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Cuba's *casas particulares*

An analysis of informality, social capital, entrepreneurship and sustainability

Sune Ditlefsen
Aalborg University, Denmark

Stephanie Hamilton
Aalborg University, Denmark

Elyse Nightingale Meaker
Aalborg University, Denmark

Abstract: *As part of the growing tourism industry in Cuba, staying in a private person's home as a tourist, in what is known as* casas particulares*, has become increasingly popular. This paper utilizes qualitative, short-term ethnographic methods to research* casas particulares *(also referred to as* casas*) and the conditions they operate under. Networks, social capital and collectivism play an important role in the running of* casas*. These are affected by the entrepreneurial climate, which is unique in Cuba. Likewise, informality is a key element in the running and development of* casas*. To this, we conclude that the informal economy fills the gaps where formalized resources are not available. Yet, these types of transactions and exchanges are not included in most government strategies. Further, in the Sustainable Development Goals (SDGs), informality is seen as a transition-based development step. We urge governments to be more inclusive in their strategies and consider the opportunities informality can provide under certain circumstances.*

Keywords: Cuba, tourism, informality, sustainability, networks, entrepreneurship.

Introduction

Tourism in Cuba has enjoyed increasing priority in recent decades, in which regulations have been loosened to make more room for tourism enterprises, in order to combat financial struggles (Fox, 2015; Font/Jancsics, 2015; Rohr, 1997). New reforms have been put into action in Cuba, including ones that allow self-employment to run private restaurants and accommodation (Colantonio/Potter, 2006). Despite these reforms, there are still many limitations for tourism entrepreneurs. Following the revolution in 1959 and subsequent reforms, the Cuban state has a history of tight regulations, which guarantee its control over the economy (Thomas/Kitterlin-Lynch/Lorenzo Del Valle, 2015; Potter, 2013; Mesa-Lago, 2000). In addition, the Cuban economy is highly influenced by outside factors such as the geopolitical climate (Mesa-Lago, 2000).

Running a business in Cuba usually requires a certain level of informality, even though the system is at the same time highly regulated (Clausen/Garcia, 2018). Our paper challenges some of the notions concerning informality. For instance, we question the view that the unregulated nature of informality necessarily poses a major challenge to governments (Bonnet/Vanek/Chen, 2019; Ouédraogo, 2017). We acknowledge that informality can have different effects in different contexts and countries, and that it is not a perfect system (even in Cuba). Despite this, our study agrees with Clausen and Velázquez (2018), who state that a solely economic focus limits our understanding of other kinds of exchanges, enterprises and transactions and who at the same time challenge the capitalist and market-driven ideologies.

We will therefore focus on the informal economy as more than merely an economic activity through the analysis of networks, collectivism, social capital and entrepreneurship in Cuba's *casas*. We thereby add to an alternative understanding of informality in sustainable development. In our analysis, we present elements that are distinctive to Cuba and some that are not. However, the combination of these elements and the conditions under which the *casas* operate are unique given the circumstances and history of Cuba.

Literature review

Casas particulares

The renting out of rooms in *casas particulares* initially emerged in Cuba as an informal activity when Cubans were making adjustments in their houses to accommodate visitors (Ritter/Henken, 2015). There have been several changes since, among others, the dual-currency system introduced in the mid-1990s (De la Torre/Ize, 2014). However, we do not wish to repeat what has already been described and reviewed by others. The topics of policies and changes, which make the running of *casas* possible, have already been extensively researched (see, for example, Corbett, 2002; Ritter/Henken, 2015; Ritter, 2013).

There are several challenges in running and developing casas. For example, locals only have limited access to goods and produce, which means they will often trade internally instead. In other countries and regions, these types of businesses will also often have the support of external organizations such as NGOs (Sood/Lynch/Anastasiadou, 2017; Reimer/Walter, 2013; Kontogeorgopoulos/Churyen/Duangsaeng, 2015). Furthermore, there is limited access to formal networks for obtaining relevant information, such as business consulting (Marshalek, 2016). Access to loans is limited solely to home construction, meaning that obtaining funds for development is difficult, and locals will often rely on loans from friends or family members abroad (ibid.). Another important element are the limited marketing opportunities because advertising is heavily restricted (Hingtgen, 2013; Marshalek, 2016).

Casas have been called Cuba's version of B&Bs, a Cuban homestay or similar (Kozak, 2016; LSC, 2019; Taylor/McGlynn, 2009). This form of accommodation, which takes place in private homes, is referred to as a commercial home and includes various types of accommodation. However, they have been mainly researched from a Western perspective (Domenico/Lynch, 2007; Lynch, 2005; Lynch/MacWhannell, 2011; Moscardo, 2009). Cuba's *casas* do not fit into this normative framework of how commercial homes typically operate. Particularly because the framework does not incorporate the role of the state in Cuba, which affects many levels of running *casas* (regulations, access to goods, etc.). Additionally, different socio-economic features are not considered (level of economic dependency, level of education, etc.).

In relation to this, it is relevant to mention Airbnb's 2015 entry into the already existing market and services offered by the *casas*. Due to the context and history in Cuba, Airbnb works with Miami-based VaCuba to issue and hand-deliver cash payments to hosts, since many still do not have bank accounts (Bakker/Twining-

Ward, 2018). The important thing to take from this example is that even for a global platform such as Airbnb, the Cuban system is different, and needs to be approached accordingly.

Networking and social capital in Cuba

Networking and partnerships between actors is generally an essential part of the tourism industry (Scott/Baggio/Cooper, 2008). This is especially true as tourism destinations are comprised of many stakeholders and sectors all working together. In this context, networks are defined as 'flexible and changing sets of social relations between individual and institutional actors that involve material, social and symbolic change' (Leeuwis/Long/Villareal, 1991: 23-24). There are three types of networks, formal, semi-formal and informal (Gibson/Lynch/Morrison, 2015). To consider (informal) networks is very important in the Cuban context, where strong networks between people, their families and the neighborhood are considered a key aspect of daily life, both in the context of personal and business life (Hingtgen, 2013). In this regard, we must emphasize that the importance of networks is also evident in other countries or specific sectors, for instance in the running of small and medium-sized enterprises (Costa et al., 2008). We do not argue that this does not exist in other places, but instead we emphasize the unique combination of conditions that *casas* operate under, one of them being strong networks.

Cubans often live with their extended family due to restrictions and shortage of housing, which means they have extensive networks of friends and connections in their community and afar, and often live many years in the same place (Marshalek, 2016). The neighborhood is considered a form of extended family in Cuba 'reinforcing social values, providing emotional security, housing, and caring for children' (Hingtgen et al., 2015: 186). In other words, strong collectivist feelings reinforced by socialism are found in this context, which has lead to rich neighborhood networks (Hingtgen et al., 2015).

To understand the dynamics within these networks, it is beneficial to add the framework of forms of capital by Pierre Bourdieu, which includes social, cultural and economic capitals (Häuberer, 2011). According to Bourdieu (1986), social capital is an intangible capital an agent carries, and gains, through mutual recognition and exchange of trust by the other members of the group. It is worth noting, that the theory of capital has a focus on individuals, and how individuals can benefit from the negotiation of forms of capital (Häuberer, 2011), whereas Cuba has a more collective orientation (Hingtgen et al., 2015). At the same time, the framework does not account for potential negative aspects of capitals for outsiders of the group (Häuberer, 2011). The theory does, however, still describe the formation and dynamics of groups, including how the groups benefit from the members' capital, and how they reproduce them (ibid.).

Entrepreneurship

Lakshmanan and Chatterjee (2004), present the concept of entrepreneurship as 'a context-dependent socioeconomic process' (12). They argue this is because economic behavior is connected to social relations and that these two cannot be separated (Lakshmanan/Chatterjee, 2004; Granovetter, 1985). They further argue that because of the nature of innovation, fragile and uncertain, it is more likely to succeed if the environment around them is supportive (ibid). In the context of Cuba, innovation and entrepreneurship are best expressed through the theories of "entrepreneurial climate" as described by Hingtgen et al. (2015) and Hingtgen (2013).

The entrepreneurial climate in Cuba

Hingtgen (2013) identifies a number of barriers and encouraging factors for entrepreneurship in Cuba. In most other, especially Western, entrepreneurial contexts, it is the deregulation of markets and limited government involvement that enables entrepreneurial opportunities (Hingtgen et al., 2015). However, in Cuba, precisely the opposite positively influences an entrepreneurial climate, namely a highly-regulated market, high governmental involvement and lack of capital. Another aspect of entrepreneurship in Cuba is that even though recent reforms open up for the possibility of, and a leaning towards, capitalism, the Cuban government intends to remain involved and promote socialism. By influencing the entrepreneurial climate in this way, the Cuban government continues to influence how business in the private sector can grow (Hingtgen et al., 2015).

Among the barriers to private enterprise in general, we see:

- strong governmental control
- the challenge of combining private enterprise with Cuba's socialist ideology
- lack of private capital and the possibility for loans to potential entrepreneurs
- lack of business training
- the lack of possibility to buy in bulk
- limited marketing opportunities (advertising is heavily restricted)
- poor internet quality and access (as well as poor infrastructure in general)
- the US trade embargo (Hingtgen et al., 2015).

Despite these significant and extensive barriers, there are a few encouraging factors (some primarily available to the tourism sector) working in favour of entrepreneurs. These include:

- an increasingly positive attitude towards tourism and private enterprise despite Cuba's ideology
- government expanding the number of categories of legal private enterprises (including casas and restaurants)
- Cuba having a problem-solving culture
- a wide variety of tourism products and markets
- an increased amount of training and professionals in the formal tourism industry
- strong family and community networks
- the government having launched effective international and internet marketing (Hingtgen, 2013).

Institutional innovation

The form of innovation and entrepreneurship that Cuban entrepreneurs perform can be viewed as institutional innovation. An important characteristic of this is the entrepreneur's ability to "go against the grain". This means to recognize an opportunity, but one for institutional change, and to do it 'while their institutional embeddedness constrains them to behave differently' (Van Wijk et al., 2015: 106). Institutional entrepreneurs need to become reflexive, open to alternative institutional orders, and motivated to work for the potential change in order to spot these opportunities (Van Wijk et al., 2015).

In conclusion, while we recognize the economic nature of innovation and entrepreneurship in this case, we also acknowledge that economics alone cannot account for all factors and that such elements as culture and environment must also be taken into account.

Sustainability goals and informality

With commitment from 196 countries, 17 Sustainable Development Goals (SDGs) were set up in 2015 (UNWTO/OAS, 2018). Tourism is explicitly included in three of them, yet, sustainable tourism can and should be included in them all (ibid.).

Most of the SDGs focus on industrialization and other market-driven ideas to, for example, promote innovation and create jobs (UN, 2019b; UNWTO/OAS, 2018). Only one of them addresses informality directly (SDG 8.3), which aims to 'encourage formalization and growth of micro-, small- and medium-sized enterprises' (ILO, 2019). The SDGs also mention informality indirectly by focusing on, for example, poverty and equality in other goals (ILO, 2019).

On a more general note, there has been much debate concerning the informal economy and informality for a number of years, and the area is generally well-researched (Chen, 2016). Informality is often seen as a challenge for sustainable and inclusive development – and in most cases, sustainability policies are only directed towards the formal economy (Briassoulis, 1999; ILO, 2018; Ruzek, 2015).

Despite acknowledging the importance of the sector, the International Labour Organization (ILO) state they work towards formalization of the informal sector, as it is a major challenge to decent working conditions, etc. (ILO, 2019; UN, 2019a). Other forms of exchanges such as informality are seemingly not considered viable options. This is also evident in an report by the World Tourism Organization and the Organization of American States (UNWTO/OAS, 2018), which lists the ways tourism can contribute to the goals. The focus is almost solely on economic growth, investment, job creation, and generating revenue. As previously stated, our paper correlates with Clausen and Velázquez (2018) who claim how it can be a limitation to our understanding if we merely focus on the economic side. We should likewise consider other exchanges or transactions of non-economic nature. This is not to say that *casa* owners are not motivated by income; we will discuss later that they are. However, it is not the only motivation, and not the only element that should be focused on regarding informality.

Some authors argue that informality is all around, that it does not equal illegality, and that it can be a beneficial contributor to success and growth (Lewis, 2016) as well as to achieving the development goals (Rogan/Cichello, 2017). They argue we should consider the informal economy as a source of good thinking, innovation, collaboration, flexibility, entrepreneurship, youth engagement, and how it can help reduce poverty (Lewis, 2016; Rogan/Cichello, 2017). However, informality is often not included in national strategies or government programmes (Lewis, 2016). The ILO does also recognize some of the benefits of the informal sector, such as innovation and business opportunities; however, they consider this to be a transition base towards formality (ILO, 2002; ILO, 2019).

We wish to illustrate how there are benefits to the informal economy, and that formal vs. informal should not be viewed as binaries. Instead, we must think of formal and informal economies as processes rather than categories, as there are overlapping elements and linkages between them (Jonas, 2013; Martínez/Short/Estrada, 2017).

Another debatable element of the SDGs is whether or not businesses should be included in development processes and the sustainability goals. Among the scholars arguing for this is Kramer, who notes the private sector should not be excluded as it is the best when it comes to innovating and creating, and delivering market-based solutions (Kramer, 2014; Scheyvens/Banks/Hughes, 2016: 375). Scheyvens, Banks and Hughes (2016) discuss how the private sector faces many challenges when it comes to contributing to sustainable development. This is often because there is a clash of business models, where the private sector has a narrow focus on finances. Likewise, Briassoulis (1999) mentions many challenges to sustainable development in countries which have a large informal economy. However, these studies were all written from a Western perspective, not taking the Cuban context into consideration.

We will attempt to use *casas*, and the case of Cuba as an example of how informality can be used as an integral part of sustainable development by acknowledging the positive benefits that can arise.

Methodology

This study was a short-term ethnographic study conducted at the beginning of March 2017. The research took place in Cuba's capital city of Havana, and the town of Viñales. Typically, ethnographic studies are lengthy processes (Pink/Morgan, 2013; Ribeiro/Foemmel, 2012). However, this does not have to be the case, as one can gain a very good understanding, for example, by using focused observation and multi-person research teams (Pink/Morgan, 2013). This was done in this study. As a group of diverse researchers, we were able to gain an elaborate and comprehensive understanding through sharing of observations and knowledge. In addition, this also increased the dependability of our study (Hirschman, 1986) despite the short-term nature of the research.

In our ethnographic research, we utilized methods such as participant observation, as well as recorded and visual materials. Furthermore, we conducted eleven interviews (informal ethnographic, semi-structured and unstructured interviews) with members of the local community. These interviews were made possible through contact initiated during the ethnographic study and gatekeeping. We analyzed the empirical data with a bricolage analysis technique. This less structured approach (Kvale, 2007) made it possible for the researchers to adapt and contextualize the empirical data in conjunction with the existing literature on the subject.

Analysis

In our analysis, we will look at how casas operate in relation to mobilising social capital and networks, how the current political climate affects the entrepreneurial conditions, and lastly how this affects the current view on sustainability and the informal economy, as *casas* do not fit within this normative framework.

The role of the state in starting casas Particulares

In Cuba, the state has a significant influence on the possibilities and limitations given for private entrepreneurs. In 2013, a new programme was launched, allowing Cubans to take micro-credit loans for certain purposes, including home construction (Marshalek, 2016; Progreso Weekly, 2014). Arguably, in this manner, the government is helping to develop new *casas*. However, some people borrow money instead from relatives living abroad, which concurs with how some Cubans also stated they do not like working with the government. Often they have more trust (and in turn negotiated social capital) with their friends and relatives than the state.

Some of the challenges in relation to the role of the state are strict governance and control. Besides random inspections, the owners are to register all guests staying at the *casas*. We experienced the registration by the owners to be taken very seriously. We observed this when an incident involving two guests' passports being accidentally swapped, led to a delay in registration, causing obvious frustration on the part of the *casa* owner. We also experienced not being asked to present passports for registration, which could be a way for the *casas* to circumvent some of the taxes they have to pay to the government. This correlates with observations made by Feinberg and Newfarmer (2016).

When the *casas* and the government tourist agency collaborate, they must also pay taxes. When a *casa* works together with government guides, the government takes 90% of the profit, while the guide's agency and the *casa* share the rest. In some situations, the circumvention of taxes was more explicit than others. In the above example, with the lack of registration of guests in *casas*, it was very subtle, and in other situations, researchers were told explicitly to keep certain activities a secret. According to Ritter (2005), these "off the record" bookings are common in Cuba. An example occurred during our fieldwork, where the guide of a booked tour told the guests not to tell anybody about the tour or how much they had paid for it, as they had paid significantly less than another guest who had booked through the official agency. Subsequently, a part of the income was kept off the record for the benefit of the guide.

Some of the *casa* owners and guides also noted how they would rather not work with the state at all. Apart from the high taxes already mentioned, one respondent also noted how the government is very slow in paying out money, which poses problems in a society mostly dealing in cash. Therefore it seems most *casas* work with their own guides with whom they have contracts or other kinds of agreements (varies from *casa* to *casa*). One of the *casa* owners mentioned that they have unofficial contracts with their own guides and service collaborators. The *casa* gets 50% for redirecting business, and the guide gets the rest.

The socioeconomic features of *casa* owners

All *casas* owners indicated income as the reason for starting a casa because they would be able to make significantly more money than in a government job. Due to the state of the Cuban economy and dual currency, tourism is the sole way for Cubans to gain access to Cuban convertible *pesos* (CUC) (Taylor/McGlynn, 2009). CUC enables the state to conduct international trade, and benefits the locals as they gain access to better quality products (De la Torre/Ize, 2014). According to Lynch (2005), owners of commercial homes have a low economic dependency, yet this is not the case here as casa owners are, as mentioned, able to make significantly more money (and it is in CUC). In the commercial home literature, it is also often claimed that the hosts are less likely to have a higher education background (e.g. Lynch, 2005). However, in Cuba, almost all the owners of *casas* we met had advanced education and jobs. In another context, such as Western countries, it would be possible to transform institutionalized cultural capital (e.g. university degrees) into economic capital (e.g. through highly paid jobs) (Häuberer, 2011). In Cuba, and other developing countries (for different reasons), it is difficult to transform institutionalized cultural capital into economic capital, in part due to the socialist economy and regulations (De la Torre/Ize, 2014). By comparison, in Jamaica, many commercial home hosts are often also well educated, but often start their business because they are "empty-nesters" looking to earn some extra money and/or simply enjoy interacting with guests (Bakker/Twining-Ward, 2018). This comes across as more of a lifestyle choice rather than a necessity, as is often the case in Cuba.

Networking, social capital and collectivism

Networks are important in the context of Cuba (as is the case with many especially developing countries for different reasons), where strong networks exist and are considered a key aspect of Cuban life (Hingtgen, 2013). Generally, the existence of a network between *casas*, or between *casas* and other activities was very evident and obvious in our empirical data – this also includes informal networks between friends and relatives of the casa owner, e.g.:

> *There is, of course, a network. If you want to go to horseback riding, I know someone. A friend or a relative that can do that. That works as a guide. (Interview E)*

A *casa* owner told us how he works closely with his cousin, whom he hires as a bike tour guide, and also sends tourists to his father's tobacco farm. Working with existing social relations shows how the *casa* owner uses his social capital in his family where social capital is usually strong and easy to mobilize (Bourdieu, 1986). Hiring family members is also an indicator of Cuba's collective orientation, where this is very common (Pinillos/Reyes, 2011). Working with family members also means that everybody in the network benefits from the tourists, including mobilising economic capital in the long run. In this regard, one must consider that the mobilization of social capital within the community is not there for the benefit of the tourists, but it benefits those who are involved in creating and maintaining it (the local community, the owners of the *casas*, etc.). Examples include times where guides within the informal economy did not live up to the expectations of the tourists, the guide did not show up at the agreed time, or unplanned stops were made on route to pick up the guides' girlfriends. The latter caused missing seats for the paying guests.

The presence of networking was very evident in the day-to-day running of the *casas*. *Casa* owners stated how they have very close networks of contacts that they can refer to tourists, for example, if their own casas are full. Many also considered referrals their primary or only way of acquiring guests. Thus, the owners of the *casas* will send guests over to what could be considered a competitor without getting any direct economic gain. This is an example of renegotiation of social capital since this notion can be beneficial later on.

The running of *casas* is very much dependent, if not entirely dependent on owners' social relations, networks and social capital, which in part is due to the lack of formal networks (Marshalek, 2016). However, it can also be explained with Cuba's collectivist orientation which means personal ties, shared ambitions, trust and loyalty is more important than formal contracts (Hingtgen et al., 2015).

We observed how commission was common for some *casas*, and not for others. Some had unofficial contacts with guides, that made sure the *casa* got 50% of the money for redirecting tourists. How this worked depended on the *casa*, as some did not take commission at all. As some chose not to receive commission, it shows how social capital and personal relations are valued as argued by Bourdieu (1986). Not asking for commission also shows signs of collectivism, where the individual does not seek to benefit, but in these cases, they work to benefit the community, according to Pinillos and Reyes (2011).

The network can also be used when a person is starting up as a casa owner. *Casas* will seek business advice from their social relations or get help with the construction. These are examples of informal networks at work. The *casa* owners draw information that has business value from their otherwise social network, as also noted by Gibson, Lynch and Morrison (2005). These authors note how the benefits of this include knowledge transfer and facilitating the development stages of small enterprises. Another aspect worth noting is the strong collectivist feelings present in these networks. We heard about *casa* owners' friends and family assisting in the construction and renovation of the *casas*. Their endeavors are motivated by the fact that in the end, this will be in the best interests of the group, as also argued by Pinillos and Reyes (2011). Additionally, the helpers might also be motivated by the prospect of mobilising social capital, as Hingtgen (2013) has observed. It is worth noting that the importance of networks and mobilizing this type of capital is not limited to small businesses in Cuba but can be found other places as well, yet for different reasons (see, for example, Costa et al., 2008).

There is also a high level of trust amongst the community members. A fellow researcher on a guided tour had spent all her money on cigars and had none for rum. To solve this issue the guide received the money at the end of the tour (at the *casa*), which he was trusted to give to the seller. This is a good example of the collective spirit, friendship and trust that people build up by living in the same neighborhood and working together to solve problems in a challenging environment (Taylor, 2009: 79; Hingtgen, 2013: 18-22).

Entrepreneurship

The Cuban entrepreneur

In a Western context, the motive for an entrepreneur is usually opportunity. They perceive an opportunity and then wish to exploit it as a business opportunity, as described by Pinillos and Reyes (2011). In a Cuban context, however, because people often find themselves with few or unsatisfactory work options, when they do perceive an opportunity, their motives are necessity, and they become necessity entrepreneurs.

These differences in motivation lead us to have to adjust the existing innovation and entrepreneurship theory, as it springs from a Western context and is therefore not perfectly transferable. Bearing context dependant motivation in mind, the Cuban entrepreneur, according to Hingtgen, can be described as a person's individual traits in combination with the environmental conditions that they find themselves. This enables them to recognize market opportunities in such things as services, and find innovative ways to take advantage of them, 'through the formation of an enterprise that creates economic growth' (Hingtgen, 2013: 9). The Cubans saw an opportunity that was open to them – to open casas particulares. As it is relatively simple to do, many people do it (Fox, 2015). However, most importantly, they do not have many other opportunities (De la Torre/Ize, 2014), which also pushes them towards this option.

Institutional innovation

Another characteristic is that institutional entrepreneurs are able to recognize 'opportunities for institutional change, while their institutional embeddedness constrains them to behave differently' (Van Wijk et al., 2015: 106).

This is apparent in the example, where one casa owner hired his cousin to conduct bike tours, but took 50% of the commission. As mentioned, hiring one's cousin is a sign of the collective orientation that exists, which is reinforced by, and connected to socialism (Hingtgen et al., 2015). Yet, the *casa* owner taking 50% of the money is very individualistic, as it is only for his own benefit. This action is capitalistic. While the Cuban government still wants to stay involved and promote socialism (Hingtgen et al., 2015), this clash of ideologies is arguably one of the outcomes of the aforementioned reforms that have opened up for capitalist ideas and self-employment.

The entrepreneurial climate in Cuba

The Cuban entrepreneurs operate under a number of conditions, which makes the Cuban market different from others. In other contexts, entrepreneurial opportunities are usually enabled by deregulation of markets and limited government involvement (Hingtgen et al., 2015).

On the Cuban market, there are various methods through which the government tightly controls the running of *casas* (Hingtgen, 2013): by conducting inspections, claiming high taxes on *casas*' income, and putting many regulations on how and where *casas* can expand. These are barriers to the entrepreneurial climate. Entrepreneurs have the possibility to obtain microloans, which is an encouraging factor to the entrepreneurial climate. However, microcredit loans are only available for certain purposes, including home construction (Marshalek, 2016), which means that Cubans still are not able to obtain a general loan. This may also be why some potential entrepreneurs instead borrow money from relatives living abroad.

Due to the lack of entrepreneurial support from the government, which is a very important factor in creating a good entrepreneurial climate, the *casa particular* owners need to draw on social relations for help and advice instead (Van Wijk et al., 2015). *Casas particulares* owners, as part of the private enterprise, do not have access to training, which is only offered through the technical hospitality schools under the control of the government. However, the knowledge the government workers gain throughout this training can be shared via their social relations and networks.

Discussion

The informal economy and the role of the state in Cuba

When seen from the perspective of the formal, capitalist market economy, informality has often been seen as the broken or defective form of economy (Briassoulis, 1999; Gaiger, 2019; Ruzek, 2015). Likewise, many Western-oriented papers advocate capitalism, globalization, commodification and the formal market economy (Ruzek, 2015). Yet, increasingly, some literature recognizes the informal sector's contributions, also in the developing world, for example, from a management perspective (Darbi/Hall/Knott, 2018). Clausen and Velázquez (2018) also note how the informal economy can co-exist and benefit the formal system well. Gaiger (2019) also finds great heterogeneity and lack of consensus among the recent literature on informality. However, critics often state that those that work within the informal sector do not have access to healthcare and job security (Briassoulis, 1999; Ruzek, 2015; ILO, 2019). While we acknowledge that this is the reality in some contexts, this is not the case in the Cuban context. As a former socialist state (in transition towards including more market-oriented policies), Cuba ensures universal healthcare, job security, education and more for all of its citizens (Clausen/Velázquez, 2018).

Nevertheless, Ruzek presents concerns that "a dramatic shift or abandonment from the basic ideals of capitalism is not feasible or possible" (Ruzek, 2015:30).

However, here the Cuban context is different, as it is not capitalist (though it does contain pockets of capitalism) and does not have access to the international market in the same way that other countries do. Other studies also address the proactive elements of the informal economy, for instance, its ability to make positive contributions to a more inclusive economy or its ability to help fight poverty (Gaiger, 2019; Rogan/Cichello, 2017).

Further, Ruzek (2015) argues that complete governmental control in the form of laws, policies and monitoring would hinder the possible positive impacts of the informal sector – and that the only solution comes through a combination of policies and economic freedom. However, once again this is not the case in Cuba. The entrepreneurial climate in Cuba is characterized by a highly-regulated market, high governmental involvement, and lack of capital. However, despite these barriers, recent years have seen a dramatic growth of small, privately owned businesses, and thus job creation. Those who choose to work informally then go beyond government policies, circumventing governmental control in order to create further jobs. We see this in the example of the formal casa particular owner who hires his cousin informally to conduct guided tours.

One could argue that the above-described solution of policies and economic freedom is all a matter of perspective, and in fact, also applies to Cuba. This is because the concept of economic freedom can be relative to the context of the country in question. From a Western perspective, Cuba would not be considered to have economic freedom, as, among other things, the possibilities for loans and private businesses are limited. However, from a Cuban perspective, they are experiencing growing economic freedom by now having the possibility, though limited, to take loans and own private businesses.

Informality and sustainable development

As becomes evident from our analysis as well as other previous studies, the presence of informal networking, collectivism and the negotiation of different types of capital is a key factor in opening, running and developing *casas*. It was also apparent how the *casa* owners we spoke to were mostly or entirely dependant on networks based on social relations, with a high emphasis on the negotiation of social capital. In this manner, the environment relating to the *casas* work as encouraging factors for entrepreneurs, as Hingtgen (2013) also notes. The strong networks facilitate knowledge-sharing between peers in the spirit of the Cuban collectivism, where the individual seeks to help the whole community as also discussed by Hingtgen et al. (2015).

This idea of knowledge sharing, collectivism, using social capital to run a profitable business, etc. is not only a way to encourage entrepreneurship in a country, which has many barriers to entrepreneurship, but also introduces new understanding and perspectives – new kinds of exchanges, enterprises and transactions, which are not only of an economic nature. Only focusing on the financial side of development, sustainability etc. limits our understanding, as claimed by Clausen and Velázquez (2018). Cuba's *casas* particulares and their society as a whole is an example of how other systems and ideologies can work, and our paper illustrates the notion of other exchanges within the informal economy.

Most development and sustainability-related policies are directed toward the formal economy in other parts of the world (e.g. Briassoulis, 1999; ILO, 2018; Ruzek, 2015). However, although Cuba is a highly regulated country, and many of the *casas* are officially registered within the formal economy, they still rely on the informal economy and the ever-present informality that soaks through all levels of

Cuban society (Marshalek, 2016). Furthermore, just because the informal economy is very present in Cuba, this does not mean that there are not many overlaps between people working in the formal and informal economy. An example is when a guide works both as a formal and informal guide, as we experienced during our fieldwork. This concurs with Jonas's (2013) notion that the position is not fixed in binaries and the formal and informal economy are not categories, but rather processes, where there can be overlapping elements as well as linkages.

We therefore urge government policies and development agencies, such as the ILO, to look at informality in a more inclusive manner. This is because it can be an encouraging factor for development, and not just a transition base to a purely formal sector. We therefore correlate with, among others, Lewis's arguments (2016) who also recognizes the benefits. With this, it is important to note that we acknowledge that informality can have other effects in other countries and contexts.

Conclusion

We have observed that networks, social capital and collectivism play a very significant role in the development and running of *casas particulares*, as the owners are dependent on their social network in order to run their businesses. With this, our study has shown the importance of context, and overall, we therefore argue that theories generally need to be broadened to encompass the context of Cuba and the Global South.

We have found that informality is a key element in the running and development of *casas particulares* – this is in part due to the entrepreneurial climate, the role of the state, and the collectivist spirit in Cuba. We have found that informality is not to be seen as a binary notion, as a person can be working in the informal economy as well as the formal. Furthermore, the fact that the informal economy is flourishing in Cuba should not be considered negatively. The informal economy supports Cubans in times when the government or formalized resources are not available. *Casas particulares* are built on social capital and networked communities. These different transactions and exchanges (social capital, trust, networking) are not included in most government strategies where the focus is often purely on the formal economy, economic growth, investment, job creation, etc. Furthermore, while agencies such as the ILO work towards formalising the informal economy, we wish to promote more consideration towards inclusion to other ideologies, contexts and economic models.

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