

**Measuring the performance of water service providers in urban India:  
implications for managing water utilities**

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**Abstract**

This study assesses the efficiency of urban water supply system in select 27 Indian cities for the year 2004-05. It applies data envelopment analysis (DEA) as an analytical tool for measuring technical efficiency. Cities are categorised into two groups (e.g. Municipal Corporations and Government, and Municipal Corporations and parastatals) according to the management structures of their water utilities. The results exhibit that though the average overall average technical efficiency scorings between these two groups are not significantly different, but the decomposition of this total efficiency indicates that the utilities that are managed by Municipalities in collaboration with parastatals are relatively scale efficient in comparison to the other group. Moreover, the results also have implications for urban domestic water pricing. We find that most of the water utilities are operating under decreasing returns to scale (DRS) implying that water should be priced at marginal cost of supply.

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