

International Conference on:
**“Financial Literacy and Education in Cyprus: Challenges,
Lessons from Other Countries and the Way Forward”**

Organised by the Central Bank of Cyprus

10 March, 2023

Summary of the Conference Deliberations

On 10 March 2023, the Central Bank of Cyprus (CBC) organised an international conference on "Financial Literacy and Education in Cyprus: Challenges, Lessons from Other Countries and the Way Forward". The Conference took place in the context of the CBC's coordinating role on the promotion of financial literacy in Cyprus, through the National Strategy approved by the Council of Ministers on 28 June, 2022. The National Strategy was the result of collective work of an ad-hoc Committee¹ set-up in December 2020 for this purpose.

The Conference, that was also part of the 2023 Global Money Week campaign of the Organisation for Economic Co-operation and Development (OECD), brought together a top-notch group of experts from both Cyprus and abroad. The experts presented views and shared their knowledge on main aspects of financial literacy in Cyprus and around the world, as well as, on best practices for the promotion of financial literacy stemming from other countries' experiences.

The one-day event had two sessions: the morning session which was tailored for an academic audience and the afternoon session which addressed to a wider audience.

The morning session was divided into two parts. The first part, chaired by Professor Michael Haliassos from Goethe University Frankfurt, focused on financial literacy in Cyprus featuring presentations on various topics, including financial education, personal finances, and financial stability. The session began with a presentation on "Financial literacy for financial resilience: Evidence from Cyprus during the pandemic period" by Dr Sofia Anyfantaki from Bank of Greece. Professor Andreas Milidonis from the University of Cyprus then took over and presented his findings on "Financial Education and Spillover Effects". The first part of the session concluded with a presentation by Dr Theodosios Kallenos of the Central Bank of

¹ Apart from the CBC who had the leading role in this task, the Committee also comprises representatives from the Ministry of Finance, the Ministry of Education, Culture, Sports, and Youth, the Cyprus Securities and Exchange Commission, and two academic experts from the University of Cyprus and the Cyprus University of Technology.

Cyprus who presented work undertaken at the Central Bank of Cyprus on "Financial literacy and financial stability: evidence from Cyprus".

The second part of the morning session focused on financial literacy issues and best practices from other countries and was chaired by Dr Maria Demertzis from Bruegel. Professor Dennis Philip from Durham University Business School opened the floor by presenting his research findings on "Early Financial Lives: Evidence from UK Children's FinTech Accounts". Dr Elena Miteva from the Organisation of Economic Co-operation and Development (OECD) then focused on "Financial Literacy: OECD Work and International Experiences" followed by Professor Alexander Michaelides from Imperial College London who discussed the issue of "Trust and Fintech: Lessons from Recent UK Corporate Failures". The morning session concluded with a presentation by Dr Ernesto Villanueva from Bank of Spain, on "The Impact of High School Financial Education on High School and Choices: Evidence from a Randomised Trial".

The afternoon session was open to a wider audience and the media. In his welcoming speech, the Governor of the CBC, Mr. Constantinos Herodotou, marked the adoption of the National Strategy for the promotion of Financial Literacy and Education in Cyprus as a milestone event for the country. The Governor emphasised that the knowledge of basic financial concepts and tools in combination with a well-regulated financial system, are critical components and prerequisites for safeguarding a country's financial resilience and stability as well as the financial well-being of its citizens. The National Strategy provides a comprehensive and orderly approach to achieve this ambitious goal.

The decisive role of the effective implementation of the National Strategy was also highlighted by the keynote speaker of the conference Dr Annamaria Lusardi, Professor of Finance and Accountancy at the George Washington University School of Business (GWSB) and founder and Academic Director of the Global Financial Literacy Excellence Centre. In particular, Professor Lusardi in her virtual interaction presented, among others, the four main pillars for the implementation of an effective action plan for financial literacy: (a) large-scale interventions including the introduction of a mandatory course in schools and universities, (b) educational actions for the general public, (c) involvement and coordination with interested stakeholders, and (d) investment in partnerships to achieve synergies and secure available resources.

The first part of the afternoon session was concluded with a brief presentation of the National Strategy for the promotion of financial literacy and education in Cyprus by Lena Cleanthous, a member of the CBC staff team that contributed to the preparation of the National Strategy in collaboration with the ad-hoc Committee.

The second part consisted of two panel discussions featuring a group of distinguished speakers. These panel discussions built up from the discussions that took place during the academic morning session. In the first panel, Panayiotis Andreou from Cyprus University of Technology, Adele Atkinson from University of Birmingham, George Kyriacou from Central Bank of Cyprus, Michael Haliassos from Goethe University Frankfurt, and Andreas Milidonis from University of Cyprus shared their insights on evidence relating to financial literacy in Cyprus. The second panel featured Maria Demertzis from Bruegel, Dennis Philip from Durham University Business School, Elena Miteva from OECD, Alex Michaelides from Imperial College London, and Ernesto Villanueva from Bank of Spain. The panellists discussed and exchanged views on best practices and lessons drawn from other countries.

During their interventions, the participating presenters stressed once more the importance of financial literacy for enhancing financial resilience of households and safeguarding the financial stability of an economy. They used research-based evidence and good practices already in place to deliver policy guidance in matters of financial literacy and education.

Overall, the findings and discussions underlined the importance and usefulness of providing a coordinated framework for developing more effective financial literacy initiatives not only in Cyprus but in other countries as well. The adoption of a National Strategy in Cyprus is a first step towards this direction.

As the world becomes increasingly interconnected, financial markets and economies are more intertwined than ever before. Without adequate level of financial literacy, individuals may be vulnerable to excessive risk taking, over-indebtedness and financial scams. In addition, poor financial decision-making can lead to personal financial struggles and even broader economic issues such as increased financial stability risks and low economic growth. By adopting a national strategy on financial literacy, countries can ensure that their citizens are equipped with the necessary knowledge and skills to sail across the current change in the macro environment in a safe manner.

In particular, recent events such as the COVID-19 pandemic, the Russian invasion of Ukraine, high inflation, rising interest rates, climate risk have highlighted the importance of financial literacy. In such times of uncertainty, a strong understanding of financial concepts will ensure that well-informed decisions continue to be made.

The effort to promote financial literacy and education in Cyprus has to be coordinated and collective. It also goes without saying that the commitment of all relevant stakeholders in the island within the context of the National Strategy is

imperative to successfully implement the various initiatives that aim to address citizens in various stages of their lives.

Key Takeaways of the Conference

Given the very fruitful and rich discussions of the conference, this Section provides a list of key takeaways of the Conference. Even though the list may be non-exhaustive, it does provide a good sense of the main issues and conclusion emerging from the Conference.

General Takeaways

- ➔ *Financial literacy is associated with financial fragility both in terms of being able to absorb a sudden shock in income and in terms of being able to save for a rainy day.*
- ➔ *Financial illiteracy is associated with income inequality.*
- ➔ *Financial literacy is important in building trust on financial institutions and the financial system.*
- ➔ *Financial education may complement the role of financial regulation and supervision in the economy as financial literacy appears to be linked with lower financial stability risks in an economy.*
- ➔ *Financial education is effective; it works, it is worth investing in it and it is cost-effective.*
- ➔ *Strengthening financial literacy is not only about increasing knowledge but also about stimulating a change in attitudes and behaviour of people.*
- ➔ *Promoting financial literacy is a long-term process. It needs to be careful, persistent and scientifically sound.*
- ➔ *Financial literacy is more effectively promoted through a National Strategy, as suggested by the increased number of countries adopting such strategies. The National Strategy should be regularly monitored and impact-evaluated. Initiatives within the context of the Strategy should be tried and implemented.*
- ➔ *In order to achieve higher level of financial education we need to promote financial education for everyone, starting from the young with financial education in schools and colleges.*
- ➔ *Financial education should be mandatory in schools and in the workplace as prevention (financial education everywhere) is much cheaper than the cure (having to deal with people's financial mistakes).*
- ➔ *Professor Lusardi also advocated for adding financial literacy to the national statistics. According to her, it is a good indicator of the state of the economy, in addition to GDP, consumption and other measures.*

Country-Specific Takeaways:

Cyprus

- ➔ *A CBC survey found that financial literacy levels are low in Cyprus, similar to many other countries in the world, even developed ones. Vulnerable groups are the same all over the world and include the young, the elderly, women etc.*
- ➔ *Individuals in Cyprus, who did not have an economics related course in secondary education, are also amongst the vulnerable groups.*
- ➔ *In Cyprus, it was found that financial education at university level has spillover effects to the parents.*

Spain

- ➔ *The Spanish experience from the introduction of financial education course in schools suggests that the course improved performance on financial literacy especially for students with poorer backgrounds.*

UK

- ➔ *The use of digital means for financial education can influence children's savings behaviour as indicated from data derived from a savings in the UK.*

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## **Presenters - Discussants:**

Keynote Speaker Annamaria Lusardi (George Washington University)

Panayiotis Andreou (Cyprus University of Technology)

Sofia Anyfantaki (Bank of Greece)

Adele Atkinson (University of Birmingham)

Lena Cleanthous (CBC)

Maria Demertzis (Bruegel)

Michael Haliassos (Goethe University Frankfurt)

Theodosios Kallenos (CBC)

George Kyriacou (CBC)

Alexander Michaelides (Imperial College London)

Andreas Milidonis (University of Cyprus)

Elena Staneva Miteva (OECD)

Dennis Philip (Durham University)

Ernesto Lopez Villanueva (Banco de España)

**For more information on presenters, please click [here](#).**

## Conference Papers

"Financial literacy for financial resilience: Evidence from Cyprus during the pandemic period" by Panayiotis Andreou, Sofia Anyfantaki and Adele Atkinson

"Financial Education and Spillover Effects" by Theodosios Kallenos, Andreas Milidonis, George Nishiotis and Stavros Zenios

"Financial literacy and financial stability: evidence from Cyprus" by George Kyriacou, Chara Christofi, Lena Cleanthous, Theodosios Kallenos and Nektarios Michail

"Early Financial Lives: Evidence from UK Children's FinTech Accounts" by, Christian Engels, Ray Charles "Chuck" Howard, Marcel F. Lukas and Dennis Philip

"Financial Literacy: OECD Work and International Experiences" by Elena Miteva

"Trust and Fintech: Lessons from Recent UK Corporate Failures" by Renáta Kosová and Alexander Michaelides

"The Impact of High School Financial Education on High School and Choices: Evidence from a Randomized Trial" by Olympia Bover, Laura Hospido and Ernesto Villanueva