

# **Assets and Debts of Cyprus Households: Changes between the 1999 and 2002 Cyprus Surveys of Consumer Finances\***

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## *Abstract*

This paper describes participation of Cyprus households in various assets and debts using data from the first (1999) and second (2002) Cyprus Surveys of Consumer Finances. It complements our previous papers that separately described household participation in various types of assets (Haliassos et al., 2001) and of debts (Haliassos et al., 2003). We consider a wide range of assets, both financial and real, risky and relatively riskless. Debts considered encompass personal unsecured loans, including credit card debt, and loans secured by housing collateral, mainly mortgage debt. Findings are of considerable policy interest, as they show how various demographic groups changed their participation and exposure to various assets and loans between 1999, when the unparalleled stock market boom took place and 2002, following the burst of the stock market bubble.

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## **1. Introduction**

This paper is based on the second Cyprus Survey of Consumer Finances (CySCF) conducted in 2002, following the first survey conducted in 1999. These surveys are conducted in the context of an ongoing joint project between a research team based at the University of Cyprus and researchers from the Central Bank of Cyprus. The survey provides a comprehensive source for a very broad range of financial and non-financial assets and debts of Cyprus households. Financial assets include liquid accounts, such as checking and saving accounts, government bonds, other bonds (mainly corporate), stocks, mutual funds, retirement accounts, and the cash value of life insurance. Non-financial assets include the primary residence and other real estate that could be used for investment purposes, equity in businesses, and vehicles. Liabilities include mortgages, loans for investment in real estate, consumer and student loans, and credit card balances. The Survey combines portfolio data with information on demographic characteristics of each household, and on its attitudes towards borrowing, lending, risk taking and other related matters.

Interest in the CySCF is enhanced by the fact that Cyprus is the only country outside the financially developed core that possesses such a detailed survey of household portfolios. Indeed, the main other countries with surveys of comparable scope and coverage of household portfolio items are the United States, Italy, the Netherlands, and Sweden, while other countries are currently developing such data (e.g. Spain). Surveys of this kind can be used for studies of numerous aspects of financial behaviour, relevant to academics, policy makers, and financial practitioners. Examples of research that can be conducted with such data, along with a description of the main methodological tools and issues, are to be found in Guiso, Haliassos, and Jappelli (2001).

This paper focuses on the issue of participation of Cyprus households in various types of assets and liabilities in 2002, and compares them with the corresponding data of the 1999

Cyprus survey. Cyprus is a small, high-income country with a highly developed banking and insurance sector with a long tradition of tight regulation of financial markets, capital controls, and limited selection of financial assets available to households. A gradual process of relaxing capital controls was already underway in 1999; however, the banking sector had been operating under a statutory ceiling on lending interest rates since 1944. In 2002, when the second survey took place, the abolition of capital controls was more than half-way completed, the interest rate ceiling had been removed on the 1<sup>st</sup> of January 2001 and a new law establishing the independence of the Central Bank of Cyprus was enacted. With this new law, the Monetary Policy Committee was given the responsibility of formulating and implementing monetary policy and deciding on matters pertaining to the conduct of exchange rate policy and the operation of payments and settlement systems.

The years 1999 and 2002, in which data have been collected so far, turned out to be pivotal for the structure of household portfolios in Cyprus. The 1999 survey documents financial behaviour in a year of general euphoria caused by the newly established Cyprus stock market and its prospects. The Cyprus Stock Exchange (CSE) launched its official operations on March 29, 1996 in accordance with the Cyprus Stock Exchange Laws and Regulations passed by the House of Representatives in 1993 and 1995. After a fall of the CSE General Index by 6.23 percent in 1997 and a moderate increase by 18 percent during 1998, the CSE General Index shot up by 688 percent during 1999. This spectacular upward movement was followed in the subsequent year by a 65 percent drop in the index. The number of securities listed grew from 102 in 1997 to 150 in 1999 and to 243 in 2000.<sup>1</sup> The average daily volume in 1999 was at approximately 17.5 million Cyprus pounds, more than twelve times its average in 1998 and seventy percent of the average in 2000. Numerous households entered the

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<sup>1</sup> Securities listed include shares, warrants, corporate bonds, and government bonds. The corresponding number of listed issuers grew from 49 in 1997 to 60 in 1999 and to 120 in year 2000. By mid-September 2001, 144 issuers and 288 securities were listed.

stock market for the first time, though lack of household-level data prior to the 1999 CySCF makes it impossible to measure the increase in household participation. The 2002 household survey came after the burst of the stock market bubble. Nevertheless, it reported a doubling in the participation rate of stocks, albeit with a substantial decrease in the volume of transactions. This phenomenon will be analysed further in later sections of this paper.

After a brief description of the sample in section 2, section 3 examines participation in a range of financial and non-financial assets. Section 4 examines the age distribution of participation in assets. Section 5 investigates the breadth of portfolios in terms of the number of different financial assets held and investigates how the popularity of financial assets varies with the number of financial assets held. Section 6 documents the tendency of Cyprus households to incorporate risk in their portfolios, and shows how this tendency varies across age groups. It then focuses on characteristics of households that held stocks in 2002 compared to those of 1999 stockholders, and on indicators of breadth and diversification of portfolios of risky assets. Section 7 provides extensive discussion of household participation in housing loans and in various types of non-housing loans, including consumer loans, credit cards, and student loans. It also discusses the size distribution of loans. Section 8 offers concluding remarks.

## **2. Description of the Data**

The 2002 survey contains responses from 892 households living in Cyprus (excluding the occupied territories) in two sub-samples.<sup>2</sup> One is representative of the population and consists of 515 households, while the second is confined to 377 wealthy households. The over-sampling of wealthy households is a practice followed internationally in order to handle the highly skewed wealth distribution and the fact that most of the wealth and the greatest

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<sup>2</sup> Description of the 1999 CySCF data is to be found in Karagrigoriou and Michael (2001).

variety of assets are held by the wealthy that represent a very small proportion of the population. Since the resulting wealthy sample is not representative of the population, each observation in the sample has been weighted by appropriate population weights, and statistics reported in this paper are accordingly weighted so as to reflect behaviour of the Cyprus household population. Details on the statistical design of the survey, which is based on area probability multi-stage sampling techniques, can be found in Karagrigoriou, Michael and Antoniou (2004).

The survey questionnaire is divided into sixteen chapters. It combines and adapts elements from the United States Survey of Consumer Finances with some from the CentER Survey in the Netherlands. It is further augmented to ensure coverage of issues specific to Cyprus, such as the highly important insurance sector and issues arising from household property in the currently occupied northern territories. The interviewing mode adopts the (paper-and-pencil or PAPI) data collection process that was followed in the United States prior to laptop-based interviews, rather than the on-line interactive approach taken by the Netherlands survey.<sup>3</sup>

The response rates in the two sub-samples were both high and similar (75 and 70 percent for the representative and for the wealthy sub-sample, respectively, in 2002). High response rates are attributable to the conscientiousness of interviewers, mostly drawn from University of Cyprus undergraduates or recent graduates, and to the readiness of Cyprus households to participate in a Survey directed by the premier institution of higher education in the country after they were clearly informed about the survey's purpose and objectives.

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<sup>3</sup> The CySCF interviewing model resembles the United States SCF "paper-and-pencil" mode with similar duration of interview, one visit to each household after an appointment, and discussion with the person in the household that is in charge of finances. The Netherlands approach of distributing laptops to households and

### **3. Overview of Asset Participation in 1999 and 2002**

#### **3.1. Financial Assets**

Table 1 shows the percentage in 2002 of Cyprus households holding various financial and non-financial assets, as well as liabilities to be discussed later, compared with the percentages of households that have comparable assets or liabilities in the 1999 survey.

As shown in Table 1, the fraction of Cyprus households with some type of financial asset, regardless of risk, slightly exceeds 90 percent, and is very close to the corresponding 1999 participation rate in assets, which is just below 90 percent. Liquid accounts are held by the vast majority of households (82.2 percent in 1999 and 85.2 percent in 2002).

Perhaps the most striking difference between the 1999 and 2002 surveys lies in the enormous increase in stock holdings. The increase in stock holdings was largely due to the establishment of the Co-operative Society's investment company, "Demetra", in which almost all clients of the Co-Operative sector bought shares. Especially elderly households who have been banking with the Co-operative sector all their lives, trusted the newly established company and invested in large numbers in its stock. At least some of the increased participation in stockholding must have come at the expense of participation in government bonds. While in 1999 half of the population held government bonds, participation in such holdings was reduced by 2002, by about 7 percentage points.

While investment companies have been a major factor in the expansion of the stockholder base, it is noteworthy that, even after a tremendous stock market crash, half of the Cyprus population still held stocks in 2002. It is likely that some of these investors were "trapped" in the stock market following the crash, by their desire to avoid realisation of huge losses (sometimes called "disposition effect"). The very limited trading volume in 2002 compared to 1999 is consistent with this view.

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asking a small set of questions periodically was impractical in Cyprus and highly likely to introduce significant

Retirement accounts figures should be interpreted with considerable care, as there was a change in definition between the 1999 and 2002 Surveys. Retirement accounts, as reported in the 1999 survey, exclude social security contributions, while such contributions are included in the 2002 figures. Indeed, as shown in Table 2, retirement accounts excluding social security contributions are almost stable in the two surveys. Retirement accounts, including social security schemes, exhibit a participation rate of 51.3 percent in 2002.

### **3.2. Non-financial Assets**

The participation rate of Cyprus households in real assets, already high in 1999, reached 100 percent of the population in 2002. Participation rates in housing and land, together with car ownership rates are the highest among real assets in our sample. Car ownership is extremely widespread in Cyprus as public transport is almost non-existent, and this is reflected in the 90 percent ownership rates recorded in both surveys.<sup>4</sup> Housing on the other hand, is a major asset for most households, with ownership rates significantly exceeding those in the US. As reported in Table 1, 83 percent of the population has invested in a primary residence in 2002 compared with 86 percent in 1999. Further investments in real estate, such as land or vacation homes, are held by about a third of the population in both surveys.

## **4. Age Patterns of Financial Asset Participation**

In this section, we report age patterns of participation of Cyprus households in financial assets. Table 2 reports participation rates for different age groups in eight types of financial assets, namely checking accounts, deposit and savings accounts, government savings bonds, other (corporate) bonds, direct holdings of stocks, retirement accounts and life insurance

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selection biases in the sample of households that would be willing to participate in the Survey.

investment policies. Definitions of assets appear in the data appendix. Due to the considerable development of the insurance sector in Cyprus, we also show participation rates in the three main types of life insurance schemes, namely term life insurance (which does not accumulate cash value), and whole life insurance and endowment life insurance (both of which may or may not accumulate cash value). Note that, as is typical in similar surveys, cash holdings (kept in the pocket or “under a mattress”) are not recorded in the data.

Table 2 shows that participation in most categories of financial assets in the 2002 Survey peaks in the age bracket of 30-39 years and then declines. By contrast, in the 1999 Survey, participation in most categories peaked in the age bracket of 40-49 years. Checking accounts are by far the most popular financial asset held by Cyprus households in 2002 in all age groups, with fairly constant participation rates across the two Surveys. Checking accounts are held by nearly two thirds of households, with participation peaking at 79.7 percent among those in the age range 30 to 39. Their widespread use is not surprising, given the usefulness of such accounts in transactions. Deposit accounts (which include notice and time deposits) and Savings accounts (that are relatively less liquid and less attractive) exhibit participation rates of 35.0 percent and 37.4 percent, respectively.

Stocks are considered to be the second most popular asset, with participation rate reaching 51.4 percent of the population by 2002. By comparison, in the 1999 survey the second most popular asset was government savings bonds. In terms of age distribution, the most interesting finding is that stockholding participation increased for all age groups, even for households above 70 years. This reinforces the importance of the issue of “Demetra” stock by the co-operative sector, as explained above.

The third most popular asset is retirement accounts, including social security contributions, which are held by more than half of the population. The highest participation

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<sup>4</sup> Of course, causality between car ownership and public transportation runs both ways.

rate, as high as 71.5 percent, is reported in the age group 30 – 39. For comparison purposes with the figures provided in 1999, we have estimated participation in retirement accounts excluding social security contributions to be around 10 percent, close to the 1999 participation rate of 12 percent.

Participation in mutual funds is not included in the Table, as such funds were not yet introduced in Cyprus only recorded a 1 percent participation rate (presumably in foreign mutual funds). By contrast, life insurance policies, which were essentially the main form of indirect stockholding, attracted many households that wanted to make use of professional expertise in portfolio management. Investment life policies involved portfolio management without their direct participation and decision-making, provided an alternative to holding shares in mutual funds.

## **5. Portfolio Breadth and Popularity of Various Financial Assets**

Table 3 presents a picture of the breadth of financial asset portfolios, namely of the number of assets held by each household, and shows how the popularity of each asset changes with the number of assets included in the portfolio. The types of assets are listed vertically in the first column, and they are the same as in Table 2. The numbers of different asset types held are listed horizontally, along with the percentages of households that hold each number of assets.

It is safe to say that Cyprus experienced an increase in the number of assets held by households between 1999 and 2002. Table 3 shows a reduction in the proportion of households holding fewer than 4 assets, and a visible increase in the percentages of households holding 4 asset types or more in 2002, with those holding 5 asset types almost doubling. Still, it is the case that the majority of Cyprus households hold 3 assets or less in 2002, with about 7 percent of households not holding any financial asset (except cash not

included in the data). It should be stressed, of course, that portfolio breadth is not the same as portfolio diversification. While holding greater variety of assets creates a presumption of greater diversification, ultimately the extent of diversification depends on the variance-covariance structure of returns on held assets, and this is not observed in the data. Given the small number of assets, however, and the absence of mutual funds, it seems safe to conclude that financial portfolios of Cyprus households remain fairly undiversified, although the severity of the problem is likely to have been reduced between 1999 and 2002. We return to the issue of diversification below.

The columns of Table 3 show how the popularity of each asset varies with the total number of financial assets held in the portfolio. In 2002, checking accounts and stocks are the two most popular assets for Cyprus households, whereas in the 1999 survey checking accounts and government savings bonds were considered to be most popular. Household participation in deposit accounts is significantly reduced. This is probably related to the decision taken by all commercial banks in Cyprus to actively enforce existing penalties for insufficient notice of withdrawal, something that was not done in previous years.

## **6. Risk in Household Portfolios**

The section explores changes in the tendency of Cyprus households to invest in assets with risky returns, whether these assets are financial (such as stocks) or non-financial (such as private businesses). Table 4 documents household participation in risky assets. Household participation in risky financial assets and in total risky assets reported an increase in the 2002 survey, mainly coming from the huge increase in direct stock holding already noted above.

### **6.1. Special Focus: The Profile of Direct Stockholders in Cyprus**

It is instructive to take a close look at the characteristics of Cyprus households that held stocks directly (rather than through professionally managed accounts) in 1999 and 2002 and to examine whether these changed as the stockholder base doubled. Table 5 shows that the average age of household heads engaged in direct stockholding is about 46 years in 2002 compared to 44 in 1999. Stockholders are younger on average, as the average age of households not owning stock directly exceeds 50 years in 2002, compared with 47 in the previous survey.

Households with educational level below high school exhibit the lowest participation rates in direct stockholding in both surveys (5 percent and 14 percent, respectively, of the population of such households participate). Households whose heads hold college degrees tend to have higher participation rates in stock holding (10 percent in 1999 and 19 percent in 2002 of college graduates participate). It is important to note that the educational composition of the stockholder pool has shifted between 1999 and 2002 towards households with less than high-school education and away from each of the other two education categories. This is likely to be due to the introduction of Demetra with its broad stockholder base.

The participation of households with limited education is quite pronounced in the group of stockholders. This seems to be a natural by-product of the speed with which Cyprus households were attracted to the stock market. Financial education and targeted advertising by mutual funds are more likely to appeal to educated households but require time to influence stockholding patterns, as evidenced by the fact that it took American households about a decade to start participating in mutual funds in large numbers.<sup>5</sup> The spread of equity culture among Cyprus households was initially accomplished through the power of media coverage and word of mouth, and was then reinforced by the establishment of investment companies promising hassle-free management of stock portfolios for the individual household. All of

these developments effectively remove the educational barrier to direct stockholding and draw less educated households into the stockholder pool. In principle, the existence of a significant mass of stockholders with limited financial education could cause market volatility by inducing abrupt reactions in response to limited or misleading market signals. In practice, it seems to have entrapped a wide range of households (and their funds) and to have caused inactivity in the stock market.

## **6.2. Portfolio Breadth in Risky Assets**

In Section 4.2 above, we saw that portfolio breadth of Cyprus households across asset categories, regardless of riskiness, was improved in 2002. Here we focus first on direct stockholders and examine their portfolio breadth in stocks, i.e. the number of different stocks held directly.<sup>6</sup> We then look at all households and discuss portfolio breadth across categories of assets defined with reference to their riskiness.

## **6.3. Portfolio Breadth Across Different Stocks**

The bottom panel of Table 5 reveals that a striking 32.6 percent of Cyprus households, not that much lower than the corresponding 42.4 percent in the 1999 survey, own stocks directly in only one company. Thus, one third of the population makes no attempt to diversify stockholding risk by holding stocks with different return properties even after at least three years of stockholding and a major crash. Nevertheless, we do observe signs of improved portfolio breadth of Cyprus households in the 2002 survey, as almost 50 percent of the population held stocks in more than 3 companies in 2002, compared with only a third in 1999.

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<sup>5</sup> This can be seen by comparing mutual fund participation rates in the United States Surveys of Consumer

#### **6.4. Portfolio Breadth Across Risk Categories**

Table 6 examines the tendency of Cyprus households to diversify financial portfolio risk by combining assets belonging to different categories of risk. We distinguish three such categories. “Safe assets” referring to liquid accounts (checking, saving, etc.), time deposits, and government bonds. “Fairly safe assets” include whole life and endowment life insurance policies that accumulate cash value but fall under life insurance investment policies. Finally, “fairly risky assets” include direct holdings of stocks, private pension plans, corporate bonds and life insurance investment policies.

It is clear from Table 6 that almost two thirds of the population combine safe and fairly risky assets, compared with 41 percent participation rate in 1999. Interestingly, one third of the population invested only in safe assets in 1999, compared with less than a fifth of the population in 2002. It seems, therefore, that households changed their attitudes towards risk taking in 2002 relative to 1999.

#### **6.5. Proportion of Households Investing in Stocks, by Income Category**

Table 7 presents the proportion of households which invested in stocks (direct stock holding) in each income category. Households in income brackets of £30,000-£35,000 exhibit the largest participation rate in 2002, while in 1999 top place was given to households with incomes in excess of £40,000. The largest increase in direct stock holding participation was reported among those with less than £5,000 (most likely due to the introduction of “Demetra”), followed by the £20,000-£25,000 income bracket. The overall impression is that participation rates tend to rise with income, as indeed is the case in most countries for which we have good portfolio data, but participation tends to be high even among those who report that they belong to low-income classes.

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Finances between 1983 and 1992.

## **7. Debts**

### **7.1. Non-housing Loans**

#### **7.1.1. Participation**

Table 8 presents a breakdown of participation of Cyprus households in loans of all types, excluding housing loans. These consist of consumer, credit card and student loans, personal debts taken as drawings from proprietary businesses, and loans for the purchase of stocks (this category was not included in the 1999 survey). 42 percent of households owned at least one type of consumer loan compared with about 40 percent in 1999. The most popular type in this category still appears to be car loans (22.6 percent of households in 2002, compared with 22.3 percent in 1999), followed by overdraft facilities (15 percent in 2002 compared with 10.7 percent in 1999) and loans to finance purchase of household items (6.6 percent in 2002 compared with 6.0 percent in 1999).

The percentage of households that borrow on their credit card was slightly lower in 2002 than in 1999, despite an increase in credit card ownership. As will be further elaborated in Section 7.1.2, this may be a consequence of the liberalization of interest rates in Cyprus, as a result of which credit card interest rates have increased relative to those of other types of loans. Antiquated modes of consumer borrowing are still used, despite advances in credit cards. Informal store credit (i.e. store credits managed by shop owners and recorded in unofficial books) was still used by about 3 percent of households, although it dropped somewhat since 1999. Participation in student loans dropped slightly, to 7.8 percent of households in 2002 compared with 8.5 percent in 1999. Finally, the proportion of households having drawn personal loans from their businesses fell somewhat, to 9.7 percent compared with 11 percent in 1999. The fact that there are numerous family-run firms encourages this behaviour, which continues to be noticeable.

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<sup>6</sup> The CySCF does not include information on the specific stocks held by each household.

The 2002 CySCF also includes questions regarding loans explicitly designated for the purchase of stocks. According to the data, 9.5 percent of households acquired a loan for this purpose, a sizeable proportion given the riskiness of stocks. It is known that in 1999 a number of households undertook consumer loans and used them to purchase stocks without mentioning to the banks the true purpose of getting the loan. As a consequence, there was an increase in the provisions for bad debts on the banks' balance sheets which have proven to be rather strenuous on their profitability. If anything, our figures understate the importance of borrowing to invest in stocks. In addition to possible underreporting by households, it is fairly straightforward to divert loans taken for specific reasons (personal loans, consumer loans) to the purchase of stocks without telling banks. Moreover, households can use funds accumulated for the purchase, say, of a consumer durable to the purchase of stocks and then borrow in order to acquire the durable. Although it is not feasible to draw a clear line, there seems to be a noticeable tendency of Cyprus households in this respect.

#### **7.1.2. Age Distribution of Participation in Loans**

Table 9 shows that in 2002 the age distribution of participation in consumer loans peaks at ages 30 to 39, when 61.6 percent of households have at least one consumer loan. This is substantially higher than the corresponding proportion of 50.7 percent in 1999. It is noted that there was an increase in all age categories, except for the oldest age groups that exhibit small participation anyway. The under-29 age group has the second biggest participation in overdraft facilities; specifically, 16.1 percent in 2002, compared with 9.6 percent in 1999.

It is evident that parental transfers continue to finance the purchases of their children's cars, considering that 93 percent of youngsters under 29 own a car but only 28.6 percent have car loans. Family ties are also important when it comes to student loans. In the absence of student loans with government guarantees and special repayment terms such as those

available in the United States, Cyprus parents tend to finance their children's studies, even when it comes to taking out student loans themselves. As seen from Table 9, about one third of the middle age categories (40-49 and 50-59) have student loans whereas about 5 percent of the younger age groups declare that they have this type of loan. Compared with the 1999 figures there has been a slight rise in the participation rate of younger households, but it remains low.

As far as loans from business are concerned, in 2002 there was 9.7 percent participation rate compared with 11 percent in 1999. People in their thirties and forties tend to borrow from their businesses, avoiding payment of interest and the study fees involved in bank loans.

Table 11 reports participation in revolving credit card debt. There has been a spread in access to credit cards between the two Surveys. In 2002, 50.8 percent of households held some form of bank credit card compared with 41.7 percent in 1999. However, the proportion of card holders that actually revolve credit card debt fell to 37.9 percent in 2002, compared with 48 percent in 1999. This drop has been in response to liberalization of interest rates in Cyprus, which allowed credit card interest rates to rise above rates on overdraft facilities and on some other types of consumer loans. The largest participation in revolving credit card debt comes in the younger categories. This is reasonable, given that cards provide easy and quick access to credit without collateral requirements, and older people tend to be less familiar with this type of payment. The growth in and resulting level of access to credit cards in the youngest age category, under 29, is most pronounced and remarkable, even by international standards. It seems that the banking sector has been targeting young people for credit cards, possibly because they are more receptive to new payment technologies than older households.

Table 11A presents participation rates in debit cards and informal store credit. Debit cards are usually given automatically with checking accounts and are mainly used as cash

cards, but they also provide a substitute means of payment for credit cards. The main difference with credit cards is that clients cannot have revolving balances as is the case of credit cards. In 2002, about 45 percent in the youngest age group and about 43 percent in the 30-39 age category own debit cards. This shows a 50% increase in debit card participation since 1999, as the corresponding figures for 1999 are close to 30 percent for both age brackets. The size of the increase may be attributed to the fact that banks offer this type of facility more easily, as they avoid default and delinquency risk involved in credit card accounts.

It is curious that the 2002 Survey records lower participation rates in debit cards than the 1999 Survey for all age categories 40 and above. Lower participation among older households compared to the young can probably be attributed to lack of familiarity with the instrument or even fear that it will complicate handling of their finances, although their attitudes were not explicitly surveyed. It is less clear what has led to a drop in participation over time. This drop, taken together with the increase for younger ages, has meant that overall access to debit cards in the population has remained more or less stable between 1999 and 2002.

Informal store credit is still present as a source of financing in 2002 (see Table 12). The percentage of total household access to informal credit remains at the same low levels as in 1999 (about 4 percent), but significantly lower rates have been observed for the age category under 29 suggesting a gradual phase-out in view of the more modern instruments. It is still utilised by the elder age categories for reasons that have to do with habits or trust arising from long-term owner-customer relations.

### **7.1.3. Distribution of Loan Size**

Table 13 presents the distribution of non-housing loans by the amount originally

borrowed. The bulk of consumer loans (about 75 percent) is between CYP 1000 and 20000. Most vehicle loans range between CYP 1,000 and 20,000, but we observe an increase in higher value car loans.

We also observe a rise in the proportion of student loans in excess of CYP 20,000 and a drop in loans between CYP 1,000 and 20,000. This leads us to speculate that some households who had saved for their children's studies before the stock exchange bubble may have used their accumulated funds for investing in the CSE and in effect had to borrow in the aftermath of the stock market collapse.

Personal debts from business showed an increase in the larger amount categories. The fall in interest rates, the advantageous provisions for lending to companies and some tax incentives may be the main reasons for this development. Finally, based on figures for revolving credit card debt, it seems that as in 1999, cards were used for financing small consumption expenses and not large purchases (Table 14).

## **7.2. Housing Loans**

We observe in Table 15 that in 2002 there was a shift from house ownership to apartment ownership. This may be attributed to youngsters moving out of their parents' house and purchasing their own accommodation. After the stock exchange crash a rise in demand for property as an alternative means of investment pushed property prices higher, and apartment ownership emerged as a cheaper alternative to house ownership. Also, the increasingly relevant trade-off between having a house away from town centres and an apartment that is centrally located may also contribute to explanation of this outcome.

Table 16 shows that in 2002 there was a slight increase in the young age categories that reported having a mortgage. However, the overall percentage has dropped to some extent (37.5 percent in 2002 compared to 41 percent in 1999).

Figures for 2002 report a decrease in households that had mortgaged property in order to acquire loans for other purposes, across all age categories. This fact is to be expected, considering that in 1999 many households had their property mortgaged in order to acquire loans for investments in the CSE.<sup>4</sup>

Table 17 shows the amounts outstanding for mortgages and supplementary loans. In 2002, 71 percent of households had paid off their mortgages, similar to the 74 percent figure recorded in 1999. Also, about 28 percent had some mortgage payments outstanding in 2002. The amounts for supplementary loans outstanding remained negligible.

Coming now to secondary property (Table 19), we observe an increase in the percentage of households with loans on secondary property. This is in accordance with the fact that in the post-CSE period investment, supported by the lower interest rates, was focused on the property market.

Table 20 shows that in 2002 there were more people with two mortgages for primary residence. As in 1999 the percent of households that have taken more than two loans for secondary residences is negligible. Regarding the percent of households with property loans by income classification (Table 21) we notice an increase is almost all income categories that have mortgages on their primary residences. It also observed that a larger proportion of higher income households have loans for a secondary residence.

## **8. Conclusions**

This paper attempts to analyse the participation rates of Cyprus households in various financial and non-financial assets as well as liabilities for the years 1999 and 2002, drawing the results from the CySCF. The following paragraphs briefly summarise the main conclusions of Cyprus households' attitude towards investment and risk.

As far as financial assets are concerned, stocks reported the most important increases in households' participation rates, whereas government bonds reported the most important decreases as shown in the comparison of the 1999 and 2002 CySCF. Participation rates in stocks more than doubled, practically across all age groups in 2002. More substantial is the increase reported in the age groups 60-69 and above 70 which, however, can be explained by the massive purchases by elderly people of the stock "Demetra" issued by the co-operative sector.

In 2002 there was an increase in portfolio breadth across assets and across risk categories, suggesting an increase in portfolio diversification of Cyprus households. About a fifth of households were reported to hold four assets and over 60 percent of households invested in "safe and fairly risky assets only" compared with 41 percent in 1999.

Participation in non-financial assets such as investment in real estate, primary residence, cars and business equity, did not register significant changes between the two Surveys.

In the 2002 CySCF, debts considered encompass personal unsecured loans, including credit card debt and loans secured by housing collateral, mainly mortgage debt. Our main findings show that there was an increase in participation in overdraft loans, probably aided by the continuous fall in interest rates that had started in 2001 and continued in 2002. In the vehicle loans category there was an increased preference for bigger loans, suggesting a possible switch to more expensive cars. In the student loans category there was an observed fall in both amount borrowed and amount outstanding. The evidence is still supportive of the fact that youngsters rely on their parents' financing for their studies. Credit card debt slightly decreased in 2002 compared with 1999. This form of credit is widely used amongst younger people. Informal store credit was still at very low levels but present nonetheless, especially

amongst the older age categories. Business owners continued to take out loans from their businesses for personal use. This was mostly observed in the middle aged groups.

As far as housing is concerned and in contrast with the 1999 CySCF, more of the young acquired mortgages for house purchases, but the overall population percentage dropped. The distribution by income classification shows that almost all income categories own mortgages on their primary residence. Higher income households also have loans for a secondary residence.

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**Table 1: Household Participation in Various Assets**

	<b>1999</b>	<b>2002</b>
	<b>%</b>	<b>%</b>
<b>Assets</b>		
<i>Financial</i>	89.8	92.9
Liquid Accounts	82.2	85.2
Government Bonds	50.7	43.6
<i>of which:</i> Development Stock	1.6	0.8
Saving Certificates	0.4	1.4
Savings Bonds	48.1	41.1
Other Bonds	5.1	10.6
Stocks	25.3	51.4
Mutual Funds	0.4	1.0
Retirement Accounts¶	12.5	51.3
Life Insurance Investment Policies	31.1	32.8
Term Insurance	18.0	13.5
Whole life Insurance	8.5	10.5
Endowment Insurance	9.5	12.5
<i>Non-financial</i>	98.2	100.0
Primary Residence	86.0	83.1
Investment Real Estate	31.8	33.2
Business Equity	25.1	22.5
Other non-financial (mostly vehicles)	91.6	90.7
* <b>1999:</b> Note that 52.0% of HHs have at least one type of insurance, 6.2% have at least two types, .8% has three, .1% has four and 40.9% of HHs doesn't have at all.		
* <b>2002:</b> Note that 56.9% of HHs have at least one type of insurance, 10.0% have at least two types, .5% has three, .4% has four and 43.1% of HHs doesn't have at all.		
¶ Participation in retirement accounts figures for 1999 and 2002 are not directly comparable, as figures for 2002 include contributions to social security. See Table 2 for a breakdown.		
Sources: Cyprus figures based on the 1999 and 2002 Cyprus Survey of Consumer Finances, calculations of the authors. For definitions of assets and liabilities, see Data Appendix. Statistics use population weights.		

**Table 1A: Household Participation in Various Debts**

	<b>1999 (%)</b>	<b>2002 (%)</b>
<b>Debts</b>	<b>1.1 70.9</b>	<b>74.2</b>
Mortgage and home equity	39.1	45.9
Loans for investment real estate	5.5	8.1
Credit card balances	20.1	19.4
Other debt	46.3	54.4
* <b>1999:</b> Note that 52.0% of HHs have at least one type of insurance, 6.2% have at least two types, .8% has three, .1% has four and 40.9% of HHs doesn't have at all.		
* <b>2002:</b> Note that 56.9% of HHs have at least one type of insurance, 10.0% have at least two types, .5% has three, .4% has four and 43.1% of HHs doesn't have at all.		
Sources: Cyprus figures based on the 1999 and 2002 Cyprus Survey of Consumer Finances, calculations of the authors. For definitions of assets and liabilities, see Data Appendix. Statistics use population weights.		

**Table 2**  
**Ownership of Financial Assets, By Age of Household Head**

**1999**

<b>Age</b>	<b>&lt;30</b>	<b>30-39</b>	<b>40-49</b>	<b>50-59</b>	<b>60-69</b>	<b>&gt;=70</b>	<b>Total</b>
Checking Account	57.7	72.4	77.1	57.0	50.8	27.4	64.1
Savings Account	40.4	25.2	30.5	36.5	28.0	24.2	30.6
Deposit Account (notice and time deposits)	39.4	33.2	42.2	39.4	33.6	16.7	36.5
Government Savings Bonds	38.5	49.3	59.0	54.7	40.5	34.4	50.7
Other Bonds	7.7	5.0	5.6	2.3	7.2	6.3	5.1
Stocks	26.9	26.7	30.0	22.8	22.6	10.4	25.3
Retirement Account	8.7	15.1	13.5	14.0	11.2	0.0	12.5
Life Insurance Investment Policies	26.9	42.1	45.0	21.8	6.4	1.1	31.1
Term Insurance	18.3	16.9	22.9	19.2	12.8	5.3	18.0
Whole life Insurance	5.8	6.5	10.9	10.1	6.5	5.3	8.5
Endowment Insurance	6.8	8.3	10.9	14.7	4.8	0.0	9.5

Source: 1999 Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.  
For definitions, see Data Appendix.

**2002**

<b>Age</b>	<b>&lt;30</b>	<b>30-39</b>	<b>40-49</b>	<b>50-59</b>	<b>60-69</b>	<b>&gt;=70</b>	<b>Total</b>
Checking Account	61.4	79.7	71.5	69.3	45.6	20.3	62.8
Savings Account	50.9	34.6	31.6	33.2	43.8	44.4	37.4
Savings Account (frequencies)	58	85	97	78	70	56	444
Deposit Account (notice and time deposits)	27.4	30.1	35.9	37.9	41.0	36.7	35.0
Deposit Account (frequencies)	32	74	109	89	66	47	417
Government Savings Bonds	39.5	55.3	46.4	47.3	36.0	20.5	43.6
Other Bonds	13.4	15.4	13.6	8.8	3.7	3.9	10.6
Stocks	46.5	62.6	56.0	59.7	41.6	20.3	51.4
Retirement Account excluding social security	12.3	10.2	14.6	15.1	1.3	0	10.2
Retirement Account including social security	54.4	71.5	62.1	64.3	16.3	3.9	51.3
Life Insurance Investment Policies	37.7	48.4	38.5	38.9	8.7	3.9	32.8
Term Insurance	26.3	14.3	14.8	14.2	9.9	0.0	13.5
Whole life Insurance	1.8	17.1	16.2	9.2	4.4	0.8	10.4
Endowment Insurance	9.6	16.3	19.4	10.9	6.3	0.8	12.4

Source: 2002 Cyprus Survey of Consumer Finances. author calculations. Statistics use population weights.  
For definitions, see Data Appendix.

**Table 3**  
**Percent of Households Owning Different Types of Financial Assets**  
**By Number of Asset Types Held**

Types of Assets	Number of Asset Types Held (Percent of households holding specified number of asset types)								
	0 (10.2)	1 (16.9)	2 (22.9)	3 (22.9)	4 (15.9)	5 (7.4)	6 (3.2)	7 (0.7)	8 (0.1)
Checking Account		38.7	69.5	75.0	85.3	96.0	97.7	100	100
Savings Account		20.9	21.9	41.5	41.7	50.0	48.8	77.8	100
Deposit Account (notice and time deposits)		7.4	24.2	49.7	60.8	73.3	84.1	88.9	100
Government Savings Bonds		23.6	41.8	62.7	79.4	87.0	93.0	100	100
Other Bonds		0.0	0.3	0.6	6.9	28.0	38.6	66.7	100
Stocks		4.3	18.6	23.1	42.6	64.0	86.4	100	100
Retirement Account		2.6	6.1	12.2	18.4	34.0	59.1	56.6	100
Life Insurance Investment Policy		2.6	17.7	35.7	62.5	67.0	88.6	100	100

Source: 1999 Cyprus Survey of Consumer Finances. Author calculations. Statistics use population weights. For definitions, see Data Appendix. A table entry (i,j) represents the proportion of households that hold asset i when they hold j types of these assets.

2002

Types of Assets	Number of Asset Types Held (Percent of households holding specified number of asset types)								
	0 (6.8)	1 (11.6)	2 (16.5)	3 (20.2)	4 (20.2)	5 (14.2)	6 (7.1)	7 (2.5)	8 (0.8)
Checking Account		26.1	44.4	67.6	82.1	90.6	85.0	100	100
Savings Account		33.3	37.7	34.2	31.8	50.6	50.0	83.3	100
Deposit Account (notice and time deposits)		9.4	26.5	37.9	37.9	46.5	67.9	66.7	100
Government Savings Bonds		9.4	26.5	41.7	49.8	70.2	88.2	100	100
Other Bonds		0	1.0	3.7	12.1	16.6	33.3	63.3	100
Stocks		8.7	22.2	45.4	72.5	87.0	98.8	100	100
Retirement Account		10.8	31.6	44.2	69.5	77.4	91.8	96.7	100
Life Insurance Investment Policy		2.2	10.2	25.3	43.2	59.8	78.8	87.1	100

Source: 2002 Cyprus Survey of Consumer Finances. Author calculations. Statistics use population weights. For definitions, see Data Appendix. A table entry (i,j) represents the proportion of households that hold asset i when they hold j types of these assets.

**Table 4**  
**Proportion of households investing in risky assets. by age**

<b>Direct Stockholding (%)</b>							
	<b>&lt;30</b>	<b>30-39</b>	<b>40-49</b>	<b>50-59</b>	<b>60-69</b>	<b>&gt;=70</b>	<b>Total</b>
<b>1999</b>	26.9	26.7	30.0	22.8	22.6	10.4	25.3
<b>2002</b>	46.5	62.6	56.0	59.7	41.6	20.3	51.4

<b>Direct and Indirect Stockholding (%)</b>							
	<b>&lt;30</b>	<b>30-39</b>	<b>40-49</b>	<b>50-59</b>	<b>60-69</b>	<b>&gt;=70</b>	<b>Total</b>
<b>1999</b>	47.1	56.7	63.9	45.0	36.0	12.5	50.3
<b>2002</b>	79.8	88.2	83.2	87.0	51.9	22.0	74.0

<b>Risky Financial Assets (%)</b>							
	<b>&lt;30</b>	<b>30-39</b>	<b>40-49</b>	<b>50-59</b>	<b>60-69</b>	<b>&gt;=70</b>	<b>Total</b>
<b>1999</b>	47.1	56.7	63.9	45.6	36.8	14.7	50.8
<b>2002</b>	79.8	88.2	83.2	87.4	51.9	23.4	74.1

<b>Total Risky Assets (%)</b>							
	<b>&lt;30</b>	<b>30-39</b>	<b>40-49</b>	<b>50-59</b>	<b>60-69</b>	<b>&gt;=70</b>	<b>Total</b>
<b>1999</b>	62.5	73.9	79.9	73.3	58.4	18.9	69.4
<b>2002</b>	81.6	93.9	89.3	90.3	59.4	23.4	78.6

**Table 5**  
**Characteristics of Direct Stockholders in Cyprus**

	<b>Non-Stockholders</b>		<b>Direct Stockholders</b>	
	<b>1999</b>	<b>2002</b>	<b>1999</b>	<b>2002</b>
<b>Household Characteristic</b> <i>(Percent of households in category)</i>	<i>(74.7)</i>	<i>(48.6)</i>	<i>(25.3)</i>	<i>(51.4)</i>
Average age of household head (years)	47.30	51.55	44.13	45.9
Standard deviation of age of household head (years)	13.87	16.64	11.74	12.5
<i>Education of Household Head (%):</i>				
Below High School	40.8	47.5	19.5	27.6
High School Diploma	37.9	31.2	37.5	34.0
College Degree	21.3	21.3	43.0	38.4
<i>Percent owning shares in only:</i>	<b>Among All Households</b>		<b>Among Direct Stockholders</b>	
	<b>1999</b>	<b>2002</b>	<b>1999</b>	<b>2002</b>
1 company	10.6	15.7	42.4	32.6
2 companies	6.3	9.4	25.2	19.4
3 companies	3.3	7.9	13.2	16.3
4 companies	1.5	6.55	6.0	13.5
5 or more companies	3.2	8.7	12.8	18.1

**Table 6**  
**The Riskiness of Household Financial Portfolios**  
**(Percentage of Households Having the Specified Portfolio Combination)**

<b>Financial Assets Held in Household Portfolio</b>	<b>1999</b>	<b>2002</b>
Safe Assets only	30.3	17.7
Safe & Fairly Safe only	8.7	1.5
Safe & Fairly Risky only	41.0	60.1
Safe, Fairly Safe & Fairly Risky	8.0	9.7
No Safe, some other type	2.3	4.5
No Financial Assets	9.7	6.5
<p><i>Sources:</i>            Cyprus: 1999 and 2002 Cyprus Survey of Consumer Finances. Author calculations.            Statistics use population weights. For definitions of asset categories, see the Data Appendix.</p>		

**Table 7****Proportion of households investing in Stocks. by income category<sup>a</sup>  
(in Cyprus Pounds)****Direct Stockholding (%)**

	<b>1999</b>	<b>2002</b>	<b>Percentage Change</b>
< 5000	8.80%	30.70%	248.86%
5000-10000	18.80%	38.70%	105.85%
10000-15000	26.60%	49.00%	84.21%
15000-20000	29.20%	64.10%	119.52%
20000-25000	29.80%	67.90%	127.85%
25000-30000	38.30%	70.00%	82.77%
30000-35000	42.30%	86.30%	104.02%
35000-40000	50.00%	75.00%	50.00%
>40000	62.50%	73.50%	17.60%
No answer	28.90%	44.70%	54.67%
Overall	25.30%	51.40%	103.16%
<sup>a</sup> The overall income from all sources for all family members, before taxes, has been used (Question 11 on Chapter IG - Income).			

**TABLE 8: Percent of Households with Various  
Non-Housing Loans/Debts**

<b>Type of Loan</b>	<b>Borrowers-1999 (%)</b>	<b>Borrowers-2002 (%)</b>
Consumer Loans, of which	39.5	42.0
Overdraft	10.7	15.0
<i>Household Items</i>	6.0	6.6
<i>Car Loans</i>	22.3	22.6
<i>Medical</i>	1.3	1.3
<i>Relatives</i>	0.2	0.9
<i>Other Consumer Loans</i>	9.5	6.7
Any Credit Card Debt, of which	20.1	19.4
Bank Credit Cards*	20.0	19.4
Store Credit Cards	0.6	1.0
Other Credit Cards	0.1	0.2
Informal Store Credits	3.6	3.1
Student Loans	8.5	7.8
Personal Debts from Business	11.0	9.7
Loans for the Purchase of Stocks	N/A	9.5

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations.  
Statistics use population weights.

\*Includes Visa and Mastercard.

\*\*In 1999, an additional 3.2% of households had debts of various types other than the ones listed above.

**TABLE 9: Percentages of Households with Different Types of Non-Housing Loans/Debt  
By Age Group**

Age Category	Type of Loan												
	Consumer Loans of which:		Overdraft		Car Loans		Other		Student Loans		Personal Debts from Business		Loans for the Purchase of Stocks
	1999	2002	1999	2002	1999	2002	1999	2002	1999	2002	1999	2002	2002
<b>&lt;=29</b>	46.2	54.0	9.6	16.1	29.8	28.6	11.5	5.4	2.9	3.6	8.7	8.0	12.4
<b>30-39</b>	50.7	61.6	11.9	28.8	31.8	34.8	10.4	10.0	1.2	1.6	14.2	11.6	16.5
<b>40-49</b>	44.5	47.1	14.8	13.5	23.7	23.5	11.2	8.7	9.1	11.0	14.5	16.5	10.6
<b>50-59</b>	36.5	43.9	8.1	13.9	19.5	26.9	10.4	5.0	20.2	18.1	8.1	6.8	7.6
<b>60-69</b>	22.8	18.5	9.7	5.7	8.9	7.0	4.9	6.4	8.9	5.1	6.5	5.7	1.9
<b>&gt;=70</b>	3.1	5.4	0.0	3.1	2.1	2.3	0.0	0.8	0.0	0.0	3.1	0.8	3.8
<b>Total</b>	39.5	42.0	10.7	15.0	22.3	22.6	9.5	6.8	8.5	7.8	11.0	9.7	9.5

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations.

**TABLE 10: Percent of Households with means of Transportation, by Age Group**

Age Category	Means of Transportation			
	Car (s)		Other types	
	1999	2002	1999	2002
<b>&lt;=29</b>	94.2	92.9	10.6	8.9
<b>30-39</b>	95.5	97.6	14.2	7.6
<b>40-49</b>	97.5	95.5	15.3	14.8
<b>50-59</b>	90.9	97.5	14.3	12.6
<b>60-69</b>	87.1	81.5	9.7	9.6
<b>&gt;=70</b>	48.5	53.5	3.1	8.5
<b>Total</b>	90.8	89.7	13.1	11.0

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

**TABLE 11: Participation in Credit Cards and Revolving Credit Cards and Store Debt, by Age Group**

Age Category	Type of Card											
	Bank Credit Cards1				Store Credit Cards				Bank, store or other Credit Cards2			
	Percent carrying card		Percent of card holders revolving debt		Percent carrying card		Percent of card holders revolving debt		Percent carrying card		Percent of card holders revolving debt	
	1999	2002	1999	2002	1999	2002	1999	2002	1999	2002	1999	2002
<=29	45.2	67.9	44.7	47.4	2.9	2.7	0.0	33.3	47.1	67.9	42.8	47.4
30-39	48.1	63.6	51.4	46.5	3.0	3.2	30.0	25.0	48.1	63.6	51.4	46.5
40-49	52.4	58.4	49.0	34.8	2.5	1.9	50.0	50.0	52.4	58.4	49.0	34.8
50-59	32.6	49.8	42.0	26.3	1.0	3.0	33.3	57.1	32.6	49.8	52.0	26.3
60-69	27.4	31.8	50.0	44.0	1.6	3.2	0.0	20.0	27.4	31.8	50.0	44.0
>=70	19.6	16.9	52.6	18.2	3.1	0.0	33.3	0.0	19.6	16.9	52.6	18.2
<b>Total</b>	41.7	50.8	48.0	37.9	2.2	2.4	31.0	38.0	41.9	50.8	48.0	37.9

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

<sup>1</sup> Bank credit cards include Visa and Mastercard. The percentages of households with only one, only two, or more than two cards in 1999 are 31.4%, 8.2% and 2.0% respectively. In 2002 those figures are 35.7%, 13.0% and 2.1% respectively.

<sup>2</sup> In 2002, the participation in 'Other Credit Cards' is 1.3 %.

**TABLE 11A: Participation in Informal Store Credits or Debit Cards and Revolving Credit Cards and Store Debt, by Age Group**

Age Category	Type of Card			
	Informal Store Credits		Debit Cards	
	Percent with access	Percent with access	Percent carrying card	Percent carrying card
	1999	2002	1999	2002
<=29	3.8	0.9	32.7	44.6
30-39	3.0	4.0	29.1	42.6
40-49	4.8	4.2	29.0	25.8
50-59	3.9	3.4	26.1	20.7
60-69	4.8	3.2	11.2	10.8
>=70	0.0	6.2	7.1	5.4
<b>Total</b>	3.7	3.8	25.5	25.9

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

**TABLE 12: Representation of Age Groups Among Holders of Credit Cards or of Informal Store Credits (percent)**

Age Category	Type of Card					
	Bank Credit Cards		Bank, store or other Credit Cards		Informal Store Credits	
	1999	2002	1999	2002	1999	2002
<=29	8.3	12.6	8.6	12.6	7.8	2.2
30-39	28.5	26.2	28.5	26.2	19.6	22.2
40-49	36.3	29.8	36.1	29.8	37.3	28.9
50-59	17.6	19.4	17.6	19.4	23.5	17.8
60-69	6.0	8.2	6.0	8.2	11.8	11.1
>=70	3.3	3.6	3.3	3.6	0.0	17.8
<b>Total</b>	100	100	100	100	100	100

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

**TABLE 13: Distribution of Non-housing Loans by Amount Borrowed**

Amount * (Cyprus Pounds)  (%)	Consumer Loans  (%)		Of Which Vehicle Loans*  (%)		Student Loans  (%)		Personal Debts from Business  (%)	
	1999	2002	1999	2002	1999	2002	1999	2002
(0,1000]	5.4	9.4	1.5	0.7	0.8	3.2	1.1	0.0
(1000, 5000]	28.0	30.0	38.0	36.0	16.4	11.8	5.9	3.4
(5000, 10000]	24.8	30.7	48.0	37.0	36.3	16.1	7.1	7.7
(10000, 20000]	19.2	15.0	11.0	15.6	33.6	31.2	17.9	7.7
> 20000	8.5	9.4	1.0	3.7	10.4	18.3	42.2	46.2
0, N/A	14.0	0.0	0.0	0.7	2.5	2.2	25.7	35.0
Missing		5.6	0.0	6.3		17.2		
Total**	100	100	100	100	100	100	100	100

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

\* Parenthesis means that the limit is not included; bracket means that the limit is included.

\*\* Figures may not add to 100 due to rounding.

**TABLE 14: Distribution of Non-housing Loans by Amount Outstanding**

Amount (Cyprus Pounds) <sup>¶</sup>  (%)	Consumer Loans  (%)		Of Which Vehicle Loans*  (%)		Student Loans  (%)		Personal Debts from Business  (%)		Various Other Debts  (%)		Revolving Balance in Credit Card Accounts  (%)	
	1999	2002	1999	2002	1999	2002	1999	2002	1999	2002	1999	2002
(0,1000]	14.0	19.4	15.5	13.3	3.5	5.4	N/A	N/A	32.5	15.8	34.3	23.5
(1000, 5000]	34.5	33.5	63.0	40.7	18.9	20.4	N/A	N/A	18.5	35.0	13.6	13.9
(5000, 10000]	17.6	14.8	15.5	12.6	32.0	13.0	N/A	N/A	13.5	16.7	0.1**	0.5**
(10000, 20000]	12.0	7.4	6.0	8.5	23.7	16.1	N/A	N/A	9.0	21.0		
> 20000	5.6	4.6	0.0	0.7	6.8	11.8	N/A	N/A	16.0	8.8		
0, N/A	16.2	0.2	0.0	2.2	15.1	18.3	N/A	N/A	11.0	0.0	52.2***	62.0***
Missing		20.2		21.8		15.0		N/A		2.6		
Total <sup>§</sup>	100	100	100	100	100	100	N/A	N/A	100	100	100	100

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

<sup>¶</sup> Parenthesis means that the limit is not included; bracket means that the limit is included.

\* There are no outstanding loans on means of transportation other than cars.

\*\* This is the percentage of households that revolve credit card debt and have balance that exceeds CYP 5,000

\*\*\* Represents households that do not revolve credit card debt.

<sup>§</sup> Figures may not add to 100 due to rounding.

**TABLE 15: Distribution of Households  
by Type of Primary Residence**

<b>Type of Residence</b>	<b>Percent of Households (1999)</b>	<b>Percent of Households (2002)</b>
House Owner	78.1	70.2
Apartment Owner	8.0	12.9
Rented Apartment	6.5	6.7
Occupant of Previously Turkish Cypriot Domicile	1.5	1.8
Refugee Domicile	6.0	8.5
Total*	100	100

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

\* Figures may not add to 100 due to rounding.

**TABLE 16: Distribution of Mortgages on Primary Residence/Secondary Property  
By Age Group (percent)**

Age Category	Households which ...					
	Have or had mortgage		Have mortgaged property in order to get loan for other purposes		Have supplementary loans*	
	1999	2002	1999	2002	1999	2002
<b>&lt;=29</b>	28.6	31.3	20.2	5.4	1.9	1.8
<b>30-39</b>	41.7	47.6	21.9	16.4	14.2	0.8
<b>40-49</b>	52.2	49.0	35.4	26.5	5.3	0.3
<b>50-59</b>	43.1	39.9	33.0	24.5	1.6	2.5
<b>60-69</b>	32.5	22.9	22.8	15.3	0.0	0.0
<b>&gt;=70</b>	11.5	9.2	4.2	5.4	0.0	0.0
<b>Total</b>	41	37.5	27	18.2	5.6	1.0

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

\* Supplementary loans are loans other than the mortgage (e.g., renovation loans).

**TABLE 17: Percentage of Households with Mortgage  
or Supplementary Loans  
By Amount Owed in All Such Loans**

Amount <sup>¶</sup> (Cyprus Pounds)	Mortgage		Supplementary Loans*	
	1999	2002	1999	2002
0 (paid off), missing, N/A (never held)	73.6	71.0	97.5**	99.1**
(0,1000]	0.7	0.4	0.1	0.0
(1000, 5000]	3.7	2.0	1.1	0.6
(5000, 10000]	4.3	5.7	0.8	0.1
(10000, 20000]	7.3	7.4	0.6	0.1
> 20000	10.2	13.5	0.0	0.1

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

<sup>¶</sup> Parenthesis means that the limit is not included; bracket means that the limit is included.

\*Supplementary loans are loans other than the mortgage (e.g., renovation loans).

\*\* In 1999, 3 are missing; 94.5 are N/A, as they have no supplementary (renovation) loan.

In 2002, none are missing; 99.1 are N/A, as they have no supplementary (renovation) loan.

**TABLE 18: Distribution of Households with Mortgages  
or Supplementary Loans\***

Amount <sup>¶</sup> (Cyprus Pounds)	By amount of mortgage still owed (%)		By amount of supplementary loans still owed (%)		By amount of supplementary loans still owed (%)	
	1999	2002	1999	2002	1999	2002
Fully paid or Missing	25.0**	22.8**	55.0***	16.8***	6.5	0.0
(0,1000]	2.0	1.1	1.5	0.0	0.0	0.0
(1000, 5000]	10.5	5.3	18.5	58.3	9.5	38.5
(5000, 10000]	12.5	15.1	14.5	8.3	17.0	30.8
(10000, 20000]	21.0	19.6	10.5	8.3	43.5	0.0
> 20000	29.0	36.0	0.0	8.3	23.5	30.8
Total	100	100	100	100	100	100

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

<sup>¶</sup> Parenthesis means that the limit is not included; bracket means that the limit is included.

\*Supplementary loans are loans other than the mortgage (e.g., renovation loans).

\*\* Consists of 5 percent missing and of 20 percent fully paid mortgages in 1999 and 2.5 percent missing and of 20.3 percent fully paid mortgages in 2002.

\*\*\* Consists of 50 percent missing and 5 percent fully paid loans in 1999 and 16.8% missing.

**TABLE 19: Percentages of Households with Secondary Properties  
and with Loans on Secondary Properties**

<b>Households with secondary properties</b>	<b>1999</b>	<b>2002</b>
Some of which may belong to businesses	33.4	34.1
Some of which belong to businesses	5.3	3.5
Which belong to businesses	1.7	1.1
At least some of which belong to them	31.7	33.0
<b>Households with loans on secondary properties</b>		
As a proportion of all households	5.3	8.1
As a proportion of households with secondary properties	16.1	23.8
Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.		

**TABLE 20: Percent of Households with the Specified Number of Property Loans and/or Mortgages**

Number of Loans or Mortgages	Loans for			
	Primary Residence*		Secondary Properties	
	1999	2002	1999	2002
<b>0</b>	60.9	54.1	94.5	91.6
<b>1</b>	37.4	35.2	5.2	7.5
<b>2</b>	1.7	10.5	0.2	0.6
<b>3</b>	0.0	0.2	0.1	0.0
<b>4</b>	0.0	0.0	0.1	0.0
<b>1 or more</b>	39.1	45.9	5.5	8.1

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations.

Statistics use population weights.

\* A household has primary residence loans and mortgages if it has at least one of the following types of loans: one or more mortgages; other loans used for the purchase; or renovation loans.

**TABLE 21: Percent of Households with Property Loans and/or Mortgages and Debt  
By Income Group**

Income Category (in Thousands of Cyprus Pounds)	Owners of							
	Primary Residence*				Secondary Residence			
	with Loans/Mortgages		with Debt still outstanding		with Loans/Mortgages		with Debt still outstanding	
	1999	2002	1999	2002	1999	2002	1999	2002
<5	16.9	13.3	12.2	6.7	1.1	3.6	1.1	3.6
5-10	34.6	32.5	27.0	19.8	1.3	3.6	1.3	3.1
10-15	39.9	54.0	29.2	33.6	6.1	8.3	6.1	7.5
15-20	55.1	55.0	44.0	39.4	7.2	8.9	5.4	8.3
20-25	55.8	63.0	34.7	46.7	15.8	8.1	14.7	7.4
25-30	66.0	78.9	43.5	48.7	14.9	15.4	12.8	12.8
30-35	50.0	62.7	38.5	41.2	7.4	19.6	7.4	19.6
35-40	68.8	62.5	46.7	43.8	12.5	37.5	6.7	25.0
>40	56.5	68.6	52.2	42.9	12.5	22.9	12.5	20.6
N/A	32.7	43.9	22.0	26.3	4.7	7.1	3.5	3.5

Source: 1999 & 2002, Cyprus Survey of Consumer Finances, author calculations. Statistics use population weights.

\* A household has primary residence loans and mortgages if it has at least one of the following types of loans: one or more mortgages; other loans used for the purchase; or renovation loans.

**DATA APPENDIX**  
**Definitions of Household Portfolio Components**

<b>Assets</b>	
Direct stockholding	Shares held directly.
Direct and indirect stockholding	Shares held directly or in managed investment accounts and in retirement accounts. In Cyprus, where mutual funds are not available, indirect stockholding includes private pension plans (other than employer pension funds) and those life insurance policies that invest part of the premium in a risky portfolio and accumulate cash value dependent on risky returns.
Risky financial assets	Direct and indirect stockholding plus corporate bonds.
Total risky assets	Risky financial assets, private businesses, investment real estate.
Financial assets	Liquid accounts, government and other bonds, stocks (directly held), mutual funds, retirement accounts, cash value life insurance.
Liquid accounts	Include checking accounts, notice and time deposits, savings accounts.
Deposit accounts	Bank accounts that either require advance notice for the withdrawal of sums (notice accounts) or specify a period during which withdrawals are charged an interest penalty (time deposits). Unofficially, banks waive the requirement for advance notice on notice accounts.
Government bonds	Government development stock, saving certificates, and savings bonds.
Other bonds	Corporate bonds.
Stocks	Directly-held stock in publicly traded corporations.
Mutual funds	Directly-held shares in all types of mutual funds, excluding money market funds.
Retirement accounts	Private retirement plan accounts other than membership in an employer-sponsored defined-benefit pension plan.
Cash value life insurance	Surrender value of life insurance policies that build up a cash value.
Life insurance investment policies	Those “whole life” insurance and “endowment life” insurance policies that invest part of the insurance premium in a risky portfolio and accumulate cash value that depends on risky returns.
Non-financial assets	Primary residence, investment real estate, business equity, and other non-financial assets.
Primary residence	The home where the household lives.
Investment real estate	Includes residential and non-residential property other than the primary residence and not owned through a business.
Business equity	Net equity in privately owned businesses with or without management role
Other non-financial	All standard passenger vehicles and all other types of personal-use vehicles not owned by a business.
Safe assets	Liquid accounts (checking, saving, etc.), time deposit accounts, and government bonds (development stock, saving certificates, and savings bonds).
Fairly Safe Assets:	Whole Life and Endowment Life insurance policies that accumulate cash value but do not come under life insurance investment policies.
Fairly risky assets	Direct holdings of stocks, private pension plans (other than employer-sponsored defined-benefit plans), corporate bonds, and those whole life and endowment life insurance policies that invest part of the premium in a risky portfolio.

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## Debts

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Mortgage and home equity	Loans secured by the primary residence, including first and second mortgages and loans obtained against home equity.
Loans for investment real estate	Loans or mortgages on property other than the primary residence (this includes secondary and seasonal residences)
Credit card balances	Balances outstanding after the last month's payment on bank type credit cards i.e. cards not restricted to a specific store– Mastercard and Visa and other types of cards (store. gas. travel and entertainment. airline. etc.
Other debt	Home improvement loans, student loans, consumer loans (overdraft facilities, household item loans, medical debts, loans from friends or relatives and other consumer loans), personal debts from business and loans against life insurance policies.

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