

**Evaluation of the role of "EU4Business" support
program in the development of small and medium-sized
enterprises in Azerbaijan**

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Abstract

This article assesses the role of the “EU4Business” support program in the development of small and medium-sized businesses in Azerbaijan. The study of this topic is important for Azerbaijan, whose main priority is the diversification of the economy, in terms of assessing the role of SMEs in this context. In Azerbaijan, which has been implementing reforms for many years for the development of SMEs, the “Small and Medium-sized Business Development Agency (SMEDA)” was established in this context in 2017. With the establishment of the agency and the parallel implementation of the “EU4Business” program, which was rebranded in 2016, significant progress has been made in the field of SMEs in Azerbaijan. The main goal of this program, implemented within the Eastern Partnership context, is to support SMEs in partner countries and ensure their development. The indicators of SMEs in the Azerbaijani economy and their contribution to the overall economy, whose role as an economic lever is increasingly increasing, have significantly increased, and the program has also played a role in this growth. The support provided to more than 50,000 SMEs operating in Azerbaijan under the program has given impetus to their development, created new jobs, provided permanent jobs, increased the turnover, additional income and export potential of SMEs, and recorded an increase in the development of women's entrepreneurship.

Introduction

The development of small and medium-sized businesses has been one of the main priority issues for the economies of both developed and developing countries. During the “Great Depression” in America, the “American Society of Tool Engineers” was established in 1932 gave impetus to the beginning of SMEs and successive reforms were implemented. However, during this period and after World War II, SMEs did not see any serious attention and were less interested in comparison with large enterprises. In particular, during the Industrial Revolution in the 18th-19th centuries, against the background of the increase in the weight of heavy industries in production, large enterprises developed seriously and small enterprises remained relatively in the shadow. Against this background, small enterprises, which required less “technological innovation”, usually continued their activities in traditional fields (agriculture and handicrafts). However, after the “oil crisis” in 1973, interest in small enterprises, which were more stable than large enterprises, increased and reforms were implemented by countries in this area. After this period, the pace of development of SMEs accelerated within the framework of increased interest and support, and their contribution to the economy increased significantly.

In total, 358.32 million SMEs operated in 2023, which contributed to the formation of 90% of the business "population", 60-70% of employment, and 55% of GDP in developed countries. In particular, SMEs are of great importance in this context for Azerbaijan, which is diversifying the economy by deepening economic reforms. Both internal and external support has been provided

for the development of this sector, and their contribution to the economy has been increased. With the establishment of the "Small and Medium Enterprises Development Agency (SMEDA)", SMEs have been provided with significant support and contribution by providing institutional support. In particular, a number of programs have been implemented in Azerbaijan under the program "EU4Business", which is a support program for SMEs in the EU's "Eastern Partnership" countries and was rebranded in 2016 and renamed "EU4Business". In the period 2019-2023, a total of 50,538 SMEs were supported in Azerbaijan within the framework of the program, and as a result, 205,625,972 euros of additional income were created. In addition, their export statistics increased and an increase in the annual turnover of SMEs was recorded. The contribution of this program was also high in terms of providing permanent jobs and creating new jobs, which are the main contributions of SMEs to the country's economy. In the 5th part of the article, statistical indicators of the program's contributions to Azerbaijani SMEs are analyzed. The main research focus of the article is to study the essence of the support program and analyze its benefits for the Azerbaijani economy by analyzing the support statistics implemented over the years.

In general, this article consists of 5 parts: The first part of the article provides information about the size and boundaries of SMEs and analyzes their strengths and weaknesses.

The 2nd part of the article provides the historical development path of SMEs, their economic impact on countries, and the criteria for classifying them by region and country.

In the 3rd part, the history and importance of the "EU4Business" program and the impact of the program's activities on their economic indicators are analyzed.

In the 4th part of the article, the criteria for classifying SMEs in Azerbaijan, the reforms carried out and their contributions to the country's economy are analyzed using economic indicators.

In the 5th and final part, the impact of the support programs implemented in Azerbaijan in the context of the "EU4Business" program on SMEs is analyzed.

Size and limits of SMEs

Small and Medium Enterprises (SMEs) are considered a kind of "locomotive" for the economies of countries due to their share in production, employment, contribution to export potential, and the role they play in solving socio-economic problems, as well as their role in the formation of GDP in general (İPÇİOĞLU, HAŞİT, & TAŞER, 2006). The classification of SMEs varies from country to country, both in terms of quantity and quality. Until 1996, SMEs were classified in the European

Union as micro (1-9), small (10-99) and medium (100-499) based only on the number of employees. After 1996, the assessment criteria for SMEs were expanded to include not only the number of employees, but also the annual turnover, the total assets on the balance sheet of the enterprise and the degree of independence of the enterprise. In this classification, businesses with fewer than 10 employees and a turnover or balance sheet of less than \$2 million are considered “micro”, businesses with fewer than 50 employees and a turnover or balance sheet of less than \$10 million are considered “small”, and businesses with fewer than 250 employees, a turnover of less than \$50 million and a balance sheet of less than \$43 million are considered “medium-sized” (Commission, 2024). According to statistics, 99% of all companies are SMEs, which once again shows that SMEs are only “small” in name in the economic development of countries, but in reality they play a “motor” role for the economy. SMEs have become especially popular since the 1960s. Thus, their characteristics such as having a more competitive structure, being more efficient, having the ability to integrate new demands and technologies more quickly, not having a boring or monotonous work system, being more adequate to economic crises, and having a serious role in reducing unemployment and increasing income make them more attractive. The fact that SMEs have a high flexibility compared to large enterprises causes them to have a more harmonious level of adaptation in terms of production, marketing and service, which minimizes potential losses. In general, these types of businesses, which can be made possible with smaller investments, provide faster and cheaper production and spread faster throughout the country, leading to an increase in production capacity and industrialization, which is especially important for developing countries (KESKİN, ŞÜNTÜRK, SUNGUR, & KİRİŞ, 2010). SMEs, which play a kind of "balancing" role at the macro and microeconomic levels, increase competition and lead to a kind of reduction in monopoly and oligopoly. In addition, one of the main characteristics and advantages of this type of enterprises is the possibility of establishing closer relations with customers and employees. According to statistics, 2 out of every 3 jobs created fall on this type of business, which once again shows the importance of the role of SMEs in reducing unemployment (SAVLOVSKH & ROBU, 2011). Taking into account that newly established and relatively small enterprises work with relatively inexperienced and young workers, especially in this context, the role of SMEs in providing employment to such workers is considered high (GARDASHOVA, 2023). If we look at the general statistics of SMEs in countries around the world, we will see that they account for 95-99% of total businesses, 40-80% of employment, 30-70% of GDP, 30-60% of investments, and 10-40% of exports (ÖZDEMİR, ERSOZ, & SARIOĞLU, 2007). Although these indicators and the specification of the term “SME” vary from country to country, according to general indicators, the importance of this type of enterprise for both developed and developing countries has a great importance, and their development is considered one of the main priorities for countries. SMEs,

as small businesses, are considered the “first step” of individuals into entrepreneurship and the beginning of the path to becoming a potentially large enterprise. The number of such enterprises is increasing every year, so that in 2023 the number of SMEs in the world increased by 75.3% compared to 2000, reaching 358.32 million (Statista, 2024).

Despite the increase in the number of SMEs and their significant contribution to the economy, especially in developing countries, there are still a number of obstacles in front of them. One of the biggest and most serious problems of SMEs is the problem of financial insufficiency. Thus, these types of enterprises, which usually enter the market with a small and limited budget, face problems when looking for investment opportunities to expand their business in order to gain a dominant position in the market in the future. These types of enterprises, which are considered more risky compared to large enterprises, are not considered very attractive by banks and investors and are faced with differential interest rates. This, on the one hand, leads to higher investment costs against the background of increasing interest and borrowing rates, and on the other hand, increases costs. In this context, these types of enterprises, which lose out in competition with large enterprises, face difficulties in strengthening and developing in the market. Against this background, SMEs that want to take steps for the sake of growth may face not only financial losses but also threats to their operations against the background of unsuccessful investments compared to large enterprises. In particular, such enterprises not only have access to investment and finance, but also show a certain incompetence in managing financial statements, which can create problems, especially in maintaining the balance of income and expenditure operations, which ultimately can lead to information asymmetry and increased liquidity problems. Thus, incorrectly compiled or distorted financial statements lead them to operate illegally, which calls into question their future activities and institutionalization (Yolcu, 2013). They face serious competition by large firms, not only in terms of finance, but also when entering the market, which means that for new entrants, they have to compete with established firms that have been operating for years. According to statistics, SMEs usually operate in sectors that require lower technology, such as food and clothing, which further reduces their competitiveness (GARDASHOVA, 2023). This competition exists not only within the market, but also at the international level, which involves higher investment and the application of technological innovations, which makes the processes difficult for such small firms. This, in turn, reduces their export potential as a result of their relatively low level of technical knowledge and technology (TOBB, 2022). In particular, SMEs that implement a "price competition" strategy in order to withstand competition may face diminishing marginal benefits in this context, which ultimately reduces the attractiveness of foreign capital by reducing profits and also questions the future of the firms (Margaretha & Supartika, 2016). On the one hand, SMEs, which contribute significantly to reducing unemployment in this sector by employing

inexperienced workers, on the other hand, provide them with lower social security, which in turn leads to a decrease in employee motivation and a decrease in productivity and competitiveness. Finally, SMEs with low levels of technical, management, marketing and sector knowledge have limited activity in this context (BAYÜLKEN, 2017).

The development process in the world and its effects on countries

After the Industrial Revolution, which first began in Britain and spread (18th-19th centuries), with the start of large factories and plants, the importance of large enterprises increased significantly against the background of the integration of the country's economies, which were already formed by crafts and agriculture, into new, namely heavy industry sectors. This led to the termination of the activities of a number of small enterprises that could not adequately respond to technological innovations against the background of the revolutionary changes that took place, and against this background, many small enterprises in North America and Europe had to cease their activities. On the other hand, small enterprises that managed to survive limited their fields of activity to traditional, namely agricultural and craft sectors, and created economic benefits (Wallace, 2024). Later, in 1932, which is considered the beginning of SMEs, activities aimed at the development of this field were carried out with the "American Society of Tool Engineers", which was founded in America by 33 engineers during the "Great Depression" in 1932. The election of the first female member in 1936, the demonstration of the first tool in 1938, the publication of the first technical book in 1948 and the holding of an award ceremony in 1954 are considered the successes of this society (SME, 2024). In the post-World War II period, small businesses attracted less interest than large businesses, but the growth rate of SMEs was observed, especially in Western Europe and North America, against the background of global economic restructuring and technological development. Especially, SMEs, which developed by entering niche markets that large enterprises did not enter, began to enter foreign markets in this period as well. Despite all this development, SMEs were not given enough importance until the 1970s, except for some regional countries. However, the oil crisis in 1973 was a turning point for SMEs. Thus, the fact that SMEs survived this crisis with less damage than large enterprises seriously increased the attention paid to them, and as a result, support and promotion campaigns for this type of businesses, especially in the EU countries, began to be given importance. In subsequent periods, SMEs, whose importance has been increasing, have become one of the main actors in the modern economic system. (DÜLGER, 2019). SMEs have a great importance in terms of job creation for both developed and developing countries, according to the statistics, 90% of the business "population", 60-70% of employment and 55% of GDP in developed countries are formed by SMEs (Arnold, 2019). The number of

SMEs is increasing, as the number of operating SMEs in 2023 increased by 75.3% compared to 2000, reaching 358.32 million. Overall, the classification of SMEs and the steps taken for their development may vary from country to country and region to region.

SMEs in the EU

After the oil crisis, the importance of these types of enterprises for the countries of the region has increased significantly and a number of reforms have been implemented for their development. Until 1996, the classification criteria were based solely on the number of employees as micro (1-9 people), small (10-99 people) and medium (100-499 people), but since then, annual turnover and assets on the balance sheet of the enterprise were also started to play a role in the classification. According to the current classification criteria, SMEs with less than 10 employees and turnover or balance sheet of less than \$2 million are considered micro, SMEs with less than 50 employees and turnover or balance sheet of less than \$10 million are considered medium, and SMEs with more than 250 employees and turnover or balance sheet of less than \$43 million are considered medium-sized (Commission, 2024). According to statistical indicators for 2023, 93.7% of the 26.1 million SMEs operating in the EU, or 24.46 million, are micro and small SMEs. In addition, 89.44 million people work in SMEs and SMEs create an added value of 5.04 trillion euros, which once again proves how serious a role they play in the European economic system (STATISTA, 2024). The 5 countries that stand out in terms of the number of SMEs are Italy (3,906,272), France (3,438,355), Spain (2,974,319), Germany (2,639,534) and Poland (2,266,665), which form more than 50% of the total number of SMEs (STATISTA, 2024). The top 5 sectors in which SMEs mainly operate were distributive trade (5,938,505), professional, scientific and technical activities (5,133,527), construction (3,870,198), accommodation and food services (2,194,855), and manufacturing (2,140,958).

SMEs in the US

The importance of this type of enterprise for the US economy, which is one of the special countries in the formation of SMEs, is very high. In the US, in addition to the classification criteria in the EU, the ownership structure and the industry in which it operates are also taken into account. Thus, although for a company operating in the manufacturing sector, having up to 500 employees causes it to be considered an SME, for companies operating in the copper and nickel ore production this number is 1400. During tax reporting, companies with assets of \$ 10 million or less are considered small, and those with higher assets are considered large companies. According to statistical indicators, 33 million of the 39 million SMEs operating in the US do not have any employees

(Leppert, 2024). In the US, SMEs account for 99% of all businesses, 99.7% of firms with employees, and 97.3% of exporters. (Daniel, 2024).

SMEs in China

In China, SMEs are also classified by sector. In China, SMEs are classified as medium and small. Thus, enterprises with less than 300 employees in the industrial sector, less than 600 in the construction sector, less than 100 in the wholesale and retail sector, less than 500 in the transportation sector, less than 400 in the postal and hotel and restaurant sectors, and business revenues of less than 30 million yuan (in the industrial and construction sectors, there is an additional requirement for total assets to be less than 40 million yuan) are considered small. Enterprises with 300-2000 employees in the industrial sector, 600-3000 in the construction sector, 100-200 in the wholesale sector, 100-500 in the retail sector, 500-3000 in the transportation sector, 400-1000 in the postal sector, and 400-800 in the hotel and restaurant sector are considered medium. In addition, there is a requirement for business revenues to be between 30 and 300 million yuan in the industrial, construction, wholesale, postal and transportation sectors, 10 and 150 million yuan in retail, and 30 million yuan and 150 million yuan in hotels and restaurants (Xiangfeng, 2008). According to statistics for 2022, 50%, 60%, 70%, and 80% of tax revenues, GDP, technological innovations, and urban employment, respectively, were formalized by SMEs, and the number of SMEs was 52 million (20.8% more than in 2020).

SMEs in Turkey

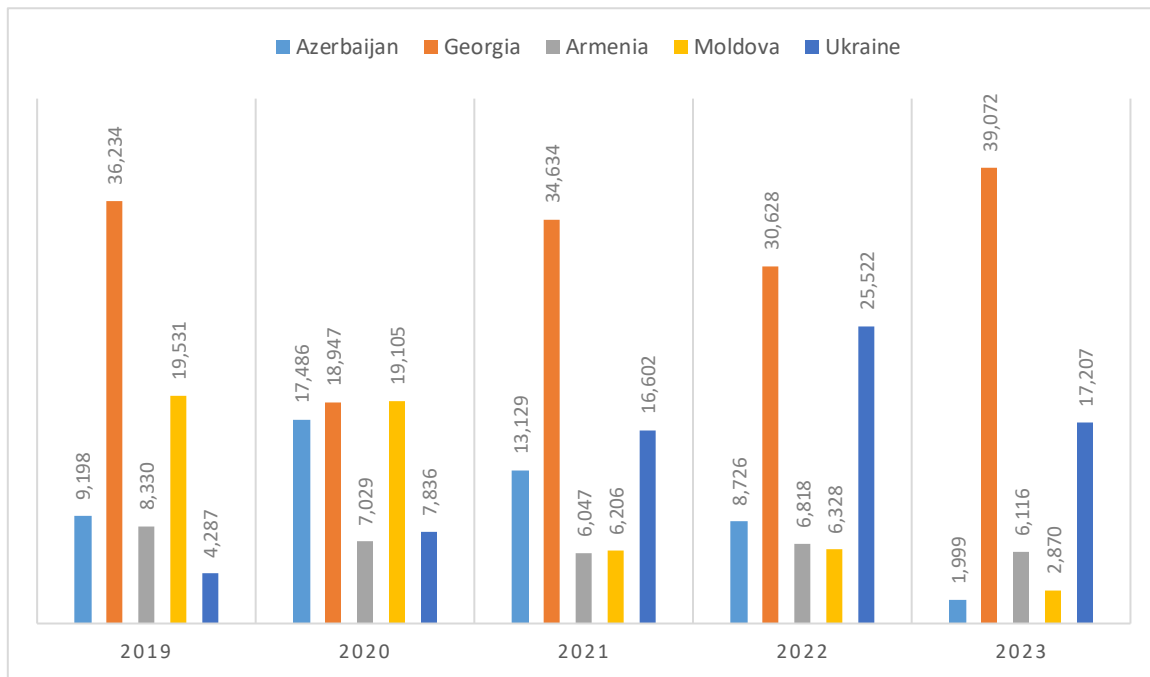
In Turkey, enterprises with less than 10 employees, annual net sales revenue and financial balance sheet amount less than 5 million TL are classified as micro, enterprises with less than 50 employees, annual net sales revenue and financial balance sheet amount less than 50 million TL are classified as small, and enterprises with less than 250 employees and annual net sales revenue and financial balance sheet amount less than 250 million TL are classified as medium. According to 2022 statistics, there are 3.8 million SMEs operating in Turkey. SMEs accounted for 99.7% of total enterprises, 70.6% of employment, 47.5% of personnel costs, 42.5% of turnover, 36.3% of production value and 36.4% of factor cost and value added. 36.1% of SMEs were active in the wholesale and retail trade, repair of cars and motorcycles, 15.2% in the transport and storage sector, and 12.2% in the processing industry. The added value per employee was 346 thousand TL. The share of SMEs in exports was 31.6%, and in imports was 15.4% (KOSGEB, 2023).

Importance, history, aims and activities of the EU4Business programme

Within the framework of the EU's "Eastern Partnership Cooperation", which is considered an "umbrella initiative" for the countries of the South Caucasus region, Moldova and Ukraine and was rebranded in 2016 and named "EU4BUSINESS", the EU is expected to provide all support to SMEs. This initiative, which supports SMEs operating in the countries by providing access to finance, improving trade skills, improving services for business and increasing innovation potential, has been operating since 2016. The program is implemented with the support of the European Commission and the European Investment Bank. A number of reforms have been implemented in the context of this project, the main objectives of the Program are to increase the competitiveness and financial capabilities of SMEs, develop trade relations, increase cooperation opportunities, especially with EU countries, and accelerate digital transformation (EU4BUSINESS, 2018).

Through technical support and training programs, SMEs are supported in strategic management, marketing, and financial management, creating a foundation for their development. In addition, financial support such as low-interest and microloans and grants are provided to SMEs, which is a serious issue in terms of solving the financial problem that is on the main problematic agenda of SMEs. By involving SMEs in conducting market research and participating in fairs, their export potential is increased and their access to foreign markets (especially European markets) is supported. Projects and strategies are developed, creating conditions for the digitalization and adoption of innovative technologies, which creates conditions for the creation of a more efficient and modern business environment. In particular, by strengthening communication links between enterprises operating in the EU and the program countries, their cooperation opportunities are expanded (EU4BUSINESS, 2022). **Graph 1** provides statistics by country on SMEs supported under the program.

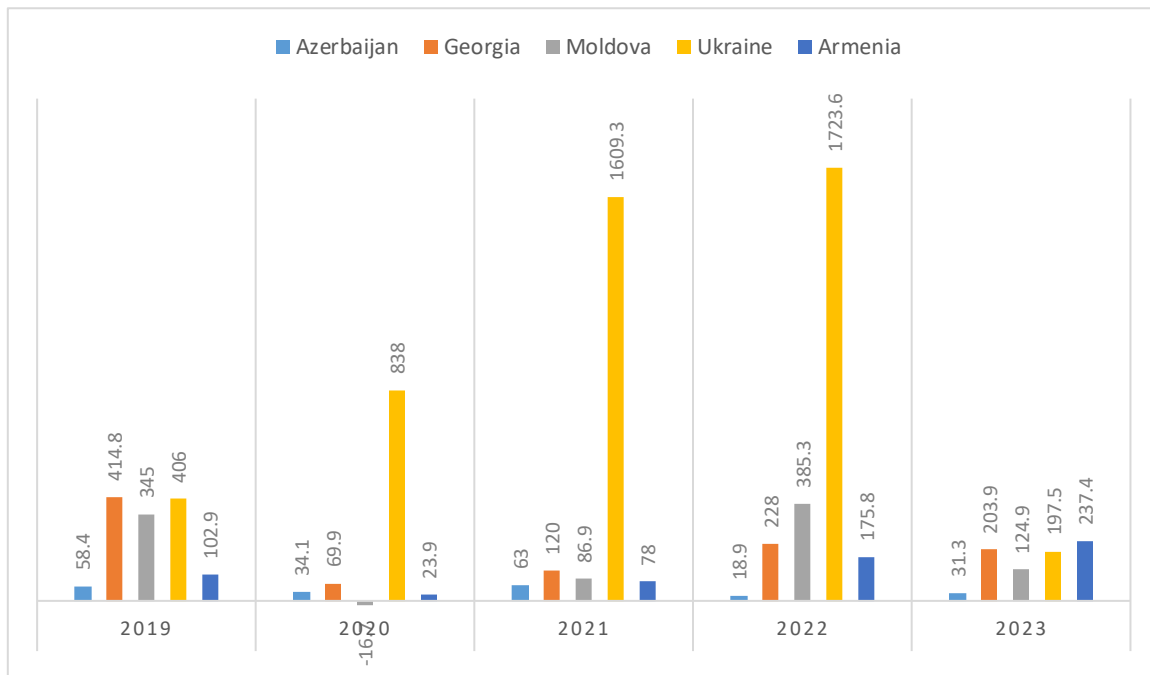
Graph 1. Number of SMEs supported (2019-2023)



Source: EU4BUSINESS <https://eu4business.eu/results-eu4business/general/>

As can be seen from the graph, the program provided significant assistance to SMEs operating in Georgia, especially in 2020 and 2022, and this number decreased by 47.7% and 11.6%, respectively, compared to previous years. In Moldova, which ranked second after Georgia, the number of SMEs supported continued to decline after 2019, with the exception of 2022. In Azerbaijan, which ranked third in 2019 in terms of the number of SMEs supported, support to SMEs also increased by 90.1% in 2020, but decreased in the subsequent period, with the exception of 2022. In Armenia, where 8,330 SMEs were supported in 2019, this statistic, unlike other countries, continued to decline, although it increased relatively only in 2022, but decreased again in 2023. In Ukraine, which had the least supported SMEs at the beginning of the period, this indicator gradually increased and exceeded 25 thousand in 2022, increasing at a record level (495.3%) compared to 2019. However, a decline was observed again in 2023. As can be seen from the statistics, a decrease was observed in the number of SMEs supported in 2023, with the exception of Georgia. The role of this project in supporting women's entrepreneurship is also quite high, as according to statistics, the proportion of women entrepreneurs in the total share in 2023 was 53.6%, 48%, 40.4%, 39.4% and 36% in Azerbaijan, Ukraine, Georgia, Armenia and Moldova, respectively. For comparison, these indicators were 32.25%, 31.76%, 25.11%, 34.69% and 28.71% in 2019, respectively. **Graph 2** shows the added value created by supported SMEs by country.

Graph 2. The added value created by supported SMEs by country. (2019-2023, million euro)



Source: EU4BUSINESS

Although Georgia is the leader in terms of the number of SMEs supported, the first place belongs to Ukraine in terms of the added value they create, which increased sharply during the period of the Russian-Ukrainian war, reaching 1723.6 million euros. In 2023, the SMEs that generated the highest additional income were, respectively, Armenia (237.4 million euros), Georgia (203.9 million euros), Ukraine (197.5 million euros), Moldova (124.9 million dollars) and Azerbaijan (31.3 million dollars). In 2023, the percentage of SME turnover increased by 28.3%, 23.8%, 17.1%, 12.8% and 4.7% in Armenia, Azerbaijan, Moldova, Georgia and Ukraine, respectively. In addition, SMEs supported by the project play a special role in providing sustainable jobs and creating new jobs. According to statistics, 181,067, 176,712, 99,053, 76,520 and 10,609 permanent jobs were created in Ukraine, Georgia, Armenia, Moldova and Azerbaijan respectively in 2023. According to statistical indicators for the same year, 36,973 new jobs were created in Georgia, 18,294 in Armenia, 13,234 in Ukraine, 10,363 in Moldova and 1,067 in Azerbaijan. Ultimately, within the framework of the “EU4BUSINESS” program, 67,264 SMEs were supported in 2023, 79,931 new jobs were created, 795 million euros of additional income were generated and 10.7% growth in the turnover of SMEs was achieved.

Development and current situation of Small and Medium Enterprises (SMEs) in Azerbaijan

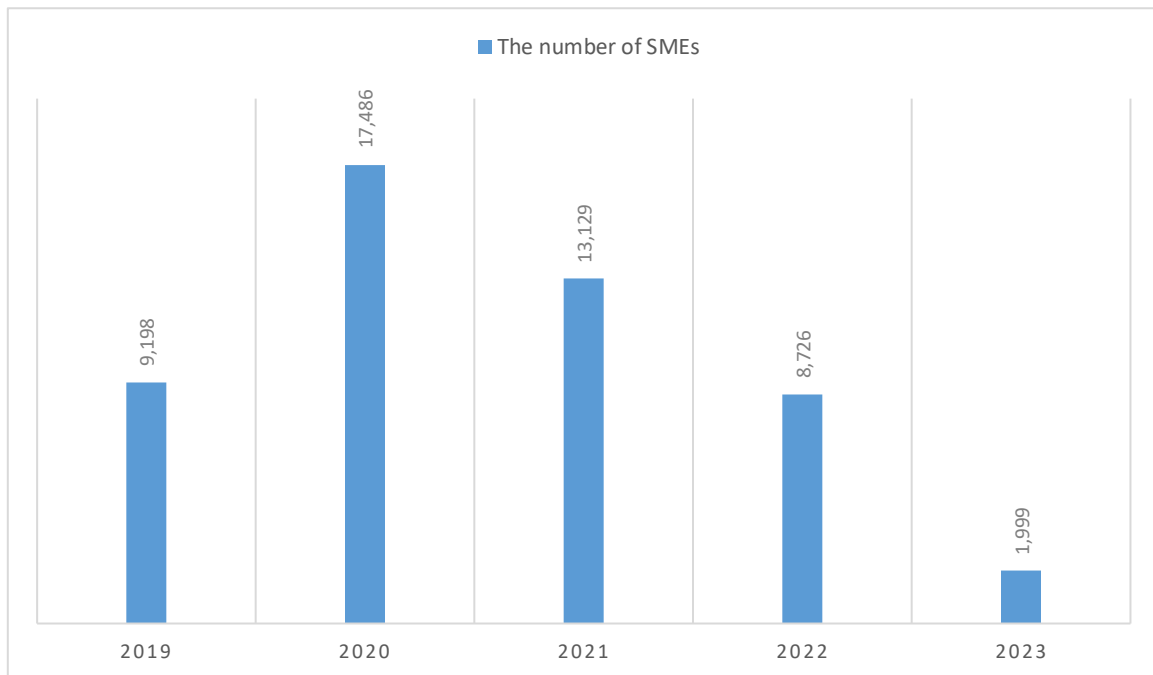
SMEs have a great importance for Azerbaijan, whose main priority is to diversify the economy and reduce dependency on the energy sector, and is deepening reforms in this area (Bayramov, və b., 2019). The classification of entrepreneurship in Azerbaijan is classified as micro, small, medium and large entrepreneurs by the decision of the Cabinet of Ministers dated December 21, 2018. Enterprises with 1-10 employees and annual income of less than 200 thousand manat are classified as “micro”, enterprises with 11-50 employees and annual income of more than 200 thousand manat but not more than 3 million manat are classified as “small”, enterprises with 51-250 employees and annual income of more than 3 million manat but not more than 30 million manat are classified as “medium” and entities with more than 251 employees and annual income of more than 30 million manat are classified as “large” (ARNK, 2018). The “Small and Medium Business Development Agency (SMEDA)”, was established by the decree of the President of the Republic of Azerbaijan dated December 28, 2017 and approved by the decree of June 26, 2018, aims to ensure the development of SMEs in Azerbaijan. The agency supports SMEs in regulating their activities and providing an efficient management and coordination system. The agency aims to increase their contribution to the country's economy by improving institutional support mechanisms to address the main problems of SMEs, such as their competitiveness, limited access to financial resources, and problems with communications. According to statistics, 97.3% of SMEs operating in Azerbaijan are micro, 1.9% are small, and 0.8% are medium. These business entities operate mainly in the construction, agriculture, transport, public catering, industry, trade, logistics, processing, and tourism sectors (KOBİA, 2023). According to statistical indicators, in 2022, the number of operating SMEs increased by 2.2 times compared to 2017 to 377,842, their share in GDP increased by 135.6% to 13.9%, their share in employment increased by 100.9% to 41.8%, and their share in the non-oil sector increased by 51.1% to 35.2%. In 2023, the number of SMEs increased by 6.2% compared to 2022 to 401,149. The share of SMEs in the added value created in the country's economy increased by 29.5% in 2023 compared to 2022 to 18%, of which 27.2% was in the non-oil sector. In particular, the share of this type of entity in the total number of employees in the country increased from 41.8% in 2022 to 44% in 2023, and from 43.1% to 45.3% in the non-oil sector. The share of SMEs in investments directed to fixed capital by business entities decreased from 29.1% to 19% in 2023. The role of “medium” sized enterprises in particular was high in the formation of these statistics (STAT.GOV.AZ, 2024). In accordance with the statistical indicators, the role of SMEs in the Azerbaijani economy is quite high. Although the level of interest in this area has increased since the 2000s, a growth trend is observed in the sector,

especially with the consolidation of institutional reforms and the start of the agency's activities. This plays a driver role in the growth of the non-oil sector and the diversification of the economy.

Activities carried out in the field of SMEs in Azerbaijan within the framework of the EU4Business programme

Azerbaijan is one of the countries supported under this project, which covers the Eastern Partnership countries and was rebranded and named “EU4Business” in 2016. This program supports SMEs in solving their financial problems by providing preferential loans through national banks, small grants for SMEs, microfinance for household businesses, training for employees in national banks for better service, and training on increasing financial literacy. This program supports SMEs in their business development, not only in terms of finance, but also by providing consultations and training for SMEs, providing training between national business support organizations that establish business incubators for startups, increasing human resource capacity, developing business clusters for mutual support and development, supporting governments in identifying new markets, and increasing human resource capacity, especially in organizations that support exports. **Graph 3** shows the number of SMEs supported in Azerbaijan under the program.

Graph 3. The number of SMEs supported in Azerbaijan under the program (2019-2023)

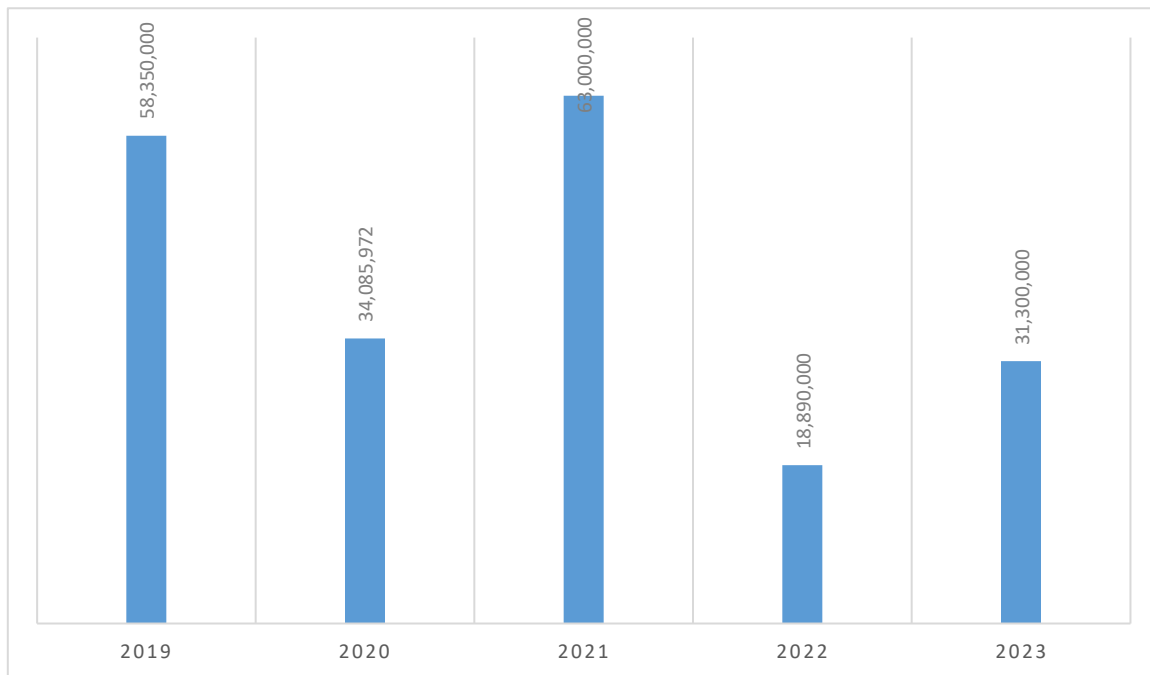


Source: EU4Business

Accordingly to the statistical indicators, the number of SMEs supported in 2020 increased by 90.1% compared to 2019, reaching 17,486. However, the number of SMEs supported continued to decline in the subsequent period, decreasing by 24.9%, 33.5% and 77.1%, respectively, to 1,999 in 2021, 2022 and 2023 compared to the previous years. In total, 50,538 SMEs in Azerbaijan were supported under the “EU4Business” program during the 5-year period.

Graph 4 provides statistics on additional income generated by SMEs in Azerbaijan under the Support Program.

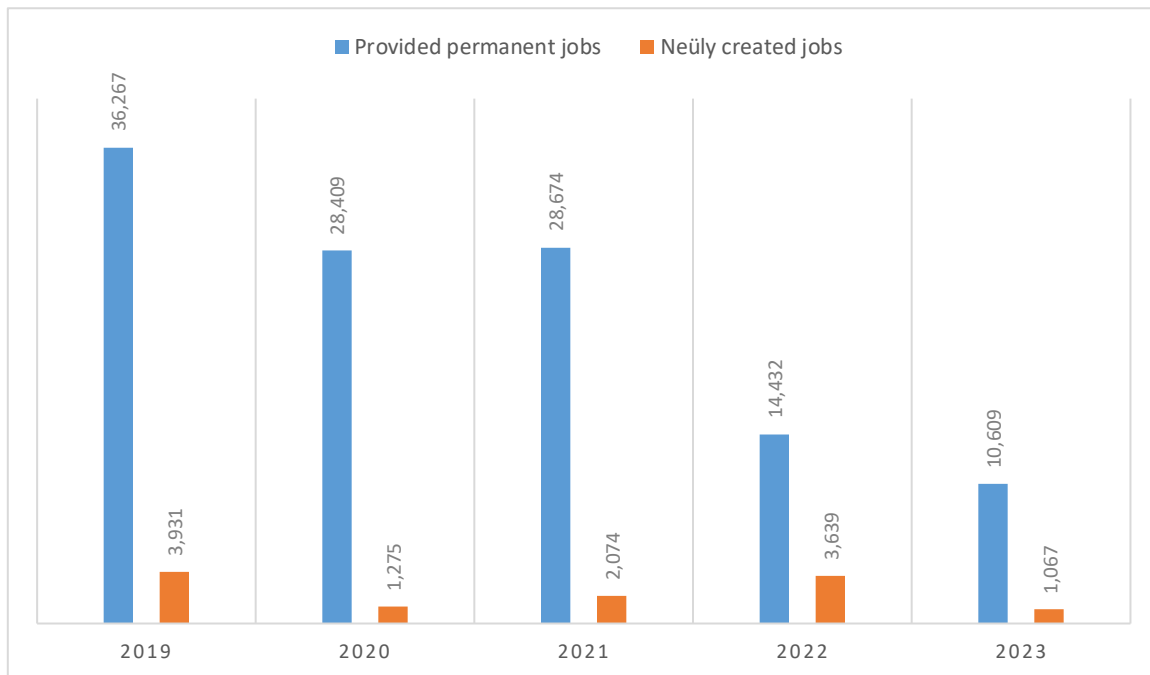
Graph 4. Additional income generated by SMEs in Azerbaijan under the Support Program. (2019-2023, euro)



Source: EU4Business

The added value created by SMEs in Azerbaijan under the program has continued to fluctuate, with the highest indicator of the period recorded in 2021 and the lowest indicator in 2022. In addition, the annual turnover of supported SMEs increased by 8.83%, 13.04%, 11.02%, 12% and 23.8% respectively between 2019 and 2023. This program plays a special role not only in generating income, but also in supporting women's entrepreneurship in particular. Thus, 32.25%, 47%, 14.04%, 14% and 53.6% of supported SMEs in 2019-2023, respectively, were female entrepreneurs. The program is of great importance in terms of creating jobs and ensuring the sustainability of existing jobs, which is one of the most important contributions of SMEs to the country's economy. **Graph 5** provides statistics on permanent jobs and newly created jobs provided under the program.

Graph 5. The number of permanent jobs and newly created jobs provided under the program



Source: EU4Business

In accordance with the Graph, this program played a role in providing sustainable jobs, and although a 21.7% decrease in the number of jobs was observed in 2020, a 0.9% increase was recorded in 2021. However, the number of jobs continued to decrease in the subsequent period and fell to 10,609 in 2023. In addition, although the number of new jobs created under the program decreased by 67.6% in 2020, an increase of 62.7% and 75.5% was recorded in 2021 and 2022, respectively, compared to previous years. In 2023, the number of jobs created decreased again by 70.7%, falling to the lowest level of the period. Within the framework of the program, the countries' export indicators increased by 3%, 7.3%, 7.94%, 10% and 6% respectively in 2019-2023. As can be seen from the statistical indicators, in parallel with the decrease in the number of supported SMEs, their economic contribution also decreased.

Conclusion

Despite different classification in each region and country, SMEs have a serious importance to the economies of each country and region. After the Industrial Revolution and World War II, SMEs, which did not see any attention or interest, were able to attract attention only after the oil crisis. Thus, compared to large enterprises, smaller enterprises showed stronger resistance to the crisis

and became more stable. This increased interest to them and the support given for their development. Aspects such as lower financial resource requirements, having a more competitive structure, the ability to integrate scientific and technological progress more quickly, more flexible structures, etc. make their activities more efficient, which in turn gives impetus to their faster development. Along with these advantages, more limited access to financial resources compared to large enterprises (especially the application of higher loan interest rates), lack of marketing experience, limited ability to conduct market analysis, lack of highly qualified personnel, etc. put them at a disadvantage compared to large enterprises. Despite all these aspects, SMEs play a locomotive role in their economies with their high contribution to the economies of countries. According to current statistical indicators for 2023, there are a total of 358.32 million officially registered SMEs operating in the world, which form more than 90% of businesses, 60-70% of employment, and 55% of GDP.

A number of reforms have been implemented in Azerbaijan for the development of SMEs and the “Small and Medium Business Development Agency (SMED)” has been established in order to strengthen institutional support. Against the background of deepening reforms, the contribution of SMEs to the country's economy has increased. The criteria for classifying entrepreneurial entities in the country are micro (number of employees between 1-10, annual income less than 200 thousand manat), small (number of employees between 11-50, annual income more than 200 thousand manat, not more than 3 million manat), medium (number of employees between 51-250, annual income more than 3 million manat, not more than 30 million manat) and large (number of employees more than 251, annual income more than 30 million manat). 97.3% of SMEs operating in Azerbaijan are micro, 1.9% are small and 0.8% are medium, operating in sectors such as construction, agriculture, transport, industry, logistics, and construction. In 2022, the number of SMEs operating in the country increased by 2.2 times compared to 2017 to 377,842, their share in GDP increased by 135.6% to 13.9%, their share in employment increased by 100.9% to 41.8%, and their share in the non-oil sector increased by 51.1% to 35.2%. In 2023, the number of SMEs increased by 6.2% to 401,149, their share in the added value created in the country increased by 29.5% to 18%, and their share in the total number of employees increased by 44% and in the non-oil sector by 45.3%. Accordingly to the statistics, the contribution of SMEs to the country's economy has increased.

A total of 369,887 SMEs operating in 5 countries were supported under the EU4Business programme between 2019-2023. As a result, a total of 823.7 million euros of added value was created. In total, in 2023, 181,067, 176,712, 99,053, 76,520 and 10,609 permanent jobs were created in Ukraine, Georgia, Armenia, Moldova and Azerbaijan, respectively, and 36,973 new jobs

were created in Georgia, 18,294 in Armenia, 13,234 in Ukraine, 10,363 in Moldova and 1,067 in Azerbaijan. In the context of the programme, a total of 67,264 SMEs were supported in 2023, 79,931 new jobs were created, 795 million additional income was generated and a 10.7% increase in the turnover of enterprises was recorded.

Within the framework of this program, a total of 50,538 SMEs were supported in Azerbaijan in 2019-2023, 205,625,972 euros of additional income were generated and 11,986 new jobs were created. The annual turnover of SMEs increased by 8.83%, 13.04%, 11.02%, 12% and 23.8% in 2019-2023, respectively, with the support of the program. In addition, the country's export indicators also increased by 3%, 7.3%, 7.94%, 10% and 6% in the corresponding period. The program played a role not only in terms of supporting economic indicators, but also in terms of supporting women's entrepreneurship. Thus, 32.25%, 47%, 14.04%, 14% and 53.6% of SMEs supported in 2019-2023 were female entrepreneurs, respectively.

According to statistical indicators, although the program has contributed to the development of SMEs in Azerbaijan, there has been a decrease in support in recent times. The number of SMEs supported in 2021, 2022 and 2023 decreased by 24.9%, 33.5% and 77.1%, respectively. This reduced the number of SMEs supported in 2022 and 2023 to 8,726 and 1,999, respectively, which constituted only 2.3% and 0.5% of the total SMEs operating in Azerbaijan during this period. Accordingly to the statistics, the support provided to Azerbaijan by the program in this area continued with a significant decreasing trend compared to other countries, which was reflected in their statistics on the creation of new jobs and the provision of permanent jobs.

On the one hand, although this project has contributed to the development of SMEs in Azerbaijan since 2019, their income, the number of new jobs they created and permanent jobs they created have decreased in the subsequent period against the background of decreasing support. In conclusion, on the one hand, although this project creates opportunities for SMEs, as shown by statistical indicators, it can also pose a threat to SMEs by questioning their future activities with the decrease in support. This makes it necessary to ensure the continuity of support.

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