

**ARMENIA:**

**FINANCIAL INCLUSION  
“FINANCIAL INCLUSION” SEL**

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“ Armenia: Financial inclusion” is an electronic periodical which aims to analyse and briefly represent the changes of financial inclusion components in RA.

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## INTEREST RATES ON INVOLVEMENT AND DISTRIBUTION IN THE FINANCIAL MARKET OF ARMENIA DECREASED IN 2017

- The increase of the degree of financial inclusion depends on access to financial services, especially on interest rates of deposits and loans.
- In December 2017, interest rates on deposits, which are up to one year, mainly decreased as compared to December 2016 (Table 1). An exception is the inclusion rate in AMD from legal entities. at the end of the reporting year was 8.1% which was 7.4% in last year.
- Interest rates on corporate loans in December 2017 declined as compared to December 2016 (Table 1).
- The disclosure of the reasons for the decline in involvement and distribution of rates by the RA banking system requires a complex analysis.

**TABLE 1. Involvement and distribution interest rates in the Armenian financial market <sup>1</sup>**

Indicators	2016	2017		
	December	October	November	December
<b>Deposits up to 1 year</b>				
<b>Legal entities</b>				
by AMD	7,4	8,7	8,5	8,1
by USD	6,0	4,2	2,0	2,8
<b>Individuals</b>				
by AMD	11,4	8,8	8,6	8,6
by USD	4,7	3,8	3,4	3,3
<b>Loans up to 1 year</b>				
<b>Legal entities</b>				
by AMD	12,3	11,4	11,4	11,1
by USD	7,8	6,7	7,4	7,2
<b>Individuals</b>				
by AMD	19,4	15,6	16,4	16,0
by USD	14,4	11,6	11,3	11,2

<sup>1</sup> See RA CB periodical: 2016, December, page 56. RA CB periodical: 2017, December, page 66.

## THE MONTHLY VOLUME OF INVOLVED DEPOSITS AND LOANS PROVIDED BY ARMENIAN COMMERCIAL BANKS INCREASED

- The volume of loans granted to legal entities and individuals in December 2017 increased as compared with the same month of the previous year. Loans to legal entities increased by 31.6%, and loans to individuals - by 45.8% (Table 2).
- In December 2017, deposits from individuals and legal entities increased in comparison with the same month of the previous year. Deposits from legal entities increased by 38.9%, in USD - 33.9%, and from individuals - 59.2% and 38.5%, respectively.
- The data in the Table 2 show that the loans exceed the volume of involvement, which means that the crediting is carried out at the expense of other sources.
- Research on this and other aspects of the banking activity is carried out in the Laboratory by the topic of "Interest Banking rate, Factors, Descending prospects".

**TABLE 2. Deposits and loans of Armenian commercial banks (mln)<sup>2</sup>**

Indicators	2016	2017		
	December	October	November	December
<b>Loans to legal entities</b>				
by AMD	46.873,9	38.258,0	50.059,3	61.680,7
by USD	364,6	167,3	202,6	409,2
<b>Credits to individuals</b>				
by AMD	73.641,9	70.462,6	98.238,3	107.338,8
by USD	39,8	34,5	113,8	52,1
<b>Deposits to legal entities</b>				
by AMD	25.403,1	18.579,6	15.305,8	35.295,1
by USD	52,7	69,0	19,2	78,9
<b>Deposits to individuals</b>				
by AMD	39.160,5	45.790,7	59.892,2	62.359,0
by USD	156,5	190,9	183,1	216,8

<sup>2</sup> See RA CB periodical: 2016, December, page 61. RA CB periodical: 2017, October, page 191. RA CB periodical: 2017, November, page 73. RA CB periodical: 2017, December, page 71.

## THE RANGE OF CUSTOMERS OF COMMERCIAL BANKS OPERATING IN ARMENIA IS EXPANDING

- The benchmark component of the "Financial Inclusion" is the customers receiving payment, accounting and financial services in official financial institutions.
- The number of both legal entities and individuals of commercial banks has increased in a year (Table 3). At the same time, the accounts of individuals decreased in October and November 2017 as compared to December 2016. Since a separate person may have several bank accounts, the assessment of the degree of financial inclusion refers to organizing surveys.
- The number of credit accounts has also increased, which is mainly due to individuals' credit accounts. The number of accounts in the last year increased by 21632 and in December 2017, it was 880427. The above mentioned considerations relate solely to the deposit and credit accounts in terms of organizing surveys.
- The data in the table also show that although the time deposit accounts have increased but they are lower than the number of credit accounts. This is a key issue that concerns the bank's resource base.

**TABLE 3. The number of customers and their bank accounts<sup>3</sup>**

<i>Indicators</i>	<i>2016</i>	<i>2017</i>		
	<i>December</i>	<i>October</i>	<i>November</i>	<i>December</i>
<b><i>Number of customers</i></b>	2493558	2457384	2471714	2496489
Legal entity	79609	80456	81730	82100
Individual	2413949	2376928	2389984	2414389
<b><i>Number of credit accounts</i></b>	881100	880303	881907	902898
Legal entity	22305	22259	22480	22471
Individual	858795	858044	859427	880427
<b><i>Number of time deposit accounts</i></b>	194502	202150	203636	206608
Legal entity	3070	2803	2787	2813
Individual	191432	199347	200849	203795

<sup>3</sup> See RA CB periodical: 2016, December, page 99. RA CB periodical: 2017, December, page 110.