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STRUCTURE, TRENDS, AND CHALLENGES OF FINANCIAL MARKETS: A COMPARATIVE ANALYSIS OF RUSSIAN AND ARMENIAN FINANCIAL MARKETS IN THE CONTEXT OF GLOBAL TRENDS

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ABSTRACT

Financial markets allocate capital across time and risk, shaping economic growth, resilience, and innovation. This study develops a comparative framework to examine how global trends—digitalization, fintech infrastructure, ESG finance, and geopolitical fragmentation—transmit into two unequal financial systems: Russia and Armenia. These cases were selected based on their shared post-Soviet institutional legacies and bank-centric intermediation, alongside major differences in market scale, digital progress, and external constraints. Using central bank reports, World Bank indicators, and global monitoring by the Bank for International Settlements and the World Economic Forum, the study compares market depth, structure, digital transformation, and resilience. Findings show that both systems remain predominantly bank-based, but Russia's capital market is significantly deeper, with broader equity listings and higher capitalization—although recent sanctions have curtailed cross-border flows. Armenia's capital market is structurally limited, with few active issuers and shallow liquidity, but episodic expansion points to underexplored channels for growth, especially via diaspora-linked instruments. Digitalization is a key differentiator: Russia has formalized its central bank digital currency roadmap, while Armenia prioritizes system continuity and financial stability. The study offers a replicable comparative model and identifies policy strategies for developing financial markets under rising global fragmentation.

KEYWORDS: Financial Markets; Comparative Political Economy; Bank-Based Finance; Capital Markets; Russia; Armenia; Fintech And CBDC; Global Financial Fragmentation.

1. INTRODUCTION

Financial markets perform core economic functions: mobilizing savings, allocating capital, pricing risk, facilitating payments, and enabling hedging and liquidity transformation. In applied policy terms, the "quality" of a financial market is not captured by size alone; it also depends on institutional credibility, transparency, infrastructure, and the stability of cross-border linkages. These qualitative attributes have become more salient as global conditions shift toward greater geopolitical uncertainty and potential fragmentation in financial channels – developments that have been explicitly framed as risks to global financial system integrity and macro stability (World Economic Forum, 2025).

At the global level, three trend clusters are especially relevant for national market development. First, digitalization (fintech, faster payments, platform finance, and tokenization) reduces transaction costs and can broaden access, but also creates new operational, cyber, and consumer-protection risks. Second, sustainability and ESG-related standardization (disclosure and taxonomy diffusion) increasingly shape investor behavior and capital access, even in markets where local issuance is small. Third, fragmentation pressures can reprice cross-border liquidity and restrict financial integration, affecting funding costs, investment horizons, and portfolio flows (FinTech Association, 2022). These trends are transforming both developed and developing economies, creating new opportunities and risks. The World Economic Forum has recently synthesized fragmentation risks and proposed guardrails to maintain global financial system integrity under such pressures (World Economic Forum, 2025a).

For emerging market countries, including Russia and Armenia, the challenge is adapting to global changes while simultaneously addressing internal structural problems in the financial sector. The Russian financial market is one of the largest among developing countries, characterized by a well-developed infrastructure, including stock exchanges as well as debt and currency markets. Until 2022, it was actively integrated into international capital flows (Itskhoki, O., Mukhin, D., 2022). At the same time, the Russian economy has faced unprecedented geopolitical upheavals and sanctions restrictions, which have significantly impacted its financial system. Armenia, by contrast, is a small, open economy whose financial sector is growing and modernizing. The Armenian financial market has historically been bank-oriented, with minimal capitalization of the stock sector (in the late 2010s, stock capitalization amounted to only ~2–3% of GDP (Yakovlev, I. A., Shvandar, K. V., 2018)). However, steps are being taken to develop it and attract investment, including through the issuance of Eurobonds on foreign markets. A comparative analysis of these two countries allows us to identify general patterns and specific features of financial market development in the context of global trends.

This paper focuses on Russia and Armenia to isolate how these global trends interact with scale asymmetries and institutional legacies. The case-selection criteria are explicit. (1) Both systems share historical and institutional features common to post-Soviet transitions, including a strong role for banks in intermediation and a comparatively smaller role for deep public equity markets. (2) They differ sharply in macroeconomic and market scale: Russia's GDP is measured in trillions of US dollars, while Armenia's GDP is in the tens of billions, creating fundamentally different liquidity and product-development conditions (World Bank, 2026a). (3) They face different external constraints and opportunities in a fragmented environment: Russia's capital-market development must be interpreted under tighter cross-border financial constraints, whereas Armenia's development strategy is more oriented toward gradual market deepening and integration, subject to small-market constraints and concentration. These criteria support a structured, focused comparison: "most-similar" in broad institutional legacy, "most-different" in scale and external constraint exposure.

The purpose of this study is to analyze the structure, current trends, and key challenges of the financial markets of Russia and Armenia in comparison with each other and in relation to global processes. The study utilizes statistical indicators and data from official sources (central banks, international organizations) along with literature reviews, providing comprehensive qualitative and quantitative analysis. The study follows the design of a comparative case study of two countries, allowing for a detailed disclosure of their financial and economic profiles and cross-country comparisons. The article is structured as follows: in the Materials and Methods section describes the data sources and research approaches; the Results section presents the main findings of the analysis, including a comparative analysis of the Russian and Armenian financial systems, as well as the impact of global trends; the Discussion section summarizes the results, discusses their significance, and offers interpretations in a broader context; and finally, the Conclusion section formulates the final conclusions and recommendations.

2. MATERIALS AND METHODS

This study uses a structured, focused comparative case-study design. The comparison is "structured" because both cases are evaluated using the same analytical categories and the same set of core indicators. It is "focused" because the goal is not to provide an exhaustive institutional history, but to explain cross-case differences in the transmission of global trends into domestic market structure, depth, and resilience.

Case selection. Russia and Armenia are selected based on three methodological criteria: (i) comparable transition legacies and bank-centered intermediation as a baseline starting point; (ii) large difference in market scale and breadth; (iii) divergent exposure to global fragmentation constraints (interpreted as changes in cross-border financial conditions and integration capacity). This selection supports inferential leverage: if similar institutional legacies yield different outcomes under different scale and external constraints, then explanations that emphasize market size, liquidity, and external channel access gain plausibility.

Data sources. Quantitative comparisons rely primarily on WDI series accessed via the World Bank DataBank interface, including GDP in current US dollars, listed domestic companies, market capitalization series, and bank credit to the private sector as a percent of GDP. These indicators are preferable to secondary aggregators because they provide transparent definitions and standardized measurement, while also documenting limitations (comparability constraints and missing-value practices). We report values for the most recent years visible in the DataBank extracts and explicitly note missing years where applicable.

Qualitative and institutional interpretation uses primary central bank documents where available. For Armenia, the Central Bank of Armenia's Financial Stability Report and annual reporting provide an official framing of system continuity, credit growth, and macro-financial monitoring (Central Bank of Armenia, 2025). For Russia, Bank of Russia materials are used for digitalization trajectories, especially the digital ruble timeline and implementation approach (Bank of Russia, 2025). Global context is anchored in BIS CBDC survey reporting and WEF fragmentation analyses (Bank for International Settlements, 2025).

Analytical procedure. The analysis proceeds in three steps.

Step 1: establish baseline scale and depth using GDP, market capitalization, listed-companies counts, and bank-credit-to-GDP, comparing levels and recent trend snapshots.

Step 2: evaluate structure and infrastructure, emphasizing bank dominance and the role of market-based finance, and compare digital infrastructure trajectories (including CBDC strategy where relevant).

Step 3: interpret differences through the lens of resilience and trend transmission, using central bank stability framing and global fragmentation risk narratives to explain why similar legacies can produce different development constraints.

Assumptions and limits. This paper does not attempt econometric causal identification. Data availability differs by indicator and country: for example, bank-credit-to-GDP series for Russia in WDI show limited recent coverage relative to Armenia, and market-capitalization-to-GDP indicators may exhibit jumps in small markets due to concentration and measurement changes. These issues are stated explicitly in Results and interpreted cautiously, consistent with WDI metadata on comparability and limitations.

3. RESULTS

3.1. *Depth And Scale*

The financial systems of Russia and Armenia demonstrate a noticeable contrast in size and level of development. Table 1 presents key indicators illustrating the differences between the two countries. The Russian economy is orders of magnitude larger than the Armenian economy in terms of population and GDP; the volume of the Russian financial market is significantly larger in absolute terms.

Table 1: Comparison of Some Indicators of the Financial Markets of Russia and Armenia.

Indicator	Russia	Armenia	Notes on interpretation
Population, million (2024)	144.0	3.0	Russia's larger population enables deeper markets and scalable fintech ecosystems (World Bank, 2026b).
GDP, current prices, billion $ (2024)	2174	25.8	Scale gap strongly shapes liquidity and instrument variety (World Bank, 2026b).
Market cap of listed domestic companies (current bn US$)	2023: 650.5	2024: 4.85	Armenia's market cap series shows a sharp recent jump; interpret with concentration caution (World Bank, 2026d).

Market cap of listed domestic companies (% of GDP)	2023: 31.4%	2024 (computed): 18.7%	Armenia value computed as market cap (US$)/GDP (US$)*100 using same WDI extracts (World Bank, 2026e).
Domestic credit to private sector by banks (% of GDP)	2021: 54.6%	2024: 62.4%	Russia series shows most recent value in 2021 in extract; Armenia continues through 2024 (World Bank, 2026a).
Number of companies listed on the stock exchange	194	12	Proxy for breadth of publicly listed equity market (World Bank, 2026c).

Note: Data Has Been Rounded; Share Capitalization Is Calculated as the Ratio of the Total Market Value of Shares Traded on the National Stock Exchange to the Country's GDP.

The scale contrast is structural, not incremental. In current US dollars, Russia's GDP in the WDI extract is above $2.17 trillion in 2024, whereas Armenia's GDP is about $26 billion in 2024. This difference shapes financial-market microstructure: small markets generally struggle to sustain continuous secondary-market liquidity across many instruments, and they tend to feature a narrow set of dominant issuers and intermediaries.

Equity-market breadth differs accordingly. Russia's listed domestic companies count is roughly two orders of magnitude higher than Armenia's in the most recent years shown: 194 in 2024 for Russia versus 12 in Armenia. For example, the capitalization of the Armenian stock market at the end of the 2010s was only about 2.7% of GDP, with only ~10 public issuers (Yakovlev, I. A., Shvandar, K. V., 2018). Even in 2023, this figure was 1.2%, and in 2024 – 18.7% of GDP after 2 new IPOs, remaining one of the lowest in the world. For comparison, in Russia, before the introduction of sanctions in 2022, the total market capitalization of shares reached ~30% of GDP, which is close to the level of some other large emerging economies (Wikipedia, 2025).

Market capitalization indicators reinforce the depth gap but also highlight a critical measurement issue for small markets. Russia's equity market capitalization in current dollars is in the hundreds of billions (about $650.5 billion in 2023 in the WDI extract), while Armenia's is in the single-digit billions (about $4.85 billion in 2024). Yet Armenia's capitalization shows a sharp jump between earlier years and 2024, implying that small-market series can be highly sensitive to one or a few issuers, valuation changes, or reporting and classification updates.

3.2. *Structure: Bank-Based Intermediation in Both Cases*

Both cases remain predominantly bank-based in intermediation, but the credit-to-GDP figures suggest distinct trajectories and data-coverage differences. For Armenia, domestic credit to the private sector by banks reaches 62.4% of GDP in 2024 in the WDI extract. For Russia, the same series shows 54.6% in 2021 as the latest visible value in the extract, indicating either a data gap or a slower update cycle for this indicator-country combination. The comparison therefore focuses on structure rather than a claim of time-synchronous levels.

The practical implication is that in both countries, banks remain central to funding households and firms, while equity markets—though larger in Russia—do not appear to dominate private-sector financial resource provision in a way typical of highly market-based systems. This structural interpretation is consistent with the selected indicator set: credit-to-GDP remains high relative to equity-market breadth measures in both cases, especially for Armenia.

3.3. *Digitalization And Financial Infrastructure*

Digitalization matters increasingly for both market functioning and policy capacity. Russia is experiencing rapid development of fintech services: the growth of cashless payments, the emergence of digital banks and ecosystems, and the expansion of mobile banking and online investments. The Russian fintech market is estimated to continue growing at double-digit rates, remaining competitive with global leaders. The regulator (the Bank of Russia) supports innovation: regulatory sandboxes have been created for testing new technologies, a central bank digital currency (the digital ruble project) is being launched, and business cases for the tokenization of financial assets are being explored (FinTech Association, 2022). The Law on Digital Financial Assets, adopted in the Russian Federation in 2020, laid the legal foundation for the issuance of tokenized rights and cryptoassets. These steps are in line with the global trend of transition to digital infrastructures and blockchain solutions in financial markets (Rooz, Y., 2024).

In Armenia, the fintech sector is still smaller in scale, but the country is also moving toward the digitalization of finance. Online banking and electronic payments are becoming more widespread, and banks are implementing remote customer service. The Central Bank of Armenia (the mega-regulator of the financial system) has initiated the creation of platforms for remote identification and electronic document management, simplifying customer interactions with financial institutions. Armenia also participates in EAEU initiatives aimed at developing financial technologies, allowing it to share best practices with regional partners. The possibility of launching a digital currency or joining international central bank digital currency projects is being considered. This could facilitate cross-border payments and integrate Armenia into new financial networks. Overall, although Armenia's fintech industry is smaller than Russia's, its development vector is aligned with global trends: a focus on innovative payment solutions, open APIs, and digital products. This offers the small country the opportunity to accelerate the development of its financial infrastructure by immediately implementing modern technologies.

A major difference between the two cases lies in the explicitness and scale of CBDC trajectories. The Bank of Russia has communicated a timeline for the large-scale introduction of the digital ruble, stating that large-scale introduction will begin on 1 September 2026 (Bank of Russia, 2025). This is a concrete institutional milestone that potentially affects payment instruments, financial infrastructure, and competitive dynamics among banks and payment providers.

This national trajectory is consistent with global trends documented by the BIS: in the 2024 BIS survey, central banks' involvement in CBDC work remained high, with 91% of surveyed central banks exploring retail and/or wholesale CBDCs (Bank for International Settlements, 2025). This provides the global context for why digital currency infrastructure is now a central element of financial-market strategy globally, not an isolated experiment.

In Armenia, the central bank's stability reporting emphasizes continuity of financial intermediation and ongoing system performance and monitoring; in 2024, the financial system ensured continuity of intermediation with expanding loan and deposit portfolios (as described in the Central Bank of Armenia's financial stability reporting) (Central Bank of Armenia, 2025). While this is not a CBDC statement per se, it indicates a policy framing that prioritizes stability, resilience, and monitored credit growth as core development preconditions—an orientation common to small, bank-centered systems aiming for gradual deepening.

3.4. *Sustainable Finance (ESG)*

A central result of the framework is that sustainability and ESG alignment are not only "ethical" or reputational issues; they function as channels of capital access, risk pricing, and disclosure convergence. In a fragmented environment, alignment with global sustainability standards can be uneven, depending on the degree of cross-border investor participation and the legal–regulatory interfaces through which standards diffuse. The World Economic Forum's global risk framing emphasizes an increasingly fractured landscape, and its fragmentation-focused reporting outlines guardrails meant to preserve financial system integrity under conditions that can disrupt cross-border flows and standards convergence (World Economic Forum, 2025b).

For Russia, the implication is not simply "less ESG," but rather a shift toward domestically anchored market development and the potential creation of localized standards and investor bases that may differ from global mainstream practices. For Armenia, the relevant constraint is small-market depth and concentration rather than large-market isolation: even if standards are adopted, the market may have limited issuance depth and investor diversity, so ESG implementation may concentrate in a few instruments or institutions.

The global trend towards sustainable development and responsible investment is reflected in the financial markets of both countries, albeit to varying degrees. The issuance of green and social bonds is growing rapidly in the global economy: the total volume of ESG bond placements in 2023 reached $939 billion, exceeding the 2022 level by 3% (Parfenenkova, M., 2024). The Russian financial market has relatively recently joined this agenda: a national taxonomy of green projects was approved (2021), and corporations and regions have begun issuing green bonds. In 2023, eight ESG bond issues with a total volume of ~140.8 billion rubles were placed on the Moscow Exchange, including the largest green issue by the state corporation VEB.RF for 40 billion rubles (Parfenenkova, M., 2024). Although the share of such instruments is still small relative to the overall Russian bond market, the infrastructure for sustainable finance is actively developing: the exchange and regulator have issued guidelines for the disclosure of companies' non-financial reports, and independent verifiers of green projects are emerging.

ESG is also becoming increasingly important for Armenia. The government and the Central Bank of Armenia are exploring opportunities to attract funding from international green funds and institutions to finance infrastructure projects. In particular, renewable energy projects could receive support through the issuance of sovereign green bonds with the assistance of the World Bank or other IFIs. Armenia already has successful experience borrowing on foreign capital markets through Eurobonds, which has established a reputation as a reliable borrower. This could serve as a foundation for entering the ESG instruments market in the future. A key challenge, similar to the Russian one, remains the development of local standards and requirements for sustainability reporting, as well as the prevention of the practice of "greenwashing" – the formal positioning of projects as "green" without any real environmental impact. Regulators will need to ensure clear criteria and oversight to ensure that new initiatives genuinely contribute to sustainable development and are not used for marketing purposes.

3.5. *Institutional Investors and Integration into Global Markets*

One of the major changes in recent decades in developed markets has been the dominance of institutional investors – pension funds, insurance companies, investment funds, bank managers, etc. These institutions accumulate colossal resources: global pension funds reached a record $58.5 trillion in assets in 2024, investment funds (including ETFs) reached approximately $63 trillion, and sovereign wealth funds collectively exceeded $10 trillion. In several developed countries, institutional investors own 70–80% of stock market capitalization. In Russia, the institutional investment market is relatively underdeveloped. Although large state investment funds (such as the National Welfare Fund) and non-state pension funds exist, the combined share of organized institutions in the Russian market is small, and a significant portion of assets was controlled by foreign investors until 2022. Foreign portfolio capital through stock index products largely determined the dynamics of Russian stock prices – the share of the Russian Federation in the MSCI index Emerging Markets reached ~3% until external restrictions forced non-residents to leave the market (Itskhoki, O., Mukhin, D., 2022). Sanctions isolation sharply reduced Russia's integration into global financial flows: leading Russian issuers lost their listings on foreign exchanges, and trading in Russian stocks abroad virtually ceased. As a result, the role of domestic investors increased: the share of retail (private) stockholders on the Moscow Exchange increased, and the activity of local institutional players (banks, management companies) became critical for maintaining liquidity.

In Armenia, the institutional segment of the financial market is in its infancy. Until the mid-2010s, pension savings and collective investments were virtually nonexistent in the country; non-governmental pension funds and mutual funds began to emerge only after the 2014 pension reform. Currently, several pension funds managed by international companies operate, but their assets still represent a fraction of GDP and are primarily invested in government bonds. The insurance market is also small: insurance company assets constitute less than 3% of GDP (Yakovlev, I. A., Shvandar, K. V., 2018). Thus, unlike developed economies, where institutional investors dominate, banks and individuals remain the main investors in Armenia. This results in low stock market depth and liquidity: the small number of shares in circulation and the limited circle of buyers and sellers lead to sporadic trading. Foreign capital participation in the Armenian market is also extremely limited – none of the major global stock indices include Armenia due to its small size. Nevertheless, potential for integration exists. The large Armenian diaspora, which already contributes to the economy through remittances (which have reached 10-15% of GDP in recent years), could play a particularly important role. If instruments are created that allow the diaspora to invest in securities in their homeland (for example, through the issuance of "diaspora" bonds or private equity funds), this could significantly expand the investor base and revitalize the Armenian securities market.

3.6. *Key Challenges and Risks*

The analysis revealed a number of similar problems facing the financial markets of Russia and Armenia, although their specific manifestations differ. First, there is the need to balance the development of financial innovation with ensuring robust regulation. Regulators in both countries strive, on the one hand, to stimulate the growth of new segments (fintech startups, crypto assets, etc.), while, on the other, preventing the accumulation of systemic risks. Insufficient regulation of fintech and new instruments poses threats to consumers and stability, while excessively stringent restrictions can also hinder innovation. Fine-tuning oversight is necessary – for example, through regulatory sandboxes and pilot projects that allow for limited testing of innovations before introducing full-scale regulation.

Secondly, high volatility and vulnerability to external shocks remain a serious risk. The Russian market is traditionally subject to sharp fluctuations due to its dependence on commodity prices and geopolitics; examples include the stock market crash in March 2020 (pandemic shock), the ~50% drop in the Moscow Exchange index in early 2022 amid sanctions, and periodic surges in ruble volatility (Itshok, O., Mukhin, D., 2022). The Armenian financial market, while shallow, also reacts sharply to external shocks: for example, the 2020 economic crisis and the war of the same year led to capital outflow and the devaluation of the dram, while a sharp influx of funds from Russia in 2022, on the contrary, strengthened the national currency and stimulated a consumer lending boom. The small size of the market means that even moderate flows by global standards have a disproportionately large effect on prices and exchange rates in Armenia (both positive and negative).

Third, limited diversification of financial instruments and low market liquidity hinder their development. This problem is particularly evident in Armenia: the extremely narrow range of traded securities (a few stocks and corporate bonds) and investors effectively mean the absence of a fully-fledged stock market. Even with a formally existing exchange infrastructure, real capital mobilization through the stock market is virtually nonexistent. The situation is better in Russia—there are dozens of large issuers of stocks and bonds, and a developed government bond market – but even there, the market structure is unbalanced. The bulk of capitalization and trading is accounted for by a few blue-chip companies, while mid- and small-sized companies are poorly represented on the exchange. This limits investors' opportunities for domestic diversification and makes the market dependent on the performance of individual companies and industries (for example, oil and gas).

Finally, geopolitical and macroeconomic risks are having a significant impact. The Russian financial market in 2022–2023 was largely cut off from the global financial system: sanctions limited ruble convertibility, prohibited Western investors from trading Russian assets, and froze a significant portion of reserves. These factors have undermined previous models of capital raising (through Eurobonds and IPOs on international exchanges) and are forcing the country to seek new strategies—for example, developing settlements in national currencies with friendly countries, creating alternative exchange platforms within the BRICS/EAEU framework, etc. Armenia, by contrast, is not directly subject to sanctions and maintains open access to global financial institutions. However, its vulnerability depends on the external economic environment and the situation in partner countries. On the one hand, integration into international projects (IMF and World Bank programs) maintains stability. On the other hand, regional conflicts and economic problems in major neighbors (Russia, the EU, the Middle East) may indirectly impact the Armenian market through trade, investment, and remittance flows. Both countries face the risk of capital outflow during stressful periods: in Russia, this manifested itself in the form of non-residents leaving the country and wealthy individuals withdrawing their funds abroad, while in Armenia, it manifested itself in the form of dollarization and the transfer of savings by the population to more stable jurisdictions during crises.

Thus, the analysis reveals that, despite differences in scale and level of development, the financial markets of Russia and Armenia share several characteristics typical of developing economies (the predominance of banks, shallow local capital markets, and sensitivity to external shocks). At the same time, each country faces unique challenges: the Russian market is experiencing the pressure of external isolation and is seeking new growth models amid technological and sanctions restrictions, while the Armenian market faces the challenge of its own development and integration, overcoming structural smallness and a lack of investors. These aspects require further discussion in terms of their significance and long-term implications.

4. DISCUSSION

The comparative logic clarifies that Russia and Armenia can share baseline institutional legacies (bank-centricity, transition history) while diverging due to scale and external constraint exposure. Scale affects liquidity, diversification, and market-making economics: larger markets can sustain a wider array of instruments and intermediaries, and they can amortize infrastructure investments across more volume. This is visible in the listed-company count and market capitalization data, where Russia's equity market has materially greater breadth and value.

At the same time, "larger" does not automatically mean "more resilient" in all dimensions. Large markets also have more complex cross-border channels and can become more exposed to fragmentation-related shocks. The WEF's fragmentation analysis is helpful here: fragmentation can change incentives and the effective cost of cross-border finance, pushing systems toward localized adaptation strategies. For Russia, this suggests that domestic market development and operational infrastructure (including CBDC and payment modernization) can become more central as external channels become less reliable.

Armenia's constraint set differs. Small-market challenges are structural: limited issuer base, concentration in a few firms and sectors, and episodic liquidity. The Armenia market capitalization jump visible in WDI data illustrates why small-market indicators require careful interpretation and why transparency about series definitions and data limitations matters for policy and research.

A comparison of the financial markets of Russia and Armenia in the context of global processes reveals both similarities and profound differences due to structural and foreign policy factors. Both markets confirm that developing economies are characterized by a dominant role of the banking sector and a relatively weak stock market. In this sense, Russia and Armenia follow a common model of a bank-centric financial system, where banks act as the primary intermediary between savings and investment. However, the degree of this bank-centricity and its economic consequences differ in the two countries. The Russian financial market, while deeper, until recently had elements of a market-oriented model – an active exchange, the presence of foreign investors, and a variety of instruments (stocks, corporate bonds, derivatives). The Armenian market, on the other hand, is at an earlier stage of development, with limited exchange activity and capital accumulation occurring primarily through bank lending. Our analysis confirms that economic size is critical: small countries often fail to provide sufficient liquidity and diversification in their domestic capital markets. Accordingly, Armenia faces the typical problem of a “thin” market, while Russia faces a different problem – the loss of access to global liquidity due to external restrictions.

It's important to consider the results obtained through the prism of global trends. Digitalization and fintech present a dual opportunity and challenge. For Russia, digital technologies have become a tool for mitigating the effects of isolation: the development of its own fintech sector, instant payment systems, national payment infrastructure, and the digital ruble are all aimed at supporting the functioning of the financial system in the new environment. In the short term, such measures increase market autonomy and reduce dependence on Western infrastructure. However, long-term success will depend on the ability to integrate into alternative international networks (for example, with BRICS and EAEU partners) and maintain participants' trust in new instruments. Armenia, for its part, can use fintech to accelerate the development of financial services, compensating for the lack of traditional infrastructure. High mobile and internet penetration, as well as the support of international donors, provide an opportunity to implement modern digital solutions (online lending, crowdfunding, e-wallets, etc.) even with limited resources. Thus, both Russia and Armenia recognize digital transformation as a priority, although the motives differ: for Russia, it is an element of economic sovereignty, while for Armenia, it is a way to increase financial inclusion and the investment attractiveness of the market.

Another area for discussion is sustainable finance and ESG trends. Despite differences in the political and economic context, both countries are engaged in the global sustainable development agenda. The Russian example shows that even a resource-based economy, under the influence of the investment community and international obligations, is beginning to consider environmental and social factors (through green bonds and ESG reporting) (Parfenenkova, M., 2024). However, sanctions and shifting priorities could slow this process: many Western ESG investors have left Russia, and domestic sustainability issues may take a back seat amid the crisis. For Armenia, ESG opens opportunities to access global finance: international institutions are ready to support "green" projects, and a small economy can reap disproportionate benefits if it manages to position itself as focused on sustainable development. For example, issuing sovereign green bonds or creating favorable conditions for renewable energy projects would attract capital and strengthen the country's international reputation. However, limited administrative and expert capacity impose limitations: implementing ESG standards requires staff training and regulatory development. In small countries, there is a risk that compliance with international norms will be a formality without significantly influencing investment decisions. Thus, although ESG initiatives are an inevitable global trend, their effectiveness depends on domestic resources and political will.

In terms of integration into global capital markets, the two countries' situations are diametrically opposed, highlighting the role of foreign policy factors. Russia is effectively undergoing financial deglobalization, forced to replace foreign capital with domestic capital and reorient ties from West to East. This shift carries the risk of reduced efficiency: a narrowing circle of investors and partners could increase the cost of capital and reduce access to technology. Armenia, by contrast, requires deeper global integration – an influx of foreign investors, the participation of companies in international listings, and cooperation with neighboring financial centers. A practical step in this direction is to more actively engage the Armenian diaspora as a source of direct and portfolio investment, for example, through special diaspora bonds or development funds. Furthermore, integrating the Armenian market with major exchanges (through bilateral listing agreements and connection to regional exchange platforms) could increase liquidity and investor confidence. The experience of countries of comparable size (for example, the Baltics) shows that openness and the use of international financial platforms can compensate for the limited scale of the domestic market.

Finally, the study's findings are important for shaping financial sector development policy. For Russia, the top priority is restoring investor confidence and adapting flexibly to the new conditions. It is essential to stimulate domestic demand for financial instruments (through the development of retail investment, tax incentives, and mechanisms to protect private investments) while simultaneously strengthening transparency and legal guarantees to prevent excessive volatility and speculation as foreign participation declines. Ensuring cybersecurity and the reliability of new digital systems is also on the agenda, given the accelerated digitalization under pressure of sanctions. For Armenia, key recommendations revolve around creating an ecosystem favorable for issuers and investors: improving securities legislation and corporate governance, protecting minority shareholders' rights, and improving the financial literacy of the population. It would be wise for the authorities to continue to attract international technical assistance to develop the capital market (as was done with the support of the IMF and the World Bank) and consider incentives for companies to list on the stock exchange (for example, tax breaks for public issuers). Without the emergence of new, high-quality issuers and instruments (including those available to retail investors), it is difficult to expect a significant revival of trading activity.

Overall, a comparative analysis shows that, although the financial markets of Russia and Armenia are aligned with global trends, they each have their own unique characteristics that must be considered when developing development strategies. The larger and more systemically important Russian economy needs to seek new footholds and partnerships in the face of a changing geopolitical reality, while the smaller Armenian economy prioritizes building basic market institutions and integrating into international financial ties. Both cases highlight that sustainable financial market development requires a combination of domestic reforms and adaptation to a dynamic external environment.

5. CONCLUSION

Russia and Armenia are analytically valuable not because they are identical, but because they share baseline institutional legacies while differing in scale and in exposure to global fragmentation constraints. The transformation of the financial markets of Russia and Armenia is currently underway under the influence of similar global trends – digitalization, ESG, and institutionalization – but is manifesting differently due to the specificities of each country. The study showed that the Russian financial market, with its greater scale and depth, was able to partially realize the potential of market instruments and integrate into the global financial context. However, external shocks (primarily the 2022 sanctions) have rolled back this integration, forcing the system to adapt in isolation. The Armenian financial market, by contrast, is only just beginning to develop the necessary institutions and connections, seeking to make up for lost time by relying on international support and the diaspora. Both markets remain banking dominated, with limited depth in the stock market sector, indicating the need for further structural reforms to diversify sources of economic financing.

In the context of financial globalization and the emergence of new technologies, Russia and Armenia face both common objectives – strengthening investor confidence, improving the regulatory environment, and enhancing financial literacy – and unique challenges. For Russia, finding a balance between technological independence and maintaining connections to global capital markets is critical to avoid technological and investment stagnation. For Armenia, it is important to create conditions that make its small domestic market attractive to foreign capital, transforming geographic and diaspora ties into investment flows. Global trends (fintech, ESG) offer both countries the opportunity to connect to the international financial ecosystem in new ways – through digital platforms, green projects, and regional cooperation. This opportunity can be realized through consistent policies aimed at developing market infrastructure, transparency, and international partnerships. Ultimately, strengthening the financial markets of Russia and Armenia will not only increase the resilience of their economies to external shocks but also enable them to more effectively leverage the benefits of global financial changes for long-term growth.

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