

## PROBLEMS OF ECONOMIC GROWTH AND DEVELOPMENT OF THE SECURITIES MARKET IN EMERGING ECONOMIES

The economic growth and the development of the securities market are interrelated issues. The economic growth contributes to the development of the securities market, making investment opportunities and increasing both supply of and demand for investment resources. On the other hand, the development of the securities market may contribute to the economic growth, creating conditions for realization and stimulation of investment opportunities. The issue of economic growth and development of the securities market is of higher importance in emerging economies. Here the economic growth is seen as a main factor for heightening the subsistence level of population and decreasing poverty. The Republic of Armenia is a typical example for studying the problems of economic growth and development of the securities market in emerging economies.

The changes in the amounts of gross domestic product, the volume of the stock market capitalization, the amounts outstanding for the debt securities market and bank assets in the Republic of Armenia are shown in Fig.1 [1; 2; 4; 5; 6; 7].

As it can be seen from Fig.1, the amount of the stock market capitalization and outstanding debt securities in the Republic of Armenia is substantially less than the volume of the gross domestic product and bank assets. The relation between bank assets and gross domestic product in Armenia is almost on the same level as the mean for Eastern European countries. The bank assets in the Republic of Armenia make up more than forty percent of the gross domestic product. However, we have to notice that the bank assets exceed the world output more than by 1,5 times.

For revealing the current situation and overwhelming conditions in the securities market in the Republic of Armenia, it is also important to study and analyse the structure of the investment securities market by distinct instruments of the market.

The changes in the volume of the stock market capitalization and the amounts outstanding for the debt securities market in the Republic of Armenia are shown in Fig.2 [1; 2; 4; 5; 6; 7].

As it can be seen from Pic.2, the volumes of the debt securities market have been steadily increasing

during the last decade. As in the world, in the Republic of Armenia the volumes of the debt securities market had been increasing even during the last economic crisis. Moreover, the increase in the volume of the debt securities was significantly higher in the period of 2007 – 2011. Nonetheless, the chart shows that the debt securities market in the Republic of Armenia is completely overwhelmed by the government securities. Moreover, the market of corporate debt securities showed decrease in volume in the period of 2008 – 2011.

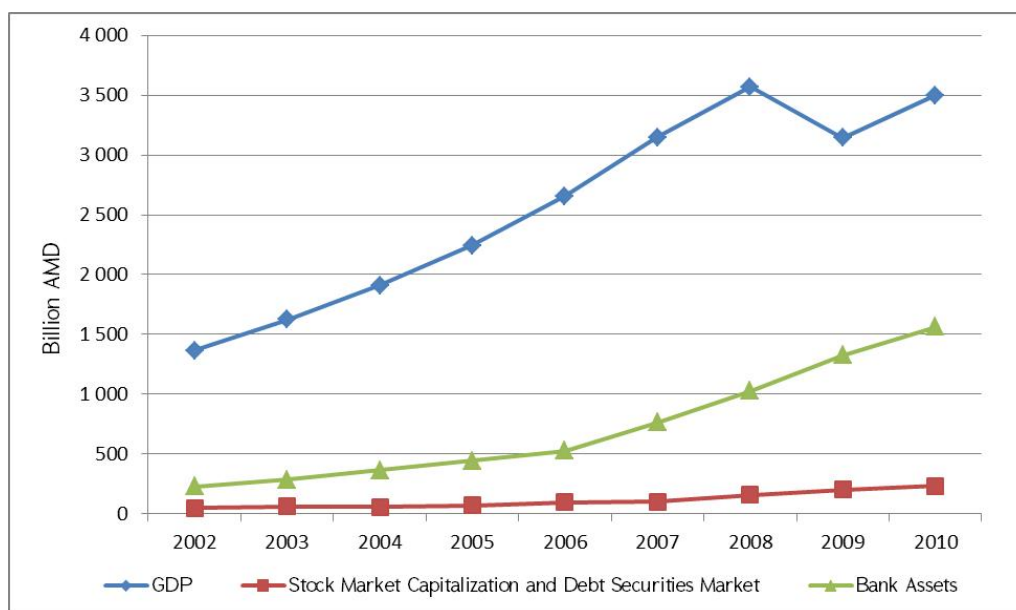
Fig. 2 shows that the stock market capitalization is also lower than the amounts outstanding for the government securities but exceeds the amounts outstanding for the corporate debt securities. However, this is due to the methodology for calculation of the stock market capitalization used in the Republic of Armenia. Actually, this methodology does not represent the real picture in the stock market and may not be used for international comparisons.

Comparing the above figures with the figure of the gross domestic product in the Republic of Armenia we get the real picture of the stock and debt securities markets in the Republic of Armenia.

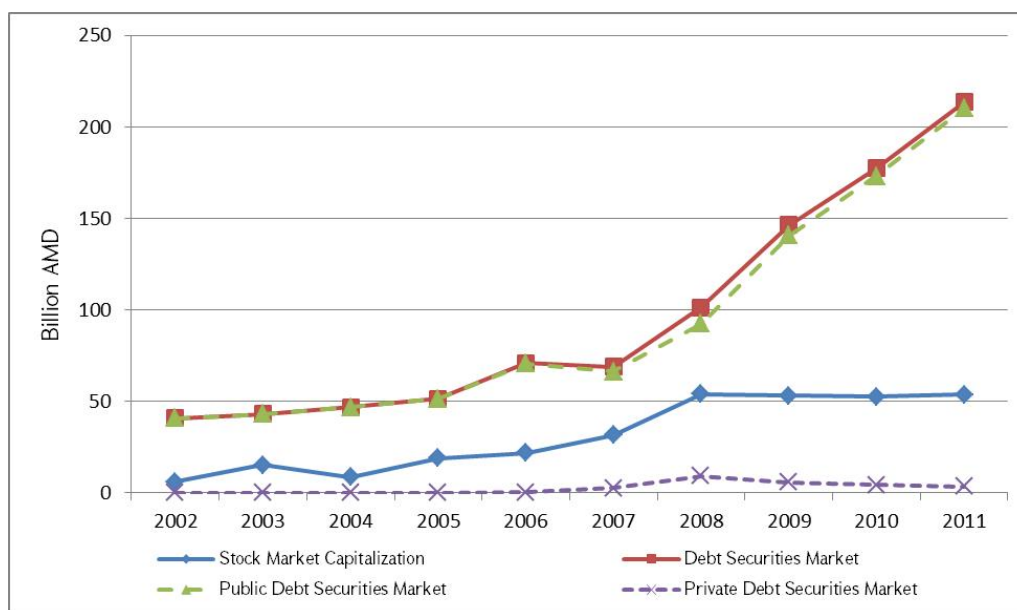
The changes in the amount of the gross domestic product per capita in the middle income countries and in the Republic of Armenia are shown in Fig.3 [3; 4; 8; 9].

As it can be seen from Fig.3, the indicator of the gross domestic product per capita in the Republic of Armenia was lower than the same indicator for the lower middle income countries before 1998. Due to high rates of growth of the gross domestic product during 2001 – 2008 and the decrease in the exchange rate of the US dollar, the gross domestic product per capita in Armenia exceeds the same indicator for the middle income countries in 2008. However, due to the global economic crisis the volume of the gross domestic product decreased in the Republic of Armenia with higher rates than in the middle income countries. As a result of this, the gross domestic product per capita became lower than the same indicator for the middle income countries.

Fig.3 shows that during the last decade the growth rate of the gross domestic product per capita in the Republic of Armenia was significantly higher than the



**Fig. 1. Volume of GDP, Stock Market Capitalization and Debt Securities Market and Bank Assets in the Republic of Armenia, 2001 – 2010. [1; 2; 4; 5; 6; 7]**



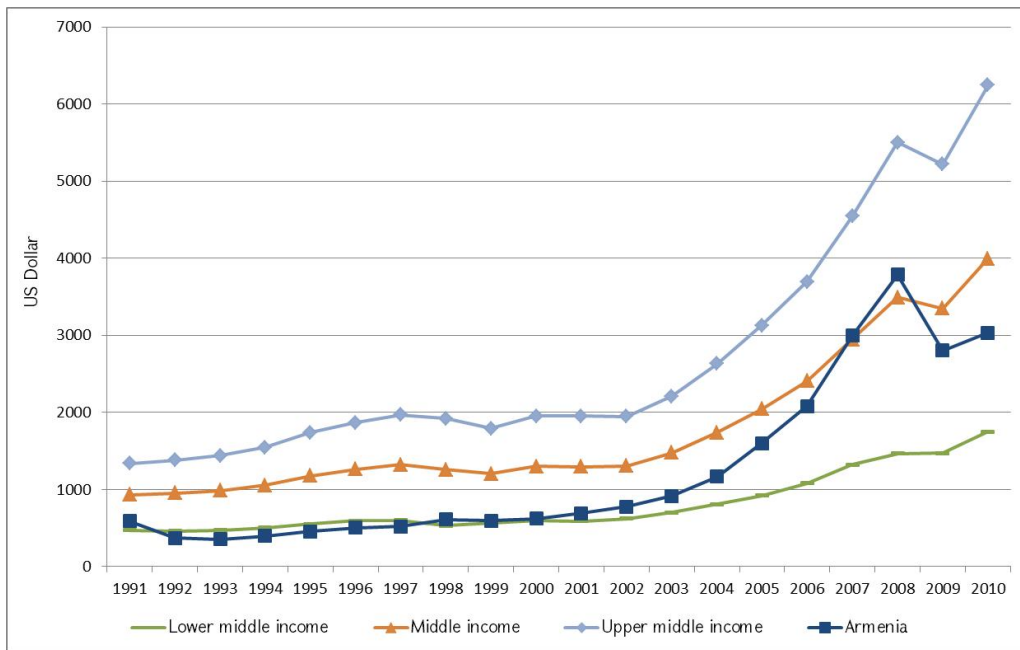
**Fig. 2. Volume of Stock Market Capitalization and Public and Private Debt Securities Markets in the Republic of Armenia, 2001 – 2010.**

same indicator of the countries with lower middle, middle and upper income.

The changes in the amount of the gross domestic product per capita in the Republic of Armenia, Regional Countries and in the World are shown in Fig.4 [3; 4; 8; 9].

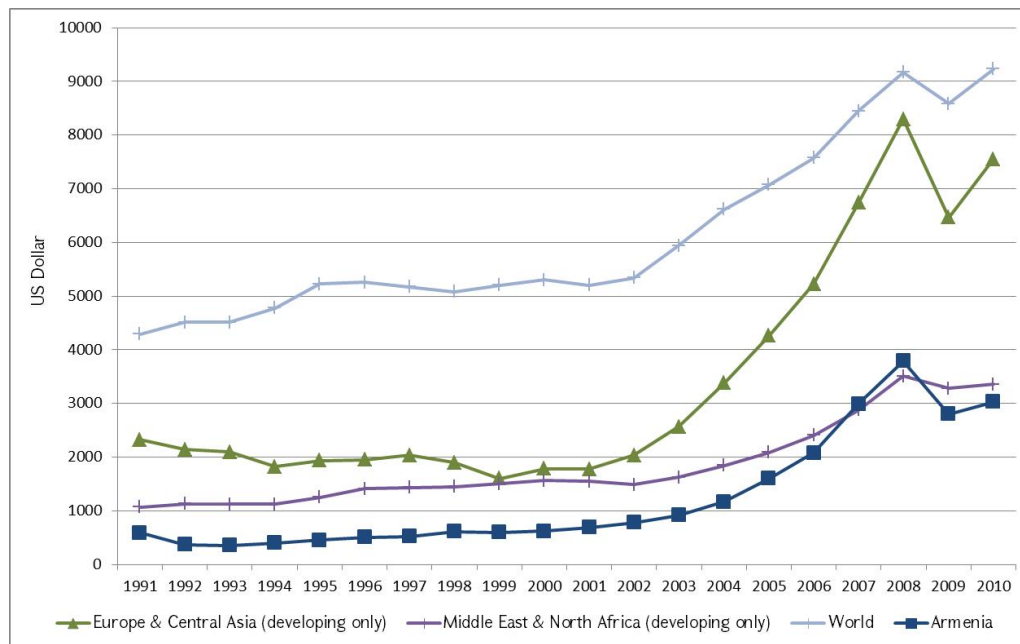
As it can be seen from Fig.4, the indicator of the gross domestic product per capita in the Republic of Armenia was significantly lower than the same indicator

for the countries of Eastern Europe and Central Asia as well as the world indicator. The indicator of the gross domestic product per capita was also almost always lower than the same indicator for the countries of Middle East and North Africa. Due to higher rates of growth of the gross domestic product, the gross domestic product per capita in the Republic of Armenia surpassed the same indicator for the countries of Middle East and North



\* World Bank Classification

**Fig. 3. GDP per Capita (Current US\$) in the Middle Income Countries and in the Republic of Armenia, 1991 – 2010**



\* World Bank Classification

**Fig. 4. GDP per Capita (Current US\$) in the Republic of Armenia, Regional Countries and in the World, 1991 – 2010**

Africa. However, due to deeper impact of the global financial crisis on the economy of the Republic of Armenia, the indicator of the gross domestic product per capita in the Republic of Armenia dropped below the

same indicator for for the countries of Middle East and North Africa in 2009.

Fig. 4 shows that during the last decade the growth rate of the gross domestic product per capita in the

Republic of Armenia was significantly higher than the same indicator of the countries of Eastern Europe and Central Asia, Middle East and North Africa, as well as the world indicator.

The changes in the amount of the gross domestic product per capita in the Republic of Armenia and in Selected Eastern European Countries are shown in Fig.4 [3,4,8,9].

As it can be seen from Pic.5, the indicator of the gross domestic product per capita in the Republic of Armenia was significantly lower than the same indicator for Slovenia, Estonia and Macedonia. The indicator of the gross domestic product per capita in the Republic of Armenia is higher only than in the neighboring Georgia.

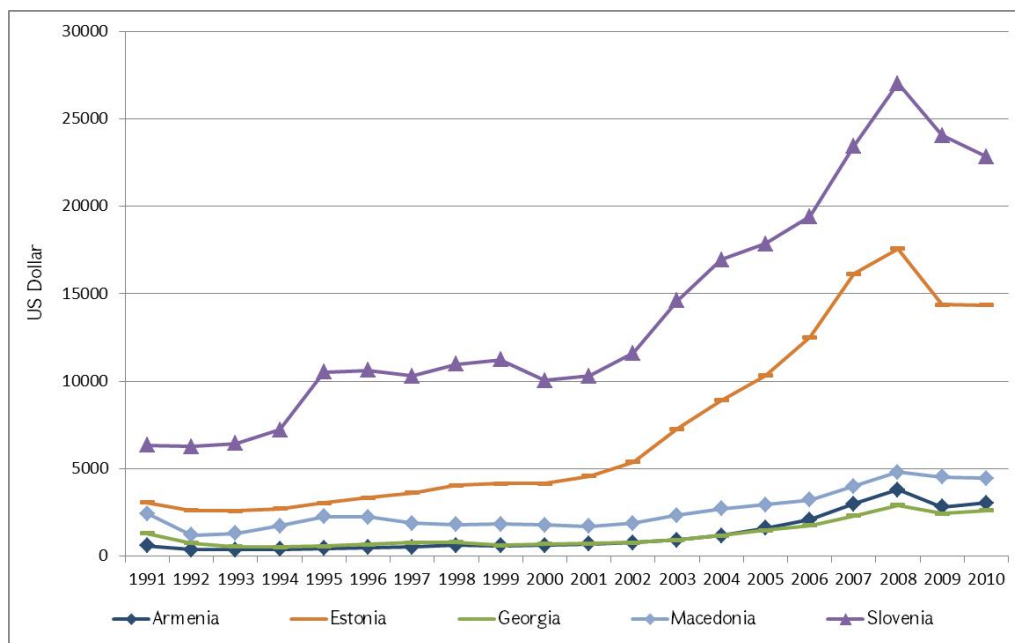
The figures derived for the Republic of Armenia may be generalized for most emerging economies, especially for those in the Eastern European region and with small and open economy. As it can be seen from Fig.5, the indicators of the gross domestic product per capita for the Republic of Armenia, Georgia and Macedonia may be viewed as relatively comparable (all these countries are small and open emerging economies).

**Main conclusions and suggestions:** The studies and analyses show that the gross domestic product per capita in the emerging economies is significantly lower than in developed economies as well as the world indicator. Studies show also that in emerging economies, in contrast to the developed economies and the world mean figures, the volume of bank assets is smaller than the gross

domestic product. The volume of the securities market, in turn, is much smaller than the amount of bank assets in emerging economies. Moreover, the structure of the securities market in most emerging economies, especially ones in the Eastern European region, is dominated by the government securities. Thus, the main instruments of the securities market and financing of long-term investments, the corporate stock and debt securities are underdeveloped in emerging economies. On the other hand, the higher growth rates of gross domestic product in emerging economies lay opportunities for development of the securities market in those countries. In such situation it is important to develop mechanisms of making benefits from higher GDP growth rates and translating them into development of the securities market and, ultimately, regaining interrelation between the economic growth and the development of the securities market.

### References

1. **36. Armenian Stock Exchange**, Annual Reports, 2002-2003, <http://www.nasdaqomx.am>.
2. **37. Armenian Stock Exchange**, Annual Reviews, 2004 – 2007, <http://www.nasdaqomx.am>.
3. **Bank** for International Settlements, <http://www.bis.org>.
4. **19. Central Bank of Armenia**, <http://www.cba.am>.
5. **35. NASDAQ OMX Armenia/Armenian Stock Exchange** Bulletins, 2003 – 2011, <http://www.nasdaqomx.am>.
6. **43. NASDAQ OMX Armenia** Annual Reviews, 2002 – 2010, <http://www.nasdaqomx.am>.
7. **Public Debt** of the



**Fig. 5. GDP per Capita (Current US\$) in the Republic of Armenia and in Selected Eastern European Countries, 1991 – 2010**

Republic of Armenia, Annual Reports, 2003 – 2010, Ministry of Finance of the Republic of Armenia, <http://www.minfin.am>. 8. **Statistical Yearbooks of Armenia, 2002 – 2011**, National Statistical Service of the Republic of Armenia <http://www.armstat.am>. 9. **World Bank**, <http://www.worldbank.org>

**Багдасарян А. М. Проблеми економічного зростання та розвитку ринку цінних паперів в країнах з ринком, що формується**

У статті розглянуто проблеми економічного зростання і розвитку ринку цінних паперів в країнах з ринком, що формується. Республіку Вірменію розглянуто як типовий приклад для вивчення проблем економічного зростання і розвитку ринку цінних паперів в країнах з ринком, що формується. Зокрема, були вивчені та проаналізовані основні економічні показники і показники ринку цінних паперів у Республіці Вірменія. Було проведено порівняльний аналіз економічних показників у Республіці Вірменія, у країнах регіону, у світі.

*Ключові слова:* економічне зростання, розвиток ринку цінних паперів, країни з ринком, що формується.

**Багдасарян А. М. Проблемы экономического роста и развития рынка ценных бумаг в странах с формирующимся рынком**

В статье рассматриваются проблемы экономического роста и развития рынка ценных бумаг в странах с формирующимся рынком. Республика Армения рассматривается в качестве типичного примера для изу-

чения проблем экономического роста и развития рынка ценных бумаг в странах с формирующимся рынком. В частности, были изучены и проанализированы основные экономические показатели и показатели рынка ценных бумаг в Республике Армения. Был проведен сравнительный анализ экономических показателей в Республике Армения, в странах региона и в мире.

*Ключевые слова:* экономический рост, развитие рынка ценных бумаг, страны с формирующимся рынком.

**Baghdasaryan A. M. Problems of Economic Growth and Development of the Securities Market in Emerging Economies**

The article considers problems of economic growth and development of the securities market in emerging market. The Republic of Armenia was regarded as a typical example for studying the problems of economic growth and development of the securities market in emerging economies. Particularly, the main economic indicators and indicators of the securities market in the Republic of Armenia were studied and analyzed. Comparative analysis of economic indicators in the Republic of Armenia, in the regional countries and in the world was done.

*Key words:* economic growth, development of the securities market, emerging economies.

Received by the editors: 31.03.2012  
and final form 20.11.2012