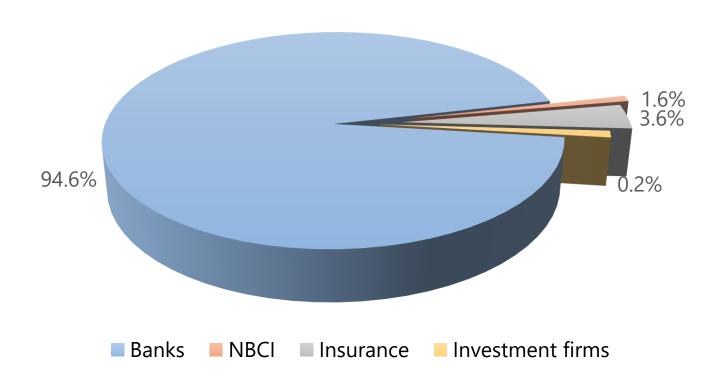
#### **Asia SME Monitor 2025**

Session 3: Financing MSMEs amid Global Uncertainty – How Financial Regulators Can Handle the Potential Financing Risks Risks for MSMEs

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## Bank-dominated financial sector in Azerbaijan

#### **Financial sector assets**



- Banks are the main external financing channel for MSMEs
- Share of MSME loans to total business loans is 47 percent (2025)
- MSME share in total employment is 44 per cent (2023)

- MSME share in the GDP is 18 per cent (2023)
- High employment share but lower relative gross value added implies a concentration of MSME jobs in lowerproductivity activities

## Main factors limiting MSME access to loan includes

Challenges	Consequences	<b>→</b> Impact
<ul> <li>Lack of financial literacy (31% of MSMEs do not have knowledge on loan offerings)</li> </ul>	<ul><li>High information asymmetry</li><li>High credit risks</li></ul>	<ul><li>Higher risk premium</li><li>High level of rejection</li></ul>
<ul> <li>Limited immovable collateral ownership especially in regions (over 80 % of loans are issued with collateral)</li> </ul>	<ul> <li>High collateral demand</li> </ul>	■ Financial gap for SMEs
<ul> <li>Low quality of financial management in business entities</li> </ul>		
<ul> <li>Weak independent accounting and audit institutions</li> </ul>		
<ul> <li>Insufficiency in risk-mitigation (risk sharing) mechanism</li> </ul>		
<ul> <li>Inefficiencies in the collateral liquidation process</li> </ul>		

### Central Bank of Azerbaijan has dual role in the SME access to financing landscape

Promoting SME access to financing

Regulatory framework for market and product development

Enabling SMEs to get access to financing by creating prudential incentives

Dialogue with financial institutions

Manage risks prudently

Minimizing the risk of SME lending by improving the credit risk assessment and underwriting processes

Risk-based supervisory framework

Enhancing access to finance for women

**Broad participation by** 

individuals and firms

E. Infromed users

17. Increase financial

capabilities of

individuals and

MSME owners

18. Enact strong financial

trust in financial

institutions

19. Support voluntary

inclusion of

individuals

consumer protection

system and increase

vulnerable individuals

(older adults, youth,

migrants, returnees)

### **CBAR's current initiatives to enhance SME access to finance**

Development and implementation of the sustainable microfinance model Introducing Supply Chain Finance solutions to streamline payment flows between large corporates and supplier and distributer micro and small enterprises Roadmap for the development of Islamic finance sector Legal and regulatory framework to initiate local credit rating agency in Azerbaijan Expanding agriculture focused loan propositions

# Thank you for your attention!