



ASIA SMALL AND MEDIUM-SIZED ENTERPRISE MONITOR 2025

GLOBAL UNCERTAINTY, TRADE, AND PRIVATE SECTOR
BUSINESSES IN ASIA AND THE PACIFIC

NOVEMBER 2025

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FOREWORD

Developing Asia and the Pacific economies grew by a robust 5.1% in 2024, but growth is currently forecast to slow moderately to 4.8% in 2025 and 4.5% in 2026. Continued uncertainty over United States (US) tariffs and trade tensions between the US and the Peoples Republic of China, Russia's war in Ukraine, and geopolitical tensions in the Middle East pose downside risks to the outlook. This could cause further supply chain disruptions and increase trade costs, affecting private businesses trading globally, especially manufacturers. Micro, small, and medium-sized enterprises (MSMEs) are definitely feeling the impact, although these impacts differ depending on the economy's size and growth-oriented policies. One thing is certain—these global changes are forcing governments to rethink their current MSME development strategies and to consider policy approaches that can lead to more resilient, sustainable growth that is better able to withstand global uncertainty.

The *Asia Small and Medium-Sized Enterprise Monitor (ASM) 2025* provides an update on the environment in which MSMEs are operating, including continued limited access to finance. It describes national efforts to support MSME development, based on the latest available data through end-2024. The study covers 26 ADB developing member countries, adding two new countries this year—Solomon Islands and Tonga. While **ASM 2025** finds that MSMEs are expanding overall across developing Asia, it also describes differences in government approaches and in whether the economic influence of MSMEs is waxing or waning. Some MSMEs are graduating to become large firms, suggesting cases of robust growth in 2024. However, most MSMEs in the region continue to operate in traditional domestic trade, agriculture, and small-scale manufacturing, subcontracting, and outsourcing. Innovative services-oriented MSMEs or technology-based start-ups remain a small fraction of the total. National MSME development strategies should strengthen assistance that focuses on these innovative small manufacturers, technology-based start-ups, and entrepreneurs to create a base of steady domestic economic growth that builds national resiliency against the impact of external shocks.

ASM 2025 also updates progress from previous editions and discusses regulatory and administrative reforms that can strengthen national MSME policies—for example, how to accelerate digitalization, promote green MSMEs, encourage more women-led MSMEs, boost access to international markets and trade, and promote financial inclusion. We believe the ASM series and in particular its expanding database will continue to help governments encourage evidence-based policymaking on MSME development amid uncertain times.



Albert Park

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Asian Development Bank

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LIST OF DATA CONTRIBUTORS IN PARTICIPATING ADB DEVELOPING MEMBER COUNTRIES

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South Asia

Country	Data Contributors
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Pakistan	Pakistan Bureau of Statistics; Pakistan Stock Exchange Limited; Securities and Exchange Commission of Pakistan; Small and Medium Enterprise Development Authority; State Bank of Pakistan; Ministry of Commerce; Ministry of Finance and Revenue.
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Southeast Asia

Country	Data Contributors
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Philippines	Bangko Sentral ng Pilipinas; Cooperative Development Authority; Philippine Guarantee Corporation; Philippine Statistics Authority; Philippine Stock Exchange Inc.; Securities and Exchange Commission; Small Business Corporation; Bureau of Small and Medium Enterprise Development; Department of Finance.
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Pacific

Country	Data Contributors
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Papua New Guinea	Small and Medium Enterprise Corporation; Bank of Papua New Guinea; Credit Guarantee Corporation.
Samoa	Central Bank of Samoa; Development Bank of Samoa; Samoa Bureau of Statistics; Samoa Business Hub; Ministry of Commerce, Industry and Labor.
Solomon Islands	Central Bank of Solomon Islands; Development Bank of Solomon Islands; Ministry of Commerce, Industries, Labor and Immigration; Solomon Islands National Statistics Office; Ministry of Finance and Treasury.
Tonga	Tonga Statistics Department, Ministry of Trade and Economic Development, National Reserve Bank of Tonga.

ABBREVIATIONS

ABDF	–	Azerbaijan Business Development Fund
ADB	–	Asian Development Bank
ACE	–	Access, Certainty, Efficiency (Malaysia)
AFEZ	–	Alat Free Economic Zone (Azerbaijan)
AI	–	artificial intelligence
AJWELP	–	ASEAN-Japan Women Entrepreneurs Linkage Program (Brunei Darussalam)
AMX	–	Armenia Stock Exchange
AMRO	–	ASEAN+3 Macroeconomic Research Office (Viet Nam)
ARDFM	–	Agency for Regulation and Development of the Financial Markets (Kazakhstan)
ASEAN	–	Association of Southeast Asian Nations
ASM	–	Asian Small and Medium-Sized Enterprise Monitor
AWE	–	Academy for Women Entrepreneurs (Brunei Darussalam)
AWEN	–	ASEAN Women Entrepreneurs Network (Brunei Darussalam)
BAAC	–	Bank for Agriculture and Agricultural Cooperatives (Thailand)
BB	–	Bangladesh Bank
BBi	–	Bangga Buatan Indonesia
BCG	–	bio-circular green
BDB	–	Business Development Bank (Uzbekistan)
BDCB	–	Brunei Darussalam Central Bank
BFI	–	banks and financial institutions
BIL	–	Brunei Innovation Lab
BIMP-EAGA	–	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (Malaysia)
BI-FAST	–	Bank Indonesia Fast Payment
BPS	–	Badan Pusat Statistik (Indonesia)
BNM	–	Bank Negara Malaysia
BOT	–	Bank of Thailand
BWI	–	Bangga Wisata Indonesia (BWI)
CBDC	–	central bank digital currency
CBS	–	Central Bank of Samoa
CBSI	–	Central Bank of Solomon Islands
CIES	–	Cambodia Inter-censal Economic Survey
CGC	–	Credit Guarantee Corporation (Malaysia)
CGCC	–	Credit Guarantee Corporation of Cambodia
CGTMSE	–	Credit Guarantee Fund Trust for Micro and Small Enterprises (India)
CGFMU	–	Credit Guarantee Fund for Micro Units (India)
CMSME	–	cottage, micro, small, and medium-sized enterprise
COVID-19	–	coronavirus disease
CO ₂	–	carbon dioxide
CTPF	–	Cambodia Trade Policy Framework
CSE	–	Chittagong Stock Exchange (Bangladesh)
CSE	–	Colombo Stock Exchange (Sri Lanka)
CSX	–	Cambodia Securities Exchange
DARe	–	Darussalam Enterprise (Brunei Darussalam)
DBS	–	Development Bank of Samoa
DBSI	–	Development Bank of Solomon Islands
DEB	–	Digital Enterprise Blueprint (Singapore)

DFAT	–	Department of Foreign Affairs and Trade (Australia)
DKN2030	–	The National Entrepreneurship Policy 2030 (Malaysia)
DOSM	–	Department of Statistics Malaysia
DSE	–	Dhaka Stock Exchange (Bangladesh)
DTI	–	Department of Trade and Industry (Philippines)
EAEU	–	Eurasian Economic Union
ECDB	–	e-commerce database
EDB	–	Export Development Board (Sri Lanka)
EDC	–	Entrepreneurship Development Company (Uzbekistan)
EFS	–	Enterprise Financing Scheme (Singapore)
ESG	–	environmental, social, and governance
ESRM	–	environmental and social risk management
ESP	–	Enterprise Sustainability Program (Singapore)
EU	–	European Union
FDI	–	foreign direct investment
FY	–	fiscal year
GDP	–	gross domestic product
GDPM	–	Geran Digital PMKS Madani
GEM	–	Growth Enterprise Market (Pakistan)
GH	–	Growth Hub (Georgia)
GHG	–	greenhouse gas
GVA	–	gross value added
HNX	–	Hanoi Stock Exchange (Viet Nam)
HOSE	–	Ho Chi Minh Stock Exchange (Viet Nam)
ICT	–	information and communication technology
IDEAS	–	Increasing Digital Skills and E-commerce for ASEAN Women (Brunei Darussalam)
IDP	–	Industrial Development Policy (Cambodia)
IDX	–	Indonesia Stock Exchange
IPO	–	initial public offering
IT	–	information technology
IFC	–	International Finance Corporation
I-SEE	–	Inclusive SME Ecosystem Program (Malaysia)
IMDA	–	Infocomm Media Development Authority (Singapore)
JC3	–	Joint Committee on Climate Change (Malaysia)
JSC	–	joint stock company
JSCB	–	joint stock commercial bank
KASE	–	Kazakhstan Stock Exchange
KUR	–	Kredit Usaha Rakyat (Indonesia)
Lao PDR	–	Lao People's Democratic Republic
LEAP	–	Leading Entrepreneur Accelerator Platform (Malaysia)
LDC	–	least developed country
LFS	–	Labor Force Survey (Pakistan)
LLC	–	limited liability company
LIVEx	–	LiVE Exchange (Thailand)
LNG	–	liquefied natural gas
MAS	–	Monetary Authority of Singapore
MAI	–	Market Access Initiative (India)
MCI	–	monthly calculation index (Kazakhstan)
MCIL	–	Ministry of Commerce, Industry and Labor (Samoa)
MCILI	–	Ministry of Commerce, Industry, Labor and Immigration (Solomon Islands)
MECD	–	Ministry of Entrepreneur and Cooperatives Development (Malaysia)
MFI	–	microfinance institution

MOFE	–	Ministry of Finance and Economy (Brunei Darussalam)
MoICS	–	Ministry of Industries, Commerce and Supplies (Nepal)
MPI	–	Ministry of Planning and Investment (Viet Nam)
MSBR	–	Malaysia Statistical Business Register
MSE	–	micro and small enterprise (Uzbekistan)
MSME	–	micro, small, and medium-sized enterprise
MTCMSMEC	–	Ministry of Trade, Co-operatives, Micro, Small, and Medium Enterprises, and Communications (Fiji)
MTED	–	Ministry of Trade and Economic Development (Tonga)
MTI	–	Ministry of Trade and Industry (Singapore)
NCCP	–	National Climate Change Policy (Solomon Islands)
NBFI	–	nonbank finance institution
NBG	–	National Bank of Georgia
NBC	–	National Bank of Cambodia
NCR	–	National Capital Region (Philippines)
NDA	–	Digital Nepal Acceleration (Nepal)
NDB	–	National Development Bank (Papua New Guinea)
NDP	–	National Development Plan (Fiji, Kazakhstan)
NEDA	–	National Enterprise Development Authority (Sri Lanka)
NEEC	–	National Economic Establishment Census (Solomon Islands)
NESDB	–	National Economic and Social Development Board (Thailand)
NFIS	–	national financial inclusion strategy
NRB	–	Nepal Rastra Bank
NPC	–	Nepal Planning Commission
NPL	–	nonperforming loan
NTIS	–	Nepal Trade Integration Strategy
NSFI	–	National Strategy for Financial Inclusion (Philippines)
NVA	–	nominal value added
OJK	–	Financial Services Authority (Indonesia)
ONDC	–	Open Network for Digital Commerce (India)
OSMEP	–	Office of Small and Medium Enterprise Promotion (Thailand)
OSS	–	online single submission (Indonesia)
OPR	–	overnight policy rate (Sri Lanka)
PGS	–	Portfolio Guarantee Scheme (Thailand)
PRC	–	People's Republic of China
PMEGP	–	Prime Minister's Employment Generating Program (India)
PSDI	–	Pacific Private Sector Development Initiative
PSE	–	Philippine Stock Exchange
QRIS	–	Quick Response Code Indonesian Standard (Indonesia)
RAMP	–	Raising and Accelerating MSME Performance (India)
RBF	–	Reserve Bank of Fiji
RoDTEP	–	Remission of Duties and Taxes on Export Products (India)
RPIM	–	Macroprudential Inclusive Financing Ratio (Indonesia)
R&D	–	research and development
SBF	–	Singapore Business Federation
SBP	–	State Bank of Pakistan
SC	–	Securities Commission (Malaysia)
SCP	–	Standards Consultancy Program (Brunei Darussalam)
SDB	–	State Development Bank (Kyrgyz Republic)
SDFR	–	standing deposit facility rate (Sri Lanka)
SDG	–	sustainable development goal
SEC	–	Securities and Exchange Commission (Philippines)

SECP	–	Securities Exchange Commission of Pakistan
SERC	–	Securities and Exchange Regulator of Cambodia
SFTG	–	Sustainable Finance Taxonomy Guidelines (Philippines)
SG-WEN	–	Singapore Women Entrepreneurs Network
SGX	–	Singapore Exchange
SIDBI	–	Small Industries Development Bank of India
SLFR	–	standing lending facility rate (Sri Lanka)
SMBDA	–	Small and Medium Business Development Agency (Azerbaijan)
SMEDA	–	Small and Medium Enterprise Development Authority (Pakistan)
SME	–	small and medium-sized enterprise
SMEC	–	Small and Medium Enterprise Corporation (Papua New Guinea)
SMELoC	–	Small and Medium-Sized Enterprise Line of Credit (Sri Lanka)
TCG	–	Thai Credit Guarantee Corporation (Thailand)
TDB	–	Tonga Development Bank
TEAM	–	Trade Enablement and Marketing (India)
TEU	–	twenty-foot equivalent units
TEP	–	Tech Enablement Program (Brunei Darussalam)
TIES	–	Trade Infrastructure for Export Scheme (India)
UCB	–	Urban Cooperative Bank (India)
UNCDF	–	United Nations Capital Development Fund
UNDP	–	United Nations Development Programme
UPCoM	–	Unlisted Public Companies (Viet Nam)
US	–	United States
VAT	–	value-added tax

HIGHLIGHTS

Micro, small, and medium-sized enterprises (MSMEs) are contributing to a growing share of economic output in Asia and the Pacific. As global economic uncertainty deepens, national MSME development strategies should aim to foster innovations and productivity growth of MSMEs.

Available data through 2024 from 26 development member countries (DMCs) of the Asian Development Bank (ADB) show MSMEs accounted for an average of 99.8% of all enterprises, 67.6% of the workforce, and 38.7% of national economic output. **ASM 2025** finds MSMEs gradually expanding across the countries observed. MSMEs generate around 40% of national economic output. After the sharp drop from 41.7% in 2019 to 31.8% in 2020—affected by the coronavirus disease (COVID-19) pandemic—MSME contributions to economic output grew throughout the region, with the Caucasus, Central Asia, and Southeast Asia contributing the most. In developing Asia and the Pacific, roughly 72% of MSMEs operate in traditional services like distributive trade. Innovative MSMEs in services or technology-based start-ups are only a small fraction. MSME manufacturers are also small, averaging about 12% nationally, and they typically involve local handicrafts, small agribusiness, and food processing. National MSME development strategies should strengthen assistance to innovative small manufacturers, technology-based start-ups, and entrepreneurs to create a base of domestic economic actors that boosts MSME productivity.

Increased global trade uncertainty is forcing governments to rethink their current policies on internationalizing MSMEs.

In 2024, MSME exports contributed an average of 40% of the national export value across Asia and the Pacific. Thus far, 2025 has begun to reshape the global trade environment, ignited primarily by historic increases in United States (US) tariffs. These will likely have a large impact on Asian exporters, including MSMEs, especially those working as small subcontractors with large corporations. Any impact assessment of the current 2025 US tariffs would be premature at this time, given both insufficient data and the continuing changes in tariff rates for a multitude of reasons. However, their impact on global trade is reshaping responses of both Asia's MSME exporters and their governments. Governments must consider taking proactive measures to counter the detrimental effects these shifts will impose on the business environment—particularly affecting MSMEs—through appropriate regulatory reforms and policy support, including expanding trade finance, enhancing the awareness of the concessions available from various trade agreements, and facilitating cross-border and behind-the-border procedures.

Digital technology allows entrepreneurs and start-ups to build and grow innovative businesses, with the large digital divide a serious barrier to inclusive growth.

Digital tools are indispensable for innovative businesses. Digitalization can supplement any workforce shortage and stimulate new ideas for growth-oriented entrepreneurs and small businesses. Most MSMEs focus on domestic markets, with many operating in rural areas and preferring the use of cash. They typically do not consider going digital. This must change. The digital divide within and among MSMEs remains a major barrier to growth. Governments should continue to strengthen digital business literacy programs in rural areas for entrepreneurs, small business owners, or managers.

As economic growth eases across the region, new MSME subsidized lending has slowed as well, while credit guarantees are gaining popularity as a credit enhancement tool.

Limited access to finance remains the top impediment to MSME growth. MSME bank credit markets have grown across the region, yet remain small. Available data show that bank lending to MSMEs in 2024 averaged 16.9% of total bank lending, equivalent to 10.7% of national gross domestic product (GDP) in the region. However, MSME loan quality also remains relatively low across the region. MSME nonperforming loans increased in 2024 to 7.6%, exceeding gross bank nonperforming loan ratios in most countries. Subsidized loans for MSMEs frequently enhance MSME access to finance, but several countries have reduced subsidies while increasing credit guarantees as a credit enhancement tool. In general, the credit guarantee market has grown slowly, but it is still small in many countries. Traditional credit guarantees typically offer partial coverage but do not cover all potential risks due to resource constraints. An optimal credit guarantee ratio—determining the optimal level of guaranteed loans to MSMEs—is worth considering, incorporating factors such as greenhouse gas emissions in designing credit guarantee options.

Dedicated MSME equity markets continue to grow in the region but are having mixed results, with a limited investor base.

Several MSME equity markets were launched in developing Asia, especially since 2017. These provide alternative growth capital financing venues for eligible MSMEs. This trend should continue in countries with no specialized MSME markets, given that market-based financing supplements bank lending to better meet MSME financing needs. But market performance—in capitalization, trading values/volumes, and number of listed companies—has been mixed, affected by wavering investor sentiment given current global economic uncertainty. This is particularly true as most MSME equity market investors are typically individuals. Perceived high risks tend to alienate institutional investors. The venture capital industry, however, while in a nascent stage in most of Asia and the Pacific, holds potential as investors in MSME markets that actively attract their participation. Innovative small manufacturers, technology-based start-ups, and entrepreneurs are potentially valuable investment targets. Increasing the number of incubator and accelerator programs could stimulate more interest in national MSME markets. Also, promoting investment in research and development can help jumpstart innovative small businesses. National capital market development strategies should include these opportunities in their plans.

Formalizing businesses and registering employees are critical for sound MSME development, with incentives and other policies accelerating the process.

ASM 2025 finds that informal businesses are more evident in the Pacific than elsewhere. Informal, unregistered businesses face problems in accessing government assistance, during shocks like the coronavirus disease pandemic, disasters, and financial crises, as government emergency assistance may not reach informal businesses promptly, leaving their employees to fend for themselves with no social protection. To ensure a higher-quality MSME job market, governments should help formalize businesses and their employees. One-stop business development services and tailor-made training programs covering financial literacy and national accounting standards for MSME owners and managers should be strengthened.

There remains a pressing need to upgrade the business environment for women-led MSMEs and young entrepreneurs across developing Asia and the Pacific.

Promoting gender-responsive growth is part of the MSME development agendas in many of the countries covered in **ASM 2025**. Several policy assistance measures have already been incorporated for women-led MSMEs and young, female entrepreneurs within national gender mainstreaming strategies. They deliver capacity-building programs, provide networking support, and offer financial assistance. This should be strengthened further, based on the evidence gathered. For example, national aggregate women's business data should be gathered and monitored to design a feasible policy framework to produce a more conducive business environment for women in the region.

REGIONAL REVIEW



Summary

Although economies across developing Asia and the Pacific continued to grow by a robust 5.1% in 2024, growth momentum has slowed due to the impact of increased global trade uncertainty, particularly around the new United States (US) tariffs and geopolitical tensions. Growth for the region is currently forecast at 4.9% in 2025 and 4.5% in 2026. The global economy is navigating through uncertainty—affected by Russia’s war in Ukraine, constantly shifting geopolitical tensions in the Middle East, trade tensions between the US and the People’s Republic of China (PRC), and the sudden, historically high US tariffs. The supply chain disruptions raise trade costs across the spectrum, reconfigure trade routes between importers and exporters, and realign private sector business planning and production, especially for manufacturers and globalized firms.

From the perspective of the impact of this uncertain business climate, micro, small, and medium-sized enterprises (MSMEs) across the region can be classified into three main categories although there could be a mixture of these categories and some firms could be exposed to different aspects of uncertainties at the same time—those unaffected or with limited impact, firms damaged by shifting circumstances, and those that benefit from new business opportunities. Given that the majority of MSMEs concentrate on distributive trade within limited domestic markets with little global market exposure, most belong to the first group. Small manufacturers, MSMEs, that depend on international trade, and those involved in global supply chains either as lead firms or as subcontractors are part of the second group. Growth-oriented MSMEs, start-ups, and entrepreneurs with innovative business models using technologies may be part of the third group, as well as those benefiting from outside firms seeking safe havens from nearby cross-border disruptions. All of these impacts will also be influenced by a country’s economic size, its growth trajectory and policy stance, and proximity to any quantifiable disruption, be it border or port-related. One key trend is that a rapidly changing global economic environment will force governments to rethink their current MSME development strategies and policy approaches to maximize resilient, sustainable economic growth.

This Asia Small and Medium-Sized Enterprise Monitor (ASM) updates the overall MSME landscape, country-specific conditions, their access to finance, and national efforts on MSME development.¹ The report is based on the latest available data through end-2024 and covers 26 ADB developing member countries, adding Solomon Islands and Tonga to last year’s list. It describes the regulatory and administrative reforms related to national MSME policies—including new MSME classifications and associated MSME data updates—in countries such as Indonesia, Sri Lanka, and Papua New Guinea (PNG).

MSMEs in developing Asia and the Pacific are massive in number and continue to grow. Based on available data from reporting countries in 2024, MSMEs accounted for an average of 99.8% of all enterprises, 67.6% of the entire workforce, and 38.7% of national economic output. MSME landscape data were extracted from the census, institutional, and labor force surveys. For several countries, such as Indonesia and the Philippines, the data include informal businesses, enhancing the statistical significance of the large MSME database.

Trends in the MSME landscape vary by region, depending on its specific context. For example, MSMEs in the Caucasus and Central Asia grew consistently in the number of firms and employment, although growth levels differ by country. The Kyrgyz Republic and Georgia showed robust MSME growth in 2023 (the latest available year). The continued relocation of Russian firms into these countries, especially information technology (IT) companies, helped expand the number of MSMEs and associated employment in services. Data from 2024 are

¹ In this report, “developing Asia and the Pacific” covers four ADB subregions with 26 developing member countries: (i) Caucasus and Central Asia (Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan); (ii) South Asia (Bangladesh, India, Nepal, Pakistan, and Sri Lanka); (iii) Southeast Asia (Brunei Darussalam, Cambodia, Indonesia, the Lao People’s Democratic Republic [Lao PDR], Malaysia, the Philippines, Singapore, Thailand, and Viet Nam); and (iv) the Pacific (Fiji, PNG, Samoa, Solomon Islands, and Tonga).

available for Kazakhstan and Uzbekistan, which show slower growth. Heightened global economic uncertainty and the long-term regional turbulence are likely affecting MSME's ability to continue to prosper in the Caucasus and Central Asia.

In South Asia, there is limited MSME data available, and those that exist are not updated annually, with the important exception of India. Bangladesh is analyzing relevant data from its new 2024 economic census. Nepal has updated data through fiscal year (FY) 2024 (ended 15 July 2024), limited to SMEs registered with the Department of Industry. India showed robust MSME growth in FY2024 (ended 31 March 2025), a 39.1% increase from FY2023 in the number of MSMEs and 32.7% increase in employees, supported by strong economic growth, moderate inflation, and concerted government-sponsored MSME assistance. Additional US levies (a 25% reciprocal tariff) may affect the MSME landscape from the second quarter of FY2025.

The MSME landscape in Southeast Asia has shifted somewhat in line with the change in economic growth momentum. In 2024, the number of MSMEs fell as large enterprises in Indonesia and Malaysia expanded, suggesting that economic adjustments occurred along with the robust growth in 2024. All sizes of enterprises fell in terms of number and workers employed in the Philippines. Singapore and Thailand continued to expand their MSME workforce, absorbing around 70% of the 2024 total. MSME employment in Viet Nam expanded, but its share remained small (37.1% in 2023), suggesting more room for MSME job creation.

Businesses in the Pacific are largely informal in several countries. In Solomon Islands, the 2024 census showed that almost half of all firms were informal or unregistered microenterprises. In Tonga, informal MSMEs are concentrated in both primary and consumer sectors, with about 40% in agriculture and fisheries. MSMEs in PNG are mostly informal in rural areas. Given the underutilized economic potential, formalizing business informality and informal employment can bolster resilient, sustainable growth across these mostly distant economies.

By sector, an average of 72% of MSMEs worked in traditional services such as trade, accommodation, and food. An average of 73% operated outside the capital city. MSME manufacturers averaged a small 12%, with relatively few IT-based ones. MSME sectoral coverage, however, depends largely on a country's economic structure. For example, in the following services, agriculture is the second- or third-largest MSME sector in several agriculture based countries such as Nepal, Kazakhstan, Tajikistan, and Uzbekistan. The overall distribution of MSME workers in developing Asia and the Pacific follows similar trends.

MSMEs generate around 40% of national economic output, whether in gross domestic product (GDP) or gross value added. After the sharp drop from 41.7% in 2019 to 31.8% in 2020—affected by the coronavirus disease (COVID-19) pandemic—MSME contributions to economic output grew throughout the region, with the Caucasus, Central Asia, and Southeast Asia contributing the most. MSME output data are either unavailable or infrequently updated in South Asia and the Pacific. With many countries setting numeric targets in their periodic MSME development strategies, output data should be strengthened to monitor MSMEs' contribution to GDP.

While most MSMEs focus on domestic markets, those involved in international trade have gradually increased across developing Asia. Strong exports supported the region's growth post-pandemic. The tariff “frontrunning” or “panic exporting” led to the region's export surge in the first half of 2025. The impact of the new US tariffs on businesses, including MSMEs, will more likely begin to appear after the second half of 2025. Based on available data from reporting countries in 2024, MSMEs accounted for an average of 40% of a country's total export value across the region. Available MSME export data remains limited, with no available data for the Pacific. MSME exports are relatively larger in the Caucasus, Central Asia, and South Asia, while their relative contribution to overall national trade remains limited in Southeast Asia.

In the Caucasus and Central Asia, MSME exports largely increased except for the Kyrgyz Republic. Uzbekistan had the highest growth in 2024, up by 25.1%, due to the restructuring of its primary export markets. In the Kyrgyz Republic, MSME exports contracted by 6.9% in 2023, mainly due to sanctions against its main trading partner, Russia, and strengthened controls on re-exports of dual-use goods from Europe and the US. Although MSME export data are unavailable, Armenia and Kazakhstan may follow a similar trend, given that they are members of the Eurasian Economic Union.

Finance is critical for entrepreneurs starting businesses and for their operations. With MSMEs seen as a key driver of economic growth, governments and central banks in the region offer several types of assistance to help MSMEs access finance. This support has helped MSME bank credit markets grow. Even as MSME bank lending grows faster, however, its bank credit market remains relatively small compared with total loans. Based on available data from reporting countries, bank lending to MSMEs made up an average of 16.9% of total bank lending, equivalent to 10.7% of national GDP in 2024. The region's growth environment somewhat favored bank lending to large firms over MSMEs, with the size of MSME loans typically smaller and used as short-term working capital finance.

MSME credit shares also fluctuate, depending on the level of exposure to shocks and relevant government responses. Between 2020 and 2024, the average share of MSME loans to total bank loans fell in 12 of the countries covered, while it expanded in 8 others. During the same period, the average share of MSME loans to national GDP dropped in 15 countries and expanded in 5.

Overall, MSME credit in the Caucasus and Central Asia was likely attributed to the economic adjustments associated with the growth momentum and government assistance, leaving two streams—countries with gradually compressed MSME credit shares, such as Armenia and Azerbaijan, coinciding with credit expansion to large firms. And those with an expanding MSME credit share (such as Uzbekistan, which is strengthening state financing support through Business Development Bank established in September 2023). For South Asia and Southeast Asia, slower economic growth likely contributed to the overall compressed shares in MSME credit markets among some countries (such as Sri Lanka and Singapore), suggesting a more cautious lending environment from uncertain global economic conditions. For the Pacific, MSME credit shares were down in Fiji and Samoa, likely affected by ample tourism receipts given the tourism post-pandemic rebound. By contrast, economic growth in PNG and Solomon Islands helped boost MSME credit availability.

By sector, an average of 53% of MSME loans went to those in services, based on available data until 2024. It was followed by manufacturing (16% of MSME loans) and agriculture (11%). Most Southeast Asian countries experienced a similar pattern. Meanwhile, in South Asia, around 40% of MSME loans went to manufacturing. Overall, a large share of MSME loans went to agriculture-based MSMEs in countries such as Tajikistan, Solomon Islands, and the Kyrgyz Republic.

MSME nonperforming loans (NPLs) from banks decreased after the pandemic up to 2023, but began to increase again in 2024 as MSME bank credit markets expanded across the region. The ratio of MSME NPLs to total MSME bank loans fell across the region after an 8.7% pandemic surge in 2020, moderating to an average of 7.0% in 2023. However, it rose again to 7.6% in 2024. Overall, MSME NPL ratios have consistently fallen in the Caucasus and Central Asia, while increasing in South Asia (particularly Bangladesh), Southeast Asia (Brunei Darussalam), and the Pacific (Solomon Islands and Tonga). Compared to gross bank lending NPL ratios, MSME NPLs are generally higher. MSME NPL ratios exceeded gross bank NPL ratios in all countries covered except Tajikistan and Kazakhstan.

The role public financing and credit guarantees play is critical in enhancing MSME access to finance. During shocks like the pandemic, disasters, and financial crises, government emergency assistance measures through refinancing schemes, subsidized loans, mandatory lending, and public credit guarantees can help affected MSMEs survive

difficult times. There are, of course, pros and cons when expanding direct public financing for MSMEs during stable economic times, given the potential for commercial lending and financial market distortions from public interventions. With a slowing global economy, several countries are likely to be squeezed for MSME subsidized loans. Instead, credit guarantees were more widely used as credit enhancements for MSME financing in developing Asia and the Pacific, most offering partial guarantees and/or portfolio guarantees. MSME credit guarantee markets have developed and grown modestly across the region, especially in Southeast Asia and India. In 2024, for example, Indonesia's People's Business Loan, or *Kredit Usaha Rakyat* (KUR), provided the largest MSME credit guarantee equivalent to \$27.4 billion, followed by India (\$24.6 billion), Malaysia (\$22.2 billion), and Thailand (\$15.8 billion).

Various nonbank finance institutions (NBFIs) operate nationally, primarily led by microfinance institutions (MFIs), credit unions/cooperatives, finance companies, and pawnshops. MSMEs often raise small amounts from NBFIs for working capital; however, the nonbank finance market has yet to adequately supplement bank lending to MSMEs in the region. In 2024, the share of NBFI financing to bank loans continued to be the largest in Tajikistan, followed by Brunei Darussalam, PNG, Sri Lanka, the Kyrgyz Republic, and Cambodia. In 2024, the share of NBFI financing to GDP continued to be the largest in Cambodia (12.2%), with the rest below 10%. Between 2020 and 2024, the share of nonperforming financing (NPF) to total NBFI financing fell in most countries except Bangladesh, Cambodia, and Nepal. However, a relatively high NPF in 2024 (such as 33.8% in Bangladesh, 13.9% in Azerbaijan, and 11.3% in Sri Lanka) remains a problem for developing the NBFI industry in the region.

Equity markets dedicated to MSMEs have grown to become alternative financing options for eligible MSMEs. Since 2017, many developing Asian countries have started creating these markets to attract MSMEs. They generally offer simplified listing requirements, tax incentives, and special arrangements for professional investors. MSME equity market performance remains mixed, however. Some were affected by global economic and trade uncertainty, while others captured investor confidence, rebounding from poor economic conditions. As of the end of 2024, the largest share of market capitalization to GDP was 14.0% in Viet Nam's UPCoM (an unlisted stock market that includes MSMEs). Other markets remained quite small, representing 2% or less of national GDP. In 2024, market capitalization contracted on Tajikistan's SME Board, Thailand's mai, Indonesia's Acceleration Board, Malaysia's LEAP, and Bangladesh's SME Platform under the Dhaka Stock Exchange (even as trading value rose). By contrast, it expanded for Pakistan's GEM market, India's NSE Emerge, India's BSE SME Exchange, Sri Lanka's Empower Board, Viet Nam's UPCoM, and the Bangladesh SME Platform under the Chittagong Stock Exchange. Their growth was attributed to the increase in listed (registered) companies and initial public offerings.

MSME development policies are important elements of long-term national development strategies across the region. A well-designed MSME policy framework and its effective implementation will create a basis for domestic-led economic growth that is resilient against global economic uncertainties or external shocks. Smaller economies in the region need to plan more inclusive, sustainable economic growth strategies that address both domestic and global market development to explore more private sector-led growth opportunities. In reality, MSMEs are often largely untapped resources that can help create a national economy that is more resilient against heightened global uncertainty and support global agendas such as inclusiveness and green transition. They hold the potential to create more jobs and enhance productivity by using innovative technology, for which formalizing their businesses and digitalizing operations should be a critical policy agenda. Today's global trade environment is constantly changing, accelerated by historically high US tariffs, continued turbulence in supply chains, and geopolitical tension. The risk of amplifying global supply chain disruptions along with surging trade costs could upend private businesses, especially those involved with international trade—including MSME exporters. Limited access to finance is a structural problem many MSMEs must resolve to reach their potential. Governments need to rethink how they can best respond by designing more effective MSME development strategies that follow a growth and graduation cycle of enterprises from start-up to maturity that allows for the evolution of a sound MSME ecosystem.

ASM 2025 also reviews government thematic initiatives on digitalization, green MSMEs, women-led MSMEs, and international trade.

Across developing Asia and the Pacific, digitalization is a critical policy agenda to accelerate nationally inclusive, sustainable growth. All countries covered promote public and business digitalization, some specifically targeting MSMEs. They offer grant/subsidy programs, tax incentives, and training/networking programs while setting special policy frameworks, with some using numeric targets.

Given the large share of MSMEs in total enterprises, the impact of MSMEs on climate change cannot be ignored. Many countries have programs that support the MSME green transition. Supported by bilateral and multilateral organizations, they include capital investments; concessional lending; promotion of environmental, social, and governance standards; green taxonomy classification; grants; advisory services; regulatory reforms; and special policies using numeric targets such as carbon dioxide (CO₂) emissions.

Women remain underserved as primary drivers toward building more resilient, sustainable economic growth across developing Asia and the Pacific. Gender-responsive growth has become a critical MSME development goal. All countries covered have strengthened capacity building and training programs, network support, and financial assistance for women-led MSMEs and entrepreneurs.

Several developing Asian countries are exploring opportunities through expanding international trade. Governments support the shift of MSME businesses from traditional, domestically focused models to more innovative, globally competitive systems. With various government assistance measures, MSMEs participating in international trade have gradually increased across the region. Key support initiatives include grant/subsidy programs, concessional lending, product branding advice, certification programs, trade infrastructure development, digital trade services, training/skill upgrading, and networking/global market access programs. The current uncertain trade environment may urge governments to rethink their approaches on how best to help internationalize MSMEs navigating the ongoing challenges.

Based on **ASM 2025** findings, seven policy implications are recommended when designing effective MSME development strategies under current circumstances.

First, strengthen support for **manufacturing MSMEs, technology-based start-ups, and entrepreneurs** to build a domestic-led base for economic growth that increases MSME productivity. Balanced development across the economic sectors will ensure MSMEs can contribute to more resilient, sustainable national growth amid global uncertainty. Policies should be a conduit to a “well spinning growth and graduation cycle”—in other words, a comprehensive strategy for nurturing MSMEs to successfully evolve from inception to start-up to maturity. It becomes the core of a well-functioning MSME business ecosystem. In developing Asia and the Pacific, roughly 72% of MSMEs operate in traditional services like distributive trade. Innovative services-oriented MSMEs or technology-based start-ups (such as green technology and digitalized firms) are just a small fraction of the region’s MSMEs. An average of 12% of MSMEs are in manufacturing nationally. MSME manufacturers typically include small handicraft businesses, subcontractors (such as automobile and electronic parts producers), agri-businesses, and food-processing firms. But innovative manufacturers refining or developing new products through research and development (R&D) for overseas markets are rare. Innovative small manufacturers, technology-based start-ups, and entrepreneurs can build a domestic-led base for economic growth that boosts MSME productivity. National MSME development strategies should strengthen assistance toward these growth-oriented MSMEs using tailor-

made business advisories, growth capital funding, R&D support, new technology adoption/commercialization support, and branding/marketing/networking programs.

Second, **digitalizing business** must be ramped up to narrow the digital divide. MSMEs need stronger digital literacy programs. The use of digital tools is indispensable in innovative businesses. Digital technologies can supplement workforce shortages and stimulate new business ideas for individual entrepreneurs and small businesses. Most MSMEs are focused domestically, with many operating in rural areas and preferring cash transactions. This must change. The COVID-19 impact study on MSMEs (ADB 2022) showed that the pandemic and associated mobility restrictions forced MSMEs to go digital, but not all digitally operated MSMEs in e-commerce or internet use were successful.² Some reasons they failed included limited demand for nonessential goods and services during COVID restrictions, weak business models without prepared strategies, unfamiliarity with using technology in operations, and poor digitalization cost management. After the pandemic, several digitalized MSMEs likely shifted back to traditional, more familiar face-to-face contact. The digital divide among MSMEs is a critical barrier to promoting business digitalization. Governments should continue strengthening their digital business literacy programs for entrepreneurs and small business owners/managers, especially in rural areas.

Third, support **MSME international trade** through regulatory reforms and policy assistance to help avoid the unfavorable impact of recent global trade uncertainty. The historically high US tariffs will likely have a large impact on Asian exporters, including MSMEs, especially small subcontractors working for large enterprises. Any impact assessment of the 2025 US tariffs on businesses remains premature as current data are insufficient and tariff rates keep changing. However, the impact of the shift in global trade on MSME exporters cannot be ignored, given that MSME exports in developing Asia contributed an average of 40% of national export values in 2024. Governments should be proactive in easing any unfavorable effects on the business environment by implementing needed regulatory reforms and applying appropriate policy support, including expanding trade finance, enhancing the awareness of the concessions available from various trade agreements, and facilitating cross-border and behind-the-border procedures.

Fourth, improve and develop **credit guarantee markets** to help MSMEs borrow more easily and rethink how to promote green lending to those developing more environmentally sound products. Limited access to finance remains the highest barrier to MSME growth. MSME bank credit has grown across developing Asia and the Pacific, yet it remains far too limited. One problem is that MSME loan quality remains relatively low. MSME NPLs rose again in 2024 to 7.6%, above gross bank NPL ratios in most of the countries covered here. Subsidized loans for MSMEs often enhance MSME access to finance, but several countries have lowered them, using credit guarantees more as a credit enhancement tool. While credit guarantees have gradually expanded, they remain small. In the countries covered, traditional credit guarantees typically offer partial guarantee coverage. While remaining an effective tool to reduce information asymmetry between MSMEs and banks, their partial coverage does not cover all credit risks, given the constraints in available resources. With this in mind, an optimal credit guarantee ratio—determining the optimal level of guaranteed loans to MSMEs—is worth considering, including the response to climate change and incorporating factors such as greenhouse gas emissions in designing credit guarantee options and building on firm-level data.

Fifth, create and promote **a growth capital financing venue** for MSMEs by developing **a national venture capital industry** and promoting **R&D investments** to help small firms innovate. MSME equity markets have become alternative growth capital, financing venues for eligible MSMEs. This trend should spread to countries lacking specialized MSME markets, as market-based financing supplements bank lending to fill unmet MSME

² ADB. 2022. Asia Small and Medium-Sized Enterprise Monitor 2021 Volume II—How Asia's Small Businesses Survived A Year into the COVID-19 Pandemic: Survey Evidence.

financing demand. But specialized MSME market performance—in market capitalization, trading values/volumes, and number of listed companies—has been mixed, affected by investor sentiment under an uncertain global economy, particularly as the main players in MSME equity markets are typically individual investors. Perceived high risks tend to alienate institutional investors. Venture capital remains at a nascent stage of development across much of the region. But there is potential to expand the investor base for MSME markets by attracting venture capitalists into MSME equity markets. In particular, innovative small manufacturers, technology-based start-ups, and entrepreneurs can be potentially valuable investment targets in these markets. Increasing the number of incubators and accelerators would be critical to developing national MSME entrepreneurs. Promoting R&D investments to innovative small businesses may also attract venture capital funding. National capital market development strategies should include these possibilities within their planning process.

Sixth, develop a **quality job market and registration system** for MSMEs, encouraging them to formalize their businesses and register their employees by strengthening business advisory and training programs for MSME owners and managers. Creating incentives to do so is critical. Informal businesses employing casual workers remain a critical issue for sound MSME and labor market development across the region, particularly pronounced in the Pacific. For example, informal (unregistered) businesses cannot avail of urgently needed government assistance measures—in particular during shocks like pandemics, disasters, and financial crises. When these happen, government emergency assistance cannot properly assist informal businesses, leaving their employees largely helpless without any social protection. Governments need to provide incentives for MSMEs to formalize and register their workers. One-stop business development services and tailor-made training programs—such as workshops on maintaining financial statements and accounting standards for MSME owners and managers—should be strengthened.

And seventh, create a conducive business environment for **women-led MSMEs and young entrepreneurs** through more focused financial assistance and skills development support. Many countries covered here already have policy assistance measures for women-led MSMEs, drawing young, female entrepreneurs into national gender mainstreaming strategies, conducting capacity-building programs, and providing network support and financial assistance. These should be strengthened further using an evidence-based approach. It is important to build a national aggregate women's business database, appropriately used to design a policy framework conducive to building a better business environment for women across the region.

1. Overview of the Regional Economy

For most of 2025, the global trade environment has been hit from a variety of directions, most notably the ricocheting and as yet unsettled tariffs largely emanating from the United States (US). Levels of overall protection are now the highest in nearly 90 years. The US began a universal “reciprocal” 10% tariff on imports from all trading partners beginning 5 April 2025, followed by country-specific tariffs varying by conditions, ranging from trade deficits to specific domestic policies. Following a brief grace period for mostly bilateral negotiations, country-specific tariffs began on 7 August. Most Asian exporters felt the impact. Among countries covered by the Asia SME Monitor (ASM), the Lao People’s Democratic Republic (Lao PDR) received the highest reciprocal tariff (40%); followed by Brunei Darussalam, India, and Kazakhstan (25%); Bangladesh, Sri Lanka, and Viet Nam (20%); and Cambodia, Indonesia, Malaysia, Pakistan, the Philippines, and Thailand (19%). The other ASM countries covered—Armenia, Azerbaijan, Fiji, Georgia, Nepal, Papua New Guinea, Samoa, Singapore, Solomon Islands, Tajikistan, Tonga, and Uzbekistan—remained subject to the 10% baseline tariff.³ The US also imposed product-specific tariffs from different dates, amending the US Section 232 tariff product categories to increase rates. As of September 2025, examples included aluminum—25% for products originating in the United Kingdom (UK), 200% for Russia, and 50% for all others—automobiles (25%); automobile parts (10% for the UK and 25% for the rest); copper (50%); and steel (25% for UK products and 50% for everyone else).

The new tariffs continue to have a sizable impact on Asian exporters—including micro, small, and medium-sized enterprises (MSMEs) and smaller subcontractors with large enterprises. Studies on the 2018 US tariffs imposed during the first Donald Trump presidency show that while increased tariffs passed mostly through to duty-inclusive prices (those from high trade barriers were generally borne by US customers and importers), foreign exporters to the US in industries such as steel considerably lowered their export prices, absorbing part of the tariff increases through reduced profits.⁴ A better assessment of the new 2025 US tariffs on businesses would be far more complicated and challenging, as this report is written, data remains insufficient, and tariff rates could still change markedly. However, the tariff impact on global trade and its effect on Asia’s MSME exporters cannot be ignored, as MSME exports in developing Asia covered an average of 40% of a country’s total 2024 export value. Many small subcontractors in automobile and electronic parts production, for example, operate within the region, indirectly contributing to overall exports. In addition, several MSMEs rely on imports from larger neighbors—such as the People’s Republic of China (PRC) for Southeast Asian countries and Russia for those from the Caucasus and Central Asia. Deepening global uncertainty—emanating from Russia’s war in Ukraine, geopolitical tensions in the Middle East, a worsening US–PRC trade war, and reciprocal counter-tariff measures taken by others—could accelerate supply chain disruptions and boost trade costs further, affecting MSMEs throughout the region.

ADB’s latest *Asian Development Outlook* forecasts that the robust 5.1% growth in 2024 will likely slow to 4.9% in 2025 and 4.5% in 2026 across Asia and the Pacific.⁵ Growth in the first half of 2025 rose to 5.4% compared to the second half of 2024 (4.9%), supported by strong exports. Tariff frontrunning contributed to the region’s export 8.1% surge in the first half of 2025, more pronounced in Southeast Asia given its high export demand for electronics such as semiconductor chips or artificial intelligence (AI)-related equipment. Growth forecasts were reduced from 5.7% in 2024 to 5.5% in 2025 in the Caucasus and Central Asia, from 4.7% to 4.4% in East Asia, and from 4.8% to 4.3% in Southeast Asia due to the new US tariffs and global trade uncertainty. South Asia retained its 5.9% growth forecast for 2025. The Pacific’s growth forecast rose from 3.8% in 2024 to 4.1% in 2025, driven mainly

³ ReedSmith Trump2.0 tariff tracker, updated on 24 September 2025: <https://www.tradecompliancesourcehub.com/2025/10/10/trump-2-0-tariff-tracker/>.

⁴ Amiti, Mary, Stephen J. Redding, and David E. Weinstein. 2019. “The Impact of the 2018 Tariffs on Prices and Welfare.” *Journal of Economic Perspectives* 33 (4): 187–210; Amiti, Mary, Stephen J. Redding, and David E. Weinstein. 2020. “Who’s Paying for the US Tariffs? A Longer-Term Perspective.” *AEA Papers and Proceedings* 110: 541–546.

⁵ ADB. 2025. *Asian Development Outlook* September 2025.

by strong Papua New Guinea (PNG) mining and liquified natural gas output. The region's inflation (excluding the PRC) moderated from 4.8% in 2024 to 3.3% in 2025 due to the drop in global energy and food prices. Yet, inflation is forecasted to increase to 3.7% in 2026 largely due to trade uncertainty. The region's lower growth forecasts, coupled with more downside risks, have pushed governments to consider MSME development strategies that better respond to a changing environment that could, in fact, boost their resilience and better sustain growth. This year's report adds two new countries—Solomon Islands and Tonga—to expand ASM coverage to 26 ADB developing member countries.⁶

2. MSME Development

Scale of MSMEs and Employment

Over the past year, some regulatory and administrative reforms related to national MSME policies were found in developing Asia and the Pacific, including new MSME classifications. In Indonesia, for example, the new administration starting in October 2024 began a strategic MSME development transformation using regulatory reforms and upgrading the government's institutional structure. These included redefining MSMEs and creating a new Ministry of MSMEs from the former Ministry of Cooperatives and SMEs. The new definitions raised the net asset and annual sales value criteria for microenterprises (up to Rp1 billion for assets and Rp2 billion for sales) and small enterprises (up to Rp5 billion and Rp15 billion). Related MSME data are expected to be updated for release in December 2025. In Sri Lanka, the government approved a new national MSME definition on 27 February 2024 (Decision No.DFD/CO/2024-01), increasing the size in annual turnover from up to SLRs750 million under the previous definition to SLRs1 billion. It also adjusted the number of employees up to 200 people for both manufacturing and service firms. Newly classified MSME data have not been updated since the 2013 Census. PNG's cabinet-approved MSME Policy 2022 replaces the sector-specific SME Policy 2016 by defining MSMEs by annual turnover (less than K5 million), number of employees (up to 100 people), and total assets (less than K10 million). In Samoa, the MSME Development Policy and Strategy 2020 provisionally defines MSMEs as those with up to 25 registered employees or an annual income of not more than ST1 million (the income criterion was still under cabinet review as of September 2025). For the two new countries included here, Solomon Islands defines MSMEs by net capital investment (less than SI\$7.5 million), annual turnover (less than SI\$50 million), and number of employees (fewer than 50 people). Tonga classifies MSMEs as firms with up to 50 employees.

MSMEs constitute a large mass and a huge percentage of the overall business.⁷ Based on available updated data, MSMEs accounted for an average of 99.7% of all enterprises in 2023 and 99.8% in 2024, and continue to expand their national impact among countries covered. MSME landscape data were extracted from census and establishment/labor force surveys in countries such as Indonesia and the Philippines, where data include informal businesses and statistically add to the large MSME base. Across developing Asia, MSMEs employed an average of 61.3% of the total 2023 workforce and 67.6% in 2024 (Table A-1 and Figure 1.1A). They play a critical role in creating jobs nationally. However, their ability to absorb workers varies by country (Figure 1.1B). Uzbekistan held the highest share at 74.5% of total employment in 2024, followed by Armenia (69.7% in 2023), Singapore (69.6% in 2024), Thailand (68.8% in 2024), the Philippines (66.6% in 2023), Indonesia (63.6% in 2022), and Georgia (59.6% in 2023). Uzbekistan data also include individual entrepreneurs, farmers (*dekhkan* or family-owned farms), and the self-employed. By contrast, other countries created fewer MSME jobs. For example, Fiji's MSME workforce was

⁶ Southeast Asia—Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, the Philippines, Singapore, Thailand, and Viet Nam; South Asia—Bangladesh, India, Nepal, Pakistan, and Sri Lanka; Central and West Asia—Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan; the Pacific—Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands, and Tonga.

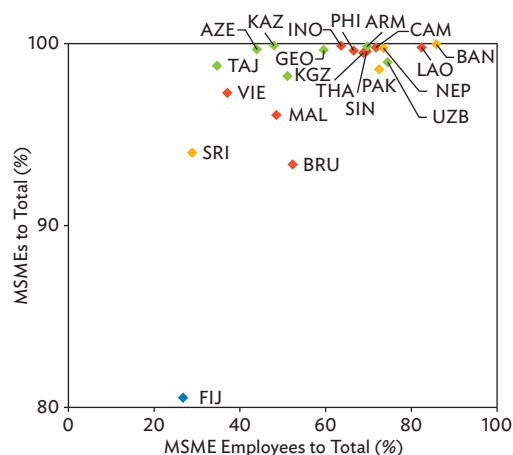
⁷ This chapter uses MSME throughout, although countries such as Georgia, Singapore, and Tajikistan have no category specifically covering microenterprises.

26.8% of the total in 2021, followed by Tajikistan (34.7% in 2021), Viet Nam (37.1% in 2023), Azerbaijan (44.0% in 2023), Kazakhstan (48.0% in 2024), and Malaysia (48.5% in 2023). For South Asia and the Pacific, MSME employment data have not been updated since 2021.

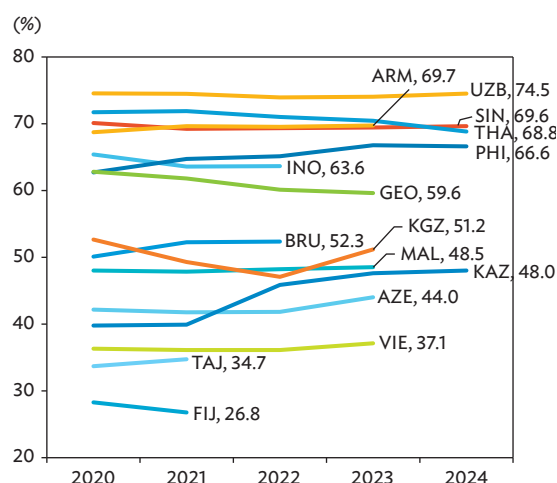
In the Caucasus and Central Asia, both the number of MSMEs and employment have grown consistently, with rates varying by country. In 2023, the Kyrgyz Republic experienced a sharp 16.1% increase in the number of MSMEs, with employment rising by 15.3%. This rebounded from the 2020–2022 decline affected by the coronavirus disease (COVID-19) pandemic and the Russian invasion of Ukraine. Armenia, Azerbaijan, and Georgia continued to grow strongly both in the number of MSMEs and in the workforce.⁸ The continued Russian relocation to these countries, especially of information and technology (IT) firms, supported MSME expansion and employment growth in services. With data as of the end of 2023, factors associated with increased geopolitical tensions and global trade uncertainty after 2024 are not included. However, 2024 data are available in Kazakhstan and Uzbekistan. These show Kazakhstan MSMEs grew by a slower 3.5%, and the workforce increased 2.2%, although the share of MSME employees to total workers rose slightly to 48.0% in 2024 from 47.6% in 2023. The number of Uzbekistan MSMEs contracted by 14.1% in 2024, although employees increased by 2.5%, mainly from greater agricultural demand. Heightened global economic uncertainty and the long-standing regional turbulence are likely affecting MSME survivability across the Caucasus and Central Asia.

Figure 1.1: Scale of MSMEs and Employment

A. Number of MSMEs and Employment, 2024



B. MSME Employees to Total, 2020–2024



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; FIJ = Fiji; GEO = Georgia; INO = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; LAO = Lao People's Democratic Republic (Lao PDR); MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NEP = Nepal; PAK = Pakistan; PHI = Philippines; SIN = Singapore; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Notes: For Figure A, data refer to the latest available data until 2024 (end-of-year). For the share of MSMEs to total enterprises, data in 2024 for INO, KAZ, MAL, PHI, SAM, SIN, SOL, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, NEP (fiscal year [FY] ended 15 July), and VIE; data in 2022 for BRU; data in 2021 for FIJ; data in 2020 for LAO and PAK; data in 2019 for SRI; data in 2014 for CAM; and data in 2013 for BAN. For the share of MSME employees to total workforce, data in 2024 for KAZ, PHI, SIN, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, MAL, and VIE; data in 2022 for BRU and INO; data in 2021 for FIJ, PAK (FY ended 30 June), and TAJ; data in 2020 for NEP (FY); data in 2019 for SRI; data in 2018 for LAO; data in 2014 for CAM; and data in 2013 for BAN.

Source: ADB Asia SME Monitor 2025 database.

⁸ Armenia MSMEs grew by 7.8% in number with workers expanding by 10.3%; Azerbaijan by 6.2% and 5.6% respectively; and Georgia by 9.3% and 4.8%.

In South Asia, apart from India, MSME landscape data remain limited and are not updated annually. In Bangladesh, the most recent MSME data are from the Economic Census 2013. An economic census was conducted in December 2024, reporting 11.9 million enterprises across the country—but detailed MSME data remain unavailable. In Nepal, MSME data have not been updated since fiscal year (FY) 2023 (ended 15 July 2023), but FY2024 data are available for SMEs registered with the Department of Industry (not including cottage industries, microenterprises, or unregistered informal firms). They showed 8,100 SMEs or 85.1% of registered businesses, up by 5% from FY2023. They employed 513,481 workers, or 72.7% of formally registered employees, a 4% increase largely due to agricultural growth. In Pakistan, MSME landscape data remain limited, but the SME Development Agency estimated 5.2 million MSMEs in 2020. MSME employment data then totaled 30.5 million or 72.5% of nonagricultural workers in FY2021 (ended 30 June 2021). In Sri Lanka, MSME data were not updated from the Economic Census 2013, but data in manufacturing are available in 2020, showing 18,029 firms employing 1.1 million workers. On the other hand, India monitors MSME data annually through its online registration system (Udyam Assist Platform) and separately calculates informal microenterprises. In FY2024 (ended 31 March 2025), MSMEs numbered 57.7 million firms, a 39.1% increase from FY2023, and employed 243.6 million workers, a 32.7% increase. MSME growth and employment came from robust economic growth (by 6.5% in both 2024 and 2025 forecasts), with a moderate 4.6% inflation in 2024 forecast to drop to 3.1% in 2025. The government provides ample MSME assistance. New US tariffs (a 25% reciprocal tariff) may affect MSME landscape data beginning in the second quarter of FY2025.

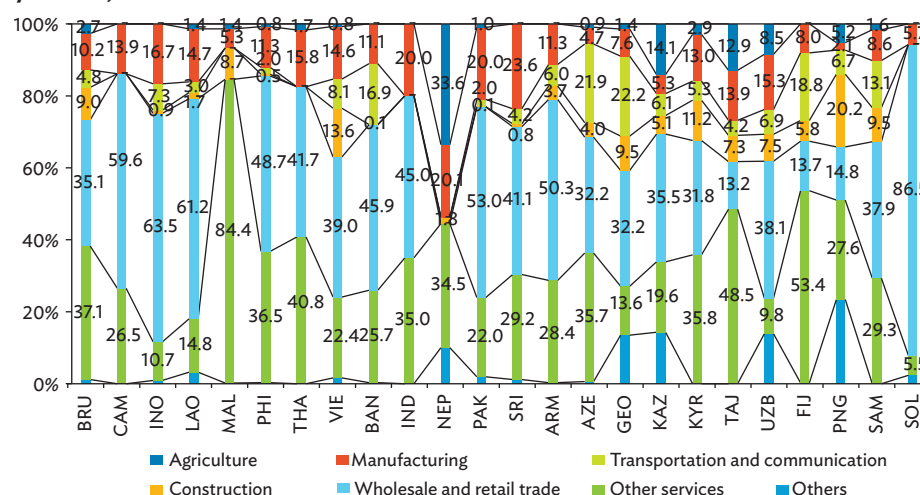
In Southeast Asia, the MSME landscape has reshaped somewhat as the region's economic growth momentum is shifting emphasis from MSMEs to expanding the base of large enterprises. Some countries show MSME workforce growth continuing, while other workers join larger firms. In Indonesia, the national labor force survey showed the number of MSMEs contracted by 0.5% to 56.2 million in 2024. In Malaysia, the number of MSMEs declined by 1.4% to 1.1 million. The number of large enterprises in both countries grew, suggesting economic adjustments associated with robust growth in 2024. In the Philippines, the number of MSMEs fell by 0.4% to 1.2 million, with the workforce down by 1.8% to 6.3 million—but those in large enterprises dropped as well. Singapore's MSME growth slowed to 3.0% (350,000 firms), with employees up by 3.2%, the total accounting for 69.6% of the workforce. In Thailand, MSMEs grew by 0.9% (3.3 million firms), with employment up by 3.8%, covering 68.8% of all workers. In Viet Nam, the number of MSMEs and employment grew consistently in 2019–2023, with slowing but robust growth in the number of MSMEs (up 6.0%) and employees (4.4% increase) in 2023. However, the share of MSME employees to the total remained small at 37.1%, suggesting more room for job creation among Viet Nam's MSMEs. Data from Brunei Darussalam, Cambodia, and the Lao PDR had not been updated from ASM 2024.

ASM 2025 adds two new countries in the Pacific—Solomon Islands and Tonga. In Solomon Islands, the inaugural Economic Census 2024 used an employment threshold to estimate 8,258 formal MSMEs, or 99.8% of total registered firms. The census also found a nearly identical 8,222 informal microenterprises with 11,234 unregistered workers, suggesting high business informality. In Tonga, the 2023 labor force surveys identified 8,371 MSMEs and estimated a slightly lower 8,162 MSMEs in 2024. Data from a 2021 business survey showed that informal MSMEs were mostly in the primary and consumer sectors. Around 39.3% of informal businesses were in agriculture and fishing, accounting for rural employment. Samoa updated its MSME data as of the end of 2024, showing a structural shift of fewer microenterprises and more SMEs and large firms—the 3,702 MSMEs in 2024 (93.9% of all firms) fell by 23.3% from 2023. In PNG, comprehensive MSME data remain unavailable, but the Economic Sub-Sector Development Plan 2023–2027 estimated 15,000 MSMEs in 2020, and the government study estimated MSMEs expanding to 240,000 firms by 2027, mainly in agriculture, trade, services, and construction—mostly operating informally in rural areas. Fiji's MSME data remained the same as in ASM 2024. Informal businesses employing family or casual workers continue to define the Pacific subregion. Better data can help governments develop nonintrusive policies that can help MSMEs prepare for issues such as economic growth and climate adaptation to provide a more resilient, sustainable growth pattern for the Pacific.

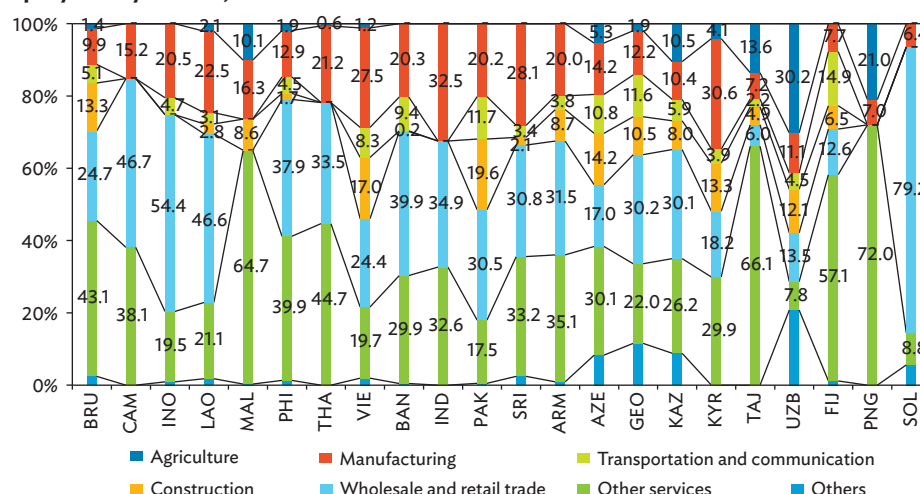
Based on available data up to 2024, an average of 72% of MSMEs in developing Asia and the Pacific work in traditional services—such as trade, accommodation, and food services—with 73% operating in rural areas outside the capital city (Figures 1.2A and 1.3A). MSME manufacturers are a small 12% fraction. The number of IT-based MSMEs is relatively small (they are grouped within the MSME transportation and communications category, averaging 9%). MSME employment shows similar trends, with an average of 65% of MSME employees working in traditional services, yet manufacturing has a relatively larger workforce, averaging 17% of MSME employees (Figure 1.2B). Those employed by IT-based MSMEs are much smaller within the transportation and communications category, averaging 7% of MSME workers. Geographically, an average of 65% of MSME employees work outside the capital city (Figure 1.3B).

Figure 1.2: Sectoral Distribution

A. MSMEs by Sector, 2024



B. MSME Employees by Sector, 2024



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; FIJ = Fiji; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = Kyrgyz Republic; LAO = Lao People's Democratic Republic (Lao PDR); MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NEP = Nepal; PAK = Pakistan; PNG = Papua New Guinea; PHI = Philippines; SAM = Samoa; SOL = Solomon Islands; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

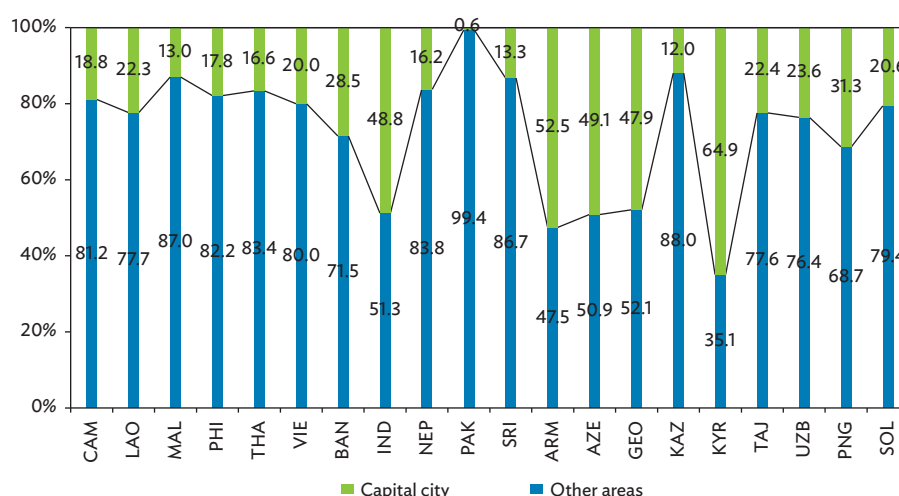
Note: Data refer to the latest available data until 2024. For Figure 1.2A, data in 2024 for IND (fiscal year [FY] ended 31 March), KAZ, MAL, PHI, PNG, SAM, SOL, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, NEP (FY ended 15 July), and VIE; data in 2022 for BRU; data in 2021 for FIJ; data in 2020 for LAO; data in 2016 for INO; data in 2014 for CAM; data in 2013 for BAN and SRI; and data in 2005 for PAK. For Figure 1.2B, data in 2024 for KAZ, KYR, PHI, PNG, SOL, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, MAL, and VIE; data in 2022 for BRU; data in 2021 for FIJ, PAK (FY ended 30 June), and TAJ; data in 2020 for LAO; data in 2016 for IND (FY) and INO; data in 2014 for CAM; data in 2013 for BAN and SRI.

Source: ADB Asia SME Monitor 2025 database.

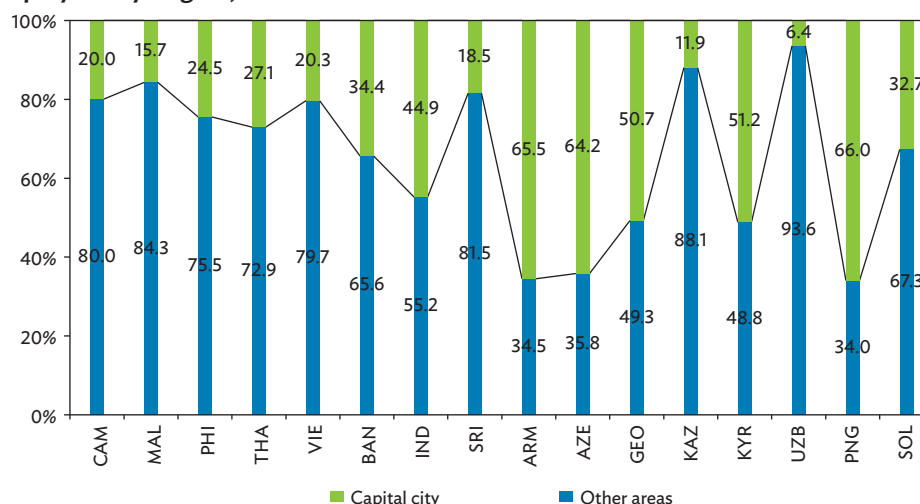
MSME sectoral distribution depends on the country's economic structure. Following services, agriculture ranks either second or third in agri-oriented countries such as Nepal (33.6% of MSMEs [including cottage industries] in FY2023), Kazakhstan (14.1% in 2024), Tajikistan (12.9% in 2024), and Uzbekistan (8.5% in 2024) (Figure 1.2A). However, agriculture's share has continued to shrink in Kazakhstan, Tajikistan, and Uzbekistan, while manufacturing has expanded in Tajikistan (13.9% in 2024, its first time exceeding agriculture). In Uzbekistan, agriculture remained the largest sector for MSME workers (30.2% of MSME employees in 2024) (Figure 1.2B). The regional distribution of MSMEs and their employment shows that around half or more of MSMEs and their workers work in the capital cities of Armenia (52.5% of MSMEs and 65.5% of MSME employees in 2023), Azerbaijan (49.1% and 64.2% in 2023), Georgia (47.9% and 50.7% in 2023), and the Kyrgyz Republic (64.9% and 51.2% in 2023) (Figure 1.3).

Figure 1.3: Regional Distribution

A. MSMEs by Region, 2024



B. MSME Employees by Region, 2024



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; CAM = Cambodia; GEO = Georgia; IND = India; KAZ = Kazakhstan; KYR = Kyrgyz Republic; LAO = Lao People's Democratic Republic (Lao PDR); MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NEP = Nepal; PAK = Pakistan; PHI = Philippines; SOL = Solomon Islands; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Note: Data refer to the latest available data until 2024 (end-of-year). For Figure 1.3A, data in 2024 for KAZ, MAL, PHI, SOL, TAJ, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, NEP (fiscal year [FY] ended 15 July), and VIE; data in 2020 for LAO; data in 2018 for IND (FY); data in 2016 for PNG (from SME Policy 2016); data in 2014 for CAM; data in 2013 for BAN and SRI; and data in 2005 for PAK. For Figure 1.3B, data in 2024 for KAZ, PHI, SOL, THA, and UZB; data in 2023 for ARM, AZE, GEO, KYR, and VIE; data in 2016 for IND (FY); data in 2015 for MAL; data in 2014 for CAM; data in 2013 for BAN and SRI; and data in 2011 for PNG.

Source: ADB Asia SME Monitor 2025 database.

Business Productivity

Across the region, MSMEs contributed an average of 38.2% of gross domestic product (GDP) or gross value added (GVA) in 2023 and 38.7% in 2024 (Table A-3).⁹ By subregion, the Caucasus, Central Asia, and Southeast Asia continued to contribute most to their subregion's MSME output. In the Caucasus and Central Asia, MSMEs generated an average of 41.9% of 2023 output and 46.0% in 2024. Data from 2024 did not include Armenia, Azerbaijan, Georgia, or the Kyrgyz Republic. In Southeast Asia, MSMEs from Malaysia, Singapore, and Thailand produced an average of 39.3% of 2023 output and 38.8% in 2024. It is important to note that many countries do not always annually update MSME output. MSME output data are unavailable for most of South Asia. India and Nepal, for example, have had no updates since **ASM 2024**. Bangladesh MSME output data refer to cottage and MSME manufacturers, and Pakistan's data refer to small manufacturers only, and thus do not represent all MSMEs.

Given these limitations, Tajikistan MSMEs continued to contribute the largest portion of economic output (60.4% in 2024), followed by Uzbekistan (54.3% in 2024), Georgia (53.9% in 2023), Singapore (42.1% in 2024), Kazakhstan (39.7% in 2024), the Kyrgyz Republic (39.6% in 2023), Malaysia (39.1% in 2023), Thailand (34.9% in 2024), Armenia (31.6% in 2023), and Azerbaijan (18.0% in 2023) (Figure 1.4A). They also showed high growth in MSME output based on local currency. The Kyrgyz Republic grew fastest, by 33.1% in 2023, followed by Armenia (23.0% in 2023), Kazakhstan (21.1% in 2024), Uzbekistan (20.8% in 2024), Georgia (17.6% in 2023), Azerbaijan (17.0% in 2023), Tajikistan (14.9% in 2024), Singapore (7.7% in 2024), Malaysia (5.0% in 2023), and Thailand (3.9% in 2024).

Overall, the Caucasus and Central Asia consistently expanded their MSME share of national economic output throughout 2020–2024 in Armenia, Azerbaijan, Georgia, Kazakhstan, and the Kyrgyz Republic (Figure 1.4B). Tajikistan's share fell slightly from 61.7% in 2023, but remained the highest among countries in the subregion. Uzbekistan maintained its share. In Southeast Asia, Malaysia and Thailand slightly expanded their MSME output shares from the previous year (38.6% in 2022 for Malaysia and 34.7% in 2023 for Thailand). Singapore's share fell from 43.2% in 2023.

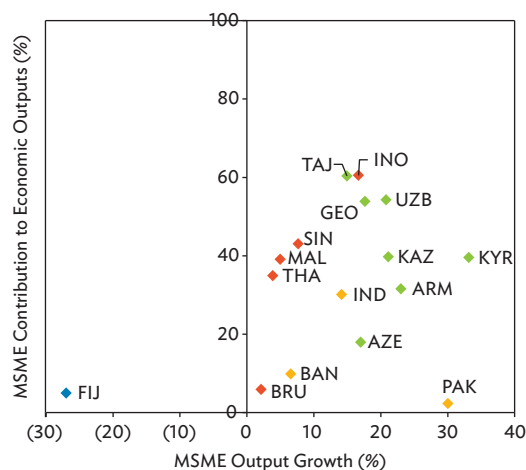
In US dollar terms, MSME output was highest in India (\$965.8 billion in 2022), followed by Singapore (\$230.4 billion in 2024), Thailand (\$190.7 billion in 2024), Malaysia (\$134.4 billion in 2023), Kazakhstan (\$101.6 billion in 2024), and Uzbekistan (\$61.1 billion in 2024) (Table A-4 and Figure 1.4C).¹⁰

⁹ MSME output data follow national definitions. Data are based on GDP except for Armenia, Azerbaijan, Fiji, Georgia, and Kazakhstan which use GVA. Singapore refers to nominal value added of small and medium-sized enterprises. Bangladesh uses manufacturing GVA of cottage and small enterprises. Malaysia's data are based on real GDP. Pakistan uses GDP of small manufacturers only.

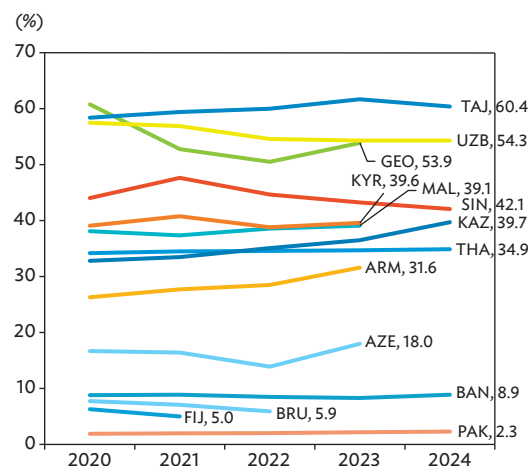
¹⁰ US dollar exchange rates refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years. US dollar data are not normalized by an economy's size.

Figure 1.4: MSME Contribution to Economic Output

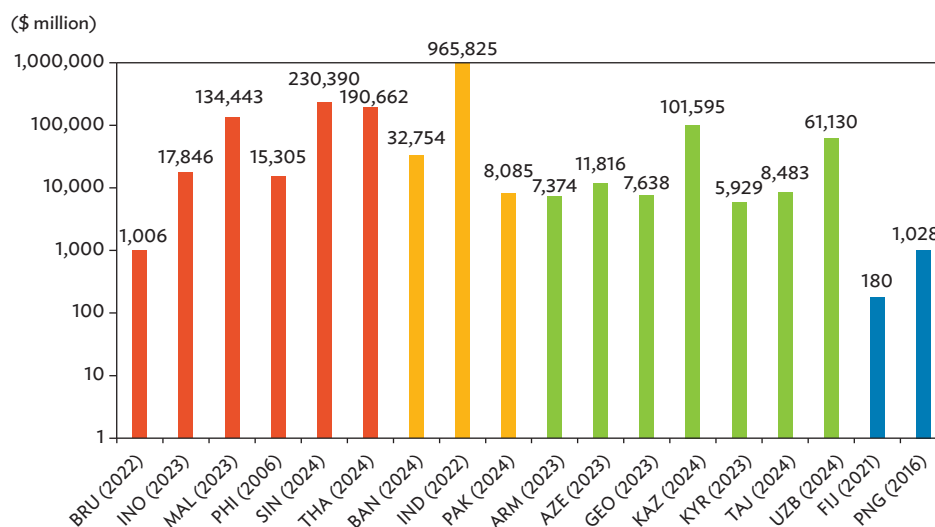
A. MSME Output, 2024



B. MSME Contribution to Economic Output, 2020–2024



C. MSME Output, 2024 (\$ million)



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; FJI = Fiji; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = Kyrgyz Republic; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; PAK = Pakistan; PNG = Papua New Guinea; SIN = Singapore; TAJ = Tajikistan; THA = Thailand; UZH = Uzbekistan.

Notes: Data based on gross domestic product (GDP) except for ARM, AZE, FJI, GEO, IND, and KAZ (MSME gross value added [GVA]) and SIN (nominal value added of small and medium-sized enterprises [SMEs]). For BAN, data based on real GDP of cottage and MSME manufacturers. For MAL, data based on real GDP. For PAK, GDP of small manufacturing sector only. Data refer to the latest available data until 2024 (end-of-year). Data in 2024 for BAN (fiscal year [FY] ended 30 June), KAZ, SIN, TAJ, THA, and UZH; data in 2023 for ARM, AZE, GEO, MAL, and KYR; data in 2022 for BRU and IND (FY ended 31 March); data in 2021 for FJI; data in 2020 for PNG (SME Corporation's estimate); and data in 2019 for INO and NEP (from the 2019 Nepal Rastra Bank Report). MSME output growth refers to annual growth from the previous year. For Figure 1.4C, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics for designated years.

Source: ADB Asia SME Monitor 2025 database.

Market Access

While most MSMEs are domestically focused, those involved with international trade have grown gradually across the region. Overall, growth post-pandemic has been helped by strong exports. With the sense of new US tariffs on businesses—including MSMEs—tariff frontrunning or “panic exporting” since the formal April announcement, fueled the region’s export surge in the first half of 2025. Its impact will become more apparent during and after the second half of 2025. Studies on the 2018 US tariffs suggest that MSME exporters (regardless of direct or indirect exports to the US) will likely see profits drop by absorbing all or some of the increased trade costs, depending on product or sector (against those raising prices as a result). Government assistance for MSMEs doing business overseas should account for this increased global trade uncertainty.

ASM 2025 data show MSME exports made up an average of 34.2% of total export value in 2023 and 40.0% in 2024 across developing Asia (Table A-3). The data is limited, however, referring here to the Caucasus and Central Asia, Southeast Asia, and South Asia (with no data available for the Pacific). Among those with 2023–2024 data, India’s MSME exports contributed most (45.8%) to total national export value in FY2024 (ended 31 March 2025), followed by the Kyrgyz Republic (39.9% in 2023), Uzbekistan (33.6% in 2024), Georgia (31.9% in 2024), Pakistan (30.0% in FY2024 [ended 30 June 2024]), Thailand (13.1% in 2024), Malaysia (12.2% in 2023), and Viet Nam (8.2% in 2023) (Figure 1.5A). MSME exports in the Caucasus, Central Asia, and South Asia remain relatively high, while MSME contributions in Southeast Asia are more limited.

Following the strong export rebound, MSME export values grew strongly, except for the Kyrgyz Republic (Figure 1.5B). Based on local currencies, Uzbekistan showed the highest growth by value, a 25.1% increase in 2024, supported by restructured primary export markets (13.7% for Russia, 7.6% for the PRC, 5.4% for Kazakhstan, and 4.3% for Türkiye). It was followed by Viet Nam—its 13.7% increase in 2023 reversed a 4.3% contraction in 2022—supported by government assistance in MSME trade promotion. Georgia’s SME exports (no microenterprise category) grew by a strong 11.1% in 2024, but its share of total export value dropped from 36.2% in 2020. MSME export value grew by 3.9% in India in FY2024, also expanding by 4.8% in 2024 in Thailand and by 4.5% in Malaysia in 2023, although their contributions to total exports remain small.

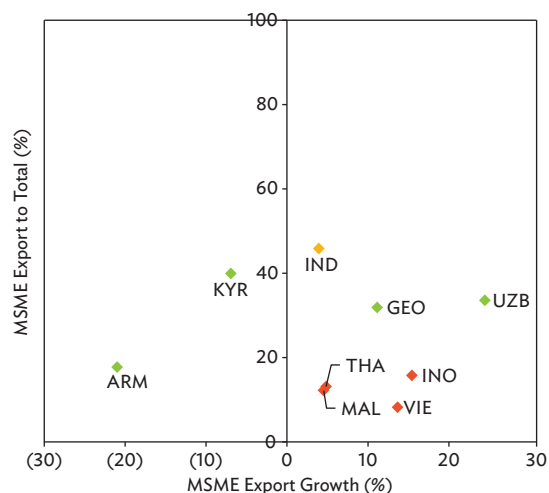
By contrast, MSME exports contracted by 6.9% in 2023 for the Kyrgyz Republic—due mainly to sanctions against Russia (its main trading partner) and stronger controls on re-exports of dual-use goods from Europe and the US. In 2022, the Kyrgyz Republic’s MSME exports to Russia increased sharply to 47.4%, with the export share in 2023 falling to 24.3%. Although MSME export data are unavailable, Armenia and Kazakhstan may have followed a similar trend, given their membership in the Eurasian Economic Union (EAEU), which includes Armenia, Kazakhstan, the Kyrgyz Republic, Belarus, and Russia. The EAEU provides free movement of goods, services, capital, and labor under the treaty’s sector policy coordination and international agreements within the group.

In US dollars, based on updated 2023–2024 data, India had the highest MSME export value (\$200.4 billion in 2024), followed by Thailand (\$40.7 billion in 2024), Malaysia (\$33.4 billion in 2023), Viet Nam (\$29.0 billion in 2023), Pakistan (\$9.3 billion in 2024), Uzbekistan (\$9.0 billion in 2024), Georgia (\$2.1 billion in 2024), and the Kyrgyz Republic (\$1.4 billion in 2023) (Table A-4 and Figure 1.5C).¹¹

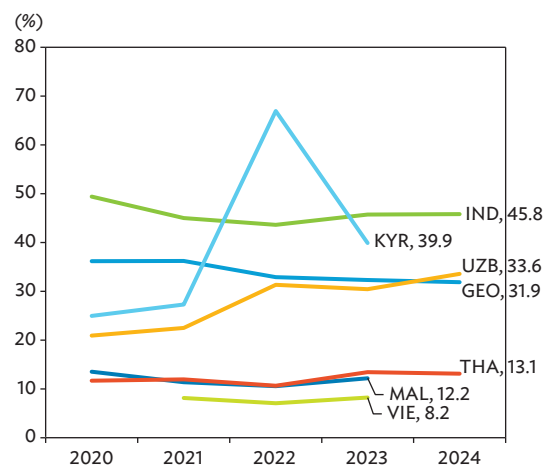
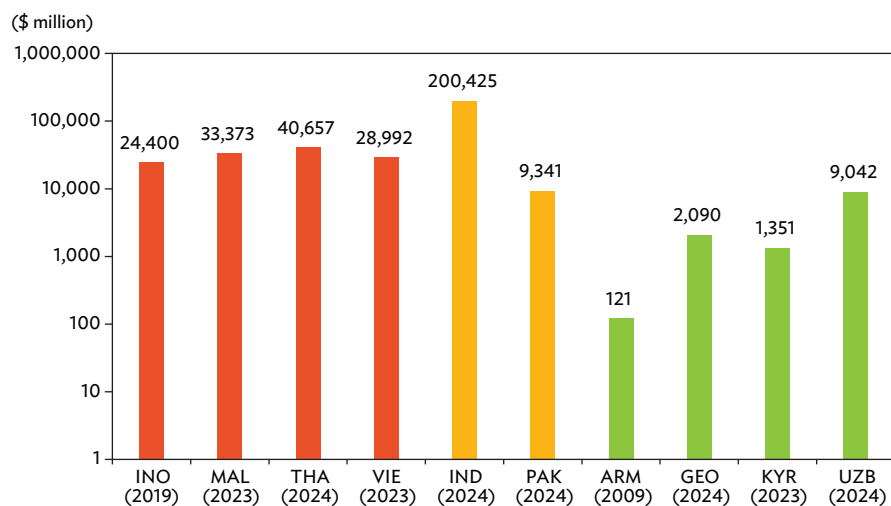
¹¹ US dollar exchange rates refer to end-of-year rates from the International Monetary Fund’s International Financial Statistics in designated years. US dollar data are not normalized by an economy’s size.

Figure 1.5: MSME Exports

A. MSME Exports, 2024



B. MSME Exports to Total, 2020–2024

C. MSME Exports, 2024
(\$ million)

ARM = Armenia; GEO = Georgia; IND = India; INO = Indonesia; KYR = Kyrgyz Republic; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; PAK = Pakistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Notes: Data refer to the latest available data until 2024 (end-of-year). Data in 2024 for GEO, IND (fiscal year [FY] ended 31 March), PAK, THA, and UZB; data in 2023 for KYR, MAL, and VIE; data in 2019 for INO; and data in 2009 for ARM. MSME export growth refers to annual growth from the previous year. For Figure 1.5C, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics for designated years.

Source: ADB Asia SME Monitor 2025 database.

3. Access to Finance

Bank Credit

Finance is essential for entrepreneurs, startups, and other firms to survive and grow. However, limited access to formal financial services or bank credit is a structural problem MSMEs face primarily due to insufficient collateral and previous business records, along with their unregistered status. With MSMEs being an important driver of economic growth, governments and central banks provide several types of assistance to ease MSME access to finance. This support has helped MSME bank credit markets expand across developing Asia and the Pacific.

In the Caucasus and Central Asia, Uzbekistan MSME bank loans outstanding in local currency grew by 28.0% in 2024 from 2023, followed by Kazakhstan (up by 20.2%), Armenia (18.7%), the Kyrgyz Republic (17.7%), Tajikistan (17.6%), Georgia (11.8%), and Azerbaijan (2.0%). For South Asia, Sri Lanka grew fastest in 2024, up by 22.3% from 2023, followed by Pakistan (18.2%), India (17.2%), Nepal (16.7%), and Bangladesh (3.4%). In Southeast Asia, MSME bank lending growth was mixed. In 2024, the Lao PDR saw MSME bank lending increase by 13.0%, followed by the Philippines (8.4%), Malaysia (8.3%), and Indonesia (3.6%), while MSME bank credit growth fell by 8.3% in Singapore, followed by Thailand (–2.5%) and Brunei Darussalam (–1.4%).

While MSME bank lending expanded, the credit market in developing Asia and the Pacific is still small. Available data show that the share of MSME lending to total bank lending fell to an average of 16.9% in 2024 from 17.3% in 2023. In 2024, it represented 10.7% of the national GDP 2023, up from 10.2% in 2023 (Table A-5). By subregion, the Caucasus and Central Asia held the highest share of MSME loans to total bank loans outstanding, averaging 28.4% in 2024, followed by the Pacific (24.5%), Southeast Asia (16.6%), and South Asia (16.0%). By contrast, the average equivalent share of MSME loans to national GDP was highest at 14.1% in Southeast Asia in 2024, followed by Caucasus and Central Asia (11.0%), the Pacific (8.3%), and South Asia (8.2%).

By country, the share of MSME loans to total bank lending in 2024 was the highest in Samoa at 50.2%, followed by Solomon Islands (41.8%), Georgia (38.4%), Armenia (29.4%), Kazakhstan (25.9%), Azerbaijan (23.6%), PNG (22.6%), Thailand (19.5%), Indonesia (19.3%), Bangladesh (18.1%), Tajikistan (17.5%), Uzbekistan (17.5%), Malaysia (17.2%), India (16.0%), the Lao PDR (10.7%), and Sri Lanka (10.6%). By contrast, Brunei Darussalam had the lowest share in 2024 (0.3%), followed by the Philippines (3.9%), Pakistan (6.1%), Singapore (6.1%), Nepal (8.8%), and Fiji (9.2%). In terms of MSME loans to GDP, Georgia held the highest share at 26.1% in 2024, followed by Samoa (23.8%), Malaysia (22.4%), Armenia (17.1%), and Singapore (14.7%). The lowest share was in Brunei Darussalam (0.02%), followed by Solomon Islands (0.3%), Pakistan (0.6%), Tajikistan (1.9%), the Philippines (2.1%), Sri Lanka (3.1%), Azerbaijan (5.1%), PNG (5.5%), Bangladesh (6.0%), Uzbekistan (6.4%), Kazakhstan (6.5%), Fiji (6.6%), the Lao PDR (6.7%), Indonesia (6.8%), Nepal (7.9%), and India (8.5%) in 2024 (Figure 1.6A). Only total business loan data was available—including MSME loans—in the Kyrgyz Republic and Tonga, where the corresponding figures were 59.4% of total bank lending and 15.2% of GDP for the Kyrgyz Republic, and 52.5% and 18.7% for Tonga in 2024.

In US dollars MSME bank loans in 2024 were highest in India (\$327.6 billion), followed by Thailand (\$146.5 billion), Malaysia (\$93.6 billion), Indonesia (\$93.4 billion), Singapore (\$59.2 billion), Bangladesh (\$25.1 billion), and Kazakhstan (\$16.7 billion) (Table A-6 and Figure 1.6B).¹²

¹² US dollar exchange rates refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years. US dollar data are not normalized by an economy's size.

MSME credit shares fluctuate depending on how exposed they are to shocks and react to associated government responses. Between 2020 and 2024, the average share of MSME loans to total bank loans fell in 12 countries—Armenia and Azerbaijan in the Caucasus and Central Asia; Bangladesh, Pakistan, and Sri Lanka in South Asia; Indonesia, the Lao PDR, the Philippines, Singapore, and Thailand in Southeast Asia; and Fiji and Samoa in the Pacific. It expanded in 8 countries—Georgia, Kazakhstan, and Tajikistan in the Caucasus and Central Asia; India in South Asia; Brunei Darussalam and Malaysia in Southeast Asia; and PNG and Solomon Islands in the Pacific (Figure 1.6C). The average share of MSME loans to national GDP fell in 15 countries—Armenia, Tajikistan, Uzbekistan in the Caucasus and Central Asia; Bangladesh, India, Pakistan, and Sri Lanka in South Asia; Brunei Darussalam, Indonesia, the Lao PDR, Malaysia, the Philippines, and Singapore in Southeast Asia; and Fiji and Samoa in the Pacific. It expanded in 5 countries—Azerbaijan, Georgia, and Kazakhstan in the Caucasus and Central Asia; and PNG and Solomon Islands in the Pacific (Figure 1.6D).

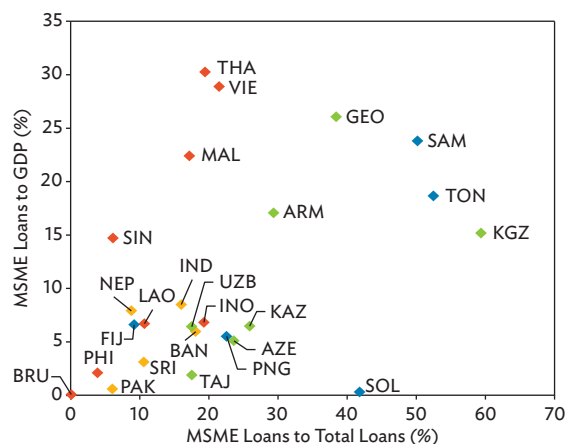
By subregion, the trends affecting MSME credit shares in the Caucasus and Central Asia were likely the economic adjustments associated with the growth momentum and the government assistance—leaving two streams: MSME credit markets with gradually compressed shares (such as Armenia and Azerbaijan, coinciding with credit expansion to large firms) and those with expanding credit shares (such as Uzbekistan, strengthening state financing support through Business Development Bank established in September 2023). For South Asia and Southeast Asia, slower economic growth likely contributed to the compressed shares in MSME credit markets. For instance, Sri Lanka's MSME credit market rebounded from its 2024 economic crisis, but credit shares had yet to return to pre-crisis levels. Singapore's SME credit market (with no microenterprise category) continued to slow in 2024 given the more cautious lending environment from rising global economic uncertainty. In the Pacific, MSME credit shares tended to diminish in Fiji and Samoa, affected by lower growth—the tourism industry could not keep up with the rapid post-pandemic rebound. By contrast, high economic growth in PNG and Solomon Islands—supported by concessional MSME lending by special development banks—helped drive overall credit availability to MSMEs.

Across the region, an average of 53% of MSME loans went to firms in services (with an average of 30% to wholesale and retail trade). Manufacturing (16% of MSME loans) and agriculture (11%) followed. This was true across most of Southeast Asia. In South Asia, 40% or more went to manufacturing (37.3% of MSME loans for Bangladesh, 38.1% for Pakistan, and 47.0% for Sri Lanka). A large share of MSME loans went to agri-oriented MSMEs in Tajikistan (42.5%), Solomon Islands (30.0%), and the Kyrgyz Republic (23.4%) (Figure 1.6E).

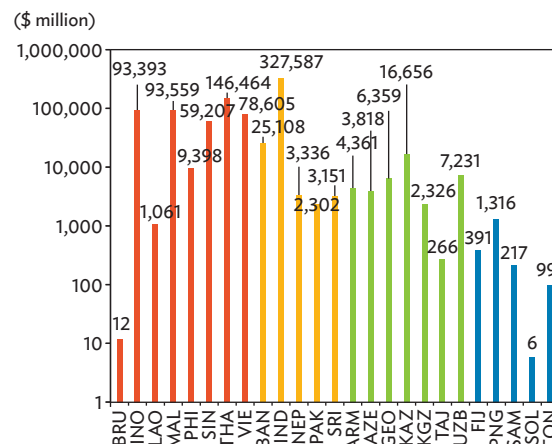
The ratio of nonperforming loans (NPLs) to all MSME loans fell after the COVID-19 pandemic until 2023, when it began to increase again in 2024 as MSME bank credit markets expanded even amid increased global economic uncertainty. The ratio of MSME NPLs to total MSME bank loans fell after surging to 8.7% in pandemic-affected 2020 before moderating to an average of 7.0% in 2023. However, it rose again to 7.6% in 2024 (Table A-5). By subregion, during 2020–2024, the MSME NPL ratio fell from an average of 8.4% in 2020 to 3.1% in 2024 in the Caucasus and Central Asia. The NPL ratio did not change between 2023 and 2024, but increases in Armenia (1.8% in 2023 to 2.0% in 2024), Azerbaijan (3.7% to 4.7%), and Georgia (2.1% to 2.4%) were offset by decreases in Kazakhstan (3.4% to 2.9%) and Tajikistan (3.5% to 3.3%) (Figure 1.7A). In South Asia, the MSME NPL ratio increased from an average of 8.4% in 2023 to 8.8% in 2024, with the NPL increase in Bangladesh (19.0% in 2023 to 20.7% in 2024) contributing most. India saw a continued drop in NPLs from 5.5% in 2023 to 4.5% in 2024. Pakistan also fell from 15.0% in 2023 to 14.2% in 2024, but remained high given the impact of the economic contraction. In Southeast Asia, the MSME NPL ratio also rose from an average of 5.5% in 2023 to 5.9% in 2024, with Brunei Darussalam up from 2.2% in 2023 to 8.0% in 2024. The MSME NPL ratio moderated in Malaysia (3.8% in 2023 to 3.5% in 2024), the Philippines (10.3% to 9.6%), and Singapore (3.4% to 2.5%). It remained flat for Thailand (7.4%). In the Pacific, MSME credit by the Development Bank of Solomon Islands expanded by a rapid 13.1% in 2024, while its NPLs also grew, with its ratio hitting 30.2% in 2023 to 31.3% in 2024. Tonga's business loans, including MSMEs, expanded rapidly by 9.2% in 2024, with its NPLs rising from 21.0% in 2023 to 27.1% in 2024. MSME loan quality remains generally low in these countries.

Figure 1.6: Bank Credit

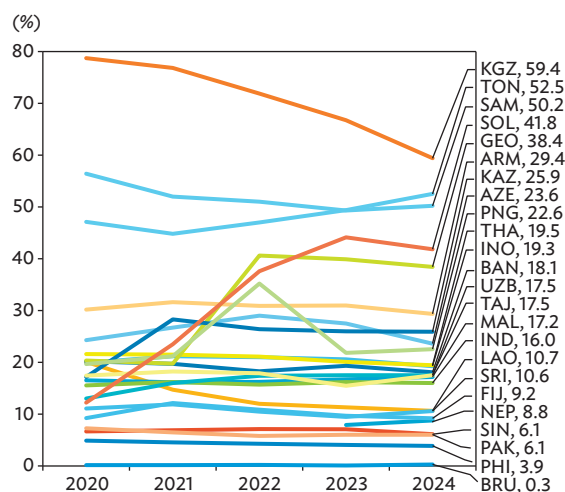
A. MSME Loans Outstanding, 2024



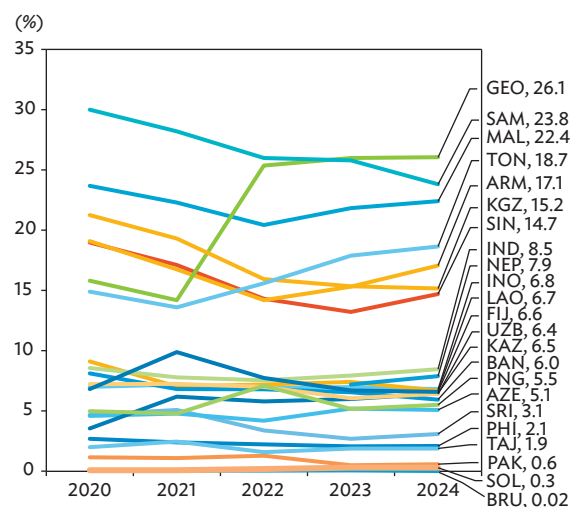
B. MSME Loans, 2024 (\$ million)



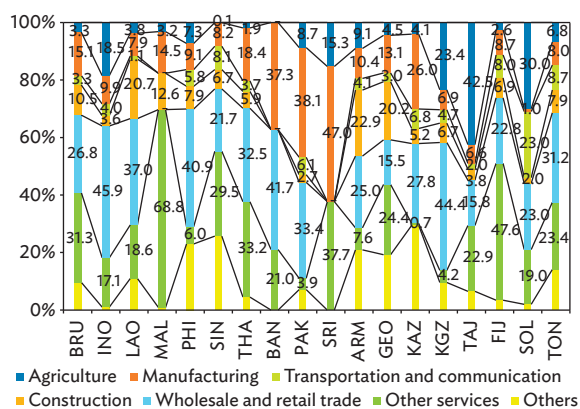
C. MSME Loans to Total Loans, 2020–2024



D. MSME Loans to GDP, 2020–2024



E. MSME Loans by Sector, 2024



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; FIJ = Fiji; GEO = Georgia; GDP = gross domestic product; IND = India; INO = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; LAO = Lao People's Democratic Republic (Lao PDR); MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; SAM = Samoa; SIN = Singapore; SOL = Solomon Islands; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; TON = Tonga; UZB = Uzbekistan.

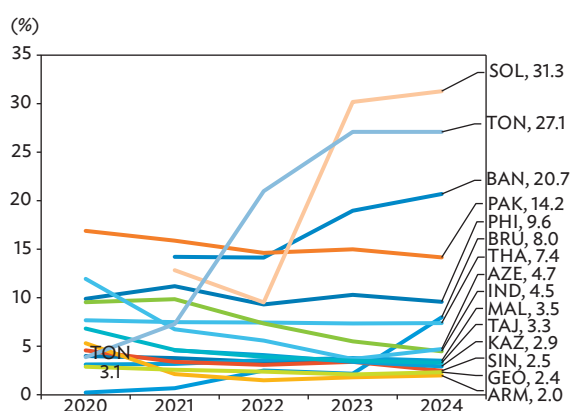
Notes: Data refer to the latest available data until 2024 (end-of-year). For the share of MSME loans to total bank loans portfolio, data in end-2024 except VIE (2020). For the share of MSME loans to GDP, data in end-2024 except THA (2019) and VIE (2020). For NEP, data based on fiscal year (FY) ended 15 July. For KYZ and TON, data based on business loans including MSME loans. For Figure 1.6B, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2025 database.

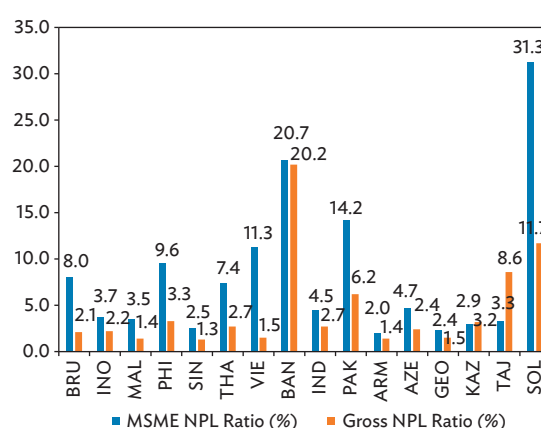
Compared to gross bank NPL ratios, MSME NPLs are generally higher across the region. MSME NPL ratios exceeded gross bank NPL ratios in all countries covered except Tajikistan (Figure 1.7B). The gap between MSME NPL ratios and gross bank NPL ratios was highest in Solomon Islands (19.6% higher for MSME NPL ratio), followed by Viet Nam 9.8%), Pakistan (8.0%), the Philippines (6.3%), Brunei Darussalam (5.9%), and Thailand (4.7%) in 2024. By contrast, MSME NPL ratios were below gross bank NPL ratios in Tajikistan (5.3% lower than the MSME NPL ratio) and Kazakhstan (0.3% lower).

Figure 1.7: MSME Nonperforming Loans (NPLs)

A. MSME NPLs to Total MSME Bank Loans, 2020–2024



B. MSME NPLs and Gross NPLs, 2024



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NPL = nonperforming loan; PAK = Pakistan; PHI = Philippines; SIN = Singapore; SOL = Solomon Islands; TAJ = Tajikistan; THA = Thailand; TON = Tonga; VIE = Viet Nam.

Note: Data in end-2024 except INO (2023) and VIE (2020).

Source: ADB Asia SME Monitor 2025 database.

Public Financing and Guarantees

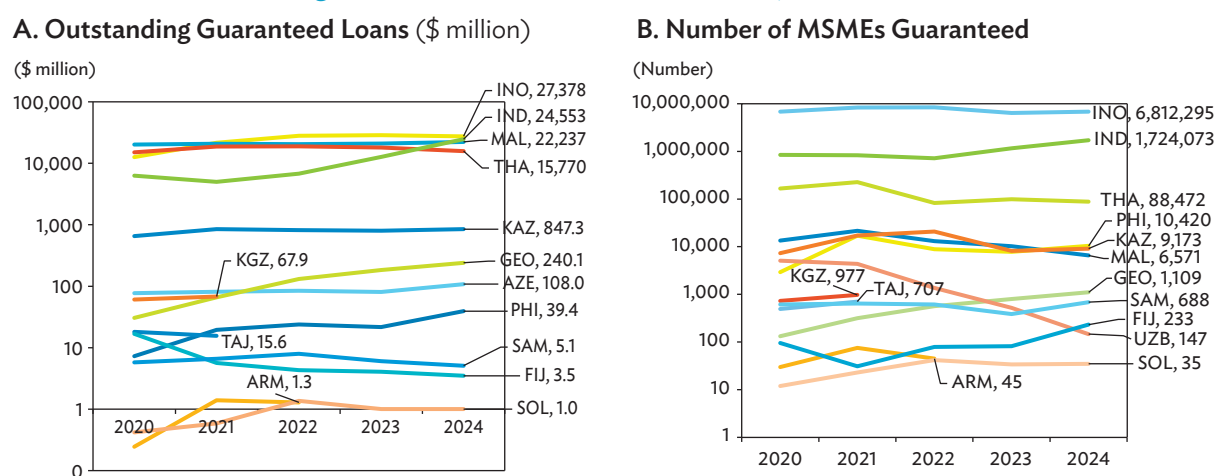
Public financing and credit guarantees are critical for MSMEs to more easily access finance. In particular, during shocks like the COVID-19 pandemic, disasters, and financial crises, government emergency assistance such as refinancing, subsidized lending, mandatory loans, and public credit guarantees can help MSMEs survive difficult times. During normal times, however, there are both pros and cons to using expanded public financing directly to MSMEs, given the potential for creating lending and financial market distortions. Nonetheless, public financing and credit guarantees are useful tools for filling unserved financing demand from viable MSMEs and promoting financial inclusion. Many countries in the region have specialized state banks that offer concessional lending to MSMEs, frequently combined with credit guarantees. Enterprise Armenia, Enterprise Georgia, and the Damu Entrepreneurship Development Fund (DAMU) in Kazakhstan provide this type of MSME financing in the Caucasus and Central Asia. The Small Industries Development Bank of India and Pakistan's SME Bank Limited supply MSME financing in South Asia. The *Sharia*-compliant SME Bank in Brunei Darussalam and Malaysia, the SME Bank in Cambodia, the SME Development Bank in Thailand, and the Lao Development Bank focus on MSME financing in Southeast Asia. In the Pacific, Fiji, PNG, Samoa, Solomon Islands, and Tonga all have development banks servicing MSMEs.

Some countries have updated data on subsidized loans for MSMEs. In the Caucasus and Central Asia, subsidized loan programs are popular in MSME finance. In 2024, Georgia approved 404 subsidized loans benefiting 1,810 SMEs (no microenterprise category), cumulatively disbursing GEL2.4 billion, up 17.0% from 2023. Kazakhstan's DAMU offers MSME investment subsidies for up to 5 years and replenishes working capital for 3 years or less, covering 10.25% from lending rates (as of July 2025). DAMU disbursed KZT1 trillion in subsidized loans benefiting 8,482 MSMEs as of end-2024. Kazakhstan also refinanced 3,542 manufacturing MSMEs. Tajikistan had TJS499 million in outstanding subsidized loans as of 2024, representing a 22.7% increase from 2023. However, the number of loans approved fell from 5,050 in 2023 to 2,612 in 2024, along with the number of MSME borrowers, which dropped from 5,207 to 3,435. Azerbaijan's subsidized MSME loans fell by 18.7% to AZN487 million in 2024. In South Asia, Nepal approved 120,274 new subsidized MSME loans as part of the government's affordable credit initiatives for small businesses, bringing loans outstanding in FY2024 (ended 15 July 2024) to NRs127 billion, down by 35.6% from FY2023. In 2024, Sri Lanka disbursed interest subsidies of SLRs1.5 billion through Enterprise Sri Lanka, a 1.1% increase from 2023. As part of its Samurdhi microfinance program, Sri Lanka also supported 12.6 million micro borrowers as of end-2024.

In developing Asia and the Pacific, credit guarantees are frequently used as credit enhancement tools for MSME financing, mostly offering partial guarantee coverage and/or portfolio guarantees. Enterprise Armenia (70% partial guarantees), Enterprise Georgia (80% partial guarantees), Kazakhstan's DAMU (using public funds), Credit Guarantee Fund Tajikistan, and the Kyrgyz Republic's Guarantee Fund Corporation (maximum 50% partial guarantees) are important providers of public credit guarantees in the Caucasus and Central Asia. In South Asia, India's Credit Guarantee Fund Trust for Micro and Small Enterprises (75%–85% partial guarantees and collateral-free loans) and the National Credit Guarantee Trustee Company (monitoring various national credit guarantee funds), and Nepal's Deposit and Credit Guarantee Fund (70%–80% partial guarantees) are the main institutions involved. Southeast Asia has Indonesia's Kredit Usaha Rakyat (KUR) public guaranteed loan scheme, Malaysia's private Credit Guarantee Corporation and Prokhas (based on government-guaranteed fund), the Philippines' PhilGuarantee (a centralized credit guarantee body), Thailand's Thai Credit Guarantee Corporation, and Viet Nam's state Credit Guarantee Fund to actively supplement MSME finance. The Pacific also has several credit guarantee programs. The private Samoa Business Hub and PNG's Credit Guarantee Corporation (started in April 2024) are independent credit guarantee providers servicing MSMEs. In Fiji, the central bank offers partial credit guarantees up to 60%–75% coverage. In Solomon Islands, the development bank provides an MSME guarantee scheme.

Credit guarantee markets for MSMEs have developed and grown in developing Asia and the Pacific, especially in Southeast Asia and India, helping MSME credit markets expand. In 2024, Indonesia's KUR provided the most MSME credit guarantees (equivalent to \$27.4 billion), followed by India (\$24.6 billion), Malaysia (\$22.2 billion), and Thailand (\$15.8 billion) (Figure 1.8A).¹³ In Indonesia, guaranteed loans accounted for 29.4% of MSME loans in 2024, helping promote financial inclusion. The share of nonperforming KUR loans declined from 2.2% in 2023 to 2.0% in 2024, a marginal improvement in credit quality. Credit guarantee markets remained small in the Caucasus and Central Asia. In 2024, Kazakhstan provided the most MSME guarantees (\$847 million), followed by Georgia (\$240 million) and Azerbaijan (\$108 million). Credit guarantees were also limited in the Pacific, equivalent to \$5.1 million for Samoa, \$3.5 million for Fiji, and \$1.0 million for Solomon Islands. The number of MSME beneficiaries from credit guarantees generally grew moderately. Indonesia's KUR reached 6.8 million MSMEs in 2024, followed by India (1.7 million MSMEs) and Thailand (88,472) (Figure 1.8B). MSMEs receiving credit guarantees remained quite limited in other countries.

¹³ US dollar exchange rates refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years. US dollar data are not normalized by an economy's size.

Figure 1.8: Credit Guarantees for MSMEs, 2020–2024

ARM = Armenia; AZE = Azerbaijan; FIJ = Fiji; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NEP = Nepal; PHI = Philippines; SAM = Samoa; SOL = Solomon Islands; TAJ = Tajikistan; THA = Thailand. For Figure 1.8A, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2025 database.

Nonbank Financing

Various nonbank finance institutions (NBFIs) operate nationally, the main ones being microfinance institutions (MFIs), credit unions/cooperatives, finance companies, and pawnshops. MSMEs often raise small amounts from NBFIs for working capital, but the nonbank finance market has yet to truly supplement bank lending as an MSME financing source in the region.

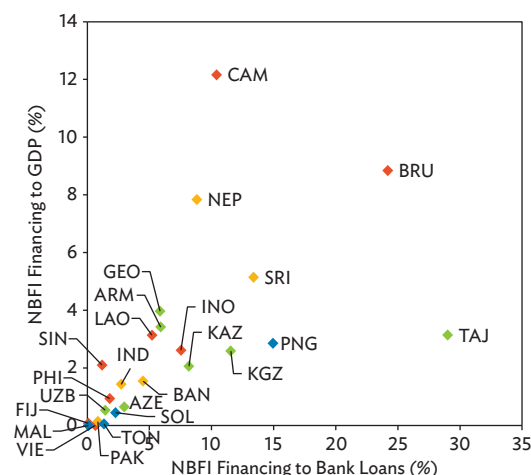
In 2024, the share of NBFI financing to bank loans was largest in Tajikistan (29.0%, based on MFIs and nonbank credit institutions), followed by Brunei Darussalam (24.2%, finance companies and pawnbrokers), PNG (15.0%, MFIs, credit unions/cooperatives, and finance companies), Sri Lanka (13.4%, NBFIs regulated by the central bank), the Kyrgyz Republic (11.5%, MFIs, credit unions/cooperatives, finance companies, pawnshops, and leasing companies), and Cambodia (10.4%, MFIs and leasing companies) (Figure 1.9A). The share of NBFI financing to national GDP continued to be the largest in Cambodia (12.2% in 2024), with the rest below 10%. MFIs in Cambodia dominate nonbank finance markets, with KR21.4 trillion in financing outstanding, equivalent to 11.5% of GDP. However, its share of GDP has declined (Figure 1.9C). The share of NBFI financing to bank loans increased sharply in Tajikistan (rising from 23.4% in 2020 to 29.0% in 2024) and PNG (8.8% in 2020 to 15.0% in 2024) (Figure 1.9D).

In US dollar terms, NBFI financing in 2024 continued to be the largest in India (equivalent to \$55.9 billion, only NBFIs regulated by the Reserve Bank of India for MSME financing), followed by Indonesia (\$36.5 billion, MFIs, finance companies, and government pawnshops), Singapore (\$11.5 billion, finance companies), Bangladesh (\$6.4 billion, NBFIs regulated by Bangladesh Bank), and Cambodia (\$5.6 billion in 2023) (Figure 1.9B).¹⁴

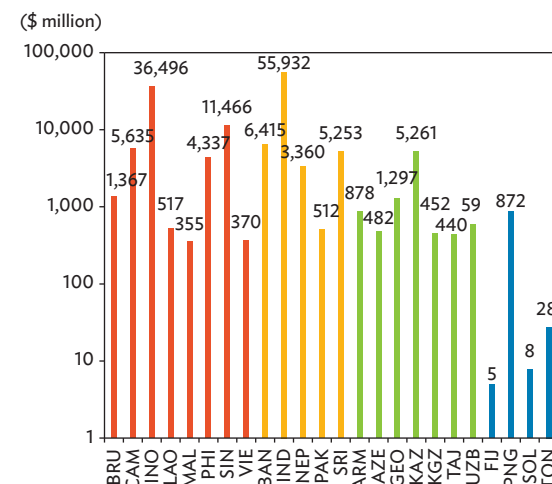
¹⁴ US dollar exchange rates refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years. US dollar data are not normalized by an economy's size.

Figure 1.9: Nonbank Finance

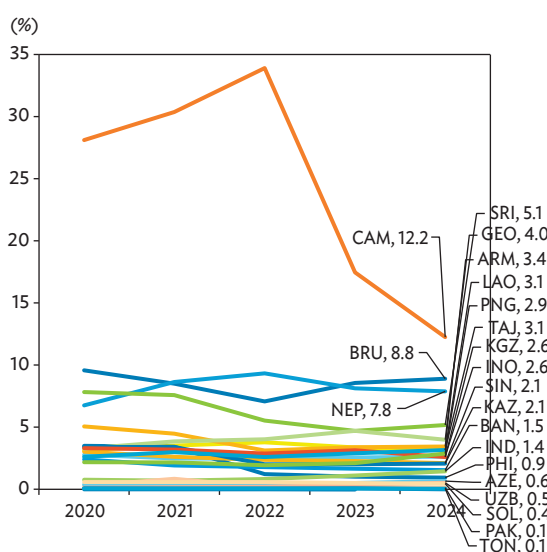
A. Nonbank Financing, 2024



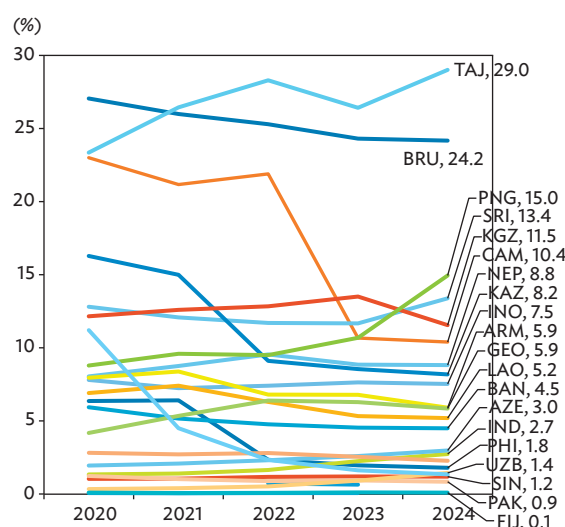
B. Nonbank Financing, 2024 (\$ million)



C. NBFI Financing to GDP, 2020–2024



D. NBFI Financing to Bank Loans, 2020–2024



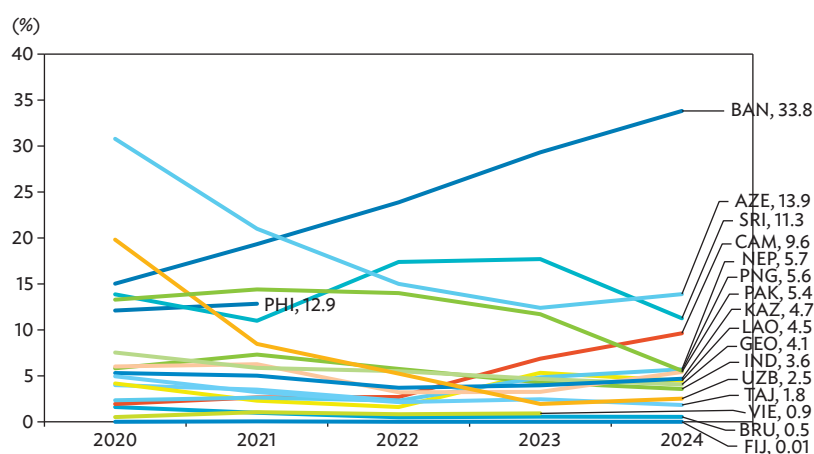
ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; FIJ = Fiji; GDP = gross domestic product; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; LAO = Lao People's Democratic Republic (Lao PDR); MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NBFI = nonbank finance institution; NEP = Nepal; PAK = Pakistan; PNG = Papua New Guinea; PHI = Philippines; SIN = Singapore; SOL = Solomon Islands; SRI = Sri Lanka; TAJ = Tajikistan; TON = Tonga; UZB = Uzbekistan; VIE = Viet Nam.

Notes: NBFI data vary by country: Armenia covers microfinance institutions and pawnshops; Azerbaijan (microfinance institutions and credit unions/cooperatives); Bangladesh (NBFI's regulated by Bangladesh Bank); Brunei Darussalam (finance companies and pawnbrokers); Cambodia (microfinance institutions and leasing companies); Fiji (microfinance institutions); Georgia (microfinance institutions, credit unions/cooperatives, and pawnshops); India (NBFI's regulated by the Reserve Bank of India; MSME financing only); Indonesia (finance companies, microfinance institutions, and government pawnshops); Kazakhstan (microfinance institutions, credit unions/cooperatives, finance companies, and pawnshops); the Kyrgyz Republic (microfinance institutions, credit unions/cooperatives, finance companies, pawnshops, and leasing companies); Lao PDR (microfinance institutions, pawnshops, and leasing companies); Malaysia (private equity, venture capital, factoring, and leasing companies); Nepal (microfinance institutions); Pakistan (microfinance institutions and leasing companies); PNG (microfinance institutions, credit unions/cooperatives, and finance companies); the Philippines (credit unions/cooperatives, pawnshops, and nonstock savings and loans associations [NSSLAs]); Singapore (finance companies); Solomon Islands (microfinance institutions and credit unions/cooperatives); Sri Lanka (NBFI's regulated by the Central Bank of Sri Lanka); Tajikistan (microfinance institutions and nonbank credit institutions); Tonga (microfinance institutions); Uzbekistan (microfinance institutions and pawnshops); Viet Nam (People's Credit Funds and microfinance institutions). Data refer to the latest available data until 2024 (end-of-year). For the shares of NBFI financing to bank loans and to GDP, data in 2023 for MAL and VIE, while data in 2024 for others. For NEP, data based on fiscal year (FY) ended 15 July. For Figure 1.9B, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2025 database.

Between 2020 and 2024, the share of nonperforming financing (NPF) to total NBFI financing decreased in the countries covered except Bangladesh (from 15.0% in 2020 to 33.8% in 2024), Cambodia (2.0% in 2020 to 9.6% in 2024), and Nepal (2.3% in 2020 to 5.7% in 2024, based on MFIs) (Figure 1.10). Uzbekistan had the largest decrease in NBFI NPFs (based on MFIs and pawnshops), falling 17.3 percentage points from 19.8% in 2020 to 2.5% in 2024, although it increased slightly from 1.9% in 2023. It was followed by Azerbaijan, based on MFIs and credit unions/cooperatives, from 30.8% in 2020 to 13.9% in 2024 (though it increased from 12.4% in 2023). PNG also fell by 7.7 percentage points from 13.3% in 2020 to 5.6% in 2024.

Figure 1.10: NBFI Nonperforming Financing to Total Financing, 2020–2024
(%)



AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; LAO = Lao People's Democratic Republic (Lao PDR); NBFI = nonbank finance institution; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; SRI = Sri Lanka; TAJ = Tajikistan; UZB = Uzbekistan; VIE = Viet Nam.

Source: ADB Asia SME Monitor 2025 database.

Capital Markets

Dedicated MSME equity markets have become alternative financing options for eligible MSMEs across the region. Since 2017, several developing Asian countries have been creating new markets for MSMEs. They generally offer simplified listing requirements, tax incentives, and/or special arrangements for professional investors. In the Caucasus and Central Asia, for example, the Alternative Board under the Kazakhstan Stock Exchange opened in 2017, catering to MSMEs with less burdensome listing requirements and capital gains tax exemptions. A special SME board also operated under the Central Asian Stock Exchange in Tajikistan. In South Asia, two specialized SME Platforms in Bangladesh have been in operation since 2021, using more common listing requirements, one under the Dhaka Stock Exchange, the other under the Chittagong Stock Exchange. In India, the Bombay Stock Exchange's BSE SME Exchange and the National Stock Exchange's NSE Emerge have eased listing requirements to attract MSME listings since 2012. The Growth Enterprise Market under the Pakistan Stock Exchange opened in 2019, while the Empower Board under Sri Lanka's Colombo Stock Exchange has operated since 2018 as a sponsor-driven equity market for MSMEs.

In Southeast Asia, the Indonesia Stock Exchange Acceleration Board opened in 2019, targeting growth-oriented firms not yet qualified for the main board by offering concessional listing requirements. Malaysia has multitiered equity markets aimed at MSMEs—the Access, Certainty, Efficiency (ACE) and Leading Entrepreneur Accelerator Platform (LEAP) markets. Both operate under the Bursa Malaysia capital market, with LEAP launched in 2017 as an advisor-driven market for emerging firms. Since 2001, the Philippines has operated its SME Board under the Philippine Stock Exchange. Singapore created Catalist, a sponsor-supervised listing platform for emerging firms under the Singapore Exchange since 2007. Thailand also has multitiered equity markets that MSMEs and start-ups can tap under the Stock Exchange of Thailand—the Market for Alternative Investment (mai) launched in 1998, and the Live Exchange board (LiVEx) created in 2022. In 2009, Viet Nam opened a unique trading venue for unlisted public companies and privatized state-owned enterprises under the Hanoi Stock Exchange—the Unlisted PublicCoMpanies (UPCoM) market—not dedicated specifically to MSMEs but growing fast. There are no dedicated MSME equity markets in the Pacific.

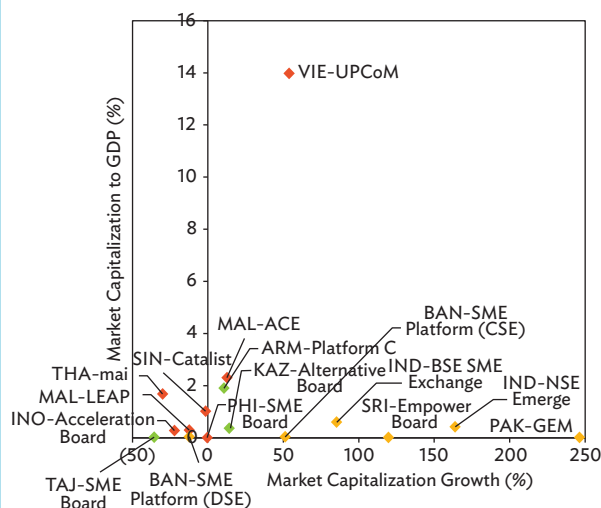
MSME equity market performance has been mixed, with some affected by global economic and trade uncertainty and others attracting investor interest as economies rebounded from difficult economic conditions. As of the end of 2024, the share of market capitalization to GDP was the largest at Viet Nam’s UPCoM (14.0%). The other markets remained small, with capitalization 2% or less of national GDP (Figure 1.11A). As a result, changes in market capitalization tend to be more dramatic. In 2024, for example, market capitalization contracted by 35.6% on Tajikistan’s SME Board, 30.0% on Thailand’s mai, 22.2% on Indonesia’s Acceleration Board, 12.4% on Malaysia’s LEAP, and 12.3% on Bangladesh’s SME Platform under the Dhaka Stock Exchange (even as trading value rose). By contrast, Pakistan’s MSME market capitalization grew by 246.3% in 2024, mainly due to two initial public offerings (both clean energy firms). India’s NSE Emerge market capitalization expanded by 163.9% as listed firms grew from 405 in 2023 to 580 in 2024 (Figure 1.11C). India’s BSE SME Exchange also expanded its listed firms from 471 in 2023 to 538 in 2024, leading to an 85.4% increase in market capitalization. Sri Lanka’s Empower Board increased market capitalization in 2024 by 119.7% with one initial public offering (a women-owned food firm). Viet Nam’s UPCoM increased its market capitalization by 53.8% with registered firms growing to 888, with 52 newly registered firms. Bangladesh’s SME Platform under the Chittagong Stock Exchange also expanded market capitalization by 51.2% in 2024. These markets could attract more MSME issuers and investors so long as economies continue to grow equitably.

In US dollars, as of the end of 2024, Viet Nam’s UPCoM had the largest market capitalization (equivalent to \$66.6 billion), followed by India’s BSE SME Exchange (\$23.4 billion), India’s NSE Emerge (\$16.5 billion), Malaysia’s ACE (\$9.7 billion), and Thailand’s mai (\$8.8 billion) (Figure 1.11B).¹⁵

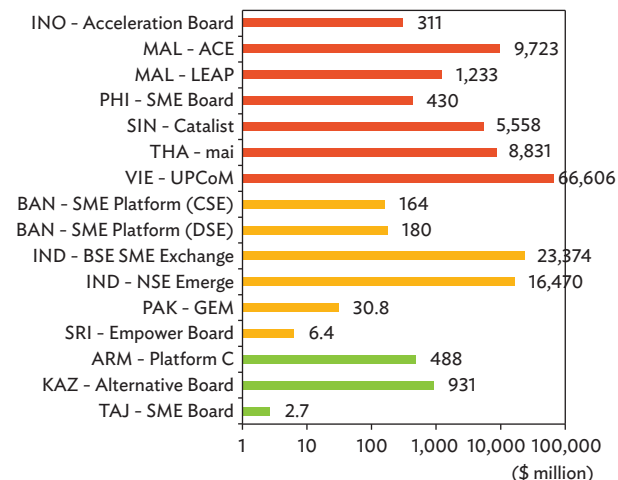
¹⁵ US dollar exchange rates refer to end-of-year rates from the International Monetary Fund’s International Financial Statistics in designated years. US dollar data are not normalized by an economy’s size.

Figure 1.11: Equity Markets for MSMEs

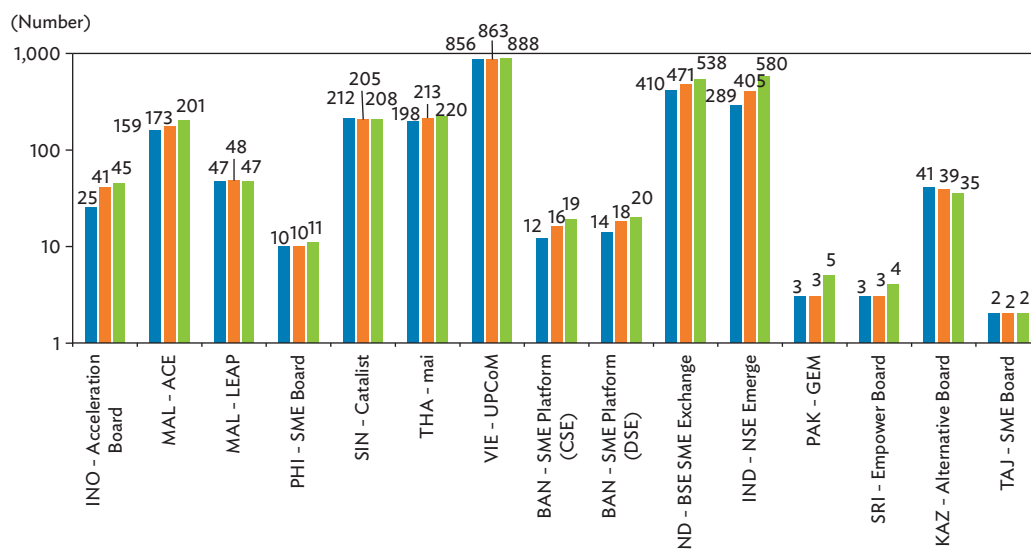
A. Market Capitalization, 2024



B. Market Capitalization, 2024 (\$ million)



C. Number of Listed Companies, 2022–2024



BAN = Bangladesh; BSE = Bombay Stock Exchange; CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GDP = gross domestic product; IND = India; INO = Indonesia; KAZ = Kazakhstan; MAL = Malaysia; NSE = National Stock Exchange; PAK = Pakistan; PHI = Philippines; SIN = Singapore; SME = small and medium-sized enterprise; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; VIE = Viet Nam.

Notes: For Figure 1.11A, data as of end-2024. For BAN, data based on fiscal year (FY) ended 30 June. Market capitalization growth refers to annual growth from the previous year. For Figure 1.11B, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics in designated years. For Figure 1.11C, blue bar for 2022, red bar for 2023, grey bar for 2024.

Source: ADB Asia SME Monitor 2025 database.

4. Policies and Regulations

MSME development policies are priorities for mid- to long-term national development strategies across developing Asia and the Pacific. A well-designed MSME policy framework and effective implementation create the basis for a domestic-led economic growth that is more resilient against increased global economic uncertainty or shocks. Smaller economies in the region will need to strengthen and deepen their inclusive, sustainable economic growth strategies, addressing domestic and global market conditions to create more private sector-led growth opportunities. MSMEs remain untapped resources that can create a national economy more resilient to uncertain global events and help resolve worldwide agendas, including gender mainstreaming and climate change. They have the potential to create more jobs and enhance productivity by using innovative technology. Promoting business registration by applying and expanding digitalization are ways to promote MSME formalization nationally. Global trade uncertainty has grown recently, accelerated by the recent boost in US tariffs, regional turbulence, and rising geopolitical tensions. Together, they continue to deepen supply chain disruptions, resulting in surging trade costs that could pummel the private sector, especially those MSME firms that rely on international trade. Limited access to finance is a structural problem facing many MSMEs. Governments need to rethink how they can best respond to the evolving global economic environment by designing more effective MSME development strategies, providing a well-spinning growth and graduation cycle of enterprises through sound MSME ecosystem development.

Benchmark Policies

Most countries covered here have a benchmark policy and regulatory framework for MSME development (Table 1.1). In the **Caucasus and Central Asia** subregion, for example, Armenia set its Small and Medium Entrepreneurship Development Strategy 2020–2024 with numeric targets to be met by 2026—the MSME contribution to GDP reaching 55%—and has a new MSME Competitiveness Development 2026–2030 program under preparation. Azerbaijan has a benchmark Strategy of Socio-Economic Development for 2022–2026, which includes private sector development covering MSME job creation, information and communications technology infrastructure, innovation, and start-up financing. Georgia has its SME Development Strategy for 2021–2025. It launched a Micro-Entrepreneurship State Support Program in 2024, focusing on job creation and private sector competitiveness. Kazakhstan’s National Development Plan through 2029 will increase IT products and services exports to \$1.8 billion, with MSMEs playing a leading role. The Concept of MSME Development for 2030, aligned with the development plan, targets MSMEs to contribute 40% of national GVA. The Kyrgyz Republic approved its National Development Program in June 2025, targeting GDP to reach at least \$30 billion by 2030 with an annual average growth of at least 8%. Its Business Development Program for 2026 aims to create a better business environment through digitalization, entrepreneurship development, and deregulation. Tajikistan has a State Support and Private Sector Development Program for 2023–2027, which simplifies tax administration, reduces the tax burden, and improves legislation for business development. Uzbekistan approved a new SME Development Strategy for 2025–2030 in March 2025, providing new financing and simplifying administrative procedures. Structural reforms include increasing manufacturing to 34% of total MSME output, boosting employment to 75%, and increasing the MSME share of GDP to 55%.

In **South Asia**, Bangladesh uses its National Industrial Policy 2022 to focus on export diversification, import substitution, and job creation. It creates business clusters, technology parks, and MSME-friendly infrastructure. Its benchmark SME Policy 2019 set 11 strategic goals for MSME development, including increasing the MSME share of GDP to 32% by 2024 (although MSME GDP data were unavailable as of August 2025). India adopted a holistic approach to MSME development, focusing on digitalization, sustainability, gender inclusion, and global trade integration. Its Union Budget 2025–2026 reinforced financial assistance—including credit guarantees and innovation-focused programs such as the Prime Minister’s Employment Generating Program (a credit subsidy program). Nepal’s Five-Year Plan (FY2020–FY2024) laid the groundwork for long-term national development,

which includes MSME support programs focusing on access to finance and markets, and 60,000 jobs created annually from 15,000 new MSMEs. In Pakistan, the National SME Policy 2021 remains in effect until the end of 2025, which defines start-ups and SMEs as a basis for its 10-Year Cluster-Based Development Plan for the Growth of SME Sector, approved in June 2024, which addresses fruit/vegetable processing, e-bikes, pharmaceuticals, seafood, and marble/granite mining. The plan was based on each sector's potential for growth in exports and employment. It aims to create one million new firms, generate six million jobs, and contribute an additional \$3 billion in exports over the next 5 years. With these initiatives, the MSME share of GDP is projected to rise to 44%, adding PRs540 billion to the economy. In Sri Lanka, the government has begun preparing a new MSME National Development Policy with a draft expected by December 2025.

In **Southeast Asia**, Brunei Darussalam has no specific national MSME program but aligns its policies with the Association of Southeast Asian Nations (ASEAN) Strategic Action Plan for SME Development 2016–2025, which targets MSME access to finance, e-value chains, and capacity building, among others. The Cambodia Trade Policy Framework for 2030 (to be issued by the end of 2025) complements its Small and Medium Enterprise Development Policy and Five-Year Implementation Plan 2020–2024, which emphasizes economic diversification, regional integration, and inclusive trade development as key pillars for sustainable growth. Indonesia's 2015–2019 Vision and Mission for Cooperatives and SMEs focused on creating healthy, strong, resilient, and independent businesses. It helped develop human resources, increase access to finance, enhance productivity through innovation, develop MSME business capacity, and protect businesses using regulatory safeguards. Since October 2024, the new administration has split the former Ministry of Cooperatives and SMEs into two—the Ministry of MSMEs and the Ministry of Cooperatives. In the Lao PDR, the amended Law on MSME Promotion in 2022 and the MSME Development Plan 2021–2025 provide national MSME assistance covering 18 policy areas, including access to finance, innovation, market access, green growth, and business formalization, among others. Institutions covering these policies include the MSME Promotion Fund and the MSME Promotion Agency, both established in 2023. Malaysia has a centralized, forward-looking policy framework to support MSME development, led by the Ministry of Entrepreneur and Cooperatives Development. Key strategies include the National Entrepreneurship Policy 2030—a long-term strategic framework to foster entrepreneurship, improve regulatory and financial access, and promote innovation and internationalization among MSMEs.

In the Philippines, the MSME Development Plan 2023–2028 offers a strategic, multi-dimensional approach to build resilient, innovative, and globally competitive MSMEs. It establishes a robust MSME ecosystem, accelerates technology adoption, and optimizes domestic and international market access. The Magna Carta for MSMEs (1991, amended in 2014) remains the primary legislation guiding MSME development and support. Singapore's Ministry of Trade and Industry and Enterprise Singapore have strategic plans that bolster economic resilience and support SME growth (there is no microenterprise category). The ministry's 2025 economic strategy emphasizes diversifying trade and investment partnerships, innovating key sectors such as manufacturing and finance, and upskilling to adapt to structural shifts in the global economy. In tandem, Enterprise Singapore's strategic plan focuses on upscaling, internationalizing, and digitizing SMEs. In Thailand, the Thirteenth National Economic and Social Development Plan 2023–2027 sees MSME empowerment as pivotal to providing more inclusive and sustainable growth. Given the vital role MSMEs play in job creation, innovation, and local economic development, the plan offers strategies to enhance competitiveness and resilience amid global and domestic challenges. It focuses on digital transformation and MSME innovation, financial accessibility and capacity building, and support for creating an MSME ecosystem, including the development of business clusters, innovation hubs, and public-private partnerships. Viet Nam's ninth Socio-Economic Development Plan 2021–2025 offers a strategic vision for industrial modernization, digital transformation, and inclusive growth, centered on MSMEs. The plan targets 6.5%–7.0% annual GDP growth and prioritizes innovation, productivity, and sector restructuring.

In **the Pacific**, Fiji continues to strengthen MSME support guided by its 5-Year and 20-Year National Development Plans—designed to create an enabling regulatory environment, improve service delivery, and foster inclusive, sustainable growth. Priorities include grant funding, finance programs, credit guarantees, market access, tax reforms, and MSME digitalization. An MSME Act is under consideration, while the MSME Fiji Policy Framework continues to guide strategic planning. Efforts are underway to unify MSME data systems and simplify tax and licensing procedures. In PNG, the MSME Policy 2022 supports an expansion in the number of new jobs. Its targets for 2030 are ambitious—with 50,000 registered MSMEs creating an additional 500,000 jobs, ensuring 50% of the economy is locally owned and controlled, and doubling the MSME contribution to GDP from 10% to 20%. In Samoa, the Ministry of Commerce, Industry, and Labor promotes policies to improve the MSME ecosystem. They include updating the National MSME Strategy 2020, developing supportive regulatory frameworks, providing relevant business advice, accessing finance and investment, supplying needed infrastructure, building an appropriately skilled labor force, and creating a culture of entrepreneurship and innovation. In Solomon Islands, a previous MSME Policy and Strategy was launched in November 2016. As of September 2025, a new MSME Bill was awaiting Parliament approval. The Bill establishes a regulatory framework for developing MSMEs, includes a new MSME definition, and creates an Enterprise Development Authority. Tonga is steadily building support for MSMEs through a mix of climate, digital, financial, and gender-focused initiatives. Programs such as the Private Sector Readiness Program and Tonga Development Bank advisory services help businesses grow more resilient and better prepared for growth.

Digitalization of MSMEs

In developing Asia and the Pacific, digitalizing business operations is seen as a way to accelerate nationally inclusive, sustainable growth. The countries covered here promote MSME digitalization using grant and subsidy programs, tax incentives, training, and networking, with several applying policy frameworks with set targets.

In the **Caucasus and Central Asia**, Azerbaijan issued a “Start-up Certificate” for 182 firms as of the end of 2024. MSMEs holding this certificate enjoy 3-year income tax exemptions if revenues come from sales of innovative digital products or services. Armenia had a similar scheme until January 2025, where firms holding a special certificate enjoyed income tax exemptions. Currently, a standard tax rate applies to all firms, but small IT enterprises are allowed a refund of 60% of income taxes paid for their workers from 2025 to 2031. Georgia offers grants of up to GEL25,000 to procure and apply digital tools—through a 3-year (2024–2026) initiative funded by the European Union (EU)—to increase SME (no microenterprise category) productivity, expand economic opportunities, and build resilience against shocks. Kazakhstan opened 15 technology hubs as of September 2024 in different regions using its IT Techno Park, “Astana Hub,” to develop IT and attract young entrepreneurs. These regional hubs offer incubation and acceleration programs for start-ups by helping create new products, scaling up those already developed, and promoting new markets. Kazakhstan also plans to open a National Center of Artificial Intelligence “Alem.ai” in Astana by the end of 2025 to create an AI ecosystem to attract investment and support start-ups. It aims to attract about 10,000 people across various industries, train at least 1,000 AI specialists, launch 100 AI start-ups, and conduct 10 AI research projects annually. The Kyrgyz Republic promotes online business registration for joint liability companies, joint stock companies, and farm households. Starting April 2025, applicants can submit documents using an electronic digital signature and receive a certificate of registration electronically without in-person visits to government offices. Tajikistan declared the “Years of Digital Economy and Innovation” for 2025–2030. It plans to (i) develop digital entrepreneurship and e-commerce, (ii) create new IT-related jobs, (iii) advance AI and integrate it into the economy and governance, (iv) create a regulatory framework to promote the digital economy, (v) introduce 5G technologies to improve the quality of digital services, and (vi) digitalize public services to simplify access and increase government transparency. Uzbekistan launched a Digital Startups Support Program in October 2024 to promote entrepreneurship among MSMEs. It aims to boost MSME growth by providing support in financing, mentorship, and infrastructure access.

In **South Asia**, Bangladesh supports MSMEs in leveraging digital tools for market access, efficiency, and innovation, anchored in the National Industrial Policy 2022. It prioritizes digital infrastructure development, expanding e-commerce, and MSME participation in the Fourth Industrial Revolution. It encourages adopting AI, machine learning, and blockchain technology, and supports creating digital marketplaces and matchmaking platforms to connect MSMEs with buyers, suppliers, and investors. It also launched several programs, such as Smart Growth for SMEs (AI) and Digital Market Access and Matchmaking. India has a comprehensive suite of initiatives to accelerate the MSME digital transformation. The Digital MSME Scheme promotes the use of ICT in production and business processes to boost competitiveness in domestic and global markets. The MSME TEAM (Trade Enablement and Marketing) Initiative focuses on helping MSMEs participate in digital commerce through platforms like Open Network Digital Commerce. The digital MSME Component of the MSME Champions Scheme (FY2021–FY2025) promotes using digital tools and technologies in MSME operations and provides support for ICT infrastructure, cloud-based solutions, and digital literacy. Nepal launched the Digital Nepal Framework in 2019, which sets 80 initiatives across eight sectors, including finance, education, and urban infrastructure. It focuses on digital inclusion, entrepreneurship, and innovation, with specific MSME targets to improve digital literacy and access to digital services. The Digital Nepal Acceleration Project also expands broadband access, enhances digital government services, and builds digital skills. It targets training for 10,000 people in digital literacy, launches 20 new digital public services, and targets 80% of MSMEs for using digital incubation and acceleration services by 2027. Pakistan collaborates with leading e-commerce private organizations such as Extreme Commerce, Enablers, and Alibaba to help MSMEs digitize their business and facilitate e-commerce. Sri Lanka offers several programs to help digitalize MSMEs. “SME Connect” is a national online platform for MSME capacity building, focusing on regional entrepreneurs. “Online marketing for rural entrepreneurs” integrates rural entrepreneurs into the digital economy, provides the necessary tools and knowledge, and targets 400 rural entrepreneurs annually. “Marketing and Promotion” helps MSME product marketing through social media platforms.

In **Southeast Asia**, Brunei Darussalam uses several strategic initiatives to support the digital transformation of MSMEs in line with its Digital Economy Masterplan 2025. It established a Brunei Innovation Lab in 2022 as a national platform to foster tech-based entrepreneurship. The Darussalam Enterprise manages the iCentre, a physical co-working and incubation space that provides start-ups access to mentorship, upscaling, and investment networks. It also introduced the Tech Enablement Program, a subsidy for firms accessing digital tools to improve operational efficiency and competitiveness. The Cambodia Digital Economy and Society Policy Framework 2021–2035 and Cambodia Digital Government Policy 2022–2035 support several strategic initiatives to promote MSME digitalization. The SMEs Go Digital initiative is a centralized “SMEs Digital Solution Platform” for approved digital tools for accounting, human resources, marketing, and cybersecurity. It includes an Online License and Certificate Platform to streamline administrative procedures. Financial assistance, such as the Tech Solution Grant and Business Development Grant, encourages digital adoption and innovation, targeting a 50% increase in MSME digital use by 2030. In Indonesia, the central bank has implemented its Payment System Digitalization Blueprint 2025. It promotes integration, interoperability, and interconnectedness across payment systems, including Bank Indonesia Fast Payment and Quick Response Code Indonesian Standard, which serves over 14 million merchants—98% of which are MSMEs. The Lao PDR uses its National Digital Economy Development Plan 2021–2025 to create a digitally driven economy, targeting a 5% digital contribution to GDP by 2025 and 10% by 2040. It covers e-commerce, smart cities, digital agriculture, and cybersecurity. The Project for Human Resource Development of Digital Innovative MSMEs supports digitalization, including the establishment of a Startup and MSME Innovation Center, digital-oriented curricula, and industry-academia-government collaboration. Malaysia has a comprehensive set of initiatives that support MSME digitalization. The central bank’s BNM Financial Sector Blueprint 2022–2026 and targeted financial facilities (like the SME Automation and Digitalization Facility and the High Tech and Green Facility) allow MSMEs to upscale and adopt digital technologies for higher value-added activities. These are supported by national programs such as the Digital Economy Blueprint, the SME Digitalization Grant, and the Smart Automation Grant, all designed to accelerate the use of digital tools to boost productivity.

In the Philippines, the MSME Development Plan 2023–2028 uses digitalization as a core strategy to boost MSME competitiveness and resilience. It focuses on expanding digital infrastructure, such as broadband access and e-government systems, to improve connectivity and streamline business processes. The plan also promotes using digital tools—including AI-powered credit scoring, e-commerce platforms, and cloud-based data systems—to help MSMEs modernize and expand market reach. Singapore’s Digital Enterprise Blueprint deepens digitalization with industries partnering to adopt AI, boost cyber resilience, and increase workforce skills. For more digitally mature SMEs (no microenterprise category), initiatives such as GenAI x Digital Leaders offer access to generative AI expertise and support implementation. The SMEs Go Digital program provides sector-specific Industry Digital Plans tailored for digital adoption. Thailand has several initiatives to help MSMEs digitize, anchored by the 5th SME Promotional Master Plan 2023–2027. A centralized digital platform offers MSMEs access to tailored digital tools, expert consultations, and AI-driven solutions to optimize business operations. The Fiscal Policy Office also supports digital literacy initiatives and encourages specialized financial institutions to promote e-commerce. Viet Nam takes a multi-pronged approach to promote MSME digitalization in line with its broader national development and digital transformation goals. The National Digital Transformation Program helps equip MSMEs to access e-commerce platforms, cloud computing, and digital payment systems.

In **the Pacific**, Fiji launched a National E-Commerce Strategy 2025–2029 in February 2025. This 5-year roadmap expands digital trade, empowers MSMEs, and positions Fiji as a regional e-commerce hub. Key initiatives include online registration platforms, e-government services, MSME digital literacy training, telecom infrastructure expansion, and mobile money pilot projects. The businessNOW Fiji is a one-stop online portal, where entrepreneurs can digitally apply for registrations, licenses, and permits, make e-payments, and receive approvals—significantly reducing processing times. The VitiKart Subsidy Scheme, launched in 2021 and extended to July 2025, continues to subsidize monthly subscriptions for MSMEs on Vodafone’s e-commerce platform. The National Digital Strategy, launched in April 2025, complements these efforts with a roadmap for digitizing public services, boosting e-commerce capabilities, and improving digital literacy. PNG introduced the Digital Economy Strategy (Phase II) 2023–2027 to promote MSME digitization. It includes digital financial literacy campaigns, MSME e-commerce tools, and provincial pilot hubs for digital business registration. The PNG Economic Development Plan created four business incubation centers and began an MSME Accelerator program to assist informal firms in registering faster as formal businesses. These centers work with small-scale technology providers of MSME-related products and target 1,000 MSME client sales annually. An e-MSME marketplace was created as a one-stop portal for MSME registration and business compliance procedures.

Samoa’s 2022 National E-Commerce Strategy and Roadmap aims to reduce costs and raise efficiency by 2027. It prepares firms for e-commerce, develops ICT infrastructure, promotes trade logistics and facilitation, establishes legal and regulatory frameworks, promotes electronic payment solutions, encourages e-commerce skills development, and improves access to finance, particularly for MSMEs and women-led firms. E-commerce platforms are gradually being developed, with some MSMEs in handicrafts and food products now beginning to explore online sales via Facebook and Pacific marketplaces. Solomon Islands launched its first National E-commerce Strategy for 2022–2027 in April 2023. It supports the development of a digital environment for e-commerce through active MSME involvement. It aims to increase consumer e-commerce use across diverse segments of society, to adopt e-commerce tools and services by businesses of all sizes, deepen integration across rural and urban domestic markets, make digital payment solutions widely available and increase their use, and enhance export competitiveness in priority sectors. In Tonga, the E-Commerce Strategy and Roadmap 2021 promotes electronic payment solutions, improves ICT infrastructure, digital tools for MSMEs, and online platforms such as Digicel’s Beehive online trading portal. The central bank has a regulatory sandbox to help pilot new digital finance products. Many MSMEs, however, continue to lack internet access, have weak digital literacy, and are not ready for e-commerce. Mobile money use has grown in Tonga, especially through Tonga Communications Corporation and Digicel platforms, but interoperability and functionality remain limited. Online business registries and licensing tools are underutilized, and awareness among MSMEs remains low.

Green MSMEs and Climate Action

It is impossible to ignore the impact of MSMEs on climate change, given their significant share in total enterprises. With the support of bilateral and multilateral organizations, the countries in developing Asia covered here have launched several programs supporting the MSME green transition.

In the **Caucasus and Central Asia**, the EU–Armenia SME Fund provides capital investments and promotes environmental, social, and corporate governance standards. Since its start in December 2021, the fund has invested \$23 million in MSME-led renewable energy projects, helping expand Armenia’s solar capacity sevenfold through new investments in the Gegharkunik and Kotayk regions. Azerbaijan developed two new national standards in 2024—the Green Business Management Systems and Framework for the Implementation of Environmental, Social, and Corporate Governance (ESG) Principles. A unified digital ESG platform has been launched and made publicly accessible. The Small and Medium-sized Business Development Agency (SMBDA) uses a self-assessment platform to rate businesses, so MSMEs can evaluate their environmental impact, especially in managing waste and water/energy use. As of April 2025, SMBDA allocated over AZN450,000 in grants to 27 green projects, issued more than 10 Startup Certificates, and organized 250 training sessions on climate issues. The “Georgian vegetables from greenhouses” program—with a GEL1.3 million 2024 budget—promotes crop production by introducing climate-smart technologies to increase the volume of products produced in greenhouses, particularly during the off-season, by providing access to funding for new greenhouse farms, mostly for smallholder farmers and agribusiness. Kazakhstan’s International Center for Green Technologies and Investment Projects conducts projects for the Global Cleantech Innovation Program, which annually selects 30–40 MSME projects offering innovative solutions to environmentally friendly technologies. With government support, it expects to create 100 new companies between 2023 and 2026, with 13 MSMEs given access to global clean technology markets.

The Kyrgyz Republic launched the “Social Contract” program in 2022, which enables low-income families to receive Som100,000 from the government to start businesses that emphasize environmentally friendly projects. In 2024, around 20,000 families received support from the state budget, while 3,000 families received World Bank funding. In December 2024, a Roadmap for the development of sustainable finance and ESG principles for banks was approved to create a favorable ecosystem for developing sustainable finance. It improves bank regulations, introduces new instruments to stimulate market mechanisms to assess and manage climate risk, and raises awareness and stakeholder capacity, including the private sector. The government allocated \$60 million to the State Development Bank in April 2025 to provide concessional loans to green MSMEs at below-market interest rates. In Tajikistan, Bank Eshkhat (a leading private bank for SMEs and retail clients) issued the country’s first local currency green bond in February 2024. Its proceeds will support eligible SMEs in climate-smart initiatives. Uzbekistan launched a platform for recognizing businesses as “green entrepreneurs” in January 2025. Along with granting the “status of green entrepreneur,” the platform allows firms to apply for state support, such as exemption from environmental inspections over a certain period, support for entering international markets, and additional items within a framework of sustainability business ratings. To promote climate action, Uzbekistan also uses “green procurement” to expand the participation of “green MSMEs” in public procurement.

In **South Asia**, Bangladesh uses a strategic approach to green MSME development through the Blended Finance Model for Climate-Vulnerable Cottage and MSMEs and the Bangladesh Climate Change Strategy and Action Plan updated in 2022. The plan integrates MSMEs into strategies for clean energy, the circular economy, and climate-smart technologies. The Blended Finance Model mobilizes public and private capital to unlock climate finance in high-risk regions. It supports community-based adaptation, particularly for women-led and informal enterprises. The model also incorporates a Climate Damage Function to help financial institutions assess climate risk and tailor products as needed. India’s climate action strategy integrates greening MSMEs as a critical component of its broader sustainable development agenda. Anchored on the National Action Plan on Climate Change, the Small Industries

Development Bank of India uses targeted programs such as the Sustainable Finance Scheme and support for Energy Service Companies. India is also committed to creating an additional carbon sink of 2.5 to 3.0 billion tons of carbon dioxide (CO₂) equivalent by 2030 through afforestation and restoration programs, many involving MSMEs in supply chains and implementation. In Nepal, the central bank uses several policy and regulatory frameworks to promote green MSMEs and climate-resilient enterprise development. Its policy on productive lending increasingly includes environmentally sustainable projects such as renewable energy ventures. These projects are eligible for concessional financing, encouraging MSMEs to adopt green technologies and practices. The central bank also developed a Green Finance Taxonomy to classify and guide lending toward green sectors. Pakistan has developed a comprehensive Climate Change Vulnerability Index, designed to regularly assess and monitor the climate-related vulnerabilities of MSMEs. The central bank introduced climate-related regulations through its Environmental and Social Risk Management manual, which, in addition to microfinance, trade, corporate, and retail issues, applies to MSME lending. In Sri Lanka, the National Enterprise Development Authority helps the Knuckles Project, which develops and promotes sustainable business practices for green MSMEs. It provides entrepreneurship training, technical support, and marketing coordination. These initiatives begin in 2025, initially targeting two of the country's 25 districts.

In **Southeast Asia**, Brunei Darussalam uses several initiatives to promote green MSMEs and climate-resilient development, anchored in the Brunei Darussalam National Climate Change Policy. MSMEs are supported through the Climate Change Policy and strategic platforms such as the ASEAN Centre for Climate Change. These are complemented by the Brunei Green Economy Framework, launched in April 2024, which provides a roadmap for sustainable economic transformation, identifying investment opportunities and promoting international collaboration. The Cambodia Green Economy and Finance Framework 2024–2030 develops a comprehensive Green Economy Roadmap and establishes green finance instruments such as sustainable thematic bonds. It focuses on promoting low-carbon agriculture, energy efficiency, and sustainable forest and land management, while mobilizing public and private finance to support green MSME development. The framework sets ambitious targets, including a 41% reduction in emissions by 2030 compared to baseline levels and implementing 86 adaptation measures across nine sectors, including agriculture, energy, and infrastructure. In Indonesia, the central bank's inclusive and green economy policy mix helps MSMEs adopt sustainable practices. It strengthens green financial literacy, develops green business models, and improves access to green financing. Indonesia highlighted the development of green MSMEs as a key strategy to increase productivity and resilience, particularly in food, aligning with the National Movement for Food Inflation Control. Lao PDR's National Green Growth Strategy 2030 provides overall policy direction, while its MSME Development Plan 2021–2025 uses specific measures to improve access to finance for green MSMEs through tailored financial products. The MSME Promotion Agency implemented the MSME A2F-ESR Project, supported by the World Bank, integrating environmental and social safeguards into MSME lending. Malaysia's central bank and the Securities Commission established a Joint Committee on Climate Change in 2019 to coordinate the financial sector's response to climate-related risks. The committee's five subcommittees and a dedicated SME Focus Group address governance, risk management, product innovation, data gaps, and capacity building. The committee's ESG Jumpstart Portal was launched to provide MSMEs with the foundational knowledge, tools, and guidance to begin their journey toward sustainability. The central bank introduced a Low Carbon Transition Facility, a matching fund with financial institutions to help MSMEs adopt sustainable raw materials, renewable energy, and energy-efficient technologies. It also started a Greening Value Chain Program in 2022, offering technical training and on-site diagnostics to help MSMEs with their green operations.

In the Philippines, the Green Economic Development Program and the Sustainable Practices and Reporting Kickoff initiative provide MSMEs with training, coaching, and the tools needed to integrate sustainability into operations and reporting practices. These are supported by the Greening the Industry Roadmap and the Green Recovery Pathway, which promote climate-smart industrial policies and green job creation. Singapore takes a structured and multi-pronged approach to support green SMEs (no microenterprise category) and advance climate action through

its Enterprise Sustainability Program, which provides foundational, decarbonization, and sectoral playbooks that guide companies seeking to boost sustainability. The Enterprise Financing Scheme–Green helps enterprises use sustainability growth to access finance to boost clean energy, the circular economy, green infrastructure, and clean transportation. It offers tailored loans, with Enterprise Singapore providing 70% risk-sharing to encourage lending. In Thailand, the 5th SME Promotional Master Plan promotes the Bio-Circular-Green economic model to guide MSMEs toward sustainable growth. It includes raising awareness among entrepreneurs about the importance of ESG compliance, particularly those with export potential. Viet Nam’s National Climate Strategy and commitment to the Just Energy Transition Partnership will help achieve carbon neutrality by 2050. MSMEs are included through access to green finance, capacity-building programs, and inclusion in climate-smart agriculture and energy initiatives. The Women for Climate-Resilient Societies Program offers low-interest loans and technical support to women-led MSMEs to adopt renewable energy and climate adaptation.

In the Pacific, Fiji is making progress in promoting green finance and climate-resilient MSMEs through a combination of policy development, institutional collaboration, and market innovation. The central bank is developing a green finance taxonomy—a standardized framework to help financial institutions define and classify environmentally sustainable activities. In PNG, the central bank is leading sustainable finance and green investment. The Green Finance Centre supports the Inclusive Green Finance Policy, with new facilities that increase climate-related lending. Since 2023, ADB and the Green Climate Fund have co-financed pilot projects involving off-grid solar systems for remote MSMEs, sustainable cocoa and vanilla farming practices, and community-based eco-tourism ventures. Samoa’s strong climate commitments are included in its Renewable Energy Master Plan 2023–2034, which identifies roles for small-scale enterprises in solar energy, waste management, and sustainable agriculture. While green finance products remain at an early stage, the Development Bank of Samoa has begun channeling concessional loans to farmers and processors adopting climate-resilient practices. The Samoa Business Hub supports green entrepreneur incubator programs. Solomon Islands approved the National Climate Change Policy for 2023–2032 in October 2023, supporting businesses that promote environmental sustainability. Along with the policy, a Long-Term Low Emission Development Strategy was approved to create net-zero emissions by 2050. In Solomon Islands, green finance initiatives remain nascent. The central bank speaks about the gradual emergence of green finance for MSMEs with business models to promote environmental sustainability. Some climate-adaptation agriculture and solar programs target smallholder farmers and MSMEs. In Tonga, green finance awareness and ESG standards among MSMEs remain low, but several initiatives are helping bridge the gap. Green incubator programs support ventures in solar energy, organic farming, and eco-tourism—sectors that align closely with Tonga’s sustainability goals. Some MSMEs are beginning to access concessional climate finance through pilot programs, often made possible by partnerships with international donors. A new Financial Inclusion Strategy includes green finance as a key objective.

Women-led MSMEs

Women are often underrepresented in programs that build resilient and sustainable economic growth. Gender-responsive growth has become a critical MSME development agenda across the region. Countries covered here have strengthened capacity-building and training programs, provided networking support, and have financially assisted women-led MSMEs and entrepreneurs.

In the **Caucasus and Central Asia**, Armenia’s Action Plan for 2021–2026 covers 500 women entrepreneurs within its MSME incubation program. In Azerbaijan, with 23% of entrepreneurs being female, supporting women entrepreneurship is an important part of MSME development. SMBDA helps women establish and expand their businesses. In 2024 alone, more than 4,000 women entrepreneurs benefited from SMBDA training and advisory services to enhance business knowledge and skills, while over 300 received assistance in developing business plans. Also, around AZN167,000 in grants went toward women-owned projects, with eight women awarded Startup

Certificates, which grant tax exemptions for innovative projects. In Georgia, Enterprise Georgia supports women-led SMEs, women entrepreneurship, and SME gender mainstreaming. It provides an additional 5% funding for SMEs that are more than 50% woman-owned. With the Chamber of Commerce and Industry, 230 women entrepreneurs in 2024 were trained in e-commerce, digital marketing, marketing, and sales. As of the end of 2024, the chamber have trained 1,200 women entrepreneurs. In 2024, Kazakhstan's DAMU expanded its product range by launching a "Umit" program to support women entrepreneurship. DAMU allocated KZT10 billion, offering free financial literacy training for women start-ups. During 2023 and 2024, the nongovernment "Techno Women" implemented an online "IT-Aiel" women's educational program to improve financial literacy among youth and women. It helps youth and women boost their financial well-being using digital tools and AI. In the Kyrgyz Republic, the Law on Protecting Entrepreneurs' Rights amendment, approved in January 2025, legally defined women entrepreneurship for the first time. The government launched a Code of Finance for Women Entrepreneurs in July 2025. Several changes were introduced to improve access to credit for women entrepreneurs, such as expanding unsecured lending options and allowing financial institutions to set aside 1% for potential losses and damages on loans issued under programs aimed at promoting women entrepreneurship. Tajikistan's state program for the development of women's entrepreneurship runs through 2027. In November 2023, the government allocated competitive grants of TJS5 million for 120 women entrepreneurs. Uzbekistan set targets for supporting women in 2025—ensuring employment for two million women, capacity building of 250,000 women in professions and entrepreneurship, and conducting motivational seminars to improve the health of 50,000 underprivileged women and foster entrepreneurial skills.

In **South Asia**, Bangladesh's "SheTrades" Hub offers capacity building, digital training, and access to global trade opportunities. Over 200 women-led businesses are Hub members, benefiting from tailored support in export readiness, intellectual property, and digital marketing. The Hub also advocates gender-inclusive policy reforms and helps members participate in international trade fairs, along with providing crisis management advice. In India, the Udyam Registration Portal and Udyam Assist Platform have registered over 4.7 million women-led MSMEs, enabling them to access credit and participate in government schemes. The Credit Guarantee Scheme for Micro and Small Enterprises offers 85% in enhanced coverage and a 10% concession in guaranteed fees for women entrepreneurs. The government also prioritizes capacity building and leadership development programs. The National Commission for Women's "She is a Changemaker" initiative has trained more than 5,600 elected women representatives and political leaders to enhance leadership, governance, and policy skills. Nepal's financial institutions provide concessional, subsidized loans of up to NRs1 million on personal or group guarantees without collateral for women entrepreneurs. Pakistan partnered through SMEDA with ADB to launch the \$155.5 million Women Inclusive Finance program, which includes a \$100 million policy-based loan supporting legal and regulatory reforms to enhance women's access to finance. SMEDA implemented a comprehensive digital literacy program to train 1,500 women entrepreneurs. The central bank introduced the Women Entrepreneurs Finance Code initiative in July 2025 to promote women's financial inclusion and economic empowerment. Sri Lanka provides capacity building and training programs for women-led MSMEs. The government introduced the "SheTrades" Hub. It allows women with at least 25% MSME ownership to connect with international buyers, join global markets, and gain access to training programs on export readiness, business development, and financial literacy.

In **Southeast Asia**, gender inclusion in Brunei Darussalam was gained through the Academy for Women Entrepreneurs and the Increasing Digital Skills and E-commerce for ASEAN Women MSMEs project, which trains over 300 women entrepreneurs in digital and e-commerce skills. Regional platforms such as the ASEAN–Japan Women Entrepreneurs Linkages Program and ASEAN Women Entrepreneurs Network, along with private sector initiatives, further bolster women-led MSMEs. In Cambodia, the central bank signed a 5-year Memorandum of Understanding with the Ministry of Women's Affairs in 2024 to advance financial inclusion. It helps enhance financial and digital financial literacy among women, strengthen economic empowerment, and expand collaboration with financial institutions and stakeholders to support women entrepreneurship. The central bank

also works with Good Return (a not-for-profit organization) on train-the-trainer programs targeting women. In Indonesia, the central bank incorporates gender in developing financial inclusion strategies, targeting ultra-micro entrepreneurs and low-income women. These aim to improve access to finance, enhance business competency, and promote resilience among women-led MSMEs. Capacity-building programs and mentorship are tailored to empower women entrepreneurs and integrate them into the digital economy. Lao PDR targets improving women's access to finance and participation in capacity building programs under the MSME Development Plan 2021–2025. These aim to reduce gender disparities among entrepreneurs and ensure women-led MSMEs have the tools and knowledge needed to succeed. The MSME Promotion Agency works closely with the Lao Businesswomen's Association, the Lao Women's Union, and international partners on initiatives specifically designed to empower women entrepreneurs. In Malaysia, gender inclusion is promoted through the Inclusive SME Ecosystem Program, the National Entrepreneurship Policy 2030, along with RM470 million in financing for women-led MSMEs, complemented by a broader RM650 million for women and youth entrepreneurship. The ecosystem program supports innovative projects that benefit single mothers, women in rural areas, and retirees, providing grants of up to RM200,000 to eligible innovators or companies to develop products and services that drive community transformation.

The Philippines has a range of targeted initiatives to promote women-led MSMEs and integrate gender into enterprise development. Programs such as “E-TAAS ang Pinay MSMEs” provide customized training, mentorship, and promotional support to draw women entrepreneurs into the digital economy, planning to train 5,000 women and expand the market reach of 3,000 women-led MSMEs by 2028. The “SheTrades” Hub, part of a global initiative by the International Trade Centre, enhances the export readiness and international market access of women entrepreneurs through training, networking, and trade missions. The Gender-Responsive Value Chain Development initiative integrates gender into value chain analysis and policy advocacy, aiming to train 2,000 women and promote 10 gender-responsive policies by 2028. In Singapore, gender inclusion is promoted by the Singapore Women Entrepreneurs Network, the national platform to unify and amplify the voices of women entrepreneurs. Thailand's 5th SME Promotional Master Plan, approved in January 2025, underscores the importance of women entrepreneurs by establishing an official definition of “women entrepreneur.” It serves as a foundation for developing gender-responsive policies, improving data collection, and ensuring equitable access to government support programs and procurement opportunities. The Office of Small and Medium Enterprises Promotion uses this definition and collaborates with other government agencies to integrate gender into all aspects of MSME support. Viet Nam is committed to advancing gender equality and empowering women-led MSMEs through a series of targeted initiatives and policy frameworks, such as the United Nations Women Strategic Note 2022–2026, which supports gender-responsive procurement, inclusive MSME development, and policy advocacy through multi-stakeholder partnerships.

In **the Pacific**, gender and sustainability in Fiji are key priorities in its MSME development agenda. The central bank is drafting a Women's Finance Code and working to define “women-owned MSMEs” to enable more targeted policy interventions. Financing schemes offer enhanced coverage for women entrepreneurs, with government guarantees up to 75% of loan principals for eligible women-led businesses. Complementing these financial reforms is the launch of HERmap—Promoting Women and Girls' Financial Inclusion, a multi-stakeholder gender roadmap aimed at developing inclusive financial products and policies. HERmap promotes equal access to financial services, economic empowerment, and the elimination of discriminatory practices and safety concerns. There are several initiatives in PNG to improve MSME gender inclusion—expanding the Women's Microbank product range, introducing a 75% guarantee rate for women-led businesses under the PNG Census of Enterprises and Establishments, and building leadership training and mentoring hubs in partnership with various chambers and faith-based groups. In Samoa, the National Policy on Gender Equality and Rights of Women and Girls 2021–2031 guides gender mainstreaming. It targets increased economic empowerment for women, improved health, enhanced access to lifelong learning, improved gender balance in leadership, and improved safety and access to

law and justice for women against all forms of discrimination. The Development Bank of Samoa introduced the Inclusive Development Credit Facility for Women and Youth, with flexible collateral for projects implemented and managed by women. Solomon Islands uses two guiding policies for gender mainstreaming—the Gender Equality and Women’s Development Policy 2016–2020 and the Gender Equality and Social Inclusion Policy for 2022–2024. Some assistance measures based on these were implemented in 2025. The government launched the “Lumi Gro Business Accelerator” program in July 2025 to empower women, youth, and grassroots entrepreneurs. The program provides training and funding support to 10 entrepreneurs who will compete for SI\$100,000 in funding to grow their businesses. Tonga has a National Gender and Development Policy 2011, which provides a framework to address gender gaps and specifically boost women’s economic empowerment. Women-focused grants, Pacific Private Sector Development Initiative-led mentoring programs, and gender-sensitive financial products remain limited but have gained traction. There is a “Women In Export” program, which is part of a wider Pacific regional initiative to foster more women exporters.

International Trade of MSMEs

Several developing Asian countries have explored growth opportunities by expanding international trade. Governments support the shift of MSME business models from traditional, domestically focused firms to those that are more innovative and globally competitive. With government assistance, MSMEs in international trade have gradually increased in number across the region. Global trade uncertainty is forcing governments to rethink their policy approaches on internationalizing MSMEs.

In the **Caucasus and Central Asia**, Armenia implemented a pilot project to boost food production and strengthen value chains in August 2024, focusing on export promotion through improved product standards, certification support, and access to international markets. The project provides AMD10,000 to cover costs and to support individual entrepreneurs and MSMEs. Its Development Plan for Sheep and Goat Breeding for 2024–2028 supports registered firms and individual entrepreneurs to acquire a minimum of five animals with a maximum of 300, with 50% reimbursement of the cost of each imported breeding animal. In Azerbaijan, SMBDA regularly organizes training sessions for current or potential MSME exporters, focusing on marketing strategy and finance related to accessing foreign markets. Georgia offers grants for export-oriented SMEs as part of its Export Support Program. The grants cover product licensing and certification, branding and product packaging, and costs for entering international trade networks. Kazakhstan administers the state platform “Export.gov.kz”—an interface between government and exporters, including MSMEs—and consolidates government services and support measures required for exporters. It also supports the establishment of interfirm linkages to find partners and form export consortia. Starting in 2020, the “DAMU Ondiris” program has also supported MSMEs in manufacturing, including export-oriented firms. The program subsidizes interest payments and offers credit guarantees. The Kyrgyz Republic approved a Trade Facilitation Plan for 2025–2027 in January 2025. It will improve transparency in trade procedures, foster international cooperation, and work with the private sector on key initiatives, focusing on trade process digitalization, logistics infrastructure development, and improved professional training. The government launched the Kyrgyz Export Center in May 2024 to better support MSMEs in accessing the global market. In Tajikistan, there is no comprehensive policy or strategy for SME exporters, but an e-commerce program is helping improve access to global trade for businesses, including SMEs, through internationally recognized online trading platforms. In Uzbekistan, the SME Development Strategy for 2025–2030 targets increasing the MSME share of national exports to 35% by 2030. The government assesses export potential, conducts targeted engagement with entrepreneurs, and broadens the export reach of locally produced goods. It also helps enhance the competitiveness of local products in international markets under the “Made in Uzbekistan” initiative. It further develops the export capacity of key industries, encourages wider participation of entrepreneurs in exports by diversifying both destinations and product lines through accelerator programs, and boosts the number of exporting companies in digital technology by increasing the export volume of IT services and software products.

In **South Asia**, the Bangladesh Export Policy 2024–2027 targets \$110 billion in export earnings by FY2027. It outlines a framework to enhance competitiveness and integrate MSMEs into global value chains. One focus is on MSME participation in international trade, with new non-cash, World Trade Organization-compliant incentives replacing traditional subsidies. These include duty rebates, foreign currency retention, venture capital support, and lower utility costs for export-oriented MSMEs. In India, the Foreign Trade Policy 2023 focuses on cost competitiveness, trade facilitation, and sector-specific support. It includes schemes such as the Remission of Duties and Taxes on Exported Products and the Rebate of State and Central Taxes and Levies to reimburse exporters, helping MSMEs better compete in global markets. To decentralize export growth, the Export Hubs Initiative identifies products with export potential by district and supports MSMEs through infrastructure development, training, and market access. The MSME Export Promotion Strategy expands export knowledge, access to finance, and standards compliance through cluster-based capacity building and export readiness programs. In Nepal, a central policy is the Nepal Trade Integration Strategy 2023, which boosts exports and improves trade infrastructure. Its plan includes developing a master plan for trade logistics, upgrading postal and digital trade services, establishing testing and quarantine facilities at border points, and expanding priority export products from 12 to 32, many of which are MSME-relevant, such as handmade paper, honey, felt, and dog chews. In Pakistan, the SME Certification, International Accreditation, and Quality Improvement Program from SMEDA enhances MSME competitiveness by improving capacity for acquiring international certification and accreditation, thereby ensuring access to new markets and meeting international standards. A development finance institution, EXIM Bank, supports exporters, including MSMEs. The government has allocated 40% of its incremental Export Finance Scheme, or PRs92 billion, specifically for MSME exporters. Sri Lanka has implemented the B500 Development project to support branding entrepreneurial products and facilitate MSMEs' access to domestic and global markets. Some 400 national brands will be developed under the B500 initiative by the end of 2025.

In **Southeast Asia**, Brunei Darussalam launched the Standards Consultancy Program and Elevate, helping MSMEs meet international standards and scale through strategic partnerships, enhancing their global competitiveness. In Cambodia, the Industrial Development Policy 2015–2025 provides a strategic policy framework to transform the country's labor-intensive industrial base to one that is more skill-driven, with a strong emphasis on integrating MSMEs into regional and global value chains. Key action plans include promoting export diversification beyond textiles—particularly into agri-processing—developing special economic zones and industrial clusters, along with registering 80% of small enterprises and 95% of medium-sized enterprises. By 2025, the policy targets increasing the industry's share of GDP to 30%, raising non-textile exports to 15% of total exports, and processed agricultural exports to 12%. Indonesia's national Proudly Made in Indonesia movement integrates MSMEs into digital ecosystems and expands market reach. The central bank supports this through its Karya Kreatif Indonesia program, which curates MSME products and facilitates their entry into e-catalogues and digital marketplaces. The use of the Quick Response Code Indonesian Standard simplifies transactions and increases digital use among MSMEs, targeting 12 million merchants, 98% of which are MSMEs. Karya Kreatif Indonesia events showcase MSME products in fashion, food, crafts, and coffee, and include business matching and export readiness training to help MSMEs access global markets. Lao PDR prioritizes export promotion and integration into global value chains under its MSME Development Plan 2021–2025. Key policies focus on improving market access and helping MSMEs obtain international certifications and join global trade fairs and exhibitions. Malaysia works to enhance MSME global competitiveness through targeted financial and regulatory initiatives. Central is the central bank's fund for SMEs, which includes financing tailored to support MSMEs in global trade. These help development and growth, providing working capital and spending needed for export-oriented businesses. The Micro Enterprises Facility, for example, provides collateral-free financing of up to RM50,000 to microenterprises, including self-employed individuals and gig workers, enabling them to scale operations and engage in cross-border trade.

The Philippine Export Development Plan 2023–2028 provides a national roadmap for transforming the country into an export powerhouse, with MSMEs as key stakeholders. The Philippine Export Competitiveness Program provides MSMEs with training, market intelligence, and access to international trade fairs, targeting 5,000 MSMEs for training and 3,000 to join global exhibitions by 2028. The Doing Business in Free Trade Areas Program raises awareness of free trade agreements and the generalized scheme of preferences, conducting 200 information sessions and assisting 2,000 MSMEs with export documentation. The Philippine Halal Export Development and Promotion Program supports MSMEs in accessing global *halal* markets through certification and trade fair participation. Singapore’s Market Readiness Assistance Grant helps local SMEs defray up to 50% of eligible costs—capped at S\$100,000 per company per new market—for overseas market promotion, business development, and market entry. The grant lowers the barriers for first-time exporters and supports activities such as trade shows, in-market business development, and overseas marketing campaigns. The Enterprise Financing Scheme provides risk-shared loans through local financial institutions. SMEs can access loans to finance secured overseas projects and a loan to support trade financing. These tools are crucial in enabling SMEs to manage cash flow, fulfill international contracts, and scale up operations abroad. Thailand’s Office of Small and Medium Enterprises Promotion developed digital platforms—the ASEAN Access and ASEAN Access MATCH Platform—to facilitate business-to-business networking, host virtual and live trade events, and support matchmaking between MSMEs and international partners. In Viet Nam, the SME Support Law 2017 provides the legal framework for enhancing MSME export capacity, market access, and international trade readiness. The law includes trade facilitation, capacity building programs, and targeted support for women-led enterprises, ensuring that MSMEs have the skills and resources needed to compete globally. There is also the EmPower and Green Export Readiness initiative helping women-led MSMEs produce environmentally sustainable goods under the One Commune One Product program. They receive access to innovation funding and external financing to develop green export products. The initiative enhances the export potential of MSMEs and promotes gender equity along with environmental stewardship.

In the **Pacific**, the Fiji Trade Information Portal was launched in 2025. It complies with World Trade Organization Trade Facilitation measures, and targets e-commerce and MSME-focused export promotion initiatives. The government continues to support exporters through programs such as the Trade Enhancement Program, which provides F\$1,000 grants to micro businesses, and the National Exporter Strategy, offering up to F\$100,000 to established exporters. In PNG, trade-related MSME support has been limited but is gaining momentum. The SME Corporation’s “Export Ready” Initiative, launched in 2024, includes training on product standards and export documentation, placing trade facilitation desks in several provincial commerce offices, and participating in regional expos. Samoa’s National Industry Development Policy and Strategy for FY2025–FY2034 promotes export business development, greater participation in global value chains, trade-related infrastructure development, and attracts more investors into sectors with export potential. Reforms in customs and trade facilitation have eased export clearance for registered small businesses. However, trade finance access is low, and many MSMEs lack knowledge of trade regulations and logistics. New partnerships with regional trade portals and e-commerce platforms should help address these gaps. Solomon Islands has been implementing its “Enhancing Capacity for Agriculture Trade” project since 2019. The framework supports MSMEs with grants and support programs to leverage trade opportunities. Its primary objective is to grow the economy and create jobs through systematic interventions in selected agriculture value chains and associated trade and export promotion activities. MSMEs are a vital part of the export supply chain, but specific data on their direct contribution is lacking. In Tonga, export readiness among MSMEs remains limited. The Tonga Trade Policy Framework 2017–2025 has strategic priorities to boost exports and support MSMEs. The policy’s export promotion strategy focuses on MSME exports. Core agri-based exports include vanilla, handicrafts, root crops, and processed foods, typically channeled through larger buyer/distributor businesses.

Financial Inclusion

National financial inclusion strategies exist in most of the countries covered here, targeting unserved or underserved segments, including youth, women, and MSMEs in accessing formal financial services (Table 1.1). They provide digital finance solutions, financial education, client or borrower protection, related infrastructure development, and regulatory reforms to improve access to finance.

In the **Caucasus and Central Asia**, Georgia updated its National Financial Education Strategy in 2023, based on a previous 2016 version, to increase financial literacy across the country, including SMEs. It prioritizes financial education for youth, financial literacy, public financial information, and cooperation among stakeholders. The Kyrgyz Republic has a Strategy for Improving Financial Inclusion for 2022–2026. It expands access to financial services, promotes broader financial instruments, provides a scheme to protect consumer rights within financial services, and boosts financial literacy. Tajikistan has its National Strategy for Financial Inclusion for 2022–2026, which supplies a variety of financial products and services, promotes financial literacy and digital infrastructure, protects consumer rights, and adopts international standards. Uzbekistan's National Strategy for Increasing Financial Inclusion for 2021–2023 increased the number of automated teller machines, active bank card circulation, and electronic wallets. The share of the adult population holding bank loans or credit lines increased from 13% to 21%. A new financial inclusion strategy is being considered. While there is no comprehensive financial inclusion strategy in Armenia, Azerbaijan, and Kazakhstan, their central banks and/or financial sector development strategies promote financial inclusion to help MSMEs better access formal financial services.

In **South Asia**, Bangladesh launched a National Financial Inclusion Strategy 2021–2026 to accelerate inclusive access to financial services. It has 12 strategic goals and 69 measurable targets, focusing on expanding digital financial services, enhancing access for women and underserved groups, and supporting cottage industries and MSMEs. India is updating its National Strategy for Financial Inclusion for 2025–2030 based on its 2019–2024 strategy. It outlines a comprehensive vision and action plans to ensure financial services are available, accessible, and affordable to all segments of society—particularly vulnerable groups such as low-income households, women, small farmers, and MSMEs. Nepal's commitment to advancing financial inclusion is supported by its Making Access Possible Refresh study of its Financial Inclusion Roadmap 2017–2022. Published in March 2022, it builds on the original roadmap by evaluating progress made over the 5 years covered, identifying persistent gaps, and proposing targeted ways to address emerging challenges. The updated strategy includes unlocking credit and savings market constraints, modernizing payment systems, enhancing risk mitigation tools, and strengthening the capacity of locally based financial service providers. It emphasizes governance, consumer protection, and financial literacy. Pakistan approved a National Financial Inclusion Strategy for 2024–2028 in January 2025. It increases financial inclusion to 75% of the population by 2028 from 64% in 2023 and reduces the gender gap to 25% from 34% in 2023. For MSMEs, it targets 200,000 new MSME bank borrowers and increases the share of MSME financing in total private credit from 6% in 2023 to 10% by June 2028. Sri Lanka's National Financial Inclusion Strategy for 2021–2024 has completed implementation and is completing an end-of-term evaluation expected in December 2025. Based on the results, a second phase strategy will start in 2026, emphasizing green finance, consumer protection, and market conduct. It will also continue initiatives on digital development, MSME finance support, and financial literacy.

In **Southeast Asia**, Cambodia's National Financial Inclusion Strategy 2019–2025 provides a comprehensive roadmap to improve access to affordable financial services for underserved populations and businesses. It supports broader development goals under the Financial Sector Development Strategy 2016–2025, emphasizing poverty reduction, inclusive growth, and digital transformation. Indonesia's National Strategy for Financial Inclusion, launched in 2016, broadens financial access across society, with a strong focus on MSMEs. The National Strategy on Financial Literacy 2021–2025 guides financial education. Indonesia launched PROMISE II in 2023 to boost MSME financial access, especially in rural and low-income communities, using digital technology and strengthening

the financial ecosystem. Lao PDR's Financial Inclusion Roadmap 2018–2025 improves access to financial services for underserved groups, including MSMEs. In Malaysia, the central bank introduced its Second Financial Inclusion Framework 2023–2026 and the Financial Sector Blueprint 2022–2026 to expand financial services, promote digital finance, and support vulnerable segments. These expand access to quality financial services through digital innovation, agent banking, and targeted financing schemes for underserved groups, including microenterprises and women. In the Philippines, the latest regulatory framework for MSME financial inclusion is based on the National Strategy for Financial Inclusion 2022–2028. It introduces specific, measurable targets to reduce disparities in financial access and improve MSME financing, including start-ups and those in agriculture, emphasizing digital financial services, inclusive innovation, and gender-responsive financial solutions. Viet Nam's National Financial Inclusion Strategy to 2025 aims to expand access to formal financial services, particularly for underserved groups such as microenterprises and women entrepreneurs. It targets digital financial services, microfinance reform, and developing inclusive financial infrastructure. Since its launch in 2020, the strategy has significantly improved financial access. By the end of 2023, the number of nonbank payment service providers totaled 51, including 49 offering e-wallet services. Digital transactions surged, with QR code payments increasing by 157.2%, and mobile payments by 12.7% year on year. Over 35 million payment accounts were opened using electronic Know Your Customer, and 14.9 million cards were issued digitally. Brunei Darussalam, Singapore, and Thailand have no comprehensive national financial inclusion strategy, but they promote financial inclusion as part of their larger plans to foster inclusive business and sustainable finance, using a combination of regulatory reforms.

In **the Pacific**, the Fiji National Financial Inclusion Strategy 2022–2030 provides a comprehensive, multi-sectoral policy framework designed to let people build resilient and sustainable livelihoods through inclusive access to financial services. It has four thematic pillars—inclusive finance, digital financial services, MSME finance, and consumer protection and financial capability. PNG approved its Third National Financial Inclusion Strategy 2023–2027 in April 2023 to improve financial competence. It provides an enabling framework for innovation and new green finance, including digital infrastructure. Samoa introduced the Second National Financial Inclusion Strategy for FY2023–FY2026 in November 2023. It will expand access to formal financial services for an additional 40,000 adults and ensure at least 50% of new recipients are women. Drawing on lessons from the initial financial inclusion strategy and acknowledging areas where progress lagged, the new approach concentrates on MSMEs, agriculture, remittances, and digital financial services. Solomon Islands launched the National Financial Inclusion Strategy for 2021–2025 in April 2021. It targets two national goals by 2025—increasing active users of financial accounts from 283,954 to 400,000 (of which 50% are women) and the number of financial access points from 825 to 1,155. It outlines six ways to help achieve its goals—amplify the reach and quality of digital financial services, products, and channels; improve and promote MSME finance; fully engage women, youth, and rural residents in expanding access to finance; build financial resilience in households and communities; provide better finance in ways that motivate, are actionable, and relevant to daily life; and develop and implement a data and measurement framework. Tonga introduced a new 5-year Financial Inclusion Strategy 2023–2027 to tackle long-standing challenges in accessing financial services, especially for small businesses, women, and rural communities. It has five key goals—expanding access to financial services; improving MSME financing; promoting digital financial tools; ensuring consumer protection; and encouraging green finance.

Table 1.1: Policies and Regulations

Benchmark Regulation		Focal Government Authority for MSMEs		Key Policies and Regulations	
				MSME Development	Financial Inclusion
Developing Asia					
Caucasus and Central Asia					
Armenia	Law No.121 of 2000 on State Support for Small and Medium Entrepreneurship		Ministry of Economy	Small and Medium Entrepreneurship Development Strategy 2020–2024 (Government Decision No.1443 of 2020)	(No specific policies and regulations for Financial Inclusion)
Azerbaijan	Law on the Development of the Micro, Small and Medium Business (2 December 2022)		Small and Medium Business Development Agency (SMBDA), Ministry of Economy	Strategic Road Map for the Production of Consumer Goods at the level of SMEs (SME Roadmap)	Financial Sector Development Strategy for 2024–2026
Georgia	Government Resolution No.567 of 2022 on the state support program for micro, small and medium enterprises	1) 2)	Ministry of Economy and Sustainable Development (MESD); Enterprise Georgia, MESD	SME Development Strategy of Georgia 2021–2025 and related Action Plans	National Strategy of Financial Education 2023
Kazakhstan	Entrepreneurial Code of the Republic of Kazakhstan dated 29 October 2015 No.375-V	1) 2)	Ministry of National Economy; DAMU JSC Entrepreneurship Development Fund	1) Development concept of small and medium-sized enterprises until 2030 2) Development Strategy of the Damu Fund for 2024–2033	The Concept for the Development of the Financial Sector of Kazakhstan (approved by Presidential Decree No.1021 on 26 September 2022)
Kyrgyz Republic	Law on State Support for Small Business, 2007		Ministry of Economy and Commerce	1) National Strategy “On the Development of the Kyrgyz Republic for 2018–2040” (2018) 2) Business Development Program of the Kyrgyz Republic until 2026	Strategy for Improving Financial Inclusion for 2022–2026
Tajikistan	Law No.1107 on the Government Protection and Support of Entrepreneurship (2014)		Ministry of Economic Development and Trade	1) National Development Strategy of the Republic of Tajikistan for 2030 (2016) 2) State Support and Private Sector Development Program for 2023–2027 (2023)	National Strategy for Financial Inclusion for 2022–2026 (2022)
Uzbekistan	Presidential Decree of 2023 “On measures to further improve the criteria for categorizing business entities, as well as tax policy and tax administration”		Ministry of Economy and Finance	SME Development Strategy for 2025–2030 (approved by Presidential Decree “On measures to expand the role of small and medium-sized businesses in the economy” on 19 March 2025)	National Strategy for Increasing Financial Inclusion for 2021–2023
South Asia					
Bangladesh	(No specific laws and regulations for MSMEs)		Ministry of Industries	SME Policy 2019 (September 2019)	1) National Financial Inclusion Strategy of Bangladesh 2021–2026 (July 2021) 2) CMSME Master Circular 2025 (June 2025)
India	Micro, Small and Medium Enterprise Development (MSMED) Act 2006	1) 2)	Ministry of Micro, Small, and Medium-Sized Enterprises; National Board for MSMEs	1) National Manufacturing Competitiveness Programme (2005) 2) Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (2005–06) 3) Rajiv Gandhi Udyami Mitra Yojna (2008) 4) Public Procurement Policy for Goods and Services Produced and Rendered by Micro and Small Enterprises (2012)	National Strategy for Financial Inclusion 2019–2024

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Table 1.1 continued

	Benchmark Regulation	Focal Government Authority for MSMEs	Key Policies and Regulations		
			MSME Development		Financial Inclusion
Nepal	Industrial Enterprises Act, 2020	1) Nepal Planning Commission; 2) Ministry of Industries, Commerce and Supplies	15th Five Year Plan 2019/20–2023/24		Financial Inclusion Roadmap (2017–2022)
Pakistan	(No specific laws and regulations for MSMEs)	1) Ministry of Industries and Production; 2) Small and Medium Enterprise Development Authority	1) National SME Policy 2021 2) 10-Year Cluster-Based Development Plan for the Growth of SME Sector (28 June 2024)	1) National Financial Inclusion Strategy 2024–2028 2) National Financial Education Roadmap 2025–2029	
Sri Lanka	Industrial Promotion Act, No.46 of 1990; National Enterprise Development Authority Act, No.17 of 2006	1) Ministry of Industries; 2) National Enterprise Development Authority	National Policy Framework for Small and Medium Enterprise Development (2015)	1) National Financial Inclusion Strategy for Sri Lanka 2021–2024 (March 2021) 2) Financial Literacy Roadmap of Sri Lanka for 2024–2028	
Southeast Asia					
Brunei Darussalam	Darussalam Enterprise Order of 2016	Ministry of Finance and Economy	Economic Blueprint of Brunei Darussalam	Financial Sector Blueprint 2016–2025	
Cambodia	Law on Administration of Factory and Handicraft; Law on Tourism	Ministry of Industry, Science, Technology and Innovation	Small and Medium Enterprise Development Policy and Five-year Implementation Plan 2020–2024	National Financial Inclusion Strategy 2019–2025	
Indonesia	Law No.20/2008 on Micro, Small and Medium-sized Enterprises	Ministry of MSMEs (Ministry of Cooperatives and SMEs was split into two [Ministry of MSMEs and Ministry of Cooperatives], October 2024)	Creating Healthy, Strong, Resilient and Independent Cooperatives and SMEs to Contribute to the National Economy (2015–2019 vision and mission)	1) National Strategy for Financial Inclusion (SNKI) (Presidential Regulation No.114 of 2020) 2) PROMISE II Impact Program (Promoting Micro and Small Enterprises through Entrepreneurs' Access to Financial Services)	
Lao People's Democratic Republic	MSME Promotion Law (amendment) No.16/NA/2022; Decree No.04/GOV/2023 on MSME Classification; Decree No.05/GOV/2023 on MSME Promotion	Micro, Small and Medium Enterprise Promotion Agency, Ministry of Industry and Commerce (established in 2023)	1) Micro, Small and Medium Enterprises Development Plan 2021–2025 2) MSME Promotion Policies by Law (2022)	Lao PDR Financial Inclusion Roadmap 2018–2025	
Malaysia	Small and Medium Enterprises Corporation Malaysia Act 1995	1) Ministry of Entrepreneur and Cooperatives Development; 2) National Entrepreneur and MSME Development Council; 3) SME Corporation Malaysia (SME Corp. Malaysia)	1) National Entrepreneurship Policy 2030 (Dasar Keusahawanan Nasional, DKN 2030) 2) MSME Strategic Plan 2030 3) SME Corp. Malaysia Business Strategic Plan 2022–2030	Second Financial Inclusion Framework 2023–2026	
Philippines	Magna Carta for Micro, Small, and Medium Enterprises (1991), last amendment (2014)	Bureau of Small and Medium Enterprise Development (BSMED), Department of Trade and Industry	Micro, Small, and Medium Enterprise Development Plan (2023–2028)	National Strategy for Financial Inclusion 2022–2028	
Singapore	Enterprise Singapore Board Act (2018)	1) Ministry of Trade and Industry (MTI) 2) Enterprise Singapore	1) MTI's Economic Strategy 2) Enterprise Singapore's Strategic Plan	Financial Services Industry Transformation Map 2025 (Monetary Authority of Singapore)	

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Table 1.1 continued

	Benchmark Regulation	Focal Government Authority for MSMEs	Key Policies and Regulations	
			MSME Development	Financial Inclusion
Thailand	SMEs Promotion Act B.E.2543 (2000), latest amendment in 2019	Office of Small and Medium Enterprises Promotion (OSMEP)	1) Thirteenth National Economic and Social Development Plan 2023–2027 2) Fifth SME Promotion Master Plan 2023–2027	Financial Sector Master Plan Phase III (2016–2020)
Viet Nam	Law No.04/2017/QH14 on Support for Small and Medium-sized Enterprises (SME Support Law)	1) Ministry of Planning and Investment (MPI) 2) Agency for Enterprise Development, MPI	9th Five-Year National Socio-Economic Development Plan 2021–2025	National Financial Inclusion Strategy to 2025 (2020)
The Pacific				
Fiji	Small and Micro Enterprises Development (Repeal) Act 2019 (December 2019)	MSME Fiji, Ministry of Trade, Co-operatives, Micro, Small and Medium Enterprises, and Communications (renamed in August 2024)	1) 5-Year and 20-Year Fiji Government's National Development Plan 2) Micro, Small, and Medium Enterprise Fiji—Policy Framework (June 2020)	National Financial Inclusion Strategy 2022–2030
Papua New Guinea	Small and Medium Enterprises Corporation Act 2014	Small and Medium Enterprise Corporation	MSME Policy 2022	Third National Financial Inclusion Strategy 2023–2027 (April 2023)
Samoa	(No specific laws and regulations for MSMEs)	Ministry of Commerce, Industry, and Labour	Micro, Small, and Medium Enterprises Development Policy and Strategy 2020	National Financial Inclusion Strategy for Samoa 2022/2023–2025/2026
Solomon Islands	MSME BILL (Awaiting approval by Parliament as of September 2025)	Ministry of Commerce, Industries, Labour, and Immigration	MSME Policy and Strategy (approved on 28 November 2016)	National Financial Inclusion Strategy 2021–2025 (launched on 23 April 2021)
Tonga	(No specific laws and regulations for MSMEs)	Ministry of Commerce, Industry, and Labour	1) Private Sector Readiness Program 2) Business Link Pacific	Tonga National Financial Inclusion Strategy 2023–2027

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

Data Tables

A-1. MSMEs to Total Enterprises and MSME Employees to Total Workforce
(% per year)

	Scale of MSMEs						Employment by MSMEs					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia	99.8	98.9	99.8	99.8	99.7	99.8	64.5	61.8	65.0	61.4	61.3	67.6
Caucasus and Central Asia	99.7	99.7	99.7	99.7	98.0	99.8	64.6	63.1	63.1	65.0	65.5	66.7
Armenia	99.8	99.8	99.9	99.9	99.9	...	69.8	68.7	69.6	69.5	69.7	...
Azerbaijan	99.6	99.7	99.7	99.7	99.7	...	43.7	42.1	41.7	41.8	44.0	...
Georgia	99.7	99.7	99.7	99.6	99.7	...	65.0	62.8	61.8	60.1	59.6	...
Kazakhstan	99.8	99.8	99.8	99.9	99.9	99.9	39.3	39.8	39.9	45.8	47.6	48.0
Kyrgyz Republic	98.2	98.3	98.2	98.1	98.2	...	53.0	52.6	49.3	47.1	51.2	...
Tajikistan	98.6	98.6	98.6	98.7	98.8	98.8	33.0	33.7	34.7	...	...	...
Uzbekistan	99.3	99.3	99.3	99.3	99.1	99.0	76.2	74.5	74.5	73.9	74.0	74.5
South Asia	94.0	98.6	...	99.8	99.8	...	71.8	73.5	72.5	...	...	...
Bangladesh	...	...	...	...	...	...	...	...	...	...	...	...
India	...	...	...	...	...	...	...	...	...	...	...	...
Nepal	...	...	...	99.8	99.8	...	...	73.5	...	...	...	...
Pakistan	...	98.6	...	...	...	...	72.4	...	72.5	...	...	...
Sri Lanka	94.0	...	...	...	...	...	28.9	...	...	...	...	...
Southeast Asia	99.8	98.9	99.8	99.8	99.8	99.8	58.1	60.5	60.3	60.1	59.4	68.3
Brunei Darussalam	93.7	92.9	93.2	93.4	...	...	52.8	50.1	52.2	52.3	...	...
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	99.9	...	99.9	99.9	99.9	99.9	96.9	65.4	63.6	63.6	...	...
Lao People's Democratic Republic	...	99.8	...	...	...	...	...	...	...	...	...	...
Malaysia	97.3	97.2	97.4	97.4	96.9	96.1	48.4	48.0	47.8	48.2	48.5	...
Philippines	99.5	99.5	99.6	99.6	99.6	99.6	62.4	62.7	64.7	65.1	66.8	66.6
Singapore	99.5	99.6	99.6	99.6	99.6	99.6	70.3	70.1	69.2	69.3	69.4	69.6
Thailand	99.5	99.5	99.6	99.5	99.5	99.5	69.5	71.7	71.9	71.0	70.4	68.8
Viet Nam	97.4	97.4	97.4	97.2	97.3	...	37.5	36.3	36.1	36.1	37.1	...
The Pacific	85.1	87.6	86.1	96.6	96.5	98.0	20.2	28.3	26.8	...	...	...
Fiji	79.4	82.4	80.5	...	...	...	20.2	28.3	26.8	...	...	...
Papua New Guinea	...	...	...	...	...	...	...	...	...	...	...	...
Samoa	96.4	96.8	96.5	96.6	96.5	93.9	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	99.8	...	...	...	...	...	...
Tonga	...	...	...	...	...	...	...	...	...	...	...	...

... = data not available; MSME = micro, small, and medium-sized enterprise.

Note: Data based on participating countries only.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

A-2. Number of MSMEs and Employment

	Scale of MSMEs						Employment by MSMEs					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia												
Caucasus and Central Asia												
Armenia	75,045	83,032	89,831	101,532	109,431	...	248,069	232,955	240,656	256,583	283,102	...
Azerbaijan	271,304	316,370	355,906	377,842	401,149	...	332,255	348,723	357,840	370,120	390,845	...
Georgia	128,204	129,268	139,275	148,460	162,210	...	491,668	442,164	460,075	468,411	490,962	...
Kazakhstan*	1,330,244	1,357,311	1,431,647	1,818,764	2,002,199	2,071,657	3,448,727	3,472,606	3,512,000	4,107,000	4,326,000	4,422,058
Kyrgyz Republic*	16,978	17,019	17,050	17,375	20,173	...	107,800	100,800	92,900	92,100	106,200	...
Tajikistan	26,691	27,650	29,555	31,419	32,827	33,827	812,095	844,109	879,892	654,971	686,000	712,000
Uzbekistan*	334,767	411,203	462,834	523,556	417,080	358,116	10,318,900	9,865,700	10,080,600	10,131,100	10,373,300	10,628,700
South Asia												
Bangladesh	...	...	...	...	...	...	...	...	...	...	...	...
India	8,480,943	1,402,735	6,410,453	13,093,698	41,483,040	57,703,550	...	...	...	95,258,881	183,643,124	243,621,355
Nepal	390,493	...	...	554,729	591,941	...	2,808,052	3,119,745	3,289,516	3,535,404	3,678,812	...
Pakistan*	...	5,200,000	...	...	...	...	28,185,000	...	30,520,000	...	...	...
Sri Lanka	20,881	...	...	...	...	...	424,915	...	...	...	...	...
Southeast Asia												
Brunei Darussalam	5,781	5,593	6,018	6,134	...	...	61,196	58,271	60,913	61,534	...	...
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	65,465,497	...	50,501,394	53,670,730	56,492,279	56,142,687	...	9,647,542	9,109,297	9,416,779	9,843,840	...
Lao People's Democratic Republic	...	133,721	...	...	...	...	...	...	...	...	...	...
Malaysia	1,181,631	1,151,339	1,226,494	1,173,601	1,101,725	1,086,386	7,318,000	7,253,000	7,315,000	7,594,000	7,857,000	...
Philippines	995,745	952,969	1,076,311	1,105,143	1,241,766	1,236,908	5,510,760	5,380,815	5,461,731	5,607,748	6,364,367	6,252,202
Singapore	304,700	310,000	318,700	328,300	344,200	354,600	2,330,000	2,190,000	2,200,000	2,360,000	2,420,000	2,500,000
Thailand	3,105,096	3,134,442	3,178,124	3,187,378	3,225,743	3,255,957	12,060,369	12,714,916	12,601,726	12,828,236	12,930,004	13,426,373
Viet Nam	651,138	666,256	699,859	715,179	757,788	...	5,681,518	5,332,083	5,341,847	5,539,889	5,781,695	...
The Pacific												
Fiji	9,723	9,186	8,427	...	...	...	24,083	21,302	20,282	...	...	...
Papua New Guinea	...	...	...	...	...	...	...	...	...	...	...	...
Samoa	4,816	5,218	4,526	4,540	4,828	3,702	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	8,258	...	...	...	...	...	21,381
Tonga	...	...	...	...	8,371	8,162	...	...	...	...	...	...

... = data not available; MSME = micro, small, and medium-sized enterprise.

* For Kazakhstan, the Kyrgyz Republic, Pakistan, Uzbekistan: data on employment by MSMEs is rounded.

** For Tajikistan, employment data after 2022 are based on individual entrepreneurs including *dekhkan* farmers (SME data are unavailable).

Note: Data based on participating countries only.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

A-3. MSME Output to GDP and MSME Exports to Total Export Value,
(% per year)

	MSME Output						MSME Exports					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia	41.7	31.8	33.3	33.6	38.2	38.7	36.3	38.6	34.0	29.7	34.2	40.0
Caucasus and Central Asia	40.2	41.9	41.7	41.2	41.9	46.0	30.2	25.1	26.6	37.3	31.9	33.2
Armenia ¹	26.0	26.3	27.7	28.5	31.6	...	...	...	...	...	...	...
Azerbaijan ¹	14.9	16.7	16.4	13.9	18.0	...	...	...	...	...	...	...
Georgia ¹	59.3	60.8	52.8	50.5	53.9	...	37.6	36.2	36.2	32.9	32.3	31.9
Kazakhstan ¹	31.7	32.8	33.5	35.1	36.5	39.7	...	...	...	...	...	...
Kyrgyz Republic	39.3	39.1	40.8	38.8	39.6	...	35.4	24.9	27.3	66.9	39.9	...
Tajikistan	59.5	58.4	59.4	60.0	61.7	60.4	...	...	...	...	...	...
Uzbekistan	55.3	57.5	56.9	54.6	54.3	54.3	27.2	20.9	22.5	31.3	30.4	33.6
South Asia	29.6	26.3	28.7	29.2	7.4	7.6	49.8	49.4	45.0	43.6	45.7	45.1
Bangladesh ²	9.2	8.8	8.9	8.5	8.3	8.9	...	...	...	...	...	...
India	30.5	27.3	29.6	30.1	...	...	49.8	49.4	45.0	43.6	45.7	45.8
Nepal	22.0	...	...	...	...	...	...	...	...	...	...	...
Pakistan ³	1.9	1.9	2.0	2.0	2.2	2.3	...	...	...	...	...	30.0
Sri Lanka	...	...	...	...	...	...	...	...	...	...	...	...
Southeast Asia	51.2	38.6	40.3	39.7	39.3	38.8	15.8	12.6	10.6	9.6	11.5	13.1
Brunei Darussalam	6.7	7.7	7.1	5.9	...	...	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	60.5	...	...	...	...	...	15.7	...	...	...	...	...
Lao People's Democratic Republic	...	...	...	...	...	...	...	...	...	...	...	...
Malaysia ⁴	38.9	38.1	37.4	38.6	39.1	...	17.9	13.5	11.4	10.6	12.2	...
Philippines	...	...	...	...	...	...	...	...	...	...	...	...
Singapore ⁵	40.9	44.0	47.6	44.7	43.2	42.1	...	...	...	...	...	...
Thailand	35.1	34.2	34.5	34.6	34.7	34.9	13.3	11.7	12.0	10.7	13.4	13.1
Viet Nam	...	...	...	...	...	...	...	...	8.1	7.1	8.2	...
The Pacific	7.8	6.3	5.0	...	...	...	...	...	...	...	...	...
Fiji ¹	7.8	6.3	5.0	...	...	...	...	...	...	...	...	...
Papua New Guinea	...	6.3	...	...	...	...	...	...	...	...	...	...
Samoa	...	...	...	...	...	...	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	...	...	...	...	...	...	...
Tonga	...	...	...	...	...	...	...	...	...	...	...	...

... = data not available; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

¹ For MSME output, gross value added.

² For MSME output, real GDP (FY2016=100) of cottage and MSME manufacturers.

³ For MSME output, GDP of small manufacturers only.

⁴ For MSME output, data based on real GDP.

⁵ For MSME output, based on nominal value added of small and medium-sized enterprises (SMEs).

Note: Data based on participating countries only.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

A-4. MSME Output and MSME Exports (\$ million)

	MSME Output						MSME Exports					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia												
Caucasus and Central Asia												
Armenia ¹	3,562	3,110	4,025	6,166	7,374	...	...	...	...	...	...	...
Azerbaijan ¹	6,513	6,436	8,209	10,100	11,816	...	...	...	...	...	...	...
Georgia ¹	4,814	4,129	4,743	6,753	7,638	...	1,428	1,208	1,536	1,836	1,965	2,090
Kazakhstan ¹	57,579	55,093	65,112	78,609	96,893	101,595	...	...	...	...	...	...
Kyrgyz Republic	3,698	3,026	3,760	4,629	5,929	...	703	492	752	1,509	1,351	...
Tajikistan	4,859	4,339	5,199	6,795	7,361	8,483	...	...	...	...	...	...
Uzbekistan	34,588	36,664	43,080	48,424	53,007	61,130	4,745	3,159	3,749	6,178	7,567	9,042
South Asia												
Bangladesh ²	31,959	32,970	36,690	34,038	34,696	32,754	...	...	...	...	...	...
India	859,099	739,986	942,759	965,825	...	...	155,963	144,019	190,095	125,526	199,873	200,425
Nepal	...	...	...	...	...	...	...	...	...	...	...	...
Pakistan ³	4,988	5,338	5,883	5,681	6,144	8,085	...	...	...	...	...	9,341
Sri Lanka	...	...	...	...	...	...	...	...	...	...	...	...
Southeast Asia												
Brunei Darussalam	911	955	979	1,006	...	...	...	...	...	...	...	...
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	689,213	...	...	...	...	...	24,400	...	...	...	...	...
Lao People's Democratic Republic	...	...	...	...	...	...	...	...	...	...	...	...
Malaysia ⁴	135,312	127,974	124,470	132,360	134,443	...	43,105	29,377	29,737	32,994	33,373	...
Philippines	...	...	...	...	...	...	...	...	...	...	...	...
Singapore ⁵	155,259	158,939	188,222	213,744	216,791	230,390	...	...	...	...	...	...
Thailand	196,381	178,178	167,028	173,738	179,273	190,662	33,589	27,948	30,655	30,675	37,873	40,657
Viet Nam	...	...	...	...	...	...	...	...	27,385	26,209	28,992	...
The Pacific												
Fiji ¹	360	259	180	...	...	...	...	...	...	...	...	...
Papua New Guinea	...	...	...	...	...	...	...	...	...	...	...	...
Samoa	...	...	...	...	...	...	...	...	...	...	...	...
Solomon Islands	...	...	...	...	...	...	...	...	...	...	...	...
Tonga	...	...	...	...	...	...	...	...	...	...	...	...

... = data not available; MSME = micro, small, and medium-sized enterprise.

¹ For MSME output, gross value added.

² For MSME output, real GDP (FY2016=100) of cottage and MSME manufacturers.

³ For MSME output, GDP of small manufacturers only.

⁴ For MSME output, data based on real GDP.

⁵ For MSME output, based on nominal value added of small and medium-sized enterprises (SMEs).

Notes: Data based on participating countries only. Exchange rates of local currency to US dollar refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

A-5. MSME Loans to Total Bank Loans and to GDP, and MSME Nonperforming Loans to Total MSME Loans (% per year)

	MSME Loans to Total						MSME Loans to GDP						MSME NPLs					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia	20.7	17.4	17.5	17.4	17.3	16.9	16.6	14.1	10.8	10.1	10.2	10.7	7.3	8.7	8.7	7.3	7.0	7.6
Caucasus and Central Asia	26.8	24.8	28.1	29.8	29.2	28.4	9.0	9.6	9.0	10.0	10.5	11.0	17.5	8.4	4.7	4.1	3.1	3.1
Armenia	28.4	30.2	31.6	30.9	31.0	29.4	14.8	19.1	16.8	14.2	15.3	17.1	3.6	5.3	2.1	1.5	1.8	2.0
Azerbaijan	25.0	24.3	26.7	29.0	27.5	23.6	4.5	4.6	4.8	4.2	5.2	5.1	21.5	12.0	6.8	5.6	3.7	4.7
Georgia	22.1	20.4	19.8	40.6	39.9	38.4	14.3	15.8	14.2	25.4	26.0	26.1	2.6	2.9	2.6	2.4	2.1	2.4
Kazakhstan	15.2	17.2	28.3	26.4	26.0	25.9	3.0	3.6	6.2	5.8	6.0	6.5	...	...	4.6	4.1	3.4	2.9
Kyrgyz Republic	77.8	78.7	76.8	71.9	66.7	59.4	18.4	21.3	19.3	16.0	15.4	15.2	...	...	...	...	...	...
Tajikistan	16.9	13.0	16.0	17.4	17.5	17.5	1.8	2.0	2.5	1.6	1.9	1.9	24.8	6.8	4.6	3.9	3.5	3.3
Uzbekistan	26.2	17.5	18.2	17.9	15.5	17.5	9.3	7.2	7.3	7.0	6.1	6.4	...	...	...	...	...	...
South Asia	17.5	15.9	16.4	15.9	16.3	16.0	8.4	8.4	7.6	7.4	7.7	8.2	9.3	9.7	10.6	8.7	8.4	8.8
Bangladesh	20.1	20.2	19.7	18.3	19.4	18.1	8.2	8.1	6.8	6.8	6.6	6.0	...	...	14.2	14.2	19.0	20.7
India	17.4	15.6	16.2	15.7	16.2	16.0	8.5	8.6	7.8	7.6	7.9	8.5	9.1	9.6	9.9	7.4	5.5	4.5
Nepal	...	...	...	...	7.9	8.8	...	...	...	...	7.2	7.9	...	...	...	...	...	...
Pakistan	7.6	7.3	6.5	5.8	6.0	6.1	1.3	1.2	1.1	1.3	0.5	0.6	16.8	16.9	15.9	14.6	15.0	14.2
Sri Lanka	...	11.1	11.9	10.5	9.5	10.6	...	4.7	5.1	3.4	2.7	3.1	...	...	...	...	...	...
Southeast Asia	22.2	18.0	17.5	17.3	17.0	16.6	21.9	19.2	14.7	13.3	13.3	14.1	4.3	7.8	5.8	5.5	5.5	5.9
Brunei Darussalam	0.2	0.2	0.2	0.2	0.1	0.3	0.05	0.07	0.07	0.06	0.08	0.02	...	0.2	0.7	2.5	2.2	8.0
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	19.7	19.9	21.2	21.0	20.6	19.3	7.0	7.0	7.2	6.9	7.0	6.8	3.6	4.0	3.8	3.4	3.7	...
Lao People's Democratic Republic	19.8	20.1	14.7	12.0	11.3	10.7	8.5	9.1	7.0	7.2	7.4	6.7	...	...	...	...	...	...
Malaysia	15.8	16.5	16.2	16.2	16.7	17.2	20.6	23.7	22.3	20.4	21.8	22.4	3.3	3.1	3.2	3.6	3.8	3.5
Philippines	6.1	4.9	4.6	4.3	4.1	3.9	3.2	2.7	2.4	2.2	2.1	2.1	5.5	9.9	11.2	9.3	10.3	9.6
Singapore	6.3	6.7	6.9	7.1	7.1	6.1	16.8	19.0	17.1	14.3	13.2	14.7	4.5	4.6	3.4	3.1	3.4	2.5
Thailand	30.9	21.6	21.5	21.1	20.1	19.5	30.3	...	...	...	...	...	4.7	7.7	7.5	7.5	7.4	7.4
Viet Nam	...	21.5	...	...	...	...	...	28.9	...	...	...	...	...	11.3	...	...	...	...
The Pacific	21.6	24.2	23.8	33.4	23.8	24.5	8.1	9.3	9.0	8.9	8.2	8.3	2.7	2.9	12.8	9.5	30.1	31.2
Fiji	8.5	9.3	12.2	10.9	9.7	9.2	5.2	6.8	9.9	7.7	6.7	6.6	...	...	...	...	...	...
Papua New Guinea	15.2	19.7	21.2	35.2	21.8	22.6	3.8	5.0	4.8	7.1	5.2	5.5	...	...	...	...	...	...
Samoa	54.1	56.4	52.0	51.0	49.3	50.2	26.2	30.0	28.2	26.0	25.8	23.8	...	...	...	...	...	...
Solomon Islands	...	12.3	23.5	37.6	44.1	41.8	...	0.1	0.1	0.2	0.3	0.3	...	...	12.9	9.5	30.2	31.3
Tonga	47.1	47.1	44.8	47.0	49.4	52.5	14.7	14.9	13.6	15.6	17.9	18.7	2.7	2.9	3.9	7.3	21.0	27.1

... = data not available; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; NPL = nonperforming loans.

Notes: Data based on participating countries only. MSME loans are based on bank loans outstanding.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

A-6. MSME Bank Loans and Nonperforming Loans (\$ million)

	MSME Bank Loans						MSME Bank NPLs					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia												
Caucasus and Central Asia												
Armenia	2,023	2,260	2,437	3,060	3,598	4,361	73	120	52	45	65	88
Azerbaijan	2,191	2,024	2,619	3,339	3,744	3,818	471	242	177	186	138	180
Georgia	2,800	3,026	3,710	4,579	5,943	6,359	72	88	98	109	123	149
Kazakhstan	5,512	5,976	12,117	13,026	16,002	16,656	...	...	559	538	538	490
Kyrgyz Republic	1,635	1,548	1,648	1,711	1,930	2,326	...	...	...	...	...	...
Tajikistan	133	101	134	180	225	266	33	6.9	6.2	7.1	7.9	8.8
Uzbekistan	5,830	4,619	5,495	6,215	5,917	7,231	...	...	...	...	...	...
South Asia												
Bangladesh	24,638	26,803	28,066	27,294	27,411	25,108	...	...	3,995	3,865	4,206	5,206
India	238,255	232,473	248,381	242,313	289,765	327,587	21,689	22,221	24,512	17,857	15,972	14,626
Nepal	...	...	...	...	2,936	3,336	...	...	...	...	...	...
Pakistan	3,082	3,019	2,969	2,387	1,924	2,302	517	510	471	349	280	326
Sri Lanka	...	3,980	4,505	2,280	2,328	3,151	...	...	...	...	...	...
Southeast Asia												
Brunei Darussalam	6.7	8.5	9.0	10.8	12.1	11.8	...	0.02	0.06	0.27	0.26	0.95
Cambodia	...	...	...	...	...	...	...	...	...	...	...	...
Indonesia	79,671	77,159	85,571	85,742	95,632	93,393	2,884	3,056	3,277	2,926	3,551	...
Lao People's Democratic Republic	1,592	1,696	1,164	932	1,064	1,061	...	...	...	...	...	...
Malaysia	74,091	82,117	80,395	80,497	84,661	93,559	2,470	2,575	2,563	2,892	3,214	3,293
Philippines	11,605	10,158	9,259	8,777	9,043	9,398	637	1,001	1,037	818	933	902
Singapore	63,883	68,507	67,654	68,540	65,419	59,207	2,870	3,132	2,300	2,125	2,224	1,480
Thailand	218,289	163,648	154,967	151,697	146,686	146,464	7,668	8,222	7,600	7,291	6,695	6,591
Viet Nam	...	78,605	...	...	...	...	...	8,902	...	...	...	...
The Pacific												
Fiji	294	331	419	391	366	391	...	...	...	...	...	...
Papua New Guinea	928	1,181	1,261	2,170	1,309	1,316	...	...	...	...	...	...
Samoa	243	265	238	222	207	217	...	...	...	...	...	...
Solomon Islands	...	0.8	1.9	3.8	5.2	5.8	...	...	0.2	0.4	1.6	1.8
Tonga	72.2	74.4	70.8	79.0	91.1	99.1	0.002	0.002	0.003	0.006	0.019	0.027

... = data not available; MSME = micro, small, and medium-sized enterprise; NPL = nonperforming loan.

Notes: Data based on participating countries only. MSME loans are based on bank loans outstanding. Exchange rates of local currency to US dollar refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

A-7. MSME Equity Markets

	Market Capitalization, \$ million						Number of Listed Companies					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
Developing Asia												
Caucasus and Central Asia												
Armenia - Platform C	...	233	332	437	432	488	...	...	...	...	...	7
Kazakhstan - Alternative Board	2,228	1,103	1,223	901	941	931	48	44	89	41	39	35
Tajikistan - SME Board	4.1	3.5	3.6	4.5	4.2	2.7	1	2	3	2	2	2
South Asia												
Bangladesh - SME Platform, CSE	...	...	7.0	171	122	164	...	...	1	12	16	19
Bangladesh - SME Platform, DSE	...	...	42	161	231	180	...	...	7	14	18	20
India - BSE SME Exchange	2,575	2,913	6,402	7,780	13,071	23,374	314	331	358	410	471	538
India - NSE Emerge	1,122	767	1,285	2,715	6,470	16,470	206	214	236	289	405	580
Pakistan - GEM	...	...	11.4	17.2	8.8	30.8	...	...	2	3	3	5
Sri Lanka - Empower Board	...	...	14.5	1.9	2.6	6.4	...	...	2	3	3	4
Southeast Asia												
Indonesia - Acceleration Board	...	75.7	226	300	527	311	...	5	15	25	41	45
Malaysia - ACE	4,604	8,875	7,031	7,626	8,456	9,723	129	135	141	159	173	201
Malaysia - LEAP	595	785	1,121	1,222	1,380	1,233	28	34	44	47	48	47
Philippines - SME Board	228	1,216	590	543	451	430	5	7	7	10	10	11
Singapore - Catalist	7,266	8,314	8,671	6,890	5,721	5,558	216	217	217	212	205	208
Thailand - mai	7,136	7,823	14,123	15,490	12,329	8,831	169	175	183	198	213	220
Viet Nam - UPCoM	39,384	43,262	61,286	40,538	44,315	66,606	872	910	892	856	863	888

... = data not available; ACE = Access, Certainty, Efficiency; BSE = Bombay Stock Exchange; CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GEM = Growth Enterprise Market; LEAP = Leading Entrepreneur Accelerator Platform; MSME = micro, small, and medium-sized enterprise; NSE = National Stock Exchange; SME = small and medium-sized enterprise; UPCoM = Unlisted Public CoMpany.

Notes: Data based on equity markets that MSMEs can tap. Exchange rates of local currency to US dollar refer to end-of-year rates from the International Monetary Fund's International Financial Statistics in designated years. For UPCoM, number of registered companies.

Source: ADB Asia SME Monitor 2025 database. Data based on Country Chapters.

Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan

CAUCASUS AND CENTRAL ASIA



ARMENIA

Overview

Primarily due to waning external demand, economic growth slowed from 8.3% in 2023 to 5.9% in 2024. Services growth moderated to 8.8% from 12.2% in 2023, while manufacturing grew by 3.1%, with mining and quarrying down by 8.3%. Sharp gains in jewelry and base metals backed the expansion in manufacturing. Annual average inflation declined to 0.3% in 2024, down from 2.0% in 2023, in line with lower global commodity prices and a stable currency.¹⁵

As of the end of 2023, the number of micro, small, and medium-sized enterprises (MSMEs) totaled 109,431 firms, an increase of 7.8%. Traditionally, the majority of MSMEs, 50.3% in 2023, are in wholesale and retail trade, although the proportion has gradually fallen since 62.5% in 2019. The MSME workforce expanded by 10.3% in 2023, reaching 283,102 workers. MSME gross value added (GVA) also increased sharply, by 23.0%, amounting to AMD3.0 trillion in 2023, contributing 31.6% to the country's GVA. However, MSME GVA remains below the government's 2026 target of 55%.

MSME access to financial services remains limited. In 2024, MSME bank credit reached AMD1.7 trillion, a strong 18.7% expansion but just 29.4% of total bank lending and equivalent to 17.1% of gross domestic product (GDP). The nonbank finance industry is also small. Nonbank finance institution (NBFI) financing accounted for just 3.4% of GDP. Among NBFIs, microfinance institution lending grew by 9.0% in 2024, but was down from 21.4% growth in 2023. Market capitalization of the C Platform—a potential equity financing venue for qualified MSMEs—grew by 10.7% in 2024 but with no new MSME listings.

The Small and Medium Entrepreneurship Development Strategy for 2020–2024 was just completed. As of June 2025, there was no further policy framework in place for MSMEs. Yet, the government relies on numeric MSME development targets defined by its Action Plan for 2021–2026. From 1 January 2025, the government has eliminated tax incentives for information technology (IT) firms. Previously, with a special certificate, IT firms were exempt from profit tax but fell under the standard 18% tax rate on profits under the new amendments. The European Union (EU)–Armenia SME Fund has invested \$23 million in MSME-led renewable energy projects since 2020. The government's Action Plan for 2021–2026 includes 500 women entrepreneurs in its MSME incubation program, supports 20 science-focused MSMEs, and targets 150 training programs until 2026.

MSME Development

MSMEs grew in number, employment, and output in 2023. They numbered 109,431, up by 7.8%, employed 283,102 workers, an increase of 10.3%, and generated gross value added (GVA) of AMD3.0 trillion, up by 23.0%. MSME GVA accounted for 31.6% of the country's GVA, still below the government target of 55% by 2026.

National MSME classification relies on the EUROSTAT methodology, defining MSMEs as firms with fewer than 250 employees (Table 2.1). MSME landscape data is commonly delayed 1 year relative to the reporting year—2023 data are the latest available.

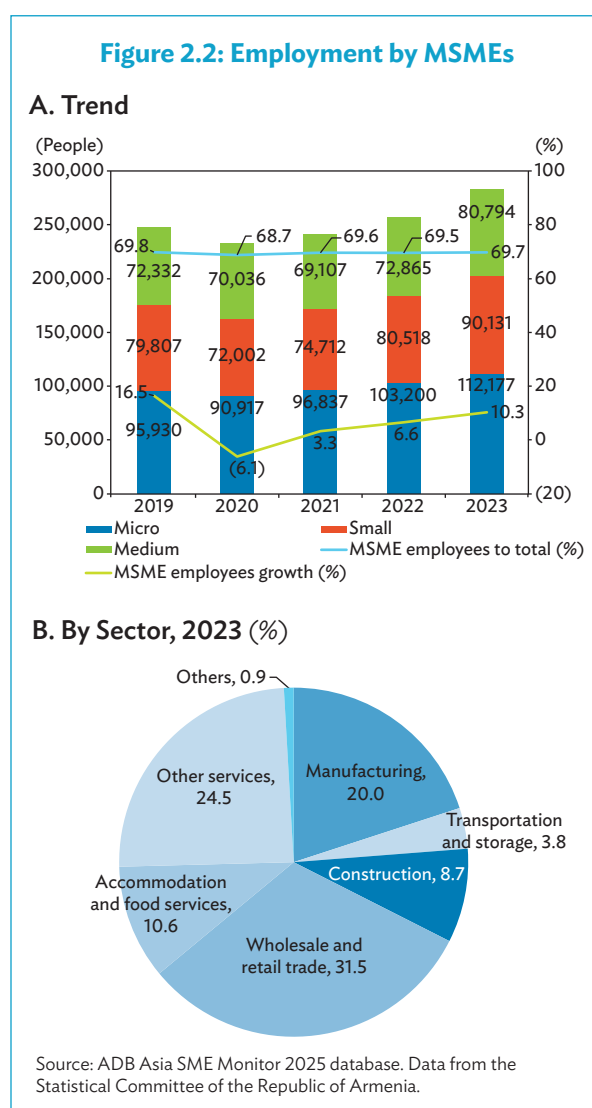
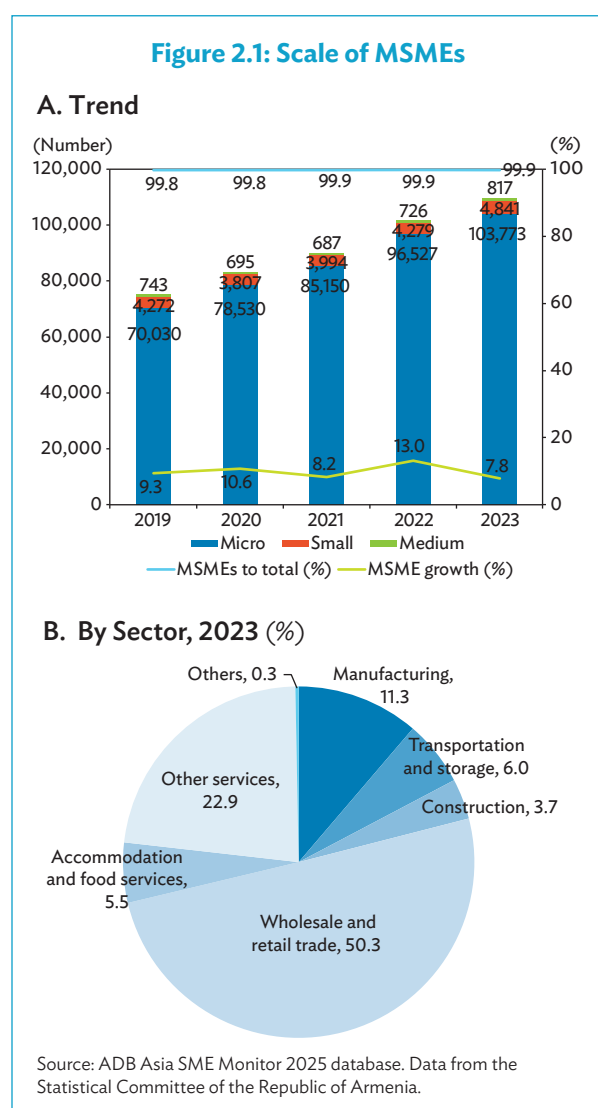
There were 109,431 MSMEs at the end of 2023, as growth decelerated to 7.8% from 13.0% in 2022. However, MSMEs remained 99.9% of the total enterprises in the country. The size breakdown stayed

¹⁵ ADB. 2025. Asian Development Outlook September 2025.

almost the same, with 94.8% qualifying as micro, 4.4% small, and 0.7% medium-sized enterprises (Table 2.2 and Figure 2.1A).

By sector, wholesale and retail trade remained dominant, representing 50.3% of the total in 2023 (Figure 2.1B). It has consistently decreased from 62.5% in 2019. Trade was followed by other services (22.9%), manufacturing (11.3%), and transportation and storage (6.0%) in 2023.¹⁶ By region, 52.5% operated in the capital city Yerevan, with the remaining (47.5%) in outside provinces.

MSME employment increased by 10.3% in 2023 against 6.6% in 2022, or 283,102 workers—at 69.7% a slight increase in share of the total workforce. By firm size, 39.6% were employed by micro enterprises, 31.8% by small firms, and 28.5% by medium-sized enterprises (Figure 2.2A). By sector, MSMEs in wholesale and retail trade accounted for 31.5% of the total labor force in 2023, followed by 24.5% in other services and 20.0% in manufacturing (Figure 2.2B).



¹⁶ Other services include electricity, gas, steam, and air conditioning supply; water supply, sewerage, waste management and remediation activities; information and communications; real estate activities; professional, scientific, and technical activities; administrative and support services; repair of computers and personal and household goods.

MSME GVA reached AMD3.0 trillion, up a consistent 23.0% from 2023. The contribution of MSMEs to total GVA grew to 31.6% compared with 28.5% in 2022 (Figure 2.3). However, the government's 2021–2026 action plan aimed at achieving a 55% contribution of MSMEs to the economy.

By sector, wholesale and retail trade maintained dominant in 2023, with 30.9% of the MSME total, down from 34.7% in 2019. It was followed by other services (24.0%), manufacturing (17.8%), and construction (14.7%). Significant increases in jewelry and base metals contributed to the growth in manufacturing.

MSME trade data are unavailable. However, trade volume has grown sharply since 2022. In 2024, export value expanded by 55.3%, reaching AMD5.2 trillion, while imports grew by 38.9%, amounting to AMD6.7 trillion. Overall, the trade balance remains negative.

In 2024, the United Arab Emirates (40.1% of exports against 26.0% in 2023) virtually switched positions with Russia (24.1% of total exports against 41.4% in 2023) as the main export destination. This resulted from the production process from gold, precious and

semi-precious stones, and metals, which includes imports from Russia, shifting to the United Arab Emirates. In tandem, imports from Russia in 2024 grew strongly, accounting for 55.3% of total imports compared to 35.6% in 2023. Meanwhile, exports to Eurasian Economic Union members, excluding Russia, remained limited, with Belarus accounting for 0.9%, Kazakhstan 0.4%, and the Kyrgyz Republic 0.1% in 2024.

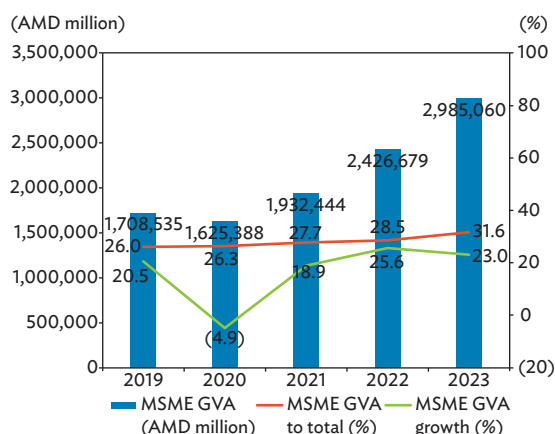
MSME projects carrying social impact may apply for Impact Hub Yerevan support programs, including digital initiatives for MSMEs from specific regions, incubation and acceleration bootcamps, and access to innovative workspaces aimed at enhancing social entrepreneurship and technological adoption. Since its establishment in 2016, Impact Hub Yerevan has introduced more than 20 incubation and educational programs, as well as more than 500 capacity-building workshops. As of early 2025, it has 350 members with more than 100 projects and organizations representing every sector.¹⁷

The National Center for Innovation and Entrepreneurship under the Ministry of Economy terminated its work by government resolution at a meeting on 2 May 2024. It was established by Government Decree No.454-N on 23 April 2009 to create an effective technology transfer mechanism, provide support and advisory services to MSMEs, and distribute scientific and technology information. According to the official release, it was closed due to insufficient funding for large-scale projects.

Access to Finance

MSME bank credit reached AMD1.7 trillion in 2024, rising 18.7%, supported by the central bank's policy rate cut. Microfinance institution lending growth decelerated to 9.0% in 2024. Market capitalization of C Platform expanded by 10.7% in 2024 but with no new MSME listing.

Figure 2.3: MSME Output



Source: ADB Asia SME Monitor 2025 database. Data from the Statistical Committee of the Republic of Armenia.

¹⁷ <https://yerevan.impacthub.net/programs/>.

The MSME credit market in 2024 continued its strong growth, increasing by 18.7% to AMD1.7 trillion. Its share of GDP increased from 15.3% in 2023 to 17.1%, but its proportion of total loans outstanding shrank to 29.4% in 2024, down from 31.0% in 2023 (Table 2.3 and Figure 2.4A).

Compared to 2023, the average MSME annual lending rate increased slightly from 10.2% to 10.3% in 2024, while MSME nonperforming loans (NPLs) accounted for 2.0% of MSME loans, exceeding the overall banking NPL ratio (1.4%).

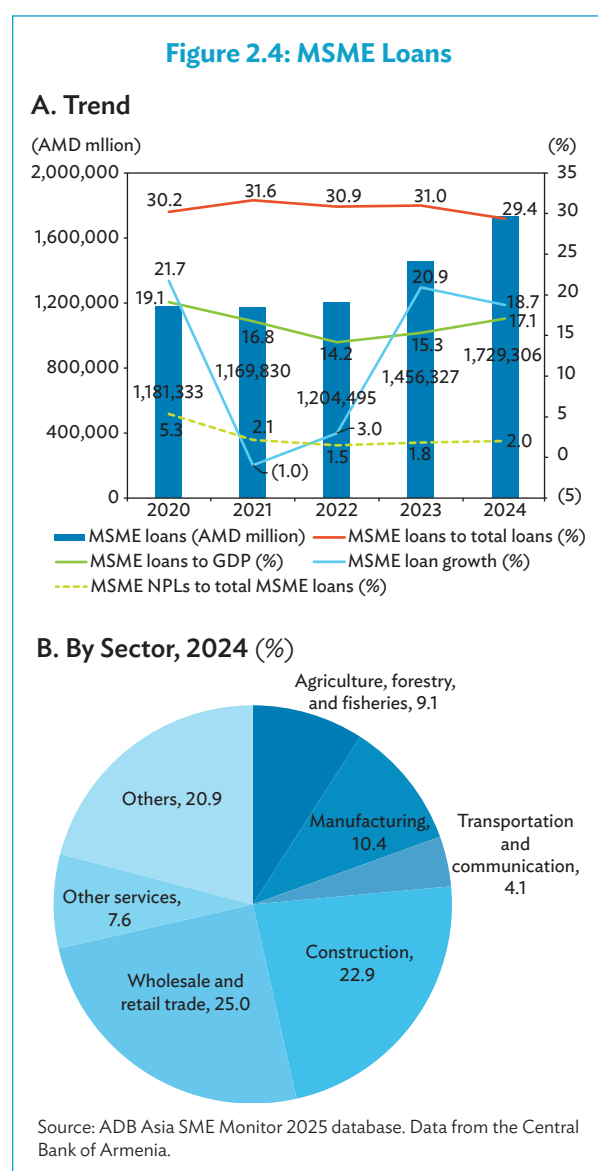
MSME bank credit growth was supported by a reduction in the central bank's base rate from 8.75% in January to 7.00% at the end of December 2024, which partly helped business lending.

By sector, in 2024, the largest proportion of MSME loans outstanding continued to go to wholesale and retail trade (25.0%), a slight expansion after consistent drops since 2019 (33.0%). It was followed by construction (22.9%), others including mining and quarrying (20.9%), and manufacturing (10.4%) (Figure 2.4B).

In 2024, more than half (51.9%) of the MSME loan portfolio were long-term loans 5 years and over, with less than 1-year, short-term loans accounting for just 5.4%, yet up from 3.3% in 2023. MSMEs should obtain more growth capital funding from banks.

According to the Ministry of Economy, there have been no specific public credit guarantee support provided to MSMEs since 2023. Instead, government support has been provided through its subsidized loan and leasing programs, which remains unchanged. As of end-2022, guaranteed loans disbursed to MSMEs amounted to AMD507 million, covering 45 companies. For subsidized MSME loans, latest data show that the Ministry of Economy approved 1,930 new subsidized loans totaling AMD106.3 million in 2023. Subsidy support was allocated to 13 targeted sectors under the Production Capacity Promotion Program ending 31 December 2024.¹⁸

At the end of 2024, nonbank finance institutions (NBFIs) totaled 111, including 43 microfinance institutions (MFIs), 60 pawnshops, and eight insurance companies. The MFI credit market grew by 9.0% in 2024, down from 21.4% growth in 2023. It reached AMD341 billion in lending outstanding. The largest share of MFI financing went to other services (34.6%) and agriculture (23.8%), reflecting their proximity to rural areas compared to banks. Financing outstanding by pawnshops in 2024 increased by 9.8% and accounted for AMD7.4 billion. The share of NBFI financing to GDP remained small at 3.4%.

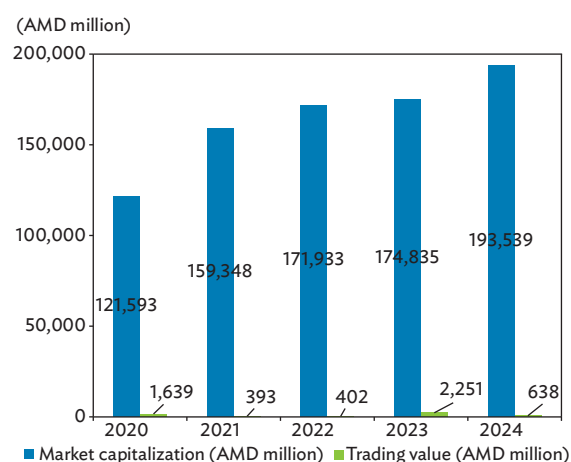


¹⁸ <https://mineconomy.am/en/page/2837>.

In August 2024, the Armenia Securities Exchange was officially renamed the Armenia Stock Exchange (AMX) to enhance its visibility and recognition for clients and partners. In 2024, total market value including corporate bonds, government bonds, and equity was AMD4.1 trillion—70.7% from government bonds, 18.7% from corporate bonds, and 10.6% from equity capitalization. In 2024, equity market capitalization on the AMX main board grew by 35.6%, reaching AMD439 billion with 12 listed companies from financial institutions, manufacturing firms, and those from construction, telecommunication, and beverages.¹⁹

While there is no dedicated MSME board, there is the less regulated C Platform that can be tapped by MSMEs. The market capitalization of C Platform was AMD193.5 billion, growing a strong 10.7% in 2024 (Figure 2.5). The main board trading value including the C Platform totaled AMD638 million. There were no new MSME listings on the C Platform in 2024.

Figure 2.5: Equity Markets for MSMEs—C Platform, Armenia Stock Exchange



Source: ADB Asia SME Monitor 2025 database. Data from Armenia Stock Exchange.

Policies and Regulations

After the Small and Medium Entrepreneurship Development Strategy for 2020–2024 was completed, there has been no further MSME policy framework since June 2025. Nonetheless, the government applies numeric targets defined in its Action Plan for 2021–2026 related to MSME development. Tax incentives for IT firms ended in January 2025.

The Small and Medium Entrepreneurship Development Strategy, which started in 2020, concluded in December 2024 (Table 2.4). As of June 2025, a management advisory firm “Civitta AM” was developing a new MSME Competitiveness Development 2026–2030 Program for the government.²⁰ Currently, the government relies on numeric targets defined by its Action Plan for 2021–2026 related to MSME development.

The Government Action Plan for 2021–2026 offers policy assistance for socio-economic and MSME development. It aims for the MSME share of GDP to reach 55% by end-2026. The plan also supports empowering women entrepreneurship and promoting tech-driven MSMEs through capacity building and incubation programs.

The government particularly emphasizes manufacturing development by allocating AMD80 billion to the sector within 2021–2026.²¹ It aims for a 15% share of GDP and to bring the economic complexity index from –0.3 to +0.1 in manufacturing.²²

As emergency government support, the government distributed AMD300 million in October 2024 for priority assistance and compensation to 150 businesses (mostly farmers and MSMEs) affected by

¹⁹ https://amx.am/uploads/publications/Eng_Annual%20Report%202024_2025-02-12_12-22-02.pdf.

²⁰ <https://icarmenia.am/news/34th-session-of-the-sme-development-sub-council-led-by-ra-minister-of-economy-gevorg-papoyan/>.

²¹ It includes five priority subsectors: the food industry, jewelry and diamond processing, heavy industry (metallurgy, chemistry), instrument engineering, and pharmaceuticals.

²² Economic complexity index is a measure of the diversity and complexity of a country's export basket.

the heavy May 2024 flooding in the Lori and Tavush regions. Compensation was paid based on the degree of damage and amount of 2023 taxes paid.²³

Digitalization of MSMEs

Starting 1 January 2025, the government abolished tax incentives for IT firms of all sizes. Previously, based on the Law “On State support in the field of information technology,” firms holding a special certificate were exempt from income tax. Under the new amendments, they will be subject to the standard 18% rate on profits. This could affect performance for small IT firms and start-ups in the country. However, based on Tax Law amendments, between 2025 and 2031 IT firms will for the first time be able to refund 60% of income tax paid for IT-engaged employees. This may encourage companies to hire new specialists and expand their workforce.

Green MSMEs and climate action

The EU–Armenia SME Fund, managed by Amber Capital from 2020, invested \$23 million in MSME-led renewable energy projects. Since the commissioning of its inaugural solar power plant in the Aragatsotn region in December 2021, the EU–Armenia SME Fund has expanded its solar capacity seven-fold through new investments in the Gegharkunik and Kotayk regions. The fund is dedicated to support sustainable MSME growth by providing capital investments and promoting environmental, social, and corporate governance standards.²⁴

As part of Armenia’s EU4Business Initiative, the EU collaborated with the European Bank for Reconstruction and Development to allocate a financial package to promote modernization and green technology by microenterprises through local “Acba leasing.” The development bank provided a \$5 million loan, while the EU contributed grant incentives of up to 12.5% of each lease, together with consultancy support.²⁵

Women-led MSMEs

The government’s Action Plan for 2021–2026 intends to cover 500 women entrepreneurs within the MSME incubation program, provide support for at least 20 MSMEs developing science-driven products, and organize 150 workshops. Implementation was mainly delegated to the Ministry of Economy in collaboration with the Ministry of High-Tech Industry, the Ministry of Education, Science, Culture, and Sport, as well as the Ministry of Labor and Social Affairs of Armenia.

International trade of MSMEs

By Government Decision No.1392-L effective 22 August 2024, implementation of a pilot project to boost food production and strengthen value chains began with particular focus on export promotion through improved product standards, certification support, and access to international markets. Specifically, the project compensates AMD10,000 for sowing costs and aims to support individual entrepreneurs and MSMEs that (i) have at least 1 year of experience in the field and certified specialists to help in relevant activities; (ii) have a positive ACRA credit history during the 12 months preceding the application date, and did not have overdue credit obligations for a period of 60 days or more; (iii) have a certificate of positive tax history within 12 months preceding the application date and do not have active administrative proceedings for the collection of unfulfilled or overdue tax obligations.

Also, to boost agricultural production and entrepreneurial activities, the government implemented the Development Plan for Sheep and Goat Breeding for 2024–2028. The main beneficiaries are legal entities and individual entrepreneurs. Under the plan, those qualified can acquire a minimum of five heads of animals (including three females and one male) with a maximum of 300 heads (including no more than 10 male calves), with 50%

²³ <https://www.gov.am/ru/news/item/10629/>.

²⁴ <https://ejc.am/en/article/23239>.

²⁵ <https://www.leasinglife.com/news/ebrd-and-eu-provide-leasing-funds-to-support-armenian-micro-smes/>.

reimbursement of the cost of each imported breeding animal. The initiative also aims to enhance livestock competitiveness, laying the foundation for the future export of high-quality meat and dairy products by improving breeds, aligning with international sanitary standards, and supporting access to foreign markets. This boosts agricultural value chain development and eventually facilitates agri-product exports.

MSME financing and financial inclusion strategies

While there is no comprehensive financial inclusion strategy, the Central Bank of Armenia has promoted financial education, a core component of financial inclusion, through its National Strategy for Financial Education launched in 2014 and a related financial capability assessment project to identify baseline strategy indicators and targets.

Data Tables

Table 2.1: MSME Definition

Item	Micro	Small	Medium
Number of employees	0-9	10-49	50-249

Note: Classification of MSMEs is defined exclusively by the average annual number of employees based on the EUROSTAT Methodology (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Enterprise_size).

Source: ADB Asia SME Monitor 2025 database. Data from the Statistical Committee of the Republic of Armenia (Armstat).

Table 2.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023
Scale of Enterprises						
MSMEs	Number	75,045	83,032	89,831	101,532	109,431
Micro	Number	70,030	78,530	85,150	96,527	103,773
Small	Number	4,272	3,807	3,994	4,279	4,841
Medium-sized	Number	743	695	687	726	817
Large	Number	135	132	133	142	161
Total	Number	75,180	83,164	89,964	101,674	109,592
MSME to total	%	99.8	99.8	99.9	99.9	99.9
MSME growth	%	9.3	10.6	8.2	13.0	7.8
MSMEs by sector	%	100	100	100	100	100
Agriculture, forestry, and fisheries		...	...	...	...	...
Manufacturing		9.9	12.7	12.9	11.9	11.3
Transportation and storage		2.8	4.0	4.6	6.1	6.0
Construction		2.4	2.6	3.0	3.4	3.7
Wholesale and retail trade		62.5	58.1	56.4	51.8	50.3
Accommodation and food services		6.4	6.1	5.8	5.6	5.5
Other services		15.6	16.2	17.1	20.9	22.9
Others		0.4	0.3	0.3	0.3	0.3
MSMEs by region	%	100	100	100	100	100
Capital city (Yerevan)		52.3	51.5	50.8	52.7	52.5
Others		47.7	48.5	49.2	47.3	47.5
Employment						
MSMEs	Number	248,069	232,955	240,656	256,583	283,102
Micro	Number	95,930	90,917	96,837	103,200	112,177
Small	Number	79,807	72,002	74,712	80,518	90,131
Medium-sized	Number	72,332	70,036	69,107	72,865	80,794
Large	Number	107,360	106,043	105,231	112,494	123,160
Total	Number	355,429	338,998	345,887	369,077	406,262
MSME employees to total	%	69.8	68.7	69.6	69.5	69.7
MSME employees growth	%	16.5	(6.1)	3.3	6.6	10.3
MSME employees by sector	%	100	100	100	100	100
Agriculture, forestry, and fisheries		...	...	...	...	...
Manufacturing		21.0	22.2	22.4	20.7	20.0
Transportation and storage		4.0	3.9	3.8	3.8	3.8
Construction		8.1	8.9	8.3	8.4	8.7
Wholesale and retail trade		31.8	31.6	32.1	31.4	31.5
Accommodation and food services		12.0	9.9	10.1	10.3	10.6
Other services		21.9	22.4	22.4	24.4	24.5
Others		1.2	1.0	0.9	1.0	0.9
MSME employees by region	%	100	100	100	100	100
Capital city (Yerevan)		66.0	65.0	64.5	65.0	65.5
Others		34.0	35.0	35.5	35.0	34.5
Output						
MSME GVA	GVA, AMD mil.	1,708,535	1,625,388	1,932,444	2,426,679	2,985,060
MSME GVA to total	% to GVA	26.0	26.3	27.7	28.5	31.6
MSME GVA growth	%	20.5	(4.9)	18.9	25.6	23.0
Exports						
MSME exports	AMD mil.	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...
MSME export growth	%	...	...	...	...	...
Imports						
MSME imports	AMD mil.	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...
MSME import growth	%	...	...	...	...	...

GVA = gross value added; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Statistical Committee of the Republic of Armenia (Armstat).

Table 2.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	AMD mil.	970,394	1,181,333	1,169,830	1,204,495	1,456,327	1,729,306
MSME loans to total loans	%	28.4	30.2	31.6	30.9	31.0	29.4
MSME loans to GDP	%	14.8	19.1	16.8	14.2	15.3	17.1
MSME loan growth	%	...	21.7	(1.0)	3.0	20.9	18.7
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	AMD mil.	34,906	62,943	25,069	17,670	26,407	34,780
MSME NPLs to total MSME loans	%	3.6	5.3	2.1	1.5	1.8	2.0
(Gross NPLs to total bank loans)	%	3.4	4.5	1.9	2.6	2.4	1.4
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		3.3	3.8	6.6	8.4	9.0	9.1
Manufacturing		14.4	14.1	14.3	14.8	11.2	10.4
Transportation and communication		5.2	6.9	5.7	3.3	3.8	4.1
Construction		10.6	12.6	15.2	17.1	20.6	22.9
Wholesale and retail trade		33.0	28.8	28.4	27.3	24.4	25.0
Other services		11.9	11.7	10.0	9.1	9.5	7.6
Others		21.7	22.2	19.9	20.1	21.5	20.9
MSME loans by region	%	100	100	100	100	100	100
Capital city (Yerevan)		71.3	71.7	75.9	77.0	78.8	78.8
Others		28.7	28.3	24.1	23.0	21.2	21.2
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	100	100	100	100	100	100
Less than 1 year		8.3	5.0	6.5	4.4	3.3	5.4
1-5 years		36.1	40.5	39.6	42.3	44.3	42.6
More than 5 years		55.6	54.4	53.9	53.2	52.4	51.9
Public Finance and Guarantees							
Credit guarantees schemes for MSMEs							
Guaranteed loans disbursed	AMD mil.	351	128	670	507	...	...
Growth	%	(5.0)	(63.5)	422.6	(24.3)	...	...
MSMEs guaranteed	Number	82	30	76	45	...	...
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for MSMEs							
New approval	Number	...	...	...	...	1,930	...
Subsidized loans disbursed	AMD mil.	...	...	...	1.7	106.3	...
Capital Markets							
C Platform, AMX*							
Market capitalization	AMD mil.	...	121,593	159,348	171,933	174,835	193,539
Growth	%	...	...	31.0	7.9	1.7	10.7
Trading value	AMD mil.	1,542	1,639	393	402	2,251	638
Trading volume	Number of shares	217,467	178,296	1,086,600	1,662,983	9,274,348	1,508,838
Listed companies	Number	...	...	...	...	...	...

AMX = Armenian Stock Exchange; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* There is no specialized board for MSMEs, while AMX operates a C platform (free market for all) which MSMEs can tap. The C platform has no special listing requirements.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of Armenia, the Ministry of Economy, and AMX.

Table 2.4: Policies and Regulations

Benchmark Regulation	Law No.121 of 2000 on State Support for Small and Medium Entrepreneurship
Focal Government Authority for MSMEs	Ministry of Economy
Key Policies and Strategies	
Name Small and Medium Entrepreneurship Development Strategy 2020-2024 (Government No.1443 Decision of 2020)	Outline 1) Improving the regulatory environment and public administration of economic activities. 2) Cooperation among MSMEs, large firms, and foreign investment firms. 3) Ensuring the necessary conditions and environment required for enterprises to raise capital through capital markets. 4) Promoting advanced technology use. 5) Developing modern information and communication technology systems that are well-suited to the desired level of market growth.
Government Action Plan for 2021-2026	1) Achieve 55% share of SMEs in GDP 2) cover 500 women entrepreneurs with SME incubation program 3) support at least 20 SMEs developing science-driven products 4) organize 150 training workshops for SMEs
Order N347-A of the Minister of Economy of the Republic of Armenia on “Coordinating and managing support programmes for SME entities” on approving the 2020 programme and the schedule of activities for the implementation of the programme, 06.03.2020.	1) Business training support for operating and start-up SME entities (number of entities). 2) Informational and advisory support to operating and start-up SME subjects (quantity). 3) Financial and investment support for operating and start-up SME entities (financing).
Thematic Initiatives	
Digitalization of MSMEs: Armenia's Digital Transformation Strategy for 2021-2025 (approved by Government decree No.183-L on 11 February 2021)	1) Adoption of common standards for digital systems across government sectors; 2) Creating a unified framework for systems development to ensure compatibility and integration; 3) Fostering a culture of digital innovation within public services to ensure Armenia's global competitiveness.
Green MSMEs and climate action: Nationally Determined Contribution 2021-2030 of the Republic of Armenia to Paris Agreement (approved by Government Decree No.610-L on 22 April 2021)	1) By 2030, to double its share of renewables in energy generation on the path to achieve climate neutrality in the second half of this century. 2) By 2030, to achieve a 40% reduction in greenhouse gas (GHG) emissions compared to 1990 levels. This target is unconditional and economy-wide, encompassing all sectors. 3) to mitigate GHG emissions in the energy and agriculture sectors due to its highest GHG emissions, accounting for 66.7% and 18.5% of total emissions, respectively.
Women-led MSMEs: The Strategy for the Implementation of Gender Policy for 2025-2028 (approved by Government Decree No.482-L on 23 April 2025)	1) Eliminating discrimination. 2) Increasing women's representation in leadership. 3) Enhancing women's economic and social conditions. 4) Improving education and health outcomes. 5) Preventing and responding to gender-based violence. 6) Fostering gender-sensitive approaches to climate change.
International trade of MSMEs: Strategic Plan for Promoting Exports of the Republic of Armenia for 2025-2030 (approved by Government Decree No.1480-L on 31 July 2025)	Plan focuses on increasing local exports by about 1.7 times by 2030. Equivalent to \$16.9 billion, with the export of services projected to reach \$10.3 billion, and the export of goods and local exports to \$6.6 billion annually by 2030.

MSME=micro, small, and medium-sized enterprise; SME=small and medium-sized enterprise.

Sources: ADB Asia SME Monitor 2025 database. Data from the Ministry of Economy of Armenia; official websites of government institutions of Armenia.

AZERBAIJAN

Overview

The economy gained momentum, accelerating from 1.1% growth in 2023 to 4.1% in 2024 on higher public investment spending. Services, which contribute nearly 42% to gross domestic product (GDP), surged from 1.8% growth in 2023 to 6.4% in 2024, driven by significant growth in transportation and tourism. Manufacturing rebounded from a slight decline in 2023, increasing by 2.1% in 2024, with construction rising 9.6% despite a 3.6% drop in crude oil production and a 6.2% increase in gas output. Agricultural growth decelerated from 3.0% in 2023 to 1.4% in 2024, with a positive yet diminishing 1.7% growth in livestock and 1.1% in crop production. Inflation fell sharply from 8.8% in 2023 to 2.2% in 2024, mainly due to price declines in food and other goods.²⁶

By the end of 2023, there were 401,149 micro, small, and medium-sized enterprises (MSMEs) in operation, employing 390,845 workers. The number of MSMEs grew by 6.2% with the workforce up 5.6% in 2023. MSMEs represented 99.7% of all enterprises in number and accounted for 44.0% of the labor force. MSME gross value added (GVA) reached AZN20 billion in 2023, a 17.0% increase over 2022, contributing 18.0% of the country's overall GVA. MSMEs have yet to meet the government's 35% target set by the Socio-Economic Development Strategy for 2026. In 2024, MSME bank credit totaled AZN6.5 billion, at 2.0% growth well below the 12.1% increase in 2023. The MSME share of all bank loans continued its decline to 23.6%, with its share of GDP showing to just 5.1% in 2024. The central bank is promoting the de-dollarization of lending to businesses, including MSME loans. In 2024, United States (US) dollar-denominated loans to businesses fell by 2.7%, or 16.0% of total business lending. Loans from the small microfinance market expanded by 34.5% in 2024. There is no equity finance venue dedicated to small firms.

On 23 December 2024, the Azerbaijan Business Development Fund (ABDF) took over the Entrepreneurship Development Fund to strengthen state support and business development for enterprises of all sizes. The Small and Medium-sized Business Development Agency (SMBDA) employs a self-assessment platform for business performance, where MSMEs can evaluate their environmental impact, especially in managing waste and water/energy use. As of April 2025, SMBDA allocated AZN450,000 to support 27 green projects and granted more than 10 "Startup certificates" for tax exemptions to entrepreneurs working on environmentally sustainable initiatives. In 2024, SMBDA supported more than 4,000 women entrepreneurs through training and advisory services to enhance business knowledge and skills, while over 300 women were assisted in developing business plans. SMBDA also supported export-oriented MSMEs through marketing strategy and financial training to better tap global markets.

MSME Development

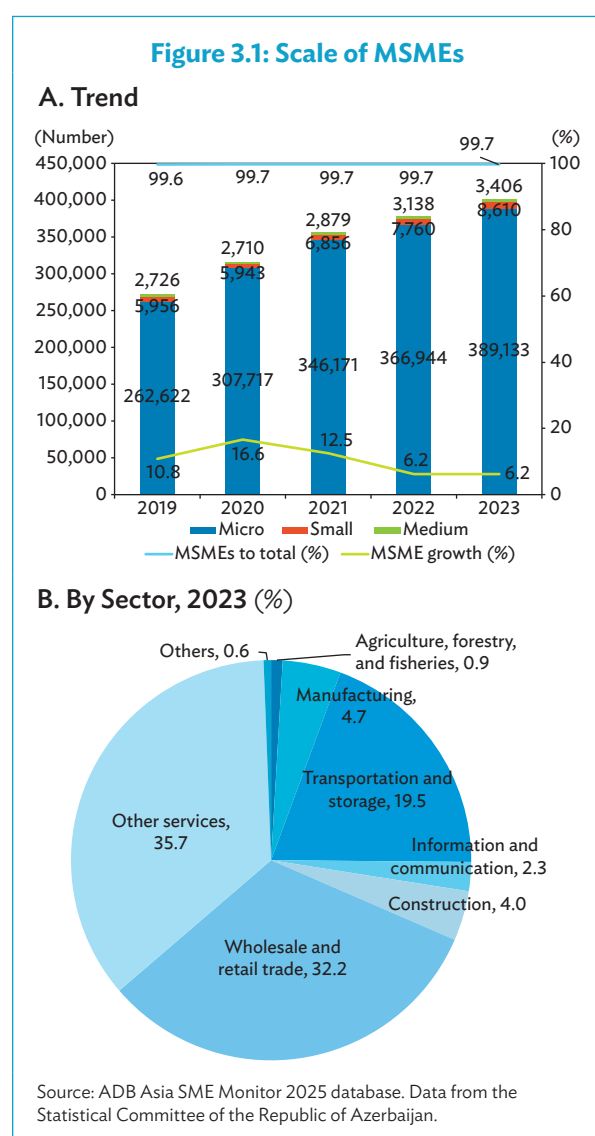
In 2023, there were 401,149 MSMEs in operation employing 390,845 workers. They contributed 18.0% of GVA, slowly edging up to the 35% national strategy target set for 2026.

Government Decision No.556 dated 21 December 2018 defines MSMEs as firms with an annual revenue of less than AZN30 million and employing up to 250 workers (Table 3.1).

By the end of 2023, MSMEs comprised 99.7% of all enterprises, a 6.2% increase from 2022. In 2023,

²⁶ ADB. 2025. Asian Development Outlook September 2025.

there were 401,149 MSMEs operating—with 97.0% categorized as microenterprises, 2.1% small firms, and 0.8% medium-sized enterprises (Table 3.2 and Figure 3.1A). By sector, services maintained its dominance through wholesale and retail trade (32.2%) and other services like accommodation and food (35.7%), followed by transportation and storage (19.5%) (Figure 3.1B). MSME regional distribution remained stable with 49.1% operating in the capital city Baku and the remaining 50.9% in the provinces.



After slowing since 2020, the MSME workforce accelerated by 5.6% in 2023 to 390,845.²⁷ Its share of total employment reached 44.0% in 2023, up from 41.8% in 2022 (Figure 3.2A). On 9 December 2022, a law on public-private partnerships was enacted to improve the business climate and encourage private sector growth, including MSMEs. Although medium-sized enterprises are a small fraction, they employ the highest share of workers among MSMEs, accounting for 59.0% of jobs created, followed by 28.2% for small firms and 12.8% for microenterprises.

Most MSME employees work in services (30.1% for other services and 17.0% for wholesale and retail trade), followed by manufacturing and construction, both accounting for 14.2% in 2023 (Figure 3.2B). By region, MSME employment in the capital Baku grew slightly to 64.2% in 2023 from 63.4% in 2022, while 35.8% worked in the provinces. After a slight reduction in 2020, the share of female employees in MSMEs expanded consistently to 28.1% in 2023 from 27.6% in 2022.

The GVA of MSMEs accounted for AZN20.1 billion in 2023, up by 17.0%, contributing 18.0% of national GVA (Figure 3.3). The government set a 35% MSME GVA target under the Socio-Economic Development Strategy through 2026. As of the end of 2023, about half the target was met.

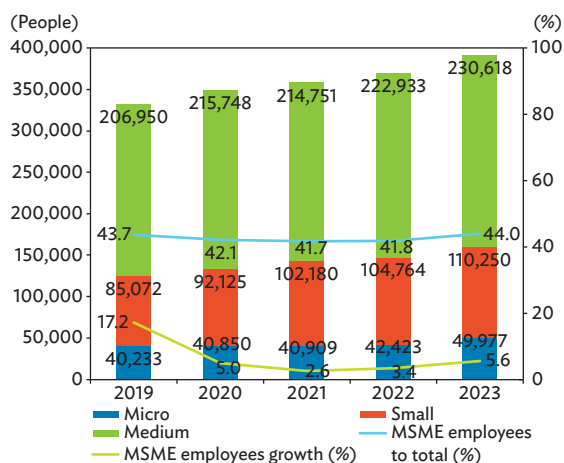
In 2023, services and manufacturing were the largest contributors to MSME output. Specifically, wholesale and retail trade accounted for 28.8%, other services 28.6%, and manufacturing 18.1%. Notably, MSME manufacturing showed significant growth, rising from 12.6% in 2022 to 18.1% in 2023. This growth was tied to the Alat Free Economic Zone (AFEZ), established in 2020, to foster an export-oriented economy and higher-value-added products under a more favorable business environment. AFEZ is in a strategic geographic location adjacent to the Baku International Sea Trade port and global transport corridors.²⁸

²⁷ Number of MSMEs includes individual entrepreneurs, while number of the employed by MSMEs does not fully reflect them.

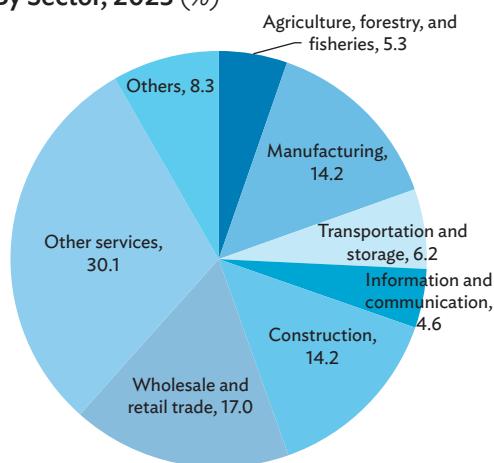
²⁸ <https://afez.az>.

Figure 3.2: Employment by MSMEs

A. Trend



B. By Sector, 2023 (%)



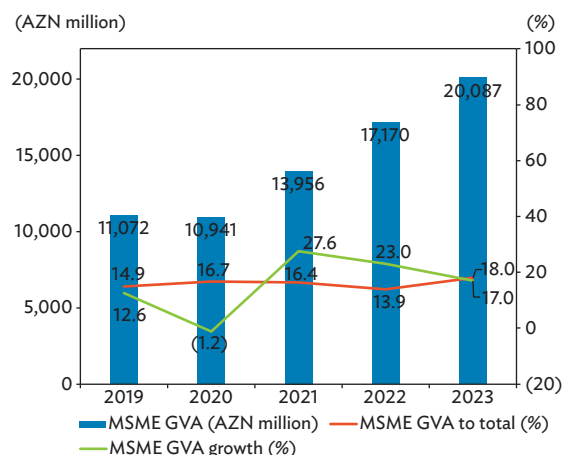
Source: ADB Asia SME Monitor 2025 database. Data from the Statistical Committee of the Republic of Azerbaijan.

Oil and gas exports usually account for about 90% or more of total exports. MSME export and import data are not yet available. Nonetheless, most MSMEs export non-oil and gas goods. According to the State Statistical Committee, in 2024, exports of non-oil and gas products made up \$3.4 billion (12.7% of total exports), up by 0.3% from 2023. In 2024, the main non-oil and gas markets included Russia (34.6%), Türkiye (16.2%), Georgia (8.1%), Switzerland (6.6%), the US (4.0%), and Kazakhstan (3.9%).²⁹

²⁹ <https://stat.gov.az/news/index.php?lang=en&id=6190>.

³⁰ <https://ecommercedb.com/markets/az/all>.

Figure 3.3: MSME Output



Source: ADB Asia SME Monitor 2025 database. Data from the Statistical Committee of the Republic of Azerbaijan.

Based on E-commerce database (ECDB) portal estimations, the country's e-commerce market is small with \$85.3 million in projected revenue by end-2025. The ECDB assesses seven Azerbaijani e-commerce markets led by hobby and leisure (24.9% of e-commerce revenue), followed by electronics (21.5%), fashion (17.0%), furniture and homeware (11.9%), care products and DIY (both 8.3%), and groceries (8.1%).³⁰

Access to Finance

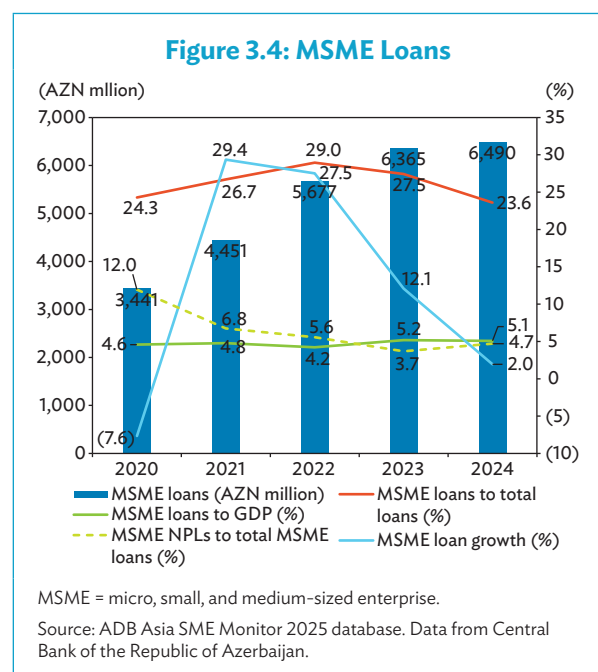
MSME bank credit growth slowed to 2.0% in 2024 on higher lending rates and lower subsidized loans. The central bank sees lending de-dollarization as crucial. Microfinance institution loans expanded but remain small in scale.

At the end of 2024, there were 22 operating banks—2 state-owned, 11 private, and 9 with foreign capital. In July 2024, the central bank declined to renew the “Nakhchivanbank” bank license. It was transformed into the “E-kredit” LLC nonbank credit institution.

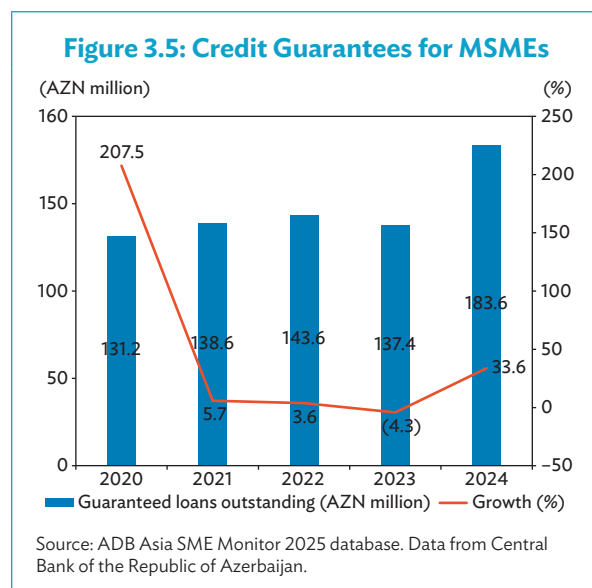
In 2024, MSME bank loans outstanding amounted to AZN6.5 billion, up by 2.0% but down from the 12.1% growth in 2023, partly affected by an MSME lending rate increase from 12.1% in 2023 to 14.8% in 2024.

The share of MSME credit to total bank credit fell from 27.5% in 2023 to 23.6% in 2024, while its share to GDP dropped slightly to 5.1%. By region, 62.5% of MSME loans in 2024 went to Baku-based firms, but its dominance dropped over the past 5 years from 78.5% in 2019. Instead, local MSMEs lending expanded to 37.5% in 2024 from 21.5% in 2019. MSME nonperforming loans (NPLs) grew from 3.7% of the total in 2023 to 4.7% by end-2024. It exceeded the gross NPL ratio in the overall bank credit market, which was 2.4% in 2024 (Table 3.3 and Figure 3.4).

One of key central bank priorities is de-dollarization of lending to businesses, including MSME loans. US dollar-denominated loans fell by 2.7 percentage points to 16.0% in 2024.³¹



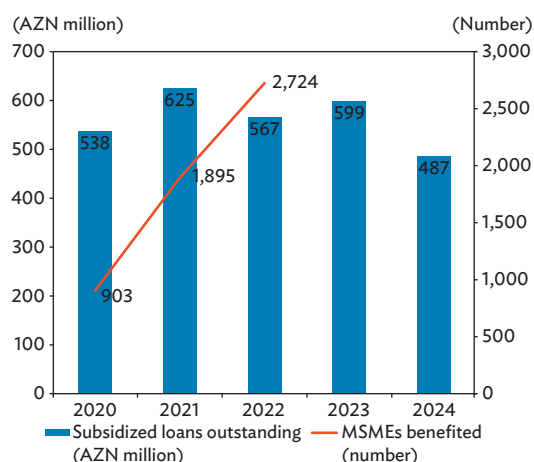
Guaranteed loans outstanding provided by the Mortgage and Credit Guarantee Fund in 2024 totaled AZN183.6 million, up a strong 33.6% compared with 2023 (Figure 3.5). Under the guarantee scheme, loan amounts must be at least AZN30,000 and total guaranteed loans for any single borrower from all authorized banks should not exceed AZN5 million. For other borrowers, including MSMEs, the loan amount is capped at AZN10 million. Also, the minimum guarantee required for a single borrower is AZN15,000, while the total guarantees for any single borrower cannot exceed AZN3 million. For groups of related borrowers, the maximum guarantee is limited to AZN6.0 million.³²



According to the central bank, outstanding subsidized MSME loans declined by 18.7% to AZN487 million in 2024 (Figure 3.6). There is no published information on the number of MSMEs receiving subsidized loans between 2023 and 2024 (latest available data showed 2,724 MSMEs obtaining subsidized loans in 2022).

³¹ Annual Financial Stability Report of Central Bank for 2024.

³² <https://mcgf.gov.az/menu/230>.

Figure 3.6: Subsidized Loans for MSMEs

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of the Republic of Azerbaijan.

Nonbank finance data comes from microfinance institutions (MFIs) and credit unions. The credit union share remains insignificant at 1.5% of NBFI loans outstanding, with overall NBFI financing at AZN12.0 million. MFI total assets amounted to AZN12.6 million as of end-2024. Even as the annual lending rate increased from 23.0% in 2023 to 28.6% in 2024, MFI financing outstanding still grew, along with a large customer increase from 624,107 in 2023 to 919,902 in 2024. According to the central bank's Financial Stability Report 2024, the MFI growth came mainly from consumer loans, which accounted for 63.4% of total loans and business loans (including MSMEs), making up 31.3%, with the remaining 5.3% for mortgages. In 2024, 32% of MFI business loans went for trade, agriculture 22%, other non-production and services 20%, transportation 18%, and other areas 8%. With the growing number of customers, gross NPLs of MFIs grew from 12.4% in 2023 to 13.9% in 2024. The microfinance market acts as a supplemental working capital funding source for small firms but remains small in scale. It needs to improve loan quality as well.

On 19 February 2025, the central bank approved its “Guidelines on green and sustainability-linked loans” for bank and nonbank finance institutions as part of its Sustainable Finance Roadmap for 2023–2026, offering recommendations for financial institutions issuing green and sustainability-linked loans.³³

Effective from 1 August 2025, the central bank has introduced a new hedging instrument aimed at supporting MSMEs. This initiative allows banks and nonbank credit institutions to hedge foreign currency funds they attract from non-resident financial institutions after converting them to Azerbaijan manat. The hedged funds are then utilized to finance MSMEs through loans and leasing. The program is designed to facilitate the inflow of foreign financial resources into the economy, reduce borrowing costs for financial institutions, and expand access to financing for businesses.³⁴

The capital market remains relatively small, mainly trading government bonds and bank corporate bonds. At the end of 2024, the Baku Stock Exchange had 36 listed companies with total market capitalization of AZN6.1 billion, up by 21.6% from 2023. There is no special board for qualified small firms and none is currently planned.

Policies and Regulations

The benchmark Strategy on Socio-Economic Development for 2022–2026 covers private sector development, including MSMEs. To strengthen business support, the ABDF was created to unify state support mechanisms and enhance services for entrepreneurs, focusing priorities such as agriculture, food processing, logistics, and manufacturing.

³³ <https://www.cbar.az/press-release-5002/central-bank-approves-guidelines-on-green-and-sustainability-linked-loans>.

³⁴ <https://e-cbar.az/News/Info/6516794?culture=en>.

The Strategy on Socio-Economic Development for 2022–2026 is the benchmark strategy for private sector development. It focuses on creating new jobs by enabling MSMEs and self-employment, promoting private sector innovations by investing in information and communications technology (ICT) infrastructure projects and enhancing funding for all business development stages including start-ups.

Law No.661-VIQ of 2022 “On the Development of Micro, Small and Medium Enterprises,” effective 2 December 2022, is the primary document defining areas of state policy assistance for MSME development (Table 3.4).

The new Competition Code became effective 1 July 2024 to create a favorable and competitive business environment, increase economic efficiency, and promote priority investments. For MSMEs, the new code establishes legal mandates for procedural safeguards for implementing subsidies, ensuring confidentiality and anonymity. It also defines criteria for making state-owned enterprises competitive neutral.

The new State Procurement Law N-988-VIQ was approved on 14 July 2023, effective 1 January 2024. It reserves certain procurements conducted via quotation requests for MSMEs. Thus, estimated procurement costs up to AZN30,000 should only be applicable for micro and small enterprises. For amounts between AZN30,000 and AZN100,000, MSME participation is required. The law says that the amount of performance bank guarantee submitted by micro and small entrepreneurs should be 5% of the total amount of the procurement contract, down from 10% previously. It also specifies that advance payments made to micro and small firms equal 50% of the procurement contract, not 30% as before.³⁵

According to the amendment to Law No.1084-VIQD of 26 December 2023, on Suspending Inspections in the Field of Entrepreneurship, the suspended

government inspection period for entrepreneurs was extended until 1 January 2026.

Following amendments to the Migration Code, the share of foreign employees in MSMEs can reach up to 80% of its workforce. They can be foreign nationals who are spouses of Azerbaijani citizens with permanent residence permits, guardians of Azerbaijani citizens who are under the age of 18 or whose disability has been determined due to 81%–100% impairment of body functions, asylum seekers, victims of human trafficking, or those working with law enforcement agencies.³⁶

On 23 December 2024, the Head of State, by decree, approved the Charter of the Azerbaijan Business Development Fund (ABDF) and procedures for fund use. The ABDF was formed by merging the Entrepreneurship Development Fund and the Azerbaijan Investment Company.³⁷ The ABDF aims to consolidate and strengthen state support mechanisms and business development services for entrepreneurs of all sizes, mostly for priority sectors like agriculture, food processing, logistics, and manufacturing.

Digitalization of MSMEs

At the end of 2024, the number of MSMEs with a “Startup Certificate” from the Small and Medium Business Development Agency (SMBDA) totaled 182 firms. The certificate provides MSMEs a 3-year exemption from profit and income taxes on revenues earned from innovative activities associated with sales of digital products or services, beginning from the certificate issuance date.³⁸ According to the SMBDA, in 2024, 40% of those who joined the agency’s training, consultancy, and business plan development services were young people, who make up about a quarter of the population. Startup Certificates were granted to over 30% of MSMEs, which enjoy tax exemptions, and 30% to young entrepreneurs who receive grant support.³⁹

³⁵ <https://e-legal.az/en/new-public-procurement-law-in-force/7/24>.

³⁶ https://www.migration.gov.az/en/news_detail/15912.

³⁷ <https://president.az/az/articles/view/67596>.

³⁸ <https://smb.gov.az/en/all-news/new-startups-contributing-to-digitalization>.

³⁹ <https://smb.gov.az/en/all-news/rising-interest-of-youth-in-entrepreneurial-activities>.

Green MSMEs and climate action

In 2024, SMBDA coordinated and supported the development of two new national standards—(i) Green Business Management Systems and (ii) Framework for the Implementation of Environmental, Social, and Corporate Governance (ESG) Principles. Both were approved by the Azerbaijan Standardization Institute. A unified digital ESG platform has been launched and made publicly accessible.⁴⁰ MSMEs can also harness SMBDA's self-assessment platform to estimate the environmental impact of their operations and evaluate the efficiency of resource use.⁴¹ Through registering and completing questionnaires, firms can evaluate their efficiency in energy and water use, waste management, and other environmental impacts.

As of April 2025, SMBDA allocated over AZN450,000 in grants to support 27 green projects, issued more than 10 Startup Certificates, and organized 250 training sessions on climate issues.⁴²

To promote environmental and green initiatives, SMBDA and ADB signed a memorandum of understanding in 2024 on the green transition and development of MSMEs. The agreement sets out ADB support for the “Baku Climate Coalition Declaration for the Green Transition of MSMEs” and covers the joint implementation of activities aimed at facilitating MSMEs' green transition.⁴³

Women-led MSMEs

With 23% of entrepreneurs female, supporting women's entrepreneurship is an important element of MSME development. SMBDA assists women in establishing and expanding their businesses. In 2024 alone, more than 4,000 women entrepreneurs benefited from SMBDA training and advisory services to enhance business knowledge and skills, while over

300 received assistance in developing business plans. Also, around AZN167,000 in grants went toward implementation of women-owned projects, with eight women awarded Startup Certificates, which grants tax exemptions for innovative projects.⁴⁴

These women-led MSME projects include “Unibroad,” an online intermediary service for those wishing to study abroad, and “Izzidone,” a web platform for household services.

International trade of MSMEs

To raise the awareness of current or potential MSME exporters, SMBDA regularly organizes training sessions focusing on marketing strategy and finance related to accessing foreign markets. SMBDA also invites MSMEs to trade fairs to showcase their products and services.

The Export and Investment Promotion Agency “AzPromo” was established on 23 July 2021 to facilitate non-oil exports and attract foreign direct investment to non-oil sectors by providing “single window” services. It was originally established as a foundation under the Ministry of Economy in 2003. One of AzPromo's initiatives is the “Export Academy” training program, launched in March 2025, to teach potential or current exporters the basics of each stage of the exporting process, starting from organizing business activities under three modules (export strategy, operations, and procedures). As of early July 2025, it trained representatives from 23 export-oriented non-oil companies.⁴⁵

MSME financing and financial inclusion strategies

While there is no comprehensive national financial inclusion strategy, the government recognizes the importance of strengthening MSME financial

⁴⁰ <https://esghub.az/>.

⁴¹ <https://yb.smb.gov.az/>.

⁴² <https://smb.gov.az/en/all-news/450000-azn-allocated-in-grants-to-support-entrepreneurs-green-projects>.

⁴³ <https://smb.gov.az/en/all-news/a-memorandum-on-the-green-transition-of-smbs-signed-between-kobia-and-the-asian-development-bank>.

⁴⁴ <https://smb.gov.az/en/all-news/woman-entrepreneurs-strengthening-their-role-in-economy-with-the-state-support>.

⁴⁵ <https://azpromo.az/en/page/layiheler/ixrac-akademiyasi>.

literacy, consumer protection, and developing a more affordable financial access environment.

Nonetheless, MSMEs continue to face a wide range of challenges in accessing finance. Key challenges include (i) low financial literacy among MSMEs; (ii) a lack of an accessible centralized database for financial institutions to assess MSME creditworthiness; (iii) limited options for alternative or pre-legal dispute resolution in financial services (making it harder to resolve issues without going to court); (iv) limited MSME access to credit (this remains a significant barrier due to collateral requirements and weak underwriting practices, which further restricts their ability to obtain necessary financing); (v) the poor transparency of MSME businesses, information asymmetry, and weaknesses in business management skills (limiting access to credit and other financial resources; creating a local credit rating mechanism to reduce information asymmetry); (vi) an underdeveloped credit guarantee system for MSMEs; (vii) high interest rates and strict collateral requirements for MSME bank credit; (viii) limited use of movable assets (especially in provinces) as loan collateral; and (ix) few asset-based financing transactions (based on MSME loan assets).

On 26 January 2024, the central bank adopted the Financial Sector Development Strategy for 2024–2026, which promotes financial inclusion, increases financial services options, and strengthens transparency and sustainability for the credit market. Based on this 3-year Strategy, the central bank set a target to disburse business loans, including MSME loans, to at least AZN16.5 billion by end-2026. At the time the document was approved (26 January 2024), total business loans outstanding totaled AZN12.4 billion. The strategy says that the share of cashless payments in retail trade stood at around 21.1%, while it will reach more than 40% by end-2026. Given that the majority of MSMEs are in wholesale and retail trade, cashless payments will likely expand among MSMEs.

Data Tables

Table 3.1: MSME Definition

Item	Micro	Small	Medium
Annual revenue (I) (AZN)	I ≤ 200,000	200,000 < I ≤ 3,000,000	3,000,000 < I ≤ 30,000,000
Number of employees	1-10	11-50	51-250

Note: Micro, small, and medium-sized enterprises (MSMEs) are defined in accordance with criteria approved by the Cabinet of Ministers of the Republic of Azerbaijan on 21 December 2018 № 556. (<https://e-qanun.az/framework/41048>).

Source: ADB Asia SME Monitor 2025 database.

Table 3.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023
Scale of Enterprises						
MSMEs	Number	271,304	316,370	355,906	377,842	401,149
Micro	Number	262,622	307,717	346,171	366,944	389,133
Small	Number	5,956	5,943	6,856	7,760	8,610
Medium-sized	Number	2,726	2,710	2,879	3,138	3,406
Large	Number	991	929	1,059	1,133	1,238
Total	Number	272,295	317,299	356,965	378,975	402,387
MSME to total	%	99.6	99.7	99.7	99.7	99.7
MSME growth	%	10.8	16.6	12.5	6.2	6.2
MSMEs by sector	%	100	100	100	100	100
Agriculture, forestry, and fisheries		1.2	1.0	1.0	1.0	0.9
Manufacturing		3.5	3.9	4.9	5.0	4.7
Transportation and storage		15.8	20.9	20.1	19.8	19.5
Information and communication		1.5	2.2	2.2	2.3	2.3
Construction		2.3	3.7	4.1	4.0	4.0
Wholesale and retail trade		31.3	32.8	33.5	33.1	32.2
Other services		43.9	35.0	33.6	34.2	35.7
Others		0.5	0.5	0.6	0.6	0.6
MSMEs by region	%	100	100	100	100	100
Capital city (Baku)		47.9	47.6	49.0	49.7	49.1
Others		52.1	52.4	51.0	50.3	50.9
Employment						
MSMEs	Number	332,255	348,723	357,840	370,120	390,845
Micro	Number	40,233	40,850	40,909	42,423	49,977
Small	Number	85,072	92,125	102,180	104,764	110,250
Medium-sized	Number	206,950	215,748	214,751	222,933	230,618
Large	Number	428,223	478,797	499,328	514,971	497,299
Total	Number	760,478	827,520	857,168	885,091	888,144
MSME employees to total	%	43.7	42.1	41.7	41.8	44.0
MSME employees growth	%	17.2	5.0	2.6	3.4	5.6
MSME employees by sector	%	100	100	100	100	100
Agriculture, forestry, and fisheries		5.0	5.2	5.3	5.3	5.3
Manufacturing		14.3	13.6	14.5	13.9	14.2
Transportation and storage		6.5	6.6	6.5	6.5	6.2
Information and communication		4.5	4.4	4.7	4.7	4.6
Construction		14.6	16.8	15.4	14.7	14.2
Wholesale and retail trade		17.4	15.9	16.8	16.7	17.0
Other services		27.8	28.0	28.3	29.5	30.1
Others		9.9	9.5	8.5	8.7	8.3
MSME employees by region	%	100	100	100	100	100
Capital city (Baku)		60.3	62.6	63.2	63.4	64.2
Others		39.7	37.4	36.8	36.6	35.8
Output						
MSME GVA	GVA, AZN mil.	11,072	10,941	13,956	17,170	20,087
MSME GVA to total	% to GVA	14.9	16.7	16.4	13.9	18.0
MSME GVA growth	%	12.6	(1.2)	27.6	23.0	17.0
Exports						
MSME exports	AZN mil.	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...
MSME export growth	%	...	...	...	...	...
Imports						
MSME imports	AZN mil.	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...
MSME import growth	%	...	...	...	...	...

GVA = gross value added; MSME = micro, small, and medium-sized enterprise.

Note: Number of microenterprises includes individual entrepreneurs, while number of the employed by microenterprises does not fully reflect them.

Source: ADB Asia SME Monitor 2025 database. Data from the State Statistical Committee of the Republic of Azerbaijan.

Table 3.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	AZN mil.	3,725	3,441	4,451	5,677	6,365	6,490
MSME loans to total loans	%	25.0	24.3	26.7	29.0	27.5	23.6
MSME loans to GDP	%	4.5	4.6	4.8	4.2	5.2	5.1
MSME loan growth	%	29.5	(7.6)	29.4	27.5	12.1	2.0
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	AZN mil.	800	412	301	317	235	306
MSME NPLs to total MSME loans	%	21.5	12.0	6.8	5.6	3.7	4.7
(Gross NPLs to total bank loans)	%	8.5	6.3	4.3	3.8	2.6	2.4
MSME loans by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by region	%	100	100	100	100	100	100
Capital city (Baku)		78.5	77.8	73.7	71.4	66.2	62.5
Others		21.5	22.2	26.3	28.6	33.8	37.5
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantees schemes							
Guaranteed loans outstanding	AZN mil.	42.7	131.2	138.6	143.6	137.4	183.6
Growth	%	...	207.5	5.7	3.6	(4.3)	33.6
MSMEs guaranteed	Number	...	...	...	...	...	...
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for MSMEs							
New approval	Number	1,573	908	1,902	2,726	...	...
Subsidized loans outstanding	AZN mil.	527	538	625	567	599	487
Growth	%	33.5	2.1	16.2	(9.3)	5.7	(18.7)
Subsidized loans disbursed	AZN mil.	...	107	115	143	...	...
Growth	%	...	...	7.7	24.7	...	...
MSMEs benefited	Number	...	903	1,895	2,724	...	...
Capital Markets							

n/a.,

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of the Republic of Azerbaijan.

Table 3.4: Policies and Regulations

Benchmark Regulations	Decree of the President of the Republic of Azerbaijan on ensuring the activities of the Small and Medium Business Development Agency of the Republic of Azerbaijan, № 148 of 2018 Law on the development of the micro, small and medium business” dated 2 December 2022 (https://e-qanun.az/framework/53308).
Focal Government Authority for MSMEs	Small and Medium Business Development Agency (SMBDA), Ministry of Economy
Key Policies and Strategies	
Name	Outline
Strategy on Socio-Economic Development for 2022–2026	1) Creating new private sector jobs through enabling of SMEs and self-employment. 2) Stimulating innovations in the private sector through investments in information and communications technology (ICT) infrastructure projects. 3) Enhancement of funding mechanisms for all development stages of startups.
Strategic Road Map for the Production of Consumer Goods at the level of SMEs (SME Roadmap), 2016	1) Improving the business environment and regulatory framework for MSMEs. 2) Ensuring access to finance for MSMEs. 3) Increasing internationalization of MSMEs. 4) Promoting MSME innovations. 5) Increasing MSME skills.
Financial Sector Development Strategy for 2024–2026	1) Expanding financial inclusion, increasing financial service coverage, and strengthening transparency and sustainability. 2) Central Bank intends to achieve at least AZN16.5 billion in total business loans, including MSME loans, by the end of 2026. 3) Reaching a target of over 40% cashless transactions in the retail trade sector by the end of 2026.
Thematic Initiatives	Outline
Digitalization of MSMEs: 1) The Digital Development Concept of the Republic of Azerbaijan (approved by Presidential Decree No.11 on 16 January 2025) 2) The Artificial Intelligence Strategy of the Republic of Azerbaijan for 2025–2028 (approved by Presidential Decree No.530 on 19 March 2025)	1) Developing digital infrastructure, including expanding high-speed internet, 5G networks, and data centers. 2) Applying advanced technologies such as artificial intelligence, blockchain, big data analytics, and cloud computing across sectors. 3) Improving cybersecurity and digital trust to safeguard national data, critical infrastructure, and individual privacy. 4) Fostering digital literacy and workforce readiness by enhancing education, training, and professional development in ICT fields. 5) Supporting private sector digitalisation, particularly for SMEs and startups, through regulatory incentives, technical support, and public-private partnerships. 6) Enhancing data governance, with a focus on data integration, standardization, and secure access across government and economic actors. By 2027, Azerbaijan aims to have optimized public administration, improved digital service quality, increased citizen satisfaction, and established global competitiveness in digital innovation and technology adoption. 1) Artificial intelligence (AI) governance and regulation – Establishing clear frameworks, identifying priority sectors, coordinating responsible authorities, and creating ethical standards. 2) Data management and infrastructure – Investing in high-performance computing, open datasets, and natural language processing (NLP) in Azerbaijani. 3) Talent and skills development – Establishing AI training programs, creating an AI Academy, offering public sector and citizen education, and supporting AI research. 4) Business environment – Attracting local and foreign investment, offering financial incentives to startups and SMEs, and expanding AI production in technology parks.
Green MSMEs and climate action: Law № 1175-VQ. “On environmental impact assessment” (dated from 12 June 2018)	This Law lays down rules on environmental impact assessment and strategic ecological assessment for the identification of possible adverse effects on the environment and human health during the implementation of the activities specified in this Law and for the assessment, elimination or reduction of their scale and intensity over time and space.
Women-led MSMEs: Law of the Republic of Azerbaijan “On gender equality (men and women)” (enacted on 10 October 2006)	The purpose of the present law constitutes ensuring gender equality by eliminating all forms of gender discrimination, creating equal opportunities for male and female participation in political, economic, social, cultural and other fields of social life.
International trade of MSMEs: Decree No.451 “On further improving management in the promotion of exports and investments” (approved by President on 28 December 2018)	1) Promote non-oil sector exports and attract foreign direct investment. 2) Implement the “Made in Azerbaijan” brand promotion abroad. 3) Support participation of Azerbaijani companies in international exhibitions, trade missions, and fairs. 4) Facilitate market research, international certifications, and product adaptation for export markets.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Small and Medium Business Development Agency (SMBDA); official websites of government institutions of Azerbaijan.

GEORGIA

Overview

The economy expanded by 9.5% in 2024 from 7.8% in 2023, led by an increase in domestic demand. All major production sectors grew. Services accelerated by 12.0% from 10.8% in 2023, with trade growing by 9.2%, transport by 9.9%, and accommodation by 10.3%. Utilities declined, yet manufacturing grew by 4.8% and construction by 17.1%. Agriculture recovered from a 3.4% contraction in 2023 to a 2.6% growth rate in 2024, due to better farm mechanization and irrigation. With food price inflation nearing zero, overall inflation slowed from 2.5% in 2023 to 1.1% in 2024.⁴⁶

In 2023, the number of small and medium-sized enterprises (SMEs) grew by 9.3%, totaling 162,210 firms employing 490,962 workers, or 59.6% of the total labor force. The relocation of Russian information technology (IT) firms continued to boost SME growth in IT. Public infrastructure projects—such as the Anaklia Deep Sea Port to improve trade and logistics, the Tbilisi Bypass to reduce traffic congestion, and a rise in construction permits—attracted greater participation of construction-based SMEs. SME gross value added (GVA) in 2023 reached GEL21.5 billion, or 53.9% of total GVA, up by 17.6%. SME exports expanded by 6.4% in 2024, accounting for 31.9% of total exports. Imports grew by 2.3%, or 39.8% of the total. Transport connectivity is crucial for SME participation in global value chains. The country's critical role in the Middle Corridor (a vital trade route linking Europe and Asia) boosted container shipments between the People's Republic of China (PRC) and Georgia fifteenfold, hitting a record high of 12,678 twenty-foot equivalent units (TEU). The SME credit market continued to expand by 11.8% in 2024 to reach GEL17.9 billion in loans outstanding. Growth was supported by increased credit guarantees, subsidized loans, and lower local currency lending rates. However, the SME share of total loans continued to fall to 38.4% of loans outstanding in 2024 from 39.9% in 2023. The share of SME loans to gross domestic product (GDP) remained small at 26.1% in 2024. The SME nonperforming loan (NPL) ratio increased slightly from 2.1% in 2023 to 2.4% in 2024, exceeding gross NPLs of overall bank credit (1.5% in 2024). Enterprise Georgia (the national SME agency) offers SME support programs to boost their participation in global trade, adopt digitalization, and expand women-owned businesses through grants and advice on product licensing, branding, digital tool purchases, and organizing training and networking events.

SME Development

In 2023, SME growth momentum continued with a 9.3% increase in the number of firms and 4.8% increase in employment, most pronounced in services. The continued relocation of Russian IT firms and large public infrastructure projects fueled the number of IT and construction-based SMEs. SME GVA grew to 53.9% of the total in 2023. SME exports and imports continued to grow, reaching around one-third or more of total exports and imports.

The SME Development Strategy for 2021–2025 defines SMEs by employment and annual turnover, with no microenterprise category (Table 4.1). In 2023, the number of SMEs rose by 9.3% to 162,210 firms, mainly driven by the increase in the number of small firms from 146,270 in 2022 to 160,013 in 2023 (Table 4.2 and Figure 4.1A).

By sector, SMEs in wholesale and retail trade in 2023 remained dominant at 32.2%, but fell from 37.1% in 2022. SMEs in transportation and communication expanded their share from 13.0% in 2022 to 22.2%

⁴⁶ ADB. 2025. Asian Development Outlook September 2025.

in 2023 (Figure 4.1B). This was mainly the result of a remarkable upsurge in share of SMEs in information and communications from 4.2% in 2022 to 12.1% in 2023 due to the continuing relocation of Russian IT firms avoiding sanctions.

Construction-based SMEs grew by 9.5% in 2023 on heavy public infrastructure investments and a rise in construction permits. Infrastructure projects such as the Anaklia Deep Sea Port, which significantly boosts trade and logistics, and the Tbilisi Bypass, designed to alleviate traffic congestion and enhance connectivity, have greatly boosted construction.

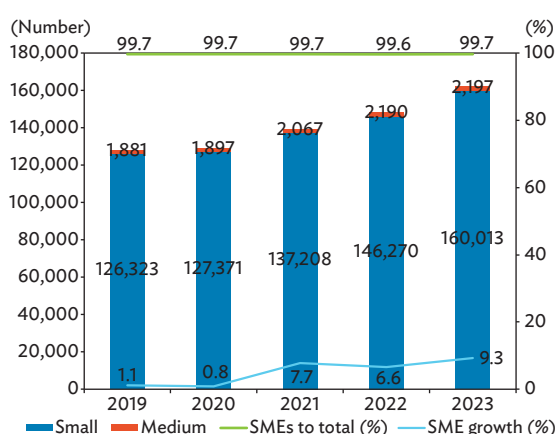
SMEs in the capital city Tbilisi grew in 2023 to 47.9% compared to 2022 (46.6%), whereas those operating in the provinces retained a 52.1% majority.

The employed by SMEs reached 490,962, marking a 4.8% growth in 2023. However, its share of total employment slightly reduced to 59.6% (against 60.1% in 2022) (Figure 4.2A). The total unemployment rate diminished but remained high at 16.4% in 2023.

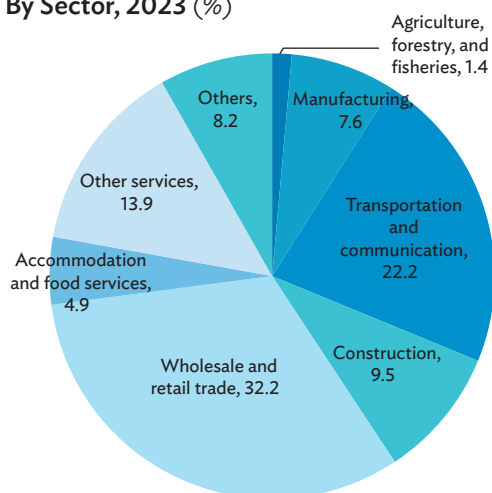
By sector, despite the upturn in the number of SMEs in the transportation and communication sector, the employment share there trimmed from 13.5% in 2022

Figure 4.1: Scale of SMEs

A. Trend



B. By Sector, 2023 (%)

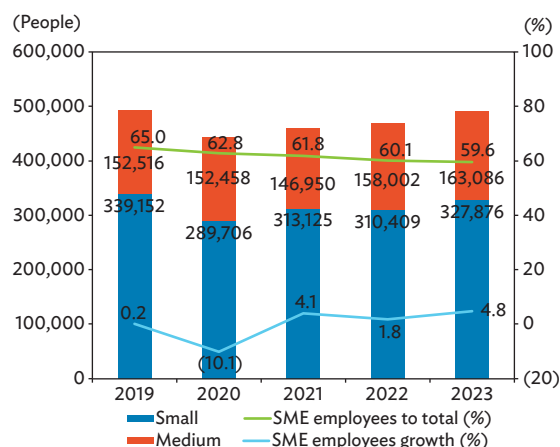


SME = small and medium enterprise.

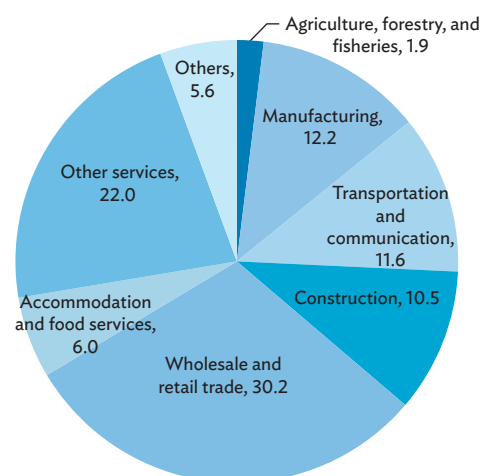
Source: ADB Asia SME Monitor 2025 database. Data from National Statistics Office of Georgia.

Figure 4.2: Employment by SMEs

A. Trend



B. By Sector, 2023 (%)



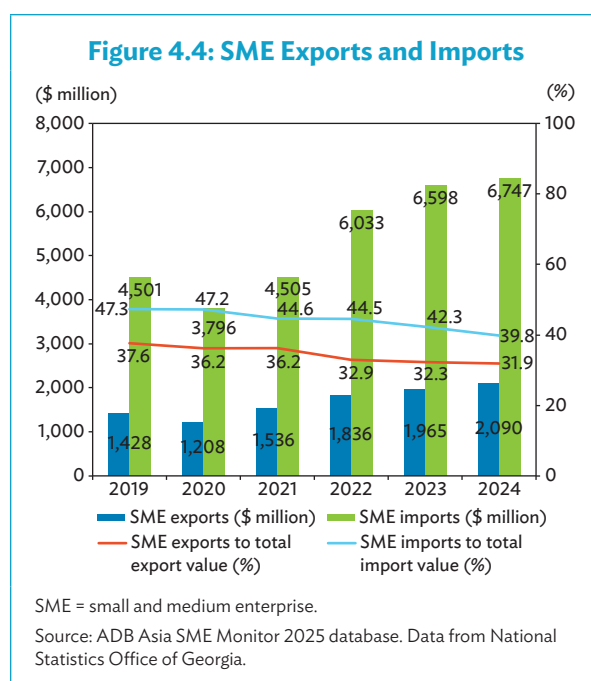
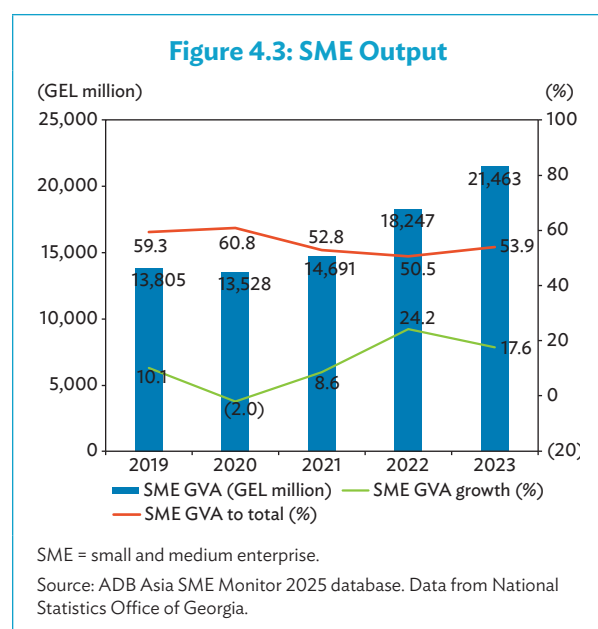
SME = small and medium enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Statistics Office of Georgia.

to 11.6% in 2023. Traditionally, most SME employees worked in the wholesale and retail trade sector (30.2% in 2023), followed by other services (22.0%) and manufacturing (12.2%) (Figure 4.2B). By region, 50.7% worked in Tbilisi and the remaining 49.3% in local provinces.

Along with the country's strong economic growth in 2023, SME GVA grew by 17.6% to GEL21.5 billion, contributing more than half (53.9%) of total GVA (Figure 4.3). The remarkable growth was mainly attributed to wholesale and retail trade (26.3%), construction (18.1%), and information and communications (15.5%).

Almost one-third (31.9%) of exports emanated from SMEs as of the end of 2024, up by 6.4% from 2023 and valued at \$2.1 billion. SME import growth slowed to 2.3% in 2024, totaling \$6.7 billion, or 39.8% of total import value. However, the share of SME exports and imports steadily decreased over the past 5 years from 37.6% for exports and 47.3% for imports in 2019 (Figure 4.4).



According to the National Statistics Office, in 2024, major trading partners for SME exports were the Kyrgyz Republic (\$1,287.4 million with a 19.6% share), Kazakhstan (\$859.9 million with a 13.1% share), and Azerbaijan (\$724.5 million with an 11.0% share). Most came from the re-export of automobiles imported from the United States (US). Top trading partners for SME imports were Türkiye (\$2.8 billion with a 16.4% share), the US (\$2.0 billion with a 12.1% share), and Russia (\$1.8 billion with an 11.0% share).⁴⁷

According to the E-Commerce Database (ECDB) portal, Georgia's e-commerce market remains small in scale, with projected revenue of \$151.5 million in 2025. The hobby and leisure sector was the largest market in 2024, accounting for 25.3% of e-commerce revenue, followed by electronics (21.3%), fashion (16.8%), furniture and homeware products (11.9%), care products (8.4%), do-it-yourself (DIY) items (8.4%), and groceries with the remaining 7.8%.⁴⁸

⁴⁷ <https://www.geostat.ge/media/67898/External-Merchandise-Trade-of-Georgia-in-2024.pdf>.

⁴⁸ <https://ecommercedb.com/markets/ge/all>.

Access to Finance

SME credit has consistently expanded, growing by 11.8% in 2024 on increased credit guarantees and subsidized loans along with lower local currency lending rates. Still, its share of total loans outstanding is decreasing (38.4% in 2024), with its equivalent share of GDP small (26.1% in 2024). The SME NPL ratio increased slightly to 2.4% in 2024, above the 1.5% overall NPL ratio. Microfinance institution (MFI) loans grew but had limited business access.

At the end of 2024, there were 18 banks operating in Georgia, with 3 domestic and 15 foreign invested banks.

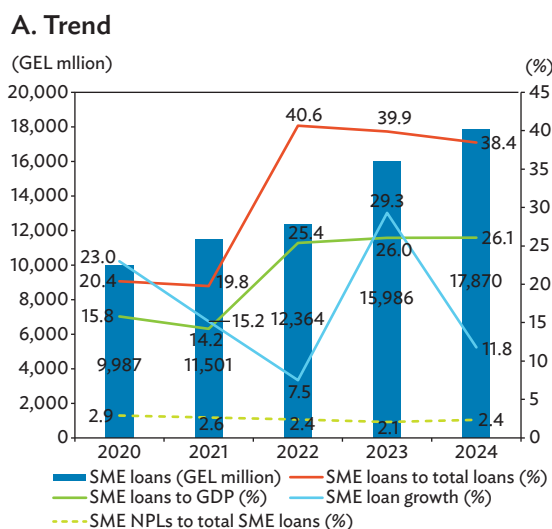
Georgia uses two statistical methods for calculating SME credit—National Bank of Georgia (NBG) and Eurostat criteria.⁴⁹ Based on NBG criteria, SME credit reached GEL17.9 billion, up by 11.8% in 2024 (Table 4.3 and Figure 4.5A). SME loans outstanding based on Eurostat criteria reached GEL23.9 billion, up by 13.9% over 2023. SME loans to total bank loans has gradually fallen over the past 3 years from 40.6% in 2022 to 38.4% in 2024, while its ratio to GDP increased from 25.4% in 2022 to 26.1% in 2024.⁵⁰

SME credit growth was also supported by a decrease in local currency lending rate from 14.2% in 2023 to 13.3% in 2024, while foreign currency-denominated loan rates increased from 8.7% in 2023 to 9.2% in 2024. In 2024, the central bank cut its base rate from 9.0% in January to 8.0% by the end of the year. In 2024, the SME NPL ratio increased slightly from 2.1% in 2023 to 2.4% in 2024, exceeding the 1.5% overall bank NPL ratio.

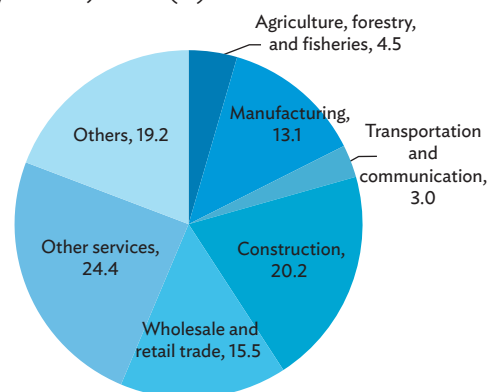
Collateralized SME loans in 2024 totaled 87.7% of all SME lending, while non-collateral loans made up the remaining 12.3%. By sector, SMEs in construction

received the most (20.2%), followed by wholesale and retail trade (15.5%) and manufacturing (13.1%). Miscellaneous services not classified elsewhere and other services like hotels and restaurants, financial intermediation, healthcare and social services, real estate, and education held the remainder (Figure 4.5B). By region, 72.3% of SME loans in 2024 went to capital city-based SMEs, a pattern rising since 2022.

Figure 4.5: SME Loans



B. By Sector, 2024 (%)



SME = small and medium enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Georgia.

⁴⁹ NBG methodology is based on the Supervision Department's internal approach, where SME loans outstanding are calculated for measuring SME NPLs. The Eurostat methodology is based on its definition of enterprise size for international comparability (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Enterprise_size). SME credit data not mentioning a specific statistical methodology refer to data based on NBG criteria (Table 3).

⁵⁰ Calculated based on Eurostat criteria.

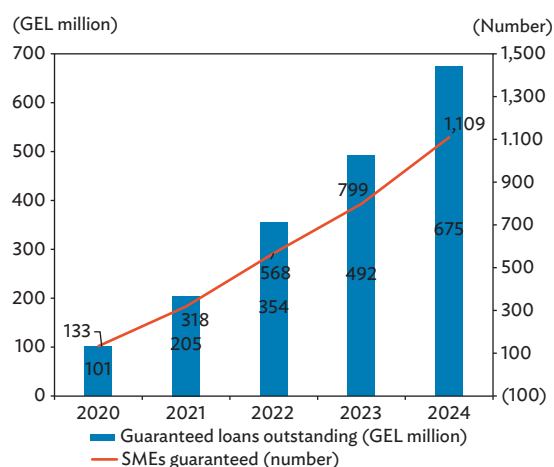
Outstanding guaranteed loans provided by Enterprise Georgia (the national SME agency) grew by a substantial 37.0% in 2024, totaling GEL675 million. As of the end of 2024, 1,109 SMEs received credit guarantees, up from 799 firms in 2023 (Figure 4.6).

SMEs receiving subsidized loans grew considerably from 1,425 firms in 2023 to 1,810 firms in 2024. Amounts subsidized increased by 17.0% to GEL2.4 billion, with 404 new approvals by end-2024 (Figure 4.7).

By the end of 2024, there were 190 active nonbank finance institutions (NBFIs), including 31 microfinance institutions (MFIs), 1 credit union, and 158 pawnshops.

In 2024, MFIs had the largest share of NBFI loans outstanding at GEL1.9 billion, an 11.8% increase over 2023 and a 2.1% share of 2024 GDP. MFI NPL ratios continued to decline from 4.7% in 2023 to 4.1% in 2024. Still, MFI loans issued to legal entities in 2024 remained low at just 1.0%, almost the same as the year before (1.5%). The number of MFI customers financed fell from 524,626 to 503,469, while the annual lending rate grew to 24.6% from 23.8% in 2023.

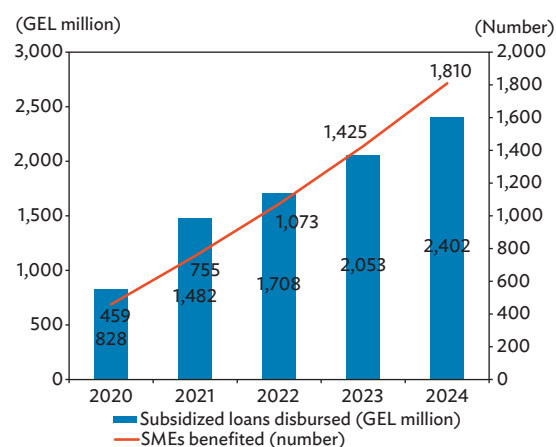
Figure 4.6: Credit Guarantees for SMEs



SME = small and medium enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Ministry of Economy and Sustainable Development and Enterprise Georgia.

Figure 4.7: Subsidized Loans for SMEs



SME = small and medium enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Ministry of Economy and Sustainable Development and Enterprise Georgia.

To support SME access to finance, the government in 2025 amended the Law on Microfinance Organizations No.3482 of 18 July 2006, in part lifting the limit for microcredits issued by MFIs from GEL100,000 to GEL200,000. As of April 2025, Parliament approved the amendments in its third reading.⁵¹

In 2024, 4.0% of pawnshop loans outstanding went to legal entities, including SMEs. Total pawnshop loans reached GEL1.7 billion, up by 8.1% from 2023.

A new law on microbanks adopted in 2023 allowed JSC MFO Business Capital to receive the first microbank license in December 2024, followed by JSC Crystal in February 2025. It is expected that microbanks, which are permitted to accept deposits, will grant larger loans than MFIs, enhancing SME access to finance.

The central bank continues to develop its Central Bank Digital Currency project. At the end of 2023, it chose Ripple, a leading international technology company, as technology partner for the Digital Lari (GEL) pilot project. The project plans to use advancements in blockchain technology for use in both public and

⁵¹ <https://nbg.gov.ge/en/media/news/the-maximum-limit-of-microcredits-issued-by-microfinance-organizations-has-been-increased>.

private sectors.⁵² In November 2024, the central bank released for public discussion the first draft of its National Fintech Development Strategy to promote a modern and innovative financial ecosystem. To help SMEs, the strategy promotes asset-based financing solutions and open finance to reduce information asymmetries and improve credit decisions. In May 2025, the second draft was released following stakeholder consultations.⁵³

An SME equity board has yet to be established under the Georgian Stock Exchange. As of the end of 2024, there were just five listed companies on the main board, with a relatively small market capitalization of GEL7.3 billion.

Policies and Regulations

The Enterprise Georgia national SME agency provides support programs for SMEs to increase participation in global trade, digitalization, and women-owned businesses by offering grants and advice on product licensing, branding, digital tool purchases, and organizing training and networking events.

The SME Development Strategy for 2021–2025 remains a guide for SME development (Table 4.4). The Micro-Entrepreneurship State Support Program—launched 15 July 2024 by Government Resolution No.229—promotes micro-entrepreneurship, promotes job creation and enhances private sector competitiveness. The program supports new businesses, modernizes existing firms, and promotes economic sustainability. It includes mechanisms such as partial credit guarantees up to 80% of loan amounts from GEL20,000–GEL50,000. It also provides an interest rate subsidy for up to 5 years for women with 100% share ownership within the last 6 months before joining the program, for businesses in mountainous regions, and beneficiaries of targeted

programs such as the “Mzis kari” initiative. Also, a 25% cashback is available for Mzis kari beneficiaries. Despite these challenges, government agencies and international partners continue promoting SME initiatives in the country.

Digitalization of SMEs

Enterprise Georgia’s Regional Consultation Centers (Growth Hubs) offer grants of up to GEL25,000 to procure and implement digital tools/solutions within the framework of a 3-year 2024–2026 initiative funded by the European Union (EU). The objective is to increase SME productivity, economic opportunity, and resilience against shocks through digitalization. The process has several steps: (i) SMEs apply to the Consultation Center in their respective region where they undergo comprehensive business diagnostics; (ii) if the results require help in digitization, Enterprise Georgia refers the entrepreneur to in-house digital transformation experts; (iii) through onsite personal consultations, the experts investigate the details of the entrepreneur’s digital transformation needs and create a tailored digitalization plan; and (iv) the entrepreneur then enhances the digital skills of its workforce or procures and implements digital tools/solutions according to the plan.

Georgia’s Innovation and Technology Agency has prepared a comprehensive legislative package on the Law of Georgia on Innovation. This includes three distinct categories:

- (i) Innovative start-ups: Available for 10 years, it provides a tiered tax structure, including a zero personal income tax rate for the first 3 years, a 5% rate for the next 3 years, and a 10% rate for the remaining 4 years for personal and corporate income tax. The measure aims to support start-ups by reducing their financial burden during critical early growth phases.
- (ii) Innovative SMEs: This allows SMEs to apply a “super-deduction” of 300% of qualified

⁵² <https://nbg.gov.ge/en/media/news/ripple-the-flagship-international-company-becomes-the-technology-partner-for-the-digital>.

⁵³ <https://nbg.gov.ge/en/media/news/the-national-bank-of-georgia-releases-the-first-draft-of-the-national-fintech-development>.

research and development (R&D) expenses. It is designed to stimulate innovation and encourage R&D investment.

- (iii) R&D service providers: Qualified entities benefit from a lower 5% personal and corporate income tax rate to incentivize R&D and foster collaboration between local and international companies.

As of May 2025, the legislation was under committee review in parliament.

Green SMEs and climate action

On 26 August 2024, the government approved a “Georgian vegetables from greenhouses” program with a GEL1.3 million 2024 budget. The program promotes crop production by introducing modern climate-smart technologies. The objective is to increase the volume of products produced in greenhouses, particularly during the off-season, by providing access to funding to establish new greenhouse farms, mostly for smallholder farmers and agribusinesses.

Women-led SMEs

Enterprise Georgia supports women-led SMEs, women entrepreneurship, and SME gender mainstreaming.

The Regional Consulting Centers’ Consulting component uses comprehensive business diagnostics, identifies existing challenges, selects and delivers appropriate consulting solutions, and provides up to 90% co-financing (to GEL10,000 or GEL25,000 for digitalization). These services cover finance and accounting, taxation, legal advice, sales and marketing, business modeling, and digitalization. Enterprise Georgia provides a 5% funding increment for SMEs with (i) more than 50% of its shares owned by a woman; (ii) more than 50% of shares owned by, or the business is led by, a person with disabilities; and (iii) more than 50% of the shares owned by, or the business is led by, an internally displaced person.

Under the coordination of the Chamber of Commerce and Industry, in 2024, 230 women entrepreneurs

received training in e-commerce, digital marketing, marketing, and sales. As of the end of 2024, the chamber has trained 1,200 women entrepreneurs.⁵⁴

International trade of SMEs

Enterprise Georgia supports export-oriented beneficiaries including SMEs via various mechanisms/programs.

The Technical Assistance Component of the Export Support Program by Enterprise Georgia enhances the export potential of export-oriented SMEs by reducing export barriers, supporting businesses, and introducing mechanisms to stimulate export activities. As part of this component, Enterprise Georgia offers grants in the following areas:

- (i) Product licensing and certification includes implementing international standards for enterprise audits, obtaining international quality certifications, and licensing goods produced. The program helps companies obtain grants up to €10,000 (EU support).
- (ii) Branding and product packaging focuses on creating and developing brand strategies, rebranding, and designing product packaging in line with brand guidelines. Within the program, companies can receive grants up to GEL20,000.
- (iii) Aiding in international sales/entry fees to international chains supports entry into international trade networks. SMEs can receive grants of up to €10,000 (EU support).

Enterprise Georgia provides support and co-financing for export-oriented firms to participate in international exhibitions, trade fairs, and conferences by covering key expenses such as space rental and stand construction, with additional support for goods transportation and marketing. Co-financing ranges from 50% to 90% up to a maximum of \$15,000.

The Individual Expo Grant Program offers financial assistance to individual companies, helping them join

⁵⁴ Progress report of SME Development Strategy of Georgia for 2024.

international exhibitions, conferences, and events. The program provides additional opportunities for companies to enhance international awareness and expand geographical reach, particularly focusing on the development of specific subsectors.

Enterprise Georgia's co-financing scheme offers tailored support for companies based on their category, covering up to 60%, 80%, or 90% of eligible expenses, with a maximum limit of 10,000 in USD, EUR, or GBP. The Individual Expo Grant can be used for multiple events within a year of approval, offering flexibility to participating companies. The program operates on a cashback model, reimbursing costs after submission of required documentation. Additionally, companies in the highest category can opt for advanced co-financing to cover participation expenses.

The Export Managers' Certification Program, in collaboration with leading Georgian universities, implements the Export Manager's Certification course to equip employees of export-oriented firms essential skills and knowledge, and ensure the availability of a skilled private sector workforce. The agency covers 90% of the course fee.

According to the Ministry of Economy and Sustainable Development, Georgia's participation in the Middle Corridor economic route between Europe and Asia is paying off. In 2024, container shipping between Georgia and the PRC through the Middle Corridor saw a fifteenfold growth with a record 12,678 TEU. Improved transport connectivity is important for SMEs to join global value chains.⁵⁵

SME financing and financial inclusion strategies

Financing challenges include (i) obstacles to determine a borrower's creditworthiness and lack of SME credit ratings; (ii) limited offerings of financial products and services; (iii) insufficient familiarity with financial services; (iv) infant capital market development resulting in an illiquid domestic market for issuing corporate bonds and equity; and (v) a poor view of SMEs as investment opportunities that makes them unattractive to foreign investors.

The National Financial Education Strategy launched by the National Bank of Georgia on 24 January 2023 updates a 2016 strategy designed to increase financial literacy across Georgia. This is prerequisite for improving financial well-being and protecting the rights of consumers. The strategy has four priority areas: (i) delivery of financial education to prepare the young population for the future; (ii) encourage reasonable financial behavior and promote appropriate financial acumen among the population; (iii) increase publicly available, unbiased financial information and resources; and (iv) create and develop cooperation among stakeholders. The strategy's educational and informational activities also target SMEs.

⁵⁵ <https://www.economy.ge/?page=news&nw=2671&s=genadi-arveladze-shua-derefnis-rogorc-evropasa-da-azias-shoris-sakvandzo-ekonomikuri-marshrutis-rol-i-sul-ufro-metad-izrdeba>.

Data Tables

Table 4.1: SME Definition

Item	Small	Medium
Number of employees	Fewer than 50 employees per year	More than 50 but not exceeding 250 employees per year
Annual turnover	Less than GEL12 million	More than GEL12 million but not exceeding GEL60 million per year

Notes: There is no definition for microenterprises in Georgia. This definition became effective after 2017.

Source: ADB Asia SME Monitor 2025 database. Data from the SME Development Strategy of Georgia for 2021–2025.

Table 4.2: SME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
SMEs	Number	128,204	129,268	139,275	148,460	162,210	...
Small	Number	126,323	127,371	137,208	146,270	160,013	...
Medium-sized	Number	1,881	1,897	2,067	2,190	2,197	...
Large	Number	419	391	466	538	556	...
Total	Number	128,623	129,659	139,741	148,998	162,766	...
SME to total	%	99.7	99.7	99.7	99.6	99.7	...
SME growth	%	1.1	0.8	7.7	6.6	9.3	...
SMEs by sector	%	100	100	100	100	100	...
Agriculture, forestry, and fisheries		1.0	1.2	1.5	1.5	1.4	...
Manufacturing		7.8	8.9	9.2	8.1	7.6	...
Transportation and communication		6.8	8.6	9.9	13.0	22.2	...
Construction		5.7	6.6	8.4	9.3	9.5	...
Wholesale and retail trade		37.3	39.5	41.0	37.1	32.2	...
Accommodation and food services		4.4	4.6	4.7	4.7	4.9	...
Other services		10.9	12.1	12.0	12.5	13.9	...
Others		26.1	18.5	13.2	13.7	8.2	...
SMEs by region	%	100	100	100	100	100	...
Capital city (Tbilisi)		46.9	45.2	45.6	46.6	47.9	...
Others		53.1	54.8	54.4	53.4	52.1	...
Employment							
SMEs	Number	491,668	442,164	460,075	468,411	490,962	...
Small	Number	339,152	289,706	313,125	310,409	327,876	...
Medium-sized	Number	152,516	152,458	146,950	158,002	163,086	...
Large	Number	265,184	261,710	284,181	311,007	332,599	...
Total	Number	756,852	703,874	744,256	779,418	823,561	...
SME employees to total	%	65.0	62.8	61.8	60.1	59.6	...
SME employees growth	%	0.2	(10.1)	4.1	1.8	4.8	...
SME employees by sector	%	100	100	100	100	100	...
Agriculture, forestry, and fisheries		1.9	2.0	1.9	1.7	1.9	...
Manufacturing		11.7	12.7	12.5	12.2	12.2	...
Transportation and communication		9.0	8.8	10.2	13.5	11.6	...
Construction		11.3	11.6	10.6	8.4	10.5	...
Wholesale and retail trade		30.1	29.8	30.6	28.5	30.2	...
Accommodation and food services		8.0	5.8	5.6	4.8	6.0	...
Other services		22.6	23.4	22.6	22.9	22.0	...
Others		5.4	6.0	5.9	8.0	5.6	...
SME employees by region	%	100	100	100	100	100	...
Capital city (Tbilisi)		51.5	52.9	51.4	50.8	50.7	...
Others		48.5	47.1	48.6	49.2	49.3	...
Output							
SME GVA	GVA, GEL mil.	13,805	13,528	14,691	18,247	21,463	...
SME GVA to total	% to GVA	59.3	60.8	52.8	50.5	53.9	...
SME GVA growth	%	10.1	(2.0)	8.6	24.2	17.6	...
Exports							
SME exports	\$ mil.	1,428	1,208	1,536	1,836	1,965	2,090
SME exports to total export value	%	37.6	36.2	36.2	32.9	32.3	31.9
SME export growth	%	3.8	(15.4)	27.1	19.5	7.0	6.4
Imports							
SME imports	\$ mil.	4,501	3,796	4,505	6,033	6,598	6,747
SME imports to total import value	%	47.3	47.2	44.6	44.5	42.3	39.8
SME import growth	%	(2.6)	(15.7)	18.7	33.9	9.4	2.3

GVA = gross value added, SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the National Statistics Office of Georgia.

Table 4.3: SME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
SME loans outstanding	GEL mil.	8,121	9,987	11,501	12,364	15,986	17,870
SME loans to total loans*	%	22.1	20.4	19.8	40.6	39.9	38.4
SME loans to GDP*	%	14.3	15.8	14.2	25.4	26.0	26.1
SME loan growth	%	22.7	23.0	15.2	7.5	29.3	11.8
SME loan borrowers	Number	13,140	12,932	14,409	21,106	22,643	...
Nonperforming loans (NPLs)							
SME NPLs	GEL mil.	209	290	304	296	331	420
SME NPLs to total SME loans	%	2.6	2.9	2.6	2.4	2.1	2.4
(Gross NPLs to total bank loans)	%	1.9	2.3	1.9	1.5	1.5	1.5
SME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		3.3	3.7	4.6	4.9	4.8	4.5
Manufacturing		9.6	7.8	8.8	13.1	13.1	13.1
Transportation and communication		1.9	2.5	2.5	3.2	2.7	3.0
Construction		6.2	6.1	7.2	16.8	18.7	20.2
Wholesale and retail trade		21.0	19.0	18.8	15.3	15.3	15.5
Other services		12.3	15.2	14.0	25.2	25.1	24.4
Others		45.7	45.7	44.2	21.5	20.3	19.2
SME loans by region	%	100	100	100	100	100	100
Capital city (Tbilisi)		52.8	51.3	50.9	69.5	70.1	72.3
Others		47.2	48.7	49.1	30.5	29.9	27.7
SME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
SME loans by tenor	%	100	100	100	100	100	100
Less than 1 year		6.3	8.3	9.2	10.6	7.5	8.8
1-5 years		49.7	43.5	45.1	35.4	37.2	37.4
More than 5 years		44.0	48.2	45.7	54.0	55.3	53.9
Public Finance and Guarantees							
Credit guarantees schemes for SMEs							
Guaranteed loans outstanding	GEL mil.	...	101	205	354	492	675
Growth	%	...	...	102.5	73.0	39.0	37.0
SMEs guaranteed**	Number	...	133	318	568	799	1,109
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for SMEs							
New approval	Number	130	141	439	427	411	404
Subsidized loans disbursed**	GEL mil.	614	828	1,482	1,708	2,053	2,402
Growth	%	32.6	34.9	78.9	15.3	20.2	17.0
SMEs benefited**	Number	376	459	755	1,073	1,425	1,810
Capital Markets							
n/a,							

* calculated based on EUROSTAT methodology; others calculated based on the National Bank of Georgia methodology and PAR 90 standard.

** cumulative number and amounts.

GDP = gross domestic product, SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the National Bank of Georgia; Enterprise Georgia, Ministry of Economy and Sustainable Development.

Table 4.4: Policies and Regulations

Benchmark Regulations	Government Resolution No.365 of 2014 on Establishment of Enterprise Georgia Government Resolution No.567 of 2022 on the state support program for micro, small and medium enterprises
Focal Government Authorities for SMEs	Ministry of Economy and Sustainable Development (MESD) Enterprise Georgia, MESD
Key Policies and Strategies	Outline
Name	
SME Development Strategy of Georgia 2021–2025 and related Action Plans	1) Refining legislation, institutional strengthening, and improvement of the operational environment for SMEs. 2) Promoting development of entrepreneurial skills and raising the entrepreneurial culture of SMEs. 3) Improving access to finance for SMEs. 4) Promoting export growth, access to market, and internationalization of SMEs. 5) Promoting electronic communications, information technologies, innovation, and research and development (R&D) for SMEs. 6) Promoting development of women entrepreneurship. 7) Promoting development of the green economy for SMEs.
Government Resolution No.229 of 2024 on the Micro-Entrepreneurship State Support Program	The Micro-Entrepreneurship State Support Programme (launched on 15 July, 2024) promotes micro-entrepreneurship across Georgia, fostering job creation and enhancing private sector competitiveness. The program supports new business creation, modernization of existing enterprises, and overall economic sustainability. It includes mechanisms like partial credit guarantees up to 80% of the loan amount (GEL20,000–GEL50,000). Additionally, the program provides an interest rate subsidy component (for up to 5 years) for the beneficiaries with 100% share ownership by women within the last 6 months prior to joining the program, businesses in high-mountainous regions, and beneficiaries of targeted programs such as the “Mzis kari” initiative (Project operated by National Tourism Administration of Georgia). Additionally, 25% cashback is accessible for “Mziskari” beneficiaries.
National Strategy of Financial Education, (approved by National Bank of Georgia on 24 January 2023)	The strategy aims to raise the level of financial education across Georgia, ultimately a prerequisite for improving financial well-being and protecting the rights of consumers. The strategy's educational and informational activities target SMEs. It has four priority areas: 1) Delivery of financial education of the young generation and preparing them for future life. 2) Encouraging reasonable financial behavior and promoting savvy financial attitudes of the population. 3) Increasing the use of publicly available, unbiased financial information, resources, and information. 4) Creation and development of cooperation mechanisms with stakeholders.
Thematic Initiatives	Outline
Digitalization of MSMEs: National Broadband Development Strategy for 2020–2025 (approved on 9 January 2020)	For the purpose of the development of free entrepreneurial activities, improvement of competition and attraction of private investments in the field of telecommunications, the program will provide the entire territory of Georgia with: 1) Creation of unified neutral fiber-optic network. 2) Development of retail services in the targeted geographic areas. 3) Connection between any two access points along the course of the network.
Green MSMEs and climate action: Georgia's 2030 Climate Change Strategy (approved in 2021)	Climate Strategy and Action Plan set the following goals for each sector: 1) Reduce greenhouse gas emissions in the energy generation and transmission sector to 15% below the reference scenario projections by 2030. 2) Reduce greenhouse gas emissions in the transport sector to 15% below the reference scenario projections by 2030. 3) Support development of low-carbon approaches in the buildings sector by promoting climate-smart and energy-efficient technologies and services. 4) Support development of the low-carbon approaches in the industry sector by promoting climate-smart and energy-efficient technologies and services to reduce greenhouse gas emissions to 5% below the reference scenario projections by 2030. 5) Support the low carbon development of the agriculture sector by encouraging the climate-smart and energy-efficient technologies and services. 6) Support the low carbon development of the waste sector by promoting climate-smart and energy-efficient technologies and services. 7) Increase the carbon capturing capacity of the forestry sector by 10% for 2030 compared to 2015.
Women-led MSMEs: State Concept of Economic Empowerment of Women (approved by Parliament on 23 March 2023)	The State Concept of Economic Empowerment of Women is a national cross-sectoral concept. Its main priorities are equal access to economic opportunities; creating gender-sensitive legal framework; improving the public procurement and employment practices in the public sector; improving the employment practices in the private sector; recognition, reduction and distribution of unpaid and care work; encouraging a formalization of the work of women engaged in shadow economy activities; fighting conflicting social norms.
International trade of MSMEs: Decree №420 of the Government of Georgia “On Criteria to Determine Country of Origin of Products, Forms and Instructions for Filling Forms out” (approved on 29 December 2010)	The Resolution regulates compliance measures regarding certificate of origin of products. It specifies the forms required for certifying the origin of goods, which are essential for exporters to avail themselves of preferential treatment under various trade agreements.

SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Economy and Sustainable Development, Enterprise Georgia, and official websites of government institutions of Georgia.

KAZAKHSTAN

Overview

Lower oil production and the impact from springtime floods led economic growth slightly down to 5.0% in 2024 from 5.1% in 2023. Supported by a strict monetary policy, inflation fell from 14.5% in 2023 to 8.7% by the end of 2024. In 2025, gross domestic product (GDP) growth is projected to rise to 5.3% on higher oil production from the Future Growth Expansion project at Tengiz, with inflation expected to grow to 10.5% as government-approved utility price increases create broad inflationary pressures.⁵⁶

In 2024, there were 2.1 million micro, small, and medium-sized enterprises (MSMEs) operating in Kazakhstan, a 3.5% rise from 2023. After a remarkable 27.0% growth in 2022, the expansion in the number of operating MSMEs slowed. With an associated 16.9% peak in new MSME workers in 2022, employee growth slowed to 2.2% in 2024 for a total of 4.4 million, accounting for 48.0% of the total 2024 labor force. The government aims for MSMEs to contribute 40.0% to total gross value added (GVA) by 2030 under its Concept of MSME Development. As of the end of 2024, it was 39.7%, just below the target. Despite the central bank's strict policy measures and its high base rate, MSME loans outstanding in 2024 grew by 20.2% to T8.7 trillion. This was mainly due to ongoing state support measures for increasing MSME access to finance through the national MSME agency (DAMU) subsidies and credit guarantees. DAMU also supports MSME corporate bond issuance, which reached T552 billion in 2024, up by 21.7% from 2023, supporting 71 firms, up from 58 in 2023. DAMU is also improving MSME client service systems by using artificial intelligence (AI) tools. The National Development Plan through 2029 targets an increase in information technology (IT) product and service exports from \$529 million in 2023 to \$1.8 billion by 2029, with MSMEs playing a leading role. On 18 July 2025, the president approved a new tax code primarily aimed at amendments affecting business activities. Starting from 1 January 2026, the value-added tax (VAT) rate will increase from 12% to 16%.

MSME Development

After significant growth in the number of operating MSMEs in 2022, growth slowed to 3.5% in 2024. MSME employment in 2024, however, accounted for 48.0% of total employment, up from 39.9% in 2021. The government targets MSME contribution to GVA to reach 40.0% by 2030, already close at 39.7% by end-2024.

According to the Entrepreneurial Code of 2015, MSMEs are defined as enterprises or legal entities and individual entrepreneurs with annual average incomes less than 3 million times the Monthly Calculation Index (MCI) and employ less than 250 workers (Table 5.1).⁵⁷

After the number of operating MSMEs expanded by 27.0% in 2022, the growth rate decelerated to 3.5% in 2024 (Table 5.2 and Figure 5.1A). The slowdown in growth was associated with the gradual decrease in

⁵⁶ ADB. 2025. Asian Development Outlook September 2025.

⁵⁷ MCI – Monthly calculation index (for 2025, 1 MCI = KZT3,932).

the flow of companies relocating from Russia. MSMEs nonetheless continue to occupy a significant portion of all enterprises (99.9%) in the country and include 2.1 million operating firms as of the end of 2024.⁵⁸

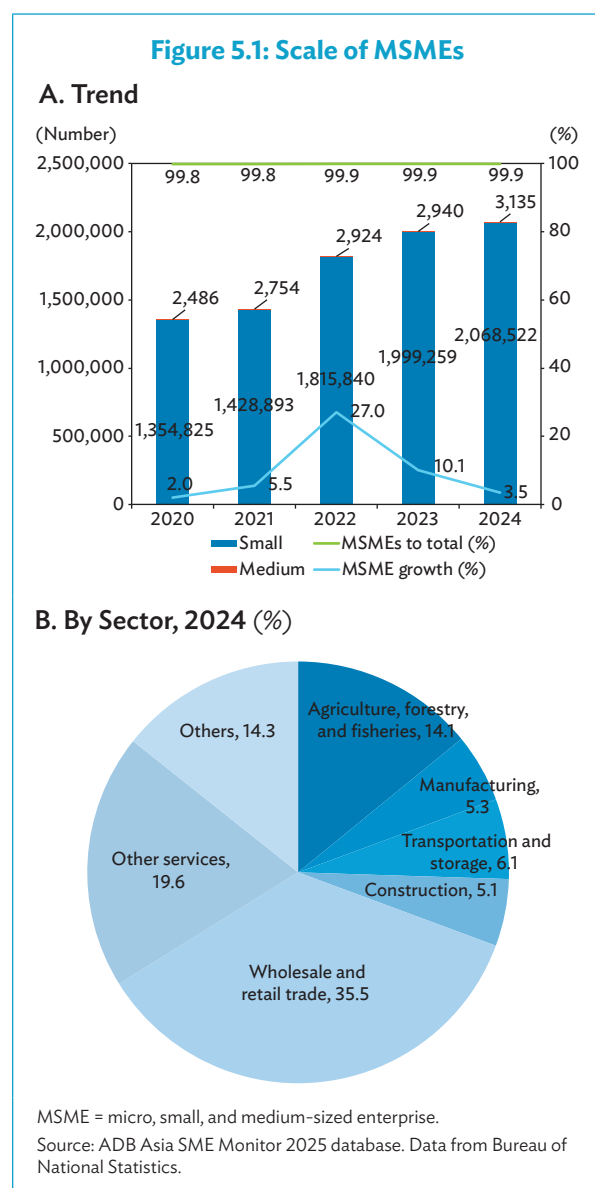
In 2024, wholesale and retail trade remained dominant (35.5% of MSMEs), followed by other services, including accommodation and food services

(19.6%) and agriculture (14.1%) (Figure 5.1B). After expanding consistently since 2019, the share of manufacturing MSMEs fell for the first time, from 6.1% in 2023 to 5.3% in 2024. In 2024, transport-related MSMEs grew to 6.1% of the total after consistently slowing between 2019 and 2023. This was due to the active development of logistics, including freight transportation, warehousing, and express delivery, in which MSMEs play an important role, as well as the development of the Trans-Caspian International Transport Route (Middle Corridor) between the People's Republic of China (PRC) and Europe through Kazakhstan. In 2024, the largest proportion of MSMEs (88.0%) operated in local provinces, with the remaining 12.0% in the capital Astana.

With the slowing growth of the number of MSMEs, employment also slowed to 2.2% in 2024, compared to 16.9% in 2022 and 5.3% in 2023. In 2024, however, the share of MSME employees grew to 48.0% of total employment, substantially above the 39.9% in 2021 (Figure 5.2A). By sector, the majority was in wholesale and retail trade (30.1%), followed by other services including the information and communication sector (26.2%) as of end-2024 (Figure 5.2B). By region, 88.1% of MSME employees were based in the provinces with 11.9% employed within the capital city.

MSME output has grown steadily. MSME GVA in 2024 reached T53.3 trillion, up by 21.1%. It accounted for 39.7% of total GVA and exceeded the government's target outlined in the Concept for MSME Development, close to the 2030 overall 40.0% target (Figure 5.3).

There are no available data on MSME external trade. Based on the "Baiterek" National Managing Holding report through DAMU (daughter company) in collaboration with second-tier banks, Baiterek provided support to 202 MSME exporters in the amount of T191.3 billion within the funding of the National Fund (cumulative amount as of 1 November 2024).⁵⁹

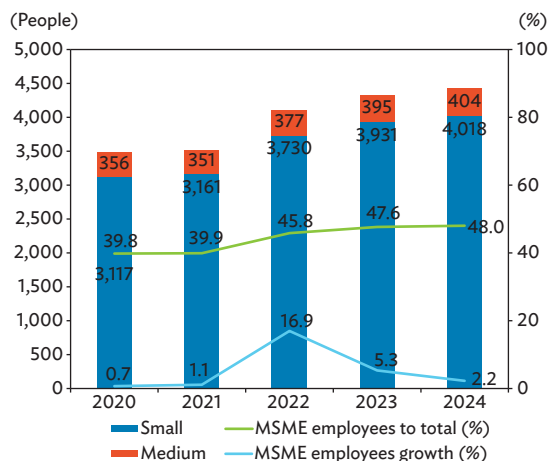


⁵⁸ The Bureau of National Statistics maintains data on both registered and operating MSMEs. In 2024, there were 2.2 million registered MSMEs with 2.0 million actively operating.

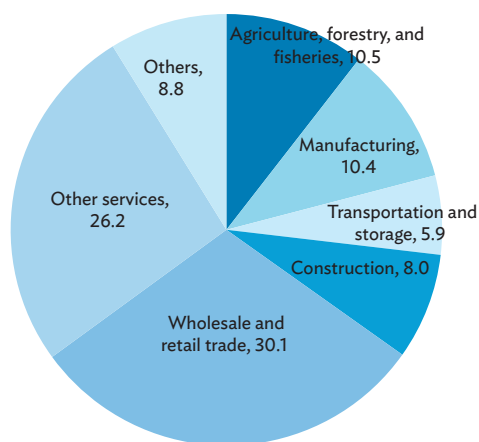
⁵⁹ https://baiterek.gov.kz/ru/o-khonding/otchetnost-kholdinga/?SECTION_ID=212.

Figure 5.2: Employment by MSMEs

A. Trend



B. By Sector, 2024 (%)

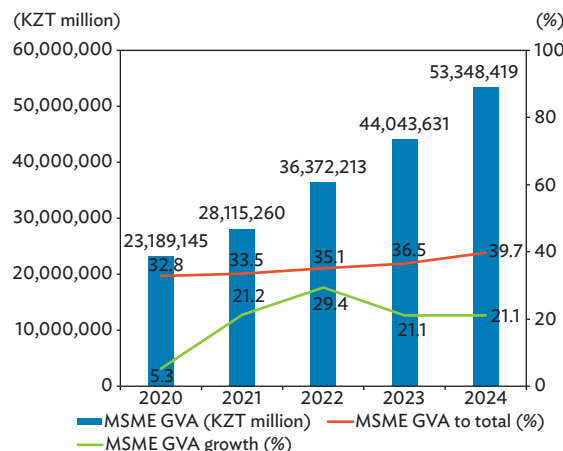


MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bureau of National Statistics.

Technology and innovation are largely supported using financial and nonfinancial support, especially to MSMEs in information technology (IT). In 2024, the international IT Technopark “Astana Hub” under the Ministry of Digital Development launched a new \$10 million “Astana Hub Ventures” fund, which will become an important tool to support and develop

Figure 5.3: MSME Output



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bureau of National Statistics.

start-ups. The Astana Hub implements programs such as “Silkway Accelerator,” created in partnership with “Google for Startups,” to accelerate the growth of projects and expand into new markets. It also runs “Hero Training” in partnership with Draper University to access opportunities in Silicon Valley along with “Scalerator” to help local start-ups enter markets in Southeast Asia, the Middle East and North Africa. During 2024, the “Astana Hub” attracted more than \$177 million in investment, increasing IT services exports to \$481.5 million and with total revenue of \$1.3 billion.⁶⁰

E-commerce remains crucial for national MSME product and service sales. According to a PricewaterhouseCoopers (PWC) e-commerce report, the retail e-commerce market in Kazakhstan showed notable growth during 2024, continuing the trend started in 2023. As of the end of 2024, market volume reached T3.4 trillion, up by 42% compared to the same period in 2023. E-commerce penetration was 15.3%, up by 2.7 percentage points from the end of 2023. It appears Kazakhstan’s e-commerce penetration rate is rapidly nearing the global 19.9% average.⁶¹

⁶⁰ <https://astanahub.com/ru/article/astana-hub-podvodit-itogi-2024-goda-rekordnye-dostizheniya-i-perspektivy-dlia-budushchego#:~:text=Крупнейший%20технопарк%20Центральной%20Азии%20Астана,дохода%20в%20%241%2C3%20млрд.>

⁶¹ Retail e-commerce market in the Republic of Kazakhstan. Analysis for 12 months of 2024 by PWC.

As of May 2025, the National Chamber of Entrepreneurs “Atameken” accredited 198 industry associations with 1.4 million members that include MSMEs needing to address their concerns and help communicate with the government.

Access to Finance

Despite stringent central bank policies, MSME loans outstanding has grown steadily since 2020, reaching T8.7 trillion in 2024. Growth was supported by ongoing state assistance measures for MSMEs through DAMU subsidies and credit guarantee provisions. The MSME Alternative Board also showed strong growth with MSME corporate bond issuance increasing in 2024 as an alternative financing option for qualified MSMEs.

At the end of 2024, there were 8 private commercial banks, 12 foreign banks, and 1 state-owned “Otbasy Bank,” a commercial bank owned by “Baiterek” national managing holding. “Baiterek” also has six subsidiary companies which play an important role as financial intermediaries.

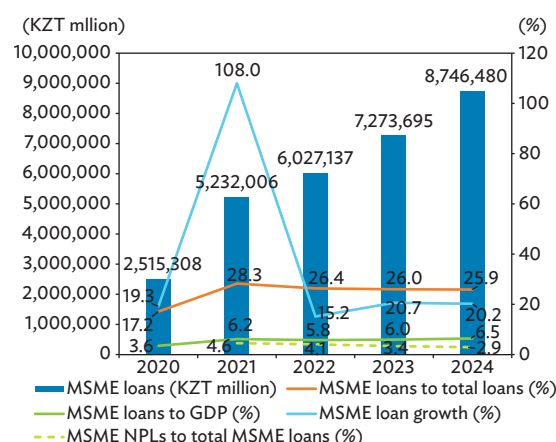
Despite strict central bank policy measures and a high base rate (15.25% as of end-2024), the MSME credit market continued to grow by 20.2% in 2024. MSME loans outstanding reached T8.7 trillion, expanding its equivalent share of GDP from 6.0% in 2023 to 6.5% in 2024 (Figure 5.4A).⁶² This was supported by ongoing state assistance measures through concessional loans, credit guarantees, and subsidy instruments to MSMEs. However, the share of MSME loans to total bank loans remained 25.9% for 3 years (ending 2024). The problem of limited access to bank credit for MSMEs remains.

The MSME nonperforming loan (NPL) ratio decreased consistently from 4.6% in 2021 to 2.9% in 2024, with the 2024 level below that of total bank NPLs (3.2%).

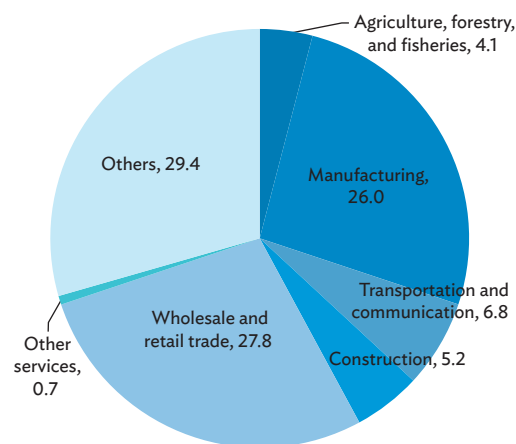
By sector, in 2024, MSMEs in wholesale and retail trade remained the largest borrowers (27.8%), followed by manufacturing (26.0%) (Figure 5.4B). By region, 90.1% of MSME loans went to provincial MSMEs. By loan tenor, the share of long-term loans (more than 5 years) fell from 82.2% in 2023 to 75.8% in 2024, meaning a growing number of MSME loans were needed to replenish working capital for shorter terms of less than 1 year (24.2% in 2024 against 17.8% in 2023).

Figure 5.4: MSME Loans

A. Trend



B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Kazakhstan.

⁶² Between 2020 and 2021, MSME loans outstanding more than doubled, as the central bank revised the way it calculated data. Data before 2020 excluded lending data on medium-sized enterprises. Data after 2021 included data from these firms.

Nonetheless, the annual average MSME lending rate continued to increase from 19.6% in 2023 to 20.0% in 2024. MSME access to finance is mainly supported through state financial assistance.

DAMU is critical by offering credit guarantees and subsidies to MSMEs. In 2024, guaranteed loans increased by a robust 22.5% to T444.9 billion after a 3.8% decline in 2023 and moderate 3.4% growth in 2022 (Figure 5.5). The number of MSMEs obtaining credit guarantees rose from 8,183 firms in 2023 to 9,173 in 2024. The growth came from the government's strategy to shift from providing subsidies to offering credit guarantees in the future.

DAMU offers MSMEs investment subsidies for up to 5 years and for replenishing working capital for no more than 3 years. The subsidy is based on the central bank's base rate plus a 5.0% nominal interest rate. DAMU covers 10.25% (as of July 2025) with the borrower paying the rest. As the central bank's base rate decreases, the subsidized interest portion also decreases proportionally. On 31 December 2024, the central bank base rate was 15.25%.

Due to the shift toward providing credit guarantees, subsidized loans disbursed to MSMEs grew by 0.9% in 2024, amounting to T1 trillion (Figure 5.6).

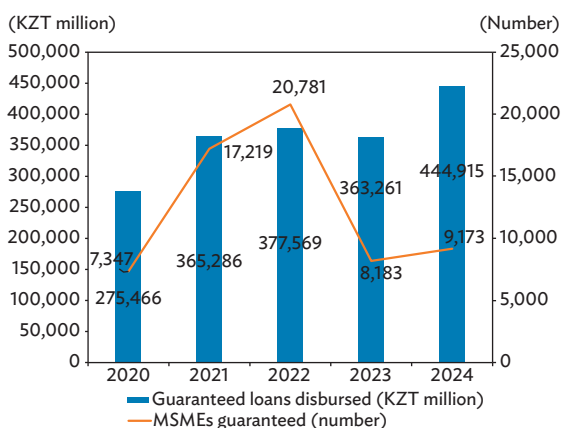
Yet, the number of MSMEs receiving subsidized loans increased from 7,841 in 2023 to 8,482 in 2024, or 0.4% of all operating MSMEs.

The government is also boosting MSME support in manufacturing. Through refinancing and three tranches from the National Fund from 2014 to 2024, the government cumulatively provided T1.2 trillion in financial support to 3,542 manufacturing MSMEs.

Nonbank financing comes mainly from microfinance institutions (MFIs). In 2024, MFI outstanding financing grew by 24.6%, reaching T1.5 trillion. Yet, the number of MFIs fell from 231 in 2023 to 216 in 2024. The government is creating legislation, a new law "On Banks and Banking Activities," to further simplify MFIs to convert into second-tier banks. For instance, two large MFIs, KMF (in March 2025) and BNK (June 2024), have already been authorized to become second-tier banks. As of May 2025, the Solva MFI is also seeking approval.

In 2024, credit union financing outstanding was T964 billion, up by 1.2% compared to 4.6% growth in 2023. Gross NPLs to total loans increased from 0.9% in 2022 to 2.0% in 2024.⁶³

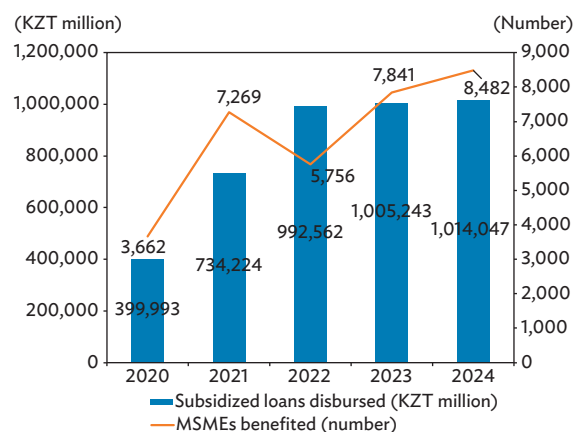
Figure 5.5: Credit Guarantees for MSMEs



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from DAMU Entrepreneurship Development Fund.

Figure 5.6: Subsidized Loans for MSMEs



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from DAMU Entrepreneurship Development Fund.

⁶³ Until 2019 credit union data is for agriculture only, provided by the Association of Credit Union. For 2020 onward it covers all credit unions provided by Agency for Regulation and Development of the Financial Markets (Kazakhstan) (ARDFM).

To support MSME lending, the ARDFM chairperson's annual report to the government mentioned that risk-weighting of MSME loans to capital had fallen to 50%, while the standard risk-weighting to loans is 100%. This freed up bank capital to issue new loans to MSMEs totaling over T1.5 trillion.

ARDFM also launched a streamlined process for evaluating MSME creditworthiness for loans up to T500 million. In addition, the requirements for mandatory reconciliation of financial and tax reporting of borrowers were eased. To develop collateral-free MSME lending, integrating bank information across 52 government services was conducted between 2023–2024. Integration is to be completed in 2025 with 19 additional state databases, including services on legal entities, tax reporting, electronic invoices, work performed, and real estate transactions.⁶⁴

The central bank continues to develop and test its “Digital Tenge” currency project. As of April 2025, 250 billion digital tenge have been issued. Developers attach unique digital tags to each monetary unit, which makes it possible to track their use at all stages—from allocation to full fund utilization. The agro-industrial “Auyl Amanaty” program is an example with farms participating in the Akmola region. Specially programmed digital tenge were used for crediting the purchase of farm animals by farmers with full process transparency, excluding any possibility of false transactions.⁶⁵

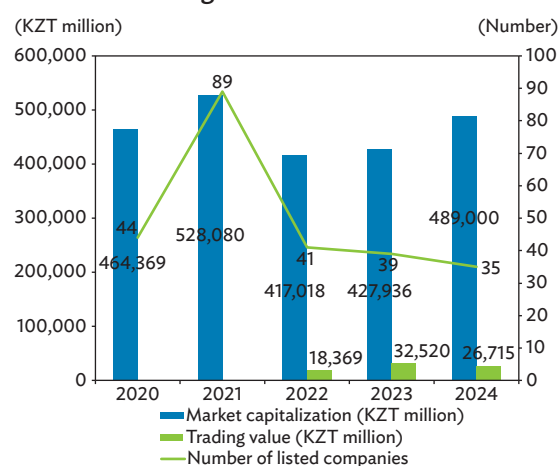
Based on Kazakhstan Stock Exchange (KASE) data, market capitalization on the MSME Alternative Board increased by a strong 14.3% to reach T489 billion in 2024 (Figure 5.7A).

This market capitalization growth can be attributed to several factors, including the stabilization of national macroeconomic conditions, the gradual reduction of the base lending rate, a growing number of retail investors, and the promotion of environmental, social, and governance securities.

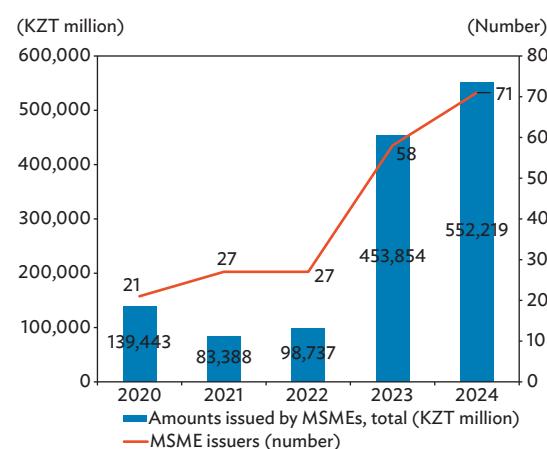
The number of MSMEs issuing corporate bonds increased from 58 firms in 2023 to 71 in 2024, with MSME bonds issued amounting to T552 billion, up by 21.7% from 2023 (Figure 5.7B). The MSME bond market growth is driven by DAMU financial support measures which subsidize the coupon rate difference.

Figure 5.7: Capital Markets for MSMEs

A. Alternative Board, Kazakhstan Stock Exchange



B. Corporate Bonds



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Kazakhstan.

⁶⁴ <https://www.gov.kz/memleket/entities/ardfm/press/speeches/details/1054?lang=ru>.

⁶⁵ <https://primeminister.kz/ru/news/olzhas-bektenov-provel-soveshchanie-po-vnedreniyu-tsifrovogo-tenge-i-mekhanizmov-kontrolya-zatselevym-ispolzovaniem-byudzhethnykh-sredstv-29886>.

Issuers can benefit without providing liquid collateral. DAMU also offers guarantees for corporate bonds up to T5 billion, covering up to 50% of the bond amount.

On 31 March 2025, ARDFM officially released the draft of the Law on Credit Rating Agencies for public discussion. This legislation will establish the principles of rating activities, requirements for credit rating agency activities, procedures for recognizing international and foreign agencies, requirements for local agencies, and managing conflicts of interest.⁶⁶ Legislation establishing credit rating agencies may make it easier for MSMEs to access finance, participate in state support programs, and receive detailed information for evidence-based policymaking.

Policies and Regulations

The National Development Plan through 2029 targets an increase in IT products and services exports to \$1.8 billion, with MSMEs playing a leading role. The Concept of MSME Development sets targets for MSME contributions to GVA. Starting from 1 January 2026, the government plans to raise the VAT rate from 12% to 16% as part of its tax reforms. DAMU is also improving MSME client service systems using AI tools.

Presidential Decree No.611 issued on 30 July 2024 approved the National Development Plan (NDP) through 2029. Its goal is to double the nation's GDP to \$450 billion by the end of the implementation period. NDP 2029 targets an increase in IT products and services exports from \$529.1 million in 2023 to \$1.8 billion in 2029. Most IT exporters are MSMEs. The government also plans to expand business lending to 185% of the 2022 level by 2029. It intends to continue using regulated procurement as a strategic tool to boost MSMEs, integrating the initiatives with mechanisms that promote local manufacturing and encourage localization within Kazakhstan.

The Concept of MSME Development for 2030, aligned with NDP 2029, targets a 40.0% share of MSME contribution to GVA, help alleviate poverty, and registers the informal sector, thus reducing the “invisible” economy in GDP to 12% (Table 5.4). It also aims to gradually move from supporting all MSMEs to focusing on assisting medium-sized firms by the end of the program.

In January 2025, the government initiated tax reforms primarily focused on amending existing business procedures. On 18 July 2025, the president approved a new Tax Code, effective 1 January 2026, under which VAT will increase from 12% to 16%, while the threshold for registering firms and individual entrepreneurs liable for VAT will be lowered from 20,000 MCI to 10,000 MCI.⁶⁷ However, different VAT rates will apply to priority sectors. For instance, reduced VAT rates will apply for medicines and medical services: 5% from 2026 and 10% from 2027. Goods and services related to guaranteed free medical care, compulsory medical insurance, treatment of orphan diseases, and socially significant diseases are VAT exempt. Exemptions will be provided for critical food and domestically published books. These tax reforms have sparked debate among MSMEs and large companies, with experts arguing that raising VAT and lowering the VAT registration threshold could cause MSMEs financial problems and reduce their workforce.

MSMEs face various challenges linked to macroeconomic fluctuations, supply chain disruptions, geopolitical uncertainties, and external economic shocks. High inflation and exchange rate fluctuations increase MSME borrowing costs and operational expenses. This reduces their ability to plan and invest long-term, especially with sanction-related pressures and external market instability. Also, the high cost of borrowing and limited access to long-term financing limit business investment and growth, particularly in the provinces. Another barrier is the lack of collateral and formal credit

⁶⁶ <https://legalacts.egov.kz/npa/view?id=15503835>.

⁶⁷ MCI – Monthly calculation index (for 2025 year 1 MCI = KZT3,932).

history among a significant portion of entrepreneurs, which restricts their access to financing outside government programs. Most MSMEs lag in adopting digital technologies and innovations due to a lack of resources and skilled personnel. This undermines their competitiveness in both domestic and international markets, especially given the accelerated digital economic transformation. Local MSMEs primarily focus on the domestic market with limited foreign trade. In addition, rising production costs due to logistics disruptions and sanctions pressure, declining consumer purchasing power, and domestic demand inhibit growth.

Digitalization of MSMEs

To improve MSME digital infrastructure, DAMU incorporates AI tools into its client service systems for MSME applications, sets up direct data exchanges with second-tier banks, and integrates information systems with government databases to track various state supported data.

To develop IT and attract more young people to become entrepreneurs, 15 technology hubs were opened as of September 2024 in different regions through the IT Techno Park “Astana Hub.” These regional hubs offer incubation and acceleration programs for start-ups from assisting in creating Minimum Viable Products to scaling developed products and entering new markets.⁶⁸

The President announced in September 2024 that a National Center of Artificial Intelligence “Alem. ai” will be opened in Astana by end-2025 to create an AI ecosystem to attract investment and support start-ups. The project plans to attract about 10,000 people across various industries, train at least 1,000 AI specialists, launch 100 AI start-ups, and conduct 10 AI research projects annually.⁶⁹

Green MSMEs and climate action

In 2020, DAMU, in cooperation with the United Nations Development Programme, debuted issuance of green bonds on the Astana International Exchange. The funds raised will go to MSMEs working on projects in renewable energy and energy efficiency.

The “International Center for Green Technologies and Investment Projects” under the Ministry of Ecology and Natural Resources implements projects for the Global Cleantech Innovation Program. The program annually selects 30–40 MSME projects offering innovative solutions in environmentally friendly technologies. It also helps accelerate, develop, scale up, and deploy programs to help find solutions. Overall, it is expected that, with government support, 100 new green companies will be created between 2023 and 2026, with 13 MSMEs given access to global clean technology markets.⁷⁰

Women-led MSMEs

During 2023 and 2024, the nongovernment “Techno Women” organization—with support from the National Commission on Women, Family, and Demographic Policy under the President, and IT Techno Park “Astana Hub”—implemented an online “IT-Aiel” women’s educational program to improve financial literacy among youth and women. It aims to help youth and women boost their financial well-being using digital tools and AI. The program had 7,785 applicants over 2 years. For 2025, it plans to train 10,000 women, emphasizing AI tools and IT skills to support women’s career growth.⁷¹

In 2024, DAMU expanded its product range by launching an “Umit” program to support women entrepreneurship. For financing, DAMU, in partnership with international finance institutions,

⁶⁸ <https://astanahub.com/ru/article/chetyre-tehnologicheskikh-khaba-otkroiutsia-v-kazakhstane-do-kontsa-goda>.

⁶⁹ <https://www.gov.kz/memleket/entities/mdai/press/news/details/901676?lang=ru#:~:text=Открытие%20центра%20планируется%20в%202025,привлечение%20инвестиций%20в%20область%20ИИ>.

⁷⁰ <https://igitpc.org/gcip/>.

⁷¹ <https://technowomen.kz/en/astana-to-sum-up-it-aiel-2-0-program-and-present-new-programs-for-2025/>.

allocated T10 billion, offering free financial literacy training for women start-ups. In addition, the “Women in Business” program (2015–2021), in collaboration with the European Bank for Reconstruction and Development, along with the Program for Financing MSMEs (2011–2020) under agreement between the government, ADB, and DAMU, as well as the “Program for Conditional Allocation of Funds to second-tier banks” (2009–2018), contributed to supporting women in business.

International trade of MSMEs

The JSC “QazTrade” Trade Policy development center under the Ministry of Trade and Integration administers the state platform “Export.gov.kz.” The platform is an interface between the government and exporters, including MSMEs, and consolidates government services and support measures required for exporters. It also supports the establishment of inter-firm linkages to find partners and form export consortia.

Starting from 2020 the “DAMU Ondiris” program has supported MSMEs in manufacturing, including export-oriented firms. The program subsidizes interest payments and offers credit guarantees.

MSME financing and financial inclusion strategies

While there is no national financial inclusion strategy, DAMU implements financial inclusion strategies to enhance MSME financial accessibility through various financing and guarantee programs. The government is also working on laws providing financial assistance for MSMEs.

Government Decision No. 754 dated 17 September 2024 combined “Economy of Simple Things” and “Business Road Map 2025” MSME financial assistance programs into a “Comprehensive Program for the Support and Development of Micro-, Small and Medium-Sized Enterprises.” The unified program supports MSMEs in several ways:

- (i) portfolio-based subsidies for part of the interest rate and partial guarantees on loans/microloans for small business entities, including microenterprises;
- (ii) subsidies for part of the interest rate and partial guarantees on loans/financial leasing contracts of entrepreneurs issued by second-tier banks/leasing companies; and
- (iii) subsidies of the coupon interest rate and provision of guarantees on MSME-issued bonds.

On 26 September 2022, Presidential Decree No.1021 approved the Concept for the Development of the Financial Sector of Kazakhstan until 2030. It includes seven main areas of development: (i) ensuring financial stability and maintaining confidence in the financial sector; (ii) ensuring fair conduct, protecting the rights and interests of financial services consumers; (iii) developing innovations, financial technologies, new business models, and competencies in the financial market; (iv) financing the economy and development of the banking sector; (v) developing the insurance industry as a tool for protecting financial interests; (vi) developing the securities market for financing the economy; and (vii) developing the nonbank sector and microfinance. This does not specifically address MSME finance but should help them better access formal financial services.

Data Tables

Table 5.1: MSME Definition*

Type	Item	Micro	Small	Medium
Legal entity and individual entrepreneurs	Annual average income	Less than 30,000 times the monthly calculation index (MCI).***	More than 30,000 but less than 300,000 times the MCI.	More than 300,000 but less than 3,000,000 times the MCI.
	Annual average number of employees**	Fewer than 15.	More than 15 but fewer than 100.	More than 100 but fewer than 250.

Note: For the purposes of state support and application of other norms of Kazakhstan legislation, small-businesses as well as microenterprises cannot be individual entrepreneurs and legal entities engaged in trafficking narcotics, psychotropic substances and precursors, production and (or) wholesale of excisable products, grain storage activities at grain receiving points, organizing a lottery, gambling, circulation of radioactive materials, banking activities (or certain types of banking operations) and activities in the insurance market (except for the activities of an insurance agent), audit, professional activity in the securities market, activities of credit bureaus, security activity, circulation of civilian and service weapons and cartridges for them.

* For the purposes of providing state support and applying other norms of Kazakhstan legislation, two criteria are used: the average annual number of employees and average annual income.

** For the purposes of state statistics, only the criterion of the annual average number of employees is used (microenterprises are included in the number of small firms in accordance with dimension classifier of Bureau of National Statistics dated 5 February 2015 order N27).

*** MCI established by the law on the republican budget and effective as of 1 January of the corresponding calendar year (MCI for 2025 calendar year is equivalent to T3,932).

Source: ADB Asia SME Monitor 2025 database. Data from Entrepreneurial Code of the Republic of Kazakhstan dated 29 October 2015.

Table 5.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises*							
MSMEs	Number	1,330,244	1,357,311	1,431,647	1,818,764	2,002,199	2,071,657
Micro**	Number	...	...	...	...	...	...
Small	Number	1,327,742	1,354,825	1,428,893	1,815,840	1,999,259	2,068,522
Medium-sized	Number	2,502	2,486	2,754	2,924	2,940	3,135
Large	Number	2,345	2,357	2,410	2,518	2,457	2,463
Total	Number	1,332,589	1,359,668	1,434,057	1,821,282	2,004,656	2,074,120
MSME to total	%	99.8	99.8	99.8	99.9	99.9	99.9
MSME growth	%	7.2	2.0	5.5	27.0	10.1	3.5
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		19.0	19.2	18.2	15.2	15.2	14.1
Manufacturing		3.9	4.2	4.5	5.6	6.1	5.3
Transportation and storage		6.0	5.7	5.4	4.7	4.5	6.1
Construction		4.9	5.3	5.7	5.2	5.0	5.1
Wholesale and retail trade		33.3	32.1	31.9	35.1	35.8	35.5
Other services		19.4	19.7	20.0	18.4	18.3	19.6
Others		13.7	13.7	14.3	15.8	15.1	14.3
MSMEs by region	%	100	100	100	100	100	100
Capital city (Astana)		10.1	10.7	11.4	11.2	11.4	12.0
Others		89.9	89.3	88.6	88.8	88.6	88.0
Employment							
MSMEs	Number ('000)	3,449	3,473	3,512	4,107	4,326	4,422
Micro**	Number ('000)	...	...	...	...	...	...
Small	Number ('000)	3,084	3,117	3,161	3,730	3,931	4,018
Medium-sized	Number ('000)	365	356	351	377	395	404
Large	Number ('000)	1,853	1,822	1,815	1,831	1,844	1,838
Others (self-employed)	Number ('000)	3,479	3,437	3,480	3,034	2,912	2,954
Total	Number ('000)	8,781	8,732	8,807	8,972	9,082	9,214
MSME employees to total	%	39.3	39.8	39.9	45.8	47.6	48.0
MSME employees growth	%	4.1	0.7	1.1	16.9	5.3	2.2
MSME employees by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		13.0	13.0	12.8	11.3	11.2	10.5
Manufacturing		9.9	9.9	10.3	10.3	10.3	10.4
Transportation and storage		5.5	5.5	5.3	5.0	5.0	5.9
Construction		8.7	9.8	8.6	8.3	7.8	8.0
Wholesale and retail trade		28.9	27.9	28.5	29.7	30.6	30.1
Other services		25.8	25.7	26.4	26.1	26.1	26.2
Others		8.3	8.2	8.1	9.3	9.1	8.8
MSME employees by region	%	100	100	100	100	100	100
Capital city (Astana)		11.2	11.5	11.8	12.0	11.9	11.9
Others		88.8	88.5	88.2	88.0	88.1	88.1
Output							
MSME GVA	GVA, KZT mil.	22,029,151	23,189,145	28,115,260	36,372,213	44,043,631	53,348,419
MSME GVA to total	% to GVA	31.7	32.8	33.5	35.1	36.5	39.7
MSME GVA growth	%	25.4	5.3	21.2	29.4	21.1	21.1
Exports							
MSME exports	KZT mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	KZT mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

* Operating enterprises.

** There is no microenterprise category in the national statistics. Only the criterion of the annual average number of employees is used for the statistics.

Microenterprises are included in the category of small firms in accordance with the dimension classifier of the Bureau of National Statistics dated on 5 February 2015 Order No.27.

GVA = gross value added; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bureau of National Statistics under Agency on Strategic Planning and Reforms of the Republic of Kazakhstan.

Table 5.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	KZT mil.	2,108,945	2,515,308	5,232,006	6,027,137	7,273,695	8,746,480
MSME loans to total loans	%	15.2	17.2	28.3	26.4	26.0	25.9
MSME loans to GDP	%	3.0	3.6	6.2	5.8	6.0	6.5
MSME loan growth	%	(10.8)	19.3	108.0	15.2	20.7	20.2
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	KZT mil.	...	...	241,285	248,898	244,465	257,422
MSME NPLs to total MSME loans	%	...	...	4.6	4.1	3.4	2.9
(Gross NPLs to total bank loans)	%	8.1	6.9	3.3	3.4	2.9	3.2
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		4.6	3.6	4.8	4.7	4.6	4.1
Manufacturing		13.6	13.4	24.2	25.6	24.0	26.0
Transportation and communication		5.7	4.8	5.6	5.6	7.3	6.8
Construction		12.5	11.0	8.3	6.0	5.2	5.2
Wholesale and retail trade		25.8	26.4	24.5	25.9	28.2	27.8
Other services		0.4	0.4	1.4	1.1	0.7	0.7
Others		37.4	40.3	31.2	31.1	30.0	29.4
MSME loans by region	%	100	100	100	100	100	100
Capital city (Astana)		12.9	13.9	14.4	12.7	10.0	9.9
Others		87.1	86.1	85.6	87.3	90.0	90.1
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	100	100	100	100	100	100
Less than 1 year		15.9	17.9	23.2	26.8	17.8	24.2
1-5 years		...	...	...	...	...	...
More than 5 years		84.1	82.1	76.8	73.2	82.2	75.8
Public Finance and Guarantees							
Credit guarantees schemes for MSMEs							
Guaranteed loans disbursed	KZT mil.	102,748	275,466	365,286	377,569	363,261	444,915
Growth	%	57.2	168.1	32.6	3.4	(3.8)	22.5
MSMEs guaranteed	Number	2,673	7,347	17,219	20,781	8,183	9,173
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for MSMEs							
New approval	Number	2,647	14,262	...	24,485	12,339	17,623
Subsidized loans disbursed	KZT mil.	154,894	399,993	734,224	992,562	1,005,243	1,014,047
Growth	%	(10.5)	158.2	83.6	35.2	1.3	0.9
MSMEs benefited	Number	2,401	3,662	7,269	5,756	7,841	8,482
Capital Markets							
Alternative Board, KASE							
Market capitalization	KZT mil.	852,494	464,369	528,080	417,018	427,936	489,000
Growth	%	34.2	(45.5)	13.7	(21.0)	2.6	14.3
Trading value	KZT mil.	...	...	...	18,369	32,520	26,715
Listed companies	Number	48	44	89	41	39	35
Corporate Bonds Issued by MSMEs							
Amounts issued, total	KZT mil.	583,747	139,443	83,388	98,737	453,854	552,219
Growth	%	201.3	(76.1)	(40.2)	18.4	359.7	21.7
MSME issuers	Number	23	21	27	27	58	71
MSME bonds by maturity	%	100	100	100	100	100	100
Less than 1 year		18.2	13.4	12.6	19.4	6.7	10.4
1-5 years		27.7	9.6	46.4	49.8	76.1	68.4
5-10 years		38.1	77.0	41.1	30.8	17.2	21.2
More than 10 years		16.0	...	...	...	...	...

GDP = gross domestic product; KASE = Kazakhstan Stock Exchange; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National bank of Kazakhstan; DAMU Entrepreneurship Development Fund; and Kazakhstan Stock Exchange (KASE).

Table 5.4: Policies and Regulations

Benchmark Regulation	Entrepreneurial Code of the Republic of Kazakhstan dated 29 October 2015 No.375-V
Focal Government Authorities for MSMEs	Ministry of National Economy DAMU JSC Entrepreneurship Development Fund
Key Policies and Strategies	
Name	Outline
Development concept of small and medium-sized enterprises until 2030	The concept formulates the state policy for the development of MSMEs, which defines the basic principles and approaches for the allocation of state resources aimed at developing MSMEs.
National Development Plan (NDP) of the Republic of Kazakhstan until 2029 [July 2024]	The NDP targets doubling the country's GDP to \$450 billion by the end of 2029. Related to MSMEs, it aims to reduce administrative burden and corruption risks through digitalization, encourage business consolidation and transition out of the informal economy, increase the number of export-oriented enterprises, promote competition and reduce direct and indirect market distortions, as well as improve business support instruments.
Comprehensive Program for the Support and Development of Micro-, Small and Medium-Sized Enterprises (through unification of "Economy of Simple Things" and "Business Road Map 2025" program based on Government decision from 17 September 2024)	Support for MSMEs is provided through: 1) Portfolio-based subsidization of part of the interest rate and partial guarantees on loans/microloans for small business entities, including microenterprises. 2) Subsidization of part of the interest rate and partial guarantees on loans/financial leasing contracts of entrepreneurs issued by second-tier banks/leasing companies. 3) Subsidization of the coupon interest rate and provision of guarantees on bonds issued by MSMEs.
The Concept for the Development of the Financial Sector of Kazakhstan (approved by Presidential Decree No.1021 on 26 September 2022)	The concept includes seven main areas of development: (i) ensuring financial stability and maintaining confidence in the financial sector; (ii) ensuring fair conduct, protecting the rights and interests of financial services consumers; (iii) developing innovations, financial technologies, new business models, and competencies in the financial market; (iv) financing the economy and development of the banking sector; (v) developing the insurance sector as a tool for protecting financial interests; (vi) developing the securities market as one of the effective instruments for financing the economy; and (vii) developing the non-bank sector and microfinance.
Development Strategy of the DAMU Fund for 2024-2033	Developed for the purpose to provide MSMEs with a wide range of financial instruments, increase the share of financial support and the amount of funding under the state programs for MSMEs, developing and introducing performance criteria to MSME projects, diversification of raising fund sources for programs.
Thematic Initiatives	
Digitalization of MSMEs:	
Concept for Digital Transformation, Development of the Information and Communication Technology Sector, and Cybersecurity for 2023-2029	The objectives of the Concept are to identify optimal ways to address pressing issues in the provision of public services to the population and the business community, to transform public administration, and to further develop economic sectors through the use of digital technologies.
Green MSMEs and Climate Action:	
Concept for the Transition of the Republic of Kazakhstan to a Green Economy (approved by Presidential Decree No.577 dated 30 May 2013)	Main Goals: 1) Ensure sustainable economic growth while preserving the environment and improving the quality of life. 2) Reduce dependence on natural resource extraction and move towards a diversified, innovation-driven economy.
Women-led MSMEs:	
1) The Law of the Republic of Kazakhstan dated 8 December, 2009 № 223-IV "On State Guarantees of Equal Rights and Equal Opportunities of Men and Women"	The Law shall regulate the social relations in the field of ensuring of the state guarantees of equal rights and equal opportunities of men and women and shall establish the basic principles and regulations, relating to the creation of conditions for gender equality in all spheres of the state and social life.
2) The Concept of family and gender policies in the Republic of Kazakhstan until 2030 (approved by Presidential Decree No.384 dated 6 December 2016).	The goals of the state gender policy are to achieve equal rights, benefits, responsibilities and opportunities for men and women in all spheres of society, to overcome all forms and manifestations of gender discrimination.
International trade of MSMEs:	
Action Plan for the Development of the E-Commerce Market until 2027 (Order No.170-NK of the Acting Minister of Trade and Integration of the Republic of Kazakhstan dated 9 April 2024)	1) Strengthen the legal framework governing online sales to ensure fair competition and consumer protection; 2) Introduce nationwide e-commerce training programs to equip businesses and individuals with necessary digital skills; 3) Develop modern logistics infrastructure to enhance the efficiency and reliability of e-commerce operations; 4) Engage in partnerships and agreements to expand the reach of Kazakhstan products in global markets; 5) Develop e-commerce as an integrated ecosystem encompassing both domestic and international flows.

NBK = National Bank of Kazakhstan; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of National Economy of Kazakhstan, DAMU Entrepreneurship Development Fund, official websites of government institutions of Kazakhstan, and national legal information system of Regulatory Legal Acts (adilet.zan.kz).

KYRGYZ REPUBLIC

Overview

Economic growth accelerated in 2024 to 9.0%, up from 6.2% in 2023, backed by government policies, better infrastructure, and a rise in private consumption. More specifically, there was significant expansion in manufacturing (up by 5.6%), construction (18.0%), agriculture (6.3%), wholesale and retail trade (16.3%), and services (9.3%). Lower commodity prices and a stable exchange rate helped lower inflation from 10.8% in 2023 to 5.0% in 2024.⁷²

MSME landscape data for 2024 had not yet been updated as of August 2025, so earlier data was used here. In 2023, micro, small, and medium-sized enterprises (MSMEs) numbered 20,173, a significant 16.1% increase over the 1.9% growth in 2022. This was primarily due to the larger number of MSMEs involved in transit trade between the People's Republic of China (PRC) and Russia, as well as new branches of Russian firms in the Kyrgyz Republic. MSMEs employed around 106,000 workers in 2023, much higher than the 92,000 in 2022 as the rebound from the effects of the coronavirus disease pandemic continued. The average monthly salary in 2023 of MSME workers was Som19,689, up 1.5 times from 2019, though it remained below the average Som31,604 nationally. In 2024, the business credit (including MSME loans) continued to expand rapidly, by 17.7%, to reach Som202 billion. Despite this sustained growth, its share of total bank credit consistently continues to fall to 59.4% compared to 66.7% in 2023, given the increasing shift in bank lending toward consumer loans and mortgages. In April 2025, the Central Bank Digital Currency (CBDC) law was enacted, giving the central bank exclusive control over issuing “digital som.” The CBDC pilot platform be tested until the end of 2026. The use of CBDC may lower MSME transaction costs and upgrade the quality of state support. In June 2025, the National Development Program through 2030 was approved. It prioritizes the country's integration into international markets, establishes sustainable business support systems, promotes the digital transformation, strengthens finance, and seeks better regional inclusion. Regional cooperation across Central Asia is vital, such as the “Ready4Trade Central Asia” initiative which boosts export potential and economic integration.

MSME Development

There was no update on MSME landscape data from the previous report. In 2023, the number of MSMEs grew by 16.1% to 20,173 firms, driven by increasing MSME involvement in transit trade between the PRC and Russia along with new branches of Russian firms being set up in the country. MSME employees expanded as well in 2023 on the continuing rebound from the coronavirus disease pandemic.

The MSME definition and legal framework remain as in 1998, which uses employment thresholds and annual revenue criterion by industry group (Table 6.1). Government Resolution No.78 of 1998 categorizes MSMEs into two groups: one including agriculture, manufacturing, and construction with the other in trade and services. The first defines MSMEs as companies with up to 200 employees and less than Som2 million in annual revenue, while the second includes enterprises with up to 50 employees and less than Som2 million in revenue.

⁷² ADB. 2025. Asian Development Outlook September 2025.

In 2023, MSMEs totaled 20,173 firms, up by 16.1% from the 1.9% expansion in 2022 (Table 6.2). Growth was mainly attributed to MSME involvement in transit trade between the PRC and Russia, as well as the opening of local branches of Russian companies.

In 2023, 31.8% of MSMEs worked in wholesale and retail trade with other services including accommodation and food services accounting for 35.8%. These were followed by manufacturing (13.0%), construction (11.2%), and transportation and communications (5.3%). By region, 64.9% of MSMEs operated in the capital city Bishkek with the remaining (35.1%) in outside provinces.

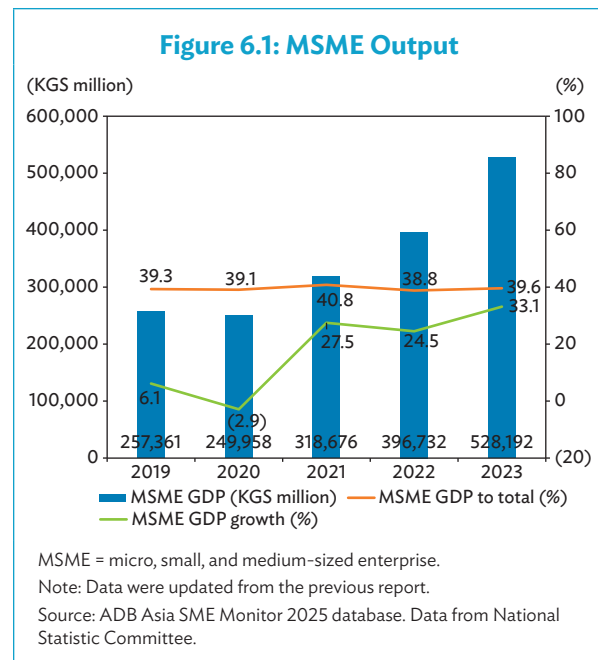
After a consistent decline in 2020–2022, MSME employment rebounded by a robust 15.3% to 106,000 workers in 2023, or 51.2% of total employment, yet still below the pre-pandemic level (53.0% in 2019).

The sectoral distribution of MSME workers does not match the distribution in number of MSMEs. In 2023, the largest share of workers was in manufacturing (30.6%), followed by other services (29.9%), trade (18.2%), and construction (13.3%). The smallest proportion worked in agriculture (4.1%) and transportation and communications (3.9%). By region, 51.2% worked in Bishkek with the remaining 48.8% employed outside.

According to the National Statistic Committee, the average monthly MSME salary in 2023 was Som19,689, 1.5 times the amount in 2019. Still, the rate remained below the average national level of Som31,604.

MSME gross domestic product (GDP) amounted to Som528.2 billion, up by 33.1% from 2022, and contributed 39.6% to the country's overall GDP (Figure 6.1). By sector, MSME wholesale and retail trade contributed 42.2%, followed by agriculture (14.7%), construction (11.8%), and manufacturing (10.8%).

The sustained growth in MSME output was partly boosted by foreign direct investment (FDI). In 2023, the volume of FDI (excluding outflows) for MSME development reached \$263.8 million, up



by 14.5% from 2022. Compared to pre-pandemic 2019, however, the amount was down by 5.9%. The increase in FDI volume to MSMEs was in mining, manufacturing, construction, wholesale and retail trade, services, information and communications, financial intermediation and insurance, real estate, administrative and auxiliary activities, education, as well as health and social services.

Despite the significant 50.1% growth in 2023 exports, MSME exports fell by 10.5%, reaching \$1.4 billion. This was primarily due to Western sanctions against Russia (the country's main trading partner) and strengthened controls on re-exports of dual-use goods from Europe and the United States.

Based on tentative 2024 data from the National Statistic Committee, total exports grew by 13.1% to \$3.8 billion, while imports declined by 2.4% to \$12.2 billion. Main export destinations included the United Kingdom (31.7%), Russia (27.0%), Kazakhstan (10.9%), and Uzbekistan (9.1%).

In 2024, most imports originated from the PRC (44.6%), Russia (20.6%), Kazakhstan (7.5%), and Uzbekistan (4.1%).

To strengthen the competitiveness of local products and attract investment, the government launched an e-commerce development program for 2023–2026. Based on United Nations Development Programme’s (UNDP) estimates, the local e-commerce market is expected to grow from \$360 million in 2024 to \$595.7 million by 2028, with sustained tax revenue growth evident by 2025. Together with the Ministry of Economy and Commerce, UNDP is developing a regulatory framework to establish an E-commerce Park. This should help create an environment to attract e-commerce firms, increase investment and nurture an digital commerce ecosystem, in the process making the country a logistics and digital trade hub.⁷³

Access to Finance

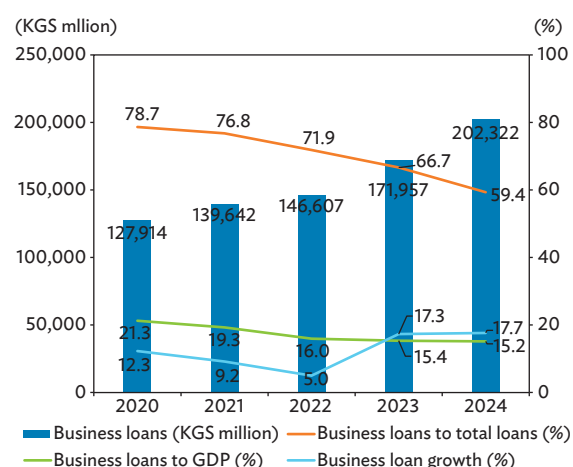
In 2024, business credit, including MSME financing, continued its robust growth, expanding by 17.7% to reach Som202 billion. Nonetheless, its share of total bank credit continued to fall to 59.4% from 66.7% in 2023. In December 2024, the State Development Bank, through the KyrgyzKommertsBank, allocated Som100 million to support light industry. It also signed a Som150 million credit agreement with the Entrepreneurship Development Fund for the “Assistance to Regional Development Program,” which offers concessional loans to entrepreneurs at interest rates up to 12% and repayment terms of up to 6 years.

By the end of 2024, there were 21 operating banks, including 4 state-owned banks, 7 private commercial banks, and 10 foreign commercial banks. The central bank tracks business loans, which include MSME credit data. The business lending market continued to grow by a rapid 17.7% to reach Som202 billion in 2024. Despite this sustained growth, however, its share of total bank credit dropped to 59.4% from 66.7% in 2023 with the increasing transition of bank lending to consumer loans and mortgages (Table 6.3 and Figure 6.2A). The proportion of business loans to GDP remained stable at 15.2% in 2024 against 15.4% in 2023.

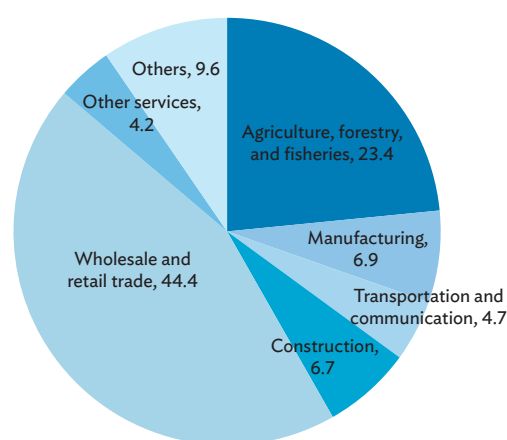
Although the central bank lowered its key interest rate from 13.0% to 9.0% during 2024, the annual average lending rate for business loans rose from 13.4% in 2023 to 15.1% in 2024. Access to bank credit remains challenging for businesses. By sector, a substantial portion of business lending went to trade (44.4%), followed by agriculture (23.4%), others (9.6%), and manufacturing (6.9%) (Figure 6.2B).

Figure 6.2: Business Loans

A. Trend



B. By Sector, 2024 (%)



Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Kyrgyz Republic.

⁷³ <https://www.undp.org/kyrgyzstan/stories/undp-supports-e-commerce-growth-kyrgyzstan>.

By loan tenor, 15.8% were short-term (less than 1 year) in 2024, while 84.2% were mid-term (1–5 years). The share of short-term lending fell by 17.4% from 2023.

The most recent data on MSME credit guarantees and subsidized loans were unchanged from the 2024 report. As of the end of 2021, guaranteed loans outstanding amounted to Som5.8 billion for 977 MSMEs. For subsidized loans, Som6.2 billion was disbursed to 10,407 MSMEs in 2021.

The State Development Bank (SDB), which opened in April 2023, provides medium- and long-term funding to enterprises of all sizes. In December 2024, SDB, through the second-tier “KyrgyzKommertsBank,” allocated Som100 million to finance businesses in light industry.⁷⁴ It also signed a credit agreement with the Entrepreneurship Development Fund for Som150 million for the “Assistance to Regional Development Program.” The program offers concessional loans to entrepreneurs with interest rates up to 12% (below market rates) with loan terms of up to 6 years.⁷⁵

There were 994 nonbank finance institutions operating in 2024, including 108 microfinance institutions (MFIs), 78 credit unions, 1 finance company, 355 pawnshops, 22 leasing companies, and 16 insurance companies. MFIs, credit unions, and leasing companies work closely with MSMEs.

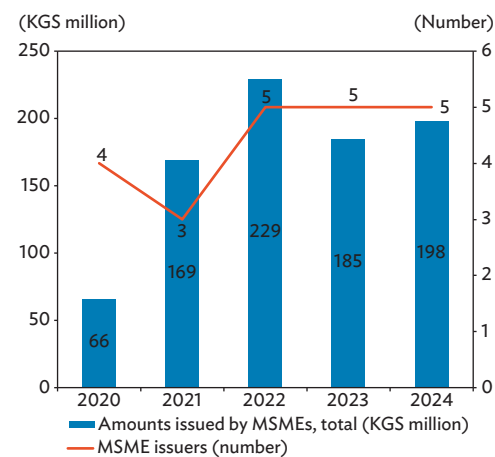
MFIs play a key role as an alternative source of MSME financing aside from banks. In 2024, MFIs covered 70.8% of the loan portfolio of the nonbank finance institutions. Customers financed substantially increased from 739,623 in 2023 to 1,114,941 clients in 2024, with the annual lending rate down from 32.0% in 2023 to 30.3% in 2024. The loan portfolio thus grew by 20.0% to reach Som27.9 billion in 2024.

Due to their proximity to rural areas, MFI financing outstanding in agriculture in 2024 was largest at 33.4%, followed by services (20.0%), trade (18.4%), and construction (16.7%).

Although the 2024 loan portfolio of credit unions remained small at Som868 million, or just 0.1% of GDP, it continues to be an important MSME funding channel, especially in agriculture (20.1% in 2024). Most other financing went to trade (18.1%) and construction (17.7%). In contrast to MFIs, customers financed by credit unions decreased from 5,648 in 2023 to 4,729 in 2024, a 7.6% reduction in outstanding loans. Leasing companies also contribute to nonbank financing with a 16.7% share of the loan portfolio, equivalent to 0.4% of 2024 GDP. Agribusiness usually accesses a variety of agricultural machinery and equipment through leasing companies.

MSME corporate bond issuance on the Kyrgyz Stock Exchange remains an alternative means to access finance. Yet, in 2024, there were just five MSMEs that issued bonds. MSME bond value grew by 6.9% to Som198 million with yields a slightly higher 18.8% compared to 18.4% in 2023 (Figure 6.3).

Figure 6.3: Capital Markets for MSMEs—Corporate Bonds



MSME = micro, small, and medium-sized enterprise.

Sources: ADB Asia SME Monitor 2025 database. Data from Kyrgyz Stock Exchange.

⁷⁴ <https://sdb.kg/2024/12/18/госбанк-развития-кр-выделил-100-миллион/>.

⁷⁵ <https://sdb.kg/2024/12/12/госбанк-развития-кр-выделил-150-миллион/>.

In April 2025, the CBDC law was signed, giving the central bank exclusive rights to issue “digital som.” The CBDC pilot platform will continue through end-2026. The digital currency should give MSMEs easier access to digital payments, reduce transaction costs, and improve the quality and effectiveness of state support measures.

Policies and Regulations

In June 2025, the National Development Program through 2030 was approved. It emphasizes integrating the country into international markets, establishing sustainable business support systems, advancing the digital transformation, strengthening finance, and promoting equality across development. Regional cooperation across Central Asia is vital. Initiatives such as “Ready4Trade Central Asia” boost export potential and regional economic integration.

Alongside the National Strategy for 2018–2040, a new National Development Program until 2030 was approved in June 2025. It aims to increase GDP to at least \$30 billion, ensure average annual economic growth reaches at least 8%, and have the country join the top 30 nations in achieving the United Nations Sustainable Development Goals. A major priority is integrating the Kyrgyz Republic into international markets, forming sustainable business support mechanisms, accelerating the digital transformation, strengthening finance, and building equity into regional development (Table 6.4).

By legislative amendment starting 23 July 2024, the contribution rate to the Social Fund was reduced significantly from 27.3% to 12.3%. This initiative should lower business costs, promote higher wages, decrease informal employment, and expand the insurance market.

In 2024, the government amended its tax laws to ease the burden and boost employment for people with disabilities—those with at least 50% disabled employees are exempt from income, sales, and property taxes.

There are two ongoing private sector development strategies: (i) a Business Development Program through 2026 and (ii) a Program to Support and Develop Women’s Entrepreneurship for 2022–2026. Both focus on providing a favorable business environment and increasing access to financial and non-financial support, including assistance for business digitalization, entrepreneurship development, and deregulation.

Nonetheless, there remain challenges to MSME development. Accessing bank credit, raising capital through the stock exchange, insufficient MSME financial literacy, and low-skilled labor continue to restrict MSME development in the country.

Digitalization of MSMEs

Beginning 1 April 2025, registering joint liability companies, joint stock companies, and farmer households is done exclusively online through www.online.minjust.gov.kg. Applicants can submit documents using an electronic digital signature and receive a certificate of registration electronically without in-person visits to government offices.

As part of a \$5 million loan signed in December 2023, ADB provided technical assistance to Kompanion Bank, a leader in MSME lending with 93 branches nationwide. Over half of Kompanion Bank loans go to micro and small enterprises. The technical assistance focuses on upgrading the bank’s business lending processes for MSMEs by improving digital infrastructure.⁷⁶

Green MSMEs and climate action

In 2022, the Ministry of Labor, Social Security, and Migration launched the “Social Contract” program, which enables low-income families to receive Som100,000 from the government to start their own businesses that emphasize environmentally friendly projects. In 2024, around 20,000 families received support from the state budget, while 3,000 families were provided with World Bank funding. Priority is given families with three or more children or people with disabilities, families with a well-developed

⁷⁶ <https://www.adb.org/news/adb-kompanion-bank-sign-deal-boost-msme-financing-kyrgyz-republic>.

business plan that meets “One Village-One Product” criteria and that contributes to the green economy.⁷⁷

In April 2025, the Ministry of Finance allocated \$60 million to the State Development Bank to provide concessional loans to green MSMEs at below-market interest rates. A bank decision dated 16 January 2025 sets interest rates specific to each project. Firms and organizations without state equity or with less than 50% state ownership are eligible to borrow at a minimum 8.0% per annum.⁷⁸

On 20 December 2024, the Supervisory Committee of the National Bank approved a Roadmap for the development of sustainable finance and implementation of environmental, social, and governance principles for banks. The Roadmap aims to create a favorable ecosystem for developing sustainable finance by improving bank regulations, introducing new instruments to stimulate market mechanisms, to assess and manage climate risk, and to raise awareness and build stakeholder capacity, including the private sector.

Women-led MSMEs

On 13 January 2025, amendments to the law on Protecting Entrepreneurs’ Rights were approved, legally defining “women’s entrepreneurship” for the first time. The law will allow the National Statistical Committee to collect detailed data, supporting development of targeted and effective assistance programs.

As part of the global “Women Entrepreneurs Finance Code” initiative, the National Bank of Kyrgyz Republic, together with the Ministry of Economy and Commerce, launched the Code of Finance for Women Entrepreneurs on 4 July 2025. Ten major financial institutions, including seven commercial banks, two

microfinance organizations, and the JSC “Guarantee Fund” officially joined. Several key changes were also introduced to improve access to credit for women entrepreneurs and encourage financial institutions to increase lending, including: (i) expanding unsecured lending options by raising exemption limits in calculating for bank loan requirements; and (ii) allowing financial institutions to set aside a 1% provision for potential losses and damages on loans issued under programs aimed at promoting women entrepreneurship.⁷⁹

In November 2024, ADB issued its first Kyrgyz som-denominated bond, raising approximately Som427.5 million. The funds will support micro and small enterprises with at least 40% allocated to women-led or women-owned firms. The local “Kompanion Bank” implements the project given its strong presence in rural areas and extensive experience in assisting women entrepreneurs.⁸⁰

International trade of MSMEs

In January 2025, the Ministry of Economy and Commerce approved a Trade Facilitation Plan for 2025–2027. It aims to improve transparency in trade procedures, foster international cooperation, and work with the private sector on key initiatives. Specifically, the plan has three pillars: (i) trade process digitalization; (ii) logistics infrastructure development; and (iii) improved professional training. The Trade Facilitation Board under the Ministry of Economy and Commerce noted that in the previous 2019–2024 plan, it was able to reduce administrative trade barriers, optimize processes, and introduce modern approaches. Regional cooperation within Central Asia became a key element, with projects such as “Ready4Trade Central Asia” boosting export potential and integration.

⁷⁷ <https://mlsp.gov.kg/ru/2024/05/14/mintrud-nachalsya-priem-i-rassmotrenie-zayavok-na-poluchenie-sotsialnogo-kontrakta-na-100-tys-somov>.

⁷⁸ <https://sdb.kg/2025/04/22/госбанк-развития-кр-направит-60-миллион/>.

⁷⁹ <https://www.nbkr.kg/newsout.jsp?&item=31&lang=RUS&material=126257>.

⁸⁰ <https://www.adb.org/news/adb-issues-first-kyrgyz-som-denominated-bond>.

In May 2024, the Cabinet of Ministers, in collaboration with UNDP, launched the Kyrgyz Export Center to support MSMEs better access the global market. The center provides several services:

- (i) market analysis and research—access key data on international markets to support informed export decisions;
- (ii) market entry support—receive guidance and step-by-step help to more smoothly enter foreign markets; and
- (iii) enhanced export potential—benefit from customized programs that boost export capacity and competitiveness.⁸¹

The Ministry of Economy and Commerce, with the support of UNDP and the Government of Finland, through the “Aid for Trade” program, supports over 270 MSMEs, particularly with job-rich, green, and high export potential, while strengthening the enabling environment for private sector-led trade development. In addition, over 120 women-led MSMEs reported gains in productivity, revenue, and export volumes.⁸²

MSME financing and financial inclusion strategies

On 16 March 2022, the Cabinet of Ministers endorsed Resolution No119-p, the Strategy for Improving Financial Inclusion for 2022–2026. It expands access to financial services, promotes use of a wide range of financial instruments, provides reliable and comprehensive mechanisms to protect consumer rights within financial services, as well as boost financial literacy.

⁸¹ <https://www.undp.org/kyrgyzstan/press-releases/kyrgyz-export-center-guide-global-success>.

⁸² <https://www.undp.org/kyrgyzstan/press-releases/advancing-inclusive-trade-and-sustainable-growth-kyrgyzstan-showcases-interim-achievements-aid-trade-project>.

Data Tables

Table 6.1: MSME Definition

Item	Micro	Small	Medium
I. Group 1: Agriculture, hunting and forestry; fishing, fish farming; mining; manufacturing; production and distribution of electricity, gas, and water; construction.			
Number of employees	Up to 15 employees	16 - 50 employees	51 - 200 employees
Annual revenue	Up to Som150,000 (not including)	Som150,000 - Som500,000 (not including)	Som500,000 - Som2,000 000 (not including)
II. Group 2: Trade; repair of cars, household goods and personal items; hotels and restaurants; transport and communications; financial activities; real estate operations, renting and services to consumers; education; health care and social services; provision of public, social, and personal services.			
Number of employees	Up to 7 employees	8 - 15 employees	16 - 50 employees
Annual revenue	Up to Som230,000 (not including)	Som230,000 - Som500,000 (not including)	Som500,000 - Som2,000,000 (not including)

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Resolution No.78 of the Government of the Kyrgyz Republic, 17 February 1998.

Table 6.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises*							
MSMEs	Number	16,978	17,019	17,050	17,375	20,173	...
Micro**	Number	...	...	...	...	...	...
Small	Number	16,199	16,302	16,252	16,587	19,245	...
Medium-sized	Number	779	717	798	788	928	...
Large	Number	316	296	311	340	364	...
Total	Number	17,294	17,315	17,361	17,715	20,537	...
MSME to total	%	98.2	98.3	98.2	98.1	98.2	...
MSME growth	%	11.0	0.2	0.2	1.9	16.1	...
MSMEs by sector							
Agriculture, forestry, and fisheries	%	100	100	100	100	100	...
Manufacturing		3.0	3.1	3.3	3.0	2.9	...
Transportation and communication		15.2	15.1	14.6	13.7	13.0	...
Construction		5.1	5.1	5.3	5.3	5.3	...
Wholesale and retail trade		11.9	12.1	12.2	11.4	11.2	...
Other services		26.7	27.4	28.0	30.2	31.8	...
Others		38.1	37.3	36.6	36.4	35.8	...
MSMEs by region	%	...	...	...	...	...	...
Capital city (Bishkek)		100	100	100	100	100	...
Others		68.0	66.9	62.5	64.9	64.9	...
		32.0	33.1	37.5	35.1	35.1	...
Employment*							
MSMEs	Number ('000)	108	101	93	92	106	...
Micro**	Number ('000)	...	...	...	...	...	...
Small	Number ('000)	73	69	59	59	68	...
Medium-sized	Number ('000)	34	32	34	33	39	...
Large	Number ('000)	96	91	96	104	101	...
Total	Number ('000)	203	192	189	196	208	...
MSME employees to total	%	53.0	52.6	49.3	47.1	51.2	...
MSME employees growth	%	18.5	(6.5)	(7.8)	(0.9)	15.3	...
MSME employees by sector							
Agriculture, forestry, and fisheries	%	100	100	100	100	100	...
Manufacturing		4.5	4.1	4.2	4.3	4.1	...
Transportation and communication		36.4	38.3	32.4	31.1	30.6	...
Construction		4.6	4.9	3.9	3.6	3.9	...
Wholesale and retail trade		11.9	11.2	12.7	12.6	13.3	...
Other services		14.5	15.1	17.7	18.4	18.2	...
Others		28.1	26.3	29.1	30.0	29.9	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Bishkek)		100	100	100	100	100	...
Others		52.6	50.6	49.9	50.4	51.2	...
		47.5	49.4	50.1	49.6	48.8	...
Output***							
MSME GDP	GDP, Som mil.	257,361	249,958	318,676	396,732	528,192	...
MSME GDP to total	% to GDP	39.3	39.1	40.8	38.8	39.6	...
MSME GDP growth	%	6.1	(2.9)	27.5	24.5	33.1	...
Exports							
MSME exports	\$ mil.	703	492	752	1,509	1,351	...
MSME exports to total export value	%	35.4	24.9	27.3	66.9	39.9	...
MSME export growth	%	(2.8)	(30.0)	52.8	100.7	(10.5)	...
Imports							
MSME imports	\$ mil.	3,266	2,024	3,162	6,454	7,042	...
MSME imports to total import value	%	65.5	54.4	56.7	65.8	56.3	...
MSME import growth	%	(3.9)	(38.0)	56.3	104.1	9.1	...

* Data do not include individual entrepreneurs and rural (farmer) households.

** There is no microenterprise category in the national statistics. Microenterprises are included in the category of small firms in accordance with the classification of the National Statistic Committee of the Kyrgyz Republic.

*** Data based on the international standard of the System of National Accounts 2008.

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: GDP of MSME data for 2021 and 2023 has been revised. MSME GDP by sector data for 2021–2023 has been revised.

Source: ADB Asia SME Monitor 2025 database. Data from the National Statistic Committee of the Kyrgyz Republic.

Table 6.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans (Business Loans)*							
Business loans outstanding	Som mil.	113,900	127,914	139,642	146,607	171,957	202,322
Business loans to total loans	%	77.8	78.7	76.8	71.9	66.7	59.4
Business loans to GDP	%	18.4	21.3	19.3	16.0	15.4	15.2
Business loan growth	%	11.8	12.3	9.2	5.0	17.3	17.7
Business loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
Nonperforming business loans	Som mil.	...	...	...	...	...	...
NPLs to total business loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans)	%	...	...	...	...	...	...
Business loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		24.3	23.8	23.8	25.3	24.5	23.4
Manufacturing		11.9	12.5	11.6	9.3	7.8	6.9
Transportation and communication		2.9	3.0	3.1	3.5	4.3	4.7
Construction		11.5	10.7	9.7	8.8	6.9	6.7
Wholesale and retail trade		32.7	32.6	36.7	38.3	43.1	44.4
Other services		4.5	5.0	4.8	5.6	4.8	4.2
Others		12.3	12.3	10.4	9.2	8.6	9.6
Business loans by region	%	100	100	100	100	100	100
Capital city (Bishkek)		57.0	56.0	55.0	53.0	53.3	54.5
Others		43.0	44.0	45.0	47.0	46.7	45.5
Business loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
Business loans by tenor	%	100	100	100	100	100	100
Less than 1 year		11.3	10.2	10.2	16.0	17.4	15.8
1-5 years		88.7	89.8	89.8	84.0	82.7	84.2
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantees schemes for MSMEs							
Guaranteed loans outstanding	Som mil.	2,967	5,015	5,759	...	...	...
Growth	%	69.3	69.1	14.8	...	...	...
MSMEs guaranteed	Number	515	732	977	...	...	...
Nonperforming guaranteed loans	% of total	0.4	2.2	4.6	...	...	...
Subsidized loans for MSMEs							
New approval	Number	9,976	11,979	10,407	...	...	...
Subsidized loans disbursed	Som mil.	5,164	6,181	6,179	...	...	...
Growth	%	(8.4)	19.7	(0.04)	...	...	...
MSMEs benefited	Number	9,976	11,979	10,407	...	...	...
Capital Markets							
Corporate Bonds Issued by MSMEs, KSE							
Amounts issued, total	Som mil.	192	66	169	229	185	198
Growth	%	(24.9)	(65.8)	157.0	35.8	(19.3)	6.9
MSME issuers	Number	3	4	3	5	5	5
MSME bonds by maturity							
Less than 1 year	%	...	...	...	...	...	...
1-5 years		100.0	100.0	100.0	100.0	100.0	100.0
5-10 years		...	...	...	...	...	...
More than 10 years		...	...	...	...	...	...

* Business loans cover all enterprises including micro, small, medium-sized and large enterprises.

GDP = gross domestic product; KSE=Kyrgyz Stock Exchange; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of the Kyrgyz Republic, the Ministry of Finance, and Kyrgyz Stock Exchange.

Table 6.4: Policies and Regulations

Benchmark Regulation	Law on State Support for Small Business, 2007
Focal Government Authority for MSMEs	Ministry of Economy and Commerce
Key Policies and Strategies	
Name	Outline
National Strategy “On the Development of the Kyrgyz Republic for 2018–2040” (2018)	The strategy provides a long-term vision for developing the national economy and entrepreneurship for 2018–2040. It identifies priority sectors for MSME development, including agriculture and agri-processing, manufacturing, energy, and tourism.
National Development Program until 2030 (2025)	1) increase the country's GDP to at least \$30 billion; 2) ensure an average annual economic growth rate of at least 8%; 3) entering the Kyrgyz Republic into the top 30 countries in achieving the Sustainable Development Goals. Considerable attention is paid to integration of the Kyrgyz Republic into international markets, formation of sustainable business support mechanisms, digital transformation, strengthening of the financial sector and equalization of regional development.
Program to Support and Develop Women's Entrepreneurship of the Kyrgyz Republic for 2022–2026	1) Improving and optimizing legislation regulating women entrepreneurial activities. 2) Support and formation of state and public institutions that provide assistance in increasing the expert and analytical potential of women entrepreneurs. 3) Providing women entrepreneurs with accessible information, consulting, production, and technological and educational services.
Business Development Program of the Kyrgyz Republic until 2026	1) Reduction of tax audits. 2) Digitalization of customs infrastructures. 3) Deregulation and de-bureaucratization of state regulation of business, including reduction of control and supervisory functions and licensing control. 4) Enhancing the status of entrepreneurs by creating a Register of bona fide entrepreneurs who make a significant contribution to the country's socio-economic development. 5) Providing favourable credit resources to reputable entrepreneurs using green technologies.
National Program for Transition from Informal to Formal Economy for 2024–2030	The program aims to reduce the number of informal workers (in both formal and informal enterprises and households) and the share of unregistered economic units, including by increasing productivity and improving market access conditions.
Strategy for Improving Financial Inclusion for 2022–2026	1) Providing expanded access to financial services. 2) Expanding the use of financial instruments. 3) Providing reliable and comprehensive mechanisms to protect the rights of consumers of financial services. 4) Improving financial literacy.
Thematic Initiatives	
Digitalization of MSMEs: Concept of Digital Transformation of the Kyrgyz Republic for 2024–2028 (approved by Presidential Decree No.90 dated 5 April 2024)	Outline 1) Reform of Public Administration – enhancing efficiency through the digital transformation of policy development and implementation, improved coordination among government bodies, and stronger monitoring of execution. 2) Integration of State Information Systems and Databases – ensuring deep interoperability to automate and simplify data exchange between government agencies, as well as between the state and businesses. 3) Digital Public Services – simplifying interaction between the state, society, and business through the wide-scale introduction of user-oriented digital services. 4) Data-Driven Governance – promoting the use of data analytics and evidence-based decision-making at all levels of public administration. 5) Application of Artificial Intelligence (AI) – introducing AI technologies into governance, public services, and socio-economic development processes.
Green MSMEs and climate action: Program for the Development of the Green Economy in the Kyrgyz Republic for 2019–2023 (approved by Cabinet of Ministers Resolution No.605 dated 14 November 2019). *As of August 2025, New program until 2028 is under preparation.	1) Ensuring efficient management of water, land, forest, and biodiversity. 2) Promotion of renewable energy sources and improving energy efficiency. 3) Encouraging eco-technologies, cleaner production, and resource-efficient industrial practices. 4) Supporting environmentally friendly farming methods and sustainable food systems. 5) Developing low-emission transport and modern infrastructure.
Women-led MSMEs: Program to support and develop women's entrepreneurship of the Kyrgyz Republic for 2022–2026 (approved by Cabinet of Ministers Resolution No.270 dated 17 November 2021)	1) improve and optimize legislation regulating women entrepreneurial activities; 2) support and formation of state and public institutions that provide assistance in increasing the expert and analytical potential of women entrepreneurs; 3) providing women entrepreneurs with accessible information, consulting, production, technological and educational services.
International trade of MSMEs: National Export Program “Made in Kyrgyzstan” for 2025–2028 (approved by Cabinet of Ministers Resolution No.801 dated 26 December 2024)	1) Focus on expanding national exports and improving the country's trade balance. 2) Strengthen the image and recognition of the “Made in Kyrgyzstan” brand in international markets. 3) Prioritize sectors with high growth potential: textiles, food, jewelry, and halal products.

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Economy and Commerce website; official websites of government institutions of the Kyrgyz Republic.

TAJIKISTAN

Overview

Growth expanded slightly from 8.3% in 2023 to 8.4% in 2024, backed by strong remittances and gains in manufacturing. Inflation also decreased slightly, from 3.8% in 2023 to 3.6% in 2024, below the central bank's target range. Gross domestic product (GDP) growth is projected to slow to 7.4% in 2025 and 6.8% in 2026 primarily due to lower prices for metals and agricultural products.⁸³

The number of small and medium-sized enterprises (SMEs) totaled 33,827 in 2024, up by 3.0% from 2023. The share of manufacturing SMEs (13.9%) grew in 2024, exceeding wholesale and trade (13.2%) for the first time. In 2024, SME contributions to GDP accounted for TJS92.7 billion or 60.4%, but its growth slowed to 14.9% from 16.4% in 2023. SME bank credit rose by 17.6%, reaching TJS2.9 billion in 2024, as monetary easing helped support economic growth. SME nonperforming loans (NPLs) in 2024 remained smaller (3.3%) than gross NPLs (8.6%) across the banking sector. While the Credit Guarantee Fund is not operational (as of August 2025), subsidized loans will continue to support SME credit even as new subsidized loan approvals fell from 5,050 in 2023 to 2,612 in 2024. A special equity market board for SMEs remained small with just two listed companies with market capitalization down by 35.6% in 2024.

Since January 2024, the government reduced the value-added tax (VAT) rate for all goods and services from 18% to 14%—to be further reduced to 13% in January 2027. The government has promoted digital transformation, declaring the “Years of Digital Economy and Innovation” for 2025–2030. In February 2024, Bank Eskhata, a private bank specializing in SMEs and retail clients, issued the country's first local currency green bonds. These green bonds support eligible SMEs in climate-smart initiatives. The government also has a women's entrepreneurship support program through 2027. In May 2024, the government adopted an E-commerce program for 2025–2029 to help develop global trade for businesses including SMEs through internationally recognized online trading platforms.

SME Development

In 2024, the number of SMEs rose to 33,827 firms, 3.0% more than in 2023. In 2024, for the first time the proportion of SMEs in manufacturing surpassed that of wholesale and trade. SME's contribution to GDP grew by 14.9% in 2024 to 60.4% of the country's total.

The Law on Government Protection and Support of Entrepreneurship provides the legislative framework for SME development. It defines SMEs as individual

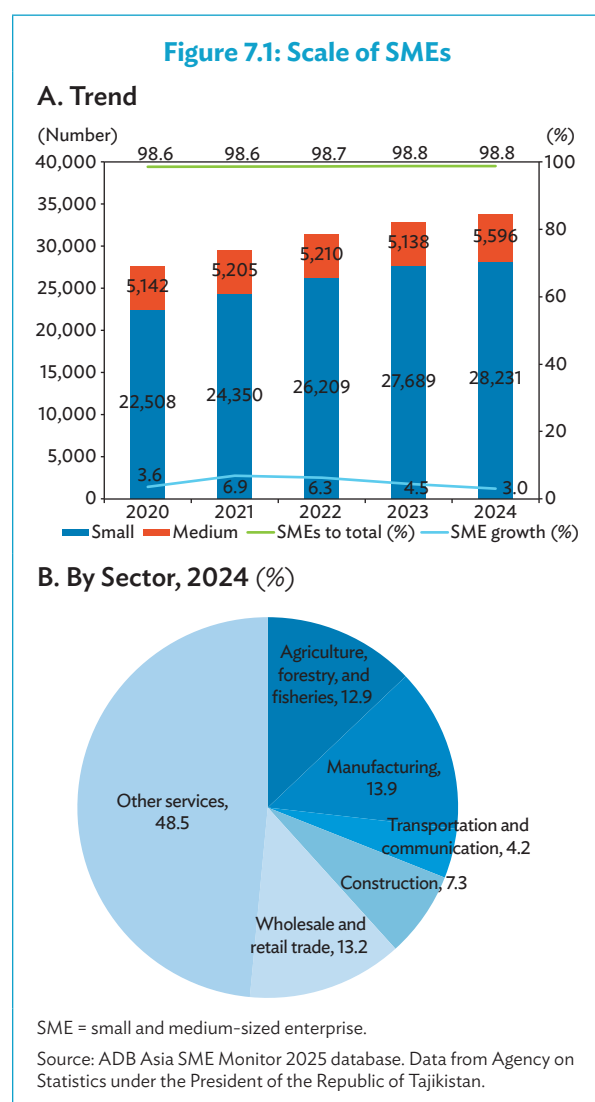
entrepreneurs or firms with annual gross income of less than TJS25 million and up to 100 employees (for agricultural producers, less than 200 workers) (Table 7.1). There is no category for microenterprises.

In 2024, SMEs continued to cover most enterprises, accounting for 98.8%. They numbered 33,827 firms, of which 83.5% were small firms and 16.5% medium-sized firms.⁸⁴ The proportion of medium-sized firms expanded slightly compared to 2023 (15.7%). However, the growth in number of SMEs slowed from 6.9% in 2021 to 3.0% in 2024 (Table 7.2 and Figure 7.1A).

⁸³ ADB. 2025. Asian Development Outlook September 2025.

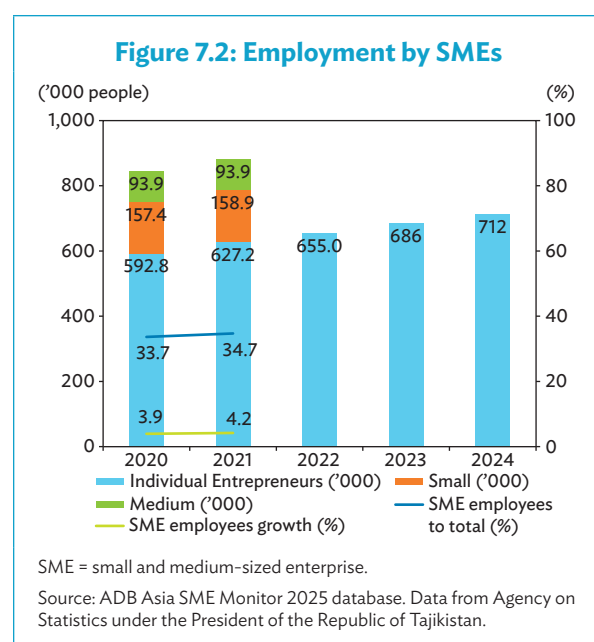
⁸⁴ SME data do not include *dekhkan* (individual or family-owned) farms.

By sector, almost half (48.5%) of the SMEs in 2024 were in “other services,” followed by manufacturing (13.9%), wholesale and retail trade (13.2%), agriculture (12.9%), construction (7.3%), and transportation and communication (4.2%).⁸⁵ For the first time in 2024 the share in manufacturing surpassed wholesale and retail trade (Figure 7.1B). According to ADO April 2025, 740 industrial companies were newly established in 2024, including a large proportion of SMEs in manufacturing. By region, 77.6% of SMEs were outside the capital city Dushanbe with the remaining 22.4% in the capital.



At the end of 2024, total employment amounted to 2.6 million people. Since 2022, employment data for SMEs has been unavailable. However, there is employment data from individual entrepreneurs (including dekhkan farms), which totaled 712,000, or 26.9% of the 2024 total (Figure 7.2). Among individual entrepreneurs, 196,600 workers were employed by dekhkan farms. Employment by individual entrepreneurs grew by 3.8% in 2024, slightly down from the 4.7% growth in 2023.

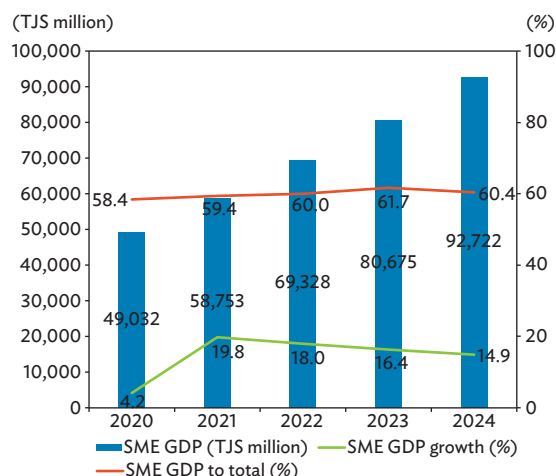
By sector, latest available SME employment distribution data is available only for 2021, with 66.1% of SME workers in other services, followed by agriculture (13.6%) and manufacturing (7.2%). Informal employment and a large share of workforce migration (mainly to Russia) remains a critical challenge in estimating the labor market, including those working for SMEs.



In 2024, SME GDP growth decelerated to 14.9% from 16.4% in 2023. The deceleration has occurred since 2022, but growth nonetheless remains robust. In 2024, SME contributions to GDP reached 60.4%, or TJS92.7 billion (Figure 7.3).

⁸⁵ Other services include health and social services, education, public administration and defense, real estate, financial intermediation, recreation and entertainment, culture and sports, as well as other community, social, and personal services.

Figure 7.3: SME Output



SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Agency on Statistics under the President of the Republic of Tajikistan.

SME trade data is not available. According to the Agency of Statistics, in 2024, total exports amounted to TJS21.3 billion while imports totaled TJS76.6 billion. The trade deficit remains high at TJS55.3 billion, or 56.5% of total trade. Main export destinations include the People's Republic of China (PRC) at 21.1%, Switzerland (19.4%), Kazakhstan (10.1%), Türkiye (12.3%), and Uzbekistan (9.1%). Imports mainly came from Russia (26.9%), the PRC (22.1%), Kazakhstan (15.6%), Uzbekistan (5.9%), and Switzerland (5.0%). The high import dependence leaves the economy, including SMEs, susceptible to external shocks such as fluctuations in commodity prices, remittance flows, and shortages of foreign currency.

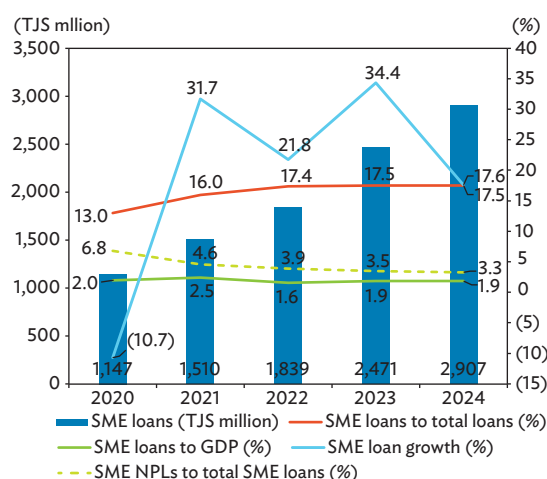
Access to Finance

SME bank credit grew by 17.6% to TJS2.9 billion in 2024, maintaining a lower NPL ratio (3.3%) than the overall NPL ratio for bank credit (8.6%). The Credit Guarantee Fund is not operational (as of August 2025), but subsidized loans continued to support SME credit growth, even if new subsidized loan approvals fell in 2024. The special SME equity market board remained small with just two listed companies.

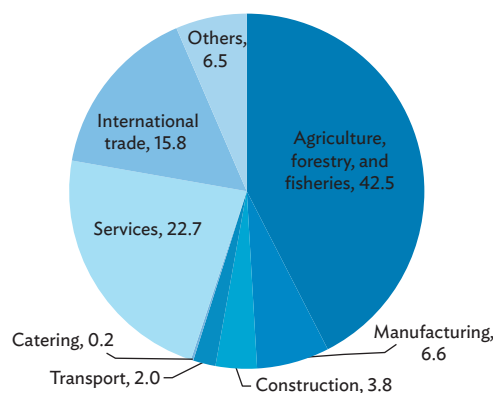
By the end of 2024, there were 16 banks operating in the country, including 2 state-owned, 9 domestic commercial, and 5 foreign commercial banks. The SME credit market grew by 17.6% in 2024 to TJS2,907 million in part due to monetary easing aimed at supporting economic growth. SME loans were equivalent to 1.9% of GDP and 17.5% to total loans outstanding, almost the same as in 2023 (Table 7.3 and Figure 7.4A). Despite SME bank credit market growth and stable economic development, lending to SMEs remained relatively modest.

Figure 7.4: SME Loans

A. Trend



B. By Sector, 2024 (%)



SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Tajikistan.

In 2024, the SME NPL ratio remained smaller (3.3%) than the overall NPL ratio (8.6%), even as overall NPLs fell almost half from 15.2% in 2023, which was primarily attributed to the central bank's policy to strengthen the capital adequacy ratio of the banking system.

By sector, the largest share of SME bank credit in 2024 went to agriculture, forestry, and fisheries (42.5%), followed by services (22.7%) and international trade (15.8%). Importantly, the proportion of SME bank loans to manufacturing rose from 3.7% in 2023 to 6.6% in 2024 (Figure 7.4B).

The Credit Guarantee Fund of Tajikistan was established by the German Development Bank with contributions from the Development Bank of Austria and Dutch Development Bank. Yet, as of August 2025, it is not operational.

Subsidized loans for SMEs through SUE Sanoatsodirobtbank, however, sustained growth in loans outstanding by 22.7% in 2024, reaching TJS499.3 million (Figure 7.5). This was attributed to the increased average loan per borrower. However, the number of newly approved subsidized loans decreased from 5,050 in 2023 to 2,612 in 2024. By

the end of 2024, 3,435 SMEs received subsidized loans, down from 5,207 SMEs in 2023. According to Sanoatsodirobtbank, the decrease was due to a focus on subsidizing larger loan amounts per borrower rather than increasing the number of borrowers. Also, the Microcredit "Refinancing Fund" supported 12,989 SMEs borrow TJS346 million as of end-2024.

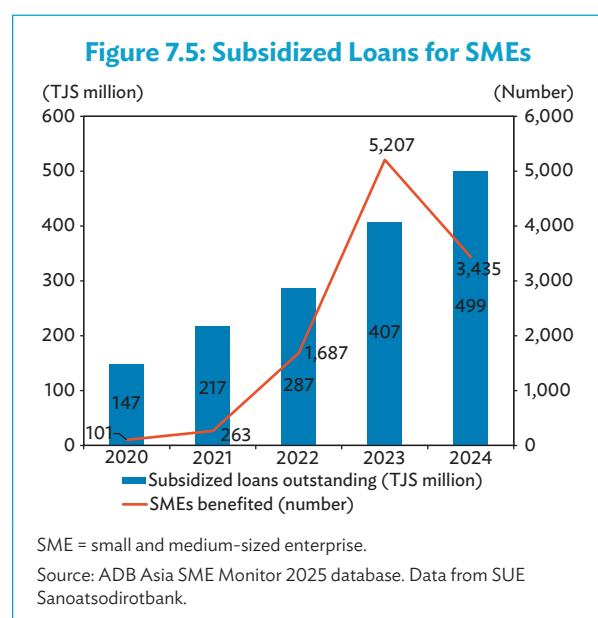
At the end of 2024, there were 49 nonbank finance institutions, including 48 microfinance institutions (MFIs) and 1 nonbank credit institution operating in the country.

Those financed by MFIs expanded significantly from 577,473 in 2023 to 815,345 in 2024, with the growth of loans outstanding up by 29.3% in 2024 to TJS4,807 million. MFIs have seen a steady reduction in NPLs, further dropping to 1.8% in 2024 from 2.5% in 2023. By sector, most MFI lending were consumer loans (41.2%), followed by agriculture, forestry and fisheries (28.4%) and services (12.1%).

According to the central bank, the total number of e-wallets expanded by 38.6% from 8.7 million in 2023 to 12 million in 2024. Non-cash transactions through e-wallets in 2024 grew by 22.4% to 18,506 transactions, amounting to TJS2,967 million.⁸⁶ The steady shift toward a cashless economy continues, potentially reducing informal firms operating.

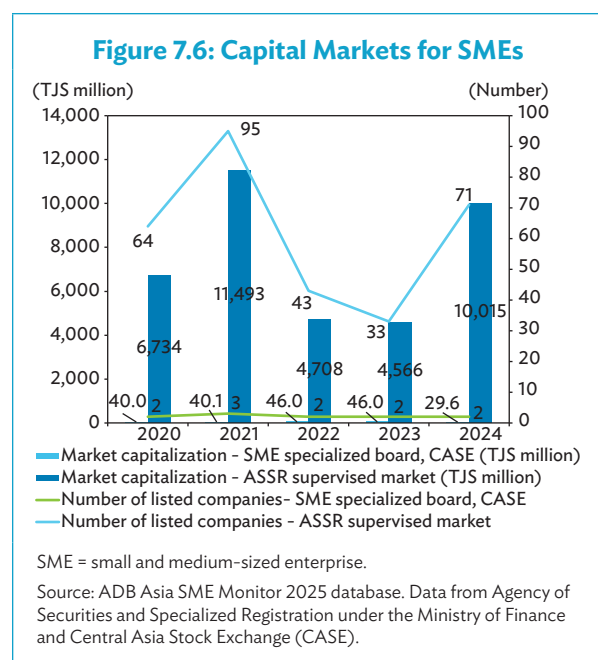
Market capitalization of the specialized SME Board supervised by the Central Asian Stock Exchange dropped by 35.6% in 2024, despite an increase of trading value, which reached TJS20.0 million (Figure 7.6). This was associated with market corrections driven by stock price fluctuations of the two listed companies, while the increase in trading value reflects intensified investor activity despite stable trading volumes. The capital market for SMEs remains in an infant stage of development.

The market regulated by the Agency of Securities and Specialized Registration under the Ministry of Finance expanded to TJS10.0 billion in market capitalization, up by 119.3% backed by government initiatives.



⁸⁶ https://www.nbt.tj/ru/payment_system/mablaghoi-elektroni.php.

Specifically, the growth was linked to the first issuance of government securities bearing a market-based interest rate of 8%, as well as the first issuance of green corporate bonds by OJSC “Bank Eskhata,” registered in the Unified State Register of Green Securities of the Ministry of Finance. The number of listed companies grew to 71 in 2024, up from 33 in 2023.



Policies and Regulations

The government reduced its VAT rate for goods and services from 18% to 14% in January 2024. It promotes the country’s digital transformation, declaring 2025–2030 “Years of Digital Economy and Innovation” and a women’s entrepreneur support program through 2027. In May 2024, the government adopted an e-commerce program for 2025–2029 to accelerate development of global trade for firms including SMEs through internationally recognized online trading platforms.

The State Support and Private Sector Development Program for 2023–2027 remains the primary policy strategy for promoting private sector development, including SMEs. The program will simplify tax administration, reduce the tax burden, and improve the legislative basis for business development (Table 7.4).

On 1 January 2024, the government reduced VAT for all types of goods and services from 18% to 14%. It will be lowered further to 13% beginning 1 January 2027. This should reduce taxes for SMEs. Based on a new edition of the Tax Code, the number of taxes was reduced from 10 to 7 along with the VAT rate for construction, hotel services and catering (to 7%), and for the sale of agricultural products of domestic production, processing of agricultural products, educational services and activities related to medical care in sanatoriums, which remained 5%.

In February 2024 the World Bank launched a \$50 million investment project to 2028 to create private sector jobs and to connect SMEs with companies within regional value chains.⁸⁷

Digitalization of SMEs

In the 2024 annual address to Parliament, 2025 to 2030 were declared as the “Years of Digital Economy and Innovation.” It includes several key initiatives: (i) develop digital entrepreneurship and e-commerce, stimulate innovations, and create new jobs in information technology; (ii) advance artificial intelligence (AI) and integrate it into the economy and governance; (iii) create a legal and regulatory framework for the effective development of the digital economy and regulate innovation; (iv) introduce 5G technologies, which will increase data transmission speeds and improve the quality of digital services; and (v) digitalize public services, which will simplify access and increase government transparency.

In November 2024, the government also established a Republican headquarters on the digitalization of public services and cashless payments headed by the

⁸⁷ <https://projects.worldbank.org/en/projects-operations/project-detail/P177722>.

First Deputy Prime Minister. It will regularly analyze and assess the effectiveness of public services and the system of non-cash payments for central and local executive agencies. It will also work to accelerate its timely implementation and ensure information security. All line ministries and government agencies report to the Republican headquarters on digitalization by the 5th of each month on progress made on digitalization cashless payments. All of these will include the private sector as part of the digital transformation ecosystem.

Green SMEs and climate action

On 15 February 2024, OJSC “Bank Eskhata,” a leading private bank focused on SMEs and retail clients, issued the country’s first local currency green bond. The International Finance Corporation would subscribe up to \$10 million for small business climate finance. The green bond proceeds will support eligible SMEs in climate-smart initiatives.⁸⁸

Women-led SMEs

The State program for the development of women’s entrepreneurship will continue until 2027. The program creates a favorable environment to develop women entrepreneurship, promote the initiative and entrepreneurship. For instance, Presidential Decree No.545 on 29 November 2023 allocated competitive grants of TJS5 million for 120 women entrepreneurs. In handicrafts for example, grants of TJS1.5 million were allotted for 60 women in 2024–2025 to create jobs and provide training. According to the National Association of SMEs, there were 85,000 women entrepreneurs in the private sector in 2023, mainly individual entrepreneurs.⁸⁹

International trade of SMEs

There is no comprehensive policy or strategy for SME exporters or importers, their participation in global value chains and/or internationalization. However, an e-commerce program is helping improve access to

global trade for businesses, including SMEs, through internationally recognized online trading platforms.

On 16 May 2024, the government adopted an e-commerce program for 2025–2029 to reduce trade costs related to transportation barriers and improve noncash transactions. The program will be financed by the national budget, foreign direct investment, and technical assistance from development partners. Somon.tj is a popular e-commerce platform with more than 600,000 users per month offering a wide variety of products. Given the challenges of transporting cargo to and from the country, international trade portals can handle only a limited share. Thus, prioritizing the sale of domestic goods and products internationally through recognized online trading platforms is critical to develop international trade.

SMEs continue to grapple with challenges associated with sustaining growth and development, including several major barriers: (i) insufficient statistical tracking of SME-related indicators such as international trade data, making it difficult to formulate effective policies and strategies; (ii) the need to promote access to digital infrastructure to better absorb informal firms; (iii) poor transportation and difficulties accessing high quality internet; (iv) poor financial literacy among entrepreneurs; (v) high interest rates for bank credit and strict collateral requirements; (vi) favoritism toward state-owned enterprises, leading to unfair market competition; and (vii) low export earnings, leading to a scarcity in foreign exchange for importing inputs or expanding abroad.

SME financing and financial inclusion strategies

Government Resolution No.314 dated 1 July 2022 endorsed the National Strategy for Financial Inclusion for 2022–2026, which ensures a variety of financial products and services, promotes financial literacy and digital infrastructure, protects consumer rights, and adopts international standards.

⁸⁸ <https://www.ifc.org/en/pressroom/2024/ifc-invests-in-tajikistans-first-green-bond-to-support-climate-s>.

⁸⁹ <https://namsb.tj/allnews/news/prezentacziya-gosudarstvennoj-programmy-razvitiya-zhenskogo-predprinimatelstva-v-respublike-tadzhikistan-na-period-do-2027-goda/>.

Data Tables

Table 7.1: SME Definition

A. Definition after 2 January 2020

Item	Small	Medium	Large
Annual gross income	TJS1000,000	Between TJS1000,000 and TJS25,000,000	Above TJS25,000,000
Average number of employees	No more than 30 people and for agricultural producers 50 people	From 30 to 100 people and for agricultural producers from 50 to 200 people	Over 100 people and for agricultural producers over 200 people

B. Definition before 1 January 2020

Item	Small	Medium	Large
Annual gross income	TJS500,000	Between TJS500,000 and TJS15,000,000	Above TJS15,000,000
Average number of employees	No more than 30 people and for agricultural producers 50 people	From 30 to 100 people and for agricultural producers from 50 to 200 people	Over 100 people and for agricultural producers over 200 people

SME = small and medium-sized enterprise.

Notes: There is no microenterprise category in Tajikistan.

The law restricts the following activities of small enterprises: (i) excisable manufacturing, e.g., production of pharmaceuticals, spirits, and perfume; (ii) supply of primary aluminum; (iii) banking and insurance; (iv) management of investment funds; and (v) stock market activities.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Economic Development and Trade of the Republic of Tajikistan and the Agency on Statistics under President of the Republic of Tajikistan; amendment of the Law No.1107 of 2014 on the Government Protection and Support of Entrepreneurship dated 2 January 2020.

Table 7.2: SME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises¹							
SMEs	Number	26,691	27,650	29,555	31,419	32,827	33,827
Small	Number	21,734	22,508	24,350	26,209	27,689	28,231
Medium-sized	Number	4,957	5,142	5,205	5,210	5,138	5,596
Large	Number	378	406	412	421	401	415
Total	Number	27,069	28,056	29,967	31,840	33,228	34,242
SME to total	%	98.6	98.6	98.6	98.7	98.8	98.8
SME growth	%	0.9	3.6	6.9	6.3	4.5	3.0
SMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		15.5	14.4	15.2	14.9	13.9	12.9
Manufacturing		7.7	7.7	7.9	9.0	10.3	13.9
Transportation and communication		3.6	2.1	4.3	1.8	2.1	4.2
Construction		6.7	6.8	6.9	7.1	7.1	7.3
Wholesale and retail trade		14.7	13.4	13.3	13.2	13.1	13.2
Other services ²		51.9	55.5	52.4	54.1	53.5	48.5
Others		...	...	...	...	...	...
SMEs by region	%	100	100	100	100	100	100
Capital city (Dushanbe)		21.4	21.3	21.9	21.5	21.9	22.4
Others		78.6	78.7	78.1	78.5	78.1	77.6
Employment							
SMEs	Number ('000)	812.1	844.1	879.9	655.0	686.0	712.0
Individual entrepreneurs ³	Number ('000)	561.3	592.8	627.2	655.0	686.0	712.0
Small	Number ('000)	157.5	157.4	158.9	...	...	...
Medium-sized	Number ('000)	93.3	93.9	93.9	...	...	...
Large	Number ('000)	947.0	962.9	986.1	...	...	...
Others (unclassified)	Number ('000)	703.9	699.0	668.1	1,890.0	1,939.0	1,936.3
Total	Number ('000)	2,463.0	2,506.0	2,534.0	2,545.0	2,625.0	2,648.3
SME employees to total	%	33.0	33.7	34.7	...	...	...
SME employees growth	%	4.8	3.9	4.2	...	...	...
SME employees by sector ⁴	%	100	100	100	...	...	...
Agriculture, forestry, and fisheries		12.5	13.0	13.6	...	...	...
Manufacturing		6.8	7.0	7.2	...	...	...
Transportation and communication		2.3	2.2	2.2	...	...	...
Construction		5.1	5.0	4.9	...	...	...
Wholesale and retail trade		6.2	6.1	6.0	...	...	...
Other services ²		67.2	66.7	66.1	...	...	...
Others		...	...	...	...	...	...
SME employees by region	%	...	...	...	...	...	...
Capital city (Dushanbe)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
SME GDP ⁵	GDP, TJS mil.	47,070	49,032	58,753	69,328	80,675	92,722
SME GDP to total	% to GDP	59.5	58.4	59.4	60.0	61.7	60.4
SME GDP growth	%	13.8	4.2	19.8	18.0	16.4	14.9
Exports							
SME exports	TJS mil.	...	...	...	...	...	...
SME exports to total export value	%	...	...	...	...	...	...
SME export growth	%	...	...	...	...	...	...
Imports							
SME imports	TJS mil.	...	...	...	...	...	...
SME imports to total import value	%	...	...	...	...	...	...
SME import growth	%	...	...	...	...	...	...

GDP = gross domestic product, SME = small and medium-sized enterprise.

¹ Data based on definition effective 2 January 2020. There is no official category of microenterprises in Tajikistan. Aggregate SME figures do not include dekhkan farms.

² Includes health and social services, education, public administration and defense, real estate, financial intermediation, recreation and entertainment, culture and sports, as well as other community, social and personal services.

³ Includes *dekhkan* farms.

⁴ Not include individual entrepreneurs and *dekhkan* farms.

⁵ Data for GDP of private sector businesses, which is regarded as SMEs' GDP.

Source: ADB Asia SME Monitor 2025 database. Data from Agency on Statistics under President of the Republic of Tajikistan.

Table 7.3: SME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
SME loans outstanding	TJS mil.	1,284	1,147	1,510	1,839	2,471	2,907
SME loans to total loans	%	16.9	13.0	16.0	17.4	17.5	17.5
SME loans to GDP	%	1.8	2.0	2.5	1.6	1.9	1.9
SME loan growth	%	11.4	(10.7)	31.7	21.8	34.4	17.6
SME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
SME NPLs	TJS mil.	318	78	70	72	87	96
SME NPLs to total SME loans	%	24.8	6.8	4.6	3.9	3.5	3.3
(Gross NPLs to total bank loans)	%	32.8	27.7	16.2	14.8	15.2	8.6
SME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		27.4	32.1	31.1	40.3	42.5	42.5
Manufacturing		4.7	3.5	3.0	3.6	3.7	6.6
Construction		10.6	8.1	6.2	5.0	3.9	3.8
Transport		1.1	1.4	1.5	2.7	2.9	2.0
Catering		0.9	0.5	0.4	0.4	0.3	0.2
Services		12.2	12.9	14.9	21.2	23.3	22.7
International trade		39.0	35.0	34.9	16.0	15.9	15.8
Others		4.1	6.5	7.9	10.9	7.5	6.5
SME loans by region	%	...	...	...	...	...	...
Capital city (Dushanbe)		...	...	...	...	...	...
Others		...	...	...	...	...	...
SME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
SME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantees schemes for SMEs							
Guaranteed loans outstanding	TJS mil.	277	204	176	...	...	...
Growth	%	141.6	(26.3)	(13.6)	...	...	...
SMEs guaranteed	Number	999	497	707	...	...	...
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for SMEs							
New approval	Number	32	15	205	262	5,050	2,612
Subsidized loans outstanding	TJS mil.	157	147	217	287	407	499
Growth	%	23.6	(6.2)	47.4	32.1	41.8	22.7
SMEs benefited	Number	119	101	263	1,687	5,207	3,435
Capital Markets							
Specialized board for SMEs, CASE							
Market capitalization	TJS mil.	40.1	40.0	40.1	46.0	46.0	29.6
Growth	%	...	(0.2)	0.2	14.7	0.0	(35.6)
Trading value	TJS mil.	...	0.02	0.1	6.2	1.6	20.0
Listed companies	Number	1	2	3	2	2	2
Markets supervised by the Agency of Securities and Specialized Registration							
Market capitalization	TJS mil.	4,581	6,734	11,493	4,708	4,566	10,015
Growth	%	22.6	47.0	70.7	(59.0)	(3.0)	119.3
Trading value	TJS mil.	...	...	...	...	...	...
Listed companies	Number	80	64	95	43	33	71

CASE = Central Asian Stock Exchange, GDP = gross domestic product, SME = small and medium-sized enterprise

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Tajikistan; Credit Guarantee Fund Tajikistan; SUE Sanoatsodirobtbank; Central Asian Stock Exchange (CASE); Agency of Securities and Specialized Registration under the Ministry of Finance of the Republic of Tajikistan.

Table 7.4: Policies and Regulations

Benchmark Regulation	Law No.1107 on the Government Protection and Support of Entrepreneurship (2014)
Focal Government Authority for SMEs	Ministry of Economic Development and Trade
Key Policies and Strategies	
Name	Outline
National Development Strategy of the Republic of Tajikistan for 2030 (2016)	The strategy has been developed considering changes that have taken place in the country and in the world, and in particular, the impact of the global financial and economic crisis of 2007–2009 on the national economy, including priorities for the development of SMEs and serves as a directive action plan for all bodies of state administration and an indicative action plan for the private sector and civil society. The basic principles are: 1) Prevention or reduction of vulnerability of future development; 2) Industrialization or increasing the efficiency of the use of national resources; 3) Innovation based development in all spheres of social and economic life of the country.
State Support and Private Sector Development Program for 2023–2027 (2023)	The program aims to establish favorable conditions for entrepreneurship, which is a key factor in addressing the country's socio-economic issues by generating employment and enhancing the real welfare of Tajikistan's citizens.
State Program for the Development of Women's Entrepreneurship in the Republic of Tajikistan until 2027	The program aims to create a favorable environment for the development of women's entrepreneurship, stimulating initiative and entrepreneurship, efforts and aspirations of women.
Enabling Climate-Responsive Business Environment Improvement Program (2024)	The Program aims to transform Tajikistan's business environment, including through digitalization, reforms to increase exports, improving infrastructure governance, fiscal transparency, and support for climate-friendly SMEs.
Creation of the Entrepreneurship Support Fund of Tajikistan (2013)	Providing loans to SMEs at a subsidized interest rate fixed at 12%, targeting startup projects and those from the areas where the entrepreneurship developed the least.
Transformation of Entrepreneurship Support Fund of Tajikistan to State Unitary Enterprise Industrial and Export Bank of Tajikistan "Sanoatsodirotkbank" (2020)	SUE Sanoatsodirotkbank was established on the basis of the State Fund for the Support of Entrepreneurship to finance projects of entrepreneurs to provide concessional (preferential) loans to SMEs.
National Strategy for Financial Inclusion for 2022–2026 (2022)	1) Delivery channels and digital financial services. 2) Variety of financial products. 3) Protection of the rights of consumers of financial services. 4) Financial literacy.
Thematic Initiatives	
Digitalization of SMEs:	
Concept of the Digital Economy in the Republic of Tajikistan (approved by Resolution of the Government No.642 of the Republic of Tajikistan dated 30 December 2019)	The Concept envisions a gradual, phased transition towards the implementation of the vision of digital transformation in the Republic. Initially, three stages are planned until 2040: the first stage until 2025, the second stage until 2030, and the third stage until 2040. All stages of digital transformation implementation will also be carried out within the framework of the Digital CASA project.
Green SMEs and climate action:	
Green Economy Development Strategy for 2023–2037 (approved by Resolution of the Government No.482 dated 30 September 2022)	Ensuring economic development through the efficient and rational use of natural resources, improving living standards and social stability of the population, as well as ensuring environmental balance in the long term.
Women-led SMEs:	
State Program for the Development of Women's Entrepreneurship in the Republic of Tajikistan until 2027 (approved by Resolution of the Government No.545 dated 29 November 2023)	1) Promotion and support of gender equality policies. 2) Cooperation with state authorities and local self-government bodies in integrating women's entrepreneurship development issues into local and regional development programs. 3) Coordination of women's entrepreneurship support projects between development partners and local self-government bodies. 4) Expanding opportunities for the use of existing business incubator infrastructure and creating technology parks with the participation of women entrepreneurs. 5) Establishment of a database (electronic register) of women entrepreneurs.
International trade of SMEs:	
E-commerce Program of Tajikistan for 2025–2029 (approved by Resolution of the Government No.295 dated 16 May 2024)	There is no comprehensive policy and strategy for MSME exporters/importers, MSME participation in global value chains, and/or internationalization of MSMEs in Tajikistan. However, the following e-commerce program addresses the development of global trade for businesses including SMEs through internationally recognized online trade platforms. 1) Transition from limited platforms to broader online trade networks. 2) Streamline trade procedures and promote non-cash payments. 3) Improve regulation, logistics, and digital/financial literacy. 4) Enhance Internet connectivity, speed, and affordability. 5) Integrate cyber-security, fintech, and multi-stakeholder coordination.

SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Tajikistan; the Ministry of Economic Development and Trade website; and official websites of government institutions of Tajikistan.

UZBEKISTAN

Overview

The economy slightly decreased its growth from 6.3% in 2023 to 6.0% in 2024, with expansion mainly in the industry, services, and construction. The central bank's tight monetary policy along with lower transportation costs for imported food and other goods contributed to a slowdown in inflation from 10.0% in 2023 to 9.4% in 2024. The economy will likely grow by 6.6% in 2025 and 6.7% in 2026 driven by industry and services. Inflation is projected to decline further to 8.0% in 2025 and 7.0% in 2026.⁹⁰

Following Presidential Decree No.UP-113 of 2022 to maintain the relevance of information and consistency in statistical data across government agencies, a complete inventory of databases related to legal entities was compiled by the Tax Committee, the National Statistics Committee, and the Ministry of Justice. The change in the definition of micro, small, and medium-sized enterprises (MSMEs) since 10 February 2023 led to a sharp decline in number of MSMEs, by 20.3% in 2023 and 14.1% in 2024. By the end of 2024, the number of active MSMEs was 358,116 firms, or 99.0% of all enterprises. MSME employment grew by 2.5% to 10.6 million workers, or 74.5% of the total 2024 workforce. The government targets MSMEs to contribute 55% to gross domestic product (GDP) by the end of 2025, not far from end-2024 when they accounted for 54.3% of total output. In 2024, MSME exports grew by 19.5% to \$9.0 billion, or 33.6% of total exports, with leading export destinations Russia, the People's Republic of China (PRC), and Kazakhstan.

MSME bank lending rose by 28.0% in 2024, reaching SUM93.4 trillion. As a major MSME financing partner, the Business Development Bank provided 5.3% of MSME financial support in 2024. On 19 March 2025, a new decree “on measures to expand the role of small and medium-sized businesses in the economy” was signed. It introduces financing options and simplified administrative procedures for MSMEs to speed structural reform in line with the approval of a new SME Development Strategy for 2025–2030. The Digital Startups Support Program, started in 2024, supports MSME digital entrepreneurship. The government created a “green entrepreneurs” platform in January 2025. The SME Development Strategy for 2025–2030 targets an increase in the MSME share of exports to 35% by 2030.

MSME Development

MSME landscape data for 2023 and 2024 were restructured to better coordinate a complete inventory of official databases across key agencies.

Presidential Decree No.UP-21 of 2023, effective 10 February 2023, “On measures to further improve the criteria for categorizing business entities, as well as tax policy and tax administration,” created a new definition of MSMEs, introducing the medium-sized

enterprises category not included previously (Table 8.1A). However, for statistical tracking, data are presented for micro and small enterprises (MSEs) based on the old definition (Table 8.1B).⁹¹

Under Presidential Decree № UP-113 from 20 April 2022, “On measures to ensure relevance of information and statistical consistency of data across government agencies,” a complete inventory of databases from the Tax Committee, the National Statistics Committee, and the Ministry of Justice on registered legal entities was conducted. The change

⁹⁰ ADB. 2025. Asian Development Outlook September 2025.

⁹¹ For the convenience's sake, this section uses a term “MSME” even if data address micro and small firms based on the previous definition.

affected statistics related to the number of enterprises for 2023 and 2024.

Based on the restructured data, the number of operating MSMEs included 358,116 firms as of the end of 2024, down by 14.1% from 2023. They accounted for 99.0% of all enterprises. Of the total, 92.7% were microenterprises, with the remaining 7.3% small enterprises (Table 8.2 and Figure 8.1A).

By sector, aside from “unclassified others,” MSMEs in 2024 were mainly in wholesale and retail trade (38.1%), manufacturing (15.3%), agriculture (8.5%), construction (7.5%), and accommodation and food services (7.2%) (Figure 8.1B). Traditionally, most

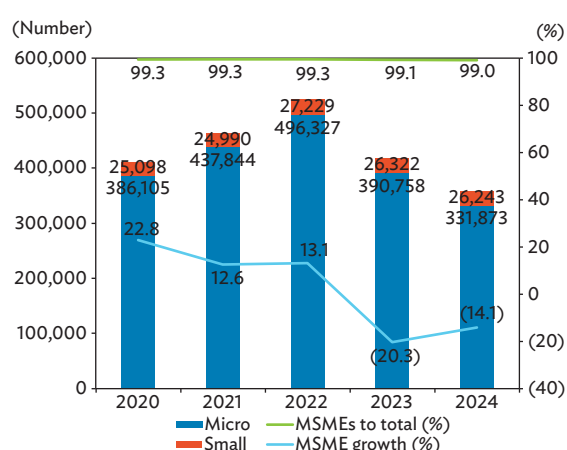
MSMEs operate in provinces (76.4%), with the rest (23.6%) in the capital city Tashkent.

MSMEs employed 10.6 million workers in 2024, up by 2.5% from 2023. Their share of total employment grew to 74.5% (Figure 8.2A). About 85.7% were individual entrepreneurs, dekhkan farms, and self-employed, with 9.0% in microenterprises and 5.4% in small enterprises.

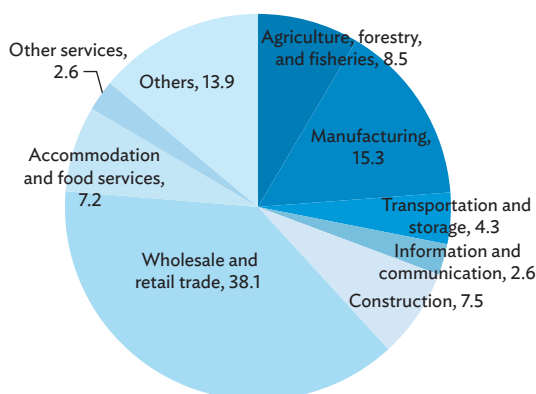
Most MSME workers in 2024 were employed in agriculture (30.2%), followed by wholesale and retail trade (13.5%) and construction (12.1%) (Figure 8.2B). The largest proportion of employees worked outside of the capital (93.6%), with 6.4% in Tashkent.

Figure 8.1: Scale of MSMEs

A. Trend



B. By Sector, 2024 (%)

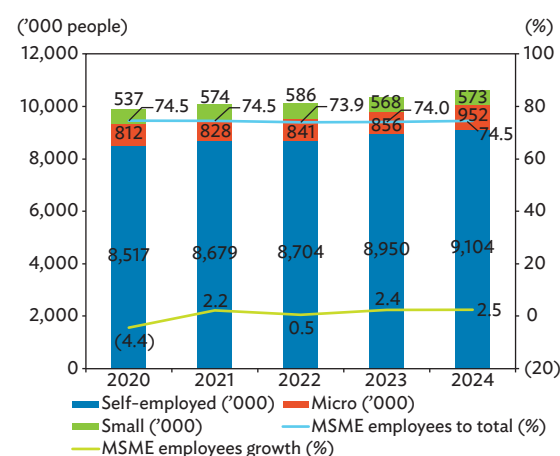


MSME = micro, small, and medium-sized enterprise.

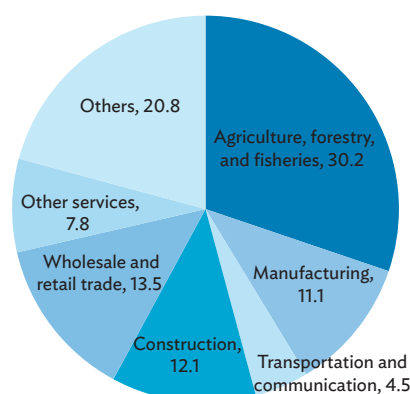
Source: ADB Asia SME Monitor 2025 database. Data from National Statistics Committee of Uzbekistan.

Figure 8.2: Employment by MSMEs

A. Trend



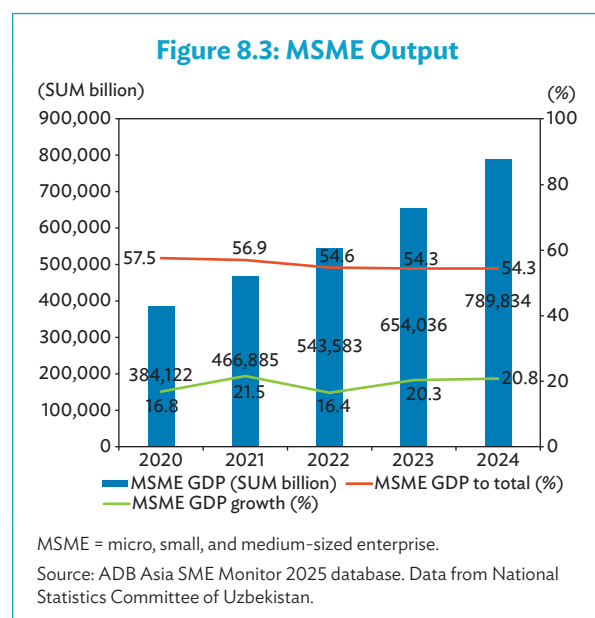
B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National Statistics Committee of Uzbekistan.

The National Statistics Committee of Uzbekistan recalculated the MSME contribution to GDP for 2019–2023. MSME GDP increased steadily over the past 5 years (Figure 8.3). As of the end of 2024, it totaled SUM789.8 trillion, up by 20.8% over 2023, contributing 54.3% to overall GDP. On 19 March 2025, during an annual meeting with business representatives, the president said one of his key goals for 2025 was to increase the share of MSMEs in the economy to 55% with a value-added of \$70 billion.



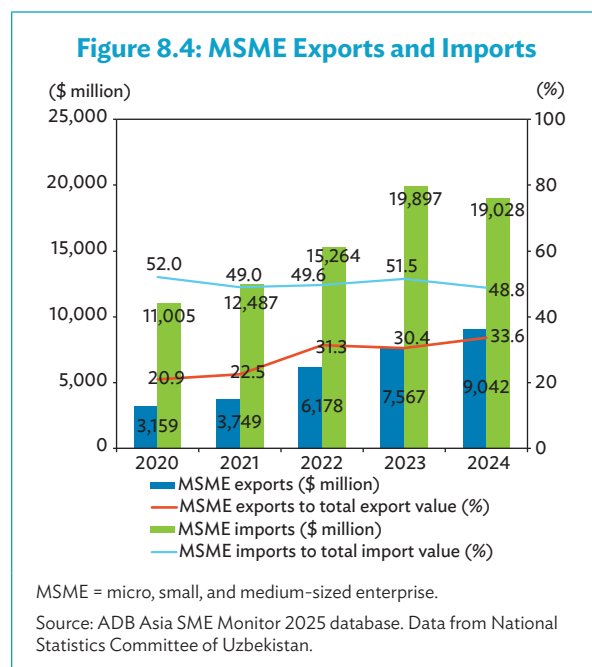
In 2024, the largest MSME contribution by region to GDP came from Surkhandarya (77.8%), Jizzakh (74.4%), Namangan (73.4%), Ferghana (73.1%), and Bukhara (73.0%). MSMEs in the Navoi region (25.1%) and the capital city, Tashkent (52.4%) had the lowest shares.

MSME export value growth has remained strong. In 2024, it increased by 19.5% to \$9.0 billion. The share of MSME exports to total exports was its highest in 5 years at 33.6%, indicating the importance of MSMEs in the country's trade (Figure 8.4). There is no available data on the MSME export structure by goods/services

or by country. However, based on preliminary export data, top exports in 2024 included gold (27.8%), manufactures (15.6%), food products and live animals (8.1%), and chemicals and related products (6.3%). The primary export markets were Russia (13.7%), the PRC (7.6%), Kazakhstan (5.4%), and Türkiye (4.3%).

Although MSME import value dropped by 4.4% in 2024, the trade deficit persisted. By the end of 2024, MSME imports totaled \$19.0 billion, or 48.8% of total imports. The largest share of imports was in machinery and transport equipment (34.6%), followed by manufactured products (15.5%), and chemicals and related products (12.0%). The main sources were the PRC (26.8%), Russia (20.4%), Kazakhstan (7.2%), the Republic of Korea (5.0%), and Türkiye (4.5%).⁹²

According to the National Statistics Committee, total e-commerce trade volume was estimated at SUM13.3 trillion. The Uzum company is a cross-functional platform that operates in e-commerce, fintech, and banking for individuals and MSMEs. In 2024, Uzum's market capitalization reached \$1.1 billion.



⁹² <https://stat.uz/ru/press-tsentr/novosti-goskomstata/59512-sdfsdf-2>.

To promote a sound national e-commerce market, the Cabinet of Ministers approved Decree No.885 of 2024 “On Measures for the Further Development of E-Commerce in Uzbekistan” on 26 December 2024. The decree states that activities such as operating an electronic trading platform, acting as an order aggregator, or providing digital streaming services may only be carried out by legal entities that are residents of Uzbekistan.

Starting from 1 July 2025, e-commerce operators must follow a notification-based procedure. They must satisfy several conditions and requirements: (i) be registered as a legal entity in the Republic of Uzbekistan; (ii) comply with legislation on e-commerce, personal data protection, copyright and related rights, consumer protection, and advertising; (iii) provide upon request of an authorized state body information on their activities; and (iv) comply with retail trade regulations.⁹³

Access to Finance

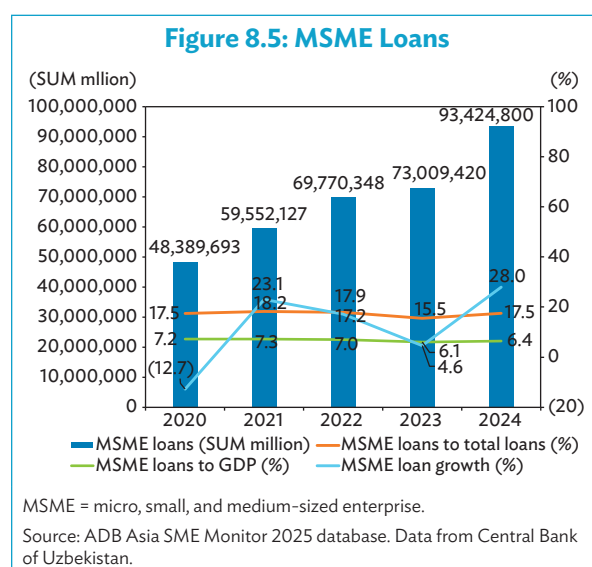
In 2024, MSME bank credit grew by a robust 28.0%, reaching SUM93.4 trillion. The Business Development Bank extended credit to 5.3% of MSMEs nationwide.

As of the end of 2024, 36 banks operated in the country, including 9 state-owned commercial banks, 20 private commercial banks, and 7 foreign commercial banks. The number of state-owned banks decreased after “Poytaxt Bank” was acquired by investors from the United Arab Emirates. The primary focus of its operations is to provide financing for businesses, support working capital, and purchase fixed assets, particularly for residential construction.

With government assistance, bank credit for MSMEs grew by 28.0%, with loans outstanding reaching SUM93.4 trillion in 2024 (Table 8.3 and Figure 8.5A). This increased the share of MSME loans outstanding to total bank credit from 15.5% in 2023 to 17.5% in

2024. The MSME equivalent credit share of GDP also grew from 6.1% to 6.4% by end-2024. Yet the MSME bank credit market remains small, highlighting the need for significant growth.

Data on MSME nonperforming loans (NPLs) is unavailable, but the proportion of NPLs in banks overall rose to 4.0% from 3.5% in 2023.



The Business Development Bank (BDB), established in September 2023, is one of the main financing and intermediary partners for MSME state support programs. Based on its annual report, the bank disbursed SUM7.0 trillion in loans to 1.3 million clients in 2024. BDB disbursed SUM1.7 trillion to 17,676 small businesses in 2024. Under Presidential Decree No.PQ-312 “On measures to improve the Comprehensive program for continuous support of small businesses” dated 7 September 2024, loans in the amount of SUM151.0 billion were allocated to 1,421 small entrepreneurs. Thus, BDB disbursed loans to 5.3% of the country’s MSMEs in 2024.

To enhance communications with MSME clients, BDB launched “Biznes-portal.uz” to provide financial and consulting services for entrepreneurs.⁹⁴ BDB organized a national contest—“Best Business

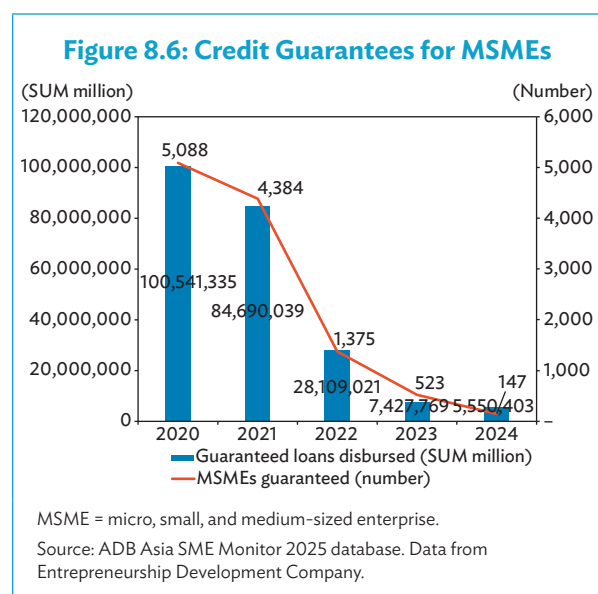
⁹³ https://www.norma.uz/novoe_v_zakonodatelstve/k_operatoram_elektronnoy_kommercii_ustanovleny_novye_trebovaniya.

⁹⁴ <https://brb.uz/ru/o-banke/finansovye-pokazateli?tab=annual-report>.

Project for Mahalla Development”—together with the Republican Mahalla Association. The contest involved entrepreneurs who benefited from financial opportunities across 9,446 mahallas.⁹⁵

After 2021, there were no updates from Microcredit Bank on subsidized loans to MSMEs. As of end-2021, outstanding subsidized loans totaled SUM624.8 billion. According to the official website, Microcredit Bank disbursed a total of SUM7.0 trillion in loans in 2024, including SUM1.9 trillion for the family entrepreneurship program, SUM2.0 trillion to support small businesses, and SUM1.5 trillion for microfinancing. These funds helped implement 42,048 micro-projects and created 73,100 jobs by end-2024. The bank also raised \$124 million from international financial institutions.⁹⁶

The State Fund for Entrepreneurship Support—restructured into the Entrepreneurship Development Company (EDC) in November 2023—disbursed guaranteed loans totaling SUM5.6 trillion by end-2024 (Figure 8.6).



Since 2017, through Entrepreneurship Development Company’s (EDC) refinancing schemes, the fund supported 55,311 MSMEs in agriculture, manufacturing, and services, amounting to SUM18.3 trillion as of end-2024. The EDC offers several types of financial aid to MSMEs, including (i) guarantees for loans from commercial banks, (ii) interest expense compensation on bank loans, (iii) business mortgages, (iv) equity financing, (v) refinancing of MSME microloans, and (vi) funding allocations to commercial banks for MSME financing.

The number of nonbank finance institutions rose from 165 in 2023 to 192 in 2024. It included 100 microfinance institutions (MFIs) and 92 pawnshops. MFIs are crucial for MSME financing, especially in rural areas where proximity matters. By Presidential Decree No.RP-364 of 10 November 2023 “On additional measures to increase the role and share of microfinance services in the development of entrepreneurial activity,” the microloan limit was raised from SUM50 million to SUM100 million starting 1 January 2024. The annual lending rate was reduced from 65.5% in 2023 to 57.2% in 2024, although it remains extremely high. As a result, the MFI credit market grew sharply by 83.5% to a total SUM7.3 trillion. The number of financed customers also increased from 587,385 in 2023 to 3.6 million in 2024.

Pawnshop financing grew by 23.5% to SUM414.9 billion in 2024. It covered 156,197 customers including MSMEs.

Uzbekistan’s stock market remains centralized on a large, transparently structured platform. There is no specialized board dedicated to MSMEs. As of the end of 2024, market capitalization of the main board of the Toshkent exchange reached SUM242.4 trillion, up by 43.1%. There were 93 listed companies, down from 117 at end-2023.

⁹⁵ “Mahalla” is a traditional neighborhood or local community unit. It functions as a grassroots self-governing body with both social and administrative roles.

⁹⁶ https://mkbank.uz/ru/press_center/preview/mkbank-tomonidan-2024-yilda-amalga-oshirilgan-ishlar-natijadorligi-hamda-2025-yil-uchun-belgilangan-/.

Policies and Regulations

The new SME Development Strategy for 2025–2030 was approved in March 2025. It set a moratorium on new MSME regulatory and legal requirements, including tax increases, until 1 January 2028.

On 19 March 2025, Decree No-UP-50 “On measures to expand the role of small and medium-sized businesses in the economy” was signed, offering a wide range of new initiatives related to MSME development (Table 8.4). Key measures include a new financing package, simplified administrative procedures and structural reform of MSME businesses, together with the endorsement of the SME Development Strategy for 2025–2030.

To make MSME businesses more robust and resilient, the government plans to implement several initiatives:

- (i) the government will transform at least 600 MSMEs into “champion entrepreneurs” by supporting their business reform in 2025;
- (ii) starting 1 May 2025, the state fee for registering the self-employed, whether an individual entrepreneur or a legal entity, has been waived;
- (iii) self-employed persons and businesses that become individual entrepreneurs, microenterprises, or small enterprises are eligible for unsecured loans of up to SUM50 million through the Family Entrepreneurship Development Program, and up to SUM150 million under the Comprehensive Program for Continuous Support of Small Businesses;
- (iv) business entities becoming medium-sized or large firms within a year can receive an accelerated VAT reimbursement within 7 days;
- (v) the Ministry of Economy and Finance, in partnership with the central bank, will allocate SUM120 trillion in credit for MSME business development in 2025, including SUM22 trillion for entrepreneurial programs. Also, the central bank, together with the ministry, will simplify online microcredit

applications for legal entities and introduce a system for quick loan approvals by 1 July 2025.

To qualify as “Champion Entrepreneur,” firms must satisfy several criteria: (i) at the district (city) level, at least two business entities per district (city) with annual turnover over SUM10 billion that have created more than 50 jobs; (ii) at the level of Karakalpakstan, provinces, and Tashkent city, each region should have at least five businesses with annual turnover over SUM100 billion with over 500 jobs; and (iii) nationally, businesses must have annual turnover over SUM1 trillion that have created more than 5,000 jobs.

To streamline MSME administrative procedures, several measures are being planned: (i) a moratorium on new regulatory and legal acts imposing additional obligations, including tax rate increases, are in effect until 1 January 2028; and (ii) until 1 January 2028, the “First Opportunity” policy will exempt first-time offenders from administrative liability within their first year of business. These initiatives underpin the new SME Development Strategy for 2025–2030, approved by Presidential Decree No.UP-50 of 2025, effective 19 March 2025.

The government gives special attention to MSME development as part of sustainable growth. It defines some major challenges for MSME development:

- (i) most MSMEs are registered as limited liability companies, which are not subject to disclosure obligations and do not raise capital through public offerings. As a result, the securities market is seen as a complex and less suitable financing model;
- (ii) even when MSMEs successfully register a bond issue, they have problems attracting investors; this is because both institutional and retail investors tend to prefer large joint-stock companies with larger issues, more transparency, and inspire greater market confidence;
- (iii) issuing MSME corporate bonds is often economically unfeasible due to high coupon rates they must offer to compensate for perceived risk’ reducing the attractiveness of

- capital market debt compared to bank loans or other forms of financing;
- (iv) the rapid advance of AI poses significant risks to employment, particularly in areas where MSMEs are concentrated most, such as in accounting, sales, logistics, and customer support;
 - (v) many MSMEs, particularly in traditional sectors and remote areas, lack the digital skills and financial literacy to modernize operations, manage investments, or navigate digital financial tools, reducing their ability to adapt to rapidly changing market conditions;
 - (vi) geopolitical tensions, shifting trade alliances, and global supply chain disruptions have increased MSME vulnerability to international trade—a lack of export experience, inadequate international certifications, and limited participation in global supply networks further constrain their competitiveness; and
 - (vii) MSME employees often face barriers in upskilling, including limited availability of digital training and professional development programs.

Digitalization of MSMEs

On 19 March 2025, the Ministry of Economy and Finance, together with the Agency for Innovative Development, National Venture Fund “UzVC,” JSCB “Business Development Bank,” and JSC “Entrepreneurship Development Company” were given the following tasks to support digital MSMEs:

- (i) by end-2026, ensure the implementation of at least 200 start-up projects in new business areas (digital industry) with venture fund participation;
- (ii) the central bank, in conjunction with commercial banks, will allocate \$50 million for loans to digitalized MSMEs through the “United Ventures” and “SQB Ventures” venture capital funds by the end of 2026;
- (iii) the Ministry of Economy and Finance, together with commercial banks with over 50% state ownership, as well as venture

capital funds, shall attract \$50 million in foreign funds by 1 April 2026.

The Digital Startups Support Program was launched under Presidential Resolution PP-357 on 14 October 2024 to promote digital entrepreneurship among MSMEs. The initiative will boost MSME growth by providing support that includes financing, mentorship, and infrastructure access. The Ministry of Digital Technologies, as well as the Agency for Innovative Development, specifically focuses on funding start-up projects to help accelerate the country’s digital transformation by empowering innovative, technology-driven businesses.

Green MSMEs and climate action

On the initiative of the Ministry of Economy and Finance, backed by Presidential Decree No.UP-16 from 30 January 2025, a platform for recognizing business entities as “green entrepreneurs” was launched. Along with granting a “status of green entrepreneur,” the platform allows firms to apply for state support such as the exemption from environmental inspections for a certain period, support for entering international markets, and additional points within the framework of sustainability business ratings.

To promote climate action, the Ministry of Economy and Finance introduced “green procurement” to expand participation of “green MSMEs” in public procurement.⁹⁷ To qualify, MSMEs must meet criteria like creating “green belts” around their facilities, using drip and container irrigation systems, deploying energy-efficient equipment and technologies, and installing online monitoring systems to prevent environmental violations and emissions.

Women-led MSMEs

The government set target indicators for supporting women in 2025: (i) ensuring employment for 2 million women; (ii) capacity building of 250,000 women in professions and entrepreneurship; and (iii) conducting motivational seminars in sanatoriums aimed at improving the health of 50,000 underprivileged women and fostering entrepreneurial skills.

⁹⁷ Government defines “Green MSMEs” as businesses that adopt eco-friendly technologies, energy-saving measures, and practices to reduce environmental impact.

In addition, the government established Hamroh, a specialized support firm under the Ministry of Economy and Finance, to offer financial and advisory services to women-led MSMEs. In 2025, they allocated SUM2.5 trillion (about \$200 million) for low-interest loans and subsidies. To enhance targeting, a unified definition of women's entrepreneurship was included in the draft Entrepreneurship Code. Despite these initiatives, a \$916 million credit gap remains. Additionally, the Central Bank of Uzbekistan, committed to gender-responsive finance, has adopted the We Finance Code and begun tracking sex-disaggregated MSME data, marking an important step toward evidence-based policies and accountability.

As lead authority for MSME development, including the promotion of women's entrepreneurship, the Ministry of Economy and Finance plans to implement a comprehensive support system for women entrepreneurs through several initiatives: (i) providing foundational entrepreneurship training to aspiring women; (ii) supporting self-employed women in collaboration with commercial banks to develop business projects and launch small-scale enterprises; (iii) enhancing the capacity of small women-led businesses by offering training in business planning, financing, and market access; (iv) engaging with high-performing and fast-growing women entrepreneurs to nurture them as "champion entrepreneurs;" and (v) facilitating the listing and sale of products and services created by women entrepreneurs on existing national e-commerce platforms.

International trade of MSMEs

The government, in particular the Ministry of Economy and Finance, has outlined the following key targets and initiatives:

- (i) support implementation of the SME Development Strategy for 2025–2030 to increase the share of SMEs in national exports to 35% by 2030;

- (ii) assess export potential, conduct targeted engagement with entrepreneurs at the enterprise level, and broaden the export reach of locally produced goods;
- (iii) enhance competitiveness of local products in international markets under the "Made in Uzbekistan" brand while further developing export capacity of key industries;
- (iv) encourage wider participation of entrepreneurs in exports and diversify both destinations and product lines through accelerator programs; and
- (v) boost the number of exporting companies in digital technology and increase the export volume of IT services and software products.

MSME financing and financial inclusion strategies

The implementation of the National Strategy for Increasing Financial Inclusion for 2021–2023 has been completed. According to the central bank, the number of automated teller machines increased from 6,500 to 13,600, the number of active bank cards in circulation increased from 25.8 million to 46.2 million, and the number of electronic wallets increased from 1.5 million to 15.6 million. The share of the adult population with a bank loan or credit line increased from 13% to 21%, those covered by international educational events increased from 20,000 to 191,000.⁹⁸

A new version of the financial inclusion strategy is under consideration.

The "Uzbekistan-2030" Strategy, adopted by Presidential Decree No UP-158 on 11 September 2023, will increase annual lending volumes of banks and the financial sector to \$40 billion. It will improve standards and control frameworks by introducing internationally recognized minimum requirements for banks and other financial institutions.

⁹⁸ <https://cbu.uz/upload/medialibrary/dba/py0zs3bo0qsthievm25p53nbc4sypafk/Godovoy-otchet-2023.pdf>.

Data Tables

Table 8.1: MSME Definition

A. Definition after 10 February 2023

Item	Small businesses (include individual entrepreneurs, micro, and small firms)			
	Micro	Small	Medium	Large
Based on Aggregate annual revenue	Less than SUM1 billion	From SUM1 billion to less than SUM10 billion	From SUM10 billion to less than SUM100 billion	From SUM100 billion

B. Definition before 9 February 2023

Item	Micro	Small
Number of employees:		
Wholesale and retail trade	1 - 5	6 - 25
Arts, entertainment and recreation	1 - 10	11 - 25
Transportation and storage	1 - 10	11 - 100
Accommodation and food services		
Financial and insurance activities	1 - 20	21 - 25
Education		
Agriculture, forestry, fisheries		
Power supply, gas, steam and air conditioning		
Water supply; sewerage, waste collection and disposal		
Operations with real estate	1 - 20	21 - 50
Professional, scientific and technical activities		
Activities for the management and provision of support services		
Provision of other types of services		
Repair of motor vehicles and motorcycles		
Information and communications	1 - 20	21 - 100
Health and Social Service Delivery		
Mining and quarrying		
Manufacturing	1 - 20	21 - 200
Construction		

Source: ADB Asia SME Monitor 2025 database. Data from Presidential Decree from 10 February 2023 “On measures to further improve the criteria for categorizing business entities, as well as tax policy and tax administration” (https://static.norma.uz/doc/doc_7/21.pdf) for A and from Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No.275 dated on 24 August 2016 for B.

Table 8.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises*							
MSMEs	Number	334,767	411,203	462,834	523,556	417,080	358,116
Micro	Number	312,609	386,105	437,844	496,327	390,758	331,873
Small	Number	22,158	25,098	24,990	27,229	26,322	26,243
Medium-sized	Number	...	...	...	...	...	...
Large	Number	2,329	2,979	3,055	3,666	3,692	3,677
Total	Number	337,096	414,182	465,889	527,222	420,772	361,793
MSME to total	%	99.3	99.3	99.3	99.3	99.1	99.0
MSME growth	%	27.3	22.8	12.6	13.1	(20.3)	(14.1)
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		8.6	9.9	9.9	10.2	8.9	8.5
Manufacturing		20.9	20.1	19.5	18.7	16.4	15.3
Transportation and storage		4.5	4.1	3.9	3.9	4.2	4.3
Information and communication		2.3	2.2	2.2	2.3	2.4	2.6
Construction		10.8	9.9	9.4	8.9	8.2	7.5
Wholesale and retail trade		30.0	32.0	33.8	34.8	37.7	38.1
Accommodation and food services		7.6	7.3	7.1	7.0	6.8	7.2
Other services		1.9	1.8	1.9	1.9	2.3	2.6
Others		13.4	12.6	12.2	12.4	13.1	13.9
MSMEs by region	%	100	100	100	100	100	100
Capital city (Tashkent)		22.1	20.8	20.4	20.3	21.0	23.6
Others		77.9	79.2	79.6	79.7	79.0	76.4
Employment*							
MSMEs	Number ('000)	10,319	9,866	10,081	10,131	10,373	10,629
Individual entrepreneurs, dekhkan farms, and self-employed	Number ('000)	8,946	8,517	8,679	8,704	8,950	9,104
Micro	Number ('000)	781	812	828	841	856	952
Small	Number ('000)	592	537	574	586	568	573
Medium-sized	Number ('000)	...	...	...	...	...	...
Large	Number ('000)	2,774	2,923	3,010	3,127	3,193	3,183
Unclassified	Number ('000)	448	448	448	448	448	448
Total	Number ('000)	13,541	13,236	13,539	13,706	14,014	14,260
MSME employees to total	%	76.2	74.5	74.5	73.9	74.0	74.5
MSME employees growth	%	1.9	(4.4)	2.2	0.5	2.4	2.5
MSME employees by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		33.8	34.9	33.3	33.0	31.7	30.2
Manufacturing		13.2	12.9	12.9	12.3	12.0	11.1
Transportation and communication		5.0	4.9	5.3	5.1	5.1	4.5
Construction		12.3	12.5	12.6	12.3	13.7	12.1
Wholesale and retail trade		13.3	13.6	14.5	14.4	14.5	13.5
Other services		7.4	6.6	8.1	8.2	8.3	7.8
Others		14.8	14.6	13.3	14.7	14.7	20.8
MSME employees by region	%	100	100	100	100	100	100
Capital city (Tashkent)		6.2	6.3	6.6	6.8	6.6	6.4
Others		93.8	93.7	93.4	93.2	93.4	93.6
Output*							
MSME GDP	GDP, SUM mil.	328,846,759	384,121,850	466,885,325	543,582,913	654,035,572	789,833,628
MSME GDP to total	% to GDP	55.3	57.5	56.9	54.6	54.3	54.3
MSME GDP growth	%	14.7	16.8	21.5	16.4	20.3	20.8
Exports*							
MSME exports	\$ mil.	4,745	3,159	3,749	6,178	7,567	9,042
MSME exports to total export value	%	27.2	20.9	22.5	31.3	30.4	33.6
MSME export growth	%	24.4	(33.4)	18.7	64.8	22.5	19.5
Imports*							
MSME imports	\$ mil.	15,218	11,005	12,487	15,264	19,897	19,028
MSME imports to total import value	%	62.6	52.0	49.0	49.6	51.5	48.8
MSME import growth	%	38.3	(27.7)	13.5	22.2	30.4	(4.4)

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data based on old definition on micro and small enterprises. Data on medium-sized enterprises are not included.

Notes: MSMEs by sector for 2023, MSME GDP and MSME GDP to total for 2019–2023, MSME export and import data for 2019–2023 were amended from the Asia SME Monitor 2024 report; MSME GDP data for 2019–2024 were estimated using available information on their share of nominal GDP (based on annual bulletin on MSMEs development for 2024).

Source: ADB Asia SME Monitor 2025 database. Data from National Statistics Committee of Uzbekistan.

Table 8.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans*							
MSME loans outstanding	SUM mil.	55,430,003	48,389,693	59,552,127	69,770,348	73,009,420	93,424,800
MSME loans to total loans	%	26.2	17.5	18.2	17.9	15.5	17.5
MSME loans to GDP	%	9.3	7.2	7.3	7.0	6.1	6.4
MSME loan growth	%	80.9	(12.7)	23.1	17.2	4.6	28.0
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	SUM mil.	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans)	%	1.5	2.1	5.2	3.6	3.5	4.0
MSME loans by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by region	%	...	...	...	...	...	...
Capital city (Tashkent)		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantees schemes for MSMEs							
Guaranteed loans disbursed	SUM mil.	24,393,901	100,541,335	84,690,039	28,109,021	7,427,769	5,550,403
Growth	%	29.0	312.2	(15.8)	(66.8)	(73.6)	(25.3)
MSMEs guaranteed	Number	1,255	5,088	4,384	1,375	523	147
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for MSMEs							
New approval	Number	2,941	9,760	7,278	...	...	...
Subsidized loans outstanding	SUM mil.	167,306	396,051	624,764	...	...	...
Growth	%	601.4	136.7	57.7	...	...	...
MSMEs benefited	Number	2,932	9,742	7,250	...	...	...
Capital Markets							
n/a.,							

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data based on old definition on micro and small enterprises. Data on medium-sized enterprises are not included.

Note: MSME loans to GDP for 2019–2023 was recalculated due to nominal GDP revision for these years.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of Uzbekistan, Entrepreneurship Development Company, and Microcredit Bank of Uzbekistan.

Table 8.4: Policies and Regulations

Benchmark Regulation	Presidential Decree from 10 February 2023 “On measures to further improve the criteria for categorizing business entities, as well as tax policy and tax administration”
Focal Government Authority for MSMEs	Ministry of Economy and Finance
Key Policies and Strategies	
Name	Outline
Development Strategy of New Uzbekistan for 2022–2026	1) Reducing poverty in half by achieving inclusive and stable economic growth. 2) Ensuring competition in the economy. 3) Creating a level playing field for businesses. 4) Accelerating the full transition to a market economy. 5) Increasing the competitiveness of the national economy. 6) A sharp increase in private investment. 7) Further strengthening the confidence of the business community.
Uzbekistan–2030 [strategy until 2030] (2023)	1) Building a free and prosperous, powerful “New Uzbekistan.” 2) Creating all opportunities for every citizen to develop their potential. 3) Raising a healthy, educated and morally perfect generation. 4) Forming a strong economy that has become an important link of global production, justice, and law priority, in order to guarantee security and stability of Uzbekistan.
“Digital Uzbekistan–2030” Strategy	1) Building robust digital infrastructure. 2) Streamlining e-Government services. 3) Fostering a thriving digital economy. 4) Cultivating a strong domestic IT sector. 5) Prioritizing IT education to equip the workforce for the digital age.
The SME Development Strategy for 2025–2030 approved by Decree of the President of the Republic of Uzbekistan “On measures to expand the role of small and medium-sized businesses in the economy” from 19 March 2025 (https://www.lex.uz/ru/docs/7444745)	1) Raising the share of SMEs in GDP to 55%, in industry to 34%, in exports to 34%, and in employment to 75% by 2030. 2) Stimulating the consolidation of SMEs. 3) Introduction of simplified administrative procedures for SMEs. 4) Improvement of infrastructure for SMEs. 5) Support for new business directions. 6) Enhancing the business climate for SMEs in the agricultural sector.
Banking Reform Strategy for 2020–2025	1) Improving the efficiency of the banking system. 2) Ensuring its financial stability. 3) Reducing the state share in banking. 4) Increasing the availability and quality of financial services by targeting underserved and vulnerable segments, introducing remote services for MSEs and individuals, and developing a network of low-cost service outlets. 5) Developing nonbank credit organizations as part of a more unified financial system.
National Strategy for Increasing Financial Inclusion for 2021–2023	1) Increasing basic financial coverage by expanding service outlets, introducing alternative ways of accessing bank services, and creating a network of agent banks. 2) Developing digital financial services by attracting fintech companies, introducing a remote identification system, and modernizing the national payment system. 3) Expanding small business financing by developing financial instruments aimed at entrepreneurial projects, and developing nonbank credit organizations. 4) Strengthening consumer rights and protection by ensuring transparency of information on financial products and services, and introducing mechanisms for resolving disputes. 5) Spreading financial literacy throughout the population (and MSEs) by raising awareness through the media, introducing a financial literacy curriculum in schools, and developing financial literacy training programs.
Thematic Initiatives	
Digitalization of MSMEs: “Digital Uzbekistan–2030” Strategy	1) Building robust digital infrastructure. 2) Streamlining e-Government services. 3) Fostering a thriving digital economy. 4) Cultivating a strong domestic IT sector. 5) Prioritizing IT education to equip the workforce for the digital age.

continued on next page

Table 8.4 *continued*

Green MSMEs and climate action:	
Resolution of the President of the Republic of Uzbekistan of 2 December 2022 No. PP-436 “On measures aimed at increasing the effectiveness of reforms with the goal of transition of the Republic of Uzbekistan to a ‘green’ economy until 2030”	1) Reduction of specific greenhouse gas emissions per unit of GDP by 35% compared to the 2010 level. 2) Increase of renewable energy generation capacity to 15 GW, ensuring their share in the total electricity production exceeds 30%. 3) Improvement of energy efficiency in the industrial sector by at least 20%. 4) Reduction of energy intensity per unit of GDP by 30%, including through the wider use of renewable energy sources. 5) Significant improvement of water use efficiency across all sectors of the economy, including the introduction of water-saving irrigation technologies on up to 1 million hectares. 6) Expansion of green zones in urban areas to over 30% through the annual planting of 200 million seedlings, with the total number of seedlings reaching more than 1 billion. 7) Increase of the stock of the national forest fund to over 90 million cubic meters.
Women-led MSMEs:	
Strategy for Achieving Gender Equality in the Republic of Uzbekistan until 2030 (approved by Parliament decree No.SQ-297-IV on 28 May 2021)	1) Strengthening the legal and institutional framework. 2) Equal rights and opportunities in political and public life. 3) Women’s economic empowerment. 4) Equal access to education and healthcare. 5) Prevention of gender-based violence and discrimination. 6) Social protection and family support. 7) Gender-sensitive budgeting and monitoring.
International trade of MSMEs:	
Decree of the President of the Republic of Uzbekistan No. UP-228 from 30 September 2022 “On Measures to Further Expand the Export Potential of Business Entities” (“New Uzbekistan – a Country of Competitive Products”)	1) Ensuring the automatic generation, on a rating basis, of a list of enterprises on the Unified Exporters Support Portal (www.exportportal.uz) in accordance with the established criteria, and the regular updating of this list every six months. 2) When exporters are obtaining loans for working capital financing, commercial banks are recommended to accept export contracts as collateral. 3) Provision of financial assistance to exporters in the amount of up to \$30,000 for the implementation of one international standard and obtaining the corresponding certificate. 4) Engagement of foreign consultants on business processes, increasing export volumes, and conducting marketing research. 5) At the expense of the Export Support Fund, based on the export volume carried out during the last 12 months, financial assistance shall be provided for the financing of pre-export and export trade operations in the following amounts: - up to 1 million US dollars — for export volumes from 1 million to 5 million US dollars. - up to 2 million US dollars — for export volumes from 5 million to 10 million US dollars. - up to 3 million US dollars — for export volumes from 10 million to 15 million US dollars. - up to 4 million US dollars — for export volumes from 15 million to 20 million US dollars. - up to 5 million US dollars — for export volumes exceeding 20 million US dollars.

MSE = micro and small enterprise; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Economy and Finance, Central Bank of Uzbekistan, and national database of legislation of the Republic of Uzbekistan (<https://lex.uz/en/>).

Bangladesh
India
Nepal
Pakistan
Sri Lanka

SOUTH ASIA



BANGLADESH

Overview

Economic growth slowed in fiscal year (FY) 2024 (ended 30 June 2024) to 4.2% from 5.8% in FY2023 primarily due to softer global demand, energy shortages, and tighter domestic policies. Industrial growth dropped sharply, especially in large-scale manufacturing. Inflation rose to 9.7% on higher food prices, currency depreciation, and increased utility costs. The fiscal deficit narrowed to 4.0% of gross domestic product (GDP) while the current account deficit improved to 1.5% of GDP as imports fell and remittances rose. In FY2025, growth is projected to slow further to 4.0%, affected by political instability, factory disruptions, and high inflation, which is expected to peak at 10.0%. Despite these challenges, a recovery is anticipated in the latter half of FY2025, supported by stronger manufacturing output and remittance-driven consumption, although services and agriculture will remain subdued.⁹⁹

Micro, small, and medium-sized enterprise (MSME) policies are based on the National Industrial Policy 2022. The central bank's cottage and MSME (CMSME) Master Circular 2025 created a new lending category for informal entrepreneurs to enhance financial inclusion. Although complete MSME data is unavailable, MSME manufacturers (including cottage industries) contributed 8.9% of GDP in FY2024. Key reforms include digital identification, cluster financing, and gender-inclusive loan targets. Climate resilience is supported through blended finance models and national adaptation plans, while women-led MSMEs benefit from targeted training and digital platforms. The Export Policy 2024–2027 integrates MSMEs into global trade via non-cash incentives and digital access. These policies position MSMEs as central to the country's transition out of least developed country (LDC) status in 2026 and into more sustainable development.

MSME Development

A new economic census conducted in December 2024 reported that there were 11.9 million enterprises in operation, highlighting the amount of entrepreneurial activity. The detailed breakdown MSME data has yet to be released. The Labour Force Survey 2023 showed a slight rise in employment—to 73.5 million—with MSMEs in manufacturing, services, and the informal economy playing a major role. While complete MSME data are unavailable, output from MSMEs in manufacturing, including cottage industries, was Tk3.9 trillion in FY2024, up by 6.6% from FY2023, contributing 8.9% to GDP. Although MSME output remains small, its growth reflects rising domestic demand, more diversified exports, and targeted financial support.

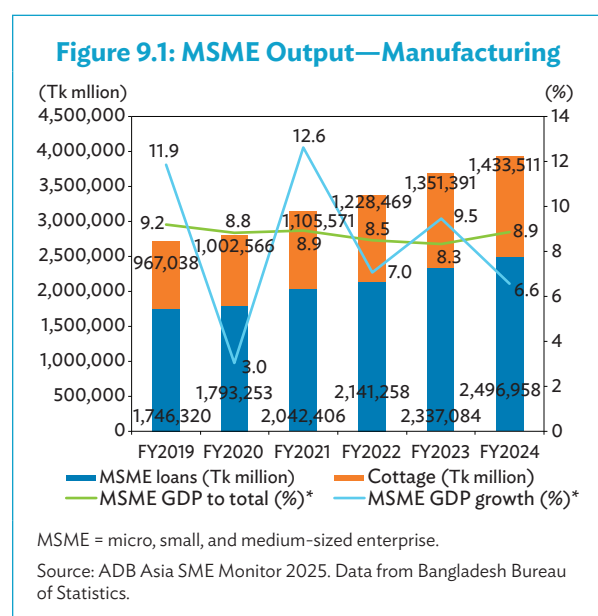
MSMEs are pivotal to the country's economic landscape, contributing significantly to job creation, industrial output, and inclusive growth. The most recent comprehensive data on MSMEs is from the Economic Census 2013, which remains the baseline for enterprise statistics. However, a new Economic Census conducted in December 2024 reported a total of 11,877,364 enterprises across the country. While this may reflect the overall scale of entrepreneurial activity, detailed data on MSMEs remain unavailable as of August 2025, limiting granular analysis of their sectoral dynamics. The MSME definition changed between 2013 and 2024, thus affecting any census analysis (Table 9.1).

In addition, a Survey of Manufacturing Industries scheduled for 2025 will update statistics on manufacturing MSMEs, including metrics on output, employment, and productivity.

⁹⁹ ADB. 2025. Asian Development Outlook September 2025.

The Labour Force Survey 2023 showed a modest increase in employment—from 73.1 million in FY2022 to 73.5 million in FY2023. MSMEs, particularly in manufacturing, services, and the informal economy, likely accounted for a major share of the workforce, although precise employment figures by enterprise size remain unavailable.

GDP from manufacturing MSMEs (including cottage industries) has been rising consistently since 2019, given gradual industrial diversification and policy support. There has been no update from the Asia SME Monitor 2024. In FY2024, total manufacturing GDP reached Tk3.9 trillion, up by 6.6% from FY2023. It contributed 8.9% to GDP, underscoring its growing importance in the broader economic framework (Table 9.2 and Figure 9.1). Increased domestic demand, export diversification, and targeted financial schemes such as refinancing facilities and cluster-based support helped boost growth.



Access to Finance

MSME financing grew by 3.4% in 2024, with Tk3.0 trillion in loans outstanding. The nonperforming loan (NPL) ratio rose to a very high 20.7%, highlighting MSME vulnerabilities. Urban MSMEs received most loans, with non-collateral lending progressing somewhat. Nonbank finance (regulated by the central bank) grew by 4.6% but also struggled with a high 33.8% NPL ratio and limited GDP impact. Equity markets dedicated for qualified MSMEs—the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) SME platforms—have gradually become alternative financing venues.

The banking industry uses a different MSME classification from the national MSME definition set under the National Industrial Policy 2022. Bangladesh Bank revised its category of cottage and MSMEs (CMSMEs) by creating a new category of informal and marginal entrepreneurs under the CMSME Master Circular 2025 to boost access to finance for more types of MSMEs.

This new CMSME classification introduces detailed subsector criteria across manufacturing, services, and trade, with different thresholds for fixed assets, workforce size, and turnover. Informal enterprises are defined by fixed assets below Tk500,000 with family-based labor, and must hold either a Unified Business Identification or Digital Business Identification under the Digital Commerce Guidelines 2021 (Table 9.1D).

Banks remain the cornerstone of the financial system, with 61 banks operating as of the end of 2024, including 43 private commercial banks, 6 state-owned commercial banks, 3 development finance institutions, and 9 foreign banks. Despite global economic headwinds and geopolitical tensions, the bank credit market remains resilient, with total loans outstanding reaching Tk17.1 trillion, up by 9.4% from end-2023. However, it continues to grapple with rising credit risks, with gross NPLs surging to Tk3.5 trillion, or 20.2% of total loans, a notable rise from 9.0% in 2023.

MSME financing has also expanded, though slower. In 2024, MSME loans outstanding totaled Tk3.0 trillion, representing 18.1% of total bank loans and equal to 6.0% of GDP, slightly down from 6.6% in 2023 (Table 9.3 and Figure 9.2A). The growth rate of MSME loans decelerated to 3.4% in 2024 from 7.8% in 2023, as lending was cautious amid economic uncertainty. MSME NPLs rose to Tk625 billion in 2024, pushing its NPL ratio to 20.7%, surpassing the overall banking sector's 20.2% NPL ratio and signaling heightened vulnerability among small enterprises. The number of MSME borrowers increased to 1.3 million as credit demand continued despite tightened conditions.

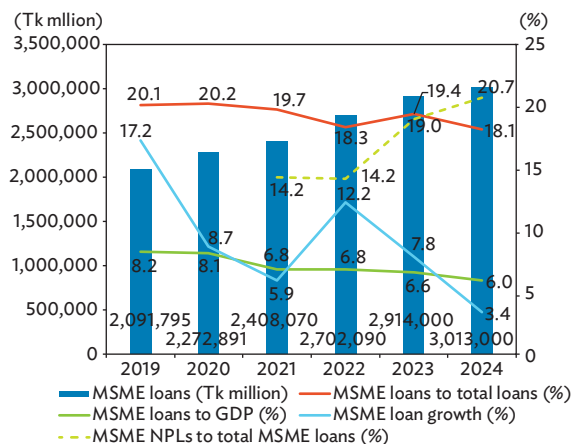
By sector, MSME lending shifted slightly in 2024, with 41.7% allocated to wholesale and retail trade, 37.3% to manufacturing, and 21.0% to other services (Figure 9.2B).¹⁰⁰ MSMEs remained concentrated in urban areas, accounting for 73.7% of MSME loans, while rural enterprises borrowed 26.3%, underscoring the persistent geographic disparities in financial access. Notably, non-collateral MSME loans reached Tk323 billion, showing progress in inclusive financing, although data on guaranteed loans remain unavailable.

Banking continues to digitalize under the “Digital Bangladesh” initiative, integrating technologies such as artificial intelligence, machine learning, and mobile financial services to ease customer use and promote financial inclusion. However, challenges persist, including the high NPLs, limited MSME access to affordable credit, and the need for deeper technological integration, especially in government banks.

As of the end of 2024, nonbank finance remains a vital yet vulnerable component of the financial system. A total of 35 nonbank finance institutions (NBFIs) are regulated by the Bangladesh Bank, with 3 government-owned, 13 joint-venture, and 19 private institutions. NBFIs play a critical role in providing working capital, particularly for those underserved by traditional banks, such as small retail traders.

Figure 9.2: MSME Loans

A. Trend



B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025. Data from Bangladesh Bank.

In 2024, total financing outstanding by NBFIs reached Tk769.8 billion, up by 4.6% year on year. However, it equaled a modest 1.5% of GDP, given its limited penetration within the broader economy. NPLs rose sharply to Tk260.4 billion, pushing the NPL ratio up to 33.8%, a significant deterioration from 29.3% in 2023 and a clear sign of rising credit risk and operational inefficiencies.

¹⁰⁰ MSMEs are broadly categorized into three sectors: manufacturing, trading, and other services.

Total savings mobilized by NBFIs amounted to Tk498.1 billion, underscoring their role in resource mobilization despite the growing concerns over asset quality. While updated figures on customers financed are unavailable, it continues to serve a diverse clientele, including MSMEs, corporates, and individual borrowers.

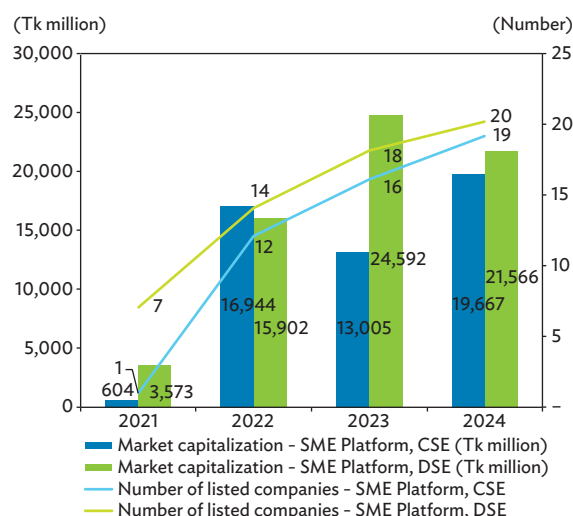
Manufacturing received the largest portion of NBF financing, accounting for 44.4% of total outstanding loans in 2024. This was followed by construction (16.8%), wholesale and retail trade (15.0%), and other services (6.2%). Agriculture, forestry, and fisheries received just 2.0%, highlighting the persistent financing gap between rural and primary sectors. The remaining 12.0% runs across various other sectors, including real estate and personal loans.

Two active equity markets are dedicated to MSMEs. As of the end of 2024, the SME Platform under the DSE had reduced market capitalization from Tk24.6 billion in 2023 to Tk21.6 billion, a 12.3% decrease. But its trading value rose sharply from Tk18.2 billion in 2023 to Tk33.9 billion. Twenty companies were listed on the platform as of end-2024 (Figure 9.3). The SME Platform under the CSE grew dramatically, with market capitalization increasing from Tk13.0 billion in 2023 to Tk19.7 billion by the end of 2024, a 51.2% increase. Trading value rose from Tk383 million in 2023 to Tk663 million in 2024, with 19 companies listed. Both the DSE and CSE SME platforms rebounded in 2022 in the aftermath of the coronavirus disease pandemic and continued to grow as an alternative MSME financing venue.

The country's MSMEs face continuing structural and financial challenges, exacerbated by global disruptions such as the pandemic, Russia's war in Ukraine, and persistent inflation.

First, based on a survey conducted with relevant government agencies, the most critical constraint cited was limited access to formal finance. This came largely from strict collateral requirements, complex documentation, and high interest rates, which discourage both borrowers and lenders. Many MSMEs operate informally and lack verifiable credit histories, making them ineligible for formal financing.

Figure 9.3: Equity Markets for MSMEs—SME Platforms, Chittagong Stock Exchange and Dhaka Stock Exchange



Source: ADB Asia SME Monitor 2025 database. Data from Bangladesh Securities and Exchange Commission, CSE and DSE.

Second, global supply chain disruptions and rising input costs severely impact MSME operations. Foreign exchange volatility, coupled with import delays and inflation, has increased the cost of raw materials and reduced profit margins. These challenges are compounded by poor business and financial literacy and limited business management skills among MSME owners, particularly among rural and cottage industries. Many entrepreneurs lack the capacity to navigate formal banking systems, prepare structured business plans, or use digital financial tools.

Third, banks often avoid small size lending due to perceived risks and low profitability. The absence of tailored financial products and risk-sharing mechanisms, such as robust credit guarantee schemes, further limits MSME access to capital. Although the central bank has introduced refinancing and pre-financing facilities, they remain limited, and the credit guarantee scheme needs to expand and simplify to be effective.

Fourth, digital exclusion remains a major barrier. Many MSMEs lack access to affordable digital tools and infrastructure, restricting their ability to compete in a rapidly digitalizing global economy. Limited rural internet connectivity, lack of digital literacy, and inadequate investment in digital banking keep MSMEs from leveraging e-commerce, mobile banking, and supply chain platforms.

Finally, geopolitical tensions and internal policy gaps create uncertainty, disrupting trade and investment flows. The dominance of large corporations in global trade, coupled with poorly structured MSME policies and fragmented institutional support isolates MSMEs from global markets. Without targeted reforms, such as legal recognition of alternative collateral, streamlined loan processing, and inclusive digital infrastructure, MSMEs will continue to struggle to grow and integrate into global value chains.

Policies and Regulations

Bangladesh is increasing its support for MSMEs through a range of policies that focus on finance, digital access, climate resilience, and global trade. The National Financial Inclusion Strategy expands lending and digital banking for MSMEs, especially for women-led and rural enterprises. Programs such as SheTrades and blended finance models promote gender equality and green business growth. The Export Policy 2024–2027 prepares MSMEs to compete globally by improving access to finance, training, and digital trade platforms. These will help build a stronger, more inclusive economy where MSMEs can thrive.

The National Industrial Policy 2022, issued by the Ministry of Industries, shows how important MSMEs are in transforming industry.¹⁰¹ MSMEs are essential for leading export diversification, import substitution, and job creation. The policy promotes development of industrial clusters, technology parks, and MSME-

friendly infrastructure. The SME Policy 2019 set 11 strategic goals for MSME development, raising their contribution to GDP to 32% by 2024 (Table 9.4). MSME contribution to GDP in 2024 was unavailable as of August 2025.

Digitalization of MSMEs

The digital transformation is a strategic imperative for MSME development. Anchored in the National Industrial Policy 2022, the government's policy framework supports MSMEs in leveraging digital tools for market access, efficiency, and innovation.

The policy outlines priorities for digital infrastructure, e-commerce expansion, and MSME participation in the Fourth Industrial Revolution. It encourages adopting artificial intelligence, machine learning, and blockchain technologies, and supports creating digital marketplaces and matchmaking platforms to connect MSMEs with buyers, suppliers, and investors. The government launched a Smart Growth for [M]SMEs through Artificial Intelligence project with this in mind. Another is Digital Market Access and Matchmaking, which will expand trade opportunities inclusion by integrating MSMEs into digital supply chains and e-commerce ecosystems. These programs emphasize capacity building in digital literacy, cybersecurity, and fintech, mobilizing training programs and public-private partnerships to better equip MSMEs to succeed in a digital economy.

Green MSMEs and climate action

As one of the world's most climate-vulnerable countries, Bangladesh is taking a strategic approach to green MSME development. Two key instruments—the Blended Finance Model for Climate-Vulnerable CMSMEs and the Bangladesh Climate Change Strategy and Action Plan, updated in 2022, are central to this effort.¹⁰² The updated plan aligns with the Mujib Climate Prosperity Plan, National Adaptation Plan, and Climate Change and Gender Action Plan. It

¹⁰¹ Ministry of Industries, Government of the People's Republic of Bangladesh. National Industrial Policy 2022. Dhaka: Ministry of Industries; 2022. Accessed 1 July 2025. <https://moind.gov.bd/>.

¹⁰² UNDP Bangladesh. Blended Finance Model for Climate-Vulnerable CMSMEs. Dhaka: United Nations Development Programme; 2024. Accessed 1 July 2025. <https://www.undp.org/bangladesh>.

integrates MSMEs into strategies for clean energy, the circular economy, and climate-smart technologies.¹⁰³

The Blended Finance Model, developed by the SME Foundation and United Nations Development Programme Bangladesh, mobilizes public and private capital to unlock climate finance for CMSMEs in high-risk regions. It supports community-based adaptation, particularly for women-led and informal enterprises, and addresses barriers such as high interest rates and rigid collateral requirements. The model also incorporates a Climate Damage Function to help financial institutions assess climate risk and tailor products as needed.

Women-led MSMEs

Women-led MSMEs are vital contributors to inclusive growth, poverty reduction, and social empowerment. The SME Foundation under the Ministry of Industries plays a central role in promoting gender-responsive enterprise development through targeted programs and partnerships.¹⁰⁴

A flagship initiative is the SheTrades Bangladesh Hub, launched with the International Trade Centre. It provides capacity-building, digital training, and access to global trade opportunities. Over 200 women-led businesses are Hub members, benefiting from tailored support in export readiness, intellectual property, and digital marketing. The Hub also advocates gender-inclusive policy reforms and helps members participate in international trade fairs and provides crisis management advice.

In partnership with Standard Chartered Bank, the SME Foundation has local training programs such as the Online Business Management and Financial Inclusion Training in Bogura. These programs raise financial literacy, digital entrepreneurship, and business management skills, especially for women in cottage industries, handicrafts, and boutique enterprises.

The SME Foundation also has a monitoring and evaluation framework with gender-disaggregated indicators and a theory of change model to assess impact. A One-Stop Digital Portal is being developed to streamline access to resources, schemes, and registration services, reducing bureaucratic barriers and improving visibility.

These initiatives align with the SME Policy 2019 and National Industrial Policy 2022, reinforcing the government's commitment to women's economic empowerment, financial inclusion, and digital transformation.

International trade of MSMEs

The Export Policy 2024–2027 marks a pivotal shift in trade strategy ahead of the country's graduation from least developed country status in 2026. With a target of \$110 billion in export earnings by FY2027, the policy outlines a comprehensive framework to enhance competitiveness and integrate MSMEs into global value chains.¹⁰⁵

A key focus is on MSME participation in international trade, with new non-cash, World Trade Organization-compliant incentives replacing traditional subsidies. These include duty rebates, foreign currency retention, venture capital support, and lower utility costs for export-oriented MSMEs.

The policy promotes access to finance, training, and certification, especially for women-led and green enterprises, and encourages adopting circular economy models and global environmental standards. It identifies new priority MSME sectors—such as handicrafts, agri-processing, pharmaceuticals, and information and communication technology services.

¹⁰³ Ministry of Environment, Forest and Climate Change, Government of the People's Republic of Bangladesh. Bangladesh Climate Change Strategy and Action Plan – Updated 2022. Dhaka: MoEFCC; 2022. Accessed 1 July 2025. <https://moef.gov.bd/>.

¹⁰⁴ SME Foundation. Gender-Inclusive Programs for Women Entrepreneurs. Dhaka: SME Foundation; 2024. Accessed July 1, 2025. <https://smef.org.bd/>.

¹⁰⁵ Ministry of Commerce, Government of the People's Republic of Bangladesh. Export Policy 2024–2027. Dhaka: Ministry of Commerce; 2024.

The policy outlines strategies such as Free Trade Agreements, improved logistics infrastructure, and enhanced product standards. MSMEs will benefit from better connectivity, reduced trade costs, and expanded market opportunities.

MSME financing and financial inclusion strategies

The revised National Financial Inclusion Strategy 2021–2026 builds on the earlier 2020–2024 framework to accelerate inclusive access to financial services across the country.¹⁰⁶ Launched in July 2021, the strategy has 12 strategic goals and 69 measurable targets, focusing on expanding digital financial services, enhancing access for women and underserved groups, and supporting CMSMEs. A dedicated Administrative Unit within Bangladesh Bank oversees implementation and coordination.

By the end of 2023, over 67% of the targets had been achieved. Key initiatives include the Secured Transactions (Moveable Property) Act of 2023, and a Tk1 billion refinance scheme for digital nano loans. The strategy also supports fintech growth, with mobile financial services like bKash reaching over 100 million accounts, reinforcing the country's commitment to inclusive, resilient, and sustainable financial development.

The CMSME Master Circular 2025, issued by Bangladesh Bank, is a significant step toward improving financial access for CMSMEs, including informal and marginal entrepreneurs.¹⁰⁷ Focused on bank operations, the circular deals with how financial institutions serve small businesses. It sets ambitious targets—by 2029, 25% of bank loans must be allocated to CMSMEs, with 15% earmarked for women-led enterprises and 10% for cluster-based financing. These provisions align with broader government priorities of gender equity, regional development, and MSME-led innovation. Additional reforms—such as digital credit scoring, non-collateralized lending, and performance-based incentives—will modernize financial instruments and expand access to underserved MSMEs.

¹⁰⁶ Bangladesh Bank and Ministry of Finance. Bangladesh's 2021–2026 National Financial Inclusion Strategy. Alliance for Financial Inclusion. Published April 21, 2022. Accessed 27 August 2025. <https://www.afi-global.org/publication/bangladeshs-2021-2026-national-financial-inclusion-strategy/>.

¹⁰⁷ Bangladesh Bank. CMSME Master Circular 2025. SME and Special Programmes Department. Published 4 June 2025. Accessed 1 July 2025. <https://www.bb.org.bd/>.

Data Tables

Table 9.1: MSME Definition

A. Definition from 2022

Sector	Item	Cottage	Micro	Small	Medium
Manufacturing	Fixed assets*	Less than Tk1 million	Tk1 million to less than Tk7.5 million	Tk10 million to less than Tk150 million	Tk150 million to less than Tk500 million
	Employees	Maximum 15 including family members	1-25	26-100	121-300 (for garments industry maximum of 1,000)
Service	Fixed assets*		Less than Tk1 million	Tk1 million to less than Tk20 million	Tk20 million to less than Tk300 million
	Employees		1-15	16-50	51-120

* Without land and factory building with replacement cost.

Source: ADB Asia SME Monitor 2025 database. Data from the National Industrial Policy 2022.

B. Definition after 21 March 2016

Sector	Item	Cottage	Micro	Small	Medium
Manufacturing	Fixed assets*	Less than Tk1 million	Tk1 million to less than Tk7.5 million	Tk7.5 million to less than Tk150 million	Tk150 million to less than Tk500 million
	Employees	Maximum 15 including family members	16-30	31-120	121-300 (for garments industry maximum of 1,000)
Service	Fixed assets*		Less than Tk1 million	Tk1 million to less than Tk20 million	Tk20 million to less than Tk300 million
	Employees		Maximum 15	16-50	51-120

* Without land and factory building with replacement cost.

Source: ADB Asia SME Monitor 2025 database. Data from the National Industrial Policy 2016.

C. Definition before 20 March 2016

Sector	Item	Cottage	Micro	Small	Medium
Manufacturing	Fixed assets		Tk0.5 million-Tk5.0 million	Tk5 million-Tk100 million	Tk100 million-Tk300 million
	Employees		10-24	25-99	100-250
Service and Trade	Fixed assets		Less than Tk0.5 million	Tk5 million-Tk10 million	Tk10 million-Tk150 million
	Employees		Fewer than 10	10-25	26-100
	Fixed assets	Less than Tk0.5 million			
	Employees	Fewer than or equal to 10 including family members			

Source: ADB Asia SME Monitor 2025 database. Data from the National Industrial Policy 2010.

D. Definition used by Bangladesh Bank (Master Circular, 17 March 2025)

Sector	Item	Informal/Marginal	Cottage	Micro	Small	Medium
Manufacturing	Fixed assets*	Less than Tk 0.5 million	Less than Tk1 million	Tk1 million to less than Tk7.5 million	Tk7.5 million to less than Tk150 million	Tk150 million to less than Tk500 million
	Employees	Maximum 10 including family members	Maximum 15 including family members	16-30	31-120	121-300 (for garments industry maximum of 1,000)
Service	Fixed assets*			Less than Tk1 million	Tk1 million to less than Tk20 million	Tk20 million to less than Tk300 million
	Employees			Maximum 15	16-50	51-120
Trade/business	Fixed assets*			Maximum Tk1.5 million	Tk1.5 million to less than Tk20 million	Tk20 million to less than Tk150 million
	Employees			Maximum 10	11-30	31-100
	Annual turnover			Maximum Tk20 million	More than Tk20 million to Tk200 million	

* Without land and factory building with replacement cost.

Source: ADB Asia SME Monitor 2025 database. Data from Small and Medium Enterprise Credit Policies and Programmes, Bangladesh Bank.

Table 9.2: MSME Landscape

Fiscal year data (30 June)*

Item	Unit	2013	2019	2020	2021	2022	2023	2024
Scale of Enterprises¹								
MSMEs	Number	7,813,315	...	...	...	...	...	...
Cottage	Number	6,842,884	...	...	...	...	...	...
Micro	Number	104,007	...	...	...	...	...	...
Small	Number	859,318	...	...	...	...	...	...
Medium-sized	Number	7,106	...	...	...	...	...	...
Large	Number	5,250	...	...	...	...	...	...
Total	Number	7,818,565	...	...	...	...	...	11,877,364
MSME to total	%	99.9	...	...	...	...	...	...
MSME growth	%	...	...	...	...	...	...	...
MSMEs by sector	%	100	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...	...
Manufacturing		11.1	...	...	...	...	...	...
Transportation and communications		16.9	...	...	...	...	...	...
Construction		0.1	...	...	...	...	...	...
Wholesale and retail trade		45.9	...	...	...	...	...	...
Other services		25.7	...	...	...	...	...	...
Others		0.3	...	...	...	...	...	...
MSMEs by region ²	%	100	...	...	...	...	...	...
Urban		28.5	...	...	...	...	...	...
Rural		71.5	...	...	...	...	...	...
Employment								
MSMEs	Number	21,033,994	...	...	...	...	...	...
Cottage	Number	13,168,327	...	...	...	...	...	...
Micro	Number	558,870	...	...	...	...	...	...
Small	Number	6,600,685	...	...	...	...	...	...
Medium-sized	Number	706,112	...	...	...	...	...	...
Large	Number	3,466,856	...	...	...	...	...	...
Total	Number	24,500,850	...	...	...	73,050,000	73,450,000	...
MSME employees to total	%	85.9	...	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...	...	...
MSME employees by sector	%	100	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...	...
Manufacturing		20.3	...	...	...	...	...	...
Transportation and communications		9.4	...	...	...	...	...	...
Construction		0.2	...	...	...	...	...	...
Wholesale and retail trade		39.9	...	...	...	...	...	...
Other services		29.9	...	...	...	...	...	...
Others		0.4	...	...	...	...	...	...
MSME employees by region ²	%	100	...	...	...	...	...	...
Urban		34.4	...	...	...	...	...	...
Rural		65.6	...	...	...	...	...	...
Output³								
MSME GDP (manufacturing)	GDP, Tk mil.	...	2,713,358	2,795,819	3,147,977	3,369,727	3,688,475	3,930,469
MSMEs	GDP, Tk mil.	...	1,746,320	1,793,253	2,042,406	2,141,258	2,337,084	2,496,958
Cottage	GDP, Tk mil.	...	967,038	1,002,566	1,105,571	1,228,469	1,351,391	1,433,511
MSME GDP to total	% to GDP	...	9.2	8.8	8.9	8.5	8.3	8.9
MSME GDP growth	%	...	11.9	3.0	12.6	7.0	9.5	6.6
Exports								
MSME exports	Tk mil.	...	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...	...
Imports								
MSME imports	Tk mil.	...	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* The fiscal year (FY) ends on 30 June of that year; e.g., 2024 covers data from 1 July 2023 to 30 June 2024. Data in 2013 was extracted from the Economic Census 2013.

¹ Data refer to permanent and temporary establishments, and economic households.² Urban/rural classification refers to the definitions under the Economic Units Census.³ Refers to real GDP (FY2016=100) of cottage and MSME manufacturers from national accounts data.

Source: ADB Asia SME Monitor 2025. Data from Bangladesh Bureau of Statistics, Economic Census 2013; Foreign Trade Statistics of Bangladesh 2023–2024; Preliminary Report of Economic Census 2024; Labour Force Survey 2023.

Table 9.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans¹							
MSME loans outstanding	Tk mil.	2,091,795	2,272,891	2,408,070	2,702,090	2,914,000	3,013,000
MSME loans to total loans ²	%	20.1	20.2	19.7	18.3	19.4	18.1
MSME loans to GDP	%	8.2	8.1	6.8	6.8	6.6	6.0
MSME loan growth	%	17.2	8.7	5.9	12.2	7.8	3.4
MSME loan borrowers	Number	751,362	770,150	916,181	1,087,262	1,280,891	1,303,456
Nonperforming loans (NPLs)							
MSME NPLs	Tk mil.	...	...	342,770	382,630	447,130	624,690
MSME NPLs to total MSME loans	%	...	...	14.2	14.2	19.0	20.7
(Gross NPLs to total bank loans)	%	11.7	12.7	7.9	8.2	9.0	20.2
MSME loans by sector ³	%	...	100	100	100	100.0	100.0
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	40.0	38.5	39.5	36.8	37.3
Transportation and communications		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	41.0	41.1	40.9	41.9	41.7
Other services		...	19.0	20.4	19.6	21.4	21.0
Others		...	...	...	...	...	...
MSME loans by region ⁴	%	100	100	100	100	100	100
Urban		84.4	84.2	85.8	76.2	76.5	73.7
Rural		15.6	15.8	14.3	23.8	23.5	26.3
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
n/a,							
Capital Markets							
SME Platform, CSE							
Market capitalization	Tk mil.	...	...	604	16,944	13,005	19,667
Growth	%	...	...	...	2,705.3	(23.3)	51.2
Trading value	Tk mil.	...	...	25	263	383	663
Listed companies	Number	...	...	1	12	16	19
SME Platform, DSE							
Market capitalization	Tk mil.	...	...	3,573	15,902	24,592	21,566
Growth	%	...	...	...	345.0	54.6	(12.3)
Trading value	Tk mil.	...	...	144	24,533	18,240	33,890
Listed companies	Number	...	...	7	14	18	20

CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

¹ Data for commercial banks only.² Commercial bank MSME loans outstanding divided by total loans outstanding of all operating banks. Actual percentage share of MSME loans to total loans outstanding in commercial banks would be higher.³ MSME is broadly categorized into three sectors: manufacturing, trading, and other services.⁴ Urban/rural classification refers to the definitions under the Economic Census.

Source: ADB Asia SME Monitor 2025. Data from Bangladesh Bank.

Table 9.4: Policies and Regulations

Benchmark Regulation	(No specific laws and regulations for MSMEs)
Focal Government Authority for MSMEs	Ministry of Industries (MOI)
Key Policies and Strategies	
Name	Outline
SME Policy 2019 (September 2019)	Target: SME contribution to GDP to be increased from 25% to 32% by 2024. Strategic goals: 1) Improving investment and business environment and institutional framework. 2) Increasing scope of access to finance in SME sector. 3) Enhancing competitive capability and support to access of SME products into the market. 4) SME business support services, support to start-up businesses set up in a short period of time and with low cost. 5) SME cluster-based enterprise network development and expansion. 6) Increasing the use of information, communication, and other technologies. 7) Expansion of skill development, education, and training programs for SME entrepreneurs. 8) Extending programs for women entrepreneurship development and providing specialized services. 9) Establishing SMEs as effective linkage to large industry and protection of SME products. 10) Development of capacity for establishing environment friendly SME industries and industrial waste management. 11) Institutionalizing SME statistics and conducting research and development.
National Industrial Policy 2022 (August 2022)	1) Reinforcing the strategic importance of MSMEs in Bangladesh's industrial transformation. 2) Identifying MSMEs as key drivers of export diversification, import substitution, and employment generation. 3) Promoting the development of industrial clusters, technology parks, and MSME-friendly infrastructure. 4) The policy introduces targeted financial incentives for MSMEs, including low-interest loans, credit guarantees, and start-up financing. 5) It supports capacity building through vocational training, business development services, and digital literacy programs.
National Financial Inclusion Strategy 2021–2026 (July 2021)	1) Increasing financial deepening. 2) Strengthening payment system and service delivery channel. 3) Establishing robust data and measurement framework. 4) Promoting financial literacy and consumer empowerment. 5) Broadening and deepening financial inclusion of women, population affected by climate change and other underserved segment of population. 6) Upscaling digital financial services and fintech. 7) Strengthening the policy and regulatory environment. 8) Fortifying risk management of financial inclusion initiatives. 9) Strengthening the insurance services. 10) Reinforcing the capital market services. 11) Fortifying microfinance services. 12) Strengthening quasi-regulated financial service providers like BPO, BHBFC, BMDF, PKSF, Samabay Bank, Ekti Bari Ekti Khamar and Palli Sanchay Bank to facilitate their financial services by complying applicable regulatory requirements.
CMSME Master Circular 2025, Bangladesh Bank (June 2025)	For the purpose of CMSME lending: 1) Service industry category includes specific service sectors listed in the CIB Batch Contribution User Guide. 2) Women-owned enterprise defined as 20% ownership by women and either a woman in top management or 51% female employees. 3) New categories created: trading, informal, marginal, and cluster entrepreneurs. 4) Group MSME eligibility: If the business group does not qualify as MSME overall, individual companies will not be treated as MSMEs. 5) Banks' CMSME loan target raised to 25% by 2025, increase by 0.5% annually, and 27% by 2029. Sector-wise targets revised. 6) Clarified MFI loan disbursement: clear rules provided for disbursing loans through MFIs. 7) Peer institution lending: CMSME loans can be given through peer institutions, with guidelines issued. 8) Group lending introduced for CMSMEs. 9) New lending clauses include DFS/MFS use and focus on new/marginal/disabled/underprivileged/third gender entrepreneurs. 10) No CIB charge: CMSME loan applications up to Tk10 lakh are exempt from CIB charges. 11) Grace periods added for CMSME loans. 12) Collateral-free loan rules updated: up to Tk5 lakh (Tk500,000) collateral-free; above that, additional factors (e.g., business potential) considered. 13) Guidelines for cluster-based financing and development included. 14) Quarterly reporting to Bangladesh Bank for SME loan data (from agents, MFIs, clusters). 15) Women refinancing facility: women entrepreneurs eligible for refinancing up to Tk50 lakh (Tk5 million). 16) New entrepreneur support: new entrepreneurs can get refinancing up to Tk3 million; collateral-free up to Tk1 million.

continued on next page

Table 9.4 *continued*

Thematic Initiatives	Outline
Digitalization of MSMEs:	
1) Digital Market Access and Matchmaking	1) Expand market reach of [M]SMEs through digital platforms and linkages. 2) There will be matchmaking events with local and international marketplaces. 3) Social Media Mastery for [M]SMEs. 4) Awareness Campaign on E-Commerce and Digital Sales.
2) Smart Growth for [M]SMEs through AI	1) Introduce [M]SMEs to artificial intelligence (AI) and fourth industrial revolution (4IR) tools. 2) Enhance [M]SME productivity, competitiveness, and market reach by integrating AI and 4IR tools into business processes. 3) Key areas of focus is AI Awareness Sessions conducted for [M]SMEs, ToT to build capacity for future AI implementation in [M]SMEs.
Green MSMEs and climate action:	
Blended Finance Model for Climate-Vulnerable CMSMEs and Bangladesh Climate Change Strategy and Action Plan (BCCSAP) – Updated 2023	1) Address key challenges such as limited formal financing, climate risks, and gender disparities. 2) Align with national development priorities and involve key stakeholders such as Bangladesh Bank and development partners to create a sustainable financial ecosystem. 3) Include mitigation and adaptation strategies that indirectly support green MSMEs. 4) Promote energy efficiency, clean cooking, and solar technologies—sectors where MSMEs are active.
Women-led MSMEs:	
SME Foundation's Gender-Inclusive Programs	1) Capacity building through women's chambers of commerce. 2) [M]SME product fairs and entrepreneurship conferences for women. 3) Digital registration platform for women entrepreneurs to access structured support.
International trade of MSMEs:	
Export Policy 2024–2027	1) Non-cash incentives replacing subsidies to comply with World Trade Organization (WTO) rules. 2) Access to finance, training, and certifications for MSMEs. 3) Support for women-led export ventures and green MSMEs.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from SME and Special Programmes Department (SMESPD), Bangladesh Bank; SME Foundation; and Micro Credit Regulatory Authority of Bangladesh.

INDIA

Overview

Economic growth decelerated in fiscal year (FY) 2024 (ended 31 March 2025) to 6.5%, down from 9.2% in FY2023, primarily due to a slowdown in industrial activity, particularly manufacturing and mining. Nonetheless, the economy remained resilient, supported by robust growth in services (up by 7.3%) and a rebound in agriculture (4.6%) due to favorable weather. In FY2025, favorable macroeconomic policies and strong domestic demand should sustain growth momentum and steady recovery supported by public investment and increased exports.¹⁰⁸

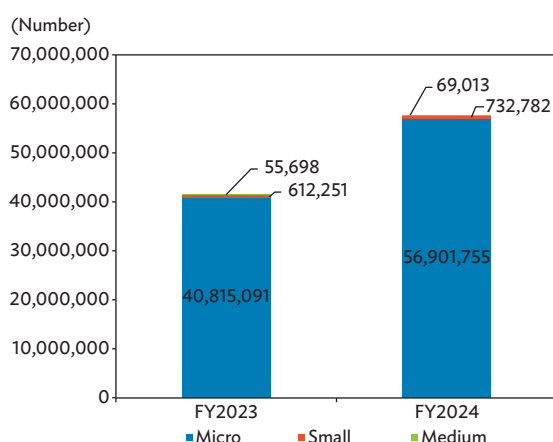
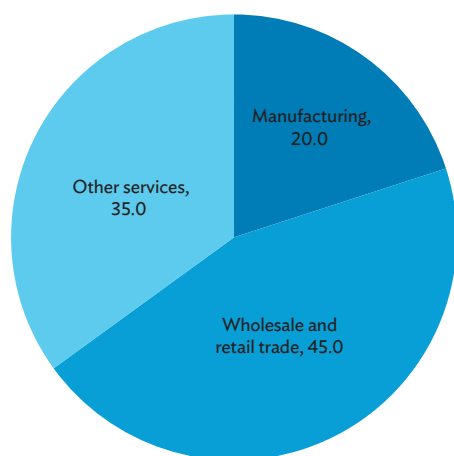
As of March 2025, micro, small, and medium-sized enterprises (MSMEs) numbered 57.7 million, dominating trade and services. They employed 243.6 million people, up by a huge 32.7% over FY2023. Financial support for MSMEs expanded through a robust institutional framework, with commercial and cooperative banks, a specialized MSME bank—the Small Industries Development Bank of India (SIDBI)—credit guarantee schemes, a refinancing facility, and capital markets dedicated to MSMEs. India's holistic MSME development strategy integrates digitalization, sustainability, gender inclusion, and global trade. Initiatives such as the Digital MSME Scheme, the MSME Trade Enablement and Marketing (TEAM) Initiative under the Raising and Accelerating MSME Performance (RAMP) program, and platforms such as the Udyam Registration Portal and the Open Network for Digital Commerce (ONDC) drive digital transformation. They are reinforced by climate-focused programs such as the SIDBI Sustainable Finance Scheme and gender empowerment through Udyam Assist and the Women Entrepreneurship Platform led by the government's policy think tank NITI Aayog. Export-oriented schemes include the Remission of Duties and Taxes on Export Products (RoDTEP), Market Access Initiative (MAI), and Trade Infrastructure for Export Scheme (TIES), which help MSMEs grow into engines of inclusive and globally competitive growth.

MSME Development

As of FY2024, MSMEs had grown in number to nearly 58 million firms, employing over 243 million workers, with microenterprises making up the vast majority. MSMEs hold a strong share of wholesale and retail trade (45%) and other services (35%). Employment has surged, up by a whopping 32.7% from FY2023. Gross value added of MSMEs gradually expanded to 30.1% of gross domestic product (GDP) in FY2022. MSME exports are growing, covering over 45% of total export value in FY2023.

India's MSMEs continues as a cornerstone of economic activity, employment, and inclusive growth. The number of MSMEs reached 57.7 million in March 2025, with 98.6% microenterprises, 1.3% small enterprises, and 0.1% medium-sized enterprises. This sizable increase from the 41.5 million firms reported in FY2023 derived from robust formalization and sectoral expansion. A 39.1% growth of MSMEs in number suggests their dynamic contribution to the economy (Table 10.2 and Figure 10.1A). MSMEs are increasingly concentrated in wholesale and retail trade (45%), other services including accommodation and food services (35%), and manufacturing (20%) (Figure 10.1B).

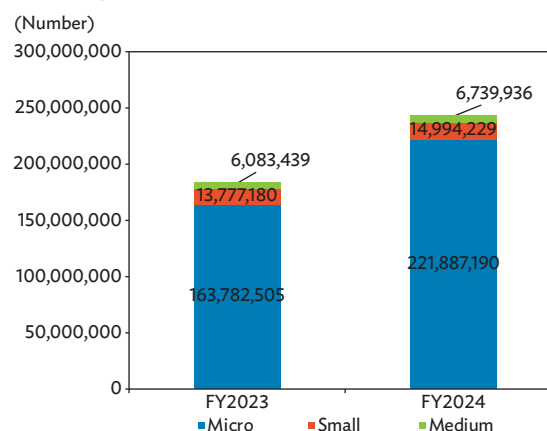
¹⁰⁸ ADB. 2025. Asian Development Outlook September 2025.

Figure 10.1: Scale of MSMEs**A. Trend****B. By Sector, FY2024 (%)**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Udyam Assist Platform and Informal Microenterprises.

Employment generated by MSMEs surged to 243.6 million workers in FY2024, up from 183.6 million in FY2023. Microenterprises accounted for 91.1% of MSME employment, followed by small firms at 6.2% and medium-sized enterprises with 2.7%. This growth reflects both rapid formalization of unregistered firms and increased labor absorption capacity, particularly in urban areas. The number of MSME employees grew by a rapid 32.7% in FY2024, highlighting their central role in job creation (Figure 10.2).

Figure 10.2: Employment by MSMEs

MSME = micro, small, and medium-sized enterprise.

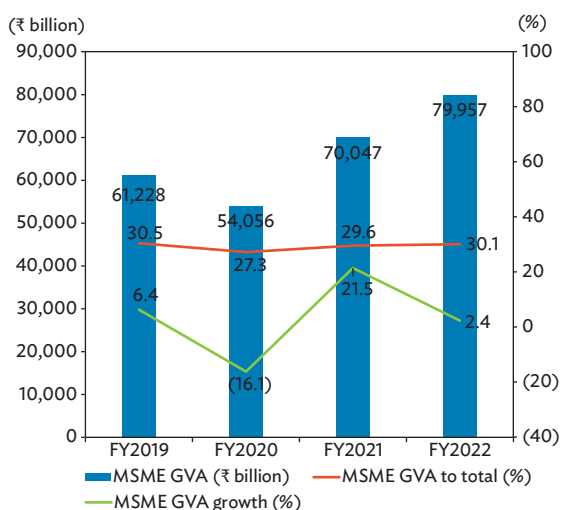
Source: ADB Asia SME Monitor 2025 database. Data from the Udyam Assist Platform and Informal Microenterprises.

The Ministry of Micro, Small, and Medium Enterprises, citing data from the Ministry of Statistics and Programme Implementation, reported that MSME gross value added (GVA) contributed 30.1% of GDP in FY2022, the latest year of available data.¹⁰⁹ MSME GVA was estimated at ₹80.0 trillion as of end-FY2022, up by 2.4% from FY2021 (Figure 10.3). It had contracted by 16.1% to an estimate ₹54.1 trillion in FY2020 due to social restrictions associated with the coronavirus disease (COVID-19) pandemic, but it recovered by a strong 29.6% in FY2021, estimated at ₹70.0 trillion.

MSME merchandise exports fluctuate. They were hurt by the COVID-19 pandemic, with the \$144.0 billion in FY2020 down by 8.3% from \$156.0 billion in FY2019. Exports recovered in FY2021 to \$199.1 billion, a 24.2% recovery, but contracted again by 51.4% to \$125.5 billion in FY2022. By FY2023, MSME exports rebounded to \$199.9 billion, accounting for 45.7% of total exports and up by 37.2%. In FY2024, MSME exports were estimated at \$200.4 billion, showing a modest 0.3% growth. The share of MSME merchandise exports by value, however, has remained relatively stable at around 50% or less over the past 5 years, including during the COVID-19 pandemic—45.7% in FY2023 and 45.8% in the first 2 months of FY2024 (Figure 10.4). The share of MSME imports to total import value has also been stable at around 15%, although data for FY2023–FY2024 remain unavailable.

¹⁰⁹ Ministry of Micro, Small, and Medium Enterprises Press Release dated 22 July 2024. <https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2035073>.

Figure 10.3: MSME Output



GDP = gross domestic product, GVA = gross value added, MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Computation on MSME GVA value is based on the share of MSME GVA to GDP data and national accounts. The share of MSME GVA in all India GDP refer to the Ministry of Micro, Small, and Medium Enterprises Press Release dated 22 July 2024.

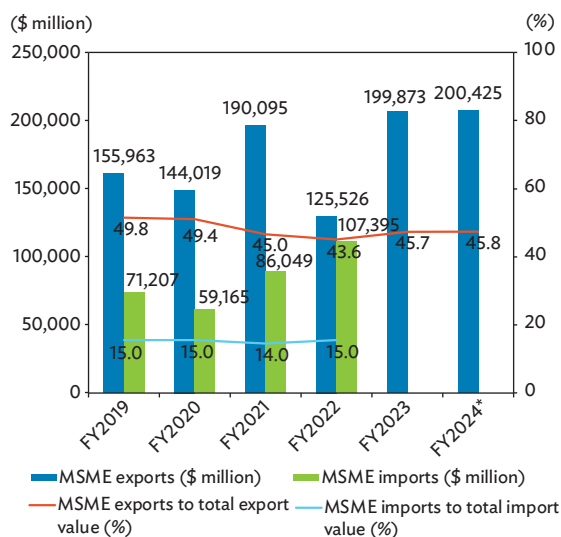
Access to Finance

Financial support for MSMEs has expanded through a diverse institutional framework, with commercial and cooperative banks, a specialized MSME bank SIDBI, credit guarantee schemes, a refinancing facility, and dedicated MSME capital markets. MSME loans by commercial banks grew by 17.2% and urban cooperative banks by 16.2% as of end-2024. SIDBI's MSME lending expanded by 27.9% in FY2023. Credit guarantee schemes supported growth. Equity markets dedicated to MSMEs also expanded their market capitalization by 85.4% on the Bombay Stock Exchange (BSE) SME Exchange and 163.9% in National Stock Exchange (NSE) Emerge. The BSE SME Exchange had 538 listed companies and the NSE Emerge 580 listed firms.

The MSME financial architecture continued to strengthen in 2024, with 88 commercial banks and 49 urban cooperative banks actively supporting the sector. As of the end of 2024, commercial bank lending to MSMEs rose to ₹28.5 trillion—up by 17.2% from the previous year (Table 10.3 and Figure 10.5A). Among commercial banks, public banks contributed ₹11.7 trillion, while private banks led with ₹14.8 trillion. MSME nonperforming loans (NPLs) fell from ₹1.32 billion in 2023 to ₹1.25 trillion in 2024, bringing the NPL ratio down from 5.5% to 4.5%, indicating gradually improving credit quality even if they exceeded the 2.7% gross NPLs to total bank loans in 2024. The MSME bank credit market represented 16.0% of total commercial bank lending, equal to 8.5% of overall GDP as of the end of 2024, thus remaining relatively small.

Urban cooperative banks (UCBs) reported MSME loans outstanding of ₹765 billion in 2024, with scheduled UCBs accounting for ₹408 billion and non-scheduled UCBs ₹357 billion, a sector-wide loan growth of 16.2%. UCB MSME lending accounted for 37.2% of UCB loans in 2024, up from 19.9% in 2023 (Figure 10.5B).

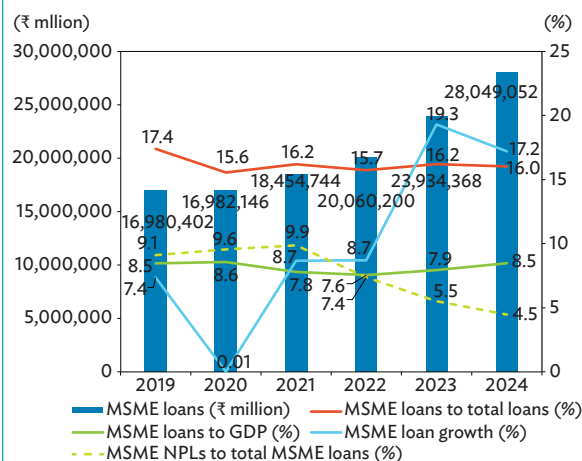
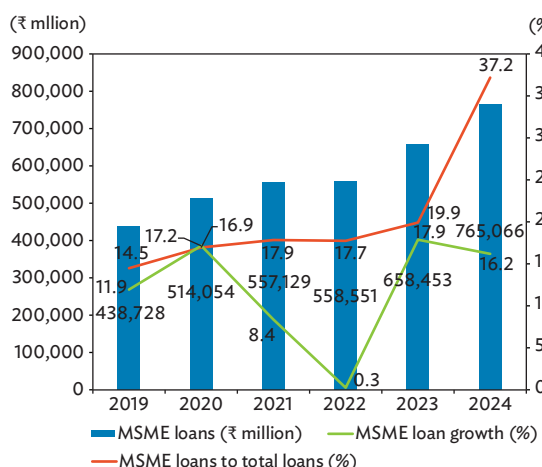
Figure 10.4: MSME Exports and Imports



* Data up to May 2024 for share of MSME exports to total.

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Directorate General of Commercial Intelligence and Statistics MSME EXIM Status Report FY2023.

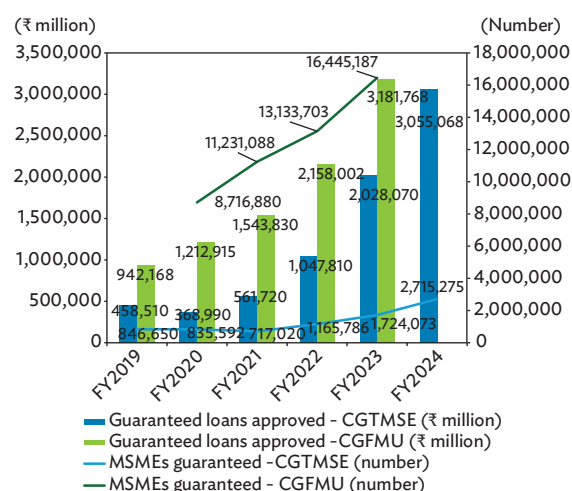
Figure 10.5: MSME Loans**A. Commercial Banks****B: Urban Cooperative Banks**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Reserve Bank of India.

In FY2024, the Credit Guarantee Fund Trust for Micro and Small Enterprises approved ₹3.1 trillion in guaranteed loans to MSMEs, up by a sharp 50.6% (Figure 10.6). A total of 2.7 million MSMEs benefited from these guarantees in FY2024, highlighting the scheme's extensive reach in supporting small enterprises through risk-sharing. While data on the number of guaranteed schemes, disbursements, and performance metrics such as NPL ratios and credit access rates remain unavailable, the scale of approved guarantees underscores the guarantee fund's central

role in enhancing MSME creditworthiness and facilitating financial inclusion. FY2024 data on another credit guarantee scheme, the Credit Guarantee Fund for Micro Units remains unavailable.

Figure 10.6: Credit Guarantees for MSMEs—Credit Guarantee Fund Trust for Micro and Small Enterprises and Credit Guarantee Fund for Micro Units

MSME = micro, small, and medium-sized enterprise.

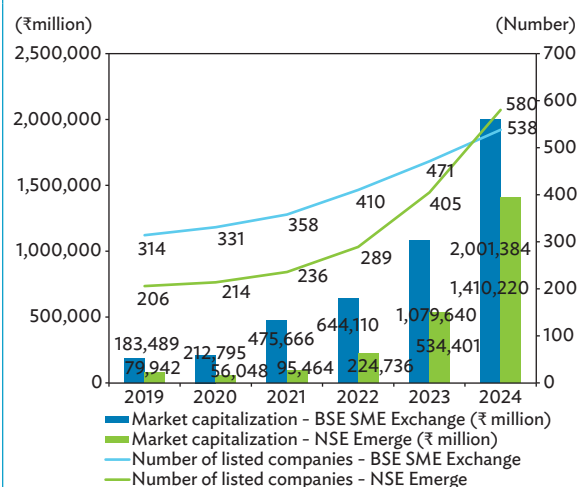
Source: ADB Asia SME Monitor 2025 database. Data from the Credit Guarantee Fund Trust for Micro and Small Enterprises and the Credit Guarantee Fund for Micro Units.

SIDBI, an independent financial institution for MSMEs, reported total MSME loans outstanding of ₹4.6 trillion in FY2023, of which indirect credit was a dominant ₹4.3 trillion, especially through refinancing (₹4.2 trillion) and microfinance (₹87.7 billion)—while direct credit amounted to ₹289.4 billion (Table 10.3a). MSME loans disbursed reached ₹5.9 trillion in FY2023, benefiting 199,096 MSMEs. All SIDBI loans go to MSMEs, and while still small in scale, expanded by 27.9% in FY2023. MSME NPLs were reported at ₹998.2 million, with an extremely small NPL ratio of 0.02%.

Equity markets play a growing role as growth capital financing venues for qualified MSMEs, with the BSE SME Exchange and NSE Emerge as platforms. As of the end of 2024, BSE SME Exchange had a market capitalization of ₹2.0 trillion, a 85.4% increase from 2023, with 538 listed companies, up from 471 in 2023.

During the same period, NSE Emerge had a ₹1.4 trillion market capitalization with 580 listed firms, indicating increasing MSME interest in capital market funding (Figure 10.7).

**Figure 10.7: Equity Markets for MSMEs—
Bombay Stock Exchange (BSE) SME
Exchange and National Stock Exchange
(NSE) Emerge**



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from BSE SME Exchange and NSE Emerge.

India has adopted a holistic approach to MSME development, focusing on digitalization, sustainability, gender inclusion, and global trade integration. The digital transformation is driven by initiatives such as the Digital MSME Scheme and the MSME TEAM Initiative under the RAMP program, which promotes adopting information and communication technology (ICT) and digital commerce, supported by platforms such as Udyam Registration and ONDC. These are reinforced by financial instruments and schemes in the Union Budget 2025–2026, including credit guarantees and innovation-focused programs such as the Prime Minister's Employment Generating Program (PMEGP), a credit subsidy program and the MSME sustainable ZED Certification. India's climate strategy incorporates MSMEs into its National Action Plan on Climate Change, with targeted support from the SIDBI Sustainable Finance Scheme and the Climate Finance Taxonomy to help low-carbon transitions and energy efficiency. Gender mainstreaming is a budget priority through capacity-building programs led by the National Commission for Women and NITI Aayog's Women Entrepreneurship Platform, helping empower women-led enterprises. The Foreign Trade Policy 2023, along with schemes such as RoDTEP, MAI, and TIES, enhances MSME export capabilities and global supply chain participation.

Digitalization of MSMEs

India has launched a comprehensive suite of initiatives to accelerate the digital transformation of MSMEs, recognizing their pivotal role in employment generation, manufacturing, and exports. The Digital MSME Scheme, under the Ministry of MSMEs, promotes the adoption of ICT tools in production and business processes, thereby enhancing competitiveness in domestic and global markets.¹¹⁰

Complementing this, the MSME TEAM Initiative—part of the World Bank-supported RAMP program—focuses on helping MSMEs participate in digital commerce through platforms like ONDC. This initiative supports market access, cost reduction, and formalization, targeting 500,000 micro and small enterprises, with 50% women owned.¹¹¹

Policies and Regulations

India's holistic MSME development strategy integrates digitalization, sustainability, gender inclusion, and global trade, with initiatives such as the Digital MSME Scheme, the MSME TEAM Initiative, and digital platforms such as the Udyam Registration Portal and ONDC. These are reinforced by climate-focused programs such as the SIDBI Sustainable Finance Scheme, gender empowerment through Udyam Assist and the Women Entrepreneurship Platform led by NITI Aayog, and export-oriented schemes including RoDTEP, MAI, and TIES, positioning MSMEs as engines of inclusive and globally competitive growth.

¹¹⁰ MSME TEAM Initiative Guidelines. Ministry of MSME. <https://ramp.msme.gov.in/ramp/pdf-documents/scheme-guidelines/Approved-msme-team-guidelines.pdf>.

¹¹¹ Budget 2025–2026: Fueling MSME Expansion. Ministry of MSME. <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/feb/doc202524496501.pdf>.

The Udyam Registration Portal, launched in 2020, simplifies MSME registration and helps access government schemes. As of early 2025, over 59.3 million MSMEs were registered, employing more than 250 million people.¹¹² The Union Budget 2025/2026 further strengthens digitalization by increasing credit guarantee coverage, launching credit cards for microenterprises, and supporting first-time entrepreneurs through a ₹100 billion Fund of Funds.

In addition, PMEGP and schemes such as the Scheme for the Fund for Regeneration of Traditional Industries, the education for all children initiative ASPIRE, and ZED Certification promote innovation, skill development, and sustainable manufacturing. These are aligned with broader national goals such as “Make in India” and “Local for Global” and are supported by targeted outreach, training, and infrastructure development.

The Digital MSME Component of the MSME Champions Scheme, approved by the Standing Finance Committee for FY2021–FY2025, promotes using digital tools and technologies in MSME operations; and provides support for ICT infrastructure, cloud-based solutions, and digital literacy. It encourages use of digital tools, applications, and technologies in production and business processes, and enhances competitiveness and the global reach of MSMEs.

Green MSMEs and climate action

India’s climate action strategy integrates the greening of MSMEs as a critical component of its broader sustainable development agenda. Anchored on the National Action Plan on Climate Change, the government has institutionalized several missions.¹¹³ These include the National Mission for a Green India, National Solar Mission, and National Mission

on Sustainable Habitat, which indirectly support MSMEs through energy efficiency, afforestation, and sustainable infrastructure development.¹¹⁴ Recognizing the MSME environmental footprint and its potential to drive green growth, SIDBI has targeted programs such as the Sustainable Finance Scheme and support for Energy Service Companies.

These provide MSMEs financial and technical assistance to adopt energy-efficient technologies and climate-resilient practices.¹¹⁵ In addition, India’s Climate Finance Taxonomy, introduced in 2025, helps classify and channel investments into climate-aligned sectors, including MSMEs, to meet the country’s Nationally Determined Contributions under the Paris Agreement. The taxonomy supports transparency and accountability in green financing, helping MSMEs access capital for low-carbon transitions. The government is also committed to creating an additional carbon sink of 2.5 to 3 billion tons of carbon dioxide (CO₂) equivalent by 2030 through afforestation and restoration programs, many of which involve MSMEs in supply chains and through implementation. Despite all this, challenges remain in mainstreaming green practices across the fragmented MSME landscape. Therefore, ongoing efforts emphasize capacity building, innovation, and integration of MSMEs into global green value chains.

Women-led MSMEs

India has significantly advanced its agenda on gender-inclusive economic development through a range of targeted initiatives to support women-led MSMEs and promote women entrepreneurship. The Union Budget 2025–2026 marked a major milestone, allocating ₹4.49 trillion for women’s welfare—a 37.3% increase from the previous year—with 81.8% of the Ministry of Women and Child Development’s budget dedicated

¹¹² MSME Schemes Booklet 2025–26. Ministry of MSME. <https://www.dcsmse.gov.in/ebook/MSMESchemebooklet2025-26.pdf>.

¹¹³ Ministry of Environment, Forest and Climate Change. National Action Plan on Climate Change. <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/dec/doc202112101.pdf>; Ministry of Environment, Forest and Climate Change. Strategy for Meaningful Climate Action. <https://pib.gov.in/PressReleasePage.aspx?PRID=2078354>.

¹¹⁴ Invest India. Transition to a Green Economy: Scope for MSMEs. <https://www.investindia.gov.in/team-india-blogs/transition-green-economy-scope-msmes>.

¹¹⁵ Ministry of Finance. Framework of India’s Climate Finance Taxonomy. <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/may/doc202557551101.pdf>.

to gender-focused programs.¹¹⁶ This is a strategic shift toward women-led development, emphasizing financial inclusion, upskilling, and entrepreneurship.

The Udyam Registration Portal and Udyam Assist Platform have formalized over 4.7 million women-led MSMEs, enabling them to access credit and government schemes.¹¹⁷ In addition, the Credit Guarantee Scheme for Micro and Small Enterprises offers enhanced coverage of 85% and a 10% concession in guaranteed fees for women entrepreneurs, with over ₹940 billion in guarantees approved as of March 2024.¹¹⁸ PMEGP provides a higher margin money subsidy of up to 35% for women in rural areas, helping create microenterprises in non-farm sectors.

Aside from financial support, the government prioritizes capacity building and leadership development. The National Commission for Women launched the Empowering Women through Entrepreneurship program in collaboration with institutions such as the Indian Institute of Management in Bangalore and Kozhikode, training over 2,600 women entrepreneurs. The National Commission for Women's "She is a Changemaker" initiative has trained more than 5,600 elected women representatives and political leaders to enhance leadership, governance, and policy skills.¹¹⁹

The Women Entrepreneurship Platform, spearheaded by NITI Aayog provides a unified digital ecosystem with access to incubation, mentorship, funding, and market linkages. It addresses six key ecosystem needs—entrepreneurship promotion, access to finance, skilling, mentoring, market access, and business services. Still, challenges persist, including low female labor force participation and limited representation in high-growth sectors.

International trade of MSMEs

India has a multifaceted strategy to enhance the global competitiveness of MSMEs, recognizing their potential to contribute significantly to exports and integrate into global value chains. The Foreign Trade Policy 2023 is central to the strategy, focusing on cost competitiveness, trade facilitation, and sector-specific support.¹²⁰ It includes schemes such as RoDTEP and the Rebate of State and Central Taxes and Levies to reimburse duties and taxes to exporters, helping MSMEs better compete in global markets.¹²¹ To decentralize export growth, the Export Hubs Initiative identifies products with export potential by district and supports MSMEs through infrastructure development, training, and market access. TIES also provides financial assistance for building export-related infrastructure, reducing logistics costs and improving supply chain efficiency.¹²² The MAI allows MSMEs to participate in international trade fairs, exhibitions, and buyer-seller gatherings, expanding their global visibility.¹²¹ And the Common Digital Platform for Certificate of Origin simplifies documentation and eases use of free trade agreements for compliance and reducing export barriers.

The MSME Export Promotion Strategy, led by the Ministry of MSMEs, deals with limited export knowledge, access to finance, and standards compliance through cluster-based capacity building and export readiness programs.¹²² Broader industrial policies such as the Make in India and Production Linked Incentive Schemes further support MSMEs by encouraging manufacturing excellence and integration into global supply chains.

¹¹⁶ Ministry of Finance. Union Budget 2025–26: Gender Budget Statement. <https://www.indiabudget.gov.in/doc/gb2025.pdf>.

¹¹⁷ Ministry of MSME. Udyam Registration Portal and Udyam Assist Platform. <https://udyamregistration.gov.in>.

¹¹⁸ Ministry of MSME. Credit Guarantee Scheme for Micro and Small Enterprises. <https://www.cgtmse.in>.

¹¹⁹ National Commission for Women. She is a Changemaker Initiative. <https://ncw.nic.in/she-changemaker>.

¹²⁰ Ministry of Commerce and Industry. Foreign Trade Policy 2023. <https://commerce.gov.in>.

¹²¹ Directorate General of Foreign Trade. RoDTEP and RoSCTL Scheme Guidelines. <https://dgft.gov.in>.

¹²² Ministry of Commerce. Trade Infrastructure for Export Scheme (TIES). <https://commerce.gov.in/ties>.

¹²³ Ministry of Commerce. Market Access Initiative (MAI). <https://commerce.gov.in/mai>.

¹²⁴ Ministry of MSME. MSME Export Promotion Strategy. <https://msme.gov.in>.

MSME financing and financial inclusion strategies

India is currently updating its National Strategy for Financial Inclusion for 2025–2030, building on its 2019–2024 strategy.¹²⁵ It is a strategic framework developed by the central bank to promote financial inclusion across the country. It outlines a comprehensive vision and coordinated action plans to ensure financial services are available, accessible, and affordable to all segments of society—particularly vulnerable groups like low-income households, women, small farmers, and MSMEs. The strategy delivers these services in a safe, transparent, and efficient manner that fosters inclusive and resilient growth, collaborating with multiple stakeholders including government bodies, financial institutions, and civil society.

This is part of the central bank's broader Utkarsh 2.0 strategic framework. Key developments include near-universal access to financial services across 27 states and 8 union territories, with 99.99% of identified villages covered. Digital inclusion has expanded through the Expanding and Deepening of Digital Payments Ecosystem program, now active in over 60% of districts. Financial literacy initiatives such as the Centre for Financial Literacy project and youth engagement programs such as the RBI90Quiz have also grown significantly. For MSMEs, new credit access guidelines mandate faster loan processing and promote cluster-based financing. These contributed to a rise in India's Financial Inclusion Index, which reached 67.0 in March 2025 on better access, usage, and financial quality.¹²⁶

The government promotes developing digital finance ecosystems and expanding fintech to reach more people. The National Centre for Financial Education and Centre for Financial Literacy develop financial education programs for children, youth, women, and entrepreneurs. It also targets MSMEs to improve access to formal financial services. To raise banks' generally negative perception of MSMEs, the National Mission for Capacity Building of Bankers for Financing MSME Sector was established to familiarize bank officers with MSME financing. A Certified Credit Counselors scheme was launched to create a structured way to assist entrepreneurs prepare financial plans. Web portals such as "Udyami Mitra" and "psbloanin59minutes" provides easy access to credit. The Trade Receivable Discounting System platform responds to issues on delayed payments to MSMEs. Pradhan Mantri Mudra Yojana has a financing scheme for small enterprises and up to ₹1 million in lending to micro entrepreneurs. An interest subvention scheme supports MSMEs in reducing borrowing costs.

¹²⁵ Reserve Bank of India. Financial Inclusion: Strategy and Progress. https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57034. Published July 2025.

¹²⁶ Reserve Bank of India. Financial Inclusion Index (FI-Index). https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57033. Published July 2025.

Data Tables

Table 10.1: MSME Definition

A. Definition from 1 July 2020

Item	Micro	Small	Medium
Investment in plant and machinery or equipment	Not more than ₹10 million	Not more than ₹100 million	Not more than ₹500 million
Annual turnover	Not more than ₹50 million	Not more than ₹500 million	Not more than ₹2.5 billion

Note: Definitions apply to firms engaged in manufacturing and services.

B. Definition until 30 June 2020

Sector	Micro	Small	Medium
Manufacturing	Investment in plant and machinery does not exceed ₹2.5 million	Investment in plant and machinery is more than ₹2.5 million but does not exceed ₹50.0 million	Investment in plant and machinery is more than ₹50 million but does not exceed ₹100 million
Services	Investment in equipment does not exceed ₹1 million	Investment in equipment is more than ₹1 million but does not exceed ₹20 million	Investment in equipment is more than ₹20million but does not exceed ₹50 million

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Micro, Small, and Medium Enterprises Development Act of 2006, amendment (1 June 2020) and Udyam Registration manual.

Table 10.2: MSME Landscape

Fiscal year data (end-March)*

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises¹							
MSMEs	Number	8,480,943	1,402,735	6,410,453	13,093,698	41,483,040	57,703,550
Micro	Number	7,515,686	1,304,544	6,062,213	12,617,959	40,815,091	56,901,755
Small	Number	929,105	84,164	314,150	435,885	612,251	732,782
Medium-sized	Number	36,152	14,027	34,090	39,854	55,698	69,013
Large	Number	...	...	...	...	...	...
Total	Number	...	...	...	...	...	...
MSME to total	%	...	...	...	...	...	...
MSME growth	%	...	...	357.0	104.3	...	39.1
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...
Manufacturing	41.1	38.3	32.4	28.1	19.3	20.0	...
Transportation and communications	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	44.8	45.0	...
Other services	58.9	61.7	67.6	71.9	35.9	35.0	...
Others	...	...	...	...	...	...	...
MSMEs by region	%	...	...	...	...	...	...
Urban	...	...	...	...	...	...	...
Rural	...	...	...	...	...	...	...
Employment¹							
MSMEs	Number	...	...	...	95,258,881	183,643,124	243,621,355
Micro	Number	...	...	...	78,262,228	163,782,505	221,887,190
Small	Number	...	...	...	11,645,727	13,777,180	14,994,229
Medium-sized	Number	...	...	...	5,350,926	6,083,439	6,739,936
Large	Number	...	...	...	...	...	...
Total	Number	...	...	...	...	...	...
MSME employees to total	%	...	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...	32.7
MSME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...
Manufacturing	...	...	...	...	...	...	...
Transportation and communications	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...	...	...
Other services	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Urban	...	...	...	...	...	...	...
Rural	...	...	...	...	...	...	...
Output²							
MSME GVA	GVA, ₹ bil.	61,228	54,056	70,047	79,957	...	...
MSME GVA to GDP	% to GDP	30.5	27.3	29.6	30.1	...	...
MSME GVA growth	%	6.4	(16.1)	21.5	2.4	...	...
Exports³							
MSME exports	\$ mil.	155,963	144,019	190,095	125,526	199,873	200,425
MSME exports to total export value	%	49.8	49.4	45.0	43.6	45.7	45.8
MSME export growth	%	(2.8)	(8.3)	24.2	(51.4)	37.2	0.3
Imports⁴							
MSME imports	\$ mil.	71,207	59,165	86,049	107,395	...	...
MSME imports to total import value	%	15.0	15.0	14.0	15.0	...	...
MSME import growth	%	(9.9)	(20.4)	31.2	19.9	...	...

GDP = gross domestic product; GVA = gross value added; MSME = micro, small, and medium-sized enterprise; RBI = Reserve Bank of India.

* The fiscal year (FY) ends on 31 March of that year; e.g., 2024 covers data from 1 April 2024 to 31 March 2025.

¹ Data for 2023–2024 are based on FY, using the Udyam Assist Platform data plus informal microenterprises data. However, data before 2022 were calculated using different methods. Data for 2019 were based on the Udyog Aadhar Memorandum filing (online registration system), and data for 2020–2022 were based on the Udyam Registration (new online registration system using MSME definition since July 2020). Thus, data before 2023 has no continuity with data after 2023.² Computation on MSME GVA value is based on the share of MSME GVA to GDP data and national accounts. The share of MSME GVA in all India GDP refer to the Ministry of Micro, Small, and Medium Enterprises Press Release dated 22 July 2024 (<https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2035073>).³ MSME export value data are based on MSME merchandise trade from the Directorate General of Commercial Intelligence and Statistics MSME EXIM Status Report 2022–2023. The data is based on the Udyam Registered MSMEs having valid Export-Import Licenses (IEC codes) provided by Directorate General of Foreign Trade. The share of export of MSME related products in all India export referred to the Ministry of Micro, Small, and Medium Enterprises Press Release dated 22 July 2024 and FY2024 data was up to May 2024 (<https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2035073>).⁴ MSME import data are based on MSME merchandise trade from Directorate General of Commercial Intelligence and Statistics MSME EXIM Status Report 2022–2023.

Source: ADB Asia SME Monitor 2025 database. Data from various reports from the Ministry of Micro, Small, and Medium Enterprises; DGCIS; and Udyam registration portal.

Table 10.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans (commercial banks)							
MSME loans outstanding	₹ mil.	16,980,402	16,982,146	18,454,744	20,060,200	23,934,368	28,049,052
MSME loans to total loans	%	17.4	15.6	16.2	15.7	16.2	16.0
MSME loans to GDP	%	8.5	8.6	7.8	7.6	7.9	8.5
MSME loan growth	%	7.4	0.01	8.7	8.7	19.3	17.2
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	₹ mil.	1,545,805	1,623,223	1,821,214	1,478,293	1,319,311	1,252,311
MSME NPLs to total MSME loans	%	9.1	9.6	9.9	7.4	5.5	4.5
(Gross NPLs to total bank loans)	%	9.1	8.2	7.3	5.8	3.9	2.7
MSME loans by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communications		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by region	%	...	...	...	...	...	...
Urban		...	...	...	...	...	...
Rural		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Bank Loans (urban cooperative banks [UCBs])							
MSME loans outstanding	₹ mil.	438,728	514,054	557,129	558,551	658,453	765,066
MSME loans to total loans	%	14.5	16.9	17.9	17.7	19.9	37.2
MSME loan growth	%	11.9	17.2	8.4	0.3	17.9	16.2
Capital Markets							
BSE SME Exchange							
Market capitalization	₹ mil.	183,489	212,795	475,666	644,110	1,079,640	2,001,384
Growth	%	(1.4)	16.0	123.5	35.4	67.6	85.4
Trading value	₹ mil.	20,861	13,480	35,144	82,533	142,170	388,063
Listed companies	Number	314	331	358	410	471	538
NSE Emerge							
Market capitalization	₹ mil.	79,942	56,048	95,464	224,736	534,401	1,410,220
Growth	%	(36.8)	(29.9)	70.3	1.4	1.4	163.9
Trading value	₹ mil.	16,536	9,556	19,391	74,688	231,845	927,812
Listed companies	Number	206	214	236	289	405	580

Fiscal year data (end-March)*

Item	Unit	2019	2020	2021	2022	2023	2024
Public Finance and Guarantees							
Credit guarantee scheme for MSMEs - CGTMSE							
Guaranteed loans approved	₹ mil.	458,510	368,990	561,720	1,047,810	2,028,070	3,055,068
Growth	%	52.0	(19.5)	52.2	86.5	93.6	50.6
MSMEs guaranteed	Number	846,650	835,592	717,020	1,165,786	1,724,073	2,715,275
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...

continued on next page

Table 10.3 continued

Item	Unit	2019	2020	2021	2022	2023	2024
Credit guarantee scheme for MSMEs – CGFMU							
Guaranteed loans approved	₹ mil.	942,168	1,212,915	1,543,830	2,158,002	3,181,768	...
Growth	%	23.6	28.7	27.3	39.8	47.4	...
MSMEs guaranteed	Number	...	8,716,880	11,231,088	13,133,703	16,445,187	...
Nonperforming guaranteed loans	% of total	...	16.0	15.0	11.0	8.0	...
Refinancing scheme – Mudra Loans							
Loans disbursed to MSMEs	₹ mil.	3,374,955	3,217,593	...	...	...	...
Growth	%	4.9	(4.7)	...	...	...	...

BSE = Bombay Stock Exchange; CGFMU = Credit Guarantee Fund for Micro Unit; CGTMSE = Credit Guarantee Fund Trust for Micro and Small Enterprises; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; NSE = National Stock Exchange.

* The fiscal year (FY) ends on 31 March of that year; e.g., 2024 covers data from 1 April 2024 to 31 March 2025.

Source: ADB Asia SME Monitor 2025 database. Data from the Reserve Bank of India.

Table 10.3a: Small Industries Development Bank of India (SIDBI) MSME Loans

Fiscal year data (end-March)*

Item	Unit	2019	2020	2021	2022	2023	2024
MSME loans outstanding	₹ mil.	1,654,215	1,562,328	2,022,518	3,564,391	4,560,151	...
MSME loans to total loans	%	100.0	100.0	100.0	100.0	100.0	...
MSME loans to GDP**	%	0.8	1.2	1.4	2.2	0.03	...
MSME loan growth	%	21.4	(5.6)	29.5	76.2	27.9	...
MSME loan borrowers	Number	15,733	19,364	29,115	82,521	199,096	...
Nonperforming loans (NPLs)							
MSME NPLs	₹ mil.	10,408	2,823	2,176	334	998	...
MSME NPLs to total MSME loans	%	0.6	0.2	0.1	0.01	0.02	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* The fiscal year (FY) ends on 31 March of that year; e.g., 2023 covers data from 1 April 2023 to 31 March 2024.

** Based on real GDP. GDP at Constant Prices, 2011–2012 series is considered. For FY 2023 Second Advance Estimate (released by MOSPI) is used for calculation.

Source: ADB Asia SME Monitor 2025 database. Data from SIDBI.

Table 10.4: Policies and Regulations

Benchmark Regulation	Micro, Small and Medium Enterprise Development (MSMED) Act 2006
Focal Government Authority for MSMEs	Ministry of Micro, Small, and Medium-Sized Enterprises
Key Policies and Strategies	
Name	Outline
National Manufacturing Competitiveness Programme (2005)	A 10-component program aimed at building the capacity of MSME manufacturers to enable them to compete with multinationals both in domestic and international markets. Components include marketing support, building awareness, and training.
Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (2005–2006)	Improving the productivity of traditional industries by organizing clusters.
Rajiv Gandhi Udyami Mitra Yojna (2008)	Support to potential first-generation entrepreneurs and existing entrepreneurs on legal and procedural issues in completing formalities required for establishing and running an enterprise.
Public Procurement Policy for Goods and Services Produced and Rendered by Micro and Small Enterprises (2012)	Mandating central governmental ministries and departments to procure a minimum of 20% of their total purchases of goods and services from MSMEs.
National Strategy for Financial Inclusion (NSFI) 2019–2024	NSFI outlines the vision and various action plans to make financial services available, accessible, and affordable to all vulnerable segments and sectors of the economy, including MSMEs, in a safe, transparent manner that supports inclusive and resilient multistakeholder-led growth. It does not yet have segment/sector specific plans.
Thematic Initiatives	
Digitalization of MSMEs: MSME Champions Scheme – Digital MSME Component (Approved by the Standing Finance Committee (SFC) for the period 2021–2022 to 2025–2026)	1) Promote adoption of digital tools and technologies in MSME operations. 2) Provide support for IT infrastructure, cloud-based solutions, and digital literacy. 3) Encourage adoption of digital tools, applications, and technologies in production and business processes. 4) Enhance competitiveness and global reach of MSMEs.
Green MSMEs and climate action: National Action Plan on Climate Change (NAPCC) (officially launched on 30th June 2008 by the Prime Minister of India)	1) Framework for integrating climate resilience across sectors, including MSMEs. 2) Includes missions like Green India, Solar Energy, and Sustainable Habitat. 3) It targets to enhance energy efficiency, promote afforestation, and reduce emissions.
Women-led MSMEs: Credit Guarantee Scheme for Women-Owned Micro and Small Enterprises (MSEs) (Under the broader Credit Guarantee Fund Trust for Micro and Small Enterprises [CGTMSE])	1) Offers 85% guarantee coverage and 10% concession in annual guarantee fee. 2) Improve access to collateral-free credit for women entrepreneurs. 3) It aims to reduce collateral barriers and encourage formal credit access for women entrepreneurs.
International Trade of MSMEs: Foreign Trade Policy (FTP) 2023 (Notified under Section 5 of the Foreign Trade (Development and Regulation) Act, 1992. It was officially launched on 31 March 2023 and came into effect on 1 April 2023)	1) Focuses on cost competitiveness, trade facilitation, and sectoral support. 2) Introduced schemes like RoDTEP (Remission of Duties and Taxes on Exported Products) and RoSCTL (Rebate of State and Central Taxes and Levies). 3) Enhance MSME participation in global trade and improve FTA utilization.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Annual Report of MSMEs for the Financial Year 2012–2013 and the Ministry of MSMEs website.

NEPAL

Overview

Macroeconomic conditions notably improved in fiscal year (FY) 2024 (ended 15 July 2024), with growth in gross domestic product (GDP) accelerating to 3.7%, up from 2.0% in FY2023. The expansion was driven by stronger services, hydropower generation, and agriculture, particularly paddy production. Inflation moderated to 5.4%, largely due to stable nonfood prices and lower import costs. The current account turned into surplus, supported by a reduced trade deficit and higher remittance inflows.¹²⁷

In 2024, Nepal's financial, economic, and policy sectors made significant strides, with strong emphasis on supporting micro, small, and medium-sized enterprises (MSMEs). National MSME landscape data from FY2023 showed that 591,941 MSMEs (including cottage industries) employed 3.7 million workers. While these figures have not been updated, data on registered small and medium-sized enterprises (SMEs) with the Department of Industry were revised as of end-FY2024, with SMEs totaling 8,100 or 85.1% of registered firms, up by 5% from FY2023. The huge discrepancy is likely due to the fact that formal (registered) SMEs are but a small fraction of the MSME total, strongly suggesting microenterprises and informal firms dominate the business landscape. Banking expanded steadily, with total loans outstanding increasing by 5.9% to NRs5.2 trillion and deposits reaching NRs5.8 trillion in FY2024. MSME lending rose to NRs452.6 billion, supported by 120,274 newly approved subsidized loans. While most MSMEs continued to rely on informal financing, access to formal credit improved modestly. Nonbank finance institutions comprised mainly credit cooperatives and microfinance institutions (MFIs), and continued to play a vital role despite rising nonperforming loans (NPLs), which reached 5.7% for MFIs in FY2024. Policy initiatives under the 15th Five Year Plan emphasize the digital transformation, green finance, gender inclusion, and global trade integration. Programs such as the Digital Nepal Framework, Nepal Rastra Bank's Green Finance Taxonomy, and targeted support for women entrepreneurs reflect a strategic shift toward more inclusive, sustainable enterprise development, laying the groundwork for future economic growth.

MSME Development

National MSME landscape data has not been updated from FY2023, but FY2024 data are available for registered SMEs with the Department of Industry. They numbered 8,100 SMEs—up by 5% from FY2023—comprising 85.1% of all registered firms, with 74% classified as small firms and 26% medium-sized. They employed 513,481 workers, accounting for 72.7% of employment, an increase of 4%. Given the 591,941 MSMEs from national FY2023, the huge discrepancy is likely due to the fact that formal (registered) SMEs are but a small fraction of the MSME sector. This strongly suggests a large mass of informal businesses and informal workers still dominate the economy.

Effective 11 February 2020, Nepal enacted the Industrial Enterprises Act 2020, replacing legislation from 1991 and redefining MSME classifications. The Act defines microenterprises as businesses with fixed assets not exceeding NRs2 million (excluding land and buildings), employing up to nine individuals, generating annual transactions below NRs10 million, and consuming no more than 20 kilowatts (KW) of energy. Cottage industries are categorized by using traditional skills and technologies, labor-intensive processes, and local raw materials, with energy consumption capped at 50 KW. Small enterprises are those with fixed capital investment up to NRs150 million, while medium-sized enterprises are defined by investments ranging from NRs150 million to

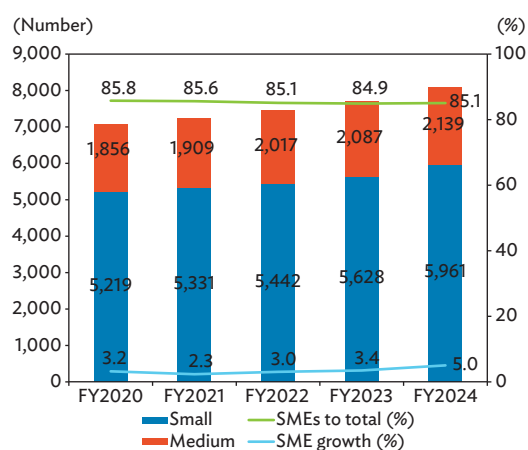
¹²⁷ ADB. 2025. Asian Development Outlook September 2025.

NRs500 million. Unlike microenterprises, small and medium-sized enterprises are classified solely based on fixed capital investment, without specific criteria for employment or turnover (Table 11.1).

National MSME landscape data was not updated from FY2023 as of September 2025. This data counted 591,941 MSMEs including cottage industries, which employed 3.7 million workers. However, Industrial Statistics 2080/081 of the Ministry of Industry, Commerce and Supplies through its Department of Industry updated FY2024 data on registered SMEs only—not including cottage industries, microenterprises, or informal (unregistered) firms. The Ministry oversees MSME policy and enterprise registration, guided by Industrial Enterprises Act 2020 definitions.

Using this definition, there were a total of 8,100 registered SMEs in FY2024, up by 5% over the 7,715 enterprises registered in FY2023 (Table 11.2a and Figure 11.1). These SMEs accounted for 85.1% of all registered enterprises, still showing their dominance among registered firms. They were composed of 74% small firms and 26% medium-sized firms.

Figure 11.1: Scale of SMEs—Registered with the Department of Industry



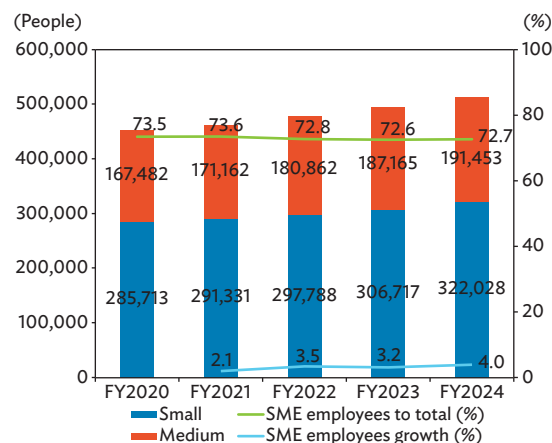
SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Industrial Statistics 2080/081 (2023/2024), Ministry of Industry, Commerce and Supplies, Department of Industry.

Registered SMEs employed 513,481 people, up by 4% from FY2023, or 72.7% of total employment. Regardless of its narrow focus, the data highlights SMEs' expanding footprint in both enterprise formation and job creation, reinforcing its importance in the country's economic development (Figure 11.2).

Given the nearly 600,000 MSMEs nationally, however, formal (registered) MSMEs were just a tiny fraction of MSMEs, suggesting a huge number of informal businesses and informal workers operating in the country.

Figure 11.2: Employment by SMEs—Registered with the Department of Industry



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Industrial Statistics 2080/081 (2023/2024), Ministry of Industry, Commerce and Supplies, Department of Industry.

Access to Finance

While the bank credit market continued to grow steadily in FY2024, the MSME credit market remained small with just 8.8% of total bank loans, up by 16.7% from FY2023, yet equivalent to just 7.9% of GDP. Subsidized MSME lending remains significant, with 120,274 new loans approved. Nonbank finance institutions, represented by credit cooperatives and MFIs, continued to supplement MSME bank credit. MFIs play a key role in financing MSMEs, while rising NPLs (5.7%) and a decline in financed customers are a risk to further growth.

The banking industry continued to grow in both credit and deposits during FY2024. Total bank loans outstanding rose by 5.9%, reaching NRs5.2 trillion, with 87% issued by private banks. Deposits also increased to NRs5.8 trillion, with the majority in domestic currency. Despite this growth, the number of operating financial institutions declined. As of FY2024, there are 107 operating banks, including 20 commercial banks (17 private and 3 state-owned), 18 specialized development banks, 17 finance companies, and 52 microfinance development banks.

MSME loans grew moderately in FY2024. Outstanding MSME loans reached NRs452.6 billion, accounting for 8.8% of total bank loans and equal to 7.9% of GDP, up by 16.7% from FY2023 (Table 11.3 and Figure 11.3). Commercial banks contributed NRs393.8 billion—with NRs120.7 billion from state-owned banks and NRs273.1 billion from private banks—followed by specialized banks lending NRs52.7 billion.

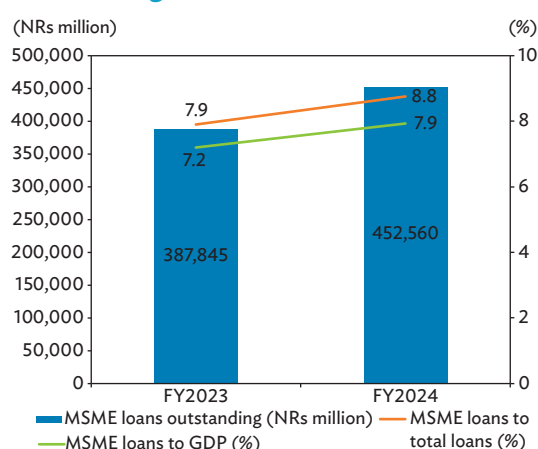
In FY2024, most MSME start-up financing came from personal and informal sources. Inheritance wealth and ancestral properties accounted for a large 33.1% share, followed by income and personal savings at 25.8%. Formal financial institutions such as banks contributed 16.0%, while informal credit sources made up 8.0%. Remittance income provided 6.8% of start-up capital, while cooperatives contributed 5.9%. Other sources,

including miscellaneous informal channels, supplied 3.9%. Venture capital remained a minimal 0.5%, with equity share financing virtually nonexistent, indicating MSME have limited access to formal investment mechanisms.

In FY2024, subsidized lending to MSMEs received continued financial support, with 120,274 new subsidized loans approved during the year. The total outstanding amount of these subsidized loans reached NRs126.8 billion (Figure 11.4). This reflects the government's ongoing efforts to enhance access to affordable credit for small businesses, although the number of new approvals slightly down from previous years. The data underscores the importance of subsidized financing as key in promoting MSME growth and building resilience.

In FY2024, Nepal's nonbank finance institutions continued to be dominated by credit unions and cooperatives, which accounted for the vast majority with 31,450 in total. There were 52 MFIs with outstanding financing reaching NRs455.9 billion—a 5.5% increase from FY2023. However, MFIs faced growing challenges with loan quality, as gross NPLs in FY2024 rose to NRs26.1 billion, or 5.7% of total loans, up from 4.2% in FY2023. The number of customers financed by MFIs declined to 2.7 million in FY2024 from 3.0 million in FY2023. MFI loans were

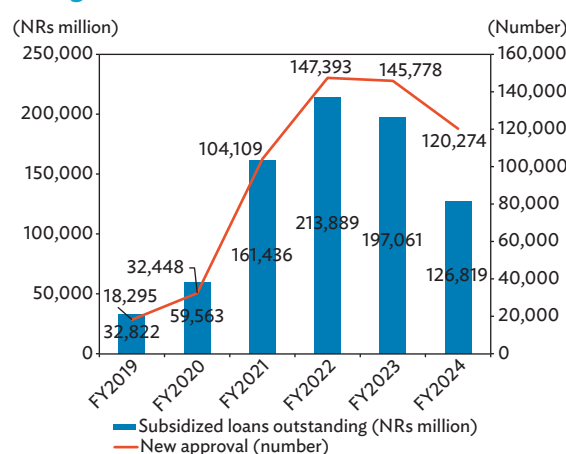
Figure 11.3: MSME Loans



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Nepal Rastra Bank.

Figure 11.4: Subsidized Loans for MSMEs



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Nepal Rastra Bank.

concentrated in agriculture (48.8%), followed by services (34.1%), cottage and micro industries (5.7%), and wholesale credit (3.8%).

In contrast, credit unions and cooperatives saw a decline in financing activity, with outstanding financing totaling NRs405.3 billion in FY2024—a 4.9% decrease from the previous year. Despite their smaller institutional footprint, MFIs continue to play a significant role in rural and underserved financial markets, though rising NPLs signal emerging risks.

The Nepal Stock Exchange continued its resilience in FY2024. The index reached 2,240.41 with market capitalization up to NRs3.55 trillion, up a robust 15.3% from FY2023. Trading also increased, with trading value at NRs734.7 billion on over 2 billion shares traded. The number of listed companies grew to 270 from 254 in FY2023. Despite its expansion, the exchange lacks a dedicated MSME board as of end-FY2024.

Relevant government agencies say the country faces a range of structural and external challenges that hinder MSME development and access to finance, particularly in the context of rising global uncertainty and geopolitical tensions. First, banks and financial institutions (BFIs) see MSME lending as high-risk due to concerns over moral hazard and poor selection processes, which results in restrictive lending and limited access to formal credit. Second, Nepal's heavy reliance on imported inputs makes MSMEs vulnerable to global protectionism and trade disruptions. Increased tariffs, non-tariff barriers, and customs delays raise input costs and complicate market access, undermining competitiveness. Third, although the government announces various incentives and support programs for MSMEs, implementation is often weak due to low awareness, limited use, and insufficient political commitment. Infrastructure and logistical bottlenecks further constrain the distribution of MSME-produced goods, especially in remote areas. Fourth, MSMEs struggle to compete globally due to outdated production processes, limited digital literacy,

and inadequate access to modern technology and skills, which hamper productivity and innovation. Finally, many MSMEs are unable to meet documentation, accounting, and procedural requirements of formal financial institutions, excluding them from formal credit channels and pushing them toward informal sources with unfavorable terms.

Policies and Regulations

Nepal's 15th Five Year Plan (FY2020–FY2024) laid the groundwork for long-term national development, aiming to transform Nepal into a high-income country by 2043. There was progress in health, infrastructure, and environmental sustainability, while also promoting MSME growth through digitalization, climate action, and gender inclusion. Key initiatives include the Digital Nepal Framework and Digital Nepal Acceleration Project to enhance MSME digital capacity, the Nepal Rastra Bank (NRB)-led green finance policies and taxonomy to support climate-resilient enterprises, and targeted financial programs for women-led MSMEs that offer subsidized loans and boost financial literacy. Reforms easing foreign currency transactions and subsidized refinancing for export-oriented businesses help better integrate MSMEs into global trade.

Nepal's 15th Five Year Plan (FY2020–FY2024), which recently ended, was guided by the vision of a "Prosperous Nepal, Happy Nepali."¹²⁸ The plan laid the foundation for Nepal to become a high-income country by 2043, with goals such as increasing per capita income to \$12,100 and reducing poverty to single-digit levels. Despite the pandemic impact, notable progress was made in health, for example, including lower infant, neonatal, and under-five mortality rates, as well as a drop in maternal mortality to 239 per 100,000 live births. The plan also emphasized universal access to free basic health services and the expansion of health insurance.

¹²⁸ Government of Nepal, National Planning Commission. 15th Plan (Fiscal Year 2019/20–2023/24): Approach Paper. Kathmandu: National Planning Commission; 2019. Available from: https://npc.gov.np/images/category/15th_Plan_Approach_Paper_English_Version.pdf.

Economically, it prioritized infrastructure development, public–private partnerships, and transformative projects to boost growth. Environmental sustainability was another key focus directed toward better managing agriculture, water resources, and biodiversity in the face of climate change. While a comprehensive final evaluation is underway, the 15th Plan laid a strong foundation for long-term development, with the government expected to transition into its 16th Plan aligned with its 2043 vision.

Digitalization of MSMEs

Several strategic initiatives promote the digitalization of MSMEs, supported by national policy frameworks and international development partnerships. These enhance MSME competitiveness, improve access to finance, and integrate them into the digital economy.

One major framework is the Digital Nepal Framework, launched in 2019, which sets 80 initiatives across eight sectors, including finance, education, and urban infrastructure. It focuses on digital inclusion, entrepreneurship, and innovation, with specific MSME targets to improve digital literacy and access to digital services.

Also, the Digital Nepal Acceleration Project expands broadband access, enhances digital government services, and builds digital skills. The project targets training for 10,000 people in digital literacy, launches 20 new digital public services, and targets 80% of MSMEs for using digital incubation and acceleration services by 2027.

In addition, the Mapping Innovation Support Programs for MSMEs, conducted by the South Asia Watch on Trade, Economics and Environment, focuses on several government and donor-supported initiatives. These include subsidized digital loans, start-up incubation programs, and the Micro-Enterprise Development for Poverty Alleviation program, which integrates digital tools for enterprise development. The report also finds gaps in institutional coordination and recommends strengthening digital infrastructure and regulatory clarity for MSME innovation.

These initiatives are guided by policies such as the Industrial Enterprise Act of 2020 and the National Science, Technology and Innovation Policy 2019, which promote digital entrepreneurship and innovation ecosystems. Targets include increasing MSME access to e-commerce platforms, digital payment systems, and formal financial services.

Green MSMEs and climate action

The central bank, NRB, uses several policy and regulatory frameworks to promote green MSMEs and climate-resilient enterprise development. A key initiative is NRB's policy on lending to the productive sector, which increasingly includes environmentally sustainable projects such as renewable energy ventures. These projects are eligible for concessional financing, encouraging MSMEs to adopt green technologies and practices. Also, NRB's monetary policies have actively promoted issuance of green financial instruments, including green bonds, by BFIs. These instruments help mobilize capital for climate-friendly investments and boost the financial system's responsiveness to environmental challenges.

Importantly, NRB has developed a Green Finance Taxonomy to classify and guide lending toward green sectors. It provides clarity and direction for BFIs, increasing their focus on green financing and aligning credit flows with national climate goals. These initiatives collectively reflect Nepal's commitment to integrating climate action into MSME development, with clear targets to expand green lending and foster sustainable enterprise growth.

Women-led MSMEs

Several targeted initiatives support women-led MSMEs and promote gender in entrepreneurship, backed by inclusive financial and policy frameworks. One is BFIs providing subsidized loans, allowing women entrepreneurs to access up to NRs1 million on personal or group guarantees without collateral. The interest on these loans are subsidized by the government, significantly lowering the financial entry barrier for women.

Women entrepreneurs benefit from a more favorable interest rate structure compared to their male counterparts, receiving a six percentage point concession on interest rates, while men-led MSMEs receive five percentage points. This differential reflects a deliberate policy effort to incentivize female entrepreneurship. The NRB, in collaboration with BFIs, MFIs, and development partners, also conducts dedicated financial literacy programs tailored for women. These cover essential financial concepts such as saving, budgeting, credit, and insurance, alongside business planning and management skills. They also provide information on available financial products and services, including access to subsidized loans. These initiatives collectively empower women economically, reduce gender disparities in enterprise development, and foster inclusive growth among MSMEs.

International trade of MSMEs

Several strategic initiatives promote MSME external trade to boost their participation in global supply chains. Central is the Nepal Trade Integration Strategy 2023, which aims to boost exports, improve trade infrastructure, and prepare the country to graduate from the United Nations Least Developed Country status by 2026. The strategy uses a comprehensive action plan that includes developing a master plan for trade logistics, upgrading postal and digital trade services, establishing testing and quarantine facilities at border points, and expanding priority export products from 12 to 32—many of which are MSME-relevant, such as handmade paper, honey, felt, and dog chew.

It also emphasizes inclusive trade by promoting the participation of women and marginalized groups. Complementary policy recommendations from development partners such as ADB and the World Bank highlight the need for a dedicated MSME export strategy, reduction of tariffs on raw materials, improved duty drawback systems, and better access to concessional export credit. The recommendations also stress the importance of strengthening export compliance infrastructure and facilitating MSME linkages with regional value chains.

Nepal is investing in digital trade and Industry 4.0 strategies, including establishing a national payment gateway and digital depository, while institutional mechanisms such as a National Steering Committee have been proposed to oversee implementing the Nepal Trade Integration Strategy and enhance coordination among stakeholders. These combined efforts reflect Nepal's commitment to integrating MSMEs into global markets through targeted policy reforms and infrastructure development.

MSME financing and financial inclusion strategies

Nepal's commitment to advancing financial inclusion has been reaffirmed through the Making Access Possible (MAP) Refresh study of its Financial Inclusion Roadmap (2017–2022), a strategic update led by the United Nations Capital Development Fund in collaboration with the central bank. Published in March 2022, it builds on the original roadmap by evaluating progress made over the past 5 years, identifying persistent gaps, and proposes targeted interventions to address emerging challenges. The updated strategy is grounded in robust data from household surveys and extensive stakeholder consultations, ensuring it reflects the realities of Nepal's evolving financial landscape. Key focus areas include unlocking constrained credit and savings markets, modernizing payment systems, enhancing risk mitigation tools, and strengthening the capacity of locally based financial service providers. It strongly emphasizes governance, consumer protection, and financial literacy—recognizing that sustainable financial inclusion requires both access and informed, empowered users. It aligns closely with Nepal's national development priorities and the Sustainable Development Goals, positioning financial inclusion as a driver of inclusive economic growth.

Complementing this is the 2023 Nepal Financial Inclusion Report, jointly developed by the United Nations Capital Development Fund and International Finance Corporation, which offers a comprehensive analysis of financial services in Nepal. The report highlights significant improvement in access, usage,

and quality of financial services, with particular focus on gender inclusion and digital finance. Notably, the gender gap in access to formal financial services has narrowed dramatically—from 57% for women in 2014 to 89% in 2022—indicating substantial progress in empowering women economically. The report also underscores the growing use of digital financial services, such as mobile banking and digital payments, especially among youth and urban populations. Developed under the Access to Financial Services Nepal Project, the report draws on data from the IFC A2F 2021/22 household survey and reflects a multi-stakeholder approach involving NRB, United Nations Capital Development Fund, International Finance Corporation, and other development partners. Together, the MAP Refresh and the 2023 report provide a strategic and evidence-based foundation for accelerating financial inclusion in Nepal, with a clear focus on equity, innovation, and resilience.

Data Tables

Table 11.1: MSME Definition

Item	New Definition based on Industrial Enterprises Act 2020*				Old Definition based on Industrial Enterprises Act 1991		
	Micro	Cottage	Small	Medium	Cottage	Small	Medium
Fixed assets	NRs2 million**	...	Less than NRs150 million	NRs150 million– NRs500 million	...	Up to NRs30 million	NRs30 million– NRs100 million
Employees	9 or less	...	...	...	...	...	...
Annual transaction	less than NRs10 million	...	...	...	...	...	...
Others	Use of energy up to 20 KW.	Those based on: (i) traditional skills and technology; (ii) labour oriented, specific skills or supply of local raw materials, local technologies, arts, and culture; and (iii) use of energy up to 50 KW. Specific Industry list provided (mentioned in Schedule 2 of Act) by Industrial Enterprise Act 2020.	...	...	Specific Industry list provided by Industrial Enterprise Act 1990.	...	...

* effective 11 February 2020. ** excluding house and land.

KW = kilowatt; MSME = micro, small, and medium-sized enterprise.

Note: Apart from defining microenterprises, the definition is solely based on fixed assets. The act was amended in 2020, but all available data are based on the previous definition. Bank and financial institutions use their own definitions to categorize firms, which differ by bank: some banks use NRs1 million–NRs10 million borrowing limits to define MSME loans, whereas other banks use NRs50 million–NRs200 million.

Source: ADB Asia SME Monitor 2025 database. Data from Industrial Enterprises Act 2020/1990.

Table 11.2: MSME Landscape

Fiscal year data (15 July)*

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	390,493	...	...	554,729	591,941	...
Cottage	Number	...	...	...	23,374	23,625	...
Micro	Number	...	...	...	41,099	41,982	...
Small	Number	...	...	...	488,239	524,247	...
Medium-sized	Number	...	...	...	2,017	2,087	...
Large	Number	...	...	...	1,305	1,370	...
Total	Number	...	...	...	556,034	593,311	...
MSME to total	%	...	...	...	99.8	99.8	...
MSME growth	%	15.6	...	...	...	6.7	...
MSMEs by sector	%	100	...	...	100	100	...
Agriculture, forestry, and fisheries		16.3	...	...	32.4	33.6	...
Manufacturing		33.2	...	...	20.7	20.1	...
Tourism		10.1	...	...	9.9	9.7	...
Construction		3.0	...	...	1.8	1.8	...
Information and technology		0.1	...	...	0.1	0.1	...
Other services		36.6	...	...	34.9	34.5	...
Others ¹		0.7	...	...	0.2	0.2	...
MSMEs by region	%	100	...	...	100	100	...
Capital city (Kathmandu)		19.5	...	...	16.7	16.2	...
Others		80.5	...	...	83.3	83.8	...
Employment							
MSMEs	Number	2,808,052	3,119,745	3,289,516	3,535,404	3,678,812	...
Cottage	Number	...	...	...	...	...	...
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	...	...	...	...	...	...
Total	Number	...	...	...	...	...	...
MSME employees to total ²	%	...	73.5	...	...	...	...
MSME employees growth	%	7.7	11.1	5.4	7.5	4.1	...
MSME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Tourism		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Information and technology		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others ¹		...	...	...	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Kathmandu)		...	...	...	...	...	...
Others		...	...	...	...	...	...

continued on next page

Table 11.2 *continued*

Item	Unit	2019	2020	2021	2022	2023	2024
Output							
MSME GDP	GDP, NRs mil.	...	...	...	...	...	...
MSME GDP to total ³	% to GDP	22.0	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...	...
Exports							
MSME exports	NRs mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	NRs mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* The fiscal year (FY) ends on 15 July of that year; e.g., FY2023 covers data from 16 July 2022 to 15 July 2023.

¹ Including energy based, and mining and minerals.

² Data extracted from Industrial Statistics 2019–2020. Small and medium-sized enterprises only.

³ Data refer to the central bank, Nepal Rastra Bank (2019): https://www.nrb.org.np/contents/uploads/2020/04/Study_Reports-नेपालमा साना तथा मझौला उद्यम वित्तीय साधन परचालन-2076.pdf.

Source: ADB Asia SME Monitor 2025 database.

Table 11.2a: MSME Landscape—SMEs Registered with the Department of Industry

*Fiscal year data (15 July)**

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	6,855	7,075	7,240	7,459	7,715	8,100
Cottage	Number	...	...	...	...	...	...
Micro	Number	...	...	...	...	...	...
Small	Number	5,124	5,219	5,331	5,442	5,628	5,961
Medium-sized	Number	1,731	1,856	1,909	2,017	2,087	2,139
Large	Number	1,112	1,172	1,214	1,305	1,370	1,419
Total	Number	7,967	8,247	8,454	8,764	9,085	9,519
MSME to total	%	86.0	85.8	85.6	85.1	84.9	85.1
MSME growth	%	5.5	3.2	2.3	3.0	3.4	5.0
Employment							
MSMEs	Number	...	453,195	462,493	478,650	493,882	513,481
Cottage	Number	...	...	...	...	...	...
Micro	Number	...	...	...	...	...	...
Small	Number	...	285,713	291,331	297,788	306,717	322,028
Medium-sized	Number	...	167,482	171,162	180,862	187,165	191,453
Large	Number	...	163,307	166,302	178,857	186,445	192,397
Total	Number	...	616,502	628,795	657,507	680,327	705,878
MSME employees to total	%	...	73.5	73.6	72.8	72.6	72.7
MSME employees growth	%	...	...	2.1	3.5	3.2	4.0

MSME = micro, small, and medium-sized enterprise, SMEs = small and medium-sized enterprise.

* The fiscal year (FY) ends on 15 July of that year; e.g., FY2024 covers data from 16 July 2023 to 15 July 2024.

Source: ADB Asia SME Monitor 2025 database. Data from Industrial Statistics 2080/081 (2023/2024); Ministry of Industry, Commerce and Supplies; Department of Industry.

Table 11.3: MSME Financing

Fiscal year data (15 July)*

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding ¹	NRs mil.	...	...	...	...	387,845	452,560
MSME loans to total loans	%	...	...	...	...	7.9	8.8
MSME loans to GDP	%	...	...	...	...	7.2	7.9
MSME loan growth	%	...	...	...	...	...	16.7
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	NRs mil.	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans) ²	%	1.5	1.9	1.5	1.3	3.0	3.9
MSME loans by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by region	%	...	...	...	...	...	...
Capital city (Kathmandu)		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantees schemes for MSMEs, DCGF							
Guaranteed loans disbursed	NRs mil.	...	...	...	...	...	...
Growth	%	...	...	...	...	...	...
MSMEs guaranteed	Number	...	...	...	...	...	...
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Subsidized loans for MSMEs							
New approval	Number	18,295	32,448	104,109	147,393	145,778	120,274
Subsidized loans outstanding	NRs mil.	32,822	59,563	161,436	213,889	197,061	126,819
Growth	%	207.8	81.5	171.0	32.5	(35.6)	(35.6)
MSMEs benefited	Number	...	...	...	...	...	...
Capital Markets							
n/a.,							

DCGF = Deposit and Credit Guarantee Fund; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* The fiscal year (FY) ends on 15 July of that year; e.g., FY2024 covers data from 16 July 2023 to 15 July 2024.

¹ MSME loans from commercial banks, specialized banks, and other financial institutions.² Data based on bank and financial institutions (BFIs).

Source: ADB Asia SME Monitor 2025 database. Data from Nepal Rastra Bank.

Table 11.4: Policies and Regulations

Benchmark Regulation	Industrial Enterprises Act, 2020
Focal Government Authorities for MSMEs	Nepal Planning Commission (NPC) Ministry of Industries, Commerce and Supplies (MoICS)
Key Policies and Strategies	
Name	Outline
15th Five Year Plan 2019/20–2023/24	Providing specific programs/activities to support MSMEs, including access to finance and market. The government aims to add 60,000 jobs annually through the establishment of 15,000 MSMEs each year. 1) Identifying major challenges to MSME development. 2) Recommending programs/activities to remove or minimize barriers MSMEs face. (i) creation of an investment-friendly environment. (ii) establishment of various types of business-related funds. (iii) business incubation centers. (iv) provision of seed capital for the operation of enterprises.
Annual Program and Policies (Budget)	Provide various incentives and facilities to MSMEs such as interest subsidy on credit. 1) Promoting the micro-and cottage industries through programs such as readymade garment promotion program, handmade paper promotion program, ceramic handicraft promotion program, and advance leather products training and promotion program. 2) Micro Enterprise Development for Poverty Alleviation (MEDPA) program with the objective of increasing “employment opportunities and level of income of the people living below the poverty line by developing micro enterprises through entrepreneurship development.”
Financial Inclusion Roadmap (2017–2022)	The Roadmap implements strategic objectives of achieving financial inclusion as set-out in the strategic plan of NRB. It targets: (i) increasing formal financial inclusion in Nepal from 60% to 75% by 2022 and (ii) reducing the excluded from 18% to 3% to create economic empowerment. 1) Unlocking constrained credit and savings markets. 2) Improving payments system. 3) Bolstering risk-mitigation capabilities. 4) Enhancing and leveraging locally based financial service providers. 5) Enhancing financial inclusion support in the national governance. 6) Strengthening consumer empowerment, protection, and education.
Thematic Initiatives	Outline
Digitalization of MSMEs:	
1) Industrial Enterprise Act 2020 and the National Science, Technology and Innovation Policy 2019	1) Promote digital entrepreneurship and innovation ecosystems. 2) Targets include increasing MSME access to e-commerce platforms, digital payment systems, and formal financial services.
2) Digital Nepal Acceleration (DNA) Project	1) Aims to expand broadband access, enhance digital government services, and build digital skills. 2) The project targets training for 10,000 individuals in digital literacy, the launch of 20 new digital public services, and the establishment of 80% satisfaction among MSMEs using digital incubation and acceleration services by 2027.
Green MSMEs and climate action:	
NRB's policy on productive sector lending	1) Increasingly includes environmentally sustainable projects such as renewable energy ventures. 2) These projects are eligible for concessional financing, encouraging MSMEs to adopt green technologies and practices.
Women-led MSMEs:	
Subsidized loans by banks and financial institutions (BFIs) and financial literacy programs tailored for women	1) Allows women entrepreneurs to access up to NRs1 million on personal or group guarantees without collateral. These loans are interest-subsidized by the government, significantly lowering the financial entry barrier for women. 2) These programs cover essential financial concepts such as saving, budgeting, credit, and insurance, alongside business planning and management skills. They also provide information on available financial products and services, including access to subsidized loans.
International trade of MSMEs:	
Nepal Trade Integration Strategy (NTIS) 2023	1) Develop a master plan for trade infrastructure and logistics. 2) Upgrade postal services and digital trade platforms. 3) Establish testing and quarantine facilities at border points. 4) Promote inclusion of women and marginalized groups in trade. 5) Expand priority export products from 12 to 32, including MSME-relevant items like handmade paper, honey, felt, and dog chew.

NRB = Nepal Rastra Bank; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from various legal/policy documents and program websites of the respective agencies.

PAKISTAN

Overview

The economy expanded by 2.5% in fiscal year (FY) 2024 (ended 30 June 2024) after contracting by 0.2% in FY2023. Growth was primarily backed by stringent macroeconomic policy, economic reforms, and external financing.¹²⁹ Average inflation remained high, but decelerated to 23.4% in FY2024 from 29.2% in FY2023. The central bank maintained strict monetary policy in FY2024.

Major micro, small, and medium-sized enterprises (MSME) landscape data were not updated since the previous report—which estimated 5.2 million MSMEs in 2020 employing 30.5 million workers in FY2021. The 7th Population and Housing Census from 2023 estimated the total workforce at 66.2 million in FY2023, down from 67.3 million in FY2021 as reported in the Labor Force Survey. The share of female employees to total labor fell to 20.2% in FY2023 from 22.8% in FY2021. The 7th Census also reported there were 3,738,577 employers (business owners) in FY2023. The Small and Medium Enterprise Development Agency (SMEDA) estimated that MSME gross domestic product (GDP) totaled PRs42.4 trillion in 2024, or 40.0% of overall GDP. Small manufacturers' output reached PRs2.3 trillion during the same period, up by 30.0%, contributing 2.3% to the country's GDP. SMEDA announced that MSME exports held a 30.0% share of total exports, or PRs2.6 trillion in FY2024. MSME bank credit expanded to PRs641 billion, up by 18.2%. The nonbank finance industry, represented by microfinance institution lending, supported agribusiness backed by government concessional lending schemes. The Growth Enterprise Market (GEM) capitalization jumped by 246.3% in 2024, with two initial public offerings (IPOs). To promote MSME financial inclusion and affordable digital services, the central bank granted initial licensing to five digital banks. The government created a comprehensive Climate Change Vulnerability Index, which regularly evaluates and monitors climate-related risks faced by local MSMEs. SMEDA has partnered with ADB to launch the Women Inclusive Finance Program with funding of \$155.5 million. The government dedicated 40% of the incremental Export Finance Scheme, or PRs92 billion, for MSME exporters. The scheme allows banks to offer subsidized financing to eligible exporters and recover the markup subsidy through the EXIM Bank, which enhances MSME access to affordable export finance and join global supply chains.

MSME Development

While MSME data is limited, SMEDA estimated their contribution to GDP and exports in FY2024. Both MSME GDP and export value accounted for 30% of the FY2024 total. Rising transportation costs, exacerbated by conflict in the Red Sea, pose a threat to key MSME exports like textiles, rice, and fruit.

Several institutions define MSMEs differently (Table 12.1). The National SME Policy 2021 defines MSMEs as start-ups, small, and medium-sized firms by annual sales turnover. The Federal Board of Revenue categorizes small enterprises based on sales turnover and specific conditions for taxation. The State Bank of Pakistan defines MSMEs by number of employees and annual sales turnover for loan categorization. The Securities and Exchange Commission uses its own criteria for defining small and medium-sized enterprises (SMEs) within the capital market. These

¹²⁹ ADB. 2025. Asian Development Outlook September 2025.

multiple definitions creates uncertainty and makes interpreting MSME development difficult.

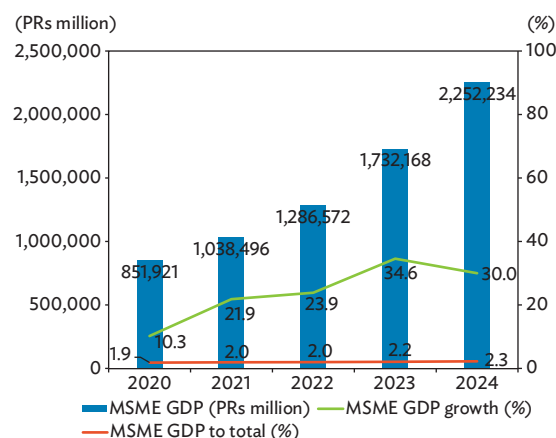
MSME landscape data remains limited, with no annual estimations of either their number or those employed. Extrapolating from the Census of Economic Establishments conducted in 1988 and 2005, SMEDA estimated the number of MSMEs in 2020 was 5.2 million. As of August 2025, SMEDA continues to use this number as reference point for evaluating the size of MSMEs for development purposes.

Since the Labor Force Survey (LFS) 2020–2021, no new surveys estimated MSME employment. Latest available data show that MSMEs employed 30.5 million in FY2021, comprising 72.5% of nonagricultural employment (Table 12.2).¹³⁰ LFS 2020–2021 indicated total employment reached 67.3 million in FY2021. MSME employment by sector included wholesale and retail trade (30.5%), manufacturing (20.2%), construction (19.6%), transportation and communications (11.7%), and services including community, social, and personal services (17.5%).

Although no MSME employment data was available, the 7th Population and Housing Census, conducted between 1 March and 30 May 2023, found the total number of employed workers was 66.2 million in FY2023, a decrease from FY2021 based on the LFS.¹³¹ The 7th Census found that there was a 20.2% share of female employees, while those unemployed reached 18.7 million people. It also cited the number of employers (business owners) was 3,738,577 in FY2023. This does not match the actual number of MSMEs but gives some feel from the latest labor market data available.

According to SMEDA, MSME GDP in 2024 amounted to PRs42.4 trillion, or 40.0% of the total. For manufacturing, using the 2005 Census of Manufacturing Industries as base, the Pakistan Bureau of Statistics estimated GDP of small manufacturing industries amounted to PRs2.3 trillion in 2024, up by 30.0%, contributing 2.3% to overall GDP (Figure 12.1).

Figure 12.1: MSME Output—Small Manufacturing



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Pakistan Bureau of Statistics.

SMEDA also reported that MSME exports comprised 30.0% of total exports in FY2024, or PRs2.6 trillion. Total exports showed robust 26.5% growth, or PRs8.7 trillion. After the sharp drop in imports due to FY2023 government restrictions, imports rebounded by a strong 14.9%, reaching PRs15.5 trillion in FY2024.

Over 90% of Pakistan's trade travels by sea, while land routes primarily connect by truck to the People's Republic of China (PRC), India, Iran, and Afghanistan.¹³² Recent conflict in the Red Sea, a critical trade corridor, have seriously affected Pakistan's trade and the economy generally. During FY2024, for example, 60% of exports and 30% of imports with the United States (US), European Union (EU), and United Kingdom (UK) transited the Red Sea. Rerouting around the Cape of Good Hope increases the journey by more than 3,500 nautical miles and adds 10–12 days of sailing, greatly driving up freight costs. Rising freight rates threaten Pakistan's key export goods, including textiles, rice, and fruit, most of which are produced by MSMEs. Shipping schedule disruptions delay production and lead to higher expenses.¹³³

¹³⁰ LFS defines MSMEs as enterprises with fewer than 10 employees in the “nonagriculture informal economy.”

¹³¹ <https://www.pbs.gov.pk/digital-census/detailed-results>.

¹³² ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021.

¹³³ Pakistan Economic Survey 2023–2024.

In 2024, the Ministry of Information, Technology, and Telecommunication launched a program to reduce risks for venture capitalists through the Pakistan Startup Fund. The fund provides equity-free capital or a grant for 10% to 30% of the venture capitalist investment during a specific funding round. The government's PRs2 billion allocation is expected to attract about PRs50 billion within the national start-up ecosystem.

Access to Finance

MSME bank credit expanded to PRs641 billion, up by 18.2% by end-2024. The microfinance industry also grew, supported by the state's concessional lending schemes for agriculture. As alternative financing, GEM—created mainly for qualified MSMEs—saw its market capitalization jump by 246.3% in 2024 with two IPOs.

At the end of 2024, there were 29 commercial banks, including 4 foreign banks, 3 specialized banks, and 12 microfinance banks.

Given easing monetary policy and government reforms, MSME bank loans grew by 18.2% in 2024 to PRs641.3 billion (Table 12.3 and Figure 12.2A). Among MSME loans outstanding, PRs626.5 billion originated from commercial banks—30.2% from state-owned commercial banks and 69.8% from private commercial banks. In 2024, the share of MSME loans to GDP remained small but rose slightly to 0.6%, up from 0.5% in 2023.

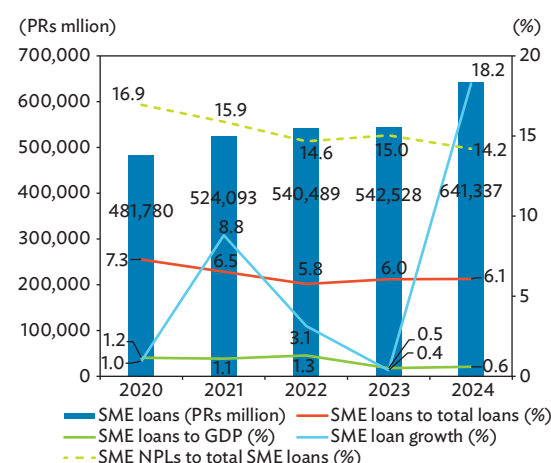
The ratio of MSME nonperforming loans (NPLs) to total MSME loans decreased from 15.0% in 2023 to 14.2% in 2024, but remained more than twice as high as the gross NPL ratio (6.2% in 2024). Along with MSME credit market growth, the number of MSME borrowers grew from 172,292 in 2023 to 183,987 in 2024.

By sector, in 2024, the majority of MSME loans were directed to manufacturing (38.1%) and trade (33.4%), similar to previous years. Yet, the share of credit to manufacturing has consistently dropped since 2020

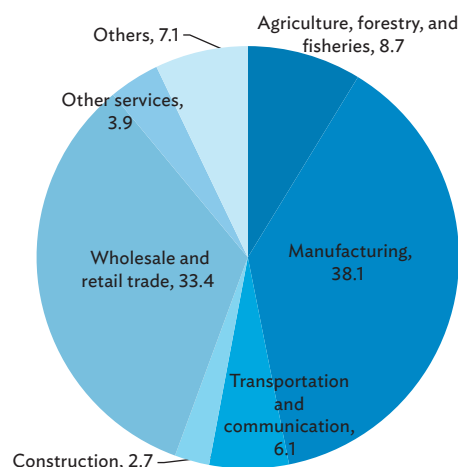
(45.7%). Loans to agriculture expanded from 6.4% in 2023 to 8.7% in 2024, while MSME lending to transportation and communications increased to 6.1% from 5.0% in 2023. The growth in agriculture lending benefited from government support measures in response to devastating floods. However, services saw a sharp decline in lending to 3.9% in 2024, down from 8.8% in 2023 (Figure 12.2B).

Figure 12.2: SME Loans

A. Trend



B. By Sector, 2024 (%)



SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from State Bank of Pakistan.

The rising trend of MSME borrowings for capital investment continued, expanding to 43.3% in 2024 from 31.1% in 2023, while the proportion of lending for working capital fell to 51.9% in 2024 from 63.4% in 2023.

Supported by state concessional lending schemes for agriculture, loans outstanding from microfinance banks (micro loans) continued to grow by 10.4%, reaching PRs151.1 billion in 2024.

Under the Prime Minister's Youth Business and Agriculture Loan Scheme, the State Bank of Pakistan (SBP) disbursed PRs110 billion through 16 banks to 227,759 borrowers cumulatively by end-2024. The scheme allows young entrepreneurs to receive a mark-up subsidy and partial credit guarantee to cover financing risk. In addition, through the SME Assan Finance Scheme (launched on 16 August 2021 and terminated on 30 June 2024), banks disbursed PRs60 billion to 12,300 MSME borrowers. The scheme offered both refinance and risk coverage to participating banks to finance MSMEs without or with insufficient collateral. Financing up to PRs10 million was available to MSMEs at an end-user rate of up to 9.0%.¹³⁴

There were 86 nonbank finance companies, including 39 microfinance institutions (MFIs), 38 investment banks, 5 housing finance companies, and 4 leasing companies by end-2024.

Despite a reduction in number of customers financed from 9.4 million in 2023 to 7.3 million in 2024, MFI lending expanded by a strong 19.0%, reaching PRs138 billion by end-2024. Yet, its share of GDP remained insignificant at 0.1% in 2024. MFI gross NPLs to total loans more than doubled from 2.1% in 2023 to 5.2% in 2024. By sector, in 2024, agriculture (22.3%) overtook wholesale and retail trade (20.1%), followed by services (18.3%), construction (7.7%), and manufacturing (7.4%). The growth of MFI financing in agriculture is related to revitalizing the sector after the devastating

2023 floods along with ongoing state support. By region, only 0.6% of MFI financing was directed to the capital Islamabad with the rest going to the provinces.

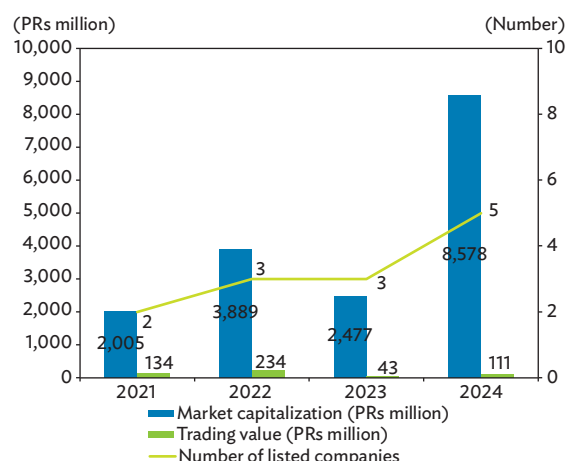
As a result of a consistent slowdown in number of financed customers by leasing companies (from 501 in 2023 to 486 in 2024), leasing company financing outstanding dropped by 12.4% to PRs4.7 billion in 2024. Most of the financing went to manufacturing (28.4%) and services (13.9%) in 2024.

Adopting digitalization contributes to more accessible, secure, and affordable financial transactions among financial institutions, businesses, and individuals. In FY2023, there were 16.1 million users of mobile banking applications, 9.6 million users of internet banking portals, and around 2.0 million e-wallet holders. In FY2024, internet and mobile banking users expanded to 18.7 million and 12.0 million, respectively, while e-wallet holders increased by 82% to 3.7 million. As of end-FY2024, there were 18,957 automated teller machines, 125,593 point-of-sale machines, and 7,816 e-commerce merchants. Also, the Raast, an instant payment system operated by SBP, is offering a free-of-cost instant person-to-person funds transfer facility. Raast has three products: (i) Raast Bulk, (ii) Raast person-to-person, and (iii) Raast person-to-merchant.

As a platform for MSME listing at the Pakistan Stock Exchange, the GEM board grew by 246.3% to reach PRs8.6 billion in market capitalization in 2024 (Figure 12.3). Growth was primarily driven by two IPOs—in June by Mughal Energy Limited (power generation company with a flexible, hybrid fuel power plant), and in September by Burj Clean Energy Modaraba, Pakistan's first renewable energy investment fund. In addition, investor confidence was boosted by the central bank's decision to lower its base rate and the International Monetary Fund's approval of a \$7 billion loan program for the government in September 2024.

¹³⁴ Annual SBP's Governor Report for 2023–2024.

**Figure 12.3: Equity Market for MSMEs—
Growth Enterprise Market Board**



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Pakistan Stock Exchange.

Policies and Regulations

SMEDA offers several assistance programs and measures for MSMEs in digitalization, climate action, women entrepreneurs, and international trade. To address climate change and enhance MSME resilience, SMEDA leads development of the Climate Change Vulnerability Index, a strategic tool to assess climate-related risks faced by MSMEs.

The National SME policy remains in effect until end-2025 (Table 12.4). According to the SME Financing Portfolio Report by SMEDA, as of September 2024, MSME debt financing reached PRs478.4 billion, up by 9.2% from September 2023. Microfinancing to micro and small enterprises grew to PRs171.3 billion as of September 2024, up from PRs137.5 billion in September 2023, with an average loan size of PRs447,303. The National SME Policy supports funding to start-ups with financial assistance. Although 2019 began on a positive note, the funding environment for start-ups fell in 2024. Start-up funding dropped to \$37 million,

down from \$73.6 million in 2023, as venture capital, private equity, and angel financing all fell.¹³⁵

Although government initiatives continue, MSMEs still face significant challenges. Interviews with government authorities serving MSMEs highlighted several key barriers for MSME development: (i) a significant portion of MSMEs operate informally, making them ineligible for formal financing and other support services; (ii) challenges in adopting new technologies and innovations due to limited access to resources, expertise, and funding; (iii) a reluctance of banks to finance MSMEs as too risky; (iv) insufficient data on MSMEs, in number, employment, and output; and (v) lack of marketing capabilities and financial resources, along with weak branding limits entrance to external markets.

Digitalization of MSMEs

SMEDA collaborates with leading e-commerce private organizations such as “Extreme Commerce,” “Enablers,” and “Alibaba” to help MSMEs digitalize business and facilitate e-commerce activity. These partnerships should create a supportive ecosystem for MSMEs to expand business digitally. The initiative focuses on boosting both domestic and international commercial activity by leveraging social media and various e-commerce platforms.

The Securities and Exchange Commission of Pakistan (SECP) integrated with SMEDA’s SME Registration Portal to digitally verify company records, streamlining the process for obtaining official MSME status.

Green MSMEs and climate action

SMEDA’s Research, Regulatory Insights, and Advocacy Assistance project has developed a comprehensive Climate Change Vulnerability Index, designed to regularly assess and monitor the climate-related vulnerabilities of MSMEs. In addition, a detailed survey has been launched in four Punjab districts to collect critical data on the specific risks and challenges climate change impacts MSMEs.

¹³⁵ SME Financing Portfolio Report by SMEDA (September 2024).

SBP introduced climate-related regulations through the Environmental and Social Risk Management (ESRM) manual, which in addition to microfinance, trade, corporate, and retail issues, applies to MSME lending. Small enterprises must not be on the Exclusion List, with ESRM due diligence required, while for medium-sized enterprises, ESRM compliance is prerequisite. The manual also describes specific environmental and social risks MSME financing should avoid.

Women-led MSMEs

The government partnered through SMEDA with ADB to launch the \$155.5 million Women Inclusive Finance program, which includes a \$100 million policy-based loan supporting legal and regulatory reforms to enhance women's access to finance. The program also features a \$50 million financial intermediation loan to let participating financial institutions provide loans to women entrepreneurs, along with a \$5.5 million grant to finance related activities. The Women Inclusive Finance program focuses on three key areas: (i) strengthening the regulatory capacity and framework to promote women's access to finance; (ii) enhancing gender-responsive credit delivery; and (iii) bolstering women's entrepreneurial capabilities.

SMEDA, with technical assistance from ADB, has designed and implemented a comprehensive digital literacy program to train 1,500 women entrepreneurs. The program's primary objectives include (i) giving women entrepreneurs the essential digital skills and knowledge to unlock their full potential and become digitally savvy entrepreneurs; and (ii) educate women on digital security best practices, allowing them to confidently use the technology without fear of harassment or exploitation.

On 7 July 2025, SBP, in collaboration with ADB, introduced the Women Entrepreneurs Finance Code initiative to promote women's financial inclusion and economic empowerment. This initiative will improve gender-disaggregated data collection and reporting standards and enhance institutional capacity for inclusive banking. During the launch, 20 local banks

committed to the new initiative, which is integrated into ADB's Women Inclusive Finance Program to narrow Pakistan's gender finance gap.¹³⁶

SECP's regulatory reforms promote gender mainstreaming and support women-led companies. Under Section 154 of the Companies Act of 2017, public interest companies must have female representation on their boards to help foster inclusive corporate governance and encourage their participation in business decision-making. To promote gender equality in business registration processes, SECP has abolished the requirement to mention a husband's name for female applicants. These changes, introduced through amendments to Sections 31, 37, and 435 of the Companies Act of 2017, have brought the registration process into parity for both men and women, removing procedural barriers and enabling greater access for women entrepreneurs to formalize and grow their businesses.

International trade of MSMEs

The SME Certification, International Accreditation, and Quality Improvement Program from SMEDA enhances MSME competitiveness by improving their capacity for acquiring international certifications and accreditation, thereby ensuring access to new markets and meeting international standards. The program's objectives include the following:

- (i) increase MSME competitiveness by helping them meet international standards, enhance their credibility, and improve access to global markets;
- (ii) strengthen MSME capacity through professional consultations, training, and financial support to acquire and maintain certifications;
- (iii) prioritize MSMEs with high export potential and only require international certifications to export to new markets. Information technology, textiles, pharmaceuticals, and food processing are prioritized based on their export potential and compliance requirements.

¹³⁶ <https://www.sbp.org.pk/WE/index.html>.

Capacity building is key to MSME support. SMEDA regularly conducts over 100 training programs nationwide, covering a wide range of topics including export regulatory procedures, documentation, and marketing. These initiatives will enhance MSME knowledge and skills, making it easier for them to participate in export activities.

As a development finance institution, the EXIM Bank supports exporters, including MSMEs. The government has allocated 40% of its incremental Export Finance Scheme, or PRs92 billion, specifically for MSME exporters. Under the scheme, banks provide subsidized financing to eligible exporters from their funds and claim the markup subsidy through the EXIM Bank, thereby enhancing MSME access to affordable export finance and participation in global supply chains.

MSME financing and financial inclusion strategies

On 13 January 2025, SBP approved the National Financial Inclusion Strategy (NFIS) for 2024–2028. It aims to improve the level of financial inclusion in Pakistan to 75% by 2028 (64% in 2023) and reduce the gender gap to 25% (34% in 2023). For MSMEs, NFIS 2024–2028 targets 200,000 new MSME bank borrowers and increase the share of MSME financing in total private credit from 6% in 2023 to 10% by June 2028.

In addition, aligned with NFIS 2024–2028, on 14 April 2025, SBP launched the National Financial Education Roadmap for 2025–2029. Key components include (i) diversification by using both digital and face-to-face channels to impart customer-centric content to different target groups based on need; (ii) institutionalization by creating a Centre for Financial Education and Literacy of Pakistan to consolidate financial literacy activities on one platform, and (iii) sustainability by integrating Financial Literacy Content in the National Curriculum.

To foster MSME financial inclusion and offer affordable digital services, SBP granted In-Principle Approval (the first stage of the licensing approval) to five digital banks—Hugo Bank Ltd, KT Bank Pakistan Ltd, Mashreq Bank Pakistan Ltd, Raqami Islamic Digital Bank Ltd, and Telenor Microfinance Bank Ltd. These banks will narrow gaps in MSME financing, serve underserved areas, and deliver cost-effective, user-friendly services to enhance financial inclusion.

SBP's Raast platform, a secure and cost-effective instant payment system, is rapidly transforming retail payments. After the launch of Raast person-to-merchant platform in December 2023, most banks now allow customers use mobile phone applications to make payments at merchant shops/outlets using Raast QR codes or International bank account numbers. This initiative uses low-cost payment acceptance solutions potentially for millions of merchants, including large business outlets and small shops. More than 700,000 merchants have already joined through the Raast person-to-merchant platform.

Data Tables

Table 12.1: MSME Definition

A. National Definition (2021)

Criteria	Start-up	Small	Medium
Annual sales turnover	A small or medium-sized enterprise (SME) with operating for up to 5 years from the establishment is considered as start-up SME.	Up to PRs150 million	Above PRs150 million and up to PRs800 million

Note: The enterprise categorized here is an independent, for-profit, privately owned enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from National SME Policy 2021, Small and Medium Enterprise Development Authority.

B. State Bank of Pakistan Definition (March 2022)

Item	Micro	Small	Medium
Annual sales turnover	...	Up to PRs150 million	Above PRs150 million and up to PRs800 million
Number of employees	Self-employed or the firm employing individuals not exceeding 10 (excluding seasonal labor).	Up to 50	51–250 (manufacturing and services) 51–100 (trading)

Source: ADB Asia SME Monitor 2025 database. Data from State Bank of Pakistan. For microenterprise, Agriculture Credit and Microfinance Department (AC&MFD) Circular No.02 of 2012 and revised Prudential Regulations No.10 and No.11 (updated by circular No.3 of 2014). For small and medium-sized enterprise, SME Prudential Regulations vide IH&SMEFD Circular No.05 of 2022 dated March 29, 2022, State Bank of Pakistan. (<https://www.sbp.org.pk/sme/fd/circulars/2022/C5.htm>).

C. Definition by Federal Board of Revenue

Item	Small
Annual sales turnover	not exceeding PRs250 million
Others	A person who is engaged in manufacturing as defined in clause (iv) of sub-section (7) of section 153 of the Income Tax Ordinance Provided that if annual business turnover of a small and medium enterprise exceeds two hundred and fifty million rupees, it shall not qualify as small and medium enterprise in the tax year in which annual turnover exceeds that turnover or any subsequent tax year. Small Company as defined in Section (59AB) is not a small and medium enterprise as defined in clause (59A)

Note: Small Company means a company registered on or after the first day of July 2005 under the Companies Ordinance of 1984 (XLVII). Paid-up capital and undistributed reserves increased from PRs25 million to PRs50 million, following the Finance Act of 2015.

Source: ADB Asia SME Monitor 2025 database. Data from Income Tax Ordinance 2001 (Amended up to 30.06.2021) <https://help.fbr.gov.pk/?p=1406> pg : 26 - 28, Federal Board of Revenue.

D. Definition by Securities and Exchange Commission of Pakistan (May 2022)

Item	Small Serial No. 4, Clause (ii)	Medium (Non-Listed Public Company) Serial No. 3, Clause (a), Sub class (ii)	Medium (Private Company) Serial No. 3, Clause (b), Sub Class (ii)
Paid-up capital	up to PRs10 million	less than PRs200 million	greater than PRs10 million but less than PRs200 million
Annual sales turnover	not exceeding PRs150 million	up to PRs800 million	greater than PRs150 million but less than PRs800 million
Employment size	Employees not more than 250	Employees less than 750	Employees more than 250 but less than 750

Source: ADB Asia SME Monitor 2025 database. Data from S.R.O.602(I)/2022, 14th May, 2022- SECP.

Table 12.2: MSME Landscape

End of period data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises¹							
MSMEs ²	Number	...	5,200,000	...	...	...	...
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	...	...	...	...	...	...
Total	Number	...	...	...	...	...	...
MSME to total	%	...	98.6	...	...	...	...
MSME growth	%	...	...	...	...	...	...
MSMEs by sector							
Agriculture, forestry, and fisheries	%	...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSMEs by region							
Capital city (Islamabad)	%	...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment³							
MSMEs ⁴	Number (million)	28.2	...	30.5	...	...	...
Micro	Number (million)	...	...	...	...	...	...
Small	Number (million)	...	...	...	...	...	...
Medium-sized	Number (million)	...	...	...	...	...	...
Large	Number (million)	35.8	...	36.7	...	...	...
Total	Number (million)	64.0	...	67.3	...	66.2	...
MSME employees to total	%	72.4	...	72.5	...	...	...
MSME employees growth	%	...	...	...	...	...	...
MSME employees by sector							
Agriculture, forestry, and fisheries	%	100	...	100	...	...	...
Manufacturing		20.9	...	20.2	...	...	...
Transportation and communication		12.0	...	11.7	...	...	...
Construction		17.4	...	19.6	...	...	...
Wholesale and retail trade		32.1	...	30.5	...	...	...
Other services ⁴		15.5	...	17.5	...	...	...
Others		2.1	...	0.5	...	...	...
MSME employees by region							
Capital city (Islamabad)	%	...	...	...	...	...	...
Others		...	...	...	...	...	...
Output (small manufacturing)¹							
MSME GDP ⁵	GDP, PRs mil.	772,543	851,921	1,038,496	1,286,572	1,732,168	2,252,234
MSME GDP to total	% to GDP	1.9	1.9	2.0	2.0	2.2	2.3
MSME GDP growth	%	22.0	10.3	21.9	23.9	34.6	30.0
Exports							
MSME exports ⁶	PRs mil.	...	...	...	...	...	2,602,231
MSME exports to total export value	%	...	...	...	...	...	30.0
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	PRs mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

¹ End-of-year data.² Extrapolated from data of Census of Economic Establishments 1988 and 2005 to estimate the number of MSMEs for 2020 (rounded number).³ Fiscal year data, which ends on 30 June; e.g., FY2023 covers data from 1 July 2022 to 30 June 2023.⁴ Labor Force Survey 2018-19 and 2020-21. Non-agriculture employment and non-agricultural informal employment (or MSMEs).⁵ Data from Pakistan Bureau of Statistics.⁶ MSME export data for FY2024 from Small and Medium Enterprise Development Authority (SMEDA).

Note: Total employment data for 2023 is from the 7th Population and Housing Survey (1 March to 30 May 2023).

Source: ADB Asia SME Monitor 2025 database. Data from Pakistan Bureau of Statistics and SMEDA.

Table 12.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
SME loans outstanding ¹	PRs mil.	477,232	481,780	524,093	540,489	542,528	641,337
SME loans to total loans ²	%	7.6	7.3	6.5	5.8	6.0	6.1
SME loans to GDP	%	1.3	1.2	1.1	1.3	0.5	0.6
SME loan growth	%	(7.1)	1.0	8.8	3.1	0.4	18.2
SME loan borrowers	Number	183,606	179,934	164,756	157,126	172,292	183,987
Nonperforming loans (NPLs)							
SME NPLs	PRs mil.	80,001	81,429	83,093	79,073	78,806	90,846
SME NPLs to total SME loans	%	16.8	16.9	15.9	14.6	15.0	14.2
(Gross NPLs to total bank loans) ³	%	8.1	8.6	7.5	7.1	7.4	6.2
SME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		0.4	0.5	3.4	4.0	6.4	8.7
Manufacturing		43.1	45.7	45.4	43.8	42.2	38.1
Transportation and communication		8.7	6.2	5.1	4.9	5.0	6.1
Construction		1.9	2.9	0.1	2.9	2.3	2.7
Wholesale and retail trade		30.0	30.0	31.0	29.9	31.7	33.4
Other services		4.7	5.2	6.1	5.9	8.8	3.9
Others		11.1	9.4	8.9	8.7	3.7	7.1
SME loans by region	%	...	...	...	...	...	...
Capital city (Islamabad)		...	...	...	...	...	...
Others		...	...	...	...	...	...
SME loans by type of use	%	100	100	100	100	100	100
For working capital		68.3	67.6	67.1	66.0	63.4	51.9
For capital investment		22.9	23.7	24.9	26.7	31.1	43.3
For other purposes		8.9	8.8	8.0	7.2	5.5	4.8
SME loans by tenor	%	100	100	100	100	100	100
Less than 1 year		67.7	64.2	64.0	64.8	63.0	53.4
1-5 years		14.1	14.5	14.9	10.8	12.2	21.3
More than 5 years		18.2	21.3	21.1	24.3	24.9	25.3
Micro loans⁴							
Loans outstanding (microfinance banks)	PRs mil.	45,840	60,598	77,471	78,976	136,825	151,091
Growth	%	(1.3)	32.2	27.8	1.9	73.2	10.4
Public Finance and Guarantees							
Refinancing schemes for MSMEs⁵							
Fund size	PRs mil.	...	...	...	23,604	...	...
Amounts disbursed	PRs mil.	...	...	...	8,004	...	...
MSMEs benefited	Number	...	...	...	1,707	...	...
Capital Markets⁶							
Growth Enterprise Market (GEM) Board, PSX							
Market capitalization	PRs mil.	...	...	2,005	3,889	2,477	8,578
Growth	%	...	...	...	93.9	(36.3)	246.3
Trading value	PRs mil.	...	...	134	234	43	111
Listed companies	Number	...	...	2	3	3	5

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; PSX = Pakistan Stock Exchange; SME = small and medium-sized enterprise.

¹ Data refer to SME loans by commercial banks and specialized banks only. The State Bank of Pakistan has prudential regulations for SME financing and microfinance, and monitor both data separately.

² Percentage share of SME loans to total domestic private loans outstanding.

³ Data based on commercial banks.

⁴ Micro loans (microfinance) data refer to loans by microfinance banks.

⁵ Data as of end-2022. Including four schemes: (i) Refinance Facility for Modernization of SMEs, (ii) Refinance and Credit Guarantee Scheme for Women Entrepreneurs, (iii) Refinance Scheme for Working Capital Financing of Small Enterprises and Low-end Medium-sized Enterprises, and (iv) Small Enterprise Financing and Credit Guarantee Scheme for Special Persons. Amounts based on regular schemes.

⁶ The first listing on the Growth Enterprise Market Board took place in 2021.

Source: ADB Asia SME Monitor 2025 database. Data from State Bank of Pakistan and Pakistan Stock Exchange.

Table 12.4: Policies and Regulations

Benchmark Regulation	(No specific laws and regulations for MSMEs)
Focal Government Authorities for MSMEs	Ministry of Industries and Production (MoIP) Small and Medium Enterprise Development Authority (SMEDA)
Key Policies and Strategies	
Name	Outline
National SME Policy 2021	The policy focuses on key areas including SME definition, access to finance, business development services, skills and human resource, technology, market access, infrastructure and entrepreneurship, and provides extensive recommendations in each of the aforementioned areas. Key recommendations cover: 1) Unified SME definition. 2) Regulatory and tax environment (SME regulatory reforms and simplified taxation regime). 3) SMEs access to finance. 4) Skills, human resource and technology. 5) Infrastructure. 6) Entrepreneurship, innovation, and incubation. 7) Business development services. 8) Women entrepreneurship development. 9) Market access. 10) Institutional framework.
National Financial Inclusion Strategy 2024-2028 (NFIS)	The headline targets for NFIS 2024-28 have been set to improve the level of financial inclusion in Pakistan to 75% and reduce the gender gap to 25% by 2028. (i) Raise the number of new-to-bank MSME borrowers to 200,000 by June 2028. (ii) Increase the share MSME financing in total private sector credit from 6% in 2023 to 10% by June 2028. (iii) Raise the share of e-payment transactions in total payments (excluding ATM cash withdrawals) from 50% in 2023 to more than 80% in June 2028.
National Financial Education Roadmap 2025-2029	Diversification: Use digital and face-to-face channels to impart customer centric contents to different target groups based on their need. Institutionalization: Creation of a Centre for Financial Education and Literacy Pakistan for consolidating all financial literacy activities at one platform. Sustainability: Integration of Financial Literacy Content in the National Curriculum.
10-Year Cluster-Based Development Plan for the Growth of SME Sector (28 June 2024)	The plan includes five sectors: (i) fruit and vegetable processing, (ii) e-bike, (iii) pharmaceutical, (iv) sea foods, and (v) marble and granite. The plan has been charted based on the selected sector's potential for growth in exports and employment and aims to create one million new enterprises, generating six million jobs and contributing an additional \$3 billion in exports over the next five years. With these initiatives, SMEs' share in the GDP is projected to increase to 44%, adding PRs540 billion to the economy.
Thematic Initiatives	
Digitalization of MSMEs: Digital Nation Pakistan Act 2025 (enacted on 29 January 2025)	The Act aims to facilitate the digital transformation of the economy, governance, and society by creating a comprehensive framework for digital governance. It also establishes the National Digital Commission to provide strategic vision and coordination.
Green MSMEs and climate action: Pakistan Climate Change Act 2017 (assented on 17 April 2017)	1) Provide a comprehensive legal and institutional framework to address climate change. 2) Enable mitigation of greenhouse gases, adaptation to climate impacts, and sustainable development. 3) Fulfill Pakistan's commitments under the UNFCCC and Paris Agreement.
Women-led MSMEs: National Gender Policy Framework (launched on 8 March 2022)	1) Mainstream gender in all federal and provincial planning and budgeting processes. 2) Enhance women's participation in the labor force (formal and informal sectors). 3) Expand access to finance, credit, land ownership, inheritance rights. 4) Ensure equal access to education at all levels, particularly girls in rural/underserved areas. 5) Integrate mental health and gender-based violence (GBV) response into health systems. 6) Strengthen women's representation in decision-making positions at all levels. 7) Enforce laws against gender-based violence (GBV), harassment, and harmful practices.
International trade of MSMEs: Strategic Trade Policy Framework for 2020-2025 (approved by Government on 9 November 2021)	1) Rendering exports, a national priority and the primary driver of economic growth, that is both inclusive and sustainable, and is the main viable source of foreign exchange earnings. 2) Enhancement of exports via a collaborative and cohesive national effort engaging all relevant ministries, departments, government agencies and private sectors so as to ensure policy coherence. 3) Introduction of strategic interventions in priority sectors under 'Make in Pakistan' initiative. These interventions have been identified in the Action Matrices. 4) Alignment of Trade Policy in tandem with macro-economic framework and other national policies such as Taxation, Revenue, Textiles and Industrial Policy, etc.

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from SMEDA, the Ministry of Industries and Production, and State Bank of Pakistan.

SRI LANKA

Overview

Economic growth surged by 5.0% in 2024, its highest since 2017, following a 2.3% contraction in 2023. Industry rose by 11.0%, propelled by an impressive 19.4% growth in construction, as government arrears were settled and projects resumed following the recent sovereign debt and balance-of-payments crisis. Services, which cover around 60% of gross domestic product (GDP), expanded by 2.4% as tourism recovered, helping drive 31.4% growth in accommodation and food services. Despite increased cultivation, agriculture grew by a mere 1.2% due to floods and pests. Inflation fell in 2024 below the central bank's 5.0% target to 1.2%, a significant drop from 17.4% in 2023, largely due to lower fuel prices and reduced electricity tariffs beginning in July 2024.¹³⁷

On 27 February 2024, the government approved through Decision No.DFD/CO/2024-01 a new definition for micro, small, and medium-sized enterprises (MSMEs). In September 2024, after a 4-year lag, it released the 2020 Annual Survey of Industry, which showed that 18,029 manufacturing firms employed 1.1 million workers. Of these, 13,077 micro and small firms employed 115,376 workers in 2020. In 2024, with a reduced central bank policy rate and improved macroeconomic conditions, MSME loans outstanding grew by a substantial 22.3% to SLRs922 billion.

The National Enterprise Development Authority (NEDA), through its “Online marketing for rural entrepreneurs” program, helps integrate rural entrepreneurs into the digital economy by providing necessary tools and knowledge. It targets 400 rural entrepreneurs to join digital platforms and use e-commerce. Under the ADB supported SME Line of Credit 2 (SMELoC2) project, the government disbursed 259 loans worth SLRs1.9 billion through 13 banks to women-owned MSMEs across all sectors except trading, leasing, and renting firms. In addition, 235 loans worth SLRs1.4 billion were allocated for MSME climate financing in 2024. The government intends to reach \$36 billion in total exports by 2030. To achieve this, the Export Development Board in cooperation with ADB is formulating a National Export Development Plan for 2025–2029 to assist MSMEs access new export markets and participate in global value chains.

MSME Development

On 27 February 2024, the government adopted a new national definition for MSMEs. After a 4-year lag, the Department of Census and Statistics released the results of the 2020 Annual Survey of Industry in September 2024,. The survey cited 18,029 manufacturing firms employing 1.1 million workers.

On 27 February 2024, by decision No.DFD/CO/2024-01, the Cabinet of Ministers approved a new national definition for MSMEs. It classifies MSMEs as firms in manufacturing and services with an annual turnover below SLRs1.0 billion and fewer than 200 employees (Table 13.1). Estimating MSME development remains challenging due to the lack of regular time series data on key MSME landscape indicators.

¹³⁷ ADB. 2025. Asian Development Outlook September 2025.

Overall MSME landscape data have not been updated since the 2013 Economic Census. Then, it showed that 1,017,267 MSMEs accounted for 99.8% of all enterprises. They employed 2,255,182 workers, or 75.1% of the total workforce. Given that aggregate MSME data remains unavailable, this report focuses on data from MSME manufacturers based on the Annual Survey of Industries.

In September 2024, the Department of Census and Statistics of Sri Lanka released the results of the 2021 Annual Survey of Industries, including data from 2020. The survey disaggregated manufacturing data into two categories—those with fewer than 25 employees and those with more than 25 employees. Under the new 2024 MSME definition, manufacturers with less than 25 employees are classified as micro or small enterprises, whereas those with more than 25 employees can be considered small, medium-sized, or large enterprises. It makes classification by firm size data difficult.

According to the 2021 Annual Survey of Industries (latest available data), the total number of manufacturing firms in 2020 was 18,029, employing 1,106,608 workers (Table 13.2). Of these, 13,077 were firms with fewer than 25 employees (micro and small enterprises), employing 115,376 workers, while 4,952 were firms with more than 25 employees (small to large enterprises), employing 991,232 workers.

For comparison, based on the previous Annual Survey of Industries, there were 20,881 MSMEs (up from 19,964 in 2018) in manufacturing, which employed 424,915 workers as of end-2019. The number of manufacturers fell due to the country's economic crisis and the coronavirus disease pandemic. Total employment in manufacturing followed a similar trend, falling from 1,470,286 workers in 2019.

Data on the GDP of MSMEs and corresponding export volumes are unavailable and have yet to be calculated.

According to the 2023 Export Development Board (EDB) annual report, the top five export sectors were textiles and garments (32.2%), tea (8.7%), rubber and rubber-based products (6.2%), coconut and coconut-based products (4.7%), and electrical products and electronics (3.2%). Textiles and garments remain the largest in Sri Lanka, with MSMEs primarily operating as subcontractors or as support service providers to large companies such as Brandix, MAS Holdings, and Hirdaramani.

EDB, under the New Exporter Development Program specifically dedicated to MSMEs, regularly organizes various capacity-building programs and assists MSME exporters access global markets. In 2023, EDB identified 200 MSMEs and classified them by sector to promote their products for export.¹³⁸

As of June 2025, EDB, in cooperation with ADB, began working to formulate a new National Export Development Plan for 2025–2029. The plan will assist MSMEs in accessing new export markets and participate in global value chains. The government intends to reach \$36 billion in exports by 2030.¹³⁹

Based on the E-commerce Database platform, Sri Lanka's e-commerce market in 2024 accounted for \$2.6 billion, with electronics contributing 25% of total market revenue, up by 8.3% from 2023.¹⁴⁰

Access to Finance

In 2024, MSME credit expanded by a strong 22.3% to SLRs922 billion. Yet it remains small at 10.6% of total bank lending. Equity finance for qualified MSMEs via the Empower Board also expanded in 2024.

The number of banks operating remained unchanged in 2024, with 24 commercial and 6 licensed specialized banks. The central bank took an accommodative yet

¹³⁸ EDB Annual Report for 2023 <https://www.srilankabusiness.com/ebooks/english-annual-report-2023.pdf>.

¹³⁹ <https://www.srilankabusiness.com/news/edb-partners-with-adb-to-formulate-sri-lankas-national-export-development-plan-nedp-2025-2029.html>.

¹⁴⁰ <https://ecdb.com/resources/sample-data/market/lk/all>.

cautious monetary policy, lowering its two rates, the standing lending facility rate (SLFR) and standing deposit facility rate (SDFR), by 50 basis points in March and an additional 25 basis points in July. Effective 27 November 2024, the Overnight Policy Rate (OPR) became the central bank's official policy interest rate, replacing the SDFR and SLFR. However, SDFR and SLFR remain linked to the OPR at a margin determined by the central bank. At the time the OPR was established, the margin was set at 8.0%, which translated into a further policy rate cut by 75 basis points as of end-2024.

In 2024, after a 2-year drop in MSME loans outstanding, new loans rebounded by 22.3% to SLRs922 billion due to favorable macroeconomic conditions (Table 13.3 and Figure 13.1A).

At the same time, the MSME lending rate for new loans fell to 11.6% in 2024 from 15.0% a year earlier, likely due to lower central bank policy rates and below target inflation. This contributed to the larger share of MSME loans to total business loans outstanding, which rose from 9.5% in 2023 to 10.6% in 2024. Accordingly, MSME loans outstanding were equivalent to 3.1% of GDP in 2024, up from 2.7% in 2023.

By sector, 47.0% of outstanding MSME loans in 2024 went to industry (manufacturing), with 37.7% to services and the remaining 15.3% going to agriculture (Figure 13.1B).

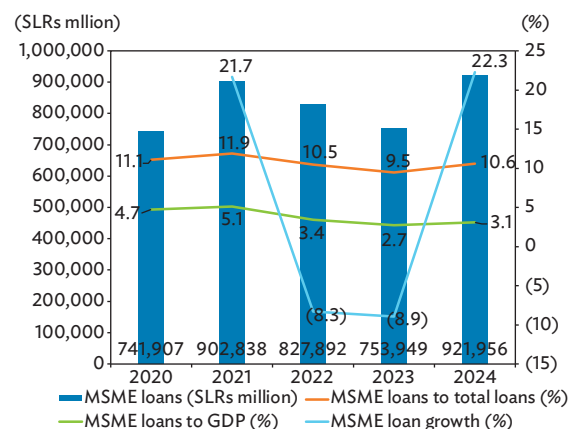
By loan tenor, short-term loans (less than 1 year) dominated in 2024, accounting for 37.5% of the total, up from 35.3% in 2023. In contrast, the share of long-term loans (over 5 years) declined from 35.3% in 2023 to 32.1% in 2024. Mid-term loans (1–5 years) increased slightly to 30.4%.

In 2024, 16 state-owned and private sector banks disbursed 163,279 MSME loans totaling SLRs1.1 trillion, up a remarkable 54.8% from 2023. At the same time, the average MSME loan size grew from SLRs5.9 million in 2023 to SLRs6.7 million by the end of 2024.

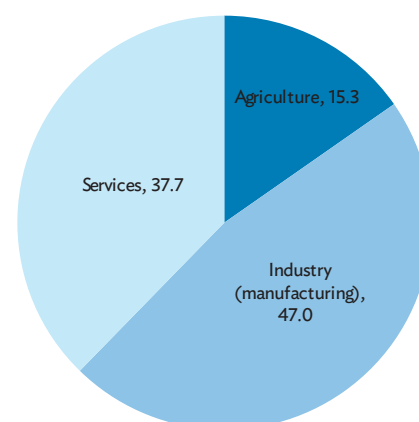
In 2024, out of all MSME loans disbursed, more than half (51.2%) went to manufacturing, followed by agriculture (13.6%) and services (12.7%), with the remaining (22.6%) to “others.” Given the importance

Figure 13.1: MSME Loans

A. Trend



B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of Sri Lanka.

of manufacturing to the economy, it is important to note that the 2024 share of funds allocated to manufacturing rose significantly higher than in 2023, which was 30.2%. Also, based on the Ministry of Finance annual report, 48% of all MSME loans allocated by banks were term loans, with 18% trade loans for exports, 15% as overdrafts, and 10% as revolving credit.

The “Enterprise Sri Lanka” program closed operations in 2020, yet interest subsidy payments for existing loans will continue to be financed by the Treasury until 2032. In 2024, these subsidy payments accounted for SLRs1.5 billion (Figure 13.2).

As of the end of 2024, under the SME Line of Credit program (a donor-funded project), the government allocated SLRs8.0 billion to 12 banks, which disbursed 569 loans worth SLRs7.1 billion.

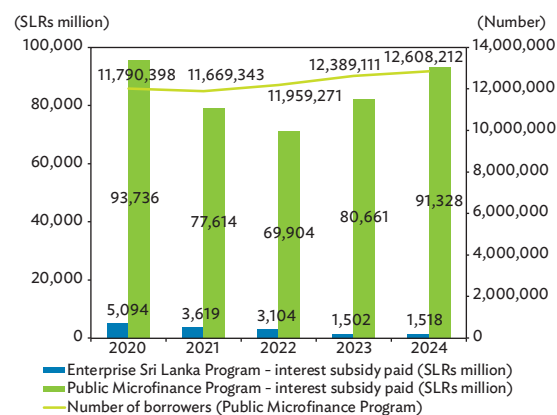
Under the SMELoC2, another donor-funded program, 13 banks disbursed 912 loans to MSMEs worth SLRs5.6 billion in 2024, primarily in agriculture, tourism, manufacturing, technology, and for exports. SMELoC2 gives special attention to women-led businesses and climate-resilient enterprises. The 13 banks disbursed 259 loans totaling SLRs1.9 billion in 2024 to women entrepreneurs across all sectors, except those involved in trading, leasing, and renting.

MSMEs received 235 loans worth SLRs1.4 billion for climate financing during the same reporting period. ADB provided \$100 million for SMELoC2—\$50 million went to MSMEs affected by the series of economic shocks over the past several years with the balance allocated as initial investment for the National Credit Guarantee Institution Limited—with the loan agreement between ADB and the Government of Sri Lanka signed on 25 March 2024. As part of the Samurdhi microfinance program in 2024, the government allocated SLRs519.9 billion for 219,101 new loans. Although loans disbursed has increased consistently over the past 5 years, the number of new approvals have been declining, down from 350,604 loans in 2023. Loans outstanding totaled SLRs91.3 billion with 12.6 million borrowers in 2024 (Figure 13.2).

Overall, the government emphasizes strengthening microfinance by initiating necessary legal reforms. One key step is reviewing the Microfinance and Credit Regulatory Authority Bill, which establishes a comprehensive regulatory framework. Also, the National Credit Guarantee Institution improves credit access for underserved MSMEs, targeting support for 1,800 firms through SLRs4.2 billion in guarantees by 2025.

As of the end of 2024, there were 38 central bank-regulated nonbank finance institutions (NBFIs), including 4 microfinance institutions (MFIs), 33 finance companies, and 1 leasing company.

Figure 13.2: Subsidized Loans for MSMEs and Public Microfinance



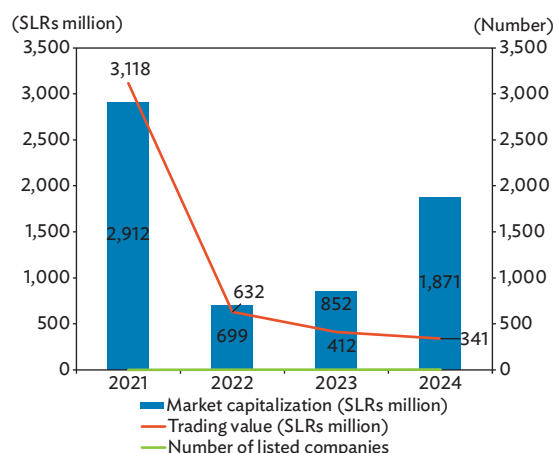
MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Ministry Finance, Planning and Economic Development of Sri Lanka Annual Reports and Department of Samurdhi Development.

Consolidated financing outstanding of these 38 NBFIs in 2024 reached SLRs1.5 trillion, up by 19.5% over 2023. Its share equivalent of GDP rose to 5.1% in 2024, up from 4.7% in 2023. Gross nonperforming financings to total loans fell to 11.3% from 17.7% in 2023. Customers financed totaled 3.3 million. Of these, 93.0% were served by finance companies, which also accounted for 99.2% of total financing outstanding among NBFIs regulated by the central bank. Although NBFIs have seen robust growth, the average annual lending rate remained high at 20.0% for finance companies and 39.3% for MFIs in 2024.

Recovery after the recent economic crisis boosted the MSME-focused Empower Board on the Colombo Stock Exchange. One initial public offering increased market capitalization by a remarkable 119.7% in 2024, bringing the total to SLRs1.9 billion. Also, Maharaja Foods Limited became the first women-owned enterprise to list shares on the Empower Board, which as of end-2024 included 4 listed companies (Figure 13.3).

**Figure 13.3: Equity Market for MSMEs—
Empower Board, Colombo Stock Exchange**



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Colombo Stock Exchange.

Policies and Regulations

The government has begun preparing a new MSME National Development Policy. NEDA gives thematic support for MSMEs on digitalization and green industries, as well as women-led MSMEs and for internationalizing MSMEs. As part of the National Financial Inclusion Strategy, the central bank introduced the Financial Literacy Roadmap for 2024–2028 to promote sound financial behavior, allow consumers to more easily adopt digital payment systems, and enhance financial management, particularly among MSMEs.

MSMEs are essential to the country's economic recovery. However, the lack of consistent data covering the MSME landscape hampers understanding their economic contribution and delays the government's response to their challenges and needs. In addition, many informal businesses lack access to finance and government support. According to interviews with key government authorities, high energy costs and taxes are a significant barrier to MSME development. It is

also difficult for state mechanisms to properly support MSMEs to acquire and adopt modern, applicable technologies that could help improve product quality, innovation, productivity, and competitiveness.

On 7 August 2025, the Ministry of Industry and Entrepreneurship Development, in partnership with the International Labour Organization, called for proposals to provide the necessary tools to create a snapshot of the current MSME ecosystem and draft the new MSME National Development Policy. The draft is expected to be finalized by 15 December 2025.¹⁴¹

Digitalization of MSMEs

NEDA provides several programs to help digitalize MSMEs:

- (i) "SME Connect" is a national-level online platform for MSME capacity building, focusing on regional entrepreneurs. The platform is mobile-friendly, trilingual, and serves as a one-stop resource base for MSMEs to access learning, mentoring, and networking services;
- (ii) "Online marketing for rural entrepreneurs" empowers rural entrepreneurs by integrating them into the digital economy, providing necessary tools and knowledge, targeting 400 rural entrepreneurs annually to use digital platforms and practices;
- (iii) "Marketing and Promotion" through social media allows MSMEs to use these platforms and provide them the necessary facilities for marketing and product promotion.

Green MSMEs and climate action

NEDA acts as a service provider under the Knuckles Project, which helps develop and promote sustainable business practices for green MSMEs. It provides business development such as entrepreneurship training, technical support, and marketing coordination. These initiatives will begin in 2025, initially targeting two of the 25 districts in the country.

¹⁴¹ <https://www.ungm.org/Public/notice/274745>.

Women-led MSMEs

In 2025, NEDA is providing capacity-building and training programs for women-led MSMEs in three districts. The EDB, together with the International Trade Centre, has introduced the “SheTrades” Sri Lanka Hub web page under the framework of the United Kingdom Government-funded “SheTrades” Commonwealth+ Program.¹⁴² This program allows women that own at least 25% of an MSME to connect with international buyers, expand into global markets, and gain access to training programs on export readiness, business development, and financial literacy.

International trade of MSMEs

NEDA implements the B500 Development project to support branding entrepreneurial products and facilitate MSMEs access both local and global markets. Some 400 national brands will be developed under the B500 initiative by the end of 2025. NEDA also launched a program to offer the “Made in Sri Lanka” Logo for MSME products, thereby enhancing their appeal to both domestic and international consumers. It is targeting to apply the logos to 50 Sri Lankan products chosen in 2025. To support current or potential MSME exporters, EDB established an eMarketplace, which allows exporters to sell products online and receive trade inquiries from potential global buyers to further expand business operations.¹⁴³

MSME financing and financial inclusion strategy

The National Financial Inclusion Strategy for 2021–2024 (NFIS), which promotes MSME financing, has concluded its implementation phase and is undergoing an end-of-term evaluation until December 2025. Based on evaluation results, a second NFIS phase will likely be developed starting in 2026, emphasizing green finance, consumer protection, and market conduct. It will also continue its initiatives on digital development, MSME support, and financial literacy. In 2024, as a key NFIS component, the central bank introduced the Financial Literacy Roadmap of Sri Lanka for 2024–2028 (Table 13.4). This roadmap aims to build positive financial behavior among the local population, empower consumers to use digital payment systems, and encourage better financial management and bookkeeping among individuals and MSMEs.

¹⁴² “SheTrade” Sri Lanka Hub is available at (<https://www.srilankabusiness.com/exporters/shetrades/>).

¹⁴³ <https://www.srilankabusiness.com/emarketplace/>.

Data Tables

Table 13.1: MSME Definition

Sector	Item	Micro	Small	Medium
Manufacturing	Annual turnover	Less than SLRs 20 million	SLRs20 million - SLRs350 million	SLRs351 million - SLRs1,000 million
	Number of employees	Less than than 10	10 to 50	51 to 200
Services	Annual turnover	Less than SLRs20 million	SLRs20 million - SLRs350 million	SLRs351 million - SLRs1,000 million
	Number of employees	Fewer than 5	5 to 50	51-200

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 Database. Data from Ministry of Industry and Entrepreneurship Development, approved by the Cabinet of Ministers decision No.DFD/CO/2024-01 on 27th Feb. 2024.

Table 13.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises*							
MSMEs	Number	20,881	...	...	...	...	...
Micro	Number	...	13,077	...	...	...	...
Small	Number	16,996	4,952	...	...	...	...
Medium-sized	Number	3,885	...	...	...	...	...
Large	Number	1,331	...	...	...	...	...
Total	Number	22,212	18,029	...	...	...	...
MSME to total	%	94.0	...	...	...	...	...
MSME growth	%	...	...	...	...	...	...
MSMEs by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSMEs by region	%	...	...	...	...	...	...
Capital city (Colombo)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment*							
MSMEs	Number	424,915	...	...	...	...	...
Micro	Number	...	115,376	...	...	...	...
Small	Number	138,940	991,232	...	...	...	...
Medium-sized	Number	285,975	...	...	...	...	...
Large	Number	1,045,371	...	...	...	...	...
Total	Number	1,470,286	1,106,608	...	...	...	...
MSME employees to total	%	28.9	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...	...
MSME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Colombo)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
MSME GDP	GDP, SLRs mil.	...	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...	...
Exports							
MSME exports	SLRs mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	SLRs mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data refer to manufacturing sector only (Annual Survey of Industries). The calculation method is different between 2019 and 2020 data.

Source: ADB Asia SME Monitor 2025 database. Data from Department of Census and Statistics based on Annual Survey of Industries.

Table 13.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding ¹	SLRs mil.	...	741,907	902,838	827,892	753,949	921,956
MSME loans to total loans ²	%	...	11.1	11.9	10.5	9.5	10.6
MSME loans to GDP ³	%	...	4.7	5.1	3.4	2.7	3.1
MSME loan growth	%	...	...	21.7	(8.3)	(8.9)	22.3
MSME loan borrowers ⁴	Number	...	359,275	424,600	375,940	352,420	352,952
Nonperforming loans (NPLs)							
MSME NPLs	SLRs mil.	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans) ⁵	%	4.7	4.9	4.5	11.6	12.8	12.1
MSME loans by sector ⁶	%	...	100	100	100	100	100
Agriculture		...	11.9	12.2	12.5	13.8	15.3
Industry (manufacturing)		...	50.5	47.9	48.8	48.4	47.0
Services		...	37.6	39.9	38.7	37.8	37.7
MSME loans by region	%	...	...	...	...	...	...
Capital city (Colombo)		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
For other purposes		...	...	...	...	...	...
MSME loans by tenor	%	...	100	100	100	100	100
Less than 1 year		...	31.0	31.1	29.8	35.3	37.5
1-5 years		...	32.5	32.3	30.3	29.4	30.4
More than 5 years		...	36.5	36.5	39.9	35.3	32.1
Public Finance and Guarantees							
Subsidized loans (Enterprise Sri Lanka Program)							
Interest subsidy paid	SLRs mil.	2,525	5,094	3,619	3,104	1,502	1,518
Beneficiaries	Number	45,765	...	...	...	...	...
Public microfinance program (Department of Samurdhi Development)							
Loans outstanding	SLRs mil.	83,555	93,736	77,614	69,904	80,661	91,328
Borrowers	Number	9,562,063	11,790,398	11,669,343	11,959,271	12,389,111	12,608,212
Capital Markets							
Empower Board, CSE							
Market capitalization	SLRs mil.	...	...	2,912	699	852	1,871
Growth	%	...	...	...	(76.0)	21.9	119.7
Trading value	SLRs mil.	...	...	3,118	632	412	341
Listed companies	Number	...	...	2	3	3	4

CSE = Colombo Stock Exchange; GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Note: Data on MSME loans for 2020 has been revised by the Central Bank of Sri Lanka. Data on MSME loans are based on the SME Credit Survey in 2020. The survey was only based on rupee loans granted by licensed commercial banks (LCBs) and licensed specialized banks (LSBs), excluding refinance schemes of the government and the central bank.

¹ Sri Lanka Accounting Standards (SLFRS) based reporting.² As a share of total outstanding loans granted to domestic banking units of LCBs and LSBs under the Financial Survey (M4).³ Based on provisional GDP at current market prices.⁴ Number of MSME loans.⁵ NPLs are indicated as "Stage 3 Loans" 2022 onwards - based on SLFRS reporting.⁶ The SME Credit Survey classified sectors into broad three sectors (agriculture, industry, and services).

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of Sri Lanka; the Ministry of Finance, Planning and Economic Development Annual Reports; Department of Samurdhi Development; and Colombo Stock Exchange (CSE).

Table 13.4: Policies and Regulations

Benchmark Regulations	Industrial Promotion Act, No.46 of 1990 National Enterprise Development Authority Act, No.17 of 2006
Focal Government Authorities for MSMEs	Ministry of Industries (MOI) National Enterprise Development Authority
Key Policies and Strategies	
Name	Outline
Vision 2025: A Country Enriched	A national economic development program, with targets of (i) per-capita income to \$5,000 per year, (ii) creation of one million new jobs, (iii) increase of foreign direct investment (FDI) to \$5 billion per year, and (iv) double of export values to \$20 billion per year. 1) Strengthening the macroeconomic framework. 2) Strengthening the growth framework (empower the private sector). 3) Reforms in land, labor, and capital markets. 4) Economic and social infrastructure (education and skills development, and empowering the youth). 5) Technology and digitalization (enhanced digital ecosystems, and empowering the self-employed and SMEs). 6) Social safety nets. 7) Agriculture and sustainable development. 8) Governance and accountability. 9) Strengthen coordination and monitor implementation.
Enterprise Sri Lanka (2017)	A program to revitalize the latent entrepreneurship capacities of Sri Lankans containing both financial support via credit schemes and non-financial support via technical assistance. The program facilitates not only the established private sector enterprises but also microenterprises, the self-employed, young entrepreneurs, women entrepreneurs, and entrepreneurs with disabilities. Various independent loan programs have been unified under the “Enterprise Sri Lanka” theme: 23 programs including 18 interest subsidies, 3 donor-funded refinancing programs, and 2 financial plus nonfinancial support programs (as of 2018).
National Policy Framework for Small and Medium Enterprise Development (2015)	Six core areas for MSME development: 1) Enabling environment (SME friendly laws and regulations). 2) Modern appropriate technology (networking with technology providers, technology transfer/diffusion, and training). 3) Entrepreneurial culture and skills development (women and youth entrepreneurship development). 4) Access to finance (expanding SME refinancing schemes, promoting angel/venture capital funds, and concessional bank loans for women and youth entrepreneurship). 5) Market facilitation (business linkages with large firms, assisting SMEs access to government procurement, e-commerce, and product development/branding). 6) Research and development (special fund to SMEs).
Financial Literacy Roadmap of Sri Lanka for 2024–2028	Key objectives are as follows: 1) Encourage positive financial behaviour of Sri Lankans. 2) Empower and encourage financial consumers to utilize digital payment methods. 3) Promote financial management and bookkeeping habits among individuals and MSMEs.
National Financial Inclusion Strategy for Sri Lanka 2021–2024 (March 2021)	Four core pillars for financial inclusion: 1) Digital finance and payments. 2) MSME finance. 3) Consumer protection. 4) Financial literacy and capacity building.
Thematic Initiatives	Outline
Digitalization of MSMEs: National Digital Economy Strategy 2030 (approved by Cabinet of Ministers on 25 March 2024)	Key pillars are 1) A Forward-Looking Legal and Regulatory Framework. 2) Foundational and Secure Digital Identity Systems. 3) A Comprehensive and Transparent Data Governance Framework. 4) Consistent and Proactive Stakeholder Engagement. 5) Collaborative and Effective Institutional Governance. 6) Targeted Private Investment.
Green MSMEs and climate action: Carbon Net Zero 2050 RoadMap and Strategic Plan of Sri Lanka (approved by Cabinet of Ministers on 27 November 2023)	Targets and emphasis areas: 1) 70% renewable energy target by 2030 in the electricity mix. 2) 14.5% reduction in greenhouse gas emissions by 2030. 3) Increase in forest cover (target to 32% by 2030). 4) Decommissioning of all coal power plants by 2044.

continued on next page

Table 13.4 *continued*

Women-led MSMEs: National Policy on Gender Equality and Women's Empowerment of Sri Lanka for 2023–2033 (launched by Cabinet of Ministers on 8 March 2023)	Key objectives are 1) The realization of the government's commitment to ensure an enabling policy environment for gender equality and women's empowerment. 2) Gender equality and women's empowerment considerations, standards and norms are effectively integrated into all aspects of national policies, programs and projects. 3) Elimination of all forms of discrimination against women and gender minorities by strengthening legislation, policies programs, institutions and communities. 4) Increase women's participation in the social, cultural, political and economic spheres, including the institutions of governance. 5) Transform discriminatory societal attitudes, behaviors and values in relation to eliminating gender-stereotypes. 6) Strengthening institutional frameworks for the advancement of the status of women as well as achieving gender equality.
International trade of MSMEs: National Export Strategy of Sri Lanka 2018–2022 (approved by Cabinet of Ministers on 10 July 2018)	Key priorities are 1) Enable the development of fledgeling export sectors, thereby providing entire new job opportunities. 2) Establish conditions required for existing value-added industries to boom through exports, favouring retention of value in the country and generating new skills locally. 3) Facilitate the entry of MSMEs into exports by easing bureaucratic procedures and through targeted support, including trade finance solutions. 4) Allow Sri Lanka to become a regional trade hub, which will attract foreign investment to the country and spur economic development. 5) Ensure the inclusion of regions by connecting all initiatives to local production centres. 6) Streamline legal and administrative procedures, reducing complexity for businesses to operate.
[New export development strategy for 2025–2029 is under preparation as of August 2025.]	General target is to achieve \$36 billion in total exports by 2030.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Industry and Entrepreneurship Development; National Enterprise Development Authority; Central bank of Sri Lanka; and data from official websites of government institutions of Sri Lanka.

Brunei Darussalam
Cambodia
Indonesia
Lao People's Democratic Republic
Malaysia
Philippines
Singapore
Thailand
Viet Nam

SOUTHEAST ASIA



BRUNEI DARUSSALAM

Overview

The economy grew by 4.2% in 2024, primarily from a 5.5% expansion in oil and gas and a 3.1% increase in other sectors. Key contributors to gross domestic product (GDP) continue to be dominated by oil and gas mining, liquefied natural gas (LNG) production, and services such as communications and trade. However, the economy contracted by 1.1% in the fourth quarter (Q4) of 2024 largely due to a 5.2% decline in oil and gas output caused by midstream issues and production delays. Despite these setbacks, services remained resilient, while agriculture grew a robust 18.2%, driven by fisheries and livestock. Looking ahead to 2025, growth will likely moderate on lower global energy prices, which continues to impact the value of oil and gas production. Inflation is forecast to remain subdued, similar to Brunei Darussalam's major trading partners.¹⁴⁴

There has been no update on micro, small, and medium enterprise (MSME) landscape data since 2022. MSME finance data refer to Bank Usahawan (SME Bank) financing. In 2024, MSME financing contracted by 1.4%, with loans falling to B\$16.0 million. The MSME nonperforming loan (NPL) ratio rose sharply to 8.0%, highlighting financial vulnerability. Lending largely went for working capital and to support services, given the continuing limited geographic and sectoral diversification. To address these structural challenges, several strategic initiatives advanced in line with the Digital Economy Masterplan 2025. The Brunei Innovation Lab (BIL) and Startup673 foster tech entrepreneurship through hackathons, student engagement, and networking. The Tech Enablement Programme (TEP) and iCentre support digital adoption and start-up incubation. Gender inclusion gained momentum through the Academy for Women Entrepreneurs (AWE) and the Increasing Digital Skills and E-commerce for ASEAN Women MSMEs (IDEAS) project, which train over 300 women entrepreneurs in digital and e-commerce skills. Regional platforms such as the ASEAN Japan Women Entrepreneurs Linkages Programme (AJWELP) and ASEAN Women Entrepreneurs Network (AWEN) along with private sector initiatives further bolster women-led MSMEs. To enhance global competitiveness, Darussalam Enterprise (DARe) launched the Standards Consultancy Programme (SCP) and Elevate, helping MSMEs meet international standards and scale through strategic partnerships. The Brunei Minicorn programme connects high-growth start-ups with global networks and funding.

MSME Development

MSME landscape data has not been updated since 2022, even as they hold the large majority of businesses and employ half of the country's workforce—despite their small contribution to GDP. MSMEs face several challenges concerning financial and market access. Key MSME indicators should be strengthened and regularly updated to promote evidence-based, better targeted policies, in part by strengthening business and financial literacy programs for MSMEs.

The Ministry of Finance and Economy classifies firms in Brunei Darussalam based on four key criteria: number of employees; total assets; annual revenue; and financing size (Table 14.1).¹⁴⁵ A microenterprise is a firm with up to 9 employees, assets of less than B\$60,000, annual revenue below B\$100,000, and/or financing up to B\$20,000. A small enterprise has 10 to 29 employees, assets between B\$60,000 and less than B\$600,000, annual revenue from B\$100,000 to less than B\$1 million, and/or financing of up to B\$200,000. A medium-sized firm is defined as having 30 to 99 employees, assets ranging from B\$600,000

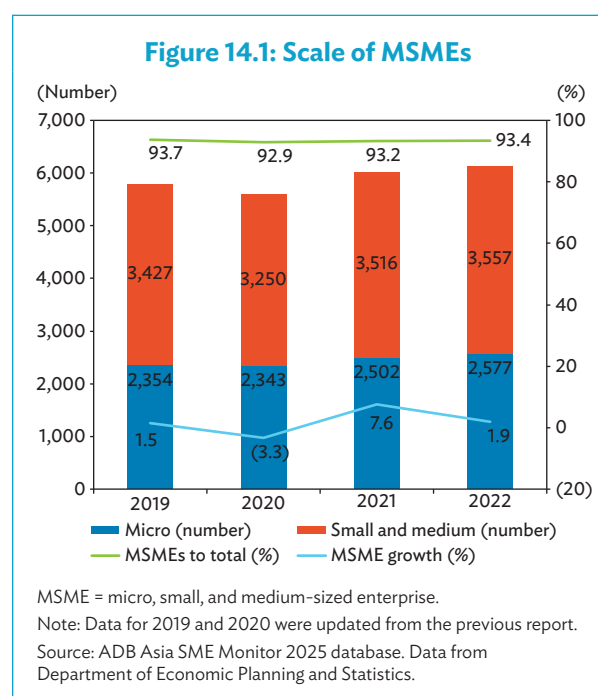
¹⁴⁴ ADB. 2025. Asian Development Outlook September 2025.

¹⁴⁵ MSME definition was updated, adding financing size as a criterion (Ministry of Finance and Economy).

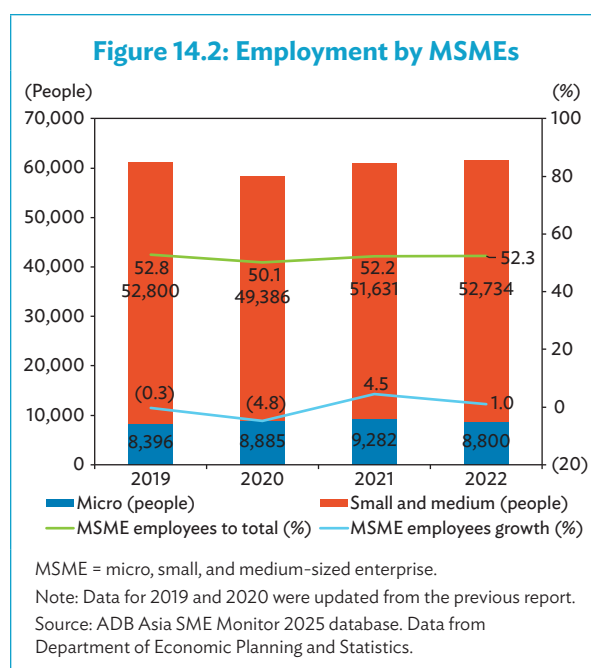
to less than B\$3 million, annual revenue between B\$1 million and less than B\$5 million, and financing size exceeding B\$200,000.

The latest data on MSMEs are up to 2022. Updated figures for 2023 and 2024 are expected to be released by December 2025 and will be made public via the Department of Economic Planning and Statistics website.¹⁴⁶

As of end-2022, there were 6,134 MSMEs in Brunei Darussalam, up by 1.9% from 2021. Of these, 42% were microenterprises with 58% small and medium-sized enterprises (SMEs), collectively accounting for 93.4% of all registered firms (Table 14.2 and Figure 14.1). The majority of MSMEs were in services, with 35.1% in wholesale and retail trade and 37.1% in other services, including accommodation and food services. Manufacturing accounted for 10.2% of MSMEs.



MSMEs provided jobs for 61,534 workers in 2022. Of this, 14.3% were employed by microenterprises, while 85.7% worked for SMEs (Figure 14.2). The services industry, particularly distributive trade, absorbed the largest share of MSME employment, accounting for 67.8% of the workforce.



Despite their significant presence, MSMEs contributed only 5.9% to GDP in 2022, equivalent to B\$1.4 billion, a declining trend over recent years. Strengthening the non-oil-related businesses—particularly service-oriented MSMEs—remains essential to enhancing national productivity and economic diversification.

Insights from a survey with relevant government agencies show that Brunei Darussalam's MSMEs face a range of structural and systemic challenges that hinder their development and resilience, particularly in the context of heightened global uncertainty and geopolitical tensions. A primary constraint is limited access to capital and financing, where high borrowing costs and stringent lending conditions—such as collateral requirements and minimum revenues—pose significant barriers.

Many MSMEs are unable to meet these criteria and are thus compelled to seek funding from local investors, who often demand higher returns, further straining business sustainability. Compounding this is the low-risk appetite and limited financial literacy among MSME owners. A lack of robust financial planning and risk management results in conservative growth strategies and underutilization of debt

¹⁴⁶ Data accessible through Department of Economic Planning and Statistics website at <https://deps.mofe.gov.bn/Theme/Home.aspx>.

financing, leaving businesses ill-equipped to navigate economic volatility.

In addition, the small domestic market and heavy reliance on imports expose MSMEs to external price shocks and supply chain disruptions, which can unpredictably inflate operational costs and dampen consumer spending. Limited market access and international market access are persistent challenges, as many MSMEs lack the scale, exposure, and marketing expertise needed to penetrate foreign markets. This restricts their ability to diversify revenue streams and build resilience against domestic economic fluctuations.

Lastly, regulatory and innovation-related constraints further impede MSME growth. Lengthy and complex procedures for obtaining essential permits—such as *Halal* certification, operational licenses, and import/export trade clearances—add administrative bottlenecks. Moreover, the small domestic population limits the availability of specialized talent and infrastructure for research and development, curbing innovation and reducing the global competitiveness of local products. These interlinked challenges underscore the need for comprehensive policy interventions and capacity-building initiatives to strengthen the MSME ecosystem in the country.

Access to Finance

Bank Usahawan (SME Bank) had B\$16.0 million in outstanding loans at the end of 2024, though MSME lending remained a marginal 0.3% of total bank lending. While the country lacks a formal credit guarantee scheme, DARE continues to offer grant-based support, such as its co-matching scheme, while nonbank financial institutions remain underdeveloped. The lack of a capital market highlights the need for more financing venues and the regulatory support required to strengthen MSME access to growth capital.

Since its establishment in 2017, SME Bank has been the country's dedicated financial institution for MSME financing. As of the end of 2024, SME Bank reported B\$16.0 million in MSME loans outstanding,

with B\$1.1 million in micro loans and B\$14.9 million in SME loans. This was 1.4% lower in MSME loan volume compared to 2023 (Table 14.3 and Figure 14.3A). MSME lending remains marginal, accounting for just 0.3% of total bank loans and the equivalent of 0.02% of GDP.

The nonperforming loan (NPL) ratio for MSMEs rose to 8.0% in 2024, significantly higher than the 2.1% gross NPL ratio for all commercial banks. MSME NPLs totaled B\$1.28 million. The SME Bank served 349 MSME borrowers in 2024, including 179 microenterprises and 170 SMEs. Lending was concentrated in services, with 31.3% of loans disbursed to “other services” (including accommodation and food), 26.8% to wholesale and retail trade, and 15.1% to manufacturing (Figure 14.3B). A large majority (88.9%) of borrowers were located in Bandar Seri Begawan, the capital city.

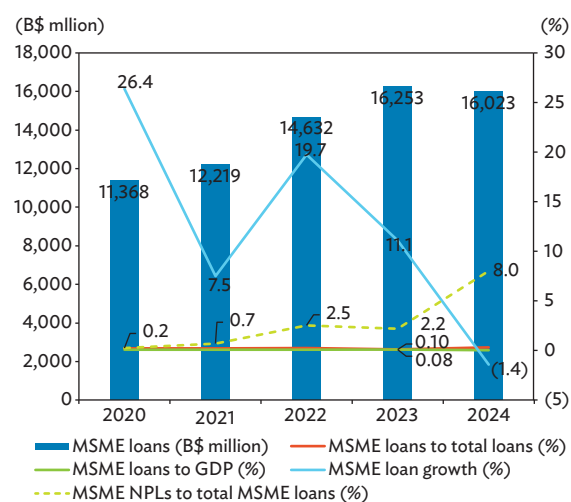
By loan purpose, 81.8% of MSME loans were used for working capital, while 18.2% supported capital investment. Loan maturities were predominantly medium-term, with 62.7% having tenors between 1 to 5 years, 26.6% over 5 years, and 10.7% under 1 year. Lending rates remained relatively high, averaging 13.0% for micro loans and 10.0% for SME loans.

There is currently no credit guarantee scheme for MSMEs. However, DARE continues to offer grant-based support, including a co-matching scheme launched in 2019, which provides financial assistance to eligible MSMEs and start-ups.

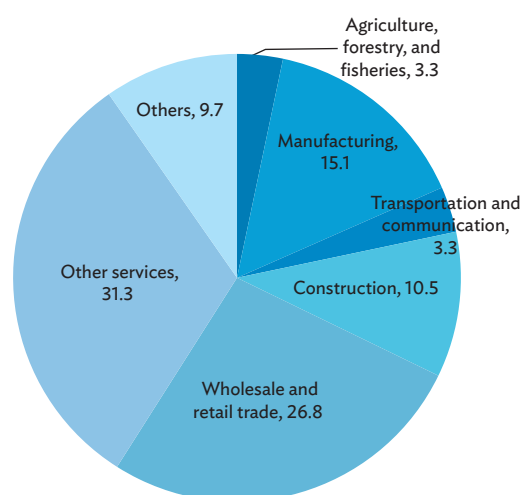
The nonbank financial sector remains in its infancy, with only two finance companies and one registered pawnshop operating. While limited in scale, this sector has the potential to complement traditional banking services and expand MSME access to finance, provided it receives appropriate regulatory and policy support. There is currently no capital market, though plans to establish a national stock exchange are underway. This could eventually provide an alternative financing venue for growth-oriented MSMEs seeking equity capital.

Figure 14.3: MSME Loans

A. Trend



B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Brunei Darussalam Central Bank and Bank Usahawan (SME Bank).

Policies and Regulations

MSME development is advancing through strategic initiatives aligned with the Digital Economy Masterplan 2025, including the BIL, Startup673, and the TEP, which collectively foster tech-based entrepreneurship, digitalization, and ecosystem collaboration. Climate action is guided by the Brunei Darussalam National Climate Change Policy and the Green Economy Framework, promoting green MSMEs through energy efficiency, circular economy practices, and sustainability-focused platforms. Gender inclusion is supported through programs such as AWE.

The Economic Blueprint of Brunei Darussalam (2020) is the guiding framework for sustainable economic growth, set for achieving the Wawasan Brunei 2035's Goals (Table 14.4). Brunei Darussalam has no national MSME policy but has aligned its policies with the Association of Southeast Asian Nations (ASEAN) Strategic Action Plan for SME Development 2016–2025. The country has participated in the development of the ASEAN Inclusive Business Framework and Plan of Action for the Promotion of Inclusive Business (2023–2027), which emphasize access to finance, inclusive value chains, and capacity building for MSMEs.¹⁴⁷

Brunei Darussalam's efforts to enhance MSME financial inclusion are also guided by regional and national strategies focused on inclusive business and digital transformation. The financial regulatory authority, the Brunei Darussalam Central Bank (BDCB), has issued updated compliance notices for financial institutions, including measures to support digital onboarding and customer due diligence—key enablers for expanding MSME access to formal financial services.¹⁴⁸

¹⁴⁷ ASEAN Secretariat. ASEAN Inclusive Business Framework and Plan of Action for the Promotion of Inclusive Business (2023–2027). ASEAN. <https://asean.org/book/asean-inclusive-business-framework/>.

¹⁴⁸ Brunei Darussalam Central Bank. Notices and Guidelines. BDCB. <https://www.bdc.gov.bn/SitePages/Notices%20and%20Guidelines.aspx>.

Digitalization of MSMEs

In line with Brunei Darussalam's Digital Economy Masterplan 2025, the Brunei Economic Development Board (BEDB), through DARE, has launched several strategic initiatives to support the digital transformation of MSMEs. A cornerstone is the establishment of BIL in 2022, which serves as a national platform to foster tech-based entrepreneurship. BIL operates as a collaborative ecosystem involving key partners such as Brunei Shell Petroleum, Shell LiveWIRE Brunei, and Datastream Digital, offering entrepreneurs access to advanced technological infrastructure and industry expertise. The BIL lab's objectives include capacity building, market and funding facilitation, stakeholder collaboration, and public awareness of emerging technologies. With this foundation, BIL also supports Startup673, a unified initiative integrating programs from DARE, Shell LiveWIRE, and the Authority for Info-communications Technology Industry of Brunei Darussalam. Startup673 comprises three core components: (i) the National Hackathon Series, which addresses industry-specific challenges; (ii) the REACH Series, which nurtures entrepreneurial skills among students in higher education; and (iii) the Inspiration Series, which promotes exchanging ideas and networking among aspiring entrepreneurs.

Complementing these innovation-driven efforts, DARE also manages the iCentre, a physical co-working and incubation space that provides start-ups access to mentorship, scaling opportunities, and investment networks. To further enhance MSME digitalization, DARE introduced TEP, which subsidizes access to digital tools that improve operational efficiency and competitiveness. TEP allows businesses to integrate automation and digital solutions into their workflow, while also offering opportunities for collaboration with industry experts. Collectively, these initiatives reflect the country's commitment to fostering digitally

empowered MSMEs via structured policy frameworks and targeted action plans.

Green MSMEs and climate action

Brunei Darussalam has undertaken several initiatives to promote green MSMEs and climate-resilient development, anchored in the Brunei Darussalam National Climate Change Policy, which outlines 10 key strategies aimed at reducing over 50% of projected gross greenhouse gas (GHG) emissions by 2035 and achieving net-zero emissions by 2050.¹⁴⁹ These strategies include energy efficiency, adopting renewable energy, and sustainable waste management—all with specific action plans, key performance indicators, and monitoring mechanisms to guide implementation. At the 2024 MSME Festival, the government emphasized integrating sustainability into MSME operations, encouraging circular economy practices; environmental, social, and governance frameworks; and partnerships to foster innovation and resilience.¹⁵⁰ MSMEs are supported through policy tools such as the Climate Change Policy and strategic platforms such as the ASEAN Centre for Climate Change. These efforts are complemented by the Brunei Green Economy Framework, launched in April 2024, which provides a roadmap for sustainable economic transformation, identifying investment opportunities and promoting international collaboration.¹⁵¹

Women-led MSMEs

In parallel, the country has made significant strides in promoting women-led MSMEs and gender mainstreaming within the entrepreneurial ecosystem. AWE, a joint initiative between DARE and the United States Embassy in Brunei Darussalam, offers a 6-month capacity-building program tailored for women entrepreneurs across various sectors. As of February 2025, the program graduated over

¹⁴⁹ ASEAN Centre for Energy. Brunei Darussalam - ASEAN Climate Change and Energy Project. <https://accept.aseanenergy.org/country/brunei-darussalam/>. Published 2023.

¹⁵⁰ International Monetary Fund. Brunei Darussalam: Selected Issues; IMF Country Report No. 23/347. <https://www.elibrary.imf.org/downloadpdf/view/journals/002/2023/347/article-A001-en.pdf>. Published 25 August 2023.

¹⁵¹ ASEAN+3 Macroeconomic Research Office. Tackling Climate Change in Brunei—Some Suggested Recommendations. <https://amro-asia.org/tackling-climate-change-in-brunei-some-suggested-recommendations/>.

92 women-owned businesses, with 12 securing seed funding totaling \$36,000. Another notable initiative is the IDEAS project launched in June 2024 under the ASEAN-Republic of Korea Cooperation framework.¹⁵² Implemented by DARE in collaboration with Big BWN and supported by the Asia Pacific Women's Information Network Centre, IDEAS plans to train 242 women entrepreneurs across all districts by the end of 2025. The program delivers comprehensive training on digital business models, e-commerce, cybersecurity, and women's empowerment in the digital economy.

The country also actively engages in regional platforms such as AJWELP and AWEN, which facilitate cross-border networking, mentorship, and policy dialogue. In 2020, the country hosted the 4th AJWELP meeting, bringing together 27 women entrepreneurs from ASEAN and Japan along with 24 participating companies. The private sector also plays a vital role in supporting women entrepreneurs. Initiatives such as Dynamik Technologies' eBunda and Bank Islam Brunei Darussalam's Special Entrepreneurial Empowerment and Development scheme provide targeted support through networking, marketing, and skill development opportunities. These multifaceted efforts underscore the country's holistic approach to fostering inclusive and digitally enabled entrepreneurship, with a strong emphasis on gender equity and regional collaboration.

International trade of MSMEs

To further integrate MSMEs into global markets, BEDB (through DARE) launched several initiatives aimed at enhancing export readiness and participation in international supply chains. The SCP supports local businesses align with international standards such as HACCP, ISO 9001, and GMP. By offering training, consultancy, and implementation support, SCP enhances the quality and safety of local products and services, thus increasing competitiveness in global markets. Another flagship program, Elevate,

is designed to help high-potential enterprises scale internationally through tailored strategic roadmaps, business coaching, and linkages with foreign direct investment companies and government-linked companies. This initiative fosters MSME integration into global value chains and encourages franchising and export expansion.

DARE also actively facilitates the export of local products and services by providing advisory services on market requirements, business matching with overseas buyers, and participation in international trade missions, expos, and fairs. These are complemented by the newly launched Brunei Minicorn program, which targets high-growth start-ups and connects them with international networks, funding sources, and strategic partners to accelerate their global expansion.

MSME financing and financial inclusion strategies

Brunei Darussalam developed a comprehensive regulatory framework to support the financial inclusion and growth of MSMEs, recognizing their vital role in economic diversification and employment. The Autoriti Monetari Brunei Darussalam Order of 2010 established the country's central monetary authority and laid the foundation for a credit bureau, enhancing MSMEs access to credit through improved transparency and risk assessment. Complementing this is the Secured Transactions Order of 2016 and the accompanying Secured Transactions Regulations, which provide a legal basis for using movable assets as collateral, enabling MSMEs to leverage nontraditional assets for financing.¹⁵³

To foster innovation and alternative financing, the country introduced the Fintech Regulatory Sandbox Guidelines (2017, amended 2024), allowing MSMEs and start-ups to test financial technologies in a controlled environment. The Notices on Equity-Based Crowdfunding and Peer-to-Peer Financing Platforms

¹⁵² Country Launch for Enhancing Digital Economy Participation for ASEAN Women MSMEs (IDEAS) Project. Brunei Economic Development Board website. <https://www.bedb.gov.bn/post/country-launch-for-enhancing-digital-economy-participation-for-asean-women-msmes-ideas-project>. Published 7 June 2024.

¹⁵³ Rahmat D, Istianingsih I. Legal Framework and Financial Management for MSMEs in Brunei Darussalam: Challenges and Strategic Solutions. *Greenation International Journal of Law and Social Sciences*. 2024;2(3):105–115. doi:10.38035/gijlss.v2i3.244.

require operators to obtain a capital market services license, opening new funding venues for MSMEs while ensuring proper regulatory oversight.¹⁵⁴

The Financial Sector Blueprint 2016–2025 outlines strategic pillars to build a dynamic and diversified financial sector aligned with Wawasan 2035, the long-term national vision. It emphasizes risk-based supervision, credit and underwriting risk management, and development of capital markets, including *sukuk* and other Islamic finance instruments, which are particularly relevant for MSMEs seeking *Shariah*-compliant financing.

¹⁵⁴ Saputra Hasibuan E, Suraji R, Ikhsan A, Sastrodiharjo I. Enhancing Financial, Legal, and Risk Management for MSMEs in Brunei Darussalam: Strategies for Sustainable Growth. *International Journal of Advanced Multidisciplinary*. 2024;3(3):418–428. doi:10.38035/ijam.v3i3.669.

Data Tables

Table 14.1: MSME Definition

Item	Micro	Small	Medium
Number of employees	1-9 employees	10-29 employees	30-99 employees
Assets	less than B\$60,000	Between B\$60,000 to less than B\$600,000	less than B\$600,000 to less than B\$3 million
Annual revenue	less than B\$100,000	Between B\$100,000 to less than B\$1 million	Between B\$1 million to less than B\$5 million
Financing size	≤ B\$20,000	≤ B\$200,000	> B\$200,000

MSME = micro, small, and medium-sized enterprise.

Note: MSME definition was updated from the previous report, adding financing size as a criterion.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Finance and Economy.

Table 14.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	5,781	5,593	6,018	6,134	...	...
Micro	Number	2,354	2,343	2,502	2,577	...	...
Small and medium-sized	Number	3,427	3,250	3,516	3,557	...	...
Large	Number	388	426	436	436	...	...
Total	Number	6,169	6,019	6,454	6,570	...	...
MSME to total	%	93.7	92.9	93.2	93.4	...	...
MSME growth	%	1.5	(3.3)	7.6	1.9	...	...
MSMEs by sector	%	100	100	100	100	...	...
Agriculture, forestry, and fisheries		2.9	3.1	2.8	2.7	...	...
Manufacturing		11.0	10.7	10.1	10.2	...	...
Transportation and communications		5.3	5.4	4.8	4.8	...	...
Construction		10.1	9.8	9.4	9.0	...	...
Wholesale and retail trade		33.4	34.4	35.5	35.1	...	...
Other services		36.4	35.7	36.3	37.1	...	...
Others		0.9	0.9	1.1	1.1	...	...
MSMEs by region	%	...	...	...	...	...	...
Capital city (Bandar Seri Begawan)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment							
MSMEs	Number	61,196	58,271	60,913	61,534	...	...
Micro	Number	8,396	8,885	9,282	8,800	...	...
Small and medium-sized	Number	52,800	49,386	51,631	52,734	...	...
Large	Number	54,652	57,993	55,724	56,057	...	...
Total	Number	115,848	116,264	116,637	117,591	...	...
MSME employees to total	%	52.8	50.1	52.2	52.3	...	...
MSME employees growth	%	(0.3)	(4.8)	4.5	1.0	...	...
MSME employees by sector	%	100	100	100	100	...	...
Agriculture, forestry, and fisheries		1.3	1.2	1.3	1.4	...	...
Manufacturing		10.4	10.6	10.5	9.9	...	...
Transportation and communications		6.1	5.7	5.2	5.1	...	...
Construction		16.6	15.5	13.9	13.3	...	...
Wholesale and retail trade		24.2	24.4	25.0	24.7	...	...
Other services		39.9	41.0	42.2	43.1	...	...
Others		1.5	1.6	2.0	2.4	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Bandar Seri Begawan)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
MSME GDP	GDP, B\$ mil.	1,230	1,280	1,332	1,360	...	...
MSME GDP to total	% to GDP	6.7	7.7	7.1	5.9	...	...
MSME GDP growth	%	2.2	4.0	4.1	2.1	...	...
Exports							
MSME exports	B\$ mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	B\$ mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Department of Economic Planning and Statistics.

Table 14.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans – SME Bank							
MSME loans outstanding	B\$	8,996,023	11,367,828	12,219,363	14,631,502	16,252,744	16,022,670
MSME loans to total loans	%	0.15	0.20	0.20	0.23	0.10	0.30
MSME loans to GDP	%	0.05	0.07	0.07	0.06	0.08	0.02
MSME loan growth	%	172.2	26.4	7.5	19.7	11.1	(1.4)
MSME loan borrowers	Number	166	176	204	262	269	349
Nonperforming loans (NPLs)							
MSME NPLs	B\$	...	26,741	83,829	368,517	355,494	1,281,645
MSME NPLs to total MSME loans	%	...	0.2	0.7	2.5	2.2	8.0
(Gross NPLs to total bank loans)	%	4.7	4.7	3.7	3.4	2.6	2.1
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		12.2	13.7	8.5	6.0	2.3	3.3
Manufacturing		30.2	31.4	16.9	23.0	3.5	15.1
Transportation and communications		0.4	14.1	30.5	10.0	9.3	3.3
Construction		1.2	0.2	1.3	2.0	10.0	10.5
Wholesale and retail trade		24.6	10.3	12.4	21.0	43.0	26.8
Other services		27.9	30.3	28.2	38.0	31.9	31.3
Others		3.5	...	2.2	...	...	9.7
MSME loans by region	%	100	100	100	100	100	100
Capital city (Bandar Seri Begawan)		96.0	89.0	92.2	100.0	84.4	88.9
Others		4.0	11.0	7.8	...	15.6	11.1
MSME loans by type of use	%	100	100	100	100	100	100
For working capital		87.0	78.0	58.1	77.0	55.7	81.8
For capital investment		13.0	22.0	41.9	23.0	44.0	18.2
MSME loans by tenor	%	100	100	100	100	99.3	100.0
Less than 1 year		3.0	5.0	9.0	11.0	9.3	10.7
1–5 years		87.0	94.0	77.4	58.0	82.0	62.7
More than 5 years		10.0	1.0	13.7	31.0	8.0	26.6
Public Finance and Guarantees							
n/a.,							
Capital Markets							
n/a.,							

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Brunei Darussalam Central Bank and Bank Usahawan (SME Bank).

Table 14.4: Policies and Regulations

Benchmark Regulation	Darussalam Enterprise Order of 2016
Focal Government Authority for MSMEs	Ministry of Finance and Economy (MOFE)
Key Policies and Strategies	
Name	Outline
Economic Blueprint of Brunei Darussalam	A guide to align policies, strategies and initiatives by the government and the private sector to build on the country's economic successes through well-defined aspirations and policy directions complementing the efforts to achieve Wawasan Brunei 2035's Goal in having a dynamic and sustainable economy.
Financial Sector Blueprint 2016–2025	1) Monetary and financial stability. 2) Competitive and innovative financial institutions and services. 3) Robust and modern infrastructure. 4) Enhanced international integration. 5) Human capital development.
Thematic Initiatives	
Digitalization of MSMEs: Brunei Darussalam's Digital Economy Masterplan 2025 (published in 2020, aligning with the 2020/2021 national budget)	It includes flagship initiatives such as: 1) Digital ID: A secure national identity system for accessing digital services. 2) Digital Payment: Expansion of cashless payment infrastructure. 3) People Hub: Centralized platform for citizen services and data. It's strategic outcomes include: 1) A digitally conducive ecosystem. 2) A digital and future-ready society. 3) A vibrant and sustainable economy.
Green MSMEs and climate action: National Climate Policy Framework (launched on July 25, 2020 by the Brunei Darussalam National Council on Climate Change [BNCCC])	1) Targets a 50% reduction in projected greenhouse gas emissions by 2035 and net-zero emissions by 2050. The policy outlines 10 key strategies, including energy efficiency, renewable energy, and sustainable waste management, with defined action plans and KPIs. 2) Brunei Darussalam launched the Brunei Green Economy Framework, providing a roadmap for sustainable economic transformation. It identifies green investment opportunities and promotes international collaboration to support low-carbon development. 3) The government emphasized sustainability in MSME operations, promoting circular economy practices, ESG adoption, and innovation partnerships to enhance resilience and competitiveness.
Women-led MSMEs: Academy for Women Entrepreneurs (AWE) (launched in October 2021 in collaboration between DARE and the United States Embassy in Brunei Darussalam)	The programme is tailored for women entrepreneurs in a range of industries, providing them with capacity building modules over a period of six months to enhance their skills and foster entrepreneurial growth. To date, more than 92 women-owned businesses have successfully graduated from the AWE programme, with 12 of these enterprises securing seed funding totaling \$36,000 through the program.
International trade of MSMEs: Standards Consultancy Programme (SCP)	1) A comprehensive initiative aimed at enhancing the competitiveness and sustainability of local businesses in the country by increasing the quality and safety of business products and services. This program provides valuable insights, training, and consultancy services to help businesses understand, implement, and comply with international standards such as HACCP, ISO9001 and GMP. 2) DARE's structured growth program which aims to facilitate and grow promising enterprises to be more capable of international expansion, such as franchising, as well as participating in the global value chain, linkages with Foreign Direct Investment companies and Government-Linked Companies which create spin-off opportunities for industry development. This is done through tailored strategic roadmaps, various business coaching sessions, linkages with growth partners, networking with key industry players and funding advice and solutions.

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Brunei Darussalam Central Bank; Ministry of Energy, Manpower, and Industry; Darussalam Enterprise (DARE).

CAMBODIA

Overview

The economy grew quite well in 2024, with gross domestic product (GDP) accelerating by 6.0%. Garment exports rebounded by a robust 23.5%, non-garment manufacturing expanded well, and tourist arrivals surged by 22.9%. Construction and real estate, however, were subdued. Inflation eased to 0.8% on lower fuel prices and stable food costs but is projected to rise to 3.7% in 2025 as domestic demand expands. For 2025, GDP growth is forecast to reach 6.1% driven by rising external demand, continued tourism recovery, and increased foreign direct investment—particularly in manufacturing, which grew by 56.7% in 2024. However, risks remain from inflationary pressures, a weak real estate recovery, and global trade uncertainties, including new United States (US) tariffs and geopolitical tensions. Strategic investments in digital infrastructure, fiscal reforms, and economic diversification are critical to sustain inclusive and resilient growth.¹⁵⁵

Although micro, small, and medium enterprises (MSMEs) data is limited to the 2014 Cambodia Inter-Censal Economic Survey, the government is using a multifaceted strategy that includes financial reforms, the digital transformation, climate resilience, gender inclusion, and global trade integration. While MSME-specific credit data remains limited, commercial banks and nonbank financial institutions—including microfinance and leasing companies—continue to increase business lending despite rising nonperforming loan (NPL) ratios. Digitalization, guided by national policies, aims to integrate MSMEs into digital ecosystems and improve service delivery, supported by platforms like SMEs Go Digital and Verify.gov.kh. Climate-related initiatives include green finance incentives and sustainable bond programs aligned with national emission reduction targets. Gender-focused programs raise financial literacy and business acumen among women, with institutional support from the National Bank of Cambodia and the Ministry of Women's Affairs. Trade policies such as the Industrial Development Policy 2015–2025 and Cambodia's 2030 Trade Policy Framework seek to diversify exports, formalize MSMEs, and embed them into global value chains. Collectively, these efforts reflect the country's commitment to inclusive, sustainable, and resilient MSME development amid evolving global challenges.

MSME Development

The most recent data comes from the 2014 Cambodia Inter-Censal Economic Survey, which reported 513,759 establishments, 99.8% of which were MSMEs. The government is developing a Cambodia Trade Policy Framework (CTPF) for 2030 to diversify exports, reduce reliance on textiles, and integrate MSMEs into global value chains. The framework promotes inclusive and sustainable trade through digital transformation, green certification, and regional integration.

Cambodia categorizes MSMEs in five sectors: (i) manufacturing; (ii) agriculture, forestry, and fishing; (iii) wholesale and retail trade; (iv) other services; and (v) other activities. MSMEs are defined using two criteria—number of employees and assets excluding land (Office of the Council of Ministers, 2021) (Table 15.1).

The lack of updated data on MSMEs beyond the 2014 Cambodia Inter-Censal Economic Survey makes it difficult for accurate analysis. There is also a lack of publicly available data on MSME employment and output. Under the 2014 definition, Cambodia

¹⁵⁵ ADB. 2025. Asian Development Outlook September 2025.

had 513,759 establishments with 99.8% (512,870) MSMEs (Tables 15.1B and Table 15.2). The total was 10.9% higher than 2011. Around 60% of these MSMEs were in wholesale and retail trade, with 81.2% located outside the capital Phnom Penh.

According to the Department of International Cooperation of the Ministry of Commerce, there is no recent MSME data. The ministry, however, is currently developing a Cambodia Trade Policy Framework (CTPF) toward 2030 which is planned to be issued by the end of 2025. The CTPF 2030 offers a strategic vision for enhancing trade competitiveness, economic diversification, and sustainable development. The framework will reduce Cambodia's reliance on textile exports, currently over 70% of total exports, by diversifying into agro-processing, electronics, and tourism. The framework also addresses the persistent trade deficit—KR1.5 trillion in January 2025—by increasing product diversity and value-added exports.

Regional integration remains a priority, as Cambodia strengthens its participation in the Association of Southeast Asian Nations (ASEAN), the free-trade Regional Comprehensive Economic Partnership, and bilateral trade agreements by harmonizing standards and improving logistics. The CTPF supports inclusive trade by promoting MSMEs, particularly those led by women and rural producers, by formalizing firms, providing financial access, and integrating them into global value chains. The framework also promotes sustainable trade through, for example, green certification and climate-resilient agriculture, and advocates the digital transformation via e-commerce, digital customs clearances, and online business registration. These policies derive from the country's steady economic growth, with GDP expanding and the continued rise in exports, which reached KR9.6 trillion in January 2025.

Based on insights collected from MSME-related government agencies, firms face a complex array of constraints that hinder development and access to finance, particularly given increasing global uncertainty and geopolitical tensions.

First, the regulatory framework governing MSMEs remains limited and fragmented. Although the government has introduced initiatives such as the Cambodia Digital Economy and Society Policy Framework 2021–2035, the lack of a comprehensive and harmonized MSME law impedes coordinated support and policy implementation.

Second, MSMEs struggle to access formal financial services due to their lack of collateral, limited financial history, and low level of financial and technological literacy. These barriers are especially evident among women- and youth-led enterprises, which continue to be underserved by traditional financial institutions.

Third, a significant portion of MSMEs operate informally and remain unregistered, which restricts their eligibility for government support and formal financing. However, the government is working to encourage formalization, recognizing its importance for MSME economic integration and resilience.

Fourth, MSMEs face structural challenges in preparing for public listing and broader capital market participation. Many cannot produce standardized financial statements or demonstrate sound corporate governance, which limits their ability to attract investment and increase operations.

Fifth, MSMEs are highly vulnerable to external shocks, including global economic volatility, supply chain disruptions, and inflationary pressures. This is compounded by low digital and financial literacy, which restricts their ability to adapt to changing market conditions and leverage digital tools to quickly adjust operations as needed.

Addressing these challenges requires a multi-pronged approach, including regulatory reform, capacity building, financial innovation, and targeted support to formalize and digitize MSMEs.

Access to Finance

In 2024, bank loans grew slightly, with MSMEs in services benefiting most. As of July 2024, the Credit Guarantee Corporation of Cambodia (CGCC) supported MSMEs with \$224.9 million in guaranteed loans. Microfinance institutions (MFIs) and leasing companies provided significant rural financing but face rising credit risk. The capital market remains undeveloped, with no MSME-focused equity platform.

As of the end of 2024, there were 59 commercial banks, comprising 57 private banks and 2 state-owned banks, including the SME Bank—established in April 2020 to support MSME financing.

MSME-specific credit data remains unavailable, limiting analysis. Yet overall bank credit continues to expand with total loans outstanding reaching KR218.2 trillion in 2024—up by 2.3% from 2023. Credit growth continues to slow, however, compared to 2023 (up by 14.7%) and 2021 (25.3%). The gross NPL ratio increased to 7.3% in 2024, up from 5.4% in 2023 and 3.1% in 2022, indicating rising credit risk for banks (Table 15.3).

Firms in services remain the dominant borrowers, with 24.9% of bank loans directed to wholesale and retail trade and 47.5% to other services including accommodation and food services. This suggests that bank credit continues as a major MSME funding source, as they are predominantly engaged in service industries.

The SME Bank continues as a policy bank, offering concessional loans and operating an MSME credit guarantee scheme. CGCC, established in September 2020, provides guarantees of up to 80% of loan amounts for eligible MSMEs—those with over 50% Cambodian ownership. As of July 2024, CGCC had issued \$224.9 million in guaranteed loans for 2,678 accounts, covering both MSMEs and large enterprises.

As of 2024, nonbank finance continues to play a critical role in expanding credit access, particularly for the underserved population and MSMEs. It includes 89 MFIs, 13 leasing companies, and others such as credit unions, finance companies, and pawnshops. MFIs remain dominant, with total financing outstanding reaching KR21.4 trillion, equivalent to 11.5% of GDP. The average annual financing rate among MFIs was 14.9%, as gross nonperforming financing (NPF) rose to KR2.0 trillion, resulting in a high 9.1% NPF ratio. MFIs served nearly 1.6 million customers in 2024. MFI financing is strong in agriculture, forestry, and fisheries (20.6% of the total), wholesale and retail trade (20.1%), and other services (12.1%), while 35.1% was allocated to miscellaneous sectors. Regionally, 76.7% of MFI financing is outside the capital, indicating a strong rural outreach.

Leasing companies, though smaller in scale, contributed KR1.3 trillion in financing, equivalent to 0.7% of GDP in 2024. These institutions charge an average annual financing rate of 31.6%, significantly higher than MFIs. Gross NPFs among leasing companies reached KR109.2 billion, with an NPF ratio of 8.7%. In total, leasing companies financed 51,307 customers. Financing was primarily directed toward agriculture, forestry, and fisheries (29.6%), followed by other services (17.1%), with a substantial 43.5% categorized under miscellaneous sectors. The data suggest that while leasing companies actively support rural and agricultural development, they face the same credit risk challenges as MFIs, underscoring the need for strengthened risk management and borrower support mechanisms across the nonbank finance sector.

The capital market remains underdeveloped, with 11 listed companies and market capitalization of KR11 trillion as of end-2024. There is no dedicated equity market for MSMEs, limiting their access to alternative financing sources.

Policies and Regulations

Guided by the Cambodia Digital Economy and Society Policy Framework 2021–2035 and the Digital Government Policy 2022–2035, digital infrastructure and services is integrating MSMEs into digital ecosystems. The country also promotes green MSME development through regulatory reforms such as differentiated risk-weighting for green loans and the Cambodia Sustainable Bond Accelerator Program, aligned with the Cambodia Green Economy and Finance Framework (2024–2030), which targets 41% in emissions reduction across many sectors. Gender inclusion is promoted through partnerships between the National Bank of Cambodia and the Ministry of Women's Affairs, offering financial literacy programs and entrepreneurship training. On trade, the Cambodia Industrial Development Policy (IDP) 2015–2025 and financial inclusion measures aim to integrate MSMEs into global value chains, diversify exports, and formalize enterprise operations.

The CTPF 2030 is the successor and complementary strategy to the Small and Medium Enterprise Development Policy and Five-Year Implementation Plan (2020–2024). Strategically aligned with Cambodia's ambition to become an upper-middle-income economy by 2030 and a high-income nation by 2050, CTPF 2030 emphasizes economic diversification, regional integration, and inclusive trade development as key pillars for sustainable growth.

To enhance competitiveness, CTPF prioritizes establishing a national quality infrastructure policy focusing on standards, accreditation, and conformity assessments, especially on agriculture and food exports. It also advocates streamlining business registration and reducing the regulatory burden to encourage MSMEs to register and export.

Central to this was the Cambodia Trade Integration Strategy 2019–2023, which laid the groundwork for linking trade with poverty reduction, gender equality, and inclusive development.¹⁵⁶ Building on this, CTPF 2030 promotes leveraging free trade agreements—including the Regional Comprehensive Economic Partnership, Cambodia–People's Republic of China Foreign Trade Agreement, and Cambodia–Republic of Korea Free Trade Agreement—to expand market access and strengthen participation in global value chains. The framework also supports developing special economic zones and industrial clusters to boost exports, particularly in agro-processing and non-textile sectors.

The Pentagonal Strategy Phase 1 (2024–2028) and Vision 2050 reinforce these goals by promoting a green, inclusive, and resilient economic model.¹⁵⁷ According to the World Bank, Cambodia's trade performance has improved as goods exports accelerated and manufacturers employment increased, although challenges remain in infrastructure, skills, and access to finance.¹⁵⁸ Overall, CTPF 2030 takes a comprehensive approach to trade-led development to integrate firms—especially MSMEs—into regional and global markets while fostering an inclusive and sustainable economic transformation.

Previously, the Small and Medium Enterprise Development Policy and Five-Year Implementation Plan (2020–2024) outlined a comprehensive strategy to strengthen the MSME ecosystem. It focused on five key pillars: (i) enhancing the policy and regulatory environment; (ii) promoting productivity, technology, and innovation; (iii) supporting entrepreneurship and human capital development; (iv) facilitating foreign market access and internationalization; and (v) increasing access to finance to address persistent funding gaps (Table 15.4).

¹⁵⁶ CAPRED. Trade, Investment & Enterprise Development. CAPRED. <https://www.capred.org/trade-investment-and-enterprise-development>.

¹⁵⁷ World Bank. Cambodia Economic Update: From Recovery to Resilience – Harnessing Tourism and Trade as Drivers of Growth. December 2024. <https://documents1.worldbank.org/curated/en/099120924052010564/pdf/P506814195fb5d00e198eb150a46c722a27.pdf>.

¹⁵⁸ Kokas D, Rodriguez JAR, Lopez-Acevedo G, Robertson R, Karamba W. Exports and Jobs for Inclusive Growth in Cambodia. World Bank Blogs. 1 October 2024. <https://blogs.worldbank.org/en/developmenttalk/exports-and-jobs-for-inclusive-growth-in-cambodia>.

Digitalization of MSMEs

There are several strategic initiatives to promote MSME digitalization, anchored by the broader national vision outlined in the Cambodia Digital Economy and Society Policy Framework 2021–2035 and the Cambodia Digital Government Policy 2022–2035. Led by the Ministry of Post and Telecommunications, the digital government policy will broaden public service delivery, build trust, and integrate MSMEs into digital ecosystems. Its action plan spans three phases: short term (2022–2025) efforts focus on building foundational digital infrastructure and connectivity; medium term (2025–2030) targets expanding digital services and interoperability across ministries; and long term (2030–2035) the government will fully digitize. The government aims to improve Cambodia's ranking in the United Nations E-Government Development Index and ensure all ministries offer MSME accessible digital services.

In addition, the SMEs Go Digital initiative, led by the Techo Startup Center and the Ministry of Economy and Finance, provides a centralized platform—SMEs Digital Solution Platform—offering pre-approved digital tools for accounting, human resources, marketing, and cybersecurity. It includes an Online License and Certificate Platform to streamline administrative procedures. Financial support is provided through the Tech Solution Grant and Business Development Grant, which encourage digital adoption and innovation. Supporting hubs across the country offer training, consulting, and stakeholder engagement, with a national target a 50% increase in MSME digital use by 2030.

In 2025, the National Bank of Cambodia (NBC) partnered with the Ministry of Industry, Science, Technology and Innovation to conduct workshops on financial literacy and entrepreneurship targeting the informal economy to support MSME formalization and digital readiness. Also, as of April 2025, the Securities and Exchange Regulator of Cambodia (SERC) approved five companies to join its financial technology regulatory sandbox. SERC also launched [Verify.gov.kh](https://verify.gov.kh), a digital platform for verifying official documents, enhancing transparency and reducing fraud in the securities market. This supports MSMEs

by making regulatory processes more secure and accessible, and aligns with the government's broader digital goals, including staff training to strengthen institutional digital capabilities.

Green MSMEs and climate action

Cambodia has done well in promoting green MSME development and climate-related financing by combining regulatory reforms, strategic partnerships, and national frameworks. In 2023, the NBC issued a Prakas (official proclamation) on Credit Risk for Capital Adequacy Ratios, which differentiates risk-weighting for green project finance exposure—100% during the pre-operational phase and 80% during operations. This incentivizes commercial banks to finance environmentally sustainable projects by reducing capital reserve requirements, thereby enhancing the flow of green investments. In the securities market, SERC has collaborated with development partners such as ADB, the United Nations Economic and Social Commission for Asia and the Pacific, and the Global Green Growth Institute to launch the Cambodia Sustainable Bond Accelerator Program in 2022. This initiative provides technical and financial assistance to selected companies and includes training for potential issuers and investors. Under Phase II, three companies—Schneitec, Wing Bank, and LOLC—were selected, with Schneitec successfully issuing and listing a green bond on the Cambodia Securities Exchange (CSX). The proceeds from these bonds are earmarked for environmental, social, and governance-related lending in line with national climate goals and a clear regulatory pathway for climate finance.

The government also introduced the Cambodia Green Economy and Finance Framework (2024–2030), which aligns with the Pentagonal Strategy and the National Strategic Development Plan 2024–2028. The framework develops a comprehensive Green Economy Roadmap and establishes green finance instruments such as sustainable thematic bonds. Action plans focus on promoting low-carbon agriculture, energy efficiency, and sustainable forest and land management, while mobilizing both public and private finance to support green MSME development. The framework sets ambitious targets, including a 41% reduction in emissions by 2030 compared to baseline

levels and implementing 86 adaptation measures across nine sectors, including agriculture, energy, and infrastructure. These initiatives collectively demonstrate the country's proactive approach to integrate MSMEs into its climate resilience and green growth agenda.

Women-led MSMEs

The commitment to promote gender equality and women in MSMEs has grown through a series of targeted initiatives and partnerships. In 2024, the NBC signed a 5-year Memorandum of Understanding with the Ministry of Women's Affairs to advance financial inclusion. It will enhance both financial and digital financial literacy among women, strengthen their economic empowerment, and expand collaboration with financial institutions and stakeholders to support women entrepreneurship. In the same year, NBC partnered with the United Nations Economic and Social Commission for Asia and the Pacific and Ministry of Women's Affairs on training programs and seminars designed to improve women's financial management skills and increase their access and use of financial services. These efforts particularly focus on bridging the gender gap in financial literacy and inclusion.

NBC has also collaborated with Good Return (a not-for-profit organization) on train-the-trainer programs targeting women as a vulnerable group. Representatives from the Cambodia Women Entrepreneurs Association and Cambodian Women for Peace and Development held face-to-face training sessions for women entrepreneurs and garment workers, respectively, helping them build practical financial skills and entrepreneurial capacity. In a landmark event on 25 March 2025, SERC, in partnership with United Nations Women, the Cambodia Securities Exchange, and ACLEDA Bank Plc., hosted Cambodia's inaugural Ring the Bell for Gender Equality event. Held at ACLEDA Bank headquarters in Phnom Penh, it underscored the country's commitment to advancing gender equality in finance and corporations, highlighting the importance of inclusive finance and leadership opportunities for women. These initiatives

reflect Cambodia's strategic approach to integrating gender into MSME development and financial reform.

International trade of MSMEs

A range of initiatives enhance the export capacity and global integration of MSMEs, recognizing their critical role in economic diversification and inclusive growth. A recent circular issued by the government encourages banks and financial institutions to facilitate the opening of savings accounts and extend financial services to MSMEs and self-employed individuals. This will improve financial inclusion and enable MSMEs to engage more effectively in cross-border trade. IDP 2015–2025 provides a strategic policy framework to transform the country's labor-intensive industrial base to one more skill-driven, with a strong emphasis on integrating MSMEs into regional and global value chains. Key action plans under the IDP include promoting export diversification beyond textiles—particularly in agro-processing—developing special economic zones and industrial clusters, along with formalizing 80% of small enterprises and 95% of medium-sized enterprises. By 2025, the policy targets increasing industry's share of GDP to 30%, raising non-textile exports to 15%, and processed agricultural exports to 12% of total exports.

In addition, Cambodia is actively participating in global trade facilitation efforts through the Global Alliance for Trade Facilitation's Small Package Exporter Champions Program, led by the Cambodia Women Entrepreneurs Association, Cambodia Post, and Customs. This initiative focuses on building MSME capacity in export documentation, logistics, and e-commerce, while digitally integrating Cambodia Post and Customs systems to streamline small parcel exports. The program aims to raise MSME export share from 10% to 30%, potentially contributing an additional \$3.5 billion annually to the economy. Particular emphasis is placed on empowering women-led MSMEs using digital tools and through mentorship, reinforcing the country's commitment to inclusive trade and gender-responsive development. These ultimately aim to make Cambodian MSMEs competitive players in global supply chains.

MSME financing and financial inclusion strategies

Significant strides in enhancing financial inclusion, particularly for MSMEs, have come through a series of progressive policies and regulatory reforms. The National Financial Inclusion Strategy 2019–2025 provides a comprehensive roadmap to improve access to affordable financial services for underserved populations and businesses. It supports broader development goals under the Financial Sector Development Strategy 2016–2025 and the Rectangular Strategy–Phase IV, which emphasizes poverty reduction, inclusive growth, and digital transformation.¹⁵⁹ Expanding credit access for MSMEs is essential. The CGCC launched a \$200 million economic stimulus guarantee scheme to mitigate risk aversion among banks and encourage lending to MSMEs.¹⁶⁰ A strategic partnership between CGCC and the Cambodia Microfinance Association promotes sustainable financial inclusion and green financing.

Regulatory instruments such as the Prakas on Credit Risk for Capital Adequacy Ratios ensure that MSME exposure is appropriately weighted in bank risk assessments, facilitating more inclusive lending practices. Also, the Prakas on Financial Reporting

Templates for SMEs standardizes documentation for loan applications, improving transparency and access to formal financial institutions.

Cambodia has also embraced financial technology as a catalyst for inclusion. The Prakas on Fintech Regulatory Sandbox in the Non-Bank Financial Sector and the Guideline on Fintech Regulatory Sandbox in the Securities Sector provide frameworks for testing innovative financial solutions under controlled environments. These sandboxes enable start-ups and financial institutions to pilot digital products that deliver better services to MSMEs.

¹⁵⁹ National Bank of Cambodia. National Financial Inclusion Strategy 2019–2025. Phnom Penh: Royal Government of Cambodia; 2019. Available from: https://www.nbc.gov.kh/download_files/publication/blueprints_eng/Final_NFIS_in_English.pdf.

¹⁶⁰ United Nations Economic and Social Commission for Asia and the Pacific. Access to Finance of Micro, Small and Medium-Sized Enterprises (MSMEs) in Cambodia. MSME Financing Series No. 2. Bangkok: United Nations; 2022. Available from: <https://unescap.org/sites/default/d8files/knowledge-products/MSME%20Access%20to%20Finance%20Cambodia%20Report%20-%20Revised%2016June22.pdf>.

Data Tables

Table 15.1: MSME Definition

A. Definition after 2020

Sector	Item	Micro	Small	Medium
Manufacturing	FTE Workforce Count	1–2	3–49	50–499
	Assets (excluding land)	\$50,000 and below	\$50,000 – \$500,000	\$500,000 – \$1,000,000
Agriculture, Forestry and Fishing	FTE Workforce Count	1–2	3–49	50–199
	Assets	\$50,000 and below	\$50,000 – \$500,000	\$500,000 – \$1,000,000
Wholesale and Retail Trade	FTE Workforce Count	1–2	3–49	50–199
	Assets (excluding land and buildings)	\$50,000 and below	\$50,000 – \$500,000	\$500,000 – \$1,000,000
Other Services	FTE Workforce Count	1–4	5–49	50–99
	Assets (excluding land)	\$50,000 and below	\$50,000 – \$500,000	\$500,000 – \$1,000,000
Other Activities	FTE Workforce Count	1–9	10–49	50–199
	Assets	\$50,000 and below	\$50,000 – \$500,000	\$500,000 – \$1,000,000

FTE = full-time equivalent, MSME = micro, small, and medium-sized enterprise.

Notes: FTE refers to the ratio of the total number of paid hours during a period (part-time, full-time, contracted) by the number of working hours in that same period. The MSME definition uses US dollar amounts for asset thresholds.

B. Definition until 2019

Item	Micro	Small	Medium
Assets	\$50,000 and below	\$50,000 – \$250,000	\$250,000 – \$500,000
Number of employees	Fewer than 10	10–50	51–100

Source: ADB Asia SME Monitor 2025 database. Data from Small and Medium Enterprise Development Policy and Five-Year Implementation Plan 2020–2024 for A and from Small and Medium Enterprise Development Framework of 2005 for B.

Table 15.2: MSME Landscape

End of year data

Item	Unit	2009	2010	2011	2012	2013	2014
Scale of Enterprises							
MSMEs	Number	376,069	...	462,582	...	...	512,870
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	692	...	781	...	...	889
Total	Number	376,761	...	463,363	...	...	513,759
MSME to total	%	99.8	...	99.8	...	...	99.8
MSME growth	%	...	...	23.0	...	...	10.9
MSMEs by sector	%	100	...	100	...	...	100
Manufacturing		22.4	...	15.3	...	...	13.9
Wholesale and retail trade		52.7	...	58.0	...	...	59.6
Other services		24.9	...	26.7	...	...	26.5
MSMEs by region	%	...	...	100	...	...	100
Capital city (Phnom Penh)		...	...	18.2	...	...	18.8
Others		...	...	81.8	...	...	81.2
Employment							
MSMEs	Number	1,099,647	...	1,158,871	...	...	1,345,100
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	370,065	...	451,739	...	...	529,570
Total	Number	1,469,712	...	1,610,610	...	...	1,874,670
MSME employees to total	%	74.8	...	72.0	...	...	71.8
MSME employees growth	%	...	...	5.4	...	...	16.1
MSME employees by sector	%	100	...	100	...	...	100
Manufacturing		21.3	...	16.0	...	...	15.2
Wholesale and retail trade		39.1	...	44.2	...	...	46.7
Other services		39.6	...	39.8	...	...	38.1
MSME employees by region	%	...	...	100	...	...	100
Capital city (Phnom Penh)		...	...	23.4	...	...	20.0
Others		...	...	76.6	...	...	80.0
Output							
MSME GDP	GDP, KR mil.	...	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...	...
Exports							
MSME exports	KR mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	KR mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the 2014 Cambodia Inter-Censal Economic Survey (CIES).

Table 15.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
n/a.,							
Public Finance and Guarantees							
n/a.,							
Capital Markets							
n/a.,							

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database.

Reference: Bank Credit and Nonbank Finance

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
Loans outstanding, total	KR million	102,489,233	125,511,215	157,307,110	185,957,271	213,380,610	218,229,448
Loan growth	%	26.2	22.5	25.3	18.2	14.7	2.3
Total commercial bank loans to GDP	%	92.0	118.6	147.5	150.8	176.2	117.4
Gross NPLs to total loans	%	2.0	2.1	2.0	3.1	5.4	7.3
Loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		7.3	7.5	7.8	8.0	8.7	8.6
Manufacturing		4.4	4.0	3.9	4.2	4.2	4.3
Transportation and communication		2.8	3.5	3.4	3.1	3.2	3.1
Construction		9.5	9.7	9.3	9.4	9.4	9.7
Wholesale and retail trade		26.4	25.1	25.2	25.5	25.5	24.9
Other services		48.5	48.5	48.7	48.3	47.3	47.5
Others		1.2	1.7	1.7	1.5	1.6	1.9
Microfinance institutions							
Financing outstanding, total	KR million	29,357,486	27,527,301	31,722,601	38,932,465	21,036,284	21,446,463
Financing growth	%	34.6	(6.2)	15.2	22.7	(46.0)	1.9
Total financing to GDP	%	26.5	25.2	30.1	31.9	21.6	11.5
Gross NPFs to total financing	%	0.8	1.8	2.4	2.5	6.5	9.1
Financing by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		19.4	19.2	17.9	17.8	22.0	20.6
Manufacturing		0.8	1.0	1.6	1.8	3.0	2.7
Transportation and communication		5.7	5.9	5.2	4.4	2.8	2.8
Construction		3.5	3.8	4.3	4.5	6.9	6.6
Wholesale and retail trade		18.3	20.9	22.9	23.3	20.2	20.1
Other services		14.5	15.9	14.4	13.6	11.4	12.1
Others		37.7	33.3	33.6	34.5	33.6	35.1
Financing by region	%	100	100	100	100	100	100
Capital city (Phnom Penh)		11.8	11.3	10.5	10.5	52.5	23.3
Others		88.2	88.8	89.5	89.5	47.5	76.7

GDP = gross domestic product, NPF = nonperforming financing, NPL = nonperforming loan.

Source: ADB Asia SME Monitor 2025 database. Data from National Bank of Cambodia.

Table 15.4: Policies and Regulations

Benchmark Regulations	Law on Administration of Factory and Handicraft Law on Tourism
Focal Government Authority for MSMEs	Ministry of Industry, Science, Technology and Innovation (MISTI)
Key Policies and Strategies	
Name	Outline
Small and Medium Enterprise Development Policy and Five-year Implementation Plan 2020–2024	1) Enhancing policy and regulatory environment. 2) Promoting productivity, technology and innovation. 3) Promoting entrepreneurship and human capital development. 4) Enhancing foreign market access and internationalization. 5) Increasing access to finance.
National Financial Inclusion Strategy 2019–2025	1) Encouraging savings in formal financial institutions. 2) Promoting innovative credit products for [M]SMEs. 3) Enabling the expansion of payment system capabilities. 4) Improving broader access to insurance. 5) Strengthening the capacity of the financial sector regulators. 6) Increasing consumer empowerment and protection, and financial sector transparency.
Thematic Initiatives	
Digitalization of MSMEs: Cambodia Digital Government Policy 2022–2035 (Issued by the Royal Government of Cambodia through the Ministry of Posts and Telecommunications on 28 January 2022)	1) Establish a digital government to improve public service delivery and build trust. 2) Promote digital infrastructure, digital payments, and data governance.
Green MSMEs and climate action: Cambodia Green Economy and Finance Framework (2024–2030) (Led by the Ministry of Economy and Finance, particularly the New Economy Department)	1) Promote low-carbon agriculture, energy efficiency, and sustainable forest and land management. 2) Mobilize public and private finance for green MSME development. 3) Establish green finance instruments like sustainable thematic bonds.
Women-led MSMEs: Financial Inclusion for Women and Ring the Bell for Gender Equality (Joint initiative by UN Women, Securities and Exchange Regulator of Cambodia [SERC], and Cambodia Securities Exchange (CSX) with launch Date 25 March 2024)	1) This aims to promote financial literacy and digital financial literacy to women, enhance women's economic empowerment and expand partnerships with financial institutions and relevant stakeholders to support and promote financial inclusion and entrepreneurship for women. 2) This milestone event highlighted the country's growing commitment to advancing gender equality and empowering women within the financial and corporate sectors.
International trade of MSMEs: Cambodia Industrial Development Policy (IDP) 2015–2025 (Approved by the Council of Ministers at its Plenary Meeting on 6 March 2015)	1) Promote export diversification beyond textiles, including agro-processing. 2) Develop Special Economic Zones (SEZs) and industrial clusters. 3) Formalize 80% of small enterprises and 95% of medium enterprises.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from SME Development Framework 2005, SME Development Strategic Framework 2010–2015, Financial Sector Development Strategy (2006–2015), Financial Sector Development Strategy (2011–2012), Rectangular Strategy Phase III (2013).

INDONESIA

Overview

The economy grew by 5.0% in 2024, driven primarily by strong domestic demand, which contributed 5.6 percentage points to growth—well above the pre-pandemic average. Private consumption, accounting for 55% of gross domestic product (GDP), expanded by 5.1% in 2024, supported by easing inflation and election-related spending. Government consumption rose by 6.6%, while fixed capital formation increased by 4.6%, fueled by infrastructure investments and the development of the new capital city. Inflation remained within the target range, averaging 2.3% in 2024 and projected to ease further to 2.0% in 2025.¹⁶¹

Indonesia's micro, small, and medium-sized enterprise (MSME) sector is undergoing a strategic transformation driven by regulatory reforms, institutional upgrades, and digital innovation. The redefinition of MSMEs under Government Regulation No.7 of 2021 and establishment of a new Ministry of MSMEs in 2024 have streamlined policy coordination and support. Key digital platforms such as the Integrated MSME Data Information System (Sistem Informasi Data Terpadu UMKM) and the Online Single Submission (OSS) licensing system will help formalize unregistered MSMEs and allow greater market access. Despite MSMEs comprising 99.9% of enterprises, their number declined slightly in 2024 while large enterprises grew. Financially, MSME credit rose modestly, though rising nonperforming loans (NPLs) signal emerging stress. The Promoting Micro and Small Enterprises through Entrepreneurs' Access to Financial Services (PROMISE II) program, launched in 2023, targets rural and low-income MSMEs by leveraging digital tools, supporting regional banks, and working with local governments—aligned with Indonesia's goal of 90% financial inclusion by 2024. Bank Indonesia, the central bank, launched recent initiatives that emphasize digital transformation using Quick Response Code Indonesian Standard (QRIS) and Bank Indonesia Fast Payment (BI-FAST), green MSME development, and gender-inclusive financing. The Macroprudential Inclusive Financing Ratio (RPIM) mandates banks to allocate up to 30% of lending to inclusive sectors by 2024. Programs such as the government sponsored people's business credit program (Kredit Usaha Rakyat, or KUR), the Proudly Made in Indonesia program (Bangga Buatan Indonesia, or BBI) and Proud Indonesian Tourist (Bangga Wisata Indonesia, or BWI) movements, and several women-led MSME initiatives promote resilience, sustainability, and global integration. These are reinforced under the Digital Transformation for Financial Inclusion agenda within Indonesia's G20 Presidency (2022), which focuses on empowering women and youth through education, innovation, and policy harmonization.

MSME Development

MSMEs are being transformed through updated firm classifications, institutional restructuring, and digital modernization. The establishment of the Ministry of MSMEs in 2024 centralized policymaking, replacing previously shared mandates. Key initiatives include an integrated MSME data information system and streamlined licensing via an online submission system.

Indonesia's definition of MSMEs has been updated to better align with evolving economic conditions and policy objectives. With the enactment of Government Regulation No.7 of 2021, MSME classifications were updated from the previous definition (Law No.20 of 2008). Under the regulation, microenterprises are defined as those having asset up to Rp1 billion and annual sales up to Rp2 billion, small enterprises with asset between Rp1 billion–Rp5 billion and sales up to Rp15 billion, and medium-sized enterprises with asset

¹⁶¹ ADB. 2025. Asian Development Outlook September 2025.

between Rp5 billion–Rp10 billion and sales up to Rp50 billion.¹⁶² This reflects a broader policy framework that enhances MSME access to formal financing, digital markets, and global value chains. In addition, Badan Pusat Statistik (BPS), the statistics office, complements these definitions for statistical and policy planning by adding indicators on number of employees, sectoral classification, and production capacity.¹⁶³ Harmonizing criteria is essential to ensure consistency across MSME support programs and regulatory compliance (Table 16.1).

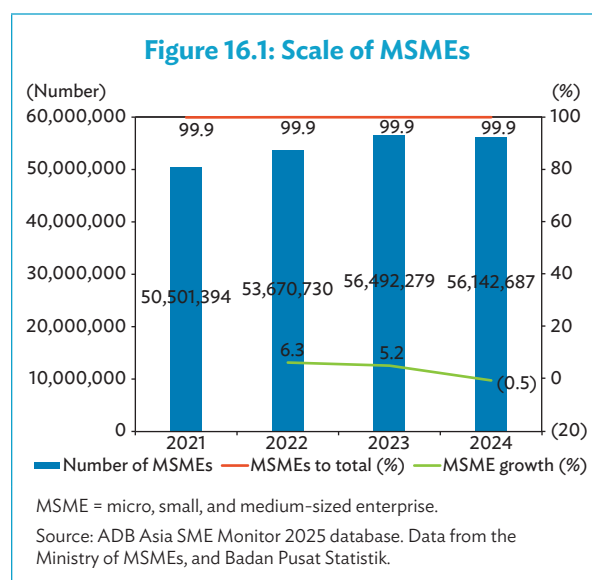
Central to recent reforms was the establishment of a new Ministry of MSMEs in 2024, which is now the primary institution responsible for MSME policy, replacing the previously shared mandate with the Ministry of Cooperatives and SMEs. The new ministry formulates policy, coordinates programs, and develops digital infrastructure to support MSME growth.

The latest available official MSME data compiled by the government (Ministry of Cooperatives and SMEs) was in 2019. Following the institutional restructuring that split the former ministry—into the Ministry of Cooperatives and the Ministry of MSMEs—the latter is calculating official MSME landscape data including GDP figures for 2020–2024. This updated dataset is expected to be published in December 2025. In the interim, macro-level data on the number of MSMEs used by the government is derived from the National Labor Force Survey (Survei Angkatan Kerja Nasional or Sakernas), conducted by BPS from August 2021 to 2024. The Ministry of MSMEs also compiled microdata on non-agricultural MSMEs, including names and addresses, progressively collected from 2022 to 2024. The dataset covers 30.2 million businesses and has been consolidated into a Basis Data Tunggal (or single database) for MSMEs.

One of the ministry's flagship initiatives is the Sistem Informasi Data Terpadu UMKM, a centralized data platform designed to support evidence-based

polymaking. In 2025, the system underwent a major upgrade to improve data granularity and public accessibility, enabling better tracking of MSME performance and needs. Regulatory reforms have also focused on simplifying business licensing through the expansion of the risk-based business licensing framework. This includes integrating MSMEs in creative industries, cooperatives, and legal metrology into an Online Single Submission system, streamlining the process from initial setup to operations. In addition, environmental zoning approvals have been added for industrial clusters to enhance regulatory coherence.

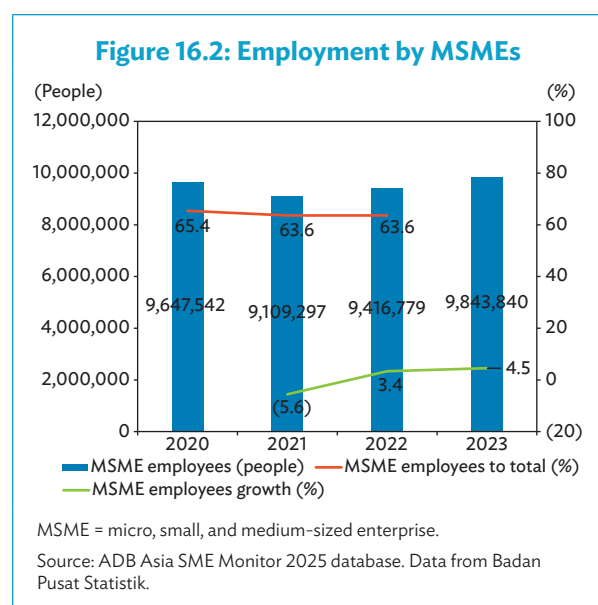
Between 2023 and 2024, the number of MSMEs declined slightly, decreasing from 56.5 million in 2023 to 56.2 million in 2024, a 0.5% contraction after strong 5.2% growth the previous year. MSMEs continued to dominate the business landscape, comprising 99.9% of all firms in 2024. The number of large enterprises increased slightly from 51,856 in 2023 to 58,708 in 2024. This shift suggests a modest contraction in MSMEs, possibly due to economic adjustments or reclassification, while large enterprises expanded marginally (Table 16.2 and Figure 16.1).



¹⁶² Badan Pusat Statistik. Klasifikasi Baku Lapangan Usaha Indonesia (KBLI) 2020. Jakarta: BPS; 2020. Available from: https://ppid.bps.go.id/upload/doc/Klasifikasi_Baku_Lapangan_Usha_Indonesia_2020_1674027668.pdf.

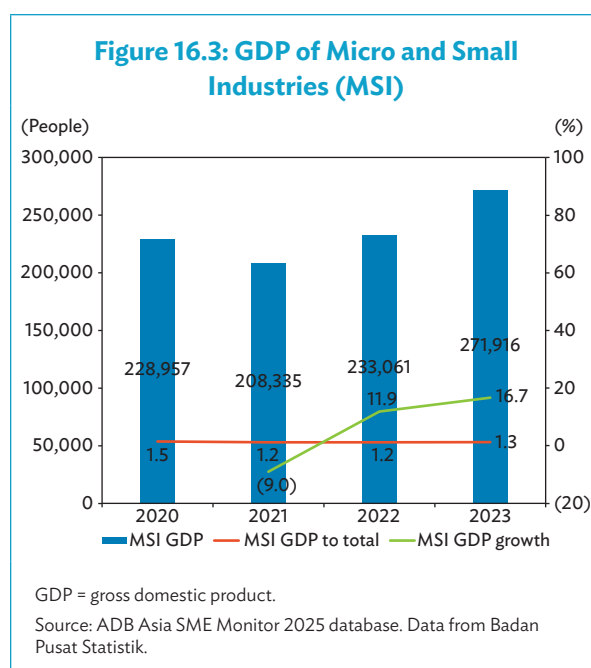
¹⁶³ Badan Pusat Statistik. Profil Industri Mikro dan Kecil 2023. Jakarta: BPS; 2024. Available from: <https://www.bps.go.id/id/publication/2024/09/18/52d85cbe9de005b6f5d69f95/profile-of-micro-and-small-industries-2023.html>.

Employment data for 2023 showed MSMEs employed 9.8 million people (Figure 16.2). The 4.5% growth rate suggests a healthy expansion in job creation among MSMEs. Notably, female participation in the workforce reached 39.1%, confirming progress toward gender inclusivity and women empowerment through MSME employment opportunities.



MSMEs contributed 60.5% to GDP in 2019. There has been no update since, but BPS provides GDP figures for micro and small firms in manufacturing until 2023. It grew by a steady 16.7% in 2023, or by Rp271 trillion (Figure 16.3).

The 2019 MSME export data for non-oil and gas products, officially sourced from the Ministry of MSMEs, highlights the significant contribution of MSMEs to overall exports. That year, total exports were worth Rp2,167 trillion, with MSMEs contributing Rp339.2 trillion, or 15.7% of the total. MSME exports grew by a robust 15.5%, notably higher than the



6.0% overall export growth rate. This underscores the growing role MSMEs play in driving exports and enhancing economic resilience.

Indonesia's MSMEs, while vital to national economic resilience, face five major constraints that hinder development and access to finance in the face of current global uncertainty. First, the limited integration of MSMEs into the digital ecosystem, compounded by gaps in digital skills and financial literacy, restricts their ability to optimize business decision-making and leverage digital platforms for growth.¹⁶⁴ Second, capacity-related challenges—including inconsistent product quality, low productivity, and weak quality assurance—undermine MSME competitiveness in both domestic and international markets. These are further exacerbated by limited awareness and adoption of sustainable business practices.¹⁶⁵ Third, poor integration into industrial supply chains continues to

¹⁶⁴ Bank Indonesia. Financial Stability Review No.44, February 2025. https://www.bi.go.id/en/publikasi/laporan/Pages/KSK_4425.aspx.

¹⁶⁵ Bank Indonesia Institute. SMEs Challenges in Indonesia during Covid-19 Pandemic. <https://www.bi.go.id/en/bi-institute/BI-Epsilon/Pages/Tantangan-UMKM-Indonesia-di-Masa-Pandemi-Covid-19.aspx>.

limit MSME performance and financing opportunities. A 2024 Bank Indonesia study emphasized that supply chain financing is critical to improve MSME output, yet many remain excluded from these networks.¹⁶⁶ Fourth, external shocks such as rising input costs and supply chain disruptions—especially for MSMEs reliant on imported raw materials—threaten operational continuity and financial stability. And fifth, a moderating macroeconomy and shifting consumer behavior in retail and other services have softened demand, reducing MSME revenues and limiting their capacity for reinvestment and expansion.¹⁶⁷

Access to Finance

Indonesia's MSME credit market grew modestly in 2024, with outstanding loans reaching Rp1,509 trillion—a 3.6% increase—accounting for 19.3% of total bank credit and equivalent to 6.8% of GDP. MSME NPLs rose to 3.7%, signaling some financial stress. The KUR program continued to support entrepreneurs, guaranteeing Rp442.5 trillion in loans to 6.8 million MSMEs. Alternative financing through the Indonesia Stock Exchange's Acceleration Board was mixed, with fewer initial public offerings (IPOs) but stable listings, highlighting a growing interest in capital markets despite a drop in market capitalization. Policy support remained strong, with macroprudential incentives and inclusive financing regulations aimed at revitalizing MSME lending and promoting financial inclusion.

In 2024, the MSME credit market continued to expand, albeit at a slower pace than previously. Outstanding loans to MSMEs reached Rp1,509 trillion, up by 3.6%—yet well below the 8.0% growth in 2023 and 10.5% in 2022. MSME loans accounted for 19.3% of total commercial bank lending, slightly

down from 20.6% in 2023, and represented 6.8% of GDP, also down slightly from 7.0% the previous year. These figures suggest a plateauing of MSME credit expansion, possibly due to tightened credit conditions or more cautious lending amid macroeconomic uncertainty (Table 16.3 and Figure 16.4A).

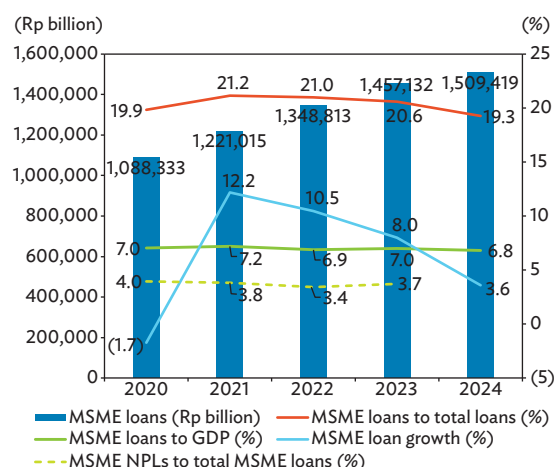
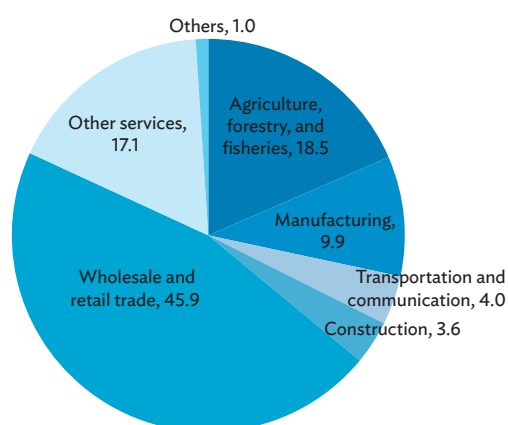
The overall banking sector remained robust, with total loans outstanding reaching Rp7,827 trillion and deposits totaling Rp8,837 trillion. The gross NPL ratio for all commercial bank loans improved slightly to 2.1% in 2024, down from 2.2% in 2023. The share of MSME NPLs to total MSME loans increased slightly from 3.4% in 2022 to 3.7% in 2023, above the share of gross NPLs to total bank loans (2.2% in 2023), raising concerns over the financial resilience of small businesses.

The sectoral distribution of MSME loans in 2024 remained consistent with prior years. Wholesale and retail trade continued to dominate with a 45.9% share, followed by agriculture, forestry, and fisheries at 18.5%, and other services at 17.1%. Manufacturing accounted for 9.9%, while transportation, construction, and other sectors made up the remainder. This distribution reflects the structural reliance of MSMEs on trade and primary sectors, underscoring the need for diversification and support for underrepresented industries (Figure 16.4B).

Regionally, the distribution of MSME loans remained unchanged, with 10.3% allocated to the capital city, Jakarta, and 89.7% to other regions. This continued regional spread highlights the inclusive nature of MSME financing and its role in supporting economic activity throughout the archipelago. By loan use, 70.2% of MSME loans were for working capital, with 29.8% directed toward capital investment. This pattern is consistent with previous years and reflects MSME operational needs, which often prioritize liquidity over long-term investment.

¹⁶⁶ Bank Indonesia. Working Paper: Connecting the Dots – The Source of Sustainable Economic Growth through MSME Integration in Industry Supply Chains. <https://www.bi.go.id/en/publikasi/kajian/Documents/RP-MON-05-2024.pdf>.

¹⁶⁷ Bank Indonesia. Annual Meeting 2023: Synergy Strengthening National Economic Resilience and Revival. https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2532123.aspx.

Figure 16.4: MSME Loans**A. Trend****B. By Sector, 2024 (%)**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bank Indonesia, Otoritas Jasa Keuangan (Financial Services Authority), and Indonesia Stock Exchange.

The broader banking environment in 2024 included a lending rate averaging 8.8% and loan-to-GDP ratio of 35.4%, indicating a stable credit environment. However, MSME-specific lending rates and rejection rates were not reported, limiting a more granular understanding of access to finance. The absence of data on number of MSME borrowers, non-collateral loans, and those guaranteed also limits a full understanding of progress in financial inclusion.

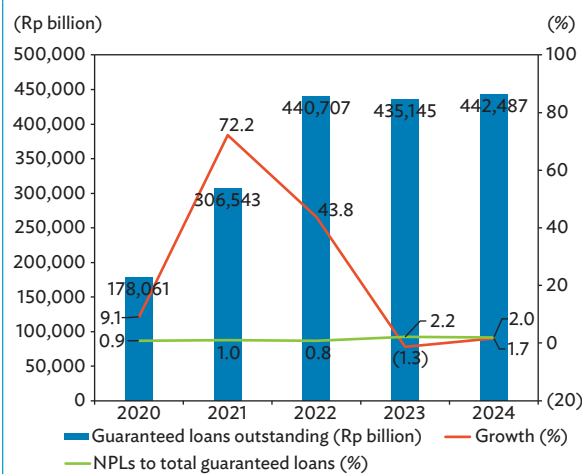
Policy support for MSME access to finance has remained robust. Key incentives introduced in 2022—such as the relaxation of statutory reserve requirements and the expansion of priority sector classifications—have continued to encourage commercial banks to boost MSME lending. These measures form part of a broader national strategy to promote inclusive financing and accelerate economic recovery. Notably, Bank Indonesia Regulation No. 24/3/PBI/2022 revised the framework for the RPIM, requiring banks to incorporate RPIM targets into their business plans. The regulation also introduced a system of compliance-based incentives and sanctions, while broadening the scope of eligible financing instruments to include supply chain financing and inclusive financing securities. A 2023 press release from the Financial Services Authority said macroprudential incentives for banks disbursing MSME loans and KUR guarantees were increased by up to 1%. These coordinated regulatory efforts can help revitalize lending to priority sectors, particularly MSMEs, and reinforce the financial sector's role in supporting sustainable and inclusive economic development.

In 2024, KUR continued as a vital financing mechanism for the smallest entrepreneurs, including street vendors and micro shop owners. Outstanding guaranteed KUR loans reached Rp442.5 trillion, up by a modest 1.7% from 2023. This reversed the slight contraction in 2023, when outstanding loans had declined by 1.3% (Figure 16.5).

Total guaranteed loans approved reached Rp288.5 trillion, while Rp291.6 trillion was disbursed, contributing to an accumulated disbursement of Rp2,054.1 trillion since the program's inception in 2007. About 6.8 million MSMEs benefited from KUR in 2024, slightly up from 6.4 million in 2023, although still below the 8.4 million in 2022. The accumulated number of MSMEs guaranteed reached nearly 70 million, underscoring the program's long-term impact. The share of nonperforming KUR loans slightly decreased to 2.0% in 2024 from 2.2% in 2023, indicating marginal improvement in credit quality. Guaranteed loans accounted for 29.4% of all MSME loans, reflecting the program's prominence in easing access to finance for underserved segments.

They also affirm KUR's continued relevance in promoting financial inclusion, though the declining number of beneficiaries recently suggests a need for better outreach and support strategies to maintain its effectiveness.

Figure 16.5: Credit Guarantees for MSMEs—Kredit Usaha Rakyat

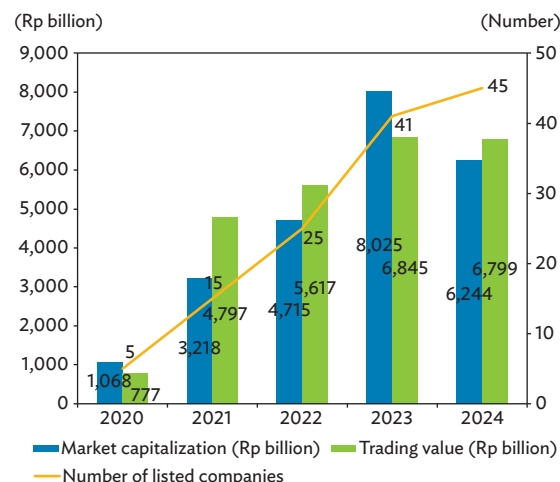


MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bank Indonesia, Otoritas Jasa Keuangan (Financial Services Authority), and Indonesia Stock Exchange.

Alternative financing continued to play a critical role in supporting MSME growth in 2024, particularly in accessing capital markets. The Acceleration Board of the Indonesia Stock Exchange (IDX), designed for MSMEs with assets between Rp50 billion and Rp250 billion, remained a viable platform for equity-based financing. However, the board contracted in market capitalization, down by 22.2% to Rp6,244 billion from Rp8,025 billion in 2023 (Figure 16.6). Despite this, trading activity remained strong, with trading value reaching Rp6.8 trillion with 67.8 billion shares traded. The number of listed companies on the Acceleration Board increased by 3 IPOs in 2024, all MSMEs, to total 45. In total, there are 22 MSME IPOs listed, indicating sustained interest in capital market participation among small firms. Notably, no companies were delisted from the board in 2024, suggesting market stability.

Figure 16.6: Equity Market for MSMEs—Acceleration Board, Indonesia Stock Exchange



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Indonesia Stock Exchange.

Across the broader IDX, the Jakarta Composite Index reached 7,080, with total market capitalization rising to Rp12,336 trillion—up by 5.7% from 2023. Trading value was Rp3,046 trillion, with a volume of 4,719 billion shares. The number of listed companies increased to 943, of which 170 are MSMEs. The consistent growth in MSME listings and IPOs reflects the expanding role of capital markets in providing alternative financing for MSMEs, complementing traditional banking channels.

Policies and Regulations

Indonesia has a comprehensive policy framework to strengthen MSMEs and cooperatives, focusing on resilience, inclusivity, and sustainability. Key strategies include enhancing human capital, expanding access to finance, boosting productivity through innovation, and improving market access. Digital transformation is driven by initiatives such as QRIS and the Proudly Made in Indonesia movement, with over 14 million MSMEs on board.

Green MSMEs are promoted through financial literacy, sustainable business models, and food sector resilience. Women-led MSMEs benefit from targeted programs under Indonesia's G20 agenda and regulations such as RPIM, which mandate inclusive financing targets. Internationalization efforts include product curation, export readiness, and integration into tourism and digital ecosystems through movements such as BBI and BWI, supported by Bank Indonesia's Karya Kreatif Indonesia program and green tourism village development. The National Strategy for Financial Inclusion supports MSMEs via financial education, collateral reform, digital financial services, and customer protection.

The 2015–2019 Vision and Mission for Cooperatives and SMEs focused on creating healthy, strong, resilient, and independent businesses. This framework had five core objectives: (i) improving the quality of human resources through training and capacity-building programs; (ii) increasing access to finance by expanding credit schemes and financial instruments tailored to MSMEs; (iii) boosting productivity through innovation and technology adoption; (iv) strengthening business capacity via infrastructure, market access, and institutional support; and (v) protecting MSME and cooperative businesses through regulatory safeguards and legal empowerment.

Since October 2024, there have been several ongoing reforms for MSME development. The former Ministry of Cooperatives was split into two—the Ministry of MSMEs and the Ministry of Cooperatives (Table 16.4).

Digitalization of MSMEs

Bank Indonesia has prioritized digital transformation as a strategic pillar for MSME development, aligning with the Payment System Digitalization Blueprint 2025. It promotes integration, interoperability, and interconnectedness across payment systems, including BI-FAST and QRIS, which serves over 14 million merchants—98% of which are MSMEs.¹⁶⁸ The digitalization efforts are part of a broader National Movement for BBI, which includes MSMEs, digital marketing, and business matching with global partners. A 2021 Bank Indonesia survey showed that 20% of MSMEs successfully mitigated pandemic impact through digitalization and online marketing.¹⁶⁹ The value of QRIS transactions surged by 237% year on year to Rp27.7 trillion in December 2021. These initiatives were reinforced by Indonesia's G20 Presidency agenda in 2022, which emphasized digital financial inclusion and MSME finance.

Green MSMEs and climate action

Bank Indonesia's inclusive and green economy policy mix supports MSMEs adopt sustainable practices. The Financial Inclusion and Green Economy Department leads initiatives to enhance green financial literacy, develop green business models, and improve access to green financing.¹⁷⁰ Pilot projects and entrepreneur education replicate successful models and expand market access. The 2023 Bank Indonesia Annual Meeting highlighted the development of green MSMEs as a key strategy to increase productivity and resilience, particularly in food, aligning with the National Movement for Food Inflation Control. These are part of a broader macroprudential and payment system policy mix aimed at supporting sustainable economic growth.¹⁷¹

¹⁶⁸ Bank Indonesia. Digitalization Increasing Economic Productivity. News Release, 2 February 2022. https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_243422.aspx.

¹⁶⁹ Bank Indonesia. Spirit of Go-Export MSMEs to Support Indonesian Economy. News Release, 24 February 2022. https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_246522.aspx.

¹⁷⁰ Bank Indonesia. Bank Indonesia Annual Meeting 2023: Synergy Strengthening National Economic Resilience and Revival. News Release, 29 November 2023. https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2532123.aspx.

¹⁷¹ Bank Indonesia. Financial Inclusion and Green Economy Department. Organizational Profile. <https://www.bi.go.id/en/tentang-bi/profil/organisasi/Pages/Departemen-Ekonomi-Kuangan-Inklusif-dan-Hijau.aspx>.

Women-led MSMEs

Bank Indonesia incorporates gender views in developing financial inclusion strategies, targeting ultra-micro entrepreneurs and low-income women. These aim to improve access to finance, enhance business competency, and promote resilience among women-led MSMEs. The digital financial inclusion agenda under Indonesia's G20 Presidency (2022) also emphasized support for women and youth, recognizing their role in driving inclusive economic growth. Capacity-building programs and mentorship initiatives are tailored to empower women entrepreneurs and integrate them into the digital economy.

One cornerstone initiative is the Digital Transformation for Financial Inclusion agenda, prominently featured in Indonesia's G20 2022 Presidency. This policy framework emphasizes empowering women and youth through digitalization, aiming to overcome barriers such as limited financial literacy, inadequate digital infrastructure, and restricted access to formal financial services. Bank Indonesia cites three strategic pillars: (i) women's economic empowerment as micro-entrepreneurs, (ii) capacity building through education and digital innovation, and (iii) harmonizing policies, including support for the Job Creation Law to streamline business licensing and improve MSME market access.

RPIM, established under Bank Indonesia Regulation No.23/13/PBI/2021, supports the policy. The regulation mandates that banks allocate a gradually increasing portion of financing to inclusive sectors, including women-led MSMEs. The targets were set at 20% in 2022, 25% in 2023, and 30% in 2024. The policy includes mechanisms for reporting, supervision, and technical assistance, and replaces earlier regulations to better align them with current economic inclusion goals.¹⁷²

Further reinforcing these efforts is the Inclusive Economic and Financial Development Based on Subsistence Groups program. This focuses on low-income women and informal entrepreneurs to turn them into viable microenterprises. Bank Indonesia developed business models and guidelines to support these groups through financial literacy, branding, and access to formal financial services. By 2022, the program had been implemented in 46 regions, forming 93 subsistence groups and measurably improving financial inclusion and business capacity.

International trade of MSMEs

Bank Indonesia uses pull and push strategies to integrate MSMEs into global supply chains. The pull strategy includes product curation, trade promotion, and business matching, while the push strategy focuses on strengthening e-catalogues, export modules, and digital ecosystems.

Indonesia's national BBI and BWI movements are strategic initiatives to promote local products and tourism, with a strong MSME emphasis on revitalizing the post-pandemic economy.

The BBI movement encourages pride in Indonesian-made products by integrating MSMEs into digital ecosystems and expanding market reach. Bank Indonesia supports this through its Karya Kreatif Indonesia program, which curates MSME products and facilitates their entry into e-catalogues and digital marketplaces. The use of QRIS simplifies transactions and increases digital use among MSMEs, targeting 12 million merchants, 98% of which are MSMEs.¹⁷³ Karya Kreatif Indonesia events showcase MSME products in fashion, food, crafts, and coffee, and include business matching and export readiness training to help MSMEs access global markets.

¹⁷² Bank Indonesia. Bank Indonesia issues Macroprudential Inclusive Financing Ratio (RPIM). Published 1 September 2021. Accessed 26 June 2025. https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2322321.aspx.

¹⁷³ Bank Indonesia. Bank Indonesia Kembali Selenggarakan Karya Kreatif Indonesia 2021. Published 3 March 2021. Accessed 26 June 2025. https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_235621.aspx.

The BWI movement complements BBI by focusing on domestic tourism and integrating MSMEs into the tourism value chain. Bank Indonesia plays a key role in developing green tourism villages, such as Bilebante on Lombok island (next to Bali), through infrastructure support and branding initiatives. The movement also promotes travel packages, digital tourism campaigns, and improved connectivity to boost local tourism. In 2023, Bank Indonesia and other stakeholders agreed on eight strategic steps to accelerate tourism, including enhancing domestic travel, promoting quality tourism, and integrating MSMEs into tourism destinations.¹⁷⁴ Together, BBI and BWI reflect a commitment to inclusive and sustainable economic development, leveraging MSMEs as drivers of innovation, employment, and regional growth.

MSME financing and financial inclusion strategies

The National Strategy for Financial Inclusion, launched in 2016, broadens financial access across all segments of society, with a strong focus on MSMEs. The strategy has five pillars: (i) financial education to enhance literacy and informed decision-making; (ii) public property rights reform to improve the availability of collateral, such as land titling and intellectual property certification; (iii) developing financial distribution channels and intermediary facilities, including digital financial services and value chain financing; (iv) expansion of government financial services, notably KUR and non-cash subsidies; and (v) customer protection to ensure fair treatment and transparency in financial transactions.

Another initiative to promote MSME financial inclusion is PROMISE II, launched in 2023 by the Coordinating Ministry for Economic Affairs, which boosts MSME financial access—especially in rural and low-income communities—through digital technology and strengthening the financial ecosystem. It focuses on four strategic areas: (i) enhancing MSME productivity using digital tools; (ii) supporting digital adoption by regional and rural banks; (iii) expanding access to buyers and finance; and (iv) involving local government in MSME-targeted recovery policies.¹⁷⁵ The program is supported by the International Labour Organization, the Financial Services Authority, and the National Council for Inclusive Finance. It complements broader national efforts such as KUR and aligns with Indonesia's goal of achieving 90% financial inclusion by 2024.

¹⁷⁴ Bank Indonesia. Karya Kreatif Indonesia 2023: Kebaruan dan Inovasi Kunci Kebangkitan UMKM. Published July 27, 2023. Accessed 26 June 2025. https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2520123.aspx.

¹⁷⁵ Coordinating Ministry for Economic Affairs, Republic of Indonesia. Increasing Financial Inclusion for MSMEs through the Utilization of Digital Technology: PROMISE II Impact Program. <https://ekon.go.id/publikasi/detail/5000/increasing-financial-inclusion-for-msmes-through-the-utilization-of-digital-technology-the-government-launches-the-promise-ii-impact-program>.

Data Tables

Table 16.1: MSME Definition

A. National Definition

Item	Micro	Small	Medium
Net assets (land and building excluded)	Less than Rp1 billion	Rp1 billion up to a maximum of Rp5 billion	Rp5 billion up to a maximum of Rp10 billion
Total annual sales value	Less than Rp2 billion	Rp2 billion up to a maximum of Rp15 billion	Rp15 billion up to a maximum of Rp50 billion

Note: MSME should be a productive entity owned by individual or individual business unit that excludes the subsidiary firm or branch office that is directly or indirectly owned and/or controlled by or part of larger firm. Foreign owned and/or invested firms are not regarded as MSMEs regardless of filling the above-mentioned criteria.

B. Definition by Statistics Office

Item	Micro	Small	Medium
Employment	1-4 people	5-19 people	20-99 people

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Government Regulation No.7 of 2021 “Kemudahan, Pelindungan, dan Pemberdayaan Koperasi dan Usaha Mikro, Kecil, dan Menengah” (Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises) for A and from Badan Pusat Statistik for B.

Table 16.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises*							
MSMEs	Number	65,465,497	...	50,501,394	53,670,730	56,492,279	56,142,687
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	5,637	...	54,877	46,119	51,856	58,708
Total	Number	65,471,134	...	50,556,271	53,716,849	56,492,279	56,201,395
MSME to total	%	99.9	...	99.9	99.9	99.9	99.9
MSME growth	%	2.0	...	...	6.3	5.2	(0.5)
MSMEs by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communications		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSMEs by region	%	...	...	...	...	...	...
Capital city (Jakarta)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment*							
MSMEs	Number	...	9,647,542	9,109,297	9,416,779	9,843,840	...
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	...	5,108,435	5,217,736	5,383,607	...	...
Total	Number	...	14,755,977	14,327,033	14,800,386	...	...
MSME employees to total	%	...	65.4	63.6	63.6	...	...
MSME employees growth	%	...	...	(5.6)	3.4	4.5	...
MSME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communications		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Jakarta)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
MSME GDP**	GDP, Rp bil.	...	228,957	208,335	233,061	271,916	...
MSME GDP to total	% to GDP	...	1.5	1.2	1.2	1.3	...
MSME GDP growth	%	...	...	(9.0)	11.9	16.7	...
Exports***							
MSME exports	Rp bil.	339,191	...	...	...	...	...
MSME exports to total export value	%	15.7	...	...	...	...	...
MSME export growth	%	15.5	...	...	...	...	...
Imports							
MSME imports	Rp bil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* The Ministry of MSMEs does not have enterprise data for 2020, while 2019 MSME data come from an official release by the Ministry of Cooperatives and SMEs. The number of enterprises presented in the period 2021–2024 are based on the National Labour Force Survey (Sakernas) August 2021–2024.

** GDP of industries (manufacturing) for years 2020 onward are only for micro and small industries.

*** The 2019 MSME exports data (non-oil and gas) come from an official release by the Ministry of Cooperatives and SMEs.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Cooperatives and SMEs, and Badan Pusat Statistik.

Table 16.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	Rp bil.	1,107,509	1,088,333	1,221,015	1,348,813	1,457,132	1,509,419
MSME loans to total loans	%	19.7	19.9	21.2	21.0	20.6	19.3
MSME loans to GDP	%	7.0	7.0	7.2	6.9	7.0	6.8
MSME loan growth	%	7.2	(1.7)	12.2	10.5	8.0	3.6
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	Rp bil.	40,086	43,110	46,757	46,033	54,099	...
MSME NPLs to total MSME loans	%	3.6	4.0	3.8	3.4	3.7	...
(Gross NPLs to total bank loans)	%	2.5	3.1	3.0	2.4	2.2	2.1
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		9.9	11.9	13.2	17.1	18.0	18.5
Manufacturing		10.0	10.3	10.5	10.1	10.0	9.9
Transportation and communication		4.0	3.9	3.4	3.4	3.6	4.0
Construction		6.5	5.4	4.7	3.9	3.7	3.6
Wholesale and retail trade		49.3	48.6	49.2	48.7	47.1	45.9
Other services		18.0	17.5	17.1	15.7	16.7	17.1
Others		2.3	2.3	1.9	1.2	0.9	1.0
MSME loans by region	%	100	100	100	100	100	100
Capital city (Jakarta)		14.2	13.2	11.4	10.7	10.3	10.3
Others		85.8	86.8	88.6	89.3	89.7	89.7
MSME loans by type of use	%	100	100	100	100	100	100
For working capital		72.0	73.2	75.8	75.1	72.3	70.2
For capital investment		28.0	26.8	24.2	24.9	27.7	29.8
MSME loans by tenor	%	100	100	100	100	100	...
Less than 1 year		13.6	15.5	12.1	7.8	7.5	...
1-5 years		55.8	55.3	59.9	62.1	61.0	...
More than 5 years		30.6	29.2	27.9	30.1	31.5	...
Public Finance and Guarantees							
Kredit Usaha Rakyat (KUR; "People's Business Credit," or Micro Credit Program)							
Guaranteed loans outstanding	Rp bil.	163,200	178,061	306,543	440,707	435,145	442,487
Growth	%	29.6	9.1	72.2	43.8	(1.3)	1.7
MSMEs guaranteed	Number	5,540,545	6,867,153	8,366,920	8,436,628	6,401,477	6,812,295
Nonperforming KUR	% of total KUR	1.3	0.9	1.0	0.8	2.2	2.0
Capital Markets							
Acceleration Board, IDX							
Market capitalization	Rp bil.	...	1,068	3,218	4,715	8,025	6,244
Growth	%	...	...	201.4	46.5	70.2	(22.2)
Trading value	Rp bil.	...	777	4,797	5,617	6,845	6,799
Listed companies*	Number	...	5	15	25	41	45

GDP = gross domestic product; IDX = Indonesia Stock Exchange; MSME = micro, small, and medium-sized enterprise.

* Accumulated number.

Source: ADB Asia SME Monitor 2025 database. Data from Bank Indonesia, Otoritas Jasa Keuangan (Financial Services Authority), and Indonesia Stock Exchange.

Table 16.4: Policies and Regulations

Benchmark Regulation	Law No.20/2008 on Micro, Small and Medium-sized Enterprises
Focal Government Authority for MSMEs	Ministry of MSMEs
Key Policies and Strategies	
Name	Outline
Creating Healthy, Strong, Resilient and Independent Cooperatives and SMEs to Contribute to the National Economy (2015–2019 vision and mission)	1) Improving the quality of human resources. 2) Increasing access to finance. 3) Increasing productivity. 4) Strengthening business capacity. 5) Protecting business for cooperatives and SMEs.
National Strategy for Financial Inclusion (SNKI) (2016)	1) Financial education. 2) Public property rights (improvement of collateral for loans, e.g., land titling and copyright/patent certificate). 3) Financial distribution channels and intermediary facilities (e.g., digital financial services and value chain financing). 4) Government financial services (including KUR and non-cash subsidy and payment). 5) Customer protection.
PROMISE II Impact Program (Promoting Micro and Small Enterprises through Entrepreneurs' Access to Financial Services)	1) Enhancing MSME productivity through digital tools. 2) Supporting digital adoption by regional and rural banks. 3) Expanding access to buyers and finance. 4) Involving local governments in MSME-targeted recovery policies.
Thematic Initiatives	
Digitalization of MSMEs: Payment System Digitalization Blueprint (BSPI) (Officially launched on 2 August 2024, covering 2025–2030)	1) Open banking. 2) Retail payment system. 3) Large-value payment system and financial market infrastructure. 4) Data and digitalization. 5) Regulatory, licensing, and supervisory reforms.
Green MSMEs and climate action: Bnk Indonesia's green economy policy mix (Bank Indonesia Regulation (PBI) No. 24/3/PBI/2022)	1) Green financial literacy. 2) Green business model development. 3) Access to green financing.
Women-led MSMEs: 1) G20 Digital Financial Inclusion Agenda (G20 Financial Inclusion Framework under Indonesia's G20 Presidency launched January 2022) 2) Macroprudential Inclusive Financing Ratio (RPIM) (Bank Indonesia Regulation (PBI) No. 23/13/PBI/2021 effective August 2021) 3) Inclusive Economic Development via Subsistence Groups (Bank Indonesia Guidelines on Inclusive Economic and Financial Development Based on Subsistence Groups launched May 2023)	Empowering women and youth through digital skills and policy support. Mandating banks to allocate financing to inclusive sectors including women-led MSMEs. Supporting low-income women entrepreneurs with mentoring and financial access.
International trade of MSMEs: Bangga Buatan Indonesia (BBI) and Bangga Wisata Indonesia (BWI) movement (launched May 2020)	1) Promotes pride in Indonesian-made products and boosts domestic consumption of MSME goods. 2) Integrating MSMEs into tourism destinations.

KUR = Kredit Usaha Rakyat ("People's Business Credit," or Micro Credit Program); MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bank Indonesia, Otritas Jasa Keuangan (OJK; Financial Services Authority), and Coordinating Ministry of Economic Affairs.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

Overview

In 2024, the economy grew by a modest 4.0%, up from 3.7% in 2023, driven by a rebound in tourism and logistics—boosted by the “Visit Laos Year 2024” campaign and its Association of Southeast Asian Nations (ASEAN) chairmanship—along with higher agricultural and hydropower output.¹⁷⁶ Tourist arrivals rose by 21% to 4.1 million, helped by better connectivity via the Laos–China railway. Despite stronger revenue, equivalent to 19.2% of gross domestic product (GDP), and a 2.5% fiscal surplus, high public debt—at 108% of GDP, mostly external and foreign currency-denominated—continued to constrain public investment.

Without updated data on micro, small, and medium enterprises (MSMEs), this chapter focuses on policy and financial developments shaping the MSME landscape. While no new nationwide MSME survey has been conducted, 2024 saw notable progress in strengthening the enabling environment for MSMEs. Key developments include continuing implementation of the MSME Promotion Law 2022, operationalizing the MSME Promotion Fund, and advancing digitalization initiatives under the National Digital Economy Development Plan (2021–2025). Financially, MSME loans grew by 13% to KN21.3 trillion, although their share of total bank lending declined to 10.7%. Nonbank finance institutions—including microfinance institutions, leasing companies, and pawnshops—also expanded the amount of financing and number of clients. There is no dedicated equity market for qualified MSMEs in the capital market. The country has built a comprehensive policy ecosystem to support MSMEs, anchored by the amended Law on MSME Promotion (2022) and MSME Development Plan (2021–2025), which focus on improving access to finance, fostering innovation, and enhancing market access—especially for microenterprises, women, and green businesses. Strategies that cover MSMEs such as the National Digital Economy Development Plan along with financial reforms aim to boost digitalization, financial inclusion, and sustainable growth. Key initiatives include the MSME Promotion Fund, Startup and MSME Innovation Center, and ASEAN-led efforts to close financing gaps and integrate MSMEs into regional and global markets.

MSME Development

MSMEs are defined under Decree No. 04/GOL/2023, classified by sector using employment, assets, and turnover. MSMEs dominate businesses both in number and by employment. Yet, MSMEs face persistent challenges such as limited access to finance, insufficient business and financial literacy, and fragmented institutional coverage. Ongoing government efforts, including the MSME Development Plan Monitoring and Evaluation and a pending comprehensive survey, will address these issues and are expected to show results by late 2025.

As of August 2025, there have been no updates to official MSME definitions since the enactment of Decree No.04/GOL/2023 (Table 17.1). This is because a planned national economic census has yet to start. However, the government is currently monitoring and evaluating the MSME Development Plan 2021–2025 alongside its comprehensive MSME Survey. These will likely be completed by the fourth quarter of 2025 and should offer updates on MSME structure and performance.

Decree No.04/GOL/2023 classifies MSMEs based on the number of employees, total assets, and annual turnover, with distinctions by sector. In manufacturing,

¹⁷⁶ ADB. 2025. Asian Development Outlook 2025. September.

microenterprises are firms with up to five employees, total assets not exceeding KN120 million, and annual turnover not exceeding KN400 million. Small enterprises have 6–50 employees, total assets not exceeding KN1.2 billion, and annual turnover not over KN3 billion. Medium-sized enterprises have 51 to 99 employees, total assets not more than KN4.8 billion, and annual turnover not exceeding KN6 billion.

Latest available data show the number of MSMEs reached 133,721 in 2020, up by 3.6% from 124,567 in 2018 (Table 17.2). MSMEs continue to dominate the business landscape, accounting for 99.8% of all enterprises. By sector, wholesale and retail trade is largest, covering 61.2% of MSMEs. This was followed by other services—including accommodation, food services, tourism, and financial services—at 14.8%, and manufacturing at 14.7%. Geographically, 77.7% of MSMEs operate outside the capital city Vientiane, highlighting the significant role MSMEs play in the regional economy.

As of 2018, MSMEs employed 472,529 workers, or 82.4% of the total workforce (Table 17.2). This was virtually the same as the 472,231 workers employed in 2013, growing by just 0.01%. Wholesale and retail trade remained the largest employer, accounting for 46.6% of MSME employment as of 2020. This was followed by manufacturing at 22.5%, and other services—including accommodation, food services, and financial services—at 21.2%.

A recent survey outlined several persistent challenges MSMEs face that hinder their development and access to finance, particularly amid current global uncertainty and geopolitical tensions. A major constraint is the limited collateral available and lack of credit history, which restricts MSMEs—especially informal micro and family-run enterprises—from qualifying for formal financial services.

Closely related is the general lack of proper financial records and low levels of financial literacy, which further make it difficult to secure funding or attract investment. High interest rates and strict lending conditions from financial institutions raise these barriers, making credit inaccessible for many small

businesses. In addition, disparate understanding and lack of coordination among relevant government agencies add challenges—promoting MSME development requires cross-sectoral collaboration, yet many stakeholders do not fully understand MSME development needs. The lack of a unified and detailed MSME database also limits transparency and deters investors, including those in private equity and venture capital. There is also a shortage of experts specializing in MSME business development. While general training in business planning and marketing is available, more advanced support in areas such as product development, enhanced productivity, and technical advice remains scarce. These collectively impede MSME growth and sustainable development.

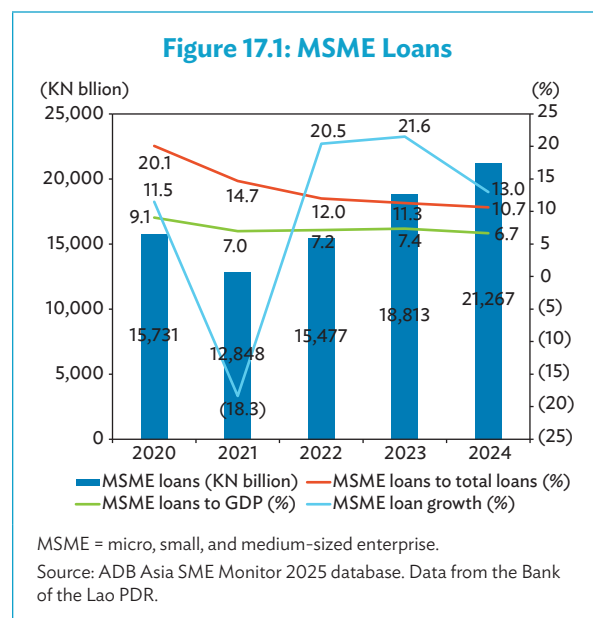
Access to Finance

Between 2019 and 2024, banking began to recover and expand, with significant increases in loans and deposits. MSME lending grew by 13% in 2024, yet remained modest compared with total loans and GDP, indicating financial inclusion remains shallow. Nonbank finance—especially microfinance institutions—play a larger role in MSME financing, though their reach remains limited. The capital market remains underdeveloped, with no new initial public offerings and no dedicated venue for MSME equity financing.

Based on 2019–2024 financial data, MSME lending and the banking sector generally showed both progress and exhibited challenges. There were 36 commercial banks as of the end of 2024, with 1 state-owned bank, 7 private banks, and 28 other banks—including joint state commercial banks, subsidiary banks, and foreign bank branches. Total bank loans outstanding rose by 20% to KN199.3 trillion in 2024—up from KN166.1 trillion in 2023. The ratio of commercial bank loans to GDP also improved to 63% in 2024. There was also a notable increase in deposits, rising from KN243.7 trillion in 2023 to KN288.2 trillion in 2024. These trends suggest a strengthening in overall financial intermediation, although benefits for MSMEs remain uneven and need closer examination.

Although the MSME credit market remains relatively small, it has grown rapidly in recent years. MSME loans outstanding increased by 13% from KN18.9 trillion in 2023 to KN21.3 trillion in 2024. This was 10.7% of total commercial bank loans and equivalent to 6.7% of 2024 GDP (Table 17.3 and Figure 17.1). Despite its modest share, the upward trend shows that MSME access to finance is gradually strengthening.

At end-2019 (latest available data), wholesale and retail trade accounted for 37.0% of MSME loans, followed by construction at 20.7%, and other services. MSME lending is thus concentrated in just a few key sectors, underscoring the need for more diversified and inclusive MSME financial support.



Nonbank finance institutions (NBFIs) continue to play a critical role in supplying MSME financing, particularly those underserved by commercial banks. As of the end of 2024, NBFIs totaled 147 microfinance institutions (MFIs), 71 pawnshops, and 32 leasing companies, among others. MFIs remain predominant. In 2024, MFIs had total outstanding financing of KN2.8 trillion, up by a strong 18.5% over 2023. Still, MFI financing was equivalent to just 0.8% of GDP. MFIs served over 104,000 customers, with financing primarily directed

toward manufacturing (21.8%), wholesale and retail trade (21.5%), and agriculture, forestry, and fisheries (16.8%). Regionally, 40.2% of MFI financing was in the capital Vientiane, with 59.8% distributed across the provinces.

Pawnshops, though smaller in scale, provided KN12.0 billion in financing in 2024, up by 6.1% over 2023. Financing was heavily skewed toward wholesale and retail trade (25.6%) and other services (12.7%), with 40.7% located in the capital. Pawnshops had a nonperforming financing ratio of 6.9%, significantly higher than MFIs (2.4%), suggesting higher credit risk.

Leasing companies also played a major role in NBFIs, with financing outstanding in 2024 at KN7.6 trillion—equivalent to 2.3% of GDP—with a customer base of over 128,000. Lease financing grew by 16.6% from 2023. However, it remains highly concentrated, with 99.9% in Vientiane. By sector, leasing was largely under “others” (73.4%), with notable shares in wholesale and retail trade (20.1%) and manufacturing (4.9%). The gross nonperforming financing ratio for leasing companies was 5.2%, indicating moderate credit risk.

The capital market remains at a nascent development stage with limited depth and accessibility, particularly for MSMEs. At the end of 2024, the Lao Securities Exchange Main Board had 10 listed companies, unchanged from 2023 given no new initial public offerings nor delisting. Market capitalization reached KN14.8 trillion, with trading valued at KN31.1 billion from 13.5 million shares traded. Despite incremental gains, the capital market continues to lack a dedicated equity platform or alternative trading board for MSMEs. This limits their ability to access long-term capital through public markets. The current structure underscores the need for comprehensive capital market reforms, including development of inclusive financing mechanisms and a regulatory framework that attracts MSMEs. Strengthening market infrastructure and investor confidence will be key to unlocking capital markets as a viable financing channel for MSMEs in the future.

Policies and Regulations

The country has a comprehensive policy framework to support MSME development, anchored by the amended Law on MSME Promotion (2022) and the MSME Development Plan (2021–2025). Digital transformation is prioritized through the National Digital Economy Development Plan. Financial reforms, aligned with Basel standards, aim to enhance MSME inclusion and resilience. Green and women-led MSMEs receive direct support through tailored financing, partnerships, and regulatory reforms.

There is a comprehensive and multi-dimensional policy framework to support MSMEs, recognizing the vital role they play in inclusive economic growth, job creation, and innovation. The framework's foundation is the amended Law on MSME Promotion (2022) and the MSME Development Plan (2021–2025), which together cover 18 policy areas including access to finance, innovation, market access, green growth, and business formalization (Table 17.3).

Institutional mechanisms to implement these policies include the MSME Promotion Fund and the MSME Promotion Agency, both established in 2023.¹⁷⁷ These provide credit, technical assistance, and innovation support, with oversight from the Ministry of Industry and Commerce and the Ministry of Finance. Governance is further reinforced by the Committee on MSME Promotion in both the capital and provinces, while the private sector—through chambers of commerce and MSME associations—are key partners. The framework also provides for international cooperation, monitoring and evaluation, and enforcement.

The MSME Development Plan (2021–2025) builds on the previous plan and focuses on seven pillars: (i) entrepreneur development, (ii) access to finance, (iii) productivity and innovation, (iv) business

development, (v) market access, (vi) an enabling business environment, and (vii) fiscal incentives. It prioritizes microenterprises (over 94% of firms) and uses initiatives such as business incubation centers, venture capital, matching grants for technology upgrades, and simplified registration processes. Implementation is coordinated across the government, private sector, and development partners, and aligns with regional and global frameworks such as the ASEAN Strategic Action Plan for SME Development and the United Nations Sustainable Development Goals.

Digitalization of MSMEs

The National Digital Economy Development Plan (2021–2025) aims to create a digitally driven economy, targeting a 5% digital GDP contribution by 2025 and 10% by 2040. It includes 14 work plans and 69 projects across eight strategic pillars, covering areas such as e-commerce, smart cities, digital agriculture, and cybersecurity. Implementation is led by a national committee chaired by the Prime Minister and supported by a dedicated transformation fund. Despite challenges like limited rural connectivity and low digital literacy, the plan sees strong opportunities for regional integration, engaging youth, and foreign investment.

To support MSME digitalization, the government launched its Project for Human Resource Development of Digital Innovative MSMEs, supported by the Korea International Cooperation Agency. It includes establishing a Startup and MSME Innovation Center, digital-oriented curricula, and industry-academia-government collaboration. National events like Lao Digital Week and Startup Festival, along with ASEAN-level programs, further promote digital awareness. These align with Work Plan 7 of the digital economy plan and the MSME Development Plan's focus on technology and innovation, though limited implementation requires greater attention.

¹⁷⁷ The Micro, Small and Medium Enterprise Promotion Fund was officially established under the Decree No. 05/Gov, dated 12 January 2023. Inmyxai V. Micro Small and Medium Enterprise (MSME) Promotion in Lao PDR. Presented at: Session 7, SDG Conference; December 2024. Available from: https://sdgs.un.org/sites/default/files/2024-12/Presentation_Session%207_Vilayout.pdf.

Green MSMEs and climate action

The country embeds green growth and climate resilience into MSME development by combining strategic frameworks and targeted initiatives. The National Green Growth Strategy 2030 gives overall policy direction, while the MSME Development Plan (2021–2025) uses specific measures to improve access to finance for green MSMEs through tailored financial products. However, instrument availability remains limited.

To address this gap, the MSME Promotion Agency is implementing the MSME A2F-ESR Project, supported by the World Bank, which integrates environmental and social safeguards into MSME lending. In the capital market, green MSMEs benefit from fundraising initiatives and the issuance of Green, Social, and Sustainable Bond Guidelines, aimed at facilitating sustainable finance. The Lao Securities Commission Office also introduced regulations on private equity and venture capital to expand access to alternative financing for innovative and environmentally focused enterprises. Ongoing research on developing a Lao climate taxonomy should further strengthen the ecosystem for sustainable business.

Women-led MSMEs

Support for women-led MSMEs is a key component of inclusive development strategy. While general support mechanisms apply to all entrepreneurs, the MSME Promotion Agency works closely with the Lao Businesswomen's Association, the Lao Women's Union, and international partners on initiatives specifically designed to empower women entrepreneurs.

Under the MSME Development Plan (2021–2025), clear targets will improve women's access to finance and participation in capacity-building programs. These aim to reduce gender disparities among entrepreneurs and ensure women-led MSMEs have the tools and knowledge needed to succeed.

International trade of MSMEs

To enhance global competitiveness, the government prioritizes export promotion and integration into global value chains under the MSME Development Plan (2021–2025). Key policies focus on improving market access, help MSMEs obtain international certifications and join global trade fairs and exhibitions.

The plan also provides access to market intelligence and global trend analysis to help MSMEs navigate international markets. By strengthening product standards and fostering international linkages, the country wants to make its MSMEs active contributors to regional and global supply chains.

MSME financing and financial inclusion strategies

The Financial Inclusion Roadmap 2018–2025 is a strategy to improve access to financial services for underserved groups, including MSMEs. The country's latest regulatory work to promote MSME financing are reflected in its 2024 Priority Economic Deliverable during its ASEAN Chairmanship, entitled “Enhancing Policy Dialogue to Address Financing Gaps and Strengthen Financial Inclusion among MSMEs.” This initiative brought together the ASEAN Working Committee on Financial Inclusion, external partners, and stakeholders to identify barriers and propose solutions to improve MSME access to finance.¹⁷⁸ There are also targeted MSME development policies, including financial support schemes, tax incentives, and regional programs to support microenterprises and rural business.

The Strategic Plan on Monetary-Financial Institution System Development (2016–2025), led by the central bank, provides a long-term roadmap for strengthening financial infrastructure, regulatory oversight, and institutional capacity. It is supported by the Basel Master and Implementation Plan for Bank Supervision Development, which aligns banking supervision with international standards to enhance financial stability and MSME access to finance.

¹⁷⁸ ASEAN Secretariat. Joint Statement of the 11th ASEAN Finance Ministers' and Central Bank Governors' Meeting. <https://asean.org/wp-content/uploads/2024/04/Joint-Statement-of-the-11th-AFMGM-ADOPTED.pdf>.

Data Tables

Table 17.1: MSME Definition

Sector	Item	Micro	Small	Medium
Production of commercial goods (Manufacturing)	Annual average number of employees	1-5	6-50	51-99
	Total assets (KN million)	Not exceeding 120	Not exceeding 1,200	Not exceeding 4,800
	Annual turnover (KN million)	Not exceeding 400	Not exceeding 3,000	Not exceeding 6,000
Trade	Annual average number of employees	1-5	6-50	51-99
	Total assets (KN million)	Not exceeding 180	Not exceeding 1,200	Not exceed 4,800
	Annual turnover (KN million)	Not exceeding 400	Not exceeding 4,500	Not exceed 9,000
Services	Annual average number of employees	1-5	6-50	51-99
	Total assets (KN million)	Not exceeding 240	Not exceeding 1,800	Not exceeding 7,200
	Annual turnover (KN million)	Not exceeding 400	Not exceeding 2,250	Not exceeding 6,000

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the MSME Classification Based on Decree No.04/GOL/2023 on SME classification (enacted on 12 January 2023).

Table 17.2: MSME Landscape

End of year data

Item	Unit	2013	2014	2015	2016	2017	2018	2019	2020
Scale of Enterprises									
MSMEs	Number	124,510	...	...	...	...	124,567	...	133,721
Micro	Number	...	...	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...	...	...
Large	Number	298	...	...	...	...	270	...	276
Total	Number	124,808	...	...	...	...	124,837	...	133,997
MSME to total	%	99.8	...	...	...	...	99.8	...	99.8
MSME growth*	%	(0.3)	...	...	...	...	0.01	...	3.6
MSMEs by sector	%	100	...	...	...	...	100	...	100
Agriculture, forestry, and fisheries		1.7	...	...	...	...	4.9	...	1.4
Manufacturing		12.4	...	...	...	...	12.4	...	14.7
Transportation and communications		3.1	...	...	...	...	3.1	...	3.0
Construction		0.5	...	...	...	...	0.5	...	1.7
Wholesale and retail trade		62.9	...	...	...	...	62.9	...	61.2
Other services		18.9	...	...	...	...	12.2	...	14.8
Others		0.4	...	...	...	...	3.9	...	3.2
MSMEs by region	%	100	...	...	...	...	...	...	100
Capital city (Vientiane)		28.2	...	...	...	...	...	...	22.3
Others		71.8	...	...	...	...	...	...	77.7
Employment									
MSMEs	Number	472,231	...	...	...	...	472,529	...	...
Micro	Number	...	...	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...	...	...
Large	Number	97,681	...	...	...	...	100,946	...	...
Total	Number	569,912	...	...	...	...	573,475	...	490,373
MSME employees to total	%	82.9	...	...	...	...	82.4	...	...
MSME employees growth*	%	10.2	...	...	...	...	0.01	...	...
MSME employees by sector	%	100	...	...	...	...	...	...	100
Agriculture, forestry, and fisheries		2.7	...	...	...	...	...	...	2.1
Manufacturing		17.4	...	...	...	...	...	...	22.5
Transportation and communications		3.6	...	...	...	...	...	...	3.1
Construction		2.0	...	...	...	...	...	...	2.8
Wholesale and retail trade		50.4	...	...	...	...	...	...	46.6
Other services		22.4	...	...	...	...	...	...	21.1
Others		1.4	...	...	...	...	...	...	1.8
MSME employees by region	%	...	...	...	...	...	...	...	...
Capital city (Vientiane)		...	...	...	...	...	...	...	...
Others		...	...	...	...	...	...	...	...
Output									
MSME GDP	GDP, KN mil.	...	...	...	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...	...	...	...
Exports									
MSME exports	KN mil.	...	...	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...	...	...
Imports									
MSME imports	KN mil.	...	...	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Compound annual growth rate (CAGR): CAGR 2006–2013 for 2013, CAGR 2013–2018 for 2018, and CAGR 2018–2020 for 2020.

Source: ADB Asia SME Monitor 2025 database. Data from the Ministry of Industry and Commerce.

Table 17.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	KN bil.	14,104	15,731	12,848	15,477	18,813	21,267
MSME loans to total loans	%	19.8	20.1	14.7	12.0	11.3	10.7
MSME loans to GDP	%	8.5	9.1	7.0	7.2	7.4	6.7
MSME loan growth	%	(1.0)	11.5	(18.3)	20.5	21.6	13.0
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	KN bil.	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans)	%	3.1	3.2	2.2	2.2	1.5	1.4
MSME loans by sector	%	100	...	...	...	...	...
Agriculture, forestry, and fisheries		3.8	...	...	...	...	...
Manufacturing		7.9	...	...	...	...	...
Transportation and communication		1.1	...	...	...	...	...
Construction		20.7	...	...	...	...	...
Wholesale and retail trade		37.0	...	...	...	...	...
Other services		18.6	...	...	...	...	...
Others		11.0	...	...	...	...	...
MSME loans by region	%	...	...	...	...	...	...
Capital city (Vientiane)		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
n/a.,							
Capital Markets							
n/a.,							

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Annual Economic Report 2010 (data on 2007 and 2008) and Annual Economic Report 2013 (data on 2009–2013); updated by the Bank of the Lao PDR.

Table 17.4: Policies and Regulations

Benchmark Regulations	MSME Promotion Law (amendment) No.16/NA/2022 Decree No.04/GOV/2023 on MSME Classification Decree No.05/GOV/2023 on MSME Promotion
Focal Government Authority for MSMEs	Micro, Small and Medium Enterprise Promotion Agency, Ministry of Industry and Commerce (MOIC)
Key Policies and Strategies	
Name	Outline
Micro, Small and Medium Enterprises (MSME) Development Plan 2021–2025	1) Entrepreneur development. 2) Access to finance. 3) Promoting productivity, technology, and innovation. 4) Promoting access to business development services. 5) Market access and expansion. 6) Creating an enabling environment for business establishment and operations. 7) Customs, tax, and financing.
MSME Promotion Policies by Law (2022)	1) Creating an enabling environment for operating businesses. 2) Access to finance. 3) Policy on customs, taxation and accounting. 4) Creating and developing entrepreneurs. 5) Providing technical services for business development. 6) Cooperating between MSMEs and large enterprises. 7) Enhancing productivity and quality. 8) Accessing and expanding markets. 9) Business clustering. 10) Developing business location. 11) Applying advanced technology and environment friendly. 12) Using and protecting intellectual property. 13) Providing and accessing to information. 14) Supporting inputs for the production. 15) Promoting invention and innovation utilization. 16) Promoting startup business. 17) Promoting access to procurement. 18) Other policies defined by the government from time to time.
Lao PDR Financial Inclusion Roadmap 2018–2025	1) Improving the availability and sustainability of credit. 2) Consumer protection and empowerment. 3) Strengthening village funds. 4) Payment ecosystem development. 5) Extending the outreach of banks and other financial service providers (financial outreach).
Thematic Initiatives	Outline
Digitalization of MSMEs: National Digital Economy Development plan (2021–2025) (Approved by the Ministry of Technology and Communications as part of a broader digital strategy, launched December 2021)	1) Increasing productivity, technology and innovation. 2) To promote digitalization among MSMEs. 3) To upgrade business effectiveness.
Green MSMEs and climate action: National Green Growth Strategy 2030 (Issued by the Secretariat for Formulation of National Green Growth Strategy, launched December 2018)	Promote tailor-made financial products for specific business operations of MSMEs, especially Green Financing.
Women-led MSMEs: Women-led MSME Promotion (Law on MSME Promotion No. 16/NA, dated 07 July 2022)	1) Women's access to finance. 2) Participation in capacity building.
International trade of MSMEs: MSME Development Plan 2021–2025 (Endorsed by Prime Minister's Decree in 2017 as part of the broader MSME development framework, operational 2021 to 2025)	1) Market access and expansion to support MSMEs. 2) Obtain international accreditation for exporting. 3) Support MSME to attend international exhibition, and provide information of international market.

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bank of the Lao PDR, Ministry of Industry and Commerce (Department of SME Promotion), SME Development Plan 2011–2015, and Lao Securities Commission Office.

MALAYSIA

Overview

The economy in 2024 was robust, with gross domestic product (GDP) expanding by 5.1%, up from 3.6% in 2023. Growth was fueled by strong consumer spending, a surge in investment and construction, and a rebound in manufacturing and external trade.¹⁷⁹ Private consumption rose by 5.1%, supported by a resilient labor market, stable inflation, and government measures to support income. Public and private investment grew by double-digits, powered by mega infrastructure projects and increased foreign direct investment, particularly in information and communication technology (ICT). Inflation eased to 1.8%, below the central bank Bank Negara Malaysia (BNM) target range, which allowed monetary policy to remain accommodative. In 2025, growth is expected to moderate to 4.3% due to external uncertainties, including slower growth among major trading partners and rising trade tensions. Nonetheless, domestic demand should remain resilient, supported by wage hikes and minimum wage increases, although rationalized subsidies and tax reform may temper household spending.

In 2024, micro, small, and medium-sized enterprises (MSMEs) declined by 1.4% in number to 1.1 billion, still comprising 96.1% of all firms, with services remaining dominant. Despite the absence of updated employment and output data, MSMEs continued to contribute significantly to GDP and job creation. Trade rebounded, with total exports and imports rising by 10.2% in 2024. Financial access improved, with MSME loans at RM418.2 billion and guaranteed loans totaling RM99.4 billion through Credit Guarantee Corporation Malaysia (CGC). Reflecting mixed capital market dynamics, the ACE market expanded by 12.7% while the start-up LEAP market contracted. Government policies in 2024 showed a strong institutional commitment to MSME development. The Financial Sector Blueprint 2022–2026 and targeted facilities—such as the SME Automation and Digitalization Facility and High Tech and Green Facility—help MSMEs adopt digital and sustainable technologies. Climate policy is driven by the Joint Committee on Climate Change (JC3), which launched tools like the Environmental, Social, and Governance (ESG) Jumpstart Portal and the Low Carbon Transition Facility, alongside regulatory frameworks such as the Value-based Intermediation Financing and Investment Impact Assessment Framework and Climate Change and Principle-based Taxonomy. Gender inclusion is promoted through the Inclusive SME Ecosystem Program (i-SEE), the National Entrepreneurship Policy 2030, along with RM470 million in financing for women-led MSMEs, complemented by a broader RM650 million for women and youth entrepreneurship. International trade initiatives include the Micro Enterprises Facility and liberalized foreign exchange policy, which helps integrate MSMEs into global supply chains. Collectively, they underscore Malaysia’s holistic approach to building a resilient, inclusive, and globally competitive MSME ecosystem.

¹⁷⁹ ADB. 2025. Asian Development Outlook September 2025.

MSME Development

The number of MSMEs declined slightly in 2024, with 1.1 billion MSMEs making up 96.1% of all firms. Services accounted for 84.4% and 64.7% of MSME workers. MSMEs employed 7.9 million people in 2023, or 48.5% of the national workforce. Output reached RM613.1 billion, or 39.1% of GDP. MSME exports totaled RM152.2 billion, or 12.2% of 2023 exports. External shocks and unevenly applied policies tend to slow resilience and growth. Strengthening financial systems, streamlining support mechanisms, and enhancing digital and trade readiness are central to unlocking MSMEs full potential.

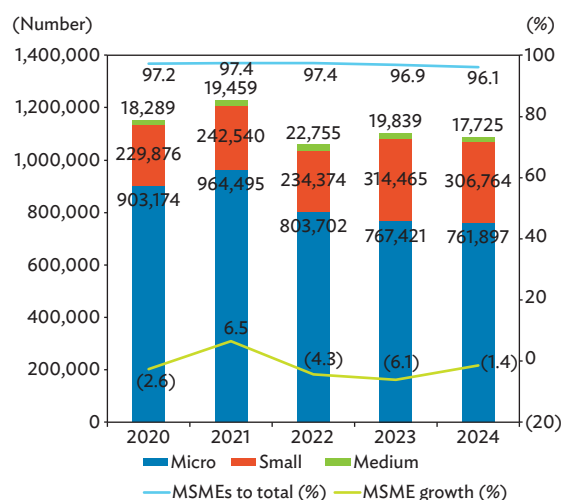
MSMEs are classified by sector and based on two criteria—annual sales turnover and the number of full-time employees. For manufacturing, microenterprises are those with annual sales turnover of less than RM300,000 or fewer than five employees. Small enterprises have a turnover between RM300,000 and RM15 million or employ five to 74 employees, while medium-sized enterprises have turnover from RM15 million not exceeding RM50 million or employ 75 to less than 200 employees. In services and “other” sectors, the criteria for microenterprises remain the same. However, small enterprises are defined as having turnover between RM300,000 and less than RM3 million or employing five to 29 workers, and medium-sized enterprises have turnover from RM3 million to less than RM20 million or employ 30 to 75 employees (Table 18.1). These definitions are critical for determining eligibility for government support and financial assistance.

The number of MSMEs is sourced from the Malaysia Statistical Business Register (MSBR) system, which gathers information from both primary and secondary sources and is published through i-MSBR through the Department of Statistics Malaysia (DOSM) known as the Jabatan Perangkaan Malaysia portal. Based on these statistics, the number of MSMEs declined by 4.3% in 2022, 6.1% in 2023 and 1.4% in 2024, but still accounted for 96.1% of the total enterprises. (Table 18.2 and Figure 18.1A).

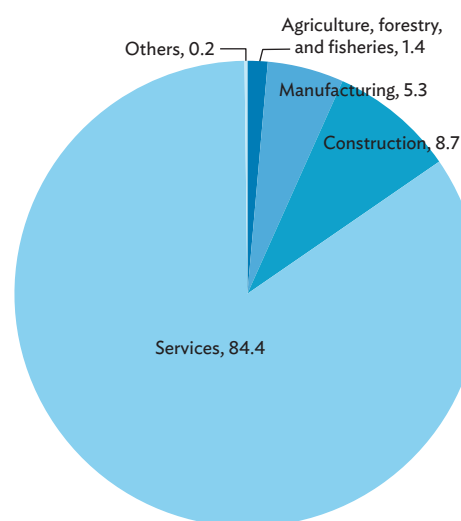
MSMEs continued to be predominantly concentrated in services, rising from 83.9% in 2023 to 84.4% in 2024.¹⁸⁰ Other sectors include construction (8.7%); manufacturing (5.3%); agriculture, forestry, and fisheries (1.4%); and mining and quarrying (0.2%) (Figure 18.1B).

Figure 18.1: Scale of MSMEs

A. Trend



B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Department of Statistics Malaysia (DOSM), and SME Corp Malaysia.

¹⁸⁰ Services include transportation and storage, wholesale and retail trade, telecommunications, and real estate.

There were slightly more MSMEs in the capital, with 13.0% located in Kuala Lumpur in 2024 compared to 12.3% in 2023. The other 87.0% operated in states outside, down from 87.7%. These trends suggest a gradual centralization of MSMEs and the continued dominance of services in MSME economic activity.

Although the number of MSMEs is declining, MSME employment shows otherwise. MSMEs employed 7.9 million people in 2023, up by 3.5% over 2022. MSMEs continued to play a vital role in the labor market, employing approximately 7.9 million people—up by 3.5% over 2022. They accounted for 48.5% of the total workforce, with 64.7% of MSME employment concentrated in services, highlighting its importance in job creation.

In terms of output, MSMEs contributed RM613.1 billion to GDP in 2023, or 39.1%. Despite the drop in number of MSMEs, their output grew by 5.0%, a trend continuing since 2021. As of August 2025, the DOSM had not released 2024 figures on MSME employment or output.

Malaysia's exports were valued at RM1.4 trillion in 2024, up by 10.2% from 2023. Imports also grew by 10.2%, reaching RM1.3 trillion. In 2023, MSME exports were valued at RM152.2 billion, growing by 4.5% over 2022. MSME exports accounted for 12.2% of total export value. While the specific export and import values for MSMEs in 2024 remain embargoed or unavailable, they suggest a strong rebound in overall trade activity. Once released, MSME-specific trade data will offer further insights into their contribution to Malaysia's external trade.

Geopolitical tensions and trade uncertainties increase MSME vulnerability to shocks, particularly those in international supply chains. Tariff changes, currency fluctuations, and disruptions in logistics can significantly impact MSME operations, especially those export-oriented. While the immediate economic impact may appear muted due to existing orders, prolonged uncertainty can reduce demand, increase costs, and tighten credit conditions. MSMEs often lack the resilience and contingency planning to navigate shocks effectively.

Despite numerous policy initiatives to support MSMEs, their ecosystem remains fragmented and inconsistent. MSME definitions vary across agencies, leading to confusion and inefficient program implementation. Government support often lacks rigorous monitoring and evaluation mechanisms, resulting in suboptimal results. Also, capital-starved financial institutions, particularly nonbank financial institutions, struggle to scale operations due to regulatory constraints and limited access to long-term funding. This restricts the availability of alternative financing options for MSMEs, especially in underserved regions.

Access to Finance

The credit market continued expanding in 2024, with outstanding MSME loans reaching RM418.2 billion—equivalent to 22.4% of GDP. Credit quality improved, with the nonperforming loan (NPL) ratio dropping to 3.5%. Services remained the largest benefactor, while more loans were made outside Kuala Lumpur. Capital investment loans increased, signaling stronger business confidence. The CGC supported over 6,500 MSMEs, guaranteeing loans worth RM99.4 billion. In capital markets, the ACE market thrived with 40 initial public offerings (IPOs) and a 12.7% rise in market capitalization, while the LEAP market contracted, but continued to support early-stage firms. Overall, Malaysia's multitiered financial structure showed both resilience and maturity, offering MSMEs diverse financing options.

As of the end of 2024, there were 58 commercial banks, comprising 52 banking institutions and 6 development financial institutions.

MSME loans continued to increase in 2024, with total outstanding loans reaching RM418.2 billion—an 8.3% increase from RM386.1 billion in 2023 (Table 18.3 and Figure 18.2A). While slightly below the 2022 8.6% rise, it still shows strong MSME access to new credit. MSME loans accounted for the equivalent of 22.4% of GDP in 2024, up from 21.8% in 2023, and represented 17.2% of all bank loans, slightly up from 16.7% the year before. The number of MSME loan borrowers

decreased slightly to 233,362 in 2024 from 235,481 in 2023, suggesting a marginal tightening in borrowing or a shift in lending patterns.

MSME NPLs totaled RM14.7 billion in 2024, nearly unchanged from RM14.6 billion in 2023. The NPL ratio declined to 3.5% from 3.8%, indicating a modest improvement in MSME credit quality. However, it still remains significantly above the overall gross NPL ratio of 1.4% for all bank loans, though the gap is narrowing.

By sector, MSMEs in services continue to receive the largest share in 2024, at 68.8%, up from 67.8% in 2023 (Figure 18.2B). Manufacturing and construction followed at 14.5% and 12.6%, respectively. Regionally, the share of MSME loans in Kuala Lumpur declined to 16.5% from 21.1% in 2023, suggesting a shift in lending toward other regions (States), which accounted for 83.5% of MSME loans in 2024.

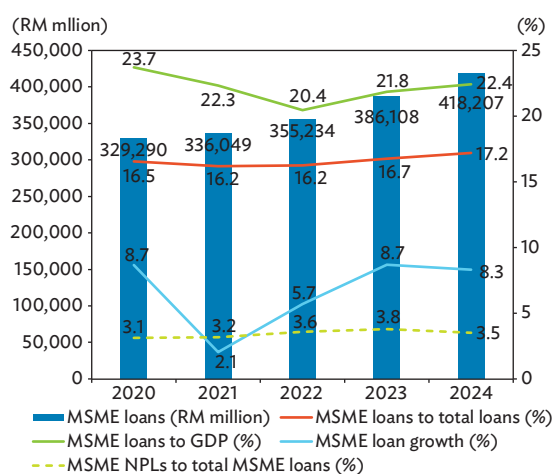
In terms of MSME loan use, 49.6% in 2024 were allocated for capital investment, slightly up from 48.6% in 2023, while 43.3% were used for working capital, down from 44.3%. This shift may reflect increased MSME business confidence and long-term planning. The MSME lending rate rose to 5.64% in 2024 from 5.28% in 2023, possibly reflecting tighter monetary conditions or increased risk premiums. The MSME loan rejection rate was 18.5%, highlighting ongoing challenges in credit accessibility.

In 2024, CGC continued to play a pivotal role in supporting MSMEs through its guarantees, easing access to loans. Total outstanding guaranteed loans reached RM99.4 billion, up by 4.2% from 2023. CGC approved RM4.0 billion in loan guarantees and disbursed RM2.5 billion, reflecting its success in bridging financing gaps. During the year, 6,571 MSMEs received guarantees for a cumulative 538,873 MSMEs supported since CGC's inception (Figure 18.3). CGC also issued 5,112 new portfolio guarantees under letters of guarantee, further enhancing MSME financial inclusion.

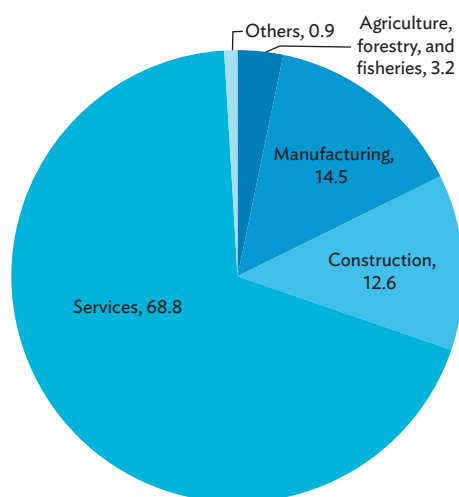
The capital market continues to play a vital role in supporting the country's sustainability and economic development agenda, offering a diverse range of financing instruments including conventional and Islamic products, venture capital, and Sustainable and Responsible Investment Sukuk. Regulated by the Securities Commission Malaysia, the market remains robust, transparent, and inclusive, with platforms such as the ACE and LEAP markets under Bursa Malaysia providing critical equity financing venues.

Figure 18.2: MSME Loans

A. Trend



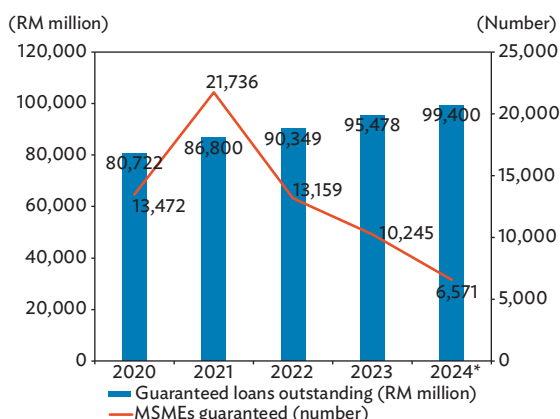
B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bank Negara Malaysia.

Figure 18.3: Credit Guarantees for MSMEs—Credit Guarantee Corporation Malaysia



MSME = micro, small, and medium-sized enterprise.

* Data (RM amount) for 2024 is a rounded figure.

Source: ADB Asia SME Monitor 2025 database. Data from Credit Guarantee Corporation Malaysia.

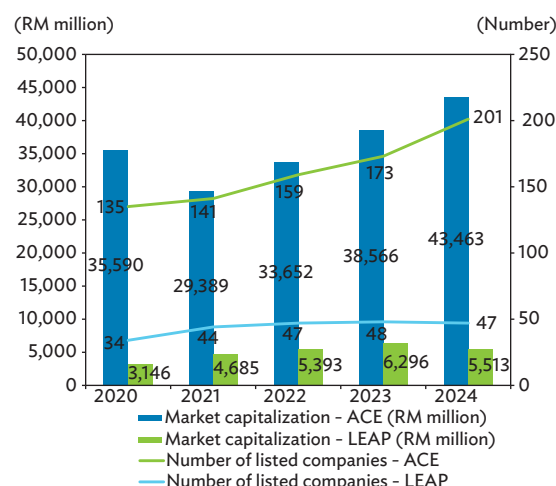
In 2024, the ACE market continued to grow, with market capitalization rising to RM43.5 billion—a 12.7% increase from RM38.6 billion in 2023. Trading activity remained strong, with a trading value of RM57.3 billion and a volume of 194.1 million shares. The number of listed companies increased to 201, up from 173 in the previous year, supported by 40 new IPOs. Notably, 12 companies shifted from the ACE market to the main board, entering the mainstream market.

Conversely, the LEAP market (dedicated MSME equity market) contracted in 2024, with market capitalization declining by 12.4% to RM5.5 billion from RM6.3 billion in 2023. Trading value and volume also decreased to RM43 million and 139 million shares, respectively. The number of listed companies declined slightly to 47, although four new IPOs were issued. Despite the downturn, five companies successfully moved to the main board, reflecting the platform's continued relevance as a steppingstone for high-potential enterprises (Figure 18.4).

The main board itself did well, with market capitalization reaching RM2.0 trillion—up by 16.1% from the previous year. Trading value was RM760.4 billion with 628.8 million shares traded. The board hosted 791 listed companies, with 11 IPOs and 5 delisted, indicating healthy market dynamics and continued investor interest.

Overall, 2024 data reflect a maturing capital market ecosystem, with the ACE market continuing to thrive as a key equity finance venue for emerging companies. While the LEAP market faced headwinds, its role in nurturing early-stage companies and MSMEs remains important. The sustained growth in IPOs and shifts to the main board underscores the effectiveness of a multitiered market structure supporting development and financial inclusion.

Figure 18.4: Equity Markets for MSMEs—ACE and LEAP, Bursa Malaysia



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bursa Malaysia.

MSMEs nonetheless still face significant challenges in accessing finance. Based on information from relevant government agencies, some constraints involve structural, financial, and policy-related issues exacerbated by external shocks.

Access to finance remains the most pressing issue for MSMEs. Despite various initiatives, a substantial proportion continue to rely on internal funds or informal sources for working capital and investment. Only a minority of small firms have access to bank loans, with many citing excessive collateral requirements and complex application procedures as deterrents. The lack of tailored MSME financial products and risk-based lending mechanisms further limit their ability to secure credit, especially when economic uncertainty makes financial institutions more risk-averse.

Another significant barrier to MSME finance is the low level of financial literacy and poor documentation among business owners. Many MSMEs lack certified financial statements and formal business records, which are essential for financial institutions' credit assessment. This is particularly acute among microenterprises and women-owned businesses, which often operate informally and are less likely to work within the formal banking system. The lack of robust financial data not only impedes access to loans but affects the ability of MSMEs to benefit from government support programs and investor funding.

Malaysia's credit infrastructure, while improving, still falls short in supporting MSME financing. Credit reporting systems and movable collateral registries are underused, and banks often lack the capacity to effectively assess MSME creditworthiness. This results in relying on traditional lending models that favor larger, more established firms. Moreover, the insolvency framework, although reformed, remains underdeveloped, with limited judicial capacity and slow dispute resolution processes discouraging lenders from dealing with MSMEs.

Policies and Regulations

Malaysia has a centralized, forward-looking policy framework to support MSME development, led by the Ministry of Entrepreneur and Cooperatives Development. Key strategies include the National Entrepreneurship Policy 2030 and targeted digitalization programs such as Geran Digital PMKS Madani and BNM's Financial Sector Blueprint. Green MSMEs benefit from initiatives under the Joint Committee on Climate Change, including ESG tools, green financing facilities, and sustainability training. Women-led MSMEs are supported through inclusive programs such as i-SEE. MSME capital market access is enhanced through the Catalyzing MSME Roadmap.

Malaysia has a central policy coordination mechanism to streamline MSME development, with the Ministry of Entrepreneur and Cooperatives Development (MECD) the focal ministry. SME Corporation Malaysia, under MECD, is implementing agency and secretariat for the National Entrepreneur and SME Development Council (Table 18.4).

The National Entrepreneurship Policy 2030 (DKN2030) provides a long-term strategic framework to foster entrepreneurship, improve regulatory and financial access, and promote innovation and internationalization among MSMEs. These are complemented by digitalization initiatives such as the Geran Digital PMKS Madani, which allocates RM100 million in matching grants to help MSMEs adopt digital solutions and improve operational efficiency.

Digitalization of MSMEs

Malaysia has a comprehensive set of initiatives that support MSME digitalization, based on strategic policy frameworks and targeted financial instruments. Central to this is the BNM Financial Sector Blueprint 2022–2026, which allows MSMEs to upscale and adopt digital technologies for higher value-added activities.¹⁸¹ The blueprint's action plans include enhancing digital financial services, promoting financing innovation, and fostering partnerships to improve digital literacy. Complementing this policy are two key financing facilities under BNM's Fund for SMEs: (i) the SME Automation and Digitalization Facility, which provides up to RM3 million per MSME to support automation and digital transformation, and (ii) the High Tech and Green Facility, which offers financing for MSMEs in strategic areas such as digital tech, green tech, and biotech to invest in sustainable and innovative growth. These initiatives are further supported by national programs such as the Digital Economy Blueprint, the SME Digitalization Grant, and the Smart Automation Grant, all designed to accelerate use of digital tools and boost productivity. Together they reflect Malaysia's commitment to build resilient, inclusive, and digitally empowered MSMEs.

¹⁸¹ Bank Negara Malaysia. Financial Sector Blueprint 2022–2026. https://www.bnm.gov.my/documents/20124/5915429/fsb3_en_book.pdf. Published 2022.

Green MSMEs and climate action

A robust suite of initiatives supports MSME transition toward sustainable and low-carbon production. The cornerstone is the Joint Committee on Climate Change (JC3), established in 2019 by BNM and the Securities Commission Malaysia to coordinate the financial sector's response to climate-related risks. JC3 comprises five subcommittees and a dedicated SME Focus Group to address governance, risk management, product innovation, data gaps, and capacity building.¹⁸² Under JC3, the ESG Jumpstart Portal was launched to provide MSMEs the foundational knowledge, tools, and guidance to begin their journey toward sustainability. To further support green financing, BNM introduced the Low Carbon Transition Facility, a matching fund with financial institutions to help MSMEs adopt sustainable raw materials, renewable energy, and energy-efficient technologies.^{183,184} In 2022, BNM also started the Greening Value Chain Program, which offers technical training and onsite diagnostics to help MSMEs green operations.¹⁸⁵ More recently, the Greening Halal Businesses Pilot Program was launched in 2024 to support *halal* MSMEs meet green transition goals.¹⁸⁶ Complementing these are several BNM policy and guidance documents, including the Value-based Intermediation Financing and Investment Impact Assessment Framework, the Climate Change and Principle-based Taxonomy, the Climate Risk Management and Scenario Analysis

policy, and the 2024 Climate Risk Stress Testing methodology paper.^{187,188,189} All these guide financial institutions integrate climate risk into their operations and lending practices to MSMEs, reflecting Malaysia's commitment to a just and inclusive transition to a low-carbon economy.

Women-led MSMEs

Several initiatives promote gender inclusivity and empower women within MSMEs. One key program is the i-SEE, managed by SME Corporation Malaysia, which supports innovative projects that benefit single mothers, women in rural areas, and retirees.¹⁹⁰ It provides grants of up to RM200,000 to eligible innovators or companies to develop products and services that drive community transformation.

Additionally, DKN2030 strategic goals help women become entrepreneurs, focusing on capacity building, financial access, and market integration for women-led MSMEs. Complementing these efforts, DOSM regularly publishes gender empowerment statistics, tracking women's progress in the economy and business ownership. These collectively reflect Malaysia's commitment to fostering a more inclusive and equitable MSME ecosystem that supports women's economic empowerment and gender equality.¹⁹¹

¹⁸² Bank Negara Malaysia. Joint Committee on Climate Change (JC3) Microsite. <https://www.jc3malaysia.com/about-jc3>.

¹⁸³ Bank Negara Malaysia. Funds for SMEs—Low Carbon Transition Facility. <https://www.bnm.gov.my/funds4sme>.

¹⁸⁴ Bank Negara Malaysia. ESG Jumpstart Portal for SMEs. <https://www.jc3malaysia.com/esg-jumpstart-for-smes>.

¹⁸⁵ Bank Negara Malaysia. COP27 Announcement – Greening Value Chain and Low Carbon Transition Facility. <https://www.bnm.gov.my/-/cop27-gvc-ictf>.

¹⁸⁶ Bank Negara Malaysia. Annual Report 2024 – Greening Halal Businesses Pilot Programme. https://www.bnm.gov.my/documents/20124/17493532/ar2024_en_ch1d.pdf. Published 2024.

¹⁸⁷ Bank Negara Malaysia. Value-based Intermediation Financing and Investment Impact Assessment Framework Guidance Document. https://www.bnm.gov.my/documents/20124/761679/VBIAF_Final+guidance+1.11.2019.pdf. Published 2019.

¹⁸⁸ Bank Negara Malaysia. Climate Change and Principle-based Taxonomy. <https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf>.

¹⁸⁹ Bank Negara Malaysia. Climate Risk Stress Testing Methodology Paper. https://www.bnm.gov.my/documents/20124/938039/CRST_Methodolgy_paper_V3.0.pdf. Published 2025.

¹⁹⁰ SME Corporation Malaysia. Inclusive SME Ecosystem Programme (i-SEE). <https://smecorp.gov.my/index.php/en/programmes1/2015-12-21-09-53-14/inclusive-sme-ecosystem-i-see>.

¹⁹¹ Department of Statistics Malaysia. Statistics on Women Empowerment in Selected Domains, Malaysia, 2021. <http://www.statistics.gov.my/portal-main/release-content/statistics-on-women-empowerment-in-selected-domains-malaysia-2021>. Published 17 November 2021.

For example, the 2025 policy framework allocates RM470 million to SME Bank, Bank Simpanan Nasional, Bank Rakyat, and Majlis Amanah Rakyat. It supports women-led MSMEs by providing accessible working capital, asset acquisition support, and financing for business expansion. It targets micro and small enterprises, particularly those in underserved and rural areas, and increases the number of bankable women entrepreneurs by enhancing their financial inclusion and business viability.¹⁹²

Complementing this is a broader RM650 million allocation that supports both women and youth entrepreneurship. This dual-targeted approach underscores the government's recognition that vulnerabilities intersect and can be dealt with together to strengthen inclusive growth. The funding supports capacity-building programs, innovation grants, and market access initiatives, focusing on sustainable and resilient business models among women entrepreneurs.¹⁹³

Together, these represent a comprehensive and forward-looking approach to gender mainstreaming in MSME development. They are supported by policy frameworks such as the Twelfth Malaysia Plan, which stresses economic empowerment, equal access to resources, and gender-responsive budgeting. These signal a strong institutional commitment to fostering an inclusive entrepreneurial ecosystem and advancing the role of women in national economic development.

International trade of MSMEs

The government works to enhance MSME global competitiveness through targeted financial and regulatory initiatives. Central is the BNM Fund for SMEs, which includes financing tailored to support

MSMEs in global trade. They meet diverse objectives for development and growth, providing working capital and expenditure needed for export-oriented businesses.¹⁹⁴ The Micro Enterprises Facility, for example, provides collateral-free financing of up to RM50,000 to microenterprises, including self-employed individuals and gig workers, enabling them to scale operations and engage in cross-border trade. Additionally, Malaysia's Foreign Exchange Policy supports cross-border economic activities, offering flexibility to facilitate international transactions and investment.¹⁹⁵ To streamline export-related financial processes, BNM also provides detailed documentation guidelines for MSMEs, including procedures for retaining export proceeds overseas and global netting arrangements.¹⁹⁶ These collectively help integrate Malaysian MSMEs into global supply chains, enhance their export capabilities, and ensure a conducive financial environment for international business growth.

MSME financing and financial inclusion strategies

Financial inclusion and access to capital are also central to Malaysia's MSME strategy. BNM introduced the Second Financial Inclusion Framework (2023–2026) and the Financial Sector Blueprint (2022–2026) to expand financial services, promote digital finance, and support vulnerable segments. In the capital market, the Securities Commission launched the Catalysing MSME and MTC Access to the Capital Market Roadmap (2024–2028) to raise RM40 billion in financing by 2028. It includes 36 initiatives on regulatory innovation, market infrastructure, and capacity building, reinforcing the commitment to a robust and inclusive financial MSME ecosystem. BNM's financial inclusion agenda focuses on

¹⁹² Selangor Journal. Budget 2025: RM470 mln in financing key to supporting, growing women SME entrepreneurs. Published 20 October 2024. Accessed 19 June 2025. <https://selangorjournal.my/2024/10/budget-2025-rm470-mln-in-financing-key-to-supporting-growing-women-sme-entrepreneurs/>.

¹⁹³ The Star. Budget 2025 empowers women, bridges gender gap. Published 20 October 2024. Accessed 19 June 2025. <https://www.thestar.com.my/news/nation/2024/10/20/budget-2025-empowers-women-bridges-gender-gap>.

¹⁹⁴ Bank Negara Malaysia. Fund for SMEs – Micro Enterprises Facility. <https://alumni.bnm.gov.my/documents/20124/2294076/Features%20of%20Micro%20Enterprises%20Facility%20MEF.pdf>.

¹⁹⁵ Bank Negara Malaysia. Foreign Exchange Policy Overview. <https://www.bnm.gov.my/foreign-exchange-policy>.

¹⁹⁶ Bank Negara Malaysia. Foreign Exchange Notices – Consolidated Document. <https://www.bnm.gov.my/documents/20124/60360/Foreign+Exchange+Notices...Consolidated.pdf>.

expanding access to quality financial services through digital innovation, agent banking, and targeted financing schemes for underserved groups, including microenterprises and women.¹⁹⁷ Malaysia has also integrated Inclusive Business into national policy via the 12th Malaysia Plan and DKN2030. These policies help social enterprises become scalable Inclusive Business models, supported by SME Corporation and the MECD. The ASEAN-endorsed Guidelines for the Promotion of Inclusive Business in ASEAN further guide these efforts.¹⁹⁸ They outline policy instruments such as Inclusive Business accreditation, investment incentives, and public procurement that targets inclusive enterprises. Malaysia is a member of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), which promotes MSME competitiveness through digital tools, market access, and capacity building.

¹⁹⁷ Bank Negara Malaysia. Financial Inclusion. <https://www.bnm.gov.my/financial-inclusion>.

¹⁹⁸ ASEAN Secretariat. Guidelines for the Promotion of Inclusive Business in ASEAN: Briefing Notes for Malaysia. https://asean.org/wp-content/uploads/2022/10/Malaysia_IB-Promotion-Briefing-Notes_approved.pdf.

Data Tables

Table 18.1: MSME Definition

Sector	Item	Micro	Small	Medium
Manufacturing	Annual sales turnover	Less than RM300,000	From RM300,000 to less than RM15 million	From RM15 million to not exceeding RM50 million
	Number of full-time employees	Fewer than 5 employees	From 5 to 74 employees	From 75 to not exceeding 200 employees
Services and other sectors	Annual sales turnover	Less than RM300,000	From RM300,000 to less than RM3 million	From RM3 million to not exceeding RM20 million
	Number of full-time employees	Fewer than 5 employees	From 5 to 29 employees	From 30 to not exceeding 75 employees

MSME = micro, small, and medium-sized enterprise.

Note: MSME definition has been effective since 1 January 2014.

Source: ADB Asia SME Monitor 2025 database. Data from SME Corporation Malaysia.

Table 18.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	1,181,631	1,151,339	1,226,494	1,173,601	1,101,725	1,086,386
Micro	Number	925,717	903,174	964,495	803,702	767,421	761,897
Small	Number	237,321	229,876	242,540	234,374	314,465	306,764
Medium-sized	Number	18,593	18,289	19,459	22,755	19,839	17,725
Large	Number	32,237	32,669	32,269	31,386	35,798	44,172
Total	Number	1,213,868	1,184,008	1,258,763	1,204,987	1,137,523	1,130,558
MSME to total	%	97.3	97.2	97.4	97.4	96.9	96.1
MSME growth	%	2.8	(2.6)	6.5	(4.3)	(6.1)	(1.4)
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		1.7	1.7	1.9	1.4	1.2	1.4
Manufacturing		4.9	5.1	5.8	5.6	5.4	5.3
Construction		7.3	7.4	8.0	7.9	9.3	8.7
Services*		85.8	85.5	83.8	84.7	83.9	84.4
Others**		0.3	0.3	0.4	0.4	0.2	0.2
MSMEs by region	%	100	100	100	100	100	100
Capital city (Kuala Lumpur)		15.2	14.7	14.3	12.4	12.3	13.0
Others		84.8	85.3	85.7	87.6	87.7	87.0
Employment							
MSMEs	Number ('000)	7,318	7,253	7,315	7,594	7,857	...
Micro	Number ('000)	...	...	...	...	...	...
Small	Number ('000)	...	...	...	...	...	...
Medium-sized	Number ('000)	...	...	...	...	...	...
Large	Number ('000)	7,808	7,843	7,975	8,168	8,344	...
Total	Number ('000)	15,126	15,096	15,290	15,762	16,201	...
MSME employees to total	%	48.4	48.0	47.8	48.2	48.5	...
MSME employees growth	%	3.0	(0.9)	0.9	3.8	3.5	...
MSME employees by sector	%	100	100	100	100	100	...
Agriculture, forestry, and fisheries		10.6	10.7	10.8	10.4	10.1	...
Manufacturing		16.3	16.4	16.6	16.4	16.3	...
Construction		9.7	9.3	9.1	8.8	8.6	...
Services*		63.1	63.3	63.2	64.1	64.7	...
Others**		0.3	0.3	0.3	0.3	0.3	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Kuala Lumpur)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
MSME GDP	Real GDP, RM mil.	553,426	513,174	520,284	584,105	613,144	...
MSME GDP to total	% to GDP	38.9	38.1	37.4	38.6	39.1	...
MSME GDP growth	%	5.9	(7.3)	1.4	12.3	5.0	...
Exports							
MSME exports	RM bil.	176.3	117.8	124.3	145.6	152.2	...
MSME exports to total export value	%	17.9	13.5	11.4	10.6	12.2	...
MSME export growth	%	2.6	(33.1)	5.4	17.2	4.5	...
Imports							
MSME imports	RM bil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Including transportation and storage, wholesale and retail trade, telecommunications, and real estate.

** Mining and quarrying.

Source: ADB Asia SME Monitor 2025 database. Data from Department of Statistics Malaysia, and SME Corporation Malaysia.

Table 18.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	RM mil.	303,032	329,290	336,049	355,234	386,108	418,207
MSME loans to total loans	%	15.8	16.5	16.2	16.2	16.7	17.2
MSME loans to GDP	%	20.6	23.7	22.3	20.4	21.8	22.4
MSME loan growth	%	(4.7)	8.7	2.1	5.7	8.7	8.3
MSME loan borrowers	Number	169,876	210,395	196,308	231,580	235,481	233,362
Nonperforming loans (NPLs)							
MSME NPLs	RM mil.	10,102	10,327	10,713	12,761	14,657	14,719
MSME NPLs to total MSME loans	%	3.3	3.1	3.2	3.6	3.8	3.5
(Gross NPLs to total bank loans)	%	1.6	1.7	1.7	1.7	1.7	1.4
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		4.8	4.3	3.9	3.7	3.8	3.2
Manufacturing		14.0	14.2	14.9	14.7	14.7	14.5
Construction		15.2	15.2	13.2	13.1	12.8	12.6
Services		65.0	65.2	67.1	67.8	67.8	68.8
Others		1.0	1.2	0.9	0.7	1.0	0.9
MSME loans by region	%	100	100	100	100	100	100
Capital city (Kuala Lumpur)		25.5	22.4	20.4	20.0	21.1	16.5
Others		74.5	77.6	79.6	80.0	78.9	83.5
MSME loans by type of use	%	100	100	100	100	100	100
For working capital		43.9	44.0	43.7	42.9	44.3	43.3
For capital investment		48.0	48.1	47.9	48.8	48.6	49.6
Others (unidentified)		8.0	7.9	8.4	8.3	7.1	7.1
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit Guarantee Corporation Malaysia (CGC)							
Guaranteed loans outstanding*	RM mil.	74,800	80,722	86,800	90,349	95,478	99,400
Growth	%	5.7	7.9	7.5	4.1	5.5	4.2
MSMEs guaranteed**	Number	10,827	13,472	21,736	13,159	10,245	6,571
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Government Credit Guarantee Funds							
Funds	Number	6	7	...	...	...	...
Disbursed	RM mil.	3,835	5,789	...	...	...	...
MSMEs benefited	Number	14,352	13,956	...	...	...	...
Subsidized Loans							
Funds	Number	23	29	...	...	...	...
Disbursed	RM mil.	2,511	6,417	...	...	...	...
MSMEs benefited	Number	14,352	13,956	...	...	...	...
Capital Markets							
ACE, Bursa Malaysia							
Market capitalization	RM mil.	18,829	35,590	29,389	33,652	38,566	43,463
Growth	%	55.1	89.0	(17.4)	14.5	14.6	12.7
Trading value	RM mil.	21,405	173,184	136,479	50,524	61,631	57,337
Listed companies	Number	129	135	141	159	173	201
LEAP, Bursa Malaysia							
Market capitalization	RM mil.	2,435	3,146	4,685	5,393	6,296	5,513
Growth	%	164.7	29.2	49.0	15.1	16.8	(12.4)
Trading value	RM mil.	33	11	23	36	87	43
Listed companies	Number	28	34	44	47	48	47

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data for 2024 is a rounded figure.

** Number of accounts.

Source: ADB Asia SME Monitor 2025 database. Data from Bank Negara Malaysia, Credit Guarantee Corporation Malaysia, and SME Corporation Malaysia.

Table 18.4: Policies and Regulations

Benchmark Regulation	Small and Medium Enterprises Corporation Malaysia Act 1995
Focal Government Authorities for MSMEs	Ministry of Entrepreneur and Cooperatives Development (MECD) National Entrepreneur and MSME Development Council (NESDC) SME Corporation Malaysia (SME Corp. Malaysia)
Key Policies and Strategies	
Name	Outline
National Entrepreneurship Policy 2030 (Dasar Keusahawanan Nasional, DKN 2030)	1) Fostering an entrepreneurship culture across all segments of Malaysian society. 2) Optimizing the regulatory environment and access to finance. 3) Promoting holistic and integrated entrepreneurship development. 4) Accelerating economic growth through innovation-driven enterprises. 5) Boosting the entrepreneurial capabilities and performance of MSMEs. 6) Internationalization of high-growth enterprises.
SME Masterplan 2012–2020	1) Increasing business formation. 2) Expanding the number of high growth firms. 3) Raising productivity. 4) Intensifying formalization.
SME Corp. Malaysia Business Strategic Plan 2022–2030	Focus areas: 1) Value chains in high impact industries. 2) Internationalisation of MSMEs. 3) Microenterprises and inclusive groups. 4) Digitalization and automation of MSMEs. 5) Recalibrating the Central Coordinating Agency (Role of SME Corp. Malaysia).
Twelfth Malaysia Plan 2021–2025	Three themes with its game changers: 1) Resetting the economy. - Catalyzing strategic and high impact industries to boost economic growth. - Transforming MSMEs as the new driver of growth. 2) Strengthening security, well-being and inclusivity. - Enhancing national security and unity for nation-building. - Revitalising the healthcare system in ensuring a healthy and productive nation. - Transforming the approach in eradicating hardcore poverty. 3) Advancing sustainability. - Embracing the circular economy. - Accelerating adoption of the Integrated Water Resources Management (IWRM).
MSME Strategic Plan 2030	Three catalysts to boost growth: 1) Entrepreneurial mindset and skills. 2) A conducive ecosystem to innovate. 3) MSME-friendly business environment. MSME-related targets: 1) MSME contribution to GDP: 41% by 2025 and 50% by 2030. 2) MSME contribution to export: 15% by 2025 and 30% by 2030. 3) MSME contribution to employment: 50% by 2025 and 55% by 2030. 4) MSME Productivity: RM83,000 per worker by 2025 and RM100,000 per worker by 2030.
Bumiputera Economic Transformation Plan 2035	The Plan aims to improve Bumiputera outcomes by raising the standards for all Malaysians, with three core initiatives: 1) Strengthening the national economic pillar. 2) Strengthening the governance and institutional harmony. 3) Promoting social justice. Specific MSME Target: Bumiputera enterprises to contribute 15% to GDP by 2035. Specific Initiatives for MSMEs: Core 1 - Introduce tax incentives to promote R&D&CI for MSMEs. Core 2 - Expand business model of GLC & GLIC to encourage MSME involvement in value chain.

continued on next page

Table 18.4 *continued*

Catalysing MSME And MTC Access to the Capital Market: 5-Year Roadmap (2024–2028)	The roadmap sets out nine strategies and 36 key initiatives to be undertaken over the short, medium and long term based on five guiding principles: 1) Reducing cost of issuance and promote facilitative fundraising requirements. 2) Promoting awareness and capacity building. 3) Widening investor base and access to MSME and MTC. 4) Innovating and adapting instruments for inclusive access. 5) Leveraging technology for information provision and greater interconnectivity.
Second Financial Inclusion Framework 2023–2026	1) Expanding access to financial services for the “last frontier.” 2) Promoting secure and inclusive digital financial services. 3) Enhancing MSME financial ecosystem. 4) Improving access to and usage of risk protection. 5) Strengthening financial institutions’ role and capabilities in promoting financial inclusion. 6) Improving targeted support for the vulnerable segments. 7) Equipping consumers with improved financial capabilities.
Thematic Initiatives	Outline
Digitalization of MSMEs: Bank Negara Malaysia’s Financial Sector Blueprint 2022–2026 (Launch Date: 24 January 2022)	BNM has established two facilities to provide financing to SMEs with a focus on automation, digitalising and upscaling SMEs: 1) SME Automation and Digitalization Facility (ADF): A financing facility to incentivize SMEs to automate processes and digitalize operations to increase productivity and efficiency. 2) High Tech and Green Facility (HTG): A financing facility to support SMEs involved in strategic sectors or critical technology fields (digital tech, green tech and biotech) to reset, invest, and grow their business opportunities for a sustainable and entrenched economic recovery.
Green MSMEs and climate action: Joint Committee on Climate Change (JC3) with ESG Jumpstart Portal (ESG Jumpstart Portal launched by the Joint Committee on JC3, co-chaired by BNM and UOB Malaysia, Launch Date: 23 October 2023)	1) Coordinates the financial sector’s response to climate-related risks. 2) Includes five sub-committees and an SME Focus Group addressing governance, risk management, product innovation, data gaps, and capacity building. 3) Provides SMEs with foundational knowledge, tools, and guidance for starting their sustainability journey
Women-led MSMEs: 1) Inclusive SME Ecosystem Programme (i-SEE) (Administered by SME Corp Malaysia under the Ministry of Entrepreneur and Cooperatives Development (MECD), Launch Period: Active from 2021 to 2025) 2) National Entrepreneurship Policy 2030 (DKN2030) (Launched by Prime Minister Tun Mahathir Mohamad, Launch Date: 11 July 2019)	1) Supports innovation projects benefiting inclusive communities (e.g., single mothers, rural women, retirees). 2) Offers grants up to RM200,000 for product/service development that drives community transformation. 1) Strategic goals to enhance women’s participation in entrepreneurship. 2) Focuses on capacity building, financial access, and market integration for women-led MSMEs.
International trade of MSMEs: Micro Enterprises Facility (Issued by Bank Negara Malaysia, Launch Date: Active as of 2024) and Foreign Exchange Policy Framework (Issued under Section 214 of the Financial Services Act 2013 and Section 225 of the Islamic Financial Services Act 2013)	1) Integrate Malaysian MSMEs into global supply chains. 2) Enhance export capabilities. 3) Ensure a conducive financial environment for international business growth.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from SME Masterplan 2012–2020, Financial Sector Blueprint 2011–2020, Capital Market Masterplan 2 (2011), DKN 2030, Malaysia Productivity Blueprint, and National eCommerce Strategic Roadmap (NeSR).

PHILIPPINES

Overview

In 2024, the economy grew by 5.7%, driven by resilient household consumption, a rebound in government spending, and strong investment in both public and private construction. Modest inflation of 3.2%, along with low unemployment rate of 3.8% and steady remittance inflows supported household spending. Services led growth, particularly in retail, tourism, and business process outsourcing, while manufacturing also expanded, though agriculture contracted due to adverse weather. For 2025, gross domestic product (GDP) growth is projected at 5.6%, with inflation expected to remain low at 1.8%. Favorable macroeconomic fundamentals, acceleration in public infrastructure investment and structural reforms support growth.¹⁹⁹

In 2024, micro, small, and medium-sized enterprises (MSMEs) showed modest yet steady progress amid ongoing structural challenges. MSME loans grew by 8.4% year on year to ₱545.2 billion, with the number of borrowers rising to over 1.65 million. However, MSME credit remained limited, accounting for only 3.9% of total bank loans and 2.1% of GDP. MSME nonperforming loans (NPLs) fell slightly to 9.6%, though still higher than the overall banking sector's 3.3% NPL ratio. Public credit guarantees increasingly helped bridge financing gaps. PhilGuarantee disbursed ₱2.8 billion in guaranteed loans in 2024, benefiting over 10,400 MSMEs and bringing its cumulative total to 49,120. Capital market participation remained limited. The SME Board saw market capitalization decline slightly to ₱25.0 billion with reduced trading, despite the addition of one new initial public offering (IPO) raising the total to 11 listed companies. Policy and institutional support continued to evolve, with stronger efforts on digitalization, financial inclusion, and innovation. Initiatives such as the Standard Business Loan Application Form, PalengQR PH Plus, and expanded guarantee programs are part of a growing ecosystem to improve MSME resilience and competitiveness. Challenges remain in scaling access to finance, expanding regional outreach, and deepening capital market integration.

MSME Development

As of the end of 2024, the Philippines had 1.2 million MSMEs, representing 99.6% of all registered establishments. However, it declined by a slight 0.4% from 2023. MSMEs employed approximately 6.3 million individuals, or 66.6% of the national workforce, with employment declining by 1.8% year on year.

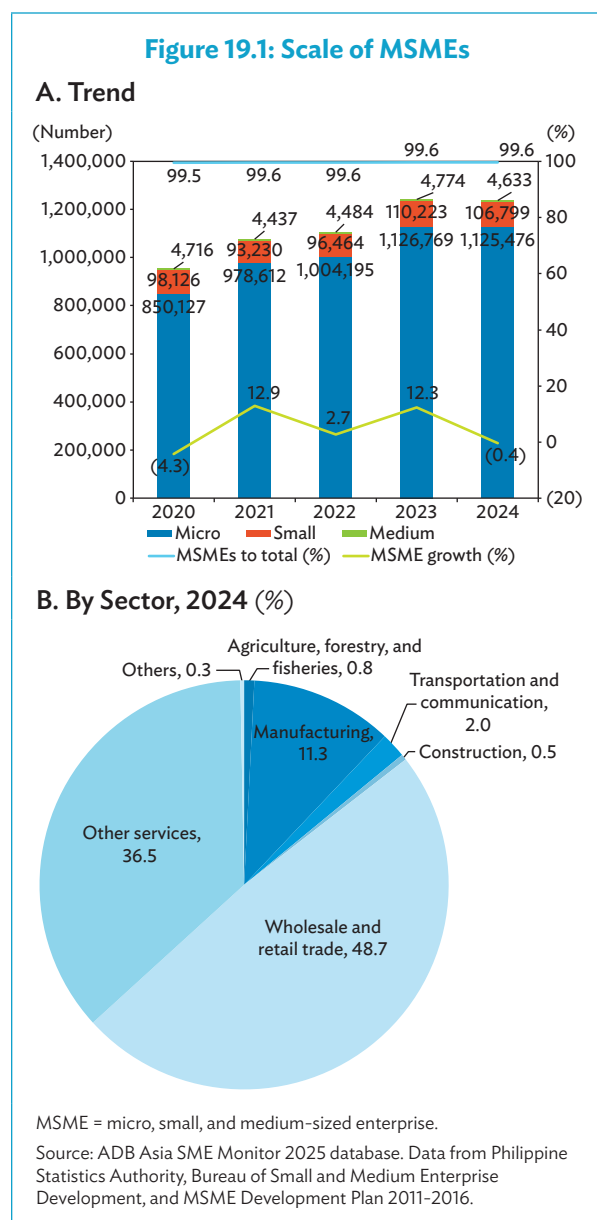
MSMEs are classified based on both asset size—excluding land—and employment, as defined by the Small and Medium Enterprise Development Council

Resolution No. 01 Series of 2003 (asset criteria) and the Philippine Statistics Authority (employment criteria). Microenterprises hold assets not exceeding ₱3 million and employ fewer than 10 workers; small enterprises have assets up to ₱15 million and fewer than 100 employees; while medium-sized enterprises may hold assets up to P100 million and employ fewer than 200 individuals (Table 19.1).

As of the end of 2024, MSMEs totaled 1,236,908, down by 0.4% from 2023, accounting for 99.6% of all registered establishments (Table 19.2 and Figure 19.1A). Wholesale and retail trade remained dominant, comprising 48.7% of MSMEs, followed

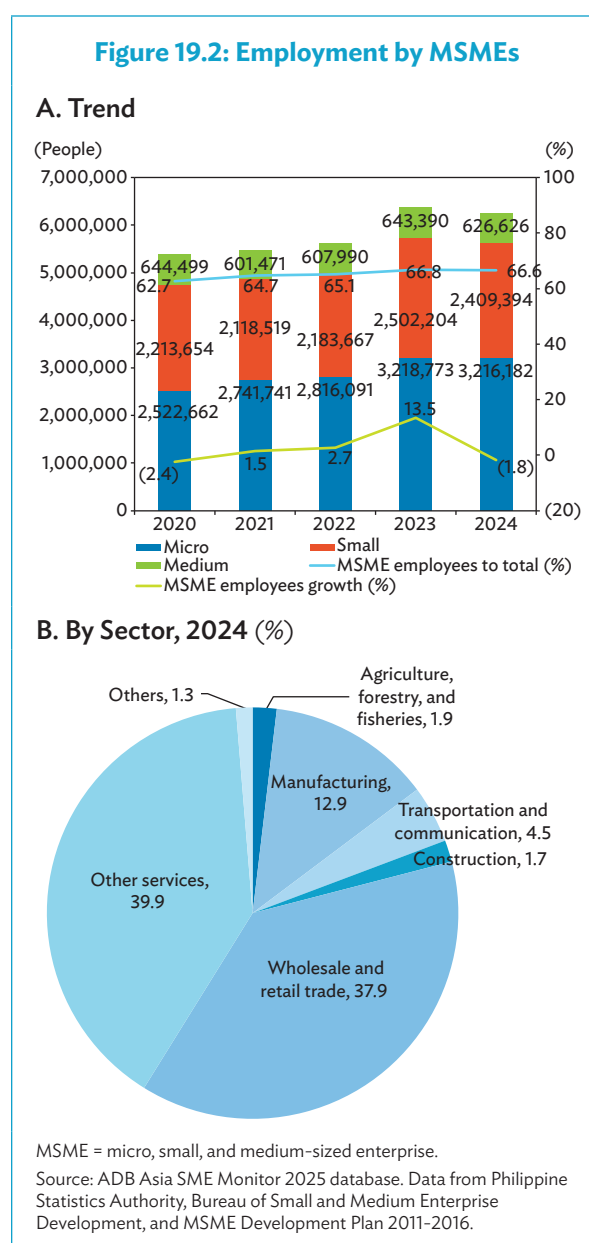
¹⁹⁹ ADB. 2025. Asian Development Outlook September 2025.

by other services—including accommodation, food, and financial services—at 36.5% (Figure 19.1B). Geographically, 17.8% of MSMEs operated in the National Capital Region (NCR), while 82.2% were located outside the NCR.



By the end of 2024, MSMEs employed some 6.25 million individuals, or 66.6% of the country's workforce (Figure 19.2A). This was down by 1.8% from the previous year. “Other services”—including accommodations and food services—was the leading

source of MSME employment, accounting for 39.9% of MSME jobs, followed closely by wholesale and retail trade at 37.9%, and manufacturing at 12.9% (Figure 19.2B). By geographic distribution, a significant majority—75.5%— were based in provincial cities, while the remaining 24.5% were employed in the NCR. The most recent data on MSME contribution to gross value added (GVA) dates back to 2006, when they collectively generated ₱752 billion, equivalent to 35.7% of national GVA.



Based on a targeted survey conducted with key government institutions, several critical constraints continue to impede the MSME development, particularly amid rising global uncertainty and geopolitical tensions.

A primary challenge is the lack of acceptable collateral to access credit, which, along with high credit risk perceptions and operational costs, makes MSME lending high-risk and low-return for financial institutions. This is compounded by the continued reliance on traditional credit assessment methods and limited reliable data available on MSME operations, market viability, and credit history. Underutilizing the secured transactions framework and the lack of a fully functional online registry for movable assets further restrict access to alternative forms of collateral. Regulatory and bureaucratic inefficiencies also pose significant barriers, as MSMEs often encounter inconsistent and time-consuming processes across local government units, delaying registration and increasing compliance burdens. Moreover, this limited access to finance—driven by high interest rates, low financial literacy, and limited awareness of formal financial channels—prevents MSMEs from investing in innovation and expanding operations. These structural challenges are further exacerbated by difficulties in market access, technological adoption, and the destabilizing effects of global geopolitical tensions, which disrupt supply chains, affect currency stability, and undermine investor confidence, thereby constraining MSMEs long-term strategic planning capacity.

Access to Finance

In 2024, the banking sector showed steady growth and became more digitalized. MSME lending rose by 8.4% to ₱545.2 billion, yet still accounted for only 3.9% of total bank loans, reflecting ongoing structural barriers. Credit guarantees through PhilGuarantee expanded, supporting over 10,000 MSMEs with improved disbursement efficiency. Despite a slight drop in market capitalization, the SME Board increases its listed companies with a new IPO.

The Philippine banking sector continues to evolve, driven by digitalization, regulatory reforms, and increasing consumer demand. As a key enabler of financial inclusion and economic growth, it plays a vital role in supporting MSMEs, whose performance remains closely tied to the health of the financial system.

As of the end of 2024, the number of operating banks declined slightly to 474 from 482 in 2023. Rural and cooperative banks continue to dominate with 383 institutions, while universal and commercial banks and thrift banks numbered 44 and 41, respectively. The number of digital banks remained at six, reflecting ongoing efforts to modernize financial services and expand digital access.

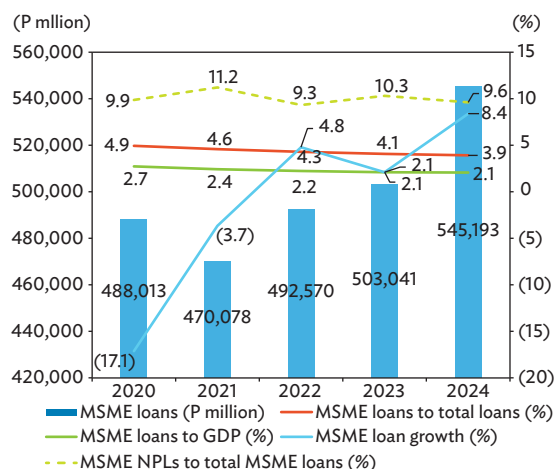
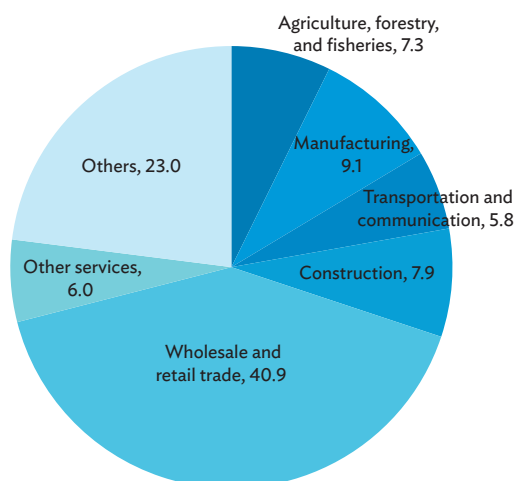
Total outstanding bank loans grew significantly, by 12.7% year on year, reaching ₱14.0 trillion, equivalent to 52.8% of GDP. Despite this growth, MSME lending remains relatively modest. MSME loans outstanding rose to ₱545.2 billion in 2024, an 8.4% increase from ₱503.0 billion in 2023. However, MSME loans still accounted for just 3.9% of total bank loans and 2.1% of GDP, given the persistent structural barriers to credit access (Table 19.3 and Figure 19.3A).

The number of MSME loan borrowers increased to 1.7 million, suggesting a broader reach of credit services. MSME NPLs grew to ₱52.3 billion in 2024, or 9.6% of total MSME loans. This underscores the continued risk associated with MSME lending.

MSME loans remained concentrated in wholesale and retail trade (40.9%), followed by “others” (23.0%), and manufacturing (9.1%).²⁰⁰ Notably, agriculture, forestry, and fisheries accounted for only 7.3%, highlighting the need for more inclusive rural financing (Figure 19.3B).

Regionally, MSME lending remains highly centralized, with 83.8% of loans concentrated in the NCR, reflecting ongoing geographic disparities in credit access.

²⁰⁰ Others include 11 sectors: mining and quarrying (0.28%); electricity, gas, steam and air conditioning (0.35%); water supply, sewerage and waste (0.28%); accommodation and food services (5.07%); financial and insurance (2.24%); real estate (8.19%); professional, scientific and technical (1.57%); administrative and support services (1.96%); education (1.04%); human health and social work (1.76%); and arts, entertainment and recreation (0.24%).

Figure 19.3: MSME Loans**A. Trend****B. By Sector, 2024 (%)**

MSME = micro, small, and medium-sized enterprise.

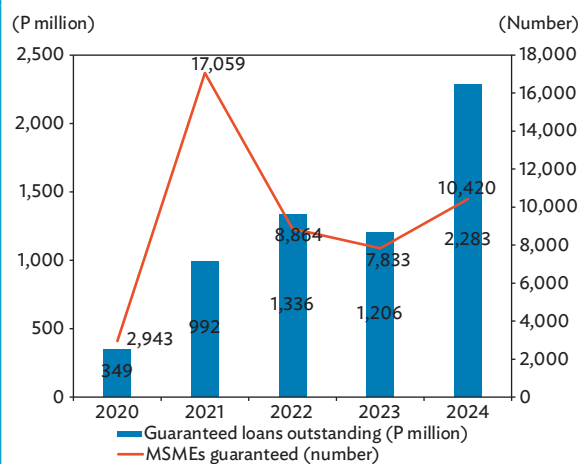
Source: ADB Asia SME Monitor 2025 database. Data from Bangko Sentral ng Pilipinas.

While the MSME credit market expanded in 2024, its share of the broader banking portfolio remains limited. Addressing structural challenges—such as risk-based lending,²⁰¹ collateral requirements, and regional disparities—will be critical to unlocking the full potential of MSMEs in driving inclusive economic growth.

Public credit guarantees continue to play a vital role in enhancing MSME access to formal credit by mitigating lender risk and improving borrower creditworthiness. As of end 2024, DTI Small Business Corporation disbursed ₱25.3 billion worth of loans to 465,507 distinct MSMEs through a partnership with 481 partner conduits. According to PhilGuarantee, there was a notable improvement in credit guarantee performance in 2024 compared to 2023. Outstanding guaranteed loans increased to ₱2.3 billion, up a significant 89.3% from 2023, reversing the 9.7% decline the year before (Figure 19.4).

Guaranteed loans approved and disbursed in 2024 reached ₱2.8 billion, indicating improved efficiency in deploying fund. The accumulated guaranteed loans disbursed rose to ₱8.9 billion, up from ₱6.1 billion in 2023. The number of MSMEs benefiting from these guarantees also increased significantly, with 10,420 MSMEs supported in 2024, bringing the total guaranteed to 49,120—an increase of over 10,000 from 2023.

This expansion in coverage suggests growing awareness and use of credit guarantees among MSMEs. However, nonperforming guaranteed loans reached ₱14.8 million, which, while relatively low in absolute

Figure 19.4: Credit Guarantees for MSMEs—PhilGuarantee

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from PhilGuarantee.

²⁰¹ Refer to <https://www.pna.gov.ph/articles/1257143> for the new BSP system that facilitates SMEs credit score assessment.

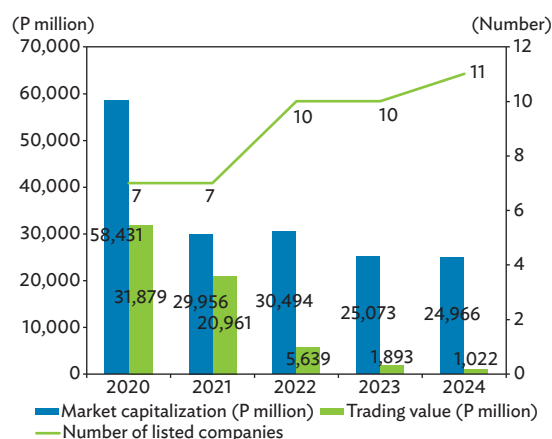
terms, underscores the need for continued monitoring of credit quality. Notably, 100% of MSME loans were guaranteed, indicating strong alignment between guarantee programs and MSME credit portfolios.

As of the end of 2024, the SME Board under the Philippine Stock Exchange had a market capitalization of ₱25.0 billion, a slight 0.4% contraction from ₱25.1 billion in 2023 (Figure 19.5). Despite this marginal decline, the number of listed companies increased from 10 to 11. The new IPO nonetheless showed progress in broadening access to equity financing.

However, trading on the SME Board declined significantly. Trading value dropped to ₱1.0 billion in 2024 from ₱1.9 billion in 2023, while trading volume fell to 1.3 billion shares from 2.5 billion shares. This suggests lower investor interest and liquidity, reinforcing the observation that the capital market remains relatively underused as an MSME financing venue.

The overall scale and activity of the SME Board remain limited. This underscores the need for sustained efforts to promote capital market literacy, streamline listing requirements, and strengthen investor confidence to view the capital market as a viable alternative MSME financing source.

Figure 19.5: Equity Market for MSMEs—SME Board, Philippine Stock Exchange



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Philippine Stock Exchange.

Policies and Regulations

The MSME Development Plan (2023–2028) takes a strategic, multi-dimensional approach to build a resilient, innovative, and globally competitive MSME sector. Key priorities include digitalization through standardized loan forms, fintech platforms, and artificial intelligence (AI)-driven tools, with targets to digitize 70% of MSMEs by 2028. Green MSME initiatives are guided by the Sustainable Finance Roadmap and supported by training, green lending incentives, and climate-aligned reporting frameworks. Gender inclusion is advanced through sex-disaggregated data collection, targeted training, and export support for women-led enterprises. To boost global competitiveness, MSMEs benefit from export financing schemes, trade fair participation, and technical assistance under programs like the Philippine Export Competitiveness Program and ARISE Plus. These reflect strong inter-agency coordination and a commitment to inclusive, sustainable MSME growth.

The Philippines has a robust legal and institutional framework to support MSME growth and competitiveness through a series of regulatory policies. According to the Bureau of Small and Medium Enterprise Development, the Magna Carta for MSMEs remains the cornerstone legislation guiding the development and support of MSMEs (Table 19.4). Enacted to foster a more inclusive and dynamic entrepreneurial ecosystem, the law continues to provide the legal framework for MSME promotion, despite the expiration of one of its key provisions. As of 16 June 2018, the provision mandating the allocation of credit resources to MSMEs officially lapsed. Nevertheless, the central bank continues to monitor the banking sector's exposure to MSMEs, ensuring they retain access to essential credit facilities. During the 19th Congress, several legislative proposals were introduced to amend and strengthen the Magna Carta in response to evolving economic conditions. Amendments to the Magna Carta Bill is among the priority bills in the 20th Congress.

The continued enforcement of the Magna Carta's remaining provisions, alongside central bank oversight, underscores the government's ongoing commitment to MSME development. However, the stalled legislative amendments highlight the need for renewed policy attention to ensure the law remains responsive and effective in addressing current MSME challenges.

Helping is the Go Negosyo Act (R.A. No. 10644 of 2014), which created a network of Negosyo Centers across the country to streamline business registration and provide advisory services. The Barangay Micro Business Enterprises Act (R.A. No. 9178 of 2002) offers incentives like income tax and minimum wage exemptions to encourage microenterprise to formally register.

Several enacted policies also benefit MSMEs. The One Town, One Product Philippines Act (R.A. No. 11960 of 2023) supports local entrepreneurship by promoting regionally produced goods and services. Sector-specific legislation, such as the Philippine Creative Industries Development Act (R.A. No. 11904 of 2022) and the Philippine Innovation Act (R.A.

No. 11293 of 2019), fosters innovation and creative enterprise development.^{202,203,204} The Innovative Startup Act (R.A. No. 11337 of 2019) and the Youth Entrepreneurship Act (R.A. No. 10679 of 2015) further promote entrepreneurial culture among youth and tech-driven enterprises.^{205,206} Reforms such as the Revised Corporation Code (R.A. No. 11232 of 2019) and the Ease of Doing Business Act (R.A. No. 11032 of 2018) aim to simplify business processes and improve regulatory efficiency.^{207,208} Tax and investment incentives are provided under the CREATE (R.A. No. 11534 of 2021) and CREATE MORE (R.A. No. 12066 of 2024) laws, while the Tatak Pinoy Act (R.A. No. 11981 of 2024) promotes high-value domestic production.^{209,210,211} The Internet Transactions Act (R.A. No. 11967 of 2023) regulates e-commerce and protects digital consumers, and Executive Order No. 127 of 2021 expands internet access to underserved areas.^{212,213} Additional support mechanisms include the Credit Surety Fund Cooperative Act (R.A. No. 10744 of 2015), the Microfinance NGOs Act (R.A. No. 10693 of 2015), and the Coconut Farmers and Industry Trust Fund Act (R.A. No. 11524 of 2021), which provide targeted assistance to specific sectors.^{214,215,216}

²⁰² Republic Act No. 11960. An Act Institutionalizing the One Town, One Product Philippines Program. 2023. Available from: https://lawphil.net/statutes/repacts/ra2023/ra_11960_2023.html.

²⁰³ Republic Act No. 11904. Philippine Creative Industries Development Act. 2022. Available from: https://lawphil.net/statutes/repacts/ra2022/ra_11904_2022.html.

²⁰⁴ Republic Act No. 11293. Philippine Innovation Act. 2019. Available from: https://lawphil.net/statutes/repacts/ra2019/ra_11293_2019.html.

²⁰⁵ Republic Act No. 11337. Innovative Startup Act. 2019. Available from: https://lawphil.net/statutes/repacts/ra2019/ra_11337_2019.html.

²⁰⁶ Republic Act No. 10679. Youth Entrepreneurship Act. 2015. Available from: https://lawphil.net/statutes/repacts/ra2015/ra_10679_2015.html.

²⁰⁷ Republic Act No. 11232. Revised Corporation Code of the Philippines. 2019. Available from: https://lawphil.net/statutes/repacts/ra2019/ra_11232_2019.html.

²⁰⁸ Republic Act No. 11032. Ease of Doing Business and Efficient Government Service Delivery Act. 2018. Available from: https://lawphil.net/statutes/repacts/ra2018/ra_11032_2018.html.

²⁰⁹ Republic Act No. 11534. Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. 2021. Available from: https://lawphil.net/statutes/repacts/ra2021/ra_11534_2021.html.

²¹⁰ Republic Act No. 12066. CREATE MORE Act. 2024. Available from: <https://taxactgcenter.ph/republic-act-no-12066-create-more-act/>.

²¹¹ Republic Act No. 11981. Tatak Pinoy (Proudly Filipino) Act. 2024. Available from: https://lawphil.net/statutes/repacts/ra2024/ra_11981_2024.html.

²¹² Republic Act No. 11967. Internet Transactions Act. 2023. Available from: <https://www.officialgazette.gov.ph>.

²¹³ Executive Order No. 127. Expanding the Provision of Internet Services through Inclusive Access. 2021. Available from: <https://www.officialgazette.gov.ph>.

²¹⁴ Republic Act No. 10744. Credit Surety Fund Cooperative Act. 2015. Available from: https://lawphil.net/statutes/repacts/ra2015/ra_10744_2015.html.

²¹⁵ Republic Act No. 10693. Microfinance NGOs Act. 2015. Available from: https://lawphil.net/statutes/repacts/ra2015/ra_10693_2015.html.

²¹⁶ Republic Act No. 11524. Coconut Farmers and Industry Trust Fund Act. 2021. Available from: <https://www.officialgazette.gov.ph>.

The Securities and Exchange Commission (SEC) has also introduced institutional reforms through SEC Resolution No. 187, Series of 2022, establishing the PhiloFintech Innovation Office and the Office for the Advancement of Strategic Investments in SMEs, which promote capital market access and financial innovation for MSMEs. Collectively, these policies form a comprehensive ecosystem that supports MSME development, innovation, and integration into the formal economy.

The latest iteration of the Micro, Small, and Medium Enterprise Development Plan (2023–2028) reflects a strategic shift toward building a more resilient, innovative, and globally competitive MSME sector. Compared to previous plans (which focused on improving access to finance, markets, and productivity), the 2023–2028 plan emphasizes establishing a robust MSME ecosystem, accelerating technology adoption, and optimizing both domestic and international market access. It introduces a more integrated approach by aligning MSME development with broader national goals such as the digital transformation, innovation, and sustainability.

Similarly, the Philippine Export Development Plan 2023–2028 builds on earlier versions by positioning MSMEs as central to the country's export-led growth strategy. It outlines targeted interventions to enhance export readiness, improve trade facilitation, and integrate MSMEs into global value chains. The Comprehensive National Industrial Strategy complements these by strengthening linkages between MSMEs and large enterprises, particularly in manufacturing, agriculture, and services, to drive structural transformation. The Philippine Development Plan 2023–2028 further reinforces these priorities by promoting inclusive finance, revitalizing industry, and advancing research and innovation.

Digitalization of MSMEs

The main digitalization policy for MSMEs is based on the MSME Development Plan 2023–2028, spearheaded by the Department of Trade and Industry (DTI). It integrates digitalization as a core strategy to boost MSME competitiveness and resilience. It focuses on expanding digital infrastructure, such as broadband access and e-government systems,

to improve connectivity and streamline business processes. The plan also promotes the adoption of digital tools—including AI-powered credit scoring, e-commerce platforms, and cloud-based data systems—to help MSMEs modernize operations and expand market reach. Through capacity-building initiatives and strategic partnerships, the plan will create an inclusive digital ecosystem that empowers MSMEs to thrive in a technology-driven economy.

The country has a comprehensive set of digitalization initiatives to enhance the competitiveness and resilience of MSMEs, supported by a robust policy and regulatory framework. Key is the Standard Business Loan Application Form, which standardizes loan documentation to streamline processing and facilitate digital lending platforms. Complementing this is the PalengQR PH Plus program, which promotes financial inclusion by bringing market vendors and transport workers into the digital payment ecosystem. The central bank has explored the use of alternative data—such as utility bills and telecom records—for credit scoring through its Alternative Data Usage for Creditworthiness Survey, aiming to improve access to finance for underserved MSMEs.

Broader digital adoption is encouraged through initiatives that promote the use of AI, Enterprise Resource Planning, and Customer Relationship Management tools, targeting 70% of MSMEs to use basic digital platforms by 2028. Innovation infrastructure is being expanded by establishing Fab Labs, Regional Inclusive Innovation Centers, and Creative and Innovation Hubs.

Financial access is supported further by digital tools and machine learning-based credit scoring models, aiming to increase MSME access to formal finance from 20% to 50% by 2028. Market access is also being enhanced through support for e-commerce, international certification, and participation in global trade events.

The SEC has launched several digital platforms—including SEC ZERO, eSPARC, eFAST, and eSECURE—to simplify business registration and compliance, while the SEC Stratbox provides a regulatory sandbox for fintech innovation. These are reinforced by inter-agency collaboration, such as the

SEC-DTI partnership through the SCORE Protocol, which facilitates secure data sharing to streamline MSME registration and operations.

Green MSMEs and climate action

The Philippine Sustainable Finance Roadmap, launched in 2021 by the Inter-agency Technical Working Group for Sustainable Finance (Green Force), laid the foundation for the central bank to issue Circular No.1187 of 2024 and subsequent guidelines on the Sustainable Finance Taxonomy (SFTG).^{217,218} These frameworks standardize classification of sustainable economic activities and guide financial institutions in aligning their portfolios with climate goals. Complementary regulatory measures, such as incentives for green lending and restrictions on financing coal-related projects, reinforce the agenda.

The Green Economic Development Program and the Sustainable Practices and Reporting Kickoff initiative provide MSMEs with training, coaching, and the tools needed to integrate sustainability into operations and reporting practices. These are supported by the Greening the Industry Roadmap and the Green Recovery Pathway, which promote climate-smart industrial policies and green job creation.

The SEC also issued the Sustainable Finance Taxonomy, the promotion of social bonds under ASEAN standards, and the Small and Medium Industries and Large Enterprises Embracing Sustainability Roadshow, which builds sustainability reporting capacity among MSMEs. Additionally, the SEC's eSECnature campaign fosters multisector collaboration to accelerate progress toward the Sustainable Development Goals.

Women-led MSMEs

The Philippines has a range of targeted initiatives to promote women-led MSMEs and integrate gender into enterprise development. The central bank, in collaboration with ADB, DTI, and the Philippine Commission on Women, supported a demand-side

survey to generate granular, sex-disaggregated data on MSME access to finance, particularly for women entrepreneurs.

Building on these efforts, the DTI and Small Business Corporation launched the ₱1-billion Women's Enterprise Fund to directly empower women-led MSMEs. This financing initiative offers loans of up to ₱20 million, with an initial disbursement of ₱4.22 million already extended to 24 pioneering women entrepreneurs.

The Standard Business Loan Application Form and the forthcoming Agent Registry System also capture sex-disaggregated data to better understand and support increasing women's shareholding and ownership along with financial services. Programs such as "E-TAAS ang Pinay MSMEs" provide customized training, mentorship, and promotional support to empower women entrepreneurs in the digital economy, and plan to train 5,000 women and expand the market reach of 3,000 women-led MSMEs by 2028.

The SheTrades Philippine Hub, part of a global initiative by the International Trade Centre, enhances the export readiness and international market access of women entrepreneurs through training, networking, and trade missions. Also, the Gender-Responsive Value Chain Development initiative integrates gender into value chain analysis and policy advocacy, aiming to train 2,000 women and promote 10 gender-responsive policies by 2028. The SEC also contributes through the Gender and Development Awards, which recognize women's leadership in corporate governance and sustainability, reinforcing the broader agenda of gender equality and inclusive economic growth.

International trade of MSMEs

The Philippines uses a multi-pronged strategy to enhance MSMEs' global competitiveness and integrate them into international trade and supply chains. The central bank contributed technical inputs to the Philippine Export Development Plan 2023–2028,

²¹⁷ Bangko Sentral ng Pilipinas. Circular No. 1187: Philippine Sustainable Finance Taxonomy Guidelines. 2024 Feb 21. Available from: <https://www.bsp.gov.ph/Regulations/Issuances/2024/1187.pdf> [1] (<https://www.bsp.gov.ph/Regulations/Issuances/2024/1187.pdf>).

²¹⁸ Bangko Sentral ng Pilipinas. Circular No. 1187: Philippine Sustainable Finance Taxonomy Guidelines. 2024 Feb 21. Available from: <https://www.bsp.gov.ph/Regulations/Issuances/2024/1187.pdf> [1] (<https://www.bsp.gov.ph/Regulations/Issuances/2024/1187.pdf>).

which serves as the national roadmap for transforming the country into an agile export powerhouse, with MSMEs as key stakeholders. It also participates in the Export Development Council's Networking Committee on Financing, which is developing an export-financing scheme with competitive rates tailored to small and medium-sized exporters.

Complementing these, the Philippine Export Competitiveness Program provides MSMEs with training, market intelligence, and access to international trade fairs, targeting 5,000 MSMEs for training and 3,000 to join global exhibitions by 2028. The Doing Business in Free Trade Areas Program raises awareness of free trade agreements and the generalized scheme of preferences, aiming to conduct 200 information sessions and assist 2,000 MSMEs with export documentation.

The Philippine Halal Export Development and Promotion Program supports MSMEs in accessing the global *halal* markets through certification and trade fair participation. Additionally, the ARISE Plus Philippines initiative, supported by the European Union, enhances MSME export readiness through technical assistance and standards compliance. Innovation is also encouraged through the SEC Stratbox, a regulatory sandbox that allows firms to test and refine export-oriented technologies, thereby strengthening the global positioning of Philippine products.

MSME financing and financial inclusion strategies

The latest regulatory framework for MSME financial inclusion is based on the National Strategy for Financial Inclusion (NSFI) 2022–2028, led by the central bank. This updated strategy builds on the 2015 NSFI and introduces specific, measurable targets to reduce disparities in financial access and improve MSME financing, including start-ups and those in agriculture. It reflects a more holistic and forward-looking approach to MSME development by embedding innovation, sustainability, and inclusivity as core pillars of the national economic agenda.

The NSFI 2022–2028 promotes inclusive growth and financial resilience by expanding access to quality financial services for underserved sectors. It strongly emphasizes digital financial services, inclusive innovation, and gender-responsive financial solutions. As chair of the Financial Inclusion Steering Committee, the central bank plays a central role in coordinating and implementing the strategy by enabling policies and regulations.

One is the Consumer Protection Framework, formalized under Central Bank Circular No. 104819 (2019). It integrates consumer protection into the governance and risk management systems of central bank-supervised financial institutions, ensuring fair treatment, transparency, and accountability. In parallel, the central bank also supports open finance initiatives to foster competition, innovation, and broader access to financial services through secure data sharing and interoperability.

Data Tables

Table 19.1: MSME Definition

Item	Micro	Small	Medium
Total assets excluding land *	Up to P3,000,000	More than P3,000,000 to P15,000,000	More than P15,000,000 to P100,000,000
Number of employees**	1–9	10–99	100–199

MSME = micro, small, and medium-sized enterprise.

* Legislated definition of micro, small, and medium-sized enterprises as provided by the Small and Medium Enterprise Development Council Resolution No.01 Series of 2003 dated 16 January 2003.

** Definition used by the Philippine Statistics Authority.

Source: ADB Asia SME Monitor 2025 database. Data from Magna Carta for Micro, Small, and Medium Enterprises; Bureau of Micro, Small, and Medium Enterprise Development; and Philippine Statistics Authority.

Table 19.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	995,745	952,969	1,076,279	1,105,143	1,241,766	1,236,908
Micro	Number	891,044	850,127	978,612	1,004,195	1,126,769	1,125,476
Small	Number	99,936	98,126	93,230	96,464	110,223	106,799
Medium-sized	Number	4,765	4,716	4,437	4,484	4,774	4,633
Large	Number	4,761	4,651	4,531	4,541	4,665	4,568
Total	Number	1,000,506	957,620	1,080,810	1,109,684	1,246,431	1,241,476
MSME to total	%	99.5	99.5	99.6	99.6	99.6	99.6
MSME growth	%	(0.3)	(4.3)	12.9	2.7	12.3	(0.4)
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		0.9	0.9	0.8	0.8	0.8	0.8
Manufacturing		11.6	11.6	12.1	12.1	11.3	11.3
Transportation and communication		4.0	3.9	2.3	2.3	2.1	2.0
Construction		0.4	0.4	0.4	0.4	0.5	0.5
Wholesale and retail trade		46.4	46.7	50.1	49.5	48.6	48.7
Other services		36.5	36.3	34.2	34.6	36.4	36.5
Others		0.2	0.2	0.2	0.3	0.3	0.3
MSMEs by region	%	100	100	100	100	100	100
Capital city (NCR)		20.3	21.1	18.5	18.5	17.9	17.8
Others		79.7	78.9	81.5	81.5	82.1	82.2
Employment							
MSMEs	Number	5,510,760	5,380,815	5,461,731	5,607,748	6,364,367	6,252,202
Micro	Number	2,631,165	2,522,662	2,741,741	2,816,091	3,218,773	3,216,182
Small	Number	2,228,204	2,213,654	2,118,519	2,183,667	2,502,204	2,409,394
Medium-sized	Number	651,391	644,499	601,471	607,990	643,390	626,626
Large	Number	3,315,575	3,206,011	2,983,847	3,006,821	3,168,422	3,138,874
Total	Number	8,826,335	8,586,826	8,445,578	8,614,569	9,532,789	9,391,076
MSME employees to total	%	62.4	62.7	64.7	65.1	66.8	66.6
MSME employees growth	%	(3.6)	(2.4)	1.5	2.7	13.5	(1.8)
MSME employees by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		1.9	1.9	2.0	2.1	2.1	1.9
Manufacturing		13.6	13.6	13.9	14.0	12.8	12.9
Transportation and communication		4.9	4.9	4.6	4.5	4.7	4.5
Construction		1.6	1.7	1.8	1.8	1.7	1.7
Wholesale and retail trade		36.0	36.1	39.8	39.1	37.6	37.9
Other services		41.1	41.0	37.0	37.2	39.8	39.9
Others		0.9	0.9	0.9	1.3	1.3	1.3
MSME employees by region	%	100	100	100	100	100	100
Capital city (NCR)		27.9	28.5	25.1	25.4	24.6	24.5
Others		72.1	71.5	74.9	74.6	75.4	75.5
Output							
MSME GDP	GDP, ₱ mil.	...	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...	...
Exports							
MSME exports	₱ mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	₱ mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; NCR = National Capital Region.

Source: ADB Asia SME Monitor 2025 database. Data from Philippine Statistics Authority, Bureau of Small and Medium Enterprise Development, and MSME Development Plan 2011–2016.

Table 19.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	₱ mil.	588,837	488,013	470,078	492,570	503,041	545,193
MSME loans to total loans	%	6.1	4.9	4.6	4.3	4.1	3.9
MSME loans to GDP	%	3.2	2.7	2.4	2.2	2.1	2.1
MSME loan growth	%	1.9	(17.1)	(3.7)	4.8	2.1	8.4
MSME loan borrowers	Number	1,651,501	1,408,941	1,414,163	1,494,097	1,521,815	1,658,539
Nonperforming loans (NPLs)							
MSME NPLs	₱ mil.	32,306	48,072	52,636	45,916	51,885	52,327
MSME NPLs to total MSME loans	%	5.5	9.9	11.2	9.3	10.3	9.6
(Gross NPLs to total bank loans)	%	2.0	3.6	4.0	3.2	3.2	3.3
MSME loans by sector	%	...	...	...	100	100	100
Agriculture, forestry, and fisheries		...	...	...	7.6	8.7	7.3
Manufacturing		...	...	...	8.8	8.8	9.1
Transportation and communication		...	...	...	6.0	6.0	5.8
Construction		...	...	...	7.6	7.7	7.9
Wholesale and retail trade		...	...	...	40.1	40.5	40.9
Other services		...	...	...	6.9	5.6	6.0
Others		...	...	...	22.9	22.8	23.0
MSME loans by region	%	...	...	...	100	100	100
Capital city (NCR)		...	...	...	84.4	83.7	83.8
Others		...	...	...	15.6	16.3	16.3
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
PhilGuarantee							
Guaranteed loans outstanding	₱ mil.	...	349	992	1,336	1,206	2,283
Growth	%	...	...	184.6	34.7	(9.7)	89.3
MSMEs guaranteed	Number	...	2,943	17,059	8,864	7,833	10,420
Nonperforming guaranteed loans	% of total	...	...	7.8	1.1	3.6	14.8
Capital Markets							
SME Board, PSE							
Market capitalization	₱ mil.	11,587	58,431	29,956	30,494	25,073	24,966
Growth	%	2.5	404.3	(48.7)	1.8	(17.8)	(0.4)
Trading value	₱ mil.	8,640	31,879	20,961	5,639	1,893	1,022
Listed companies	Number	5	7	7	10	10	11

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; NCR = National Capital Region; PSE = Philippine Stock Exchange.

Source: ADB Asia SME Monitor 2025 database. Data from the Bangko Sentral ng Pilipinas, PhilGuarantee, and Philippine Stock Exchange.

Table 19.4: Policies and Regulations

Benchmark Regulation	Magna Carta for Micro, Small, and Medium Enterprises (1991), last amendment (2014)
Focal Government Authority for MSMEs	Bureau of Small and Medium Enterprise Development (BSMED), Department of Trade and Industry (DTI)
Key Policies and Strategies	
Name	Outline
Micro, Small, and Medium Enterprise Development Plan (2023–2028)	1) Established and improved MSME ecosystem 2) Increased financing prospects 3) Upscaled knowledge and skills 4) Accelerated technology and innovation 5) Optimized domestic market and penetrated global markets
National Strategy for Financial Inclusion (NSFI) 2022–2028	1) Reduced disparities in financial inclusion. 2) Improved financial health and resilience. 3) More financially capable and empowered consumers. 4) Increased access to finance for MSMEs, including startups, and the agriculture sector.
Thematic Initiatives	Outline
Digitalization of MSMEs:	
Micro, Small, and Medium Enterprise Development Plan (MSMEDP) 2023–2028	1) Simplifying access to AI-driven systems and expanding access to advanced laboratories and testing facilities. 2) Streamlining business registration through the Electronic Local Government Unit System.
(Officially approved and adopted through Memorandum Circular No. 73, s. 2024. This plan was issued on 7 November 2024)	3) Expanding machine learning-based credit scoring models to improve MSME access to finance. 4) Implementing the Personal Property Security Act (RA No. 11057) to facilitate the use of movable assets as loan collateral. 5) Revamping the One Town, One Product (OTOP) Program with digital platforms and marketplaces.
Green MSMEs and climate action:	
Philippine Sustainable Finance Roadmap	1) Creating a conducive environment for sustainable finance. 2) Mainstreaming sustainable finance across sectors. 3) Developing a pipeline of sustainable projects.
(launched on October 20, 2021 by the Inter-Agency Technical Working Group on Sustainable Finance, also known as the “Green Force,” which is co-chaired by the Department of Finance (DOF) and the Bangko Sentral ng Pilipinas)	
Women-led MSMEs:	
1) E-TAAS ang Pinay MSMEs program (DTI launched 1 July, 2020)	Empowering Filipina entrepreneurs through digital marketing training, online selling platforms (e.g., Shopee, Lazada, Facebook), and digital promotion support.
2) SheTrades Philippine Hub (DTI launched 3 December, 2020, during the National Export Congress)	Supporting women entrepreneurs in accessing global markets, digital tools, and business networks; part of ITC’s global SheTrades network.
International trade of MSMEs:	
Philippine Export Development Plan (2023–2028)	1) Enhances export competitiveness. 2) Expanding market access. 3) Promotes inclusive and sustainable exports through coordinated government and private sector efforts.
(Republic Act No. 7844, also known as the Export Development Act of 1994, launched 15 June, 2023)	

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Bangko Sentral ng Pilipinas, Bureau of Small and Medium Enterprise Development, Cooperative Development Authority, Department of Finance, National Economic Development Authority, and Securities and Exchange Commission.

SINGAPORE

Overview

In 2024, the economy rebounded strongly with gross domestic product (GDP) growing by 4.4%, driven by a surge in manufacturing, particularly semiconductors, and robust services and construction. Domestic demand contributed most, with investment and public consumption rising significantly. Inflation eased, with core inflation falling to 2.7% and headline inflation 2.4%, supported by lower transport costs and subdued services prices. For 2025, growth is projected to moderate to 2.5% amid global trade uncertainties and weaker external demand, while inflation is expected to ease further to 2.0%.²¹⁹ The government plans to maintain fiscal support, especially for small and medium-sized enterprises (SMEs) and public services, while the central bank—the Monetary Authority of Singapore (MAS)—continues its cautious monetary stance. Risks to the outlook include escalating geopolitical tensions, trade policy uncertainty, especially from the United States (US), and potential disruptions in global demand.

Singapore SMEs remain the backbone of the economy, comprising 99.6% of all firms and employing nearly 70% of the workforce. In 2024, SME employment grew by 3.2% and nominal value added (NVA) by 7.7%. Despite an increase in borrowers, SME loans outstanding declined by 8.3% to S\$80.5 billion, indicating cautious lending amid global uncertainties. Credit quality improved, with the share of SME nonperforming loans (NPLs) to total SME loans falling to 2.5%. The government has launched strategic initiatives to address economic headwinds, focused on trade diversification, digital transformation, and upskilling the workforce. Enterprise Singapore and the Infocomm Media Development Authority (IMDA) are driving SME innovation through funding, adopting artificial intelligence (AI), and expanding cybersecurity. Another priority is sustainability, with green financing and capacity-building programs under the Enterprise Sustainability Program. Targeted support for women entrepreneurs and SME internationalization also strengthens the ecosystem.

SME Development

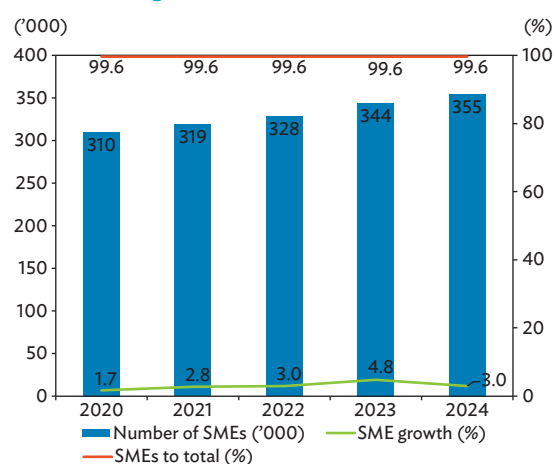
At the end of 2024, Singapore had 355,000 SMEs, or 99.6% of all enterprises. They employed 2.5 million, 69.6% of the national workforce. SMEs contributed S\$313 billion in NVA, or 47.3% of the total, underscoring their central role in the economy. SMEs face mounting challenges, however, including rising manpower and office rental costs, technological disruptions, global trade tensions, and volatile customer demand. These require targeted policy support to sustain SME resilience and competitiveness in the rapidly evolving global landscape.

Singapore SMEs are defined as companies registered and operating locally, with annual sales turnover of less than S\$100 million or employing fewer than 200 workers (Table 20.1). There is no microenterprise category.

At the end of 2024, There were 356,100 firms in Singapore, of which 354,600 were SMEs, or 99.6% of all business establishments (Table 20.2 and Figure 20.1). This total was 3.0% higher than in 2023, continuing the steady upward trend since 2019.

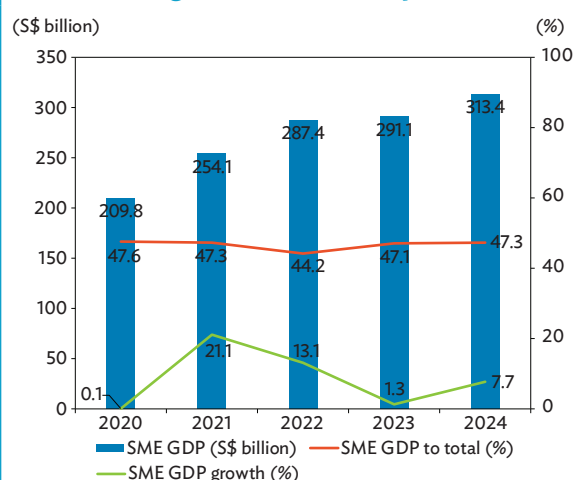
SME employment rose by 3.2% year on year in 2024 to 2.5 million, or 69.6% of the total 3.6 million workforce (Figure 20.2).

²¹⁹ ADB. 2025. Asian Development Outlook September 2025.

Figure 20.1: Scale of SMEs

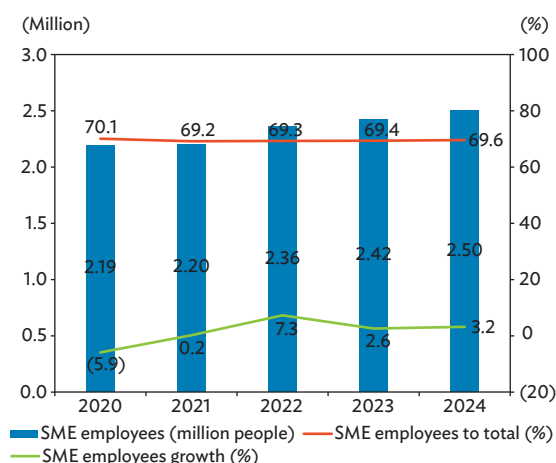
SMEs = small and medium-sized enterprises.

Source: ADB Asia SME Monitor 2025 database. Data from Singapore Department of Statistics and Enterprise Singapore.

Figure 20.3: SME Output

SMEs = small and medium-sized enterprises.

Source: ADB Asia SME Monitor 2025 database. Data from Singapore Department of Statistics and Enterprise Singapore.

Figure 20.2: Employment by SMEs

SMEs = small and medium-sized enterprises.

Source: ADB Asia SME Monitor 2025 database. Data from Singapore Department of Statistics and Enterprise Singapore.

SMEs generated S\$313.4 billion in NVA to the economy, or 47.3% of the S\$662 billion total, up by 7.7% 2023. It underscores their critical role across the economy (Figure 20.3).

SME development and access to finance continue to be challenged by a confluence of global and domestic pressures. Based on insights gathered from government agencies and the Singapore Business Federation (SBF) 2024 Annual Business Sentiment Survey, there remain five major constraints.

First, SMEs are having increasing difficulty in navigating a increasingly fractured global economy, exacerbated by ongoing trade tensions and the new US-generated high-tariff environment. These external pressures have disrupted supply chains and increased operational costs, particularly for export-oriented firms.

Second, rapid technological advancement, including the boom in artificial intelligence, offers both opportunities and creates disruptions. While these innovations offer potential productivity gains, many SMEs struggle to keep pace due to limited resources for the digital transformation and workforce reskilling.

Third, rising manpower costs have become the most pressing concern, with 72% of businesses citing it as their top challenge. According to the SBF survey conducted in October–November 2024, manpower costs increased by an average 14.9% over the past year, placing significant strain on SME profitability.

Fourth, uncertain customer demand has grown increasingly prevalent, particularly affecting sectors such as hotels, restaurants and accommodations, along with retail trade. This volatility complicates business planning and investment decision-making.

And fifth, escalating office rents continue to burden SMEs, especially those operating in prime urban locations. These challenges require targeted policy interventions and sustained support mechanisms to ensure that the resilience and competitiveness of Singapore SMEs can continue amid global uncertainties.

Access to Finance

In 2024, the banking sector remained stable and digitally advanced, with SME loans totaling S\$80.5 billion—equivalent to 14.7% of GDP—despite declining by 8.3% from 2023. Credit quality improved, with SME NPLs falling to 2.5%. Loan distribution was concentrated in services, reflecting the urban-centric nature of the economy. The nonbank finance sector, dominated by insurance companies, continued to support risk management and provide alternative financing. On the Singapore Exchange (SGX) Catalist board, SME market capitalization fell slightly to S\$7.6 billion, while stock trading declined on cautious investor sentiment. Despite this, the number of listed companies increased, signaling continued interest in equity financing.

Singapore's banking sector continues as a vital pillar of its financial ecosystem, supporting both domestic enterprises and regional markets across Asia and the Pacific. Regulated by MAS, the industry remains globally competitive, with strong presence in corporate banking, wealth management, and fintech innovation. The country's strategic initiatives, such as its Smart Nation program, further solidified its reputation as a digital finance leader in Southeast Asia.

In 2024, SME financing reflected both resilience and emerging challenges. Total outstanding SME loans amounted to S\$80.5 billion, or 6.1% of total bank loans and equal to 14.7% of the country's GDP. SME loan volume declined by 8.3% from 2023, suggesting a cautious lending environment amid global economic uncertainties. SME loan borrowers increased to 108,880, indicating more enterprises sought financial support (Table 20.3 and Figure 20.4A).

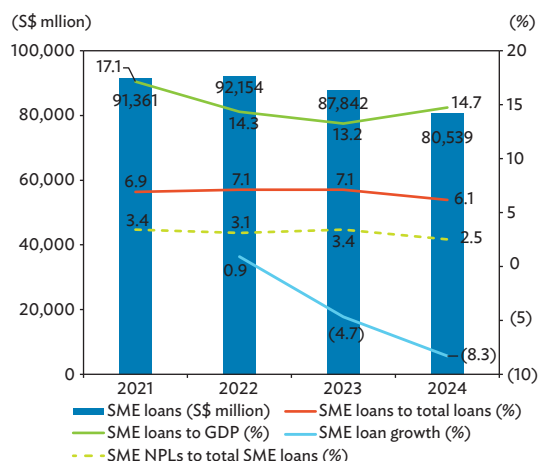
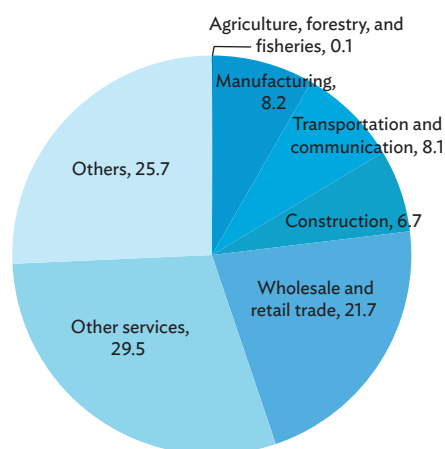
Credit quality improved, with SME NPLs falling to S\$2.01 billion, or 2.5% of the total, down from 3.4% in 2023. Gross NPLs across all banks equaled 1.3%, reflecting the overall stability in banking asset quality (Table 3).

SME loans in 2024 were concentrated in services. The largest shares were in "other services" (29.5%), "others" (25.7%), and wholesale and retail trade (21.7%), followed by manufacturing (8.2%), transportation and communications (8.1%), and construction (6.7%).²²⁰ Agriculture, forestry, and fisheries had a minimal 0.1% share, highlighting the urban-centric nature of the Singapore economy (Figure 20.4B).

These insights from data provided by relevant government agencies and financial institutions underscore the evolving dynamics of SME financing. While still robust, targeted policy measures and financial instruments are needed to support SMEs in navigating economic headwinds and capitalizing on growth opportunities.

Nonbank finance continues to complement the banking industry, with insurance companies the vast majority of institutions. As of 2024, there were 213 insurance companies, alongside three finance companies, with a limited presence of other nonbank finance entities such as leasing and factoring firms. These institutions play an important role in risk management, long-term savings, and alternative financing.

²²⁰ "Other services" includes financial and insurance activities; and professional, scientific, technical, administrative, support service activities. "Others" includes property and land development, electricity/gas/water supply, mining and quarrying, and other industries. "Wholesale and retail trade" includes accommodation and food services.

Figure 20.4: SME Loans**A. Trend****B. By Sector, 2024 (%)**

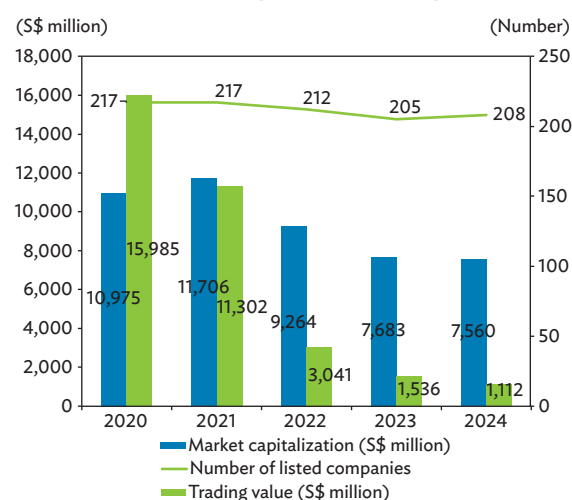
SMEs = small and medium-sized enterprises.

Note: Data from 2021 onwards is not comparable with historical periods (pre-2021) due to definition change.

Source: ADB Asia SME Monitor 2025 database. Data from Monetary Authority of Singapore.

Despite these declines, the number of listed companies increased slightly to 208, up from 205 in 2023. There were six initial public offerings, while two companies delisted, with none transitioning to the main board, compared to one in 2023.

These trends suggest cautious investor sentiment amid global economic uncertainties and rising interest rates. While the Catalist board continues as a vital venue for SME financing, the decline in stock trading and market capitalization highlights the need for enhanced market engagement and support for listed enterprises.

Figure 20.5: Equity Market for SMEs—Catalist, Singapore Exchange

SMEs = small and medium-sized enterprises.

Source: ADB Asia SME Monitor 2025 database. Data from Singapore Exchange and World Federation of Exchanges.

The SGX remains the central platform for raising capital, particularly for SMEs through its Catalist board. At the end of 2024, the Catalist index was 161.35 with market capitalization equaling S\$7.6 billion, down by 1.6% from 2023. This continues the 2023 downward trend, when capitalization fell by 17.1%. Stock trading also contracted, with trading value decreasing by S\$424 million to S\$1.1 billion, with trading volume dropping by 7.4 billion shares to 27.5 billion traded (Figure 20.5).

Policies and Regulations

Singapore supports SME growth through upscaling, digitalization, and global expansion, guided by the Ministry of Trade and Industry (MTI) and Enterprise Singapore. Key programs include Scale-Up, SMEs Go Digital, and Enterprise Financing Scheme–Green (EFS–Green). Gender inclusion is promoted via the Singapore Women Entrepreneurs Network (SG–WEN), with trade integration supported by grants and global enterprise initiatives.

MTI and Enterprise Singapore have strategic plans that bolster economic resilience and support SME growth amid global uncertainty. MTI's 2025 economic strategy emphasizes diversifying trade and investment partnerships, innovating key sectors like manufacturing and finance, and workforce upskilling to adapt to structural shifts in the global economy (Table 20.4). In tandem, Enterprise Singapore's strategic plan focuses on upscaling, internationalizing, and digitizing SMEs. The Scale-Up Program has helped high-growth companies increase revenue by 36% and create over 800 jobs.²²¹ Enterprise Singapore also supports international expansion through initiatives such as GIA+ and Proof-of-Concept grants, while capacity-building is helped via partnerships with major cloud providers and funding through the Enterprise Development Grant.²²² Local commerce benefits from the Vibrant Heartlands Program, and navigating regulations has been streamlined via the new SME Pro-Enterprise Office and a digital support platform.

Digitalization of SMEs

Singapore has a comprehensive and multi-tiered digitalization strategy to help its SMEs better navigate the digital economy. Central is the SMEs Go Digital program, led by the Infocomm Media Development Authority, which provides sector-specific Industry Digital Plans that are tailored roadmaps for digital adoption.²²³ At the firm level, IMDA's Chief Technology Officer-as-a-Service platform offers curated digital solutions, consultancy support, and access to digital resources, reaching over 330,000 users in 2024.²²⁴

To promote responsible data use, IMDA also supports SMEs through initiatives such as its Data Protection Essentials and Data Protection Trustmark certification. Complementing these, the Cyber Security Agency

of Singapore provides cybersecurity support via the Chief Information Security Officer-as-a-Service platform and certifications like Cyber Essentials and Cyber Trust Mark.

Singapore's Digital Enterprise Blueprint outlines the country's drive to deepen digitalization, with industries partnering to enhance AI adoption, cyber resilience, and workforce upskilling.²²⁵ For more digitally mature SMEs, initiatives such as GenAI x Digital Leaders offer access to generative AI expertise and implementation support. Also, Enterprise Singapore bolsters the digital transformation through funding schemes such as the Productivity Solutions Grant and Enterprise Development Grant. It works with IMDA on AI-focused programs such as Gemini for Google Workspace and Microsoft Copilot to build AI capabilities and drive productivity forward.

Green SMEs and climate action

Singapore takes a structured and multi-pronged approach to support green SMEs and advance climate action through its Enterprise Sustainability Program (ESP), led by Enterprise Singapore. ESP provides foundational, decarbonization, and sectoral playbooks that offer step-by-step guidance for companies seeking to boost sustainability, including resources from government agencies and industry partners.²²⁶ To increase sustainability, the ESP also offers several courses in collaboration with industry participants, helping SMEs understand environmental, social, and governance principles and begin integrating sustainable practices into operations. Beyond capacity-building, the Enterprise Development Grant-Sustainability supports projects in areas such as sustainability strategy development, resource optimization, standardization, and the creation of green products and services.²²⁷

²²¹ Enterprise Singapore. Enterprise Singapore Annual Report 2024/2025. <https://www.enterprisesg.gov.sg/media-centre/publications/annual-report>.

²²² Enterprise Singapore. Supporting Enterprises to Grow and Scale. <https://www.enterprisesg.gov.sg/grow-your-business>.

²²³ Infocomm Media Development Authority. SMEs Go Digital Programme. <https://www.imda.gov.sg/programme-listing/smes-go-digital>.

²²⁴ Infocomm Media Development Authority. CTO-as-a-Service. <https://www.imda.gov.sg/programme-listing/CTO-as-a-Service>.

²²⁵ Ministry of Trade and Industry. Speech by SMS Low Yen Ling at the launch of the Google Cloud AI Cloud Take-Off Programme. <https://www.mti.gov.sg/Newsroom/Speeches/2025/06/Speech-by-SMS-Low-Yen-Ling-at-the-launch-event-of-the-Google-Cloud-AI-Cloud-Take-Off-Programme>.

²²⁶ Enterprise Singapore. Enterprise Sustainability Programme. <https://www.enterprisesg.gov.sg/Grow-Your-Business/boost-capabilities/sustainability/enterprise-sustainability-programme>.

²²⁷ Enterprise Singapore. Enterprise Development Grant (EDG). <https://www.enterprisesg.gov.sg/financial-support/enterprise-development-grant>.

In addition, EFS-Green helps enterprises operate in sustainability growth access finance to boost clean energy, the circular economy, green infrastructure, and clean transportation. EFS-Green offers tailored loan types—including developmental capital, fixed assets, trade, and project loans—with Enterprise Singapore providing a 70% risk-share to encourage lending by financial institutions.²²⁸ These initiatives align with Singapore Green Plan 2030, which plans to reduce carbon emissions, foster innovation, and build a resilient green economy.

Women-led SMEs

Singapore has made major strides supporting women-led SMEs and promoting gender entrepreneurship through inclusive policies and targeted initiatives. While government support is broadly accessible to all eligible businesses, specific efforts have been directed toward empowering women entrepreneurs. A cornerstone is the SG-WEN, established by the SBF, which is the national platform to unify and amplify the voices of women entrepreneurs. SG-WEN represents Singapore in the ASEAN Women Entrepreneurs Network and is an associate member of the Singapore Council of Women's Organizations, enabling strategic advocacy and regional collaboration. The network organizes policy roundtables, mentorship events, and surveys to inform gender-responsive policies and foster inclusive business ecosystems. These align with the White Paper on Singapore Women's Development, endorsed by Parliament in 2022, which outlines actions to advance gender equality in leadership, education, and economic participation.

Also, Singapore's commitment to gender inclusion was reaffirmed at the G20 Labor and Employment Ministerial Meeting, where national strategies were highlighted to support women's careers, work-life harmony, and fair employment practices.

International trade of SMEs

Singapore actively supports SMEs in expanding their global footprint and integrating into international supply chains with a suite of targeted initiatives and financing schemes. The Market Readiness Assistance Grant helps local SMEs defray up to 50% of eligible costs—capped at S\$100,000 per company per new market—for overseas market promotion, business development, and market entry.²²⁹ This grant lowers the barriers for first-time exporters and supports activities such as trade shows, in-market business development, and overseas marketing campaigns.

In addition, the EFS, administered by Enterprise Singapore, provides risk-shared loans through local financial institutions such as DBS, UOB, and OCBC. SMEs can access an EFS-Project Loan to finance secured overseas projects and EFS-Trade Loan to support trade financing.²³⁰ These tools are crucial in enabling SMEs to manage cash flow, fulfill international contracts, and scale up operations abroad.

Also, the Singapore Global Enterprises Initiative nurtures high-potential local firms into globally competitive enterprises. It offers tailored support in areas such as internationalization, diversifying supply chains, and growth financing, while helping companies increase their innovation and talent pipelines.²³¹

SME financing and financial inclusion strategies

Including SMEs in finance is part of the country's larger plan to foster inclusive business and sustainable finance. It actively helps SMEs through programs that build skills, encourage digital finance use, and promote inclusive business practices. The government, through Enterprise Singapore and the Singapore Centre for Social Enterprise, provides funding and support to

²²⁸ Enterprise Singapore. Enterprise Financing Scheme – Green. <https://www.enterprisesg.gov.sg/financial-support/enterprise-financing-scheme---green>.

²²⁹ Enterprise Singapore. Market Readiness Assistance Grant. <https://www.enterprisesg.gov.sg/financial-support/market-readiness-assistance-grant>.

²³⁰ Enterprise Singapore. Enterprise Financing Scheme – Project Loan. <https://www.enterprisesg.gov.sg/financial-support/enterprise-financing-scheme---project-loan>.

²³¹ Enterprise Singapore. Enterprise Financing Scheme – Trade Loan. <https://www.enterprisesg.gov.sg/financial-support/enterprise-financing-scheme---trade-loan>.

social enterprises and SMEs that include low-income communities in their value chains. These initiatives align with the ASEAN Inclusive Business Framework and are backed by Singapore's commitment to environmentally and socially responsible financing under its Green Finance Action Plan.

The Finance Companies Act, amended in 2025, improves corporate governance by requiring nominee directors to be transparent in meeting stricter registration requirements. It also reduces financial misconduct and strengthens accountability. Although the Hire Purchase Act has not been updated since 2004, its shift to a disclosure-based model is significant, as it allows consumers to better understand their financial obligations and removes rigid formulas like the "Rule of 78."

The Banking Act has introduced the Financial Services and Markets Act and the Collaborative Sharing of Money Laundering/Terrorism Financing Information and Cases platform. These enable banks to share data on suspicious customers. Together with the FIMA Bill, which passed in 2024, these tools strengthen MAS supervision and support digital banking growth. The Insurance Act, amended in 2024, includes Section 33A which requires ministerial approval for transactions involving insurers connected to cooperative societies. This ensures that public interest is considered in foreign acquisitions that may impact social missions.

The Financial Holding Companies Act, which took effect in 2022, allows MAS to designate and regulate Designated Financial Holding Companies. It imposes stricter rules on shareholding and capital requirements to avoid issues within corporate groups. On digitalization, the Electronic Transactions Act was updated in 2021 to align with the United Nations Commission on International Trade Law's Model Law on Electronic Transferable Records, legalizing digital documents such as bills of lading and promissory notes. This change promotes faster and more secure digital trade.

Finally, the Personal Data Protection Act was amended in 2022 to increase the financial penalty cap from S\$1 million to 10% of an organization's annual turnover, if over S\$10 million. The Personal Data Protection Commission was also granted authority to accept voluntary work, which encourages organizations to comply ahead of time.

Data Tables

Table 20.1: SME Definition

Item	SMEs	Non-SMEs*
Annual Sales	≤S\$100 million	>S\$100 million
Employment	≤200 workers	>200 workers

* Non-SMEs are defined as enterprises with operating revenue more than \$100mil and employment more than 200 workers. It also includes ministries, statutory boards, and government / government-aided schools.

Source: ADB Asia SME Monitor 2025 database. Data from Enterprise Singapore and Singapore Department of Statistics.

Table 20.2: SME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
SMEs	Number ('000)	304.7	310.0	318.7	328.3	344.2	354.6
Small	Number ('000)	...	...	...	...	...	...
Medium-sized	Number ('000)	...	...	...	...	...	...
Large*	Number ('000)	1.3	1.2	1.4	1.4	1.4	1.4
Total	Number ('000)	306.1	311.2	320.0	329.6	345.6	356.1
SME to total	%	99.5	99.6	99.6	99.6	99.6	99.6
SME growth	%	3.1	1.7	2.8	3.0	4.8	3.0
SMEs by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communications		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
SMEs by region	%	...	...	...	...	...	...
Capital city		...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment							
SMEs	mil. People	2.3	2.2	2.2	2.4	2.4	2.5
Small	mil. People	...	...	...	...	...	...
Medium-sized	mil. People	...	...	...	...	...	...
Large*	mil. People	1.0	0.9	1.0	1.1	1.1	1.1
Total	mil. People	3.3	3.1	3.2	3.4	3.5	3.6
SME employees to total	%	70.3	70.1	69.2	69.3	69.4	69.6
SME employees growth	%	1.6	(5.9)	0.2	7.3	2.6	3.2
SME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
SME employees by region	%	...	...	...	...	...	...
Capital city		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
SME nominal value added (NVA)	NVA, S\$ bil.	209.6	209.8	254.1	287.4	291.1	313.4
SME NVA to total	% to NVA	44.7	47.6	47.3	44.2	47.1	47.3
SME NVA growth	%	1.2	0.1	21.1	13.1	1.3	7.7
Exports							
SME exports	S\$ bil.	...	...	...	...	...	...
SME exports to total export value	%	...	...	...	...	...	...
SME export growth	%	...	...	...	...	...	...
Imports							
SME imports	S\$ bil.	...	...	...	...	...	...
SME imports to total import value	%	...	...	...	...	...	...
SME import growth	%	...	...	...	...	...	...

SME = small and medium-sized enterprise.

* Refers to "non-SMEs" category.

Source: ADB Asia SME Monitor 2025 database. Data from Singapore Department of Statistics and Enterprise Singapore.

Table 20.3: SME Financing

End of year data

Item	Unit	2019	2020	2021*	2022	2023**	2024**
Bank Loans							
SME loans outstanding	S\$ mil.	86,242	90,429	91,361	92,154	87,842	80,539
SME loans to total loans	%	6.3	6.7	6.9	7.1	7.1	6.1
SME loans to GDP	%	16.8	19.0	17.1	14.3	13.2	14.7
SME loan growth	%	10.3	4.9	...	0.9	(4.7)	(8.3)
SME loan borrowers	Number	81,366	82,826	91,856	95,973	102,000	108,880
Nonperforming loans (NPLs)							
SME NPLs	S\$ mil.	3,874	4,134	3,105	2,857	2,987	2,013
SME NPLs to total SME loans	%	4.5	4.6	3.4	3.1	3.4	2.5
(Gross NPLs to total bank loans)	%	2.0	2.6	2.1	1.8	1.7	1.3
SME loans by sector	%	...	...	...	100	100	100
Agriculture, forestry, and fisheries		...	...	...	0.1	0.2	0.1
Manufacturing		...	...	...	10.0	9.0	8.2
Transportation and communications		...	...	...	8.8	8.5	8.1
Construction		...	...	...	6.7	6.8	6.7
Wholesale and retail trade ¹		...	...	...	22.6	22.4	21.7
Other services ²		...	...	...	27.8	28.7	29.5
Others ³		...	...	...	24.0	24.4	25.7
SME loans by region	%	...	...	...	...	...	...
Capital city		...	...	...	...	...	...
Others		...	...	...	...	...	...
SME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
SME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
n/a,							
Capital Markets							
Catalist, SGX							
Market capitalization	S\$ mil.	9,809	10,975	11,706	9,264	7,683	7,560
Growth	%	(6.9)	11.9	6.7	(20.9)	(17.1)	(1.6)
Trading value	S\$ mil.	3,017	15,985	11,302	3,041	1,536	1,112
Listed companies	Number	216	217	217	212	205	208

GDP = gross domestic product, SGX = Singapore Exchange, SME = small and medium-sized enterprise.

* The new MAS Notice 610/1003 was implemented July 2021 as part of changes to MAS regulatory reporting requirements. As data definitions have changed, SME loan data from 2021 onward is not comparable with pre-2021 data.

** SME data in 2023 and 2024 refers to the latest publicly available data, as of end December.

¹ Includes accommodation and food services.² Includes financial and insurance activities; along with professional, scientific, technical, administrative, support service activities.³ Includes property and land development, electricity/gas/water supply, mining and quarrying, and other industries.

Source: ADB Asia SME Monitor 2025 database. Data from Monetary Authority of Singapore.

Table 20.4: Policies and Regulations

Benchmark Regulation	Enterprise Singapore Board Act (2018)
Focal Government Authorities for SMEs	Enterprise Singapore (EnterpriseSG) Ministry of Trade and Industry (MTI)
Key Policies and Strategies	
Name	Outline
MTI's Economic Strategy	These strategies are intended to promote economic growth and create good jobs for Singaporeans: 1) Market development. 2) Industry development. 3) Enterprise development. 4) Ecosystem development.
Enterprise Singapore's Strategic Plan	1) Build enterprise capabilities. 2) Develop human capital. 3) Strengthen enterprise ecosystem. 4) Establish strong networks and partnerships.
Thematic Initiatives	
Digitalization of SMEs:	
SMEs Go Digital programme (Launched April 2017 by the Infocomm Media Development Authority)	1) Industry Digital Plans (IDPs) that recommends suitable digital solutions and training programmes aligned with each sector's transformation needs. 2) CTO-as-a-Service (CTOaaS) allows SMEs to assess their digital readiness, access market-proven digital solutions, and engage consultants for tailored advice and project management. 3) GenAI Navigator helps SMEs identify and adopt generative AI solutions suited to their business needs, with up to 50% grant support. 4) Pre-approved Digital Solutions. 5) Digital Enterprise Blueprint (DEB).
Green SMEs and climate action:	
Enterprise Sustainability Programme (ESP) (Launched 1 October 2021; Announced in Budget 2021 and launched by Enterprise Singapore)	1) Capability building. 2) Sector-specific initiatives. 3) Partnership ecosystem. 4) Financing support. 5) Innovation and product development.
Women-led SMEs:	
Singapore Women Entrepreneurs Network (SG-WEN) (Launched 21 September 2021 and formed by the Singapore Business Federation)	1) Policy advocacy and dialogue. 2) Knowledge sharing and networking. 3) Regional and local collaboration. 4) Recognition and visibility. 5) Strategic representation.
International trade of SMEs:	
Enterprise Financing Scheme (EFS) (Launched 29 October 2019 by Enterprise Singapore)	1) SME working capital loan. 2) SME fixed asset loan. 3) Trade loan. 4) Project loan. 5) Venture debt loan. 6) Mergers and acquisitions loan. 7) Green loan (EFS-Green).

SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Enterprise Singapore, Ministry of Trade and Industry, and Monetary Authority of Singapore.

THAILAND

Overview

Real gross domestic product (GDP) grew by 2.5% in 2024 on persistently weak domestic demand and external challenges.²³² The economy is projected to accelerate by a moderate 2.0% in 2025 and 2.9% in 2026, driven by a gradual recovery in tourism and increased public investment. Inflation remained subdued at 1.4% in 2024, with forecasts of a further decline to 1.0% in 2025 and 1.1% in 2026, suggesting continued price stability. Despite these positive indicators, however, high household debt remains a key macro-financial vulnerability. Although the debt-to-GDP ratio declined from 91.3% at end-2023 to 89.6% by mid-2024, it remains significantly above the 80% threshold, with rising nonperforming loans (NPLs) particularly in the automotive, mortgage, and credit card industries.

Thailand's micro, small, and medium-sized enterprises (MSMEs) in 2024 showed both resilience and growing alignment with national development priorities, supported by the 5th SME Promotional Master Plan (2023–2027). In 2024, the number of MSMEs increased marginally to 3.3 million, a modest 0.9% year on year growth. MSME employment rose by 3.8% to over 13.4 million. The MSME share of GDP remained relatively stable at 34.9%. MSME exports grew by 4.8% with imports up 8.2%—showing increased integration into global value chains. On financing, lending to MSMEs recovered cautiously, with total loans reaching B5.0 trillion. However, this remained below pre-pandemic levels, and access to credit continued to be hindered by slow loan growth and a high 7.4% NPL ratio. While public credit guarantees and Stock Exchange of Thailand (SET) equity markets—including the Market for Alternative Investment (mai) and LiVE Exchange (LiVEx) boards—offered some support, their MSME outreach remained limited. This highlights the need for more inclusive and scalable financial options to sustain MSME growth across diverse sectors. MSMEs did, however, show early progress under the Master Plan's four strategic pillars: digital transformation, green innovation, gender inclusivity, and global market integration. Through initiatives covering digital capacity-building, green financing schemes, and inclusive entrepreneurship programs, the government is repositioning MSMEs as both domestic economic drivers and globally competitive, sustainable companies. This strategic critical evolution into greater innovation and sustainability in MSME policy will help enhance productivity, resilience, and equitable growth.

MSME Development

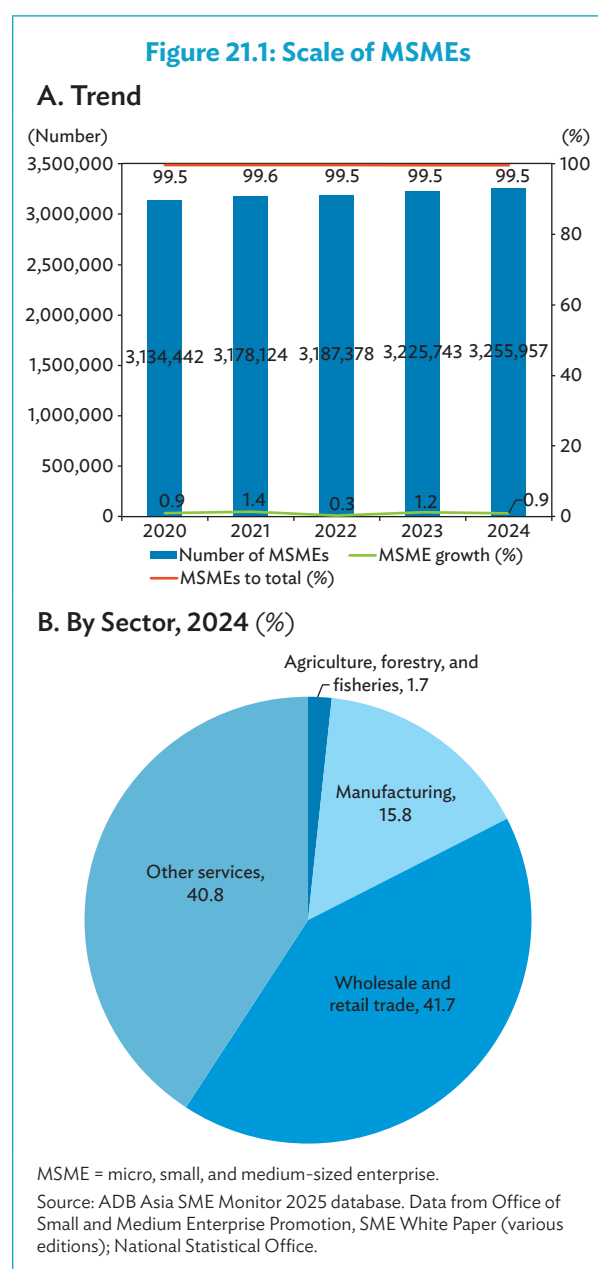
In 2024, Thailand's MSMEs increased marginally to 3.3 million, with a 99.5% share of all businesses. Employment grew by 3.8% to 13.4 million, though its share of the total workforce declined to 68.8%, as labor shifted to large firms. MSMEs contributed B6.5 trillion to GDP, yet their share remained flat at around 35%. Services and trade made up the

majority of MSMEs and employment. International trade improved, but MSMEs accounted for only around 14% of exports and imports. Structural challenges—including limited access to finance, climate risk, global competition, and domestic economic pressures—continue to constrain growth. However, these challenges also present opportunities for innovation, sustainability, and strategic policy support to enhance MSME resilience and competitiveness.

²³² ADB. 2025. Asian Development Outlook September 2025.

Thailand set its official definition of MSMEs in November 2019, using employment and revenue thresholds by sector groups (Table 21.1). In 2024, MSMEs grew marginally in number, rising slightly to 3,255,957 from 3,225,743 in 2023—or by a modest 0.9% , down from 1.2%. They maintained dominant in the economy, accounting for 99.5% of all registered enterprises. This continuing high share underscores their structural importance, even as growth momentum remains limited (Table 21.2 and Figure 20.1A).

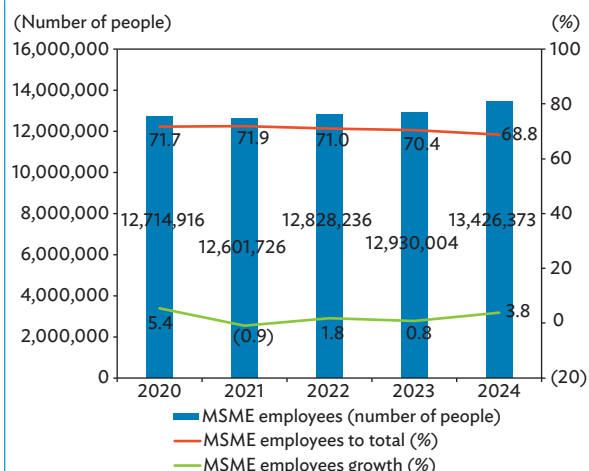
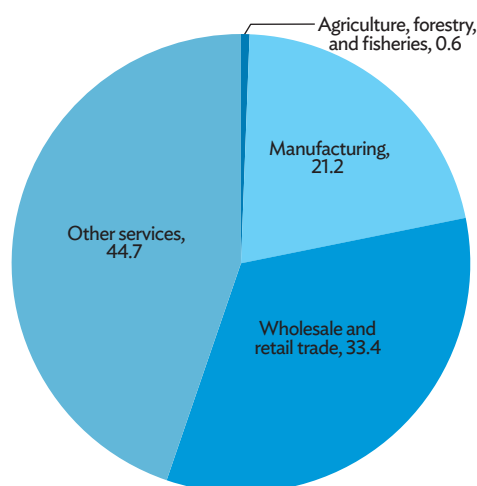
By sector, MSMEs in 2024 remained concentrated in commerce and services (Figure 21.1B). Wholesale and retail trade accounted for 41.7%, followed closely by other services (all service subsectors) at 40.8%. In contrast, manufacturing had a small 15.8% share, with those in agriculture, forestry, and fisheries contributing just 1.7%. This has not changed over the years. By region, 83.4% of MSMEs were based in the provinces, with the remaining 16.6% located within the capital city Bangkok.



MSMEs employed 13.4 million workers in 2024, up by 3.8% over 2023, a major improvement over the previous 0.8% growth (Figure 21.2A). However, the share of MSME employment relative to total employment declined to 68.8% from 70.4% in 2023. This suggests that while MSMEs continue to generate employment, their relative contribution to the national labor market is dropping, potentially due to faster growth in larger enterprises or in other sectors. This highlights the evolving labor market structure and underscores the importance of targeted policies to sustain MSME competitiveness and capacity for creating jobs.

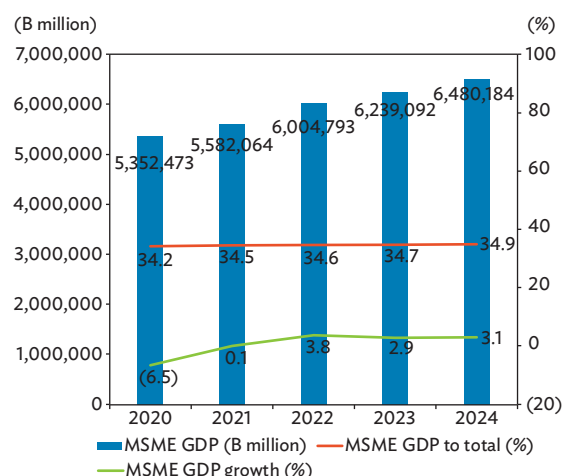
MSME employment in 2024 was strongly concentrated in services (Figure 21.2B). “Other services” accounted for the largest share of MSME employment at 44.7%, followed by wholesale and retail trade at 33.4%. Manufacturing employed 21.2%, while agriculture, forestry, and fisheries accounted for only 0.6%. This distribution mirrors the enterprise composition and reinforces the dominant role services and trade play in MSME employment. The relatively modest share of manufacturing and minimal contribution from agriculture suggest potential areas for policy support to promote more balanced sectoral development and diversified employment structure.

By region, 72.9% of MSME employees were based in the provinces, while 27.1% were employed within Bangkok as of end-2024.

Figure 21.2: Employment by MSMEs**A. Trend****B. By Sector, 2024 (%)**

MSME = micro, small, and medium-sized enterprise.
 Source: ADB Asia SME Monitor 2025 database. Data from Office of Small and Medium Enterprise Promotion, SME White Paper (various editions); National Statistical Office.

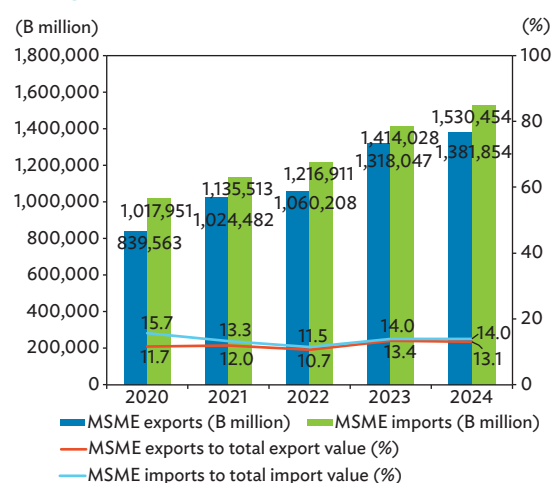
MSMEs contributed B6.5 trillion of Thailand's economic output in 2024, continuing its rise from B6.2 trillion in 2023 (Figure 21.3). Despite the steady increase in absolute terms, the MSME share of total GDP remained unchanged between 34%–35% over the years (34.9% in 2024). While MSMEs expand in value, their relative contribution to the broader economy has plateaued. The MSME GDP growth rate was 3.1% in 2024, a slight increase from 2.9% in 2023, suggesting a gradual recovery from the pandemic-induced 6.5% contraction in 2020.

Figure 21.3: MSME Output

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Office of Small and Medium Enterprise Promotion, SME White Paper (various editions); National Statistical Office.

MSMEs also increased their international trade in 2024. MSME imports rose by 8.2% year on year to B1.5 trillion, while exports reached B1.4 trillion in 2024, up by 4.8% (Figure 21.4). Despite this progress, the share of MSME exports and imports to total trade remained modest, hovering around 14%

Figure 21.4: MSME Exports and Imports

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Office of Small and Medium Enterprise Promotion, SME White Paper (various editions); National Statistical Office.

for imports and 13% for exports. While MSMEs are expanding their international footprint, their relative contribution to the country's overall trade remains limited. The data highlight both the resilience and constraints—resilience in its post-pandemic recovery and expansion, and constraints in scaling up its global competitiveness relative to larger enterprises.

Based on insights from key MSME development agencies, Thailand's MSMEs are currently grappling with a complex array of structural and external challenges that constrain growth. Rising global uncertainty and geopolitical tensions—particularly trade friction between major economies such as the United States and People's Republic of China (PRC)—have disrupted supply chains and heightened market volatility, hurting MSMEs in international trade. Climate change has become a critical concern, especially for MSMEs in agriculture, manufacturing, and tourism, where increased operational risks and adaptation costs exceed the financial capacity of many small firms.

Also, the global oversupply of competitively priced PRC products, often distributed through e-commerce platforms, has intensified market competition, compelling MSMEs to innovate and differentiate through better branding and quality.

Tourism, a vital revenue stream for many MSMEs, also underperformed in 2025, with less-than-expected arrivals from key markets such as the PRC and the Republic of Korea. This shortfall prompted a strategic pivot toward attracting higher-spending tourists, which in turn demands more investment in service quality and infrastructure.

Domestically, high household debt and living costs have eroded consumer purchasing power, reducing demand and exacerbating liquidity constraints for small enterprises. Many MSMEs continue to face barriers in accessing formal finance due to insufficient collateral and documentation, while rising operational costs and limited use of new technologies further undermine competitiveness. Despite these constraints, however, the current environment also offers opportunities to transform.

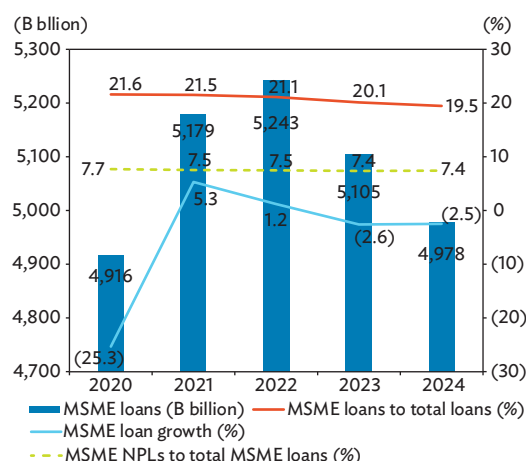
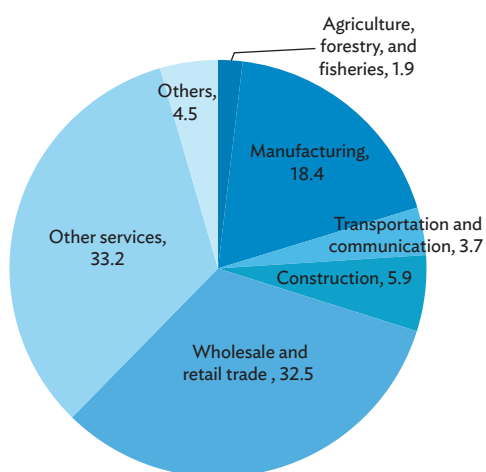
With appropriate policy support, MSMEs can use these issues to press for further innovation, adopt sustainable practices, and explore new market segments, thereby enhancing their long-term resilience and global competitiveness.

Access to Finance

MSME financing recovered cautiously in 2024, with total loans declining slightly to B5.0 trillion with the MSME loan share falling to 19.5% of all lending. NPLs remained high at 7.4%, given ongoing credit risks. Financing was largely concentrated in commerce and services, while agriculture remained underrepresented. Credit guarantees declined in value and reach, supporting fewer MSMEs than previously. Equity markets also faced challenges, with the mai market losing capitalization and trading, while the LiVEx platform remained in an early stage of development.

In 2024, MSME financing showed signs of cautious recovery amid ongoing structural challenges. Total MSME loans reached B5.0 trillion, a modest decline from B5.1 trillion in 2023, though still significantly below the B6.6 trillion peak in pre-pandemic 2019 (Table 21.3 and Figure 21.5A). Loan growth, which contracted sharply in previous years—by 2.5% in 2024 and 2.6% in 2023—remained subdued, indicating persistent credit tightening and weak demand for formal MSME financing.

The share of MSME loans to total loans outstanding fell slightly to 19.5% in 2024 from 20.1% in 2023, yet remained well below the 30.9% in 2019. Meanwhile, the MSME NPL ratio dropped slightly to B224 billion but remained high at 7.4%, which continues to pose a risk to financial institutions and borrowers alike. It underscores the challenges on MSME credit accessibility and loan quality. Addressing these issues will require coordinated policies, including an enhanced credit guarantee system, digital banking, and financial literacy to ensure MSMEs can access the capital needed to invest, innovate, and grow in an increasingly competitive economic environment.

Figure 21.5: MSME Loans**A. Trend****A. By Sector, 2024 (%)**

MSME = micro, small, and medium-sized enterprise.

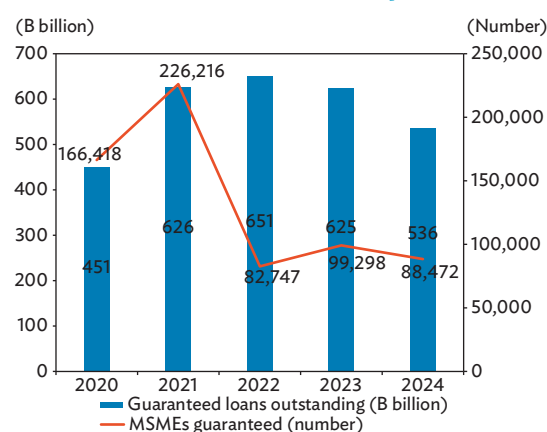
Source: ADB Asia SME Monitor 2025 database. Data from Bank of Thailand.

The distribution of MSME financing in 2024 was strongly concentrated in commerce and services, underscoring existing structural patterns in economic activities and credit allocation. Other services accounted for the largest share of MSME loans at 33.2%, followed closely by wholesale and retail trade at 32.5%, together comprising nearly two-thirds of all MSME credit in 2024 (Figure 21.5B). Manufacturing received 18.4% of MSME financing, followed by construction (5.9%) and transportation and communications (3.7%). Agriculture, forestry, and fisheries—despite their socio-economic significance—received only

1.9% of MSME loans, highlighting the persistent lack in access to formal credit channels.

In Thailand, credit guarantees are vital for helping MSMEs access finance given the persistent credit constraints. In 2024, the value of guaranteed loans outstanding through the Thai Credit Guarantee Corporation (TCG) declined by 14% to B536 billion (Figure 21.6). With the shrinking guarantee volume, 88,472 MSMEs benefited from the TCG's credit guarantee programs—down from 99,298 in 2023. This was significantly below the 226,216 beneficiaries in 2021, which had rebounded from the large-scale emergency delivery of credit guarantees to MSMEs affected by the coronavirus disease pandemic.

For TCG's portfolio guarantee scheme (PGS), new Letter of Guarantee approvals totaled 91,427, or accumulated approvals of 1.3 million as of end-2024. PGS Phase 11 (PGS 11) covers 2024–2025, under which TCG can provide guarantees within a scheme limit of B50 billion.

Figure 21.6: Credit Guarantees for MSMEs—Thai Credit Guarantee Corporation

MSME = micro, small, and medium-sized enterprise.

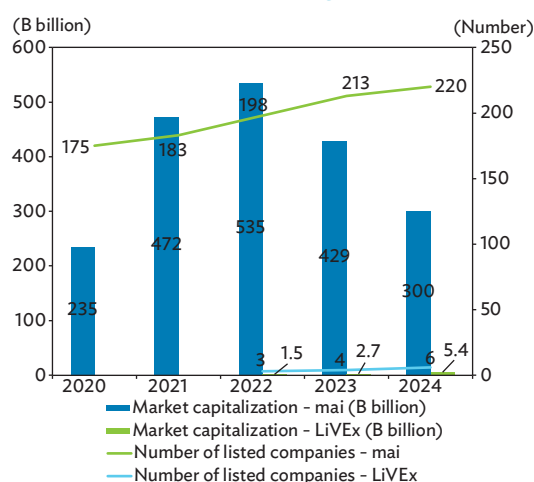
Source: ADB Asia SME Monitor 2025 database. Data from Thai Credit Guarantee Corporation.

As part of the broader financial inclusion agenda under the 5th SME Promotional Master Plan, expanding the reach and equity of credit guarantee programs remains a strategic priority for unlocking MSMEs full growth potential.

In 2024, Thailand's equity markets for MSMEs—particularly the mai and the LiVEx platforms—continued to evolve as complementary financing channels beyond traditional bank lending. Mai's market capitalization fell to approximately B300 billion, down from B429 billion in 2023, showing a notable drop in investor confidence and reduced capital market interest among qualified MSMEs amid rising global uncertainty (Figure 21.7).

In contrast, the LiVEx platform, launched in 2022 to support early-stage and high-potential MSMEs, remains in its formative stage. As of the end of 2024, LiVEx had a modest market capitalization of B5.4 billion with six listed companies, underscoring its early stage of development and limited market traction. Yet LiVEx represents a strategic policy innovation to expand equity financing access for start-ups and innovative enterprises that do not yet qualify for mai listing. To increase its impact, it is essential to strengthen the capital market policy framework, enhance investor education, and improve MSME preparedness for public listing. This is critical to deepen the role equity markets play in the MSME financing ecosystem and build a more inclusive capital market landscape.

Figure 21.7: Equity Markets for MSMEs—mai and LiVEx, Stock Exchange of Thailand



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Stock Exchange of Thailand.

Policies and Regulations

Thailand's national development plan places MSMEs at the heart of inclusive and sustainable growth, emphasizing digital transformation, green innovation, gender inclusion, and global integration. The strategy promotes productivity and market access through digital platforms, artificial intelligence (AI) tools, and financial tech solutions. MSMEs are encouraged to adopt the Bio-Circular-Green (BCG) model, supported by green financing and environmental, social, and governance (ESG)-aligned programs. Gender equality is advanced through the formal definition of "women entrepreneur" and tailored financial services. Internationalizing MSMEs is driven by platforms such as ASEAN Access, export financing, and capacity-building for global competitiveness. Together, these initiatives reflect a coordinated, multi-sectoral approach to strengthening MSMEs across economic, social, and environmental dimensions.

Thailand's Thirteenth National Economic and Social Development Plan runs from 1 October 2022 to 30 September 2027. This 5-year period aligns with the country's fiscal planning cycle and serves as a roadmap for national development across economic, social, and environmental dimensions. The Thirteenth National Economic and Social Development Plan (2023–2027) emphasizes MSME empowerment as a cornerstone of inclusive and sustainable economic growth. Recognizing the vital role MSMEs play in job creation, innovation, and local economic development, the plan outlines strategies to enhance competitiveness and resilience in the face of global and domestic challenges (Table 21.4).

One key focus is on digital transformation and innovation among MSMEs. The plan encourages integrating digital technologies to improve productivity, access to markets, and operational efficiency. This includes support for digital upskilling, the development of e-commerce platforms, and use of data analytics to inform business decisions.

It also promotes the BCG model, which opens new opportunities for MSMEs in areas such as sustainable agriculture, eco-tourism, and green manufacturing. By aligning with BCG principles, MSMEs are encouraged to adopt environmentally friendly practices and tap into emerging green markets.

The plan also addresses financial accessibility and capacity building. It improves MSME access to funding through financial innovation, credit guarantees, and partnerships with financial institutions. Capacity-building initiatives are designed to strengthen entrepreneurial skills, business management, and innovation capabilities, particularly for start-ups and community-based enterprises.

The plan also supports enabling ecosystems for MSMEs, including the development of business clusters, innovation hubs, and public-private partnerships. These ecosystems will foster collaboration, knowledge sharing, and value chain integration, thereby enhancing MSME competitiveness overall in both domestic and international markets.

Digitalization of MSMEs

The digital transformation is a cornerstone of the MSME development strategy under the 5th SME Promotional Master Plan (2023–2027). Recognizing the need for MSMEs to remain competitive in an increasingly digital economy, the government has launched several initiatives to facilitate digital adoption. One is setting up a centralized digital platform to offer MSMEs access to tailored digital tools, expert consultations, and AI-driven solutions to optimize business operations. This platform not only enhances operational efficiency but also fosters innovation and adaptability. Also, the Fiscal Policy Office supports digital literacy initiatives and encourages specialized financial institutions to promote e-commerce.²³³ The Small and Medium Enterprise Development Bank of Thailand, under policy office guidance, is developing a mobile banking application set to launch in early 2026, which will further simplify MSME financial access.

These efforts will help build digitally empowered MSMEs capable of thriving in a fast-evolving global market.

Green MSMEs and climate action

Sustainability is another critical pillar of Thailand's MSME policy framework, with a strong emphasis on integrating ESG principles. The 5th SME Promotional Master Plan promotes the BCG economic model to guide MSMEs toward sustainable growth. This includes raising awareness among entrepreneurs about the importance of ESG compliance, particularly those with export potential. The government supports development of green products and services that meet international standards, while also encouraging green procurement and consumer education to drive demand for environmentally friendly offerings. One notable initiative is the assistance provided MSMEs in measuring their carbon footprint across the entire product lifecycle—from raw material sourcing to waste management—thereby enhancing global competitiveness.

Financial institutions are also involved in this green transition. TCG offers guarantees under the PGS11 and TCG SMEs Smart Green programs, with a guaranteed limit of B5.5 billion for environmentally focused projects. Meanwhile, Thailand's Fiscal Policy Office has tasked the Bank for Agriculture and Agricultural Cooperatives (BAAC) with allocating at least B10,000 million in green loans by 2025, and the Export-Import Bank of Thailand (EXIM Bank) keeps one-third of its loan portfolio for ESG-aligned financing. These initiatives help foster a green economy through MSMEs.

Women-led MSMEs

Promoting gender equality and empowering women entrepreneurs are integral to the MSME development agenda. The 5th SME Promotional Master Plan underscores its importance by establishing an official definition of “women entrepreneur,” approved by the Executive Committee and published in the Royal Gazette in January 2025.²³⁴ It serves as a foundation

²³³ These include Government Savings Bank, Bank for Agriculture and Agricultural Cooperatives, Government Housing Bank, EXIM Bank, Small and Medium Enterprise Development Bank of Thailand, Islamic Bank of Thailand, and TCG.

²³⁴ Women entrepreneur is defined as a female business owner who holds at least 51% ownership of the enterprise and actively involved in the management or decision-making of the business.

for developing gender-responsive policies, improving data collection, and ensuring equitable access to government support programs and procurement opportunities.

The Office of Small and Medium Enterprises Promotion (OSMEP) actively uses this definition and collaborates with other government agencies to integrate gender into all aspects of MSME support. Financial services are also tailored to meet the needs of women-led businesses. TCG, for instance, incorporates stakeholder feedback into the design of loan guarantee programs to ensure that women entrepreneurs can access appropriate funding sources. These level the playing field and unlock women's potential in the entrepreneurial ecosystem.

International trade of MSMEs

Thailand is integrating MSMEs into regional and global supply chains, recognizing the importance of internationalization for long-term growth. One initiative is the ASEAN Access and ASEAN Access MATCH Platform, developed by OSMEP. These digital platforms facilitate business-to-business networking, host virtual and live trade events, and support matchmaking between MSMEs and international partners. They are aligned with both the 5th SME Promotional Master Plan and the ASEAN Strategic Action Plan for SME Development 2025. The initiative hopes to reverse the 6.0% decline in MSME exports in 2022 by boosting competitiveness, diversifying markets, and building capacity through training on international standards, regulatory compliance, and digital marketing.

TCG supports this through financial products tailored to vulnerable entrepreneurs and provides advisory services through the TCG Financial Advisory Center. The Fiscal Policy Office also plays a key role by encouraging the Bank for Agriculture and Agricultural Cooperatives to support supply chains and global market expansion. The EXIM Bank offers export guarantees, political risk insurance, and project financing, and provides training to help entrepreneurs

become high-quality exporters. In addition, the SME Bank promotes financial literacy and helps MSMEs adopt international accounting standards.

MSME financing and financial inclusion strategies

Thailand has a financial inclusion agenda for MSMEs using a combination of regulatory reforms and strategic initiatives. The central bank (Bank of Thailand) has been working closely with financial institutions to tailor financial products for MSMEs and improve access to funding, while also monitoring the quality and inclusivity of financial services. The national financial inclusion strategy, developed with ADB support, expands access to affordable and diverse financial services for underserved populations, especially in rural areas. It focuses on strengthening consumer protection, enhancing financial literacy, promoting microinsurance, and reforming regulations to support inclusive finance. The strategy also includes institutional capacity building for the Ministry of Finance and is guided by a comprehensive diagnostic assessment of financial access gaps. Also, reforms to the Soft Loan Royal Decree have been introduced to expand financial relief, simplify capital market access, and reduce MSME documentation burden.

Thailand also has a robust and evolving regulatory framework to support MSME financial inclusion and growth. Central is the Thai Credit Guarantee Corporation Act B.E.2534 (1991) and its 2017 amendment, which expands credit guarantees to include factoring and hire-purchase leasing, and allows guarantees for loans issued by subsidiaries of commercial banks and specialized financial institutions.²³⁵

The Small and Medium Enterprise Development Bank of Thailand Act (2002) established the SME Development Bank to target financial support. In 2025, the government launched two major initiatives through the bank: the SME Empowerment Program and the Beyond Winged SME Program, each offering B10 billion in soft loans to help small and vulnerable

²³⁵ OSMEP. Small and Medium Enterprises Promotion Act B.E. 2543 (2000) and Amendment Act B.E. 2561 (2018). Bangkok: OSMEP; 2018. Available from: <https://en.sme.go.th/en/page.php?modulekey=364>.

businesses access liquidity, invest, and expand. They offer favorable terms, including low interest rates and deferred principal repayments.

The regulatory landscape also includes the Business Collateral Act (2015), which broadened the range of acceptable collateral to include movable assets, improving MSME access to secured loans. The Payment Systems Act (2017) and various central bank notifications further modernized financial services, including peer-to-peer lending, digital personal loans, and nano finance, enabling MSMEs to benefit from alternative financing channels.

Data Tables

Table 21.1: MSME Definition

A. Definition after November 2019

Sector	Item	Micro	Small	Medium
Manufacturing*	Employees	1–5	6–50	51–200
	Revenue	B1.8 million and less	More than B1.8 million and less than or equal to B100 million	More than B100 million and less than B500 million
Services and Trading	Employees	1–5	6–30	31–100
	Revenue	B1.8 million and less	More than B1.8 million and less than or equal to B50 million	More than B50 million and less than B300 million

B. Definition before November 2019

Sector	Item	Small	Medium
Manufacturing*	Employees	Not more than 50	51–200
	Fixed Assets (excluding Land)	Not more than B50 million	More than B50 million and less than B200 million
Services	Employees	Not more than 50	51–200
	Fixed Assets (excluding Land)	Not more than B50 million	More than B50 million and less than B200 million
Trading: Wholesale	Employees	Not more than 25	26–50
	Fixed Assets (excluding Land)	Not more than B50 million	More than B50 million and less than B100 million
Trading: Retail	Employees	Not more than 15	16–30
	Fixed Assets (excluding Land)	Not more than B30 million	More than B30 million and less than B60 million

MSME=micro, small, and medium-sized enterprise.

* Manufacturing includes the agricultural sector.

Source: ADB Asia SME Monitor 2025 database. Data from Office of Small and Medium Enterprises Promotion.

Table 21.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	3,105,096	3,134,442	3,178,124	3,187,378	3,225,743	3,255,957
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	14,641	14,454	13,580	14,623	16,361	16,521
Total	Number	3,119,737	3,148,896	3,191,704	3,202,001	3,242,104	3,272,478
MSME to total	%	99.5	99.5	99.6	99.5	99.5	99.5
MSME growth	%	...	0.9	1.4	0.3	1.2	0.9
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		1.6	1.8	1.9	1.7	1.8	1.7
Manufacturing		17.1	17.0	17.0	16.3	16.0	15.8
Wholesale and retail trade		41.3	41.1	41.0	41.9	41.8	41.7
Other services		40.1	40.1	40.1	40.1	40.4	40.8
MSMEs by region	%	100	100	100	100	100	100
Capital city (Bangkok)		18.2	18.0	18.0	16.4	16.4	16.6
Others		81.8	82.0	82.0	83.6	83.6	83.4
Employment							
MSMEs	Number	12,060,369	12,714,916	12,601,726	12,828,236	12,930,004	13,426,373
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	5,296,687	5,019,245	4,934,610	5,241,831	5,432,237	6,086,868
Total	Number	17,357,056	17,734,161	17,536,336	18,070,067	18,362,241	19,513,241
MSME employees to total	%	69.5	71.7	71.9	71.0	70.4	68.8
MSME employees growth	%	...	5.4	(0.9)	1.8	0.8	3.8
MSME employees by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		0.5	0.5	0.6	0.6	0.7	0.6
Manufacturing		22.8	22.5	22.6	21.9	21.4	21.2
Wholesale and retail trade		32.5	33.4	33.3	33.6	33.7	33.4
Other services		44.3	43.7	43.5	43.9	44.2	44.7
MSME employees by region	%	100	100	100	100	100	100
Capital city (Bangkok)		28.6	28.3	27.7	27.2	26.9	27.1
Others		71.4	71.7	72.3	72.8	73.1	72.9
Output							
MSME GDP	GDP, B mil.	5,920,898	5,352,473	5,582,064	6,004,793	6,239,092	6,480,184
MSME GDP to total	% to GDP	35.1	34.2	34.5	34.6	34.7	34.9
MSME GDP growth	%	3.9	(6.5)	0.1	3.8	2.9	3.1
Exports							
MSME exports	B mil.	1,012,696	839,563	1,024,482	1,060,208	1,318,047	1,381,854
MSME exports to total export value	%	13.3	11.7	12.0	10.7	13.4	13.1
MSME export growth	%	0.2	(17.1)	22.0	3.5	24.3	4.8
Imports							
MSME imports	B mil.	1,273,351	1,017,951	1,135,513	1,216,911	1,414,028	1,530,454
MSME imports to total import value	%	17.1	15.7	13.3	11.5	14.0	14.0
MSME import growth	%	(2.4)	(20.1)	11.5	7.2	16.2	8.2

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Office of Small and Medium Enterprise Promotion, SME White Paper (various editions); National Statistical Office.

Table 21.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding*	B bil.	6,581	4,916	5,179	5,243	5,105	4,978
MSME loans to total loans**	%	30.9	21.6	21.5	21.1	20.1	19.5
MSME loans to GDP**	%	30.3	...	...	...	...	...
MSME loan growth	%	0.3	(25.3)	5.3	1.2	(2.6)	(2.5)
MSME loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs**	B bil.	231	247	254	252	233	224
MSME NPLs to total MSME loans**	%	4.7	7.7	7.5	7.5	7.4	7.4
(Gross NPLs to total bank loans)**	%	3.0	3.2	3.0	2.7	2.7	2.7
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		1.6	2.1	2.0	1.8	1.9	1.9
Manufacturing		19.2	20.4	20.3	19.2	18.4	18.4
Transportation and communications		2.5	2.8	2.8	3.1	3.4	3.7
Construction		3.9	5.0	5.1	5.3	5.8	5.9
Wholesale and retail trade		29.0	33.8	32.9	32.3	32.5	32.5
Other services		37.5	31.2	32.8	34.1	33.6	33.2
Others		6.3	4.7	4.1	4.2	4.5	4.5
MSME loans by region	%	...	...	...	...	...	...
Capital city (Bangkok)		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Thai Credit Guarantee Corporation (TCG)							
Guaranteed loans outstanding	B bil.	388.7	451.4	626.2	651.1	625.4	536.0
Growth	%	4.0	16.1	38.7	4.0	(4.0)	(14.0)
MSMEs guaranteed*	Number	88,215	166,418	226,216	82,747	99,298	88,472
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Capital Markets							
mai, SET							
Market capitalization	B bil.	215	235	472	535	429	300
Growth	%	(10.7)	9.2	100.9	13.4	(19.9)	(30.0)
Trading value	B bil.	177	309	1,302	1,337	546	359
Listed companies	Number	169	175	183	198	213	220
LiVEx, SET							
Market capitalization	B bil.	...	...	...	1.5	2.7	5.4
Growth	%	...	...	...	...	76.0	96.9
Trading value	B bil.	...	...	...	0.01	0.05	0.50
Listed companies	Number	...	...	...	3	4	6

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; SET = Stock Exchange of Thailand.

* Including data on public financial institutions and commercial banks.

** Based on commercial bank loans.

Source: ADB Asia SME Monitor 2025 database. Data from Bank of Thailand.

Table 21.4: Policies and Regulations

Benchmark Regulation	SMEs Promotion Act B.E.2543 (2000), latest amendment in 2019
Focal Government Authority for MSMEs	Office of Small and Medium Enterprises Promotion (OSMEP)
Key Policies and Strategies	
Name	Outline
The Fifth SME Promotion Master Plan 2023–2027	1) Comprehensive promotion of all [M]SME segments to be strong and grow. 2) Creating market opportunities to enhance the business potential. 3) Developing ecosystems to reduce [M]SME obstacles in doing business.
The Thirteenth National Economic and Social Development Plan (2023–2027)	1) High Value agricultural and processed agricultural products. 2) Sustainable, quality-oriented tourist destination. 3) Major electric vehicle manufacturing base. 4) High-Value medical and healthcare. 5) Strategic trade, investment and logistics gateway. 6) Smart electronics and digital industry. 7) Strong, high-potential, and competitive [M]SMEs. 8) Safe and livable space and smart cities. 9) Intergenerational poverty and social protection. 10) Advance infrastructure and logistics. 11) Develop science, technology, research and innovation. 12) High-capability workforce. 13) Modern and highly efficient public sector.
Financial Sector Master Plan Phase III (2016–2020)	1) Facilitating access to alternative funding channels and promoting e-financial transactions. 2) Promoting development of digital solutions that could address [M]SMEs painpoints, increase efficiency, and reduce costs. 3) Support TCG in the development of effective credit guarantee mechanisms to mitigate risks for [M]SMEs. 4) Encouraging NCB to expand its coverage to include more types and a larger number of members, and to offer bureau scoring services both for individuals and juristic persons; promoting the usage of alternative information for credit assessment. 5) Supporting the implementation of government policies on [M]SMEs development (e.g., encouraging the government's SME One-Stop Service Center).
Thematic Initiatives	Outline
Digitalization of MSMEs: Centralized Digital Platform (Royal Decree on the Operation of Digital Platform Service Businesses Decree: Royal Decree [2022])	1) Provides MSMEs with tailored digital tools, expert consultations, AI-driven solutions for business optimization. 2) Aims to enhance operational efficiency, innovation, and adaptability.
Green MSMEs and climate action: Bio-Circular-Green (BCG) Economic Model and Carbon Footprint Measurement Initiative (Adopted as a national development strategy under the Ministry of Higher Education, Science, Research and Innovation (MHESI); Launched 2021)	1) Promotes sustainable growth among MSMEs. 2) Raises awareness of ESG compliance, especially for export-oriented businesses. 3) Supports development of green products and services aligned with international standards. 4) Encourages green procurement and consumer education to boost demand for eco-friendly offerings. 5) Assists MSMEs in tracking carbon emissions across the product lifecycle: from raw material sourcing to waste management. 6) Enhances global competitiveness through sustainability transparency.
Women-led MSMEs: “Women Entrepreneur” (January 2025)	1) Serves as a foundation for gender-responsive policy development. 2) Improved data collection. 3) Equitable access to government support and procurement programs.
International trade of MSMEs: ASEAN Access and ASEAN Access MATCH Platform (by OSMEP)	1) Facilitates business-to-business networking and matchmaking with international partners. 2) Hosts virtual and live trade events. 3) Aligned with ASEAN Strategic Action Plan for SME Development (SAPSMED) 2025. 4) Aims to reverse the 6.0% decline in MSME exports (2022). 5) Provides training on international standards, regulatory compliance and digital marketing.

MSME = micro, small, and medium-sized enterprise; NCB = National Credit Bureau; SME = small and medium-sized enterprise; TCG = Thai Credit Guarantee Corporation.

Source: ADB Asia SME Monitor 2025 database. Data from Office of Small and Medium Enterprises Promotion, Bank of Thailand, and Securities and Exchange Commission.

VIET NAM

Overview

In 2024, the economy rebounded strongly with gross domestic product (GDP) growing by 7.1%, driven by a surge in export manufacturing, robust foreign direct investment, and a recovery in tourism. Industrial production and services grew significantly, while agriculture slowed due to typhoons. Inflation edged up to 3.6%, influenced by rising food prices and wage hikes. The central bank maintained an accommodative stance, boosting credit growth to 15.1%. For 2025, growth is forecast to moderate to 6.7%, with inflation rising to 4.0% amid global trade tensions and rising United States tariffs. Institutional reforms increased public and private investment, while the digital transformation should support continued resilience and expansion.²³⁶

Viet Nam continues to strengthen its support for micro, small, and medium-sized enterprises (MSMEs) through updated policies and expanded financial infrastructure. In 2023, MSMEs made up 97.3% of all enterprises and employed over 5.8 million people, with notable gains in capital investment and exports, contributing 8.2% to total export value. Despite this progress, only some MSMEs access formal credit, prompting the government to promote alternative financing through nonbank financial institutions (NBFIs) and capital markets. The latest available MSME credit data from 2020 shows that its share to total bank loans was 21.5%. By 2024, the banking sector had grown by 14.9% to D15,706 trillion in loans. The Unlisted Public Company Market (UPCoM) capitalization surged by 53.8% to D1,621 trillion, offering MSMEs greater access to capital. The 2021–2025 Socio-Economic Development Plan integrates MSMEs further into national priorities as it deepens digitalization, green growth, and gender-inclusive policies. Programs such as the National Digital Transformation and EmPower initiatives are equipping MSMEs—especially women-led enterprises—with digital tools, climate-resilient technologies, and improved market access, positioning them as key drivers of Viet Nam’s inclusive and sustainable economic future.

MSME Development

In 2023, MSMEs included 757,788 enterprises, or 97.3% of all businesses. They employed over 5.8 million workers, or 37.1% of the total. Financially, MSMEs showed resilience, raising total capital by 8.8% and increasing long-term investments. Non-state-owned enterprises continue to dominate, comprising 97.4% of MSMEs, while female employment remains strong with 46.2% of the workforce.

Viet Nam continues its strong commitment to supporting MSMEs via a comprehensive legal framework anchored by the SME Support Law (Law No.04/2017/QH14). The law classifies MSMEs into three sectors—(i) agriculture, forestry, and fisheries; (ii) industry and construction; and (iii) commerce and services—based on number of employees, revenue, and capital. These ensure MSMEs receive tailored support aligned with specific sectoral and operational needs (Table 22.1).

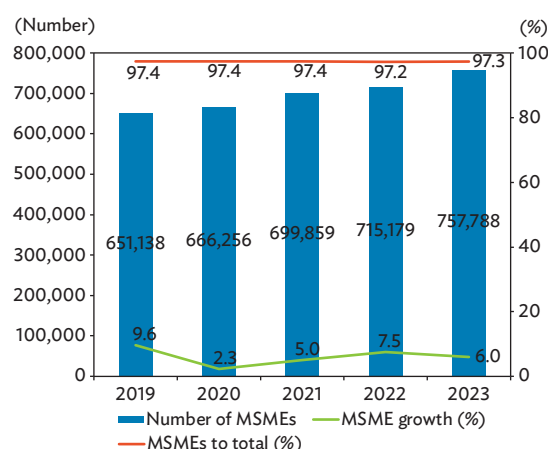
²³⁶ ADB. 2025. Asian Development Outlook September 2025.

In 2023, latest available Viet Nam data show the MSME landscape has grown significantly, with the number of MSMEs reaching 757,788, up by 6% over 2022. MSMEs accounted for 97.3% of all enterprises, underscoring their critical role in the economy (Table 22.2 and Figure 22.1A). Wholesale and retail trade continue to dominate, comprising 39.0% of MSMEs, followed by other services including accommodation and food services at 22.4%, manufacturing at 14.6%, and construction at 13.6%. Transportation and communications held a notable 8.1%, while agriculture, forestry, and fisheries remained a small fraction with just 0.8% (Figure 22.1B).

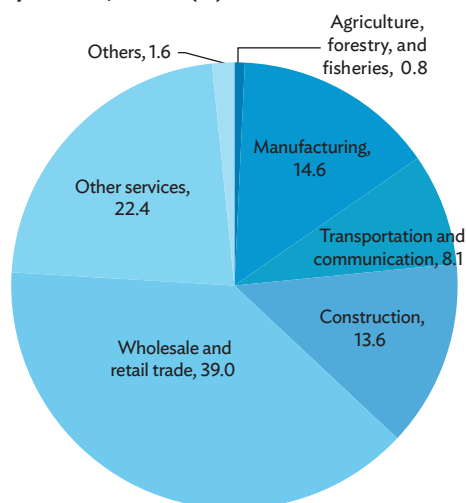
MSME employment also grew, with 5.8 million people working in 2023—up by 4.4% from 2022. MSMEs contributed 37.1% of the total workforce in the country (Figure 22.2A). Manufacturing led MSME employment with a 27.5% share, followed by wholesale and retail trade at 24.4%, other services at 19.7%, and construction at 17.0%. Transportation and communications accounted for 8.3%, while agriculture, forestry, and fisheries represented 1.2% (Figure 22.2B). Regionally, 20.3% of MSME employment was concentrated in the capital city Ha Noi with the remaining 79.7% spread across provincial cities. Women made up a strong 46.2% of MSME workers.

Figure 22.1: Scale of MSMEs

A. Trend



B. By Sector, 2023 (%)

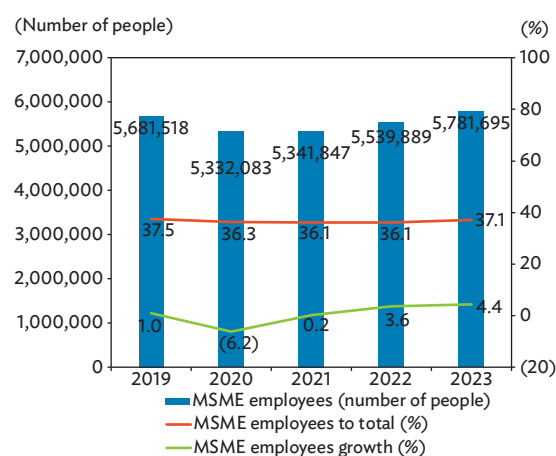


MSME = micro, small, and medium-sized enterprise.

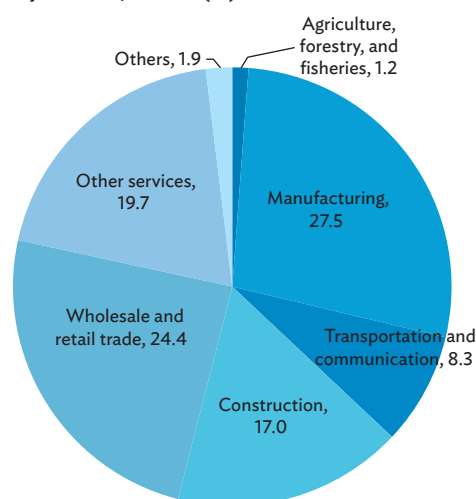
Source: ADB Asia SME Monitor 2025 database. Data from Agency for Enterprise Development, Ministry of Planning and Investment; and General Statistics Office.

Figure 22.2: Employment by MSMEs

A. Trend



B. By Sector, 2023 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Agency for Enterprise Development, Ministry of Planning and Investment; and General Statistics Office.

Financially, MSMEs had resilient growth in 2023. Total capital rose by 8.8% to D18,194 trillion, reversing the previous year's decline. Fixed assets and long-term investments also increased to D5,903 trillion, showing renewed investment confidence in MSMEs. By ownership, non-state-owned enterprises dominate the sector, accounting for 97.4% of MSMEs, while foreign-invested enterprises represented 2.5%, and state-owned enterprises made up a minimal 0.1%.

Trade promotion remains a vital part of the country's MSME development strategy, with the Viet Nam Trade Promotion Agency continuing to help provide international market access. In 2023, MSME export value recovered to \$29.0 billion, up by 10.6% over 2022. The rebound contrasts sharply with the 4.6% decline in overall exports nationally, highlighting MSME resilience in navigating global market challenges. MSMEs accounted for 8.2% of total export value, up from 7.1% in 2022, showing improved competitiveness and integration into global trade. MSME imports were valued at \$39.9 billion, or 12.2% of total imports. However, MSME imports declined by 8.6% on reduced global demand and supply chain adjustments (Figure 22.3). These underscore both the growing

importance of MSMEs in the country's trade and the need for continued support in internationalizing MSME products and the skills needed to maintain growth momentum amid global uncertainties.

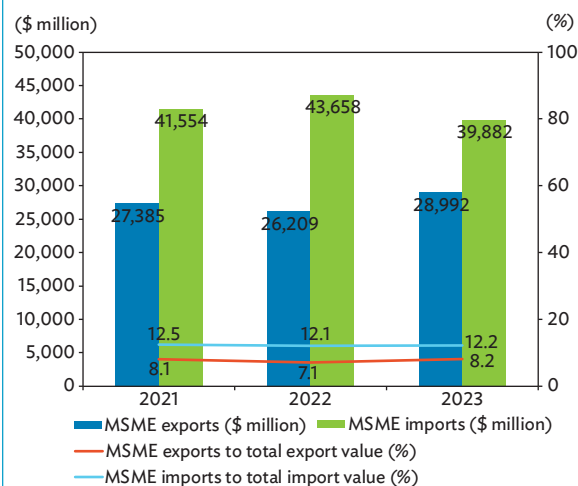
Access to Finance

Finance continues to grow. Bank loans reached D15,706 trillion in 2024 with deposits valued at D16,284 trillion across 94 commercial banks. Despite the expansion, MSMEs still have limited access to formal finance. Capital markets have become vital alternative MSME funding sources, particularly through UPCoM under the Hanoi Stock Exchange (HNX). In 2024, UPCoM's market capitalization surged by 53.8% to D1,621 trillion, with 888 registered companies actively trading.

The banking sector remains a vital pillar of the national economy, though it went through some slight structural changes in 2024. The number of commercial banks decreased from 98 in 2023 to 94 in 2024, comprising 4 state-owned banks (down by 3), 2 policy banks, 27 joint-stock banks (down 1), 2 joint-venture banks, 9 fully foreign-owned banks, and 50 foreign bank branches. Banks continue to see strong credit growth, with total loans outstanding reaching D15,706 trillion, a 14.9% increase from 2023. Of this, D15,126 trillion was dong-denominated with D580 trillion in foreign currency. Total deposits reached D16,284 trillion, with D15,206 trillion in domestic currency and D1,078 trillion foreign-denominated. This offers a healthy deposit base for continued lending growth.

Despite this robust expansion, MSMEs still face challenges in accessing formal financial services. Official available MSME credit data from 2020 shows the share of MSME loans to total bank loans at 21.5% (Table 22.3). The ASEAN+3 Macroeconomic Research Office (AMRO) 2024 Report showed only 30% of MSMEs could access bank loans, with the remainder relying on personal funds or informal lending.²³⁷ This limited access limits their ability to manage working

Figure 22.3: MSME Exports and Imports



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Agency for Enterprise Development, Ministry of Planning and Investment; and General Statistics Office.

²³⁷ ASEAN+3 Macroeconomic Research Office (AMRO). Vietnam: Annual Consultation Report 2024. Published February 18, 2025. https://amro-asia.org/wp-content/uploads/2025/03/2024-Vietnam-ACR_publication_18Feb2025_S13.pdf.

capital, finance expansion, and withstand economic shocks. While banking is expanding, its benefits are unevenly distributed, particularly for small enterprises lacking collateral or credit history.

The government's ongoing development of the nonbank finance institutions (NBFIs)—including microfinance institutions (MFIs), leasing companies, and People's Credit Funds—are crucial to bridging this gap. NBFIs continue to grow in scale and outreach, offering alternative financing channels to underserved MSMEs.

At the end of 2024, NBFIs included 4 MFIs, 26 finance companies, and 1,176 People's Credit Funds. These institutions complement the formal banking sector by offering more flexible and accessible financial services, particularly to underserved and rural MSMEs. The government's integrated financing strategy aims to harness the potential of NBFIs—including leasing companies, insurance providers, pawnshops, and guarantee firms—to meet the diverse needs of MSMEs.

While detailed data on financing volumes, growth rates, and nonperforming financing (NPF) for 2024 were unavailable as of August 2025, their continued expansion signals the growing importance of NBFIs in the financial system. Strengthening their regulatory framework and operational capacity remains essential to ensure they are sustainable and effective in supporting MSME development.

There are two state-owned stock exchanges operating: the HNX and Ho Chi Minh Stock Exchange. HNX uses UPCoM for unlisted public companies and privatized state-owned enterprises. While it is not a dedicated MSME market, they are welcome to list on it, making UPCoM an alternative MSME financing venue. At the end of 2024, UPCoM had a market capitalization of D1,621 trillion, up by a substantial 53.8% from 2023. The UPCoM Index was 95.1—with a trading value of D226 trillion and trading volume of 13 billion shares. The number of registered companies increased to 888, with 52 newly registered firms and 26 deregistered. At the end of 2024, 78 securities firms were UPCoM members, providing essential brokerage and advisory services. This underscores UPCoM's growing role as a

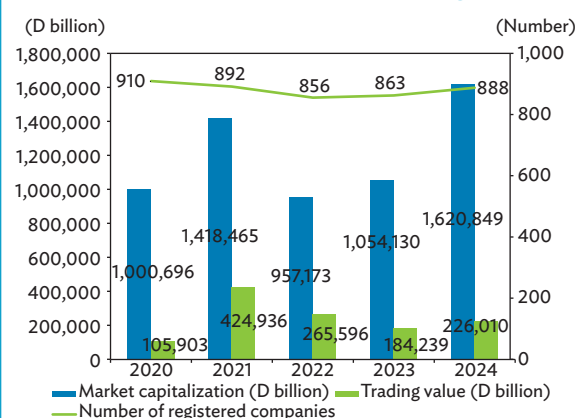
complementary financing venue for MSMEs seeking to diversify their capital sources beyond traditional banking (Figure 22.4).

According to a survey conducted with relevant government agencies, MSMEs face a range of structural and external challenges that hinder their development, particularly amid increasing global uncertainty and geopolitical tensions. These not only limit growth potential but expose them to heightened financial and operational risk.

One of the most pressing challenges is limited access to formal finance. Despite MSMEs' strong contribution to employment and economic activity, its access to bank credit remains limited. Nearly a quarter of MSMEs identify financial access as their primary barrier to growth. This is compounded by stringent collateral requirements, insufficient credit histories, and a lack of financial products tailored to the unique needs of small businesses.

A second major constraint is inadequate support for trade finance, particularly for MSMEs in international trade. While large enterprises benefit from bank-intermediated instruments like letters of credit or export guarantees, MSMEs struggle to access these

Figure 22.4: Equity Market for MSMEs—UPCoM, Hanoi Stock Exchange



MSME = micro, small, and medium-sized enterprise; UPCoM = Unlisted Public Company Market.

Source: ADB Asia SME Monitor 2025 database. Data from State Bank of Vietnam.

tools due to both their limited financial literacy and institutional support. This gap restricts their ability to participate in global markets and capitalize on export opportunities, especially during periods of heightened geopolitical tensions and shifting trade dynamics.

Third, MSMEs are highly vulnerable to global economic shocks. Currency fluctuations, supply chain disruptions, and demand volatility—often triggered by geopolitical instability—pose significant risks to MSME operations. These external pressures reduce their ability to service existing debt and deter new financing, thereby weakening their financial resilience. The lack of hedging mechanisms and risk management tools further exacerbates their exposure to global uncertainties.

Another critical challenge is the infrastructure and digital divide many MSMEs face. Limited access to modern infrastructure, whether in logistics, energy, or digital technology, hampers their competitiveness and ability to integrate into global supply chains. As digitalization becomes increasingly critical for business continuity and growth, MSMEs without digital capacity are at a distinct disadvantage. This gap not only affects productivity but also restricts access to digital financial services and e-commerce platforms.

Finally, gender and social barriers continue as barriers to women-owned MSMEs. These firms face added barriers to accessing finance, markets, and capacity-building programs. Cultural norms, lack of collateral, and skepticism from financial institutions contribute to marginalization. A 2024 Needs Assessment of Women-Owned Small and Medium-Sized Enterprises in Viet Nam showed that over 60% of women-owned MSMEs needed more targeted support in financial access and market integration, highlighting the urgency of better and more inclusive policies.²³⁸

Policies and Regulations

The Socio-Economic Development Plan (2021–2025) offers a strategic vision for industrial modernization, digital transformation, and inclusive growth, with MSMEs at its core. The plan targets 6.5%–7% annual GDP growth and emphasizes innovation, productivity, and sector restructuring. Programs such as the National Digital Transformation and EmPower enhance MSME technological capacity, especially for women-led enterprises. Climate action is integrated through green finance and renewable energy support, while gender equality is promoted via targeted policies and partnerships.

Viet Nam's Socio-Economic Development Plan for 2021–2025, guided by Decisions No.16/2021/QH15 and No.32/NQ-CP, outlines a strategic vision for transforming the country into a modern, industrialized economy (Table 22.4).²³⁹ The plan targets an average GDP growth rate of 6.5%–7.0% annually, with GDP per capita reaching between \$4,700 and \$5,000 by 2025. It emphasizes the industrial and digital transformation, aiming for processing and manufacturing to contribute over 25% of GDP and the digital economy around 20%. Innovation and production are central, with total factor productivity expected to contribute 45% to growth and labor productivity increasing by 6.5% annually.

For MSMEs, the plan integrates several measures. It promotes a more dynamic business environment by simplifying administrative procedures, improving access to finance, and enhancing legal protection to encourage entrepreneurship and innovation. MSMEs are expected to benefit from the digital transformation, green economy initiatives, and infrastructure upgrades, designed to improve market

²³⁸ Viet Nam Women Entrepreneurs Council; The Asia Foundation; Mekong Business Initiative. Needs Assessment of Women-Owned Small and Medium-Sized Enterprises in Viet Nam. Ha Noi, Viet Nam: VWEC; 2024. <https://asiafoundation.org/wp-content/uploads/2024/08/Needs-Assessment-of-Women-Owned-Small-and-Medium-Sized-Enterprises-in-Vietnam.pdf>.

²³⁹ Government of Viet Nam. Socio-economic development plan for 2021–2025. Viet Nam Government Portal. <https://VietNam.gov.vn/socio-economic-development-plans/socio-economic-development-plan-for-2021-2025-12056314>. Published 2021.

access and competitiveness. The government also aims to restructure industries and promote high-quality human resources, especially in emerging sectors, to better align with MSME needs for skilled labor and new technologies.

Digitalization of MSMEs

Viet Nam takes a multi-pronged approach to promote digitalization among MSMEs, in line with its broader national development and digital transformation goals. Central to this is the National Digital Transformation Program, spearheaded by the Ministry of Planning and Investment, which will equip MSMEs with access to e-commerce platforms, cloud computing, and digital payment systems. These initiatives are part of Viet Nam's strategy to become a digitally advanced economy by 2030, with MSMEs playing a pivotal role. In addition, the United Nations Program for Gender Equality and Empowerment of Women (UN Women) has launched cybersecurity workshops in Ha Noi to enhance digital safety and privacy awareness among women entrepreneurs. These workshops should help women-led MSMEs better navigate the digital transformation, addressing gender-specific vulnerabilities in the digital space.

The EmPower Program, a joint initiative by UN Women and the United Nations Environment Program, supports women-led MSMEs access digital tools and finance for climate-resilient enterprises. This includes deploying solar-powered technologies and renewable energy solutions that both enhance business sustainability and contribute to climate adaptation goals. Together, they reflect Viet Nam's commitment to inclusive digital development, integrating gender equity, climate resilience, and economic modernization into its MSME support framework.

Green MSMEs and climate action

Viet Nam has made significant strides in promoting green and climate-resilient MSMEs through a combination of policy frameworks, international partnerships, and targeted programs. The "Women for Climate-Resilient Societies Program," jointly led by UN Women and the United Nations Environment Program, offers low-interest loans and technical

support to women-led MSMEs to adopt renewable energy and climate adaptation. It focuses on integrating gender-responsive approaches into climate action and supports using technologies such as solar-powered irrigation systems, which have already improved livelihoods in climate-vulnerable regions like Ninh Thuan and Ca Mau.

Viet Nam's National Climate Strategy and commitment to the Just Energy Transition Partnership will help achieve carbon neutrality by 2050. MSMEs are included through access to green finance, capacity-building programs, and inclusion in climate-smart agriculture and energy initiatives. The Global Green Growth Institute has also partnered with Viet Nam to accelerate green growth across sectors including energy, waste, and agriculture, with MSMEs playing a key role.

Women-led MSMEs

The country is strongly committed to advancing gender equality and empowering women-led MSMEs through a series of targeted initiatives and policy frameworks. The cornerstone is the UN Women Strategic Note 2022–2026, which takes a comprehensive approach to promoting women's economic empowerment. It supports gender-responsive procurement, inclusive MSME development, and policy advocacy through multi-stakeholder partnerships. It integrates gender into national development strategies and encourages institutional reforms that foster equitable access to resources and opportunities for women entrepreneurs.

Complementing this is the ADB White Book on Women-Owned SMEs, which provides a detailed analysis of the legal, financial, and societal barriers faced by women entrepreneurs in Viet Nam. It suggests collecting and using gender-disaggregated data, expanding inclusive financial services, and implementing supportive legal reforms. The recommendations should help create national policies better mainstream gender in MSME development.

The Viet Nam Women Entrepreneurs Council also conducted a comprehensive Needs Assessment Report highlighting challenges faced by women-owned MSMEs, particularly in accessing finance,

training, and markets. Its findings have been instrumental in shaping policy under the SME Support Law, which includes provisions for capacity building, financial inclusion, and market integration tailored to the needs of women entrepreneurs.

International trade of MSMEs

A range of strategic initiatives promote the integration of MSMEs into global trade and supply chains, with particular emphasis on inclusive and sustainable development. Central is the SME Support Law (2017), which provides the legal framework for enhancing MSME export capacity, market access, and international trade readiness. The law includes trade facilitation, capacity-building programs, and targeted support for women-led enterprises, ensuring that MSMEs are equipped with the skills and resources needed to compete globally.

There is also the EmPower and Green Export Readiness initiative helping women-led MSMEs produce environmentally sustainable goods under the One Commune One Product program. They receive access to innovation funding and external financing to develop green export products. The initiative enhances the export potential of MSMEs and promotes gender equity along with environmental stewardship.

Viet Nam also collaborates with international organizations like ADB to advance inclusive trade policies and the digital transformation. These partnerships help integrate MSMEs into global supply chains by improving digital infrastructure, streamlining trade procedures, and fostering more inclusive business. Through these combined efforts, Viet Nam is building more resilient and globally connected MSMEs able to contribute to national economic growth along with social and environmental objectives.

MSME financing and financial inclusion strategies

Viet Nam's National Financial Inclusion Strategy (NFIS) to 2025 aims to expand access to formal financial services, particularly for underserved groups such as microenterprises and women entrepreneurs. The strategy targets digital financial services, microfinance reform, and developing inclusive financial infrastructure.

Since its launch in 2020, the NFIS has significantly improved financial access. By the end of 2023, the number of non-bank payment service providers reached 51, including 49 offering e-wallet services. Digital transactions surged, with QR code payments increasing by 157.2%, and mobile payments by 12.7% year on year. Over 35 million payment accounts were opened using electronic Know Your Customer, and 14.9 million cards were issued digitally. This helps expand financial access especially in rural and remote areas.²⁴⁰

The government has also strengthened its legal framework, issuing multiple laws and decrees to support digital finance, micro-insurance, and e-commerce. Ministries and agencies coordinate to promote cashless payments, improve credit guarantee mechanisms, and integrate financial literacy into education and rural development programs.²⁴¹

In parallel, ADB has supported the NFIS through targeted financing and policy recommendations. A 2021 ADB working paper emphasized the need for institutional and legal reforms to strengthen microfinance service providers, including the use of wholesale lending models to enhance sustainability and outreach.²⁴²

²⁴⁰ State Bank of Vietnam. National Financial Inclusion Strategy to 2025 with a Vision to 2030. Ha Noi, Viet Nam: SBV; 2020. <https://www.sbv.gov.vn>.

²⁴¹ Asian Development Bank. Viet Nam's Financial Inclusion Strategy: Progress and Policy Recommendations. ADB Working Paper Series; 2021. <https://www.adb.org/publications>.

²⁴² Ministry of Planning and Investment. Report on Implementation of the National Financial Inclusion Strategy. Ha Noi, Viet Nam: MPI; 2024. <https://www.mpi.gov.vn>.

Data Tables

Table 22.1: MSME Definition

Sector	Item	Micro	Small	Medium
Agriculture, forestry and fishery	Number of employees (with insurance)	1-10	11-100	101-200
	Total revenue	Not more than D3 billion	Not more than D50 million	Not more than D200 billion
	Total capital	Not more than D3 billion	Not more than D20 million	Not more than D100 billion
Industry and construction	Number of employees (with insurance)	1-10	11-100	101-200
	Total revenue	Not more than D3 billion	Not more than D50 million	Not more than D200 billion
	Total capital	Not more than D3 billion	Not more than D20 million	Not more than D100 billion
Commerce and services	Number of employees (with insurance)	1-10	11-50	51-100
	Total revenue	Not more than D10 billion	Not more than D100 million	Not more than D300 billion
	Total capital	Not more than D3 billion	Not more than D50 million	Not more than D100 billion

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Law No.04/2017/QH14 and Decree No.80/2021/ND-CP. This definition is effective after 12 June 2017.

Table 22.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023
Scale of Enterprises*						
MSMEs	Number	651,138	666,256	699,859	715,179	757,788
Micro	Number	...	...	...	...	...
Small	Number	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...
Large	Number	17,367	18,004	18,859	20,276	20,641
Total	Number	668,505	684,260	718,718	735,455	778,429
MSME to total	%	97.4	97.4	97.4	97.2	97.3
MSME growth	%	9.6	2.3	5.0	7.5	6.0
MSMEs by sector	%	100	100	100	100	100
Agriculture, forestry, and fisheries		1.1	0.9	1.0	0.8	0.8
Manufacturing		15.7	14.9	14.7	14.9	14.6
Transportation and communications		7.9	7.9	8.1	8.1	8.1
Construction		13.7	13.9	14.4	14.3	13.6
Wholesale and retail trade		37.5	37.8	37.7	38.3	39.0
Other services		22.8	23.0	22.5	21.9	22.4
Others		1.2	1.4	1.7	1.7	1.6
MSMEs by region	%	100	100	100	100	100
Capital city (Ha Noi)		21.2	21.2	20.6	20.5	20.0
Others		78.8	78.8	79.4	79.5	80.0
Employment						
MSMEs	Number	5,681,518	5,332,083	5,341,847	5,539,889	5,781,695
Micro	Number	...	...	...	...	...
Small	Number	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...
Large	Number	9,470,471	9,370,463	9,465,433	9,801,743	9,799,849
Total	Number	15,151,989	14,702,546	14,807,280	15,341,632	15,581,544
MSME employees to total	%	37.5	36.3	36.1	36.1	37.1
MSME employees growth	%	1.0	(6.2)	0.2	3.6	4.4
MSME employees by sector	%	100	100	100	100	100
Agriculture, forestry, and fisheries		1.5	1.4	1.3	1.2	1.2
Manufacturing		25.4	28.0	27.9	27.9	27.5
Transportation and communications		8.3	7.8	8.0	8.2	8.3
Construction		17.3	18.5	18.3	17.5	17.0
Wholesale and retail trade		24.2	23.8	24.4	24.3	24.4
Other services		21.6	18.6	18.0	19.0	19.7
Others		1.7	1.9	2.0	2.0	1.9
MSME employees by region	%	100	100	100	100	100
Capital city (Ha Noi)		21.0	20.3	20.0	20.3	20.3
Others		79.0	79.7	80.0	79.7	79.7
Output						
MSME GDP	GDP, D bil.	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...
Exports						
MSME exports	\$ mil.	...	...	27,385	26,209	28,992
MSME exports to total export value	%	...	...	8.1	7.1	8.2
MSME export growth	%	...	...	...	(4.3)	10.6
Imports						
MSME imports	\$ mil.	...	...	41,554	43,658	39,882
MSME imports to total import value	%	...	...	12.5	12.1	12.2
MSME import growth	%	...	...	...	5.1	(8.6)

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Active enterprises based on labor scale.

Source: ADB Asia SME Monitor 2025 database. Data from Agency for Enterprise Development, Ministry of Planning and Investment; and General Statistics Office.

Table 22.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans							
MSME loans outstanding	D bil.	...	1,818,223	...	...	...	...
MSME loans to total loans	%	...	21.5	...	...	...	...
MSME loans to GDP	%	...	28.9	...	...	...	...
MSME loan growth	%	...	14.5	...	...	...	...
MSME loan borrowers	Number	...	151,457	...	...	...	...
Nonperforming loans (NPLs)							
MSME NPLs	D bil.	...	205,909	...	...	...	...
MSME NPLs to total MSME loans	%	...	11.3	...	...	...	...
(Gross NPLs to total bank loans)	%	1.6	1.5	...	...	...	...
MSME loans by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communication		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by region	%	...	100	...	...	...	...
Capital city (Ha Noi)		...	26.9	...	...	...	...
Others		...	73.1	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	100	...	...	...	...
Less than 1 year		...	61.0	...	...	...	...
1-5 years		...	39.0	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
n/a,							
Capital Markets							
UpCoM - HNX							
Market capitalization	D bil.	911,941	1,000,696	1,418,465	957,173	1,054,130	1,620,849
Growth	%	2.0	9.7	41.7	(32.5)	10.1	53.8
Trading value	D bil.	73,466	105,903	424,936	265,596	184,239	226,010
Registered companies	Number	872	910	892	856	863	888

GDP = gross domestic product; HNX = Hanoi Stock Exchange; MSME = micro, small, and medium-sized enterprise; UpCoM = Unlisted Public Company Market.
Source: ADB Asia SME Monitor 2025 database. Data from State Bank of Vietnam.

Table 22.4: Policies and Regulations

Benchmark Regulation	Law No.04/2017/QH14 on Support for Small and Medium-sized Enterprises (SME Support Law)
Focal Government Authorities for MSMEs	Ministry of Planning and Investment (MPI) Agency for Enterprise Development, MPI
Key Policies and Strategies	
Name	Outline
9th Five-Year National Socio-Economic Development Plan 2021–2025	Outcome 1 “Continuous quality, stable and sustainable economic growth achieved” includes: – Quality and sustainable economic growth. – Robust and stable macroeconomic management ensured. – Investment quality and effectiveness enhanced. – Better quality, robust and regionally and internationally competitive micro, small and medium enterprises (MSMEs). – Enhanced efficiency and effectiveness of state-owned enterprises and collective economy.
5 Year SME Development Plan 2011–2015 (2012)	A comprehensive MSME development policy package prepared by all economic ministries/agencies. Specific targets: 1) Newly established MSMEs of 350,000 during 2011–2015. 2) MSMEs having direct exports: 25% of total export nationwide. 3) Investment from MSMEs: 35% of total investment. 4) MSME contribution to GDP: 30%; MSME contribution to total revenue of state budget: 30%. 5) 2.5 million–4.0 million new jobs created by MSMEs in 2011–2015.
National Financial Inclusion Strategy to 2025 (2020)	The strategy addressed (i) situation assessment, (ii) directions and solutions, and (iii) a roadmap until 2025, focusing on strengthening payment system, microfinance, financial literacy, and the fintech industry.
Thematic Initiatives	
Digitalization of MSMEs:	
National Digital Transformation Program for MSMEs (Decision No. 749/QĐ-TTg, issued by the Prime Minister of Viet Nam, Launched 3 June 2020)	1) Support MSMEs in adopting digital tools. 2) Serve as e-commerce platforms. 3) Have cloud computing. 4) Digital payment systems.
Green MSMEs and climate action:	
National Climate Strategy and Just Energy Transition (Launched 26 July 2022)	1) Committed to achieving carbon neutrality by 2050. 2) MSMEs are supported through green finance schemes and inclusion in the Just Energy Transition Partnership.
Women-led MSMEs:	
VWEC Needs Assessment Report (Conducted by the Vietnam Women Entrepreneurs Council)	1) Identify key challenges for women-owned MSMEs in accessing finance, training, and markets. 2) Inform policy under the SME Support Law.
International trade of MSMEs:	
SME Support Law Implementation (Law No. 04/2017/QH14, passed by the National Assembly of Viet Nam, Launched January 1, 2018)	1) Viet Nam's SME Support Law includes provisions for export facilitation. 2) Provide market access, and international trade training for MSMEs, especially women-led enterprises.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from State Bank of Vietnam, Ministry of Planning and Investment, Ministry of Finance, State Securities Commission of Vietnam, Agency for Business Registration, and Hanoi Stock Exchange.

Fiji
Papua New Guinea
Samoa
Solomon Islands
Tonga

PACIFIC



FIJI

Overview

The economy continued to rebound in 2024 as record high tourist arrivals and rising consumption led gross domestic product (GDP) up by 3.5%. Growth was supported by surging tourism receipts, higher exports of niche crops and gold, along with improved financial conditions. Construction, however, remained limited due to high material costs. Inflation rose to 4.5% due to bad weather and tax hikes but is projected to ease back to 2.6% in 2025. GDP growth will likely moderate to 3.0% in 2025 as limited hotel capacity constrains tourism growth. Global trade uncertainties, including new United States tariffs, remain forecast risks.²⁴³

Micro, small, and medium-sized enterprise (MSME) landscape data are not available for 2022 onward, as the results of the 2022 Annual Establishment Surveys continues to be compiled. The government is developing a Nationwide MSME Database to better capture and monitor MSMEs. While MSME financing conditions are gradually improving, significant gaps persist. Traditional bank credit serves only just a small portion, leaving many entrepreneurs dependent on personal networks or informal lenders. The government is responding by actively expanding the financial ecosystem through alternative financing, including credit guarantees, development partner programs, and new capital-raising mechanisms. Despite their vital role in the economy, MSMEs face structural challenges such as fragmented data, limited stakeholder coordination, and the absence of clear definitions for women- and youth-led enterprises. In 2024, MSME lending grew by a modest 6.9% to F\$900 million, helped by new gender-focused financial products and microfinance, for example. MSME credit growth also benefits from more gender-focused financial products and digital platforms such as businessNOW Fiji and VitiKart.

MSME Development

Updated MSME data from Fiji's 2022 Annual Establishment Surveys for Manufacturing and Wholesale and Retail Trade continues with results unavailable as yet. To improve MSME data, the government is developing a Nationwide MSME Database to better capture and monitor sectoral trends.

For the time being, Fiji's MSME policy framework remains unchanged, with enterprises classified based on annual turnover or total assets, without any employment-based criterion (Table 23.1). Businesses with turnover or assets up to F\$1.25 million are

considered MSMEs. However, business registration data remains inconsistent and incomplete, as many entrepreneurs prefer to operate informally and are not included in official statistics.

Compiling updated MSME data from the 2022 Fiji Annual Establishment Surveys for the Manufacturing and Wholesale and Retail Trade continues. Consequently, as of August 2025, survey results remain unavailable. Earlier data from the Fiji Bureau of Statistics estimated 8,427 MSMEs in 2021, with 39.7% micro, 23.2% small, and 37.0% medium-sized, accounting for 80.5% of all firms. This was an 8.3% decline from 2020, continuing a downward trend beginning in 2018, largely driven by the coronavirus disease pandemic's impact on tourism (Table 23.2).

²⁴³ ADB. 2025. Asian Development Outlook September 2025.

Other services (including tourism and financial services) remained the largest employer, accounting for 53.4% of the workforce, followed by transportation and communications (18.8%) and wholesale and retail trade (13.7%).

Employment within MSMEs also declined, with 20,282 workers in 2021—27.0% in micro, 32.9% in small, and 40.1% in medium-sized enterprises. The majority of MSME employment came from other services (57.1%), followed by transportation and communications (14.9%) and wholesale and retail trade (12.6%). MSME gross value added contracted significantly during 2020 and 2021, falling to F\$378.7 million in 2021—a 27.0% drop from the previous year and a 31.3% decline in 2020. Their share of national gross value added fell to 5.0%, down from 6.3% in 2020.

While overall trade increased in 2021—with exports reaching F\$1.8 billion and imports F\$4.2 billion—specific MSME trade data remains unavailable. This is one reason the government has prioritized improving data collection, announcing the development of a Nationwide MSME Database to better capture and monitor sectoral trends.

Despite these efforts, MSME development and access to finance continue to face several structural challenges. One key issue is the lack of clear definitions for women and youth MSMEs, which limits targeted policymaking. Progress has been made through the National Financial Inclusion Taskforce and the Women Finance Code, which endorsed a draft definition now under review for inclusion in the National MSME Policy Framework (as of August 2025). Another challenge is the fragmented data landscape, with multiple agencies collecting MSME data independently. Work is underway to establish a consolidated data-sharing framework and define baseline indicators to support evidence-based policymaking. The absence of dedicated MSME legislation is also a constraint. Although initial drafting has begun, the process was paused pending completion of an MSME Landscape Study, which is expected to guide future legal frameworks. In addition, there has been limited stakeholder interest, highlighting the need for greater institutional awareness.

Access to Finance

In 2024, Fiji's bank loans outstanding grew by 12.6% to F\$9.76 billion, with MSME lending reaching F\$900 million. Despite a slight decline in the MSME share of total lending, credit quality improved and average loan size rose. Government-backed schemes and microfinance institutions supported thousands of MSMEs, while new gender-focused and digital finance tools expanded access.

Fiji's banking sector remains stable, with seven operating banks—including five foreign commercial banks, one state-owned development financial institution (the Fiji Development Bank), and one private commercial bank. In 2024, total bank loans rose to F\$9.8 billion, a 12.6% increase from 2023, with 99% of lending in local currency. The loan-to-GDP ratio improved to 71.7%, with gross nonperforming loans (NPLs) down to F\$344 million, reducing the NPL ratio to 3.5% from 4.8% in 2023.

Bank lending to MSMEs continued to grow in 2024, with total outstanding loans rising by 6.9% from F\$842 million in 2023 to F\$900 million. However, MSME lending as a share of total bank loans declined slightly from 9.7% to 9.2%. While the volume of MSME credit is increasing, its proportion relative to overall lending remains modest. The share of MSME loans to GDP was 6.6% as of the end of 2024, as the MSME credit market remained quite small. Compared to pre-pandemic levels, there has been a strong recovery, with MSME loan portfolios expanding by over 50% from F\$618 million in 2019. Despite this growth, the number of MSME borrowers has remained relatively static, hovering around 3,200. This suggests that the increase in lending is driven by larger average loan size, which rose from F\$195,000 to F\$280,000. MSME borrowers are only about 3.5% of all bank borrowers, with limited penetration in the broader credit market (Table 23.3 and Figure 23.1A).

Access to finance remains constrained by high collateral requirements and conservative lending practices, with commercial banks often requiring land or real estate as security—a significant barrier for entrepreneurs without titled property, particularly women and rural business owners. Financial institutions also cite incomplete financial documentation and unproven revenue streams in MSME loan applications. First-time MSME borrowers often find the loan process intimidating, and concerns over interest rates and fees further discourage them from approaching formal lenders. Banks continue to perceive MSMEs as high-risk and costly, which has kept credit tight despite ample liquidity in the system.

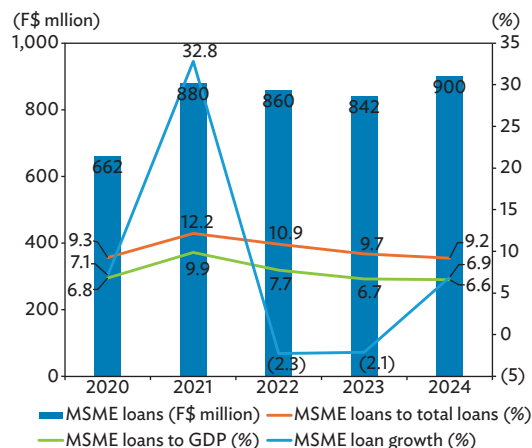
By sector, MSME loans in 2024 remained consistent with broader economic trends. “Other services,” including accommodation and food services, accounted for 47.6% of MSME lending, followed by wholesale and retail trade (22.8%), manufacturing (8.7%), transportation and communications (8.0%), construction (6.9%), and agriculture, forestry, and fisheries (2.6%). This suggests a gradual diversification in MSME financing and a modest recovery in lending, supported by recent risk management workshops held in Fiji to strengthen MSME credit practices among Pacific lenders (Figure 23.1B).

Since its inception in 2012, Fiji’s MSME Credit Guarantee Scheme, administered by the central bank—the Reserve Bank of Fiji (RBF)—has remained the main initiative for improving access to finance for small businesses. The scheme continues to offer government-backed guarantees covering 60% of the principal on defaulted loans (up to F\$60,000 per business) and 75% for women entrepreneurs and those in agriculture, forestry, and fisheries (up to F\$75,000). It is accessible through commercial banks, licensed credit institutions, and the Fiji Development Bank, helping reduce collateral barriers and encourage lending to underserved segments.

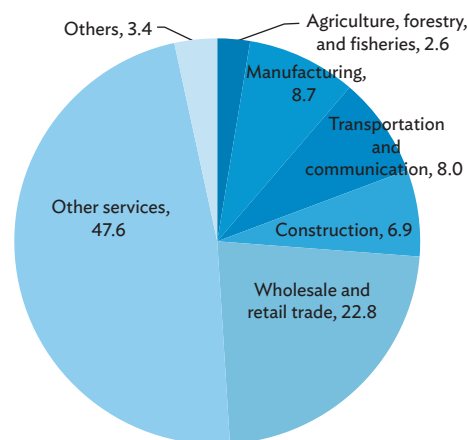
In 2024, the MSME Credit Guarantee Scheme supported F\$8.0 million in guaranteed loans outstanding, down by 13.0% from 2023—possibly reflecting tighter credit conditions or improved repayments. A total of F\$2.7 million in guaranteed loans were disbursed, benefiting 233 MSMEs. While

Figure 23.1: MSME Loans

A. Trend



B. By Sector, 2024 (%)

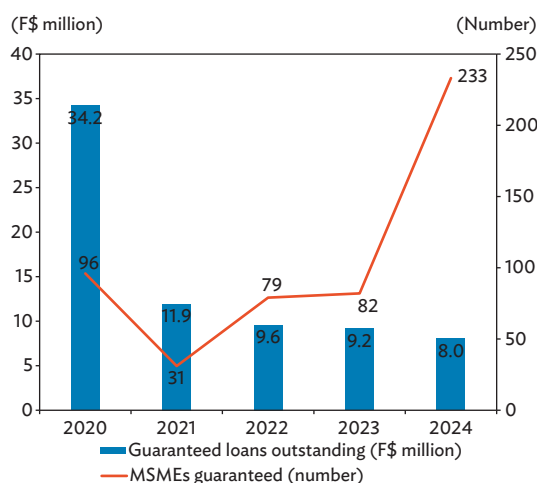


MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Reserve Bank of Fiji.

these were down slightly compared to 2023, the scheme continues to play a vital role in enabling MSMEs to access formal finance, especially in sectors and communities where traditional lending remains out of reach (Figure 23.2).

The Reserve Bank of Fiji also has a Financial Systems Development Group, which works with MSME stakeholders to formulate, implement and enhance new MSME policies and strategies. For example, Fiji has become a regional leader in secured transactions reform, which helps MSMEs obtain credit using

Figure 23.2: Credit Guarantees for MSMEs

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Reserve Bank of Fiji.

movable assets as collateral. With support from the Pacific Private Sector Development Initiatives (PSDI)—technical assistance from Australia, New Zealand, and ADB—Fiji established a modern online Personal Property Securities Registry in 2019, enabling lenders to register security interests in movable assets such as equipment, inventory, and receivables. As of October 2023, over 99,600 security interests had been registered on Fiji's collateral registry—showing widespread interest from lenders and borrowers. In fiscal year (FY) 2024 (ended 31 July 2025), PSDI began working with a Fijian finance company to develop the Pacific's first factoring (invoice finance) product, further expanding MSME access to working capital.

At the end of 2024, Fiji's nonbank finance industry consisted of 50 institutions, unchanged since 2019. They include 2 microfinance institutions, 33 credit unions/cooperatives, 9 insurance companies, and 6 other deposit-taking entities.

Microfinance lending continued to grow in 2024, with total financing outstanding rising to F\$11.4 million, up by 11.1% from F\$10.3 million in 2023. The sector

remains resilient, with gross NPLs at F\$74,571, keeping the NPL ratio a steady 0.01%, indicating strong portfolio quality. The number of customers financed grew to 7,421, and total savings held by microfinance institutions reached F\$5.9 million, showing increased trust in microfinance services.

MFI financing in 2024 was dominated by wholesale and retail trade (50%), followed by agriculture, forestry, and fisheries (25%), other services (11%), manufacturing (10%), and transportation and communications (2%). Regionally, 80% of financing was directed outside the capital Suva, emphasizing the important role played by MFIs in supporting rural and remote communities.

The South Pacific Stock Exchange remains Fiji's sole market, with a capitalization of F\$3.6 billion and F\$29 million in stock value traded during the first half of 2025. While there is still no dedicated MSME board, new business fundraising venues should emerge following the enactment of the Access to Business Funding Act 2024, which was passed by Parliament in March 2025. This landmark legislation modernizes Fiji's business financing framework by introducing three alternative capital-raising mechanisms tailored for MSMEs: (i) a small offers regime that enables private companies to issue limited shares or bonds without a formal prospectus; (ii) regulated crowdfunding for equity or debt through licensed online platforms; and (iii) peer-to-peer lending facilitated by authorized intermediaries. By eliminating outdated restrictions and embedding investor protection measures, the Act lays the foundation for innovative financing mechanisms that can lower barriers significantly for start-ups and small enterprises seeking capital. The Reserve Bank of Fiji, with support from PSDI, led extensive stakeholder consultations during the drafting process. An implementation taskforce is prioritizing the rollout of the small offers regime by the end of 2025, with crowdfunding and peer-to-peer lending to follow. The legislation is widely regarded as a transformative step toward improving MSME access to finance in Fiji.

Policies and Regulations

Fiji has key initiatives that support MSMEs in digitalization, women-led entrepreneurship, green action, and international trade and financial inclusivity. These include the National Financial Inclusion Strategy (2022–2030), MSME Strategic Plan and Policy Framework, National Digital Strategy, Women’s Finance Code and HERmap, a National E-Commerce Strategy, and platforms such as businessNOW Fiji and VitiKart.

The government continues to strengthen its support for MSME development, guided by its 5-Year and 20-Year National Development Plans (Table 23.4). These plans are designed to create an enabling regulatory environment, improve service delivery, and foster inclusive, sustainable growth. Key focus areas include grant funding, finance programs, credit guarantees, market access, tax reforms, and digitalization of MSME processes. Oversight and implementation is led by the Ministry of Trade, Co-operatives, Micro, Small, and Medium Enterprises, and Communications (MTCMSMEC), operating under the brand MSME Fiji.²⁴⁴ The Ministry’s core responsibilities include policy formulation, business support services, and monitoring MSME initiatives.

To promote innovation and rural MSME growth, Fiji launched the Pacific Agri-Innovate Business Plan Competition in 2024, in partnership with the United Nations Food and Agriculture Organization. This regional initiative supports agribusiness innovation across Fiji, Samoa, and Solomon Islands, offering seed funding and incubation support to contest winners. Agriculture remains central to rural livelihoods and MSMEs. It is a key focus of the Fiji Export Strategy, which integrates MSMEs into global value chains—particularly in kava, root crops, and fresh produce. Support measures include agri-grants, export readiness programs, agro-processing initiatives, and strengthened partnerships with the Fiji Development Bank and the Ministry of Agriculture.

A dedicated MSME Act is under consideration, while the MSME Fiji Policy Framework continues to guide strategic planning. Efforts are underway to unify MSME data systems and simplify tax and licensing procedures. Reforms such as the Investment Act 2021 and national budget fee waivers are helping reduce costs and complexity for small businesses. These reflect a shift toward a more inclusive, digital, and opportunity-driven MSME policy landscape.

Digitalization of MSMEs

In February 2025, the government launched the National E-Commerce Strategy 2025–2029, developed with support from the Pacific Digital Economy Program, the United Nations Trade and Development, and the United Nations Capital Development Fund (UNCDF). This 5-year roadmap expands digital trade, empowers MSMEs, and positions Fiji as a regional e-commerce hub. Key initiatives include online registration platforms, e-government services, MSME digital literacy training, telecom infrastructure expansion, and mobile money pilots. The Asia-Pacific Telecommunity Ministerial Working Group endorsed the strategy, placing MSMEs at the center of Fiji’s digital transformation.

Other reforms include the rollout of businessNOW Fiji, a one-stop online portal powered by the Fiji Integrated Licenses and Permits Approval System. Entrepreneurs can digitally apply for registrations, licenses, and permits, make e-payments, and receive approvals—significantly reducing processing times. Physical kiosks, FAQ-access, and tutorial videos enhance accessibility. The Trade Enhancement Program provides small grants and mentoring, especially for rural and semi-urban micro-entrepreneurs, with follow-up support for training and market access.

The VitiKart Subsidy Scheme, launched in 2021 and extended to July 2025, continues to subsidize monthly subscription fees for MSMEs on Vodafone’s e-commerce platform. With over 110 MSMEs on board, the scheme is a vital tool for expanding digital presence and reducing operational costs.

²⁴⁴ The ministry formerly known as the Ministry of Trade, Co-operatives, Small and Medium Enterprises (MTCMSME) was renamed to the Ministry of Trade, Co-operatives, Micro, Small, and Medium Enterprises, and Communications (MTCMSMEC) in August 2024.

In July 2025, Fiji's Cabinet approved a comprehensive 5-year MSME Strategic Plan, focusing on business capacity building, improved access to finance, and expanded market reach—especially in rural areas. The plan includes simplified licensing, tailored loan facilities, and training in digital tools such as bookkeeping software and social media marketing.

Further supporting MSME financing, the Access to Business Funding Act, passed in March 2025, introduces three alternative capital-raising mechanisms: (i) small offers allowing private companies to issue limited shares without a prospectus, (ii) equity crowdfunding, and (iii) peer-to-peer lending. An implementation taskforce is preparing for the launch of the small offers regime by the end of 2025, with the other mechanisms to follow. Additionally, the RBF Innovation Hub, developed in partnership with UNCDF and Creative HQ, will pilot FinTech solutions to help MSMEs access finance, markets, and information.

The National Digital Strategy, launched in April 2025, complements these efforts by outlining a roadmap for digitizing public services, boosting e-commerce capabilities, and improving digital literacy. Supported by UNCDF, the strategy also aims to upgrade broadband infrastructure and streamline government services.

Green MSMEs and climate action

Fiji is making progress in promoting green finance and climate-resilient MSMEs through a combination of policy development, institutional collaboration, and market innovation. The RBF, in partnership with the International Finance Corporation, is leading development of a green finance taxonomy—a standardized framework to help financial institutions define and classify environmentally sustainable activities. It is complemented by the RBF's Environmental, Social, and Governance team, which is focused on operationalizing the Climate Change Act through enhanced reporting and compliance mechanisms. These frameworks will guide financial institutions to work toward climate goals while creating ways for MSMEs to access capital for renewable energy, climate-smart agriculture, and other sustainable ventures.

Initial reforms are already opening new funding opportunities, particularly in agribusiness and climate resilience. Some local financial institutions have begun leveraging green finance instruments—HFC Bank, for example, offers blue bonds to investors for climate-related financing. While donor agencies and development partners continue to play a vital role, Fiji's domestic efforts are laying the groundwork for a more inclusive and sustainable MSME finance ecosystem. By establishing clear definitions, risk frameworks, and reporting standards, these initiatives are expected to unlock broad access to climate-aligned financing and support the transition to a green economy.

Women-led MSMEs

Gender and sustainability are key priorities in Fiji's MSME development agenda. The RBF is currently drafting a Women's Finance Code and working to define “women-owned MSMEs” to enable more targeted policy interventions. Financing schemes now offer enhanced coverage for women entrepreneurs, with government guarantees covering up to 75% of loan principal for eligible women-led businesses. Despite these efforts, access to finance remains a significant barrier for women-owned MSMEs, which represent only around 19% of the sector and tend to be smaller and less capitalized.

A recent supply-side study by PSDI highlighted persistent challenges faced by women entrepreneurs, including lack of collateral, limited credit histories, and low confidence in engaging with formal financial institutions. These factors contribute to restricted access to credit and financial services.

To address these gaps, international partners are stepping in. In December 2024, ADB partnered with Merchant Finance Ltd, one of Fiji's largest nonbank lenders, to launch a tailored credit product for women-led SMEs. This offering includes loans of up to F\$500,000 with terms up to 7 years, a competitive interest rate of 9.49% (annual reducing balance), and flexible collateral options—including agricultural leases, heavy equipment, and loan-to-collateral ratios of up to 200% for women-owned businesses. Eligible borrowers can also leverage the government's credit guarantee scheme to strengthen their loan applications.

Complementing these financial reforms is the launch of HERmap—Promoting Women and Girls’ Financial Inclusion, a multi-stakeholder gender roadmap aimed at developing inclusive financial products and policies. HERmap promotes equal access to financial services, economic empowerment, and elimination of discriminatory practices and safety concerns. Additionally, Business Development Services continue to play a vital role, with dedicated allocations and subsidies for women-led MSMEs to ensure access to training, mentorship, and tailored support. Together, these lay the foundation for a more inclusive and equitable MSME ecosystem.

International trade of MSMEs

While specific export and import data on MSMEs remain unavailable, the newly expanded MSME database is expected to enhance data granularity and tracking in the near future. In 2024, Fiji’s total merchandise exports rose by 7.0% to F\$2.6 billion, driven by strong re-exports of fresh fish, mineral fuels, and lubricants to other Pacific Island Countries, alongside increased domestic exports of gold. Meanwhile, merchandise imports grew by just 0.6% to F\$7.0 billion, a notable slowdown from the 5.8% growth in 2023, primarily due to higher imports of machinery and transport equipment.

To strengthen MSME participation in international markets, several trade-related reforms have been launched or in process. These include the Fiji Trade Information Portal launched in 2025, compliance with World Trade Organization Trade Facilitation measures, and targeted e-commerce and MSME-focused export promotion initiatives. The MTCMSMEC continues to support exporters through programs such as the Trade Enhancement Program, which provides F\$1,000 grants to micro businesses, and the National Exporter Strategy, offering up to F\$100,000 to established exporters.

Fiji’s broader strategy to integrate MSMEs into global supply chains is currently centered on the digital transformation and establishment of the RBF Innovation Hub. Supported by UNCDF and Creative HQ, the hub will foster FinTech solutions that improve MSME access to finance, market intelligence, and digital tools—laying the groundwork for future export readiness. E-commerce platforms, backed by subsidy schemes such as the VitiKart Subsidy Scheme, are helping MSMEs build digital storefronts and engage in online transactions, serving as gateways to cross-border commerce. While direct export facilitation programs for MSMEs remain limited, these foundational initiatives are paving the way for greater international market participation and supply chain integration.

MSME financing and financial inclusion strategies

The Fiji National Financial Inclusion Strategy (NFIS) 2022–2030 is a comprehensive, multi-sectoral policy framework designed to empower Fijians to build resilient and sustainable livelihoods through inclusive access to financial services.²⁴⁵ Developed by the RBF in collaboration with national and international stakeholders, the strategy builds on the successes of previous NFIS phases and aligns with the United Nations Sustainable Development Goals. Its vision is to ensure that all Fijians—especially vulnerable groups such as women, youth, people with disabilities, rural communities, and MSMEs—have convenient, timely, and affordable access to a broad range of formal financial products and services.

The NFIS 2022–2030 is structured around four thematic pillars: (i) inclusive finance, (ii) digital financial services, (iii) MSME finance, and (iv) consumer protection and financial capability. These pillars will change the focus from merely increasing access to financial services to enhancing their usage, quality, and

²⁴⁵ Reserve Bank of Fiji. Fiji National Financial Inclusion Strategy 2022–2030. Suva, Fiji: Reserve Bank of Fiji; 2022. Available from: <https://www.rbf.gov.fj/wp-content/uploads/2022/05/FIJI-NATIONAL-FINANCIAL-INCLUSION-STRATEGY-2022-2030-1.pdf>.

impact. The strategy emphasizes developing tailored financial products, including those that support climate resilience and absorb economic shocks, and promotes digital innovation to expand outreach. It also prioritizes financial literacy, transparent information, and strong consumer protection frameworks to ensure that Fijians can make informed financial decisions.

A key feature of the strategy is its commitment to gender-sensitive and inclusive policies, ensuring that financial inclusion contributes to poverty reduction, reduced inequality, and broad-based economic growth. The NFIS also includes a robust monitoring and evaluation framework to track progress and guide implementation through 2030.

Data Tables

Table 23.1: MSME Definition

Item	Micro	Small	Medium
Annual sales turnover or total assets	F\$0-F\$50,000	F\$50,001-F\$300,000	F\$300,001-F\$1,250,000

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Reserve Bank of Fiji MSME Credit Guarantee Scheme Guidelines; MSME Fiji Policy Framework.

Table 23.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	9,723	9,186	8,427	...	...	...
Micro	Number	3,938	3,651	3,279	...	...	...
Small	Number	2,073	2,134	1,878	...	...	...
Medium-sized	Number	3,712	3,401	3,270	...	...	...
Large	Number	2,515	1,964	2,037	...	...	...
Total	Number	12,238	11,150	10,464	...	...	...
MSME to total	%	79.4	82.4	80.5	...	...	...
MSME growth	%	(0.5)	(5.5)	(8.3)	...	...	...
MSMEs by sector	%	100	100	100	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		6.7	7.1	8.0	...	...	...
Transportation and communications		16.2	17.6	18.8	...	...	...
Construction		4.1	5.2	5.8	...	...	...
Wholesale and retail trade		15.7	17.7	13.7	...	...	...
Other services		57.2	52.2	53.4	...	...	...
Others		0.2	0.2	0.2	...	...	...
MSMEs by region	%	...	...	...	...	...	...
Capital city (Suva)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment							
MSMEs	Number	24,083	21,302	20,282	...	...	...
Micro	Number	7,396	6,274	5,477	...	...	...
Small	Number	6,824	6,155	6,670	...	...	...
Medium-sized	Number	9,863	8,873	8,135	...	...	...
Large	Number	94,921	54,076	55,475	...	...	...
Total	Number	119,004	75,378	75,757	...	...	...
MSME employees to total	%	20.2	28.3	26.8	...	...	...
MSME employees growth	%	5.2	(11.5)	(4.8)	...	...	...
MSME employees by sector	%	100	100	100	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		6.9	8.3	7.7	...	...	...
Transportation and communications		15.7	16.8	14.9	...	...	...
Construction		4.7	5.4	6.5	...	...	...
Wholesale and retail trade		18.1	17.5	12.6	...	...	...
Other services		54.2	51.8	57.1	...	...	...
Others		0.4	0.3	1.2	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Suva)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
MSME GVA	GVA, F\$ mil.	755.1	518.7	378.7	...	...	...
MSME GVA to total	% to GVA	7.8	6.3	5.0	...	...	...
MSME GVA growth	%	11.6	(31.3)	(27.0)	...	...	...
Exports							
MSME exports	F\$ mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	F\$ mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GVA = gross value added; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Fiji Bureau of Statistics (FBS) based on its Annual Establishment Surveys. MSME data were extracted from FBS's survey database for 2019–2021.

Table 23.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans*							
MSME loans outstanding	F\$ mil.	618	662	880	860	842	900
MSME loans to total loans	%	8.5	9.3	12.2	10.9	9.7	9.2
MSME loans to GDP	%	5.2	6.8	9.9	7.7	6.7	6.6
MSME loan growth	%	(20.4)	7.1	32.8	(2.3)	(2.1)	6.9
MSME loan borrowers	Number	3,156	2,842	3,088	3,193	3,204	3,220
Nonperforming loans (NPLs)							
MSME NPLs	F\$ mil.	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans)	%	3.0	4.6	7.0	7.9	4.8	3.5
MSME loans by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		3.5	4.0	3.0	3.3	3.1	2.6
Manufacturing		7.1	7.1	12.2	8.1	7.9	8.7
Transportation and communications		7.0	5.9	7.4	8.7	4.9	8.0
Construction		13.2	11.4	10.7	9.9	6.9	6.9
Wholesale and retail trade		24.7	24.1	22.0	24.4	24.8	22.8
Other services		35.4	38.5	38.4	41.4	48.6	47.6
Others		9.0	9.1	6.2	4.1	3.7	3.4
MSME loans by region	%	...	...	...	...	...	...
Capital city (Suva)		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantee scheme for MSMEs							
Guaranteed loans outstanding	F\$ mil.	112.5	34.2	11.9	9.6	9.2	8.0
Growth	%	3.7	(69.6)	(65.1)	(19.7)	(4.0)	(13.0)
MSMEs guaranteed	Number	281	96	31	79	82	233
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Capital Markets							
n/a,							

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data based on commercial bank operations, not including loans by the Fiji Development Bank.

Source: ADB Asia SME Monitor 2025 database. Data from Reserve Bank of Fiji.

Table 23.4: Policies and Regulations

Benchmark Regulation	Small and Micro Enterprises Development (Repeal) Act 2019 (December 2019)
Focal Government Authority for MSMEs	MSME Fiji, Ministry of Trade, Co-operatives, Micro, Small, and Medium Enterprises, and Communications (MTCMSMEC) [renamed in August 2024]
Key Policies and Strategies	
Name	Outline
5-Year and 20-Year Fiji Government's National Development Plan	1) Review MSME related grant programs across Ministries and coordinate assistance to MSMEs, through a centralised database. 2) Develop cohesive policies and funding programmes through MSME Fiji to enhance impact on women, rural, young and vulnerable entrepreneurs. 3) Increase the provision of finance available through government-funded programmes for women, youth and vulnerable groups. 4) Develop alternative financing options such as small offers and crowdfunding. 5) Increase easier access to re-financing through Fiji Development Bank (FDB). 6) Re-introduce Credit Guarantee Scheme through FDB. 7) Develop secured transactions framework that will allow for the use of movable property as collateral. 8) Develop a legal and regulatory framework to govern microfinance service providers. 9) Incentivise commercial financiers to avail MSME friendly financial products. 10) Develop a common platform where banks can promote their products, allowing MSMEs a range of options. 11) Develop and promote micro-insurance products to safeguard MSME assets against climate related events. 12) Develop partnerships with private sector partners to undertake independent monitoring and evaluation of MSMEs who are recipients of grants and loans. 13) Establish resource owners MSME Banks by Fijian Holding Limited through Merchant Finance Limited. 14) Strengthen MSME ecosystems to provide comprehensive support to businesses, fostering a conducive environment for growth and sustainability. 15) Strengthen the scale and condition of MSME dedicated infrastructure and facilities within municipalities and local Government. 16) Improve access to market and market information for MSMEs. 17) Incentivise MSMEs through tax exemptions for certain years. 18) Encourage indigenous ownership of MSMEs through utilisation of natural resources. 19) Review current data sources on MSMEs and establish a new MSME database. 20) Establish a Central Online Database for MSMEs to easily access all relevant information/data on services provided by various Ministries/agencies regarding MSMEs. 21) Improve access to market and market information on international trade. 22) Develop a robust e-commerce ecosystem, including secure payment gateways which incentivises MSME users. 23) Enhance streamlining of processes and digital transformations, to support easier registration of MSMEs.
Micro, Small, and Medium Enterprise Fiji—Policy Framework (June 2020)	1) Ensure that MSME projects align to national development priorities (such as the 5-Year and 20-Year National Development Plan, the Green Growth Framework, and the blue-economy narrative). 2) Enhance policy cohesion among MSME supporting institutions by being the primary contact point for all MSME issues and improving the institutional framework of support and collaboration across stakeholders. 3) Assist in the research and design of legislation, regulations, policies and programs to empower all MSMEs, especially women-led MSMEs and those operating informally. 4) Formulate clear development strategies, improving processes, and recommending policies to help improve the ease of doing business, particularly for new, growing, and informal businesses. 5) Highlight the constraints, gaps, and challenges facing MSMEs, together with remedial policy actions, particularly for vulnerable segments of the population (like Yellow Ribbon enterprises and those run by people with disabilities). 6) Facilitate MSMEs access to financing, business training, mentorship networks, business advice, and incubation services. 7) Provide basic business advice directly to MSMEs. 8) Extend public awareness on available business training, mentoring, advisory, incubation services, and accessible finance. 9) Monitor and evaluate government MSME services and programs to continually enhance delivery standards, value, and reach. 10) Facilitate the collection and dissemination of data on MSMEs to ensure the availability of reliable information. 11) Collaborate with stakeholders, such as local university faculties, to strengthen MSME policy research and institutional capability to deliver reforms.
National Financial Inclusion Strategy 2022–2030	1) Inclusive finance. 2) Digital financial services. 3) MSME finance. 4) Consumer protection and financial capability.

continued on next page

Table 23.4 *continued*

Thematic Initiatives	Outline
Digitalization of MSMEs:	
National ECommerce Strategy 2025–2030	1) Empower businesses. 2) Create jobs. 3) Position Fiji as a regional leader in digital trade. 4) Build a broadly based digital trade based economy.
Green MSMEs and climate action:	
Climate Change Act 2021	1) Align government decisions and operations with climate goals. 2) Establish governance structures for coordinated climate action. 3) Implement Fiji's commitments under the Paris Agreement. 4) Set long-term net-zero emissions targets and carbon budgets.
Women-led MSMEs:	
Fiji Gender Mapping - “HerMap, Promoting Women and Girls Financial Inclusion”	1) Develop gender responsive policies and financial products that meet the needs of women. 2) Lays a foundation for key stakeholders including Financial Service Providers to encourage equal access and use of financial products and services.
International trade of MSMEs:	
Fiji Trade Information Portal 2026	1) Provides simplified access to trade finance documentation and support systems for MSME exporters. 2) Offers small grants to MSMEs to facilitate export and product development opportunities.

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from MSME Fiji, Ministry of Trade, Co-operatives, Micro, Small, and Medium Enterprises, and Communications (MTCMSMEC); Reserve Bank of Fiji.

PAPUA NEW GUINEA

Overview

In 2024, the economy grew by 4.0% as extractives, construction, and agriculture all did well. Papua New Guinea (PNG) has an estimated population of 11.8 million with over 80% directly deriving livelihoods from agriculture, subsistence, or small cash crops. Inflation fell from 5.9% in 2023 to 0.6% in 2024 due to lower imported costs for fuel, plus lower housing and communication costs.²⁴⁶ Agriculture, forestry, and fisheries contribute about 18% of gross domestic product (GDP), with cocoa and palm oil the largest products. However, both suffered in 2024 from bad weather. Other problems included power blackouts, and high business costs. Exports rose to K56 billion (or \$13.8 billion) with imports at K26 billion in 2024. There are few bank accounts per capita, while work is underway to use digitalization to overcome distance barriers.

The PNG Economic Sub-Sector Development Plan for 2023–2027 estimates 150,000 micro, small, and medium-sized enterprises (MSMEs) are registered, of which 24.8% are owned by women. A wide array of programs provide support with a target of over 240,000 registered MSMEs by 2027. MSMEs employ 18% of the workforce and contribute 6.3% to GDP. The Bank of PNG, the central bank, estimates that commercial bank loans to MSMEs amounted to K5.3 billion in 2024, up by 8.7% from 2023, but has yet to return to the K7.6 billion level in 2022. The National Development Bank (NDB) offers concessional MSME loans at a 4% annual rate.

The PNG Economic Sub-Sector Development Plan for 2023–2027 is setting up four business incubation centers and starting an “MSME Accelerator program” to help the informal economy transition faster into formal businesses. Since 2023, ADB and the Green Climate Fund jointly funded pilot off-grid solar projects for remote MSMEs, sustainable cocoa and vanilla farming, and community-based eco-tourism. With support from the Australian Department of Foreign Affairs and Trade (DFAT), a Gender Finance Roadmap is being created to reduce barriers to women doing business. Launched in 2024, the SME Corporation’s “Export Ready” Initiative offers training on product standards and export documentation, provides trade facilitation desks in specific provincial commerce offices, and supports participation in regional expos.

MSME Development

MSME development is one of four pillars for economic growth in the Ministry of Commerce and Industry’s Economic Sub-Sector Plan for 2023–2027. It estimated there were 150,000 MSMEs in 2020. Of these, 24.8% were owned by women, with MSMEs employing 18% of the population.

During 2016–2022, PNG used a complex definition of MSMEs with different size brackets for different economic sectors. The MSME Policy 2022, formally approved by Cabinet under the National Executive Council Decision No.02 of 2022, adopted a new definition which classifies MSMEs by annual turnover, number of employees, and total assets (Table 24.1). Microenterprises have less than K60,000 in annual turnover, fewer than 10 employees, and total assets

²⁴⁶ ADB. 2025. Asian Development Outlook September 2025.

below K250,000. Small firms are those with K60,000 to K250,000 in turnover, 10–50 employees, and assets below K250,000 to K1 million. Medium-sized firms have K250,000 to K5 million in turnover, 51–100 employees, and assets of K1 million to K10 million.

Based on Pacific Private Sector Development Initiative (PSDI) findings, the Business Register includes 154,383 firms for 2022–2025, including 2,300 foreign-owned.²⁴⁷ However, the figures do not separate MSME data. A new comprehensive MSME survey is planned to start in 2025. The Economic Sub-Sector Development Plan 2023–2027 estimated there were 150,000 MSMEs in 2020. Of these, 24.8% were owned by women, with MSMEs employing 18% of the population. The plan estimates that 53% of MSMEs were domestically owned with 47% foreign-owned, an apparently high ratio for MSMEs.

According to an MSME and Informal Sector Study by Tebutt Research released in September 2024, MSMEs were dominated by microenterprises (67%), followed by small (27%) and medium-sized (6%) firms.²⁴⁸

The Ministry of Commerce and Industry and the Small and Medium Enterprise Corporation (SMEC) have a study that suggests MSMEs will grow to 240,000 in number by 2027, particularly in agriculture, trade, services, and construction. Most MSMEs operate informally, especially in rural areas. They contribute significantly to job creation and household income, contributing an estimated 6.3% to GDP in 2020, though gross value added (GVA) data by firm size is limited.

The SMEC study said that in 2024, 27.6% of MSMEs were in “other services” including hospitality and security, followed by construction (20.2%), wholesale and retail trade (14.8%), transportation and communications (6.7%), agriculture (5.2%), and manufacturing (2.1%), with 23.4% of the total unspecified.

The SMEC study in 2024 said 21.0% of MSME employees worked in agriculture, 7.0% in manufacturing, with some 72.0% split among transportation and communications, construction, wholesale and retail trade, and other services (Table 24.2). Women and youth are particularly active in informal enterprises. More detailed data are expected from the survey expected to start in 2025.

Overall GVA figures for 2022 show that mining and quarrying contributed 32.8% of output, followed by other services (comprising accommodation, finance, real estate, and professional services) and agriculture/fisheries at 17.4%. Wholesale and retail trade contributed 9.3%. There were no specific MSME data on their contribution to GVA.²⁴⁹

Access to Finance

PNG remains a largely cash-based economy. Two-thirds of the population operates informally, outside the formal financial system. Commercial bank loans to MSMEs totaled K5.3 billion in 2024, up by 8.7% from 2023, but below the K7.6 billion peak in 2022. The NDB offers concessional MSME loans at a low 4% interest rate. The nonbank finance industry helped satisfy some unmet MSME finance demand with strong growth in 2024.

Access to finance is crucial for any economic development, but it remains a major obstacle in PNG. Despite substantial progress in banking and financial inclusion over the past decade, access to formal financial services remains low compared to similar economies elsewhere. In 2024, formal private domestic credit remained a low 9.0% of GDP, despite ample liquidity among financial institutions. There has been a continuing decline since 2013, when private credit was 25% of GDP. As of the end of 2024, there were 11 operating banks, including 4 private, 2 foreign commercial banks, 4 micro banks and 1 state-owned development finance institution.

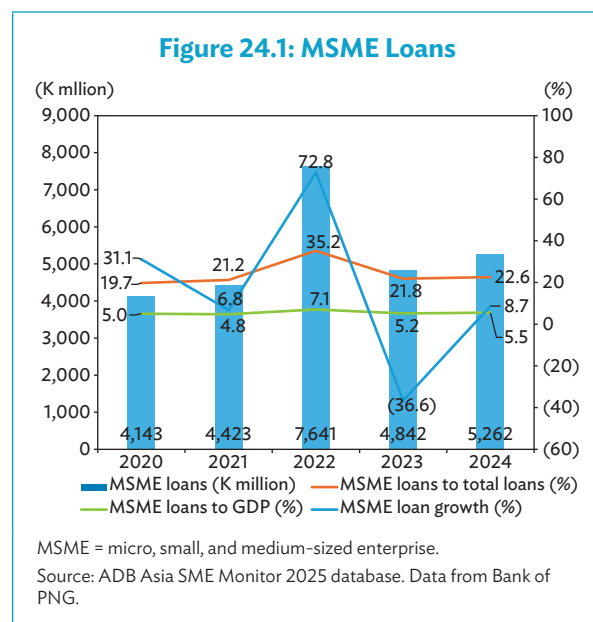
²⁴⁷ PSDI regional technical assistance program from ADB, the Government of Australia and Government of New Zealand.

²⁴⁸ png-micro-sme-sector-study-detailed-findings-report.pdf.

²⁴⁹ Gross Domestic Product by Economic Activity, 2016–2022 (part of the National Accounts series) <https://www.nso.gov.pg/statistics/economy/gross-domestic-products/gross-domestic-products-2017-2023/>.

Latest estimated MSME loan figures from the central bank, based on moving average calculations due to a lack of specific data, show total MSME loans outstanding at K4.8 billion in 2023 and K5.3 billion in 2024. This remained below the K7.6 billion estimated in 2022 (Table 24.3 and Figure 24.1). MSME loans were estimated to comprise 22.6% of commercial bank loans, equivalent to 5.5% of GDP in 2024. The PNG MSME credit market remains small.

Bank lending data is available, and shows overall bank credit increased moderately year on year, so the MSME average estimates may not give a complete picture. Total bank loans rose from K21.7 billion in 2022 to K22.2 billion in 2023, up by 2.2%, and again to K23.3 billion in 2024, up a further 5.1%. Gross nonperforming loan ratios improved from 5.7% in 2022 to 4.8% in 2023 and 3.9% in 2024. The average lending rate was 8.4% in 2024, relatively consistent with recent yearly averages.



Lending remains concentrated among a small number of banks and development finance, with limited rural outreach.

The NDB received an additional K80 million grant in September 2023 to continue to provide concessional loans to MSMEs at a low 4% interest rate, which it had done since 2021. NDB has a Women In Business loan

product and have value chain finance pilots on crop value chains such as coconuts and coffee credit.

Financial institutions find lending to small businesses risky for many reasons—a lack of information, weak capacity, the high cost of administering loans, the limited value of customary land titles as collateral, and weak or nonexistent financial records. Many borrowers depend on microfinance institutions for a wider range of products and services that promote financial inclusion. High lending rates, about 8%, are normal given the lending risks, a weak bankruptcy framework, a market structure concentrated in urban centers, and high taxes on profits.

Collateral remains a key barrier, particularly for land-based assets. Progress has been made on movable collateral reform, but it remains low for the size of the economy. According to PSDI, there are 54,265 security assets registered with over 220,000 registry searches. Financial literacy, credit history, and informal business status remain additional obstacles. According to the central bank, new financing initiatives include (i) a microfinance pilot expansion in the Western Highlands and Morobe, (ii) an MSME guarantee expansion program, and (iii) International Finance Corporation (IFC)-supported fintech pilots for mobile-based MSME lending.

During 2024, the central bank received and processed 18 applications for finance licenses, issuing four, including three commercial banking licenses. One applicant withdrew its submission, another rejected, with nine applications still under consideration at year's end. The central bank also reviewed and approved two applications for acquiring existing licenses. In addition, one voluntarily surrendered its license during the year. Total loans outstanding grew from K24.6 billion to K26.1 billion.

The central bank continued to implement the Comprehensive Credit Reporting Regulation in 2024 with continued technical support from the IFC. Discussions during the year focused on aligning the regulation with international best practices, ensuring compliance with data privacy requirements, and securing additional funding from the IFC to support the next phase of implementation. The central bank

has an ongoing project with ADB on an electronic-know-your-customer model. It also continued to promote financial innovation in 2024 through a Regulatory Sandbox, which provides a controlled environment for testing new financial products and services under close regulatory supervision. During 2024, the central bank reviewed several Sandbox applications. To strengthen the quality of future applications, frameworks on customer due diligence and digital identity should be included to enhance compliance with protocols.

A new credit guarantee model for MSME loans began in April 2024. Thus far, the program has performed well. In its first 8 months, 16 businesses were supported, with K2.1 million guaranteed at the end-2024. A further 34 businesses had loans worth K5.4 million disbursed in the 5 months to May 2025. By then, guaranteed loans outstanding reached K3.3 million, or about 62% of all MSME credit loans for the period.

Nonbank financing grew strongly in 2024, up by a robust 47%, primarily due to the finance companies themselves, which grew from K1.5 billion in 2023 to K2.5 billion in 2024. One of the larger finance companies, Credit Corporation, started digital banking through Credit Bank PNG, opening 8,000 accounts in its first 5 months of operation. Credit Corporation's 2024 Annual Report cites loan growth of 9.4% for the year. A full loan breakdown by sector is not currently available. Traditionally, finance companies support transport, building and construction, along with rental and business services. Microfinance institutions financed 21,299 clients in 2024, expanding their loan portfolio from K195.6 million in 2023 to K229.6 million in 2024. Credit Unions also reported growth from K655.7 million in 2023 to K711.1 million in 2024.

The digital transformation gained momentum in 2024, with initiatives targeting national payment systems and boosting financial access. Major infrastructure upgrades, such as enhancing the Kina Automated Transfer System and increasing participation in the national payment switch, have improved interoperability, reduced transactional risk,

and broadened public access to secure and efficient digital financial services.

Increasing access to electronic banking, or trading without physically exchanging cash, is an important way to overcome PNG's geographical barriers and reach remote areas. One example is the use of mobile financial services. Rolling out systems such as the digital national ID program helps customer identification, verification, and authentication for financial transactions. Digital wallets with information verified through a trusted framework compliant with international standards can support know-your-customer requirements, a continuing barrier for new customers that lack verification documents to open an account.

The PNG Stock Exchange (PNGX) opened in 1999 and currently has a limited market with 12 stocks listed. In 2024, trading activity increased by 47% in number of trades and 37% in value of shares traded. These are good signs of increased liquidity, important for market growth. The total number of trades in 2024 was 25.7 million valued at K211 million.²⁵⁰

Policies and Regulations

MSME Policy 2022 set several numeric targets— (i) generate 50,000 MSMEs, (ii) create an additional 500,000 formal MSME jobs, (iii) increase local ownership to at least 50% of the economy, and (iv) boost MSME's contribution of GDP to 20%. The national financial inclusion strategy runs through 2027 and business digitalization remains an important government priority.

The MSME Policy 2022 as outlined by SMEC is designed to support MSMEs expand in number and create new employment. SMEC has ambitious targets for 2030, which include having 50,000 formal MSMEs create an additional 500,000 jobs, ensuring 50% of the PNG economy is locally owned and controlled, and double MSMEs' contribution to GDP from 10% to 20% (Table 24.4).

²⁵⁰ PNGX's official release on market performance in 2024 (<https://www.pngx.com.pg/wp-content/uploads/2025/01/20250113-2024-Performance.pdf>).

There have been additional MSME policy reforms since 2023. For example, there is a stronger focus on greater local participation in the economy. There are three new or updated reforms:

- (i) the MSME Policy Mid-term Update 2023–2027 updates its 5-year roadmap to meet MSME targets;
- (ii) a Manufacturing Policy 2024 will create high-quality value chains to meet international standards and increase manufacturing's portion of GDP from 2% to 10% by 2030—to create more jobs, more opportunities for MSMEs, and boost exports earnings;
- (iii) the National Content Plan for the Resource Sector 2023 promotes more active local participation in major resource development projects—covering domestic procurement of goods and services, developing new suppliers and entrepreneurs, and boosting opportunities for the local workforce and MSMEs.

Other existing regulatory reforms reinforce institutional coordination and support for MSMEs:

- (i) the SME Corporation Act 2014 clarifies the corporation's coordinating mandate;
- (ii) the Investment Promotion Act 1992 increases its support for domestic MSME investment;
- (iii) the Cooperative Societies Act 1982 promotes group-based MSME models;
- (iv) the Credit Guarantee Scheme 2022 reduces lending risk through government-backed guarantees; and
- (v) the Green Finance Guidelines 2023 draft introduces environmental safeguards and promotes sustainable lending practices.

Also, PNG continues tax incentives to encourage MSMEs to register and formalize. They include lower tax rates and increased value-added tax exemptions for MSMEs with turnover under K250,000. A task force has been established to coordinate regulatory streamlining between SME Corporation, the Investment Promotion Authority, Internal Revenue

Commission, and provincial governments. The National Informal Economy Policy 2024–2028 has been finalized along with better online e-registry and business license platforms under the Investment Promotion Authority.

Key MSMEs constraints include limited access to finance, complex regulations, inadequate infrastructure, and low digital use. According to the September 2024 PNG MSME and Informal Sector Study by Tebutt Research, more than 80% of women surveyed said they faced additional challenges operating their businesses solely because of gender. Also, better support for formal MSMEs and informal businesses outside urban areas should be considered. The government's SME Policy Framework and SME Corporation's Strategic Plan continue to support formalizing MSMEs. Their growth is seen as critical to meet the Vision 2050 objectives of inclusive development and rural empowerment.

Digitalization of MSMEs

The MSME digital landscape remains underdeveloped, though overall policy has progressed. In late 2023, PNG introduced the Digital Economy Strategy (Phase II) 2023–2027 to promote MSME digitization. The Digital Economy Strategy includes components on (i) digital financial literacy campaigns, (ii) e-commerce enablement tools for MSMEs, and (iii) provincial pilot hubs for digital business registration.

The Investment Promotion Authority's business registry has improved its accessibility, although bandwidth and cost remain barriers in rural areas. Fintech remains nascent but can expand via partnerships with mobile operators.

The PNG Economic Development Plan is establishing four business incubation centers and starting an MSME Accelerator program to assist informal enterprises become formal businesses faster. They also work with small-scale technology providers of MSME-related products and target 1,000 MSME client sales annually. An E-MSME marketplace was created as a one-stop portal for MSME registration and business compliance procedures.

Green MSMEs and climate action

The Bank of PNG is strongly committed to Green Finance and Sustainability. The central bank continues to lead national work on sustainable finance and green investment. The Green Finance Centre supports implementation of the Inclusive Green Finance Policy, with new facilities that increase climate-aligned lending. Climate resilience and green finance are growing as policy priorities. PNG's updated Nationally Determined Contributions include MSMEs in sustainable agriculture, forestry, and renewable energy supply chains.

Since 2023, ADB and the Green Climate Fund have co-financed pilot projects involving (i) off-grid solar systems for remote MSMEs, (ii) sustainable cocoa and vanilla farming practices, and (iii) community-based eco-tourism ventures.

The NDB has begun discussions with the Bank of PNG on the Green Guarantee Facility, which allows structuring concessional loans for climate-resilient businesses. Development partners are supporting green taxonomy development and impact measurement tools. The Centre for Excellence in Financial Inclusion has an Inclusive Green Finance Project, which uses green finance to support economic activity and promote growth through the sustainable use of renewable resources.

Women-led MSMEs

According to the ADB PSDI 2024 Leadership Matters report, PNG ranks among the lowest in the Pacific for women in business leadership. Women-led MSMEs face steeper barriers in accessing finance, with only about 14% of MSME loans as of 2024 allocated to women entrepreneurs. ADB's Asian Development Outlook April 2025 estimated that in the first quarter of 2024, of 1.2 million registered mobile financial accounts, 37% were women-owned. Overall, the country has the highest financial inclusion gender gap in the Pacific, with women 29% less likely to have access to formal financial services. A Gender Finance Roadmap is being developed with DFAT support to address systemic barriers to women's economic participation.

There are several recent initiatives to improve MSME gender inclusion:

- (i) expanding the Women's Microbank product range;
- (ii) introducing a 75% guarantee rate for women-led businesses under the PNG Census of Enterprises and Establishments;
- (iii) building leadership training and mentoring hubs in partnership with various chambers and faith-based groups.

An Australian government study has highlighted the key changes for MSMEs. They sampled over 1,300 formal businesses and over 1,200 informal enterprises. Women ownership rose significantly within these groups, from 23% to 35% for formal businesses and from 25% to 50% for informal.

International trade of MSMEs

PNG exports were estimated at K56 billion (\$13.8 billion) in 2024, with imports worth K26 billion (\$6.4 billion). No specific import and export data are yet available covering MSMEs. Key MSME exports include agri-processing (coffee, cocoa, and spices), handicrafts, and niche tourism. Cross-border e-commerce is minimal, but a feasibility study is underway in partnership with the United Nations Economic and Social Commission for Asia Pacific.

Trade-related MSME support has been limited but is gaining momentum. The SME Corporation's "Export Ready" Initiative launched in 2024, includes (i) training on product standards and export documentation, (ii) placing trade facilitation desks in several provincial commerce offices, and (iii) participation in regional expos.

MSME financing and financial inclusion strategy

On 25 April 2023, the government approved the Third National Financial Inclusion Strategy 2023–2027 to improve financial competence. It provides an enabling framework for innovation and new green finance, including digital infrastructure.

PNG's MSME ecosystem involves multiple actors, including the SME Corporation, Investment Promotion Authority, NDB, Bank of PNG, and provincial governments. Institutional fragmentation remains a challenge, but a 2024 interagency MSME coordination mechanism has been launched to streamline the process.

The private sector, including chambers of commerce, women's business networks, and trade associations, are increasingly active in MSME support. Donor partners include ADB, PSDI, DFAT, the IFC, United Nations Development Programme, and the International Labour Organization. With stronger interagency collaboration and development partner support, PNG can drive more inclusive and resilient MSME development in line with Vision 2050.

Data Tables

Table 24.1: MSME Definition

A. Definition after 2023

Item	Micro	Small	Medium
Annual Turnover	Less than K60,000	More than K60,000 and less than K250,000	More than K250,000 and less than K5 million
Number of Employees	Fewer than 10	10 to 50	51 to 100
Total assets	Less than K250,000	More than K250,000 but not exceeding K1 million	More than K1 million but not exceeding K10 million

MSME = micro, small, and medium-sized enterprise.

Note: MSME definition from the MSME Policy 2022 (approved by Cabinet under the National Executive Council [NEC] Decision No.02 of 2022).

B. Definition until 2022

Sector	Item	Micro	Small	Medium
Manufacturing, construction, and engineering	Annual Sales Turnover	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
	Number of Employees	Fewer than 5	More than 5 and fewer than 20	More than 20 and fewer than 100
	Assets	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
Agriculture, Tourism, Forestry, Fisheries, Services, and Other Sectors	Annual Sales Turnover	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
	Number of Employees	Fewer than 5	More than 5 and fewer than 40	More than 40 and fewer than 100
	Assets	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million

MSME = micro, small, and medium-sized enterprise.

Note: MSME definition from the SME Policy 2016.

Source: ADB Asia SME Monitor 2025 database. Data from Small and Medium Enterprise Corporation.

Table 24.2: MSME Landscape

End of year data

Item	Unit	2011	2016*	2020**	2022	2023	2024***
Scale of Enterprises							
MSMEs	Number	11,554	49,501	150,000	...	...	...
Micro	Number	8,489	...	...	...	...	...
Small	Number	2,090	...	...	...	...	...
Medium-sized	Number	975	...	...	...	...	...
Large	Number	...	...	...	...	...	...
Total	Number	...	...	...	...	...	...
MSME to total	%	...	...	...	...	...	...
MSME growth	%	...	...	...	...	...	...
MSMEs by sector	%	100	100	...	...	...	100
Agriculture, forestry, and fisheries		36.9	...	...	...	...	5.2
Manufacturing		11.3	10.0	...	...	...	2.1
Transportation and communications	}	51.8	15.0	...	...	...	6.7
Construction			12.5	...	...	...	20.2
Wholesale and retail trade			35.0	...	...	...	14.8
Other services			22.5	...	...	...	27.6
Others		...	5.0	...	...	...	23.4
MSMEs by region	%	100	100	...	...	...	...
Capital city (Port Moresby)		31.4	31.3	...	...	...	...
Others		68.6	68.7	...	...	...	...
Employment							
MSMEs	Number	64,068	291,346	...	...	...	...
Micro	Number	28,237	...	...	...	...	...
Small	Number	17,227	...	...	...	...	...
Medium-sized	Number	18,604	...	...	...	...	...
Large	Number	...	...	...	...	...	...
Total	Number	...	...	...	...	...	...
MSME employees to total	%	...	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...	...
MSME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		46.9	...	...	...	...	21.0
Manufacturing		11.9	...	...	...	...	7.0
Transportation and communications	}	41.2	...	...	...	...	72.0
Construction			...	...	...	...	
Wholesale and retail trade			...	...	...	...	
Other services			...	...	...	...	
Others		...	...	...	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Port Moresby)		66.0	...	...	...	...	...
Others		34.0	...	...	...	...	...
Output							
MSME GDP	GDP, K mil.	...	3,262	...	...	...	...
MSME GDP to total	% to GDP	...	17.3	6.3	...	...	...
MSME GDP growth	%	...	...	...	...	...	...
Exports							
MSME exports	K mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	K mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data for 2016 is based on the SME Policy 2016 published March 2016.

** Data for 2020 from the National Economic Sub-Sector Plan for 2023–2027.

*** Data for 2024 from Small and Medium Enterprise Corporation.

Source: ADB Asia SME Monitor 2025 database. Data from the National Statistics Office, SME Policy 2016, and Small and Medium Enterprise Corporation.

Table 24.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024	2025
Bank Loans*								
MSME loans outstanding	K mil.	3,161	4,143	4,423	7,641	4,842	5,262	...
MSME loans to total loans	%	15.2	19.7	21.2	35.2	21.8	22.6	...
MSME loans to GDP	%	3.8	5.0	4.8	7.1	5.2	5.5	...
MSME loan growth	%	(8.5)	31.1	6.8	72.8	(36.6)	8.7	...
MSME loan borrowers	Number	76,590	123,951	202,606	142,471	136,405	151,358	...
Nonperforming loans (NPLs)								
MSME NPLs	K mil.	...	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...	...
(Gross NPLs to total bank loans)	%	3.8	5.3	6.1	5.7	4.8	3.9	...
MSME loans by sector	%	...	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...	...
Transportation and communications		...	...	...	...	...	...	...
Construction		...	...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...	...
Other services		...	...	...	...	...	...	...
Others		...	...	...	...	...	...	...
MSME loans by region	%	...	...	...	...	...	...	...
Capital city (Port Moresby)		...	...	...	...	...	...	...
Others		...	...	...	...	...	...	...
MSME loans by type of use	%	...	...	...	...	...	...	...
For working capital		...	...	...	...	...	...	...
For capital investment		...	...	...	...	...	...	...
MSME loans by tenor	%	...	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...	...
1-5 years		...	...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...	...
Public Finance and Guarantees								
Credit Guarantee Corporation**								
Guaranteed loans outstanding	K mil.	...	...	...	...	...	2.1	3.3
Growth	%	...	...	...	...	...	...	55.0
MSMEs guaranteed	Number	...	...	...	...	...	16	34
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...	...
Capital Markets								
n/a.,								

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data for commercial banks only.

** Guarantee services began April 2024. Data for 2025 as of 13 May.

Source: ADB Asia SME Monitor 2025 database. Data from the Bank of Papua New Guinea; Credit Guarantee Corporation.

Table 24.4: Policies and Regulations

Benchmark Regulation	Small and Medium Enterprises Corporation Act 2014
Focal Government Authority for MSMEs	Small and Medium Enterprise Corporation
Key Policies and Strategies	
Name	Outline
SME Policy 2016	The objective of the SME Policy 2016 is to support and grow the SME sector in order to create new employment opportunities, achieve sustainable economic growth outside the resources sector, and achieve a fair and equitable distribution of wealth through majority citizen ownership of business activity. It sets ambitious goals for 2030: 1) Growing SMEs from 49,500 to 500,000. 2) Growing formal employment from 290,000 to 2 million. 3) Reducing unemployment from 84% to 49%. 4) Increase citizen control over the formal economy from 10% to 70%. 5) Increasing SME contribution to GDP from 10% to 50%. 6) Increasing per capita income from \$2,000 to \$9,600.
MSME Policy 2022	The policy mission is to develop the capacity of the MSME sector to drive growth, increase national income, create employment, stimulate entrepreneurship, and improve the quality of lives of citizens. 1) Generate 50,000 active MSMEs. 2) Create an additional 500,000 jobs in the formal MSME sector. 3) Place at least 50% of the PNG's economy under the control and ownership of its citizens. 4) MSMEs to account for 20% of PNGs GDP.
Third National Financial Inclusion Strategy 2023–2027 (April 2023)	1) Building financial competency through financial literacy and education. 2) Strengthening an enabling policy and regulatory environment conducive for innovation and promoting the growth of inclusive green finance. 3) Developing efficient digital infrastructure. 4) Promoting effective public and private sector engagement. 5) Enabling environment for inclusive green finance. 6) Deepening financial service delivery harnessing new emerging technology.
Thematic Initiatives	
Digitalization of MSMEs:	
1) PNG Digital Transformation Policy (approved September 2020)	1) Enabling the PNG people to access high-quality digital government information and services anywhere, anytime, on any device. 2) Ensuring that as the government adjusts to this new digital world, they seize the opportunity to procure and manage devices, applications, and data in smart, secure and affordable ways. 3) Unlocking the power of government data to spur innovation across our country and improve the quality of services for the PNG people.
2) Digital Government Plan for 2023–2027 (approved December 2022)	1) The use of digital tools and systems to provide better Government services to citizens and businesses using ICT. 2) Providing a wide variety of benefits including increased efficiency and savings for governments and businesses, increased transparency, and greater participation of citizens. 3) Enabling the streamlining, planning, coordination, development, and implementation across the whole of the government of digital services, digital infrastructure, digital skills, and all other aspects of digital government.
Green MSMEs and climate action:	
1) Inclusive Green Finance Policy in PNG (launched 8 June 2023)	1) Contribute to national policies and targets. 2) Address and make a significant contribution(s) to addressing environmental challenges and promoting inclusive growth. 3) Cover priority economic sectors. 4) Align with international standards and good practices. 5) Comply with Environmental, Social, and Governance standards. 6) Iterative, dynamic, and continuous review and development.
2) Enhanced Nationally Determined Contribution until 2030 (approved in 2020)	1) Reducing energy demand - through adoption and implementation of Minimum Energy Performance Standards and Labelling (MEPSL) Regulations. 2) Enhancing levels of renewables in the energy mix - by increasing the level of installed capacity for grid electricity generation produced by renewables to 78% from 30% (2015). 3) Establishing a framework for fossil fuel emission offsetting. 4) Enhanced data collection.

continued on next page

Table 24.4 *continued*

Women-led MSMEs: National Strategy to Prevent and Respond to Gender Based Violence (GBV) for 2016–2025	1) To ensure that by 2025 the Government of PNG has a functioning GBV governance and institutional structure supporting the achievement of zero tolerance towards GBV, aligned with the PNG Development Plan, Papua New Guinea Vision 2050 and with the Sustainable Development Goals 2016–2030. 2) To standardize and institutionalize data collection, and facilitate ongoing in-depth research to support evidence-based planning, budgeting and programming to end gender-based violence. 3) To ensure quality, continuity and sustainability of coordinated responses, referrals and service delivery for survivors of gender-based violence. 4) To scale-up, decentralize, and standardize inclusive, quality initiatives and messaging for prevention of gender-based violence at all levels and in all sectors of society.
International trade of MSMEs: 1) National Trade Policy for 2017–2032 (approved July 2017)	1) Build a strong domestic economy based on diverse production in competitive and sustainable sectors especially manufacturing and services, inclusive of MSME participation in down stream processing and value adding, to increase PNG's export capacity and contribute towards a sustainable balance of payments. 2) Establish a sound policy and regulatory framework, conducive for ease of doing business and economic growth. 3) Improvement of national infrastructure and services and developing more efficient infrastructure and services for enhancing competitiveness. 4) Alignment with trade facilitation obligations and agreements. 5) Promote and implement rights, commitments and obligations arising from trade agreements which PNG is party to.
2) SME Corporation “Export Ready” Initiative 2024	Provides training on product standards and export documentation, establishes Trade Facilitation Hubs at provincial centres and allows support for participation in regional expos.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the Bank of the Papua New Guinea, SME Corporation, and official website of government institutions.

SAMOA

Overview

The economy grew by 4.6% in fiscal year (FY) 2024 (ended 30 June 2024), lower than 8.6% FY2023 expansion primarily due to the modest recovery in tourism. Yet, agriculture, services including transport, trade, and accommodation, and construction continued to contribute. Exports fell by 12.3% in FY2024 largely due to a drop in fish exports after poor harvests affected by El Niño weather and weaker taro exports. Imports remained stable. Inflation fell from 12.0% in FY2023 to 3.6% in FY2024 due to lower prices for imported food and fuel.²⁵¹

Micro, small, and medium-sized enterprises (MSMEs) comprised an estimated 93.9% of all businesses in 2024, but official statistics showed a significant drop in the number of MSMEs which fell to 3,702 from 4,828 in 2023, a 23.3% decline. Firm sizes changed in 2024, with less microenterprises and more small and medium-sized enterprises. MSME bank credit rose by a relatively strong ST607 million in 2024. Total loans to MSMEs accounted for 50.2% of all bank loans as of the end of 2024, equivalent to a relatively high 23.8% of gross domestic product (GDP). The 2020 national MSME Strategy was updated in 2024 for an additional 5 years. There is also a National Financial Inclusion Strategy for FY2023–FY2026 along with numerous support plans, including a Renewable Energy Master Plan 2023–2034 for climate policy. Access to finance for women borrowers remains challenging, but both the central bank and Development Bank of Samoa have pilot programs designed to make more funds available. Samoa’s E-Commerce Strategy 2022–2027 will reduce barriers to digitalization and make online markets more efficient.

MSME Development

At the end of 2024, MSMEs comprised 93.9% of all businesses in Samoa. Yet their total number fell by 23.3% to 3,702 firms. Firm sizes shifted from microenterprises to more small and medium-sized enterprises. The MSME Development Policy and Strategy 2020 defines MSMEs based on number of registered employees, while the statistics office uses annual income as the criterion for classifying MSMEs, although this remained under review as of September 2025.

The MSME Development Policy and Strategy 2020 provisionally defines MSMEs as firms with up to 25 registered employees. The Samoa Bureau of

Statistics, however, uses an alternative criterion for MSME classification based on annual income, defining MSMEs as those with annual incomes not more than ST1 million (Table 25.1).²⁵² However, the MSME income criterion remained under review by the Cabinet as of September 2025.

The MSME structure has changed somewhat with less microenterprises and more small and medium-sized businesses. 2023 data show that 96.9% of all MSMEs were listed as microenterprises, but in 2024, the share fell to 77.7%. Instead, the number of small and medium-sized enterprises expanded from 89 to 240 for small firms and from 61 to 584 for medium-sized enterprises, raising the share of small firms from 1.8% to 6.5% of MSMEs and that of medium-sized

²⁵¹ ADB. 2025. Asian Development Outlook September 2025.

²⁵² For annual income, the Samoa Bureau of Statistics uses the term “returns,” which is based on an enterprise’s yearly income; thus, this chapter uses “annual income.”

enterprises from 1.3% to a 15.8% share of the total (Table 25.2 and Figure 25.1A). Beyond MSMEs, the number of large enterprises also grew from 176 to 240 in 2024, a 34.6% increase from 2023. Overall, however, the number of businesses remained far lower, down from 5,004 to 3,942. Part of the MSME strategy is to improve statistical accuracy and formal registration. So the trend of business consolidation and better record keeping could be behind the reported decline in microenterprises and expansion of small, medium-sized, and large firms between 2023 and 2024.

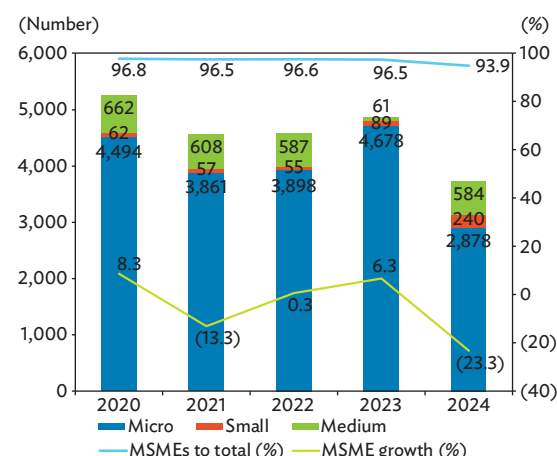
By sector, 37.9% of MSMEs in 2024 worked in wholesale and retail trade, while those in “other services” increased their share from 23.0% in 2023 to 29.3% in 2024 (Figure 25.1B). Other services include business services, accommodation and restaurants, personal services such as travel agencies, financial services, and public administration. Transportation and communications ranked third in 2024 with 13.1%, followed by construction (9.5%), manufacturing (8.6%), and agriculture/forestry (1.6%).

Specific MSME employment data is unavailable. Overall, 2024 data show total formal employment at 26,199 employed, with 13,869 males and 12,330 females. Wages and salaries increased by 16.1% year on year, reaching \$232.5 million compared to March 2024. This growth came primarily from rising wages in other services, which includes tourism, public administration, commerce and transport. Data for the overall Samoa economy show that commerce remained the largest contributor to GDP, followed by finance and public administration.

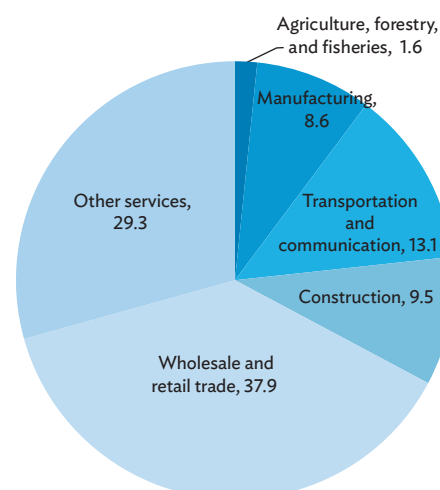
Institutional coordination has improved given the stronger roles played by the Ministry of Commerce, Industry, and Labour (MCIL), the central bank, and the Development Bank of Samoa (DBS). MSME-related policies are also supported by development partners, including ADB, the United Nations Development Programme, and the Pacific Private Sector Development Initiative (PSDI). The Samoa Chamber of Commerce and other private-sector groups run mentoring and small grant programs.

Figure 25.1: Scale of MSMEs

A. Trend



B. By Sector, 2024 (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Samoa Bureau of Statistics.

Reforms emphasize closer collaboration across ministries to deliver more targeted MSME support. Public-private dialogues are being institutionalized to better develop long-term sectoral strategies. Data gaps and fragmentation remain significant challenges, particularly monitoring the impact of policy changes and harmonizing program eligibility.

Access to Finance

Following a 6.6% decline in 2023, MSME commercial bank lending rebounded in 2024, up by 8.6% to ST607 million. Credit guarantee loan beneficiaries also rose. DBS offers loans to vulnerable groups including MSMEs, which grew by a slower 1.7% to ST27.6 million, with improved nonperformance loan (NPL) ratio of 1.4%.

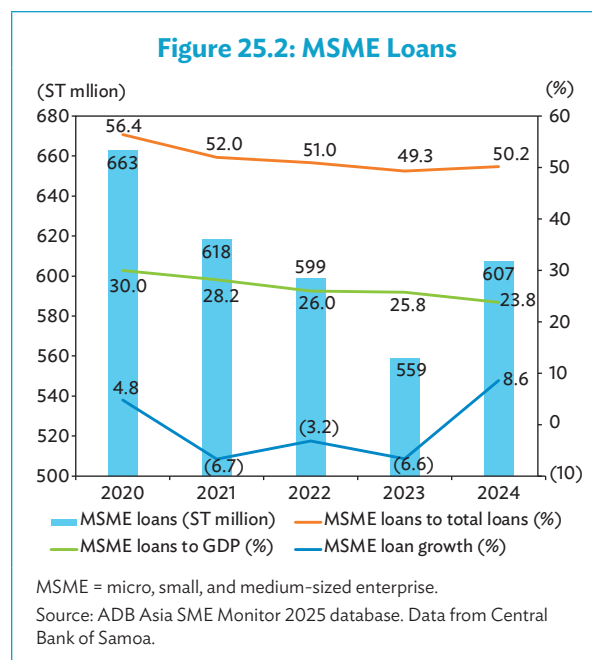
By the end of 2024, there were five operating banks, unchanged from 2023, with two domestic commercial banks, two foreign commercial banks, and one state-owned development bank (DBS).

After dropping by 6.6% in 2023, MSME bank credit recovered in 2024, growing by 8.6% to ST607 million (Table 25.3 and Figure 25.2).²⁵³ It accounted for 50.2% of all commercial bank loans and was equivalent to 23.8% of GDP. The share of MSME bank loans to GDP decreased from its 2020 peak of 30.0%, while share of all bank loans fell from 56.4% during the same period.

The Central Bank of Samoa (CBS) is creating an MSME access-to-finance template as part of its MSME Development Policy and Strategy 2020. It will be launched once the revised MSME definition is endorsed by the Cabinet. Lending to MSMEs continues to be dominated by DBS and commercial banks, supported by targeted loan schemes and concessional financing. Commercial banks provide financing primarily to registered small and medium-sized enterprises in urban centers, while DBS serves rural microenterprises and those in agriculture.

CBS continues its work on financial inclusion through the Credit Registry Bill, scheduled to be operating by late 2025. This is a major step forward in financial accessibility as it provides lenders with more accurate information on potential borrowers and their financial history. The central bank also continues to oversee reforms on digital payments within the National Payments System and Samoa Automated Transfer System. Other work includes mobile banking interoperability.

Despite these advances, access to credit remains a constraint. Collateral requirements, especially land titles, continue to limit borrowing.

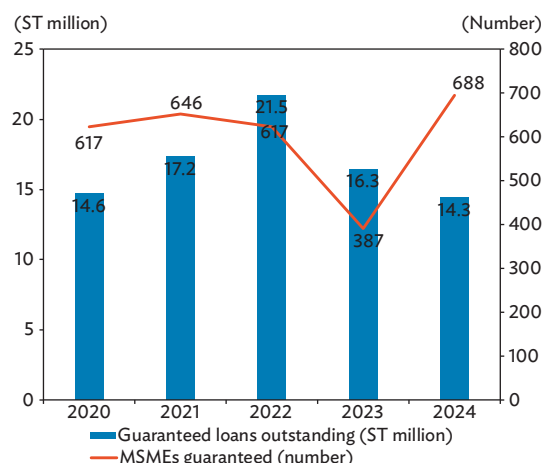


Credit Guarantee Scheme data for 2024 show a continued decline in MSME guarantees over the last 2 years. In 2022, the guaranteed portfolio reached ST21.5 million but dropped to ST16.3 million in 2023 and ST14.3 million in 2024. Yet the number of businesses supported has increased from 387 in 2023 to 688 in 2024. (Figure 25.3).

As in 2023, the largest proportion of guaranteed loans in 2024 went to agriculture (42.0% share), followed by wholesale and retail trade (15.0%), manufacturing (13.0%), and services (12.0%).

A National Credit Information Registry Bill, which creates a formal credit bureau, was developed in 2024 and approved by the Cabinet. It also upgrades the Personal Property Registry to allow the use of movable assets as collateral and digital verification for claims.

²⁵³ Data for commercial banks only.

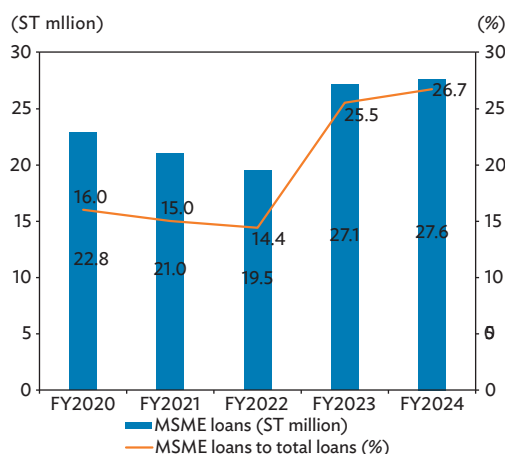
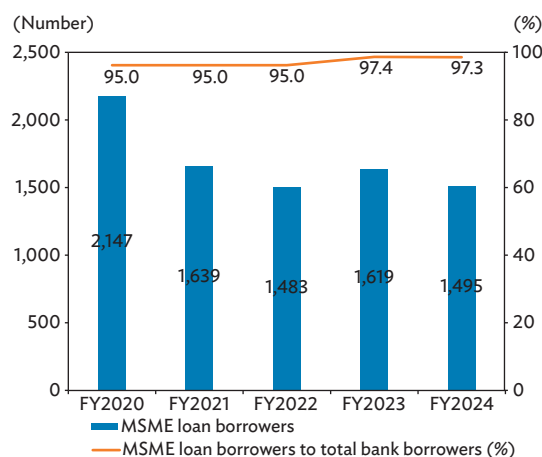
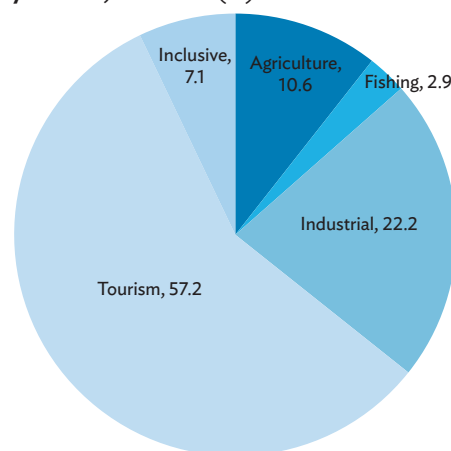
**Figure 25.3: Credit Guarantees for MSMEs—
Samoa Business Hub**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Samoa Business Hub.

DBS approved 315 loans with a total value of ST8.3 million during FY2024, compared to 558 loans valued at ST15 million in FY2023.²⁵⁴ The 44% drop was due to liquidity constraints, but all new lending went to MSMEs. Industry (manufacturing) accounted for 34% of total micro and small loan approvals, followed by agriculture at 33%.

As of end-FY2024, DBS had 1,495 MSME loans outstanding, down from 1,619 the previous year, valued at ST27.6 million, or 26.7% of its entire portfolio (Figure 25.4A and 25.4B). In FY2024, the largest portion of DBS financing went to tourism at 57.2%, industry (manufacturing) at 22.2% and agriculture at 10.6% (Figure 25.4C). However, by number of loans, agriculture was largest with 47%, followed by inclusive community loans and industry, both at 23%. The average MSME loan size was ST18,953, with the average large client loans receivable at ST7.1 million. DBS's gross NPLs fell dramatically from 5.0% in FY2023 to 1.4% in FY2024. Overall, portfolio arrears were very low at 0.5%.²⁵⁵

**Figure 25.4: MSME Loans—Development
Bank of Samoa****A. Overall****B. MSME Borrowers****C. By Sector, FY2024 (%)**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Development Bank of Samoa.

²⁵⁴ Development Bank of Samoa (DBS) Annual Report 2024.

²⁵⁵ DBS Annual Report. 2024.

The National Strategy on Anti Money Laundering and Counter Terrorism Finance was endorsed by the Cabinet in March 2024 to reinforce jurisdiction over financial crimes.

Fintech penetration is limited, with most digital finance activity confined to mobile wallet services and bank-issued debit products. PSDI and CBS are working together to promote more interoperability between mobile banking services and encourage innovation hubs for start-ups.

There is no international stock exchange in Samoa. The central bank regulates a limited Unit Trust of Samoa domestic market, established in 2010. No figures are available.

CBS launched the Samoa Automated Transfer System in 2023 as part of the National Payment System. The E-Commerce Policy 2022–2027 is addressing gaps identified within the legal and regulatory structure that restrict the digital markets.

Policies and Regulations

MCIL leads the policy reforms to improve the MSME ecosystem. They include the updated National MSME Strategy 2020, simplified registration procedures, and targeted tax relief for start-ups. Business license and permit reforms continue with support from PSDI.

The National Development Plan covers 5 fiscal years (FY2021–FY2026), thematically “Empowering communities, building resilience, and inspiring growth.” It focuses on five Key Strategic Outcomes to achieve its vision of “Fostering social harmony, safety and freedom for all.” These include (i) improved social development, (ii) a diversified and sustainable economy, (iii) security and trusted governance, (iv) secured environment and climate change, and (v) better public works and infrastructure.

The National MSME Strategy 2020 covers a wide range of steps that can help MSMEs progress and support economic growth. These include

(i) developing supportive institutional and regulatory frameworks; (ii) providing appropriate business advice and support; (iii) accessing finance, financial services, and investment; (iv) supplying enabling infrastructure, (v) building an appropriately skilled labor force; and (vi) creating a culture of entrepreneurship and innovation (Table 25.4).

Other policy reforms include specific plans such as the Agriculture and Fisheries Sector Plan 2022–2027 to build resilience and private sector capacity, along with Tourism Stimulus Assistance, a specific post-pandemic support program. There is also a Trade, Commerce and Manufacturing Sector Plan 2024–2029 to improve productivity and exports.

PSDI conducted a 2024 diagnostic review of Samoa’s online registry system and technical support for DBS governance and policy operations.

Tax procedures have also been adjusted to benefit MSMEs, with threshold exemptions and simplified compliance processes under review by the Ministry of Revenue. Overall, Samoa’s regulatory environment is gradually making it easier to formally register enterprises and create more innovation.

Digitalization of MSMEs

Digitalizing government and business services is progressing, although significant gaps remain for MSMEs. The online company registry and business licensing portals have been partially upgraded, with further enhancements underway for 2025.

The central bank collaborates with the United Nations Development Programme and its Pacific Digital Economy Program to build an inclusive digital economy, specifically targeting low-income households, women, youth, and MSMEs.

Internet access and digital literacy remain difficult for rural enterprises, but various digital and e-commerce training programs are run by the Samoa Business Hub and MCIL. Samoa launched the National E-Commerce Strategy and Roadmap in 2022 to reduce costs and raise efficiency by 2027. It has seven strategic pillars: (i) e-commerce readiness and strategy formulation;

(ii) information and communication technology infrastructure and services; (iii) trade logistics and facilitation; (iv) legal and regulatory frameworks; (v) electronic payment solutions; (vi) e-commerce skills development; and (vii) access to finance, particularly for MSMEs and women-led firms.

E-commerce platforms are gradually being developed, with some MSMEs in handicrafts and food products now beginning to explore online sales via Facebook and Pacific marketplaces. Government initiatives are exploring partnerships with regional logistics providers to address gaps in delivery.

Green MSMEs and climate action

Samoa's strong climate commitments are included in its Renewable Energy Master Plan (2023–2034), which identifies roles for small-scale enterprises in solar energy, waste management, and sustainable agriculture. For the mid-term, the Samoa Energy Sector Plan (FY2024–FY2028) addresses three pillars: (i) secured environment and climate change; (ii) structured public works and infrastructure; and (iii) sustainable energy development and responsive public utility service. While green finance products are at an early stage, DBS has begun channeling concessional loans to farmers and processors adopting climate-resilient practices.

ADB and the Green Climate Fund support public-private partnership models in renewable energy and agri-resilience. However, capacity gaps remain in accessing climate finance instruments, and most MSMEs are unable to comply with environmental, social, and governance reporting requirements.

Policy work is underway to develop national green finance taxonomies and climate disclosure frameworks. The Samoa Business Hub supports green entrepreneur incubator programs and workshops in partnership with the Pacific Green Entrepreneurs Network.

Women-led MSMEs

The National Policy on Gender Equality and Rights of Women and Girls 2021–2031 guides gender mainstreaming in the country. It targets (i) increased

economic empowerment for women and girls, especially those facing multiple, intersecting barriers and discrimination; (ii) improved health for women and girls, especially those facing multiple types of discrimination; (iii) enhanced access, opportunities for life-long learning and educational outcomes; (iv) improved gender balance in leadership, governance and public life; and (v) increased and improved safety and access to law and justice for women and girls against all forms of discrimination.

Women-led MSMEs comprise an estimated 19%–22% of registered MSMEs. Access to finance for women entrepreneurs remains disproportionately limited. DBS introduced the Inclusive Development Credit Facility for Women and Youth, with flexible collateral for projects implemented and managed by women. The central bank introduced pilot models specifically targeting women-led firms, often with higher guarantee coverage. The Samoa Tourism Authority and PSDI have also supported leadership and mentoring initiatives for women entrepreneurs in tourism and agriculture.

Gender considerations are increasingly mainstreamed within Samoa's policy agenda. These include grants, targeted training, and dedicated subcomponents of major loan schemes. The effectiveness of these will depend on improved sex-disaggregated data, currently being developed by MCIL.

International trade of MSMEs

Samoa's National Industry Development Policy and Strategy for FY2025–FY2034 promotes export business development, greater participation in global value chains, trade-related infrastructure development, and attracting more investors into sectors with export-potential.

Exports fell by 12.3% in 2024 to ST104.4 million largely due the decline in fish exports after a poor El Niño-affected season. Imports rose slightly to ST1,216 million. Thus, trade remains a modest component of Samoa's MSME ecosystem, although there is growing interest in export readiness. Key MSME-relevant export sectors include coconut oil, taro, fish, traditional crafts, and niche processed foods. Support

programs, such as Women in Export and Chamber-led incubators, will improve product standards, packaging, and international marketing.

Reforms in customs and trade facilitation have eased export clearance for registered small businesses. However, trade finance access is low, and many MSMEs lack knowledge of trade regulations and logistics. New partnerships with regional trade portals and e-commerce platforms should help address these gaps. With coordinated investment and reform, Samoa can build a more dynamic, inclusive, and resilient MSME ecosystem.

MSME financing and financial inclusion strategy

On 14 November 2023, the government introduced the Second National Financial Inclusion Strategy for FY2023–FY2026. Its primary objectives are to (i) expand access to formal financial services for an additional 40,000 adults, and (ii) ensure at least 50% of the new recipients are women. Drawing on lessons from the initial financial inclusion strategy and acknowledging areas where progress has lagged, the new approach will specifically concentrate on (i) MSMEs, (ii) agriculture, (iii) remittances, and (iv) digital financial services.

Despite these various initiatives, important constraints persist, including limited access to finance, poor digital connectivity in rural areas, fragmented support services, and a large informal sector. Despite these challenges, MSMEs have demonstrated innovation and resilience, especially those involved in traditional crafts, food processing, and micro-tourism services.

Data Tables

Table 25.1: MSME Definition

Item	Micro	Small	Medium
1. Number of registered employees	Fewer than 5	5–9	10–25
2. Annual income	Less than ST130,000	ST130,000 and not more than ST500,000	ST500,000 and not more than ST1 million

Notes: This definition does not define MSME participation in business support programs, which have their own participation criteria. For annual income, the Samoa Bureau of Statistics uses the term “returns,” which is based on an enterprise’s yearly income; the Asia SME Monitor uses “annual income.” A review of the classifications has also been undertaken and is yet to be approved by the Cabinet.

Source: ADB Asia SME Monitor 2025 database. Data from Samoa Micro, Small, and Medium Enterprises Development Policy and Strategy 2020; Samoa Bureau of Statistics MSME classification (draft as of September 2025).

Table 25.2: MSME Landscape

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Scale of Enterprises							
MSMEs	Number	4,816	5,218	4,526	4,540	4,828	3,702
Micro	Number	4,074	4,494	3,861	3,898	4,678	2,878
Small	Number	58	62	57	55	89	240
Medium-sized	Number	684	662	608	587	61	584
Large	Number	179	170	162	160	176	240
Total	Number	4,995	5,388	4,688	4,700	5,004	3,942
MSME to total	%	96.4	96.8	96.5	96.6	96.5	93.9
MSME growth	%	3.3	8.3	(13.3)	0.3	6.3	(23.3)
MSMEs by sector	%	100	100	100	100	100	100
Agriculture, forestry, and fisheries		1.3	1.5	1.7	1.6	1.8	1.6
Manufacturing		5.4	5.6	6.0	6.4	5.9	8.6
Transportation and communications		25.8	25.5	25.6	25.8	26.2	13.1
Construction		5.4	5.9	5.5	5.4	5.5	9.5
Wholesale and retail trade		40.2	39.8	39.9	39.1	37.5	37.9
Other services		21.9	21.8	21.4	21.7	23.0	29.3
Others		...	...	...	...	...	...
MSMEs by region	%	...	...	...	...	...	...
Capital city (Apia)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Employment							
MSMEs	Number	...	...	...	...	...	...
Micro	Number	...	...	...	...	...	...
Small	Number	...	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...	...
Large	Number	...	...	...	...	...	...
Total	Number	24,471	24,370	24,280	24,201	25,496	26,199
MSME employees to total	%	...	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...	...
MSME employees by sector	%	...	...	...	...	...	...
Agriculture, forestry, and fisheries		...	...	...	...	...	...
Manufacturing		...	...	...	...	...	...
Transportation and communications		...	...	...	...	...	...
Construction		...	...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...	...
Other services		...	...	...	...	...	...
Others		...	...	...	...	...	...
MSME employees by region	%	...	...	...	...	...	...
Capital city (Apia)		...	...	...	...	...	...
Others		...	...	...	...	...	...
Output							
MSME GDP	GDP, ST mil.	...	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...	...
Exports							
MSME exports	ST mil.	...	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...	...
MSME export growth	%	...	...	...	...	...	...
Imports							
MSME imports	ST mil.	...	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...	...
MSME import growth	%	...	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Note: MSME number Data for 2023–2024 was calculated based on the new MSME definition in Table 1.

Source: ADB Asia SME Monitor 2025 database. Data from Samoa Bureau of Statistics.

Table 25.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans*							
MSME loans outstanding	ST mil.	633	663	618	599	559	607
MSME loans to total loans	%	54.1	56.4	52.0	51.0	49.3	50.2
MSME loans to GDP	%	26.2	30.0	28.2	26.0	25.8	23.8
MSME loan growth	%	6.3	4.8	(6.7)	(3.2)	(6.6)	8.6
MSME loan borrowers ('000)	Number	1,249	1,757	1,987	1,386	1,933	1,964
Nonperforming loans (NPLs)							
MSME NPLs	ST mil.	...	...	...	...	...	...
MSME NPLs to total MSME loans	%	...	...	...	...	...	...
(Gross NPLs to total bank loans)	%	4.0	3.8	3.6	5.0	5.4	4.2
MSME loans by sector							
Agriculture, forestry, and fisheries	%	...	...	...	...	...	...
Manufacturing	%	...	...	...	...	...	...
Transportation and communications	%	...	...	...	...	...	...
Construction	%	...	...	...	...	...	...
Wholesale and retail trade	%	...	...	...	...	...	...
Other services	%	...	...	...	...	...	...
Others	%	...	...	...	...	...	...
MSME loans by region							
Capital city (Apia)	%	...	...	...	...	...	...
Others	%	...	...	...	...	...	...
MSME loans by type of use							
For working capital	%	...	...	...	...	...	...
For capital investment	%	...	...	...	...	...	...
MSME loans by tenor							
Less than 1 year	%	...	...	...	...	...	...
1-5 years	%	...	...	...	...	...	...
More than 5 years	%	...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantee scheme for MSMEs – Samoa Business Hub							
Guaranteed loans outstanding	ST mil.	11.4	14.6	17.2	21.5	16.3	14.3
Growth	%	5.6	28.1	17.8	25.5	(24.3)	(12.5)
MSMEs guaranteed	Number	652	617	646	617	387	688
Nonperforming guaranteed loans	% of total	2.0	2.0	2.0	2.6	3.6	2.0
Capital Markets							
n/a.,							

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data for commercial banks only.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of Samoa and Samoa Business Hub.

Table 25.3a: MSME Financing—Development Bank of Samoa

Fiscal year data (30 June)*

Item	Unit	2019	2020	2021	2022	2023	2024
MSME loans outstanding	ST mil.	26.6	22.8	21.0	19.5	27.1	27.6
Growth	%	...	(14.3)	(7.9)	(7.3)	39.1	1.7
MSME loans to total loans	%	18.0	16.0	15.0	14.4	25.5	26.7
MSME loan borrowers	Number	2,574	2,147	1,639	1,483	1,619	1,495
MSME loan borrowers to total bank borrowers	%	96.0	95.0	95.0	95.0	97.4	97.3
MSME nonperforming loans to total MSME loans	%	23.0	23.0	20.0	18.0	...	...
MSME loans by sector**							
Agriculture	%	100.0	100.0	100.0	100.0	100.0	100.0
Fishing	%	23.9	24.1	30.0	36.5	12.4	10.6
Industry	%	2.9	2.6	3.5	3.5	2.9	2.9
Tourism	%	46.0	51.6	43.0	38.5	22.9	22.2
Inclusive	%	3.5	1.8	6.0	6.3	57.9	57.2
	%	23.7	20.0	17.6	15.2	3.9	7.1

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* The fiscal year (FY) of the Government of Samoa ends on 30 June; e.g., FY2024 covers data from 1 July 2023 to 30 June 2024.

** Industry includes manufacturing, retailing, and other services like rental space; the inclusive sector includes assistance to education, health, and the community.

DBS lending classification by loan size:

(i) Micro loans are for ST1,000-ST20,000.

(ii) Small loans are for ST20,000-ST50,000.

(iii) Medium-sized loans are for ST50,000-ST250,000.

(iv) Large loans are for over ST250,000.

Source: ADB Asia SME Monitor 2025 database. Data from Development Bank of Samoa.

Table 25.4: Policies and Regulations

Benchmark Regulation	(No specific benchmark laws and regulations for Micro, Small, and Medium Enterprises)
Focal Government Authority for MSMEs	Ministry of Commerce, Industry, and Labour (MCIL)
Key Policies and Strategies	
Name	Outline
Micro, Small, and Medium Enterprises (MSME) Development Policy and Strategy 2020	1) Development of supportive institutional and regulatory frameworks: improving coordination and collaboration with the private sector, capacity building, and other regulatory reforms—such as tariffs and incentives—to improve MSME efficiency and the business environment. 2) Provision of appropriate business advice and support: supporting MSME development by providing subsidized business training and business advisory services. 3) Availability of finance, financial services, and investment: promoting MSME access to finance and ensuring financial institutions and policymakers have access to quality financial data, as well as promoting foreign investment and financial literacy. 4) Supplying enabling infrastructure: ensuring that infrastructure-related issues hindering and constraining business operations and MSME development are addressed feasibly. 5) Availability of an appropriately skilled labor force: strengthening efforts to build a skilled workforce to benefit both MSME employers and employees. 6) Advancement of a culture of entrepreneurship and innovation: facilitating and fostering innovation and entrepreneurship through incubator and accelerator programs, education and MSME access to emerging technologies and skills.
National Financial Inclusion Strategy for Samoa FY2023–FY2026	1) Improving and deepening the access to financial services. 2) Promoting economic empowerment and participation of underserved segments, especially women and youth, for inclusive growth. 3) Promoting digital financial services and institutional innovation. 4) Improving resilience and reducing financial vulnerability to economic shocks, especially of low-income households. 5) Improving financial competencies and ensuring consumer protection. 6) Developing effective partnerships and ensuring sector-level coordination for an inclusive financial system.
Thematic Initiatives	
Digitalization of MSMEs: National E-Commerce Strategy and Roadmap for 2022–2027	Seven strategic pillars are: 1) E-commerce readiness and strategy formulation. 2) Information and communication technology infrastructure and services. 3) Trade logistics and facilitation. 4) Legal and regulatory framework. 5) Electronic payment solutions. 6) E-commerce skills development. 7) Access to finance, particularly for MSMEs and women-led ventures.
Green MSMEs and Climate Actions: Samoa Energy Sector Plan (FY2024–FY2028)	Key pillars are: 1) Secured environment and climate change. 2) Structured public works and infrastructure. 3) Sustainable energy development and responsive public utility service.
Women-led MSMEs: National Policy on Gender Equality and Rights of Women and Girls 2021–2031	1) Increased economic empowerment of all women and girls, especially women and girls facing multiple and intersecting barriers and forms of discrimination. 2) Improved health outcomes for all women and girls, especially women and girls facing multiple and intersecting barriers and discrimination. 3) Enhanced access, opportunities for life-long learning and educational outcomes for women and girls, especially those facing multiple and intersecting barriers and forms of discrimination. 4) Improved gender balance in leadership, governance and public life. 5) Increased and improved safety and access to law and justice for women and girls, especially those facing multiple and intersecting barriers and forms of discrimination.
International trade of MSMEs: National Industry Development Policy and Strategy (NIDPS) for FY2025–FY2034	1) Improve Samoa's trade balance. 2) Promote export-oriented industries. 3) Support private sector integration into global value chains. 4) Strengthen infrastructure and trade facilitation. 5) Leverage partnerships for market access. 6) Attract investment into export-potential sectors.

FY = fiscal year, ended 30 June of that year.

Source: ADB Asia SME Monitor 2025 database. Data from official websites of government institutions.

SOLOMON ISLANDS

Overview

In 2024, the economy expanded by 2.5%, slightly down from the 3.0% growth in 2023, primarily driven by increased mineral production and higher fish catch volumes. Solomon Islands includes some 900 islands with about 10% inhabited by 740,000 people. Forestry, agriculture, fisheries, and donor-funded public services dominate. Government expenditure, as well as consumption and investment, grew below 2023 levels. Inflation fell to 4.2% in 2024 on lower global prices for food and fuel.²⁵⁶

The sole estimates for micro, small, and medium-sized enterprises (MSMEs) derive from the inaugural National Economic Establishment Census 2024 (NEEC), which was published on 7 May 2025. The NEEC recorded 8,275 formal business enterprises, with 99.8% classified as MSMEs. Overall, formal businesses employ 21,381 workers. As of the end of 2024, outstanding MSME loans from the Development Bank of Solomon Islands (DBSI) totaled SI\$48.9 million, or 41.8% of DBSI credit issued and the equivalent of 0.3% of gross domestic product (GDP). The latest MSME Policy and Strategy was issued on 28 November 2016. As of September 2025, however, a new MSME Bill was awaiting Parliament's formal approval. It will provide an updated regulatory framework for MSME development. The National E-commerce Strategy for 2022–2027 creates a robust digital environment for e-commerce by actively engaging MSMEs. On 4 October 2023, the government approved the National Climate Change Policy (NCCP) for 2023–2032, supporting businesses that promote environmental sustainability. On 31 July 2025, the government introduced the “Lumi Gro Business Accelerator” program to support women, youth, and grassroots entrepreneurs throughout the country. Since 2019, the Ministry of Foreign Affairs and External Trade, with support from the Enhanced Integrated Framework, has implemented the “Enhancing Capacity for Agriculture Trade” project throughout the archipelago to leverage MSME trade opportunities. The central bank employs its National Financial Inclusion Strategy 2021–2025 to improve MSME access to finance.

MSME Development

The first National Economic Establishment Census conducted in the country reported 8,275 formal business establishments, of which 99.8% were classified as MSMEs.

Based on the MSME Strategy launched on 28 November 2016, MSMEs in Solomon Islands are defined using three criteria:

(i) their net capital investment is not exceeding SI\$7.5 million; (ii) annual turnover is not exceeding

SI\$50 million; and (iii) there are up to 50 employees (Table 26.1).

According to the National Statistics Office, the registration system does not cover all establishments, mainly due to legislative barriers to accessing administrative data sources and unregistered establishments. As a result, information on the number of MSMEs is incomplete. The only estimate is based on preliminary findings from the NEEC, published by the National Statistics Office on 7 May 2025. NEEC 2024 was the first business census of its kind in the country.²⁵⁷

²⁵⁶ ADB. 2025. Asian Development Outlook September 2025.

²⁵⁷ [https://statistics.gov.sb/the-national-economic-establishment-census-neec-releases-key-findings/#:~:text=The%20National%20Economic%20Establishment%20Census%20\(NEEC\)%20Preliminary%20Findings%2C%20was,ever%20conducted%20in%20our%20country.](https://statistics.gov.sb/the-national-economic-establishment-census-neec-releases-key-findings/#:~:text=The%20National%20Economic%20Establishment%20Census%20(NEEC)%20Preliminary%20Findings%2C%20was,ever%20conducted%20in%20our%20country.)

NEEC covered 16,497 business establishments—8,275 formal firms with 21,381 employees and 8,222 informal micro business establishments with 11,234 workers.²⁵⁸ Given the wide geographical spread, there is a high level of business informality, with almost 50% unregistered. A second stage of the census plans to include all sectors. For consistency, this chapter discusses and estimates the MSME landscape based on data only for formal businesses.

According to the NEEC, over half of business establishments have 2-4 working people (64.9%), followed by those with 1 working staff (28.2%) and those with 5-9 workers (4.7%). Those with 10-19 workers account for 1.4%, those with 20-49 workers 0.7% and those with 50-99 employees 0.2%. Based on the number of employees, it can be estimated that of the 8,275 formal businesses, there are 7,695 microenterprises (93.0% of the total), 505 small firms (6.1%), 58 medium-sized firms (0.7%), with the remaining 17 companies large firms (0.2%). Thus, 99.8% or 8,258 firms are MSMEs (Table 26.2 and Figure 26.1A).

By sector, 86.5% operate in wholesale and retail trade, 5.7% in manufacturing, and 5.5% in other services, including hospitality-related activities (Figure 26.1B). By region, 20.6% are in Honiara, the capital city, with the other 79.4% are distributed across the remaining nine provinces.

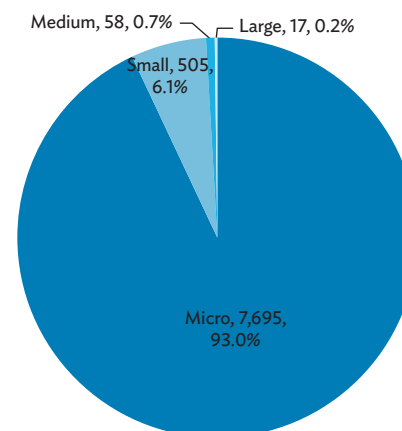
The NEEC reported 21,381 formal workers in business. As 99.8% qualify as MSMEs, it is reasonable to conclude that the majority of workers are employed by MSMEs.

By sector, 79.2% were in wholesale and retail trade, 6.4% in manufacturing, and 8.8% in other services (hospitality). By region, 32.7% of formal business workers are from the capital and 67.3% from the provinces.

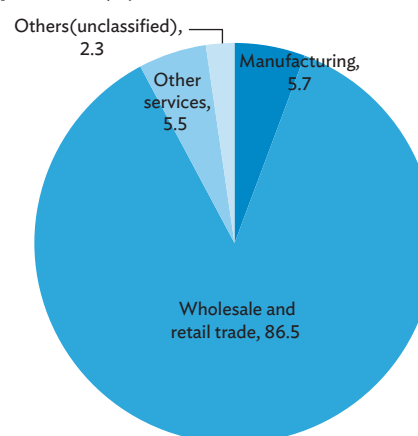
The Private Sector Mapping and Analysis Report, published in March 2023, found that MSMEs in Solomon Islands accounted for 22% of all household

Figure 26.1: Scale of MSMEs, 2024

A. By Firm Size



B. By Sector (%)



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from 2024 Solomon Islands National Economic Establishment Census - Preliminary Findings as of 7 May 2025.

income and 28% of employment income. Also, about 19% of households nationwide are involved in MSMEs. In the capital Honiara, about 33% are involved with MSMEs.

MSMEs in Honiara and Rennell-Bellona primarily work in handicrafts, including food processing. These make up 84% and 54% of total household subsistence incomes in their respective areas. Income

²⁵⁸ <https://statistics.gov.sb/wp-content/uploads/2025/05/Statistical-Bulletin-NEEC-May-7-2025.pdf>.

from handicrafts mainly derives from the sale of carvings and mats. Solomon Islanders are young, with 70% under 34 years old, with the Mapping Report estimating 16,000–18,000 students entering the workforce annually—into a job market that typically provides only 4,000 new jobs per annum.²⁵⁹

According to NEEC, the largest group of businesses (86.0%) are not involved in foreign trade. The 7.3% involved exclusively in exports was much larger than the 1.2% only importing, with only 0.1% regularly involved with both. About 5.3% of firms did not provide trade information.

Access to Finance

MSME-specific credit data are unavailable, but DBSI data help identify MSME financing. In 2024, MSME loans outstanding from DBSI amounted to SI\$48.9 million, 41.8% of total DBSI credits and the equivalent of 0.3% of GDP. The MSME credit market remains small but is growing strongly. Credit guarantees and public funds targeting women and youth supplement the MSME market.

By the end of 2024, the financial sector comprised one credit institution, one state-owned development institution (Development Bank of Solomon Islands or DBSI), one private commercial bank, and three foreign commercial banks.

Access to finance remains one of the most significant challenges facing MSMEs. The Central Bank of Solomon Islands (CBSI) reports limited MSME credit, despite the presence of concessional and government-backed financing schemes.

Total bank credit to the private sector was SI\$2.9 billion in 2024, or equal to 18.9% of GDP. While there is no breakdown of MSME credit calculated by the central bank, access to MSME credit is a key plank of its financial inclusion program. DBSI, however, provides data available on MSME lending. As of the end of

2024, MSME loans outstanding amounted to SI\$48.9 million, 41.8% of total DBSI credits and equivalent to 0.3% of GDP. After the sharp 138% growth in MSME lending in 2021 and another 100.6% in 2022, the growth rate decelerated but remained strong in 2023 (37.0%) and 2024 (13.1%) (Table 26.3 and Figure 26.2A). This matches the consistent growth in number of MSME borrowers from 24 in 2020 to 206 in 2024.

By sector, in 2024, the largest proportion of DBSI MSME lending went to agriculture (30%), wholesale and retail trade (23%), and transportation and communications (23%) (Figure 26.2B). By region, 76% was allocated to the nine provinces, with the remaining 24% to the capital city, Honiara. Most MSME credits were used for capital investment (77%), with 23% for working capital. This can explain why 1–5-year tenors (90%) dominate, with loans less than 1 year 10% in the loan portfolio.

DBSI operates an SME Guarantee scheme. In 2024, 35 loans worth SI\$8.5 million were guaranteed. At the end of 2024, 162 MSMEs SI\$40.5 million had been supported by the scheme (Figure 26.3).

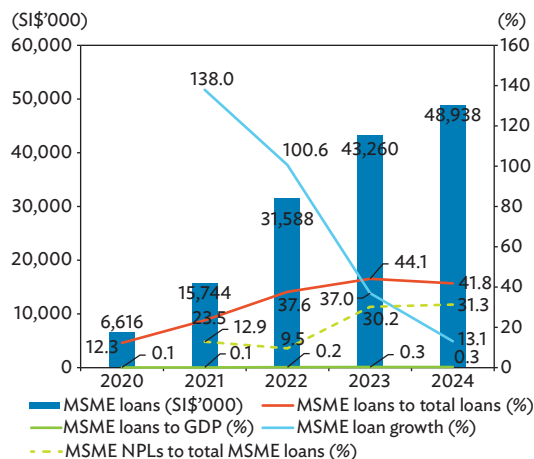
CBSI also administers two direct loan facilities—(i) an Export Finance facility, with two borrowers holding a combined SI\$2 million, and (ii) a Ministry of Commerce, Industry, Labor and Immigration (MCILI) line of credit, managed by DBSI, with 72 MSMEs holding a combined SI\$17.6 million as of end-2024.

The Personal Property Registry keeps records on lender security over movable property such as vehicles, equipment, and crops. There are over 12,500 security interests registered. There are two finance companies in Solomon Islands, BSP Finance Company and Credit Corporation. They lend on movable assets such as cars, machinery, ships, among others. Informal enterprises, particularly in remote areas, rely on community savings schemes and microcredit. Microfinance providers have SI\$17.5 million outstanding, with credit unions more active with a 2024 portfolio of SI\$48.9 million.

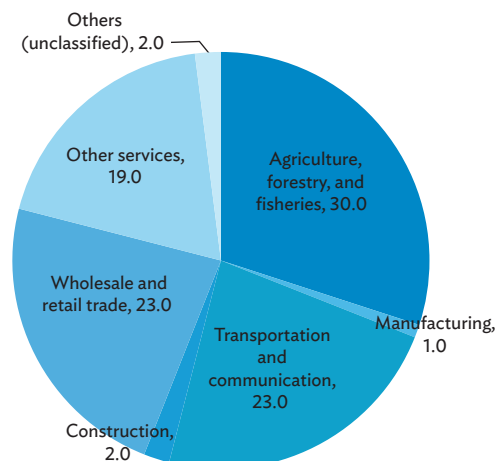
²⁵⁹ <https://www.solomonchamber.com.sb/media/2571/gcf-mapping-of-the-private-sector-digital.pdf>.

Figure 26.2: MSME Loans

A. Trend



B. By Sector, 2024 (%)



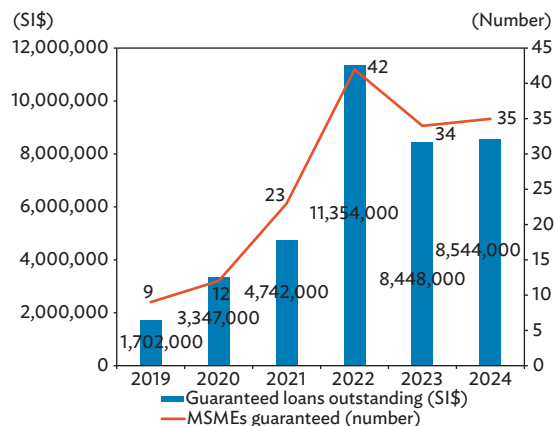
MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Development Bank of Solomon Islands.

MSMEs largely obtain financing through (i) DBSI MSME loans, (ii) CBSI credit guarantee schemes, (iii) women and youth entrepreneurship funds, such as Lumi Gro Business Accelerator (which helps with business plans, training and finance), and (iv) village finance and micro banking models.

There is a draft MSME Finance Policy 2026–2030 under discussion with some parts such as the credit guarantee model already at the pilot stage. There are five key planks:

Figure 26.3: Credit Guarantees for MSMEs



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Central Bank of Solomon Islands.

- enhance access for MSMEs to affordable and adequate financial services;
- promote development of innovative financial products tailored to MSME needs;
- strengthen the capacity of financial institutions to serve MSMEs effectively, including the use of guarantee mechanisms;
- foster a regulatory environment conducive to MSME financing; and
- encourage private sector participation in MSME financing.

A central aspect of MSME finance reforms involves modifying the regulatory framework to foster innovation. Notable areas being considered include establishing a Credit Bureau, enhancing credit guarantee mechanisms, and introducing alternative financial products such as accounts receivable, contract, and warehouse finance.

Policies and Regulations

A previous MSME Policy and Strategy was launched in November 2016, with the new MSME Bill still waiting Parliament's approval as of September 2025. It establishes a regulatory framework for developing MSMEs. It includes a new MSME definition and creates an Enterprise Development Authority.

The previous MSME Policy and Strategy was launched on 28 November 2016 (Table 26.4).²⁶⁰ MCILI was the focal government implementation agency. That strategy defined key policy objectives:

- (i) establish an appropriate institutional framework for MSME development;
- (ii) promote a culture of entrepreneurship;
- (iii) facilitate MSME access to business development services;
- (iv) set up mechanisms for MSMEs to access appropriate business financing;
- (v) facilitate MSME access to local, regional, and international markets and market information;
- (vi) promote innovation and technological capacity of MSMEs for competitiveness; and
- (vii) incentivize and simplify the fiscal and regulatory framework for MSME growth.

On 12 June 2024, the Government of National Unity and Transformation launched the “100 days program for towards national unity and transformation.” The policy agenda instructed MCILI to prepare a draft of an MSME Bill that defines the regulatory framework for MSMEs.²⁶¹ As of September 2025, MCILI passed the MSME Bill for parliamentary approval. Following approval of the MSME Bill, an Enterprise Council will be formed along with an Enterprise Development Authority authorized to provide advisory services, training, and funding support. The MSME Bill streamlines and standardizes the MSME definition, as the one from 2016 is inconsistently applied.

Enterprises often have problems accessing or using digital technology and have minimal access to formal finance. There are also specific challenges facing rural enterprises related to logistics, market access, and infrastructure. There are several persistent challenges constraining MSMEs:

- (i) restricted access to financial resources and limited credit history;

- (ii) inadequate infrastructure and insufficient connectivity on remote islands;
- (iii) low levels of business literacy and formal registration; and
- (iv) heavy reliance on subsistence activities and informal sources of income.

Digitalization of MSMEs

On 28 April 2023, the government launched its first National E-commerce Strategy for 2022–2027. It supports development of a digital environment for e-commerce through the active involvement of MSMEs. It has several key objectives:

- (i) increase consumer use of e-commerce across diverse segments of society;
- (ii) adopt e-commerce tools and services by businesses of all sizes;
- (iii) deepen integration across rural and urban domestic markets;
- (iv) make digital payment solutions widely available and increase their use; and
- (v) enhance export competitiveness in priority sectors, led by e-commerce.

CBSI has a Regulatory Sandbox model that allows innovators to test solutions before launching products or services in the market. According to its 2024 Annual Report, seven companies are participating, including providers of e-remittances, e-wallets, and digital instant nano-loans.²⁶²

Green MSMEs and climate action

Green finance initiatives remain nascent. CBSI speaks about the gradual emergence of green finance for MSMEs, whose business models promote environmental sustainability. Some climate-adaptation agriculture and solar programs target smallholder farmers and MSMEs.

²⁶⁰ <https://www.cbsi.com.sb/speech-deputy-governors-remarks-mini-small-medium-enterprises-business-loan-guarantee-sme-policy-2016-launching/>.

²⁶¹ <https://solomons.gov.sb/wp-content/uploads/2024/06/100-Days-TUESDAY-6PM-FInal.pdf>.

²⁶² <https://www.cbsi.com.sb/cbsi-2024-annual-report/>.

On 4 October 2023, the government approved NCCP for 2023–2032, which has several objectives:

- (i) establish and strengthen a governance framework that addresses the climate emergency;
- (ii) target adaptation and risk resilience on key vulnerabilities;
- (iii) focus mitigation on sustainably lowering emissions and risks, while simultaneously promoting economic growth and strengthening climate resilience;
- (iv) address loss and damage;
- (v) meet national obligations to regional and international commitments;
- (vi) strengthen technical assessment capacities, mobilize technology and finance, and mainstream climate change action.

Along with the NCCP, a Long-Term Low Emission Development Strategy through 2050 was approved to maintain net-zero emissions by 2050 while building equitable economic growth and resilience. The key features of the 2050 vision are defined as follows:

- (i) net zero emissions across all sectors with total removals exceeding total emissions;
- (ii) equitable economic growth with equal access to economic opportunities; and
- (iii) community-built resilience able to handle economic and environmental shocks.²⁶³

Women-led MSMEs

According to the NEEC, of a total of 21,381 formal workers, 54.0% (or 11,537) are women. They also constitute the majority of the informal workforce. Data from 8,222 surveyed informal businesses showed that 69.3% of all workers were female. Traditionally, women-led MSMEs are particularly active in market vending, crafts, and micro trading.

The government uses two guiding policies for gender mainstreaming: (i) Gender Equality and Women's Development Policy 2016–2020 and (ii) Gender Equality and Social Inclusion Policy for 2022–2024. Some assistance measures based on these were implemented in 2025.

On 31 July 2025, the government launched the “Lumi Gro Business Accelerator” program to empower women, youth, and grassroots entrepreneurs. The program will provide training and funding support to ten entrepreneurs, who will pitch for SI\$100,000 in funding to grow their businesses.²⁶⁴

The Solomon Islands Chamber of Commerce and Industry in collaboration with the International Finance Corporation developed a Waka Mere (“She Works”) Action Plan for 2017–2019. Fourteen companies agreed to create a more respectful and supportive workplace for women. Each company worked on one or more of these areas:

- (i) promote leadership roles for women;
- (ii) build a respectful and supportive workplace;
- (iii) increase opportunities for women in traditionally male-dominated jobs.²⁶⁵

International trade of MSMEs

Forestry, agriculture, fisheries, and donor-funded public services are the primary economic drivers in Solomon Islands. Since 2019, the Ministry of Foreign Affairs and External Trade, with support from the Enhanced Integrated Framework, has been implementing the “Enhancing Capacity for Agriculture Trade” project across the country. The framework supports MSMEs with grants and support programs to leverage trade opportunities. The Ministry of Health and Medical Services is working with agencies handling agriculture and livestock. The project's primary objective is to grow the economy and create jobs through systematic

²⁶³ <https://solomons.gov.sb/solomon-islands-national-climate-change-policy-nccp-2023-2032-and-long-term-low-emission-development-strategy-lt-leds/>.

²⁶⁴ <https://solomons.gov.sb/solomon-islands-launches-lumi-gro-business-accelerator-to-empower-entrepreneurs/>.

²⁶⁵ <https://www.solomonchamber.com.sb/media/2571/gcf-mapping-of-the-private-sector-digital.pdf>.

interventions in selected agriculture value chains and associated trade and export promotion activities. MSMEs are a vital part of the export supply chain, but specific data on their direct export contribution is lacking.²⁶⁵

MSME financing and financial inclusion strategy

To improve access to finance, the National Financial Inclusion Strategy for 2021–2025 was launched on 23 April 2021 by the CBSI. It targets two national goals by 2025:

- (i) increase active users of financial accounts from 283,954 to 400,000—of which 50% are women;
- (ii) increase the number of financial access points from 825 to 1,155.

The strategy outlines six ways to help achieve its goals:

- (i) amplify the reach and quality of digital financial services, products, and channels;
- (ii) improve and promote MSME finance;
- (iii) fully engage women, youth, and rural residents in expanding access to finance;
- (iv) build financial resilience in households and communities;
- (v) provide better finance in ways that motivate, are actionable, and relevant to daily life; and
- (vi) develop and implement a data and measurement framework.

²⁶⁵ <https://enhancedif.org/en/impact-story/expanded-production-and-value-addition-powering-solomon-islands-food-exports>.

Data Tables

Table 26.1: MSME Definition

Item	Micro	Small	Medium
1. Net capital investment (SI\$ million)	Less than 0.5	0.5-1.5	1.6-7.5
2. Annual turnover (SI\$ million)	less than 0.3	0.3-10	10 to 50
3. Number of employees	1 to 5	5 to 25	25 to 50

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Solomon Islands Government Micro, Small, and Medium Enterprise Policy and Strategy (launched on 28 November 2016).

Table 26.2: MSME Landscape

End of year data

Item	Unit	2020	2021	2022	2023	2024
Scale of Enterprises*						
MSMEs**	Number	...	...	...	...	8,258
Micro	Number	...	...	...	...	7,695
Small	Number	...	...	...	...	505
Medium-sized	Number	...	...	...	...	58
Large	Number	...	...	...	...	17
Total	Number	...	...	...	...	8,275
MSME to total	%	...	...	...	...	99.8
MSME growth	%	...	...	...	...	...
Businesses by sector***						
Agriculture, forestry, and fisheries	%	...	...	...	...	100
Manufacturing		...	...	...	...	5.7
Transportation and communications		...	...	...	...	...
Construction		...	...	...	...	...
Wholesale and retail trade		...	...	...	...	86.5
Other services****		...	...	...	...	5.5
Others (unclassified)		...	...	...	...	2.3
Businesses by region***						
Capital city (Honiara)	%	...	...	...	...	20.6
Others		...	...	...	...	79.4
Employment*						
MSMEs	Number	...	...	...	...	...
Micro	Number	...	...	...	...	...
Small	Number	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...
Large	Number	...	...	...	...	...
Total	Number	...	...	...	...	21,381
MSME employees to total	%	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...
Business employees by sector***						
Agriculture, forestry, and fisheries	%	...	...	...	...	100
Manufacturing		...	...	...	...	6.4
Transportation and communications		...	...	...	...	...
Construction		...	...	...	...	...
Wholesale and retail trade		...	...	...	...	79.2
Other services****		...	...	...	...	8.8
Others (unclassified)		...	...	...	...	5.6
Business employees by region***						
Capital city (Honiara)	%	...	...	...	...	32.7
Others		...	...	...	...	67.3
Output						
MSME GDP	GDP, SI\$ mil.	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...
Exports						
MSME exports	SI\$ mil.	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...
MSME export growth	%	...	...	...	...	...
Imports						
MSME imports	SI\$ mil.	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...
MSME import growth	%	...	...	...	...	...

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data refer to formal business establishments.

** Data were estimated based on the number of employees criterion of the MSME definition.

*** Data refer to the overall number of formal business establishments, including MSMEs.

**** Other services include hospitality services.

Source: ADB Asia SME Monitor 2025 database. Data from 2024 Solomon Islands National Economic Establishment Census - Preliminary Findings as of 7 May 2025.

Table 26.3: MSME Financing

End of year data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans*							
MSME loans outstanding	SI\$ '000	...	6,616	15,744	31,588	43,260	48,938
MSME loans to total loans**	%	...	12.3	23.5	37.6	44.1	41.8
MSME loans to GDP	%	...	0.1	0.1	0.2	0.3	0.3
MSME loan growth	%	...	...	138.0	100.6	37.0	13.1
MSME loan borrowers	Number	...	24	64	123	167	206
Nonperforming loans (NPLs)*							
MSME NPLs	SI\$ '000	...	...	2,024	3,011	13,063	15,320
MSME NPLs to total MSME loans	%	...	...	12.9	9.5	30.2	31.3
(Gross NPLs to total bank loans)	%	10.4	10.6	10.4	9.4	9.6	11.7
MSME loans by sector*	%	...	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry, and fisheries		...	14.0	25.0	33.0	29.0	30.0
Manufacturing		...	...	2.0	2.0	1.0	1.0
Transportation and communications		...	7.0	7.0	12.0	19.0	23.0
Construction		...	6.0	8.0	9.0	8.0	2.0
Wholesale and retail trade		...	41.0	28.0	24.0	18.0	23.0
Other services		...	11.0	13.0	10.0	15.0	19.0
Others (unclassified)		...	21.0	17.0	10.0	10.0	2.0
MSME loans by region*	%	...	100.0	100.0	100.0	100.0	100.0
Capital city (Honiara)		...	55.0	40.0	23.0	26.0	24.0
Others		...	45.0	60.0	77.0	74.0	76.0
MSME loans by type of use*	%	...	100.0	100.0	100.0	100.0	100.0
For working capital		...	41.0	33.0	24.0	18.0	23.0
For capital investment		...	59.0	67.0	76.0	82.0	77.0
MSME loans by tenor*	%	...	100.0	100.0	100.0	100.0	100.0
Less than 1 year		...	...	...	3.0	5.0	10.0
1-5 years		...	100.0	100.0	97.0	95.0	90.0
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantee scheme for MSMEs—Central Bank of Solomon Islands							
Guaranteed loans outstanding	SI\$	1,702,000	3,347,000	4,742,000	11,354,000	8,448,000	8,544,000
Growth	%	136.4	96.7	41.7	139.4	(25.6)	1.1
MSMEs guaranteed	Number	9	12	23	42	34	35
Nonperforming guaranteed loans	% of total	...	...	...	...	...	...
Capital Markets							

n/a.,

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Data from Development Bank of Solomon Islands.

** Calculated based on the total loans outstanding from the Development Bank of Solomon Islands.

Source: ADB Asia SME Monitor 2025 database. Data from the Development Bank of Solomon Islands and the Central Bank of Solomon Islands.

Table 26.4: Policies and Regulations

Benchmark Regulation	MSME BILL (Awaiting approval by Parliament as of September 2025)
Focal Government Authority for MSMEs	Ministry of Commerce, Industries, Labour, and Immigration (MCILI)
Key Policies and Strategies	
Name	Outline
MSME Policy and Strategy (approved on 28 November 2016)	1) Build appropriate Institutional Framework of MSME development. 2) Promote culture of entrepreneurship. 3) Facilitate MSME access to business development services. 4) Put in place mechanism for MSMEs to access appropriate business finance. 5) Promote innovation and technological capacity of MSMEs. 6) Simplify the fiscal and regulatory framework for MSMEs. 7) MSME policy performance monitoring framework.
The National Financial Inclusion Strategy 2021–2025 (launched on 23 April 2021)	1) Digital financial services: a key catalyst to overcome barriers to access and use of formal financial services and, enhance inclusion by expanding the number of eligible account users. 2) MSMEs: strengthening the productive capacity of MSMEs through providing access to a broad range of financing options and building entrepreneurial capability through business mentoring and skills development. 3) Consumer empowerment and protection: building the financial capability of target groups, providing them the opportunity to be financially competent and to achieve a greater financial security. 4) Data measurement: the importance of evidenced-based policies that identifies appropriate policy interventions for an inclusive financial sector, one that provides for the diverse needs of Solomon Islands population including the underserved and marginalized groups.
Thematic Initiatives	
Digitalization of MSMEs: The National E-commerce Strategy for 2022–2027 (launched on 28 April 2023 by National Government)	Key objectives are: 1) Increased consumer uptake of e-commerce across diverse segments of society. 2) Increased adoption of e-commerce tools and services by businesses of all sizes. 3) Deepened integration of rural and urban domestic markets. 4) Widespread availability and uptake of digital payment solutions. 5) Enhanced export competitiveness in priority sectors, led by e-commerce.
Green MSMEs and climate action: 1) National Climate Change Policy for 2023–2032 (launched on 4 October 2023 by National Government)	Key objectives are: 1) Establish and strengthen the governance framework to address climate change emergency. 2) Target adaptation and risk resilience on key vulnerabilities. 3) Focus mitigation actions on sustainably lowering emissions and enhancing sinks, whilst simultaneously promoting economic growth and strengthening our resilience to climate change. 4) Address loss and damage. 5) Achieving national obligations to meet our regional and international commitments. 6) Strengthen technical capacities for assessment, technology and finance mobilization, and mainstreaming of climate change actions.
2) Long Term Low Emission Development Strategy until 2050 (launched on 4 October 2023 by National Government)	The Strategy aims to maintain net zero emissions across all sectors by 2050 with equitable economic growth and resilience. The important features of the 2050 vision are defined as the following: 1) Net zero emissions across all sectors: total national removals exceed total emissions. 2) Equitable economic growth: economic growth that benefits all and with equal access to economic opportunities. 3) Resilience: community continuity through economic and environmental shocks.
Women-led MSMEs: 1) The Gender Equality and Women's Development (GEWD) Policy 2016–2020	Policy priority outcomes: 1) Gender responsive government programmes and services. 2) Improved economic status of women. 3) Equal participation of women and men at all levels of decision-making, governance and leadership. 4) Preventing and responding to violence against women and girls. 5) Increased awareness and acknowledgement of the role of women in peace and security. 6) Increased access to education and providing a supportive school environment. 7) Improved access for women's right to sexual and reproductive health.
2) Gender Equality and Social Inclusion (GESI) Policy for 2022–2024	1) Contribute to achieving gender and social inclusion responsive programs and services, supporting equal participation of women and men in decision-making, governance and leadership. 2) Promote civic and voter education for women, girls, and people with disabilities in the schools.

continued on next page

Table 26.4 *continued*

International trade of MSMEs: Trade Policy Framework (officially launched in April 2015 by the Ministry of Foreign Affairs and External Trade)	Key Priorities are: 1) Mainstream trade into the national development strategy including future agreed national priorities. 2) Improve the medium to long term performance of Solomon Islands economy in the areas of trade and foreign direct investment. 3) Establish a policy platform that builds upon and coordinates sectoral priorities for the ultimate purpose of enhancing human development. 4) Support the effective operation of the National Trade Development Committee (NTDC). 5) Articulate the trade interests of Solomon Islands and ensure that these are reflected in trade negotiations. 6) Facilitate increased inflows of Aid for Trade (Aft) for the purpose of implementing trade policies and helping use the opportunities offered by trade agreements.

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from Ministry of Commerce, Industries, Labour and Immigration; Central Bank of Solomon Islands; and official websites of government institutions.

TONGA

Overview

The economy likely grew by 1.4% in 2024 and is forecast to improve slightly again to 2.5% in 2025.²⁶⁷ The expansion continues to be primarily driven by a strong recovery in tourism, with visitor arrivals returning to pre-pandemic levels. This has revitalized services, particularly hospitality and transport. The Kingdom of Tonga is a small island nation in the South Pacific with a population of about 106,000 people. Its economy is largely dependent on subsistence agriculture, remittances from the estimated 220,000 Tongan diaspora, and development aid. The economy is thus concentrated in primary and tertiary sectors, with limited but growing activity in industry and services. Infrastructure investments in roads, ports, and renewable energy—supported by the government and development partners—also contribute to economic growth and resilience.

Comprehensive business data remain limited. The most recent Labor Force Survey estimated the number of micro, small, and medium-sized enterprises (MSMEs) likely dropped slightly to 8,162 in 2024 from 8,371 in 2023. Bank business loans (including MSMEs) have been growing since 2022, while nonperforming loans (NPLs) have been increasing as well. There are no credit guarantee schemes. Efforts to support economic resilience and private development have included investments in digital infrastructure, climate-resilient agriculture, and targeted financial inclusion programs. However, challenges remain in access to finance, market scale, and formalizing the business environment. Early on, Tonga adopted and pioneered agriculture value chain finance in the Pacific, conducting the first pilot for vanilla, using supplier contracts and vanilla crops as loan collateral.

MSME Development

MSMEs are defined simply as firms with up to 50 employees. However, banks and many reporting agencies do not extract MSME data based on this specific criterion. Tonga is a small country and by nature MSMEs form a significant part of the economy, with high rates of self-employment in agriculture, handicrafts, and services. Microenterprises and informal businesses dominate the economy and employment patterns reflect these trends. There are ongoing initiatives to formalize businesses and improve the gathering of consistent enterprise data.

MSMEs are defined as businesses employing up to 50 people. They include microenterprises with 1–5 employees, small enterprises with 6–20

employees, and medium-sized enterprises with 21–50 employees (Table 27.1). Labor force statistics show that a significant number of people do informal or subsistence work, with formal wage employment accounting for about 20,000 individuals with an estimated 8,000 self-employed. This structure underscores the critical role MSMEs play as both key drivers of economic activity and as a major source of employment.

Comprehensive business data remain limited. However, the government conducts periodic Labor Force Surveys (2018 and 2023). This chapter draws on findings from the 2023 report to identify those in the labor force who are either employers or self-employed. According to the 2023 Labor Force Survey, Tonga's economically active population is about 29,200.²⁶⁸ Within this group, tourism and agriculture—

²⁶⁷ ADB. 2025. Asian Development Outlook September 2025.

²⁶⁸ Indicating a significant portion of the population engaged in informal or subsistence activities and operating as self-employed.

particularly production-related activities—are the most dynamic and influential, driving employment and the economy. Tonga has a company registry that has been recently updated to capture basic registration details. However, the registry does not classify businesses by size, limiting its usefulness for analyzing MSMEs.

Data from the Labor Force Survey in 2023—based on overall industry distribution rather than MSME-specific sampling—indicates that there were 8,371 MSMEs in 2023 and estimated 8,162 in 2024 (Table 27.2). Distribution by sector shows that 39.4% operate within “other services,” followed by 15.0% in manufacturing and 12.9% in agriculture, forestry, and fisheries.²⁶⁹ These figures highlight the diverse nature of the MSME landscape and how prominent service-oriented firms are in the economy.

Data from a 2021 Informal Business Survey show that informal MSMEs are heavily concentrated in primary and consumer sectors. Approximately 39.3% of informal businesses are in agriculture and fishing, reflecting the economy’s subsistence base and rural employment.

Access to Finance

Access to finance remains a primary constraint for MSMEs. As of 2024, business loans outstanding (including MSME loans) totaled T\$235 million, up by 9.2% from 2023, and accounted for 52.5% of total bank lending. According to the 2024 Enterprise Survey, less than 30% of firms surveyed had ever taken out a loan or line of credit. Formal lending is concentrated among a few financial institutions, with commercial banks providing limited MSME lending due to perceived risk, collateral requirements, and their informality. Development programs such as concessional loan schemes from the Tonga Development Bank (TDB) and targeted donor initiatives (such as small grants and incubators) provide some relief.

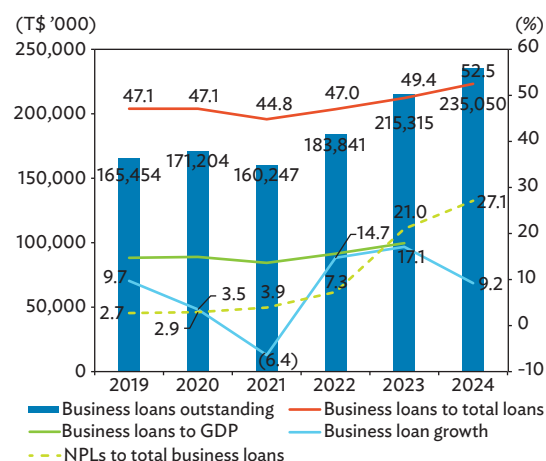
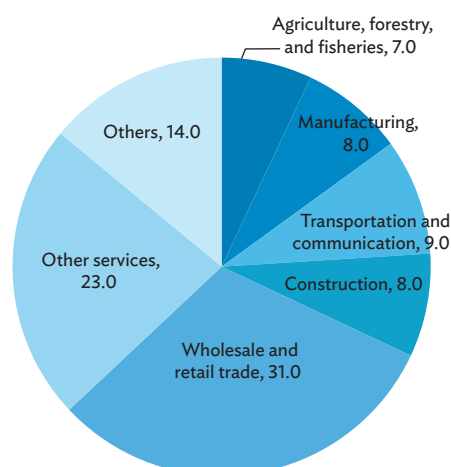
The banking sector consists of three foreign-owned commercial banks and the state-owned TDB. As of 2024, total bank credit was T\$576 million. Outstanding business loans (covering all enterprises including MSMEs) amounted to T\$235 million, or 52.5% of business loans to total bank loans outstanding. This high share underscores banking’s importance within the national credit portfolio. Business loans grew by 9.2%, a positive trend for businesses accessing finance (Table 27.3 and Figure 27.1A). However, banks also face credit quality issues, with nonperforming loans (NPLs) totaling T\$63.8 million, or a high 27.1% NPL ratio.

It is important to note that this figure may be overstated, as the central bank uses private credit as a proxy due to the absence of standardized MSME definitions across banks. As a result, larger corporate loans may be included, potentially distorting the actual volume of credit extended to businesses. By sector, the largest share is in wholesale and retail trade (31%), followed by other services (23%), and “others” (14%), suggesting a diverse but services-heavy base. Smaller shares went to transportation and communications (9%), construction (8%), manufacturing (8%), and agriculture, forestry, and fisheries (7%) (Figure 27.1B).

While specific MSME lending data is not separately reported, TDB’s Key Data Statement for the year ending June 2023 shows strong growth in overall lending, with total loans increasing from T\$87.6 million to T\$130.2 million. Interest income also rose from T\$8 million to T\$10.4 million, reflecting the increased lending. Despite these gains, Tonga currently does not operate a formal credit guarantee scheme, which could help reduce lending risk to businesses and expand access to finance.

In addition to TDB, Tonga has one active microfinance institution—South Pacific Business Development—which focuses on women-led enterprises. It has over 11,000 clients and T\$22.6 million in outstanding loans. A closer look at its portfolio shows that 37% of lending goes to micro groups, with another 37% directed toward MSMEs.

²⁶⁹ Other services include education, hospitality, and transport.

Figure 27.1: Business Loans**A. Trend****B. By Sector, 2024 (%)**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the National Reserve Bank of Tonga.

Tonga does not currently have any standalone finance companies. BSP Finance, which previously operated separately, has been reintegrated recently into its parent bank. The National Reserve Bank of Tonga, the central bank, recorded a sharp rise in the number of small-scale money lenders. As of the end of 2024, there were 43 registered operators—up significantly from just 26 the previous year. This jump suggests increasing demand for alternative lending options,

particularly among individuals and microenterprises. However, there is no data on the total volume of loans issued by these lenders, making it difficult to assess their overall impact on financial inclusion and credit access.

The Informal Business Survey also reported that 60% of informal businesses had no desire in applying for loans, often citing lack of knowledge, low confidence, or fear of indebtedness. Less than 10% were aware of financial support available from the Ministry of Trade and Economic Development (MTED) or other government sources.

Policies and Regulations

Tonga is steadily building support for its MSMEs through a mix of climate, digital, financial, and gender-focused initiatives. Programs such as the Private Sector Readiness Program and TDB advisory services help businesses become more resilient and better prepared for growth. Green finance and environmental, social, and governance (ESG) awareness are growing through incubators and concessional funding pilots. Gender disparities remain, but targeted programs are emerging to support women entrepreneurs. Export capacity remains limited, especially outside agriculture, but policy frameworks and work on trade facilitation are in place. The 2023 Financial Inclusion Strategy aims to close financing gaps using digital tools, credit guarantees, and better use of collateral systems like the Personal Property Security Registry.

Tonga has taken meaningful steps to support MSMEs, recognizing their vital role in economic development and resilience. Several programs and strategies help small businesses grow, adapt to challenges, and access the resources they need. One initiative is the Private Sector Readiness Program, which encourages stronger private sector involvement in climate-related planning and projects.²⁷⁰ The program helps businesses become more climate-resilient by being

²⁷⁰ UNDP. Private Sector Guidance Note for SGP Country Programs. <https://erc.undp.org/evaluation/managementresponses/keyaction/documents/download/6851>.

better prepared and sustainable, aligning economic growth with environmental responsibility.

For entrepreneurs starting out, the TDB Business Development Service offers hands-on support.²⁷¹ It includes free person-to-person advice, helps business planning, financial record keeping, and training on marketing and bookkeeping. These services are designed to build confidence and skills among new business owners, helping them lay a solid foundation for long-term success.

Another key player is Business Link Pacific, which connects small businesses with quality advisory services.²⁷² Through this platform, MSMEs can access business planning support, financial advice, and even avail of small grants. The program also subsidizes professional services to make them more affordable, helping businesses overcome common barriers to growth.

Thus, MSME support in Tonga involves multiple stakeholders, including MTED, TDB, the Tonga Chamber of Commerce, donor agencies, and nongovernment organizations. Programs include mentoring, grants, training, and market facilitation. However, institutional fragmentation and weak data coordination limit their overall effectiveness. Efforts are underway to develop a national MSME database and improve policy monitoring. Public-private dialogue platforms are emerging but need to be strengthened. Integrating informal businesses into support systems remains a key policy challenge.

Informal businesses cite a range of barriers to growth and formalization. Most commonly cited is the lack of access to finance, reported by 35.6% of businesses. Other constraints reported include lack of business skills (22.4%), limited access to markets (13.8%), the high cost of utilities (10.2%), lack of equipment (9.3%) and limited awareness of business registration processes (5.5%). There is an argument for increasing support targeting informal MSMEs so they can better address financing, skills training, market access, and business formalization.

Digitalization of MSMEs

Tonga has made incremental progress in digitizing public services and promoting digital financial inclusion. The Tongan E-Commerce Strategy and Roadmap 2021 promotes electronic payment solutions, improved information and communication technology infrastructure, digital tools for MSMEs and online platforms such as Digicel's Beehive online trading portal.

The central bank has a regulatory sandbox to make an easy pilot environment for new digital finance products. The 2022 Inclusive Digital Economy Scorecard shows some progress in infrastructure and use of basic digital tools, but major constraints remain. For example, many MSMEs lack internet access, have weak digital literacy, and are not e-commerce ready.

Mobile money use has grown, especially through Tonga Communications Corporation and Digicel platforms, but interoperability and functionality remain limited. MTED online business registry and licensing tools are underutilized, and awareness among MSMEs remains low.

Key recommendations from the Pacific Private Sector Development Initiative and regional stakeholders include investing in digital training hubs, enhancing broadband infrastructure to the outer islands, and fostering innovation partnerships with youth and start-up ecosystems.

Green MSMEs and climate action

Awareness of green finance tools and ESG standards among MSMEs remains low, but several initiatives are helping bridge the gap. Green incubator programs support ventures in areas like solar energy, organic farming, and eco-tourism—sectors that align closely with Tonga's sustainability goals. Some MSMEs are beginning to access concessional climate finance through pilot programs, often made possible by

²⁷¹ Tonga Development Bank. Business Development Services. <https://tdb.to/services-business-advisory-services-html/>.

²⁷² Business Link Pacific. Business Support Services. <https://businesslinkpacific.com/>.

partnerships with international donors. To build capacity further, the local Chamber of Commerce has been leading workshops that focus on climate risk planning and ESG compliance, helping businesses understand how to operate more sustainably and responsibly in the face of environmental challenges.

The new Financial Inclusion Strategy includes green finance as a key objective. Improving the regulatory ecosystem, market research, national coordination of green finance efforts and more training, which may include peer learning, are all part of the strategy. Looking ahead, green finance integration will require stronger links between financial institutions and MSMEs, updated regulatory frameworks, and dedicated support for writing proposals and evaluating project impact. Tonga's commitment under its Nationally Determined Contributions can better align climate targets with MSME support policies.

The private sector is now more active with the national climate resilience agenda. MSMEs—particularly those in agriculture, food processing, and community-based tourism—could play a leading role in building a green, climate-resilient economy.

The Pacific Greenpreneurs Program, launched by the Tonga Chamber of Commerce with support from the Pacific Islands Private Sector Organisation and Global Green Growth Institute is one example. It helps environmentally sustainable start-ups and supports green innovation through mentorship, small grants, and tailored business development support.

TDB has an initiative, Strengthening Private Sector Access to Climate Finance, to prepare MSMEs to access green Climate Funds. Tonga's Climate Change Fund Plan (2021) and Climate Change Strategy (2022) emphasize private sector involvement in renewable energy, sustainable agriculture, and climate-adaptive infrastructure.

Women-led MSMEs

Gender disparities are pronounced in Tonga. While women represent a significant proportion of informal business operators, they often face additional barriers in accessing capital, training, and markets. But the 2021 Informal Business Survey showed that women-led enterprises were more likely to be profit-oriented

and engaged in value-added manufacturing, although were less likely to belong to cooperatives or benefit from support schemes.

Tonga has a National Gender and Development Policy 2011 which provides a framework to address gender gaps and specifically boost women's economic empowerment. Women-focused grants, Pacific Private Sector Development Initiative (PSDI)-led mentoring programs, and gender-sensitive financial products remain limited in scale but have gained traction. There is a Women In Export program which is part of a wider Pacific regional initiative to foster more women exporters. Future policy focus includes improving sex-disaggregated data, expanding women-in-business leadership programs, and fostering inclusive finance initiatives through both banks and development partners.

TDB has Women Development Group Lending available for microenterprises run by women and supports agriculture and handicraft firms.

International trade of MSMEs

Export readiness among MSMEs remains limited. This is despite the Tonga Trade Policy Framework 2017–2025 which outlines strategic priorities to boost exports and support MSMEs. The policy's export promotion strategy focuses on MSME exports. Core agri-based exports include vanilla, handicrafts, root crops, and processed foods, typically channeled through larger buyer/distributor businesses.

A 2024 Enterprise Survey of manufacturing and services firms found that only 4% of formal non-agricultural MSMEs directly exported, often due to scale, compliance, and logistics barriers. Imports are used as inputs by 37% of those MSMEs. New Zealand, the United States, Australia, and Japan remain key export markets. However, Tonga continues to run a structural trade deficit, relying heavily on remittances and aid inflows to offset import costs.

Programs such as the Women In Export initiative and chamber-supported marketing are beginning to address some MSME export issues. Customs reforms, regional trade integration, and digital marketplaces may offer future opportunities.

MSME financing and financial inclusion strategies

In 2023, Tonga introduced a new 5-year Financial Inclusion Strategy 2023–2027 to tackle long-standing challenges in accessing financial services—especially for small businesses, women, and rural communities. The strategy has five key goals: (i) expanding access to financial services; (ii) improving MSME financing; (iii) promoting digital financial tools; (iv) ensuring consumer protection; and (v) encouraging green finance. The plan intends to map the current market, research new financial products, create a supportive environment for pilot programs, and roll out financial literacy campaigns. It also proposes credit guarantee models to help reduce lending risks for banks and other financial institutions.

One of the strategy's more practical components is to increase use of Tonga's Personal Property Security Registry, which allows people to register movable assets—like equipment or inventory—as loan collateral. Since its launch in 2011, it has logged over 13,600 security interests and has been accessed around 66,000 times. While the registry is a valuable tool, it has not been used sufficiently. The same challenge applies to broader strategies—success depends not just on having a good plan, but on how well it's implemented and adopted by both public and private sectors. If carried out effectively, the strategy could be a game-changer for financial inclusion in Tonga, helping more people and businesses participate meaningfully in the economy.

Data Tables

Table 27.1: MSME Definition

Criteria	Micro	Small	Medium
Number of employees	Up to 5 employees	6-20 employees	21-50 employees

Source: ADB Asia SME Monitor 2025 database. Tonga 2013 Micro, Small, and Medium Enterprise (MSME) Policy and Strategy June 2013.

Table 27.2: MSME Landscape

End of period data

Item	Unit	2020	2021	2022	2023	2024
Scale of Enterprises						
MSMEs	Number	...	...	...	8,371	8,162
Cottage	Number	...	...	...	...	...
Micro	Number	...	...	...	...	...
Small	Number	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...
Large	Number	...	...	...	...	...
Total	Number	...	...	...	...	...
MSME to total	%	...	...	...	...	...
MSME growth	%	...	...	...	...	...
MSMEs by sector	%				100.0	
Agriculture, forestry, and fisheries		...	...	...	12.9	...
Manufacturing		...	...	...	15.0	...
Transportation and communications		...	...	...	4.6	...
Construction		...	...	...	9.6	...
Wholesale and retail trade		...	...	...	11.8	...
Other services		...	...	...	39.4	...
Others		...	...	...	6.7	...
MSMEs by region	%					
Capital city (Nuku'alofa)		...	...	...	...	...
Other		...	...	...	...	...
Employment						
MSMEs	Number	...	...	...	...	...
Cottage	Number	...	...	...	...	...
Micro	Number	...	...	...	...	...
Small	Number	...	...	...	...	...
Medium-sized	Number	...	...	...	...	...
Large	Number	...	...	...	...	...
Total	Number	...	...	...	29,253	...
MSME employees to total	%	...	...	...	...	...
MSME employees growth	%	...	...	...	...	...
MSME employees by sector	%					
Agriculture, forestry, and fisheries		...	...	...	...	...
Manufacturing		...	...	...	...	...
Transportation and communications		...	...	...	...	...
Construction		...	...	...	...	...
Wholesale and retail trade		...	...	...	...	...
Other services		...	...	...	...	...
Others		...	...	...	...	...

continued on next page

Table 27.2 *continued*

Item	Unit	2020	2021	2022	2023	2024
MSME employees by region	%					
Capital city (Nuku'alofa)		...	...	...	...	...
Other		...	...	...	...	...
Output						
MSME GDP (manufacturing)	GDP, T\$	...	...	...	...	...
MSMEs	GDP, T\$	...	...	...	...	...
Cottage	GDP, T\$	...	...	...	...	...
MSME GDP to total	% to GDP	...	...	...	...	...
MSME GDP growth	%	...	...	...	...	...
Exports						
MSME exports	T\$	...	...	...	...	...
MSME exports to total export value	%	...	...	...	...	...
MSME export growth	%	...	...	...	...	...
Imports						
MSME imports	T\$	...	...	...	...	...
MSME imports to total import value	%	...	...	...	...	...
MSME import growth	%	...	...	...	...	...

GDP = gross domestic product, MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025. Data from Tonga Government Labour Force Survey 2023 estimates.

Table 27.3: MSME Financing

End of period data

Item	Unit	2019	2020	2021	2022	2023	2024
Bank Loans (Business Loans)*							
Business loans outstanding	T\$ '000	165,454	171,204	160,247	183,841	215,315	235,050
Business loans to total loans	%	47.1	47.1	44.8	47	49.4	52.5
Business loans to GDP	%	14.7	14.9	13.6	15.6	17.9	18.7
Business loan growth	%	9.7	3.5	(6.4)	14.7	17.1	9.2
Business loan borrowers	Number	...	...	...	...	...	...
Nonperforming loans (NPLs)							
Nonperforming business loans	T\$ '000	4,520	4,904	6,302	13,410	45,178	63,750
NPLs to total business loans	%	2.7	2.9	3.9	7.3	21.0	27.1
(Gross NPLs to total bank loans)	%	...	...	...	...	...	...
Business loans by sector	%						
Agriculture, forestry, and fisheries		6.0	6.0	6.0	6.0	7.0	7.0
Manufacturing		9.0	6.0	6.0	7.0	9.0	8.0
Transportation and communications		9.0	9.0	9.0	7.0	10.0	9.0
Construction		6.0	12.0	10.0	11.0	11.0	8.0
Wholesale and retail trade		31.0	29.0	32.0	33.0	31.0	31.0
Other services		26.0	26.0	23.0	23.0	21.0	23.0
Others		12.0	12.0	14.0	13.0	12.0	14.0
Business loans by region	%	...	...	...	...	...	...
Capital city (Nuku'alofa)		...	...	...	...	...	...
Other		...	...	...	...	...	...
Business loans by type of use	%	...	...	...	...	...	...
For working capital		...	...	...	...	...	...
For capital investment		...	...	...	...	...	...
Business loans by tenor	%	...	...	...	...	...	...
Less than 1 year		...	...	...	...	...	...
1-5 years		...	...	...	...	...	...
More than 5 years		...	...	...	...	...	...
Public Finance and Guarantees							
Credit guarantee scheme for MSMEs							
Guaranteed loans outstanding		...	...	...	...	...	...
Growth		...	...	...	...	...	...
MSMEs guaranteed		...	...	...	...	...	...
Nonperforming guaranteed loans		...	...	...	...	...	...
Capital Markets							
n/a.,							

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

* Business loans cover all enterprises including micro, small, medium-sized and large enterprises.

Source: ADB Asia SME Monitor 2025. National Reserve Bank of Tonga.

Table 27.4: Policies and Regulations

Benchmark Regulation	(No specific laws and regulations for MSMEs)
Focal Government Authority for MSMEs	Ministry of Commerce, Industry, and Labour (MCIL)
Key Policies and Strategies	
Name	Outline
Private Sector Readiness Program	Strengthen private sector engagement on climate action and promote improved planning and readiness.
Tonga Development Bank Business Development Service	Assist newer businesses with business planning, financial record keeping, etc.
Business Link Pacific	Small business support including business development, planning and small business grants.
Tonga National Financial Inclusion Strategy 2023–2027	1) Improve and deepen financial service access. 2) Improve MSME access to finance. 3) Promote and support digital financial services. 4) Consumer protection and financial competencies. 5) Foster inclusive green finance.
Thematic Initiatives	
Digitalization of MSMEs:	
1) E-Commerce Strategy and Roadmap 2021	Promote electronic payment solutions, improved information and communication technology infrastructure and digital tools for MSMEs and facilitates online platforms such as Digicel Beehive online trading platform.
2) National Reserve Bank of Tonga Regulatory Sandbox	Sandbox framework was launched at Pacific Island Regional Initiative meeting in June 2025. The sandbox targets to take up applications for digital and product development. Ongoing training and Standard Operating Procedures being developed.
Green MSMEs and climate action:	
1) Pacific Green Entrepreneurs Incubator	3-year Incubator and Accelerator program for green businesses.
2) Strengthening Private Sector Access to Climate Finance (Readiness Proposal, 2021)	This readiness initiative, led by Tonga Development Bank (TDB), aims to bolster MSME capacity to engage with the Green Climate Fund and includes private sector awareness and capacity building.
Women-led MSMEs:	
1) Women In Export program	Regional Pacific program to assist women in export.
2) Women Development Group Lending	Specific Tonga Development Bank program allowing group loans for womens groups.
3) National Gender and Development Policy 2011	Framework to address gender equity issues and specifically womens economic empowerment.
International trade of MSMEs:	
1) Tonga Trade Policy Framework 2017–2025	Outline strategic priorities to bolster exports and support MSMEs. Includes an export promotion strategy and explicitly aims to promote exports of products by MSMEs, signaling the government's commitment to smaller exporters.
2) Tonga Chamber of Commerce and Industry Support Grants	Grant program designed to assist MSMEs overcome business operational hurdles and capitalize on trade opportunities.

MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

Source: ADB Asia SME Monitor 2025 database. Data from the National Reserve Bank of Tonga.

BACKGROUND NOTES

Background

The Asian Development Bank (ADB) upgraded the *Asia Small and Medium-Sized Enterprise Monitor* (ASM) in 2020, responding to greater demand for high-quality multicountry analytical data on micro, small, and medium-sized enterprises (MSMEs) and regional best practices that support their development. The ASM is a knowledge-sharing product developed as a key resource for MSME development policies in Asia and the Pacific. As an annual publication, it reviews financial and nonfinancial MSME conditions at the country and regional level. The ASM has several main objectives: (i) provide in-depth analyses on MSMEs, finance, and policy interventions; (ii) exchange country best practices and experience on MSME development; and (iii) present timely comparative financial and nonfinancial data on MSMEs. Its target clientele include government authorities in ADB developing member countries (DMCs) responsible for MSME development and access to finance; support promoting evidence-based policy design. It also serves audiences such as academia to encourage more country, regional, and global dialogue on MSME policies and financial inclusion.

Components

Since its start in 2020, the ASM has expanded to covers 26 ADB DMCs—including 7 from the Caucasus and Central Asia, 5 from South Asia, 9 countries from Southeast Asia, and 5 from the Pacific—to analyze MSME development and access to finance.²⁷³ Including this edition, ADB has published 14 ASM reports.²⁷⁴

The ASM has three components: (i) country and regional reviews; (ii) thematic analysis; and (iii) technical assessments. During the coronavirus disease (COVID-19) pandemic, ADB prepared two special chapters to assess its impact on MSMEs—**ASM 2020** and **ASM 2021**.

The Country and Regional Review Volume offers in-depth analyses on financial and nonfinancial issues affecting MSME development. Each presents three review dimensions with 14–16 subdimensions for analysis. The dimensions include (i) MSME development (scale of MSMEs, employment, business productivity, market access, technology and innovation, and networking and support); (ii) access to finance (bank credit, public financing and guarantees, nonbank financing, digital financial services, capital markets, and financial infrastructure); and (iii) policies and regulations (MSME development and financial inclusion). **ASM 2025** analyzes these dimensions focusing on progress made from the previous report based on data collected from DMC partner institutions using ASM Standardized Data Request Forms.

²⁷³ Southeast Asia includes Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar (updates temporarily halted after 2020), the Philippines, Singapore, Thailand, and Viet Nam. South Asia includes Bangladesh, India, Nepal, Pakistan, and Sri Lanka. Caucasus and Central Asia includes Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. The Pacific includes Fiji, Papua New Guinea, and Samoa.

²⁷⁴ ADB. Asia Small and Medium-Sized Enterprise Monitor. <https://www.adb.org/publications/series/asia-small-medium-sized-enterprise-monitor>.

The Thematic Chapter explores best practices related to MSME development and access to finance using an impact evaluation approach—one that assesses how an intervention affects particular conditions compared with non-intervention—and/or descriptive analyses. Impact evaluation is a useful analytical tool to evaluate the impact of policy interventions on national MSME development and access to finance. The analysis is expected to be used as a pilot project exercise for MSME development and finance in DMCs. Thematic chapters focused in ASM 2020 on fintech loans to tricycle drivers in the Philippines, digitalizing microfinance in Bangladesh (findings from baseline surveys) in ASM 2021, the Russian invasion of Ukraine and its impact on small firms in Central and West Asia in ASM 2022, and a report on how small firms can contribute to resilient growth in the Pacific post COVID-19 (combined with the Country and Regional Review Chapter) in ASM 2023. The ASM 2025 thematic study examines the “Challenging Global Trade Environment and Private Sector Businesses in Asia and the Pacific.” It discusses various trade impacts of increased geopolitical risks on private businesses, especially micro, small, and medium-sized enterprises (MSMEs). It includes selected papers from academia, co-organized by ADB and the Central Asia Regional Economic Cooperation (CAREC) Institute. It will be published in the first quarter of 2026.

Given the heightened needs of DMC governments, ADB published two special chapters that analyzed the impact of the COVID-19 pandemic on MSMEs in Indonesia, the Lao PDR, the Philippines, and Thailand. The special study was based on the findings from year-long MSME surveys conducted in March 2020–April 2021. The ASM 2024 special chapter reviewed MSME business conditions in Timor-Leste based on the findings from the business survey conducted in August 2024 as part of the ADB support for the Government of Timor-Leste in joining the Association of Southeast Asian Nations (ASEAN).

The Technical Chapter designs and tests a new composite index—the Small and Medium-Sized Enterprise Development Index (SME-DI)—to numerically measure factors affecting MSME development using probabilistic principal component analysis (P-PCA) based on country data. Technical chapters were also published in **ASM 2020** and **ASM 2021** as pilot exercises. The SME-DI was applied to the regional analysis in Volume I of **ASM 2022**, and further developed in **ASM 2024**, including a pilot design of country SME-DI using granular firm level data in Thailand.

Data Processing

To collect reliable and accurate data with periodic updates, ADB first built strategic partnerships with key institutions that hold MSME data—including SME agencies, relevant line ministries, statistics offices, central banks, financial authorities, SME banks, and chambers of commerce. To systematically compile the data, ADB prepared Standardized Data Request Forms to collect MSME data from partner institutions, comprising two separate forms on finance and nonfinance. Missing data and information were supplemented by surveys, field research, and virtual/in-person interviews. Since 2024, ASM has introduced simplified standardized data forms comprising four components—MSME definition, MSME landscape, MSME financing, and policies and regulations—addressing the latest 5 to 6-year trend and progress across 26 DMCs. All data collected were interactively reviewed and finalized by an ADB team and DMC partner institutions. In addition, since 2024, ASM has released a smart data portal with standardized data formats and user-friendly filtering functions called the **ASM Dashboard**. All country and regional data incorporated into ASM reports are downloadable through the **ASM database**.

Modality of the Publication

The ASM relies on national MSME definitions for comparative analysis as they provide a policy benchmark, and collectively uses “MSME” throughout, unless otherwise stated. The ASM used a regional approach for analysis until 2023. It analyzed a designated region and countries, with data updates of past analyses each year. Using this approach, **ASM 2020** focused on 10 Southeast Asian countries with **ASM 2021** covering 5 countries in South Asia, updating Southeast Asian data. **ASM 2022** expanded country coverage to the Caucasus and Central Asia, adding 7 countries with updates of 14 countries. **ASM 2023** added 3 Pacific economies with updates for 21 countries. **ASM 2024** covered 24 DMCs, addressing key progress from previous reports with annual updates of the smart data portal. With 2 new countries, **ASM 2025** now covers 26 DMCs. We systematically prepare the ASM in close collaboration with ADB’s knowledge and operations departments. Capacity-building programs will be included based on key findings from ASM reports and data upon request from participating DMC governments.

Asia Small and Medium-Sized Enterprise Monitor 2025

Global Uncertainty, Trade, and Private Sector Businesses in Asia and the Pacific

Micro, small, and medium-sized enterprises (MSMEs) are a key growth driver. Strengthening their dynamics promotes inclusive growth in developing economies in Asia and the Pacific. The *Asia Small and Medium-Sized Enterprise Monitor 2025* provides data and analysis as a resource for evidence-based policy design on MSME development. It reviews the financial and non-financial conditions of MSMEs and relevant policy interventions at the country and regional level, addressing progress since the previous report and adding new analyses for two countries—Solomon Islands and Tonga—now covering a total of 26 developing economies.

About the Asian Development Bank

ADB is a leading multilateral development bank supporting inclusive, resilient, and sustainable growth across Asia and the Pacific. Working with its members and partners to solve complex challenges together, ADB harnesses innovative financial tools and strategic partnerships to transform lives, build quality infrastructure, and safeguard our planet. Founded in 1966, ADB is owned by 69 members—50 from the region.



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