

# Digitalization Perspectives of the Azerbaijan Economy

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## Abstract

The article examines the development prospects of the digital economy, as well as domestic and international experience that proves the effectiveness of digitization. The development of the digital economy leads to the improvement of the business environment, the relative elimination of the shadow economy, etc. since it has a positive effect on such issues, factors such as the increase in labor productivity, the increase of the company's competitiveness, the reduction of production costs, and the elimination of poverty and social inequality are highlighted as its other advantages. In this regard, the article talks about the work done in the direction of digitalization of economic processes in Azerbaijan and the set goals. At the same time, a number of problems caused by the global characteristics of the digital economy are also considered.

**Keywords:** digital economy, digital technologies, electronic service, innovations, competitiveness, modernization

## Introduction

The transition to the digital economy draws attention with its importance and relevance as one of the most important and strategic development trends of the world economy in the conditions of modern globalization. Thus, the emergence and spread of ICT has had a significant impact on the world economy, resulting in the emergence of a new phenomenon - the digital economy. When future perspectives, approaches, principles and criteria are formed in all spheres of society and economy, one of the first factors and important components is the digital approach and digital tools. Digital mechanisms are rapidly spreading to the deeper layers of the economy, making people think and attract those who shape, regulate, and set the economy in motion. Thanks to all this, the transition from the strategy of defining new goals and strategic priorities of the economy to the digital economy is of particular importance and importance.

## Materials And Methods

The term "digital economy" appeared for the first time in 1995 and was primarily related to the intensive development of information and communication technologies. Despite the fact that this term is widely used all over the world, its content is still not fully explained. According to P. Meshcheryakov, there are two approaches to the concept of "digital economy". According to the first - so-called "classical" approach, the "digital economy" is an economy based on digital technology. An example of this approach is telemedicine, distance education, sale of media-content (cinema, TV, books, etc.). According to the second - "broad" approach, this is economic production using digital technology [4]. According to other scientists, "digital economy" is the processing, storage and transmission of information based on new methods, as well as digital computer technology. However, the analysts of "Boston Consulting Group" believe that the term "digital economy" refers to the use of online and innovative digital technology by all participants of the economic system, from

individuals to large companies and organizations. Many experts believe that it is important to expand this concept and also include the chain of goods and services that can help digital talent. It should be noted that the digital economy is developing very rapidly on a global scale, it acts as an important driving force of innovation, competitiveness and economic growth around the world. The development of the digital economy at the very beginning of its formation, as a rule, took place based on the following indicators:

- the number of internet network users;
- length of laid network cables;
- the number of smartphones in the population ;
- the number of sites with different domain zones (.com, .net, .ru, etc.).

However, when making such measurements, we fall under the paradigm of the past decades. So, at that time, the foundation of the digital economy was still being laid. The Internet of the past can be easily described by indicators such as network throughput, the number of sites and the amount of MEMs (Data Processing Center) installed. Thanks to global connectivity and instant information exchange, opportunities for more efficient use of resources, joint use of infrastructure, and more perfect loading of forces arise. This is the so-called "mutual aid economy" or "sharing economy", which today is valued at around 150 billion US dollars. Airbnb, Uber, car sharing system and others can be attributed to the services actively developing the "sharing economy" . Today, the Internet means multifaceted platforms, standards and protocols. The sooner companies understand this, the more competitive they can be in the future. Research shows that there will be an increase in the number of devices connected to the Internet. For example, according to the "The Mobile Economy 2019" report of "GSMA", the Association of Mobile Operators, the level of Internet of Things (IoT) connections worldwide will increase three times and reach 25 billion in the period of 2018-2025. During this period, the income from the Internet of Things increased 4 times to 1.1 trillion US dollars. Digitalization and infrastructure development will also result in an increase in the number of mobile internet users. According to the report, the number of mobile internet users will reach 5 billion in 2025 from 3.6 billion in 2018. Despite the fact that the digital economy is often expressed by different names such as the new economy, the Internet economy, the web economy, a single definition of this concept has not yet been given.

It is from this perspective that today it is very difficult to measure the global digital economy and the value it creates. Also, it is impossible to obtain reliable statistics about the basic components of this economy, especially in developing countries [3]. In this regard, depending on the definition, estimates of the scale of the digital economy currently indicate that this indicator varies between 4.5-15.5% of global GDP. About 40% of the added value created in the ICT sector worldwide is accounted for by the United States and China. At the same time, Taiwan, Ireland and Malaysia are the countries with the highest share of ICT in GDP. Despite the current difficulties, it is a fact accepted by everyone that the digital economy involves the realization of economic processes based on digital computing technologies. If we take into account that the global GDP is close to 90 trillion, we will see that this number is quite large. In 2017, the digital economy accounted for 6.9-21.6 percent of GDP in the United States, and 6-30 percent in China. The share of the export of digitally presented services in the global export of services was 1.2 - 2.9 trillion dollars (for the years 2005-2018).

Global ICT service exports were 175-568 billion dollars (for 2005-2018) and global employment in the ICT sector was 34-39 million (for 2010-2015). Research shows that there are two main drivers of value creation in the digital age: digital information and digital platforms. First of all, let's note that the digital information or databases provided by the digital economy are widely used in the direction of economic development goals and solving socio-economic problems, opening great opportunities for increasing the effectiveness of economic policy. The digital platform is a new business model specific only to the digital economy, and its essence consists in providing special services to businesses and the population on the coordination of the activities of various market participants. The main tasks of the digital platform are to create a number of conveniences for its participants, to automatically compile trust ratings between them, and most importantly, to allow buyers and

sellers of services or goods to find each other quickly, quickly close a secure transaction, and at such speed is to create opportunities for settlements. The development of digital platforms greatly accelerates and cheapens exchange and production processes, eliminates the unnecessary ring of intermediaries, and as a result, labor productivity and the efficiency of markets increase dramatically. By the way, it should be noted here that most of the platforms aim to serve market participants almost all over the world without any geographical restrictions. The most striking examples of this are Uber, Lyft, Alibaba, Ebay, Airbnb, Yandex.Market, Amazon and many others. Currently, various digital platforms are connecting with each other in the form of interdependent ecosystems based on information exchange. Currently, the issue of creating and launching new generation digital ecosystems and platforms that have a global level and can cover a large number of different companies and markets is on the agenda. In 2016, the World Bank prepared a report on the state of the digital economy called "Digital Dividends". The effective aspects of its development are mentioned here. For example:

- increase in labor productivity;
- increasing the competitiveness of companies;
- reduction of production costs;
- creation of new jobs;
- more complete satisfaction of people's needs;
- elimination of poverty and social inequality.

The digital economy makes invaluable contributions to the acceleration of the economic development process by stimulating the growth of innovation and productivity, by creating conditions for the production of better quality goods and services at lower costs through the digitalization of sectors and markets, and by transforming value chains in various ways, opening new channels for the creation of added value. In recent years, many support mechanisms have been launched in order to create a favorable business environment for entrepreneurs in our country. As an example of these, the Azexport.az portal, the Digital Trade Hub, and the One-Stop Export Support Center have been launched. The reason for launching the online Single Export Application in the Digital Trade Hub was to minimize the workload of entrepreneurs for export and the contact between the official and the entrepreneur in the implementation of export procedures. At the same time, this service will further facilitate the procedure of obtaining permits for entrepreneurs located in the regions of the republic. It should be noted that the issuance of permits required for export, export customs declaration and export promotion based on a single electronic application is provided for in the Decree of President Ilham Aliyev "On additional measures related to strengthening the position of the Republic of Azerbaijan as a Digital Trade Hub and expanding foreign trade operations". The implementation of the system will minimize the contact between the official and the entrepreneur in the execution of export procedures and will reduce the duration of documents several times. In addition, the procedure for obtaining permits for entrepreneurs located in the regions of the republic will be more convenient. During the purchase of various certificates, costs will be minimized, which in turn will increase the interest of entrepreneurs who prefer local markets to export to foreign markets. In general, the simplification of export processes will create conditions for the full realization of the export potential of our country and, as a result, further increase of the positive balance in the trade balance. One of the facts that proves how quickly the digital model enters daily practice is that in January-March 2019, export orders worth 178.4 million dollars were received through the Azexport.az portal (this is the total fruit and vegetable sales in Azerbaijan in 2018 accounts for about 30% of its exports). It is interesting to look at the geography of the main orders: Russia - 11.5 %, Turkey - 9.9%, USA - 7%, India - 6.6%, Georgia - 5.3% [12]. As mentioned, digitization, the creation of a digital economy opens up important opportunities for both consumers and states, as well as for societies in general. Singapore, China, South Korea, New Zealand and Denmark are among the most advanced countries in the application of the digital economy. These countries have already done very important things in the directions of digitization and application of high technologies. As an example, we can point to Singapore's "Smart Nation" concept, which was considered a government initiative to further improve

the quality of life through the introduction of digitalization into the daily life of citizens in 2014. Not only large companies, but also medium and small businesses participated in the realization of the said concept. China integrates digital industry with traditional industry in its "Internet Plus" digital economy building program, creates ICT Hub in Toronto, Canada, builds "Smart economy", South Korea focuses on human capital development, entrepreneurship and dissemination of ICT achievements in "Creative economy" program, and Denmark prefers the digitalization of the public sector. According to experts, the future development of the digital economy will depend on the success of a number of new technologies. At the end of 2017, 5 types of such technologies were identified. These include 5G communication (with higher upload and download speeds compared to previous communication standards), 3D printing, blockchain, artificial intelligence and Virtual Reality technologies. The mentioned technologies are among the most important development directions reflected in the strategic documents of developed countries. Research shows that 3D printing technology is currently considered one of the best international examples of analysis and study of cost-effective manufacturing methods. The use of this technology creates great opportunities to significantly lower production costs, create new highly skilled jobs and, among other technologies, transform the industry. According to the World Bank report entitled "Cryptocurrencies and Blockchain: Europe and Central Asia Economic Update", in 2018 the economic growth in the Europe and Central Asia region using blockchain technology was 2.3% against 2.7% in 2017. As it is known, blockchains have become one of the most important projects of digital commerce on our planet. The application of blockchain technology has been identified by many reputable banks and financial organizations of the world as the most secure and effective tool of digital currencies. Thanks to the application of the blockchain, it was possible to save time and costs, and reduce the risks in money transfer operations to a minimum. Currently, the application of these technologies in non-financial sectors is being analyzed.

The trade sector is also expected to be revived through blockchain. Thus, building trade on the blockchain can simplify trade by excluding third parties, make export and import safer using cryptographic contracts, shorten the duration of transactions and reduce costs. Currently, as in the whole world, the application of blockchain technologies is in the center of attention in Azerbaijan. Existing and potential risks and opportunities related to the application of these technologies are studied and evaluated. Azerbaijan is considering the implementation of projects implemented by Singapore, Australia, India, Ireland and other countries in the direction of conducting interbank transactions on the blockchain. According to the assessments of the World Bank, Azerbaijan is currently conducting experiments in the field of digital identification in the field of banking. It is believed that the application of blockchain technologies is more efficient in the field of ensuring financial control, tax evasion and combating illegal transactions. The learned experience suggests that in the near future, all interbank transactions will be carried out faster, more efficiently, safer and cheaper on the blockchain platform [7]. The digital economy, developing in a completely new direction with the concept of "Industry 4.0" that emerged as a result of artificial intelligence, robots and their widespread application in the economy, which has been widely discussed in recent years, has also stirred up discussions about the future development of the world economy intends to invest an additional 3 billion euros in scientific research and technologies related to the development of artificial intelligence until 2025. Speaking at the two-day meeting dedicated to digital technologies held in Potsdam, Minister of Economy Peter Altmaier noted that Germany should become one of the world's leading countries in the development of this field. According to him, the government of the AFR is based on the fact that private investors will be able to spend the same amount of funds on this type of research and technology, and by 2025, the total volume of investments in artificial intelligence will be 6 billion euros. At the same time, the minister also noted that, due to the increased use of digital technologies by export-oriented medium-sized enterprises and companies in his country, the GDP is expected to increase by 1.3 % [11]. The transition to the digital economy will lead to economic development, improvement of the business environment, relative elimination of the shadow economy, etc. since it has a positive effect on such issues, special attention is paid to its development in Azerbaijan, as well as in other countries of the world, and certain decisions are made in this regard. The Decree of the President of the Republic of Azerbaijan on the approval of the "State Program for the expansion of digital payments in the Republic of Azerbaijan in 2018-2020" is one of the measures taken for this

purpose [1]. Thus, the new changes to the Tax Code, which came into force on January 1, 2019, are divided into 5 main blocks: supporting small and medium-sized businesses, reducing the "shadow economy" and preventing tax evasion, expanding the taxation base, strengthening and digitalizing tax administration, increasing the economic efficiency of tax benefits. It was emphasized that supporting small and medium-sized entrepreneurs is one of the top priorities of the tax policy. Improvement of the rates of simplified tax, reduction of income tax, introduction of certain benefits for cluster companies representing micro, small and medium enterprises create an incentive for business subjects to leave the "shadow economy". Thus, increasing digital payments helps the government to increase fiscal sustainability by reducing the size of the "shadow economy". As it is known, the high level of the cash economy has led to a decrease in investment opportunities, which are the main basis for the country's development. This factor narrowed the financial intermediation of the banking sector, caused problems such as tax evasion, non-transparency of transactions between entities. However, as a result of measures taken in recent years to improve the business environment, the procedures for starting a business in the Republic of Azerbaijan have been fundamentally simplified. Thus, the "e-registration" reform carried out in our country in 2011-2012 made it possible for entrepreneurs to significantly facilitate the procedures for starting a business. The "e-registration" system of individual entrepreneurs has been successfully implemented since July 1, 2011. Until 01.01.2019, 89 thousand individual entrepreneurs were registered in Azerbaijan using this method. According to the results of 2012, 70% of natural persons who carry out entrepreneurial activities without creating a legal entity have done tax accounting through the Internet without going to the tax authority. Starting from January 1, 2019, a new electronic system has been implemented in Azerbaijan that enables the registration of commercial legal entities (from the submission of the application to the electronic acquisition of the registration documents of the legal entity) within 1 day with 1 procedure [6]. Despite the work done, the increasing number of trade deals carried out through the Internet in Azerbaijan, the implementation of electronic trade transactions in the virtual world complicates the issues of taxation of those transactions. All this results in the loss of state budget revenues. In order to eliminate these losses, in the order of the President of the Republic of Azerbaijan dated August 4, 2016, tasks were given to tax the "digital economy", which is widely used in international practice, in order to increase transparency and expand the taxation base. In connection with the implementation of the order, the Ministry of Taxes is preparing a draft law on the taxation of electronic commerce and is currently discussing it with relevant institutions. At the same time, the General Department of Tax Risk Analysis and Control of the Ministry of Taxes has taken preventive measures and carried out investigations, together with the relevant institution that controls the creation of internet portals, work has been started to identify legal and natural persons engaged in e-commerce in the virtual space and to establish general tax control in this area. Taking into account that the establishment of general control will be carried out in stages, in the first stage, the General Administration identified 186 users who made electronic goods purchases through internet portals or social networks in the 1st quarter of 2016. It was determined that 54 of them are not registered with the tax authority, while 47 of them are registered but have no turnover or are minimal compared to the selling prices of the products. In this regard, relevant notices were sent to the tax authority about the accounting of persons who are not registered, relevant requests were made to the bank accounts of persons who are registered but not in circulation, and a letter was addressed to taxpayers about the deviations. As a result of the measures taken in this direction, compared to the first quarter of 2016, in the second quarter of 2016, an increase of 54.1% in the turnover of taxpayers, 53.8 % in calculations, and 69.1% in income was observed [2]. As it is known, since 2008, state registration of business entities has been carried out by the Ministry of Taxes on the "one-stop" basis. Since 2012, the registration of limited liability companies with local investment has been implemented in electronic form. At the end of 2018, the changes made in the Law "On State Registration and State Register of Legal Entities" had a positive effect on the formation of a favorable environment in the field of registration of business entities in our country and resulted in the establishment of a new digital electronic registration system. Currently, the process of electronic state registration of legal entities has been greatly simplified. As a result of the reforms, the number of procedures was reduced from 3 to 1, and the duration was reduced to 20 minutes. The number of financial resources and documents required to start a business as a legal entity has been reduced to zero. Before the reform, electronic registration was carried out



only through electronic signature issued by the Ministry of Transport, Communications and High Technologies or "Easy signature" issued by the Asan Certificate Service Center. Starting from the beginning of 2019, the state registration of a legal entity, VAT registration and opening a bank account are completed with just one procedure. Thus, the need to confirm the e-application with an electronic signature for the implementation of registration has been eliminated, as well as all previously existing procedures related to registration have been canceled. Users using the new service enter the "Internet Tax Administration" without an electronic signature and undergo identification with the FIN code and mobile number in the electronic registration system [2].

Raising the standard of living and social welfare of the country's population is one of the main priorities of Azerbaijan's state policy. Under the direct leadership of the President of the Republic of Azerbaijan, Ilham Aliyev, important steps have been taken to fully ensure transparency and social justice in the fields of pensions, targeted assistance, disability benefits and employment, eliminate bureaucracy, procrastination and corruption, and minimize official-citizen contact. as one of the steps, in accordance with the decree dated August 9, 2018 "On additional measures related to the improvement of management in the areas of population employment, labor, social protection and security", the establishment of the state social services system in our republic on flexible mechanisms based on progressive international experience and innovative approach, we can mention the consistent measures implemented in the direction of ensuring the principles of social justice, transparency, addressability in services. "Sustainable and Operative Social Security Agency" (FRIEND Agency) was established under the Ministry of Labor and Social Protection of the Population based on the aforementioned decree. The document also envisages the creation of DOST centers that will ensure the implementation of services in the areas of population employment, labor, social protection and security. In general, through the creation of DOST centers, a wide network of public services - labor, employment, social security, targeted state social assistance, disability, pension, social insurance and other relevant areas of the system of services from a "one-stop shop" with operational, simplified procedures, citizen convenience based on the principle, it allowed to expand the scope of services. Currently, more than 130 electronic services are provided in the DOST center on a "one-stop" basis. These include "Pension and social insurance", "Social benefits and scholarships", "Disability, medical expertise and prosthetic-orthopedic provision", "Social services and adoption issues", "Labor relations", "Employment services", "Social- includes legal, socio-pedagogical, socio-psychological, welfare services", "Banking and notary services" and other services [8]. One of the notable points in the activity of the DOST Agency is the successful implementation of the "Friend of the Unemployed" program. On the basis of this program, those recruited are determined from among the citizens registered as unemployed and jobseekers in the employment agencies. On the basis of the relevant referral from the employment centers, an employment contract is concluded with those persons at the "DOST Job Center" and registered and formalized in the electronic information system. After that, the salary card ordered for each employee is issued by the bank only on the condition that the citizen presents his identity card, and the citizen confirms it with his signature when taking the card. Digitization also faces great challenges in the agricultural sector of Azerbaijan. As a result of the replacement of traditional agriculture with "indoor vertical farming" (indoor vertical farming), the production of healthy vegetable products without the need for spraying, artificially and with special light and chemicals regulated according to the needs of each plant, becomes a reality. The transition to digital agriculture, increasing production volume, modernizing agriculture, increasing labor productivity, increasing the level of mechanization, euomatization in agriculture, reducing production costs, automating business processes in agriculture, triggering CPS navigation technologies, increasing efficiency in the activities of agroparks, between farmers and agricultural enterprises it is of great importance from the point of view of ensuring coordination, uninterrupted and high-quality implementation of agrotechnical services. According to the "Regulation on subsidizing agricultural production" approved by the Decree of the President of the Republic of Azerbaijan dated June 27, 2019, subsidies in the agricultural sector will be given to farmers through the Subsidy Information System (SIS) from 2020. The formation of a new mechanism related to support measures applied in the agricultural field is aimed at ensuring accountability, transparency and efficient use of budget funds in this field, simplifying and electronicizing applications for farmers and ensuring their accessibility from any point. The transition to digital agriculture in Azerbaijan requires the expansion of the material and technical and

research base of agriculture, the strengthening of cooperation between the public and private sectors, and the study of the experience of developed countries in the field of digital agriculture [10]. The competitiveness of states is determined by the flexibility of management, as well as the ability to predict the impact of new technologies and adequately respond to changes that may occur. New technologies further expand the opportunities of market participants, but do not exclude a number of challenges. The impact of digitization on the competitive environment and the labor market is one of the issues that require special attention. Thus, the digital economy leads to an increase in the demand for high and low-skilled jobs by ensuring the automation of work processes, but at the same time it leads to the reduction of workers with an average degree of qualification. In order to prevent negative situations, special "Internet ministries" are created by the countries of the world, and initiatives are put forward to ensure that digital business participants comply with uniform rules. Such actual initiatives include the creation of "electronic government", digitalization of healthcare, education and communal services systems, and the preparation of laws regulating new elements of the digital economy. The main goal of creating a digital government is to transform and change the analog, paper-based and used system in order to create interaction with citizens and make public services open, simple and citizen-centered. It should be noted that e-government, which is a new concept in our country, emerged as a necessity of being a modern society with the aim of increasing productivity. In this sense, it means the reliable and sustainable realization of all kinds of tasks, needs and obligations between the rulers and the ruled in a "digital society". and services in electronic communication and operation processes in a mutual situation reliably and uninterruptedly. A similar approach is the concept of "e-government", which means "a better government structure" based on a strong IT infrastructure and applications, which is more advanced than the traditional government model. During 2017, customs control was carried out in accordance with the "one window" principle. Effective use of technical control tools in operation in territorial and specialized customs offices and rapid passage of goods across the customs border were organized, information on various malfunctions and deficiencies in the existing technical control tools was immediately responded to, and relevant experts were invited to address those deficiencies promptly. has been eliminated. According to the report, 155,986 mechanical-electronic locks (GPS) were attached to vehicles carrying cargo in the customs territory of the Republic of Azerbaijan by Mobile customs departments and delivered to their destination. The movement of these vehicles along the designated route was regularly monitored by the staff of the Committee's Target Center using the "GPS monitoring" system, and deviations from the route and other violations were promptly prevented. Thus, the employees provided with cars and technical control tools, based on the information provided by the Target Center, investigated the reasons for the stops of the vehicles that left the route line or stopped for a long time in unspecified places and took appropriate measures. During the reporting period, a network was established to ensure the secure exchange of information between the State Customs Committee and the customs authorities of Ukraine, Georgia and Iran, as well as between Azerbaijan Airlines Closed Joint Stock Company, and the Internet of the State Customs Committee, taking into account the principles of Electronic Government, the best international practice and technical standards, was established. The site has been revised. According to the report data, 20196 for "Customs Clearance Application", 1505 for "e-Initial Notification", 904540 for "e-Customs Declaration/Passenger", 45994 for "e-Import/Export Transactions", "e-Customs Expertise" 658 for "Citizen appeals, inquiries and complaints" 887 for "e-GÖÖEN receiving the identification number of the payer of Customs payments" 11377 for "Admission to the customs authorities" and 800751 for "e-Customs Payments", "About customs declarations" 135,263 applications were received for "giving information", 379,030 for "e-Customs Declaration/Goods", and 50,194 for "information about my goods coming from border customs points" [9]. In connection with the implementation of the Order No. 2199 dated July 13, 2016 by the President of the Republic of Azerbaijan "On additional measures related to increasing the business environment in the Republic of Azerbaijan and further improving the position of our country in international rankings", the innovations taking place in the international world, the most advanced international experience Analytical materials reflecting the position of our country in socio-economic fields were prepared in the "Global Competitiveness Report" of the World Economic Forum for 2016-2017 and 2017-2018, which is one of the most influential rating lists in the world. In the prepared Analytical materials, the World Economic Forum used 12 indicators for

determining competitiveness - quality, infrastructure, macroeconomic stability, health and primary education, higher education and professional training, efficiency of the goods and services market, efficiency of the labor market, development of the financial market, technological level, internal market. The position of Azerbaijan in terms of size, competitiveness and innovation potential of companies is reflected, and both the strengths and weaknesses of the country's competitiveness are noted. It should also be taken into account that any state with a developed information infrastructure and transparent electronic (virtual) borders becomes a part of the global network economy, then serious problems related to the implementation of the state's macroeconomic policy, regulation of the economy (tax, customs, labor relations, control of import-export operations, protection of intellectual property, etc.) appear. In. At the same time, the share of the digital economy is growing rapidly in any country of the world. This means that the lack of regulation of the digital economy will cause serious problems in the future in securing the revenues of the state budget, lead to inaccuracies in the country's balance of payments accounts (accounts related to current transactions and capital movements), and, in turn, to errors in the accounting of state budget revenues and expenses and can lead to deformation of its structures. In the traditional economy, an appropriate policy is implemented to protect the domestic market and ensure the competitiveness of national production. However, a certain problem arises in the implementation of this policy in the digital economy. First, as already mentioned, it is necessary to take into account that the digital sector, the Internet and new forms of communications are developing at a high speed. The emergence of new platforms and services requires the introduction of new approaches and methods of regulation. That is why the applied and valid legal norms may lose their relevance and effectiveness. Second, media convergence is occurring. The Internet, television and mobile communications are becoming more and more closely connected. This creates confusion for traditionally separately regulated markets, as well as new challenges for antitrust authorities. For example, the European Union has responded to such a call by combining telecommunications, television and broadcasting supervision into a single supervisory authority. Third, the decentralized nature of the Internet and the digital economy and, moreover, the lack of well-defined geographic boundaries can lead to jurisdictional problems. It should be noted that one of the main problems related to the regulation of the Internet at the moment is that the issue of jurisdiction has not been resolved. Today, as possible ways to solve the problem of jurisdiction in the Internet environment, in world practice, options such as modernizing private international law, unifying national laws, using arbitration, and using technical capabilities to determine the identity and location of Internet users are being considered.

### **Conclusion And Suggestions**

Based on the research, we can come to the conclusion that it is necessary to implement certain regulatory measures for the normal activity and development of the digital economy. It should be taken into account that information is the main product and subject of purchase and sale in the Internet space. Therefore, ensuring information security in the Internet environment is considered one of the most important conditions for economic security. Otherwise, the Internet can become the most favorable place for the criminal economy. As it is known, the digital economy is characterized by the creation of a new business model and a radical change of the system of social and economic relations, as well as the systems of economic evaluation and economic statistics. Digitalization is emerging as one of the most effective modern methods of reducing the shadow economy, increasing the level of transparency, and the importance of switching to digital payment or electronic document circulation is rapidly increasing. For the development of a favorable business environment, e-government services will continue to be improved by expanding the application of modern technologies and simplifying their use. State e-payment, e-tax, intelligent management, etc. by expanding the organization of electronic services, it will support the development of the digital economy, and thus, the improvement of public administration will ensure the increase of overall economic efficiency. Taking into account all this, in the coming years, in the direction of developing the ICT infrastructure and expanding the possibilities of providing modern electronic services to the population, it would be appropriate to carry out the following:

- due to the global nature of the digital economy, many countries should cooperate internationally in the relevant field in order to formulate and develop national Internet legislation;



- the economy with the aim of eliminating the shadow economy problem

the digitization process should be accelerated, relevant specialized institutions, science centers and other organizations dealing with management and regulation problems in the virtual environment should speed up the solution of legal problems related to the Internet, relevant model laws and recommendations should be prepared;

- taking into account the problems indicated in the research , we would like to note that digital

in the economy and evaluating benefits should be created;

- the increasing of the information flood should be taken into account and the purposeful formation of information in the sources should be developed;

- application of the scientific results of the scientific research works carried out at the modern stage

digitalization opportunities should be taken into account in relation to their prospects ;

- many state institutions, including tax, customs, audit bodies, have their traditional structure, personnel potential, level of electronicization, etc. it should be taken into account that it will undergo a serious change;

- it should be taken into account that due to the development of the digital economy, the introduction of new technologies, startups, artificial intelligence, the loss of more and more areas of activity and unemployment due to digital illiteracy will occur.

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