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# DEVELOPMENT OF ELECTRONIC TRADE IN AZERBAIJAN AND SOLUTIONS TO THE PROBLEMS IN THIS FIELD

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## ABSTRACT

The article provides information on the establishment and development of e-commerce in Azerbaijan, emphasizing that the scale of this field will expand in our country in a short time. Information was provided on the number of payment cards in Azerbaijan in 2016-2020, the volume of non-cash payments, transactions with debit and credit cards, transactions per ATM and one POS-terminal. The article also notes the volume of transactions carried out by foreigners visiting Azerbaijan through bank cards in January-October 2021 and e-commerce in Azerbaijan in January-October 2019-2021.

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**Introduction.** The law on e-commerce in the Republic of Azerbaijan was adopted in 2005. However, despite the adoption of this law, e-commerce became possible after 2008.

E-commerce develops on three main criteria. These are electronic platforms, electronic payment systems and logistics [3]. Currently, e-commerce in Azerbaijan is at a new stage of development. However, it is still possible to determine that the volume of e-commerce is much lower than in other countries. What is e-commerce?

E-commerce is the activity of purchasing and selling goods, providing services and performing work using information systems. Buyers, sellers and intermediaries are considered participants in e-commerce. The buyer is the person who buys the goods and the seller is the person who sells the goods. An intermediary is a natural or legal person who provides e-commerce services between the sender and the recipient of an electronic document [1]. The buyer buys the product from the seller and pays for the product with payment cards. The number of payment cards in Azerbaijan has increased significantly over the past five years. Information on the number of payment cards is shown in Figure 1.

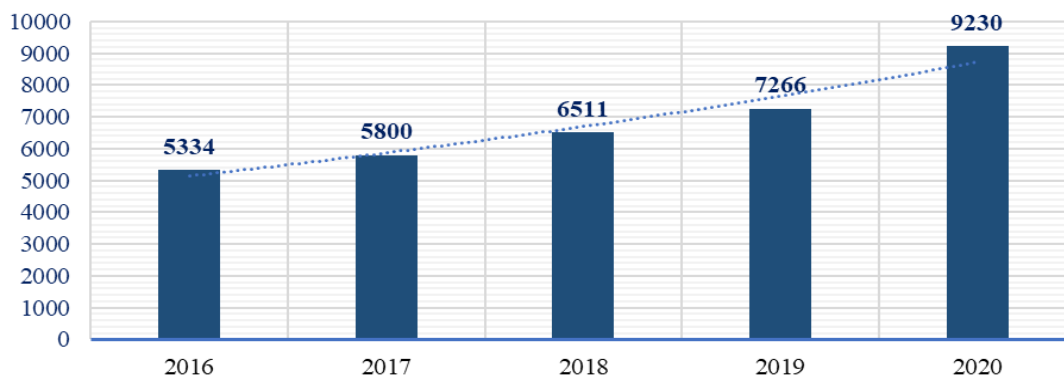


Fig. 1. Number of payment cards in Azerbaijan in 2016-2020, thousand units [2]

It is clear from Figure 1 that the number of payment cards has been increasing over the past five years. According to October 2021, the number of payment cards in Azerbaijan is 10 million. There were 673 thousand units. The increase in the number of payment cards has led to an increase in non-cash payments, the volume of domestic non-cash transactions increased by 73% compared to January-October 2020. The volume of non-cash payments for the first ten months of 2021 amounted to 8370 mln. manat. During this period, 5218 mln. manat falls to the share of e-commerce. In October 2021, the volume of cashless domestic transactions with payment cards accounted for 34% of total transactions. Information on non-cash payments in Azerbaijan is shown in Figure 2, and in 2020 this figure will reach 6,111 million. manats [5].

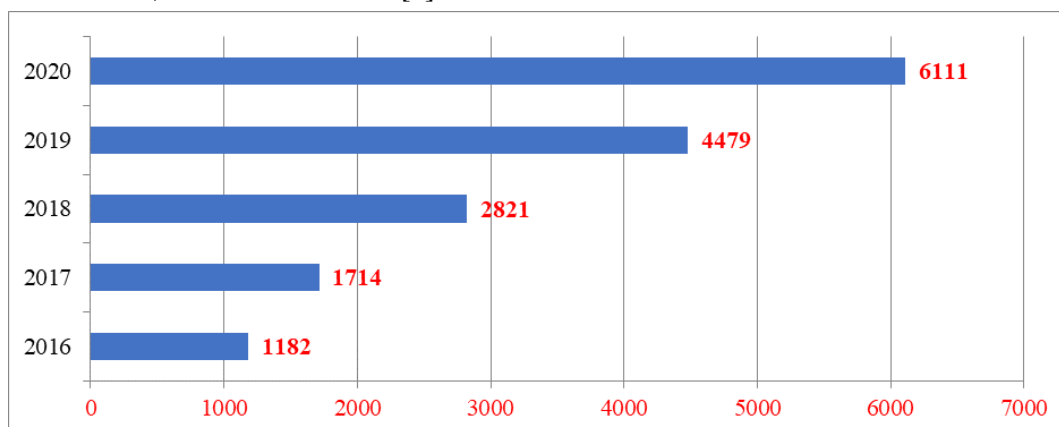


Fig. 2. Volume of non-cash payments in Azerbaijan in 2016-2020, mln. manat [2]

The coronavirus pandemic has had a negative impact on the world economy. Various areas have faced the consequences of the pandemic. One of these areas is tourism. In January-October 2021, foreigners coming to Azerbaijan through bank cards received 960.9 million. manat operation. For comparison, it should be noted that for 10 months of 2019, this figure was 1,073.7 million. manat, and for the corresponding period of 2020 this figure is 379.1 mln. manat. These data are presented in Table 1 [7].

Table 1. Transactions carried out by foreign citizens arriving in Azerbaijan in January-October 2021 by bank cards (in million manats)

Years \ Months	2019	2020	2021
January	88,3	85,2	72,2
February	85,3	72,9	112,2
March	98	53,9	93,2
April	103,2	19,7	64
may	100,9	24,3	81,3
June	115,1	23,7	90
July	134,6	23	95,1
August	137,4	25,6	104,2
September	106,2	25,9	124,3
October	104,7	24,9	124,4

At present, according to the volume of e-commerce in the world, the United States, China, Germany, Japan and others. countries such as Today, the number of e-shops in the world continues to grow. Although interest in this field is growing in our country, the number of e-shops is not enough. When e-commerce, the customer accesses the store's information server through a browser. The server has an electronic showcase. Catalogs depicting products in the shop window, search tools on request, ordering, payment for the product, etc. sections are available [8, p.91].

An online store must have the following features to join the ranks of successful sites that sell directly:

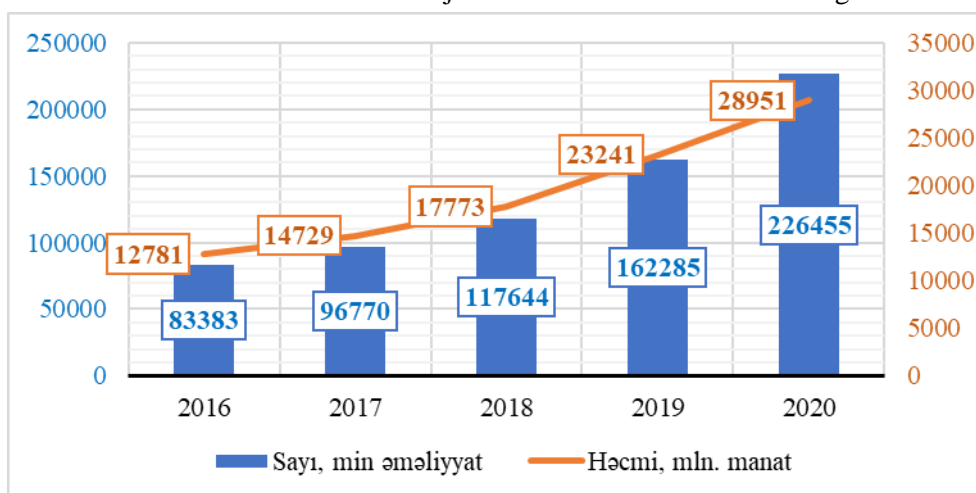
- have an optimal amount of information;
- have a catalog of the offered product;

- have information about the firm's requirements, ie raw materials, consumables or services required by the enterprise;
- use of various options for concluding deals and mechanisms for their implementation;
- have records of settlement schemes and systems used by the firm in order to establish a quick and efficient system of mutual settlements [6].

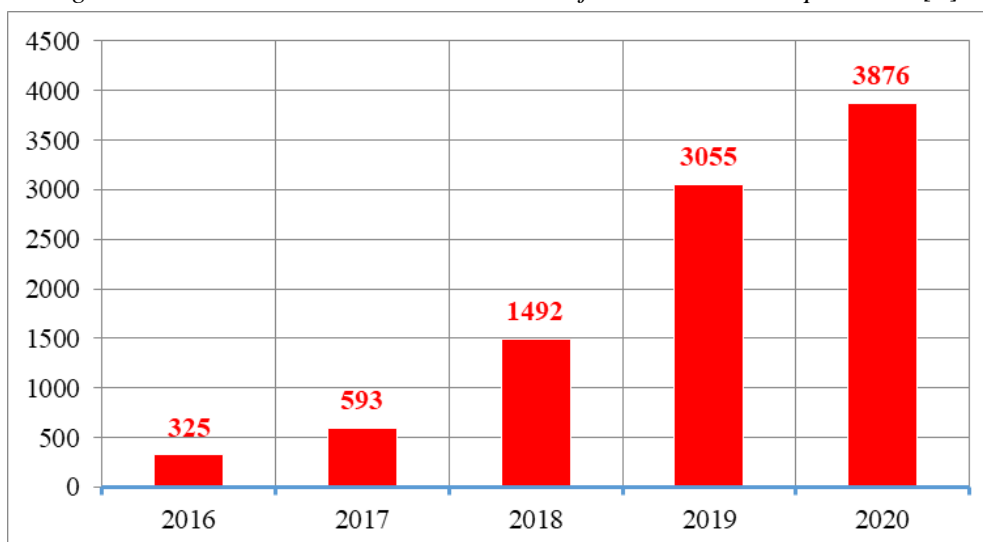
E-commerce is a form of relationship between enterprises, organizations and individuals, where economic relations for the delivery of products are formed freely between the parties through electronic networks. Factors influencing the development of e-commerce technology can be noted:

- general economic factors;
- management factors;
- infrastructure factors;
- legal factors [4, p.8].

The volume of payment card transactions is growing in Azerbaijan. The number and volume of debit and credit card transactions in Azerbaijan in 2016-2020 are shown in Figure 3.



*Fig. 3. With debit and credit cards in Azerbaijan in 2016-2020 operations [2]*



*Fig. 4. Through e-commerce in Azerbaijan in 2016-2020 volume of operations carried out, mln. manat [5]*

Figure 4 shows the volume of e-commerce transactions in Azerbaijan in 2016-2020. It is clear from Figure 4 that an increase in the volume of transactions was observed during these 5 years. This figure was 325 million in 2016, 593 million in 2017, 1,492 million in 2018, 3,055 million in 2019 and 3,876 million in 2020. manat.

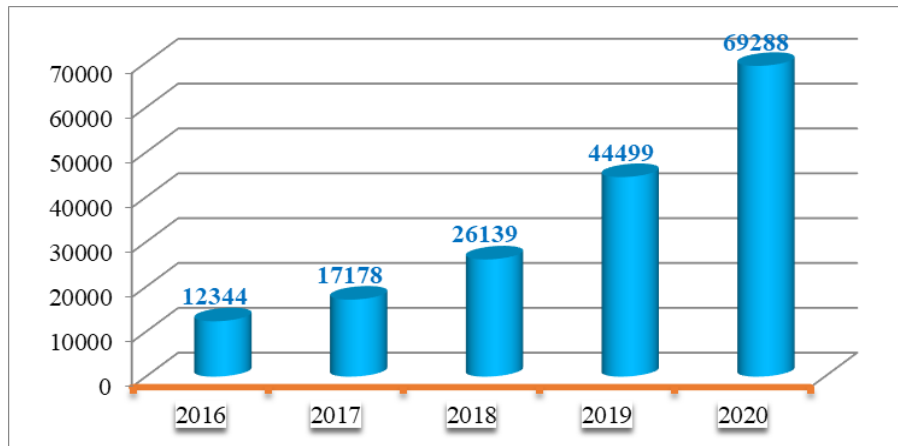


Fig. 5. Through e-commerce in Azerbaijan in 2016-2020 number of operations performed, thousand operations [5]

Figure 5 shows the number of e-commerce transactions in Azerbaijan in 2016-2020.

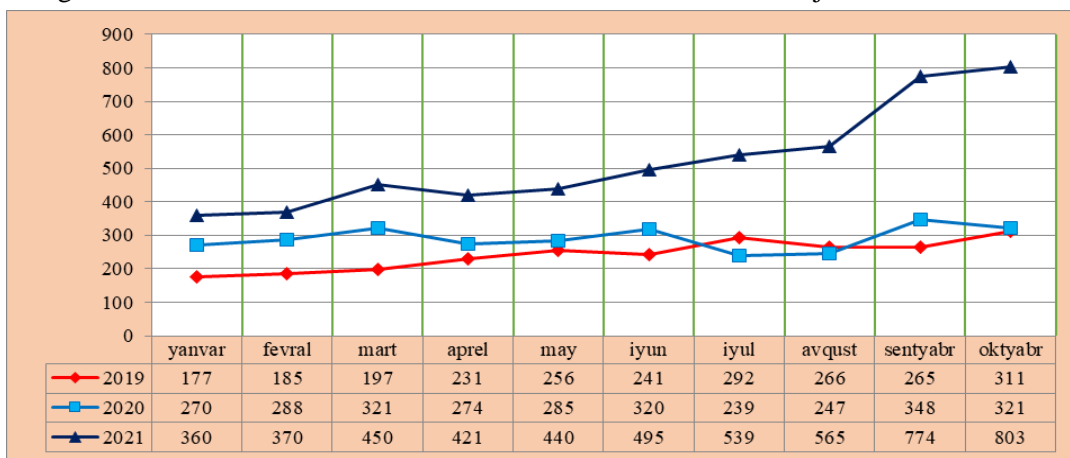


Fig. 6. Volume of e-commerce transactions in Azerbaijan in January-October 2019-2021, mln. manat [5]

The volume of e-commerce transactions in Azerbaijan for ten months of this year amounted to 5218 million. manat. This is significantly higher than the same period last year.

E-commerce allows shippers and customers to enjoy new opportunities equally:

- Global participation and global choice;
- Increasing competitiveness;
- Individualization of sales;
- Reduction of turnover costs;
- New business opportunities [4].

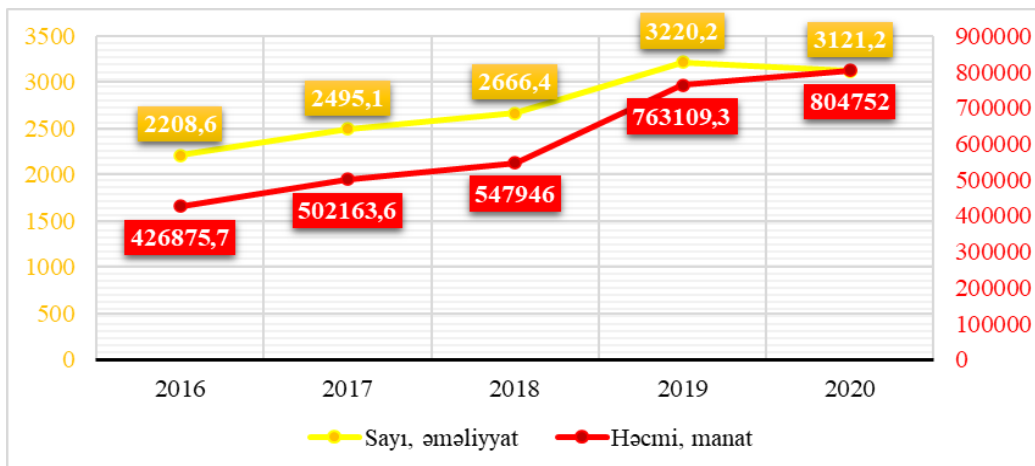
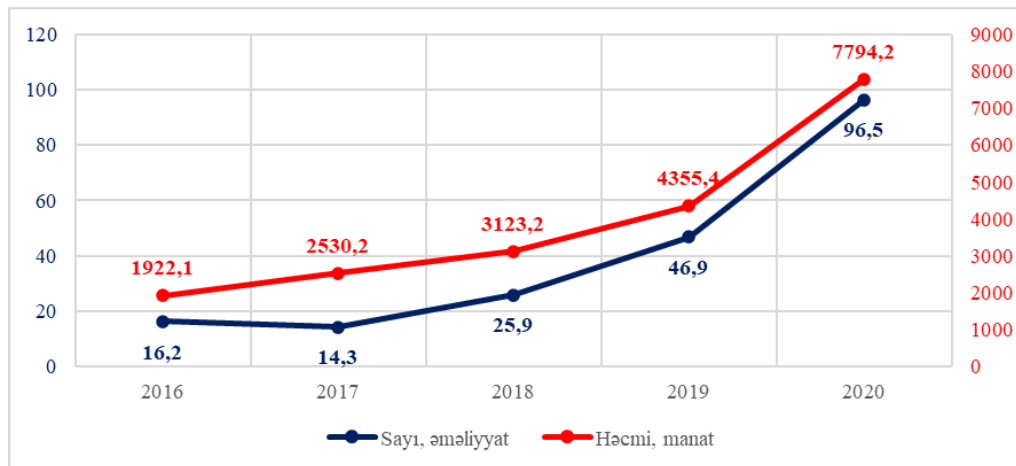


Fig. 7. Transactions per ATM in Azerbaijan in 2016-2020 [2]

As of October 2021, there are 2,870 ATMs in Azerbaijan. 1521 of them are in the capital Baku, and 1349 in other cities and regions. Information on the average monthly number and volume of transactions per ATM in Azerbaijan in 2016-2020 is shown in Figure 7.



*Fig. 8. Per POS-terminal in Azerbaijan in 2016-2020 operations [2]*

As of October 2021, there are 61,061 POS-terminals in Azerbaijan. 40057 of them are in Baku and 21004 in other cities and regions. Information on the average monthly number and volume of transactions per POS-terminal in Azerbaijan in 2016-2020 is given in Figure 8.

E-commerce security is the protection of the interests of interconnected entities engaged in commercial operations with the help of e-commerce technologies [4]. One of the main problems on the Internet is data security.

Taxation of e-commerce in our country has been implemented since 2017. According to the amendments to the Tax Code, which came into force in 2017, the two main issues in the taxation of the digital economy are the mechanism of withholding tax (10%) and VAT (18%). Additions and amendments to Articles 168.1.5, 169.1 and 169.3 of the Tax Code regulate the application of VAT in the virtual space.

E-business is at a new stage of development in our country. However, the share of the e-market is much smaller than the traditional market. A number of problems must be solved for the development of e-commerce [4, p.19]:

- Financial problems;
- Security of e-commerce operations;
- Transition problems of globalization;
- Attracting new customers, etc.

By solving these problems, it is possible to achieve the development of e-commerce in our country. Entrepreneurs operating in this field must have discounts. First of all, entrepreneurs should be exempt from taxes for several years. For this, it is necessary to use world experience.

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