

Factors Influencing Consumer Trust in Organic Food: A Study in the Emerging Nepalese Market

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ABSTRACT

This study aims to identify the factors influencing consumer trust in organic food in Nepal. It examines the association among organic labelling, perceived consumer knowledge, trust in retailers, and trust in manufacturers and explains their roles in building consumer trust. Data were collected from 400 respondents in Biratnagar, Nepal using a structured questionnaire. The results demonstrate that trust in retailers and manufacturers plays a substantial role in influencing trust in organic food, whereas precise labelling contributes to increased credibility. Furthermore, the research underlines the essential function of consumer knowledge in moulding intention towards organic products as a comparatively minor factor. Employing SEM, the results proved the critical role of strategic interventions in labelling and trust-building efforts oriented toward improving the promotion of organic food. These findings have important implications for producers, retailers, and policymakers in developing strategies to win trust and foster sustainable buying behaviour in the organic food sector.

Keywords: *Consumer trust, Organic food, Retailer trust, Manufacturer trust, Consumer knowledge, Nepalese market.*

1.0 Introduction

The organic food industry has been rapidly growing worldwide (Bazhan *et al.*, 2024).

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The recent reports from the Research Institute of Organic Agriculture indicate the steady expansion in the global organic food market. Sales of organic food and beverages have surged, reaching \$90 billion from just \$15 billion two decades ago (Joseph & Friedrich, 2023). According to Pawlewicz (2020), the demand for organic food is rising; nonetheless, organic products cover a minor percentage of overall food consumption in most nations globally. Sales of organic food are higher in the wealthiest European nations namely Denmark (13.4%) is the foremost consumer of organic food in Europe, succeeded by Sweden (13.4%) and Switzerland (9%). Agriculture is vital for Nepal, supplying supplies for around 65.7% of the population's livelihood and contributing about 37.0% to the nation's GDP. The green revolution in recent decades has profoundly transformed global food production systems, enhancing food yield, productivity, agricultural income, and employment opportunities in rich and developing countries (Joshi & Rahman, 2015).

This concept is recently gaining traction, and many Nepalese products, such as tea and coffee, have already obtained organic certification but everyday items like vegetables and cereals have not yet received organic certification (Sharma, & Pudasaini, 2021). In certain regions of Nepal, like Gamcha in Bhaktapur and Fulbari in Chitwan, the cultivation of organic vegetables, fruits, milk, meat, fish, and their derivatives has been practised for over two decades (Rokaya & Pandey, 2023).

Furthermore, there are further developing locations where farmers have commenced organic farming practices. The land will remain fallow until the promotion of organic farming yields valuable agricultural output in certain areas. Nepal is a hilly country encompassing a total area of 147,516 km², of which only 42,590 km² is suitable for agricultural use (Khanna, 2016). Nonetheless, the advantage of integrated small-scale subsistence farming lies in its exclusive use of conventional agricultural practices and its rejection of pesticides enhancing the potential for valuable output. The absence of a standardised definition for organic and sustainability label claims on food products complicates consumers' ability to discern trustworthy organic foods and thorough comprehension of consumer trust is essential and pivotal in promoting sustainable purchasing decisions (Anisimova & Vrontis, 2024).

Murphy *et al.* (2022) examines the disparities in consumer trust for organic meat and vegetables across four European countries: Germany, Italy, Poland, and the UK. This research utilised an online cross-sectional survey with validated tools to gather data from 2,071 participants. The sample is representative of gender, age, and regional distribution within each country. The findings highlighted differences in trust and perceptions regarding the 'organicness' of produce across various countries. With a better understanding of the factors influencing consumer trust, this study will guide farmers,

retailers, and marketers in developing strategies to build trust in organic food. Which can help in the crucial component for the effective marketing of organic products in Nepal.

2.0 Literature Review and Hypotheses Development

Organic food consumption has received considerable importance during the last 20 years and provides greater interest in the motives for choosing organic food. Several studies have pointed out various socio-psychological motivations underlying this trend, including health awareness, environmental concerns, impacts on society, and the welfare of animals. Although rising sales show that consumers favour naturally grown foods free from pesticides and chemicals, there is still a demand for reliable indicators to reduce the perceived risks associated with food choices. Liu *et al.*, (2019) categorised these perceived risks into aspects such as product performance, cost, time, and service-related concerns. These risks highlight the crucial role of trust in organic food consumption.

Trust is essential in consumer behaviour, acting as a ‘shortcut’ that helps individuals navigate the vast information available when making purchase decisions (McKee *et al.*, 2024). It is particularly relevant to the current nature of the food industry, where food consumers hardly perceive how their food is being produced and rarely meet producers. Indeed, several works have been able to show how high the relationship between trust in organic products and consumers’ purchasing intention towards products is (Manchanda, 2021).

Given the central role of trust in organic food consumption, researchers have gone beyond merely examining the trust-purchase relationship and exploring factors that build trust in organic products (Yu *et al.*, 2021). However, studies specifically focusing on Nepal’s organic market remain scarce, as the market is still emerging, comprising a small portion of the food sector despite rapid growth.

Some influencing factors have been noted by several studies that also build the consumer’s trust, and organic labelling is considered one of the major ways to ensure food quality (Wu *et al.*, 2021). According to several studies, certification and labelling are considered crucial for motivating consumers towards organic food. A finding by Arfaoui *et al.*, (2021) presents that due to shoppers’ gained nutrition knowledge, they have been regularly using labels on health claims and nutritional and ingredient information. Furthermore, other studies have also shown that organic food labels are perceived to be more tasteful and appealing than their unlabeled counterparts, and even prompt consumers to rate these products as healthier. Recent research has suggested that the labelling effect might influence the link between organic food consumption and subjective well-being. Thus, the literature suggests examining how information on organic labels fosters

consumer trust (Watanabe *et al.*, 2021). Consequently, we propose the following hypotheses:

Hypothesis 1 (H1). The information presented on organic food labels positively influences consumer trust.

Consumer trust in organic food depends on their knowledge of the product; in other words, the more knowledgeable consumers are, the more likely they are to trust organic products. Borrowing from past studies, this study defines consumer knowledge of organic food as “an understanding of the quality and attributes of organic products” (Dangi *et al.*, 2020). Several studies indicate that knowledge influences consumers in a positive way towards purchase intention and attitude. For example, knowledge of organic food was found to be a critical factor in shaping consumers’ attitudes toward organic purchases in a study carried out by Guru *et al.*, 2024). Similarly, another study highlighted the role of organic knowledge in the formation of purchase intentions and revealed that knowledge reduces uncertainty and enhances consumers’ understanding of organic products, making it crucial for trust-building (Barua *et al.*, 2023). Therefore, we propose the following hypotheses:

Hypothesis 2 (H2). There is a positive relationship between consumers’ perceived knowledge and the development of consumer trust in organic food.

Trust in retailers also plays an important role in the formation of purchase intention and consumer commitment (Bhattacharya *et al.*, 2023). Nowadays, organic food production has moved from niche stores to big supermarkets, and retailers are a central factor in consumers’ minds regarding the assessment of organic products. In the context of organic food, consumers’ trust in retailers reflects their confidence in the quality of their products and the lack of trust in these retailers stems from doubts regarding organic food components (Duong *et al.*, 2024). However, retailers can reduce the uncertainty related to product traits, such as composition, taste, and health benefits. Studies have shown that increased availability of organic products in retail stores can improve consumer perceptions and, subsequently, trust (Pichierra & Pino, 2023). Thus, we propose that trust in retailers helps build consumer trust in organic food. Accordingly, the following hypothesis was formulated:

Hypothesis 3 (H3). Trust in retailers has a positive effect on building consumer trust in organic food products.

At other times, consumers may be unwilling to trust retailers but will have confidence in the source of the product, such as the producer or manufacturer (Chen & Xiao, 2024). The present market structure, in which consumers know little about the processes of production and in which direct contact with producers has been markedly

eroded, could give rise to mistrust over the claims of producers on organic products concerning quality and taste, natural composition, health benefits, and environmental benefits (Paarlberg, 2023). Producers have responded by trying to establish trust through the development of strong brand identities that are frequently associated with a particular image, appealing to consumers' expectations. Much research has proven the critical role of brands in influencing consumers' behaviours, and in some cases, studies have found that trust in manufacturers relates positively to the acceptance of products with genetic modifications (Muchenje *et al.*, 2023). Combined trust in retailers, producers, and regulatory bodies enhances consumers' confidence in organic products. While few studies have investigated the influence of brand trust on organic product choice, research on this factor in Nepal, where consumers have become increasingly brand-conscious, is more useful. Consequently, we hypothesise as follows:

Hypothesis 4 (H4). Consumer trust in manufacturers positively influences consumer trust in organic products.

3.0 Methodology

The data for this research were collected through a quantitative approach in Biratnagar, Nepal, using a structured questionnaire. To measure the different constructs, validated scales were adopted and adapted to suit the specific requirements of this study. The "Revealed Information" construct was measured through a scale designed by Torkzadeh & Doll (1993). "Perceived Knowledge" was measured with the scale designed by Chen *et al.*, (2022). For "Trust", scale items from Jose & Koshy (2018) were employed. The constructs 'Retailer Trust' and 'Food Manufacturer Trust' were measured using the scale developed by De Jonge *et al.* (2004). All responses were recorded on a five-point Likert scale. The survey questionnaire was distributed using an online data collection tool. The questionnaire was distributed through official mailing lists and social media platforms such as Facebook and WhatsApp. A total of 645 respondents were included in the questionnaire, of which 415 were completed. This represents a response rate of 64.3%. Of these, 400 responses were deemed appropriate for statistical analysis.

The analysis of the descriptive data showed that the gender distribution among the respondents was almost balanced, with 48.7% and 51.3% of the male and female participants, respectively. Regarding educational attainment, 26% of the respondents held a bachelor's degree, and 53% held a master's degree. In contrast, 21% pursued or attained a doctoral degree. Data analysis was performed using data analysis tools such as SPSS and AMOS. Cronbach's alpha was used to evaluate the reliability of each construct, with each value exceeding the minimum requirement of 0.7. Convergent validity was analysed using

composite reliability, with values ranging from 0.852 to 0.925, indicating acceptable reliability. Factor loadings for items were found between 0.69 and 0.87, and the average variance extracted (AVE) values were between 0.593 and 0.662.

A two-step method was used, starting with the assessment of the measurement model, and then testing the structural model using AMOS for hypothesis testing. The measurement model fit indices are GFI = 0.90, AGFI = 0.87, TLI = 0.93, CFI = 0.85, and RMSEA = 0.061. The fit indices for the structural model are AGFI = 0.90, NFI = 0.93, CFI = 0.94, and RMSEA = 0.047. These values reflect a good fit for both models. Table 1 shows the reliability and validity measures.

Table 1: Reliability and Validity Measures

Construct	Factor Loadings	Items	α	CR	AVE
RI	0.883	Organic labelling has accurate information about organic products	0.85	0.85	0.59
	0.781	Organic labelling offers timely information regarding organic products			
	0.820	Organic labelling provides adequate information			
	0.899	I am satisfied with the information provided by organic labelling			
PK	0.801	I consider myself very knowledgeable about organic products	0.86	0.86	0.61
	0.799	The average person is well-informed about organic products			
	0.792	The government possesses extensive knowledge of organic products			
	0.852	The scientific community has substantial knowledge regarding organic products			
RT	0.839	Food retailers have sufficient knowledge and skills to maintain product safety.	0.88	0.88	0.61
	0.792	Food retailers consistently adhere to food safety regulations			
	0.877	Food retailers prioritise consumer health and safety.			
	0.792	If I face issues with product quality or safety, food retailers can resolve them quickly and fairly.			
MT	0.885	Food retailers are truthful regarding product safety	0.90	0.90	0.65
	0.881	Food producers have the necessary knowledge and skills to ensure product safety.			
	0.721	Food producers consistently comply with food safety regulations			

	0.874	Food producers focus on ensuring the safety and health of consumers.			
	0.779	If food producers identify hidden safety issues during production, they can take proactive steps to recall the products.			
	0.833	I have confidence in the institutions that certify organic products.			
T	0.848	The food industry is well-versed in organic products	0.87	0.87	0.63
	0.821	I trust that sellers of certified organic products offer high-quality items			
	0.772	I trust organic food labels or logos that signify quality			
	0.873	I have confidence in the organisations that certify organic products.			

Note: RI = Revealed Information; PK = Perceived Knowledge; RT = Retailer Trust; MT = Manufacturer Trust; T = Trust.

Source: Authors own creation based on data analysis.

4.0 Results

The analysis shows that belief in retailers plays an important role in affecting consumers’ trust in organic food, with an estimated value of 0.21. In addition, the information covered by the labels of organic food, which in this study is called revealed information, also played a key role in improving consumers’ trust, with an estimated value of 0.20. Consumers have knowledge, which acts as a modest but important predictor of trust in organic food generates an estimated value of 0.15. Further, trust in food makers is also a substantial contributor to developing trust in organic food, with an estimated value of 0.19. The detailed path coefficients and significance values are presented in Table 2.

Table 2: Hypotheses Testing and Path Coefficients

Hypothesis statement	Estimate	Significance	Result
H1 The information presented on organic food labels positively influences consumer trust.	0.21	0.001	Supported
H2 There is a positive relationship between consumers’ perceived knowledge and the development of consumer trust in organic food.	0.16	0.001	Supported
H3: Trust in retailers has a positive effect on building consumer trust in organic food products.	0.22	0.001	Supported
H4 Consumer trust in manufacturers positively influences consumer trust in organic products.	0.20	0.001	Supported

Source: Authors own creation based on data analysis

5.0 Discussion and Conclusions

This research focuses on determining the factors that influence consumer trust in organic food products. Although prior research has often shown a strong connection between consumer trust and purchase intentions toward organic foods, few have examined the specific factors that create this trust. A particularly valuable contribution of this study lies in exploring the underlying factors that establish and develop trust in organic foods, which is especially useful for fostering consumer confidence in this sector.

The results show that information on the labels of organic food products is an important factor in fostering trust among consumers. This confirms earlier studies that found a positive relationship between organic labels and consumers' trust in organic food. However, these results agree with those of other studies, implying that consumers normally view organic labels as a strategy for raising prices. Therefore, this study indicates that health-conscious consumers rely on organic labels as a trusted cue in health-related decisions and view them as indicators of quality. Therefore, when labels are informative, they may reduce information asymmetry between the supplier and consumers and position organic labels as credibly symbolic of quality and trustworthiness.

Furthermore, consumer knowledge is a strong predictor of organic food trust and is consistent with earlier research that emphasises the role of consumer knowledge in the formation of attitudes and behavioural intentions toward organic products. This may be because Nepalese consumers' knowledge of organic foods is relatively rare as this market is still in its development phase. Most of the time, consumers learn through labels or shared experiences, rather than through formal channels. At present, there is a visible gap in the dissemination of authentic information on organic food, at both the government and private levels. It was also found that retailer trust strongly influences consumers' trust in organic food, which confirms previous findings in the literature. This study found retailer trust to be one of the strongest contributors to consumer trust, which makes sense given that in cases of limited product information, consumers often rely on trusted retailers.

Such trust can result from previous positive experiences with the retailer, encouraging a customary practice in which consumers refer others to trusted retailers. This forms a perpetual generational cycle of retailer credibility. Similarly, trust in a manufacturing company is related to consumer trust in organic products, which is consistent with the findings of previous research. Because organic claims are not directly observable by consumers, they are more likely to consider the credibility of the manufacturer. In this way, consumer perceptions of brands or producers strongly influence

purchase decisions, and manufacturer trust becomes a key factor in establishing consumer confidence in organic foods.

6.0 Implications

The study is very important to managers in developing strategies that will keep consumers trusting organic food. First, label information proved to be of paramount importance in building trust, thus providing very specific details regarding organic products, and their differences from conventional products in production, handling, and storage will enhance the confidence level of consumers. Including logos from government-authorised certification bodies could further enhance this trust. Labels with sufficient, accurate, and relevant information allow suppliers to communicate the quality and credibility of the organic products.

This study underlines the importance of retailer trust in developing consumer confidence in organic food. Retailers can take advantage of this by gaining an edge through the attractive presentation of organic products. Similarly, consumer trust in food manufacturers is a strong determinant of consumer trust that opens brand extension opportunities. For example, a conventional food manufacturer who has built a reputation can enter product line extensions in the organic sector to tap into existing consumer trust. Finally, it shows that the influence of consumer knowledge, although the weakest contributor, also affects trust in organic food.

This could be because the organic market is still relatively young; therefore, there is a general lack of awareness among consumers. Most of the time, consumer knowledge is obtained through non-authoritative sources such as peer experiences or online blogs, which are not considered credible sources. To counter this, accurate information should be propagated by government agencies or recognised organisations to increase consumer awareness, and therefore, their confidence in organic products.

7.0 Limitations

While useful for producers, marketers, retailers, suppliers, and policymakers, this study has several limitations. First, this study only collected data from Biratnagar, Nepal, which limits the generalisability of the findings. That is, it would have been better if future studies had extended the geographic scope to cover other provinces to represent a broader population. Third, this study relied on the use of convenient and random sampling techniques; in the future, adopting probability sampling methods will improve precision and reliability. In addition, the middle class in this study was defined using only one

criterion: income. Future research could further refine this finding by including other socioeconomic classes.

Another limitation concerns the data-collection method. It relies on a questionnaire and, therefore, brings about the issue of potential biases, since the respondents may not have enough knowledge or even awareness of organic food, and thus their credibility. In addition, having a market such as Nepal, where social media is highly penetrated and trusted by consumers who often shop online, the role of virtual platforms in building trust for organic foods is worth exploring. Future research can investigate how commercial social media actors contribute to building consumer trust in organic food, thus expanding the knowledge on the dynamics of trust in the digital age.

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