TRUST IN EXCHANGE RELATIONS AS SOCIAL CAPITAL: EXPLORATORY STUDY OF INFORMAL FREIGHT TRANSPORT

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Abstract

As the philosopher Aristotle ascertained 2400 years past, human beings are by nature social creatures. Trust is a social norm that promotes the foundation of relationships among individuals, groups, and other components of a society. It is a by-product of religion, tradition, shared historical experience, and other types of cultural norms. Without trust, a country's economy cannot perform well, because transaction costs would be too high. Through this study, we attempt to explore the reasons behind the dynamics of informal freight transport in Morocco under the paradox of the total absence of contracts and the increasing regulatory constraints of the sector. For this purpose, both individual interviews of the various informal transporters, the interpretation methodology were used. The results reveal that the exchange relations of informal freight transport in Morocco, a priori non-contractual, are governed by a "social algorithm" based on interpersonal trust, in lieu of "blind" or "calculative" trust (Williamson, 1973), and which "the Daman" plays the role of a guarantor of the community order (*Lkelma*, *Niya*, etc.) rather than the judicial order (contracts, formality, etc.) (Fukuyama, 1995; Balambo & Livolsi, 2010).

Keywords: Daman, Social Capital, Lkelma, Niya, Trust, Morocco

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1. INTRODUCTION

Trust has always been a rather essential element in a plethora of business exchanges, and has thus been the subject of considerable research. Previous studies were disregarding context studies (Akrout, 2019). In the contemporary economic world, trust is an inevitable concept that cannot be avoided as no exchange and therefore no economic life can exist. But economists have paradoxically often shown themselves to be skeptical on this question, as well as on the concept of social capital since they go against the dominant approaches in terms of the rationality of actors.

Trust as a phenomenon has more than ever attracted rather vast attention within organizational research and socio-economic theory in both intraorganizational and interorganizational relations. It has been acknowledged as a central mechanism in the coordination of social actors' expectations and interactions. When trust lacks, it is rather difficult for the establishment or the maintenance of successful organizational relations for a lengthy period of time. Henceforth, trust is, without a doubt, a key concept in the analysis of the internal and external relationships of organizations. Trust fosters sustainable cooperation by reducing the cost transactions and establishing long-term relationships which allow for saving money. This

influence recognized by Williamson (1991), was also highlighted by Neuville (1996) and Dyer (1997). In addition, trust permits stronger commercial bonds between the supplier and the retailer consequently the use of formal systems and expensive control is made less necessary.

Trust is a valuable asset in organizational relationships, as it allows for greater stability, flexibility, and efficiency. However, it is not always a straightforward solution and can come with risks. Trust can be used to bridge informational gaps, but betrayal and misplacement of trust can lead to negative consequences. Therefore, it is important to approach trust with caution and not rely on "blind trust". Trust is often just one element in a complex process of coordinating and controlling organizational relationships. It is important to assess the risks and benefits of trust in each individual situation and to have a well-thought-out plan in place to mitigate any potential negative consequences.

Trust emerged historically in the field of psychology (Deutsch, 1958) and then quickly spread to all disciplines related to the human sciences to become today an essential aspect of interorganizational issues (Bidault & Jarillo, 1995; Sako & Helper, 1998; Balambo, 2013; Chafai, 2021).

Nonetheless, the systematic use of the notion of trust in coordination between economic agents dates back to the 1980s, during which it was mobilized to account for "new" forms of relationships (Barber, 1983; Piore & Sabel, 1984; Granovetter, 1985; Breton & Wintrobe, 1982; Coleman, 1990; Lorenz, 1993; Baudry, 1998).

Indeed, after highlighting its importance, in line with Macaulay's (1963) suggestions, trust was gradually erected as the cement of an alternative mode of coordination to commercial contractualization: cooperation (Gambetta, 1988; Lorenz, 1993; Ring & van de Ven, 1994; Kumar, 1996).

Sometimes going beyond a purely strategic conception of trust, it has been gaining more interest from socio-economists in recent years (Hardin, 2004), hence invites us to explore the different properties of trust in the unique context of informal freight transport in Morocco.

The structure of this paper is as follows. Section 2 reviews the relevant literature including various definitions, different levels, and attempts at the conceptualisation of trust. Section 3 analyses the methodology that has been used to conduct empirical research. The results and the discussion of the study findings are presented in Section 4. Section 5 concludes the paper.

2. LITERATURE REVIEW

Traditionally, economic approaches have mainly concentrated on two different roles: self-interest and also opportunism. Williamson (1991) has advanced that trust is only sensible if it goes beyond calculative self-interest, but since he maintained the centrality of calculativeness, there is no room in his view for trust. In other traditionalistic research, notably, the work of the Industrial Marketing and Purchasing (IMP) Group, trust is a central variable (Easton & Zmijewski, 1989; Hakansson, 1982; Johanson & Mattsson, 1987). But, in that perspective,

trust is viewed as so pervasive that the role of self-interest and the temptations of opportunism are ignored.

However, according to social exchange theory (Blau, 1964), exchange and cooperation often have a social dimension (intrinsic utility), as well as an economic dimension (extrinsic utility).

2.1. Definitions of trust

A review of work on trust reveals an abundance of definitions and a blur conceptual manifesto (Child, 2001; Seppänen et al., 2007). In addition, it is essential to take into account the specificities of cultural and institutional when studying trust.

The first mobilizations of the concept began in the field of psychology and sociology. The first meaning attributed to the concept of trust (Deutsch, 1958; Giffin, 1967; Rotter, 1971) was a firm belief that the partner is reliable and of high integrity. In sociology, it was akin to "a fundamental expectation of humanity as to the durability and effectiveness of social orders, whether moral or natural" (Barber, 1983). In this sense, Weber and Carter (2012) claim that sociologists agree on the role of trust in the sustainability of societies "without trust, society could not be possible because trust increases order by reducing complexity".

In economic analysis, trust is presented as the result of a rational calculation in order to reduce transaction costs by evaluating the gains resulting from the exchange (Williamson, 1991).

On the other hand, in the psycho-sociological approach, trust is considered an upstream of intention since it is presented as an indicator of future behavior. It is, therefore, an expectation, a presumption, or a belief (Chouk, 2005).

Adding to that the relational approach, particularly the work of Morgan and Hunt (1994), also Ganesan (1994), seem fundamental. Indeed, Ganesan (1994) proposes a conceptualization based on "a belief, feeling or expectation about a business partner that results from their expertise, reliability and intentionality" (p. 78).

Through this definition, Ganesan (1994) implicitly responds to the criticisms of Moorman et al. (1993), concerning the consideration of intention as an implicit element of the definition. For them, the intention intervenes as a result: "The intention is better understood as a result of the attitude than as part of its definition..., the intention to trust should be seen as a result of the trust and not as part of its definition" (p. 32).

Trustees could be individuals or collectives, such as organizations and institutions. Also, there is a rather significant difference when it comes to trust between people and that of organisations, as it depends on the positions and roles that people have in an organisation (Ring & van de Ven, 1994) and on the organization's mode of coordinating behavior.

2.2. Levels of trust

Polysemic in essence, trust is sometimes presented as a continuum (Lepers, 2007), different levels of trust are superimposed on each other to constitute a stock of trust (Breton & Wintrobe, 1982).

The typologies of trust fit, for the most part, into the framework defined by Zucker (1986). This distinguishes three forms of trust: interpersonal trust, inter-organizational trust, and institutional trust.

With regard to the literature, for many years interpersonal trust has been the subject of reflection in psychology, in particular, the articles by Deutsch (1958) and Rotter (1971), which appear to be the most often cited, this interpersonal dimension appears as the legitimate anchoring of trust (Lewicki & Bunker, 1996; Williams, 2001).

Defined both by Luhmann (1979) and Giddens (1990), or Zaheer et al. (1998), it characterizes the trust placed by individuals in other individuals. Perceived as an important social resource that facilitates cooperation, it allows better coordination of interactions (Mayer et al., 1995). This type of trust refers, among other things, to notions of dependence on one another, because individuals are not in a balanced power relationship (Ring & van de Ven, 1994; Sako & Helper, 1998).

Inter-organisational trust, by Zaheer et al. (1998), is "... granted by the members of an organization to the associated organization" (p. 71). In other words, inter-organizational trust goes beyond the interpersonal relationship to embrace the partner organization with which an exchange takes place.

For Hadj Khalifa and Kammoun (2013), interpersonal trust can be the source of organizational trust, and vice versa (Doney & Cannon, 1997).

Other authors consider that, even if interpersonal trust and inter-organisational trust are very similar, they have neither the same antecedents nor the same consequences. The antecedents of inter-organisational trust reside mainly characteristics of the company, while interpersonal trust attaches to the personality supplier and the nature of the relationship maintained (Doney & Cannon, 1997). Moreover, buyers generally distinguish the trust in the supplier (interpersonal trust) and trust in their company (institutional trust) (Ganesan & Hess, 1997).

As far as institutional or systemic trust is concerned, and contrary to interpersonal trust, which only appeared at the beginning of the 1980s and, in particular, the articles of Cornell and Shapiro (1987), Fukuyama (1995), Gambetta (1988), and Zucker (1986), is defined "as a superior authority within society" (Mangematin & Thuderoz, 2004, p. 24). It protects individuals or organizations against the risk of moral hazard. Trust is then understood as a collective attribute shared between individuals thanks to normative and constructs. It is based on a formal social structure independent of an exchange relationship or previous experience. It is not just about trusting an individual or an organization, but the context in which the relationship takes place (Brousseau, 2000).

Institutional trust is based on formal systems such as procedures and standards (Hummels & Roosendaal, 2001) or on informal structures such as societal values (Barney & Hansen, 1994). It is strongly involved in dyadic relationships (Macaulay, 1963) through salespeople (buyers and sellers) who know each other and thus build common professional standards. It is assimilated to norms or values shared by the organizations of a community or an industry (Lepers, 2003).

2.3. Trust as social capital

neo-institutional economy, economic In the organizations seek to stabilize their relationships and control opportunism by arbitrating between markets (contracts, outsourcing) and hierarchies (internalization).

This utilitarian postulate has largely dominated the inter-organizational literature, which considers the market and the hierarchy as the only mechanisms that stabilize transactional exchange relations.

However. in non-contractual neo-institutionalist economic theoretical approaches are insufficient, and explanations must integrate the sociological current, in particular, the theory of social capital¹.

Interpersonal-affective trust has been conceptualised in this work as social capital that develops on the basis of common values from shared and reciprocal habits and moral rules (Fukuyama, 1995) and is, therefore, embedded in its socio-cultural environment. Understanding the process of developing interpersonal trust inevitably involves studying the cultural context in which normative rules and cultural filters push or prevent the partner's predisposition to grant trust (Balambo, 2013; Fukuyama, 1995; Hernandez, 2006; Igalens et al., 2007).

Based on this observation, Fukuyama (1995) conceptualized how trust can be a factor of partnership and community stability. He thus develops the concept of social capital and, more particularly, trust as a mode of social control, which attempts to go beyond analysis in terms of transaction costs.

In his bestseller, Fukuyama (1995) defines trust "the expectations that are formed, within a community governed by regular, honest and cooperative behavior, based on standards usually shared, on the part of others members of this community" (p. 71).

This definition allows, on the one hand, the internalization of behavioral patterns and, on the other hand, to approach trust as social capital, which makes it possible to avoid lengthy contractual negotiations, controls, conflicts and lawsuits thanks to guarantors of the values in this case of Daman² ou Lamine³.

These last, can act as arbitrators intermediaries, the difference being that for the first their ruling is binding and for the latter it is not. They can also help to balance mutual dependence, act as guardians of social values, help to control authenticity of information, and institute a reputation mechanism of good conduct.

¹ Coleman (1990), who was responsible for bringing the term "social capital" into wider use in recent years, once argued that it was a public good and therefore would be underproduced by private agents interacting in markets. ² It is the figure of the person who intervenes not only as a "guarantor" of transactions, but also as a judge in the event of a dispute it is about the arbiter, supposed to impartially bring the protagonists back to the respect of the rules, and the mediator, whose task is to reconcile their points of view. "Guardians of trust" (Shapiro, 1987), "intermediate communities" (Fukuyama 1995), "bridging groups" (Putnam, 2000; Knorringa & van Staveren, 2006), or "bonding groups" (Putnam, 2000).
³ A trustworthy person, he is the guarantor of the ethics of the profession.

3. METHODOLOGY

Based upon the theoretical analysis of how interpersonal trust can be rather influential in the governance structure of the informal transport sector, it is of utmost importance to explore the matter in question within the Moroccan context as the size of the shadow economy represents 30% of gross domestic product (GDP) (Lahlou et al., 2020).

And, as the objective has been set, the research strategy that has been selected is based on a mixed method of interpretivist epistemological posture and exploratory qualitative4 research methodology which shall take the form of individual interviews. This method will grant us the possibility to obtain a more thorough and all-inclusive knowledge of the aforementioned issue. As a matter of fact, according to Hlady Rispal (2002), using interviews is rather crucial in order to analyse a certain management situation and especially in research that can be deemed rather complex (in our case, governance of non-contractual business relationships). Qualitative sample construction tends to be more focused, rather than being conducted randomly (Miles & Huberman, 1991).

In this sense, our sample composed of 10 informal freight carriers, was based on the data that we collected on these businesses based primarily on our knowledge, otherwise, it was within the business community, and not on the basis of a random selection of businesses. Also, it has ascertained that these data have enough features in common in regard to the studied issue (the formal sector has been excluded as they are likely to have different arrangements in governance) and we have also diversified in terms of regions for a more enriching analysis.

In this study, the data was obtained through semi-structured interviews and from documentary sources or archival records (Minichiello et al., 2008; Yin, 2009). The semi-structured component of the interview involved face-to-face interaction (Creswell et al., 2007), and a discussion with the informants based on a set of prepared questions and their responses. Primary data were obtained through a semi-structured interview with the informal freight carriers. Documentation is one of the source data and review documents are a source of data analysis as well.

We were able to meet the challenge faced by many researchers and related to the non-availability of the people subjected to the field study or the lack of freedom to collect data; the people questioned in our study are truck drivers who showed great distrust of our in-depth investigation process.

4. RESULTS

"Trust is an important 'lubricant' of the social system; it is extremely efficient; it avoids the trouble of having to assess the credit that can be given to the word others. Unfortunately, it is not a commodity that can be easily bought" (Arrow, 1974, p. 76).

Trust in this sense goes beyond the social relations that lead to the formation of "ethnic

enclaves" (Granovetter, 1985) and is then inevitably embedded in exchange relations (non-contractual), created and transmitted by cultural mechanisms such as religion, tradition, or historical habits.

Hence, the social virtues of the individual are placed at the center of this exchange, and social relations are produced by the exchange itself (Lepers, 2003).

In this sense, trust characterizes relations of a "tacit nature", in which the commercial relationship is not put in the foreground and leaves a great deal of room for relations "based on the oral" which would require the abandonment of any form guarantees or contracts, since by claiming them we risk offending the partner we previously trusted (Balambo & Elbaz, 2016).

This particular relationship opposed to economic rationality corresponds to a social (interpersonal) relationship, in which the exchanges are embedded in a common reference system that manifests itself in the principles and values that make it possible to govern the relationships.

In the same sense, McAllister (1995) defines trust as: "A person who acts voluntarily based on the word, actions and decisions of another person" (p. 48). This type of interpersonal trust is anchored in the moral values of society and not reducible either to rationality (Williamson, 1991), or to "social constructions" (Granovetter, 1985, 1992), but as an internalization of behavioral patterns (Fukuyama, 1995).

In view of the strong uncertainties concerning both the absence of contracts and the presence of opportunisms, the impregnations of virtues and *Daman* in the relations of exchanges between informal freight transport (IFT)-chargers can explain the "rediscovery" of the "primitive" mode of organization, whose properties must be explored.

Adding that this mode of governance is fundamentally based on social control in which the various virtues are registered, therefore, the governance is centred on culture (Ate et al., 2022).

Finally, the results of our survey group the upstream of stability into two focal phases, specifically: 1) the relationship engagement phase and 2) the cognitive relationships phase.

4.1. Relationships engagement phase

Commitment to the relationship (verbal contract likely to reveal disguised opportunism): It is a tacit agreement guaranteeing the development of commercial links by the establishment of a non-contractual relationship. Nevertheless, the achievement of this main step in the process of the IFT-chargers relationships requires the meeting of two prerequisites: 1) the first condition manifests itself through *Niya* virtue, 2) while the second requires the presence of the *Daman*.

4.1.1. The virtue of Niya

The concept of *Niya* is a complex and multidimensional concept. As Bourquia et al. (2007) point out, it has both a social and a religious meaning. On the religious level, the *Niya* corresponds to the intention that must precede any

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⁴ Qualitative research can be defined as the study of the nature of phenomena and is especially appropriate for answering questions of why something is (not) observed, assessing complex multi-component interventions, and focussing on intervention improvement.

religious act. As the following Hadith⁵ attests: "Actions are worth only by the intentions that motivate them and everyone has for himself only what he really intended to do".

In the social aspect, the use of *Niya* is multiple. When we say of a person that he/she has the *Niya*, it means that one has faith, and that one is sure of himself/herself and his/her beliefs. Common sense that *Niya* prevailed in the past, for the reason that everything worked well (business transactions, marriage, healing rites, etc.) because people had *Niya* (Bourquia et al., 2007).

The virtue of *Niya* made it possible to give certain reliability to social relations, to the extent as a person who has *Niya* is a person who has continuity between his intention and conduct (Bourquia et al., 2007). *Niya*, therefore, implies a simple and direct relationship between intention, saying, and doing. It inspires trust between people; it refers to sincerity, transparency, frankness, and righteousness and opposes hypocrisy, doubt, skepticism, and stratagems (Bourquia et al., 2007). On the other hand, not being *Niya* is to learn to hide one's intentions, and one's feelings, to doubt the intentions and feelings of others, it is to believe that there is an abyss between intention and act (Bourquia et al., 2007).

The words of several interviewees clearly show that: *Niya's* virtue is an "affective energy/emotional power" awakened upstream of the establishment of the IFT and shippers relationship. It is highly recommended for the stability of the exchange relationship.

4.1.2. The Daman's involvement in establishing the relationship

The intervention of a third party, and more particularly Daman (informal notary and judge), is frequently requested in the establishment of relations between IFT and shippers because it guarantees the payment and secures the transaction (nature of goods, payment on the due date, credit, etc.).

Indeed, according to IFT (Meknes city), "In our sector, as usual, Daman acts as guarantor between IFT and shippers, essentially at the start of the relationship. Thanks to his experience of more than 20 years, first as a carrier and then as Daman. He has more or less perfect information on the price of the service, the different destinations as well as the shippers (his customers) and the carriers (his colleagues). The word (lkelma) only of Daman is enough to transport goods to a shipper, without subscription of drafts or checks. It guarantees, on the one hand, the payment of the carrier (without delay, and with the agreed price) and on the other hand the shipment of the goods to the shipper".

Respondent IFT (Casablanca city) asserts that "Daman is the key to the informal transport market. Indeed, it ensures the connection between the different shippers and the carrier. Its role is to ensure the sustainability of values on the market by denouncing any form of opportunism (theft, lies, asymmetry of information, etc.)".

4.1.3. Conflict prevention and resolution

The interviewees consider that the conflicts must be resolved amicably, sometimes by the intervention of Daman, however, the recourse to justice remains weak as affirmed by the respondent IFT (Meknes city): "The resolution of conflicts (non-payment, seizure of goods...) by the legal way remains hardly conceivable, especially in an informal context characterized by the absence of contracts, tracing, ... however, the IFT often call upon techniques to resolve the conflicts, in particular: The concession (renouncing to claim the derisory sums); Call on the Daman (informal notary) to guarantee the stability of transactions. However, denunciation (cancellation and termination with the shipper) is hardly possible".

IFT (Casablanca city) adds, in the same vein: "To avoid any kind of disputes, especially with new shippers (customers), the best method remains the prevention of conflicts by measuring the reputation of shippers, through an image and reputation survey, or by a requirement of a guarantee/surety".

4.2. Cognitive relationships phase

To this end, our research does not have a well-defined conceptual framework but rather a general perspective on the process of stability that illustrates well how people make sense of their environment of exchange.

4.2.1. Absence of contracts

We were moved by the total absence of contracts between IFT and shippers. According to IFT (Meknes city): "There is no question of drafting a contract with shippers. We have often given up and refused business opportunities due to legal, accounting formalities... including contracts, invoices... Already if the shipper asks for a contract, it will offend the IFT".

Another added: "In our industry, drafting a contract is perceived as a renunciation to interpersonal trust; however, this market just works with traditional virtues and values. The contract does not exist in our business. We refuse any exchange by the contract. However, Lkelma remains the only way to do business with IFT".

4.2.2. Role of reliability

Reliability, a major pillar of interpersonal trust, is an inescapable concept in the establishment and stability of the exchange relationship in the informal transport sector. Interviewees conceive of reliability as a "temporal and social construct". In the context of informal freight transport (IFT): "Despite the illusion that we operate in the informal (anarchy), nevertheless the market is regulated and operates by a scale or degree of reliability".

Thus, reliability is built over a long period (repeated transactions) and requires "accreditation" with informal market actors.

4.2.3. The competence of IFT

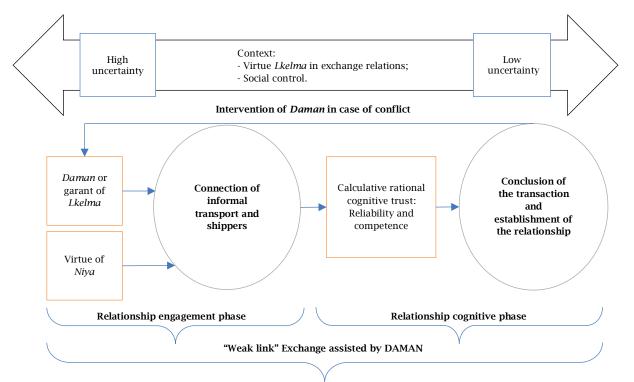
Many interviewees confirm that the virtue of the competence of informal carriers remains a key vector of interpersonal trust. According to IFT (Fes

⁵ Refers to an oral communication of the Prophet Muhammad that acquires the status of a code of conduct.

city): "The competence of carriers is a fundamental virtue of interpersonal trust and consequently of the stability of the relationship. However, this virtue is built through established experiences and high frequencies between carriers and chargers".

In fine, the relationship engagement phase and relationship cognitive phase are the results of the "weak link" exchange assisted by *Daman*, therefore, the following figure summarizes all of these ideas as follows:

Figure 1. Model for understanding the nature of the exchange relationship between IFT-chargers



Source: Prepared by the author.

5. CONCLUSION

The rational trust approach proposed by transaction cost theory (TCT) has been widely criticized by the new economic sociology (NSE). For many authors (Granovetter, 1985; Swedberg, 1994; Steiner, 1999), the two schools of thought seem to be rivals in articulating the problem of economic coordination.

criticism is supported Granovetter, in particular, through his famous article "Economic Behavior and Social The Problem of Embeddedness", whose main argument assumes that economic behavior only exists when it is inserted into a network of relationships (Granovetter, 1985, p. 504). Granovetter (1985) believed that the efficiency of organizations was exaggerated relative to the market, and Williamson's (1991) view of the market, somewhat akin to Hobbes's (2020) state of nature, proved ironic. However, organization is not synonymous with harmony or the absence of opportunistic behavior. Markets and hierarchies, the two extreme forms of governance proposed by the TCT, are not as clear-cut alternatives as the Williamsonian approach seems to suppose. Markets organized by networks of contacts between managers of different firms, so that economic transactions and social relations remain perfectly intertwined (Granovetter, 1985; Menard, 1996).

Social capital in the marketplace generates trust through repeated interactions and collective monitoring without the need for formal contracts between participants. Furthermore, shared beliefs about specific ways of dealing with economic affairs (common values) are themselves important factors in achieving the level of coordination of economic activity. Thus, at any time, the trust that is established between two people is a marriage of interpersonal relationships and the institutions that support them, and it can take place at different times, based on repetition, or, on the contrary, on compliance with standards (Rouchier, 2004).

Therefore, social capital is an informal norm that promotes cooperation between individuals. In the economic sphere, it reduces transaction costs; it also is a byproduct of religion, a tradition shared historical experience, and other types of cultural norms.

Social capital may compensate for institutional weakness, e.g., by supporting a reputation mechanism instead of contractual control, when the legal basis for the latter is insufficient. This may be important, in particular, in developing countries with less developed institutions, which would explain why social capital is particularly relevant in such countries.

Moreover, intermediaries (*Daman*) may substitute for institutions, thus possibly compensating for institutional weaknesses, and they may support or foster relationship-internal sources of reliability.

In spite of the abundance of information collected by this research, two main limitations have been observed. The first is the use of a truck driver

as a main source of information and that would result in the absence of other actors which might have rendered our analysis of data more significant. The second, on the other hand, relates to our methodological design i.e., the choosing of an exploratory interview approach. It is blatant that it has the potential to shed light on new research questions yet overlooks our results, as well as analysis for the validation of evidence.

In addition, these limitations lead to future research that we deem rather interesting as it is our belief that other qualitative exploratory research strategies, such as longitudinal studies, can assist us in an in-depth analysis of the studied phenomenon in its temporal dynamics in accordance with the phases of the life cycle of the interpersonal trust.

Furthermore, qualitative studies to further investigate the influence of the affective dimension on the governance of these enterprises would also be of great value to enrich the literature on the governance of informal enterprises. In the end, it can be helpful to use qualitative data analysis software to help the research stay organized during the analysis (Tobing et al., 2022).

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