

THE ROLE OF CUSTOMS IN THE DEVELOPMENT OF DIGITAL SOCIETY IN AZERBAIJAN

Introduction. The digital economy is an economy that is based on digital computing technologies, but is often perceived as conducting business through e-markets. Digitalization of economies brings new products, services, jobs, company types and even markets.

The idea of digital economy is via spreading ICT across all business sectors to enhance its productivity. As future of work, digital economy brings more efficient business model reducing cost of marketing, distribution and other economic factors. More people are now working online, and with the increase of online activity that impacts to the economies, companies that use internet features are taking advantage of getting more profit.

Establishment of e-government is considered one of the factors in further development of digital economy. E-government creates conditions for providing information and e-services to all citizens and tourists making easier daily life. The main purpose of such services can be considered as to reduce the 'distance' between government officials and citizens in provision of social services, as well as simplifying and making government activities more transparent.

Along with high level of ICT applied into all economic actors and spheres, digital society comes up with the adoption and integration of ICT at home, work, education and recreation. Level of digital economy in one country can foster digitalization of society as it depends on banking and trade sectors to be adjusted to the improvements in ICT services.

"E-Government Development Center" was established under the State Agency for Citizen Services and Social Innovations under the President of the Republic of Azerbaijan in accordance with the Presidential Decree of the No. 1885 dated March 14, 2018 "On measures for the development of e-government and transition to digital government". The main aim is to create conditions for the provision of information and e-services by government agencies to all citizens, legal entities and individuals, foreign citizens and stateless persons living in the territory of the Republic of Azerbaijan using modern information technologies [6].

One of the key improvements in digital economic filed is launching Anipay (Instant Payment System) program established by the Central Bank since 2018. Anipay provides digital payment habits in society and increases cashless circulation in the economy. The main purpose is to ensure that payments can be made at any time, all year round between individuals and legal entities, as well as between these individuals and government agencies up to 40 thousand AZN per transaction [3].

The Government Payment Portal (GPP) has also been integrated into the Anipay to ensure that budget, utilities, communications, penalties, insurance and other

payments are collected from a single platform. Thus, legal entities and individuals have the opportunity to pay for more than 1,000 services provided by organizations that have joined the GPP through the Anipay [1].

Digitalization in society. As a result of improvements in digitalization in all sectors of the economy, banking system also expanded and not only in capital Baku, but in the regions as well in recent years. However, negative impacts of 2015 economic downturn and 2020 pandemic can be easily seen in shrinking of banking sector.

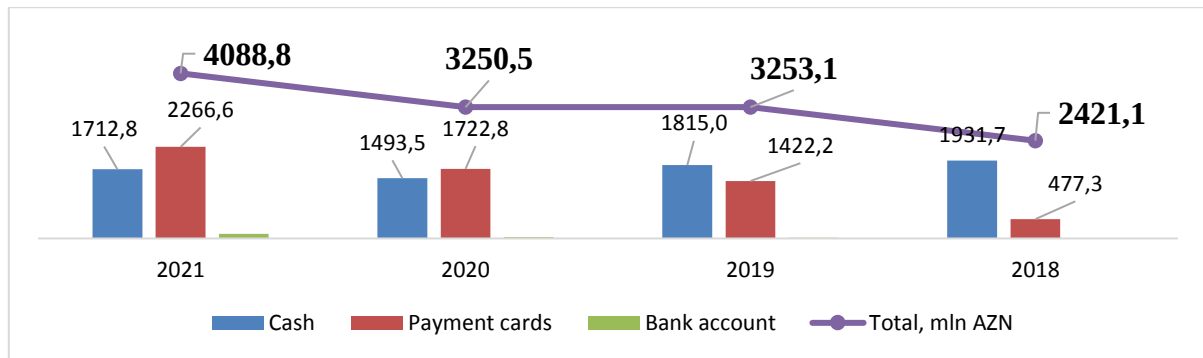


Chart 1. Volume of payments through GPP, 2018-2021 years

Source: [7]

As seen from the Chart 1, significant changes can be recognized by looking at numbers in 2020, where cash payments decreased by which supports the economic downturn idea as a result of pandemic. However, we see positive reaction in the number of in 2021, which let us to say that economic situation of pandemic almost over. These figures give us idea about digitalization of society since it is directly involving individuals rather than economic actors.

E-commerce as basis of digital economy is slowly increasing in Azerbaijan from a low base. Locally developed e-payment system such as GoldenPay and online authentication systems such as the “Easy Sign” (“Asan Imza”) electronic signature system have encouraged online sales. However, the economy is still overwhelmingly cash-based and e-commerce is mainly used for purchases made abroad [9].

Digitalization in customs system. In order to ease customs services to individuals and increase trade level for consumers customs system separated items for personal use and for sale by importers through e-customs portal. These improvements include but not limited to calculation of customs payments for imported passenger cars and buses, obtain the data of the customs declaration, bank services to register money transfers for imported goods on the basis of a preliminary contract or declaration, electronic queue amongst others.

Major electronic services delivered by customs system is shown in the chart. Individuals can send applications and get relevant informations thought the portal.

In order to increase transparency and accelerate required customs procedures, individuals are obliged to declare foreign orders by using the Smart Customs application on their smartphones or by using e-customs platform since January 1, 2021. This new project created conditions for more transparent and faster implementation of e-commerce, increase the level of service, eliminate waste of time, ensure transparency, minimize contact between citizens and officials, accurately conduct

customs statistics, efficient use of available resources. Individuals and companies can use such services via tax identification number (TIN) or otherwise Customs Payments Payer Identification Number (CPPIN). Currently, five e-customs services have been integrated into the mobile application [12]. This also increased e-commerce turnover as many carrier companies are involved in this process and their own online system besides e-customs services made postal items and online orders easier as they notify the physical persons not to exceed monthly limit or categorizing your ordered item. Currently, there are 18 e-customs services available for physical and legal persons. In 2021, 8663 companies and 51854 individuals registered at the portal, whereas when these services established 7216 companies and 16316 individuals started to use in 2020 [5].

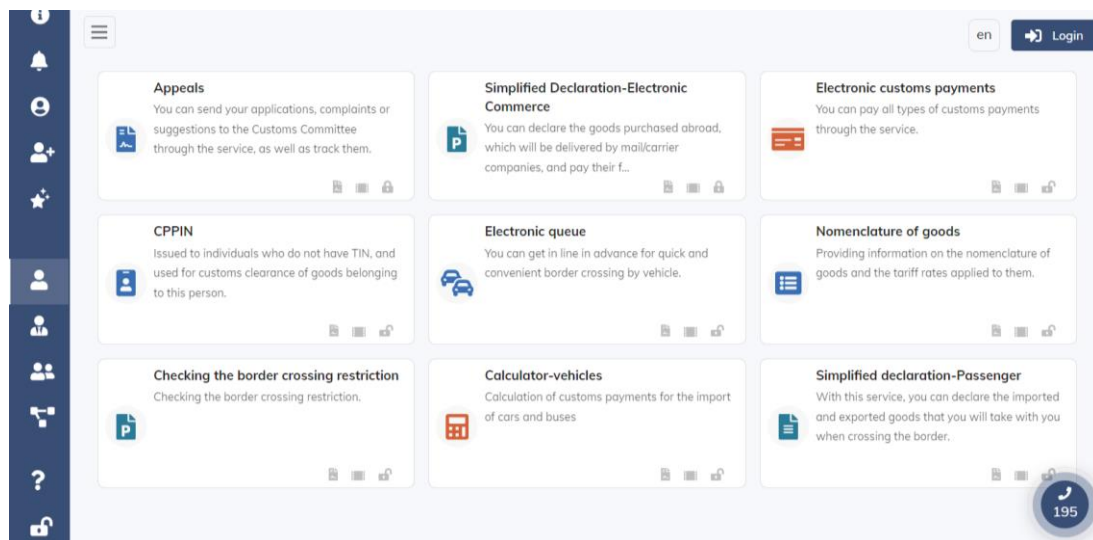


Chart 2. E-customs services for individuals in Azerbaijan
Source: [5]

Throughout the service legal entities can use Appeals to send and also track applications, complaints or suggestions to the Customs Committee, Nomenclature of goods where they can find information on the nomenclature of goods and the tariff rates applied, Electronic customs payments where can all types of customs payments can be paid, Registration of documents which is required during customs clearance, Statistics of import and export operations where they can find reports on import and export operations and payments for them, Postal or courier transportation for the preliminary submission of information about the goods brought by mail or carrier companies, Checking the border crossing restriction for goods and Calculator-vehicles for customs payments for the import of cars and buses [5].

As seen from the chart above, this portal is also for use in its specific oriented application forms that can be sent electronically to custom authorities. Electron service of fast track of persons and vehicles through the state border crossing points of the Republic of Azerbaijan is key part of the portal.

In 2021, about 8 million e-commerce declarations were submitted to the customs authorities through the e-customs portal and the Smart Customs mobile application. In

total, more than 172,000 users are registered on the portal. The number of mobile application users exceeded 375,000, whereas 234,000 of them were Android and 141,000 were iOS users [8]. If we go in details of services usages, the we can see that, out of 3.6 million entrances by services 2.7 million usages were realized only by Simplified declarations (e-commerce) in 2021. And as of November 2022, 4.9 million entrances out of 9 million were operated thanks to Simplified declarations [5].

In 2021, 58% of users who submitted e-commerce declarations to customs authorities through the “e-customs.gov.az” portal and the “Smart Customs” mobile application did not exceed the \$100 limit. 25% of users submitted declarations worth between 100 and 200 USD. Only 16% of users submit declarations ranging in value from 200 to 300 USD. Overall, 1% of users submitted an e-commerce declaration worth more than \$300 [10]. “On Approval of the Main Directions of the Strategic Road Map for the National Economy and Key Sectors of the Economy” and related decrees by the President of the Republic of Azerbaijan on March 2006, in order to simplify the customs clearance of goods and means of transport and further expand e-customs services a number of important measures have been taken in other areas. Establishment of the "Green Corridor" customs clearance system among others are successful examples of this process [4].

Businesses can be eligible for permanent license for using “Green corridor” clearance system within one month applying documents. This license gives priority crossing from border checkpoints and in the use of customs services, also minimize physical inspections and customs expertise and examination, carrying out customs clearance outside the place of work and working hours for inconvenience of businesses. Besides, there can be specific advantages, like import of goods directly into the person's warehouse and unloading of goods without customs clearance and export of goods directly from its own warehouse without coming to customs [11].

These reforms towards to improve digital economy are in the line with creating more favorable conditions for foreign trade participants complying with the legislation in import-export operations, strengthening the country's export potential by accelerating trade across the customs border based on best international practices.

As of 2019, 1,033 foreign trade participants have applied for permanent access to the Green Corridor clearance system. Of these, 262 foreign trade participants were granted the right to use the "Green Corridor" customs clearance system for export operations, 482 foreign trade participants for import operations, and a total of 744 foreign trade participants. During the first 10 months of 2021, the share of foreign trade participants who received the right to use the "Green Corridor" clearance system in foreign trade turnover on import operations amounted to 42.2%, and on export operations 30.3%. At the same time, import operations in the corridor of agricultural and food products amounted to 64.8%, export operations 46.3% [2].

Conclusion. As a result of improvements in digitalization in government sector, all economic fields got benefit and economic output as well as trade went up in recent years in Azerbaijan. Reform in customs system specially in applying ICT services on passengers and individuals' issues made easier external trade.

Currently, there are 18 e-customs services available for physical persons. In 2021, 51854 individuals registered at the portal, whereas when these services established

16316 individuals started to use in 2020. Out of 3.6 million entrances by services 2.7 million usages were realized only by Simplified declarations (e-commerce) in 2021. And as of November 2022, 4.9 million entrances out of 9 million were operated thanks to Simplified declarations.

Individuals declare foreign orders by using the Smart Customs application on their smartphones or by using e-customs platform since 2021 which helped to increase transparency and accelerate required customs procedures. This new project created conditions for more transparent and faster implementation of e-commerce, increase the level of service, eliminate waste of time, ensure transparency, minimize contact between citizens and officials, accurately conduct customs statistics, efficient use of available resources.

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