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Contemporary Challenges and Development Prospects of Leasing Operations Management in the Republic of Armenia

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Լիզինգային գործառնությունների կառավարման արդի մարտահրավերներն ու զարգացման հեռանկարները Հայաստանում

Մխիթարյան Խորեն

Տնտեսագիտության դոկտոր, կառավարման ամբիոնի պրոֆեսոր

Հայաստանի պետական տնտեսագիտական համալսարան (Երևան, ՀՀ)

Հարությունյան Հայկ Հ.

Կառավարման ամբիոնի սասիդրանտ,

Հայաստանի պետական տնտեսագիտական համալսարան (Երևան, ՀՀ)

Անփոփազիր. Այս հոդվածում դիտարկվում են Հայաստանի Հանրապետությունում լիզինգային գործառնությունների կառավարման արդի մարտահրավերները և զարգացման հեռանկարները: Վերլուծության արդյունքում բացահայտվում են կառավարման կառուցվածքային խոչընդոտները, թվայնացման սահմանափակ մակարդակը, օրենսդրական թերի կարգավորումները և ֆինանսական գրագիտության ցածր մակարդակը (Melkonyan, 2018; Hakobyan, 2020): Օգտագործելով համալիր մեթոդաբանական մոտեցում՝ ներառյալ PESTEL և SWOT վերլուծությունները, ինչպես նաև կառավարման արդյունավետության գործակիցների հաշվարկը, հետազոտությունը առաջարկում է լիզինգային կառավարման վերափոխված մոդել, որը հիմնված է հաճախորդակենտրոն, թվայնացված և կայուն ռազմավարությունների վրա (Kraemer-Eis & Lang, 2012; Gatti, 2018): Ստացված արդյունքներն առաջարկում են գործնական առաջարկություններ և կիրառական մոդել՝ ուղղված Հայաստանի լիզինգային ոլորտի երկարաժամկետ կայունության և արդյունավետության բարձրացմանը: **Հանգուցաբառեր և բառակապակցություններ՝** լիզինգ, կառավարում, արդյունավետություն, մարտահրավերներ, զարգացման հեռանկարներ, թվայնացում, մոդել

Современные вызовы и перспективы развития управления лизинговыми операциями в Республике Армения

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Аннотация. В данной статье рассматриваются современные вызовы и перспективы развития управления лизинговыми операциями в Республике Армения. Анализ выявляет структурные барьеры в системе управления лизингом, ограниченную цифровизацию, недостатки в законодательной базе и низкий уровень финансовой грамотности (Melkonyan, 2018; Hakobyan, 2020). Используя комплексный методологический подход – включая PESTEL и SWOT-анализ, а также расчёт коэффициентов управленческой эффективности – исследование предлагает обновлённую модель управления лизингом, основанную на клиентоориентированных, цифровых и устойчивых стратегиях (Kraemer-Eis & Lang, 2012; Gatti, 2018). Полученные результаты содержат практические рекомендации и прикладную структуру для повышения долгосрочной устойчивости и эффективности лизингового сектора Армении.

Ключевые слова и словосочетания: лизинг, управление, эффективность, вызовы, перспективы развития, цифровизация, модель

INTRODUCTION. Leasing finance is globally recognized as a tool for stimulating investment activity, upgrading innovation drivers, and expanding access to finance for small and medium-sized enterprises (SMEs). In Armenia, despite a steady increase in leasing portfolio volumes in recent years (Central Bank of Armenia, 2023), the sector continues to face challenges related to management efficiency, risk governance, and an underdeveloped regulatory framework (Hakobyan, 2020). Low levels of digitalization and limited client-centered practices constrain the market's competitiveness and penetration. Hence, there is a growing need for a comprehensive evaluation to identify key obstacles and formulate sustainable development strategies. The objective of this article is to assess the current state of leasing operations management in Armenia, analyze the impact of key performance factors, and propose a localized management model that addresses efficiency gaps and promotes long-term sectoral growth.

LITERATURE REVIEW.

Leasing is widely regarded as an alternative financing mechanism that enables businesses to utilize productive assets—such as machinery, vehicles, and equipment—without the need for large upfront capital investments. According to Myers, Dill, and Bautista (1976), leasing functions both as a financial tool and as a risk-sharing mechanism. It is especially critical in economies where traditional sources of financing are limited or underdeveloped.

In Armenia, the leasing sector began to take shape in the early 2000s, driven by state-level support and international development programs. However, as noted by Melkonyan (2018), the industry still faces significant structural constraints, including limited market penetration, lack of transparency, and low levels of financial literacy among market participants. Hakobyan (2020) further analyzed the shortcomings of Armenian leasing legislation, arguing that the Civil Code does not provide sufficient flexibility to accommodate modern contractual frameworks or innovative leasing instruments.

International experience suggests that successful leasing systems are anchored in digitalized management processes, dynamic risk assessment frameworks, and client-oriented strategic models (Kraemer-Eis & Lang, 2012; Gatti, 2018). According to the OECD (2022), efficient leasing mechanisms can significantly enhance investment security and financial accessibility for small and medium-sized enterprises (SMEs), contributing to both sectoral resilience and broader economic growth.

From a methodological standpoint, academic literature emphasizes the utility of multi-dimensional assessment tools such as PESTEL, SWOT, and international benchmarking. These frameworks allow for a structured analysis of internal capabilities, external environmental pressures, and comparative performance indicators (Smith & Wakeman, 1985). Efficiency ratios, in particular, are used to quantify management performance across time and institutions.

The reviewed literature confirms that improving leasing management efficiency in Armenia requires a system-wide approach, integrating legal reform, digital infrastructure development, and the strategic alignment of leasing services with the needs of SMEs and green finance agendas. This article builds upon both domestic case studies and international best practices, with the ultimate goal of designing a context-sensitive Armenian leasing management model.

RESEARCH METHODOLOGY. The methodological framework of this research is based on a mixed-methods approach, combining both qualitative and quantitative instruments. At the qualitative level, the study employs **PESTEL and SWOT analyses** to systematically assess the internal structural and external environmental factors shaping Armenia's leasing market (OECD, 2022; UNDP Armenia, 2023).

For the quantitative dimension, the study applies the **Management Efficiency Ratio (MER)**, calculated as the ratio of net income from leasing operations to total leasing portfolio volume. This metric enables the tracking of efficiency dynamics over time and provides a basis for evaluating the extent to which management practices convert leasing capital into sustainable returns (Smith & Wakeman, 1985).

Additionally, **benchmarking analysis** was conducted to compare Armenia's performance with selected peer countries, including Georgia, Lithuania, Czech Republic, and Germany. This comparative perspective helps contextualize Armenia's current position within broader international trends and identify transferable practices.

The research process followed a phased structure:

1. **Data Collection** – drawn from the Central Bank of Armenia, National Statistical Committee, and international financial reports
2. **Structural Analysis** – utilizing PESTEL, SWOT, and efficiency ratio metrics
3. **Modeling Phase** – development of an Armenian-specific management improvement framework

The methodological model aims not only to offer descriptive insights but also to support evidence-based policy recommendations grounded in academic rigor, practical relevance, and long-term strategic vision.

ANALYSIS AND RESULTS. Over the past six years, Armenia’s leasing market has experienced

steady growth, indicating both an increasing demand for alternative financial instruments and the active engagement of private sector participants. According to data from the Central Bank of Armenia and leasing companies, the total leasing portfolio has grown more than 2.5 times, rising from AMD 58.3 billion in 2018 to a projected AMD 147.8 billion in 2024.

Table 1. *Leasing Portfolio and Efficiency in Armenia (2018–2024)**

Year	Total Leasing Portfolio (bln AMD)	Net Income from Leasing (mln AMD)	Efficiency Ratio (%)
2018	58.3	2430	4.17
2019	70.1	2840	4.05
2020	81.7	3050	3.73
2021	95.4	3620	3.79
2022	112.6	4200	3.73
2023	131.2	4860	3.7
2024	147.8	5520	3.73

* Source: Author’s calculations based on data from the Central Bank of Armenia and leasing company reports (2023).

The table shows a consistent upward trend in Armenia’s leasing portfolio from 2018 to 2024, with more than a twofold increase. However, the efficiency ratio remained relatively stable, highlighting the gap between portfolio growth and profitability. This suggests a need for enhanced risk management, digitalization, and more targeted leasing strategies.

Over the past six years, Armenia’s leasing market has experienced steady growth, indicating both an increasing demand for alternative financial instruments and the active engagement of private sector participants. According to data from the Central Bank of Armenia and leasing companies, the total leasing portfolio has grown more than 2.5 times, rising from AMD 58.3 billion in 2018 to a projected AMD 147.8 billion in 2024.

Despite this significant expansion, the Management Efficiency Ratio (MER) has remained relatively stable over time, fluctuating between 4.17% and 3.73%. This ratio is calculated as:

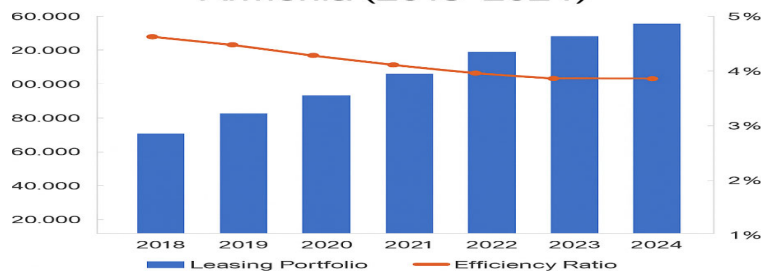
$$\text{MER} = (\text{Net Income from Leasing Operations} / \text{Total Leasing Portfolio}) \times 100$$

For instance, in 2018 the MER stood at approximately 4.17%, while in 2022 it dropped to 3.73%, suggesting that increasing portfolio volumes have not translated into proportional increases in profitability. This discrepancy is partly attributed to limitations in digital management practices, weak risk assessment mechanisms, and low financial literacy among clients.

The stability of the efficiency ratio despite portfolio growth points to underlying systemic constraints, which prevent leasing institutions from fully converting portfolio expansion into profit-generating and high-performance transactions.

In the next section, graphical illustrations will be presented to further demonstrate these numerical trends and serve as a foundation for the development of strategic management recommendations.

Figure 1. *Leasing Portfolio and Management Efficiency Ratio in Armenia (2018–2024)**



* Source: Author’s calculations based on data from the Central Bank of Armenia and leasing company reports (2023).

The PESTEL framework is used to analyze the macro-environmental factors affecting the development of leasing operations in Armenia, across political, economic, social, technological, environmental, and legal dimensions. Beyond descriptive categorization, a quantified weighting system is applied to assess the relative importance and directional impact of each factor.

Political Factors

Armenia’s general political stability supports confidence in the financial system. However, there are few targeted state incentives for leasing, such as tax exemptions or subsidy programs. The sector lacks a strategic policy orientation.

Economic Factors

Despite strong GDP growth in 2022 (12.6%), leasing accessibility remains uneven across SMEs. High interest rates, currency volatility, and investment risks continue to limit the sector’s expansion potential.

Social Factors

Low levels of financial literacy, especially in rural regions, hinder the uptake of leasing instruments. According to UNDP (2023), over 70% of SMEs lack a basic understanding of leasing benefits.

Technological Factors

Slow digital transformation, particularly outside urban centers, impedes efficiency. Although fintech tools are more common in cities, most leasing processes remain semi-manual and lack full automation.

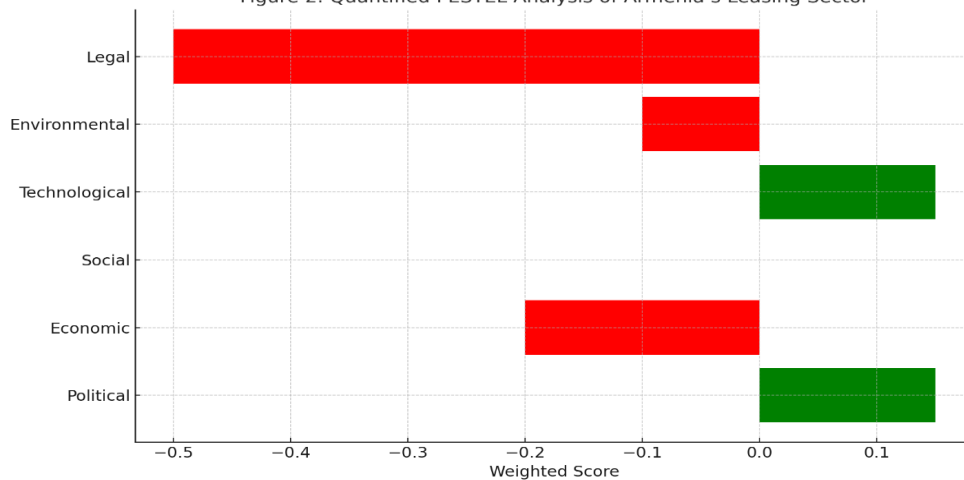
Environmental Factors

Despite growing global trends toward green leasing, Armenia’s leasing sector has not integrated sustainable finance tools. The absence of regulatory frameworks or eco-subsidies limits market activation in this domain.

Legal Factors

Leasing legislation in Armenia is underdeveloped and misaligned with international standards (e.g., IFRS 16, UNCITRAL). Legal enforceability is uncertain, and innovation in contractual structures is hindered by legal rigidity.

Figure 2. Quantified PESTEL Analysis of Armenia’s Leasing Sector*
Figure 2. Quantified PESTEL Analysis of Armenia’s Leasing Sector



* Source: Author’s calculations based on national economic indicators and expert assessments (2023).

Figure 2 presents the weighted impact of macro-environmental factors affecting Armenia’s leasing sector. The legal and economic dimensions exert the most negative pressure, while political and technological factors show limited positive influence. The cumulative score indicates a slightly unfavorable environment, highlighting the need for regulatory reform and digital advancement.

The SWOT framework enables the strategic mapping of internal strengths and weaknesses alongside external opportunities and threats affecting Armenia’s leasing sector. This diagnostic tool supports the development of targeted management strategies based on evidence.

Strengths

- 🔑 Consistent growth of the leasing portfolio – over 150% growth in six years
- 🔑 Increased participation of financial institutions
- 🔑 Emerging use of fintech tools in urban leasing markets

Weaknesses

- 🔑 Low financial literacy among SMEs, especially outside urban centers

- 🔑 *Slow pace of digital transformation* – processes remain largely manual
- 🔑 *Inflexible and underdeveloped legal framework* for innovative contracts

Opportunities

- 🔑 *Untapped potential in green leasing* – supported by donor funding channels
- 🔑 *SME development strategies* offering financing incentives
- 🔑 *Momentum for national digitalization* as a driver for financial innovation

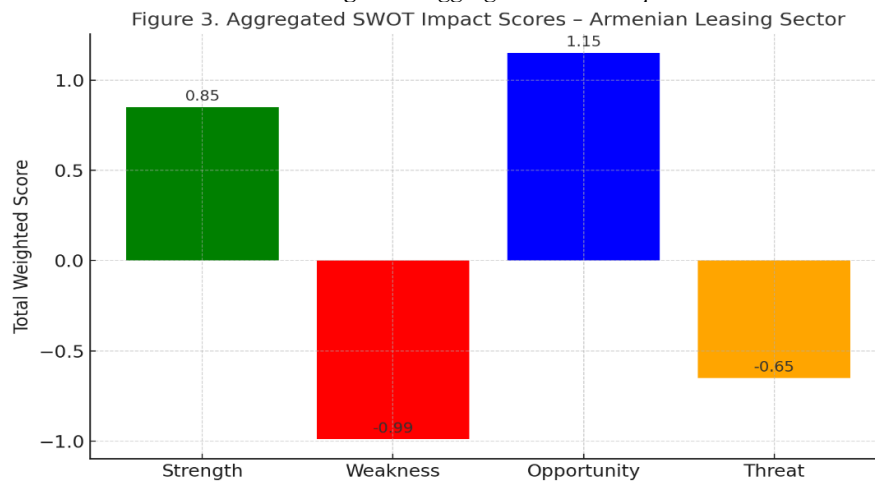
Threats

- 🔑 *Macroeconomic instability and inflation* reduce purchasing capacity
- 🔑 *Lack of leasing-specific government policy* or fiscal direction
- 🔑 *Market concentration* may marginalize smaller leasing providers

Table 2. Quantified SWOT Analysis – Armenian Leasing Sector

Category	Factor	Weight (0–1)	Impact Score	Weighted Score
Strength	Consistent growth of the leasing portfolio	0.10	4	0.400
Strength	Rising participation of financial institutions	0.08	3	0.240
Strength	Emergence of fintech in urban markets	0.07	3	0.210
Weakness	Low financial literacy among SMEs	0.10	-4	-0.400
Weakness	Slow digital transformation	0.09	-3	-0.270
Weakness	Inflexible legal framework	0.08	-4	-0.320
Opportunity	Green finance potential through donor programs	0.11	5	0.550
Opportunity	Government SME support strategies	0.09	4	0.360
Opportunity	National digitalization policy momentum	0.08	3	0.240
Threat	Macroeconomic instability and inflation	0.09	-4	-0.360
Threat	Lack of leasing-focused government policy	0.07	-3	-0.210
Threat	Market concentration and small player displacement	0.04	-2	-0.080

Figure 3. Aggregated SWOT Impact Scores – Armenian Leasing Sector*



* Source: Author’s weighted scoring based on expert evaluation and sector data (2023).

Figure 3 displays the aggregated weighted impact scores for each SWOT category.

- ◆ *Strengths and opportunities* yield the highest positive influence, indicating strong growth potential.
- ◆ *Weaknesses and threats*, while less severe, still pose critical barriers to operational efficiency and inclusivity.

CONCLUSIONS.

This study has provided a comprehensive assessment of the current state, challenges, and strategic opportunities in the management of leasing operations in the Republic of Armenia. Drawing on both qualitative and quantitative methods—such as PESTEL, SWOT, efficiency ratio analysis, and benchmarking—the research reveals a sector that is expanding in size but constrained in performance.

Between 2018 and 2024, Armenia’s leasing portfolio grew by more than 150%, yet the management efficiency ratio remained largely stagnant, fluctuating around 3.7% to 4.2%. This indicates that operational gains have not kept pace with portfolio expansion, reflecting underlying structural inefficiencies. Key challenges include low financial literacy among SMEs, insufficient digital infrastructure, outdated legal frameworks, and the absence of leasing-specific public policy.

Nonetheless, the analysis also identified significant opportunities: increased fintech integration, government-backed SME programs, and the untapped potential of green leasing—especially if aligned with international donor initiatives and sustainability goals.

In light of these findings, the paper proposes the development of an Armenian-specific leasing management model that emphasizes digital transformation, risk-based segmentation, regulatory modernization, and customer-centric strategy design. Such a framework would not only enhance institutional efficiency but also position leasing as a vital component in Armenia’s financial inclusion and investment ecosystem.

In conclusion, sustainable progress in Armenia’s leasing sector depends on its ability to move from quantitative growth to qualitative maturity. This requires coordinated action from policymakers, financial institutions, and regulatory

bodies to build a resilient, inclusive, and innovation-driven leasing environment.

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