

# SMALL AND MEDIUM ENTERPRISES AND SHORTAGE MITIGATION IN CUBA: EVIDENCE FROM OFFICIAL STATISTICS AND INTERVIEWS

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This research examines the role of micro, small, and medium-sized enterprises (MSMEs) in mitigating shortages in Cuba following their formal legal recognition in 2021. The analysis is situated within the context of Cuba's long-standing shortage economy, characterized by persistent scarcity, institutional rigidity, and chronic macroeconomic distortions. While recent reforms have expanded the legal space for non-state economic activity, the Cuban development model continues to prioritize centralized coordination and state-owned enterprises. This tension raises the central research problem addressed in this study: whether the expansion of MSMEs represents a meaningful contribution to alleviating shortages and supporting economic development, or whether it constitutes a short-term adaptive response constrained by enduring institutional limitations.

The primary objective of this research is to assess the extent and nature of MSMEs' contribution to shortage mitigation under conditions of scarcity, regulatory instability, and financial limitations. Specifically, seeks to determine how MSMEs adapt and what institutional factors shape both their potential and their limits. This study is grounded in institutional economics and the theory of shortage economies, which emphasize the role of rules, incentives, and coordination mechanisms in shaping economic performance. These frameworks are complemented by comparative references to reform experiences in other socialist and post-socialist economies, used analytically rather than prescriptively.

Methodologically, this research adopts a mixed qualitative-quantitative design. Quantitative analysis draws on available official statistics published by the Cuban Office of Statistics and Information, including data on employment, retail sales, sectoral distribution of MSMEs, foreign trade, prices, and exchange rates. Given the fragmentation, delays, and selective disclosure of official data, these limitations are treated not only as methodological constraints but also as empirical features of the institutional environment in which MSMEs operate. To complement aggregate indicators, this study incorporates qualitative evidence from six interviews conducted with owners of MSMEs operating in diverse sectors, including food production, retail, agriculture, services, and information technology. The interviews provide company-level insights into adaptive behaviour, institutional constraints, and operational practices that are not captured by official statistics.

The findings indicate that MSMEs have rapidly expanded their presence in domestic markets since 2021, particularly in activities linked to local consumption and service provision. Official

data show a growing share of non-state actors in retail distribution and employment, partially compensating for the declining productive capacity of the state sector. In this sense, MSMEs function as a flexible economic actor within a shortage economy, reallocating labour, and resources.

However, this study also finds that the scope and durability of these contributions are structurally constrained. MSMEs operate in an environment marked by restricted access to foreign currency, the absence of wholesale markets operating in national currency, limited and poorly adapted financial instruments, and frequent regulatory changes. Interview evidence highlights widespread reliance on informal and semi-formal supply chains, foreign-currency transactions conducted outside official channels, and dual accounting practices that distort cost structures and complicated financial planning. These conditions increase transaction costs, discourage long-term investment, and limit the capacity of MSMEs to scale up production or achieve productivity gains.

From an institutional perspective, the Cuban case illustrates a divergence between adaptive behaviour and institutional change. While MSME owners demonstrate learning capacity, resilience, and a willingness to innovate within severe constraints, the regulatory and macroeconomic framework does not provide the predictability and support necessary for adaptive strategies to translate into sustained accumulation or structural transformation. Comparative experiences suggest that the developmental impact of MSMEs depends less on formal legal recognition than on the presence of coherent institutional arrangements that facilitate access to inputs, finance, and markets.

The central conclusion is that, under current institutional conditions, MSMEs in Cuba function primarily as short-term mechanisms of shortage mitigation rather than as engines of long-term economic development. Their expansion reflects both the economy's adaptive capacity and the persistence of unresolved structural distortions within the Cuban economic model. Without coherent institutional reforms addressing foreign exchange access, financial intermediation, and regulatory stability, the contribution of MSMEs is likely to remain confined to alleviating shortages rather than supporting sustained productivity growth and structural change.

**Keywords:** Adaptation, constraints, Cuba, MSMEs, shortage.