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Youth Entrepreneurship in Kazakhstan's Informal Economy: Evidence from Almaty

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ABSTRACT

Youth entrepreneurship is an understudied area of academia. In many transitional economies, the youth tend to employ themselves in microenterprises. To study the reasons why and determine how much of youth entrepreneurship is attributed to the formal economy, this study examines the role of microenterprises run by the youth in relation to youth unemployment in Kazakhstan. This study's dataset comes from a survey, which included 83 entrepreneurs across 150 informal stalls at Almaty's major bazaars, and a context analysis. The findings of this study reveal that only 25% of young entrepreneurs own their businesses, with most working under a family member's or another entrepreneur's ownership. Still, over 80% help support their household financially, and 87% of them feel confident in their skills. More importantly, all are held back by poor access to loans and banking, and little government support. Nevertheless, this paper concludes that this kind of entrepreneurship is viable in the informal economy, which sustains many families.

INTRODUCTION

In many developing and transitioning economies, youth unemployment has become a serious issue that needs attention and more developed research. In this paper, transitional economies refer to countries whose institutions and markets are adapting from a centrally planned system towards a market-oriented economy. According to the International Labor Organization [1], global youth unemployment rates are consistently higher than those for adults, with young people being three times more likely to be unemployed compared to adults. In transitional economies specifically, youth unemployment rates average 15-25%, while developed economies exhibit rates above 3-6%. While Kazakhstan's official youth unemployment rates stand at 3.8% [2], these figures fail to capture the estimated 25-30% of young people engaged in informal economic activities that fall outside official market statistics. In Almaty, Kazakhstan's largest city, informal activity accounts for a significant 30-35% of the total economic output, of which young people make up 40% of informal workers. One notable trend taken from observations is the growth of small, youth-run informal businesses: food stalls, resold clothing, freelance work, in markets, on sidewalks, or in neighborhoods. Such businesses are classified as microenterprises, following the International Finance Corporation's standard. This paper classifies microenterprises as businesses with fewer than 10 employees, less than US $100,000 in total assets, and less than US$100,000 in annual sales [23]. For many young people out of school and without formal jobs, this way

of working is their main occupation. But whether they offer a sustainable profession remains an open question. This study asks: how well do youth-run informal microenterprises function as viable professions in urban Kazakhstan, and what helps or limits their success? Drawing on fieldwork in Almaty, including 83 survey responses from young informal entrepreneurs, the research identifies which factors negatively or positively affect these entrepreneurs, offering a more holistic overview of the informal economy.

The findings can extend to other developing and transitional economies as well. For the 1.8 billion young people in developing and transitional economies, the informal economy is seen as the norm. Patterns found in Almaty may apply to similar urban economies elsewhere. The findings of this paper also challenge the standard assumption that the informal economy is something people endure to eventually reach the formal economy; Instead, youth entrepreneurship appears to function as its own viable category within the informal economy. For policymakers, this suggests supporting the informal economy more directly, rather than relying on heavy institutional investment.

The paper proceeds through a literature review, methodology, results, and discussion to build an argument that microenterprises run by the youth are valuable parts of the economy worth supporting. Rather than establishing causal claims, the analysis focuses on the factors shaping these enterprises, so that policy can build on youth entrepreneurial support.

LITERATURE REVIEW

Foundational Theories On the Informal Economy

The rudimentary theory for understanding informal economic activity was established by Hart [6] in his pioneering study of urban Ghana, where he coined the term "informal sector." Hart's work challenged previous dualistic models of economic development by demonstrating that informal activities represented not merely a residual category of economic exclusion but a dynamic sector with rules, entrepreneurial energy, and income-generating potential vastly different from typical formal sectors. His analysis revealed that informal economic businesses operated according to organizational principles than formal enterprises, characterized by ease of entry, reliance on raw resources, family ownership, small-scale operations, labor-intensive and adapted technology, skills acquired outside formal education systems, and unregulated and competitive markets. This forever changed the definition of the "informal sector," and it allowed for a more detailed approach in studying people's occupations.

Theoretical Evolution

This foundational insight was expanded by Portes and Haller [7], who linked the theoretical framework for understanding the informal economy's relationship with broader processes of economic development and social change. Portes and Haller categorized all informal economic activity based on its relationship to state regulation and its dependence on the formal economy. Their analysis emphasized that informal economic activity should not be seen as part of a whole; instead, it should be seen as a microcosm of a nation's economy. Portes and Haller identified three main components of the informal economy: informal enterprises that produce legal goods and services but evade state regulation, criminal enterprises involved

in the production and distribution of illegal goods and services, and off-the-books activities by formal enterprises to cut costs. This framework is especially relevant for understanding youth entrepreneurship, as young people may engage with different aspects of informal economic activity depending on their resources, opportunities, and institutional constraints. The evolution from Hart's initial ideas to Portes and Haller's frameworks shows a growing understanding that informal economic activity is a complex and ongoing part of modern economies rather than a temporary issue that will fade with increased economic development. This theoretical foundation helps explain how youth informal microenterprises operate within broader economic systems.

Microenterprise Productivity And Capital Constraints

De Mel, McKenzie, and Woodruff [4] made one of the most influential contributions in this field by directly testing a fundamental question that had been difficult to answer with certainty: are small, informal businesses unproductive because owners lack ability, or because they lack access to capital? To answer this, they designed a study where they conducted randomized controlled trials involving 405 microenterprises in Sri Lanka, giving owners randomly assigned cash and equipment grants and then tracking how their profits changed over time. This experimental design was significant because it allowed us to analyze how specifically capital and opportunities affected profits. By randomizing who received grants, the researchers could isolate the causal effects of capital and success. On average, businesses saw monthly returns of 5.7%, several times higher than the 1-2% monthly interest rates available through formal lending channels at the time. This means that these entrepreneurs, if given access to affordable financing, could generate returns that far exceed the cost of that financing, a strong argument that many microenterprises are held back by. This supports the broader argument that fixing capital market failures could unlock economic growth and meaningfully reduce poverty. The study also uncovered variations beneath the average number. Returns to capital were highest among entrepreneurs with greater measured ability, assessed through educational levels and cognitive testing, and among those who didn't have other sources of income in their household, suggesting the necessity of success. Perhaps counterintuitively, the researchers found that returns didn't increase with firm size; they stayed flat or even declined slightly as businesses grew larger. This finding goes against traditional microeconomic models that assume businesses need to reach a certain minimum size before becoming efficient. De Mel et al.'s data suggest that a capital trap in loans may be less severe. Nevertheless, this study has an important limitation: it examined microenterprise owners across all age groups, without treating youth entrepreneurship as a direct category of analysis. Its findings on capital returns and the role of entrepreneurial ability are useful but do not answer factors specific to young people. How young people enter entrepreneurship or how skill-building, confidence, and social status affect business. This limitation becomes important in light of Banerjee and Duflo's [5] work on how people in resource-constrained environments make economic decisions. Their research demonstrates that in settings where institutions lack outreach, credit, employment, and accessibility, entrepreneurs often adapt to such constrained environments and base their choices on the most viable outcome. For young people, these constraints tend to be even sharper than for adults, layered on top of limited work experience and a heavy reliance on family members for capital and access to suppliers.

Informal Employment In Post-Soviet Economies

Kazakhstan's economic structure, shaped by the transition from a Soviet system to a market economy, differs from developed countries and regions, prompting an area of study in this distinct location. Mussurov, Sholk, and Arabsheibani [3] provide detailed evidence on how informal employment functions within specific contexts. Drawing on the 2013 Kazakhstan Labour Force Survey, a large, national dataset, they found that formally employed workers earn roughly 38% more than informally employed workers, a substantial wage gap that might suggest a decrease in the size of the informal sector. However, informal employment continued to absorb a substantial share of the workforce, particularly concentrated among specific demographics. In 2018, Mussurov et al. found informality rates were significantly higher among women, young people, and agricultural workers than among the workforce overall. Among young workers aged 15-25, 10% were employed informally, more than double the 4.5% rate found among workers over 45. This suggests that informal employment acts as a point of entry for young people who may lack experience or credentials to secure formal positions. The researchers trace this pattern to several root causes: excessive regulatory burdens on businesses, complicated requirements for registering a business, high mandatory social security contributions, and weak enforcement of labor regulations. Together, these institutional weaknesses create an environment where informal arrangements become the rational choice for both employers and workers. It's worth noting, though, that this study centers on employees working within existing businesses, rather than on individuals who actively practice entrepreneurship. An informally employed worker working at someone else's shop faces a different set of decisions, risks, and constraints than someone who chooses to start and run their own stall. So, while Mussurov et al's analysis offers valuable insight into how young workers navigate Kazakhstan's institutional environment, it leaves specific decision-making processes and particular challenges faced by youth entrepreneurs in question.

International Perspective On Youth Employment

International research on youth employment challenges provides essential context for understanding why young people in transitional economies might turn to youth entrepreneurship. O'Higgins [8], in a comprehensive review conducted for the International Labour Organization, documented that young people face substantially elevated unemployment rates compared to adults across nearly every country and region studied. He links this largely to a structural shortcoming. In many developing and transitional economies, the pace of formal job creation simply hasn't kept up with the growth of the youth population entering the labor force, leaving a persistent difference between labor supply and formal labor demand. O'Higgins argues that informal self-employment often emerges directly because of this. When young people can't find formal employment, many respond by creating their own entrepreneurial activities. But his research highlights the dangers associated with informal youth employment. Young workers in informal settings often become stuck in low-productivity situations with few opportunities to build transferable skills or advance their careers over time, all while continuing to face capital shortages and bureaucratic obstacles that limit their ability to grow. According to O'Higgins, whether informal employment ultimately benefits a young entrepreneur or traps them depends on four interrelated factors: whether they can access capital, whether the work offers opportunities to build skills, whether it connects them to market opportunities, and whether there's a realistic pathway toward formalizing and expanding

the business. Shehu and Nilsson [9] further address these concerns through a different methodology, tracking careers from schools over time using panel data across multiple developing countries. Their longitudinal approach allowed them to observe how young people's trajectories unfolded over several years. They found that informal work, on average, reduced youth's long-term economic mobility more than either formal employment or continued education did. This finding should warn policymakers who hope informal work should serve as an entry point to the formal market. However, they also found variation depending on the specific character of the informal work involved: young entrepreneurs who started businesses with growth potential and could access the resources needed to expand ended up with substantially better long-term outcomes than those working in more basic informal jobs. When entrepreneurship happens under severely restricted conditions, it tends to produce only limited development and risks formal exclusion. This reinforces a clear practical takeaway that effective policy support for youth entrepreneurship can't focus solely on capital access. It needs to address the institutional and market barriers that determine how much growth a business has.

Research Gaps

Ultimately, this body of research offers insight into informal employment broadly. When it comes to youth-run informal microenterprises, several gaps remain. First, most research on microenterprise productivity, De Mel et al's work being the clearest example, has studied adult-owned businesses without singling out the particular features, constraints, and possibilities unique to youth entrepreneurs. The relationship this research identifies between capital returns, educational levels, and household income sources offers useful background for understanding youth entrepreneurship. However, they don't clarify the process by which they develop and grow. Second, research on informal employment within transitional economies, including Mussurov et al's detailed work on Kazakhstan, has focused predominantly on adult workers rather than youth. Likewise, youth entrepreneurs operate differently from adults, typically having little work experience and dependent on families for capital and guidance [8]. Third, existing literature hasn't adequately examined how deeply youth entrepreneurship is embedded within community and family networks. In Almaty, for example, vendors tend to cluster together in certain market areas, where competition is the most intense. While Portes and Haller's framework acknowledged the general importance of social networks to informal economic activity, the specific ways through which family business shapes youth entrepreneurship remain unexplored. Finally, there's limited research examining the aspirational dimension of youth entrepreneurs. What young people want out of running their business and what drives them to pursue it while others don't is not captured. The work of O'Higgins has begun opening questions about motivations, but specific factors are still understudied, especially in a post-Soviet setting like Kazakhstan.

This Study's Contribution

This research addresses the limitations of this study by offering a detailed examination of youth-run informal microenterprises within a post-Soviet transitional economy. Building on the theoretical foundations of Portes and Haller, it investigates how informal economic activity functions specifically for young entrepreneurs operating within Kazakhstan's context and treats informal work as an independent category in the market. It also extends De Mel et al's influential work on microenterprise productivity.

Instead of examining capital returns, this study examines the role youth businesses play in skill development, confidence, and family income support, all of which matter in understanding youth economic wellbeing. Similarly, this study expands on Mussurov et al.'s [3] macro-level findings on informal employment by also focusing on entrepreneurs. This study will show how institutional forces operate just as strongly on people trying to run their informal businesses, and that the reluctance to formalize is a rational response to unclear rules and tax uncertainty. In addition, the role of digital financial infrastructure in enabling business operations is examined in this study as well. To identify a concrete, already-adopted foundation- digital payments and existing record-keeping- this study can help policies build on such skills in the future. Finally, this research contributes meaningfully to ongoing policy conversations by reframing how youth entrepreneurship should be understood. Youth entrepreneurs need to be recognized as their own sector that requires its own support and specifications. Policies should tailor their responses so that its potential can be strengthened and built upon.

METHODOLOGY

Research Design And Approach:

This study employs a mixed-methods, cross-sectional research design to examine the structure and functioning of youth-run informal microenterprises in Almaty, Kazakhstan. The study was designed by the author. While it draws on methods used in prior microenterprise research, it is not a replication of an existing survey. The survey questions themselves were newly developed for this study's specific context. The approach integrates quantitative survey data with contextual institutional analysis to capture both measurable patterns and the lived economic experiences of young entrepreneurs. Rather than aiming to establish causal relationships, the study prioritizes mechanism-based explanation, focusing on how institutional constraints and social structures shape entrepreneurial behavior within the informal economy. Ultimately, the study asks how well youth-run informal microenterprises function as a viable profession in urban Kazakhstan, and what factors help or limit their success.

This design builds on prior microenterprise research, particularly the experimental framework of De Mel et al. [4], while adapting it to an observational, field-based context. In contrast to experimental studies that isolate returns to capital, this study emphasizes the embedded and relational nature of youth entrepreneurship, examining how economic activity is situated within family networks, market structures, and regulatory environments.

This study uses a survey that was collected at the "Kenzhehan" Bazaar in Almaty, Kazakhstan, carefully designed to analyze the context behind youth entrepreneurs. In addition, several observations are used as a basis for this study's hypothesis. Rather than trying to prove cause and effect through quantitative measures, the goal of this paper is to explain how institutional rules and social structures influence what young entrepreneurs do. The design builds on earlier microenterprise research, especially De Mel et al.'s experimental study [4], but adapts it to the context of Almaty. This study will ultimately look at how entrepreneurs interact with family relationships, markets, and regulations.

To collect the data for this study, researchers approached about 150 vendors, of whom 83 responded. They used purposive sampling, targeting people actively running stalls in Kenzhehan. The primary analytical focus is on youth entrepreneurs aged 15–30, consistent with international definitions of youth labor market participation. While the broader sample includes some older participants present in market environments, the analysis prioritizes responses from individuals within the youth category to maintain alignment with the research question. Participants were recruited in person, giving access to people usually left out of formal data.

The survey was offered in both Russian and Kazakh to avoid language barriers, and it took 3-5 minutes to complete, practical for busy markets. It covered several dimensions for this question:

1. Demographic characteristics (age, gender, education status, household size)
2. Business structure and ownership (independent, family-based, or managed enterprises)
3. Economic role and income contribution (primary vs shared household income)
4. Operational practices (record-keeping, digital tool usage, collaboration)
5. Constraints and aspirations (access to capital, formalization plans, future intentions)

The survey was designed this way to allow both closed and open-ended questions that would be able to capture both patterns and personal motivations and struggles. The analysis mainly relies on basic descriptive statistics to reveal patterns in ownership, personal finance, access to education, and future aspirations. Beyond simply analyzing this data, findings are interpreted through the context of Almaty's economy, taking into account institutional environments. This connects market observations to broader theories on informal economies.

Limitations:

While this study is based on a purposive sample and is not statistically representative of all youth in Kazakhstan, care was taken to ensure diversity of respondents across business types, income levels, and educational backgrounds. Surveys were conducted in the respondent's preferred language, and anonymity was guaranteed to promote honest responses. While it's possible that more confident or booming individuals were more willing to participate, responses reflect a wide range of outcomes, including those facing severe limitations. Furthermore, because the research centers on lived experience, the goal of this study is depth and insight. By combining fieldwork with structured data collection, this methodology allows for a rich, context-specific understanding of how youth informal enterprises operate and where their potential and limitations lie.

RESULTS

This study collected survey responses from 83 people engaged in microenterprise activity in Almaty, Kazakhstan, aged 18-49. The findings reveal a complex understanding of how young people navigate this sector. The survey collected 39 responses from entrepreneurs between 18 and 30. Their experiences highlighted how microenterprises are a viable sector in which young people have a significant role.

Demographics

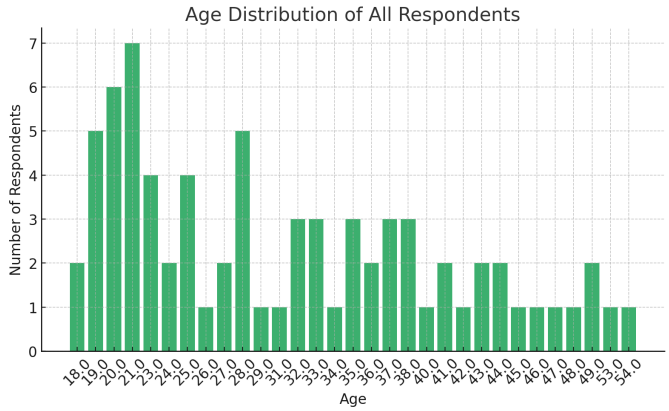


Figure 1. Age Distribution Of Survey Respondents (N=83)

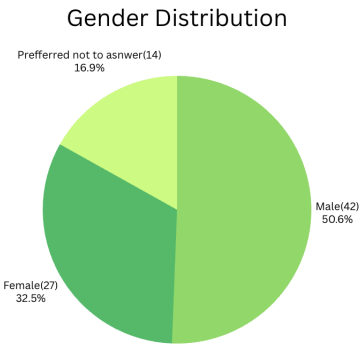


Figure 2. Gender Distribution Of Survey Respondents (N=83)

To begin with, there were 54 responses in Russian and 29 responses in Kazakh. As shown in Figures 1 and 2, the sample demonstrates a male-dominated market, with 63.6% male and 36.4% female respondents, spanning ages 14-49, with most participants in their twenties and thirties. This gender imbalance may reflect either greater male participation in informal businesses or varying willingness to participate in research, representing a limitation worth noting.

Table I. Sample Characteristics

Characteristics	**Distribution**
Language of response	
Russian	54 responses (65.1%)
Kazakh	29 responses (34.9%)

Gender	
Male	63.6%
Female	36.4%
Age Range	18-49 years (majority in 20s-30s)

Table 1. Summarizes the demographic composition of the sample. Respondents split evenly by survey language, with 54 completing the survey in Russian and 29 in Kazakh, reflecting the bilingual nature of Almaty. The sample skewed male, and ages ranged from 18 to 49, with most participants concentrated in their twenties and thirties.

Educational Demographic

The educational data suggests a relationship between education and youth entrepreneurship.

Table II. Educational Enrollment Status

Status	**Percentage**
Not currently enrolled	68%
Full-time students	25%
Part-time students	7%

As Table 2 Shows, the distribution of the educational demographic suggests that some pursue this kind of business as a full-time job, while some balance it with education.

Income Within Households

The household income of these microenterprises is also an essential metric to measure the extent of the reliance on these microenterprises.

Table III. Household Income Responsibility

Role in Household Income	**Percentage**
Primary income source	53%
Shared income responsibility	28%
Not the primary contributor	19%

More than half of the respondents (53%) said that they are the main income provider in their households, according to Table 3, and another 28% shared that role with others. Only 19% said that they aren't a main contributor. This challenges the main idea that work run by young people is simply a short-term job. In fact, over 80% of participants carried significant financial responsibility at home, showing how central this work is. Moreover, most of these young people did not fully own their businesses, many describing them as owned by their family or run on behalf of someone else, signifying limited independence. This is consistent with earlier academic findings, where young people tend to occupy dependent roles within the informal economy.

Business Ownership

Business ownership patterns show that youth entrepreneurship rarely looks like independent entrepreneurship. Only 25% of respondents fully owned their businesses. The rest operated under a family business (43%) or a business managed by somebody else (29%).

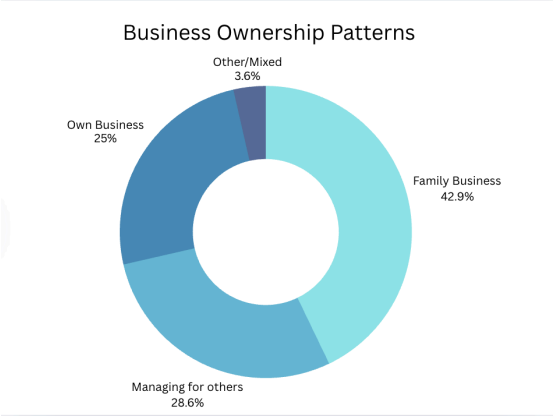


Figure 3. Business Ownership Patterns Of Respondents

As Figure 3 Shows, most youth entrepreneurship happens inside existing businesses, meaning it's shaped by social and economic relationships. The fact that most young people do not own their business is important to understand how much real control and growth potential they actually have. Family businesses can offer support and shared risk; however, they can also limit a young person's ability to make independent decisions or steer the business's growth. Those managing businesses for others sit in a category by themselves, gaining management experience but not exactly having full autonomy over the business. These patterns back up earlier microenterprise research showing that young people tend to hold more part-time roles than full-time independent ones. That said, the high rate of family-run businesses in Kazakhstan may also simply reflect cultural values around doing business collectively as a family.

Entrepreneurial Aspirations and Confidence

Despite complicated, often dependent ownership structures described earlier, participants showed real ambition and confidence. Half (50%) planned to keep running their current business five years from now, only 11% planned to exit, and 39% hadn't decided yet. This signifies that informal work is a long-term goal that many have adopted. Confidence levels tell a similar story. Overall, 87% of respondents felt

either "very confident" (47%) or "moderately confident" (40%) in their ability to manage their business, and only 13% expressed doubt. This is a strong indicator that the sector is not lacking in skill or motivation, but rather lacking opportunities for these businesses to grow and improve if given the right support. This nuance matters because it reframes the policy suggestions, challenging current progress in the informal sector and rooting for a more accessible environment. This is reinforced by another finding that more than 90% of respondents said they'd rather use extra capital or training to grow their current business than switch to formal employment or education. In other words, most of the young entrepreneurs see informal business as their preferred long-term profession, not a short-term job they're eager to leave behind the moment another opportunity presents itself.

Institutional Constraints And Financial Access

The disparity between opportunities and entrepreneurial goals creates a tension policymakers need to address. Only 67% of respondents have access to banking services or digital wallets, which limits their ability to save money, build credit history, or access formal financial products. Given how central this is to running and growing a business, limited access to capital stands out as one of the most severe challenges they face. Kazakhstan does have relevant support in place: the DAMU Entrepreneurship Development Fund, run through the Bank of Kazakhstan, offers microfinance and loan guarantees to small businesses and entrepreneurs [11]. However, this study found almost no awareness of it among respondents; roughly 85% of them never heard of the program, and not a single person surveyed had actually used DAMU's services. This represents the failure to reach the businesses that these programs are meant to help. Expanding opportunities would require outreach efforts and simpler connections between informal entrepreneurs and formal resources. The Data also suggests these businesses are more organized than typically assumed: 73% of respondents already keep financial records of some kind. Even among well-organized, promising businesses, most owners have no near-term plans to formally register. That reluctance comes down to confusing regulations and uncertainty around taxes and legal requirements.

Operational Challenges

Beyond financial and regulatory barriers, entrepreneurs also deal with daily operational challenges. As shown in Figure 4. The most common challenges are insufficient capital (65%), intense competition (44%), and an unstable customer base (34%). Many participants describe feeling economically "shut out," hoping to see a future with growth but with little support to do so. Competition is particularly intense in Almaty's bazaars due to their concentrated nature. Commercial space is scarce, and regulatory restrictions push a large number of small businesses into the same limited areas, forcing them to compete over a shared pool of customers. This overcrowding exacerbates capital problems. Even when entrepreneurs want to expand their capital, they might not be allowed to. Bureaucratic constraints also shape operational challenges. Many young entrepreneurs report difficulty understanding tax obligations, licensing rules, and legal protections, adding uncertainty to formal economies.

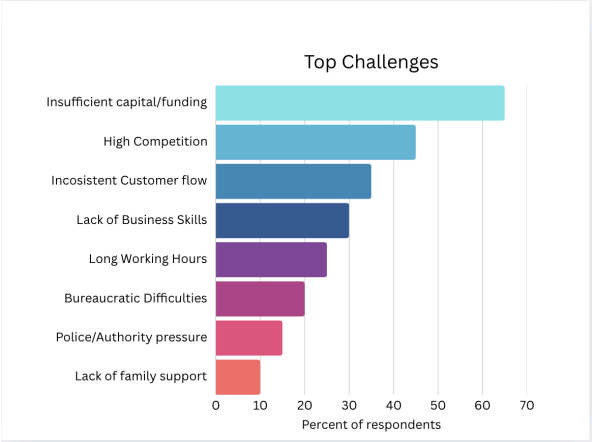


Figure 4. Top Challenges Within Individual Vendors

Digital Integration And Modern Business Practices

One notable pattern in the responses is how deeply digital tools and social media are integrated into daily business operations. Most respondents rely on platforms like Instagram, WhatsApp, and Kaspi QR to run their businesses, showing that young entrepreneurs are utilizing modern business practices even while operating outside formal regulations. Kaspi QR, for context, is Kazakhstan's dominant mobile payment system, letting people send money and pay for goods instantly via a QR code, Kazakhstan's most popular digital wallet. The level of digital fluency points to both opportunities and challenges for policymakers. On one hand, because these entrepreneurs are already comfortable with digital tools, any push towards digitalization and development doesn't need to start from scratch by teaching basic skills and can build directly on the capabilities people already have. On the other hand, while entrepreneurs are digitally sophisticated and integrated, they are still shut out of formal business infrastructure in banking and credit. Standard policies that assume businesses progress from informal to formal are not applicable here.

Economic Identity And Resilience

Another telling finding involves how respondents said they'd react if their current business shut down. Rather than looking for a formal job or going back to school, most said they'd simply start another business. This reflects a lack of formal alternatives and entrepreneurial resilience. It suggests that for many young people in Almaty, informal self-employment is part of their permanent roles. Moreover, the high confidence levels support this statistic, as more confident business owners would be more confident in starting another business. This consistent pull toward starting another business suggests these young people have built their own strategies for handling economic uncertainty, strategies centered on taking initiative themselves and not relying on formal institutions to provide for them. But this resilience exists precisely because Kazakhstan's formal economy has largely excluded them, which raises an important question: is this entrepreneurship a choice, or something that is left when other options aren't available? The answer is both. This adaptability is a strength that shows capability, but it also points towards shortages in the formal economy that these young people would otherwise be able to choose from.

Synthesis: Mechanisms Of Youth Informal Entrepreneurship

Together, these findings show that youth informal microenterprises in Kazakhstan seem to operate through three distinct domains that set them apart from regular employment and standard formal entrepreneurship. First, these businesses are integrated into family and community relationships, functioning as a way to distribute income not just for the sole entrepreneur but for the whole family as well. Second, they act as a training ground for skills and confidence, helping young people build entrepreneurial ability even while operating under difficult conditions. The high confidence levels (87% felt confident or very confident) and strong intent to continue long-term (50% planned to keep going) suggest that these businesses build capabilities that could support young people's economic literacy in the future, if the right institutional support existed to help that potential. Third, these enterprises help young people create their own opportunities in the shortcomings of formal institutions. The clear preference for starting a business over pursuing formal employment shows this isn't a passive acceptance of exclusion but an active strategy shaped to fit the specific informal environment they are in. Still, how sustainable or scalable these businesses are remains an open question, since that depends heavily on institutional support. In conclusion, the combination of strong ambition, capability, and institutional shortcomings suggests that youth informal microenterprises represent untapped economic potential.

DISCUSSION

These findings point toward several specific policy interventions that could enhance the employment creation potential of youth informal microenterprises without requiring wholesale economic restructuring. These recommendations emerge directly from the identified gaps between youth capabilities and institutional support systems.

Financial Inclusion As The Foundation For Growth

Each recommendation responds directly to a specific shortcoming between what these young entrepreneurs are capable of and what institutional support exists. The combination of high entrepreneurial confidence (87%) and limited banking access (33% lack accounts) suggests immediate opportunities for financial inclusion programs. Accessible banking, micro-credit designed for informal businesses, and financial literacy can be especially beneficial. Researchers identify this shortcoming, capability without access, as the main thing that limits the growth of businesses [12]. Broader research across developing economies also supports this view: financial inclusion tends to create the conditions for new businesses to form and existing ones to expand, generating jobs and boosting national savings as well [13]. For young people specifically, access to financial services can shape where they succeed as entrepreneurs and whether they decide to become one in the first place. India's Pradhan Mantri Jan Dhan Yojana program offers a compelling example of what is possible at scale [14]. Since 2010, more than 60 countries have built National Financial Inclusion Strategies, bringing together financial regulators, telecom ministries, and agencies covering everything from agriculture to education to coordinate the effort. India's results show how far this can go. Its Aadhaar digital ID system gave over 1.2 billion residents a universal identity, making it possible for them to open Jan Dhan accounts. By 2024, at least

300 million new families had these accounts, holding close to ₹650 billion (about US$7.7 billion) in deposits, showing that systematic financial inclusion can rapidly bring in populations that were previously locked out. Applied to Kazakhstan, this suggests financial inclusion programs should offer banking products tailored to informal businesses and literacy training that builds on record-keeping already happening (73% of respondents keep some form of records). For any of this to succeed, it needs to plug directly into digital payment tools entrepreneurs already trust and use, especially Kaspi QR.

Steady Formalization: Learning From Digital-First Approaches

Half of respondents (50%) want to keep running their business long-term, yet very few plan to formalize anytime soon. This discrepancy points to a need for regulatory reform that lowers barriers without demanding full compliance right away. For example, simplified registration, tax obligations that scale gradually with business size and revenue, or clearer guidance on legal protections can entice business owners to formalize. These reforms need to reflect how many youth businesses actually work, embedded in family and social networks, rather than assuming a single individual owner. This is in line with what's already known about financial inclusion barriers for youth: cost, lack of capital, and a sense that these services simply weren't built with them in mind [15]. Formalization runs into the same obstacle of fear of taxes and a lack of clear guidance, not the outright resistance to the idea of formalization. Estonia's e-Residency program shows how digital tools can cut through this kind of bureaucratic friction while still keeping regulatory oversight intact. Its e-Business Register lets entrepreneurs register a new business online in minutes, down from five days before 2011 [16]. This kind of system has helped over 33,000 companies get started, from founders in more than 170 countries, showing that simpler processes can massively boost formal registration without loosening standards. The World Bank's research on business registration reforms supports this quantitatively: economies with "one-stop shops" for registration processes register businesses twice as fast as those without. Portugal saw a 17% jump in new business registrations and seven new jobs per 100,000 people after introducing its one-stop shop, while Colombia saw registrations rise by 5.2% [17]. For Kazakhstan, this points towards a more simplified digital process. With Kazakhstan's family businesses, digital simplification should focus on recognizing this fact and creating systems that integrate with tools entrepreneurs already use, like social media and Kaspi QR.

Building On Demonstrated Capabilities: Evidence For Asset-Based Development

The data challenge the usual assumptions about informal businesses lacking sophistication. With 87% confident in their own management ability and coherent use of Instagram, WhatsApp, and Kaspi QR, these entrepreneurs already have working assets that policy should amplify. Research on youth entrepreneurship training shows the most effective programs bring together youth organizations, regulators, and banks so solutions can match national priorities [18]. The key lesson is that successful interventions work with what people already know how to do, instead of relying on models that ignore local context. The UN Capital Development Fund's approach illustrates this well. Instead of starting with generic skills training, its programs begin by having financial providers talk to existing entrepreneurs to understand their real needs, then build products around those needs [19]. The Alliance for Financial Inclusion's review of 90 developing countries found a common thread among successful youth programs. They recognized existing digital skills and created connections between informal and formal sectors [20].

They did not force any outside models that might have been damaging to their progress. For Kazakhstan, this could mean mentorship pairing established entrepreneurs with newer ones in similar sectors. This can build on existing skills they already have and boost connections. This will help businesses grow past their current environment where almost everything is built around user-friendly tools.

Spatial Constraints And Market Diversification: Urban Planning

Intense competition and scarce commercial space were among the frequently cited causes that held businesses back, pointing to a role for urban planning. Designated zones for informal businesses and commercial space designed with small entrepreneurs in mind could meaningfully expand market participation. Research on urban planning shows that overly concentrated informal markets create unsustainable competition while limiting real business opportunity [21]. The crowding seen in Almaty's markets reflects a broader pattern that urban development tends to prioritize large retailers over small entrepreneurs, unintentionally diminishing microenterprises where urban youth mostly work. Cities that have adopted more supportive spatial policies show a noteworthy example. The World Bank's Doing Business research finds that regulatory frameworks supporting small businesses and flexible commercial space correlate with higher rates of formal registration [17]. Several sub-Saharan African countries have successfully reduced competitive pressure by creating designated informal business zones with simplified rules, while still preserving the benefits that come from businesses that cluster together [17]. For Kazakhstan, this suggests designated informal business zones with a graduated path toward formalization, mobile licensing, and commercial space policy that makes room for small-scale entrepreneurs.

Synthesis: Building On Demonstrated Potential

All of these recommendations point to the same pattern observed: youth informal microenterprises are already making important economic contributions, just under difficult conditions that can be remediated by policy changes. Financial inclusion alone is tied to progress on seven of the UN's 17 Sustainable Development Goals, supporting economic growth and job creation and advancing women's economic empowerment. Access to credit, secure savings, and reliable payment systems all directly help small businesses grow, create jobs, and drive broader economic development [22]. The overall policy direction that emerges is to remove barriers and provide ample support, rather than trying to steer young people toward alternative paths that may not actually fit their circumstances. The goal should be making current entrepreneurial activity more effective and sustainable. The goal should not be pushing formal alternatives that either don't exist or don't appeal to these young entrepreneurs. The data make clear that youth-run informal microenterprises in Kazakhstan are already doing what labor policy struggles to accomplish on its own: employing young people who'd otherwise be unemployed, distributing income across families, and building entrepreneurial confidence. Whether these businesses can meaningfully reduce youth unemployment going forward depends largely on whether they get institutional backing. Without it, they'll likely stay held back by the same limitations seen today. National employment strategies risk continuing to overlook this entire sector unless policymakers utilize targeted financial tools and legal guidance. Done right, that kind of support could turn these enterprises into drivers of Kazakhstan's urban economy, and offer a model other transitional economies facing similar labor market

pressures could learn from.

CONCLUSION

This study investigated whether microenterprises run by the youth function well as a connection towards formal employment in urban Kazakhstan, and what helps or hinders them. Based on 83 survey responses from Almaty, the findings reveal a more complicated understanding of informal work, contrary to usual assumptions about informal work. The research shows that these businesses are not connections towards formal employment, but rather they are a real sector. Over 80% of participants carry significant household income responsibility, and 53% are independent: only 25% are fully owned by the respondent, while 43% are family businesses and 29% involve managing someone else's business. Even facing institutional obstacles, 87% said they feel confident in their abilities, and half plan to keep running their business long-term.

These findings add to the informal economy theory by showing that youth entrepreneurship works differently from both regular jobs and microenterprises run by adults. Because these businesses are embedded in families, the help that results from distributed income and skill-building results in youth development. For policymakers, this means these informal businesses are already developing the right skills in business management and personal finance. However, policymakers can capitalize on this by supporting what these entrepreneurs already have going for them.

Policy Recommendations

The study points to several ways policy could boost the successes of youth businesses. The finding that 25% of entrepreneurs fully own their businesses while the rest operate through families means financial products need to account for shared or layered ownership. A loan program built only for sole proprietors would miss out 75% of the population. Policy can instead recognize family enterprises as a legitimate business unit, extending credit or support to the household business rather than requiring an individual to be the sole formal owner. On regulation, entrepreneurs should be able to register for basic legal recognition without immediately taking on the full tax and compliance burden of a formal business, matching the way these businesses expand and save. This also shows that many aren't seeking full independence. The high level of self-reported confidence of 87% and the structural constraints felt by the entrepreneurs suggest that the problem lies in access. Instead of youth entrepreneurship training programs focused on building confidence or business skills from scratch, resources might be better spent removing the specific obstacles (capital access, regulatory friction, market access) that are already holding back people who are capable and willing. Overall, the recommended approach is removing barriers and offering support to make loan products more accessible.

Future Research Directions and Limitations

Longitudinal tracking would address the paper's biggest limitation of tracking only a single moment in

time, allowing it to analyze the growth of these businesses over a year-long horizon. A panel study following the same vendors over two or three years could show whether informal entrepreneurship is a permanent sector. The study also didn't capture failed businesses or people who considered informal entrepreneurship but opted out, meaning the sample may be biased towards those who found some degree of success or persistence. Future research designed to reach these excluded groups would sharpen the picture of who succeeds and who doesn't.

In conclusion, this research reinforces the idea that good youth employment policy in transitional economies needs to work with young people's entrepreneurial capabilities. The path toward a healthy youth employment rate lies in creating an environment in which conditions will allow business owners to flourish and evolve in ways that benefit both individual entrepreneurs and broader economic goals.

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APPENDIX

Youth Entrepreneurship in Kazakhstan's Informal Economy Survey:
(Conducted in both Russian and Kazakh languages)

DEMOGRAPHIC INFORMATION

1. **Age**
    - ○ Open response: _____ years
2. **Gender**
    - ○ Male
    - ○ Female
3. **Current Education Status**
    - ○ No
    - ○ Yes, full-time
    - ○ Yes, part-time
4. **Household Size**
    - ○ Open response: _____ people

BUSINESS AND INCOME

5. **Primary Income Source**

○ Yes
○ No
○ Shared responsibility

6. **Type of Business** *(What business do you have or what field do you work in? e.g., food sales, clothing resale, phone accessories)* ○ Open response: _____
7. **Business Ownership**
   ○ Your own business
   ○ Family business
   ○ Managing for others (someone else's business, but you manage it)
8. **Primary Customers**
   ○ Teenagers
   ○ Young adults (20-40 years)
   ○ Older adults (40+ years)
   ○ Various age groups

BUSINESS OPERATIONS

9. **Formalization Plans** *(Do you plan to of icially register your business in the future?)*
   ○ Yes
   ○ No
   ○ Not sure
10. **Digital Tools Usage** *(Do you use digital tools or social media for business, e.g., Instagram, WhatsApp, Kaspi QR?)* ○ Yes, actively
    ○ Sometimes
    ○ No
11. **Collaboration with Other Young Entrepreneurs**
    ○ Yes, regularly
    ○ Sometimes
    ○ No
12. **Business Duration** *(How long have you been working in this business?)*
    ○ Less than 6 months
    ○ 6 months to 1 year
    ○ More than 1 year
13. **Daily Working Hours** *(On average, how many hours per day do you work in this business?)*
    ○ Open response: _____ hours
14. **Record Keeping** *(Do you keep records of income and expenses?)*

    ○ Yes
    ○ No

MOTIVATIONS AND ASPIRATIONS

15. **Reasons for Starting Business** *(Why did you start working in this business? Check all that apply.)*
    ○ To be financially self-sufficient
    ○ Because my family depends on me

○ I like being independent/my boss
○ It's a family tradition
○ I couldn't find other work
○ Other: _____

16. **Five-Year Plans** *(Do you want to continue working in this business in 5 years?)*
○ Yes
○ No
○ Not sure
17. **Hypothetical Scenario** *(What would you do if you had more money or opportunity for training?)* ○ Expand this business
○ Start a different business
○ Return to school/university
○ Look for formal employment
○ Other: _____

CHALLENGES AND CONSTRAINTS

18. **Main Challenges** *(What difficulties do you face in your work? Select up to 3 options)* ○ Insufficient money or capital
○ Few customers
○ High competition with other sellers
○ Lack of business skills
○ Long working hours
○ Bureaucratic difficulties
○ Police/authority pressure
○ Lack of family support
○ Other: _____
19. **Financial Support Attempts** *(Have you tried to get credit, grants, or financial support?)* ○ Yes - received it
○ Yes - was denied
○ No
20. **Banking Access** *(Do you have a bank account or digital wallet in your name?)*
○ Yes
○ No
21. **Hypothetical Business Closure** *(If you had to stop this business tomorrow, what would you do next?)* ○ Try to start another small business (e.g., online store, delivery service, freelance)
○ Look for formal employment
○ Return to school/university
○ Work with relatives or friends in their business
○ Don't know/need to think about it
○ Other: _____
22. **Support and Inspiration** *(Who supported or inspired you to start this business? Check all that apply.)* ○ Parents

○ Friends
○ Teachers/mentors
○ No one
○ Other: _____

23. **Business Confidence** *(How confident do you feel in running a business?)*
○ Very confident
○ Moderately confident
○ Not confident

ADDITIONAL INFORMATION

24. **Additional Comments** *(Is there anything else you'd like to share about your business experience?)* ○ Open response: _____

Survey Administration Notes:

- Total survey time: Approximately 3-5 minutes
- Languages offered: Russian and Kazakh
- Data collection period: July 15-31, 2025
- Locations: Kenzhehan Market and Green Bazaar, Almaty
- Total respondents: 83
- Response rate: 55% (83 completed surveys from 150 approached vendors)