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IMPLICATION OF WATER PRIVATIZATION IN INDIA

Jasmin Treesa T. J
M.Phil. Scholar, C.B.M College, Coimbatore.

Abstract
Water is the single most important substance on the planet; without it, life could not exist. It's as necessary for human as oxygen. Unfortunately, the amount of fresh, clean water that is readily available for human use is diminishing at an alarming rate. Currently, one sixth of the world's population – over one billion people – does not have access to adequate drinking water. What's more, corporations and other private entities are buying up the world's fresh water and charging for it. Water privatization is the private sector participation in the provision of water services and sanitation, although more rarely it refers to privatization of water resources themselves. Because water services are seen as such a key public service, proposals for private sector participation often evoke strong opposition. Water privatization is a highly controversial topic and touches on the much broader arguments for and against the private control of formerly public services. Water privatization is a one of the important issue faced by India now days. This paper describes about the importance & realities of water privatization and arguments against water privatization.

Introduction

Water is just as important as air, it is a basic need for life, ever since the beginning when one is searching for life, water is the first thing to look for, without water there is no life. Everyone deserves to have access to water. Yet 1/8th of the world's population doesn't have access to safe and clean drinking water. Over the course of the year 1.5 million people die each year from water related causes. Water is a basic human need, a fundamental right, and that the privatization of water systems would mean decisions based on profit rather than sustainability in a community. Water privatization has many benefits such as. If done properly, Water privatization can assure safe and simple access to water for anyone who needs it. Privatization of water also assures the same access to water, in spite of the income, and it insures the safety of the environment. However, if anyone wants to go over his or her limit of water, will be charged with the rate that will be set for the availability of water.

Myths and Realities of Water Privatization

Privatization is justified on the basis that it will increase efficient management, inject new investment, bring the skills and experiences to enhance the efficiency, and create competition to benefit the consumers. However, privatization has often failed because of the flaw in theoretical foundation of privatization which intersects with domestic political economy environment and the weaknesses of regulatory mechanisms. The evidence of the contradictory assumptions about privatization and the real practice in INDIA are, as follows

1. **Privatization Increases Efficiency and Reduces Government Subsidy Burden**
   A review of privatization found that private sector is not more efficient in delivering water services than the public sector. More importantly, privatization does not eliminate subsidy but only removes a subsidy to the poor, e.g. low tariff, to a subsidy for the private sector through the automatic tariff increase mechanism, the water charge system and the fixed profit guarantee. Furthermore, the government also provides indirect subsidies through its intervention in securing raw water supply and providing by the private companies.

2. **Increasing Tariff will Lead to Decreasing Water Consumptions**
   It is assumed that demand of water will decrease as t This assumption has not been proven in reality because despite steep tariff increases, the average water consumption in INDIA has increased significantly from 115 litres/consumer/day in 2001 to 127 l/c/d in 2008. In 2012 consumption slightly decreased to 118/l/c/d, but this is still higher than prior to privatisation In addition, the residents, especially thehe tariff increases rich who have also access to ground water, use water for unnecessary purposes such as washing cars and watering gardens.

3. **Effective Regulatory Mechanism will Protect the Poor**
   It is argued that the impacts of privatization to disadvantaged groups can be eliminated with appropriate regulations and institutional arrangements In fact, the regulations are ineffective to protect the poor because of the strong power of the private sector which attempts to maximize their profit. For example, in order to maximize profit, the piped water network will be prioritized to profitable areas rather than marginal areas. Furthermore, in order to increase profit, the cross-subsidy mechanism is ignored or modified through differences in tariff increases between consumers in the category poor and rich; the poor and lower middle class residents have experience the highest tariff increase, even higher than the rich, so that they need to pay almost the same tariff as the rich residents.

4. **Privatization Reduces Bureaucratic Red- Tape**
   It is assumed that the private sector will manage water more effectively because privatization will reduce the role of governments and replace them with free-market mechanisms. In reality, privatization always leads to the establishment of new agencies, within and outside the state, in order to support the process. This process is referred to as 'regulating dispossession' .The state also remains the central actor in facilitating privatization through establishing regulatory procedures and providing guarantees for private sector investment from political and economic risks.

Reasons for Water Privatization

1. **Privatization Leads to Rate Increases**
   Rate hikes have been used in the United States and other countries as a way for private water companies to maximize profits. The bottom line for these companies is profit, which translates into higher prices and inferior service for consumers. The companies are under no obligation to provide water or service when water is defined as a marketable commodity rather than a human right. Thus, when consumers can no longer afford the price increases, water delivery is simply shut off.

2. **Privatization Undermines Water Quality**
   Because the profit motive drives the corporate agenda rather than serving the public interest, environmental standards are continually compromised. In the United States, the National Association of Water Companies (NAWC), representing the private water industry intensively lobbies both Congress and the Environmental Protection Agency (EPA) to prevent higher water quality standards from being adopted. NAWC continually requests that all federal regulations be based on sound cost-benefit analysis. What this means is that public health is compromised for the sake of higher profits.

3. **Companies are Accountable to Shareholders, not Consumers**
   In many cases, the deals that water companies make with government agencies include exclusive access to distribution for 25 or 30 years, effectively sanctioning a monopoly. These private monopolies tend to undermine accountability and result in poor customer service. The company is under little pressure to respond to consumer concerns, especially when the product in question is necessary to the lives of consumers.

4. **Privatization Fosters Corruption**
   The very structures of privatization encourage corruption. Checks and balances that could prevent corruption, such as accountability and transparency, are conspicuously missing from the process. With water contracts being worked out behind closed doors, executives and government officials are free to make deals in their own, rather than in the public, interest. Bribery is commonplace during the bidding process, which is generally closed to the public. Despite calls to expose the bidding process to the light of day, water companies claim that doing so would damage their commercial interests. For the same reason, the water contracts themselves are not made available to the public — even though the public is subject to the terms of these contracts.

5. **Privatization Reduces Local Control and Public Rights**
   When water services are privatized, public control is transferred to a corporation, be it domestic, foreign or transnational. Once water rights have been signed over, very little can be done to ensure that the private company will work in the best interest of the community. Again, the prime directive of private water companies is to maximize profits, not protect consumers.

6. **Private Financing Costs more than Government Financing**
   When water services are privatized, there is often a false perception that the financial burden has shifted from the public to the private sector. So the story goes, the company promises to repair, upgrade and maintain infrastructure, seemingly saving the taxpayers money. In reality, the public pays for these projects through their monthly bill payments. Tax-free public financing usually translates into lower-cost projects. Taxable private financing, however, invariably brings with it higher interest rates. As a result, the consumers — who are already paying executives' salaries and dividends to shareholders — are also forced to make these higher payments on company loans.

7. **Privatization Leads to Job Losses**
   Privatization often leads to massive layoffs, at times putting service and water quality at risk due to understaffing. Layoffs are commonly used to reduce costs and increase profits. Such layoffs are not only devastating to workers, but also to consumers.

8. **Privatization is Difficult to Reverse**
   Once a municipality signs over part or all of its water system to a private water company, withdrawing from the agreement borders on the impossible. If the company fails to live up to its end of the bargain, proving breach of contract is a difficult, complicated and costly proposition. Multinational trade agreements such as the GATS and NAFTA provide corporations with powerful legal recourse. A private company can use NAFTA's closed tribunals to challenge the reversal of privatization as being a NAFTA-forbidden action tantamount to an "expropriation.

9. **Privatization can Leave the Poor with no Access to Clean Water**
   Contrary to public assertions, the role of the IMF and World Bank in water privatization schemes in the developing world actually results in a reduction of access to water for the poor. "Structural-adjustment" programs forced upon governments seeking loans often include water privatization as a condition for these loans. Impoverished, politically enfeebled countries are hardly in a position to refuse the conditions of the IMF and World Bank, as doing so would cause them to default on their debts. As a result, the IMF and World Bank are able to provide lucrative and virtually risk-free contracts for multinational corporations.

10. **Privatization Would Open the Door to Bulk Water Exports**
    The World Bank has predicted that by the year 2025, two-thirds of the world's population will experience water shortages. Even today, large masses of people around the globe lack access to clean water. Population increases and the dwindling supply of clean fresh water creates a formula for disaster, providing multinational corporations with vast opportunities to reap hundreds of billions of dollars dealing in what Fortune magazine calls the "oil of the 21st century."26 It goes without saying that those who control this precious resource will exercise economic and political power at almost unimaginable degrees.

Arguments against Water Privatization

1. **Price Hikes are Unaffordable for Poor**
   Water privatisation has invariably led to price hikes in almost all the regions in the world where water has been privatized. This is because there are considerable costs involved in upgrading water harnessing, purification and distribution systems. For such expensive projects, water companies borrow private

money, which is subjected to high interest rates from financiers and state taxation. The companies recover their costs and expenses by charging the consumer. Not only is the capital cost divided among all the consumers but also the interest, taxes and overheads on the capital. Thus, the consumer is forced to bear the burden of higher payments on the company loans.

2. **Unsustainable Water Mining**
Many potential risks emerge once a resource as fundamentals to life as water is privatised.One of the foremost reason to oppose water privatization is the threat of the unsustainable water mining by the water corporations in an effort to maximize profits. These corporations, which are answerable only to their shareholders, have a declared agenda to make profit. Once water becomes a marketable commodity and a corporation is given sole rights to a body of water, then it is within corporations' rights to mine as much water as it deems fit. Furthermore in an effort to maximize profits, if the corporation mines an environmentally unsustainable amount of water and deplete the water body at a rate faster than it is replenished, then the government officials and the affected population can do very little to legally prevent the corporations from doing so.

3. **Creation of Water Monopolies**
Privatization by definition eliminates the public control of the resources in question. Public control of water is essential not only because water is necessary for survival and human fulfillment, but also because of the severe and ever worsening water crisis that the world is faced once the government agency hands over the water systems to a private enterprise, it becomes extremely difficult and prohibitively expensive to reverse the decision. What makes is so difficult is that global market for water is estimated to be over $500 billion globally and $2 billion in India. Fortune magazine has labelled water as the "oil of the 21st century ". With such a huge profits at stake, corporations around the world strive to ensure that water as a commodity lives in the private control.

4. **Water Quality Compromised**
Corporations in search f profits can compromise on water quality in order to reduce costs. this is especially true in country such as India,where the water quality regulatory boards do not have the teeth to enforce their standards. There have been numerous instances of outbreaks of epidemics due to poor quality of water. As discussed earlier, Coca-Cola's indiscriminate mining of ground water has contaminated ground water deposits with excessive amounts of Calcium.

5. **Potential Export of Bulk Water**
Fully aware of the $2 Billion water market in India, private companies are in a frenzy to access fresh water sources that they can sell at huge profits. For instance, the huge market for drinking water in the perpetually water starved city of Chennai has prompted several private companies to mine the surrounding villages for groundwater.

6. **Corruption and Lack of Transparency**
Indian government agencies are notorious for their lack of accountability and transparency in awarding of service contracts to the private corporations. In many cases the government guarantees against any losses incurred by the water corporation by setting up hedge funds for such purposes or assuring regular payments to the corporations for fixed amounts of water regardless of actual usage. Furthermore, the potential for huge profits and long term monopoly over supply of an essential resource such as water has doubly increased the incentives for private corporations active in this sector to offer bribes in order to secure contracts. Executives of many water corporations have been convicted for bribing government officials worldwide.

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Conclusion

Water is one of the most basic human needs. Many nations and traditions, in fact, consider water a human right. If water rights are handed over to entities whose declared purpose is to maximize profits rather than to serve the public good, hundreds of millions — perhaps billions — of people will be elbowed out of their access to water. Multinational corporations are quick to argue that market forces would bring more efficiency to water systems. But the bottom line is that water resources — by their very public nature — require public oversight to ensure that people, not profits, come first.

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