
Organic Economic Market: Determinants of Consumer Behaviour towards Organic Products using Structured Equation Modelling Approach

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Abstract

Background: Over time, there has been a notable rise in consumer interest in organic food, leading to a generally favourable outlook on organic food products. This trend is largely fuelled by the widespread belief among consumers that organic foods offer greater nutritional value and are healthier than their non-organic counterparts. The Indian organic food market is still nascent but is undergoing rapid expansion. Therefore, this paper aims to explore and analyse the factors motivating consumer behavior toward the purchase of organic products among urban consumers in Himachal Pradesh, recognizing the significance of this emerging market segment. **Statistical Approach:** Structured Equation Modelling SEM technique was used to find the factors which could explain the preference among consumers to buy the organic products. **Findings:** This study reveals that consumers show a preference for purchasing organic products, influenced by various factors such as health consciousness, environmental concerns, subjective norms, price concerns, personal norms, lifestyle updation, impact of Covid 19 pandemic, as well as availability and accessibility. **Study Implications:** This study uncovers the factors that shape consumer preferences for organic food, providing marketers with valuable insights to craft a targeted marketing mix. The insights gleaned from this research can be incorporated into diverse marketing strategies, allowing marketers to effectively address the varied factors influencing consumer preferences across different segments of Indian society.

Keywords: Organic product, Consumer behaviour and Motivating factors.

Introduction

The organic economic market refers to the sector of the economy that encompasses the production, distribution, and consumption of organic products. This market includes a wide range of goods, such as organic food and beverages, clothing, personal care products, and household items, that are produced using organic farming methods and adhere to certain certification standards. The organic economic market is influenced by consumer preferences for healthier, environmentally sustainable products, as well as by government regulations and policies supporting organic agriculture. It represents a growing segment of the overall economy as more consumers seek out organic options and businesses respond to this demand with increased production

and investment in organic farming practices. Organic farming constitutes a crucial segment of the Indian economy, guiding consumers away from products tainted with chemicals and towards a more natural paradigm. This comprehensive approach encompasses a range of practices aimed at achieving social, ecological, and economic sustainability (Anderson, Jolly, and Green, 2005; Bourn and Prescott, 2002).

As global awareness of environmental issues intensifies, there's a growing consciousness about the planet's well-being. The momentum toward collective environmental concern and sustainability, which began before the pandemic, has been further accelerated by Covid 19 pandemic. This global crisis has prompted more individuals to take on the

responsibility of environmental stewardship. Projections indicate a substantial growth in the global organic food market, expected to rise from \$205,361.7 million in 2020 to \$389,023.6 million in 2025, with a robust growth rate of 13.6%. Forecasts extend this upward trend, suggesting a Compound Annual Growth Rate (CAGR) of 9.6% from 2025, reaching \$615,158.5 million in 2030. The significance of organic production transcends immediate gains, playing a crucial role in achieving the Sustainable Development Goals (SDGs)

outlined in the 2030 Agenda for Sustainable Development. Increasingly, governments in Asia are recognizing the environmental and economic advantages of organic farming. They are actively endorsing the shift towards organic agriculture and the production of organic goods. In the global landscape of organic agricultural land, India secures the eighth position worldwide and leads in the total number of producers. Its diverse climatic conditions position India as a potential hub for various agricultural products.

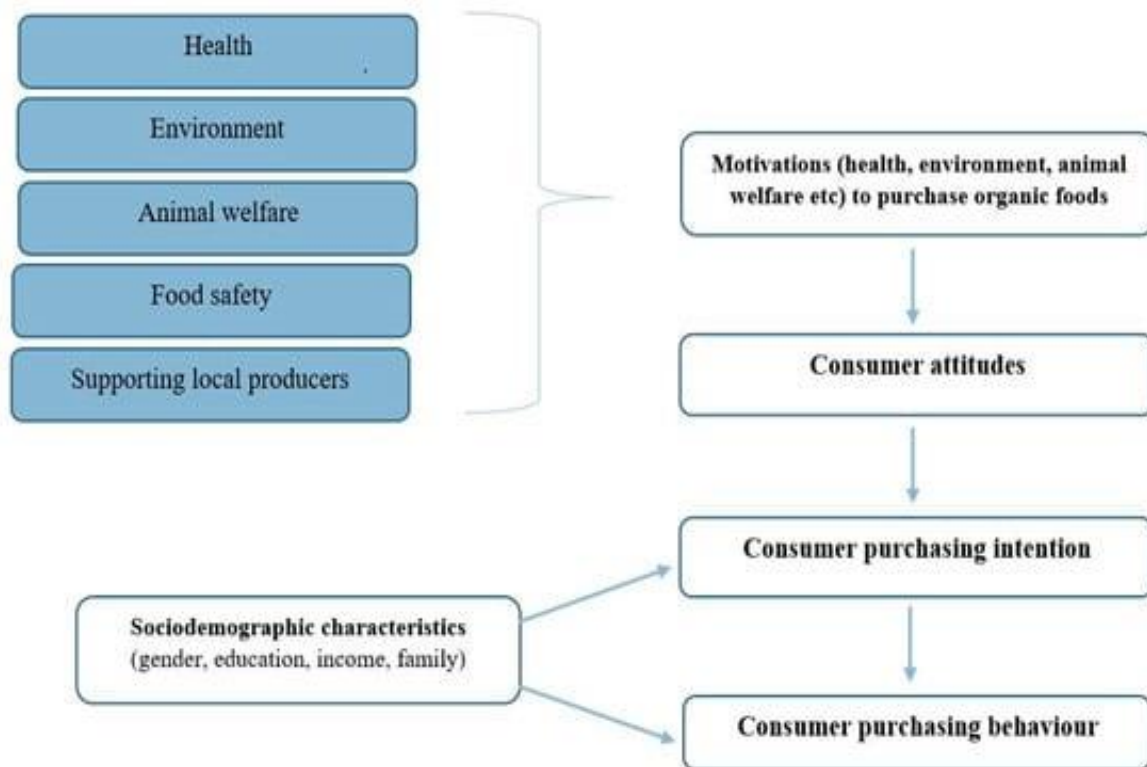


Figure 1: Theoretical model for consumer buying behaviours.

The theoretical model illustrated in Figure 1 suggests that consumers' views on organic consumption can be categorized into three main factors: health concerns, environmental concerns, and ethical concerns. A common rationale behind the preference for organic products over conventional alternatives is the belief that organic items are inherently healthier. This health aspect encompasses the idea that organic products are

perceived as more nutritious than non-organic ones, potentially reducing the risk of diseases, and having a lower or no presence of pesticides, hormones, and other potentially harmful chemicals commonly used in conventional practices. When consumers take these factors into account, they are often willing to pay a premium for organic foods. In essence, consumers' perspectives on organic food consumption significantly shape their purchasing behavior and intentions.

Review of Literature

Systematic review has been conducted to analyse various literature depicting the role of motivating factors influencing consumer behaviour towards purchase of Organic products. Articles were extracted from scholarly databases of Scopus, Web

of Science and Google Scholar between year 2017 and 2023, have been considered. Table 1 displays the research undertaken by various researchers around the globe examining the predictors which influence consumers to make purchase decision in consumption and usage of organic products.

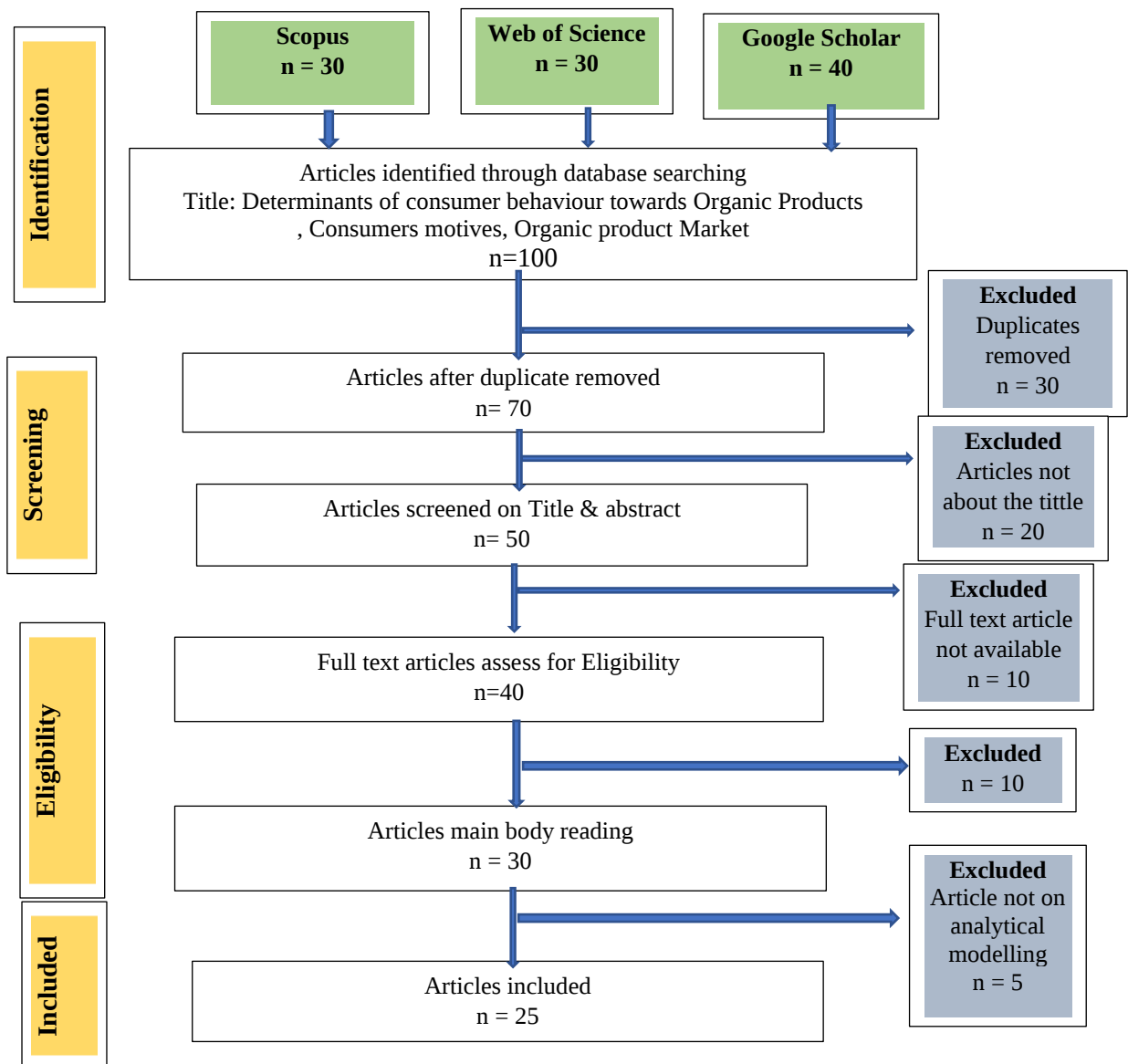


Figure 2: PRISMA flow diagram of study selection

Table 1: Motivating factors influencing consumer behaviour towards purchase of Organic products

Motivating Factors	Author	Year	Study Area	Findings
Health Consciousness	Yilmaz & Ilter; Basha et al.: Kulkarni & Kasande	2017 2015 2021	Turkey Malaysia India (Nashik)	The studies indicates that consumers attitudes toward organic product are influenced by perceptions, consumer values, and price perceptions. Purchase intention is determined by health consciousness, perception of organic products, consumer values, price perceptions, and environmental concerns, with a stronger link to health consciousness.
Environmental Concern	Nalini & Susila Mushi et al. Gupta et al.	2020 2020 2021	India Western Mumbai Delhi	The global shift in consumer eating habits towards organic and healthier options aligns with broader trends in environmental awareness and health consciousness. With increased access to information through social media platforms, individuals are becoming more informed about the potential risks associated with pesticides in food production. This heightened understanding of the environmental and health implications of pesticides is likely driving consumers towards organic products, which are perceived as safer and more environmentally sustainable alternatives. Social media platforms serve as powerful tools for disseminating information and raising awareness about these issues, influencing consumer choices and contributing to the growing demand for organic foods.
Covid-19 Pandemic	Tankosic et al. Martínez, S.C. Barai & Jethy	2020 2021 2022	Serbia Spain India (Odisha)	The significant influence of the Covid-19 pandemic on everyday routines has spurred consumers to actively pursue healthier product options. This has led to a notable surge in the preference for organic food, driven by the awareness of its chemical-free nature, perceived benefits for immunity, and overall health improvement. The pandemic has not only influenced but may also have a lasting effect on consumer behaviour, embedding a preference for organic products in their purchasing habits.
Price Concern	Melovic, et al. Katayani, et al. Rao	2020 2021 2022	Europe India (Andhra Pradesh, Hyderabad)	The study indicates that premium pricing of organic products makes affordability a significant factor.
Accessibility & Availability	Shobha, et al. Radhika, et al. Yekinni, et al.	2020 2021 2023	India (Bangalore) Coimbatore Nigeria	The research identifies a substantial influence of organic product availability on consumer purchasing patterns. This indicates a promising opportunity for producers and marketers of organic goods to craft tailored marketing approaches, leveraging these influential factors to broaden their customer outreach.

Source: Author's compilation from literature

Despite numerous studies on consumer behavior regarding organic product purchases, significant gaps persist in the literature. While organic practices are generally perceived as more sustainable compared to conventional farming methods, there remains limited research specifically addressing the motivations behind purchasing organic products. Hence, this study endeavours to explore the following inquiry through the lens of a theoretical framework: (1) What are determining factors influencing consumer behaviour towards purchase of Organic products in Himachal Pradesh?

Objectives of the Study:

This study aims to understand the determining factors influencing consumer behaviour towards purchase of Organic products of urban area consumers in Himachal Pradesh.

Research Methodology

Research was Descriptive and Explorative in nature. Cross sectional descriptive data was collected from the consumers of urban area of Shimla, Solan, Kangra, Una, Mandi and Hamirpur districts of Himachal Pradesh. The present study employed a questionnaire as its primary research instrument which was prepared and checked for reliability and validity with Cronbach alpha of 7.19 and further it was administered on 385 respondents (Cochran sample size) by following Purposive sampling technique. This study used 5-point Likert scales in which questions ranged from “5: strongly agree” to “1: strongly disagree”. Prior to completing the questionnaire, participants were provided with detailed information about the study, adhering to ethical considerations.

Structural Equation Modelling (SEM)

SEM was employed to investigate the complex relationships between variables and test hypothesized causal relationships. AMOS was utilized to build and analyze the structural models, allowing for the assessment of direct and indirect effects among variables. The focus was on the motivational factors such as health consciousness, environmental concerns, subjective norms, price

concerns, personal norms, lifestyle updation, covid-19 impact, as well as availability and accessibility.

Analysis and Interpretation

Data Preparation

Before carrying out the analysis, the dataset was thoroughly examined to identify any possible inconsistencies, missing values, or outliers. Data cleaning procedures were employed to rectify errors and ensure the dataset's integrity. Variables were reviewed for their accuracy and relevance to the research objectives.

Data analysis

Data analysis was carried out in a series of statistical operations including descriptive statistics, confirmatory factor analysis, structural equation modeling, model fit assessment, and hypothesis testing.

Figure 3 displays the Structural Equation Modeling which depicts the relationships among different constructs. The structural equation model illustrated the potential causal connections between endogenous (dependent) and exogenous (independent) variables. Figure 3 in the study presented the structural model in the form of a path analysis diagram, utilizing weighted least squares, SEM, and path analysis methodologies. The presence of 255 weights suggests the multitude of relationships or associations between different variables present in the model. These weights typically represent the coefficients attributed to the relationships between observed and unobserved variables, providing a quantification of their interdependencies. Furthermore, the 21 covariance values observed depicts the degree to which variables considered to influence consumers' perception towards organic products change together, reflecting the level of association or correlation between pairs of variables. Covariance indicates the direction of the linear relationship between variables, and in this case, the covariance values were found to be positive indicating a positive direction. From SEM analysis it can be interpreted that out of eight motivating factors, Health consciousness, Price of the product, Accessibility & Availability and Covid-19

pandemic were having a most influential role in buying behaviour of consumers of Himachal Pradesh.

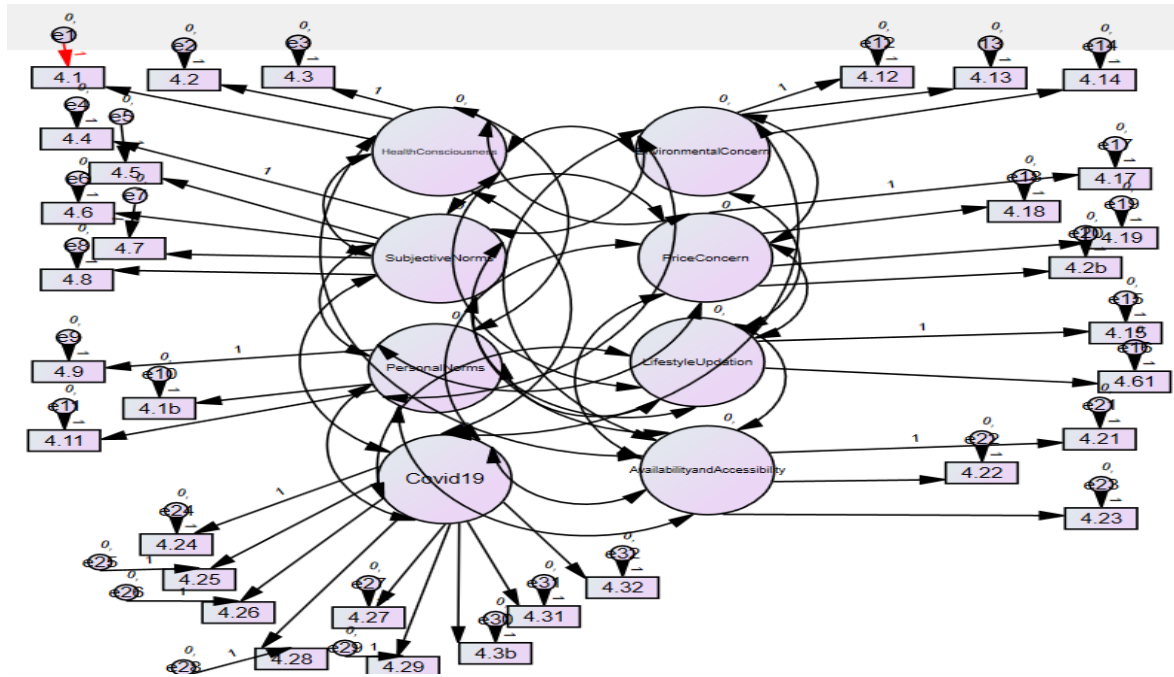


Figure 3: Structural Equation Modeling (SEM)

Conclusion and Implications

Generally, this study organized questions into seven key areas, exploring demographics, consumer awareness, behavior, food types, preferences, motivation, and opinions. Its objective was to delve into consumer perceptions and preferences regarding organic products. While encountering difficulties in pinpointing certain relationships, the study thoroughly examined the interplay between observed and unobserved factors across various consumer realms, such as their impact on perceptions of organic products. The complexity of the dataset underscores the intricate nature of these connections. Enhancing the model and making adjustments could reveal valuable insights crucial for future research and practical applications in comprehending consumer behavior towards organic products.

The implications of factors influencing consumer behavior towards organic products are multifaceted.

Understanding these factors holds significant implications for marketing strategies, product development, supply chain management, policy and regulation, and education and awareness initiatives. Marketers can tailor their strategies to highlight aspects such as health benefits, environmental sustainability, and ethical production practices. Product developers can innovate to meet consumer demand for organic options, while supply chain stakeholders must ensure reliable sourcing and transparency. Policy and regulation may be shaped by consumer preferences, supporting organic farming practices and labeling standards. Education and awareness efforts can further drive consumer demand by informing individuals about the benefits of organic products. Overall, aligning practices with consumer preferences can support the continued growth and adoption of organic products in the marketplace.

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