

**MOTIVES FOR FIRMS TO BE COMPLIANT WITH ENVIRONMENTAL STANDARDS: CASE OF ADOPTION OF RECOMMENDED WASTE MANAGEMENT CONTROLS BY THE FOOD PROCESSING IN THE WESTERN PROVINCE OF SRI LANKA**

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The purpose of this study was to examine empirically the impact of a system of economic incentives for food processing firms operating in the western Province of Sri Lanka to implement the solid and liquid waste management controls recommended by the ministry of Environmental and Natural Resources of Sri Lanka at the firm level [e.g. 3R system, Composting unit, Snaitary landfilling site, Biogas unit, GMP and ISO 14000 etc]. Having listed a set of nine individual incentives which comprised of market(i.e. cost, human and technical efficiency, sales, commercial pressure, reputation); regulatory(i.e. existing and anticipated regulation) and liability incentives, a series of face-to-face interviews (n=30) with the owners/top executives of the food processing firms were carried out with the help of a structured questionnaire to collect data from December 2008 to February 2009. The data were subjected to both descriptive and inferential statistical methods. According to the results, composting has been used by the majority of Firms (56.6%) to control waste in the firm followed by the 3R (16.7%) and GMP (10%). Conversely, the ISO 14000 and Waste Auditing were the least adopted. Interestingly, there were 9 firms with no recommended practices adopted, and by contrast, another 2 firms with more than 4 controls in place. Costs/financial implications have been considered the most negatively influenced incentive in this respect, and the existing government regulations and commercial pressure did not show any significant impact. The outcome of analysis implies that an injection of mandatory regulations to adopt waste management controls is required to this sector in order to make individual firms in compliance with the recommended environmental standards. However, care must be taken, at the same time, to strengthen the market-based incentives faced by the firms as

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well so that such an action would not diminish those firms, especially the small-scale firms that supply to local markets and their ability to retain in the industry.

**Key words:** Economic incentives, Environmental quality, Food processing sector, Regulation, Small and Medium Scale firms, Waste management controls