

Financial literacy for financial resilience: Evidence from Cyprus during the pandemic period

Panayiotis C. Andreou ^{a, b, *}, Sofia Anyfantaki ^c and Adele Atkinson ^d

^a *Department of Finance, Accounting and Management Science, Cyprus University of Technology*

^b *Durham University Business School, Durham University*

^c *Economic Analysis and Research Department, Bank of Greece*

^d *Centre on Household Assets and Savings Management, University of Birmingham*

Abstract

This study takes Cyprus as a case country to examine the role of financial literacy for financial resilience in the pandemic period. Responses to the survey questions to assess the level of financial literacy show that in 2021 less than 4 out of 10 respondents had a good financial knowledge proficiency level. The results also show that more than 1 out of 3 Cypriots are financial fragile, *i.e.*, would not have been able to cover an unexpected financial need within a month without borrowing or asking for financial help. Moreover, about 6 out of 10 do not have a rainy-day fund to cover three months living expenses in case of losing their main source of income. The proportions are higher for young, unemployed, low-income, and larger households, indicating that these subgroups were the least resilient. These findings suggest that many Cypriot households were ill-prepared to face the economic consequences of the COVID-19 pandemic. Most importantly, the findings indicate that financial knowledge proficiency appears as a strong antecedent of one's proclivity of being financially resilient. An important policy implication of the study's conclusions is that financial education could help households to improve their financial resilience and prepare for future shocks.

Keywords: financial literacy; financial resilience; financial fragility; rainy-day funds; COVID-19; personal finance; financial education

* Corresponding Author Address: Department of Finance, Accounting and Management Science, Cyprus University of Technology, Archiepiskopou Kyprianou 30, Lemesos 3036, Cyprus; e-mail: panayiotis.andreou@cut.ac.cy.
The views expressed in this article are those of the authors and do not necessarily reflect those of the Bank of Greece or the Eurosystem.