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The Price of Water: Equity Before Cost Recovery

 **INDIAN EXPRESS**

13 July 2026

SOCIAL ISSUES**GS1****GS2**

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THE LIFT LINE

You can put a price on water, but you cannot put a price on the first bucket a household needs to stay alive, and any pricing system that forgets this difference stops being economics and becomes exclusion.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

As Indian cities and States confront falling water tables and rising supply costs, the pressure to price water at its full cost of production is growing. The logic is sound in the abstract: water that is free at the tap is wasted, utilities that cannot recover cost cannot maintain networks, and a resource with no price signal is over-extracted. But water is not an ordinary commodity. Access to safe drinking water has been read into Article 21, the right to life, by the Supreme Court, which makes a lifeline quantum of water a matter of right rather than of purchasing power. The task is to design a tariff that recovers cost from those who can pay while protecting the essential minimum for those who cannot, and that requires treating water as both an economic good and a social good at the same time.

GS Paper 1: the distribution of key natural resources across India; water resources; and the social consequences of resource scarcity.

GS Paper 2: government policies for the welfare of vulnerable sections; issues in the delivery of basic services; and the mechanisms of subsidy and cross-subsidy.

For **Prelims**, hold the specifics: water as a State subject under Entry 17 of the State List, with the Union competent over inter-State rivers under Entry 56 of the Union List; the reading of the right to water into Article 21 through judicial interpretation; the Jal Jeevan Mission, which aims to provide functional household tap connections to rural homes; Water User Associations, the participatory bodies that manage distribution at the local level; the idea of an increasing block tariff, where the per-unit price rises with consumption; the concept of a lifeline or free basic water allocation for essential use; and the distinction between cost recovery

and cross-subsidy. For **Mains**, argue that efficient pricing and **equitable** (<https://ujjiyari.com/vocab/equitable/>) access are not opposites, but must be engineered together, with the burden of cost recovery placed on high-volume and commercial users and a protected minimum guaranteed to all.

BACKGROUND AND CONTEXT

India is among the most water-stressed large economies. Groundwater, which supplies the bulk of irrigation and much of drinking water, is being extracted faster than it recharges across large parts of the north and west. Urban utilities lose a heavy share of treated water to leakage and unbilled connections, and few recover enough revenue to maintain, let alone extend, their networks. Into this stress comes a policy proposition that is intuitively attractive: charge the real cost of water, and both waste and under-investment will fall.

The proposition is half right. A price signal does curb waste and does fund maintenance. But a flat cost-recovery tariff falls hardest on the household that uses the least, because the essential quantum of water, for drinking, cooking and hygiene, is the same whether a family is rich or poor, while the ability to pay for it is not. A tariff that recovers full cost from the first litre treats an essential of life like a discretionary purchase, and in doing so it can push poor households toward unsafe sources, exactly the outcome public water supply exists to prevent.

THE CORE ARGUMENT / ISSUE

Water is two goods at once

The confusion in the debate comes from treating water as a single kind of thing. It is not. The first small quantum a household consumes is a social good, an essential of survival and dignity that no one should be denied for want of money. Every litre beyond that, used to water a lawn, fill a pool or run a commercial process, is an economic good that can and should carry a price reflecting its scarcity. A good tariff prices these two differently rather than averaging them into one number.

The increasing block tariff resolves the tension

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DESIGN CHOICE	COST-RECOVERY-ONLY TARIFF	EQUITY-SENSITIVE TARIFF
First (lifeline) block	Charged at full cost	Free or heavily subsidised
Middle block	Flat rate	Priced near cost
High-volume block	Flat rate	Priced above cost, funds the subsidy
Commercial and industrial use	Same as domestic	Higher tariff, cross-subsidises households
Effect on the poor	Regressive (https://ujiyari.com/vocab/regressive/), may exclude	Protected minimum guaranteed
Effect on conservation	Weak signal	Strong signal at high consumption

An increasing block tariff prices the lifeline block at little or nothing, prices the middle block near cost, and prices heavy consumption above cost. The revenue from high-volume and commercial users cross-subsidises the essential minimum, so the utility still recovers its total cost while no household is priced out of survival. Conservation is served better, not worse, because the strong price signal sits precisely where discretionary, wasteful use occurs.

Governance is where pricing succeeds or fails

Because water is a State subject, tariff design rests with States and their utilities, and the quality of local governance decides the outcome. Water User Associations that involve users in managing distribution improve both collection and conservation. The Jal Jeevan Mission has extended physical access to tens of crores of rural households, but a tap that runs is only useful if the water through it remains affordable. Pricing reform without participatory governance becomes a revenue exercise imposed from above; with it, pricing becomes a shared discipline over a shared scarce resource.

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Refuse the false choice between “free water” and “market water.” The real design space lies between them, and the organising question is not whether to price water but where on the consumption curve to start pricing it. Below the essential minimum, water is a right and should be shielded; above it, water is a scarce resource and should carry a rising price. The transferable rule for your GS1 and GS2 answers: for any essential service, separate the lifeline quantum from discretionary consumption, protect the first as a right and price the second for efficiency, and fund the protection through cross-subsidy rather than through a general grant that erodes the price signal for everyone.

THE DIAGRAM IN WORDS

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water stress: falling tables, leaky networks, weak cost recovery -> pressure to price water at full cost -> flat cost-recovery tariff -> essential quantum priced beyond the poor's reach -> risk: poor pushed to unsafe sources, right to water under Article 21 hollowed -> reframe: water as social good (lifeline) plus economic good (surplus) -> increasing block tariff: free or cheap lifeline block, rising price above it -> high-volume and commercial users cross-subsidise the minimum -> Water User Associations and Jal Jeevan Mission deliver and govern -> outcome: cost recovered, conservation signalled, no household excluded

WAY FORWARD

- ❶ **Guarantee a lifeline block to every household.** Fix an essential daily quantum of water per person and supply it free or at a nominal charge, so that the right to water is met before any cost-recovery logic begins.
- ❷ **Adopt increasing block tariffs with commercial cross-subsidy.** Price consumption in rising slabs and set commercial and industrial tariffs above domestic ones, so that the utility recovers full cost from those who can pay while protecting those who cannot.
- ❸ **Strengthen participatory governance.** Empower (<https://ujjiyari.com/vocab/empower/>) Water User Associations and urban local bodies to manage distribution, set local tariffs within a State framework and improve collection, so that pricing is owned rather than imposed.
- ❹ **Attack the leak before the tariff.** Reduce non-revenue water through metering, leak repair and the elimination of unbilled connections, so that cost recovery comes first from stopping waste in the network and only then from the household bill.

PYQ LINKAGE AND PRACTICE

UPSC has repeatedly asked about water resources, the right to water, and the governance of scarce commons. This editorial converts the technical question of tariff design into a question of distributive justice, which is the register the examiner rewards.

Practice question: “Pricing water for cost recovery and guaranteeing water as a right are not contradictory goals.” Critically examine the design of an equitable water tariff for India in a context of growing water scarcity. (250 words, 15 marks)

Sources: *The Indian Express* (<https://indianexpress.com/>), *Ministry of Jal Shakti* (<https://jalshakti.gov.in/>)

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