

**PROSPECTS OF DIGITAL FINANCIAL SERVICES IN THE
ECONOMIC DEVELOPMENT STRATEGY OF THE REPUBLIC OF
AZERBAIJAN**

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Резюме

У статті зазначено, що головною метою стратегії економічного розвитку Азербайджану є досягнення стійкого економічного зростання та диверсифікації економіки шляхом розвитку ненафтового сектору. Одним із найважливіших завдань з точки зору досягнення сталого економічного зростання та диверсифікації економіки було забезпечення розвитку цифрових фінансових послуг. У зв'язку з цим у статті розглядаються перспективи цифрових фінансових послуг у стратегії економічного розвитку Азербайджанської Республіки. Було торкнено чинне законодавство в цьому напрямку, зазначено проблеми та завдання, проведено відповідний аналіз та надано результати.

Ключові слова: цифрові фінансові послуги, цифрова трансформація, електронні та мобільні банківські послуги, грошовий потік, фінансова інклюзія, цифрова платіжна система

Introduction

The return to the liberated lands in Azerbaijan after the Second Karabakh War will have a special place in the history of post-conflict building in terms of speed and innovation, as well as in terms of funding from domestic sources. The current economic base, financial resources and human capital in Azerbaijan allow the country to move faster to achieve new, big goals in the coming years. In this regard, the main goal of Azerbaijan's economic development strategy is to achieve sustainable economic growth and diversify the economy through the development of the non-oil sector. Urgent measures have been taken to develop the non-oil sector in our country and reforms are being implemented. Strategic roadmaps, state programs on key sectors of the country's economy have been adopted, and economic development goals for the short, medium and long term have been identified. One of the most important tasks in terms of implementing the above is to ensure the development of digital financial services.

Rationale

The application of digital technologies in finance, especially in payment services, creates conditions for increasing financial intermediation. The next stage of economic

development sets new tasks for the development of the financial and banking system [1]. In order to increase the future resilience of the economy, our country is expanding the use of digital payments. One of the seventeen UN goals for sustainable development until 2030, adopted by world leaders, including Azerbaijan, includes the creation of sustainable infrastructure, comprehensive and sustainable industrialization and the contribution to innovation.

The state's digital transition strategy should be based on comprehensive measures to ensure the country's transition to a digital economy. Initiatives aimed at strengthening public confidence in the digital economy are also important. The main directions of the strategy are the increase of digital skills, the establishment of public-private partnerships, the creation of innovation clusters, the development of the local market and financing mechanisms.

Strategic Roadmap for the Development of Financial Services in the Republic of Azerbaijan A strategic vision for the development of the financial sector in Azerbaijan until 2020 Practical work has been done in the country [2]. Thus, the quality of financial services in the country has improved and, along with increasing access to financial markets, conditions have been created for the financial system to increase access to its economic entities.

Reforms in the field of payment systems require expanding the scope and focusing on the regions of the country, more active use of the existing national payment system, the creation of a single electronic payment space throughout the country, increasing access to financial services for legal entities and individuals. As a logical consequence of systemic reforms, the Central Bank has formed a National Payment System with an architecture based on advanced technology and software. In order to reduce the risks of external threats to the operation of the national payment system, in 2015 AZIPS conducted operations through the Local Telecommunication Network in parallel with the platform of the international telecommunications network SWIFT, and as a result ensured the full sovereignty of the national payment system.

Of course, the integration of the country's economy into the world economy necessitates the formation of payment systems that meet modern technological

requirements and are based on modern international standards, and the implementation of consistent reforms in this area. In recent years, Azerbaijan has been actively working in the field of digital technologies and innovations. Undoubtedly, the state plays a key role in this development.

In order to make more efficient use of the components of the national payment system, the Central Bank has established a “Government Payment Portal” and the expansion of its infrastructure capabilities is always in the center of attention. State media such as “Electronic Government” portal, Automated Tax Information System, Interdepartmental Automated Information Search System are integrated into the system, as well as in bank branches served in “ASAN service” centers and mobile “ASAN service” buses to ensure payment through the Government Payment Portal infrastructure has been [3]. The state uses digital technologies as the main tool to improve the socio-economic situation of the population on the basis of the ASAN Agency.

Proceeding from the strategic goal of the State Program on Expansion of Digital Payments in Azerbaijan in 2018-2020, the cashless payment environment between citizens, businesses and government agencies has been significantly expanded, the volume of cash turnover has been reduced and the financial resources base of the banking sector has been strengthened.

In view of the stagnation in the banking sector after the sharp devaluation of the national currency in 2015, it is very important to revive the country's banking sector and stabilize their financial position by expanding the resource capacity of banks for this purpose. As a logical consequence of the reforms in the country's banking sector, banks have expanded their resource opportunities and focused on the real sector of the country's economy.

Analysis

Although the payment card segment in the country is still lagging behind in terms of development compared to competing markets, there has been a dynamic development in this direction in the last decade. The number of payment cards has doubled since 2010 to 8.7 million. The number of transactions with payment cards increased by 3.5

times. In our opinion, in order to overcome the existing problems, regulators and market participants in the country should make additional efforts to support the development of card processing infrastructure, as well as strengthen offers on relevant card products in the country's financial market to increase the availability of cards as a payment method. We believe that banks should significantly increase the availability of ATMs and POS terminals.

As a result of the pandemic, the demand for contactless payment instruments has accelerated sharply, accelerating the transition from cash to non-cash payments.

Although the global economy shrank in 2020 due to the COVID-19 pandemic, the volume of non-cash payments through e-commerce has increased significantly. Thus, the volume of credit card transactions in e-commerce increased by 62.4 percent, and debit cards - by 52.7 percent. This year, most of the non-cash payments in Azerbaijan fell to e-commerce transactions.

The result

Based on international experience, we can say that digital transformation and technological innovations have the potential to modernize access to financial services for the population of Azerbaijan.

In our opinion, at this stage, increasing access to banking services and more efficient access to financial resources, increasing the financial inclusion of the population using the network of agents for electronic and digital financial services should be considered a priority.

Taking into account the current situation and expectations for the next year, the Central Bank can solve the problems in this direction by implementing a medium-term easing strategy for reserves and capital requirements.

Literature

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Summary

The article states that the main goal of Azerbaijan's economic development strategy is to achieve sustainable economic growth and diversification of the economy through the development of the non-oil sector. One of the most important tasks in terms of achieving sustainable economic growth and economic diversification was to ensure the development of digital financial services. In this regard, the article examines the prospects of digital financial services in the economic development strategy of the Republic of Azerbaijan. The existing legislation in this direction was touched upon, problems and tasks were indicated, relevant analysis was carried out and results were given.

Keywords: digital financial services, digital transformation, electronic and mobile banking services, cash flow, financial inclusion, digital payment system