

Long-Term Goals of the Strategic Roadmap for Development of Financial Services in the Republic of Azerbaijan

Eltun Yulat Ibrahimov¹

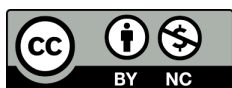
Abstract. *Through the financial system and its links, the state influences economic growth and social policy and uses financial resources to function purposefully, stably, and effectively. This study aims to analyze the long-term goals of the Strategic Roadmap for the development of financial services in the Republic of Azerbaijan, assess their impact on the country's financial sector and the broader economy, and identify challenges associated with their achievement. The study focuses on understanding the strategic goals, key performance indicators, and institutional reforms outlined in the document. The research relies on different data sources, including official government publications, primarily the Strategic Roadmap for Financial Services, reports, and data from institutions such as the Central Bank of Azerbaijan, the Ministry of Economy, and international financial institutions' assessments, academic and professional literature on financial sector reforms in emerging economies. The study uses the following criteria to evaluate the effectiveness of the strategic roadmap goals: alignment with international financial standards and best practices, institutional capacity and regulatory preparedness, and timeline and implementation progress. The study results show that Azerbaijan strengthened its regulatory frameworks, especially after the 2015-2016 banking crisis. The Central Bank resumed regulatory authority, and banking sector reforms improved capital adequacy and risk assessment. In addition, the government has tried to revive the Baku Stock Exchange, improve legal frameworks, and introduce new financial instruments. However, several challenges are still unresolved. In particular, these are problems of management and supervision in the banking sector, limited access of small and medium-sized enterprises to credit resources, low investor confidence in capital markets due to their underdevelopment, and use of different corporate governance and financial reporting standards by Azerbaijani enterprises. This study's findings contribute to a deeper understanding of Azerbaijan's financial reform trajectory and provide lessons for other developing countries pursuing similar financial sector transformation strategies.*

Keywords: Strategy Roadmap, financial services, oil incomes, economic resources, GDP growth.

Received: 12 May 2025 | **Revised:** 23 May 2025 | **Accepted:** 27 May 2025 | **Published:** 10 June 2025

Suggested Citation

Ibrahimov, E. Y. (2025). Long-Term Goals of the Strategic Roadmap for Development of Financial Services in the Republic of Azerbaijan. *Oblik i finansi*, 2(108), 50-58. [https://doi.org/10.33146/2307-9878-2025-2\(108\)-50-58](https://doi.org/10.33146/2307-9878-2025-2(108)-50-58)



This is an open access article under the terms of the Creative Commons Attribution-NonCommercial 4.0 License (<http://www.creativecommons.org/licenses/by-nc/4.0/>), which permits use and distribution in any medium, provided the original work is properly cited and the use is non-commercial.

© 2025 The Author(s).

¹ **Eltun Yulat Ibrahimov**, Nakhchivan State University, Nakhchivan, Azerbaijan.

ORCID 0009-0001-9936-3295

E-mail: ibrahimoveltun@ndu.edu.az

Довгострокові цілі Стратегічної дорожньої карти розвитку фінансових послуг в Азербайджані

Елтун Юлат Ібрагімов¹

¹ Нахичеванський державний університет, м. Нахичевань, Азербайджан

Анотація. Через фінансову систему та її зв'язки держава впливає на економічне зростання та соціальну політику, а також використовує фінансові ресурси для цілеспрямованого, стабільного та ефективного функціонування. Метою цього дослідження є аналіз довгострокових цілей Стратегічної дорожньої карти розвитку фінансових послуг в Азербайджанській Республіці, щоб оцінити їхній вплив на фінансовий сектор країни та економіку в цілому, а також визначити проблеми, пов'язані з їх досягненням. Дослідження зосереджено на розумінні стратегічних цілей, ключових показників ефективності та інституційних реформ, викладених у документі. Дослідження спирається на різні джерела даних, включаючи офіційні урядові публікації, насамперед Стратегічну дорожню карту розвитку фінансових послуг, звіти та дані таких установ, як Центральний банк Азербайджану, Міністерство економіки, та оцінки міжнародних фінансових установ, академічну та професійну літературу щодо реформ фінансового сектору. Для оцінки ефективності цілей стратегічної дорожньої карти в дослідженні використовуються такі критерії: відповідність міжнародним фінансовим стандартам та передовим практикам, інституційний потенціал та регуляторна готовність, а також терміни та прогрес у впровадженні. Результати дослідження показують, що Азербайджан зміцнив свою регуляторну базу, особливо після банківської кризи 2015-2016 років. Центральний банк відновив регуляторні повноваження, а реформи банківського сектору покращили достатність капіталу та оцінку ризиків. Крім того, уряд спробував відродити Бакинську фондову біржу, вдосконалити правову базу та запровадити нові фінансові інструменти. Однак, кілька проблем залишаються невирішеними. Зокрема, це проблеми управління та нагляду в банківському секторі, обмежений доступ малих та середніх підприємств до кредитних ресурсів, низька довіра інвесторів до ринків капіталу через його слабку розвиненість, а також використання різних стандартів корпоративного управління та фінансової звітності азербайджанськими підприємствами. Результати цього дослідження сприяють глибшому розумінню траєкторії фінансових реформ Азербайджану та надають уроки для інших країн, що розвиваються, які дотримуються аналогічних стратегій трансформації фінансового сектору.

Ключові слова: Стратегічна дорожня карта, фінансові послуги, доходи від нафти, економічні ресурси, зростання ВВП.

INTRODUCTION

Finance, which performs essential economic system functions in various historical periods, reflects the existence of multiple types of monetary-financial relations. We can characterize finance as follows: if there is money in economic processes, then there are also financial relations. Despite their manifestation in different forms, financial relations have standard features. These features are characterized by the fact that they all participate in the creation and use of monetary funds by distributing national income and gross domestic product, serve to regulate and control the distribution process, and are all mainly in the form of money (Baghirov & Hasanli, 2011, p. 78). Financial relations arise between the state and citizens, the state and enterprises and organizations, and enterprises and organizations and the population. The state distributes its economic resources among people and organizations by certain means, collects a certain part of the funds obtained from the activities of enterprises and organizations, and then redistributes them to economic entities and people through payments and salaries.

The South Caucasus, comprising Azerbaijan, Georgia, and Armenia, is rich in cultural heritage, natural beauty, and historical significance. However, its economic development has been uneven, influenced mainly by geopolitical factors, internal conflicts, and resource

dependence (Ibrahimov et al., 2024, p. 1296). As a result of successful reforms implemented in the non-oil sector against the backdrop of increasing oil revenues in 2004-2014, Azerbaijan has become one of the countries with the fastest economic growth rates on a global scale. The observed economic growth has also positively contributed to the financial system and other sectors of the economy.

The decline in oil prices on the world market since the second half of 2014 has also affected the Azerbaijani economy. As a result of the decline in oil revenues, foreign currency inflows into the country decreased, and the demand for foreign currency exceeded the supply of currency, which increased the pressure on the manat exchange rate. The government carried out two devaluations in 2015 to balance the situation in the foreign exchange market and ensure the strategic stability of the balance of payments and the country's international solvency. At the same time, the dollarization of the deposit and loan portfolio occurred after the first devaluation, and the outflow of financial resources from the banking system was observed after the second devaluation. Against the background of the weakening of overall economic growth, the activity observed for a long time in the banking sector decreased.

The weakening of the solvency of borrowers led to an increase in credit risk. To manage existing risks, including reducing the debt burden of borrowers, banks began to restructure loans. Although the measures taken had certain positive results, the continuation of macroeconomic uncertainties increased the provisioning costs of banks for credit risks. As a result, part of the capital cushion created during the period of economic growth was lost, the total capital adequacy ratio approached the established minimum standards and, according to the Central Bank of Azerbaijan, in 2015, it decreased by 4.2 percentage points compared to the previous year and amounted to 14.7 percent (cbar.az).

The Strategic Roadmap prepared in 2016 to achieve the development of financial services in the Republic of Azerbaijan covers the short, medium, and long term periods. It consists of a strategic vision and action plan until 2020, a long-term vision for the period until 2025, and a target vision for the period after 2025. To achieve the set goals, 5 strategic goals and 16 priorities have been prepared by 2020.

LITERATURE REVIEW

Different scholars have conducted research on the financial and banking sector of Azerbaijan in different years. Their research covers both the period before 2015 and the years after.

In particular, Guliyeva (2021) examined the theoretical and methodological aspects of the sustainable and balanced development of the country's regions. She proposed approaches to solve the problems of financial credit and investment provision and disclosed methodological features of financial credit and investment provision mechanisms.

Ramil (2017) analyzed the strategic roadmaps as an integral part of Azerbaijan's sustainable economic reform process. He found that the strategic roadmap for the period after 2025 aims to build a strong, competitive, and inclusive economy based on high technological development and an optimal economic structure, ensuring the improvement of social well-being and the highest level of human development index.

Ahmadov et al. (2018) investigated the relationship between oil prices and inflation. On domestic inflation in a panel of oil-exporting countries, the study examines oil price pass-through and proposes a methodology to disentangle the potential effects of different transmission channels. In particular, they investigate the effects of three transmission channels, namely, the exchange rate channel, the import (cost) channel, and the fiscal (demand) channel, and quantify their relative importance. The finding is that the most important channel is the import channel, and the least important one is the fiscal channel, in contrast to the widely held belief.

Valiyeva (2023) has investigated the impact of the real effective exchange rate on non-oil exports in Azerbaijan since promoting non-oil exports is one of the main goals of the Republic of Azerbaijan's strategic economic policy. The results show that the relationship between the real effective exchange rate and real non-oil export indicators is not statistically significant.

Real growth in non-oil exports is mainly affected by economic growth in trading partners and changes in oil prices.

Aliyeva and Rahmanov (2019) examined the interaction between Azerbaijan's monetary and fiscal policies. They used quarterly data for the period 2003Q1-2018Q4 and the VAR methodology. The results of the Granger causality tests and impulse response analysis show that fiscal policy dominates over monetary policy, although both fiscal and monetary policies demonstrate activity.

Determining the relationship between financial inclusion and economic growth in Azerbaijan is one of the main goals of the strategic roadmap. Imanova's (2023) study examined the relationship between financial inclusion and economic growth through econometric estimation, considering the impact of the COVID-19 pandemic in Azerbaijan. The results showed a cointegration relationship between economic growth and financial inclusion in Azerbaijan in the long term, and financial inclusion has an increasing effect on real non-oil GDP per capita.

Properly managing financial risks will be one of the main issues in the coming years. Huseynova (2024) showed that the purpose of managing the state's financial risks is to ensure its financial security; that is, it is about the state of protection through the minimization of financial losses and damages of the state through the application of a complex of methods, preventive measures, analytical procedures, reserve and compensation financial mechanisms, as well as other approaches, applied in the direction of risk management of the financial system, economy and society in general.

RESEARCH OBJECTIVES

This study aims to analyze the long-term goals of the Strategic Roadmap for the development of financial services in the Republic of Azerbaijan, assess their impact on the country's financial sector and the broader economy, and identify challenges associated with their achievement.

The objectives of this research include the following:

1. Analysis of the long-term vision and priorities outlined in the Strategic Roadmap to identify the key thematic pillars (e.g., financial stability, capital market development, inclusion, innovation).
2. Assessment of financial policy and regulatory reforms to identify changes in regulatory frameworks, institutional structures, and supervisory practices.
3. Measure progress in financial sector modernization through analysis of the adopting international standards (e.g., Basel III, IFRS) and global best practices.
4. To evaluate how the strategy has improved access to financial services for individuals and businesses, especially in underserved areas.
5. To explore how financial sector reforms support Azerbaijan's goal of reducing oil dependence.
6. To identify institutional, legal, or market-based challenges faced during the implementation of the long-term goals of the Strategic Roadmap.

RESEARCH METHODOLOGY

This study employs a qualitative methodology to examine the Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan. Using the analytical approach, the researcher analyzes policy documents to identify strategic priorities and evaluate their potential impact on the financial sector. The study focuses on understanding the strategic goals, key performance indicators, and institutional reforms outlined in the document. The research relies on different data sources, including official government publications, primarily the Strategic Roadmap for Financial Services, reports, and data from institutions such as the Central Bank of Azerbaijan, the Ministry of Economy, and international financial institutions' assessments, academic and professional literature on financial sector reforms in emerging economies. To evaluate the effectiveness and feasibility of the strategic roadmap, the study uses the following criteria: alignment with international financial standards and best practices, institutional capacity and regulatory preparedness, and timeline and implementation progress.

RESULTS AND DISCUSSION

To implement the tasks set by the Decree of the President of the Republic of Azerbaijan No. 1897 dated March 16, 2016, "On approval of the main directions of the strategic road map for the national economy and key sectors of the economy and issues arising therefrom" a Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan was prepared.

The Strategic Roadmap consists of a strategic vision and action plan until 2020, a long-term vision until 2025, and a target vision for the period after 2025, covering short, medium, and long-term periods. To achieve the goals set in the Strategic Roadmap, 5 strategic goals and 16 priorities have been developed until 2020. These goals include strategies for forming a financial system consisting of dynamic and sound institutions, developing financial markets, strengthening infrastructure, improving regulatory and supervisory mechanisms, and increasing financial literacy. The strategic vision for the development of the financial sector of Azerbaijan until 2020 is to form a financial system with development potential, resilient to internal and external shocks, deeply focused on risk management processes, surrounded by effective regulation and strong infrastructure elements. The long-term vision until 2025 is to form a sustainable, sound and balanced financial system supported by an efficient regulatory and legislative framework, providing all customer groups with a wide range of financial services. The target vision for the period after 2025 is to

form a financial sector attractive to foreign investors and competitive at the regional level. Thus, this economic action plan is a response to the sensitive financial processes occurring after 2015.

Key strategic goals for the Azerbaijani financial system

The financial services industry plays a vital role in the health of a country's economy. Financial service providers include banks, investment companies, insurance, leasing, brokerage, and many others (Ibrahimov & Babayev, 2024, p. 28).

One of the financial sector's main strategic goals is to form a financial system consisting of dynamic and sound institutions. Azerbaijan's banking system consists of retail and corporate banks offering a wide range of traditional banking products. Corporate banks mainly serve state organizations and large private enterprises, while retail banks serve a wide population segment. The number of institutions financing micro, small, and medium-sized enterprises is limited.

The depreciation of the national currency due to devaluation has affected borrowers' ability to repay loans in foreign currency. It has led to a deterioration in the quality of banks' loan portfolios. In 2015, the share of non-performing and restructured loans in the total portfolio increased by 30 percent and 130 percent, respectively, compared to the previous year, and the share of special reserves in the total portfolio increased by 40 percent. Implementing measures to achieve the strategic goals set for capitalization and liquidity is particularly important. The central bank must allocate a certain amount of financial resources to solve capitalization and liquidity problems in the banking system. However, the amount of these funds depends more on the methodology adopted to solve the problems, and this is one of the tasks set within the priority framework. Although Azerbaijan's non-oil exports and non-oil GDP growth cannot adequately respond to the growing GDP growth in trading partners, domestic inflation rises after such growth-positive "demand" shocks in trading partners. This may be a sign of the underdevelopment of non-oil sectors – an increase in external demand leads to a diversion of trade rather than the creation of exports (Guliyev, 2018, p. 13). One of the main strategic goals in developing the financial system is the development of financial markets. In Azerbaijan, individuals' and legal entities' access to financial markets is low compared to other countries. Although transactions are carried out in the securities market, the trading volumes are small (see Table 1).

Table 1. Access to financial markets in Azerbaijan (share in GDP, in percent)

Regions	Domestic credit to the private sector	Sales volume	Bond market transactions size
Western Europa	107	67	61
Turkey	75	50	26
Eastern Europa	71	11	0
Russia	59	12	12
Kazakhstan	34	2	4
Azerbaijan	20	1	7

Source: Azerbaijan Central Bank, <https://www.cbar.az/>

In Western Europe, the main trading operations are carried out by the London Stock Exchange and the German Stock Exchange; in Eastern Europe, by the Athens Stock Exchange and the Warsaw Stock Exchange; in Turkey, by the Istanbul Stock Exchange; in Russia, by the Moscow Stock Exchange; in Kazakhstan, by the Kazakhstan Stock Exchange; and in Azerbaijan, by the Baku Stock Exchange. As can be seen, Azerbaijan ranks last among the above indicators. Most of the regions listed are neighbouring and located near Azerbaijan. Sales operations in financial markets here are quite weak (their share in GDP is 1%). Although some progress has been achieved thanks to the measures implemented within the framework of the State Program "Development of the Securities Market in the Republic of Azerbaijan in 2011-2020", it is important to continue improving this area. Thus, factors such as the lack of information about the capital market and financial instruments among potential investors, the lack of interest in transparent reporting by corporate management for registering securities, and the monopolistic mindset hurt the development of the securities market.

Companies, especially the banking sector, must issue securities backed by cash flows from assets to manage their assets and gain access to liquid funds effectively. However, the legislation needs to be improved to implement this type of securities issuance. There is a need to determine the level of reference profitability to determine the value of the securities issued by companies. The yield curve of government bonds is used as a reference for profitability in international financial markets. To form the yield curve, government bonds should be regularly issued and re-marketed over various terms (for example, 3 months, 6 months, 1 year, 2 years, 5 years, 10 years, and 30 years).

One of the important factors ensuring investors' participation in the securities market is the market infrastructure. Currently, the requirement for foreign investors to place their funds in the National Depository Center to carry out a transaction in the Azerbaijani securities market reduces the attractiveness of the local market. Establishing a relationship between the National Depository Center and global custodians could allow foreign investors to participate in local financial markets. At the same time, establishing relationships with global custodians would facilitate using foreign securities as collateral in local financial markets, which could increase

market liquidity by expanding the range of collateral in local markets.

Infrastructures are specialized areas that cover and broaden more broadly, scientifically and theoretically, characterized by the division of operations and other leading areas. Talking about infrastructure, not just the fields that support material production but also the range of areas that serve social, market, ecological, international, and military must be considered (Mammadov, 2018, p. 36). The initial construction work of the financial infrastructure in Azerbaijan has been completed. The elements of the financial infrastructure are payment systems, a credit registry, and a regulatory legal framework regulating financial relations. However, the credit information exchange system and the existing regulatory legal framework must be further improved. To facilitate the prompt, complete, and efficient assessment of credit risk by financial institutions, protect the interests and rights of creditors and borrowers, and promote the strengthening of the financial discipline of economic entities, the Centralized Credit Registry has been operating in the country since 2005. The system's connection to the "ASAN service" since 2013 has given impetus to increasing the access and efficiency of economic entities to the services provided. However, information exchange in the Centralized Credit Registry is limited to banks operating in the country, non-bank credit organizations, and potential borrowers. Although detailed information about borrowers and guarantors is collected here, no scoring assessment is performed on borrowers. In international practice, scoring services are offered by private credit bureaus. In addition, private credit bureaus can offer additional services such as consumer behaviour, fraud prevention, loan decision-making tools, customer perspectives, marketing research, and behavioural ratings with corporate clients.

There are uncertainties in the legislation on banking operations. The lack of detail in the enforcement methods of court decisions creates conditions for different interpretations, complicating the implementation of relevant decisions. Courts have difficulty determining debt repayment methods (for example, wages, withholding funds from assets, etc.). This is especially observed in complex court cases. In addition, the uncertainty of the legislation on the liquidation process and the formalization of collateral leads to prolonging the period for the implementation of obligations. The lack of a clear definition in the legislation of the deadline for the

liquidation process, the division of responsibilities and procedures for assessment, the classification of priorities, the sale of assets, etc., slows down the implementation of court decisions and creates contradictions. The central bank's independence is not essential in explaining the heterogeneous inflation responses and differences across countries. This may be because if an adequate institutional structure exists in a country, then central bank independence is of little importance in explaining inflation differences (Ahmadov et al., 2018, p. 19).

One of the main strategic goals of the financial sector is to improve the proper regulation and control mechanisms. It is possible to achieve sounder risk management in banks by determining capital requirements for the main types of risks, as well as risk-based control mechanisms based on advanced regulatory principles adopted in international practice. At the same time, increasing transparency in the financial sector and promoting the expansion of access to finance through technological means can also ensure an increase in financial depth. Periodic tightening of regulatory requirements for risk management in banks has created conditions for forming risk management traditions in the sector. However, in the current economic conditions, the increase in banks' sensitivity to risks and the emergence of new risk zones necessitate improving risk management practices. To improve risk management in banks, the issue of gradually aligning existing prudential requirements with the regulatory principles established by the Basel Committee, as well as improving corporate governance traditions, becomes relevant. Credit risk monitoring procedures should be improved. Thus, banks, as a rule, classify risks mechanically and periodically. Automated systems for risk detection are not widely used. In advanced practices, risk detection is based on automated "early warning systems". The limited availability of hedging instruments for managing market risks, especially exchange rate risks, has increased banks' sensitivity to risks. As a result, the faster dollarization of liabilities compared to assets caused the sector to face large losses during the devaluations in 2015. This makes it urgent to require additional capital buffers for market risks. Nominal depreciation of the national currency increases exports and reduces imports, improving the trade balance. However, studies show that the assumption of improving the trade balance when the real effective exchange rate depreciates is not always justified. Especially in the short term, the depreciation of the national currency worsens the trade balance, while in the long term, it improves the external balance by supporting the country's competitiveness (Valiyeva, 2023, p. 2).

International experience has observed a transition of banks from a standard product approach to a personalized product approach. While the old system offered standard products (loans, deposits, simple transactions, and payments), the new system is adapted to the endless customer demands on payment terms, interest rates, cash transactions, etc. As a result, bank customers' expectations regarding convenience, speed, and personalized services have changed. Consumers' desires for transactions to be carried out via mobile

phones and immediate responses to inquiries can be examples of these changes.

Increasing the potential of financial market participants is another strategic issue of particular importance for Azerbaijan. Financial sector specialists' and financial services consumers' necessary knowledge and skills are limited. Increasing knowledge and skills can give impetus to the dynamic development of the financial system and ensure its long-term sustainability. Higher education institutions and various training centres specialize in finance in Azerbaijan. These educational institutions form the basic knowledge of specialists working in the financial sector. At the same time, regulatory bodies and market participants encourage the constant development of specialists' knowledge and skills. Thus, according to the current legislation, financial institution administrators and responsible employees must undergo certification. Relevant institutions and private training centres organize training, "round tables", presentations, and discussions on regulatory acts for financial sector specialists. However, it is necessary to increase the knowledge and skills of human resources in the financial sector further and adapt financial education to the current situation and specific industry requirements.

Effective administrative forms can support competitive factors by investing in education and research, developing a skilled workforce and promoting innovation, building strong infrastructure, facilitating trade, communication and economic activity, creating a supportive business environment, simplifying regulations and promoting fair competition making, ensuring social welfare, investing in health, education and social safety nets for a stable and attractive environment, etc. (Abdullayev et al., 2024, p. 4643). Several works have been carried out in Azerbaijan to ensure the rights of financial services consumers and increase financial literacy. Institutional reforms have been carried out in this direction, and progress has been made in forming effective mechanisms for protecting consumer rights and educating the population. However, the development of the financial services sector, the deepening of financial intermediation, and the expansion of mutual relations between the financial sector and consumers necessitate the protection of the interests of financial services consumers and the increase of financial literacy.

Financial markets are a rather complex and intricate concept since they include, in addition to the stock market, the insurance market, the banking sector, the pension fund market, the government debt market, the investment market, the venture capital market – in general, all markets where capital is involved, in which capital is attracted, concentrated, redistributed, as well as the management of financial flows (Hüseynova, 2024, p.7). The Central Bank of Azerbaijan supports strengthening the financial sector's role in the country's sustainable development. For this purpose, a Roadmap for Sustainable Finance covering 2023-2026 has been prepared. The Roadmap covers the integration of climate change and environmental and social factors into financial and investment decision-making and risk

management processes of financial institutions, taking into account advanced international practices, the development of relevant standards and guidance documents to guide financial market participants, and the formation of an ecosystem for sustainable financial instruments. The main objective of the Roadmap is to form a sustainable financial ecosystem that considers climate change and ESI factors and ensures financial stability. Taking into account international experience in this direction, the Roadmap is mainly aimed at regulating financial stability risks arising from climate change and environmental risks and will be an integral part of other relevant strategic programs, including the State Program on Expanding Financial Inclusion, including measures related to social and governance factors. Relevant road maps and strategies will take into account relevant measures such as increasing financial accessibility for

various social groups of the population, expanding financing opportunities for the self-employed, micro, small, and medium-sized enterprises, increasing the availability of digital financial services, developing microfinance, deepening financial inclusion, etc. Digitalization and innovation have deeply affected the transformation and success of the business landscape and have attracted attention as important topics in all sectors. It is generally accepted that these elements are crucial for revitalizing economies and promoting sustainable development (Ibrahimov et al., 2025).

The securities market is characterized as a problematic and underdeveloped sector in the country. In this regard, the main issue that has been focused on has been its development. Table 2 reflects the main indicators of the securities market for different years.

Table 2. Summary indicators of the stock market in Azerbaijan (million AZN)

Stock market	Years							
	2021		2022		2023		2024	
Market segments	Number of deals	Amount	Number of deals	Amount	Number of deals	Amount	Number of deals	Amount
Corporate securities	6076	2395.1	4400	2189.7	3961	2279.1	61058	3686.7
<i>Primary market</i>	1277	2164.4	566	1007.9	488	1326.9	50381	2193.9
<i>Secondary market</i>	4799	230.7	3834	1181.9	3473	952.2	10677	1492.7
Government securities	2206	7287.8	2506	8312.8	2807	8405.6	2725	7864.4
<i>Primary market</i>	1425	6188.6	1590	7304.0	1804	6900.4	1381	6457.1
<i>Secondary market</i>	781	1099.3	916	1008.8	1003	1505.2	1344	1407.3
Repo/counter-repo	4284	7196.3	4112	5060.5	6777	17384.5	8489	60922.2
Securities market	12566	16879.3	11018	15563.0	13545	28069.2	72272	72473.3
<i>Primary market</i>	2702	8353.0	2156	8311.9	2292	8227.4	51762	8651.0
<i>Secondary market</i>	9864	8526.3	8862	7251.2	11253	19841.8	20510	63822.3

Source: Azerbaijan Central Bank. <https://www.cbar.az/>

The largest number of transactions was carried out in the securities market. At the end of 2024, the number of transactions with securities was approximately 72 thousand, and the value of the transactions was estimated at 72473 million AZN. In general, transactions in the secondary market in all areas are more than those in the primary market. The position of government securities in the transactions carried out is weaker. Government securities are financial instruments with the largest trading volume on the Baku Stock Exchange. These securities belong to the category of debt securities. When transactions with government securities, securities issued by the Central Bank, and derivative financial instruments are carried out in another trading system, deals are concluded by the rules of that trading system.

CONCLUSION

The financial system is one of the main tools for influencing each country's economic and social development. Through the financial system and its links, the state influences economic growth and social policy and uses financial and monetary resources to function purposefully, stably, and effectively. In the transition to a market economy, the role of the financial system in state regulation of the economy has increased further.

The Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan aims to establish a sustainable, competitive, and inclusive financial system that effectively supports the country's economic growth and diversification. It involves strengthening financial stability through improved

regulation and oversight, developing a more diversified financial sector, including capital markets and non-bank financial institutions, improving access to finance for individuals and businesses, particularly small and medium-sized enterprises, and promoting digitalization and innovation in financial services, enhance transparency, trust, and governance in financial institutions, align the financial sector with international standards to attract foreign investment and improve global competitiveness.

To assess the extent to which the goal of the Strategic Roadmap for the Development of Financial Services in Azerbaijan has been achieved, we examined progress in key areas identified in the roadmap based on available reports, policy reviews, and performance indicators. The study results show that Azerbaijan strengthened its regulatory frameworks, especially after the 2015-2016 banking crisis. The Central Bank resumed regulatory authority, and banking sector reforms improved capital adequacy and risk assessment. In addition, the government has tried to revive the Baku Stock Exchange, improve legal frameworks, and introduce new financial instruments. The adoption of digital payment systems and online banking has grown significantly. Central Bank initiatives have promoted fintech, digital wallets, and cashless transactions. For example, the Expansion of services like ASAN Finans and digital identification helped improve financial inclusion. The government implemented some structural reforms to enhance institutional efficiency. Supervisory roles consolidated under the Central Bank improved oversight.

The Strategic Roadmap has led to notable improvements, particularly in regulatory reform, digitalization, and financial infrastructure. However, challenges remain in capital market development, inclusive access to finance, and strengthening trust and governance. The roadmap's goals have been partially achieved, with progress ongoing and dependent on consistent policy implementation and private-sector engagement.

However, several challenges are still unresolved. In particular, these are:

- Some banks still face governance and asset quality issues. Transparency and independence in supervision need continuous reinforcement;
- SME (small, medium-sized enterprises) financing programs have expanded (e.g., state support through the Entrepreneurship Development Fund) but are still insufficient.
- Launching credit bureaus and the collateral registry improved credit information systems. However, access to credit remains limited, especially for startups and rural businesses. Interest rates remain high, and collateral requirements are strict;
- Capital markets are still underdeveloped and illiquid, so public confidence and investor participation remain low;
- Most businesses continue to rely on bank loans rather than market-based financing;
- In practice, corporate governance and financial reporting standards vary across institutions.

4 References

- Abbasov, C., & Yusıfov, M. (2015). Budget expenditures and cost-dispensation model. *Central Bank of the Republic of Azerbaijan*, Working Paper Series, № 01. Retrieved from <https://uploads.cbar.az/assets/1b3f25b9eb324187c2f4fd063.pdf>
- Abdullayev, A. E., Asgerova, M. R., Abbasova, M. M., & Humbat, E. (2024). Global Challenges of Regional Management in The Modern World: The Main Factors Shaping the Infrastructure Base of Regional Management. *International Journal*, 5(11), 4639-4644. <https://doi.org/10.61707/aqafdd59>
- Ahmadov, V., Huseynov, S., & Pedroni, P. (2018). Oil Prices and Inflation: identifying channels for oil exporters. *Central Bank of the Republic of Azerbaijan*, Working Paper Series, № 01. Retrieved from <https://uploads.cbar.az/assets/4aaf0f4b2cb8d579f8e6de9db.pdf>
- Aliyeva, H., & Rahmanov, R. (2019). Do monetary and fiscal policies interact in oil-exporting countries? Evidence from Azerbaijan. *Central Bank of the Republic of Azerbaijan*, Working Paper Series, № 01. Retrieved from <https://uploads.cbar.az/assets/ac37592ae1075afb8e55ee850.pdf>
- Ataşov, B., Novruzov, N., & İbrahimov, E. (2014). Maliyyə Nəzəriyyəsi. Bakı: Kooperasiya. Azərbaycan Respublikasının Mərkəzi Bankı. Retrieved from <https://www.cbar.az/>
- Bağirov, D., & Həsənli, M. (2011). Maliyyə (dərslük). Bakı: İqtisad Universiteti.
- Bağirov, M. M. (2003). Banklar və bank əməliyyatları. Bakı: Nurlan.
- Guliyev, N. (2018). The effects of external shocks on Azerbaijan economy. *Central Bank of the Republic of Azerbaijan*, Working Paper Series, № 02. Retrieved from <https://uploads.cbar.az/assets/53f26bb60f02187e311ef5c3ba.pdf>
- Guliyeva, A. (2021). Azərbaycanda regionların perspektiv inkişafı və maliyyə təminatının gücləndirilməsi problemləri. Bakı: Kooperasiya. Retrieved from <https://ebooks.az/az/book/gajtmwu>
- Hüseynova, N. (2024). Maliyyə risklərinin idarə edilməsi. Dərs vəsaiti. Bakı: MS-V nəşr.
- İbrahimov, E. (2024). Employment and Unemployment as a Subject of State Regulation of the Labor Market in Azerbaijan. *International Journal of Latest Technology in Engineering, Management & Applied Science*, 13(9), 101-105. <https://doi.org/10.51583/IJLTEMAS.2024.130910>
- İbrahimov, E. Y., Alakbarov, A. U., Kerimova, F. B., & Alakberov, R. S. (2024). Competitiveness of Azerbaijan's T&T industry and its impact on the regional economy. *Edelweiss Applied Science and Technology*, 8(5), 1295-1301. <https://doi.org/10.55214/25768484.v8i5.1832>

- Ibrahimov, E. Y., Sevdimaliyev, M. S., & Bagirov, I. B. (2025). Developing innovation ecosystem to accelerate digital transformation in the economy. *Revista Universidad y Sociedad*, 17(1). Retrieved from http://scielo.sld.cu/scielo.php?pid=S2218-36202025000100012&script=sci_abstract&lng=en
- Ibrahimov, E., & Babayev, T. (2024). The role of the financial system in socio-economic development of the regions. *ANCIENT LAND International Online Scientific Journal*, 6(7), 25-30. <https://doi.org/10.36719/2706-6185/37/25-30>
- İmanova, Z. (2023). The relationship between financial inclusion and economic growth: Evidence from Azerbaijan. *Central Bank of the Republic of Azerbaijan, Working Paper Series*, № 03. Retrieved from <https://uploads.cbar.az/assets/2e401ab54327d7d62b517f2ce.pdf>
- Mammadov, H. A. (2018). Classification of Infrastructures. *Theoretical & Applied Science*, 2, 35-39. <https://dx.doi.org/10.15863/TAS.2018.02.58.10>
- Ramil, H. (2017). Azərbaycan iqtisadiyyatının rəqabətqabiliyyətli və dayanıqlı inkişafında strateji yol xəritələrinin rolu. *Strateji Təhlil, Say 3-4(21-22)*, 159-171. Retrieved from https://www.researchgate.net/publication/378746443_Azərbaycan_iqtisadiyyatının_rəqabətqabiliyyətli_və_dayanıqlı_inkişafında_strateji_yol_xəritələrinin_rolu
- Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan: Approved by the Decree of the President of the Republic of Azerbaijan dated December 6, 2016. Retrieved from <https://ereforms.gov.az/files/review/pdf/en/3c828de5d7330d0a46481fece179088e.pdf>
- Valiyeva, F. (2023). Azərbaycanca real effektiv məzənnənin qeyri-neft ixracına təsiri. *Azərbaycan Respublikasının Mərkəzi Bankı, İşçi məqalələr silsiləsi*, № 01. Retrieved from <https://uploads.cbar.az/assets/e5139689a304dd94c9d7b1b6e.pdf>
- Yusifzadə, T. (2022). Response of Inflation to the Climate Stress: Evidence from Azerbaijan. *Central Bank of the Republic of Azerbaijan, Working Paper Series*, № 02. Retrieved from <https://uploads.cbar.az/assets/838baf137c5000a8f47dc1820.pdf>