

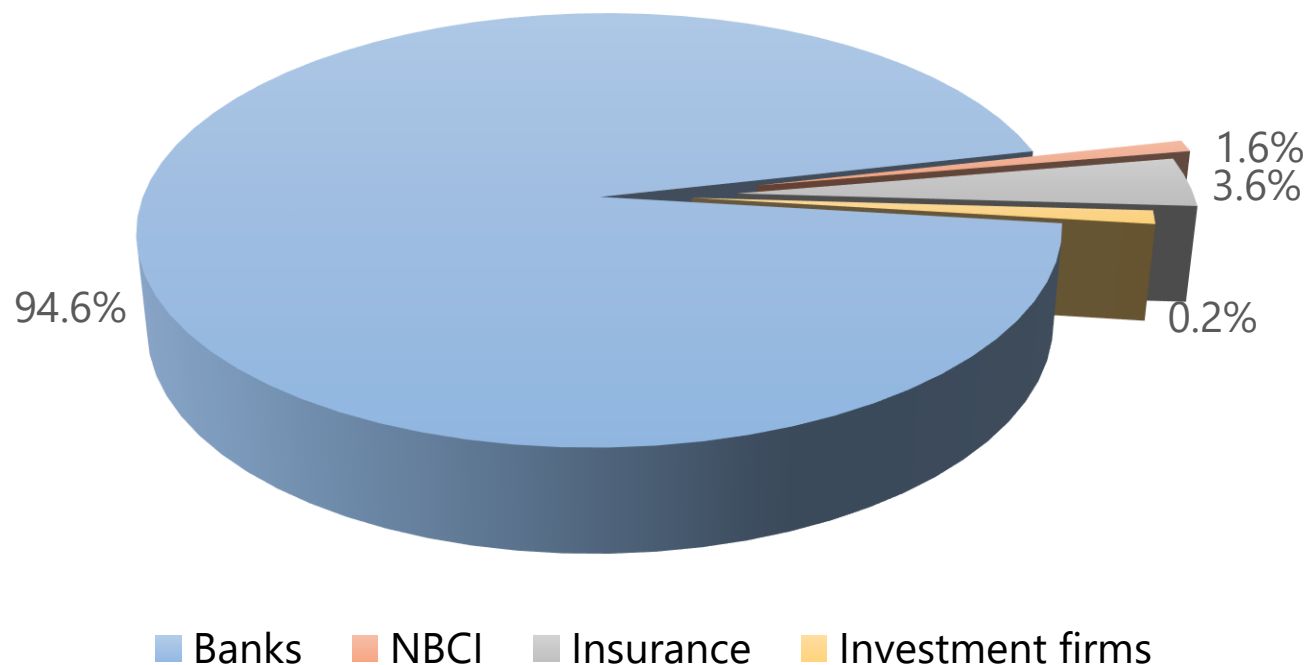
Asia SME Monitor 2025

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

**Rustam Tahirov, Director
Financial Sector Sustainable Development
Central Bank of Azerbaijan
November 12, 2025**

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

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

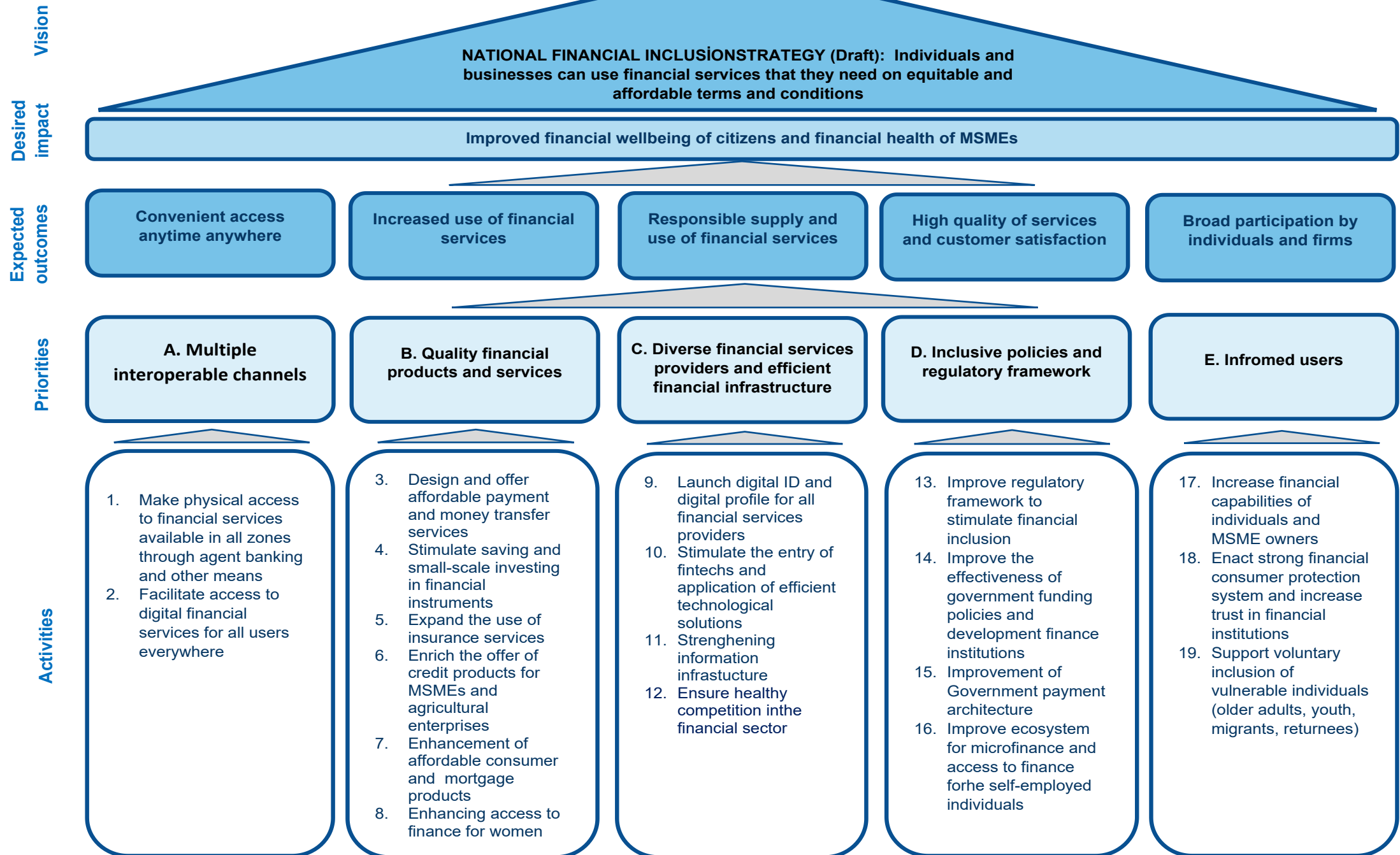
Enabling SMEs to get access to
financing by creating
prudential incentives

Dialogue with financial
institutions

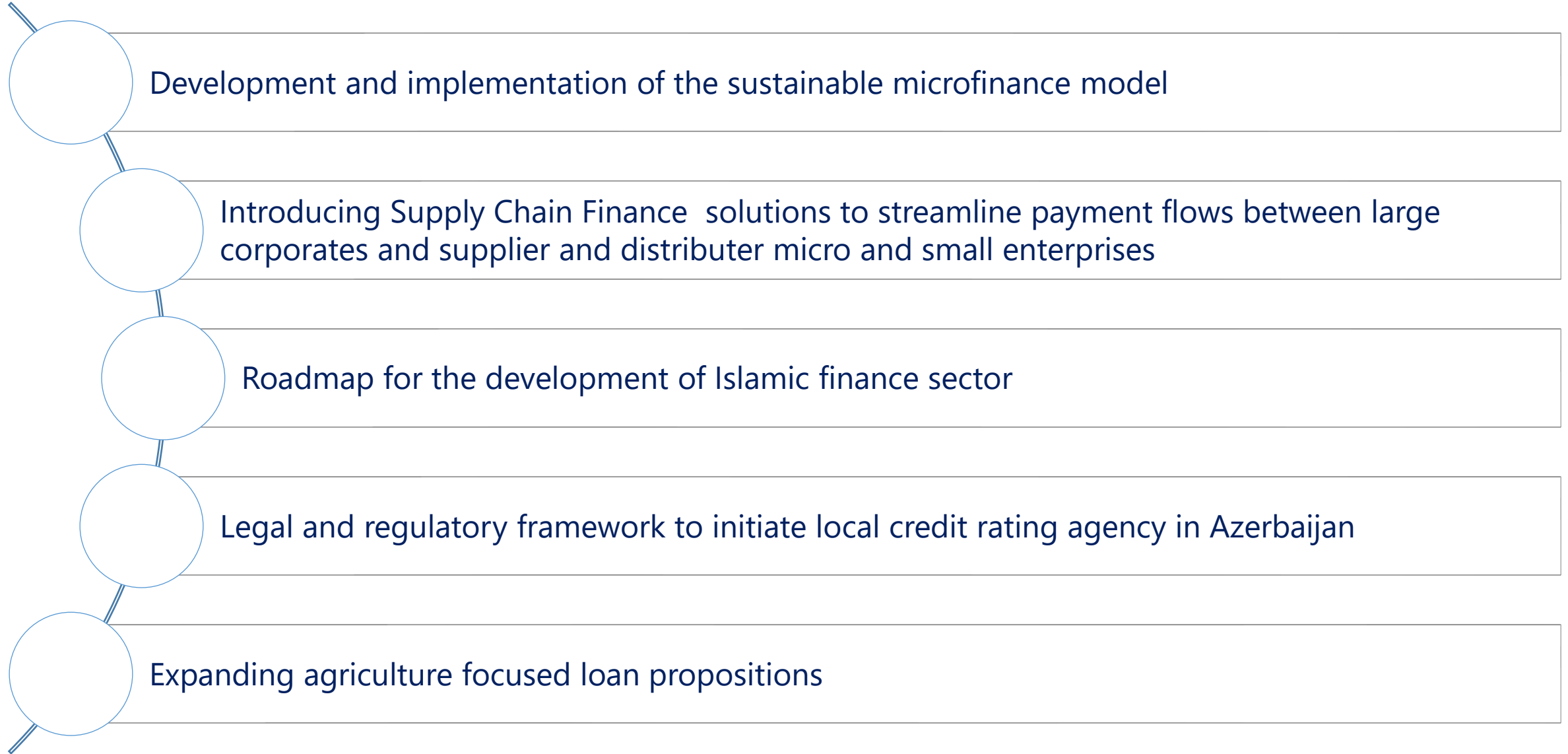
Manage risks prudently

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

Risk-based supervisory
framework



CBAR's current initiatives to enhance SME access to finance



Thank you for your attention!