

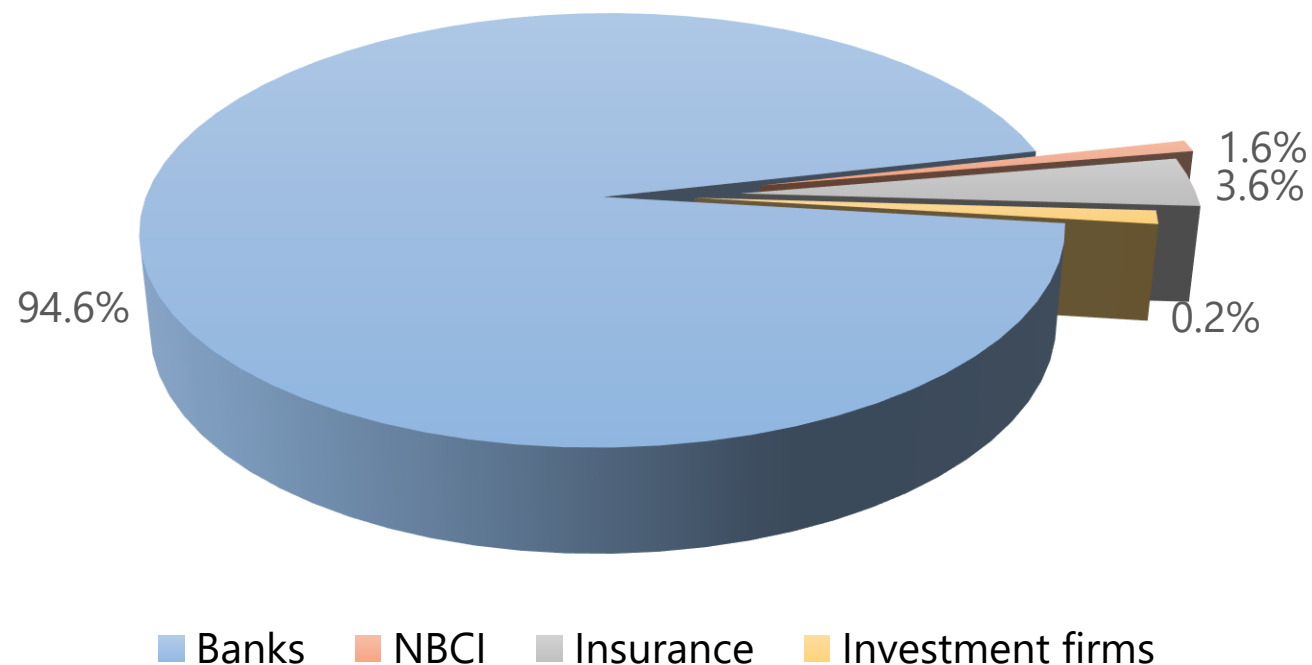
## **Asia SME Monitor 2025**

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

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Financial Sector Sustainable Development  
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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 lower-productivity activities

# Main factors limiting MSME access to loan includes

Challenges	Consequences	Impact
<ul style="list-style-type: none"><li>▪ Lack of financial literacy (31% of MSMEs do not have knowledge on loan offerings)</li><li>▪ Limited immovable collateral ownership especially in regions (over 80 % of loans are issued with collateral)</li><li>▪ Low quality of financial management in business entities</li><li>▪ Weak independent accounting and audit institutions</li><li>▪ Insufficiency in risk-mitigation (risk sharing) mechanism</li><li>▪ Inefficiencies in the collateral liquidation process</li></ul>	<ul style="list-style-type: none"><li>▪ High information asymmetry</li><li>▪ High credit risks</li><li>▪ High collateral demand</li></ul>	<ul style="list-style-type: none"><li>▪ Higher risk premium</li><li>▪ High level of rejection</li><li>▪ Financial gap for SMEs</li></ul>

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

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## Promoting SME access to financing

Regulatory framework for market and product development

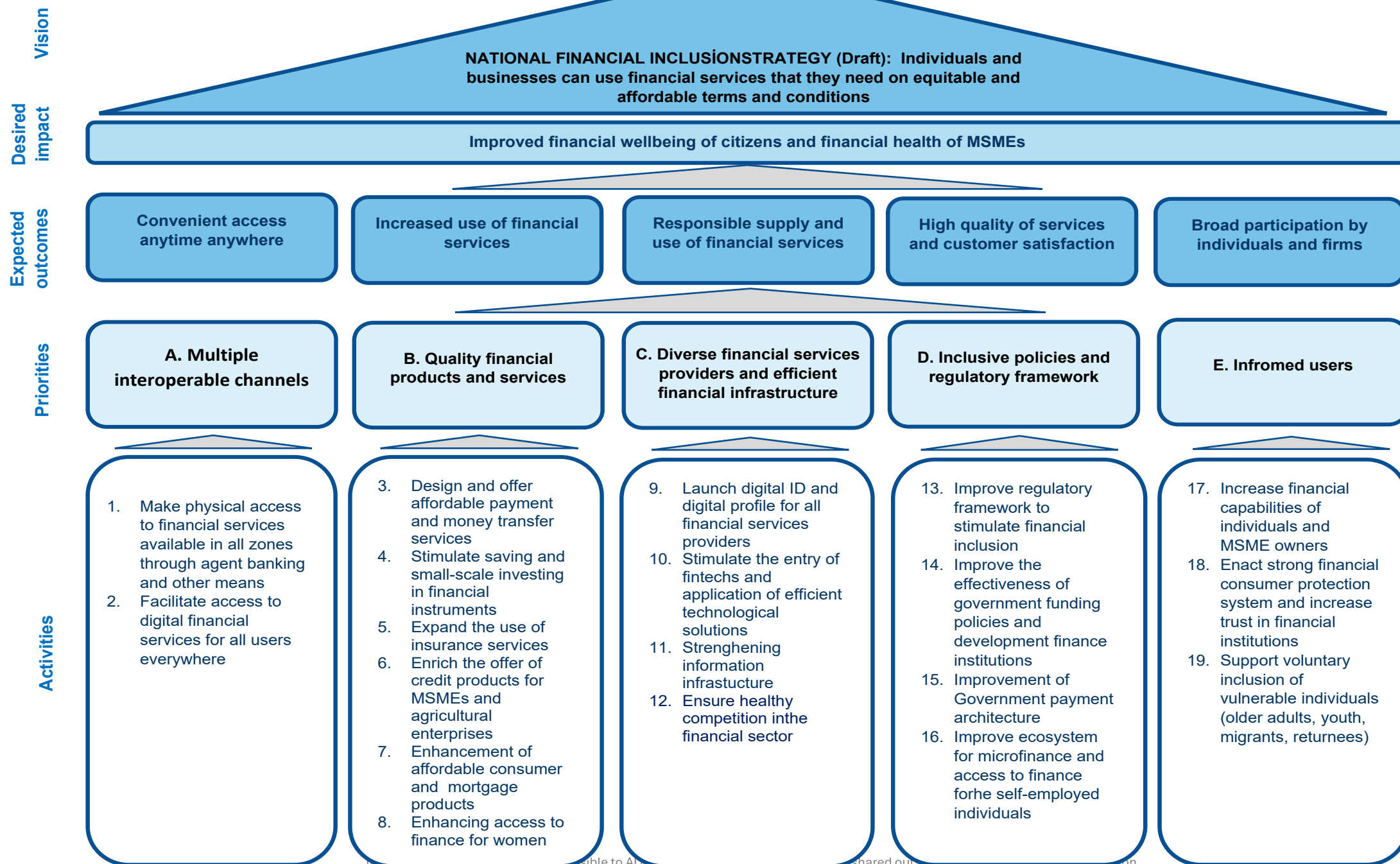
Enabling SMEs to get access to financing by creating prudential incentives

Dialogue with financial institutions

## Manage risks prudently

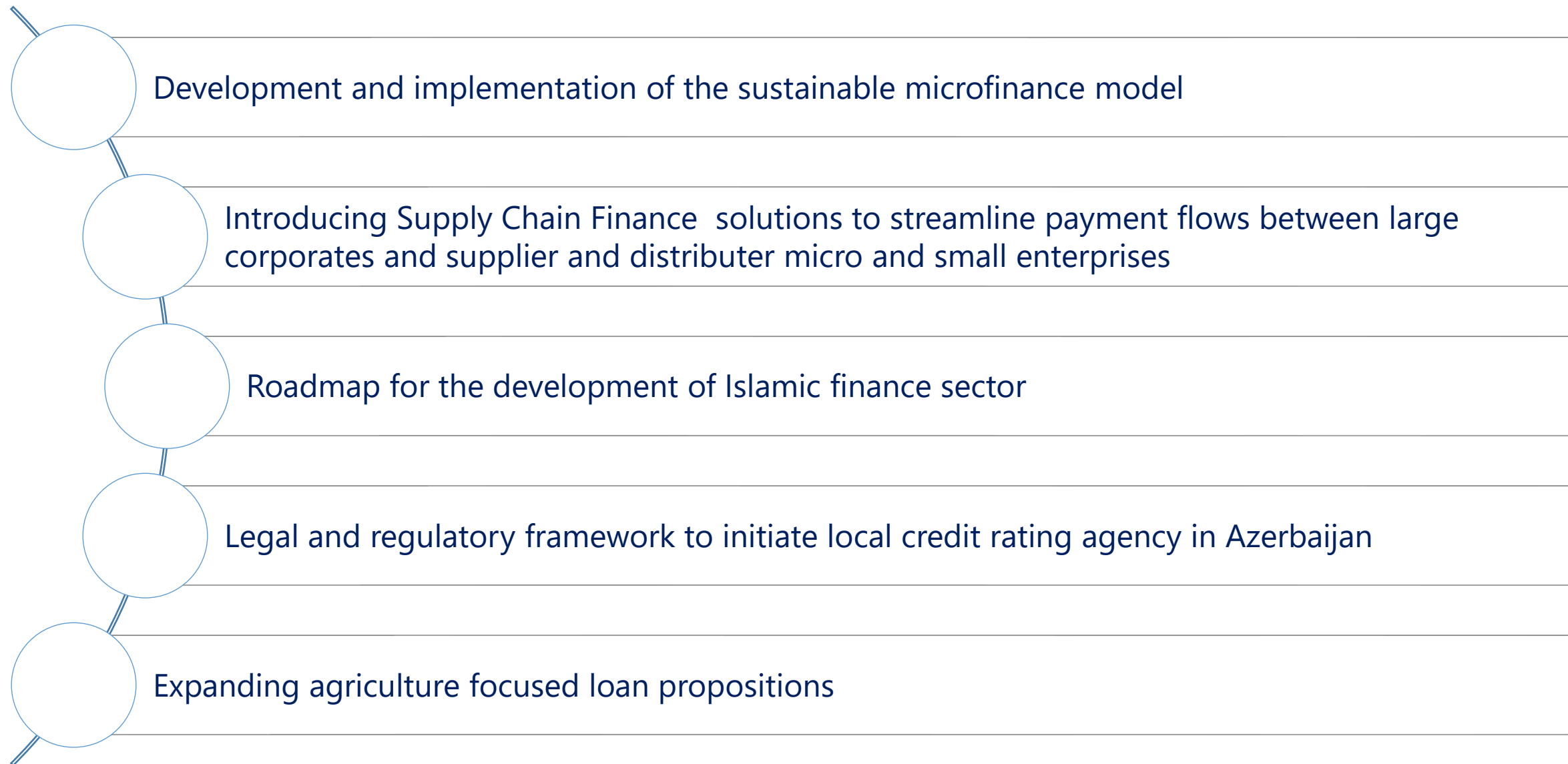
Minimizing the risk of SME lending by improving the credit risk assessment and underwriting processes

Risk-based supervisory framework



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

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**Thank you for your attention!**