

VIII.1.A.4. Willing and Able to Pay for Drinking Water: A Contingent Valuation Study in Rural Gujarat

A.J. James

122 Gulmohar Enclave, New Delhi – 49

This contingent valuation study is the first to value the benefits of additional drinking water in rural India. It was conducted in 1997 for the water Resource Development and Management (WARDEMA) Project and funded by the Royal Netherlands Embassy (RNE). PRIVATE The study sampled 901 rural households in the districts of Kachchh and Saurashtra in Gujarat, using a multiple elicitation format consisting of two open-ended question sandwiching a take-it-or-leave-it question. The questionnaire satisfies most of the recommendations of the 1993 NOAA Panel on contingent valuation, except for the elicitation format, which is believed to be an improvement on the original suggestion of a referendum format. The linear double-log WTP function with dummy variables, estimated using the OLS method, provides the best fit to the data.

The study confirms that it is possible to get valid and sensible responses to hypothetical questions even from poor and illiterate rural households. The average willingness to pay for additional drinking water of better quality is around 2 paise per litre (30 paise for a heal 15 litres), and this is roughly constant for increasing quantities (2 and 3 heals), in both Saurashtra and Kachchh. This compares favourably with the estimates of payment for water from existing water markets in the area, providing a revealed preference counter check to the contingent valuation estimates.