate Change*. 3: 374-378.
- Zekri, S. and Easter, K.W. 2007. Water Reforms in Developing Countries: Management Transfers, Private Operators and Water Markets. *Water Policy*. (9): 573-589.
- Zhang, L., Jinxia Wang., Jikun Huang and Scott Rozelle, 2008. Development of Groundwater Markets in China: A Glimpse into Progress to Date. *World Development*. 36(4) : 706-726.