

### **IV.A.3. Economies of Scale in Water Pollution Abatement: A Case of Small-scale Factories in an Industrial Estate in India**

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This paper provides empirical evidence of economies of scale in water pollution abatement activity at Nandesari Industrial Estate comprising 250 small-scale factories. The study shows that the cost burden of water pollution abatement is much higher for small factories providing greater cost advantage to treat effluents jointly in a Common Effluent Treatment Plant (CETP). The primary treatment costs (with CETP) and total abatement costs (without CETP) are estimated. The costs of abatement under alternative institutional arrangements have also been estimated. The study finds that the institutional arrangement of the Common Effluent Treatment Plant is necessary to internalise the water pollution externalities for small-scale factories. Large potential welfare gains can be generated from such institutional arrangements.