Armenia

The Armenian banks covered by the survey account for approximately 95 per cent of the country's banking assets, the majority of them domestic banks (Chart 1).[1] About 40 per cent of these institutions expect their branch networks to expand over the next five years, while 33 per cent expect a decline (Chart 2).[2]

More than 90 per cent of banks in Armenia report having explicit social and environmental policies and targets in place, while 40 per cent say they have specific climate change policies and targets. In all three categories, the share of Armenian banks reporting such practices is higher than in Eastern Europe and the Caucasus (EEC) and the EBRD economies, on average. Likewise, more than 80 per cent of Armenian banks surveyed say they undertake corporate governance, environmental or social impact assessments before lending to small and medium-sized enterprises (SMEs) – higher than the EEC and EBRD regions, on average – while just under 50 per cent report conducting climate-change impact assessments prior to loan approval (Chart 3).

Some 93 per cent of Armenian banks provide loans to improve the energy efficiency of commercial real estate, residential housing, SMES and/or corporate clients (Chart 4). The share of Armenian banks providing such loans is between 18 and 54 percentage points higher than in the EEC and EBRD regions, on average.

When it comes to the use of digital technologies, at least 40 per cent of Armenian banks view fintech as an opportunity in various business lines (Chart 5). Over half of the banks surveyed said that fintech could be an opportunity in corporate lending, leasing, trade finance and asset management, in line with or above the average in the EEC and EBRD economies. In addition, although 28 per cent of banks in the EEC and EBRD regions view fintech as a threat to payment services, only a small minority of Armenian banks are of the same view.

Chart 1 Branch presence of surveyed banks

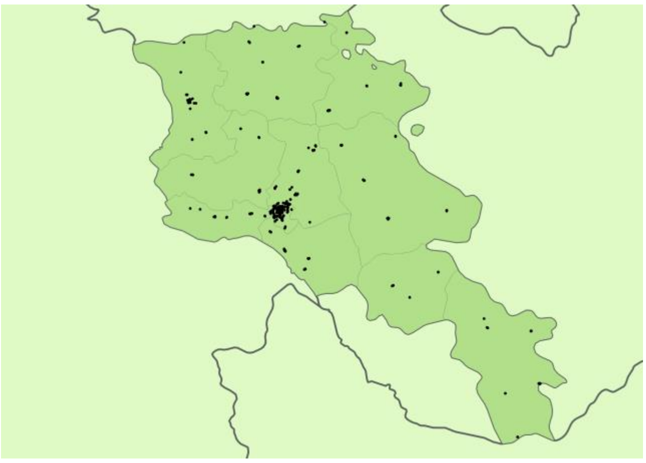


Chart 2 Branch network expectations, next five years

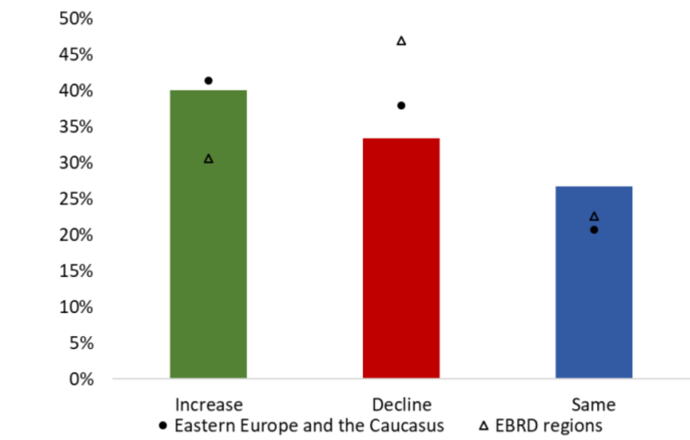


Chart 3 Impact assessment of SMEs before loan approval

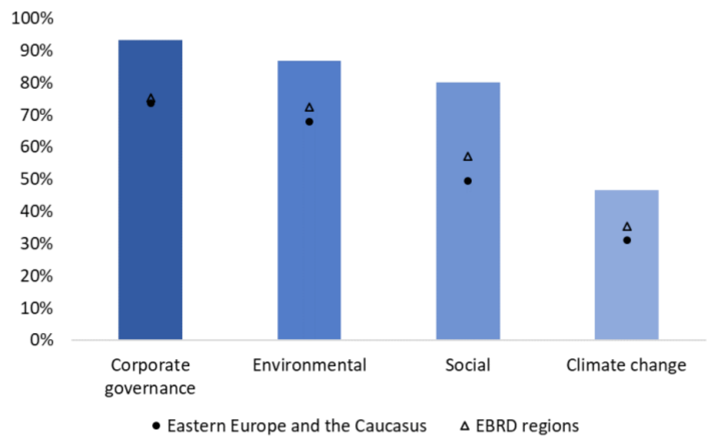
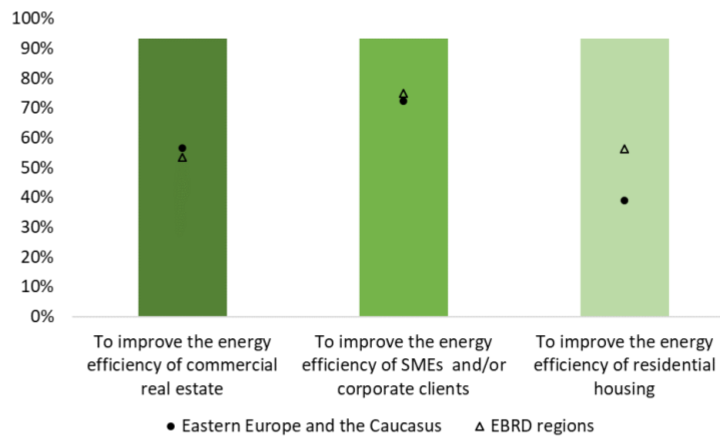


Chart 4 Prevalence of loans to improve clients' energy-efficiency



[1] Domestic banks account for 80 per cent of these banking assets.

[2] Bars in Charts 2, 3, 4, 7 and 8 refer to the percentage share of banks in Armenia.

On average, the Armenian banks surveyed are ahead of their peers in other EEC economies in the uptake and use of most digital technologies (Chart 6). About two-thirds of Armenian banks say they have already launched the use of digital wallet solutions, compared with just over 40 per cent in the broader EEC and EBRD economies. Close to half of Armenian banks also report the commercial use of alternative credit-scoring data, biometric authentication and algorithms to improve credit decision-making. While the uptake of robo-advisors and distributed ledger technology is very low across the EEC and EBRD economies, a higher share of Armenian banks say the use of such technologies is at least under discussion.

Just over 70 per cent of Armenian banks are concerned about IT security and regulatory uncertainty in the fintech space, compared with 80 per cent in the EEC economies, on average (Chart 7). Moreover, 27 per cent of Armenian banks would like to invest more in fintech, but are too financially constrained to do so.

Just over half of the Armenian banks surveyed accept online loan applications for SMEs, on a par with the EEC average. In addition, close to 50 per cent say they face strong competition from non-bank finance companies in retail lending and SME lending, while 29 per cent see strong competition from internet banks in retail lending.

As far as lending to innovative research and development-intensive industries such as information technology, chemicals and pharmaceuticals is concerned, banks cite a lack of sufficient collateral, insufficient demand for credit and a lack of creditworthy customers as the main constraints (Chart 8).

Chart 5 How fintech will affect banks' business lines

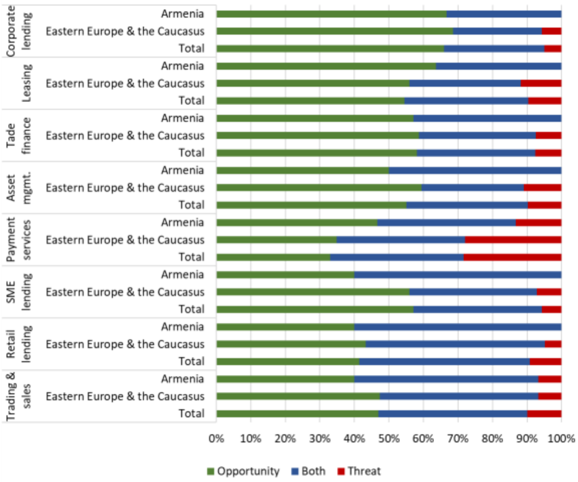
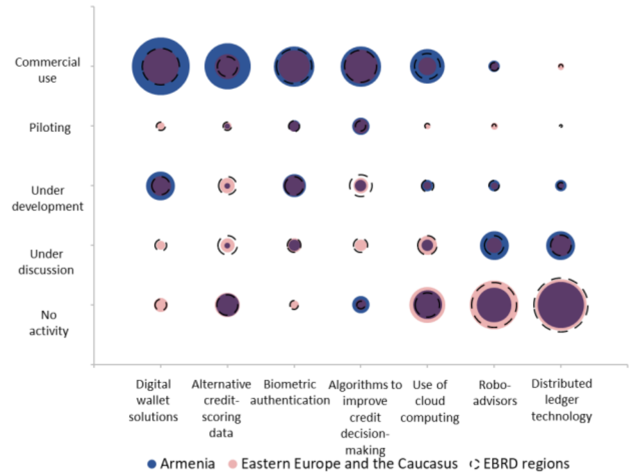


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Concerns about digital technologies

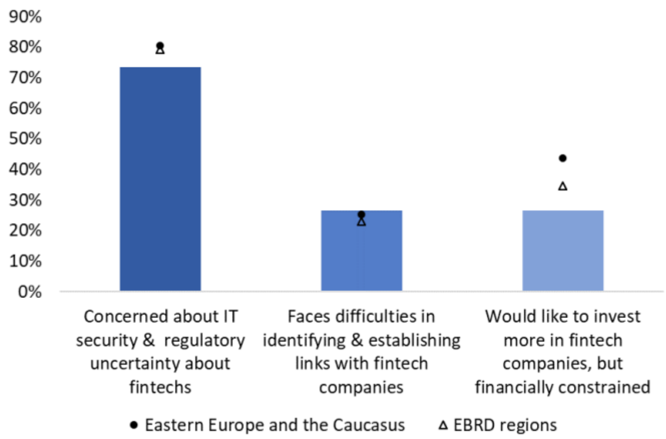


Chart 8 Constraints on lending to innovative industries