



CENTRAL BANK
OF THE REPUBLIC OF AZERBAIJAN

Digital Payments Report

2024

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1. EXECUTIVE SUMMARY

The Central Bank aims at ensuring the effective operation of payment systems and expanding access to payment services. The development of payment systems provides economic entities with extensive opportunities to conduct financial transactions more quickly, efficiently, and securely, which, in its turn, significantly contributes to the effective functioning of financial markets and supports overall economic development.

Internationally, payment systems and financial technologies are rapidly advancing due to rising user demand. Key drivers of fast transformation include the development of effective regulatory and institutional frameworks—particularly in open finance and instant payments—as well as strong support for innovative initiatives.

McKinsey studies suggest that, globally \$1.8 quadrillion worth of 3.4 trillion units of payment operations were processed in 2023. According to the European Central Bank, in H1 2024 the number of cashless payments throughout Europe increased by 7.4% to 72.1 billion units and the value increased by 1.9% to €113.5 trillion year-over-year.

In 2023 cashless payments are broken down as follows globally – 57% payments with debit and credit cards, 17% credit

transfers, 16% instant payments, 5% electronic money, 4% direct debiting and 1% check payments. According to initial forecasts, the share of payment cards will decrease to 50%, while the share of instant payments and e-money will increase to 22% and 8% respectively by 2028.

Consumers' preference for more flexible and innovative payment solutions is driving the expansion of instant payments and the use of electronic money. It is no coincidence that statistic indicators suggest this tendency will accelerate soon. The changes are not only transforming the global payments ecosystem but also accelerating evolution of traditional payment mechanisms.

The use of digital payments in our country is increasing at a higher pace. In 2024, the value of operations processed through the national payments system amounted to AZN760.2B (6 times of GDP). The main payment tool used in daily payments include debit and credit cards, domestically the value of payments with these cards increased by 61% to AZN78.9B year-over-year. The weight of cashless turnover in domestic payment card operations increased by 8.6 percentage points to historical highs (64.2%) relative to 2023. Users are quickly adapting to innovative payment solutions, the number and value of payments made through Apple

Pay and Google Pay doubled year-over-year. One in three contactless POS-terminal payments was made using smart devices over the reporting period.

2024 was the start of implementation of the Central Bank's '**2024-2026 Financial Sector Development Strategy**', which outlines improving access to payment services through innovative solutions, enhancing transparency and competitiveness in the payments market, the modernization of the national payments system by effectiveness and transparency of payment services, the creation of a favorable market environment for market actors, and the formation of an effective oversight framework. One of the main objectives of the Strategy is to increase the number of average annual cashless operations per person per year to 200. Note that, while this indicator was 93 in 2023, it reached 163 in 2024.

Amid the rising use of cashless payments, the Central Bank attached great importance to fighting payment card frauds and the expansion of related awareness events. The Bank established a dedicated task force comprising representatives from law enforcement agencies, banks, and non-bank payment service providers to ensure continuous interagency information sharing for detecting digital payment frauds and

analyze the obtained data promptly and implement preventive measures.

Improving the legislative base

The Central Bank continued efforts to improve the legislative payment services framework and adopted the following regulations arising from the Law of the Republic of Azerbaijan 'on Payment services and payment systems': the 'Regulation on the organization and implementation of activities by payment and electronic money institutions', the 'Regulation on the organization of work with payment agents', the 'Regulation on the organization and implementation of activities by the payment system operator', the 'Regulation on the application of strong customer authentication', the 'Regulation on maintaining payment operations and on payment instruments', the 'Requirements for network channels used between payment service providers for providing payment initiation and account information services', and the 'Guidelines on payment statistics reporting'.

One of the key innovations introduced in 2024 was the implementation of the Regulatory Sandbox in the financial sector. Over the reporting year, 21 innovative products were submitted to the Central Bank and four of them were selected based on the

criteria outlined in the 'Regulation on the application of Regulatory Sandbox' and admitted to the regulatory sandbox regime. The Regulatory Sandbox aims to enhance the regulatory and legal framework by facilitating the pilot testing of innovative financial services and products in financial markets and ensuring their continuous implementation if the testing results are successful.

New actors of the payments market

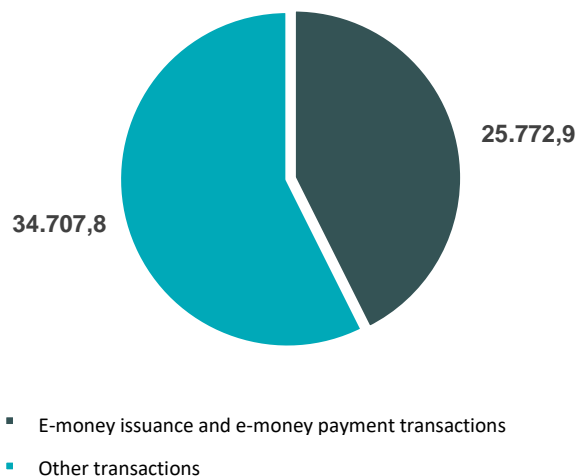
The reporting year was marked by the licensing of electronic money institutions, payment institutions, and operators, allowing them to join the payment market as key players. As part of the licensing of payment service providers, the Central Bank issued licenses to 14 e-money institutions, 8 payment institutions, and 1 operator in 2024

According to initial information provided by the institutions, the annual value of operations of e-money and payment institutions amounted to AZN60.5B, the issuance of e-money and the value of e-money operations made AZN25.8B.

As part of the oversight of e-money and payment institutions, in 2024 an administrative responsibility was imposed on one e-money institution, and binding instructions were issued to 3 payment, 4 e-

money institutions. In total, 8 binding instructions were issued to 7 institutions.

Value of transactions by payment services, mln. manat

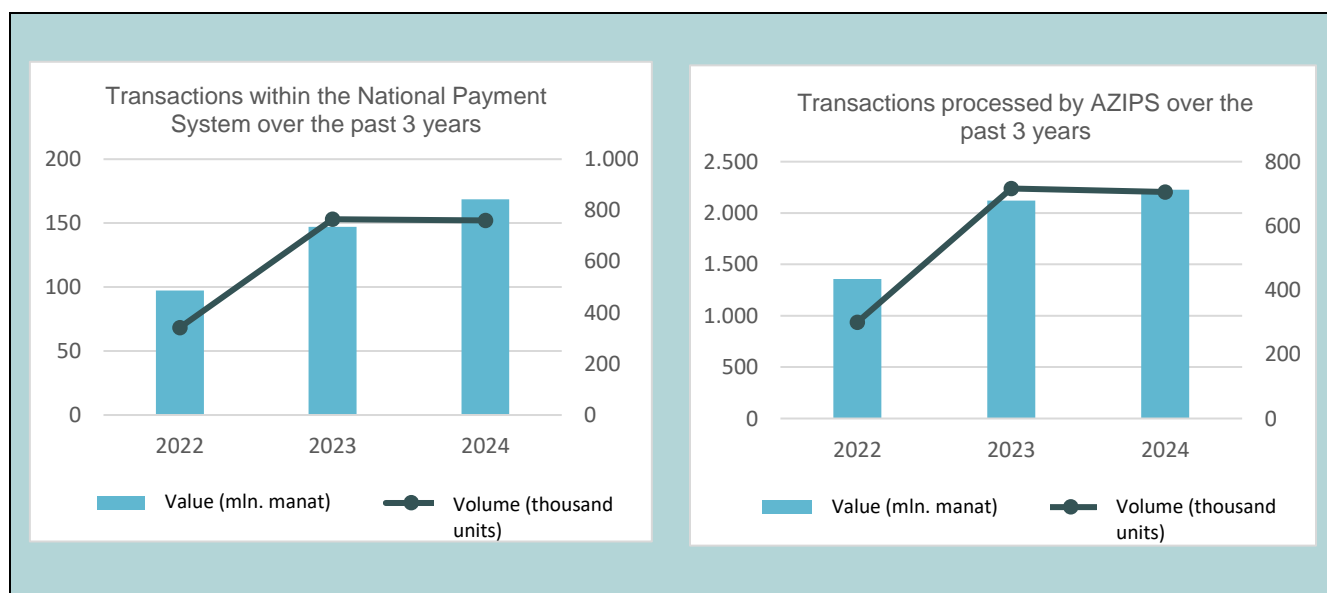


2. NATIONAL PAYMENTS INFRASTRUCTURE

Over the reporting year the value of payments made through the core components of the national payments system – the Real Time Gross Settlement System (AZIPS), the Low Value Payments Clearing and Settlement System (LVPCSS) and the Instant Payments System (IPS)

amounted to AZN760.2B (168.6 million units of payments).

Turnover indicators on the national payments infrastructure							
National Payments System participants		Number of payments (thousand units)			Value of payments (million AZN)		
		2022	2023	2024	2022	2023	2024
AZIPS	Central Bank	14	20	20	70,984	259,382	188,603
	Commercial banks	1,019	1,225	1,378	191,070	413,030	466,587
	Other participants	326	875	833	38,012	43,899	50,646
LVPCSS	Central Banks	62	68	49	822	822	648
	Commercial banks	95,476	144,593	165,116	33,599	39,626	42,941
	Other participants	357	375	373	7,520	8,564	9,364
IPS		338	588	801	549	1,054	1,373



2.1 AZIPS

In 2024, the number of operations through the Real Time Gross Settlement System (AZIPS) was 2.2 million units (AZN 705.8B). The number of operations conducted by commercial banks through AZIPS increased by 12.5%, and the value increased by 13% year-over-year.

2.2 LVPCSS

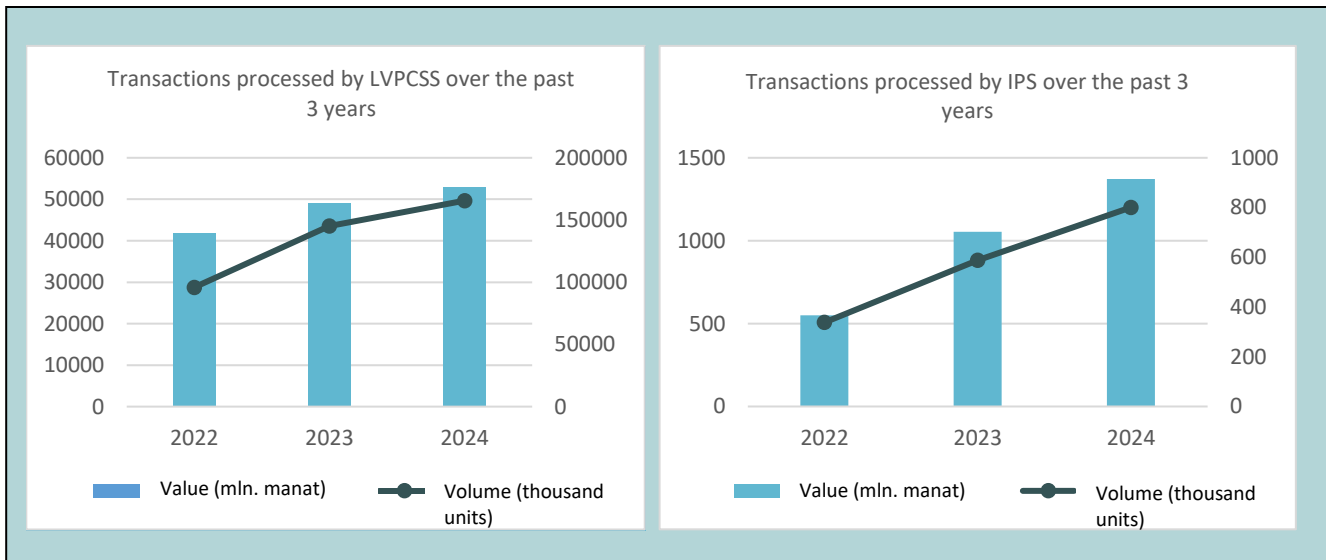
In 2024, 165.5 million units of operations worth of AZN 53B were cleared through the Low Value Payments Clearing and Settlement System (LVPCSS). The number of operations conducted by commercial

banks through the LVPCSS increased by 14.2% and the value increased by 8.4% year-over-year.

2.3 IPS

The number of operations executed through the 7/24 Instant Payments System (IPS), one of the newest components of the National Payments System, increased by 36.3% and the value increased by 30.2% year-over-year.

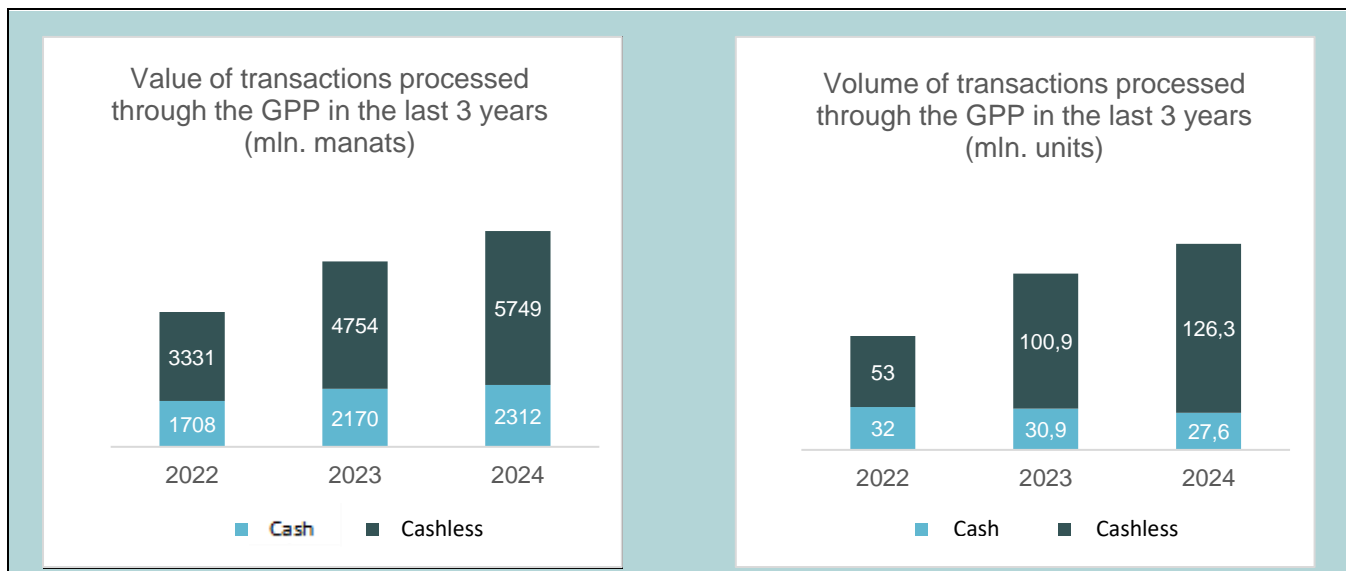
The ‘2024-2026 Financial Sector Development Strategy’ identifies increasing the share of the National Payments System and promoting its widespread use as key priorities.



2.4 GPP

In 2024, efforts continued to expand the coverage of the Government Payments Portal (GPP). Presently, payments for over 1200 services are collected through the GPP.

The number of payments processed through the GPP increased by 16.8% to 153.9 million units, while the value increased by 16.4% to AZN 8.1B year-over-year. 82.0% of payments in terms of the number and 71.3% in terms of the value were cashless.



3. PAYMENT CARD INDICATORS¹

3.1. Indicators on the use of payment cards

Payment cards issued by domestic banks were used as the main payment instrument. Additionally, there is a positive trend in the use of non-card-based electronic money issued by electronic money institutions and the use of QR code payments.

As of 01.01.2025, payment cards in circulation numbered 19.9 million units, except for virtual cards, 80% of payment cards in circulation supported contactless payments. The number of payment cards increased by 17.6%, and the number of contactless payment cards increased by

23.5% year-over-year. Debit cards accounted for 89% (17.6 million units), and credit cards for 11% (2.3 million units) of total issued payment cards. The number of virtual cards increased by 22.8% to 1.9 million units. Virtual cards accounted for 9% of total payment cards in circulation. In 2024, total value of domestic payment card operations increased by 39% to AZN 122.9B, and the value of cashless payments increased by 61% to AZN 78.9B year-over-year.

E-commerce operations took a significant portion of cashless payments with payment cards. In 2024, the number of e-commerce operations increased by 83% to 1,003.4 million units, and the value

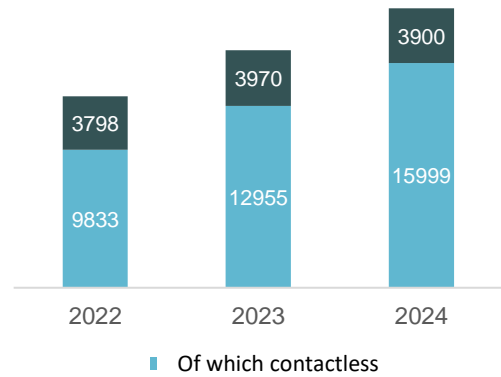
¹ Including the service network of Azerpost LLC

increased by 70% to AZN 66.5B year-over-year.

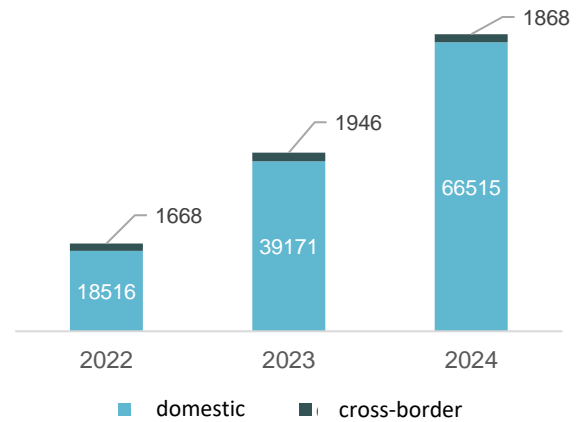
In 2024, the number of cashless POS-terminal operations at merchants increased by 49.3% to 621.9 million units, and the value increased by 25.4% to AZN 12.3B year-over-year. The number of contactless POS-terminal operations increased by 49.6% to 599.8 million units, and the value increased by 29.1% to AZN 11.5B year-over-year.

Analyses have shown that a 1% increase in the number of POS terminals installed in merchants leads to a 3.9% increase in the value of token transactions.

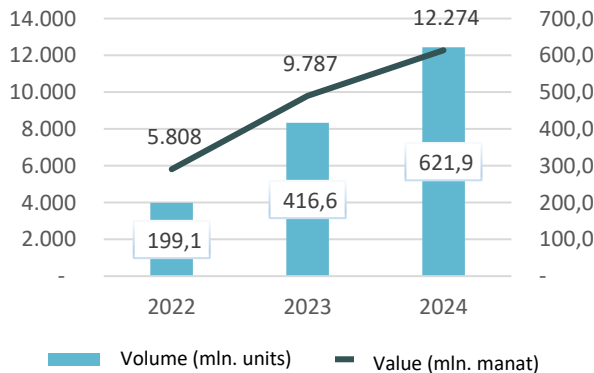
Dynamics of payment cards over the last 3 years (thousand units)



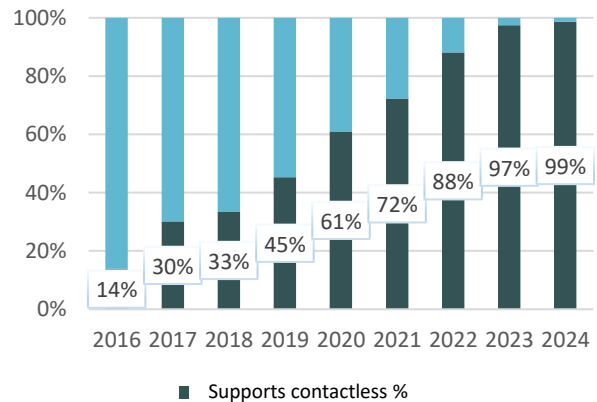
Dynamics of e-commerce value over the last 3 years (million manats)



Dynamics of domestic cashless transactions via POS terminals in the last 3 years



Support of contactless payments by POS terminals installed in retail trade



3.2. Distribution of card infrastructure across economic regions and indicators on conducted operations

ATM location across economic regions as of end-2024

Economic regions	Total	Out of which			
		Cash-in	Foreign exchange ATMS (CNP)	Recycle ATMs	Contactless ATMs
Baku	1 772	733	275	571	687
Nakhchivan	95	15	1	12	12
Absheron-Khizi	231	65	19	48	72
Mountainous Shirvan	57	11	2	10	15
Ganja-Dashkesen	167	36	11	24	27
Garabag	120	13	2	12	18
Gazax-Tovuz	137	19	5	17	17
Guba-Khacgmaz	123	25	6	18	23
Lankaran-Astara	117	11	3	9	14
Central Aran	140	17	3	15	21
Mil-Muğan	85	2	-	1	5
Shaki-Zagatala	141	18	6	12	19
Eastern Zangazur	14	1	-	1	2
Shirvan-Salyan	105	8	2	6	12
TOTAL	3 304	974	335	756	944

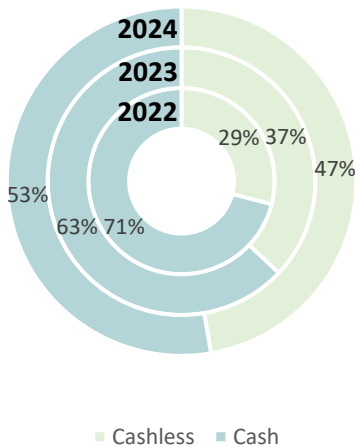
POS-terminal location across economic regions as of end-2024

Economic regions	Total	in retail trade, catering and service entities	out of which contactless POS-terminals
Baku	73 042	71 773	70 610
Nakhchivan	2 866	2 797	2 797
Absheron-Khizi	8 126	7 927	7 766
Mountainous Shirvan	1 661	1 601	1 594
Ganja-Dashkesen	5 490	5 306	5 237
Garabag	3 442	3 312	3 304
Gazax-Tovuz	3 318	3 192	3 167
Guba-Khacgmaz	4 065	3 967	3 882
Lankaran-Astara	4 023	3 894	3 879
Central Aran	4 211	4 049	4 040
Mil-Muğan	2 510	2 415	2 413
Shaki-Zagatala	4 243	4 115	4 053
Eastern Zangazur	123	103	102
Shirvan-Salyan	2 420	2 315	2 306
TOTAL	119 540	116 766	115 150

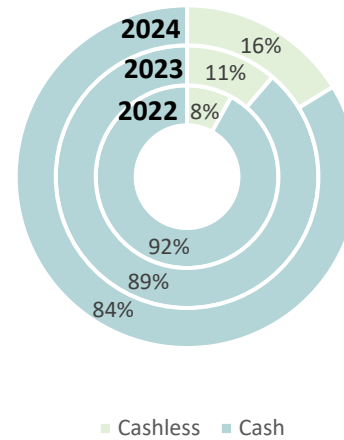
In 2024, the number of ATMs throughout the country increased by 6.2% (ATMs located in regions increased by 2.7%). As of 01.01.2025, the number of POS-terminals in circulation year-over-year increased by 38.4% to 119.5 thousand units. The number of contactless POS-terminals increased by 41.4% to 117.3 thousand units. 98.1% of POS-terminals support contactless payments. The number of POS-terminals installed in trade, public catering and service entities in regions increased by 17.1 thousand (61.6%).

Cashless payment use habits of salary card owners surged dramatically. In 2024, 47% of payments with salary cards were made cashless. In payments made with social cards the weight of cashless operations has increased by 8 percentage points to 16% over recent three years.

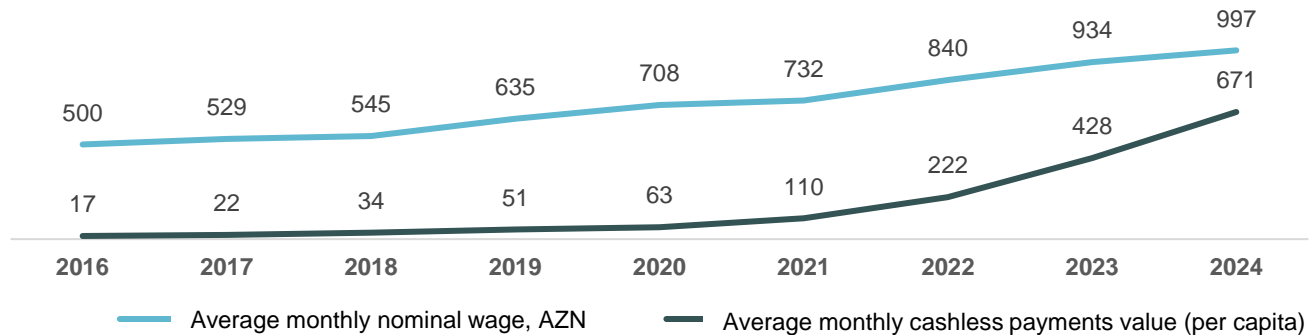
Trends of Cashless Payments Usage Among Salary Card Holders



Trends of Cashless Payments Usage Among Social Card Holders

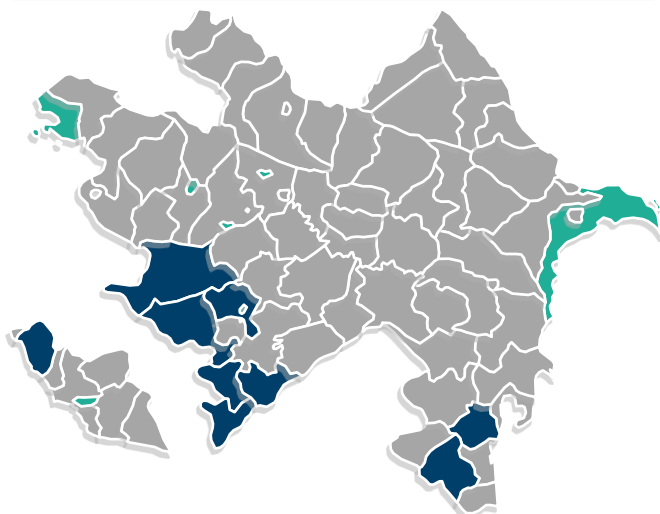


Average Monthly Nominal Wage Per Capita* and the Value of Cashless Payments Through Payment Cards

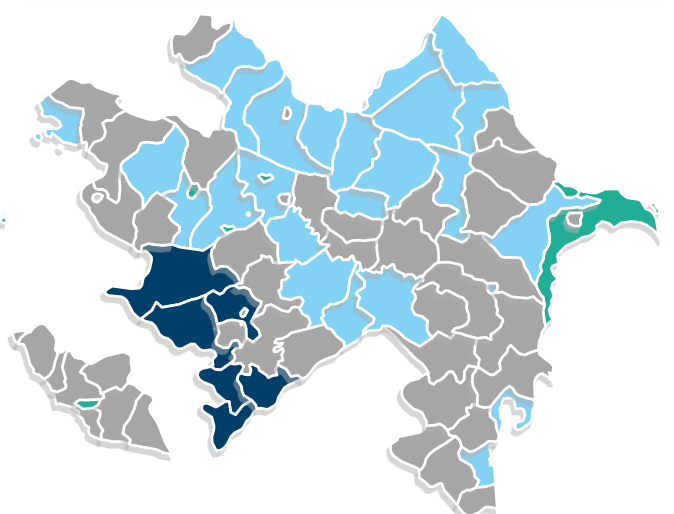


*Source: State Statistics Committee

Coefficient of ATMs per 10 thousand persons across regions



Coefficient of POS-terminals per 10 thousand persons across regions



Total number of ATMs across the country

3 304

0-1	1-3	≥ 3
9 regions	58 regions	7 regions
1. Sharur 2. Lerik 3. Masalli 4. Jabrail 5. Xocali 6. Kalbacar 7. Qubadli 8. Lachin 9. Zangilan		1. Baku 2. Nakchivan 3. Ganja 4. Naftalan 5. Mingacevir 6. Qazakh 7. Xankandi

Total number of POS-terminals across the country

119 540

0-10	11-50	51-100	≥ 100
6 regions	37 regions	24 regions	7 regions
1. Xocali 2. Jabrail 3. Kalbacar 4. Qubadli 5. Lachin 6. Zangilan			1. Baku 2. Sumgait 3. Nakchivan 4. Mingacevir 5. Naftalan 6. Ganja 7. Xankandi

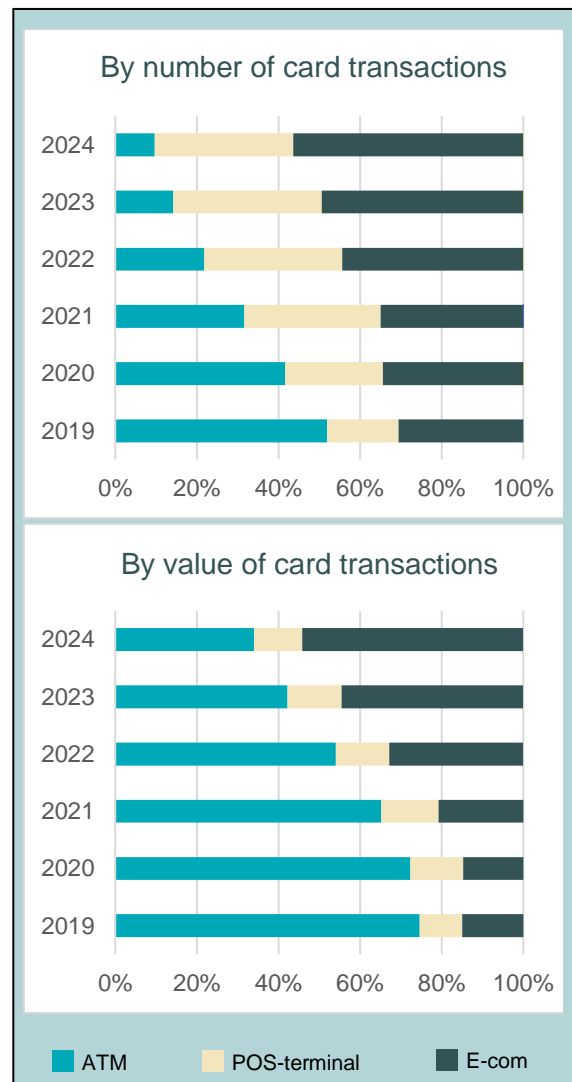
Dynamics of payment card use by ATMs, POS-terminals and e-commerce

Technological advancements significantly influenced consumer behavior in their use of payment cards over years. While in 2019, 52% of card transactions were conducted via ATMs, this figure dropped to 10% in 2024. A similar trend is observed in the transaction volume of ATM operations.

Whereas the weight of POS-terminal payments in total card operations was 17% in terms of number in 2019, this indicator increased to 34% in 2024.

E-commerce posted the highest growth. Whereas in 2019 e-commerce accounted for 31% of total card operations, in 2024 this indicator reached 56%.

In general, these indicators show that the transition to a cashless economy in the country accelerated, and consumers increasingly prefer digital payment channels.



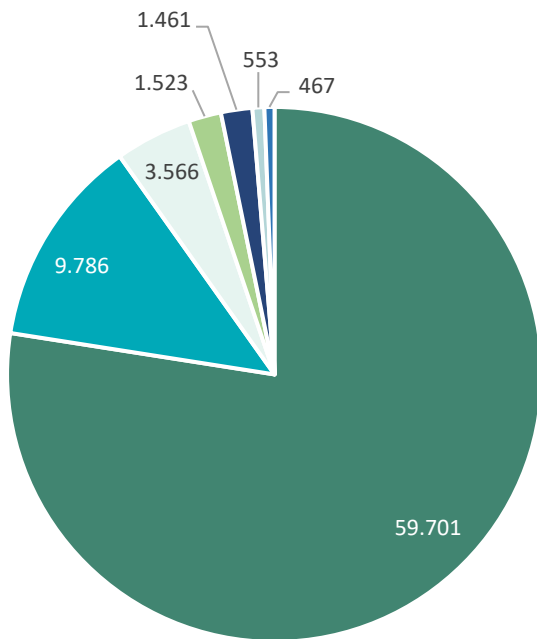
Distribution of domestic and international cashless operations by the merchant category code

The breakdown of cross-border cashless payments with payment cards is as follows: retail trade - 54.2%, transport - 15.6%, travelling and entertainment - 12.7%,

business services - 6.7%, education - 2.8%, banking and financial services - 2.1%, and other payments - 5.9%.

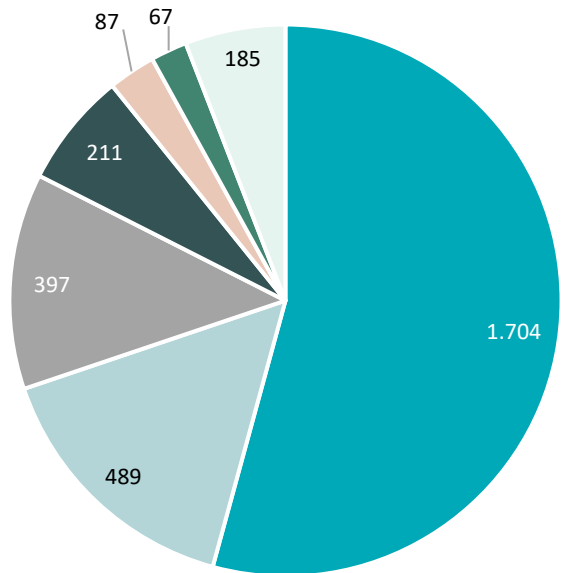
Banking and other financial services accounted for 77.5% and retail trade payments for 12.7% of total domestic payment card operations.

Breakdown of Domestic Cashless Transactions via Payment Cards by the Merchant Category Code (mln. manat)



- Banking and other financial services
- Retail trade
- Other payments
- Communal services
- Government services
- Transport services
- Business services

Breakdown of Cashless Transactions Carried Out Outside the Country via Payment Cards by the Merchant Category Code (mln. manat)



- Retail trade
- Transport services
- Travel services
- Business services
- Education services
- Banking and other financial services
- Other payments

4. DIGITAL BANKING INDICATORS

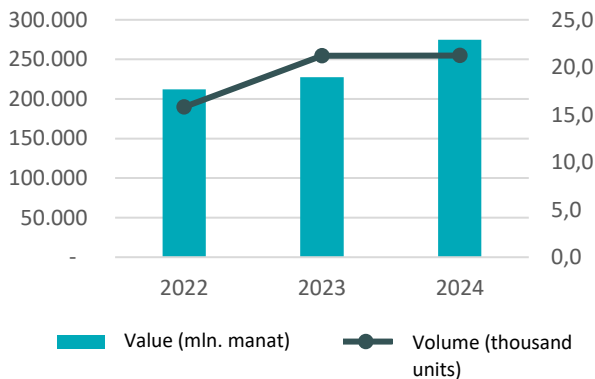
Traditional banking services are rapidly transforming into the digital space.

As of 01.01.2025, all banks operating in the country, including the Azerpost LLC provide Internet banking services, and 20 banks and Azerpost LLC provide mobile banking services.

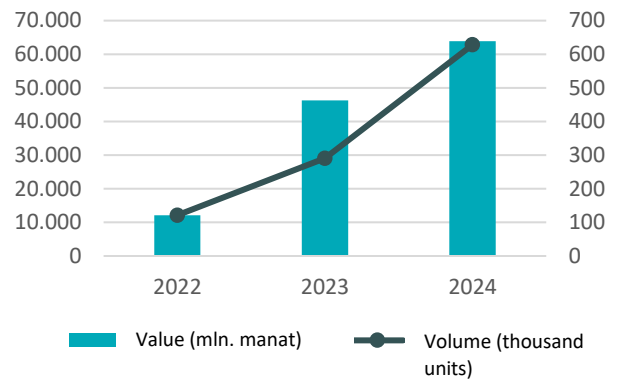
In 2024, the number of transfers from bank customers' current accounts in paper

carriers and through digital banking was 694.7 million units and the value made AZN 456.8B. 93.5% of total transfers in terms of number and 77.4% in terms of value were made through digital banking. In 2024, the value of customer transfers through Internet banking services increased by 21% to AZN 274.7B, and the value of customer transfers through mobile banking services increased by 38% to AZN 63.9B year-over-year.

Customer transactions via internet banking services over the past 3 years



Customer transactions via mobile banking services over the past 3 years





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