ORDER OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN
on approval of the "State Program on the Expansion of Financial Inclusion in the Republic of Azerbaijan for 2027–2030"

Guided by Paragraph 32 of Article 109 of the Constitution of the Republic of Azerbaijan, in connection with the implementation of Order No. 3378 dated 22 July 2022 of the President of the Republic of Azerbaijan "On approval of the Strategy of Socio-Economic Development of the Republic of Azerbaijan for 2022–2026", **I hereby order to:**

1. Approve the "State Program on the Expansion of Financial Inclusion in the Republic of Azerbaijan for 2027–2030" (hereinafter – the State Program) (attached hereto).

2. Recommend the Central Bank of the Republic of Azerbaijan to:

2.1. Coordinate the measures envisaged in the State Program and exercise control over their implementation.

2.2. İnform the President of the Republic of Azerbaijan once a year on the work carried out in relation to the implementation of the State Program, including on the status of implementation of the measures envisaged in the State Program.

2.3. Resolve other matters arising from this Order.

3. The Center for Analysis of Economic Reforms and Communication monitor and evaluate the implementation of the measures envisaged in the State Program as commissioned by the Central Bank of the Republic of Azerbaijan.

4. The Ministry of Finance of the Republic of Azerbaijan, together with the Central Bank of the Republic of Azerbaijan, take necessary measures to provide for the funds required for implementation of the measures envisaged in the State Program to be financed from the state budget in the state budget forecasts for 2027–2030.

Ilham ALIYEV,
President of the Republic of Azerbaijan

Baku city, 26 May 2026
No. 1048

Approved
by Decree of the President of
the Republic of Azerbaijan
dated 26 May 2026

State Program
on the expansion of financial inclusion in the Republic of Azerbaijan for 2027–2030

1. EXECUTIVE SUMMARY

'Azerbaijan 2030: National Priorities for Socio-Economic Development', approved by Order No. 2469 of the President of the Republic of Azerbaijan dated 2 February 2021, identified five national priorities with the aim of strengthening the country's economic sovereignty and transforming Azerbaijan into a society with a high standard of welfare for its citizens. The 'Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026', approved by Order No. 3378 of the President of the Republic of Azerbaijan dated 22 July 2022 and aimed at the implementation of the national priorities, sets out strategic objectives for the transformation of the national economy, including the financial sector

The strategic objectives for the financial sector encompass the establishment of a financial stability architecture aligned with advanced international standards and the strengthening of the resilience of financial institutions to risks, as well as the development of a financial sector that is closely focused on the needs of the population and the real sector and supports sustainable economic growth. To achieve these objectives and accelerate the development of an inclusive, stable, and competitive financial sector in the country, the Action Plan of the 'Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026', approved by Order No. 3378 of the President of the Republic of Azerbaijan dated 22 July 2022, includes a measure on the 'Implementation of the State Program on the Expansion of Financial Inclusion.

Over the past decade, financial inclusion in the Republic of Azerbaijan has improved significantly, with the dynamic development of the national economy having a positive impact on financial inclusion. Azerbaijan has advanced from a lower-income country to the group of upper-middle-income countries. According to the World Bank, the unemployment rate in the country declined from 11.8% in 2000 to 5.3% in 2023. As of 2025, 70.7% of the adult population holds a bank account.

Reforms implemented in previous years have created a favorable foundation for the realization of a new strategic vision for the financial sector. A legal framework for the financial system has been established, financial infrastructure has been modernized, and institutional development measures have been carried out. The impact of the multifaceted shocks experienced in global energy markets in 2014 and 2015 on the country's financial system was successfully mitigated, ensuring the preservation of financial and social stability. The restructuring and rehabilitation of the banking sector, together with improvements in corporate governance and risk management, were achieved, and growth momentum in the financial sector was restored, surpassing pre-crisis levels

Alongside the achievements attained, significant opportunities remain for further financial inclusion. Certain segments of citizens and business entities continue to remain outside the formal financial system. Access to credit remains relatively challenging for many micro and small entrepreneurs and farmers, insurance coverage is low, financial instruments available to individual investors are limited, and digital financial technologies are largely concentrated in payment services.

The '*State Program on the Expansion of Financial Inclusion in the Republic of Azerbaijan for 2027–2030'* (hereinafter – the State Program) is aimed at ensuring unrestricted and equal access for all citizens and business entities to accessible and beneficial financial services through a modern technology-enabled financial system. Accordingly, the State Program will consolidate relevant measures under a unified action plan and will be implemented through partnership between public and private sector stakeholders. With the commencement of the implementation of the State Program, the Republic of Azerbaijan enters a new strategic phase in the development of a modern and universal financial system that serves all citizens and business entities.

2. GLOBAL TRENDS

Financial inclusion has become one of the global development priorities and has been identified as a key instrument for achieving the targets of the United Nations Sustainable Development Goals by supporting economic growth through increased access to financial services for all individuals and legal entities.

According to the World Bank Global Findex (new financial technologies) report, 1.3 billion adults worldwide remained excluded from formal financial services in 2025. The majority of these individuals are women, low-income populations, persons with lower levels of education, and residents of rural areas. The share of the unbanked population is higher in developing countries, due to poverty, as well as the high cost of financial services, transportation costs, and unfavorable conditions for accessing finance.

The Alliance for Financial Inclusion (AFI) is one of the principal global platforms bringing together financial sector regulatory authorities. Currently, the organization has 84 member countries. Its primary objective is to develop high-impact policy measures aimed at enhancing financial inclusion. National financial inclusion strategies have been developed by 63 member countries, while existing strategies are being updated in 16 countries. Consumer protection, digital financial services, and financial literacy have been identified as priority areas in financial inclusion strategies. In addition, gender equality, financing for micro, small and medium-sized enterprises (MSMEs), microinsurance, and youth financial inclusion are among the key areas of focus.

Fintech companies have become one of the principal drivers of financial inclusion for the financially excluded populations. The application of digital technologies in financial services has had a significant positive impact on expanding financial inclusion. In a number of low-income countries, segments of the population gained access to financial services for the first time through electronic money solutions.

Digital identification systems have become an essential prerequisite for accessing financial services through digital channels. With support from the World Bank, digital identification systems have been established in a number of countries to promote greater financial inclusion.

The overall global trend in financial inclusion remains positive. According to the World Bank Global Findex Report, financial inclusion increased significantly in Azerbaijan and several other countries in the region between 2017 and 2024. At the same time, the report assessed the current level of financial inclusion in the Republic of Azerbaijan as lower than its actual level.

3. ANALYSIS OF THE CURRENT SITUATION

Financial inclusion among individuals and businesses has expanded considerably in the Republic of Azerbaijan. While only 14.9% of the adult population had a bank account in 2011, this figure reached 70.7% in 2025. At the same time, 70% of the adult population uses the services of at least one financial institution. Although the level of access to financial services is comparable to that of selected countries (Türkiye, Poland, Georgia, Kazakhstan, and Russia), the indicators relating to the use and quality of financial services demonstrate substantial potential for further improvement. This is particularly evident in areas such as access to credit, savings and investment instruments, insurance coverage, the adoption of financial technologies, regional distribution, and other related issues

Table 1. Comparative analysis of financial inclusion indicators across selected countries

Category	Indicator	Azerbaijan	Average indicator for selected countries **
Service points	Number of bank branches per 100,000 Adults (15+)	6,7[a]	21,1[2]
ATMs	Number of ATMs per 100,000 adults	43,9[a]	97,2[2]
	Number of ATMs per 1,000 km²	41,2[a]	39,1[2]
Bank accounts	Accounts (15+)	70,7%[a]	82,6%[1]
Deposits with banks	Individuals making deposits within one year to bank account holders	77%[1]	74%[1]
	Adults with savings accounts	17%[1]	28,4%[1]
Access to credit for the adult population	Adults with any outstanding loan	63%[1]	53,6%[1]
Money transfers	Share of adults receiving and sending domestic and international remittances	22%[1]	32,4%[1]
	Share of adults receiving remittances	16%[1]	22,4%[1]
	Share of adults sending remittances	11%[1]	23,7%[1]

Manufacturing enterprises with current loans or credit lines in regulated financial institutions	Manufacturing enterprises with current loans or credit lines	36,4%[3]	33,5%[3]
Manufacturing enterprises using trade/supplier credit to finance working capital	Manufacturing enterprises using trade/supplier credit to finance working capital	30,1%[3]	27,5%[3]
Use of mobile operations	Share of unique adult users using mobile devices for payments	52%[1]	78,8%[1]

** Included countries: Türkiye, Poland, Georgia, Kazakhstan, and Russia (2024)
[1] World Bank Global Findex Report, 2024
[2] IMF Financial Access Report, 2024
[3] World Bank Enterprise Surveys Report, 2024
[a] Central Bank estimations

A more detailed analysis of the current situation and development prospects regarding the key components of financial inclusion is presented below:

3.1. Access to financial services:

3.1.1. The branch and other physical service network of financial institutions has expanded. As of the end of Q3 2025, banks and non-bank credit institutions (hereinafter – NBCIs) had a total of 799 branches (499 bank and 300 NBCI branches), more than 50% of which are located in the regions. In addition, the number of POS terminals increased by 2.6 times during 2018–2025 to 172.9 thousand, while the number of POS terminals accepting contactless payments increased 7.8 times over the same period to 171.1 thousand. The use of the postal operator's branch and post office network for the provision of financial services contributes to improved access to financial services in remote areas.

3.1.2. The coverage and usage level of ATMs and POS terminals remains lower compared to selected countries. On average, 50% of POS terminals installed in retail trade enterprises are actively used. Active use is defined as more than four transactions conducted via a POS terminal within one month. In the Republic of Azerbaijan, the number of POS terminals per 1,000 people is 17, compared to 68 in Kazakhstan, 54 in Türkiye, and 32 in Georgia. The adoption of modern financial technologies, including QR-code-based payments (AZQR code – a QR code generated for payments for goods, works, and services in the territory of the Republic of Azerbaijan), creates new opportunities for progress in this area.

3.1.3. The role of payment terminals in retail payments has increased. Credit institutions, insurance companies, utility service providers, and other service providers cooperate with payment terminal operators to collect customer payments. This, on the one hand, ensures convenient access to financial services and, on the other, contributes to the optimization of financial institutions' costs. There is further potential to expand the use of payment terminal infrastructure.

3.1.4. The expansion of digital technology adoption supports the increase of financial inclusion. Processes related to financial services, including loan application submission, assessment, and approval, have been significantly digitized. The use of digital technologies in payment services enables individuals and businesses to carry out transactions in a convenient, secure, and more cost-efficient manner, while also expanding service delivery channels offered by financial institutions and ultimately increasing financial intermediation. Alternative service channels (internet banking, mobile banking, etc.) and simplified, customer-oriented service models contribute to cost reduction and improved customer satisfaction.

3.1.5. Financial accessibility in regions, rural areas, and settlements remains lower compared to urban areas. Due to insufficient business volumes, financial institutions are often less motivated to provide services in certain geographic areas, which creates challenges in access to financial services in rural and remote regions. In some areas, there are also difficulties with internet access, or low levels of digital literacy. As a result, citizens are required to visit financial institutions' physical offices for transactions that could otherwise be completed online, which in some cases creates barriers related to long travel distances and transportation costs.

3.2. Financial products and services:

3.2.1. Safe and high-quality payment services constitute one of the key pillars of financial inclusion. Despite the implementation of numerous initiatives in recent years, the share of cashless payments in consumer expenditure (45% as of the end of Q2 2025) remains low compared to selected countries. Cashless payments are predominantly carried out via cards, while the share of account-based payments remains limited. During January–October 2025, the number and value of contactless payments increased by 21% and 5%, respectively, year-over-year.

3.2.2. As a result of the strengthening of financial infrastructure and changes in customer behavior during the pandemic period, the value of digital payments in the Republic of Azerbaijan continues to grow rapidly. In January–October 2025, the value of e-commerce transactions conducted domestically via debit and credit cards amounted to AZN70.6 B (y.o.y. up by 32.7%). During the same period, the volume of transactions via POS terminals increased by 2.3%. A total of 97% of POS terminal transactions were conducted in contactless form, indicating a high rate of adoption of contactless payment solutions among bank customers. The rapid growth in transaction volumes, in turn, increases the risk of digital fraud, making coordinated efforts by all market participants to enhance customer awareness increasingly important.

3.2.3. The financing system in the country is predominantly bank-based, while capital market-based financing remains limited. Despite a 17% compound annual growth rate in the loan portfolio over the past five years, World Bank data indicate that the share of private sector credit in GDP stood at 26.4% at the end of 2024, lower than in selected countries (Georgia – 68.1%, Kazakhstan – 27.3%, Türkiye – 43%). Key challenges include limited access of business entities to debt instruments, equity financing (shares, venture capital), and alternative financing sources. These constraints are particularly relevant for start-ups and growth-oriented businesses at early stages of development. While consumer lending is relatively accessible, efforts continue to ensure its sustainable framework. **Funding sources for mortgage lending and other specialized financing mechanisms are not adequately aligned**. To reduce information asymmetry, more efficient use of the movable collateral registry, as well as broader data-driven financing solutions, are needed to enhance financial access for individuals and businesses.

The NBCI sector has significant potential for diversifying financial service products and promoting financial inclusion. As of the end of the third quarter of 2025, 90 NBCIs, including 36 credit unions, were operating in the country; however, their total assets accounted for only 1.8% of total financial sector assets (excluding the assets of ‘Aqrarkredit’ CJSC). Unlocking the potential of NBCIs is a key priority for expanding financial inclusion. Recent amendments to *the Law of the Republic of Azerbaijan ‘on Non-Bank Credit Institutions’* have enabled NBCIs to open and manage payment accounts for lending purposes and issue credit cards. Nevertheless, several challenges remain, including limited product diversification, low public awareness of NBCI services, and restricted access to funding sources. In the new strategic period, strengthening the role of the NBCI sector and diversifying its structure and product offerings can significantly expand financial inclusion, particularly by improving access to financial services for unbanked or underbanked individuals.

There is also substantial potential for the development of financial leasing operations. As of the end of March 2026, the volume of financial leasing services provided by banks and NBCIs amounted to AZN 46 million. To unlock this potential, legal and regulatory reforms, together with the establishment of a more enabling environment for the leasing sector, are necessary.

The development of micro, small, and medium-sized enterprise (MSME) lending is a key fundamental issue. In 2024, MSMEs accounted for only 16.3% of GDP (28.9% in the non-oil and gas sector), compared to 22–61% in selected countries (e.g., Georgia, Kazakhstan, Russia, and Türkiye). Low transparency of MSMEs, information asymmetry, and weak managerial capacity limit their access to credit and other financial resources. Financing needs are particularly high in agriculture and regional areas. Financial resources allocated by state funds for business support are mainly directed toward MSMEs. During the first 11 months of 2025, the Azerbaijan Business Development Fund financed 5,812 projects by providing AZN 341.8 million in concessional loans. MSME projects accounted for 99.7% of the number of projects and 89.9% of the total loan volume. However, the total volume of financial support provided by state funds (including loans, guarantees, and subsidies) accounts for only 7.6% of total business lending, insufficient to generate a substantial impact. The requirement that loans be disbursed exclusively through cashless mechanisms also creates challenges for micro and small entrepreneurs in accessing credit.

3.2.4. Access of agricultural and rural entrepreneurs to financial sources remains limited, reducing their productivity and investment opportunities. As of the end of October 2025, agricultural loans provided to individuals engaged in agriculture (individuals, family farms, farmers, etc.) accounted for 7% of the total loan portfolio. During the first 11 months of 2025, the Azerbaijan Business Development Fund allocated a total of AZN 143.5 million to 5,184 projects in agricultural production, with an average loan size of AZN 27.7 thousand. Agricultural production accounted for 89.2% of the total number of projects financed by the Fund (5,184 projects) and 42% of the total loan volume (AZN 143.5 million) across all sectors of the economy. In 2024, the Agrarian Credit and Development Agency provided microloans to 1,791 legal entities and individuals engaged in the agricultural sector, with an average loan amount of AZN 11.62 thousand. The total volume of subsidies and concessional support provided for the financing of agricultural input procurement was approximately six times higher than the amount of loans (including leasing) allocated for this purpose. More strategic use of limited public resources is necessary to achieve scale effects. Overall, the main challenge in financial access for agricultural sector participants is the limited availability of financial products tailored to their needs.

3.2.5. Individuals tend to maintain relatively high levels of savings. Survey results on financial literacy indicate that 41% of respondents demonstrate a tendency to save. According to the World Bank Global Findex Report, 4.5% of the adult population holds a savings account. In addition, data from the Central Bank of the Republic of Azerbaijan show that the number of individuals holding term deposits in banks is low (2.4% of the adult population). Low mobilization of savings in financial institutions is characterized by both demand and supply-side factors. Demand-side factors include low household savings levels, reluctance of small and medium-sized enterprises (SMEs) to keep savings in banks, preference of micro-entrepreneurs for cash-based operations, and the exclusion of SME current accounts from deposit insurance schemes. Only funds up to AZN20,000 held in bank accounts opened by individuals for entrepreneurial purposes are covered by deposit insurance. These factors indicate both the potential for increasing small and medium-sized deposits in banks and the need for comprehensive structural reforms Supply-side factors include low incentives for deposit mobilization due to high liquidity in the sector (particularly corporate deposits of large state-owned oil and gas companies), limited availability of innovative savings products (e.g., gold savings accounts), and a regulatory framework that is not sufficiently differentiated to encourage small-scale deposits. In particular, the inclusion of small deposits in the financial system is essential. Currently, many banks set minimum deposit thresholds due to cost inefficiencies, which negatively affects the attraction of low-value deposits and overall financial inclusion.

3.2.6. Financial instruments for individual investors remain limited. The current situation is characterized by several factors. First, financial instruments available for investment purposes are limited. Financial institutions act as main institutional investors in capital markets, while the level of activity among individual investors, as well as their awareness of investment opportunities in capital markets, remains low. On the other hand, demand is predominantly focused on credit products, while demand for capital market instruments remains weak. Awareness among business entities regarding capital markets as a source of financing is also low. Access channels for individual investors to capital markets are limited. As a result, trading turnover in both debt and equity markets remains low. Overall, key challenges for individual investors in capital markets are characterized by the limited availability of instruments, low awareness, restricted access channels to investment products, and low trading activity. In general, there is a need to enhance mobile platform functionalities, and in addition to traditional banking products and services, to enable investment opportunities in securities listed on capital markets. This requires the development of capital markets and the creation of conditions for simple and efficient purchase and sale of investment instruments in both primary and secondary markets.

3.2.7. The expansion of the insurance market creates a foundation for increasing access to financial services. In recent years, the insurance market has expanded, insurance premiums have demonstrated stable growth dynamics, and the range of insurance products has increased. Total insurance premiums reached AZN 1,157.25 million in the first nine months of 2025. Compared to the same period in 2017, insurance premiums increased by AZN 743 million, or 179%. At the same time, several challenges remain in relation to the inclusiveness of insurance services – the effectiveness of insurance service delivery, factors constraining the development of both compulsory and voluntary insurance products, as well as issues related to limited integration within insurance data systems.

One of the key factors in insurance service delivery channels is the effectiveness of the insurance agent network, including licensing procedures and the professional qualification level of insurance agents. Compared to other countries, the relatively low number of agents in the sector (e.g., 0.05 per 1,000 inhabitants, compared to 0.2 in Türkiye) is partly explained by the limited attractiveness of entering this line of business. Currently, agents are primarily focused on the sale of compulsory insurance products (56% of total agent network sales, and 72% among individual agents), while voluntary insurance products (e.g., life insurance, health insurance) are mainly distributed directly by insurers. Insurers, by prioritizing direct sales channels (71% in life insurance and 58% in non-life insurance), show limited interest in expanding agent networks. In Türkiye, these indicators are 12% and 8%, respectively. On the other hand, banks do not effectively utilize their extensive customer networks for the distribution of insurance products. Low levels of skills in insurance product sales and limited cross-selling capabilities in banks restrict the overall sales of insurance products. In addition, the level of direct digital sales of insurance contracts, as well as the execution of insurance claim processes through digital channels, remains low.

There are opportunities for further improvement of the health insurance system. Both compulsory and voluntary health insurance schemes face certain challenges. In the compulsory health insurance system, there is room for improvement in service coverage, waiting times, and customer satisfaction. On the other hand, voluntary health insurance is primarily focused on employees of organizations, including commercial entities. A retail voluntary health insurance mechanism for individuals has not been sufficiently developed. The cost of voluntary health insurance is significantly higher compared to selected countries (about AZN1,900 for individuals and AZN630 for employees of legal entities). In comparison, the cost of private health insurance in Türkiye is approximately $500. In several countries, health insurance premiums are lower than in the Republic of Azerbaijan, while average wages are higher. As a result, the high cost of voluntary health insurance for individuals creates barriers to access for citizens. There is no clearly defined legal framework governing the pricing methodology for voluntary health insurance products. The development of innovative and value-added voluntary health insurance products by insurers could have a positive impact on market development.

3.3. Financial infrastructure and digitalization:

3.3.1. The coverage of financial infrastructure has expanded. A broad financial infrastructure has contributed to risk reduction and improved service quality. In particular, the use of the Electronic Government Information System for obtaining necessary data for the identification of individuals (employment status, income, etc.), as well as the introduction of remote account opening for individuals, has increased the convenience of financial services. In the Republic of Azerbaijan, the Instant Payment System (hereinafter – IPS) has been established to ensure that settlements between individuals and legal entities who are clients of banks and non-bank payment service providers, as well as between these entities and public authorities, can be conducted on a 24/7/365 basis. Full realization of the potential of the IPS is considered an essential component for increasing financial inclusion.

3.3.2. The digitalization of financial services necessitates the advancement of customer identification infrastructure to a new qualitative level. One of the key factors in further advancing the digitalization of financial services is the improvement of digital identification systems and the implementation of a distributed ‘Know Your Customer’ (KYC) approach. Digital identification comprises electronic data enabling the verification of identity, and the creation of universal solutions in this area is one of the global trends. Several countries have already established digital identification systems and implemented approaches enabling the secure exchange and reuse of customer data. Many other countries are currently in the preparation phase for the development and implementation of such infrastructure. At the same time, the widespread application of biometric identification tools (facial recognition and others) enhances the reliability and accessibility of customer identification. The adoption of these global trends in the country will be one of the key objectives of the State Program.

3.3.3. A comprehensive payment system infrastructure has been established in the country. The national payment system infrastructure consists of the Real-Time Gross Settlement System, the Low-Value Payments Clearing and Settlement System, the Government Payment Portal (GPP), the Instant Payments System (IPS), and the Interbank Card Center. One of the key global trends in payment systems is the establishment of real-time IPS. The Republic of Azerbaijan is among the first countries to have implemented an IPS. However, despite the existence of a modern payment infrastructure, the level of its usage remains low, particularly in the case of the IPS. As of the end of October 2025, IPS transactions accounted for only 4.8% of the total number of cashless payments. Compared to the beginning of 2025, the number of IPS transactions increased more than 35 times to 2.5 million transactions in November. At the same time, there remains significant development potential for further expansion of IPS-based payments. Currently, the integration of the GPP into the IPS is being implemented in phases. In addition, person-to-person payments are already executed through the IPS. One of the main priorities is the expansion of AZQR code payments. In this regard, it is necessary for banks to connect to the system both as issuers and acquirers. The widespread adoption of AZQR code payments enables the development of various use cases across retail payments, as well as public and private sector transactions. Furthermore, there is significant potential to expand business-to-business payments through the IPS. Accordingly, broader use of AZQR code payments across different sectors and payment scenarios can be achieved. Full realization of this potential requires the completion of technical integrations by banks, as well as increasing awareness among consumers and businesses regarding IPS and AZQR payment solutions.

3.3.4. Opportunities exist for the improvement of financial infrastructure and the acceleration of digitalization. An initial legal framework for remote identification has already been established. In recent years, the availability of electronic signature solutions that are accessible to the broader population, user-friendly, and capable of integration into digital services has led to significant progress in this area. However, in practice, financial institutions continue to use a variety of customer identification methods in parallel (such as one-time passwords, video calls, etc.). This creates a certain degree of fragmentation and uneven competitive conditions, complicates the application of a unified standard, and increases associated risks. Further improvement of remote account opening and customer identification processes remains relevant, particularly the optimization of digital identification and electronic signature procedures for individual entrepreneurs.

3.3.5. Global trends necessitate the acceleration of innovation in the financial sector of the country. In this context, the improvement of the existing legal framework and the availability of investment capital for innovation are key factors for the development of the fintech sector. Considering the opportunities created by fintech and other financial innovations for expanding financial inclusion, it is essential that innovations proposed by the private sector are supported through public policy to ensure their benefits are accessible to all. The full realization of the potential of the IPS offers broad prospects for digital finance.

The openness of bank customers to innovation in the Republic of Azerbaijan, together with the high level of mobile and internet penetration, creates favorable conditions for the introduction of innovations in the financial sector. According to the Ministry of Digital Development and Transport of the Republic of Azerbaijan, at the end of 2024, the number of internet users per 100 people in Azerbaijan was 91 (global average 63 and the European average 83). The introduction and growing adoption of innovative payment solutions such as Google Pay and Apple Pay in the country demonstrates consumers’ openness to innovation. These factors make it necessary to advance work in two key directions for full digitalization of financial services:

3.3.5.1. implementation of a distributed digital ‘Know Your Customer’ (KYC) system for customer identification and verification.

3.3.5.2. onboarding of new customers and digital establishment of business relations.

3.4. State Policy on regulation and supervision:

3.4.1. The establishment of an inclusive financial system necessitates a proportionate regulatory approach covering diverse financial service providers, innovative delivery channels, and a wide range of financial products and services. The legal framework should ensure an appropriate balance between the objectives of expanding financial inclusion and safeguarding financial stability. Failure to maintain such a balance may result in a contraction of lending to the real sector by financial institutions or excessive indebtedness among low-income population. A favorable legal framework is essential for enhancing the effectiveness and efficiency of prudential policies and, consequently, for expanding financial inclusion in the country.

3.4.2. Strengthening the legal framework for digital financial services is imperative. The establishment and/or enhancement of legal frameworks governing open banking, digital identification, distributed KYC systems, electronic signatures, and electronic contracts constitutes a key prerequisite for ensuring comprehensive access to financial services. There remains potential for further improvement of both legal and operational frameworks in this area.

3.4.3. Ensuring an effective balance between financial stability and financial inclusion policies is critical. Macroprudential policy is designed, on the one hand, to safeguard financial stability and promote responsible lending and borrowing practices, and on the other hand, to support the expansion of financial inclusion. At the same time, macroprudential measures aim to place consumer lending on a sustainable and sound footing. While such measures help prevent excessive consumer indebtedness, they may adversely affect the financial inclusion of individuals without documented income, leading them to seek financing from informal sources at higher costs. Developing an appropriate policy response to this challenge remains a common issue for many countries, particularly developing economies.

3.4.4. State policy is directed towards enhancing financial inclusion and transparency. The development of cashless payments, expansion of access to financial services through digital channels, promotion of financing for MSMEs through prudential regulations, as well as measures aimed at increasing business transparency and implementing state support mechanisms, collectively contribute to the advancement of financial inclusion. Nevertheless, certain aspects of the existing policy framework require further review from a financial inclusion perspective. Monetary and financial stability policies, together with the legal framework and other related policy areas, have a direct impact on the resilience of financial institutions and their financial intermediation function. Improving the ecosystem for the management of distressed assets can strengthen the protection of creditors and debtors’ rights while facilitating access to additional capital for business entities requiring long-term financing and operating in growth phases. There is also potential to make more effective use of non-bank financial institutions to improve access to finance for MSMEs, including private entrepreneurs, through state support mechanisms (dedicated financing programs and interest-rate subsidy schemes).

3.4.5. A broad range of state support programs aimed at promoting entrepreneurship has been established. These support programs are implemented by various public institutions, including the Azerbaijan Business Development Fund, the Azerbaijan Investment Company, the Agrarian Credit and Development Agency, the Mortgage and Credit Guarantee Fund, the Small and Medium Business Development Agency and the Export and Investment Promotion Agency operating under the Ministry of Economy of the Republic of Azerbaijan, as well as the Ministry of Labor and Social Protection of the Population of the Republic of Azerbaijan through its self-employment program. These programs play a significant role in financing the economy and facilitating risk-sharing mechanisms. At the same time, there remains scope for further enhancement of existing support mechanisms. In particular, the consolidation of these mechanisms is considered important for ensuring the efficient utilization of limited public resources. There is also a need to further strengthen sectoral and regional diversification. It is essential to align the deployment of these support instruments with national economic priorities and development objectives. Furthermore, opportunities exist to improve the institutional framework governing state support mechanisms, including enhancing the efficiency and effectiveness of internal processes and operational procedures. There is a need for a comprehensive set of support mechanisms that covers the entire business development lifecycle of MSMEs, including specialized instruments such as non-commercial capital investments and venture financing.

Limited data availability within the MSME segment continues to constrain businesses' access to credit. One of the key challenges is the absence of an accessible centralized database that would enable financial institutions to effectively assess the creditworthiness of MSMEs. At present, financial institutions primarily have access to credit history information, which provides only limited insight into the overall financial health and operational performance of business entities. Due to the lack of comprehensive data, banks are required to rely on internal information sources and documentation submitted by MSMEs. However, only 64% of MSMEs are capable of preparing financial statements required by banks, creating additional information constraints for financial institutions. The limited availability of reliable financial information hinders banks' ability to accurately assess the creditworthiness and risk profiles of these enterprises. As a consequence, financial institutions tend to rely more heavily on collateral requirements and apply higher risk premiums when extending financing. Addressing these challenges and facilitating greater access to credit for the MSME sector requires the establishment of a centralized data infrastructure that enables financial institutions to access comprehensive, up-to-date financial and non-financial information on MSMEs. Enhanced data availability would support more informed lending decisions, reduce dependence on collateral-based lending, and enable financial institutions to offer financing on more favorable terms. In turn, this would contribute to the growth and development of the MSME sector, which plays a critical role in the national economy.

There is also scope for optimizing the collateral enforcement and realization process undertaken by financial institutions in cases of borrower default, both in terms of cost and time efficiency. The key factors associated with this issue include the following:

3.4.5.1. There is scope for improving the procedures governing monitoring and enforcement of court judgments. In particular, uncertainties and operational challenges remain with respect to the return of enforcement documents to courts, mechanisms for overseeing the enforcement process, and procedures for resubmitting cases for enforcement following their return.

3.4.5.2. Weaknesses in collateral auction procedures often result in banks taking possession of mortgaged assets on their balance sheets. Moreover, the excessive cost and time associated with the collateral realization process contribute to higher financial service costs and reduced financial accessibility. In this regard, there is a need to assess the potential adoption of modern and efficient collateral enforcement and disposal mechanisms, taking into account relevant international best practices.

3.4.6. The economic and financial crisis of 2015–2016 undermined consumers' confidence in financial institutions. Confidence in the sector is now gradually restored. Trust in financial institutions and in the financial system as a whole is of critical importance for financial stability and ensuring the effective performance of the financial system's intermediation function. Financial crises in recent years at the global, regional, and domestic levels have adversely affected public confidence in the banking sector. Over the past period, substantial measures have been undertaken to restore trust in banks and other financial intermediaries, and there remains a need to continue these efforts. Confidence in financial institutions is influenced by a wide range of factors, only some of which fall within the mandate of financial sector supervisory authorities and financial institutions themselves.

In accordance with the requirements of Decree No. 551 of the President of the Republic of Azerbaijan dated 28 February 2019, 'on Additional measures for resolving problem loans of individuals in the Republic of Azerbaijan,' the payment of compensation for the portion of principal loan balances denominated in foreign currency that increased in Azerbaijani manat terms as a result of currency devaluation commenced in April 2019. The implementation of the Decree was carried out along two main directions:

3.4.6.1. compensation payments for outstanding loan balances of up to $10,000 owed to credit institutions as of the exchange rate adjustment dates, covering the increase in loan liabilities resulting from currency devaluation. The compensation was made available to borrowers and applied toward the repayment of loans with overdue payments exceeding 10 days.

3.4.6.2. preferential restructuring for loans held by individuals that, as of the effective date of the Decree, had outstanding principal balances of up to $10,000 in foreign currency or up to AZN 17,000 in national currency and had been overdue for more than one year. The restructuring terms included a five-year repayment period at an annual interest rate of 1%, with a one-year grace period on principal repayments. As part of the implementation of the Decree, a total of AZN 644.5 million in compensation was paid to citizens in relation to foreign currency-denominated loans issued by operating banks, banks under liquidation, and NBCIs. In addition, loans amounting to AZN 242.3 million were restructured under preferential terms. The implementation of the Decree had a positive impact on the quality of consumer loan portfolios.

3.4.7. There is a need to further strengthen the financial inclusion data collection and monitoring system in the Republic of Azerbaijan. The successful implementation of the strategic vision and targets established for financial inclusion requires access to comprehensive and detailed information on the use of financial services by MSMEs, including private entrepreneurs. At present, the availability of data required to assess the current state of financial inclusion remains limited. In particular, there is insufficient information to effectively diagnose demand for financial services and identify consumer preferences, behaviors, and needs. Statistical data on the actual use of financial services are neither fully comprehensive nor sufficiently detailed, and relevant surveys are not conducted on a regular basis. Furthermore, existing data do not allow comprehensive and reliable analysis across key financial inclusion dimensions, including gender, age, type of economic activity, and geographic location.

3.5. Capacity building of financial service users and protection of their rights:

3.5.1. A system for raising financial literacy and protecting consumer rights has been established. Measures have been implemented and notable progress has been achieved in enhancing the financial literacy of the population and business entities. Nevertheless, against the backdrop of the rapid digitalization of financial services, continued efforts are required to strengthen the financial literacy and digital financial capabilities of both individuals and businesses. For certain customer groups, particularly older individuals with limited financial literacy and insufficient familiarity with modern technological innovations, access to banking services remains largely dependent on physical service points (branches and divisions). These customers often encounter difficulties when using ATMs, cash-in terminals, and other self-service infrastructure, which may increase their exposure to fraud and financial abuse.

3.5.2. Overall, financial knowledge, behavior, and skills indicators in the Republic of Azerbaijan remain relatively low. According to data for 2021, the average financial literacy score in Azerbaijan was 9.6, which is below the average score recorded across the Commonwealth of Independent States (CIS) countries (11.7). Under the methodology of the Organization for Economic Co-operation and Development (OECD), the minimum possible score is 1 and the maximum is 21. The financial literacy indicator comprises three sub-components: financial knowledge, financial behavior, and financial skills. Azerbaijan's scores in these categories were 2.4, 4.8, and 2.4, respectively. Each of these indicators was below the corresponding CIS averages of 3.6, 5.6, and 2.5, respectively.

3.5.3. The foundations of the financial consumer protection system have been established. Recent amendments to the regulatory framework have strengthened requirements regarding the disclosure of information to consumers prior to the provision of financial services and have introduced consumer-friendly provisions concerning liability limits for losses incurred in connection with digital payment services. These reforms are important for supporting informed consumer decision-making, increasing access to and usage of financial services, and safeguarding users' financial interests when utilizing digital financial products and services.

While the digitalization of financial services creates significant opportunities, it may also facilitate non-transparent practices by financial service providers or third parties. As digital financial services continue to expand, associated risks, including fraud, and excessive indebtedness, may also increase. Such developments are inconsistent with fundamental objectives of financial inclusion. Furthermore, misconduct by financial institutions may undermine public confidence in financial intermediaries and negatively affect financial stability.

Although the existing consumer protection framework addresses many of the key issues faced by consumers, further improvements are required to comprehensively manage emerging risks. In particular, it is necessary to further strengthen the legal framework, develop regulatory tools to address risks associated with digital financial applications, and establish mechanisms that protect consumers from financial losses, unfair practices, and abuse.

3.5.4. Financial inclusion of vulnerable population groups remains an important policy issue. Efforts should be undertaken to identify and address barriers to financial service access faced by persons with disabilities, older persons, youth, foreigners, stateless persons, and refugees. Opportunities for improving access to financial services for these population groups should be further explored. The following groups have been identified as vulnerable segments:

3.5.4.1. People with disabilities. There is a need to implement new initiatives aimed at improving access to and usage of financial services by people with disabilities, with the active participation of all relevant stakeholders.

3.5.4.2. Older people and pensioners. Due to their specific characteristics and generally lower levels of financial literacy, older individuals often rely on traditional financial service channels and face greater barriers to accessing modern financial services. In many cases, this customer segment requires assistance from third parties when using financial services, which may increase their vulnerability to fraud.

3.5.4.3. Foreigners, stateless persons, and refugees. Access to financial services is essential for foreigners, stateless persons, refugees, and individuals seeking refugee status during their stay in the country. In light of recent global trends, there is a need to assess and address challenges associated with the use of financial services by these groups and identify measures that can improve their financial inclusion.

4. TARGET INDICATORS OF THE STATE PROGRAM

4.1. The implementation of the State Program is expected to achieve the following targets:

4.1.1. ensuring the availability of financial service channels across all economic regions:

4.1.1.1. increase the number of POS terminals per 100,000 adults (15+) to 2,400 (2,262 in 2025).

4.1.1.2. increase the number of ATMs per 100,000 adults (15+) to 46 (43.9 in 2025).

4.1.2. expanding financial products and services:

4.1.2.1. increase the share of unique adults (15+) holding term deposit accounts to 2.8% (2.4% in 2025).

4.1.2.2. reduce the share of fully and partially collateralized loans in total lending to 72% (75% in 2025).

4.1.2.3. increase insurance premiums per capita to AZN 220 (AZN 147 in 2025).

4.1.2.4. increase the share of financial institutions connected to the distributed Know Your Customer (KYC) system to 30% (0% in 2025).

4.1.2.5. increase the share of non-bank payment service providers implementing the Open Banking model to 10% (0% in 2025).

increase the number of cashless payments per capita to 250 (228 in 2025).

4.1.3. inclusive policies and regulation:

4.1.3.1. increase the ratio of bank account holders to the total adult population to 85% (70.7% in 2025).

4.1.3.2. increase the ratio of MSMEs having at least one outstanding loan or line of credit from a financial institution to the total number of MSMEs to 36% (25% in 2025).

4.1.3.3. increase the share of unique insurance policyholders (life and non-life combined) in the adult population to 32% (25% in 2025).

4.1.3.4. increase total assets of NBCIs, excluding Aqrarkredit OJSC and credit unions, to AZN 1.5 billion (AZN 1 billion in 2025).

4.1.4. informed users and financial consumer protection:

4.1.4.1. increase the financial literacy score to 11.7 (9.6 in 2021).

4.1.4.2. reduce the ratio of complaints submitted to credit institutions and insurance companies to the total number of users of these services to 0.46% (0.66% in 2025).

5. OBJECTIVES OF THE STATE PROGRAM

5.1. The State Program aims to:

5.1.1. ensure convenient access to financial services and promote broader participation of the population and MSMEs in the financial sector.

5.1.2. enhance the level of awareness and understanding of financial services.

5.1.3. improve the quality of financial products and increase customer satisfaction.

5.1.4. ensure that individuals and business entities are able to access and use financial services on an equal, transparent, and non-discriminatory basis.

6. PRIORITY AREAS OF THE STATE PROGRAM

6.1. Under the State Program, activities will be implemented across the following priority areas:

6.1.1. ensure the availability of financial service channels across all economic regions:

6.1.1.1. **rationale:** The need for the first priority area is driven by several factors. First and foremost, while the Republic of Azerbaijan has achieved notable progress in strengthening access to financial service delivery channels with a view to expanding financial inclusion, considerable opportunities for further improvement remain. This is particularly relevant for regions and remote areas where the coverage of physical financial infrastructure is comparatively limited. The ongoing digital transformation necessitates the development of alternative mechanisms for the delivery of financial services beyond the traditional network model of bank branches and service outlets. Such alternative delivery channels include multifunctional ATMs, financial agents, mobile banking, internet banking, call centers, and other innovative service channels, offering greater accessibility and convenience to customers. By complementing traditional channels (bank branches and divisions), alternative delivery channels enhance customer satisfaction, reduce transaction costs, and encourage greater usage of financial services. At the same time, a secure and efficient payment system constitutes a cornerstone not only of financial inclusion but also of financial stability. Azerbaijan has established the foundations of a comprehensive national payment infrastructure, comprising clearing systems for large-value and retail payments, instant payment systems, and other core payment mechanisms. Despite these advances, the share of cashless payments remains below the levels observed in selected comparator countries and falls short of the country's policy target (65–70%). Accordingly, the first priority area aims to foster the development of a financial services ecosystem in which multiple interconnected delivery channels operate in a coordinated and complementary manner, address existing gaps in accessibility, support the achievement of financial inclusion objectives, and ultimately contribute to the country's socio-economic development.

6.1.1.2. **Planned measures:**

6.1.1.2.1. establish a methodology for determining the optimal level of diversification and availability of financial service delivery channels.

6.1.1.2.2. expand the coverage of the IPS.

6.1.1.2.3. broaden opportunities for merchants to accept cashless payments.

6.1.1.3. **Expected outcome and outcome indicators:**

6.1.1.3.1. establish criteria for determining the optimal level of financial service delivery channels and facilitate the development of alternative service delivery channels.

6.1.1.3.2. achieve full integration of banks into the IPS.

6.1.1.4. **Expected risks and mitigation measures:**

6.1.1.4.1. Against the backdrop of the digitalization of financial services, banks and non-bank financial institutions may reduce their physical financial infrastructure networks. To mitigate this risk, the distribution and accessibility of physical financial service channels will be monitored on a regular basis, and an optimal level of financial service network coverage will be maintained through regulatory, supervisory, and stakeholder engagement mechanisms.

6.1.1.4.2. The adoption of digital channels and digital financial services by consumers may progress at a slower pace than anticipated. To address this risk, measures will be taken to ensure the reliability and security of the digital financial system, strengthen public trust in digital financial infrastructure, and reduce potential barriers through enhanced financial literacy among the population and small business owners.

6.1.1.4.3. Payment service providers may continue to prefer traditional payment systems over the IPS. Accordingly, measures will be undertaken to ensure that payment service providers are able to connect to the IPS on equal terms, while awareness-raising and incentive-based initiatives will be implemented to promote the benefits of using the IPS.

6.1.2. Expansion of financial products and services responsive to the needs of Individuals and MSMEs:

6.1.2.1. **Rationale:** High-quality financial products and services constitute one of the fundamental pillars for achieving financial inclusion objectives. Financial inclusion extends beyond mere access to financial services and encompasses well-designed, affordable, accessible, and user-oriented financial products and services that contribute to the financial well-being of all individuals and business entities. At present, a number of challenges persist with regard to access to finance for both individuals and MSMEs. In addition to limited access to credit, MSMEs face constraints in accessing alternative forms of capital and financing. The range of available financial products and services, particularly data-driven financing products, remains limited, and the potential of the existing financial infrastructure is not fully utilized. There is also a shortage of dedicated financing mechanisms targeting specific sectors, such as mortgage lending, agriculture, and tourism, as well as enterprises at an early stage of development and growth-oriented companies. Furthermore, although the propensity of the population to save is relatively high, the level of savings mobilized through financial institutions and financial instruments remains low. Consequently, there is a need to develop more attractive financial products and investment instruments capable of channeling savings into the formal financial system. In addition, expanding the coverage of insurance services for both individuals and legal entities requires consistent and comprehensive policy measures, as well as the introduction of innovative insurance products. More broadly, optimizing access to credit and other sources of financing is considered essential for enabling MSMEs to realize their growth potential and increase their contribution to gross domestic product (GDP). Finally, addressing financing constraints in the agricultural sector remains a particularly pressing priority. Accordingly, this priority area envisages a comprehensive package of reforms aimed at addressing the multifaceted challenges outlined above in an integrated manner. The overarching objective is to establish an inclusive financial ecosystem that leaves no one behind, is firmly focused on meeting financial service needs of individuals and business entities, supports sustainable economic growth, and contributes to the development of a prosperous society in line with the country's national development priorities.

6.1.2.2. **Planned measures:**

6.1.2.2.1. expand opportunities for domestic and cross-border money transfers.

6.1.2.2.2. create an enabling environment for mobilizing small and medium-sized savings into the financial sector.

6.1.2.2.3. develop small-scale investment opportunities through the establishment of dedicated investment instruments.

6.1.2.2.4. promote the adoption of digital brokerage platforms.

6.1.2.2.5. encourage the direct participation of banks in capital markets.

6.1.2.2.6. enhance the quality and effectiveness of the insurance agent network for the delivery of insurance services.

6.1.2.2.7. develop the bancassurance partnership model.

6.1.2.2.8. digitalize insurance product distribution channels.

6.1.2.2.9. introduce the open insurance model.

6.1.2.2.10. establish and develop the microinsurance market.

6.1.2.2.11. increase premium collections under voluntary insurance classes.

6.1.2.2.12. establish a supplementary voluntary health insurance mechanism.

6.1.2.2.13. complete the full digitalization of the issuance of certificates under compulsory insurance classes.

6.1.2.2.14. expand the scope of agricultural insurance in terms of insured objects and covered risks and assess the feasibility of obtaining reinsurance coverage for new insurance objects and risks.

6.1.2.2.15. strengthen institutional capacity by assessing opportunities for the introduction of innovative solutions in the field of agricultural insurance.

6.1.2.2.16. introduce alternative collateral mechanisms for agricultural lending.

6.1.2.2.17. facilitate the use of warehouse receipts and product certificates by financial institutions as alternative collateral instruments.

6.1.2.2.18. improve financing mechanisms available to farmers.

6.1.2.2.19. create opportunities for the provision of microloans in cash form.

6.1.2.2.20. ensure that financial institutions and entrepreneurs have access to information on actual market prices of agricultural products.

6.1.2.2.21. develop and regularly update a database containing agrotechnical maps and cost information related to agricultural production and ensure online access to such database.

6.1.2.2.22. in accordance with the Law of the Republic of Azerbaijan ‘on Accounting’, ensure the maintenance of accounting records, financial reporting, and financial transparency in MSMEs based on the applicable accounting standards, accounting procedures, and accounting policies adopted by such entities.

6.1.2.2.23. encourage the Financial Science and Training Center under the Ministry of Finance of the Republic of Azerbaijan, professional accounting organizations, and business entities to provide accounting services to MSMEs to reduce information asymmetry and promote cash flow-based lending.

6.1.2.2.24. promote asset-based financing mechanisms (financial leasing, factoring, and invoice financing) through electronic invoices and other initiatives.

6.1.2.2.25. support the development of specialized financing products for agricultural enterprises.

6.1.2.2.26. assess and enhance the effectiveness of credit guarantee mechanisms to facilitate access to credit for MSMEs that have promising projects but limited access to credit resources.

6.1.2.2.27. promote the development of domestic alternative financing institutions.

6.1.2.2.28. increase access to debt and equity financing for startups, early-stage business entities, and growth-oriented MSMEs to support entrepreneurial development.

6.1.2.2.29. develop proposals for the analysis and optimization of credit application and loan disbursement processes with a view to facilitating borrowers' access to credit.

6.1.2.2.30. enhance the scientific and technical knowledge, as well as practical skills, of financial institution staff, entrepreneurs, and business associations involved in agricultural lending.

6.1.2.2.31. expand access to and utilization of mortgage lending.

6.1.2.2.32. promote short-term emergency lending instruments for individuals requiring small amounts of cash.

6.1.2.2.33. promote the development and provision of financial products responsive to the needs of women and support the undertaking of market research and analysis in this area.

6.1.2.3. **Expected outcome and outcome indicators:**

6.1.2.3.1. test digital payment and money transfer services offered by financial service providers on favorable terms within a Regulatory Sandbox.

6.1.2.3.2. develop a package of proposals aimed at increasing small and medium-sized savings.

6.1.2.3.3. expand the coverage of compulsory and voluntary insurance to encompass new risks and additional population and business segments.

6.1.2.3.4. enhance the agricultural insurance system and increased utilization of agricultural insurance by farmers and agricultural producers.

6.1.2.3.5. increase diversity of financial products available to MSMEs and the agricultural sector, including diversified debt instruments, financial leasing, and factoring.

6.1.2.3.6. expand access to affordable consumer and mortgage lending for the population;

6.1.2.3.7. increase the availability of financial products targeted at women.

6.1.2.4. Expected risks and mitigation measures:

6.1.2.4.1. There is a risk that customers may be reluctant to use digital methods for the payment of goods and services. To address this risk, the relevant public authorities (institutions) will strengthen oversight of compliance with the requirements of regulatory legal acts governing the acceptance of both cash and cashless payments in retail outlets, with a view to increasing the use of digital payments.

6.1.2.4.2. There is a risk that misconceptions regarding the safety of holding savings in financial institutions and financial instruments may continue to persist. In response, comprehensive and sustained measures will be implemented to strengthen public confidence in the banking sector.

6.1.2.4.3. Misconceptions regarding the cost and benefits of voluntary insurance may limit its wider adoption. To mitigate this risk, additional incentives will be introduced and cooperation among stakeholders in the insurance sector will be strengthened.

6.1.2.4.4. Due to uncertainty and the innovative nature of alternative financing instruments, there is a risk that MSMEs may continue to make limited use of alternative sources of finance. These risks will be mitigated through the consideration of regulatory incentives to facilitate MSMEs' access to alternative financing instruments (financial leasing, factoring, supply chain finance, and others) on favorable terms, as well as through the integration of alternative financing mechanisms into the programs of state support funds.

6.1.2.4.5. There is a risk that access to credit for self-employed individuals and MSMEs may remain constrained due to collateral requirements and weaknesses in creditworthiness assessment practices. To address this risk, financial institutions will be provided with training on alternative credit assessment methodologies aimed at overcoming challenges associated with collateral requirements for MSMEs and self-employed individuals.

6.1.2.4.6. Human capital constraints in the financial sector may limit the effective implementation of the envisaged measures. Accordingly, training programs will be introduced for the personnel working in the financial sector.

6.1.3. enhance efficiency and inclusion in the financial sector through support for diverse financial service providers and the development of modern financial infrastructure

6.1.3.1. Rationale: The digital transformation of financial services necessitates a fundamental restructuring of the financial services landscape. At the same time, the integration of the financial sector of the Republic of Azerbaijan into global transformation processes is progressing at a relatively slow pace. Although the emerging fintech sector has significant potential, its development is constrained by the absence of an enabling legal and regulatory framework and limited access to investment capital required to foster innovation. Given the substantial potential of fintech and other financial innovations in enhancing financial inclusion, it is essential to align public policy with private sector innovation to ensure that technological progress benefits all segments of society. In addition, data plays a critical role in the design and delivery of financial services, particularly for individuals and legal entities that are underserved by the financial system. At present, financial institutions face significant challenges in collecting reliable data on self-employed individuals, MSMEs, and other relevant segments. These challenges are partly driven by the complexity and, in some cases, inconsistency of legal definitions for these groups, the absence of centralized databases that could facilitate Know Your Customer (KYC) processes, and other contributing factors. Accordingly, the third priority area is aimed at establishing a dynamic financial ecosystem that encompasses digital innovation, promotes diversity among financial service providers, and effectively leverages data capabilities to better serve underbanked segments of the population.

6.1.3.2. Planned measures:

6.1.3.2.1. establish a digital identification system and digital profile framework.

6.1.3.2.2. introduce a distributed electronic Know Your Customer (e-KYC) system.

6.1.3.2.3. develop a regulatory framework for fintech companies.

6.1.3.2.4. improve the legal framework for the identification of MSMEs, family farms, and farmers, and establish a centralized database.

6.1.3.2.5. establish a domestic credit scoring mechanism.

6.1.3.3. Expected outcome and outcome indicators:

6.1.3.3.1. establish a universal identification system and an electronic Know Your Customer (e-KYC) system applied across all financial service providers.

6.1.3.3.2. create favorable conditions for fintech access to financial markets and expand the use of efficient technological solutions.

6.1.3.3.3. improve and strengthen the information infrastructure supporting the financial sector;

6.1.3.4. Expected risks and mitigation measures:

6.1.3.4.1. The implementation of a universal identification system may be delayed due to its complexity and the longer time required for deployment. To mitigate this risk, advanced international best practices will be studied and proven solutions that can be implemented more rapidly will be adopted.

6.1.3.4.2. Difficulties or delays may arise in integrating centralized MSME databases with the information systems of relevant public authorities. To ensure the accurate and timely collection of data on business entities, cooperation among relevant stakeholders will be strengthened, including through the establishment of joint working groups.

6.1.4. Align the legal and other public policy frameworks with the objectives of enhancing financial inclusion for the population and MSMEs.

6.1.4.1. Rationale: The existence of an inclusive policy and legal framework constitutes one of the key pillars of a financial sector landscape that ensures financial stability and the protection of consumer rights. In this regard, the inclusiveness of the regulatory environment is of critical importance, as it provides a development-oriented operating framework for financial service providers and promotes the creation of new and innovative service delivery channels. At the same time, the legal framework must ensure a delicate balance between the objectives of financial stability and financial inclusion. In this context, the adoption of a proportional regulatory approach is a key prerequisite for ensuring an inclusive regulatory environment. Such an approach covers areas including the use of electronic contracts and electronic signatures, interoperability of information systems, and electronic Know Your Customer (e-KYC) protocols. Accordingly, the fourth priority area encompasses the recalibration of the policy and legal framework, with the objective of ensuring that financial inclusion policies evolve in harmony with financial stability objectives. By ensuring proportional regulation and enhancing the effectiveness and scale of state support programs, a financial sector ecosystem oriented towards the needs of the real economy will be established.

6.1.4.2. Planned measures:

6.1.4.2.1. optimize rules governing the opening of accounts (both in-person and remote) for MSMEs, including individual entrepreneurs.

6.1.4.2.2. expand open banking functionality to stimulate competition and enable fintech companies to develop new financial services.

6.1.4.2.3. optimize rules and procedures for foreign exchange transfers by individuals and legal entities.

6.1.4.2.4. improve the legal framework to support the development of factoring and invoice financing.

6.1.4.2.5. enhance the legal framework governing collateral enforcement mechanisms.

6.1.4.2.6. establish an enabling ecosystem for the sale of problem assets.

6.1.4.2.7. analyze alternative financial products and services and develop a legal framework for selected areas.

6.1.4.2.8. establish a mechanism for assessing the impact of financial sector regulatory acts on financial inclusion.

6.1.4.2.9. ensure consumer choice among banks for salary payment services.

6.1.4.2.10. enhance accessibility through the expansion of the functional capabilities of components of the National Payment System.

6.1.4.2.11. evaluate the effectiveness of existing state support mechanisms and develop proposals for their consolidation.

6.1.4.2.12. eliminate duplication in the activities of relevant state funds (Azerbaijan Business Development Fund, Mortgage and Credit Guarantee Fund), the Agricultural Credit and Development Agency, and authorized credit institutions, and reduce financing time and costs for MSMEs through other improvements.

6.1.4.2.13. establish mechanisms to ensure equal access to finance for all MSME segments and address potential market failures and constraints in the supply of financial resources.

6.1.4.2.14. effectively use interest rate subsidies to improve MSMEs' access to finance.

6.1.4.2.15. establish a platform enabling MSMEs to connect with authorized credit institutions and apply for preferential financing mechanisms.

6.1.4.2.16. define and implement a sustainable microfinance model.

6.1.4.2.17. assess the feasibility of securitization of microfinance loans and their issuance as bonds in the national currency.

6.1.4.2.18. establish an effective credit guarantee system to enhance microfinance institutions' access to domestic financial resources.

6.1.4.3. Expected outcome and outcome indicators:

6.1.4.3.1. fully integrate financial inclusion considerations into the legal framework of the financial sector and public policy design.

6.1.4.3.2. establish a level playing field for banks, fintech companies, and NBCIs, fostering a dynamic, innovation-driven financial sector and supporting the entry of new participants and business models.

6.1.4.3.3. develop a strong legal and institutional infrastructure that enhances trust in the financial system and promotes responsible lending and borrowing through creditor rights protection, contract enforcement, and information-sharing frameworks.

6.1.4.3.4. establish a coordinated and high-impact architecture of state support mechanisms for entrepreneurship and financial inclusion, ensuring efficient and strategic use of public resources.

6.1.4.3.5. develop a sustainable microfinance sector targeting vulnerable groups and facilitating the integration of informal and low-income economic actors into the formal financial system.

6.1.4.4. Expected risks and mitigation measures:

6.1.4.4.1. There is a risk that state support mechanisms may not be sufficiently aligned with financial sector development policies and measures aimed at ensuring business financial inclusion. To address this risk, coordination among relevant institutions will be strengthened with respect to policies and legal framework measures related to MSME financing.

6.1.5. Ensure access for individuals and MSMEs to the informed and secure use of financial services.

6.1.5.1. Rationale: To achieve financial inclusion objectives, it is not sufficient to expand access to financial services alone; it is equally important to ensure that such access is transparent, informed, and responsible. As the financial sector landscape evolves, particularly with the rapid expansion of digital financial services, risks emerge alongside improved access. The digital era creates opportunities for responsible innovation on the one hand, while also increasing the potential for misconduct by financial service providers on the other hand. This may lead to higher incidences of fraud and over-indebtedness. The above factors necessitate the establishment of effective mechanisms for consumer protection. Although the existing system for the protection of financial service consumers in the country addresses key challenges, it remains insufficient for the comprehensive management of emerging risks, particularly in the digital financial space. Strengthening the legal framework, developing tools for monitoring emerging risks, and establishing mechanisms to ensure accountability of financial institutions are essential steps towards protecting consumers from harm and abuse. At the same time, despite overall improvements in financial literacy, significant room for further enhancement remains. The current average financial literacy score in the Republic of Azerbaijan remains below international benchmarks. Low financial literacy may result in poor financial decision-making by consumers, contributing to excessive indebtedness and other related issues, thereby hindering the healthy development of the financial sector. Accordingly, the fifth priority area is focused on equipping financial service consumers with the knowledge, tools, and access required to make informed financial decisions. The initiatives to be implemented will help maintain trust in the financial system while ensuring that financial inclusion translates into financial well-being and economic growth. In addition, to ensure full financial inclusion, it is essential to address the needs of vulnerable groups. Adapting physical financial infrastructure to the needs of people with disabilities, improving digital skills among the elderly population, developing basic financial competencies from an early age among youth, and removing barriers faced by migrants and refugees in accessing financial services can significantly contribute to achieving full financial inclusion in the country.

6.1.5.2. Planned measures:

6.1.5.2.1. establish an effective coordination mechanism for financial literacy initiatives.

6.1.5.2.2. define core financial competencies for individuals and MSMEs and prepare training materials.

6.1.5.2.3. organize financial literacy education in extracurricular activities in general education institutions and as elective courses in higher education institutions.

6.1.5.2.4. provide workplace financial education programs by employers and promote employees' use of financial services.

6.1.5.2.5. promote consumer education by financial institutions during customer communication, including the provision of impartial information on financial products and services in a non-sales-oriented manner.

6.1.5.2.6. implement awareness-raising activities on insurance.

6.1.5.2.7. promote the development of risk assessment tools to help MSMEs identify their insurance needs.

6.1.5.2.8. identify effective financial literacy practices for public dissemination.

6.1.5.2.9. develop consumer protection rules in financial markets.

6.1.5.2.10. establish a supervisory mechanism for consumer protection in financial markets.

6.1.5.2.11. promote effective internal electronic complaint management systems in financial institutions.

6.1.5.2.12. expand alternative (pre-litigation) dispute resolution mechanisms in financial services.

6.1.5.2.13. introduce responsible lending programs for financial institutions.

6.1.5.2.14. support consumers in identifying potential risks associated with financial services and mitigating consequences of suboptimal decisions (including cognitive biases, irrational decision-making, etc.).

6.1.5.2.15. expand cooperation with stakeholders to mitigate potential risks and negative consequences of misconduct by financial institutions.

6.1.5.2.16. develop appropriate technological solutions enabling people with disabilities to access financial services tailored to their needs.

6.1.5.2.17. provide training to financial institution staff to develop necessary skills for adequately serving people with disabilities.

6.1.5.2.18. ensure recognition and adequate protection of the rights of persons with disabilities within the legal framework.

6.1.5.2.19. implement measures to improve financial literacy and digital skills of the elderly population.

6.1.5.2.20. promote the development of products and services tailored to the needs of the elderly population.

6.1.5.2.21. protect the elderly population from abuse and fraud in the use of financial services.

6.1.5.2.22. optimize access to relevant financial services for foreigners, stateless persons, refugees, and asylum seekers, and implement awareness-raising measures in this regard.

6.1.5.3. Expected outcome and outcome indicators:

6.1.5.3.1. improve financial management competencies of individuals and MSMEs, with financial literacy levels increasing to the average benchmark of OECD countries.

6.1.5.3.2. enhance the financial consumer protection system in line with the evolving financial sector ecosystem, including diversified service delivery channels and institutions.

6.1.5.3.3. reduce the number of unbanked individuals and MSMEs, and expand access to financial services for underserved groups, including women, the elderly, youth, migrants, and persons returning to liberated territories.

6.1.5.4. Expected risks and mitigation measures:

6.1.5.4.1. The implementation of financial literacy initiatives may prove complex, and weak coordination among stakeholders may hinder the achievement of targets. To address this, comprehensive coordination mechanisms will be established among relevant stakeholders for the implementation of financial literacy programs.

6.1.5.4.2. Insufficient awareness among financial service consumers regarding their rights may create barriers to achieving expected outcomes. To mitigate this, disclosure of information on consumer rights will be strengthened, and the conduct of financial service providers will be regularly monitored to prevent potential abuse of consumer rights.

6.1.5.4.3. There is a risk of delays in the adaptation of financial services to the needs of vulnerable groups by financial institutions. Accordingly, monitoring mechanisms will be introduced to assess the extent to which financial service providers effectively address the specific needs of individuals and businesses belonging to vulnerable groups.

7. FUNDING OF THE STATE PROGRAM

The costs associated with the implementation of the measures specified in the State Program are financed in relevant years from funds allocated in the state budget of the Republic of Azerbaijan for the respective implementing public authorities (institutions), off-budgetary funds of public authorities (institutions), funds of the Central Bank of the Republic of Azerbaijan, local and foreign investments, credits and grants, donations from legal entities and individuals, as well as other sources provided for by law, including private sector funds and public–private partnership projects.

8. ACTIONS PLAN FOR THE IMPLEMENTATION OF THE STATE PROGRAM

№	Measure	Main implementing authorities (institutions) (under the relevant areas of activity)	Other implementing authorities /Institutions	Implementation period	Outcome indicators		
					Initial outcomes	Interim outcomes	Final outcomes
8.1. Ensuring the availability of financial service channels across all economic regions							
8.1.1.	Development of a methodology for determining the optimal mix of financial service delivery channels	Recommended: CBA	MDDT	2027–2028	Review of best international practices concerning the optimal level of financial product and service delivery channels, with due consideration to population density and geographic factors	Discussion of the research findings with sector representatives.	Approval of a methodology for measuring and monitoring the optimal level of physical financial service delivery channels, and preparation of recommendations for financial institutions based on the methodology
8.1.2.	Expansion of the scope of the IPS	Recommended: CBA	ME	2027–2029	Integration of the digital channels of payment service providers into the AÖS, determination of an optimal pricing policy for the use of the AÖS, and enhancement of registration procedures for AZQR code payments.	Raising awareness of the IPS and expanding the use of the system	Increasing the share of instant payments in the operations of the National Payment System to 80% (baseline year: 6.4%)

8.1.3.	Enhancement of cashless payment acceptance by merchants	İN	Recommended: CBA, by involving financial institutions	2027– 2030	Improvement of procedures for registering POS terminals	Encouraging cashless payments and widening cashless payment access in the regions	Increasing the share of actively used POS terminals to 80%, and establishing a regulatory framework for ensuring the provision of unobstructed payment options to customers.
8.2. Expansion of financial products and services tailored to the needs of individuals and MSMEs, through the involvement of financial institutions							
8.2.1.	Enhancement of opportunities for domestic and cross-border money transfers	Recommended: CBA	By involving payment service providers	2027– 2030	Identification of constraints limiting the realization of market potential	Improvement of the legal and operational framework for maximizing market potential in money transfers and reducing costs	Testing of at least one product in the Regulatory Sandbox
8.2.2.	Creation of a favorable environment for attracting small and medium-sized savings to the financial sector.	Recommended: CBA	ME, MF, with the involvement of ABA	2027– 2028	Identification of factors limiting the growth of savings.	Review of best practices for increasing small and medium-sized savings	Removal of legal framework constrains limiting the growth of small and medium-sized savings.

8.2.3.	Enhancement of small-scale investment opportunities through the introduction of dedicated investment instruments	Recommended: CBA	BSE, By involving investment companies	2027– 2030	Establishment of a legal framework	Assessment of the feasibility of establishing investment funds	Launch of at least one investment fund focused on individual investors
8.2.4.	Promotion of the adoption of digital brokerage platforms.	Recommended: CBA	By involving investment companies	2027– 2029	Assessment of advanced digital online brokerage accounts and trading platforms, and proposal of an appropriate strategic approach	Interconnection of platforms by investment companies	Availability of digital access to investment instruments in 50% of investment companies
8.2.5.	Promotion of banks' direct participation in capital markets	Recommended: CBA	with the involvement of ABA and ACMA	2027– 2028	Assessment of banks' readiness to open investment accounts for their clients	Development of banks' capacity to provide investment services to their clients.	Provision of investment services by at least three banks
8.2.6.	Improvement of the quality and efficiency of the insurance agents' network for the delivery of insurance services	Recommended: CBA	with the involvement of AIA	2027– 2028	Implementation of updated licensing requirements for insurance agents	Strengthening the professional skills of insurance agents	Increasing the volume of voluntary insurance products sold through insurance agents by 10% annually.

8.2.7.	Development of the bancassurance partnership model	Recommended: CBA	MA, AIF, with the involvement of ABA and AIA	2027– 2029	Examination of options for insuring consumer loans against unemployment, and assessment of the possibilities of linking agricultural insurance products with the products of other financial institutions (banks and credit institutions)	Regulatory framework for the expansion of the bancassurance model across at least two insurance lines	Annual increase of 10% in the total number of insurance contracts concluded through the bancassurance channel
8.2.8.	Digitalization of insurance product delivery channels	Recommended: CBA	with the involvement of AIA	2027– 2029	Assessment of the current state of insurance product distribution channels and identification of factors limiting the use of digital distribution channels	Improvement of the legal framework for the digital delivery of insurance services, development of omnichannel distribution systems, and strengthening of the framework for managing risks arising from digitalization	Launch of the omnichannel sales model

8.2.9.	Introduction of an open insurance model	Recommended: CBA	with the involvement of AIA	2027—2029	Assessment of financial institutions' readiness to implement the model	Establishment of the relevant legal framework	At least 50% of insurance companies implementing the open insurance model
8.2.10.	Establishment and development of a microinsurance market	Recommended: CBA	with the involvement of AIA	2028– 2029	Assessment of the development potential of the microinsurance market and identification of incentive measures	Establishment of regulatory and licensing requirements	Launch of the microinsurance model
8.2.11.	Increase in voluntary insurance premiums	Recommended: CBA	with the involvement of AIA	2027– 2029	Identification of key weaknesses and study of advanced international experience	Definition and approval of key terms for voluntary insurance types	Annual increase of 10% in voluntary insurance premiums
8.2.12.	Establishment of a complementary voluntary health insurance mechanism	Recommended: CBA SN, MLSPP	with the involvement of AIA	2027– 2028	Identification of barriers to the development of complementary voluntary health insurance	Development of a concept for a complementary voluntary health insurance model	Launch of the complementary voluntary health insurance mechanism
8.2.13.	Completion of full digitalization of policy issuance for compulsory insurance types	Recommended: CBA MDDT	MA, MES, ME, with the involvement of CIB	2027– 2029	Identification and elimination of gaps in the legal framework	Establishment of the relevant infrastructure for data integration	Ensuring online access to all compulsory insurance types

8.2.14.	Expansion of the coverage of agricultural insurance in terms of insured objects and risks, as well as assessment of the feasibility of obtaining reinsurance coverage for new insured objects and risks.	MA	MN, ME Recommended: CBA	2027– 2030	Analysis of current eligibility criteria for insurance beneficiaries and access to agricultural insurance products	Preparation of proposals for expanding the scope of agricultural insurance	Increasing the number of insured persons among agricultural entrepreneurs (family farms) registered in the Electronic Agriculture Information System (hereinafter – EAIS) engaged in agriculture by 25%
		MA	Recommended CBA MF:	2027– 2030	A diagnosis of the existing institutional framework	Preparation of proposals for capacity building	Implementation of an enhanced institutional framework capable of providing agricultural insurance products and services

8.2.16.	Application of alternative collateral mechanisms in agricultural lending	MA	Recommended: CBA ME	2027– 2028	Preparation and coordination with relevant authorities (institutions) of the draft law, including the draft law on amendments to the Civil Code of the Republic of Azerbaijan, and adoption of the relevant normative legal acts	Adoption of the relevant normative legal acts	Implementation of alternative collateral mechanisms for agricultural lending (warehouse and product certificates
8.2.17.	Ensuring the use of warehouse and product receipts as alternative collateral instruments by financial institutions	Recommended: CBA	ME, MA, with the involvement of ABA	2029– 2030	Preparation of amendments to legal acts related to the use of collateral instruments	Entry into force of amendments to legal acts	Use of alternative collateral instruments by at least three financial institutions
8.2.18.	Improvement of financing mechanisms for farmers	MA	ME, Recommended: CBA	2027– 2029	Preparation of proposals to address issues related to the registration of agricultural business entities in the EAIS	Ensuring the registration of all agricultural business entities engaged in agricultural activities in the EAIS	Ensuring that every agricultural business entity registered in the EAIS is provided with current banking operations and financing mechanisms

8.2.19.	Creation of the possibility of disbursing microcredits in cash	İN	Recommended: CBA	2027– 2028	Assessment of the effects of restricting the cash disbursement of microcredits	Amendment of legislation to allow cash disbursement of microcredits	Creation of the option for microcredit borrowers to receive loans in both cash and non-cash forms
8.2.20.	Provision of information on the real market prices of agricultural products to financial institutions and entrepreneurs	MA	Recommended: CBA	2027– 2028	Identification of information needs in the agricultural sector.	Preparation of proposals to improve data collection and analysis	Ensuring online access to current and forecast data on agricultural products covered by AIF insurance
8.2.21.	Preparation, regular updating, and provision of online access to a database on agrotechnical maps and cost information for agricultural production	MA		2027– 2029	Identification of the scope of essential economic and agrotechnical information in the agricultural sector	Development of agrotechnical maps and data collection methods	Ensuring the accessibility of agrotechnical maps of different areas
8.2.22.	Ensuring accounting, reporting, and financial transparency in MSMEs in accordance with the *Law of the Republic of Azerbaijan 'on Accounting',* based on the standards applied by MSMEs, accounting rules, and adopted accounting policies	MN	ME	2027– 2028	Identification of deficiencies in accounting and financial reporting, and enhancement of financial transparency	Implementation and testing of improvements to accounting rules	Annual increase of 15% in the share of MSMEs capable of maintaining accounting records and preparing financial statements in accordance with adopted standards

8.2.23.	Encouraging the Financial Science and Training Center under the Ministry of Finance of the Republic of Azerbaijan, professional accounting organizations, and business entities to provide accounting services to MSMEs in order to reduce information asymmetry and increase cash flow-based lending	MN	With the involvement of professional accounting organizations	2027– 2029	Assessment of the provision of free or low-cost accounting advisory services for MSMEs	Preparation of training materials for the provision of accounting services to MSMEs by professional accounting organizations and business entities	Improving MSMEs' access to affordable, high-quality accounting and financial reporting services, and promoting cash flow-based lending
8.2.24.	Promotion of asset-based financing through electronic invoices and other initiatives (leasing, factoring, invoice financing)	Recommended: CBA	ME	2027– 2028	Analysis of the reasons for low use of factoring and financial leasing, and preparation of proposals for solutions	Establishment of the Register of Financed Invoices	Annual 10% increase in the volume of asset-based financing
8.2.25.	Support for the development of tailored financing products for agricultural enterprises	Recommended: CBA	MA, with the involvement of ABA and AMFA	2027– 2028	Analysis of demand for specific agricultural credit products and study of international experience	Review and, where necessary, improvement of existing rules	Development and piloting of specialized agricultural credit products by at least two credit institutions

8.2.26.	Examination and improvement of the effectiveness of credit guarantee mechanisms to ensure access to credit for MSMEs with limited access to credit resources but viable projects	ME, MCGF	Recommended: CBA	2027	Assessment of the effectiveness of the existing credit guarantee mechanism	Coordination of the prepared proposals for improving credit guarantee mechanisms with relevant institutions and preparation of relevant regulatory legal acts	Implementation of flexible credit guarantee instruments
8.2.27.	Promotion of the development of local alternative financial institutions	ME, MDDT, Recommended: CBA		2027– 2030	Assessment of the need for alternative financial institutions	Preparation of proposals for the establishment of alternative financial institutions	Operation of new alternative financial institutions.
8.2.28.	Increasing access to financing sources (debt and equity) for startups, early-stage enterprises, and growth-oriented MSMEs to support business development	MDDT, ME		2027– 2028	Assessment of demand for startup and growth capital	Proposal of specialized financing mechanisms for startups and growing enterprises	Removal of financing constraints for startups, early-stage enterprises, and growth-oriented MSMEs
8.2.29.	Analysis and preparation of proposals to optimize the loan application and disbursement process to facilitate borrowers’ access to credit	Recommended: CBA	With the involvement of sector associations	2027– 2028	Analysis of the loan application process	Development and testing of standardized application forms for consumer and MSME loans	Commencement of the application of standardized forms for consumer and MSME loans by at least 50% of credit institutions

8.2.30.	Enhancement of the scientific and technical knowledge, as well as practical skills, of financial institution staff, entrepreneurs, and business associations engaged in financing agricultural sector businesses.	MA	Recommended: CBA, with the involvement of ABA	2027– 2030	Assessment of knowledge regarding existing mechanisms and the regulatory framework for financing the agricultural sector	Conducting competency-based training and proposing cooperation models among financial institutions	Ensuring that at least 50% of staff responsible for lending to agricultural sector entrepreneurs participate in relevant training programs
8.2.31.	Improving access to mortgage loans and expanding their utilization	Recommended: CBA	MCGF, MN, with the involvement of ABA	2027– 2029	Assessment of the existing mortgage lending framework and instruments	Preparation of proposals to enhance the effectiveness of mortgage instruments based on the assessment results	A 15% increase in the mortgage loan portfolio volume compared to the base year (2025)
8.2.32.	Promotion of short-term emergency lending instruments for individuals with a need for small amounts of cash	Recommended: CBA	with the involvement of ABA	2027– 2029	Analysis of the current state of short-term emergency lending.	Review of the legal framework and, where necessary, preparation of amendments	Implementation of responsible lending instruments by credit institutions for emergency financing needs
8.2.33.	Promotion of the provision of financial products for women and the conduct of market analyses in this area	Recommended: CBA	with the involvement of ABA, BSE and ACMA	2027– 2029	Conducting market analysis on women's needs for financial products	Review of the legal framework to promote financial instruments targeted at women	Provision of credit products targeted at women entrepreneurs by at least two credit institutions; issuance of at least one gender bond

8.3. Increasing efficiency and inclusiveness in the financial sector through the support of various financial service providers and the development of modern financial infrastructure							
8.3.1.	Creation of digital identification and digital profiles	MDDT	Recommended: CBA	2027– 2028	Diagnosis of the existing digital identification system	Definition of the operational framework for the digital profile and establishment of the legal framework	Ensuring that the internal systems of all financial institutions (banks, NBCIs, insurance and investment companies) are enabled for transactions using electronic signatures
8.3.2.	Implementation of a distributed electronic 'Know Your Customer' (KYC) system	Recommended: CBA	By involving financial institutions	2027– 2030	Establishment of the legal framework for a distributed electronic Know Your Customer system	Implementation of a distributed electronic Know Your Customer system and conduct of relevant awareness-raising activities.	Gradual connection of financial institutions to the distributed electronic Know Your Customer system upon request, covering at least 5 financial institutions in the initial phase
8.3.3.	Development of the legal framework for fintechs.	Recommended: CBA		2027– 2029	Identification of existing gaps and barriers in the legal framework for the use of digital financial services	Establishment of an advanced legal framework to remove barriers	Increase in the number of additional services that fintech organizations can provide in the payment sector (baseline year – 5 services)

8.3.4.	Improvement of the legal framework for the identification of MSMEs, household farms, and farmers, and establishment of a centralized database	İN	MLSPP, MA, MDDT, SSC	2027– 2030	Review and updating of the relevant legal framework based on international best practice	Standardization and use by all financial institutions of a unique identifier system	Creation of a centralized database of MSMEs, household farms, and farmers (within the framework of the e-Government Information System), ensuring that data on at least 45% of MSMEs, household farms, and farmers is available in the centralized database
8.3.5.	Establishment of a domestic credit rating mechanism.	Recommended: CBA	with the involvement of ABA, AMFA, AIA and ACMA	2027– 2030	Definition of a strategic approach for the implementation of a domestic credit rating mechanism	Creation of the legal framework	Integration of the domestic credit rating mechanism into the regulatory acts governing credit institutions
8.4. Alignment of the legal and other public policy frameworks with the objectives of increasing financial inclusion for the population and MSMEs							
8.4.1.	Optimization of rules for opening accounts (on-site and remote) for MSMEs, including individual entrepreneurs	Recommended: CBA		2027– 2028	Identification of existing restrictions on account opening	Preparation of proposals for amendments to legal acts, where necessary	Ensuring the availability of simplified rules and procedures for account opening

8.4.2.	Expansion of open banking functionality to stimulate competition and enable fintech companies to develop new financial services	Recommended: CBA		2027– 2028	Expansion of the open banking ecosystem through the inclusion of new participants	Expansion of open banking functionality	Connection of 70% of banks to enhanced open banking
8.4.3.	Optimization of rules and procedures for currency transfers by individuals and legal entities	Recommended: CBA	With the involvement of sector associations	2027– 2029	Identification of existing challenges	Study of best practices to address existing challenges	If necessary, preparation of amendments to rules and procedures to address existing challenges
8.4.4.	Improvement of the legal framework to stimulate the development of factoring and invoice financing	Recommended: CBA İN	MDDT	2027– 2028	Diagnosis of the legal framework	Establishment of a legal framework supporting the development of factoring and invoice financing	A 10% annual increase in the total volume of factoring and invoice financing transactions
8.4.5.	Improvement of the legal framework for collateral enforcement mechanisms	MJ Recommended: JLC	ME, MF Recommended: CBA, with the involvement of ABA	2027– 2029	Diagnosis of the current situation	Preparation of relevant proposals	Ensuring optimal time and cost levels in collateral enforcement processes

8.4.6.	Establishment of a conducive ecosystem for the sale of problem assets.	Recommended: CBA	MDDT	2027– 2028	Review of the factors limiting the sale of problem assets and preparation of proposals for their improvement, as well as for the establishment of financial institutions specialized in the management of problem assets	Amendment of normative legal acts	Removal of personal data protection-related constraints limiting the sale of problem assets and initiation of the implementation of effective mechanisms for the sale of problem assets.
8.4.7.	Analysis of alternative financial products and services and establishment of a legal framework for selected areas	Recommended: CBA	ME	2027– 2030	Conducting a feasibility study and preparing a concept paper on alternative finance	Preparation of a project for improving normative legal acts	Provision of financial services based on an alternative banking window model by at least two banks
8.4.8.	Establishment of a mechanism for assessing the impact of regulatory acts on financial sector regulation on financial inclusion	Recommended: CBA		2027– 2028	Preparation of a methodology for assessing the impact of normative legal acts on financial inclusion	Assessment of the impact of normative legal acts on financial inclusion based on the methodology	Implementation of a framework for assessing the impact of new normative legal acts on financial inclusion
8.4.9.	Ensuring consumers’ ability to choose among banks for salary payments	MN	SAACMC	2027– 2030	Study of advanced international practices in salary payment and identification of suitable approaches	Improvement of normative legal acts to enable consumers to choose among banks for salary payments	Ensuring consumers’ right to choose among financial service providers for salary payments

8.4.10.	Improving accessibility by expanding the functional capabilities of National Payment System components	Recommended: CBA	with the involvement of ABA and AzFINA	2027– 2028	Analysis of compliance with market requirements	Implementation of measures to expand the coverage of instant payments	Increase in the annual number of cashless transactions per capita to 300 (baseline year: 228
8.4.11.	Assessment of the effectiveness of existing state support mechanisms and preparation of proposals for their consolidation	ME, MF	MA, MCGF Recommended: CBA	2027– 2028	Assessment of the effectiveness of existing state support mechanisms	Preparation of proposals for consolidating state support mechanisms under a unified institutional framework	Establishment of an effective state support mechanism
8.4.12.	Reduction of MSME financing time and costs through eliminating overlaps in the activities of relevant state funds (Azerbaijan Business Development Fund, Mortgage and Credit Guarantee Fund), the Agricultural Credit and Development Agency, and authorized credit institutions, as well as through other improvements	ME	MA, MCGF Recommended: CBA	2028– 2029	Analysis of current lending procedures of state funds (Azerbaijan Business Development Fund, Mortgage and Credit Guarantee Fund) and the Agricultural Credit and Development Agency	Preparation of proposals to improve lending	Establishment of an effective financial support mechanism for lending

8.4.13.	Definition of mechanisms to ensure equal access to finance for all MSME segments, as well as to address potential market failures and constraints in the supply of financial resources.	ME	MA, MCGF Recommended: CBA	2027– 2028	Preparation of a methodology for identifying market failures and financing gaps	Conducting diagnostics of all MSME segments based on the methodology	Implementation of mechanisms to address market failures and financing gaps for MSMEs
8.4.14.	Effective use of interest rate subsidies to improve MSMEs' access to finance	ME	MA, MCGF Recommended: CBA	2027– 2028	Analysis of the impact of subsidies on the credit market and the activities of financial institutions	Preparation of proposals to improve the effectiveness of subsidies	A 20% annual increase in the volume of interest-subsidized loans.
8.4.15.	Establishment of a platform enabling MSMEs to connect with authorized credit institutions and access preferential financing mechanisms	ME	MA, MCGF Recommended: CBA	2027– 2028	Establishment of a platform enabling MSMEs to connect with authorized credit institutions and access preferential financing mechanisms	Preparation of a prototype of the unified platform	Launch of a platform integrating all state financial support programs
8.4.16.	Definition and implementation of a sustainable microfinance model	Recommended: CBA	with the involvement of AMFA and ABA	2027– 2028	Establishment of a legal infrastructure for microfinance institutions.	Definition of the framework for the participation of microfinance institutions in state support mechanisms	At least two credit institutions meeting microfinance institution criteria operating

8.4.17.	Conduct an assessment of the feasibility of securitizing microfinance loan portfolios and issuing them as bonds in the national currency	Recommended: CBA	ABAand AMFA with the involvement of	2027– 2029	Assessment of the feasibility of establishing a securitization mechanism	Develop proposals regarding the feasibility of securitization and the issuance of bonds in the national currency	Adoption of a strategic decision on the feasibility of securitization and the issuance of bonds denominated in the national currency
8.4.18.	Establishment of an effective credit guarantee system to enhance microfinance institutions' access to domestic financial resources	ME	MCGF Recommended: CBA	2028	Analysis of the current system	Development of an effective credit guarantee mechanism	Implementation of a credit guarantee mechanism tailored to the specific characteristics of microfinance
8.5. Creation of conditions for the informed and secure use of financial services by individuals and MSMEs							
8.5.1.	Establishment of an effective coordination system for financial literacy initiatives	Recommended: CBA	with the involvement of ABA, AIA, ACMA and AMFA	2027– 2030	Establishment of a coordination framework among financial institutions	Preparation of annual action plans for raising financial literacy	Establishment of a monitoring framework for action plans
8.5.2.	Definition of key financial competencies for individuals and MSMEs, and preparation of training materials	Recommended: CBA	ME, with the involvement of research institutions	2027– 2028	Definition of key financial competencies for individuals and MSMEs	Development of training materials based on the defined competencies	Integration of the developed training materials into awareness-raising programs

8.5.3.	Organization of financial literacy instruction in general education institutions through extracurricular activities and in higher education institutions as elective courses	MSE	Public authorities (institutions) with subordinate higher education institutions	2029	Definition of key financial literacy competencies	Organization of pilot classes in educational institutions	Expansion of the coverage of financial education in educational institutions
8.5.4.	Provision of on-site financial education programs for employees by employers and promotion of their use of financial services	Recommended: CBA MLSPP	With the involvement of sector associations and the ASC	2028	Assessment of the feasibility of delivering financial education through employers	Development of workplace financial education programs	At least 20% of employees benefit from the developed education programs
8.5.5.	Promotion of customer education by financial institutions during client communications, including the provision of impartial information on non-sales-oriented financial products and services	Recommended: CBA	With the involvement of sector associations	2027– 2028	Assessment of opportunities for customer financial education during interactions with financial institutions	Definition of training requirements for enhancing financial literacy of employees responsible for customer communication in financial institutions	At least 50% of front-office staff receive training and conduct financial awareness activities with customers

8.5.6.	Implementation of insurance awareness-raising activities	Recommended: CBA	MSE, MH (With the involvement of the AIA, implementation of joint awareness-raising activities to increase insurance literacy	2027– 2030	Assessment of the population's insurance awareness and literacy through surveys, and identification of areas requiring awareness-raising based on survey results	Development of awareness-raising programs in the identified areas	Assessment of the population's insurance awareness through surveys and achievement of at least a 10% increase in this indicator
8.5.7.	Promotion of the development of a risk assessment tool to support the identification of MSMEs' insurance needs	ME	Recommended: CBA, with the involvement of AIA and ABA	2027– 2028	Identification and aggregation of risks faced by MSMEs	Development of online and mobile applications for risk assessment	Increased awareness of MSMEs regarding the benefits of insurance
8.5.8.	Identification of effective financial literacy practices for the public	Recommended: CBA	With the involvement of sector associations	Regular	Diagnostic assessment of financial literacy activities in the media	Organization of training programs for media representatives	Engagement of at least 100 media representatives in training programs
8.5.9.	Development of rules on the protection of consumer rights in financial markets	Recommended: CBA	SAACMC	2027– 2028	Study of best practices	Conduct of a diagnostic assessment of consumer rights protection in financial markets	Development of rules on the protection of consumer rights in financial markets

8.5.10.	Establishment of a supervisory mechanism for consumer rights protection in financial markets	Recommended: CBA		2027– 2028	Analysis of international experience and preparation of proposals	Development of the methodological framework for the consumer protection supervisory system in financial markets	Implementation of the supervisory framework
8.5.11.	Promotion of the establishment of an effective internal electronic complaint management system in financial institutions	Recommended: CBA	with the involvement of ABA and AIA	2027– 2028	Analysis of relevant international experience	Submission of proposals on the establishment of the relevant system in financial institutions	Ensuring the existence of a complaint management system in financial institutions
8.5.12.	Expansion of alternative (pre-litigation) dispute resolution mechanisms in financial services	Recommended: CBA	Recommended: MC	2027– 2029	Analysis of the current state of alternative dispute resolution and identification of gaps	Preparation of proposals to expand alternative dispute resolution mechanisms	Increase in the number of financial disputes resolved via alternative dispute resolution mechanisms by 20% compared to the base year
8.5.13.	Implementation of a responsible lending program for financial institutions	Recommended: CBA	With the involvement of sector associations	2027– 2028	Study of responsible lending standards	Improvement of regulations, where necessary	Ensuring lending in line with responsible lending principles
8.5.14.	Providing support to consumers in identifying potential risks associated with the use of financial services and mitigating the consequences of suboptimal decisions (including cognitive biases, irrational decisions, etc.)	Recommended: CBA		2027– 2028	Study of best practices on the disclosure of risks and threats associated with financial services	Making amendments to regulations	Study of international best practices on the disclosure of risks and threats associated with financial services

8.5.15.	Expansion of cooperation with stakeholders to mitigate the potential risks and adverse impacts of misconduct by financial institutions	Recommended: CBA	ME, with the involvement of sector associations, research institutes	2028– 2029	Assessment of potential risks of misconduct by relevant associations	Development of a methodology for mitigating the potential risks of misconduct	A 20% reduction in complaints regarding misconduct by financial institutions
8.5.16.	Provision of technology-based solutions enabling people with disabilities to access financial services in line with their needs	Recommended: CBA	MLSPP, By involving financial institutions	2027– 2028	Identification of challenges faced by people with disabilities in accessing financial services tailored to their needs	Improvement of regulations	Ensuring accessibility of mobile and online solutions for people with disabilities.
8.5.17.	Delivery of training programs to develop staff skills required to ensure adequate service provision for persons with disabilities in financial institutions	Recommended: CBA	By involving financial institutions	2027– 2030	Development of training modules	Delivery of training programs	Ensuring that at least 10% of front-office staff participate in training programs
8.5.18.	Ensuring the recognition and proper protection of the rights of persons with disabilities within the legal framework	Recommended: CBA	MLSPP, With the involvement of sector associations	2027	Assessment of the legal framework from the perspective of bias and disregard for rights	Removal of legal barriers	A 20% reduction in complaints related to violations of the rights of persons with disabilities

8.5.19.	Implementation of measures to enhance the financial literacy and digital skills of the elderly population	Recommended: CBA MLSPP	MDDT, By involving financial institutions	Regular	Assessment of the financial literacy of the elderly population	Development of training programs on fund management and digital skills	Delivery of training programs
8.5.20.	Promotion of the development of products and services tailored to the needs of the elderly population	Recommended: CBA	By involving financial institutions	2027– 2030	Analysis of the current situation	Review of the legal framework and preparation of amendments where necessary	Encouragement of the development of credit products tailored to the needs of the elderly population by at least two credit institutions
8.5.21.	Protection of the elderly population from abuse and fraud in the use of financial services	Recommended: CBA	By involving financial institutions	2027– 2029	Identification of cases of abuse and fraud	Development of measures to prevent abuse and fraud	A minimum 20% reduction in complaints related to abuse and fraud
8.5.22.	Optimization of access to relevant financial services for foreigners, stateless persons, refugees, and asylum seekers, and implementation of awareness-raising measures in this regard	Recommended: CBA	SMS, ABA, with the involvement of AIA and AMFA	2027– 2029	Identification of barriers to access to financial services	Improvement of the legal framework and organization of awareness-raising measures	Ensuring at least 50% awareness based on survey results

ACRONYMS

ABA – Azerbaijan Banks Association

SAACMC – State Agency for Antimonopoly and Consumer Market Control under the President of Azerbaijan

ACMA – Azerbaijan Capital Markets Association

CBA – Central Bank of the Republic of Azerbaijan

AMFA – Azerbaijan Microfinance Association

AIA – Azerbaijan Insurers Association

AIF – Agrar Insurance Fund

ASK – National Confederation of Entrepreneurs (Employers) Organizations of Azerbaijan

AzFINA – Azerbaijan Fintech Association

BSE – Baku Stock Exchange

SMS – State Migration Service of the Republic of Azerbaijan

SSC – State Statistics Committee of the Republic of Azerbaijan

MSE – Ministry of Science and Education of Azerbaijan

MLSPP – Ministry of Labour and Social Protection of the Population of Azerbaijan

MJ – Ministry of Justice of the Republic of Azerbaijan

MES – Ministry of Emergency Situations of Azerbaijan

MCGF – Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan

CIB – Compulsory Insurance Bureau

ME – Ministry of Economy of the Republic of Azerbaijan

MA – Ministry of Agriculture of the Republic of Azerbaijan

JLC – Judicial-Legal Council of the Republic of Azerbaijan

MF – Ministry of Finance of the Republic of Azerbaijan

MC – Mediation Council

MDDT – Ministry of Digital Development and Transport of the Republic of Azerbaijan

MH – Ministry of Health of the Republic of Azerbaijan