University of Glasgow

Adam Smith Business School

WORKING PAPER SERIES

Household Finance and Well-Being in Greece and Cyprus

Georgios Panos

Paper No. 2025-05
March 2025

Household Finance and Well-Being in Greece and Cyprus

Georgios A. Panos†
Aristotle University of Thessaloniki
University of Glasgow
G53 Network
Hellenic Financial Institute
gpanos@econ.auth.gr

Abstract

I examine the overlooked topic of household finance in Greece and Cyprus using 2021 World Bank Global Findex data. Greek and Cypriot households rank 2nd and 1st in financial stress among 28 EEA/EFTA countries, with key concerns including old-age security and medical expenses. In terms of financial resilience, Greece ranks 22nd and Cyprus 25th for 30-day emergency fund access (70.3% and 65.3% of households, respectively), while for 7-day access, Greece ranks 27th and Cyprus 28th (47.9% and 47.3%). Households rely primarily on family support, savings, and work income, with low engagement in formal financial institutions. Only 45% of households saved in 2021, and just 26.5% in Greece and 28.1% in Cyprus did so through banks or financial institutions. These findings underscore persistent financial vulnerabilities, particularly in short-term resilience, and highlight the need for policies promoting formal savings and strengthening financial resilience mechanisms.

Keywords:

Household finance; Financial stress; Financial resilience; Saving; Greece, Cyprus.

JEL codes:

D14; G51; G53; E21; I31.

This paper's findings, interpretations and conclusions are entirely those of the author and do not necessarily represent the views or policies of the World Bank, their Executive Directors, or the countries they represent. I am grateful to Leora Klapper and Alexandra Suzanne Norris for feedback, and seminar participants in Greece and Cyprus for useful comments.

1. Introduction

Despite its fundamental role in economic stability and individual well-being, household finance remains a relatively neglected policy area in Greece and Cyprus. Households in both countries have faced heightened financial stress due to a combination of economic crises, the COVID-19 pandemic, and the ongoing cost-of-living crisis. Yet, limited research exists on how Greek and Cypriot households manage financial stress, build resilience, and accumulate savings. This study fills this gap by providing an in-depth analysis of household finance in these two economies using microeconomic data from the 2021 World Bank Global Findex

Prior to the COVID-19 crisis, financial vulnerability was already a concern across Europe. One in three European households reported being unable to handle an unexpected expense of €2,000 (Demertzis et al., 2020), underscoring the fragility of household finances. While comprehensive cross-country data on household finance, resilience, and well-being remains scarce, the 2021 World Bank Global Findex (Demirgüç-Kunt et al., 2020; 2021) provides a valuable dataset covering the period from 2011 to 2021, capturing financial behaviours before and during the COVID-19 era.

Using microeconomic data from the Global Findex 2021, this study presents a descriptive analysis of household finance and well-being in Greece and Cyprus, focusing on three core dimensions: financial stress, financial resilience, and household savings. Section 2 constructs financial stress indices, offering a comparative analysis of Greek and Cypriot households' financial concerns regarding major expenses such as medical costs, old-age security, and monthly bills. Section 3 examines financial resilience, defined in the Global Findex database based on responses regarding the ease of accessing emergency funds equal to 5% of Gross National Income (GNI) per capita within 7 or 30 days—equivalent to €921.40 in Greece and €1,274.58 in Cyprus. Section 4 investigates household saving patterns, analyzing the ability to accumulate savings over the past year and, specifically, savings held within financial institutions. Finally, Section 5 concludes with a discussion on policy implications and potential strategies to enhance household financial resilience and stability in both countries.

2. Financial Stress in Greece and Cyprus

Financial stress is a critical determinant of household well-being, influencing economic security and long-term financial decision-making. Using data from the 2021 World Bank Global Findex, I construct two financial stress indices to measure the extent of financial concerns among Greek and Cypriot households. The first index, which is based on three primary sources of financial stress—concerns over medical expenses, financial security in old age, and the ability to cover monthly bills—ranks Greece 2nd and Cyprus 1st among 28 EEA/EFTA economies (Table 1, Panel A). When incorporating two additional stressors—education costs and the financial impact of COVID-19—in a second, expanded index, Greece ranks 1st among 11 EEA/EFTA countries with available data. These rankings underscore the extent to which financial stress is more prevalent in these two economies than in most of Europe.

Figure 1 visualizes the global distribution of financial stress. Panel A of the figure presents the three-source financial stress index, where Greece ranks 53rd among 123 countries, while Cyprus ranks 50th. Panel B displays the five-source index, rendering Greece's ranking at 51st out of 92 countries, though Cyprus is not included due to data limitations. This global positioning reflects the relatively high level of financial insecurity among Greek and Cypriot households compared to many other advanced and emerging economies.

[INSERT FIGURE 1 HERE]

A more detailed breakdown of financial stress sources is provided in Figure 2, illustrating the relative importance of different stress factors for Greek and Cypriot households. The data show that while medical expenses in case of illness or injury remain a primary source of financial stress in both countries (52.9% in Greece and 51.2% in Cyprus are very worried), concerns about financial security in old age are even more pronounced in Greece, where 69.8% of households are very worried, compared to 46.4% in Cyprus. This reflects widespread anxiety about pension adequacy and economic stability during retirement, particularly given Greece's history of pension cuts and fiscal constraints.

In both countries, the ability to cover monthly bills also emerges as a major financial concern, though a higher fraction of the population is very worried about it in Cyprus (44.1%) compared to Greece (30.7%). Despite universal healthcare coverage, concerns about medical expenses persist, with 47.4% of Greek households and 46.2% of Cypriot households citing them as a major financial stressor.

Educational expenses, by contrast, are less of a financial burden in both countries, as public education is free, reducing the reliance on private schooling and costly tuition fees. However, the COVID-19 pandemic added an additional layer of financial distress, with 47.8% of the population in Greece reporting financial stress due to the pandemic. These figures highlight the need for stronger financial safety nets, pension sustainability, and access to financial buffers to mitigate unexpected costs in old age, healthcare, and future economic disruptions.

[INSERT FIGURE 2 HERE]

The distribution of the primary source of financial stress across Greece and Cyprus is presented in Figure 3, contrasting with the previous figure, which illustrated the extent of worry. The data reveal key differences between the two countries. Women in both Greece and Cyprus report higher levels of financial stress than men, particularly regarding monthly expenses and financial security in old age. In Greece, 41.3% of women cite medical expenses as their primary financial concern, compared to 39.0% of men, while in Cyprus, the corresponding figures are 47.5% for women and 47.2% for men. Additionally, in Cyprus, 22.7% of women cite financial security in old age as their main source of financial stress, compared to 17.6% of men, whereas in Greece, the gender gap is smaller, with 15.0% of women and 14.8% of men reporting old-age security as their biggest concern.

Among younger individuals (ages 15-24), financial stress related to medical expenses is higher in Cyprus (52.2%) than in Greece (51.4%), while education costs appear to be a more pressing concern in Greece (14.1%) compared to Cyprus (8.6%). In terms of income disparities, those in the poorest 40% of the population are more concerned with monthly bills, with 30.1% in Greece and 23.7% in Cyprus citing this as their primary financial stressor. Meanwhile, individuals in the wealthiest 60% worry more about medical expenses, particularly in Cyprus (47.8%) compared to Greece (43.0%).

Finally, labour force participants in both countries report high levels of financial stress over medical expenses, with 41.3% in Greece and 51.4% in Cyprus citing it as their primary concern. Conversely, non-working individuals in both countries express heightened anxiety about retirement security, with 22.3% in Cyprus and 15.1% in Greece identifying it as their main financial stressor. These findings highlight the structural differences in financial stress patterns between Greece and Cyprus, with older individuals and non-working populations in both countries more concerned about long-term security, while younger and lower-income groups experience more immediate financial pressures.

[INSERT FIGURE 3 HERE]

The last two figures document that financial well-being at old age a big source of financial stress among Greek households, as medical bills which are the primary source of stress are also more likely to be higher at old age. Noting the massive reduction in pensions that occurred during the crisis decade, this finding suggests that financial stress about well-being at old age is likely to affect the well-being of Greeks and Cypriots from a younger age (Panos, 2022). Despite universal healthcare coverage under the public health system in both countries, the low rates of participation in private health insurance indicate that individuals remain concerned about their ability to cover medical expenses in case of illness or injury. This aligns with previous findings that highlight Greece’s low occupational insurance contributions relative to GDP, one of the lowest in the European Union (IOBE, 2019; 2022). In 2017, the ratio of casualty and life insurance premiums to GDP in Greece was just 2.2%, compared to an EU average of 7.4% (Vettas, 2021).

An additional contrast is seen in discretionary spending priorities. In 2021, the total turnover of the gambling sector in Greece amounted to €18.7 billion, while the country's GDP was €182.83 billion (Kathimerini, 2021). This suggests that despite high levels of financial stress, some households may prioritize high-risk discretionary spending over precautionary savings, further contributing to their financial vulnerability. The contrast in the figures of gambling vis-à-vis private insurance is likely to be similar in Cyprus.

These findings reinforce the high level of financial stress in both Greece and Cyprus compared to the rest of Europe. Given the demographic trends observed, policy interventions aimed at strengthening retirement security, improving financial literacy, and expanding access to private insurance could help alleviate financial stress. Moreover, enhancing social safety nets and promoting targeted financial planning initiatives could mitigate the impact of financial stress, particularly among vulnerable populations. As the 2021 Global Findex database highlights for the first time, financial stress is a widespread concern, with its impact varying by socioeconomic group, gender, and employment status. Addressing these disparities through well-structured financial resilience policies is essential for ensuring long-term household financial well-being in Greece and Cyprus.

3. Financial Resilience in Greece and Cyprus

Financial resilience, or the ability of households to withstand and recover from financial shocks, is particularly crucial in ensuring stability in the face of disruptions such as job loss, illness, natural disasters, or economic downturns (McKnight and Rucci, 2020). The 2021 World Bank Global Findex provides a comprehensive measure of financial resilience by assessing whether households can access emergency funds amounting to 5% of their country's Gross National Income (GNI) per capita within 7 or 30 days. According to the data, financial resilience in Greece and Cyprus remains relatively weak by European standards, despite the fact that the figures have improved for Greece compared to the previous round of data for 2017.

[INSERT FIGURE 4 HERE]

Using responses to both feasibility and ease of access to emergency funds, Table 1 shows that Greece ranks 22nd and Cyprus 25th among the 28 EEA/EFTA countries in terms of households' ability to access emergency funds within 30 days. When considering emergency access within 7 days, Greece ranks 27th and Cyprus 28th, placing both countries at the bottom of financial resilience among advanced EEA/EFTA economies. On a global scale shown in Figure 4, Greece ranks 41st out of 122 countries with 70.3% of households reporting that they could access emergency funds within 30 days, while Cyprus ranks 45th with 65.3%. At the 7-day threshold, Greece ranks 48th globally with 47.9% of households financially resilient, while Cyprus follows closely at 49th, with 47.3%. These rankings mark an improvement for Greece, which had ranked 69th in 2017, the lowest among Southern European and neighboring Balkan countries, including Türkiye. However, despite some progress, Greece and Cyprus still trail behind many Western European economies, where financial resilience is notably stronger.

While a high proportion of households in both countries report that accessing emergency funds is theoretically possible, a significant share finds it challenging in practice. Figure 5 shows that while 95.2% of Greek households and 91.8% of Cypriot households believe they could access emergency funds within 30 days, only 35.5% of Greek households and 34.1% of Cypriot households report that doing so would be "possible and not difficult at all." The difficulty increases at the 7-day threshold, where 29.2% of Greeks and 28.5% of Cypriots report no difficulty, while the rest face moderate or severe challenges in securing emergency funds.

[INSERT FIGURE 5 HERE]

The Global Findex database provides insights into the sources of emergency funds that households rely on during financial shocks. Figure 6 presents the distribution of primary financial resilience sources in Greece and Cyprus, highlighting the significant role of informal networks and personal savings. The most frequently cited source in both countries is informal support from family and friends, with 33.5% of Greek households and 35.1% of Cypriot households reporting that they would turn to their social network first. The second most common source is personal savings, with 30.6% of Greeks and 29.2% of Cypriots relying on their own reserves to manage financial difficulties. The third primary source is income from work, with 20.7% of Greek households and 12.6% of Cypriot households indicating that their earnings would serve as their main financial buffer.

By contrast, access to formal financial instruments remains limited. Only 7.7% of Greek households and 7.8% of Cypriots report that they would rely on borrowing from a bank, employer, or private lender as their primary source of emergency funds, placing Greece 66th globally and Cyprus 53rd in reliance on formal borrowing. Additionally, selling illiquid assets such as real estate or valuables is an uncommon strategy, with only 0.8% of Greek households and 2.9% of Cypriots identifying this as their primary means of financial resilience. Other sources, including government support and alternative income streams, account for small proportions of emergency funding strategies.

[INSERT FIGURE 6 HERE]

Table 1 provides further insight into the primary sources of financial resilience in Greece and Cyprus, focusing on income from work, personal savings, and informal financial support networks. Greece ranks 23rd among the 28 EEA/EFTA countries in reliance on income from work as a primary source of financial resilience, while Cyprus ranks 26th, highlighting a greater dependence on external financial support mechanisms in Cyprus. On a global scale, Greece ranks 23rd, while Cyprus ranks 73rd, indicating that reliance on work income is significantly lower in Cyprus than in Greece.

In terms of personal savings, Greece ranks 24th among the 28 EEA/EFTA countries, while Cyprus ranks 25th, reflecting similar levels of self-sufficiency. At the global level, Greece ranks 37th and Cyprus 38th, further demonstrating comparable reliance on personal savings between the two countries. However, informal financial support from family and friends plays a slightly stronger role in Cyprus than in Greece. Greece ranks 4th among EEA/EFTA countries and 54th globally in reliance on informal support networks, whereas

Cyprus ranks 3rd in EEA/EFTA and 51st globally, indicating that Cypriot households are more dependent on financial assistance from social networks compared to their Greek counterparts.

These findings reinforce the structural vulnerabilities in financial resilience in both countries, where households remain highly dependent on informal mechanisms rather than formal financial institutions, highlighting the need for stronger policy measures to enhance financial inclusion and emergency funding access.

A demographic analysis reveals notable differences in financial resilience among key population groups. Figure 7 shows that men tend to report higher financial resilience than women in both countries. Among Greek men, 74% report being able to access emergency funds within 30 days, compared to 66.5% of Greek women. In Cyprus, the figures stand at 69% for men and 62% for women. Younger individuals (ages 15-24) are more financially resilient than older groups, likely due to strong familial financial support, a prevalent cultural norm in both Greece and Cyprus. Financial resilience is also positively associated with income and education levels. In Greece, 77.2% of the richest 60% can access emergency funds within 30 days, compared to 59.8% of the poorest 40%. A similar trend is observed in Cyprus, where 75.8% of high-income households report financial resilience, compared to 49.5% of low-income households. Education plays a crucial role, with individuals with secondary education being significantly more likely to access emergency funds than those with primary education or less.

[INSERT FIGURE 7 HERE]

Although household financial resilience in Greece has improved compared to the figures observed in the Global Findex 2017 database (Panos, 2022), informal support from family and friends still appears to be the primary source of financial resilience in both Greece and Cyprus. Own savings and income from work are the next two most important sources, with higher figures for 2021 compared to those observed during 2017 in Greece. However, the continued heavy reliance on informal networks highlights the structural vulnerabilities of financial resilience in both countries. The low participation in formal financial mechanisms such as bank savings, borrowing from financial institutions, and private insurance suggests that many households lack institutional financial safety nets, leaving them more exposed to economic shocks. Given these persistent challenges, it is crucial for policymakers and financial institutions to prioritize initiatives aimed at strengthening formal financial resilience. Encouraging greater financial inclusion, promoting trust in banking and insurance sectors, and expanding access to emergency credit and savings programs are essential steps toward reducing financial vulnerability. Additionally, targeted financial literacy programs that educate households on managing financial risk, saving effectively, and utilizing financial products can help foster a more sustainable and resilient financial culture in both Greece and Cyprus. By addressing these gaps, policymakers can help households move away from informal and uncertain support systems and toward more structured, long-term financial stability.

4. Household Savings in Greece and Cyprus

The ability to save is a fundamental component of financial resilience and long-term security, enabling households to withstand financial shocks, invest in future needs, and secure their financial well-being in old age. The propensity to save increased globally during the Covid-19 pandemic. Figure 8 presents the historical evolution of the ratio of savings to GDP in Greece based on the Financial Structure Database by the World Bank (Beck, et al., 2000; 2009; Čihák, et al., 2012). The data points for Cyprus are from the Central Bank of Cyprus. Evidently the period of capital controls of 2015-2019 in Greece was destructive for savings, reducing the savings to GDP ratio from 95% in 2015 to 70% in 2019. Savings got back to 100% of GDP during 2020-2021, and Greece stepped up to the 30th place among 159 countries as shown in Figure 9 and Table 2. Noting the increase of the Greek GDP during the last years, the percent increase in savings was faster than that of the GDP. The years 2000 and 2012 witnessed massive declines in savings-to-GDP in Cyprus, with estimates of the ratio in 2021 reaching 215%.

[INSERT FIGURE 8 HERE]

The 2021 World Bank Global Findex offers important insights into household savings trends, revealing low levels of savings participation, particularly in formal financial institutions. Despite some improvements in financial resilience, the propensity to save remains low in both Greece and Cyprus. Table 1, Panel D ranks Greece 27th and Cyprus 26th among the 28 EEA/EFTA countries in terms of the percentage of households who reported having saved in the past year. On a global scale, Greece ranks 77th out of 122 countries, with only 45% of households managing to save in 2021, while Cyprus ranks 76th, with 45.1% of households reporting the ability to save. These figures indicate that more than half of households in both countries were unable to set aside any savings, a troubling sign for financial stability and economic resilience.

The low rate of saving at financial institutions further exacerbates financial insecurity. Only 26.5% of Greek households and 28.1% of Cypriot households report saving through banks or financial institutions, ranking Greece 47th globally and Cyprus 45th (25th and 24th among peer countries, respectively) as shown in Figure 9 and Panel D of Table 1. This reflects a persistent lack of trust in the financial system, a legacy of the Greek financial crisis (2010-2019) and the 2013 Cypriot banking crisis, which entailed capital controls and bank mergers in both countries, and depositor bail-ins in Cyprus.

[INSERT FIGURE 9 HERE]

Figure 10 presents trends in household savings behaviour in Greece and Cyprus from 2011 to 2021, illustrating changes in overall saving participation, savings at financial institutions, and savings for old age. The data reveals a moderate recovery in savings rates in both countries in 2021, following the post-crisis period of low financial security and economic uncertainty. In 2021, 45.0% of Greek households and 45.1% of Cypriot households reported having saved any money, reflecting a substantial increase compared to 2017 (21.0% in Greece and 43.6% in Cyprus) and 2014 (23.7% in Greece and 41.2% in Cyprus). This suggests that while saving rates in Cyprus were already relatively high, Greece has experienced a more pronounced recovery in household savings participation.

However, savings at financial institutions remain low. In 2021, only 26.5% of Greek households and 28.1% of Cypriot households saved through a bank or financial institution, indicating modest improvements from previous years but still lagging behind 2011 levels (30.4% in Cyprus). The data highlight persistently low trust in financial institutions, especially in Greece, where banking instability in the post-2010 crisis years may have discouraged formal saving mechanisms. Long-term savings behaviour remains particularly weak in Greece. Only 16.7% of Greek households reported saving for old age in 2021, compared to 24.9% in Cyprus, with both figures showing some improvement from 2017 (8.4%) in Greece and some deterioration (from 28.7%) in Cyprus. The fact that old-age savings remain significantly lower than overall saving participation suggests that long-term financial planning remains a challenge, likely due to economic constraints and reliance on public pension systems.

These trends underscore ongoing financial vulnerability in both countries, with informal savings mechanisms still playing a significant role. The findings suggest that while savings rates have recovered post-crisis, trust in financial institutions remains fragile, and long-term financial security remains uncertain, necessitating policy interventions to encourage retirement savings and formal saving mechanisms.

[INSERT FIGURE 10 HERE]

Savings behaviour exhibits notable demographic disparities in both Greece and Cyprus. Figure 11 highlights that men are more likely to save than women in both countries. Among Greek men, 47.1% report having saved in the past year, compared to 42.9% of women, while in Cyprus, 51.2% of men and 39.8% of women report saving. Younger individuals (ages 15-24) exhibit higher savings rates than middle-aged and older groups, likely due to strong financial support from parents. In Greece, 72.6% of individuals aged 15-24 saved in the past year, compared to 41.3% of those aged 25 and above. In Cyprus, the trend is similar, with 69.4% of younger individuals saving, compared to 39.8% of those aged 25 and above.

Wealthier households are significantly more likely to save than lower-income groups. In Greece, 51.5% of the richest 60% report having saved in the past year, compared to just 35.3% of the poorest 40%. A similar trend is observed in Cyprus, where 54.7% of high-income households report saving, compared to 30.7% of lower-income households. Education also plays a crucial role in savings participation. Individuals with at least secondary education are far more likely to save overall and to save at financial institutions. In Greece, 46.4% of those with secondary education or higher saved, compared to just 25.7% of those with lower education levels. Similarly, in Cyprus, 50.2% of individuals with at least secondary education saved, compared to just 21.5% of those with lower education.

These findings reinforce existing research (Demirgüç-Kunt et al., 2016) that highlights the strong correlation between income, education, and financial inclusion, underscoring the need for policies that encourage savings participation, particularly among lower-income and less-educated households.

[INSERT FIGURE 11 HERE]

As Demirgüç-Kunt et al. (2016) have shown, the rates of saving for old age in Greece have historically been among the lowest in the European Union and neighboring countries, and they remain so today. Greece ranks last among the EEA/EFTA countries (68th globally) in terms of households saving for retirement, with only 16.7% setting aside funds for later life. Cyprus ranks 26th among EEA/EFTA (49th globally) with 24.9% of households reporting savings for old age. For most Greek and Cypriot households, long-term saving appears unattainable, likely due to a combination of structural economic constraints and cultural factors.

In Greece, households have traditionally favored investment in illiquid assets, such as real estate, over financial savings. Additionally, there is a strong reliance on public healthcare and the pension system, reducing the perceived necessity of private retirement savings.

A culture of strong family ties and informal support networks has also played a key role in shaping savings behaviour. In both Greece and Cyprus, financial well-being has historically been supported through family transfers, with expectations that older generations will be cared for by younger relatives rather than through accumulated personal savings. However, this traditional financial safety net is becoming increasingly fragile. The cost-of-living crisis—exacerbated by the Covid-19 pandemic and a decade-long economic downturn (2010-2019)—is likely to weaken the ability of families to provide financial support, increasing the vulnerability of both young and elderly populations. Hence, this primary source of financial resilience is no longer secure, making it essential for policymakers to promote stronger formal financial mechanisms to ensure economic stability.

Given these trends, strengthening the financial resilience of Greek and Cypriot households should be a strategic priority for authorities. There is significant potential to enhance financial security through formal mechanisms, including financial institutions, pension funds, and state-supported savings incentives. Encouraging households to save at financial institutions is crucial for improving financial inclusion and economic resilience. However, low levels of trust in financial institutions present a challenge. A recent policy debate in Greece has highlighted a significant gap between deposit interest rates and loan interest rates, further discouraging saving at banks. Implementing measures to incentivize formal savings—such as higher deposit interest rates, tax incentives for long-term savings, and matched savings programs—could help rebuild trust and improve the stability of the banking sector.

Moreover, linking financial resilience to formal savings mechanisms is essential. Stronger incentives for long-term savings would not only benefit individual households but also strengthen Greek and Cypriot banks' capital adequacy and enhance financial sector stability. Expanding financial literacy programs, particularly targeting younger generations, can help shift attitudes toward saving and foster greater engagement with formal financial institutions. Importantly, Greece is currently developing a national strategy for financial education, which has the potential to increase financial inclusion, strengthen financial resilience, and foster greater trust in the financial system (Tzora et al., 2023). These findings align with broader literature on financial inclusion, which shows that low financial literacy is a key barrier to savings participation across countries and during crisis periods (Klapper et al., 2013; Klapper & Lusardi, 2020).

5. Conclusions

This study highlights significant financial stress, low financial resilience, and weak savings behaviour among households in Greece and Cyprus, underscoring the need for policies that strengthen household financial security. Financial stress is particularly acute, with concerns over old-age security and medical expenses ranking among the highest in Europe. Financial resilience remains fragile, as most households continue to rely on informal support from family and friends rather than formal financial mechanisms. Despite some recovery in savings, trust in financial institutions remains low, further limiting financial inclusion and long-term planning.

First, I find that financial stress is a major concern, with Greek and Cypriot households ranking 2nd and 1st, respectively, in financial stress among 28 EEA/EFTA countries. The primary drivers of financial stress include concerns about financial security in old age, medical expenses, and the ability to cover monthly bills. These findings are consistent with previous research on financial vulnerability in Europe, which indicated that a significant share of households struggle to manage unexpected expenses (Demertzis et al., 2020).

Second, the study reveals that financial resilience remains weak in both Greece and Cyprus, despite some improvements compared to previous years. While 70.3% of Greek households and 65.3% of Cypriot households report being able to access emergency funds within 30 days, only 47.9% and 47.3%, respectively, can do so within 7 days. Most households rely on informal financial support from family and friends rather than formal financial institutions, reflecting low trust in the financial system and limited access to financial products (Panos, 2022).

Third, household savings behaviour remains fragile, with only 45% of households in both Greece and Cyprus managing to save in 2021. More concerning is the fact that only 26.5% of Greek and 28.1% of Cypriot households save through banks or financial institutions, highlighting persistent barriers to formal financial participation. This aligns with previous evidence that savings for old age in Greece have historically been among the lowest in the

European Union and neighboring countries (Demirgüç-Kunt et al., 2016). The findings suggest that stronger incentives for long-term saving, alongside efforts to rebuild trust in financial institutions, are urgently needed.

These insights emphasize the need for policy interventions aimed at strengthening household financial resilience in both countries. Enhancing financial inclusion, expanding access to formal savings mechanisms, and increasing financial literacy are key priorities. Recent policy debates in Greece have highlighted the gap between deposit and loan interest rates, discouraging saving at banks, while broader concerns over economic uncertainty and inflation further challenge savings behaviour. Strengthening the link between financial resilience and formal savings mechanisms could benefit individual households, financial institutions, and economic stability.

A crucial aspect of improving household finance is financial literacy, which has been shown to be strongly correlated with financial resilience and savings participation (Klapper & Lusardi, 2020). Individuals with higher financial literacy levels are more likely to engage in sound financial planning, accumulate emergency savings, and make informed borrowing decisions—all of which contribute to greater economic security (Klapper et al., 2013). The development of a national strategy for financial education in Greece (Tzora et al., 2023) offers a potential avenue for enhancing financial literacy, fostering trust in financial institutions, and encouraging responsible financial behaviour. Similar initiatives could be beneficial in Cyprus, where financial stress and low savings participation remain critical challenges.

To address these challenges, policymakers should focus on expanding access to formal financial services, strengthening incentives for long-term savings, and rebuilding trust in financial institutions. Given the continued reliance on informal networks, policies should encourage structured financial planning through improved pension mechanisms, targeted savings incentives, and financial literacy programs that emphasize the benefits of formal financial resilience mechanisms. The development of a national strategy for financial education in Greece, alongside similar initiatives in Cyprus, presents a crucial opportunity to improve financial inclusion, enhance economic stability, and reduce long-term financial vulnerability.

References

Beck Thorsten, Demirgüç-Kunt Aslı and Ross Levine (2000), "A new database on financial development and structure". *World Bank Economic Review*. 14: pp. 597–605.

Beck Thorsten, Demirgüç-Kunt Aslı and Ross Levine (2009). "Financial institutions and markets across countries and over time: Data and analysis". World Bank Policy Research Working Paper 4943.

Čihák Martin, Demirgüç-Kunt Aslı, Feyen Erik, and Ross Levine (2012). "Benchmarking financial development around the world", World Bank Policy Research Working Paper 6175.

Demertzis Maria, Domínguez-Jiménez Marta, and Annamaria Lusardi (2020) "The financial fragility of European households in the time of COVID-19". Policy Contribution 2020/15, Bruegel.

Demirgüç-Kunt Asli, Klapper Leora F., and Georgios A. Panos (2016). "Determinants of saving for old age around the world". In: Mitchell, O. S., Maurer, R. and Orszag, J. M. (Eds). Retirement System Risk Management: Implications of the New Regulatory Order. Oxford University Press. ISBN 9780198787372 (Also featured as: World Bank Policy Research Paper No. 7693).

Demirgüç-Kunt Asli, Klapper Leora F., Singer Dorothe, Ansar Saniya, and Jake Hess (2020). "The Global Findex database 2017: Measuring financial inclusion and opportunities to expand access to and use of financial services". *The World Bank Economic Review*. 34(1). pp. S2–S8.

Demirgüç-Kunt Asli, Klapper Leora F., Singer Dorothe, Ansar Saniya, and Saniya Ansar (2021). "The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19". Washington, DC: World Bank. doi:10.1596/978-1-4648-1897-4.

IOBE (2019). "The economic and social footprint of private insurance in Greece" [In Greek]. Foundation for Economic & Industrial Research. Available at: http://iobe.gr/docs/research/RES_05_F_07112019_REP.pdf

IOBE (2022). «Workplace insurance in Greece: Challenges and prospects» [In Greek]. Foundation for Economic & Industrial Research. Available at: http://iobe.gr/docs/research/RES_03_03022022_REP_GR.pdf

Kathimerini (2022). "The Greeks gambled €18.7 billion during 2021" [In Greek]. By Dimitrios Delevegkos. 11.02.2022. Available at: https://www.kathimerini.gr/economy/561713503/oi-ellines-pontaran-18-7-dis-se-tzogo-to-2021/

Klapper, Leora F., Lusardi, Annamaria and Georgios A. Panos (2013) "Financial literacy and its consequences: evidence from Russia during the financial crisis". *Journal of Banking and Finance*. 37(10): pp. 3904-3923.

Klapper, Leora F. and Annamaria Lusardi (2020). "Financial literacy and financial resilience: Evidence from around the world". *Financial Management*. 49(3): 589-614.

McKnight Abigail and Mark Rucci (2020). "The financial resilience of households: 22 country study with new estimates, breakdowns by household characteristics and a review of policy options". CASE Papers /219, Centre for Analysis of Social Exclusion, LSE.

Panos, Georgios A. (2022). "Household financial resilience in Greece" [In Greek]. Finance Pro. 01/2022. Available at: https://financepro.gr/2022/01/13/i-chrimatooikonomiki-anthektikotita-ton-noikokyrion-kai-i-elliniki-pragmatikotita/

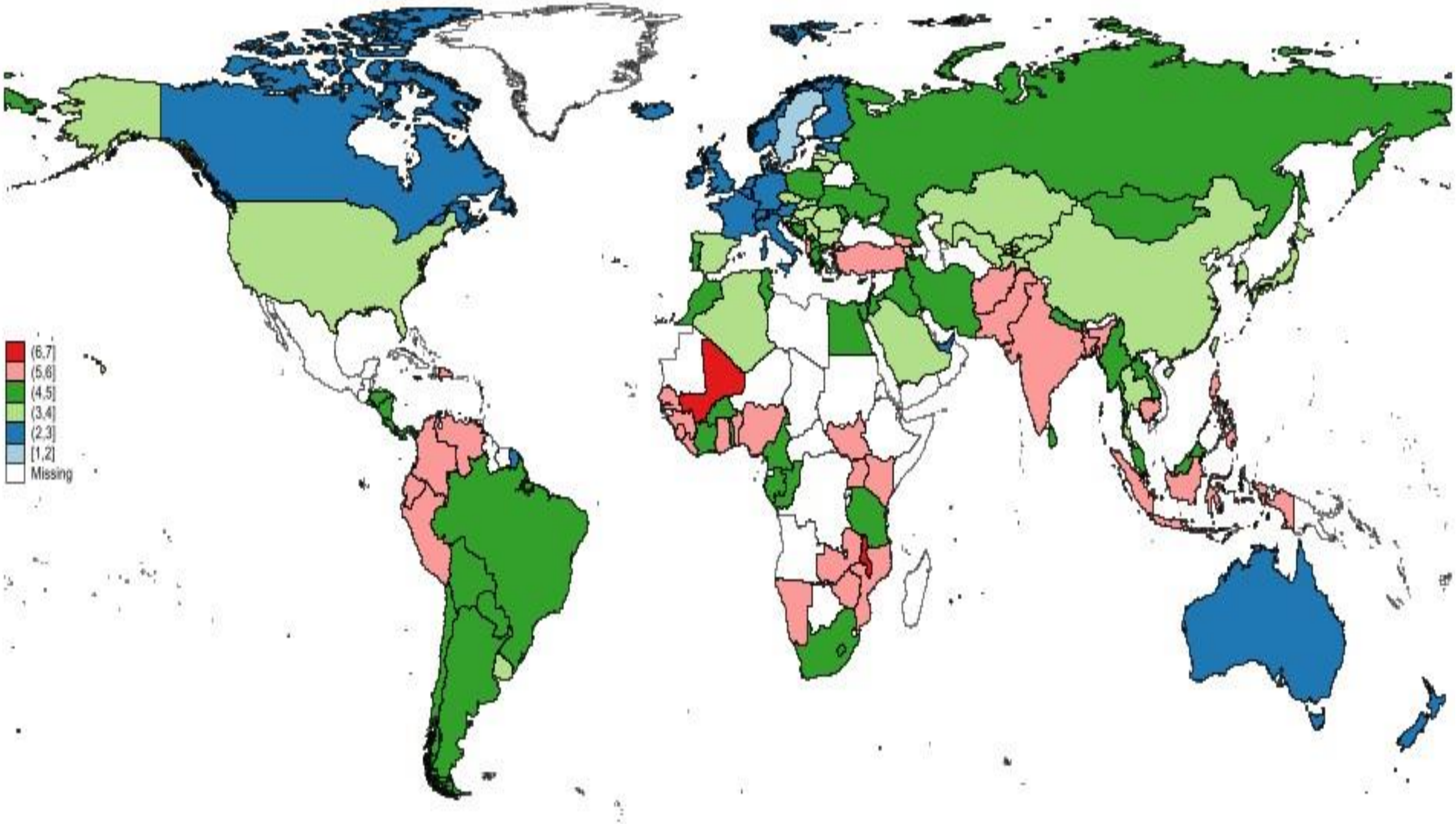
Tzora Vasiliki A., Philippas Nikolaos D. and Georgios A. Panos (2023). "The financial capability of 15-year-olds in Greece". *Economics Letters*. 225, 111044.

Vettas, Nikolaos (2021). "Insurance: The complementary roles of the public sector and the private sector" [In Greek]. Presented at: *Insurance Conference 2021: Forward-looking insurance market in Greece»*. 15th June 2021. Available at: https://insuranceworld.gr/97142/eidiseis/ekdiloseis/n-vettas-iove-i-dieisdysi-tis-idiotikis-asfalisis-stin-ellada-paramenei-chamili/

Figure 1

Financial stress around the world (Global Findex 2021)

<u>Panel A: ***Financial stress – 3-source index [1, 7]***</u>



Panel B: ***Financial stress – 5-source index [0, 10]***

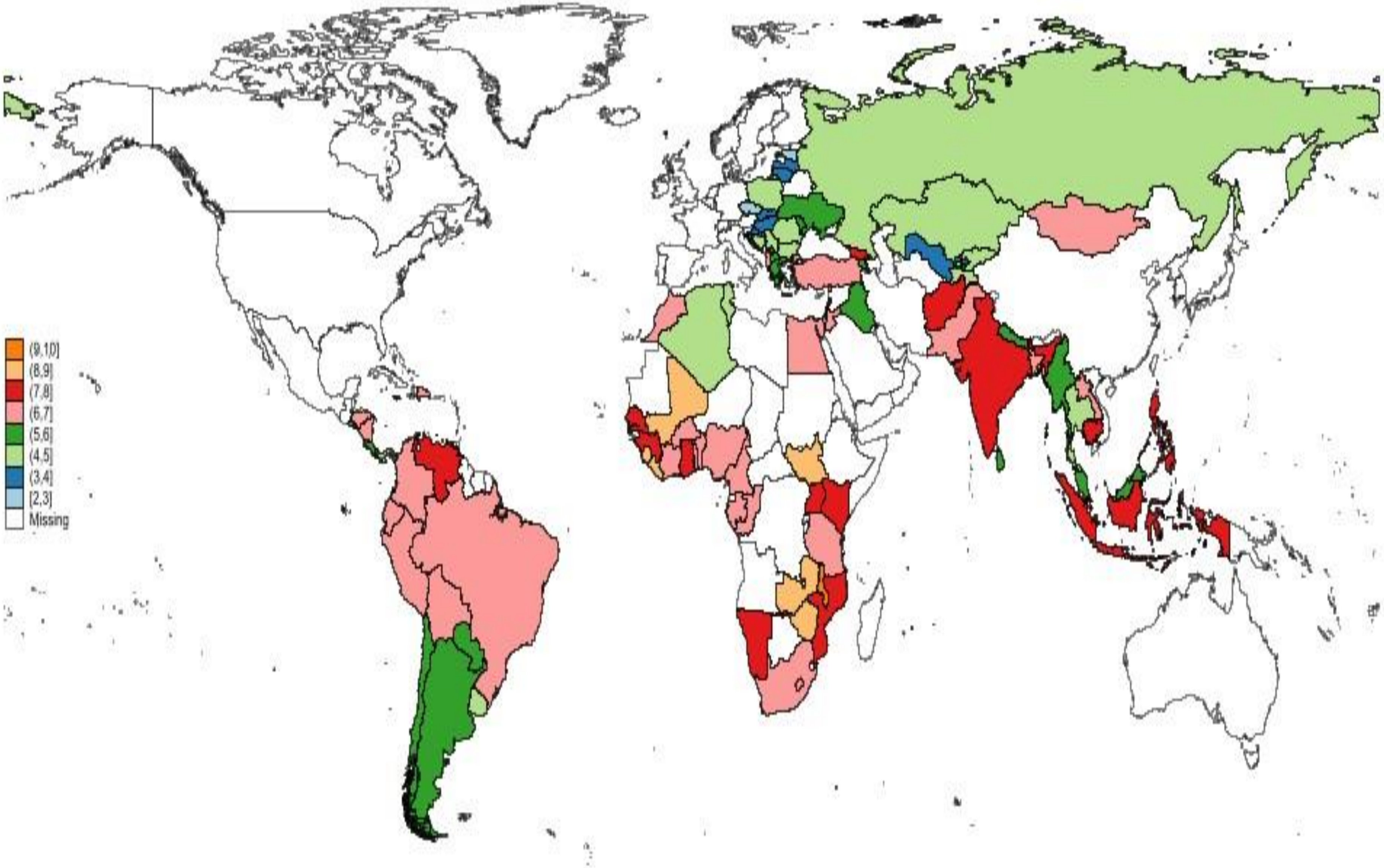


Figure 2
The sources of financial stress in Greece and Cyprus
(Global Findex 2021)

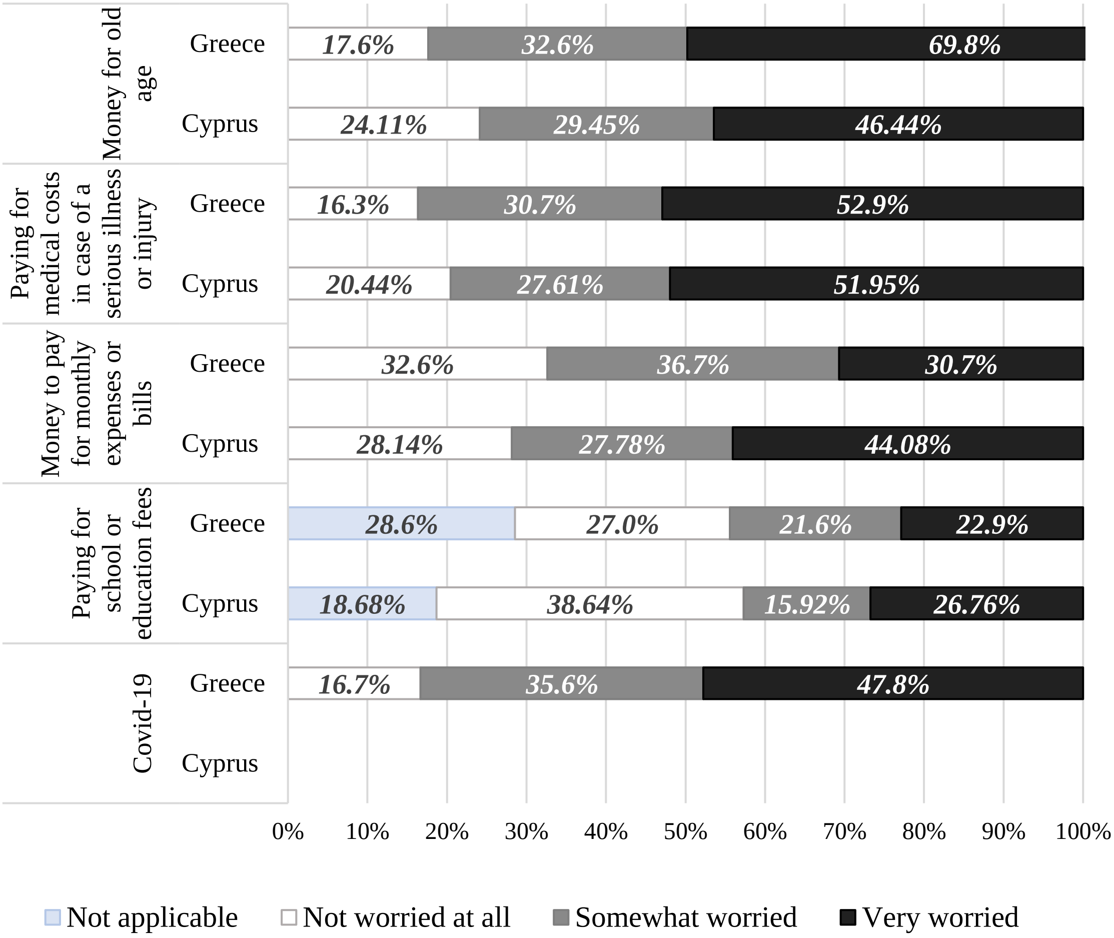


Figure 3
The demographics of the primary source of financial stress in Greece and Cyprus
(Global Findex 2021)

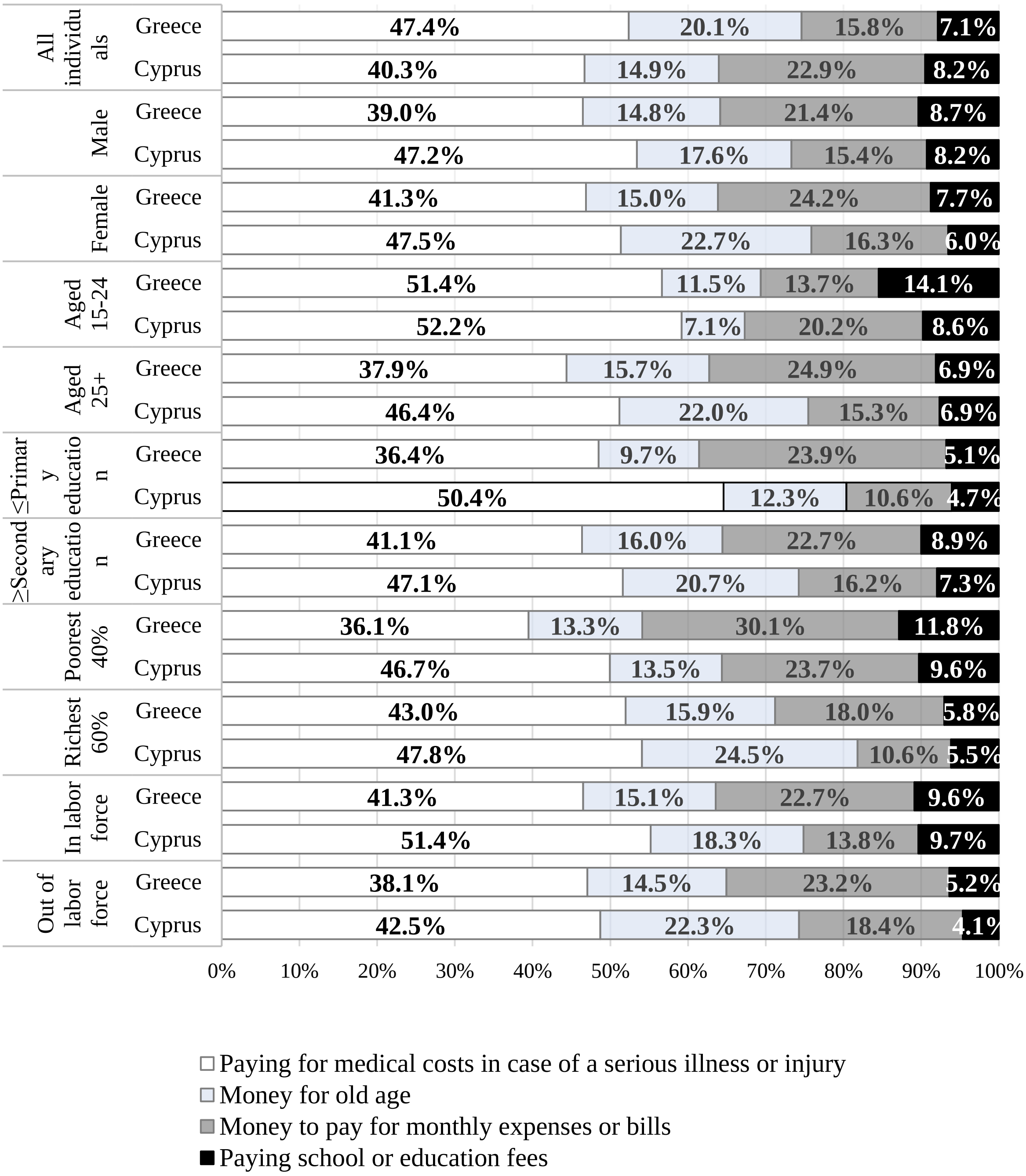
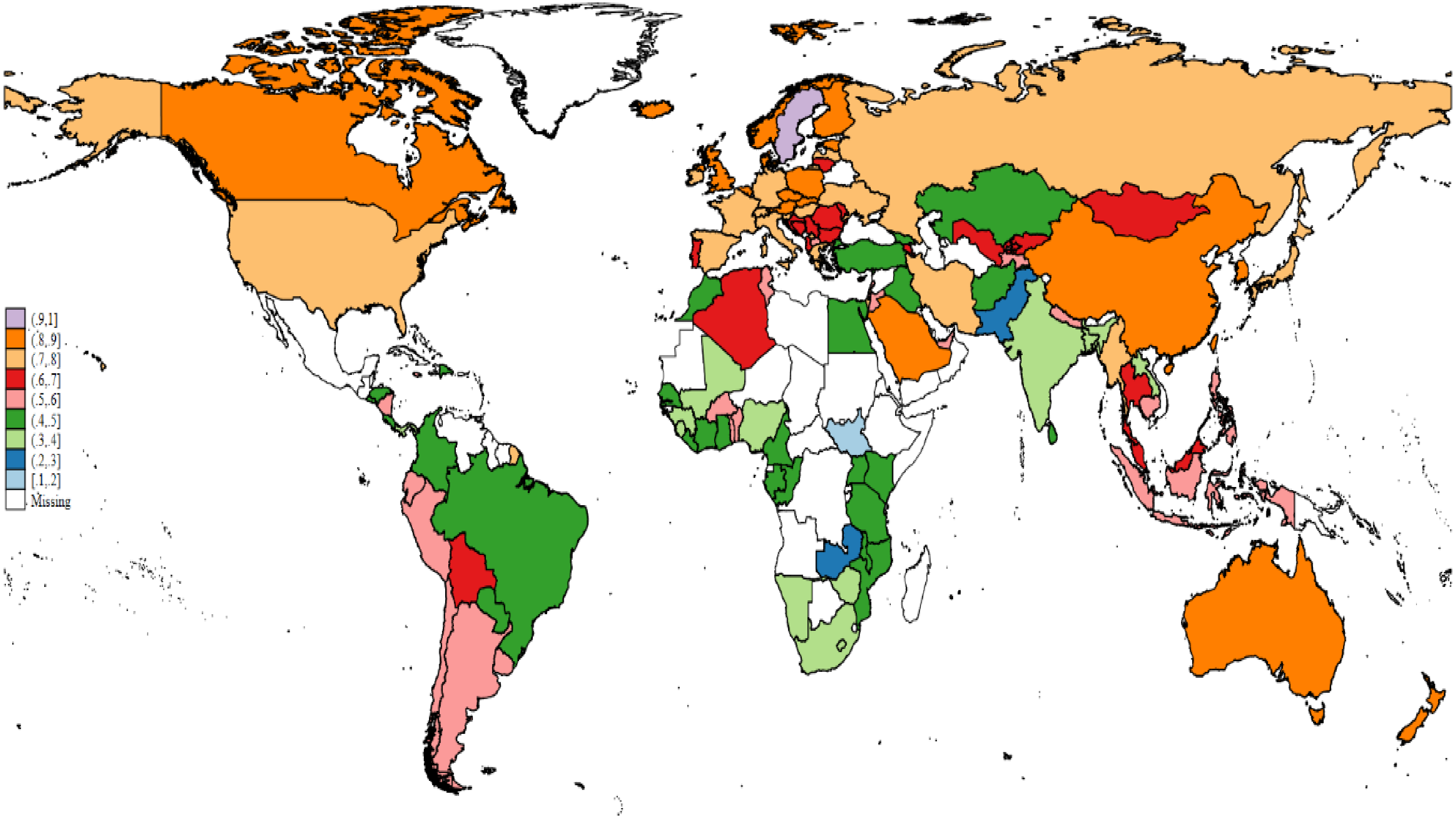


Figure 4

Financial resilience around the world (Global Findex 2021)

Panel A: ***%Coming up with emergency funds in 30 days: Possible and without much difficulty***



Panel B: ***Coming up with emergency funds in 7 days: Possible and without much difficulty***

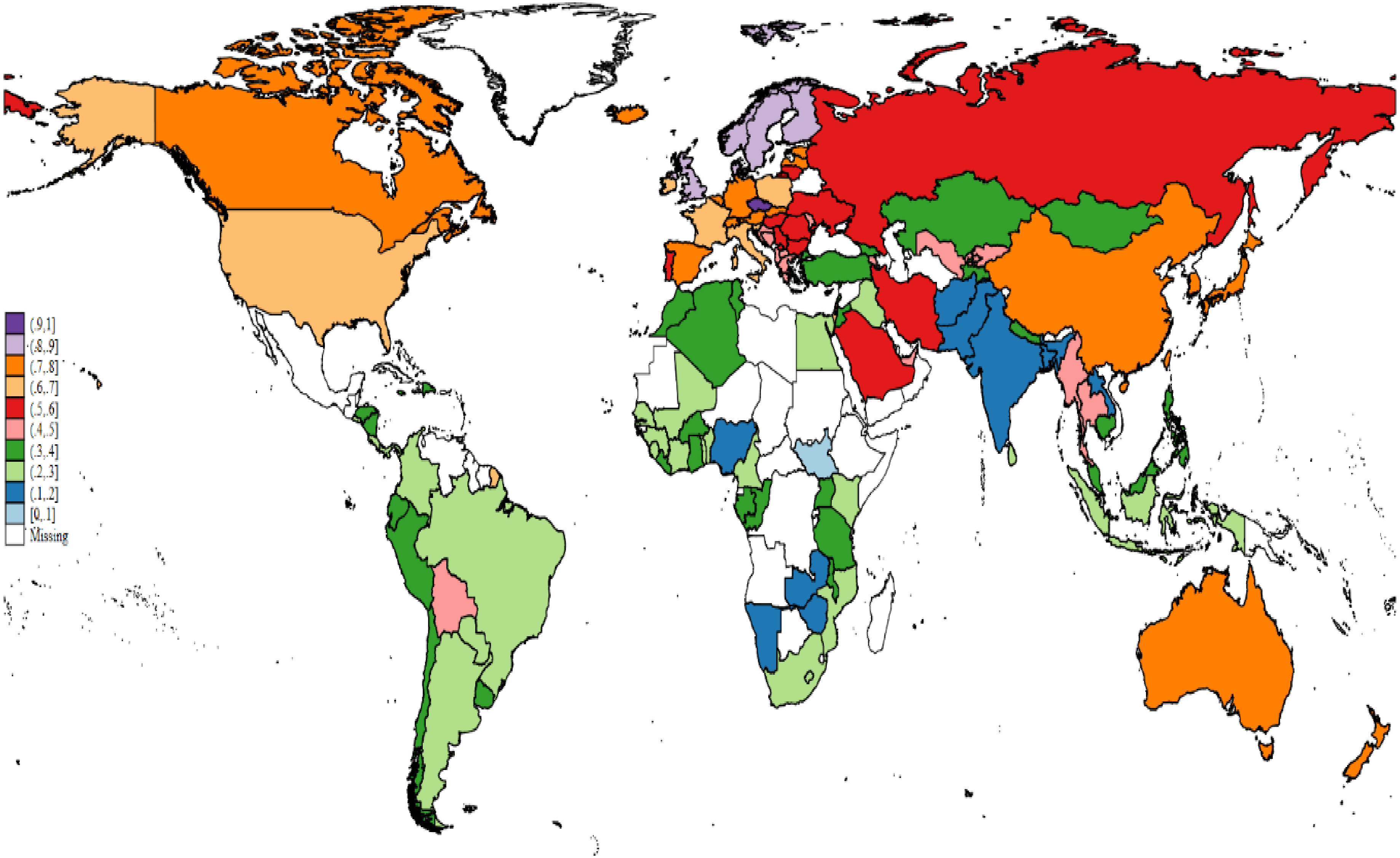


Figure 5
Household financial resilience in Greece and Cyprus
Coming up with emergency funds (Global Findex 2021)

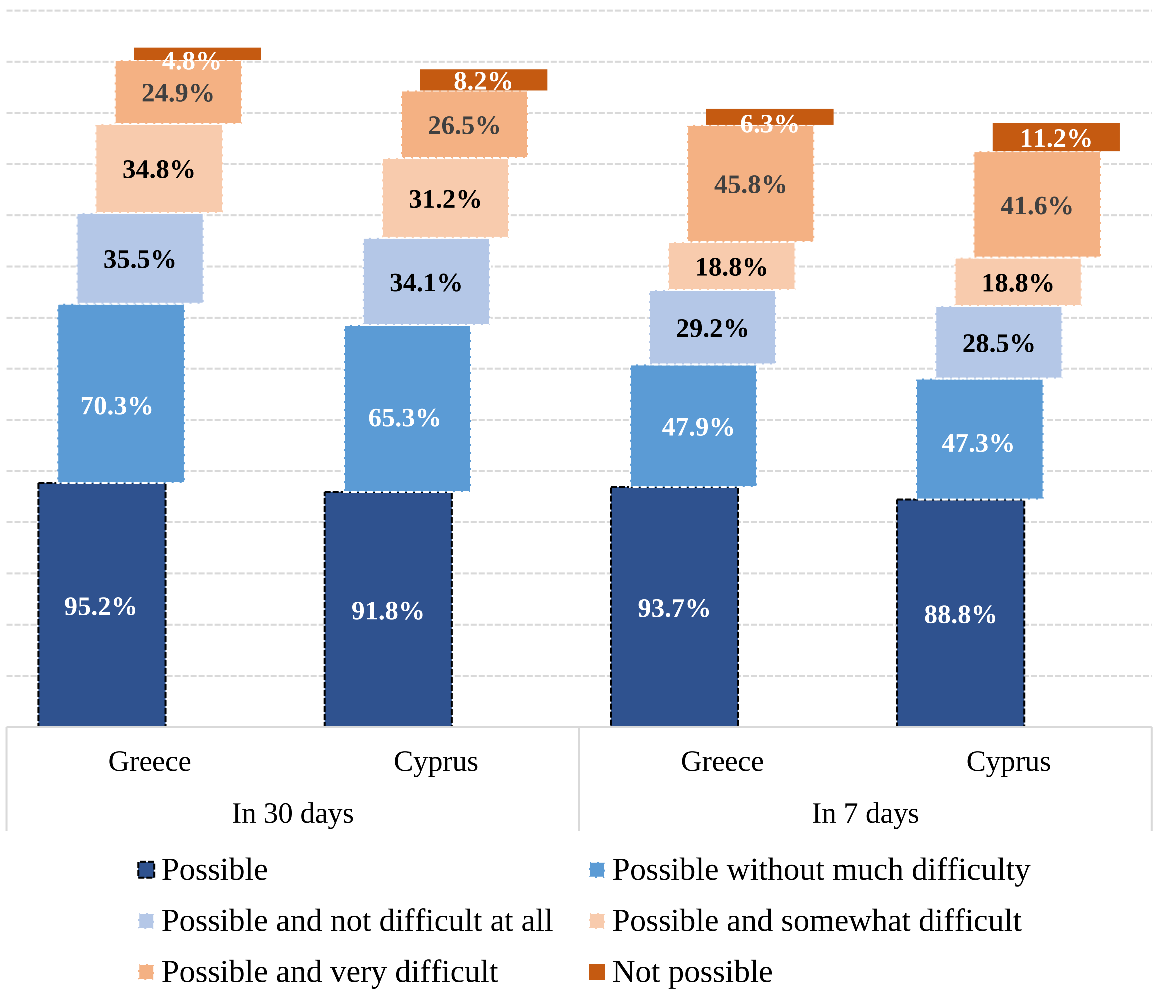


Figure 6
Household financial resilience in Greece and Cyprus
Main source of emergency funds (Global Findex 2021)

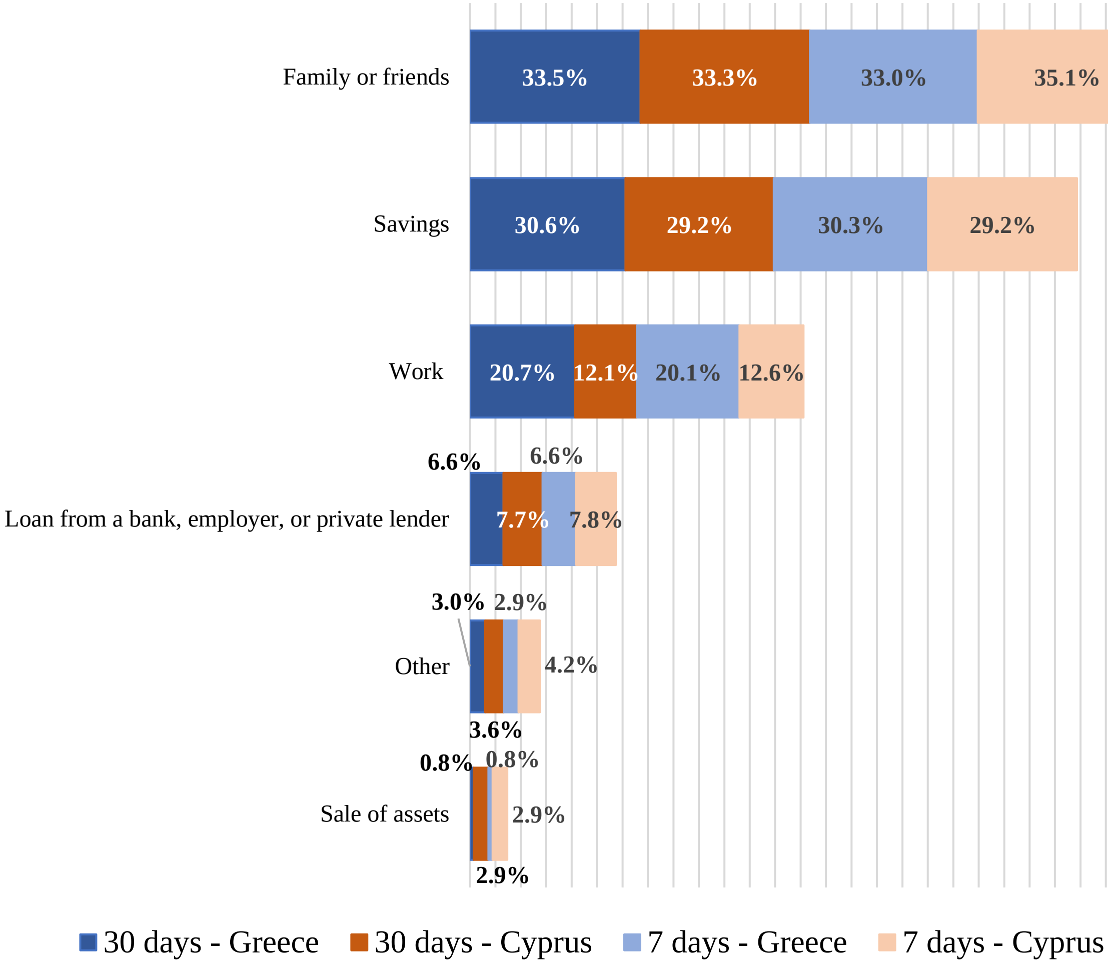


Figure 7

The demographics of household financial resilience in Greece and Cyprus

Coming up with emergency funds: %Possible without much difficulty (Global Findex 2021)

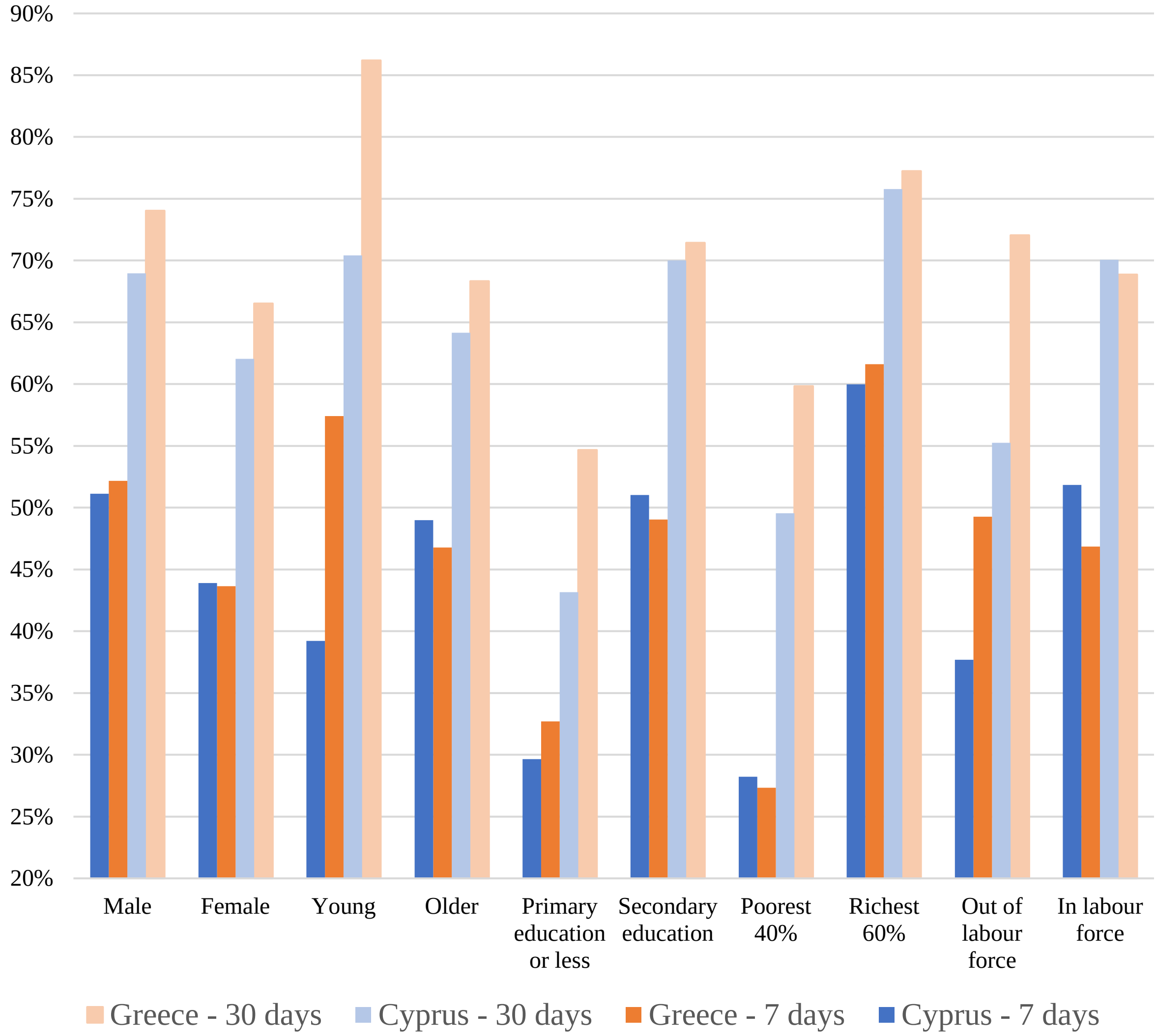
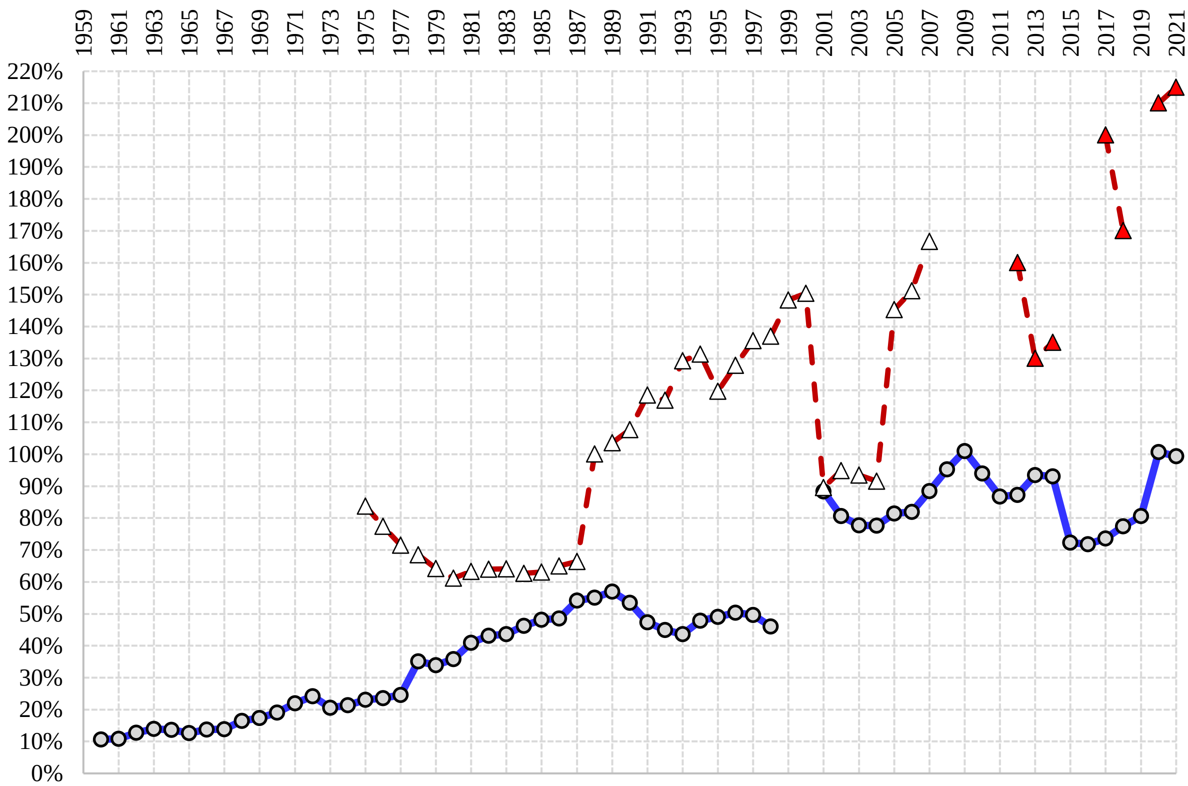


Figure 8

Savings to GDP ratio in Greece and Cyprus

(World Bank Financial Structure Database 1960-2021)



Notes: The data points for Cyprus after 2008 are from the Bank of Cyprus

Figure 9

Household savings at a financial institution around the world (Global Findex 2021)

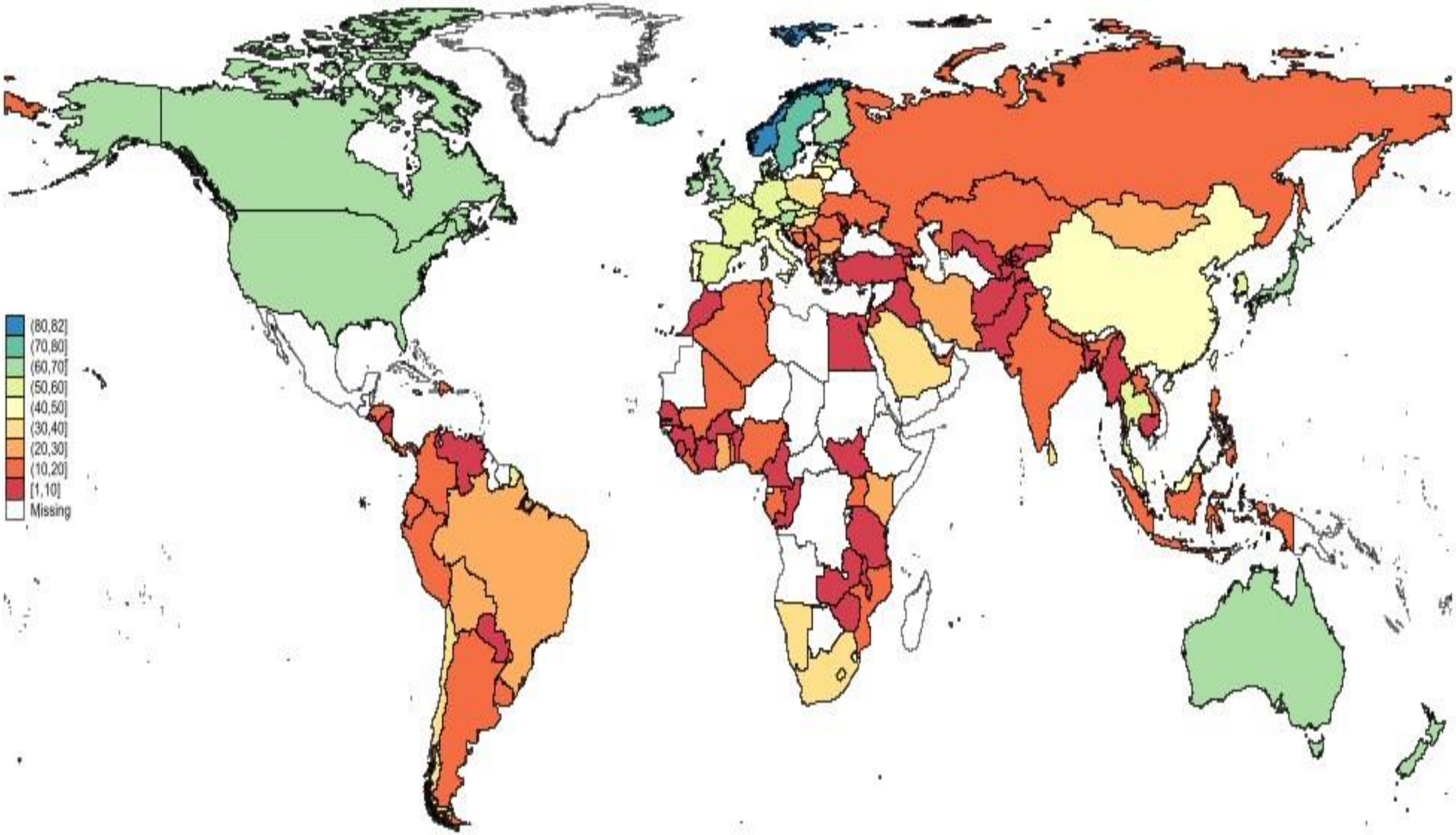


Figure 10

The historical evolution of household savings in Greece and Cyprus
(Global Findex 2011-2021)

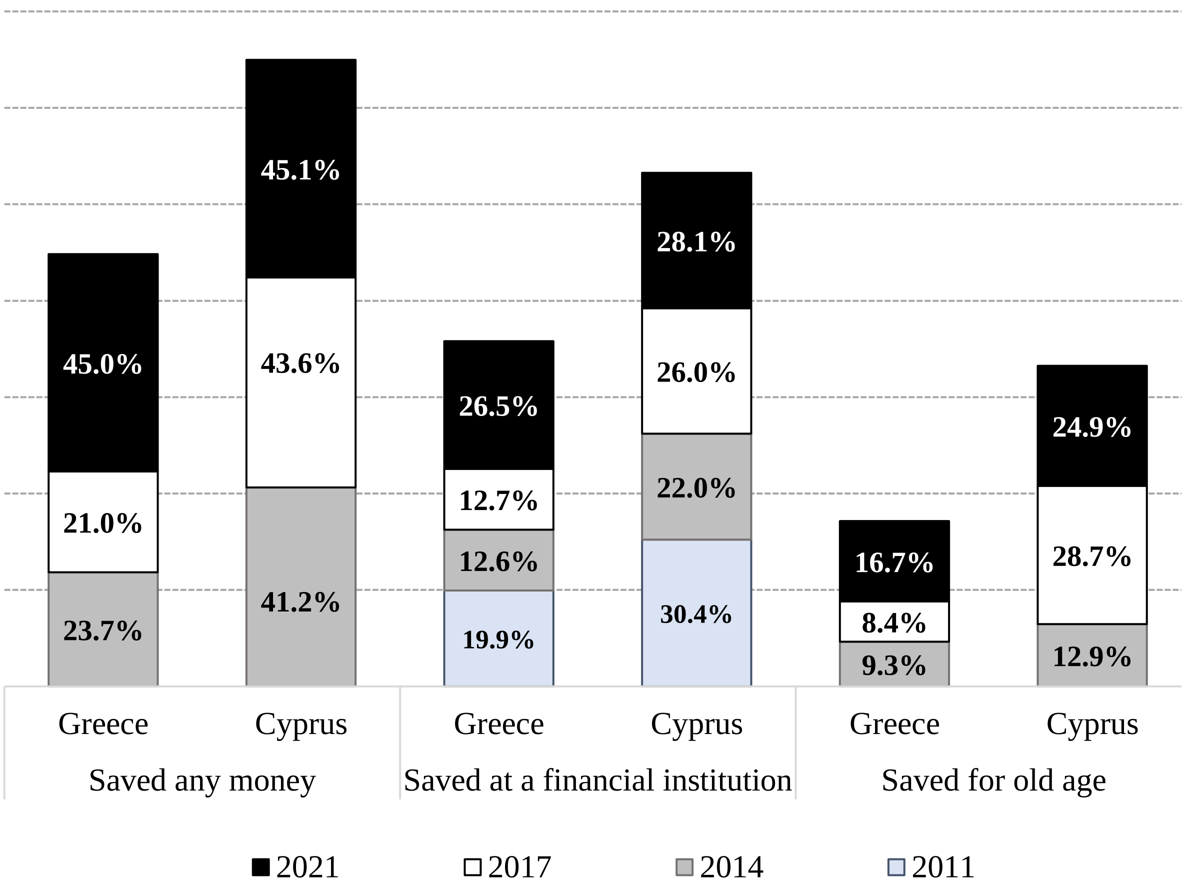


Figure 11
The demographics of household savings in Greece and Cyprus
(Global Findex 2021)

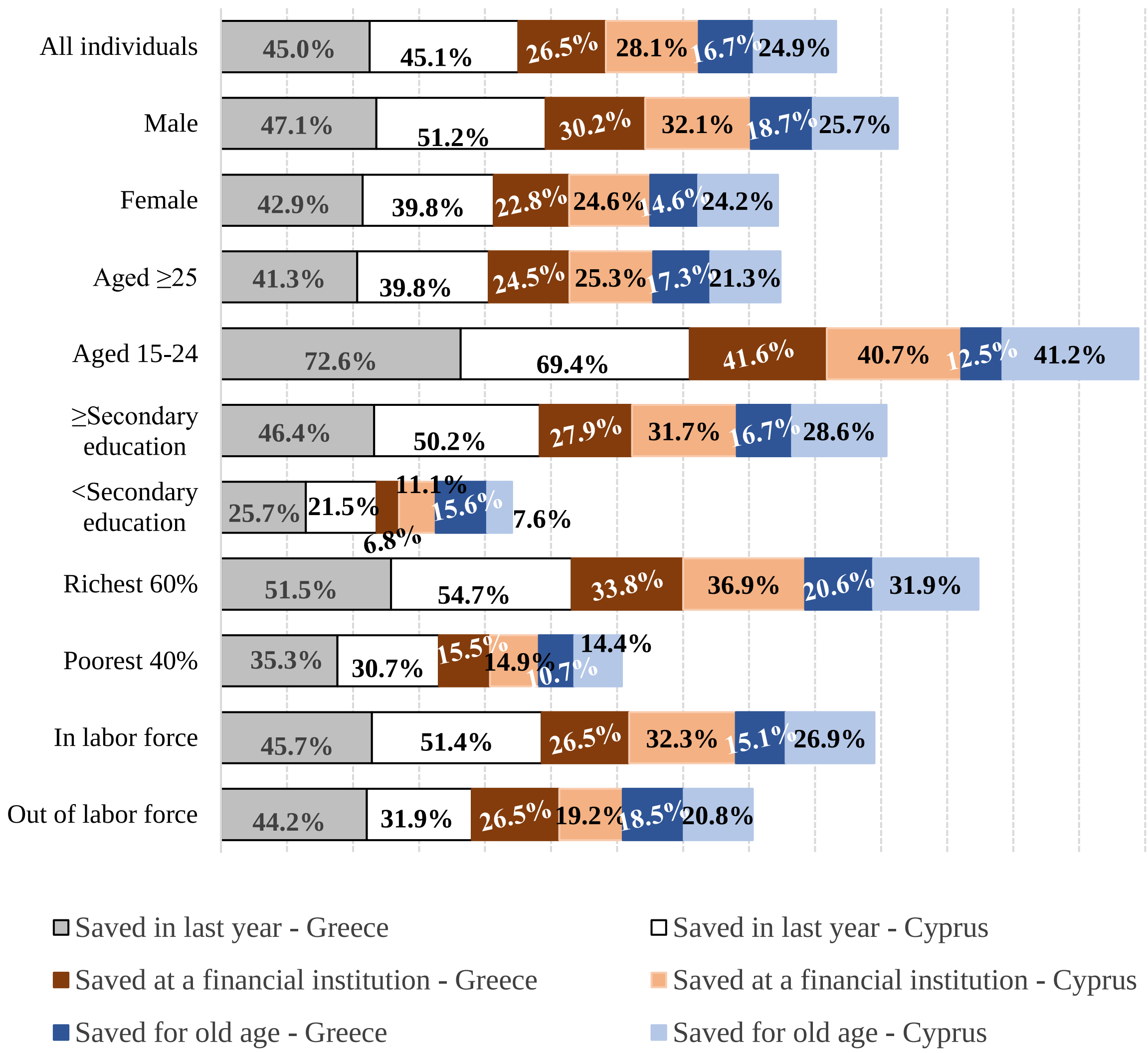


Table 1
Household financial resilience in Greece and Cyprus
(Global Findex 2021)

	Greece %	Greece EEA/EFTA 28 Rank	Greece Global Rank	Cyprus %	Cyprus EEA/EFTA 28 Rank	Cyprus Global Rank
Panel A: Stress indicators						
Stress index I (3 sources: 1-7 among 28/123)	3.65	(2)	(53)	(3.67)	(1)	(50)
Stress index II (5 sources: 0-10 among 11/92)	5.94	(1)	(51)	–	(-)	(-)
Panel B: Coming up with emergency funds ***Within 30 days***:						
Possible without much difficulty	**70.3%**	**(22)**	**(41)**	**65.3%**	**(25)**	**(45)**
Possible and not difficult at all	35.5%	(26)	(42)	34.1%	(27)	(46)
Possible	95.2%	(10)	(22)	91.8%	(16)	(39)
Sources of financial resilience:						
Family or friends	33.5%	(4)	(55)	35.1%	(1)	(49)
Savings	30.6%	(24)	(37)	29.2%	(25)	(38)
Work	20.7%	(3)	(23)	12.6%	(15)	(74)
Loan from bank, employer, moneylender	6.6%	(17)	(66)	7.8%	(10)	(53)
Other	3.0%	(14)	(56)	4.2%	(4)	(35)
Sale of assets	0.8%	(23)	(114)	2.9%	(2)	(60)
Panel C: Coming up with emergency funds ***Within 7 days***:						
Possible without much difficulty	**47.9%**	**(27)**	**(48)**	**47.3%**	**(28)**	**(49)**
Possible and not difficult at all	29.2%	(26)	(41)	28.5%	(27)	(42)
Possible	93.7%	(10)	(25)	88.8%	(17)	(50)
Sources of financial resilience:						
Family or friends	33.0%	(4)	(54)	33.3%	(3)	(51)
Savings	30.3%	(23)	(37)	29.2%	(24)	(38)
Work	20.1%	(3)	(23)	12.1%	(15)	(73)
Loan from bank, employer, moneylender	6.6%	(16)	(62)	7.7%	(10)	(52)
Other	2.9%	(13)	(57)	3.6%	(5)	(38)
Sale of assets	0.8%	(23)	(113)	2.9%	(2)	(57)
Panel D: Saving indicators						
Bank deposits (%GDP)	100.0%	[8]	(30/159)	215%	[2]	(5/160)
%Households with savings	45.0%	[27]	(77/122)	45.1%	[26]	(76/122)
% with savings at a financial institution	26.5%	[25]	(47/122)	28.1%	[24]	(45/122)
%Households with savings for old age	16.7%	[28]	(68/122)	24.9%	[26]	(49/122)

Notes: * The data for bank deposits-to-GDP is from the Global Financial Development database. The figure for Cyprus is from the Central Bank of Cyprus.

The 28 EEA/EFTA countries included in this study are: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, and Sweden. These countries either belong to the European Union (EU) or are part of the European Free Trade Association (EFTA), allowing them to participate in the European Economic Area (EEA). If one extends the list to include Switzerland and the United Kingdom, both of which have economic agreements with the EU but are not part of the EEA, the rankings of Greece and Cyprus remain unchanged.