



*Knowledge that matters*

AD HOC COMMITTEE FOR THE FORMULATION  
OF A NATIONAL STRATEGY FOR THE PROMOTION  
OF FINANCIAL LITERACY AND EDUCATION IN CYPRUS

**Financial  
Wellbeing**

English Summary of the report  
of the Ad Hoc Committee  
for the formulation of a

**National Strategy for the  
Promotion of Financial  
Literacy and Education  
in Cyprus**



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## Summary of the Report of the ad-hoc Committee for the promotion of Financial Literacy and Education in Cyprus

*The Report<sup>1</sup> presents the proposal of the ad-hoc Committee for the formulation of a National Strategy for the promotion of financial literacy and education in Cyprus (henceforth “ad-hoc Committee”). The ad-hoc Committee was established in December 2020 and consists of members from the Central Bank of Cyprus (CBC), which also has a coordinating role, the Ministry of Finance, the Ministry of Education, Culture, Sport and Youth (MOEC), the Cyprus Securities and Exchange Commission and two academic experts from the University of Cyprus and the Cyprus University of Technology. The work of the ad-hoc Committee was supported by a Secretariat and other CBC staff who had a significant role in the conduct of related research work, the preparation of recommendations to the Committee and in the overall effort for completion of the project. The members of the Committee were also supported by their associates. Finally, it is noted that the ad-hoc Committee collaborated with external scientific professionals who are experts in the field.*

*The proposal for the formulation of a National Strategy, as reflected in this Report, is based on international practices and aims to benefit the citizens and the society as whole. The fact that Cyprus is one of the very few countries in the European Union without a National Strategy for the promotion of financial literacy, highlights the importance and usefulness of this proposal.*

In recent years, the reinforcement of financial literacy has become a global challenge, as research findings have directly linked financial literacy with the financial welfare and prosperity of a country's citizens. According to the OECD, financial literacy is “a combination of awareness, knowledge, skill,

attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being”.

In the aftermath of the recent financial crisis, the ongoing pandemic developments and the Russian invasion of Ukraine, the role of financial literacy has become ever more important for the citizens' well-being and resilience, in times of uncertainty. Furthermore, market globalisation and digitalisation of financial products have increased the need for an even more coordinated and efficient financial education for citizens.

However, as indicated by scientific evidence from countries around the globe, a large percentage of the world's population does not completely

understand basic financial concepts, such as lending, investments, the importance of saving, planning a family budget or managing financial risk. The lack of knowledge in basic financial concepts may lead to poor financial decisions with negative repercussions on individual economic prosperity.

The results of the CBC sampling survey for financial literacy indicate the relatively low levels of financial knowledge in the wider population in Cyprus. The average score for financial knowledge in Cyprus is below the minimum level set by the OECD as sufficient for someone to be considered as financially literate. The results of the survey also indicate specific population groups which are in greater need for financial education such as the young, the unemployed, low income and lower education citizens,

**“the reinforcement of financial literacy has become a global challenge, as research findings have directly linked financial literacy with the financial welfare and prosperity of a country's citizens”**

1. This is an extensive summary of the Report in Greek. The English Report of the ad-hoc Committee, taking into account the analysis of the CBC survey results and the relevant scientific literature, will be available in due course.

women and citizens who did not take economics courses during secondary education.

Even though financial literacy should first and foremost be an individual's concern, there are important and fundamental reasons as to why the State should intervene, aiming to enhance and promote financial literacy and education in the society. First, low levels of financial literacy are likely to lead to more severe consequences on financially vulnerable groups. In this respect, state intervention can be justified in the context of social policy for the protection of vulnerable groups. Second, financial illiteracy can have a negative effect on a country's financial stability if, for example, numerous borrowers are unable to service their loan instalments due to overindebtedness. At the same time, it may obstruct the efficient transmission of monetary policy, which heavily depends on the public's perceptions about central banks' decisions. Finally, it can potentially increase information asymmetry between transactions, leading to competition imbalances and distortions that will eventually result in a lower than optimal free market performance. In general, enhancing financial knowledge leads to higher resilience of an economy and supports financial stability and improved prosperity of all citizens.

According to evidence collected by the CBC in the context of the National Strategy formulation, a variety of stakeholders, including national supervisory authorities, professional associations, universities and other organisations, have engaged in the promotion of financial literacy in Cyprus through various initiatives. However, despite the commendable efforts, experience has highlighted the need for better coordination amongst individual initiatives, as there was overlapping of activities and coverage of only a small portion of the pop-

ulation. According to the OECD, a coordinated and well planned National Strategy could lead to more systematic, targeted and efficient promotion of financial literacy and education.

The ad-hoc Committee has performed an extensive analysis and evaluation of various financial literacy initiatives across the globe, taking into consideration the suggestions of scientific collaborators and stakeholders in Cyprus as well as the conclusions of relevant scientific studies. On the basis of the above, the Report features the mission and vision of the National Strategy for promoting Financial Literacy and Education in Cyprus, its strategic objectives and proposed initiatives. The Report also addresses the main features of the governance structure of the new body/Committee that should be established in order to implement the National Strategy. It is noted that the current ad-hoc Committee does not have any executive powers and its function is limited to a consultative and advisory role.

The proposed vision and mission of the Body responsible for the implementation of the National Strategy are as follows:

**Vision:** *"Empower citizens in Cyprus with the knowledge and skills required to enhance their financial wellbeing."*

**Mission:** *"The promotion of financial literacy and education among citizens in order to contribute to the efficient management of their financial resources and, consequently, to the enhancement of their financial wellbeing."*

In accordance to the above mission and vision, the level of financial literacy in Cyprus and the attitude and behaviour of people in Cyprus in relation to financial issues, the ad-hoc Committee proposes

the following strategic objectives:

- (1) Raise citizens' awareness on the importance of financial literacy and education for themselves and their family,
- (2) Empower individuals, starting from the young, with core financial skills and habits in order to be able to efficiently manage their personal or family finances, aiming to enhance their financial wellbeing
- (3) Raise awareness and enhance skills on the need for adequate financial planning for insurance and retirement
- (4) Raise awareness and increase knowledge regarding the use and associated hazards of digital financial products and services.

On the basis of the vision, the mission and the strategic objectives, the Report provides a proposed Action Plan and a proposed governance structure for the establishment of a new Body that will undertake the implementation of the Strategy.

The proposed Actions in the National Strategy are as follows:

- (1) Raise public awareness about the importance of financial literacy through targeted communication and public events,
- (2) Promote financial education in public schools,
- (3) Promote financial literacy through lifelong learning,
- (4) Establish a website and smartphone application (telephones, tablets),
- (5) Reinforce existing good practices and initiatives,
- (6) Training of trainers.

The ad-hoc Committee proposes that the new Body to be established with the purpose of implementing the National Strategy is named the Cyprus Financial Literacy and Education Committee

(CYFLEC). The envisaged CYFLEC should consist of the following: The Governing Board, the Coordination and Management Team, the Scientific Advisory Committee, the Thematic Project Teams and the Stakeholders Group.

It is proposed that the Governing Board consists of the heads of at least the following state institutions:

- (a) the Central Bank of Cyprus (Chairing the Governing Board)
- (b) Competent ministries, namely, at least, the Ministry of Finance and the Ministry of Education, Culture, Sport and Youth
- (c) the national regulators, namely, the Cyprus Securities and Exchange Commission (CySEC) and the Insurance Companies Control Service (ICCS).

During the transitional period, it is proposed that the ad-hoc Committee acts as the Coordination and Management Team until the finalisation of the new governance structure.

The National Strategy and its initiatives should be evaluated and revised periodically. The evaluation should be made on the basis of the degree of effectiveness in achieving the strategic objectives, as well as the socio-economic developments in Cyprus.

The success of the National Strategy will depend to a large extent on raising public awareness about the importance of financial literacy and its positive impact on the society as a whole. Equally important and necessary is the embracing and support by the State and all relevant stakeholders in order to successfully implement the various initiatives included in the Report. All efforts towards this direction should be continuous and determined in order to fully reap the medium- and long-term benefits.