

**Ministry of Education of  
Azerbaijan Republic**

**Influence of e-business on economy  
and financial problems**

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# Table of Contents

Acknowledgements .....	3
Abstract .....	4
Introduction .....	5
<b>I PARAGRAPH . THE FUNDAMENTAL INFORMATION OF ELECTRON BUSINESS.....</b>	<b>7</b>
1.1 The theoretical issues of e-business .....	7
1.2New approaches to serve e-business for a new products to serve .....	20
1.3 E-business as a borderless economy in a world of borders .....	28
<b>II PARAGRAPH . Innovation factors of banking to financial systems.....</b>	<b>33</b>
2.1 Monetary policy implications of e-business of digital money.....	33
2.2 The role of banks in electronic business. ....	38
<b>III PARAGRAPH. Financial problems and explanation of e-business in Azerbaijan.....</b>	<b>46</b>
3.1 Financial problems of electronic business .....	46
3.2The model of Azerbaijan.....	51
Conclusion.....	53
Suggestions.....	56
References .....	57

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## **Abstract**

My final work is dedicated effects of electronic business on economy and its financial issues. This problems and using e-business how to impact on real economy and business performance. Modern technologies contributes economy development and increase productivity. It makes new business areas. One of new business segment which made after development of network system is electron business. E-business includes various commercial activities, for example, electron trade, e-marketing, online education etc. This study focus on key factor of new business kinds.

This examination includes of 3 paragraphs which are partitioned into 6 sections. First, I was started to the work with introduction. You can discover additional information about e-business and this work. Introduction assists you to understand this research. Beginning paragraph comes after introduction. The first section based on fundamental information of electron business and the impacts of its functions on developed economy. You can find some famous theories about electron trade. Second section is about influence of innovation factors of banking to financial systems. Readers can find emerging role of banks in e-business, also get information digital money and payment system in this chapter. Final section pay attention financial problems and our country- Azerbaijan was additionally considered in this research. Modern trends of financial problems is written in the chapter. After third paragraph it is composed ending points about electronic business and readers can see some suggests about solving the issues, which is called section of Conclusion.

All paragraphs concentrate to academic methodologies. . For better understanding this diploma work includes a few figures , for instance, diagram, table, bar chart and some examples. The written useful materials for my thesis were put in Reference paragraph.

# Introduction

We know that in the our modern world the Information Communication Technology sector has been a strong catalyst and technology has been progressing. The proportion of technological innovation in ICT has expanded significantly. Today the sector contains the Internet, applications, soft and hardware ,cell phones and substance. When many people share het the network effect is essential. So, some of great and effective firms set up their keystones wide ecosystem with free partners, different organizations and users ensure contents and applications. As a result, new innovations and their services is risen their role in the worldwide market.

In the 21st century progressions and developments in the field of innovation and web have made various distinctions in exchange and additionally in numerous parts and have caused changes. Today the Internet means the speed and ease. New subjects of economic activity, basically extended and automated species of cooperation has made excellent wonder of e-business (business trade, e-stock exchange e-marketing, e-auctions and so on). Electronic Business has same ideas with Online Business and it intently connects with innovation. Hence, it makes all suitable groups must aware of new technology, although it isn't to be electronic. You ought to have some fundamental of technological information.

According to technological innovations, the ubiquity of Electronic Business exists encounters an upward trend and it draws in substantially more individuals and bigger specialist now than 10 years prior. Electronic Business exist all nations however it particularly in created nations has a vital significance. E- Business is such a sort of pointer of improvement and it demonstrates its significance. It is evidence that e-business has some advantages and impact to international market. That's why all elements were composed in above demonstrate that it is important to look into and explore E-Business. This my diploma work pays attention about

influence Electronic Business on economy and its financial risks additionally how to diminish electronic business dangers. To outlines these focuses:

**The object of research-** Electronic business and its role on economy. This is adequate to distinguish the financial problems of electron business ,control electronic business dangers and how to manage its issues. Another object is examine suitable condition for e-business. Especially, innovative condition is crucial. It is the improvement of banking sector to simplify the payment system of e-market.

**The purpose of research-** The goal of research explains the role of electronic commerce in the achievement of economic growth. Both analyzing of developed and developing countries will identify future perspectives on their economy. The e-business was completely positive relationship with advance of the economy.

**Duties of research-** are to provide the intended purpose. These responsibilities are as follows:

- Find an exact definition of electronic business;
- Make an clear framework of electronic business;
- Analyse some electronic activities;
- Find a correlation e-business and economy;
- Identify and avoidance the financial problems of electronic business;
- Determine a strategy in e-business

### **Importance of research**

Firstly, this thesis is exceptionally genuine. It will initially give data to the individuals who need to draw in with e-business. These individuals will be more mindful of the costs, dangers and issues. It is reality that e-business includes GDP and should learn its part on economy .

The reason for my research is to assists individuals to comprehend the principles of electronic business and its better understanding. Furthermore, this investigation

gives valuable information about electron business. Generally speaking, it has both academic and functional significance.

### **Source of information**

The thesis comprises of local and outside researchers, their logical articles, monographs and a few books of this current subject's specialists. Materials from web assume a key part in composing work.

## **I PARAGRAPH . THE FUNDAMENTAL INFORMATION OF ELECTRON BUSINESS**

### **1.1 The theoretical issues of e-business**

Electronic Business is a new sector in business environment. ICT is become a part of our life. Great technological revolutions and innovations carry a number of unique features and show periodic fluctuations. The widespread using of the Internet and technology has resulted in the development of electronic business. The proper organization of electronic business management gives the company a strategic advantage over competitors, boosts relationships with partners, improves productivity, reduces costs, optimizes human resource utilization.

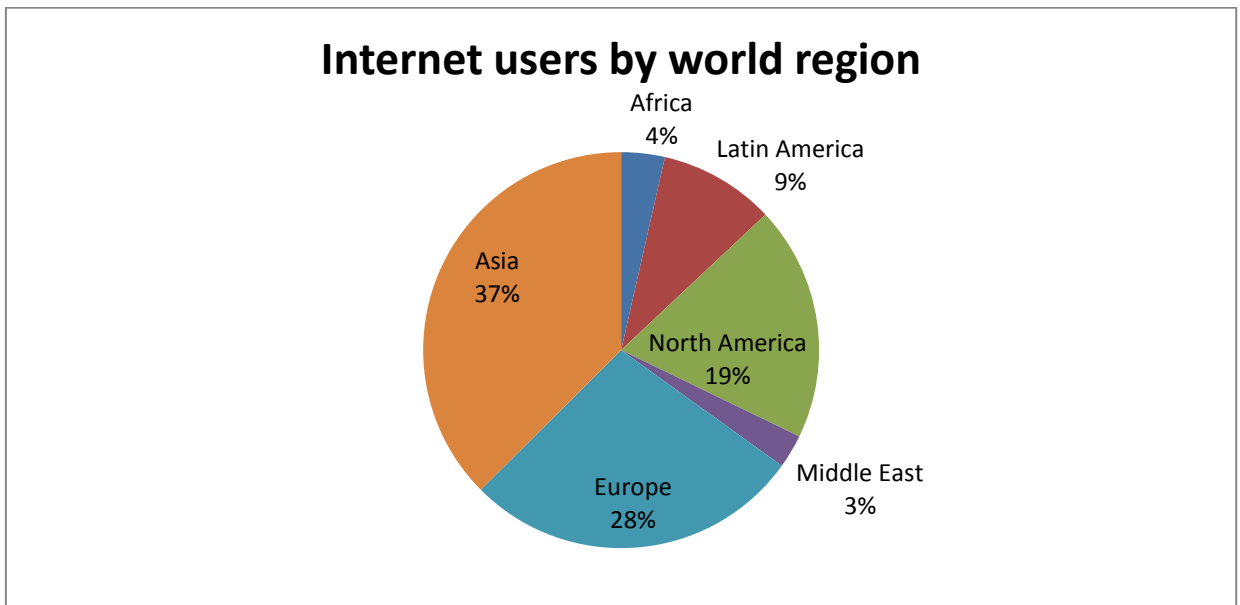
ICT- Information Communication Technologies

**Information** is a few information that is profitable for individuals. It can be gotten by explore, perusing, learning and reaching with others. Data is essential to satisfy

our every day undertakings. Data can be exchanged by advances, for example, PC, cell phone, TV and so forth.

**Communication-** is chiefly about changing data between at least two people. It's critical with a specific end goal to increase important data. Present day world correspondence can be occur by utilizing gadgets that have web association and you can contact with your companions by keeping in touch with a few images or letters. There is additionally some social projects that made correspondence more effective.

**Technologies-** The item encourages clients to get critical data and speak with different ones. Innovation has fundamental part in modern life.



Region	Region Population (2007)	Ratio of Region Population to	Number of Internet Users	Intern et Usage Rate	Ratio to world users (%)	Increasi ng (%)



		World Populatio n (%)		(%)		2000- 2007
Africa	933,448,292	14.2	<b>43,995,700</b>	4.7	3.5	874.6
Asia	3,712,527,624	56.5	<b>459,476,825</b>	12.4	36.9	302.0
Europe	809,624,686	12.3	<b>337,878,613</b>	41.7	27.2	221.5
Middle East	193,452,727	2.9	<b>33,510,500</b>	17.3	2.7	920.2
North America	334,538,018	5.1	<b>234,788,864</b>	70.2	18.9	117.2
Latin America	556,606,627	8.5	<b>115,759,709</b>	20.8	9.3	540.7
Oceania	34,468,443	0.5	<b>19,039,390</b>	55.2	1.5	149.9
<b>Total</b>	6,574,666,417	100.0 %	<b>1,244,449,601</b>	<b>18.9</b>	100.0	244.7
Source: <a href="http://www.internetworldstats.com/stats.htm">www.internetworldstats.com/stats.htm</a> (17 September 2007)						

According to the given data that clearly expresses that the aggregate number of World's population by web use is expanding. We can see that from the diagram in East Asia and Pacific district the rate of Internet users is expanding more quickly than other regions. It shows that there are some perspectives for e-trade in the future. Additionally, you can see potential users from internet and e-business.

Shortly, characterized as e-business is a safe method to offer all types of merchandise and enterprises over the Internet. In web-based business, customer support, advancement, deals, instalment, and conveyance are carried out over the Internet. E-business consists of computerized world items and services, as well as,

administrations that we can use in regular day to daily existence, that they are physically usable.

ICT have the significant part in business environment. E-business is the utilizing devices that gave to the system (PCs, notebooks, mobile phones and so on.). Users do shopping over the internet. The primary advantages of such kind of business are enhancing proficiency and productivity in business world. E-business is useful to the little and medium firms and it's not expensive.

Particularly , after 1995, the concept of making the trade in the electronic condition, which is caused by the increase of internet usage, is called electronic business or shortly e-business. Production, sales, insurance, promotion, distribution and payment of goods and services are done through computer networks. E-commerce can be carried out in one or majority of the business transactions in electronic form;

- advertising and market research,
- order and payment,
- delivery consists of three stages.

There are some some definitions of e-business by various organizations:

- ✓ It is all business activity that the parties communicate economically, without having to make a direct physical connection or a physical exchange transaction- **Export Development Study Center**
- ✓ Electronic Commerce (e-commerce) All types of goods and services are sold and / or purchased using computer technology, electronic communication channels and related technologies (smart card, electronic funds transfer-EFT, POS terminals, fax)- **Bank Cards Center (BCC)**
- ✓ According to **World Trade Organization (WTO)**,E-commerce is (digital) delivery of products sold and paid on the internet.

- ✓ **The International Trade Center (ITC)** defines e-commerce as the distribution, marketing, and sale of goods and services in electronic form.

Although the commercial activities carried out in the electronic environment can be called different terms such as "e-trade" and "e-business" in English, the word "commerce" is usually used in our language as the response of "commerce", "trade" and "business". In fact, the phenomena described in English by these three terms are slightly different from each other. Commerce refers to the trade word, which means that the product and service are changed hands in a specific response. This term also collects orders in their own right. The term "e-business", which is reproduced from the English business word meaning "work" in the Azerbaijan language, is to be done in an electronic environment within a broad measure. This term refers to all business processes, from marketing to communication, from sales to support, from order to delivery, in electronic form. According to this expression, using e-mail is also a sort of e-business activity. "E-trade" is the purchase and sale of a product in the electronic environment. The differences between e-commerce and business can be various. The first difference between them is variety in terms of customers. The sellers of e-commerce are the companies, the buyers are the individual customers. On the other hand, the seller and the buyer are firms in e-business. That is, e-business customers are real and legal persons engaged in wholesale trade. Secondly, it can be said that there are differences between the two concepts in terms of sales volumes. In e-commerce, sales are made to retailer as they are made in the final consumer. Although the number of customers is very high, sales volume is low. In e-business, sales volume is large, but the number of customers is small. Finally, it can be said that there is a difference between them in terms of cash flow. In e-commerce payments are mostly made in cash. In e-business, pay-outs can be instead of cash.

Electronic commerce is a very convenient form of trade, especially for SMEs. Electronic commerce ensures that product options are increased, the quality of products is increased and they are paid quickly.

It allows potential consumers to have information about the products offered on the market all over the world and allows new producers to enter the world markets. The introduction of lower priced and quality products leads to increased competition among producers and to lowering the cost of all commercial transactions. Additionally other advantages of e-business is cost of opening a virtual store in the Internet that is extremely lower than the cost of opening a physical shop. Clients can do shopping independently of place and period.

E-business owns g applications or web sites. The fundamental standard of e-business is increment competitiveness, expand piece of the pie and obviously, to increase the measure of client for organizations. It's the new kind of modern business.

The advantages of e-business can be broadly formed into three major groups:

- Advantages to Companies
- Advantages to Clients
- Advantages to Society

### **Advantages to Companies**

- ✓ Utilizing e-business, companies can grow their local market and international markets with least cost. An association can effortlessly find more clients, best providers, and appropriate business accomplices over the world.
- ✓ E-business encourages companies to decrease the cost to make process, disperse, recover and deal with the paper saved data by digitizing the data.

- ✓ Internet business develops the brand image of the organization .
- ✓ E-business causes associations to give better client benefit.
- ✓ E-trade assist the business procedures and makes them speedier and productive.
- ✓ E-business diminishes the paper materials.
- ✓ Internationalization of Business can be happen. Company researched international market and new potential market. They can get important information about foreign countries such as economic or political situation, inflation and bank rate and resources.

### **The advantages Clients**

- ✓ It provides 24x7 help. Clients can enquire about an item or benefit and put orders whenever, anyplace from any area.
- ✓ E-business application provides more choices and faster conveyance of items for clients
- ✓ E-business application gives clients more choices to look at and choose the less expensive and better alternatives.
- ✓ A client can put survey remarks about an item and can perceive what others are purchasing, or see the audit remarks of different clients previously making a last buy.

- ✓ E-business gives alternatives of virtual sales.
- ✓ It gives promptly accessible information. A client can see the important point by point data inside seconds, instead of sitting tight for a considerable length of time or weeks.
- ✓ E-Commerce expands the competition among companies and accordingly,
- ✓ The companies provides significant discount to clients.

### **Advantages to Society**

- ✓ Clients do not require go to shop an item, in this manner less activity on street and low air pollution .
- ✓ E-business helps in diminishing the cost of items, so less rich individuals can likewise manage the cost of the items.
- ✓ E-business has allowed rural territories to get goods and service , which are generally not accessible to them.
- ✓ E-business assist to government to deliver public service, for example, social insurance, training, social administrations at a decreased cost and in an enhanced way.

The disadvantages of e-business can be formed into two major groups:

- Technical disadvantages
- Non-technical disadvantages

## **Technical disadvantages**

- ✓ There can be lack of security, quality or guidelines attributable to poor usage of online business.
- ✓ Technology industry changes quickly
  
- ✓ In some countries , arrange data transfer capacity may cause an problem.
  
- ✓ Unique kinds of web servers or other programming may be required by the seller,
- ✓ setting the online business condition separated from arrange servers.
  
- ✓ Sometimes, it can be difficult to incorporate an online business programming or site with existing applications or databases.

## **Non-Technical Disadvantages**

- ✓ Initial cost: The cost of making/assembling a e-business application at home
- ✓ might be high. There could be delays in propelling an online business application
- ✓ because of mistakes, and absence of experience.
  
- ✓ User resistance: Users may not believe the site being an obscure faceless vender.

- ✓ Such doubt makes it hard to persuade conventional clients to change from physical stores to on the web/virtual stores.
- ✓ Security/Privacy: It is hard to guarantee the security or protection on the e-trade
- ✓ Lack of touch or feel of items during web based shopping is a disadvantage.
- ✓ E-business applications are as yet developing and evolving quickly.
- ✓ Internet get to is as yet not less expensive and is badly designed to use for some potential clients, for instance, those living in remote towns.

E-trade business models can be classified into the following categories:

➤ **Business - to - Business (B2B)**

The most common types of electronic commerce. In-house or inter-company trade. Also, it called Electronic Data Interchange. In this section, companies is ordering suppliers, providing invoices and paying their prices in electronic environment are evaluated

In this system, customers order the products they need from the company's web site or from web portals or virtual stores (also called electronic marketplaces) marketed by the products of other companies and marketed by other companies' products. The customer sends the creditcard information for payment along with the orders in electronic form to the web site. This is called VPOS, an extremely secure and privacy system that allows you to make credit card purchases over the Internet with an advanced payment mechanism. The VPOS system is an Internet-



oriented POS device that we often use in other purchases. Since VPOS is a system that operates through bank, the marketing company must sign an e-business contract with a bank that offers VPOS service for such payments.

We can see the B2B infrastructure in our country in dealership automation which is usually formed by big organizations. In this way, in a closed online structure, vendors to the firm are able to effectively execute business processes such as procurement, storage, distribution, marketing and so on. This system introduced by e-business technology will catch these advantages as our SMEs, which work independently without affiliation to any big company, will spread rapidly and become widespread in the coming period.

The fundamental part of B2B is for the most part about working the organization's business and connection among providers, , wholesalers, banks, retailers a different companies identified with business specifically. E-business among companies; accounts for 90% of total e-commerce capacity. In fact, e-business operations between firms and buyers are much higher when the number of transactions is considered, but the size of the monetary volume of the transaction performed between the firms and the firm causes the above-mentioned ratio to rise.

#### ➤ **Business - to - Consumer (B2C)**

It is the most well known type of electronic commerce. With the Virtual Stores applications, the firms on the internet are in electronic environment; from book to automobile, from mobile phones to the, many products have started to sell directly to consumers. With widespread use of GSM, wap technology has also been developing and has become a suitable environment for electronic commerce without constraints such as space and time. We can say some online shops such as Amazon, AliExpress, Ebay etc.

#### ➤ **Consumer - to - Consumer (C2C)**

It is a type of electronic commerce made on some web sites that act as intermediaries in the auction market to sell various goods or services to some of the consumers. Consumer to consumer (C2C) or client to client electron plan of action include exchanges between at least 2 individuals by the exchanging of a few goods or service. The part of outsiders in there is looks like brokers or merchants who convey clients to understanding and in a few times outsiders can allude to coordinations, the formal transporters of those products from one individual to other individual. This kind of internet business is relied upon to increment, there is numerous purposes behind it to happen. The significant purpose behind it is that C2C deducts the expenses of utilizing other organization. The case for C2C market could be the our neighbourhood site: Tap.az, Lalafo which thoroughly working as the type of social occasion non business purchasers and dealers in Azerbaijan . In any case, in Tap.az could be B2C showcase when retailers makes account and begins offering their items in there.

➤ **Consumer - to - Business (C2B)**

In this model, a shopper approaches a site demonstrating different business associations for a specific administration. The customer puts a gauge of sum he/she needs to spend for a specific administration. For instance, the examination of financing costs of individual credit/auto advance gave by different banks by means of sites. A business association who satisfies the shopper's necessity inside the predefined spending plan, approaches the client and gives its administrations.

Consumer to-business (C2B) is a kind of electronic business where clients offer a few goods or service to organizations and like the activity done, organizations pay some measure of cash to them. This kind of E-trade makes the open doors for creating nations as the type of instalment for living and getting salary without setting up organization.

➤ **Business - to - Government (B2G)**

It covers trade, communication and all other activities on local networks between the public and the companies. It is the first time that public procurement is published on the Internet and companies offer bids electronically. In order to support the widespread use of e-commerce, tax payments and customs procedures are being carried to the virtual world.

Business-to-government (B2G) is the one normal type of B2B trade which is primarily about the activity identified with some administration substances. It is about the promoting of government item or administrations to open in the levels of state, elected or nearby with the assistance of showcasing methods. This sort of tasks can be key advertising, advancement, notice and presentation of new administrative administrations.

For instance, the prepared contracts with the state provider, paying assessment by utilizing electron charge record or duty stores, getting data identified with some estimation (measurements) about foreseeing financial circumstance of that nation which was given in site of government, data about government approach and so on.

We can this sort of operations happens quickly. From the foundation of e-government framework by the vast majority of the nations helped that action exchanges a considerable measure. E-government is the online type of government that doesn't limits by labourers working hours and doesn't stop in 24 hour daily.

#### ➤ **Government - to - Business (G2B)**

Government - to - Business (G2B) is non-trade activity. Governments utilize B2G model sites to approach companies. Such websites assist online tenders, auctions, , and application.

#### ➤ **Government to Government**

Government-to-government (G2G) is non-business online exercises between part of the administration (services). There are two sorts of G2G:

Internal G2G-it about connection that occur inside the nation. For instance, composing between government divisions, organaizations are G2G activities.

External G2G-this sort of G2G activities happens when governments join various frameworks.

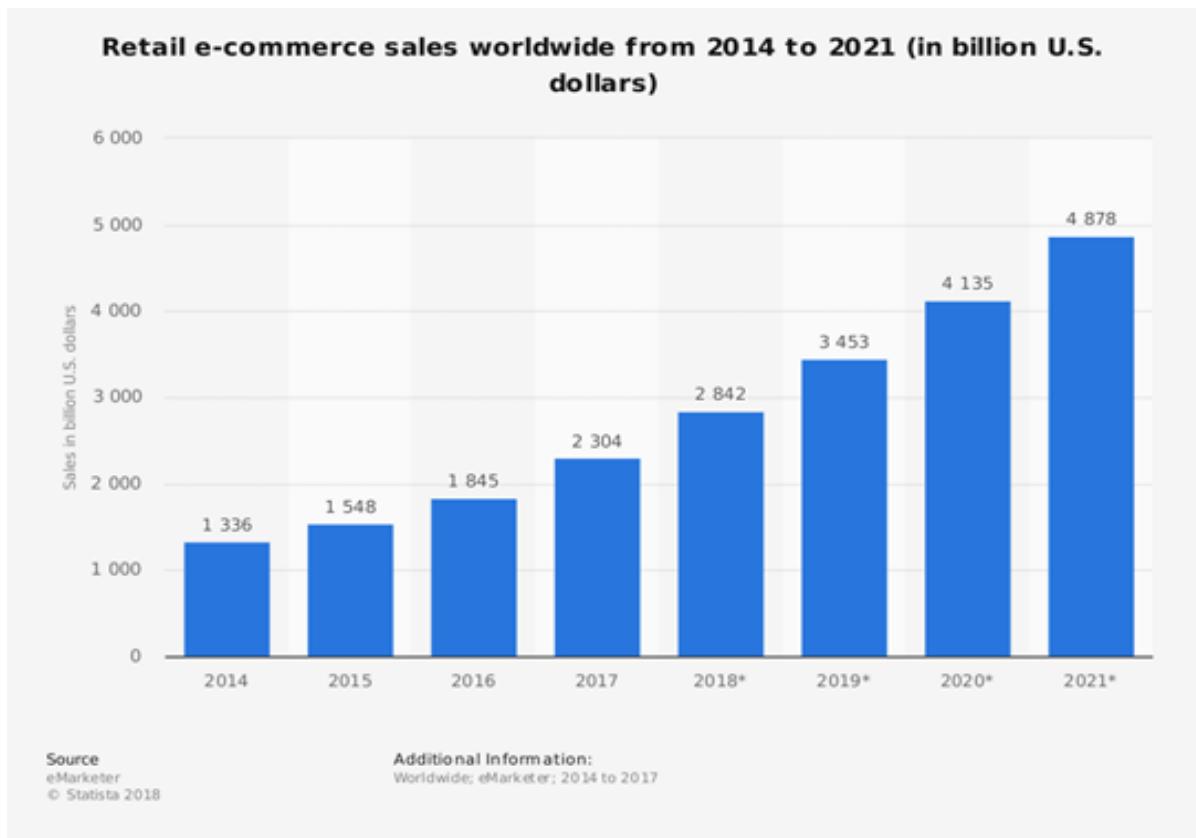
➤ **Government - to - Citizen (G2C)**

Government-to-Citizen (G2C) – It's the relationship between government and peoples. The e-government websites have the real part in there.

## **1.2. New approaches to serve e-business for a new products to serve**

In 1998, 65 million US citizens spent 8 billion \$ on the product purchased over the Internet access network. In the same year, the number of Internet users in Russia reached 1.2 million and total commercial service sales reached 11.5 million dollars. At the same time, the most popular type of business in the Russian Internet segment was the organization of internet shops. This business model is better understood for most Russian entrepreneurs. In essence, it is the general commercial enterprise that uses this information technology. An attractive aspect of Internet technology is that there are several potential buyer applications at the same time.

For example, Amazon.com hides more than a few million potential customers every day. For buildings, the possibilities of reducing rental costs and implementing publications that offer more than 30 million items seem attractive.



### 1.2.1 Electron Store

The general operation scheme of the electronic store is as follows:

The potential purchaser will contact the store's data server with the assistance of a program. There is an electronic showcase on the server. It contains the lists for which the merchandise are delineated, the web crawlers, the enrolment, the booking request, the payment of the products, and the documentation of the receipt.

The purchaser's registration is typically carried out at the time of the order registration. After selecting the goods, the buyer must fill out a special form, where it should indicate how to pay and delivering. When the request has been finished, after all the data on the purchaser has been recorded, this data will be available from the electronic store to the store's exchanging framework. Check whether the

merchandise are in the distribution center and the flag to the installment framework is transmitted. In the event that the asked for products are not in the stockroom, the demand is coordinated to the distributor and the purchaser is educated that when the request is finished, it is constantly conceivable.

If the payment is made in the event that the goods are delivered to the buyer, the ordering must be confirmed. It usually happens with e-mail or telephone. If there is a possibility to pay through the Internet, the used payment system will be activated

The electronic market includes:

- Buyer who frames a request using a PC;
- A bank that has issued and utilized a bank card;
- Electronic store situated on the E-business site;
- The store's bank;
- A company that provides products from the stockroom to buyer.

In addition, there is also an extra software-hardware, which commonly associates with the parts of electronic trade and gives data support to the matter of electronic business. There is a different and obligatory component for subjective electronic business innovation that is an payment system. It completes settlements between the purchaser, the store and the bank.

### **1.2.2 Electron auctions**

In 1999, eBay issued \$ 260 million to buy Butterfield & Butterfield, a 134-year-old experience in the world auction market. This shopping was somewhat symbolic. This auction would only be available to all those on cyberspace if it had served only the chosen ones since its inception. The popularity of online trades stimulates the spread of new pricing models. Now trades are owned by an eBay company (www.ebay.com). The number of users of this company has reached 10 million. About 3,500 types of commodities are traded in approximately 2900 categories a

day. The sharp increase of eBay has led to the creation of thousands of imitators in various manufacturing sectors in many countries. .

In the world the largest auction companies also use the experience of companies that are effectively working in the area of electronic business by transferring their activities to internet.

A joint project of Sotheby's( [www.sothebys.com](http://www.sothebys.com)) and Amazon.com ([amazon.com](http://amazon.com)) is being executed. Thus, the venture is controlled by the proprietors of the Lycos entry and the fourth biggest auction management firm called Skinner, USA ([www.skinner.lycos.com](http://www.skinner.lycos.com)).

According to the awareness of the auctions by buyer and sellers and termination of the auction are divided into the following organizational types:

- 1. Open auctions.** Here, all members (and clients) see both the progression of cashflow and the present greatest cashoutflow. There are no limits on the members. Although it is simple, this is the most famous auction.
- 2. Absolute auctions.** It is illegal to keep the product in stock and minimum price. The products are sold to the purchaser at the highest cost.
- 3. Specific (sealed-offer) auctions.** Here, money is taken genuinely inside a restricted time and the member can not get any data about the quantity of different members, the extent of their cash. The member can just charge 1 point. At the end of the negotiation period, winners or winners are determined.
- 4. Silence auctions.** This is a kind of unique auction. This is a type of special auction. Here, however, the participant does not know who has made money, but knows how much current is the highest. Sometimes the measure of money that the member can do is limited.
- 5. Minimum costing auctions.** The merchant sets the minimum cost for merchandise and begins auction at that cost.

**6. Reserved stock auctions.** In contrast to a minimal auction, members in the auction know that they have a minimum price, but they do not know the size of that price. If the minimum price is not reached in the trade process, the product will not be sold.

**7. Denmark auction.** This is a widely-traded type of auction that is traded at a decreased price. The beginning price of the products is set at a very high level and is automatically diminished during the auction. Reduction of price is stopped when a buyers require. This kind of auction is used to sell large amount of the same goods, for instance, agricultural products. The buyer will be able to stop the auction and buy as much as he / he needs from the product at the price. After that, the auction is beginning with the price. So the rest of the product is sold cheaper. In this case, The buyers think that if it's late, he can not get it.

Electronic auctions are typical examples for organizing data mediation in the business-arranged e-business section. Online auctions are not just data mediators, but also provide certain terms of the arrangement. E-auctions companies provide real-time price consensus between consignors and customers. Auction organizers may, in some cases, be able to stay in the limited range of terms. However, current practice shows that electronic auctions, like traditional auctions, have not been developed in many areas of the economy.

The economic basis of the e-auction cooperation, as a rule, consists of commission expenses for transacts. Information servers with auctions supply technological support to sellers and indicate where they can offer their residual items. Buyers are competing with each other for pricing auctioned goods. The attractiveness of the auction for buyers is that they get the chance to buy cheaper prices. Sellers utilize the auction to speed up their fleet market and overcome new deals markets.

It is registered on the data server who wants to offer the products at the auction and places all the necessary data about its product: the word explanation of the goods,



the photo of the outward appearance, the terms of the shipment, and the reference to the data server on which the goods are saved.

The word description of the products and the significant formalities to participate in the auction are completed directly on the information server. Any company from any country in the world or people can sell their product on Amazon or eBay. However, all participants, both buyers and merchants, are demanded to comply with the auction rules, everybody has responsibility. This means, if the merchant does not sell the products with final prices at the auction, it is fine. And if the buyer does not pay for the goods he has get in the auction, he will be fined and will not permitted in the following auction. Individuals present their credit card details as a financial guarantee when they are registering. Some trades also offer the dynamics of money spent. Shared money is registered on the page that presents the item. In order to make a deposit, you must first enroll. Registration procedure, as a rule, indicates the user name (login) and e-mail address. The password will automatically be sent to this address. After the registration at the auction, you can put money into the choose product.

### **1.2.3. Electronic exchange**

Electronic stock exchange is a more difficult and perfect form of information mediation. Additionally, supporting exchange of information and agreements in stock exchanges, members are also guaranteed to enter into an agreement. At the moment, both regional and inter-regional electronic exchanges operate. All participants in the electronic exchange are usually firstly chosen. Shopping in the online is usually anonymous. The utilizing of the e-stock market is so charming to merchants that it is free to interact with individual traders and brokers. The practice of payment commissions on mandatory expression of electronic commodity exchange contracts is widespread.

There 3 types of e-exchanges :

**The free electronic stock exchange** is created and controlled by a free-lance company that is not a business partner of any trading participant. These are usually inter-stock exchanges. Instances of the free electronic stock exchange include to Vestro, which an operator of 4 electronic exchanges, such as MarketMile Amphire, Industria and Broadlane, which specializes in the trading of different materials and equipments.

**Sectorial e-stock** is sorted by a few large companies. The property ownership and management of the stock are distributed between the field leaders and, possibly, the company that provides the technological support of the information server. These trades are composed to ensure that data is exchanged and concluded in a certain area. For example, the Exchange electronics market, which completes requirements of carmakers like Daimler, Ford, Chrysler, and General Motors, is the Exostar Electronic Exchange, which controls 78% of Lockheed Martin, Boeing, BAE Systems, Raytheon this is the rank.

**A specific stock exchange** is made and controlled by a large modern or trading company to meet its production or exchanging needs. For instance, Wal-Mart's Retail Link was created and operated to supply and market giant Wal-Mart superstores.

In Azerbaijan e-exchanging market is not very popular.

#### **1.2.4. Portals**

Advisory companies such as Adventis, Delphi Group, and IDC develop programs to assist their clients identify the functionality and guidelines of portal, and help them to choose a portal-designer. The portal ensures a similiar application for external and internal data resources.

The portals are divided into the following types of information and for the size of the audience:

**Corporate portals** present a broad range of information( various aspects of the Company's business and information related to them)to narrower audiences(employees, clients and partners). The corporate portal consist of the following:

- Information search engines;
- classifiers;
- Relation with the application systems;
- Means of access control;
- Ability to customize specific user needs.

**Information portals** are intended only to ensure information on a large range of issues for the audience restricted to the size of Internet users.

Yahoo! is a large and famous information portal. Yahoo! The main business of the portal is the sale of advertising grounds.About 90% of this revenue of portal comes from advertising. It includes: Revenue from banners, sponsor revenues, and so on. Most of the revenue comes from great e-trade companies. The main driving force of information portals is the fight for attracting users' attention. Portals serve as a filter that ensures users with the important information. This is a very actual issue for those who relate to the Internet, for example, from mobile phones.

**Commercial portals** provide large audiences with information on any area of interest on a commercial basis.

**Individual portals** are intended for highlighting a specific specific theme for a limited circle of interested people.

### **1.2.5 Electron Advertising**

E-advertising means that gives information to potential users about the products and services that the firm puts on the market. The development of advertising for

the given sector requires consideration of the feature of the broadcast channel. The main fragment of the advertising block should be displayed within 3-5 seconds. Most advertisers do not use one-time ads. Most ads are presented on the top left corner at the most popular place on the home page for a few weeks. Differently advertising on traditional media, e-advertising creates conditions for active the use of navigation on user-managed ad-blocks. Most of the information servers included in the leader group focus on forming a serious business partner image. For this reason, sensitive ads are not placed on sensitive information servers.

### **1.3 E-business as a borderless economy in a world of borders**

The first and the most widely used e-commerce application has become an internet store. They did not bring anything new to themselves, just in the West (in particular, USA) they realize Mail Order-Telephone Order system of widespread goods in a virtual space. There was a developed regulatory basis for this system. The system was transferred to the Internet without any particular feature even though the order forms on the website of the first Internet magazines were similar to those used in traditional channels. Delivery of goods was carried out through existing channels. The electronic way of business activity is a global case both of for its conceptualization and implementation. Participating in B2B or B2C internet business incites little firms to enhance control of their business procedure association. Global companies use e-business very easily. Additionally, if SMEs utilize from e-trade for their business activities, they can get profit and impact on economy on the good side. Because of state get tax, if companies export to foreign companies they collect profit and foreign currency. At the end, this relationship among companies was inspired world market. The impact of e-business on the economy has already begun and, in the future, this influence will be both commercial companies and the whole community. The classic Enterprise Resource Planning (ERP) system covers glasses, purchases, consumables, sales, warehouses, and labor resources. In this case, the financial module is one of the simple components of the system.

With the support of electronic business tools, automated innovations can be integrated so that it can decrease the degree of labour in business. By establishing such a business, Dell has quickly become in personal computer sales. This way is going to the leading automobile companies and others in the world. E-trade lets merchants and clients to take advantage of new reasonably priced goods. E-business have positive influences for compnies:

- 1. Global participation and global choice.** The border of e-business is identified by the spread of computer networks, not national and geographical boundaries. Therefore, the most important networks are global, with the electronic commerce system allowing the smallest consignors to engage in business on a global scale. Also, technicians can choose between any potential consignors offering goods or services regardless of geographical location. So, the crucial networks are worldwide, with the e-trade system enabling the littlest consignors to participate in business on a worldwide scale. Also, speacialist can select between any potential senders offering products or services regardless of geographical area.
- 2. Increasing Competitiveness.** E-business providers are permitted to expand their competitiveness by increasing their accountability. Many organizations utilize electronic trade so that they can ensure detailed product information, instructions on how to use it, and immediately react to the customer's demand, such as giving a speedy response. Accordingly, the quality of service to the client is expanding.
- 3. Personalization of sales.** By utilizing electronic impressions, organizations can consequently submit items and services in accordance with people's claims, with finish information about each individual customer's request. Electronic store systems automatically store these types of commodities to the buyer when the customer reaches the server's store, remembering the repeating purchases of individual purchasers at normal intervals.

- 4. Quick reaction against the claim.** Digital commerce can fundamentally diminish the cost of the items from the agent to the customer. The goods are conveyed specifically to the buyer without passing through a number of conventional load-points, such as discount and retail distribution centers. The service of electronic business systems means not only providing such direct conveyance but also offering an optimal way of decreasing expenses and time costs. In the meantime, customers will be able to purchase those items that need them, that is, they don't restrict their decisions to merchandise in storage.
- 5. Reducing costs.** One of the most vital accomplishments of electronic trade is the diminishment of costs during the transaction. Conducting exchanges electronically lessens the value of the cost of service, which eventually reduces prices for consumers.
- 6. New opportunities for doing business.** In addition to changing existing commodities and services, the idea of e-business is totally new furthermore and services. For example, it might be conceivable to provide electronic delivery services, making of contacts (relationships) between potential shopper and potential consumer, and different types of inform services.

In the opinion of experts, in the nearest decade, the trade industry is experiencing serious changes. Although most purchases will be realized in real markets-stores, the format of their business will change sharply. Below is the forecast that in the future, the number of workers in retail trade will diminish. The number of merchandisers, security divisions, warehouses, will be reduced, and in the future cashiers can be eliminated. Technologies assist of buying procedures toward to customers and check security in store automatically. Such innovation situations are important for the following reasons: the more intensive competition calls for the research for new ways of clients satisfaction and their loyalty. In the market, the constantly moving realities in turn appeal to explain business operations, otherwise it is unrealizable to operate in the market. It is characteristic that the retail business

was one of the "weak" areas in terms of automation. WalMart Supermarkets get achievement in this area. Modern innovations are effectively used there.

The Personal Shopping Assistant (PSA) keeps information about customers' final purchasing activities, renews, adds them, and apply navigation in the store by bringing the consumer to the products they want. Monitors display ads and special promotions will be installed everywhere. It is suppose that these will expand sales capacity and increase the probabilty of buying.

Electronic commerce is an intergovernmental crossing of boundaries for its nature, so systems that carry out these technologies must be able to work in the world's information place.

The challenges for in SMEs lies in their oportune appropriation of e– trade advancements, yet in addition, and all the more significantly, in the vital method of reasoning behind their reception and consequent utilization of such innovations. To begin with mover focal points, the pattern towards centralization of supply in a few sections because of the strength of a couple of firms or new plans of action, the requirement for more noteworthy firm acknowledgment in showcase drove techniques are generally factors that may lessen SMEs' cooperation in the worldwide electronic commercial center. The improvement of viable e– trade methodologies is of major significance for accomplishment in local and global markets.

In short, we can group the effects of electronic benses on the economic situation. So, E-Business are summarized to the effects on economic as follows :

- Expanding rivalry among companies,
- Decrease total costs in enterprises,
- Costs reflected in prices,
- Product choices are increasing for clients
- Market control is provided to buyers,
- "Intermediary" or intermediaries undertaking new functions

- Cyber brokers are formed,
- Life is easy; 7 days 24 hours (7/24) working principle, continuous trade and shopping opportunities. The stores which are open with 7x24 principle make the prices of the goods lower by 1/10 by changing the functions of the intermediaries,
- Developments in telecommunication foundation, cheap persPCs, digital TV, telephone lines, etc. it is anticipated that SMEs will be able to sell directly to purchaser at home and increase their market capacity.
- It is expressed that the specialized and philosophical character of the spread of e-business is "straightforwardness" and "transparency".
- "Transparency" expand the consumer's market control, but makes a database that can be used against the gathering of personal data,
- With E-Trade the relative significance of the time is changing, the vicinity of the geographical nearness to the bazaar is getting out of the way,
- The company diminishes costs through general planning in supply / chain management (15-20% savings in the US)
- Web-based marketing and respect to line increases efficiency for the organizations,
- Getting orders, receiving receipts, invoice consistency, etc. follow-up faults fall with E-Business, thus reducing general expenses,
- Changing the market structure,
- The organization of company and models are changing,
- Global: In the virtual world, clients have the widest kind of stores available



## **II PARAGRAPH . Innovation factors of banking to financial systems**

### **2.1 Monetary policy implications of e-business of digital money**

In the modern world we use also unreal money- digital money. It has normal and special responsibilities.

Any methods for payment that exists absolutely in electronic shape. Digital money isn't physical like a manat or a coin. It is considered and exchanged utilizing PCs. It is traded utilizing innovations, for instance, computers, smart phones, bank-cards and the web. It can be transformed into tangible money , for instance, pulling back money at an ATM.

Monetary services organizations encourage e-money exchanges and cultivate online transacts between total outsiders crosswise over long away. Without e-cash, some online retail sites would work significantly less proficiently. Digital money likewise makes it conceivable to bank on the internet or by with using cell phone, eliminating the need to utilize money or to visit a bank account. At the end of the 1980s, the installation of money and the purchase of fuel on smart cards to protect truck drivers and gas stations from theft at midnight in the Netherlands were the first examples of digital money. Digital money is the money that is stored and transferred electronically. The digital money in our bank account represents the paper money. The fact that banks are always readily available and prominent, the prevalence of electronic money and the virtually lifetime of physical money are about to get rid of the difference between digital money and real physical money.

People save their e-money in the bank cards and electron wallet, such as PayPal, Portmanat. Using e-wallet assist us buying product from other countries. Also, we can sell our goods and money enter our e-account. In Europe PayPal is very

popular. Users can buy items from electron stores, for instance Amazon. In Azerbaijan we can utilize local e-wallet for payment. For purchasing from foreign sites we use our bank card.

Additionally, when we say “ Digital Money” , majority of people think about “Cryptocurrencies”. Digital values that allow secure transaction processing with cryptographic / encrypted and additional virtual money supply are called crypto-money. They also are e-cash, however have some differences. There are some cryptocurrencies such as, Bitcoin, Ethereum, Ripple, Litecoin etc. The most famous of them is Bitcoin and its value is increasing.



Logos of Bitcoin

After mortgage crisis in 2008 in U.S.A. it is watched that previous monetary system related does not as of now reaction the demand of economy of the world. So Bitcoin – first digital currency that utilizations cryptography for security was started in 2009 by an individual or gathering known under the Satoshi Nakamoto. Bitcoin began to be popular since end of 2016 when the some of e-stores acknowledged it as a medium of trade, after that the law to admit bitcoin as a lawful payment technique came into constrain in Japan,

It is decentralized digital money that provide payment system to all over the world

Designed as an e-cash system, Bitcoin has emerged as a response to financial policy and has given increase to interest and spread rapidly. So, Bitcoin is a decentralized monetary system and currency that can not be controlled by any government, company or authority that provides online payment to any person anywhere in the world. Bitcoin is not a centralized structure in the financial

system, although it has been established as a reaction to policy applied by intermediary institutions for example as banks and the state. The value of financial freedom offered by Bitcoin has started to rise day by day, as it begins to be accepted very quickly in the world. This rise has accelerated the transition to Bitcoin, specially for commissions and transaction expenses that banks get for every money transfer or operations. Looking at Bitcoin's areas of use, it now appears that it has become a tool of change that can be used everywhere and Russia has reported that it will legitimize the utilization of cryptographic forms of money, for example, bitcoin.

Both rising estimation of bitcoin 100K times for a long time and profiting exchange less demanding caused to examine this innovation profoundly by authorities. A few highlights of digital currencies, being decentralized, having straightforwardness, mysterious nature, making exchange stores simpler and speedier, charging negligible commissions ,abstaining from irritating strategies did by banks made them surely understood inside brief timeframe. The instability of these monetary standards are too high, it makes them efficiency and risky. The greater part of purchasers and merchants of Bitcoin right now are examiners. The first bitcoin production started in 2009. Bitcoin production can be done theoretically by everyone. People involved in the production process are called "Bitcoin Miner". Bitcoin mine software is programmed to reduce the amount of award given as pre-determined production thresholds are reached. It can be perceived as a contradiction that Bitcoin, which is the currency of your future, has an upper limit value of 21 million pieces. However, when it is thought that 1 Bitcoin can be divided up to 108 and can be represented on the network, it will be sufficient and there will be no supply problem.

### **Friendly Countries to Bitcoin**

**The Estonian government** uses Block-Chain technology for health, banking and even citizens planning to participate in management. For its citizens, it has introduced the first block-based electronic voting system.

The largest number of crypto households in the world and the leader of the world Bitcoin trade volume **The United States**. Many countries are waiting for the consequences of America's attitude and approach to regulating and regulating crypto-money.

**Denmark** wants to remove its cash use and move to digital currency one of the countries. He is planning to use Bitcoin and his reputation digital money together in his daily life without giving up his own central bank altogether. The Danish National Bank has announced that Bitcoin will not regulate it as a money. Many Bitcoin innovative companies are established in the country.

**Sweden**, like Denmark, is a country that wants to lift its use of cash. Swedish In order not to be affected by Riksbank's negative interest rate policy of the central bank, Swedish citizens can use Bitcoin, which will protect their wealth. The Swedish Financial Supervisory Authority has legalized Bitcoin as a payment method.

**In South Korea**, which is home to giant technology companies like Samsung and LG, Although there is no law regulating Bitcoin, Bitcoin has been accepted as a method of payment and its spread is increasing day by day. South Korea is also hosting the Bitcoin conferences.

**The Netherlands**. Arnhem is a city of Bitcoin. More than 100 shopping places with Bitcoin there are places that can be done in the city. Dutch banks are exploring ways to use their block-chain method to improve their technology and reduce costs.

**The United Kingdom** is home to many Bitcoins and Block-Chain innovative organizations. Bitcoin is as a special currency, with added value tax on purchases made with Bitcoin.

Enemy Countries to of Bitcoin

**The Icelandic** Central Bank announced in March 2014 that it is opposite to the Icelandic Foreign Exchange Act to buy Bitcoin.

**Bangladesh** says that Bitcoin is not a legal money, and that users are forbidden to throw.

The Central Bank of **Bolivia**, "a government or a non-governmental entity and using uncontrolled money is not legal ".

**Ecuador** is trying to remove its own e-money, to prevent competition is forbiiden Bitcoin.

Since the Central Bank of **Thailand** is not a law for Bitcoin in July 2013,has been declared illegal.

Each Bitcoin purse is individually protected by a secret key. Without a secret key, it is not possible to trade through wallets. If malicious users have more than 51% of the current CPU power of the Bitcoin network, hacking of the system becomes possible, but it is impossible for individuals and even states to do so. Crypto-currencies are decentralized, unlike central electronic money and banking systems. Control of this decentralized structure is performed by Block-Chain transaction databases. Bitcoin provides anonymity at a certain level. There is no traditional server or manage point. The operations are anonymous, with nicknames. Transactions are not linked to real people, organizations, bank accounts. Transactions occur between Bitcoin addresses. Transactions are transparent, speedy and global. There is no impact of banks and government on bitcoin claim. Money can not be supplied to the system from the outside, so inflation does not happen. The money demand is awards given to the successful miners who make up

the block. It does not require allow. There is no need to obtain permission from any individual or organization to make the transaction, and nobody can prohibit the transaction.

On May 22, in 2010, a user named Laszlo bought 2 pizzas using Bitcoin. Another Bitcoin user bought the pizzas on behalf of Laszlo from Dominos for 10,000 Bitcoins and sent them to his address. May 22, 2010, it is the first time Bitcoin has been used as a clearing tool in history. In many parts of the world, 22 May is celebrated as Laszlo's Pizza Day.

Also we cannot change our habit, so some people think that it is unreliable. Becoming attractive to illegal activities because of its using of anonymity is both a concern for both the public and the public authorities. The widespread use of Bitcoin will assist decrease price volatility, but it will also demand price volatility to decrease. However, the more widespread the system, the safer and speculative it will be.

## **2.2 The role of banks in electronic business.**

Major organizations are utilizing "electron business," or business directed on-line over PCs, as a methods for growing markets, enhancing client satisfaction, lessening costs, and improving productivity. Companies have customarily utilized PCs to deal with their item and client's information. Presently, notwithstanding, progresses in systems network innovation have empowered firms to streamline their exchanges with providers, wholesalers, and retailers through the electronic trade of data. The most important requirements for systems that provide electronic payments are reliability and safety. People use credit- debit and other types of bank cards. After that we can buy product with helping digital money. It is evidence that, banks have a important role on the improving of e-business. We apply to banks and can get new bank account for only international e-business.(Visa or Mastercard)

There are three perspective in which e-business can influence bank and finance.

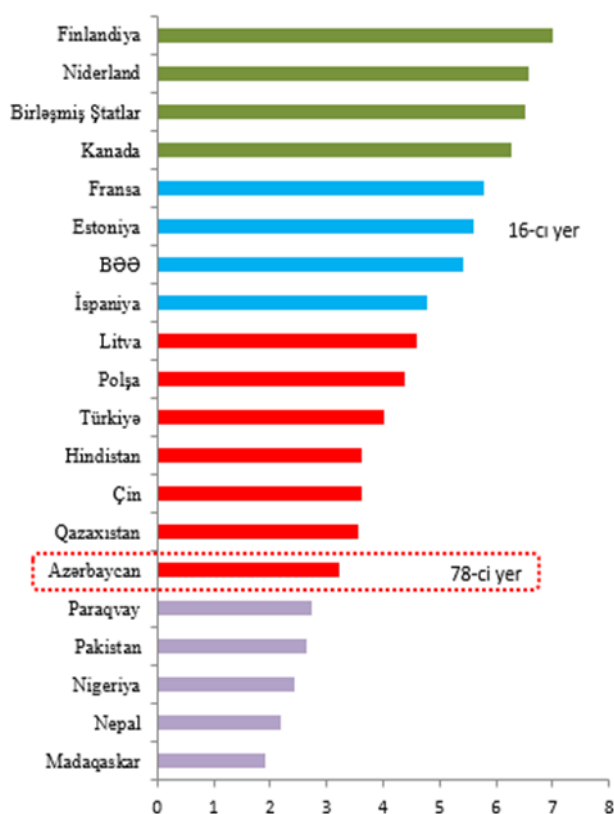
In the first place, banks and financial companies can utilize the innovation and business routine with regards to e-trade to showcase their items to the clients. Second, online business gives a business chance to banks to offer new items and administrations to serve the requirements of web based business. Third, the new business condition related with web based business holds potential for institutional advancements in keeping money and back, which can help to establish a sounder framework for the global financial system

Trade in our age unavoidably includes monetary activity . It would in this manner shock no one that web based business could influence keeping money in an exceptionally crucial way, and would be influenced by the ways banks react to the new requests. For case, web based business will additionally undermine the energy of bank offices (Lawrence et al 1998). It is likewise a business open door for banks to offer new items and administrations to serve the requirements of online business. In the accompanying sub-areas underneath.

### **Advantages of E-Commerce for Banks**

The bank can create site to ensure data on services to clients. Banks have an crucial motivation to seek after the lead of business on-line. On the off chance that they neglect to react to the open doors postured by the Internet, they could be dispatched to a to a great extent auxiliary part as trade shifts toward hardware after some time. In that occasion, they would process installments for purchasers and dealers occupied with online business , however they would have minimal opportunity to connect freely with purchasers and venders or to offer their own items in the electronic commercial center. By differentiate, if banks do build up a nearness on the Interne, they ought to be in a position both to advertise customary keeping money items all the more effectively and to create and offer new items looked for by e-business members. A few banks are additionally exploring how

they may extend their present service contributions to incorporate a few items planned solely for online business. In the rest of this area, we depict the two kinds of activities and the advantages they may convey to banks and their clients. For instance, the client of bank buy the product from Beko company and between the company and the bank if co-operation can happen, it is very attractive for consumer. Customers can pay via credit.



The groups of countries by growth rate of cashless settlements:

I Group, The highest developed countries (totally electron countries );

II Group, countries between middle and high development rate;

III Group, Developing countries;

IV Group, the initial stage of development.

Source: Central bank of Azerbaijan (2014) and Citi Bank; Imperial College London (2014)

Many tools have been developed so that payments can be made securely over the Internet, and existing payment systems have begun to change slowly.



**Credit cards** were first put into practice in 1960 and have made great strides in terms of technology, both in terms of time and in terms of spread. While some credit cards are only made from paper or card, plastic cards have started to be used with the development of technology over time. The first generation credit cards only contain photographs and texts, and later they have been widened to include such fields as barcodes, optical information, etc.

It is the payment instrument that banks and authorized institutions give to clients to open loans within certain restricts, to buy goods and services without cash, and to withdraw cash loans.

The credit cards have a standard payment infrastructure all over the world, and the bulk of the clients base has made it the most utilized payment method for electronic trade.

### **Virtual card**

The widespread use of credit cards as a means of payment in e-commerce, and the high risk of third-party seizures of credit card numbers, has prompted a search for a new payment instrument in the virtual environment. From this point on, MasterCard in America developed the virtual card project.

A virtual credit card is a credit card that is not physically used and is only used for online shopping. A virtual card is a card that does not have a magnetic field but only have a security number, is connected to a user's bank account, is a card that can be used for buying made only on the site, as determined by the client. This diminishes the risk of unauthorized use. It is a credit card that is physically available or not available and can be used by transferring money to the card holder. Money Cards are payment instruments that can set flexible restrict and utilizing time or limit.

We know that, it is enough to know the credit card number and expiration date to realize a buy with credit card, internet or telephone. And, this number will remain

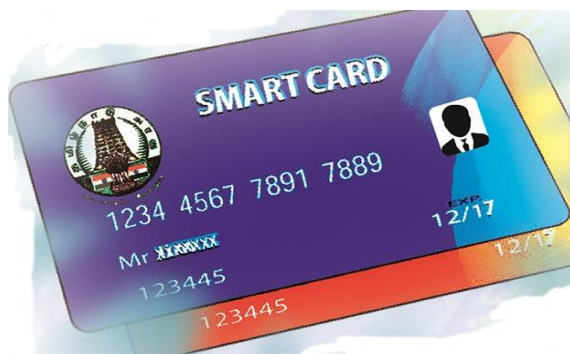
the same for every transaction, so someone who has somehow taken over the credit card number of someone can buy until the limit of that card is finish.

On a virtual card, the limit can be changed by the consumer at any time, so even if the card number is played, only that restrict will be available for that card. Usually, when the card limit is not used, since it is brought to 0, there is no problem like the card number being stolen.

**A smart card** is a plastic bank card has microchips on it instead of magnetic tape. The reason these plastic cards are named smart cards is the ability to store and process 100 times more information than a standard magnetic card.

Smart cards have high security because they have a very special encryption size. Lost or stolen does not pose any threat to the user, as these cards can not be used by anyone other than their user

A system called electronic money has been ipmroved for the purpose of enabling easier, faster, safer and simpler forms of payment to be used in virtual shopping environments



**Digital money** is a currency developed for use on the Internet. It can be considered as the counterpart of the Internet checks of daily shop checks. Those who want to use this system first have to download one of the special software developed by the companies providing electronic money service to their computers and open an account in a bank working with that company.

**An electronic check** is a payment system that permits e-commerce sites to accept and process payments as checks. The electronic check system has almost the same features as the paper check system. In the electronic check system, payments are made by entering the necessary bank account information into the electronic trade site without a credit card. In a sense, the user makes a payment by cutting the check to the trade site. The systems in the bank clean the exchange each day and check whether the conditions for finishing the shopping in the mentioned account are sufficient and in this case they inform the electronic commerce site with encrypted channels.

**Electronic Wallets** (eWallet, e-wallet) are software developed for using in e-shopping . Once the e-wallet software is installed on the user's computer, the necessary information is defined once and then it is not necessary to repeat this information for every operation on the internet. The user can use the wallet on his own computer or through the manufacturer's website. For example, PayPal, Portmanat.

Other payment systems

**Escrip:** A system established for some special low-cost payments such as donation payments.

**IPIN:** A system that reflects Internet spending on ISP bills.

**PCPay:** Smart Card based system.

ECharge My Phone: A system relate to with the phone bill.

First Virtual: A system in which payments are gathered by a third party and distributed to interesting parties.

### **Improvement of E-Business Products**

Banks are outlining and conveying a scope of new e-trade items. On the off chance that the items portrayed underneath demonstrate fruitful, the fundamental business blend of managing an account is liable to change. Banks may progressively work as facilitators of on-line business and see a decrease in their long-standing part as financial intermediaries.

**Created Internet Portals.** Various banks are wanting to take an interest in uncommon Internet sites, "supersites" where numerous venders will show their item contributions and vast quantities of purchasers will visit. Some of these sites will highlight an expansive scope of monetary and nonfinancial item contributions; others will confine their contributions to financial service.

**Confirming Identities.** Banks are additionally intending to offer an item that would ensure e-business members against extortion emerging from the distortion of personalities. Utilizing encryption innovation, each bank would confirm the personalities of its own record holders and fill in as the mediator through which its record holders could check the characters of record holders at different banks. Along these lines, the two sides of a web based business exchange would have some affirmation that they were not managing an impostor.

**Helping Small-Business Entries into E-Commerce.** Another scramble being attempted by a few banks includes assisting littler firms create the infrastructure—interactive online site site and payment abilities—for taking part in web based

business. Also, a couple of banks are putting forth independent ventures electronic acquirement administrations, including the arrangement of volume discounts from merchants (Wilder 1999; Dalton 1999).

**Electronic Billing.** Electronic bill athering and presentment services are being produced as an upgrade to the current money control and remittance processing administrations offered by banks to huge organizations that convey considerable volumes of repeating bills. In this exertion, banks will consolidate the email capacity of the Internet to convey bills with their own capacity to process installments electronically through the interbank payment systems.

**Issuing Electronic Money Electronic Checks.** and Two electron trade items still in the arranging stage are electronic cash and electronic checks. As more PCs is outfitted with "smart card readers", banks are thinking about issuing electronic cash that could be put away on these cards and spent over the Internet. What's more, a managing an account innovation association is working with the U.S. Treasury and a few banks to test an electronic form of a paper check. It could be sent over the Internet from a purchaser to a merchant, electronically supported by the vender, and afterward sent on-line to the dealer's bank for electronic accumulation from the purchaser's bank.

Banks may progressively act about as electron trade facilitators while their long-standing business lines decrease in significance. Such a change would most likely provoke banks to downsize the size or modify the extent of their branch organizes and to commit more assets to the advancement and upkeep of PC systems and programming. The exact part that banks eventually play in web based business, in any case, will depend in extensive part on how well they deal with the key and operational dangers related with working together in the electronic commercial center.

# **III PARAGRAPH. Financial problems and explanation of e-business in Azerbaijan**

## **3.1 Financial problems of electronic business**

The new business condition related with e-business speaks to an event for the keeping money framework to re-structure as a feature of the greater undertaking of setting up another financial system. The more significant results are in the more extensive zone of money related frameworks where the Internet fills in as the innovative stage for a wide range of financial exchanges, the purported e-fund. Here I contact on two potential effects. The first is the duty of central banks monetary policy; the second is the dependability of global financial system and the business as usual of national governmental rules.

In modern world, there are a enormous number of structures that offer new financial resources for clients. Since private financing companies propose administrations to numerous consumers from a real situation, they have the chance to make a turning actuality in their change together with the Internet.

Risks is one of primary things that dependably make directors to concern. It is so essential component to consider important. Risk power to associations to get benefit or misfortune something however in the most perilous one is obviously to wind up working business. In past passage it is basically composed that sorts of hazard. Regardless of them, chance additionally has additionally gatherings, for example, their recurrence, centrality and impact et cetera. Strategies for diminishing danger changes as indicated by these gatherings. It is smarter to know about their definitions and contrasts. This section takes a gander at how conceivable to lessen hazard or debilitate its impact and furthermore how it is different as per additionally factors.

Potential problems are classified somehow that is fitting to the necessities of the business. The advantages of risks arrangement are that:

- All dangers have likelihood to harm to business in different size Kinds of these risks help to control comprehend where problems originate from;
- Classification of hazard is fundamental apparatus which influences supervisors and senior level of service to think about broadly about danger;
- It is valuable that associations take a gander in danger in general as opposed to see it with points of interest. It is simply exercise in futility;
- After identifying of risks , it is valuable that discover conceivable arrangement of that hazard. Characterization contributes seniors of business to perceive how to quantify and control it;
- Categorisation is essential to that causes chiefs to gather chronicled information;
- Risk arrangement figures out who is capable to tackle the issue. It is only division of occupations;
- Classification may help with distinguishing which dangers are between related as well.

E-business has disadvantages, also exists some problems such as financial problems. It is related to the financial activities of an organizations.

Financial problems can be a sort of risk which connects to financial activities of association. Monetary task is fundamental activity of any organizations. Future of business profoundly relies upon financial tasks. These activities give organizations certain measure of cash which serves to survival of organizations. So point of presence later on is vital for organizations and that is motivation behind why financial tasks are vital for them. Be that as it may, financial issues is helpful for association to see how unsafe their budgetary demonstrations. It is expectation of money related unsafe and fruitful estimation of this hazard safeguards ensure

organization' future. Monetary hazard incorporates: liquidity problem, cash flow problems, interest rate risk, currency problems, credit problems and other problems

These problems have a place with financial activity and they are raised when have an issue in financial operations. It is basic to give a concise explanation every one of kind of this financial problems:

**Liquidity problems** – liquidity can be meant "need" yet liquidity is more than need. Need isn't sufficient to characterize liquidity we require include another couple of words which is "in brief time". How "need in brief time" portrays liquidity. Since liquidity is discover something which needs you in brief time. For instance, Company A requirements cold hard cash yet they don't have cash in real money. They should offer or transform one of their advantages into cash. Obviously, not all benefits have a similar esteem or transforming into a similar time. This is all what liquidity chance is worry about. Liquidity chance is emerged when cash or different resources can't discover in time when it is so fundamental.

**Cash-Flow problems.** It is chance that occurs in real money tasks. Enormous measure of cash come done in organizations and income hazard is stressed over certainty of this cash. Trade stream is out and out cash it is useful to control this measure of cash since it in light of organizations' benefit, misfortune, income etc. Fundamental danger of this hazard is misfortune cash in activity time and it is called cash flow problems. Administrators maintain a strategic distance from to this hazard they give better security framework and increment controlling to cash-flow

**Interest rate** – this problem identified with credit fee. It is a general cost of national currency. It makes by Central Banks of every nation and help to decide how much estimation of national cash. Loan fee occurs between time hole with installment date and ingress date. Once in a while a distinction is made between this day and age and it called interest rate risk. It is fundamental for particularly bank sector yet it has additionally an immense impact in electronic organizations.



Electronic associations don't generally get instantly cash. Clients regularly pay value later and it is reason of creation loan cost chance for electronic organizations.

**Currency problem** – this sort of risk is related to currency rate. It is cost of national currency rather than foreign currency. For instance, manat and dollar. Currency rate is so variable because of political, monetary and different reasons. So this vulnerability is significant causes to build up currency problem. Electronic business associations regularly work acts with outer subjects. Subsequently money hazard every now and again occurred in electron business. For example, they pitch item to outside nation and get remote money. Another case of that, most sites are empower to work in abroad. Accordingly it makes electron business supervisors to know about cash hazard. Currency rate problem is frequently experienced by electronic business chiefs and they need to decrease this hazard to utilize distinctive instruments, for example, contract with banks to secretive naturally their record into national currency etc.

**Credit Problems** – it is difficult to figure that credit problem has a place with credit. It is danger of giving cash with obligation and likelihood of discount it. Nonetheless, a great many people feel that credit chance just have existed in managing an account division yet it isn't right. Indeed, credit chance is attributes to managing an account part yet it is just a single. All organizations incorporate electron business have credit hazard or hazard which near called credit. At that point question are emerged how it is conceivable? Answer is straightforward, electron business likewise offer item in credit. For instance, some shopping sites offer their item in credit. It demonstrates that electronic business likewise experience credit chance. There are some approaches to decrease credit chance likelihood. For example, give credit in brief time and customers who have better

picture, stop to offer item in credit, change loan fee of credit and so on . Be that as it may, all these ways have unfavorable impacts and the most critical one of them is diminish the quantity of clients.

### **Other Financial problems**

- Logistics problems- the inefficiency causes delay. One of the sectors that the Internet will not be able to change or even cause explosion beyond change is logistics. The problem of delivering the products from the manufacturers to the end user at the market during the marketing challenges on the whole world scale makes new developments in this area unavoidable. Although any kind of digital product can be transported in electronic environment, there is no other way to transfer concrete goods from one place to another by using traditional transportation networks. For this reason, the widespread use of electronic commerce will lead to a large increase in the number of companies operating in the logistics sector. Therefore, the client is likewise disappointed with the expenses brought about. acquiring customers' trust may also require extra expenses. Conveyance the products to a few spots is likewise complex.
- With the formation of electronic stores, one individual can deal with numerous occupations and joblessness in a few regions can happen.
- Products might be undermined or misdeameaned during transportation. This is wasting an extra cost or time.
- In a few countries for instance in Azerbaijan. Clients can't utilize PayPal payment system. However, numerous countries utilize it.
- During payment there might be bank mistakes and delays
- In a few countries, a lawful issue can emerge in managing electronic business.(according charge). Electronic business has opened new open entryways for associations and countries for overall trade, too. in differences with respect to business trades, new issues have developed in the use of laws. The arrangement of these issues takes quite a while.

- Exchange on the Internet furthermore fuses allowing and offering of intellectual capital.

### **3.2. The model of Azerbaijan**

According to different sources, until 2008s., there is no the payment system on the Internet. On December 2, 2008, SilverKey Azerbaijan, the main organization in Azerbaijan, set up an online payment framework called GoldenPay, which has gotten an exceptional permit for Visa and MasterCard frameworks in Azerbaijan, and acquainted it with organizations and government offices, and at exactly that point started to form e-business in Azerbaijan.

As per the State Statistics Committee, in January-June 2015, retail exchange elements sold in excess of 12.0 billion manat to customers, or 13.4 percent more than in the relating time of 2014. Food items, refreshments and tobacco items represented 49.5% of the aggregate buyer merchandise and 50.5% were non-food items and the offer of non-food items expanded by 1.3% contrasted with January-June 2014.

In Azerbaijan has some issues for developed of e-business. These measurements propose that there is a imbalance in the appropriation of Internet clients in urban and village zones. Dynamic web use is required in districts. Web clients are increasingly more youthful age, and, obviously, they are not a dynamic client of exchanging exchanges. Since web based business is straightforwardly subject to the Internet, the low enthusiasm for the Internet in the districts negatively affects the improvement of this field. These days, because of access to the Internet through cell phones, most Internet clients are cell phone clients. This isn't a purpose behind online business yet.

The other reason is that individuals don't have the e-business habits. To make this propensity in people, online business ought to be given sure concessions and this

should keep going for some time. At any rate in e-business, costs ought to be lower than customary trade with the goal that individuals are keen on purchasing online business through web based business. One of the fundamental markers of deferral being developed of online business in Azerbaijan is that there are less plastic cards in the nation. Somewhere in the range of 80% of plastic cards are issued to natives for paying pay salaries and retirement money. Then again, the populace utilizes plastic cards as a rule to take money from ATMs. The purpose behind this is the less impression of the utilization of plastic cards and the powerlessness to work in the field of lighting. Be that as it may, plastic cards are comprehended as a device of constraining money course and coordination into the e-exchange circle in current circumstances. Simply moving toward this crystal, the advancement of online business and the expansion in the general exchange turnover will rely upon the edification work that will be done here.

In Azerbaijan citizens do not rely on because they want to touch, see at the real life, and think that they can lose their money. The lack of trust of clients in e-stores and the wish to touch products. Also seller do not trust customer who does not real address.

Online payment problems-PayPal do not exist and local e-wallet doesn't international e-trade.

Tax-There are some problem tax regularity of electron business in Azerbaijan.

Also, lack of workers capability is problem of developing and broad using.

Seller utilize traditional advertising. They choose TV advertising. Citizens do not use for advertising or purchase product form social network.

Security problem- Accounts can be hacked and use user's information or money.

## Conclusion

In modern world, electronic trade of information has turned out to be a standout amongst the most vital devices of global trade. The new condition gives a chance to banks and budgetary firms to grow new items and administrations. They can even to enter the customary turf of innovative firms. Be that as it may, business players from different fields are intending to draw in or are as of now moving into the customary chasing grounds of banks and budgetary organizations. Microsoft and PC organize organizations are known to be outfitting to offer monetary administrations to people in general. Advancements in innovation make it conceivable to complete all phases of business activities outside of the physical merchandise shipment in electronic condition. E-business is significant for our countr. Specifically, it is important to complete procedures, for example, paper-based report creation, exchange affirmation and chronicling in an improved, institutionalized and electronic path, with considerably less time, cost and effectiveness. The quick increment in the offer of e-business in all out world exchange has conveyed earnestness to the extension of national e-business practices and incorporation into the worldwide exchange arrange. The nations that will be out of the worldwide exchange system will have less possibility of getting an offer from the universal exchange, even the market will be diminished, and even the threat of losing the market will emerge. The quantity of countries that have agreed to legal controls on electronic trade isn't much, and it proceeds in talks about issues in e-business on global stages. Be that as it may, the quick improvement in the field of e-business requires the absence of open mindfulness in the nation, the lack of physical and managerial framework and the vital legitimate directions. In the event that every one of these issues are conquered, our nation will be able to take a substantial offer in worldwide exchange by utilizing new open doors that e-business gives.

If we think of the significance of e-business, our government also, improve this sector. Improving of e-trade impacts on economy because relationship among

companies and countries. E-business supply the innovation of technologies. We also improved this area.

In Azerbaijan, as in other developing nations, enthusiasm for online business is related with sellers and purchasers. Dealers can diminish the cost of the item by lessening expenses to extra workers, while purchasers likewise save money on additional assets and time. Likewise, there are more individuals who can get to know these items amid web based business. In countries where such exchange is far reaching, there are few instances of tax avoidance. Payment are made electronically, all installments are recorded and subject to tax assessment.

Consequence of e-Business Research. E-Business has picked up a structure that achieves wide masses and quickens this extension procedure in 2015. Some international organizations, who need to get information, report their contemplations about online business with their review! The most evident data that rises as indicated by the aftereffects of the exploration made is; for reasons unknown the most imperative factors that empower individuals to utilize web based business are trust, reasonableness and simplicity of return. As per the numerical information distributed by Ipsos; a segment of 9% of general Azerbaijan likes to shop on the website. In the points of interest, this dispersion in the 9% section; one out of each three individuals is in the vicinity of 15 and 25 years old, half of customers are in the vicinity of 15 and 35 years of age, and the most shopping is the understudies. Transforming into world, the table was given beneath portrays e-business clients' age and pie outline demonstrates utilized by districts.

Additionally, some of online buyer, other than students in this ratio, consist of individuals working in the special sector

The positive impact of e-business are expanding step by step, ensuring innovation work that creates as quickly as the everyday and keeps on creating at a similar rate. Given that the entire improvement of the Internet has flourished over the most

recent 10 years, it can be plainly perceived how quick this new exchanging zone is creating and will keep on growing.

Organizations that utilize e-business successfully will have the capacity to assume a dynamic part in the new exchange administration. Not at all like all exchanging, the price of electronic business is little, contingent upon the open doors it gives. Here and there a site, at times a telephone number, can make an esteem that is more noteworthy than the majority of the business' whole esteem included. Encouraging e-business complex business tasks, correspondence and information stockpiling in the worldwide field is driving all business to quicken. It is improbable that SMEs in the market will have level with focal points over substantial scale organizations. In any case, this is conceivable in this new market. Electron Business gives rivalry chances to SMEs and people with vast scale exchanges.

In spite of the fact that e-Business is a solid exchanging condition, it is another medium. There isn't yet a nation on the planet that could make an electronic business foundation. E-Business advances are continually developing and, in parallel, its issues are always expanding. The spread of e-business has realized new lawful issues. As a social wonder, there are numerous hindrances to be defeated before e-business.

## Suggestions

According to my diploma work, I can say that e-business is a crucial aspect for developing the economy and exporting products to the international market.

- ✓ We should apply PayPal payment system. Because it helps increase the size of e-trade. Although we can purchase products from other countries, but we cannot sell our goods. It helps to present local products to the global market.
- ✓ If we can create a reliable security system for saving money and eliminate hacks of accounts.
- ✓ In Azerbaijan, the Internet ought to spread to other areas, for instance, in villages citizens cannot use e-business. The government must improve technologies in all local areas.
- ✓ Azerbaijan is a developing country and we need to develop IT services for e-business and have a positive impact on the economy. Companies can have good relationships with other foreign companies.
- ✓ The government must create an online regulatory system. For example, reducing taxes for exports via e-trade.
- ✓ In Azerbaijan, E-stock exchange and auctions are not interesting for people. We must encourage all citizens.
- ✓ Also, we know that, in the global market, people use social networks like an e-store. We can improve social network advertising and trade.



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