



**Research Paper**

## Economic analysis of transaction costs of water users' associations in South India

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**ABSTRACT :** Policies of devolving management of resources from the state to user groups like water users' associations in India are premised upon the assumption that users will organize and take on the necessary management tasks. However, with the complex governance structure, these associations are expected to incur considerable transaction costs and affect significantly the performance of irrigation institutions. The present paper analyses the relative importance and the determinants of transaction cost from canal irrigation management by taking 40 water users' associations in South India. The study reveals that search and information cost incurred is found to be very high followed by the contractual costs. The magnitude of the transaction costs incurred is less by the older groups, those in the middle and tail end, those with more infrastructural facilities and educated President. Introduction of cost sharing mechanism by farmers for canal maintenance would create responsibility among water management institutions. Further the co-ordination and interaction among farmers and officials, giving due importance to existing institutional practices and developing multi-stakeholders strategy would boost the successful functioning of water user association.

**KEY WORDS :** Transaction cost, Water user association, Irrigation management, South India

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