

Financial Sector Snapshot - Armenia

A special issue of the Armenian Journal of Public Policy (published by AIPRG, with CRRC's Heghine Manasyan as one of the Editors) is devoted to Financial Sector Development. All the papers are engaging for non-specialists.

Snapshots:

- the estimated 2004 after-tax earnings of ALL Armenian banks is around 18,5 million USD (which, almost needless to say, is very low by comparison)
- given that banks are small, they can only serve small or medium-sized enterprises (which in turn often cannot meet the underwriting standards)
- a major impediment to growth of deposits is the fear of the tax police (although their actual rights are limited)
- there exist around 500 000 accounts in Armenia, almost all located in Yerevan

(Source: Financial Sector Assessment of Republic of Armenia, Emerging Markets Group, under contract to USAID 2005)

All of this matters to development and the ability of those without access to networks of wealth and power to become successful entrepreneurs (see the post below, on Douglas North).

Given the low earnings, one recalls the joke about the Bata Shoe Factory representative being sent to southern India on a market study. The first representative comes back, dejected, saying "we don't have a chance there, they all go barefoot." A second one goes out, calls back from a payphone and says "HUGE opportunities! Millions of potential customers!"

So what do the low earnings tell us? Are they a symbol of opportunity, or a symptom that nothing goes?

Ideas on this, and much more, in the Armenian Journal of Public Policy's special issue of December 2005.