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Environmental behavior of economic establishments in Ecuador

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This research examines the environmental performance of companies using census microdata of 466,894 firms in Ecuador. We estimated several OLS regressions and discrete choice models developed by McFadden (1974). Subsequently, we corrected the selection bias and the grouping of the data using bi-stages models development by Heckman (1974) and hierarchical models of two levels, respectively. The results show an extremely poor environmental performance of the economic establishments of this country. Only 1% of them spend on waste management. We also find robust empirical evidence that the amount spent and the probability of spending on waste management increases as the size of the firm increases. Finally, we find that the geographical location and the specialization of them influence their environmental practices. A policy implication based on our results is that environmental regulation would be more affective if we consider the size, location and specialization of economic establishments.

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