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# Exploring the Demand-Side of the Informal Economy during the COVID-19 Restrictions: Lessons from Iași, Romania

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**Abstract:** Little attention has been paid to why consumers choose to purchase goods and services from the informal economy. Similarly, few studies have been conducted on consumer behaviour in relation to informal markets during the COVID-19 pandemic. The aim of the article is to evaluate, for the first time, whether the COVID-19 pandemic influenced consumer behaviour in relation to the informal economy. Qualitative evidence collected in Iași, Romania, is reported. The finding is that the most important motives for purchasing goods and services from the informal economy are related to social ends, such as supporting local businesses, maintaining relationships with others, and enhancing sustainable development. The novel finding of this research is that community exchange in the form of mutual aid and reciprocity is not activated only for friends, neighbours, kin or work colleagues but also for local businesses facing financial difficulties. The customers are displaying solidarity and empathy for their situation. As such, this article adds to previous findings indicating that the motivation of lower cost is not the universal rationale for purchasing from the informal economy as many consumers choose to make purchases from informal market driven by social rationales. The paper ends by discussing the policy implications of the findings.

**Keywords:** supplier-buyer relationship; informal economy; rational economic actor; social actor; institutional theory; COVID-19; market sustainable development



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## 1. Introduction

The informal economy continues to be a major concern for both developing and developed countries, not least because it is a persistent and resilient feature of contemporary economies. The research studies in this field are focused both on the supply and the demand side of the informal economy. The supply side of the informal economy focuses more often on three main forms: (i) Unregistered employment, which refers to an employment relationship which is not officially registered, where there is no written contract or terms of employment, and the remuneration is not registered [1,2] (ii) under-registered employment referring to the situation where the remuneration of employees is under-declared by the employer in order to reduce their tax liabilities and social security payments. In this case, the formal employees are not paid only with officially declared wages but also with additional undeclared envelope wages [3,4] and (iii) bogus self-employment, also named as false or dependent self-employment, referring to the situation when a person/worker operates in the large area between an employment relationship and self-employment [5].

The demand side of the informal economy refers to the customers who make purchases from the informal economy. According to the latest Eurobarometer survey [6], 10% of the respondents in the European Union declared that they had paid for goods and services from the informal market in the past 12 months prior to the survey. The most common categories of goods and services bought on this market are: Home repairs, home renovations, hairdressing, beauty treatments, repair services (for mobile phones or cars), food or gardening.

According to ILO [7], over 60% of the global labour force have their main employment in the informal economy. Its persistence has important implications, such as unfair competition for providers of formal goods and services [8,9], partial or total lack of control of governments over the working conditions and the quality of the goods or services they provide [10] and loss of tax revenue in governments' budgets [11]. From the purchase side of the informal economy, consumers face the risk of not being able to use the legal regulations in their support if the goods or services do not meet specific regulations, such as safety standards [12,13]. Considering that the majority of workers have their main employment in the informal economy and that their products and services are being sold, we can assume that a high proportion of consumers buy goods and services from the informal economy. Until now, however, little research has been conducted on the rationales for consumers buying goods and services from the informal economy. As such, the aim of this paper is to evaluate the reasons for purchasing goods and services from the informal economy. To do so, this paper reports qualitative research investigating the motivations of consumers for buying goods and services from the informal economy, focusing on a specific context, namely the COVID-19 pandemic. The study, therefore, analyses, for the first time, whether the pandemic context impacted in any way consumers' motivations for purchasing from the informal economy.

This article advances knowledge in three ways. Theoretically, it evaluates the previous theories used for understanding the motives of consumers to purchase informal goods and services (e.g., the rational economic actor theory, social actor theory and institutional theory) in a completely new context which brought major disruptions in terms of consumption patterns, namely COVID-19. Empirically, the paper reports, for the first time, in-depth evidence from Romania on the reasons for purchasing in the informal economy in the pandemic context. Third and finally, in terms of policy and practice, this paper will reveal the need to focus more on incentives to purchase formally and to improve or guarantee the quality, speed and reliability of delivery.

To achieve this, the next section reviews the literature, providing a short description of the consumers of goods and services on the informal market and examining the theorisations used so far for explaining consumer purchases in the informal economy. Section 3 reports the methodology used to collect evidence from Romania during 2021 to explore these theories. This is followed by Section 4, presenting the findings regarding the applicability of these theorisations in the pandemic context, followed in Section 5 by discussion and conclusions regarding the theoretical and policy implications of this paper, including the limitations of the current study and future research required.

Before commencing, a short clarification on the concept of the informal economy is required. This phenomenon is also known as the black economy, undeclared economy, hidden economy, cash economy or shadow economy [14,15], covering activities that are legal by nature but are not declared to the state to evade tax, labour and social security obligations. The informal economy does not cover illicit activities, such as firearms, drugs, or human trafficking (ILO Recommendation 204 [10]). As such, this paper only investigates motives for buying legal goods and services that are not declared to the state authorities when they should be.

## 2. Literature Review

### 2.1. *Who Makes Purchases in the Informal Economy? A Portrait of the Consumers of Goods and Services Exchanged on the Informal Economy*

There is little research on the demand-side of the informal economy so far and therefore, limited information on the consumers of goods and services traded on the informal market exists. Nevertheless, the previous research that exists underlines the importance of socio-economic variables, such as age, gender, occupation, marital status, household size, income, area of residence, education [16–18]. The evidence gathered so far shows that women are less likely to purchase from the informal economy [15,18–24] and so too are older people and people with lower education [19,21,24]. Similarly, small households and people living in

large urban areas are less likely to purchase from the informal economy [15,18,20,22,23,25]. As for the income status, studies reveal that both categories of consumers with low or high income are involved in the informal economy. The results reveal that one group or the other is less involved in this type of purchase depending on the regional areas under observation [15,18,20,23,25,26]. Finally, it seems that a low level of horizontal trust or tax morale and the predilection to bargain are associated with a higher likelihood of purchasing from the informal economy [12,18,20–22,26–30].

## 2.2. Why Do Consumers Purchase from the Informal Economy?

Most of the literature on the informal economy investigates the supply side, focusing on how many people work in the informal economy, who does so and/or the motives for working in the informal economy [7,20,31–47]. Little research has investigated the demand side of the informal economy, especially on the motives for purchasing undeclared goods and services. There has been a long-standing assumption that the explanation of lower costs is the most relevant motive for purchasing from the informal economy [19,48]. In recent years, however, various studies have revealed other explanations, such as the social actor rationales and the formal economy failure motives [12,18–23,28,29,42,45,49–55]. These theoretical explanations are now described in turn.

**Rational economic actor theory.** The rational economic actor theory is the dominant explanation for participation in the informal economy. The theory states that people engage in these transactions for financial benefit, namely, consumers do so to obtain the cheapest price [19,48]. It might be argued that this rational actor explanation is more relevant to lower-income global regions where there is a strong need to draw upon such “bottom-of-the-pyramid” informal markets to survive [27,42,47,56–58]. The situation is perhaps different in more developed European countries, where financial benefits represent only a portion of the rationales for engaging in the informal economy [12,13,29]. Meanwhile, post-communist countries have specific post-communist consumption patterns [59], and little is known about the consumption from the informal economy. This issue has been investigated in this research and will be detailed in the results section.

**Social actor theory.** The rational actor perspective is nowadays considered to be, at best, a partial explanation, as researchers have revealed the complex nature of human attitudes and behaviour, reflected in multiple reasons for purchasing from informal markets, such as social motivations [19,23,49–52,54,55]. Social reasons may include helping close people when they confront financial issues by paying them for services, such as house cleaning, to help them out financially whilst avoiding any notion of charity being involved [60], and to establish, maintain or develop social relations with others [19]. The social actor theory is valid for different geographical areas and/or types of consumers, such as EU countries, Nigeria, India or Zimbabwe [29,57]. However, previous studies on the informal economy do not investigate the social actor theory during a worldwide pandemic. Indeed, the COVID-19 control measures may have neglected social structures [61]. The COVID-19 pandemic brought some changes in consumption behaviour. A recent study conducted on Suceava County, Romania [62], reveals the increased tendency of consumers to place online orders for fresh vegetables during the emergency state. This is the opposite of the regular behaviour, which would have been to purchase fruits and vegetables from the traditional open-air markets. Other studies reveal that, for example, most small and medium-sized enterprises (SMEs) were challenged to adopt e-commerce platforms to survive [63]. During the COVID-19 pandemic, the supply and demand system have been modified, leading to various challenges [64], including financial losses for companies, especially SMEs [65]. As expected, the crisis affected most businesses in industries such as the food and beverage industry [66] or the tourism market [67]. This suggests an important need to understand whether this specific period of time engaged consumers in social motivations in order to help SMEs negotiate and overcome the COVID crisis.

**Institutional theory explanation.** Previous research has revealed that institutions also may drive consumers to purchase from the informal market, explained by failures

of the formal institutions (i.e., instability, uncertainty, various weaknesses, inefficiencies or resource misallocations) and by norms, values and beliefs describing the acceptability of such behaviour (i.e., informal institutions) [42,53]. As such, shortcomings of the formal economy may include speed, quality or lack of availability of the product on the formal market [19,21,45]. Meanwhile, the asymmetry between the formal and informal institutions on the demand-side of the informal economy is associated with tax morale [12,18,20–22,28,29] or the level of horizontal trust [20]. The probability of engaging in informal purchases is higher if tax morale is lower.

A mixture of theoretical explanations. Finally, there have been studies in various areas of the world showing that, in developed regions, the rationales for purchasing from the informal economy are much more complex, involving a mixture of the lower price explanation and other reasons that may be linked to the social actor explanation or institutional theory [12,13,29]. Moreover, previous findings reveal that the prevalence of the lower cost explanation is greater among larger households, households with financial difficulties or households living in rural areas, compared to smaller households or households living in urban areas [15,18,20,22,23,25,27,47,57,58]. As such, the lower price explanation should not be investigated alone as the singular or the most important reason for purchasing from the informal market. Previous studies based on extensive surveys show that only a limited number of individuals purchase from the informal economy due to a single motive. For example, in 2013, only 30% of consumers in the European countries stated lower cost as the sole reason for buying from the informal market, while 31% stated lower cost alongside other rationales [29]. Similarly, the study revealed that 23% of those who explained their participation in the informal economy as being due to social ends provided other reasons for doing so [29].

Unintentional purchase theory. Although the general premise is that consumers are aware that they are purchasing in informal markets and engage voluntarily in such purchases, empirical findings reveal that consumers might also purchase in the informal market without being aware that they are doing so [15,23].

However, until now, most of these studies have been based on extensive surveys using closed-ended questions, which have not investigated in any depth the motives of consumers for making these purchases. To move beyond these extensive quantitative surveys which fail to provide any in-depth understanding of the motives for consumers buying in informal markets, the results of a qualitative survey are here reported.

### 3. Materials and Methods

The purpose of this research is to evaluate in-depth the reasons for consumers purchasing goods and services from the informal economy. To do so, we selected Romania as a case study, and we conducted the research during a disruptive period, namely the COVID pandemic context.

As a research method, we used the interview method to collect the qualitative data. The interview approach was more appropriate in relation to the purpose of the research. The main purpose was to identify the reasons why consumers buy from informal markets. Moreover, the method was appropriate due to the sensitivity of the subject—purchasing from the informal market [27,28]—which could have made participants less sincere about their real behaviour and the real reasons to justify their behaviour if the method involved more than one participant at the same time.

Interviews were conducted with participants from Iasi County, Romania. Between July and September 2020, interviews were conducted on a sample consisting of 16 participants who bought products and/or services on the informal market in the past 12 months prior to the interview process.

The argument for the sample structure was to obtain a wider image of more social categories according to people's gender, age, environment, occupation, financial situation or the existence of children in the family. There are no published studies regarding the characteristics of Romanian purchasers in the informal market, as far as we are aware, most

of the research focuses on the supply side of this behaviour. In this context, the purpose was to uncover the insights related to the phenomenon, to understand as wide as possible array of reasons people have to purchase goods and services on the informal market. Another study investigating the informal economy, which uses qualitative analysis, analyses a relatively similar type of sample, despite the fact that they use two focus groups [18].

Nevertheless, we made the reader aware once again of the sample structure in the conclusion section when discussing the research limits.

Table 1 provides a description of the analysed sample.

**Table 1.** Sample description.

Participants	Gender	Age	Occupation	Children	Financial (1 High Difficulties to 10 No Financial Difficulty at All)	Residence
P1	M	70	Retired	2	7	Rural
P2	F	30	Artist	0	7	Urban
P3	F	25	No job	0	8	Urban
P4	F	40	Economist	2	8	Urban
P5	M	72	Retired	3	10	Urban
P6	F	53	Professor	1	10	Urban
P7	F	34	Tester	1	10	Urban
P8	M	27	IT	0	8	Urban
P9	F	30	IT	0	5	Rural
P10	M	33	Tester	0	7	Urban
P11	M	46	Engineer	2	9	Rural
P12	F	67	Nurse	1	7	Rural
P13	M	40	Programmer-IT	1	9	Urban
P14	F	38	Economist	1	7	Urban
P15	M	40	Consultant	1	7	Urban
P16	F	40	Teacher	1	8	Urban

To explore in-depth the reasons for which the consumers engage in the informal economy, we encouraged participants to describe, in detail, the situations in which they were involved in such purchases. The interview guide included four sections with open-ended questions. The first part described the purpose and the basic rules of the interview and some general explanations about the informal economy. The second part included questions regarding the reasons for purchasing goods and services from the informal market (“What types of goods and/or services have you bought from the informal market?”, “Can you describe the reasons for each acquisition?”, “What about the goods or services that you suspected being traded on the informal market? Please detail how these transactions took place”, “What about the role of the COVID-19 pandemic in your purchase behaviour on the informal market?”). The third part of the interview guide explored participants’ perceptions on the informal transactions: The risk of these types of transactions being detected by the state enforcement institutions, their effects and measures that can be implemented. (“From your point of view, what are the negative aspects of this type of transaction?”, “What about the positive aspects?”, “Imagine that, for a day, you have the power to change anything you want about the existence of these informal market transactions. What would you change?”). The last part included questions to evaluate two measures implemented by the Romania government to encourage consumers to engage in the formal market instead of the informal market. In this paper, we focus on the results of the first three parts. Follow-up questions were used to enable a richer understanding of individuals’ motives for engaging in the informal economy.

We used content analysis to investigate, in greater depth, participants’ reasons for buying from the informal market. The transcripts were read and analysed in detail, following a thematic coding process [18] and using condensation [27] to reduce the text while still preserving its core meaning. The key points were extracted and coded, then, grouped into specific categories. We followed an inductive-deductive approach. The responses obtained were classified under the previous theories when they fitted (the rational actor perspective, the social actor perspective, the institutional perspective and the unintentional purchase



perspective), and also, new reasons were added, extending the previous understanding of this phenomena. Below we report the findings.

#### 4. Results

Before commencing with the reasons for informal purchases, we provide data regarding the type of goods and services that respondents purchased from the informal economy. In order of priority, the most common services they purchased are beauty and wellbeing services (11 mentions) and building/repairs/installations/interior design/maintenance in household types of services (11 mentions). The frequency of informal services is higher than the frequency of informal products: Fruit, vegetables and dairy products (four mentions), products from countryside producers/stores (three mentions).

Starting to investigate the consumer rationales to engage in the informal economy, the finding is that the majority (nine participants) make this type of purchase for lower cost rationales. However, seven participants did not cite lower cost at all, and nine participants cited a reason other than lower cost when purchasing in the informal economy. Of all participants purchasing informal goods and services, most participants (11 participants) mentioned social reasons combined with other reasons. However, it is not only the social reasons that consumers mention. The majority (13 participants) also mentioned a lack of trust in government, and 12 participants cited unintentional behaviour.

##### 4.1. Rational Economic Actor Perspective

Examining the rational economic actor theory, as already stated before, more than half the participants (nine participants) purchase from the informal economy due to lower costs. These participants mentioned 12 reasons grouped into four main categories, which can be included under the umbrella of rational economic actor explanation, as reflected in Table 2. Most reasons (8 out of 12 reasons) reflect accessible prices. Other rational economic explanations include discounts, easy negotiation and the possibility of receiving presents from the seller. This is in line with Schneider and Enste [48] and Williams [19,42,43], as consumers try to gain the best price possible in their interest, and the products and services are not marketed under fiscal burdens. However, almost half of participants (seven participants) did not cite lower cost at all, and more than half of participants (nine participants) cited a reason other than lower cost when purchasing in the informal economy.

**Table 2.** Rational economic theory explanations.

Category	Number of Participants	Participants Quotes
Lower price (9)		
		“They have accessible prices, which is extremely important!” (F, 30, urban)
		“The bill automatically raises the price.” (F, 30, urban)
Accessible prices	8	“For nails, the manicurist that works at home has half prices compared to beauty salon prices.” (F,25, urban)
		“Cleaning services are more expensive.” (F,40, urban)
Many discounts	1	“You get a discount, and this does not happen in big stores.” (F, 30, urban)
		“I can negotiate the price when I buy from a local producer” (F, 30, urban)
Easy negotiation	2	“It is easier to negotiate, for instance, with the person who makes and sells cakes” (M, 40, urban)
Presents	1	“I bought something, and I received a present, which has impressed me and made me very happy” (F, 30, urban)

These results indicate, as expected, that lower cost explanations are not universal as many consumers also use other rationales, such as social actor explanation and/or institutional explanation rationales.

#### 4.2. Social Actor Perspective

Examining the social actor theory, the finding is that most participants (11 participants) purchase from the informal economy for social ends. The social actor perspective is much more complex than identified in previous studies. We split the reasons for involving in the informal economy, which could be included under the social actor theory umbrella in three important categories: Supporting companies (in general or in particular during the COVID-19 pandemic), social imitation and building or maintaining relationships. For each of these categories, multiple reasons have been identified, as reflected in Tables 3–5.

**Table 3.** Social actor theory—supporting companies.

Category	Number of Participants	Participants Quotes
Supporting local entrepreneurs, in general (5)		
Financial reasons	4	“If the government establishes taxes, the entrepreneur has no means to support his business and many times he gives up.” (F, 30, urban) “She has just finished her eyebrow training.” (F, 25, urban) “The taxes are overloaded.” (F, 38, urban) “Taxi drivers said the business goes really bad, especially that they have competition from transportation companies.” (F, 30, urban) “She was working from home, and she had a one-year-old baby; she was a mom.” (F, 25, urban)
Emotional reasons	4	“The person made an effort after all and gave up on his free time.” (F, 40, urban) “I don’t believe the government makes all the efforts to fairly support the economy for all types of entrepreneurs.” (M, 46, rural) “I interact directly with the producer.” (F, 30, urban)
Supporting local entrepreneurs during the COVID pandemic (3)		
Financial reasons	2	“If the government does not do it, why would we do it now, in the COVID pandemic?” (F, 30, urban) “They have niche products, with fewer clients.” (F, 30, urban) “Many entrepreneurs had to reconvert or restrict or even close their business.” (F, 30, urban) “I tried to help them to get over the holes in their budgets.” (F, 38, urban) “I thought about how difficult it must be to sell, maybe after years of investments, they made efforts and their work risks to get lost.” (F, 30, urban)
Emotional reasons	3	“They have families, instalments, rents to pay.” (F, 30, urban) “People prefer to buy from supermarkets instead of crafts.” (F, 30, urban) “When I see an old lady selling dill and parsley, I buy all her goods.” (F, 25, urban)
Satisfaction (during the COVID pandemic)	1	“There were campaigns made by big companies, banks or online groups: Let’s support the locals! People were educated to support local producers and Romanian products.” (F, 25, urban) “Quality was not lost at all. She invests in her own progress even in pandemic context.” (F, 30, urban)
Supporting local farmers/people with small income (5)		
Financial reasons	5	“They practically earn from this business, many don’t even have jobs.” (F, 25, urban) “When it’s about a poor peasant, many times he or she relies his/her living on this, I am not so hard cored anymore.” (F, 25, urban) “Those who really have no option can earn some money” (F, 53, urban) “People with small income may sell their products. They might not have enough money to rent a table/space at the market.” (M, 33, urban) “What bill is an old lady supposed to give you?” (F, 25, urban)
Emotional reasons	3	“The woman worked all day to clean. What taxes should she pay and why?” (F, 40, urban) “I would buy only to help them personally. I feel as if I did something good.” (F, 25 urban)

**Table 4.** Social actor theory—social imitation category.

Category	Number of Participants	Participants Quotes
Social imitation (6)		
This is how we all do it	1	“Nobody gives you the bill, nor at the beginning or at the end. This is how all hair stylists do it in our town.” (M, 70, rural) “This is how all constructors do it.” (M, 70, rural) “I didn’t think I should ask for the bill because we know how other people proceed.” (M, 70, rural)
This is how other people do it	3	“Our neighbours do the same.” (F, 35, urban) “I didn’t see issuing the bill to other clients either.” (F, 67, rural)
Feeling embarrassed	3	“I was embarrassed because I knew them. They are from the countryside” (F, 38, urban)

**Table 5.** Social actor theory—relationship category.

Category	Number of Participants	Participants Quotes
Certainty and the relationship created with the supplier (7)		
Fear/need for certainty	1	“I thought that, in case of an intervention, I will use his services again. I refrained from asking for the bill although I could have at least asked for a warranty.” (M, 70, urban) “The manicurist/hair stylist is working really well!” (F, 30, urban) “I am satisfied with my nails.” (F, 25, urban) “The cookies from the lady from the Facebook group are really good.” (F, 25, urban) “It’s a win-win service. She releases me from household duties.” (F, 40, urban) “I have used the manicurist’s services for many years. We have a good relationship” (F, 30, urban)
Intention to keep a relationship with the supplier	6	“I have the same hair stylist for years. She knows me, she knows exactly what I like. I don’t have to explain to her what I want every time we meet.” (F, 30, urban) “I am certain about her services. We created a connection and, honestly, I sometimes visit her for my pleasure; I miss her sometimes.” (F, 25, urban) “I created a relationship with the mechanic. I knew he would help me.” (M, 40, urban) “I am a loyal client.” (F, 38, urban) “I use the services of a saloon that belongs to some friends of mine” (F, 67, rural)
Doing favours for friends, kin and neighbours	3	“They knew me because they know my parents. I believe they allowed themselves to give me the goods with no bill; I wanted to help them” (F, 38, urban)

The category supporting companies is variegated (Table 3), as participants mentioned both financial and emotional reasons. Some participants only mentioned financial reasons, some participants mentioned only emotional reasons, while other participants mentioned both financial and emotional reasons. Moreover, there were specific types of companies to trigger the social actor perspective: Local entrepreneurs, local farmers (with subsistence farms), people with small incomes and local entrepreneurs facing issues during COVID. The pandemic context has had an influence on the manner people approach local companies and the way the social actor perspective manifests.

As such, financial reasons to support local entrepreneurs in general were: Starting a business (two mentions), more difficulties compared to big companies (one mention), they are overtaxed (three mentions). Emotional reasons to support local entrepreneurs, in general, were: Empathy/compassion, attitude, personalisation, doing a favour.



The category Supporting local entrepreneurs during the COVID pandemic is a category that extends the social actor theory. Financial reasons to support local entrepreneurs during the COVID-19 pandemic were similar to the reasons already stated: Starting a business (one mention), more difficulties compared to big companies (two mentions), and the fact that the local entrepreneurs are overtaxed (one mention). However, some financial reasons were particular to the pandemic context: They have fewer clients (one mention), and they have financial losses/bankruptcy risk (two mentions). Except for empathy (three mentions), which is a common reason among emotional reasons, participants also stated solidarity (one mention).

Besides the financial and emotional reasons, the pandemic context also revealed the reason of satisfaction. Although this area of specific pandemic context needs more investigation, we must mention that only three participants revealed a change in their behaviour to support local entrepreneurs by not asking for the bill due to the new context.

As the participants' quotes from Table 3 indicate, even if the main reasons for supporting local entrepreneurs in general and in the pandemic time are both related to financial and emotional aspects, the causes and the explanations are different. When it comes to financial reasons for "Supporting local entrepreneurs during COVID pandemic", people are more willing to buy from these companies because they consider their economic situation more challenging and difficult to manage. The causes of the pandemic crisis are not able to be controlled by the local entrepreneurs, who can only decide to close their business, reconvert or keep trying to manage. Regarding the emotional reasons, buyers empathised with entrepreneurs, they were also affected by this crisis, they feel the need to contribute and display solidarity. Moreover, the entrepreneurs benefited from a wave of support, during the COVID-19 pandemic, from the community as well, which was encouraged to support local producers and Romanian products.

The results indicate that, due to a difficult pandemic context, people tend to change their perception regarding the entrepreneur who became a friend, a hero and not only an actor in a business market. The financial, rational implications suddenly became less important compared to the social and emotional perspective. The COVID-19 pandemic encouraged this trend and past events show us that these crises can occur again. This is the reason why these trends should be understood and managed.

Financial and emotional reasons, such as not having enough financial resources, compassion or accomplishment by helping others, were also mentioned in relation to supporting local farmers and people with small incomes.

Another category of participants (four participants) changed their behaviour in the manner of avoiding entrepreneurs, in line with the pandemic restrictions and their fears to contract the virus: "I had fears to contact even a hair stylist, to use crowded areas, even the market, only pharmacies and supermarkets." (M, 70, rural), "Isolation somehow encouraged formal acquisition with the card." (M, 40, urban), "Social distancing restrictions led to more card payments, and this led to formal purchasing." (F, 40, urban).

The majority (11 participants) either maintained their usual behaviour they had before the COVID-19 pandemic consciously ("The informal transactions I made were existed also before the COVID-19 pandemic, with the same frequency."—F, 40, urban, "These things happen instantly; they are not planned."—M, 40, urban) or did not think of supporting local entrepreneurs/did not have the chance to do it ("I didn't have around or in my area any source to get the supplies."—M, 70, rural).

Participants understand the fact that companies should, generally, issue the bill and some participants even mentioned getting annoyed for not receiving the bill ("I get annoyed when I should receive it and I don't!"—F, 25, urban). However, they consider that local farmers selling various products or starting companies are an exception and need to be protected, as they are not protected by the government and should be protected by people.

An interesting outcome of this research is the need to support local producers in the COVID-19 pandemic context. This does not necessarily involve loyalty to a certain producer but a desire to support local producers in general for various types of products.

This is a form of community exchange, previously studied by Williams [19]. The major novelty reflected by this research is that community exchange, seen as mutual aid and reciprocity, is not activated only for friends, neighbours, kin or work colleagues, but also for local companies in difficult situations, specifically during the COVID-19 pandemic. Reasons related to the social imitation or social norm category are exemplified in Table 4.

As reflected in the table above, less than half of the participants (six participants) mentioned social imitation, expressed through three categories of answers: “This is how we all do it”, “this is how other people do it”, “feeling embarrassed”.

Table 5 below reflects the category of relationship, expressing the certainty and the relationship created with the person that supplies the service. Usually, this is the case of people working on their own in the services sector, such as beauty services.

Almost half of participants (seven participants) mentioned relationship reasons grouped into three types of reasons: Fear/need for certainty, intention to keep the relationship with the supplier due to being satisfied with the service/product or due to being friends with the supplier and doing favours for friends, kin and neighbours. These results are in line with Williams [19].

Previous studies have shown that social reasons are expressed in relation to other citizens to help them out as they are either unemployed or have little money. However, this study revealed that the social actor reasons also relate to helping local businesses, especially micro-businesses and businesses particularly in the agriculture area, home repairs area, construction sector and beauty area.

These findings again enrich the social actor theory, highlighting that the pandemic period encourages social motivation in consumers in order to help SMEs pass thru the COVID crisis. This is an important hypothesis to be tested on big, representative samples within a quantitative survey.

#### 4.3. Institutional Theory Perspective

Examining the institutional theory perspective, the majority (13 participants) mentioned at least one reason concerning institutional failures (Table 6).

Some participants mentioned reasons for disagreement with the tax system as a personal conviction or a form of protest. The personal conviction was expressed by values regarding the tax system or tax morale. The form of protest was expressed as taxation as a form of theft, high taxes or low or even no existing benefits. In addition, one participant mentioned the lack of tax systems for some services as a lack of transparency. These results reflect the asymmetry between formal and informal institutions, in line with Williams and Bezeredi [20]. As stated in previous studies [12,18,20–22,29], low tax morale leads to a higher probability of involving in the informal market.

Many respondents explained their participation in the informal economy based on the failures of the formal market. For example, half of the participants (eight participants) mentioned reasons based on the quality of the product, such as better products, fresher products, natural products, handmade products and hygienic products. Similarly, five participants mentioned reasons based on the getting close to the source, such as lower distance or saving time. Additionally, more than half of the participants (nine participants) mentioned reasons on high needs/limited offer/context constraints, expressed as “captive” consumer, offers difficult to find or lack of availability.

These results are in line with previous studies stating that failures of the formal economy, pictured as issues with speed, quality and availability, lead consumers to involve in the informal economy [19,21,45].

In sum, these findings extend the institutional theory perspective, showing that most participants use various formal market failure rationales as very important reasons for involving in the informal economy. Again, this is an important hypothesis to be tested on big, representative samples within a quantitative survey.

**Table 6.** Institutional theory perspective.

Category	Number of Participants	Participants Quotes
Disagreement with the tax system (4)		
Personal conviction/beliefs	3	<p>“The issue about fiscal morality ethic, whatever it could be called, is not on the top of reasons I would choose to be part of a transaction.” (F, 40, urban)</p> <p>“There is no need for the government to retain a percentage of the income every month and choose whom to support with your own money.” (F, 40, urban)</p> <p>“Nobody can take a person’s freedom to sell a good of his/her own, and the Romanian government should not benefit from the fact that I sell my private good.” (M, 27, urban)</p> <p>“The government does not involve enough in order to fairly support the economy for all types of traders.” (M, 46, rural)</p>
Form of protest	2	<p>“Taxation is a form of theft. I happened to say I don’t need to be given the bill.” (F, 40, urban);</p> <p>“The fiscal pressure is quite high in Romania.” (F, 40, urban)</p> <p>“There is a lack of any visible matching between the paid amounts and the benefits that contributors receive.” (F, 40, urban)</p>
Lack of tax systems for some services (1)		
Lack of transparency	1	<p>“The informal market is a depressurisation valve.” “... (the informal market) is the place with goods and services that, for various reasons, cannot exist transparently.” (F, 40, urban).</p>
Better quality (8)		
Better product/service	7	<p>“She (the supplier) works with very good quality products. I don’t want to go to the beauty salon to pay 40 Euro to work with low quality products.” “The cookies are obviously not as good at cake shops.”; “Fruits and vegetables are better at grocery stores than supermarkets.” (F, 25, urban)</p>
Fresher product/service	5	
Natural product/service	4	<p>“I go to the market because I have this idea that better, fresher products are at the market” (M, 70, rural)</p>
Handmade product/service	1	<p>“The lady sells the cakes immediately because all products are fresh.”—(F, 25, urban)</p>
Hygienic product/service	2	<p>“I know the creams are 100% natural”—(F, 30, urban)</p>
Getting close to the source (5)		
Smaller distance	2	<p>“I buy from closer places, no matter if I get a bill or not” (M, 70, rural)</p>
Saving time	3	<p>“I can solve an issue faster.” (F, 53, urban)</p>
High needs/limited offer/context constraints (9)		
“Captive” consumer	3	<p>“As a constrain ... there are few options, and when the teacher proposes an after-school, very few parents think about a bill.”; (F, 40, urban)</p>
Offers difficult to find	7	<p>“( ... ) make available products manufactured by them, more special ones, that you cannot find easily.” (F, 53, urban)</p>
Lack of availability	4	<p>“There are no other transportation companies to bring me home” (F, 67, rural)</p>

#### 4.4. Unintentional Behaviour

Examining the unintentional behaviour, the majority (12 participants) mentioned at least one reason concerning unintentional purchase behaviour. This behaviour is associated with various emotional reactions, such as embarrassment, fear of asking for the bill, indifference, acceptance, revolt and frustration (Table 7).

Half of the participants (eight participants) mentioned actions they take after realizing they did not get a receipt: Card payments, asking for the bill, not repeating the specific purchase and repeating the purchase.

The high number of participants involved in unintentional purchase behaviour extends needs further investigation and may be an extension of this theory. Previous research [15,23] reveals, specifically for home repairs and renovation sector, only 4 to 10% of unintentional purchases.

An interesting result here is that participants can be split into two categories: Persons who revolt when realising they do not get the bill (old people, young people with families, entrepreneurs) and indifferent persons (each with various beliefs). Those who do this from conviction do not put an accent on supporting entrepreneurs, but they have compassion for those with a small income, working in their spare time. This result extends the unintentional purchase theoretical perspective. Future quantitative research is needed nevertheless in order to verify this hypothesis.

**Table 7.** Unintentional purchase theory perspective.

Category	Number of Participants	Participants Quotes
Realising after the purchase	12	"It was involuntary, it simply happened, I got there, and I didn't receive a bill" (F, 25, urban); "They pretend to forget (to give you the bill)" (M, 46, rural)
Emotional reactions (12)		
embarrassment	2	"Let us not disturb or I don't want to ruin my day and go through a fight or an arrogance" (F, 25, urban); "I feel embarrassed to ask for a receipt" (M, 70, rural)
fear	1	"I saw persons asking for the receipt, and they received a big scandal." (F, 67, rural)
indifference	2	"I am not disturbed (to not receive the bill)." (F, 30, urban) "What can you do? This is how things happen here." (M, 70, rural)
acceptance	8	"I can't see how you can get a bill in the middle of the forest." (M, 46, rural) "I saw there are no tickets, and I was silent." (F, 67, rural)
revolt	1	"If I have to pay a higher price, at least give me the bill!" (F, 25, urban)
frustration	1	"We discuss different fiscal/non-fiscal treatments" (F, 40, urban)

## 5. Discussion and Conclusions

This paper investigated the motives for making purchases from the informal economy. This study extends the theories used for explaining informal purchases. The study shows that social ends may take very different facets, such as: Supporting companies, social imitation and building/maintaining relationships. The motivation based on supporting local entrepreneurs during the COVID pandemic is a category that extends the social actor theory. Novel financial and emotional reasons were identified here, particular to the pandemic context: They have fewer clients, they have financial losses/bankruptcy risk and solidarity. This is in line with Nkemdilim et al. [61], showing the need to test the hypothesis that the COVID-19 control measures enforcement may have neglected economic social structures as the supply and demand system has been modified, thus, consumers perceived challenges for SMEs [64,65]. Moreover, it is important to highlight the fact that the emotional triggers that enhance the motivation to support the local entrepreneurs lead to a behaviour that does not represent a sustainable solution from an economic perspective. Even if the motivation is supported by solidarity and empathy, the result is not a sustainable one, on the long term. From this perspective, this study brings to light the need to identify and prevent the behaviour of encouraging the informal market, through specific economic measures.

The findings of this study extend the social actor explanation by showing that this specific period engaged consumers in social motivation in order to help SMEs pass through the COVID crisis. Results on institutional theory are, on the one hand, in line with previous studies [19,21,45], as participants mentioned issues of the formal institution, such as: Lack of availability, speed and quality of products delivered by formal markets (better/fresher/natural/handmade/hygienic products, shorter distance/saving time, high needs/limited offer/context constraints). Moreover, the results are in line with Williams and Bezeredi [20] and Culiberg and Bajde [28], as purchasing from informal market is associated with a lower level of vertical trust (lack of transparency) and a lower level of tax morale (personal conviction or beliefs/form of protest). Finally, in this Romanian case study, unintentional behaviour proved to represent an important facet of informal purchasing [15,23].

In conclusion, our research revealed rational economic actor explanation, mainly accessible prices, also revealed by previous studies [12,13,15,18–21,23,25–27]. Our re-

search also indicated discounts, easy negotiation and the possibility of receiving presents from the seller as financial gains. Financial gain is a purchasing motive also reflected by Iguadia [57] study. On the social reasons perspective, previous studies revealed community building [25], peer and social networks, family [27], interactional empathy and enduring relationships [30]. All these results were also reflected by our study in the social imitation category or maintaining relations category. The important highlight of our research is that the social reasons may also be expressed in relation to local businesses during the COVID-19 crisis. The institutional theory explanation revealed by our study is in line with explanations in previous studies, such as formal market provision failures [12,13,15,18–21,23,24,27,57] or a model of consumer ethical decision [28]. Moreover, the unintentional purchase was previously studied by Williams and Kosta [15,23] with similar findings.

The policy implications of the findings are that the enforcement authorities have to go beyond their focus on the suppliers of the informal economy. Considering the intentional and unintentional behaviour and the fact that some consumers instigate the informal exchanges shows that the policymakers should consider both deterrents and some incentives to encourage consumers to purchase from the formal market. These interviews showed that participants believe that the government is indifferent to the consumer engagement in the informal market, and thus, there is no benefit to taking the cost of engaging in the formal economy. Furthermore, the majority of participants consider that both sides of the exchange (seller and buyer) are responsible for engaging in the informal market but consider that the seller should get penalties. As such, information campaigns to inform the consumers about their duty of requesting a receipt and the penalties applied to them if they do not do so would be useful in this context.

The important socio-economic implications of the paper are derived from the negative effects of the informal economy, such as economic development influenced by tax revenue losses [11], lack of legal recourse to protect customers [12,13], and unfair competition for legitimate businesses [8,9]. Compared to European Union countries, Romania registers a high share of employees receiving under-reported wages [53] and a high share of undeclared work [68]. As such, these data represent important clues to consider Romania a proper case study to investigate informal economy issues. As for our findings, the study reveals the need to tackle the demand side of the informal economy in Romania, especially in the pandemic and post-pandemic years, as the health crises increased the customers' tendency to involve in the informal economy. Romanian authorities have already organised national campaigns to encourage consumers to ask for the receipt with programs, such as Lottery of Fiscal Receipts or mandatory blue posters in every store or services providers informing buyers of their duty to ask for the receipt. The results of this study provide empirical evidence for better tackling the demand side of the informal economy, revealing additional rationales for which the consumers make purchases of undeclared goods and services.

Based on their motivation to engage in the informal economy, the participants proposed some measures to reduce the engagement in the informal market, such as: Coercion (applying the laws, more controls, penalties, centralised following systems), supporting participants (help for social cases, offering prizes for good behaviour, such as exemption from tax payment for one year), monitoring the pandemic effects, promotion and management support, supporting agriculture, reducing bureaucracy, eliminating some part of the taxes and focus on education in order to change the mentality and increase awareness and transparency. Individuals who make purchases from the informal market because they want to support entrepreneurs in the pandemic context propose support measures such as monitoring the pandemic effects and enabling to promote the local entrepreneurs. As such, different types of policies are required in accordance with the individuals' rationales for engaging in such activities. What is certain is that the measures implemented so far by the enforcement authorities in Romania (i.e., a receipt lottery and an educational campaign related to the obligation to request the receipt when purchasing goods and services) need to be complemented by other policy measures. Thus, results suggest that little is done in



order to curb the purchases explained by social, institutional and unintentional reasons. A deeper understanding of the institutional failure explanation is needed. One measure could be to introduce quality label initiatives to encourage consumers to recognise the reliability of formal businesses.

One important limitation of the study is represented by the relatively small sample for data collection. Although qualitative research involves small samples, results cannot be generalized. Another limitation is that participants were selected from a single development region in Romania, and therefore we cannot assess whether different or additional results would occur if data had been collected from various development regions in Romania.

The extension of the existing theories for explaining the participation of consumers in the informal market and the limitations of the study require now future research. The next step is to test these findings in qualitative surveys with participants from various developing regions of the country and extensive surveys with larger samples in order to generalise these findings. Quantitative analyses are needed to continue this research to explain the importance of social reasons, especially in the post-COVID-19 pandemic context. We highlighted that customers are displaying solidarity and empathy for SMEs to pass through the COVID crisis. One question is whether this empathy and solidarity are stable also after the crisis and whether the social relationships between customers and entrepreneurs remain strong after the crisis ends. Another question is whether this empathy is manifested by all age categories. Based on our research, we can assume that individuals aged between 25 and 40 are more supportive of local entrepreneurs compared to other age groups. Moreover, future research is needed to analyse how formal institutions may influence the asymmetry between formal and informal institutions on the demand side of the informal economy. Similarly, the effect of the COVID-19 pandemic upon the social actor theory in terms of activating this community help for local entrepreneurs needs to be tested in other regions of the world.

In conclusion, we need further research in other global regions to see if the same theoretical results are valid. If so, that would have fulfilled one of the major intentions of this paper. However, if policymakers and governments start to use these findings to change the policy measures they use to tackle the informal economy, especially as an effect of the pandemic context, then this would have fulfilled our wider intention.

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