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# ELECTRONIC COMMERCE IN AZERBAIJAN AND ITS ROLE IN FOREIGN TRADE

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## ABSTRACT

E-commerce, formed as a result of the development of information technologies and its widespread use at the end of the 20th century, is used almost all over the world. It should be noted that the share of electronic commerce in retail trade in Developed Countries is much higher. However, in Developing Countries, the scope of e-commerce is not so wide. That is, each country uses e-commerce according to its level of economic development. Nowadays, countries use e-commerce domestically, and even increase their trade turnover with foreign countries with this new type of trade. Therefore, in addition to traditional exports, electronic exports play an important role in the foreign trade turnover of countries today. The share of electronic exports in the foreign trade turnover of Developed Countries is quite large.

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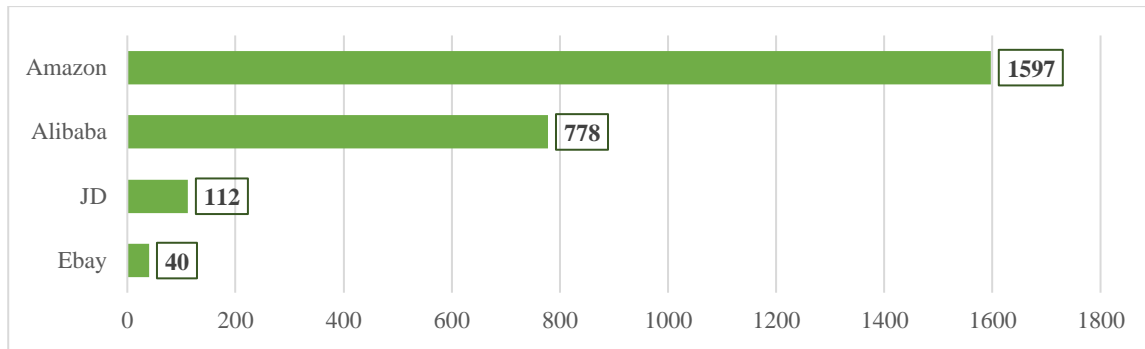
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## Introduction.

The digital economy is taking shape all over the world today. Digital economy is understood as an economy based on computer technologies. The world's giant companies (such as Amazon, Google, etc.) are important subjects of the digital economy [5, p. 21]. Today, the digital economy has permeated many aspects of the world economy. These include transportation, retail, banking, etc. an example can be given. The relationship between the traditional and digital economy has a complex structure. The traditional economy is based on physical stores, products and cash payment. Over the years, entrepreneurs engaged in traditional trade are switching to electronic trade [5, p. 46].

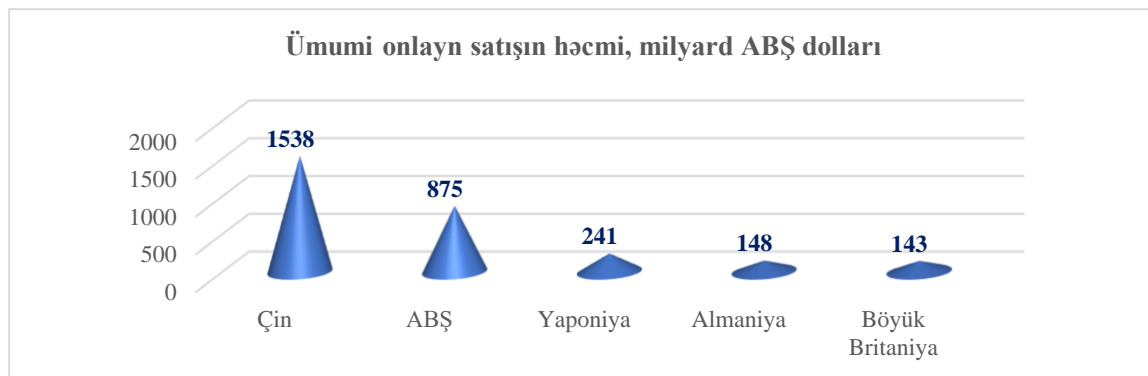
In the 21st century, electronic business attracts the attention of entrepreneurs. Because e-business offers companies new ways of growth. E-business helps to reduce the costs of the main economic activity processes, improve the services provided to the customer, etc. has a significant impact [6, p. 25]. In 1995, the first online purchase was made in the world. Since then, the number of e-commerce companies has increased [9]. Thus, in 1996, the number of e-commerce companies was 111,000 units, and 4 years later, this indicator increased almost 4 times to 435,000 units. [4, p. 181]. Amazon, Aliexpress, Ebay, etc. are increasing the turnover of e-commerce in the world. such huge platforms have an exceptional role.



*Fig 1. Electronic trading platforms and trading volumes, billion US dollars [3, p. 8].*

The demand for e-commerce around the world has increased even more after the pandemic. Because, during the pandemic, the temporary closure of commercial facilities and the lack of travel between countries led to the limitation of traditional trade.

The share of the US, Western Europe and East Asian countries in the growth of e-commerce turnover on a global scale is much higher. The main reason for this is that in the countries I mentioned, information technologies have developed rapidly, and security issues in online payments have been resolved.



*Fig. 2. Countries with the highest e-commerce market value in the world in 2022 [16, p. 57]*

As a result of the development of information technologies in modern times, the number of online services is increasing day by day. That is why the demand for e-commerce is increasing. E-commerce, which emerged in the world at the end of the 20th century, was created in our country in 2005. During the past 19 years, this new type of trade has developed significantly in our country and has become almost accessible to the majority of the population. According to the information provided in the annual report of the UN Conference on Trade and Development "B2C E-commerce Index 2020", Azerbaijan ranked 65th among 152 countries in 2020 according to the B2C e-commerce index. In that year, among the neighboring countries of Azerbaijan, Russia ranked 41st, Iran ranked 44th, Georgia ranked 47th, and Turkey ranked 57th [7]. It should be noted that buying and selling products, providing services to customers, etc., using electronic commerce information systems. is considered an activity [11].

The e-commerce turnover in Azerbaijan has increased 20 times over the past 5 years and reached 41 billion manats in 2023. 39 billion 171 million manats of e-commerce operations are domestic e-commerce, and 1 billion 948 million manats are foreign e-commerce [13].

It is important to have payment cards to do e-commerce. Over the past 5 years, the number of payment cards has increased by 2.2 times and reached 16 million 925 thousand. It should be noted that since the beginning of the current year, the number of payment cards has increased by 942,000 and reached 17,867,000 at the end of May, 79.3% of which was made up of contactless payment cards. If

we look at the composition of payment cards, we will see that 3 million 429 thousand social cards, 2 million 273 thousand salary cards, and 2 million 282 thousand credit cards of the total payment cards.

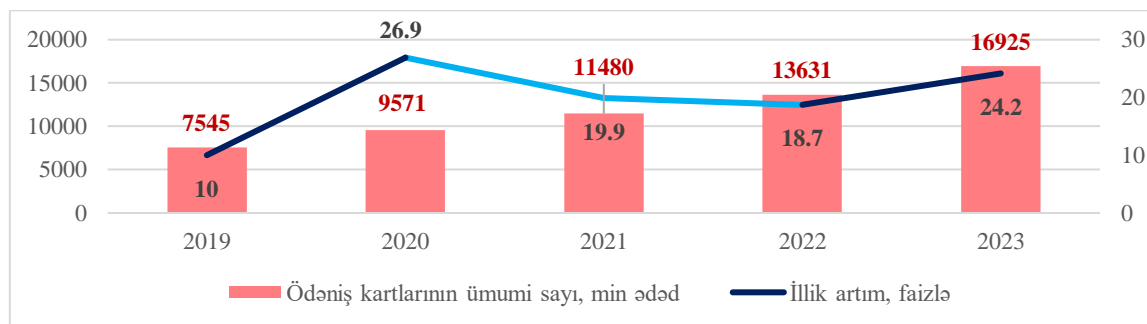


Fig. 3. Total number of payment cards in Azerbaijan during 2019-2023 [2].

In 2023, the volume of transactions with debit and credit cards amounted to 91,340 million manats. 85,077 million manats of the mentioned indicator belong to debit cards, and 6,263 million manats to credit cards. Over the past 5 years, there has been an increase in the number and volume of debit and credit card transactions. In the mentioned years, the number of operations increased by 7.4 times, and the volume by 3.8 times.

In 2019-2023, the volume of foreign transactions with debit and credit cards in Azerbaijan increased significantly and reached 3211 million manats. During these years, the volume of operations has increased by 2.2 times, and the number by 3.7 times.

As a result of the sharp increase in the number of payment cards in Azerbaijan in recent years, the volume of non-cash payments has increased significantly. If we look at the growth dynamics of non-cash payments in our country over the last 5 years, we will see that the volume of domestic non-cash payments increased 10.3 times during these years and amounted to 49,040.27 million manats in 2023.

Table 1. Composition of non-cash payments in Azerbaijan in 2019-2023 (with percentage) [2].

Years	ATM	POS terminal	Electronic commerce	Self-service terminals
2019	1,93	28,06	70,01	
2020	1,03	34,11	64,84	0,02
2021	0,25	34,28	65,41	0,06
2022	0,05	23,84	75,99	0,12
2023	0,02	19,96	79,88	0,15

In 2023, ATMs accounted for 0.02% of non-cash payments, POS terminals for 19.96%, electronic commerce for 79.88%, and self-service terminals for 0.15%. In 2019-2023, the share of electronic commerce in non-cash payments increased from 70% to 80%.

In May 2024, the volume of domestic non-cash payments made through payment cards amounted to 6259 million manats, of which 5245.6 million manats belong to electronic commerce.

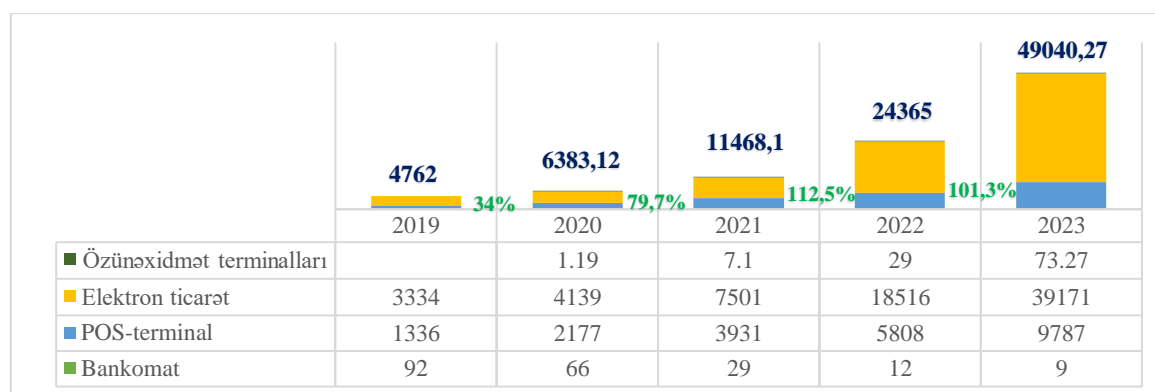


Fig. 4. Volume of non-cash payments in Azerbaijan during 2019-2023, million manats [2].

One of the important elements of electronic commerce is the Internet. It is not possible to develop e-commerce in regions where there is no Internet or it is very weak. In order to develop e-commerce, fast internet is a must in the regions as well as in the cities. The quality of both mobile internet and fixed broadband internet has been improved in Azerbaijan in recent years. All the work done accelerates the development of e-commerce.

Table 2. Positions of Azerbaijan and neighboring countries on mobile and fixed broadband Internet in the world (June 2024) [15].

Countries	Mobile internet		Fixed broadband internet	
	Position	Speed, mb/s	Position	Speed, mb/s
Azerbaijan	49	52,63	113	39,87
Turkey	58	41,97	108	42,43
Russia	86	25,63	60	87,08
Georgia	60	40,06	127	26,7
Iran	65	36,97	144	14,77

To develop e-commerce in our country, it is important to have a reliable delivery service. In recent years, the number of companies providing delivery services has been increasing in our country. Most of the delivery companies deliver the products ordered from abroad to the customers quickly. Examples of these companies are "Limak.az", "Starex", "Azeri Express", "Dynamex.az", "Kargo Flex", etc. can be shown. The increase in the number of delivery service companies in Azerbaijan over the years is a positive thing. So, as their number increases, a favorable competitive environment will be formed between companies, as a result, tariffs will be lower. Thus, the number of customers of those companies will increase. This will benefit both companies and customers. Most of the cargo companies I mentioned above quickly deliver products ordered by customers from foreign countries to customers. The increase in the number of these orders has a positive effect on the increase in foreign trade turnover.

Foreign trade turnover plays an exceptional role in the development of every country. If we look at the last 5 years, we will see that Azerbaijan's foreign trade turnover in 2023 increased by 1.7 times compared to 2019 and reached 51.2 billion US dollars. Exports account for 66.2% of the indicator I mentioned, and imports account for 33.8%. Export exceeding import is one of the most important factors in foreign economic activity. It should be noted that this positive dynamic has continued over the past 5 years.

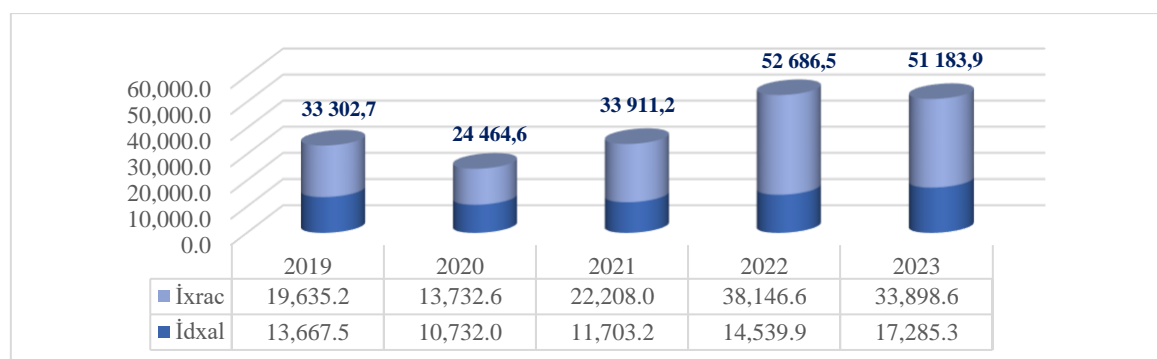


Fig. 5. Foreign trade turnover of Azerbaijan during 2019-2023, million US dollars [10].

Taking into account the development of e-commerce in the world in recent years, it should be emphasized that e-export is widely used in foreign trade along with traditional export. E-exports contribute significantly to both the seller's profitability and the national economy by increasing the flow of foreign exchange into the country. The advantages of e-export are as follows:

- E-exporting requires less time, effort and finance than traditional exporting;
- Because sales are made in foreign currency, sales revenue may be higher;
- Brand recognition and positive image can be increased.

In order to reach an international customer base with e-export, the necessary infrastructure needs to be built and some rules must be followed to be successful. Entrepreneurs who carefully apply these rules can be recognized in the global market and create a certain customer potential.

One of the most important components of successful e-export is a cost-competitive and efficient logistics service. Logistics is the process of planning, executing and effectively managing the movement and storage of goods, services and related information from the point of production to the point of consumption in order to meet customer requirements [8].

Electronic export is widely used in the developed countries of the world. However, the share of electronic exports in Developing Countries is much less. If we look at the e-commerce turnover in the foreign trade turnover of Azerbaijan, we will see that in 2023 this indicator was only 2.3%. Thus, in the year I mentioned, foreign trade turnover was 51.2 billion US dollars, and the share of electronic trade turnover in foreign trade turnover was 1.2 billion US dollars [14].

Azexport.az portal plays an important role in increasing foreign trade turnover. The portal supports the promotion of competitive and export-oriented products produced in Azerbaijan in foreign markets under the brand name "Made in Azerbaijan". Azexport supports exporting entrepreneurs in the field of transportation, logistics, payment and certification in order to improve the business environment in the country [12].

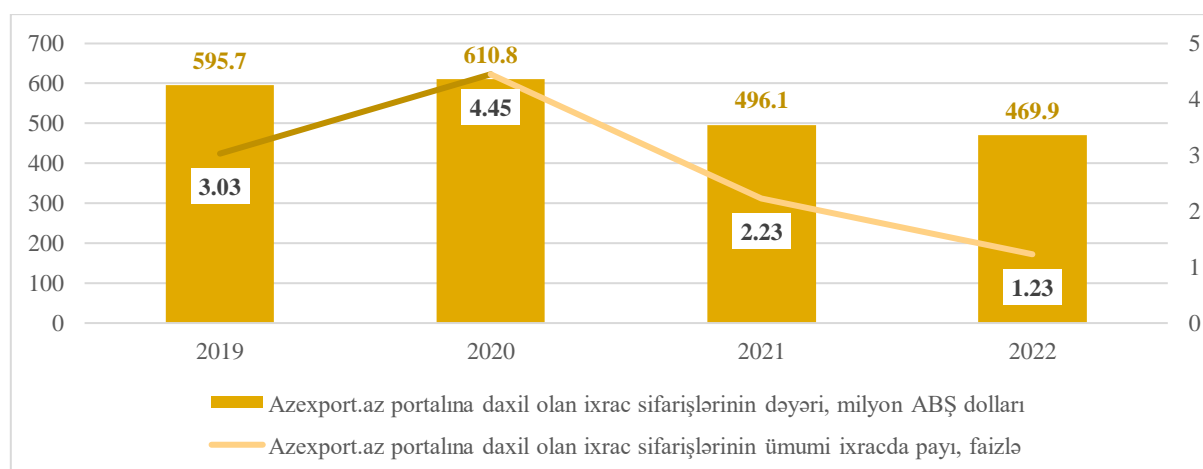


Fig. 6. The value of export orders entered on the Azexport portal during 2019-2022 [1].

If we look at the value of export orders entered on the Azexport portal for the years 2019-2022, we will see that export orders have decreased in the mentioned years after 2020. So, in 2020, this indicator was 611 million US dollars, and in 2022 it was only 470 million US dollars. This means that a 23.1% decrease was observed in the last 2 years.

### **THE RESULT.**

In the era of rapid development of information technologies, the demand for electronic commerce has increased significantly. This is observed all over the world and in our country. If we look at the volume of global retail e-commerce in the last 5 years, we will see that in 2019 this indicator will be 3.5 trillion US dollars, in 2020 it will be 4.2 trillion US dollars, in 2021 it will be 4.9 trillion US dollars, in 2022 It was 5.7 trillion US dollars in 2023, and 6.5 trillion US dollars in 2023. That is, in the last 5 years, the volume of global retail e-commerce has increased by 3 trillion US dollars, in other words, by 1.9 times. In 2023, the share of global retail e-commerce in total retail trade was 22%.

In recent years, it is possible to see the development of electronic commerce in our country. In other words, necessary conditions have been created for the development of e-commerce in Azerbaijan. Thus, the number of payment cards, online stores, and delivery companies in Azerbaijan has increased significantly, and the speed of the Internet has been increased. This growth allows us to look to the future with hope. Thanks to the government's attention to this field, electronic commerce has developed sufficiently. It should be noted that during the last 5 years, Azerbaijan's foreign trade turnover has increased by 1.7 times, including exports by 1.7 times and imports by 1.3 times. Due to the development of e-commerce in our country in recent years, the share of e-commerce in the foreign trade turnover is increasing over the years. Although this indicator is not so high, it will increase significantly in the future.

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