

**SMALL AND MEDIUM-SCALE FIRMS' COMPLIANCE TO
ENVIRONMENTAL STANDARDS:
ASSESSING THE CASE OF ADOPTION OF SOLID AND LIQUID
WASTE MANAGEMENT CONTROLS
BY THE FOOD PROCESSING FIRMS IN THE NORTH-WESTERN
PROVINCE OF SRI LANKA**

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This study aims to explore the impact of a system of economic incentives for food processing firms operate in the North-Western Province of Sri Lanka, to implement the solid and liquid waste management controls (i.e. 3R system, Composting unit, Sanitary land filling site, Biogas unit, GMP and ISO 14000 etc), which are proposed by the Ministry of Environmental and Natural Resources of Sri Lanka. There were 9 individual incentives comprised of the market (i.e. cost, human and technical efficiency, sales, commercial pressure, reputation); regulatory (i.e. existing and anticipated regulation), and liability incentives were considered for analysis. The data were collected from 30 small and medium-scale food processing firms by means of a series of *face-to-face* interviews conducted with the owners/top executives from December 2008 to February 2009 with the help of a structured questionnaire. The data were subjected to both descriptive and inferential statistical methods. The results highlight that 3R system has been used by nearly 30% of firms to control waste in the firm followed by the composting (27%) and GMP (13%). Interestingly, nearly 40% of firms did not adopt a single practice and the ISO 14000, Sanitary land filling and Biogas units were not established by any firm. Costs/financial implications have been considered the most negatively influenced incentive, whilst the liability laws and the existing government regulations too had a higher impact. The anticipated government regulation and reputation plays the least important role with regard to adoption of environmental controls. The outcome of analysis implies that an injection of

mandatory regulation to adopt waste management controls is required for 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 too so that such an action would not weaken those firms, especially the small-scale firms that supply to local markets with the ability to retain in the industry.

Key words: Economic incentives, Environmental quality, Food processing sector, Regulation, Small and medium-scale firms, Waste management controls