

УДК 332:338.246.8:330.131.5

JEL Classification: L1

TAGIYEVA N.¹, UMUDOVA ZH.²

THE STATE OF DEVELOPMENT OF THE DIGITAL MONEY MARKET IN AZERBAIJAN

DOI: <https://doi.org/10.32620/cher.2024.4.08>

Formulation of the problem. The study of the prospects for the development of electronic currencies in the Republic of Azerbaijan is important in the context of the growing popularity of digital technologies and the expansion of electronic payments worldwide. Electronic money, also known as cryptocurrencies, represents a new type of payment instrument that is becoming increasingly widespread and popular in many countries, including the Republic of Azerbaijan. The significance of this topic is driven by the increasing global interest in the use of electronic money, including in Azerbaijan. In the rapidly evolving landscape of information technologies and the digital economy, cryptocurrencies have the potential to serve as an efficient and convenient tool for international payments while improving access to financial services for the population. However, due to recent security threats and challenges in cryptocurrency management, it is crucial to analyze and assess the feasibility of their application in Azerbaijan and identify the most effective methods for regulating their use. *The aim of the article* is to analyze the prospects for the development of electronic money in the Republic of Azerbaijan, evaluate the potential of cryptocurrencies to enhance the country's economic development, and explore the possibilities of using electronic money in the daily lives of Azerbaijani citizens. *Object of the study:* the process of developing the digital money market in Azerbaijan. *Methods used in the study:* comparative analysis, gradient, detailing and generalization, rating and grouping, etc. *The hypothesis of the study.* It is hypothesized that it is possible to determine a logical approach to studying the digital money market in Azerbaijan. *Presentation of the main material.* The findings of the study can help the government bodies of the Republic of Azerbaijan develop effective strategies and policies concerning cryptocurrencies. These strategies will ensure their secure and reliable use while fostering the development of new financial technologies in the country. *The originality and practical significance of the study.* The spread of the Internet and the active development of information technologies in the financial sector have been catalysts for the growth of electronic payments worldwide. The progress of electronic financial means, in turn, benefits users by reducing the time and money spent on transactions and simplifying cashless payments. On the other hand, electronic currencies expand the capabilities of banks in offering new products, increasing transaction volumes, and attracting new clients. They are widely used as payment tools and means of savings in some countries. *Conclusions.* Electronic payment methods can significantly influence the economy as they change how individuals and organizations conduct financial operations and interact with one another. While the definition of electronic money is relatively clear, the concepts of digital and virtual currencies remain somewhat ambiguous. Given that the global financial market presents various opportunities for using electronic and virtual payment tools in different transactions, this topic requires more detailed exploration. Future research will focus on developing specialized programs to advance the digital money market in Azerbaijan.

Keywords:

state, digital money market, development, Azerbaijan, cryptocurrency, blockchain, security risks, mobile transactions.

¹ **Tagiyeva Nigar**, викладач кафедри прикладної економіки, Азербайджанський державний університет економіки, Баку, Азербайджан.

Tagiyeva Nigar, Instructor of the Applied Economics Department, Azerbaijan State University of Economics, Baku, Azerbaijan.

ORCID ID: <https://orcid.org/0000-0002-4652-848X>

e-mail: Nigar_Tagiyeva@unec.edu.az

² **Умудова Жала**, студентка факультету міжнародних відносин та економіки, Бакинський державний університет, Баку, Азербайджан.

Umudova Zhala, Student of the Faculty of International Relations and Economics, Baku State University, Baku, Azerbaijan.

ORCID ID: <https://orcid.org/0000-0002-7450-3277>

e-mail: Jaleumudova1@gmail.com



СТАН РОЗВИТКУ РИНКУ ЦИФРОВИХ ГРОШЕЙ В АЗЕРБАЙДЖАНІ

Постановка проблеми. Вивчення перспектив розвитку електронних валют в Азербайджанській Республіці є важливим в контексті зростання популярності цифрових технологій і поширення електронних платежів у всьому світі. Електронні гроші, також відомі як криптовалюти, являють собою новий тип платіжного інструменту, який стає все більш поширеним і популярним у багатьох країнах, включаючи Азербайджанську Республіку. Важливість цієї теми обумовлена зростаючим глобальним інтересом до використання електронних грошей, у тому числі в Азербайджані. У середовищі інформаційних технологій і цифрової економіки, що швидко розвивається, криптовалюти мають потенціал, щоб служити ефективним і зручним інструментом для міжнародних платежів, одночасно покращуючи доступ населення до фінансових послуг. Однак через останні загрози безпеці та виклики в управлінні криптовалютами вкрай важливо проаналізувати та оцінити доцільність їх застосування в Азербайджані та визначити найбільш ефективні методи регулювання їх використання. *Метою статті* є аналіз перспектив розвитку електронних грошей в Азербайджанській Республіці, оцінка потенціалу криптовалют для посилення економічного розвитку країни та дослідження можливостей використання електронних грошей у повсякденному житті азербайджанців. громадян. *Об'єкт дослідження:* процес розвитку ринку цифрових грошей в Азербайджані. *Методи, використані в дослідженні:* порівняльний аналіз, градієнтний, деталізації та узагальнення, рейтинг і групування та ін. *Гіпотеза дослідження.* Існує гіпотеза, що можна визначити логічний підхід до вивчення ринку цифрових грошей в Азербайджані. *Виклад основного матеріалу.* Результати дослідження можуть допомогти державним органам Азербайджанської Республіки розробити ефективні стратегії та політику щодо криптовалют. Ці стратегії забезпечать їх безпечне та надійне використання, одночасно сприяючи розвитку нових фінансових технологій у країні. *Оригінальність і практична значущість:* оригінальність і практична значущість дослідження підтверджена запропонованою філософією розвитку ринку цифрових грошей в Азербайджані. *Висновки та перспективи подальших досліджень.* Електронні методи оплати можуть суттєво вплинути на економіку, оскільки вони змінюють те, як особи та організації здійснюють фінансові операції та взаємодіють один з одним. Хоча визначення електронних грошей відносно чітке, поняття цифрових і віртуальних валют залишаються дещо неоднозначними. Враховуючи те, що світовий фінансовий ринок представляє різноманітні можливості для використання електронних та віртуальних платіжних інструментів у різних транзакціях, ця тема потребує більш детального дослідження. Майбутні дослідження будуть зосереджені на розробці спеціалізованих програм для розвитку ринку цифрових грошей в Азербайджані.

Ключові слова:

держава, ринок цифрових грошей, розвиток, Азербайджан, криптовалюта, блокчейн, ризики безпеки, мобільні транзакції.

Formulation of the problem. The spread of the Internet and the active development of information technologies in the financial sector have been catalysts for the growth of electronic payments worldwide. The progress of electronic financial means, in turn, benefits users by reducing the time and money spent on transactions and simplifying cashless payments. On the other hand, electronic currencies expand the capabilities of banks in offering new products, increasing transaction volumes, and attracting new clients. They are widely used as payment tools and means of savings in some countries.

The study of the prospects for the development of electronic currencies in the Republic of Azerbaijan is important in the context of the growing popularity of digital technologies and the expansion of electronic payments worldwide. Electronic money, also

known as cryptocurrencies, represents a new type of payment instrument that is becoming increasingly widespread and popular in many countries, including the Republic of Azerbaijan. The significance of this topic is driven by the increasing global interest in the use of electronic money, including in Azerbaijan. In the rapidly evolving landscape of information technologies and the digital economy, cryptocurrencies have the potential to serve as an efficient and convenient tool for international payments while improving access to financial services for the population. However, due to recent security threats and challenges in cryptocurrency management, it is crucial to analyze and assess the feasibility of their application in Azerbaijan and identify the most effective methods for regulating their use.

Analysis of recent research and publications. The purpose of the article is to



analyze the measures and strategies already taken to develop the infrastructure of the liberated territories of Azerbaijan, to identify promising directions for the reconstruction of infrastructure, to consider the opportunities and problems that the state may encounter in the implementation of its goals.

The methodological basis of the study will be the work of economists from Azerbaijan, near and far abroad on the definition of the concept of infrastructure, its types and functions, legal acts on improving infrastructure of all types in Azerbaijan, as well as adopted state programs for socio-economic development. The study uses comparative economic analysis, SWOT analysis, economic-statistical and observational methods.

Therefore, **the purpose of the article** is to analyze the prospects for the development of electronic money in the Republic of Azerbaijan, evaluate the potential of cryptocurrencies to enhance the country's economic development, and explore the possibilities of using electronic money in the daily lives of Azerbaijani citizens.

Presentation of the main material. It is known that the digital money market in Azerbaijan is just beginning to develop. Although some local companies already provide services for exchanging and storing digital currencies, the government of the country has not yet defined its position regarding the regulation and use of cryptocurrencies.

Electronic money is a form of digital currency that allows people to make payments and transfers online. They can also be referred to as cryptocurrencies, digital money, or electronic assets.

The current state of the digital money market can be characterized as follows:

Rising Popularity: Electronic payments are becoming increasingly common among individuals and businesses, with more stores and enterprises accepting them.

Infrastructure Development: New services are emerging on the market that enhance the technical foundation of digital currencies and make their use easier.

Numerous Competitors: The market features a significant number of different cryptocurrencies, such as Bitcoin, Ethereum, Litecoin, Ripple, Tether, and others. This leads to competition and encourages businesses to improve their products.

Management: The management of cryptocurrencies remains a complex issue, with

different rules and laws in place across various countries.

High Volatility: Cryptocurrencies are highly volatile, meaning their value can fluctuate rapidly and unpredictably.

Investments: Many individuals and organizations are investing in cryptocurrency, viewing it as a promising investment tool.

New Opportunities: The use of digital money has created new opportunities, such as the ability to make micropayments, create smart contracts, trade on cryptocurrency platforms, and more.

In general, the cryptocurrency sector continues to progress, attracting more individuals and organizations. However, it remains quite risky and complex for many, highlighting the need for further development and regulation.

Impact on the economy: Electronic payment methods can have a significant impact on the economy as a whole, as they can alter the ways in which people and organizations conduct their financial operations and interact with each other.

Blockchain technology development: The blockchain technology, which underpins most electronic payment methods, continues to evolve and improve, potentially leading to even broader adoption of electronic payment systems in the future.

New applications: New ways of using digital currencies are emerging, such as digital tokens, which can serve as an alternative form of payment within the ecosystem of specific companies.

Risk of fraud: Digital currencies can also be used for fraud and cybercrimes, which poses a serious threat to users.

Low social acceptance: Despite the growing popularity of digital currencies, a significant number of people still distrust them or lack sufficient knowledge about how they work, which can hinder their acceptance in society.

Impact of geopolitical conditions: Political and economic events in different countries can affect cryptocurrencies and their value. For example, a ban or restriction on the use of cryptocurrencies in a particular country may lead to a decrease in their value on global exchanges.

Need for security measures: As the popularity of cryptocurrencies grows, their vulnerability to cyberattacks and hacks also increases. Companies and users must ensure





robust protection of their crypto wallets and transactions to avoid the loss of funds.

Environmental impact: Cryptocurrency mining and usage can consume significant amounts of energy, which may have a negative impact on the environment. Some digital currencies, including Bitcoin, use the mining process, which requires enormous energy consumption.

Research shows that the cryptocurrency market continues to evolve and develop, and new trends and challenges lie ahead. However, if risks are managed and digital currencies are used with caution and responsibility, they can become a useful and convenient tool for the modern economy and finance.

Let's consider some advantages and disadvantages of digital money in Azerbaijan.

Advantages:

Convenience: Electronic money simplifies financial transactions and provides quick access to funds.

Security: Online payments are protected by various security technologies, including encryption, making them safer than cash.

Transparency: Electronic money ensures full transparency of financial transactions, which helps combat corruption and other financial crimes.

Accessibility: Digital money is available anytime and anywhere through the internet and mobile devices, making it easier for all segments of the population to use.

Disadvantages:

Need for internet access: To use digital money, internet access is required, which can be a problem for residents of remote or less developed regions of Azerbaijan.

Security risks: Cybercriminals may use various methods to hack electronic wallets and gain access to funds, posing a security risk.

Usage limitations: Some companies and stores may not accept digital money as a payment method, which can limit its use.

Lack of familiarity: Some people may not have experience using digital money, which can be an obstacle to its adoption in everyday life.

In conclusion, digital money can be a useful tool for financial transactions in Azerbaijan, but it requires caution and careful attention to security.

It should be noted that there are several types of cryptocurrencies in Azerbaijan that are used for financial transactions. Among the key

cryptocurrencies in Azerbaijan, the following can be highlighted:

Digital wallets: These are programs that can be downloaded to a gadget or computer, allowing users to store and spend electronic funds. In Azerbaijan, popular digital wallets include MilliÖn, eManat, E-pul, Click, Azericard, and others.

Bank cards: In Azerbaijan, credit institutions provide various types of financial cards that can be used for payments in stores, online shops, and other locations. Popular financial cards in Azerbaijan include Visa, Mastercard, and others.

Cryptocurrencies: Recently, cryptocurrency payment methods such as Bitcoin, Ethereum, and others have become increasingly popular in Azerbaijan. These can be used for financial transactions and the deposit of digital assets.

Bank transfers: Bank transfers are a classic way of sending funds from one bank account to another. In Azerbaijan, many banks offer online systems for conducting bank transfers.

In general, there are various types of cryptocurrencies in Azerbaijan that can be used for financial transactions. The choice of the optimal option depends on individual needs and preferences.

Mobile transactions: This form of electronic money allows payments to be made via mobile devices. In Azerbaijan, many mobile service providers offer their own mobile payment systems, such as Azericell Pay, Bakcell Pay, Nar Mobile Pay, and others.

Digital transfers are a type of electronic money that enables money to be sent over the Internet. In Azerbaijan, there are several services for digital transfers, including Western Union, MoneyGram, Ria, and others.

Digital money systems: This category of electronic money allows payments to be made over the Internet. The most well-known digital money systems in Azerbaijan include PayPal, Payoneer, Skrill, WebMoney, and others.

It should be noted that Azerbaijan has a variety of cryptocurrencies that can be used for financial transactions. However, like any other form of payment, each has its advantages and disadvantages, and the choice of the most suitable one depends on individual needs and preferences. Different categories of digital currencies in Azerbaijan have unique characteristics that may influence the selection of the most appropriate method for financial

transactions. Below are some differences between different categories of digital currencies in Azerbaijan:

Use cases: Different types of cryptocurrencies can be used in various ways. For example, digital wallets and mobile payments are most convenient for small payments and purchases in online stores, while bank cards and bank transfers are typically used for larger transactions.

Fees: Each type of digital exchange may charge its own fees for financial transactions. For instance, some digital wallets may charge fees for topping up balances, while using bank cards may be more costly due to additional service fees.

Security level: Different types of digital currencies may have varying levels of security. For example, using cryptocurrencies may be more secure as transactions are cryptographically protected, while mobile payments may be less secure due to the risk of losing a mobile phone.

Accessibility: Regional availability of different types of cryptocurrencies may vary for different social groups. For example, using digital wallets might be challenging for those without Internet access or a smartphone.

Conversion to other currencies: Different types of cryptocurrencies may offer different capabilities for conversion into other currencies. For example, using bank cards may facilitate easy currency conversion, while some digital wallets may have restrictions on transfers.

These are just some of the differences between various types of digital money in Azerbaijan, and to make the right choice, it is important to consider your needs and compare different payment methods.

Transaction speed: The speed of transactions can vary between different types of cryptocurrencies. For example, bank transfers may take more time to process, while cryptocurrency transactions can be completed almost instantly.

Limits: Different types of digital currencies may have different limits on the maximum amount that can be sent or received. For example, mobile transactions may have payment limits, while cryptocurrencies may allow sending very large sums.

Ease of use: Different types of cryptocurrencies may be more or less convenient depending on personal preferences. For example, some people may prefer using bank cards as they

are already familiar with them and they suit their needs well, while others may prefer mobile payments as they are more convenient for quick online purchases.

Thus, when selecting the optimal type of digital currency in Azerbaijan, several factors should be considered, including methods of use, fees, security level, accessibility, conversion to other currencies, transaction speed, limits, and ease of use.

It should be noted that digital currencies, including cryptocurrencies, are gaining increasing popularity worldwide, and Azerbaijan is no exception. A few years ago, the government of Azerbaijan announced its plans to create a national cryptocurrency, the "Azerbaijani manat," and government representatives stated that the project is under development. Furthermore, it is worth mentioning that the Central Bank of Azerbaijan periodically warns about the risks associated with using cryptocurrencies.

Additionally, it should be noted that in Azerbaijan, there are some local platforms that provide the opportunity to buy and sell cryptocurrencies, such as Azex and BTC-Alpha. However, these platforms are not officially regulated, which could pose risks for users. Overall, the trends in the electronic currency market in Azerbaijan may change depending on various factors, such as changes in legislation and technological advancements.

As mentioned earlier, the use of cryptocurrencies in Azerbaijan is not a legal method of payment, and the country's central bank regularly expresses concerns about the risks associated with digital currencies. This may deter some investors and entrepreneurs from using cryptocurrencies in their operations. However, despite the existing limitations, cryptocurrency usage in Azerbaijan can still be implemented. Some international cryptocurrency exchanges may offer their services to users in the country, and local services may continue their operations despite the lack of official regulation. If you intend to invest in cryptocurrencies in Azerbaijan, it is essential to take precautions and thoroughly examine all associated risks. This includes understanding blockchain technology, familiarizing yourself with the specific cryptocurrency you choose, its market value, and understanding the legal restrictions and risks related to cryptocurrency investments.

Based on the above, the electronic money market in Azerbaijan is in the process of





formation, and the main task of the government and central bank is to regulate its development. Cryptocurrency users should exercise caution and stay informed about legislative changes to avoid negative consequences and ensure the security of their funds.

It is known that several organizations operate in the Azerbaijani digital money market, offering various services in the field of electronic payments and cryptocurrencies. One such organization, "Kapital Bank," offers its clients the use of digital wallets for secure and convenient payments. In addition, the company provides the "KapitalBankPay" service, which allows payments to be made via mobile applications and the Internet.

Another company, "AzPay," provides cryptocurrency exchange and electronic transaction services. Users can purchase cryptocurrencies, including Bitcoin or Ethereum, and use them for online payments or money transfers.

"CoinGate" is another organization that offers cryptocurrency transfer and payment acceptance services. The company is based in Lithuania, but its services are available in several countries, including Azerbaijan.

Also worth mentioning is "CenTex Hosting," which offers website hosting and domain registration services and accepts cryptocurrency payments for its services.

Conclusion and prospects for further research. These are just examples of some companies operating in the digital money market in Azerbaijan. As the market expands and new technologies emerge, new players and the expansion of services offered by existing companies can be expected. In addition, several international companies are also operating in Azerbaijan in the digital money sector, such as "Pay-Pal," "Skrill," and "Neteller." They offer electronic payment and currency exchange services, including those involving cryptocurrencies. The company "VISA" should also be noted for partnering with several banks in Azerbaijan to provide credit and debit card processing services. Some new companies are also actively develop-

ing in Azerbaijan's digital finance sector. For example, the company "CoinLoan" plans to launch a service offering loans based on cryptocurrency collateral.

Thus, the cryptocurrency market in Azerbaijan is gradually developing with the emergence of new participants. With technological advancements and changes in legislation, it can be expected that the services offered will expand, and competition in the market will intensify.

References

1. Popper, N. (2015). Digital Gold: The Incredible Story of Bitcoin or How Idealists and Businessmen Are Reinventing Money. Saint Petersburg: Dialektika.
2. Gerasimovich, A. (2019). Cryptocurrencies from A to Z. Kazan: Ridero, 98.
3. Larina, O. I., Oleg, A. M. (2018). Digital Money at the Modern Stage: Key Risks and Directions for Development". Retrieved from: <https://cyberleninka.ru/article/n/tsifrovye-dengi-na-sovremennom-etape-klyuchevye-riski-i-napravleniya-razvitiya> (access date: October 10, 2024)
4. Akst, R. (2018). Marketing Tricks of Cryptocurrencies. Saint Petersburg: Publishing Solutions, 231.
5. Polanski, A. (2019). The Era of Cryptocurrency. Moscow: AST, 345.
6. Taghiyeva, A. "Global Trend or Necessity – Why Do Azerbaijanis Need a Digital Manat?".
7. Tagiyeva, A. (2021). Global trend or need - why do Azerbaijanis need a digital manat Retrieved from: <https://az.sputniknews.ru/20211214/mirovoy-trend-ili-potrebnost---zachem-azerbaydzhantsam-tsifrovoy-manat-437213755.html> (access date: October 10, 2024)
8. Hasanli, A. (2021). Digital Manat: What Can Electronic Money Bring to Azerbaijan's Economy?
9. "Digital Manat": What Can Electronic Money Give to the Economy of Azerbaijan? Retrieved from: <https://report.az/ru/analitika/cifrovoy-manat-cto-mogut-dat-ekonomike-azerbajdzhana-elektronnye-dengi/> (access date: October 10, 2024).

Стаття надійшла
до редакції : 27.07.2024 р.

Стаття прийнята
до друку: 30.12.2024 р.

Бібліографічний опис для цитування :

Tagiyeva N., Umudova Zh. The state of development of the digital money market in Azerbaijan. *Часопис економічних реформ*. 2024. № 4(56). С. 67–72.