

Corporates and the Environment: External pressure pushes Sri Lanka's Garment and Apparel sector towards Good Environmental Practices

Companies can gain access to broader export markets, enhance their reputation and reduce internal costs when they improve their environmental performance. An examination of Sri Lanka's textile and apparel sector suggests that export-oriented firms face significant external market pressure to adopt sound environmental practices and save costs from taking these on. While factories respond to domestic environmental regulations, pressure from international buyers clearly nudges them toward voluntarily adopting environmental practices. Thus, global social corporate responsibility practices, domestic regulations and advocacy and training through industry associations are three levers that could prod Sri Lankan companies toward sustainability.

Background

The textile and apparel industry is a major industry in Sri Lanka. It contributes to 58% of Sri Lanka's total industrial export earnings and 52% of its industrial employment. Well-known brands such as Victoria's Secrets, Gap, and Nike sell garments produced in Sri Lanka. However, many of the factories, particularly those where washing and dyeing occur, continue to contribute to water pollution.

Sri Lanka has strong environmental laws and regulations. The question is how well the 3500 odd factories in this sector comply with these regulations. Also, does the export orientation of the sector contribute to environmental performance?

To answer these questions, Kinkini Hemachandra of Sri Jayewardenepura University reviewed environmental regulations, surveyed 55 export oriented firms and undertook detailed case studies of another ten firms. The study mainly focused on large-scale export-oriented companies operating in the apparel sector.

Findings

The textile and apparel sector in Sri Lanka, particularly export-oriented parts of it, is willing to adopt good environmental practices to enhance its reputation and competitiveness. Four environmental practices are prominent: water recycling, re-use of materials, environmental audits and certification. Most surveyed factories voluntarily implemented at least one of these practices, while two-thirds adopted two or more practices. Indeed, detailed case studies showed that many large companies do more than what is required by national regulations.



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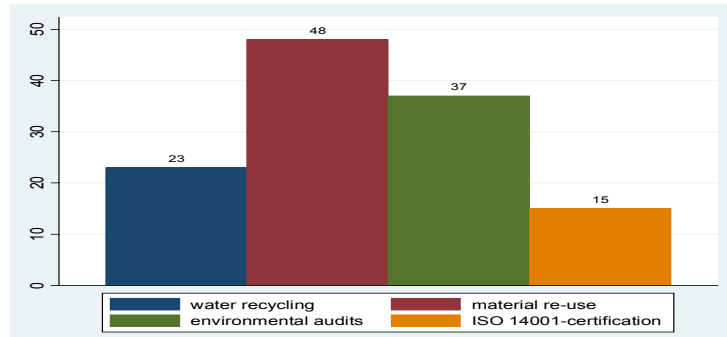
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Government officials also suggest that firms, particularly larger ones, generally comply with environmental regulations. Most of the surveyed factories had been inspected by regulators, but not been fined for any malpractice. However, regulators, who are constrained by limited staff and lab facilities, have a disincentive to impose fines because of court related time delays.

Figure 1: Number of factories adopting Environmental Management Practices



International Pressure and Cost Savings Matter

Market forces may be the dominant reason why Sri Lankan firms adopt good environmental practices. This is because international buyers put pressure on Sri Lankan manufacturers to comply with environmental regulations. Almost all the firms surveyed had gone through environmental audits conducted by representatives of the major brands they supplied. Export-oriented factories are clearly trying to make their production processes clean and ensure that they are perceived to be clean.

A firm's size, its export orientation, and the type of activities it undertakes are the most significant factors that influence its decision to voluntarily adopt environmental management practices. Larger groups of firms, firms that export and firms that make apparel are more likely to act in this way. Factories are also more likely to adopt good practices if they are ISO 9001 certified.

Internal savings also influence the uptake of voluntary environmental practices. There are benefits from adopting environmental practices, particularly in the form of costs savings from waste recycling and energy monitoring. Managers concur that environmental mechanisms can increase business competitiveness, especially within the export marketplace.

Recommendations

Any improvements in global corporate environmental practices will, in turn, impact practices among Sri Lankan companies either because of buyer pressure or through vertical linkages. Within Sri Lanka, regulators and industry associations need to strongly emphasize the links among environmental practices, cost savings and business competitiveness. This can be done through advocacy and training programs. The environmental performance of the textile and apparel sector can be also be enhanced by sharing good practice that already exists in Sri Lanka.

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