



**A STUDY ON THE INVESTMENT PATTERNS AND  
OPPORTUNITIES IN CYPRUS**

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OPPORTUNITIES IN CYPRUS**

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Nizar Arioua

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# ABSTRACT

The purpose of this research work is to analyze, investigate and understand the best investment opportunities available for investors in Cyprus. Furthermore, it shows the importance of individual investments and their usefulness to boost the local economy of Cyprus.

The study analyzes the different investment pattern of investors on different financial instruments and shows the basis of the investment decisions of different social class investors in terms of age group, education and income level etc.

The important objectives of the research will be accomplished by achieving and responding to different questions in a questionnaire addressed to some investors.

The results show that males are more aligned or associated to investments in Cyprus and there are limited females that may be involved in doing investments.

The findings are not skewed to a particular date range and they are evenly distributed from the young age as young as 20 and to the older age as old as above 60. Analyzing age signifies what types of investors are involved in the investments in Cyprus, starting early is gold old financial mantra of investing.

There can be different reasons for investment in Cypriot economy and the purpose of investment in the sample was divided into four different categories namely personal investment, speculation, hedging and capital preservation.

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## LIST OF ABBREVIATIONS

<b>AIF</b>	Alternate Investment Fund
<b>CIF</b>	Cyprus Investment Firm
<b>CIFA</b>	Cyprus Investment Funds Association
<b>CPI</b>	Consumer Price Index
<b>CPIS</b>	Coordinated Portfolio Investment Survey
<b>CSE</b>	Cyprus Stock Exchange
<b>CySEC</b>	Cyprus Securities and Exchange Commissions
<b>ERR</b>	Economic Rate of Return
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>IMF</b>	International Monetary Fund
<b>IPO</b>	Initial Public Offering
<b>LSE</b>	London Stock Exchange
<b>MiFID</b>	Markets in Financial Instruments Directive
<b>MiFR</b>	Markets in Financial Instruments Regulation
<b>MPT</b>	Management Portfolio Theory
<b>S&amp;P</b>	Standard & Poor
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities



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# INTRODUCTION

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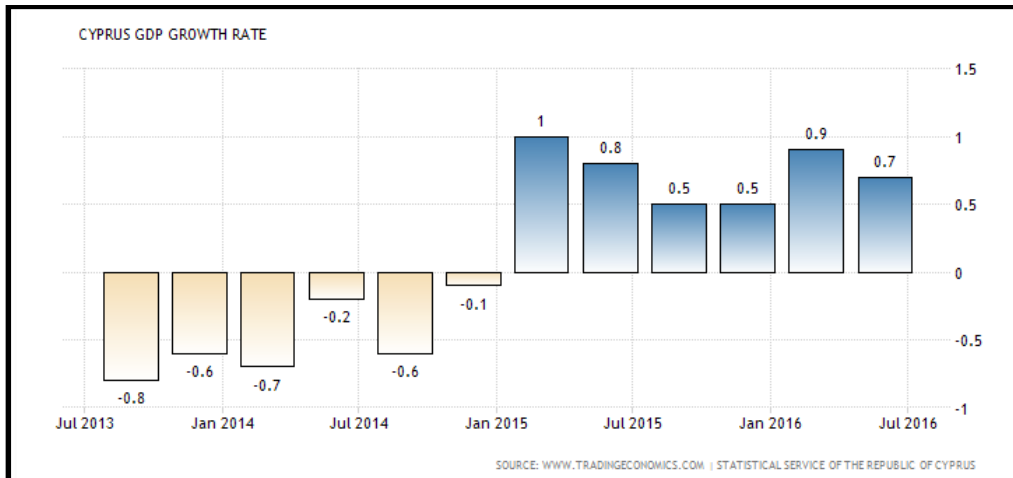
# CHAPTER 1: INTRODUCTION

## 1.1 Introduction to the economy of Cyprus

The financial services in Cyprus include different and diverse sectors such as Domestic Banks, International Banking Units (IBUs), insurance companies and brokerage firms that offer financial intermediation services.

According to trading economics, services including tourism, financial services and real estate are considered as the back stone of Cyprus economy, accounting for nearly 80 percent of GDP. On the other expenditure side, household consumption is the main component of GDP and accounts for 70 percent of its total use, followed by government expenditure (16 percent) and gross fixed capital formation (11 percent). Exports of goods and services account for 55 percent of GDP while imports account for 53 percent, adding 2 percent of total GDP.

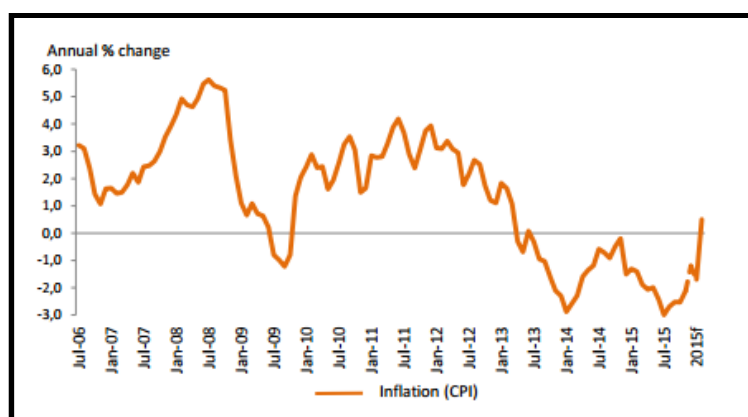
Cyprus economy emerged from recession in 2015, with real GDP growth of 1,6%. Spending by households, investments particularly in transport equipment were increased rapidly in 2015. Moreover, the GDP in Cyprus recorded 0,7 % QoQ growth in the first 2 quarters of 2016. While this positive growth shows the end of the recession since 2013, this expansion is expected to gain momentum and increase over 2017. This development is mainly related to the performance of the tourism industry, shipping and professional services.



**Fig 1.1:** Cyprus GDP growth rate

**Source:** Statistical service of the republic of Cyprus

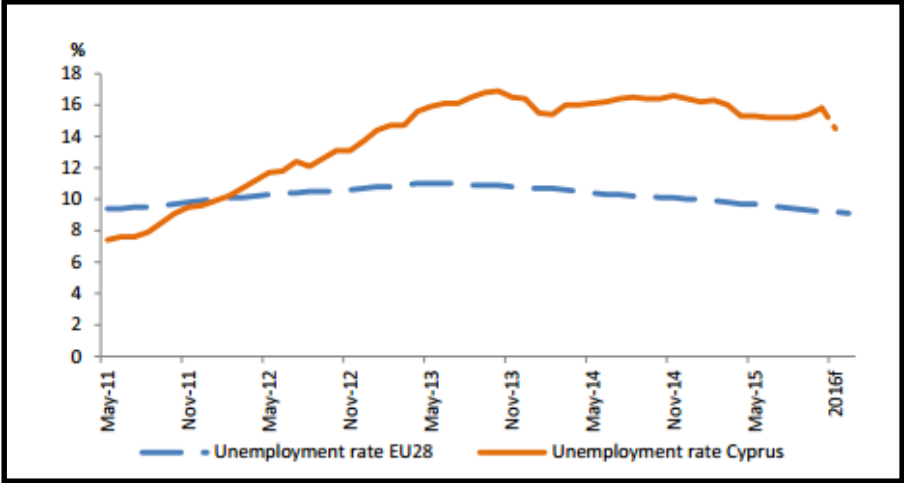
On the other hand, the inflation of the island is being improved. From the beginning of 2012, the downward trend of inflation led to price adjustment in line with economic growth. Other important factor is the decreasing price of the oil which has had a significant impact on inflation. For 2015, the non-energy CPI inflation was at -0.2%. The CPI inflation was at -2,1% in 2015 and was expected to grow until 0,5% in 2016.



**Fig 1.2:** CPI inflation in Cyprus

**Source:** Cyprus statistical service, Ministry of Finance, IMF and EC

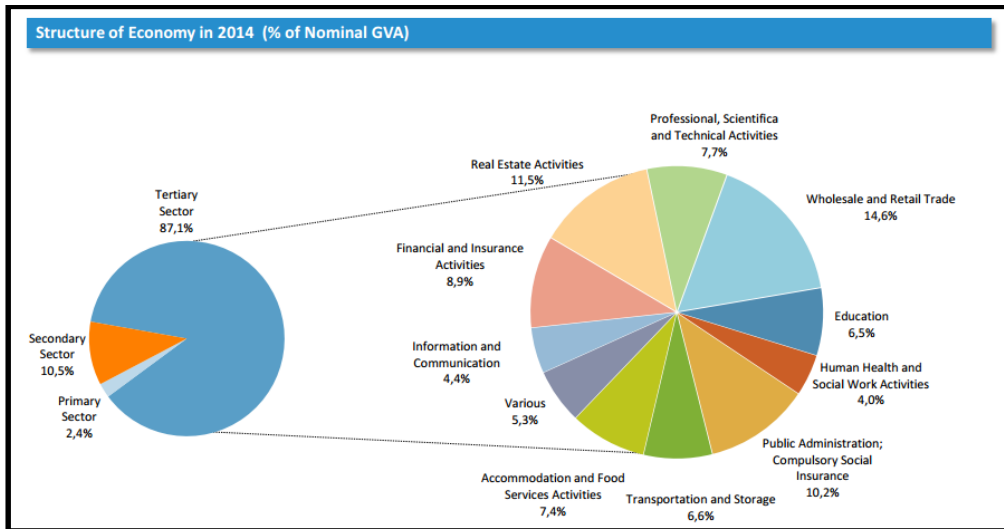
Unemployment is an important factor in the economy. In Cyprus, the unemployment is starting to stabilize. In 2014, the unemployment rate was 16,1% and it is currently forecasted to decline to 14,5% in 2016, which is a good sign for the Cypriot economy.



**Fig 1.3:** Unemployment rate in Cyprus vs EU 28

**Source:** Cyprus statistical Service, Ministry of Finance, IMF and EC

The main source of income for the Cypriot economy was mainly tourism, business services and financial services. Recently, the Cypriot economy keeps a good level of diversification in some areas such as shipping and light manufacturing. Here below is the structure of the economy of Cyprus in 2014.



**Fig 1.4:** Structure of economy of Cyprus in 2014

**Source:** Cyprus Statistical Service

Several factors have led to boost the economy of the island after the recession of 2013. Enhance competition, economic efficiency and encourage foreign direct investment increased the participation of the private sector in key economic sectors.

Another important factor in the Cypriot economy is the trade balance, which include the import, export and trade sector. This sector has not been exactly positive the last years, and this as a result of the global financial condition that is worsening very fast. This is especially due to the international exchange rate and the tourism sector, which has been hampered to a significant level.

According to trading economics, the export sector in Cyprus decreased from 128,249 Thousand EUR in June 2016 from 136,103 Thousand EUR as compared to May of 2016. This sector reached an all-time high in January of 2015 with 260,219 thousand EUR and a

record low of 5946 thousand EUR in February of 1975. (The Statistical Service of the Republic of Cyprus).

In addition, the import taxes are a major factor in the economy, for products and goods, coming from the European Union countries; there are no customs duties, though Value Added Tax (VAT). On the other hand, goods coming from third countries, Cyprus has adopted the EU's common external tariff, and the duties are calculated as a percentage of the value of the goods.

The banking sector in Cyprus is showing a stabilized trend. Deposits in the banking system as at April 2016, were standing at 46 billion EUR. According to USB bank, Loans in Cyprus are still on a down trend and the outstanding amount of loans reached 57,4 billion EUR in the same period. However, the outstanding amount of Cyprus banks on European Central Bank's Open Market Operations and ELA amount to 3,9 billion EUR as at end April 2016, down from its peak of 13,6 billion EUR in September 2012.

The energy sector in Cyprus is contributing about 6 % from the GDP. The electricity prices are among the EU's highest, given that the country's heavy reliance on imported oil. Cyprus Authorities intend to diversify the energy by facilitating the introduction of natural gas and renewable energy sources.

There are different risks involved in weaken the island's growth prospects in the next coming years such as the high level of private debt and the rising of energy prices, according to the focus economics. This apart from "BREXIT"; the exit of United Kingdom from the European Union, Focus Economics forecasts the GDP expanding to 2,1% in 2016 and 2,3% in 2017.

## **1.2 Title of the research**

The title of the dissertation is: A study on the investment patterns and opportunities in Cyprus. This dissertation is a guide for students, professors and readers who are willing to invest in any financial instrument.

## **1.3 Aim of the research**

The primary aim of the dissertation is to analyze, investigate and understand the best investment opportunities available for investors in Cyprus. Furthermore, it shows the importance of individual investments and their usefulness to boost the local economy of Cyprus.

The study analyzes the different investment pattern of investors on different financial instruments and shows the basis of the investment decisions of different social class investors in terms of age group, education and income level etc.

### **1.3.1 Motivation for this research**

There are a number of reasons why I choose this topic. The primary reason that I am currently working as Senior Account Manager in a Cyprus Investment Firm where I conducted my survey. I want to learn more about different investing opportunities and powerful strategies adopted by investors. Finance is the only sector where all other department depends upon, it may be marketing, human resources, and production etc. of a business. Finally, my passion to mathematics, statistics and economics helped me a lot to conduct this research.

## 1.4 Research objectives

The important objectives of the research will be accomplished by achieving and responding to different questions which are outlined below:

- What are investment opportunities (Financial instruments) in brokerage companies based in Cyprus?
- What is the importance of individual investment to boost the local economy?
- What is the investment pattern of investors?
- What are the investment decisions of different social class investors in terms of age, education and income level etc.?
- What is the difference between various financial instruments?
- What are the different strategies adopted by investors?

## 1.5 Disclaimer

The research has been conducted after acquiring the proper permission and approval from the supervisor and all Data and information contained in this research report is presented after thoroughly reviewing and considering all issues relevant to copyright and plagiarism. The researcher has written this report with an objective not to be exhaustive and only the most relevant and reliable information has been included in the report. The respondents and research participants were only approached after receiving approval from the research supervisor and the researcher has taken extreme care to protect and safeguard the identities and personal information of all research participants. The report is distributed with the sole purpose of research and the report should not be resold, lent out, rented out

and distributed for commercial gains without taking prior permission from the supervisor and researcher.

## **1.6 Proposed Research methodology**

Selecting the research methodology is one of the most important decisions. This research is a descriptive research where I will adopt the survey method. This method will be used to collect primary information from different investors using different balance as required and the secondary information for the analysis.

For the primary Data, a questionnaire will be settled and the primary data will be collected through survey method. On the other hand, the secondary Data will be collected through academic articles, websites, books, related information from the internet and Customer Database.

## **1.7 Structure of the dissertation**

The whole research is divided into 5 main chapters. Briefly, each chapter is described below:

### **1.7.1 Chapter1: Introduction**

This chapter introduces and gives a clear overview about the current Cypriot economy and explains its growth through the past years. Furthermore, it presents the background and the aim of the research and its objectives.

### 1.7.2 Chapter2: Literature Review

The literature review chapter gives detailed information, views, frameworks and concepts related to the investment in Cyprus. Different publications and articles from the Cypriot authorities, e-books, websites and statistical information will be included in this chapter.

### 1.7.3 Chapter 3: Research methodology

This chapter focuses on different approaches of research methodologies. The research methodology provides the possibility to find answers to the questions in order to meet the research aims and objectives. Primary and secondary data types are analyzed in this research. This is a descriptive research where the survey method is adopted. Furthermore, some statistical tests are applied in order to analyze the findings behind the research.

### 1.7.4 Chapter 4: Analysis, discussion of results and Findings

This chapter will deal with presenting the findings obtained from the research from the investors. The responses gathered from the online survey have been analyzed using the embedded tool from SPSS software. This chapter focuses on presenting the gathered data in a meaningful way to facilitate the discussion which will be presented in the next chapter. First, it will analyze the demographic details. Then, it will be followed by findings and analysis of data and the summary. Tables and diagrams have been used to facilitate the information in a simple and easily readable way.

### 1.7.5 Chapter 5: Conclusion & recommendations

The conclusion or the final result of the research is the last chapter of the report. To accomplish the objective of the research, the final outcome from the findings will be presented in this section. Moreover, this chapter proposes the recommendations and the suggestions for further research as it provides the limitations of the research project.



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# LITERAURE REVIEW

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## CHAPTER 2: LITERATURE REVIEW

### 2.1 Cyprus citizenship by investment

The island located in the Eastern Mediterranean Sea is considered as one of the suitable places for investments with safe and serene environment. It is rich in cultural heritage and has a highly strategic position forming part of European Union. It acts as a symbol of security and stability that offers Citizenship by Investment with Permanent Residency Programme for investors who decide to set up their businesses in Cyprus or high net worth individuals (KPMG, 2016). The Cypriot government has established several programmes to attract investors from across the globe and settle in Cyprus. Such program called Citizenship by Investment. The island has multicultural population and as per Knight Frank Lifestyle review, Cyprus is ranked number five for the place to relocate (KPMG, 2016). According to the Council of Ministers decision of May 24, 2013, and the subsequent amendment of section 111A of the Civil Registry Laws of 2002-2013, a non-Cypriot citizen may be entitled to Cypriot citizenship, if he or she has made some kind of investments in Cyprus.

One of the requirements is to invest more than 2.5 million Euros in real estate apart from other requirements (Henley & Partners, 2016, pp.2-4). It allows the investors and their families to get a permission to study, live and work in Cyprus and travel around the European Union countries.

### 2.1.1 Different Schemes

There are different schemes wherein different people can look for citizenship in Cyprus through investment opportunities. The two major schemes are Individual schemes and Collective Investment Scheme (KPMG, 2016). In Individual scheme, the investment required is 5 million Euros in government bonds, financial instruments, real estate and land developing and other Cyprus business organizations (KPMG, 2016). In the collective investment scheme the capital required is 2.5 million Euros as compared to 5 million Euros in Individual investment scheme (Henley & Partners, 2016). The applicant can invest 2.5 million Euros when other associates invest in different categories on the basis of total collective investment with minimum amount of 12.5 million Euros. The four criteria are investment in Cyprus government bonds, financial instruments, real estate, land developing and Cyprus business organizations (KPMG, 2016).

### 2.1.2 Benefits of Cypriot Citizenship

The various benefits that are available for citizenship in Cyprus are (KPMG, 2016):

Citizenship granted to the family that include spouse and dependent children up to the age of 28 years.

People can choose to permanently live in Cyprus and access to all rights as granted to EU citizens such as freedom to work, study and live (Henley & Partners, 2016). It also includes other member states such as Iceland, Norway, and Switzerland among others that an individual has the access.

Travel to up to 150 countries as a VISA- free travel and wide options available for investment in Cyprus economy wherein investor can look to expand its business operations.

The investor has to retain the investment just for 3 years and after that he is free to realize the same investment.

There is no donation required to the government of Cyprus as part of this program and there is fast track procedure for EU passport within 3 months of investment done.

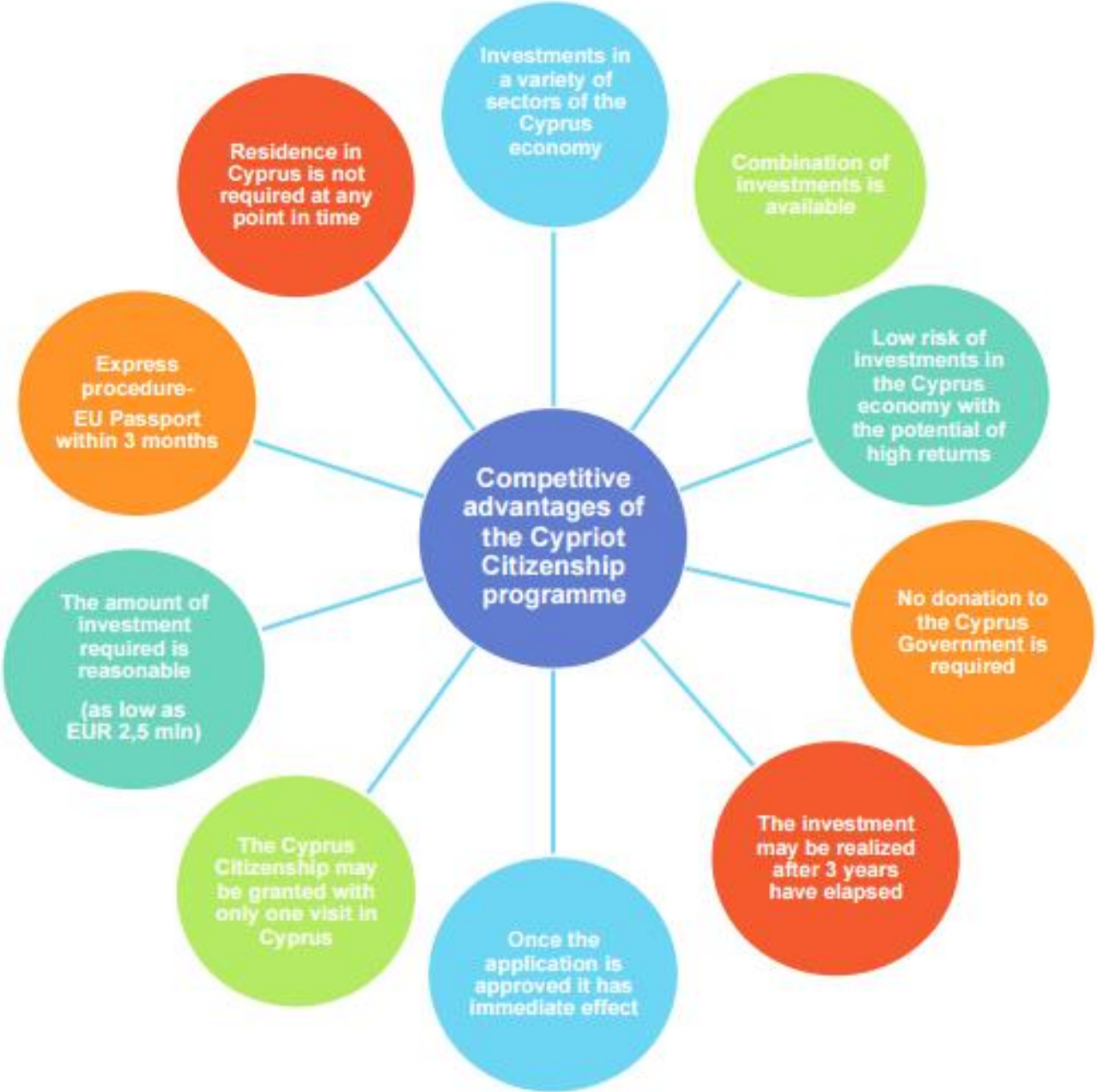
The investments are of low risk considering the economy of Cyprus and there is good potential of having high returns on investments made by the people that help an individual to grow as well.

### 2.1.3 Conditions for Permanent Residency

There are certain conditions that need to be met while an individual decides for permanent residency in Cyprus such as they must have clear criminal record wherein he is not involved in any criminal activities, there must be a statement by the individual that he has no intention to work or involve himself in any form of business in Cyprus and as the citizenship is granted the individual must visit the Cyprus once in every two years and can stay as a resident of Cyprus (KPMG, 2016).

There are certain financial conditions for applying to this program that applicants must secure a minimum annual income of 30,000 Euros and the application must be accompanied with a title deed for acquisition of any land or house. Lastly, the individual

must submit a proof from the financial institution in Cyprus that 30,000 Euros have been submitted for the period of 3 years (KPMG, 2016).



**Fig 2.1:** Cypriot Citizenship programme: Competitive advantages

**Source:** "Cyprus Citizenship by Investment". Pp 7. June 2015.

## 2.2 Investment firms

The variety of systems and structures in Cyprus makes it as an attractive destination for setting up Investment firms that help providing investment services for individuals and business organizations across Europe (Michalis Avraam & partners limited,. 2016, pp.5-7). The different systems and structures that make Cyprus attractive and robust are its legal framework such as low costs associated with government, logistics and administration, strong tax system and high-end service industry infrastructure. All these combined contribute in making the overall systems and structures in Cyprus as a solid destination for investors.

The law that governs investment and ancillary services came into force in 2007 that guides the investment activities and investment services provisions along with operations and processes of markets. The several entities that offer investment services or are involved in investment activities are banking and credit institutions. The Cyprus Investment Firms (CIF) authorized under the Cyprus law, Member state investment firms, licensed third country investment firms and the different investment and ancillary services can be defined in detail as below (Michalis Avraam & partners limited,. 2016, pp2-4):

### 2.2.1 Ancillary Services

Protection, organization and administration of client's financial instruments along with grant of credit to clients thus supporting them to carry out deal in different financial instruments.

Advising on business strategy, support in mergers and acquisitions, capital structure, and other related dealings.

Other ancillary services include service related to underlying of certain derivatives, foreign exchange services and investment research and financial examination related to dealings in financial instruments.

### 2.2.2 Investment Services

The different investment services are:

- Reception, transmission of orders which are related to financial instruments, and execution of the same on behalf of the clients in a way to support them.
- Portfolio administration and account management
- Account dealing and underwriting of financial instruments.
- Expert Advisors

The duration of making a decision on the applicant's CIF license that lies with Cyprus Securities and Exchange Commission (CySec) is taken within six months from the date of the application. There are several benefits of having a CIF license which can be distinguished in different categories namely Single Passport, Lower Costs and Tax Benefits (Michalis Avraam & partners limited,. 2016, p 4). The firm that is granted the CIF license can offer its services to other markets that form part of the EU member states and expanding its reach. This can be achieved by growing its service operations through development of branches or through free provision of its investment services. All investment and auxiliary services provided by the investment firms across the different EU

member states termed under Single Passport are as per the law governing the same and this act as the major benefit for investment firms of having a CIF license in Cyprus (Michalis Avraam & partners limited,. 2016).

The other benefit of having a CIF license is lower costs in Cyprus which involve low total cost of ownership that includes low set-up and functioning costs as compared to other EU member states. Also, there are tax benefits for the firms having the CIF license which involves a low tax rate in Cyprus which is around 12.5%. The profits and dividends received are not taxed, unilateral tax credit relief and provisions related to EU parent (Michalis Avraam & partners limited, 2016) or subsidiary directive can be relished by the firms who look forward to get the CIF license. The benefits related to lower costs, savings on taxes and single passport to operate in different EU countries is big advantage for the investment firms opting for CIF license which can give them advantage of growing with increased savings (Michalis Avraam & partners limited,. 2016).

### **2.3 The allocation of capital and financial markets**

Capital allocation explains how the economy allocates their economic capital and resources in different businesses, processes, and people so as to achieve maximum efficiency thus aiding economic growth. The efficiency of capital allocation is negatively correlated to the extent of ownership in the economy while it is positively correlated with legal protection of minority investors and amount of organization information in returns of the domestic stock. The paper by Wurgler (1999) analysis the financial sectors of 65 countries which have developed financial sector; they increase investment in growing industries while they decrease the same in non-performing industries. The primary job of any economy is to

allocate the capital efficiently, and this can be accomplished through pumping of capital in those sectors that give higher returns while squeezing the same from weak or non-performing segments (Wurgler, 1999). The allocation of capital in the developed financial markets is the measure of the size of the domestic stock to the GDP of the economy. Different mechanisms improve the capital allocation, and the paper establishes those mechanisms (Wurgler, 1999). The first is nations that impound organization information into specific stock prices shows a better capital allocation. It also confirms that as the state ownership declines capital allocation improves and with substantial minority investor rights provided by the economies exhibit good allocation of capital (Wurgler, 1999).

There are significant implications on transition economies due to sound financial system association with rate of economic growth. The stock prices in the developed economies with developed financial system move in organization specific way that conveys lot of information and knowledge related to organization marginal value of the investment (Drunev, Li, Mørck, and Yeung, 2004, pp12-13). The return on stocks is highly correlated to public shareholder rights and lack of economic independence in different economies, the rate of returns in stocks cautions of economic entrenchment. The high shareholder rights; transparency or simplicity in equity markets and capital account; and strong property rights aid in efficient capital allocation in different economies across the world (Drunev, Li, Mørck, and Yeung, 2004, pp 16-17).

The well-operating financial markets should allocate capital so that they equate marginal product to market interest rate, however, it is not very true, and the marginal product is tough to measure (Banerjee, Duflo, and Munshi, 2003, pp7-11). The research conducted on

capital markets in India establishes that financial markets in India are not at all related or very far related to neoclassical ideal. The results demonstrate there is at least 70 percentage point difference between market interest rate and the marginal product of capital (Banerjee, Duflo, and Munshi, 2003). This may be due to a variety of reasons, and few of the reasons can be slowness in the legal system, inefficiency in the current business processes, and high corruption in the capital markets in the Indian economy and any defaulters that are caught get off very easily without paying much fine. As the system is very complex with significant loopholes and it is concluded that less productive investors invest as nearly three times compared to big productive investors (Banerjee, Duflo, and Munshi, 2003).

#### **2.4 International investment patterns**

The deeper aspects of globalization are understood through the geography of foreign investments and as per the benchmark theory; the economy without any frictions should have identical investment portfolios irrespective of nationality. The current limitations of economic integration globally explain the deviations from this reference and explain the various kinds of resistances that cause these variations (Lane and Milesi-Ferretti, 2004). The bilateral structure of investment portfolios is affected by many different factors such as cultural factors; international finance trade etc. and the various countries attach different weights across different host countries in terms of investment patterns. The asymmetries in the geography of foreign investment affect the international economic linkages which can be explained by an example a negative shock in a host country will affect different

countries at different levels depending upon their bilateral holdings and investment weights linked to the host country (Lane and Milesi-Ferretti, 2004).

The paper establishes breakdown of international portfolio holdings of 67 countries explaining international patterns of bilateral investment. It describes the structure of foreign elements of portfolios and doesn't account for the split between foreign and domestic allocation. The authors developed the coherent theoretical framework based on three approaches to analyze bilateral equity holdings as defined by different authors Rey and Martin, Rogoff, and Obstfeld and Davis, et al. (Lane and Milesi-Ferretti, 2004). Rogoff and Obstfeld demonstrate the existence of frictions which generates home bias in equity positions, Rey and Martin approach of transactional friction in assets markets is considered that explains larger countries will have deeper domestic stock markets, along with higher international trade is associated with a reduction in commercial trade costs. Davis, Nalewaik, and Willen define the incompleteness in financial markets and establish the correlations between the domestic income and risky asset return (Lane and Milesi-Ferretti, 2004).

The N- country generalization is considered as part of this study as described by Rogoff and Obstfeld to develop benchmark equation and other studies are considered for financial frictions in the reference equation. The three factors namely source- country factors, host- country factors and bilateral factors are secluded in developing the empirical strategy for the study (Lane and Milesi-Ferretti, 2004). Source- country factors explain cross- country differences, host- country factors aid in determining attractiveness associated with each investment for foreign investors.

The data on bilateral international equity investments is accumulated from CPIS surveys published by IMF since 1997 for 67 countries. There is a strong relation between bilateral investment holdings and bilateral imports, and the OECD countries are primary destinations for portfolio equity investment (Lane and Milesi-Ferretti, 2004). The equity liabilities of small economies and offshore centers is higher than offshore assets which may be due to not all centers formed part of the CPIS survey, or they may not have invested in equity instruments. The study concludes there is a high correlation between the bilateral stock investment and conventional legal system along with underlying patterns of trade in goods. It demonstrates the richer economies with substantial equity investment culture have larger and robust overseas equity investments (Lane and Milesi-Ferretti, 2004). It also shows the size of shock in the host country has a high correlation with aggregate overseas equity liabilities. The future direction of the research can be analyzing the role of offshore centers, and it is important to gain an understanding of derived liabilities of financial and offshore centers. There can be a comparative analysis of different asset categories that may extend to FDI positions, bank loans and debt allocations, etc. which would aid in getting insights from the external capital structure of different economies (Lane and Milesi-Ferretti, 2004).

## **2.5 Investment funds**

The robust regulatory framework is responsible for controlling and managing the economy, systems and structures in Cyprus thus making Cyprus an emerging investment fund center in Europe. The skilled workforce in Cyprus who has experience in investment funds and asset management is one of the big advantages for Cyprus to attract many

investors across the globe (Cyprus Investment Funds Association, 2015). The fund management sector in the island is relatively young and the establishment of International collective investment schemes was allowed under the new passed law in 1999 namely International Collective Investment Scheme and the regulatory framework is at par with other international jurisdictions (Cyprus Investment Funds Association, 2015). Cyprus offers UCITS which stands for Undertakings of Collective Investment in Transferable Securities and are EU- regulated. All the powers related to regulations are under the Cyprus Securities and Exchange Commission (CySEC) that is working for increasing effectiveness of Cyprus economy and attracting many investors from across the globe. The small island nation has full range of service providers ranging from Big Four Accounting Firms to recognized fund service providers (Cyprus Investment Funds Association, 2015).

### 2.5.1 MiFID

The Markets in Financial Instruments Directives (2004/39/EC) is a framework of European Union Law that provides synchronized regulation for investment services in all 30 members of EEA (European Economic Area) which includes 27 members of European Union countries plus Iceland, Norway and Lichtenstein. The directive is a foundation stone of Europe`s financial regulatory regime. It has a main objective to increase a fair competitiveness and consumer protection in Investment services.

On the 15<sup>th</sup> of May 2014, the European Union issued the Directive on the Markets in Financial Instruments Directives, (2014/65/EU), *MiFID II* and the Market in Financial Instruments Regulation (600/2014), *MiFIR*, which revise the already existing Directive with some modified laws.

The new Directive is planned to take effect in January 2018, a year later than originally planned. (Bank of Cyprus, 2015)

### 2.5.2 CySEC

The Cyprus Securities and Exchange Commission is established with an objective to supervise and regulate the agencies so as to ensure complete compliance as per the laws of Cyprus. It has strong commitment for continuous improvement in establishing efficient regulatory framework relying on its key strengths particularly flexibility (Cyprus Investment Funds Association, 2015). It aims to establish Cyprus as the safe, secure and reliable market that ensures high attractiveness for its foreign investors. It issues directives and carry out all imperative investigations as per the law while also imposing administrative sanctions under the law.

According to the CySEC official website, their major duties as a governmental EU financial regulating authority whose activity is completely independent from the Central Bank of Cyprus are:

- Supervision and control of the operations of the Stock Exchange and related transactions.
- Supervision and control of the issuers listed on the Stock Exchange, Licensed Investment Services Companies.
- Carrying out inspections over companies, securities which are listed on the stock exchange, Brokers and Brokerage firms, investment consultants, mutual fund management companies.

- Imposing administrative sanctions and disciplinary penalties to brokers, brokerage firms, investment consultants or any other legal person who are under the provisions of the Stock Market legislation.

### 2.5.3 CSE

The Cyprus Stock Exchange is a legal entity that is part of CySEC and operates as a regulated market and in the form of multilateral trading facility. It takes measures for establishment of securities market and supports in offering higher facilities for securities trading, supporting stock market transactions and with immediate display of required information for the public, different stakeholders among others (Cyprus Investment Funds Association, 2015). It also looks into any risk associated with stock market regulations along with strategizing itself to combat any fraudulent activities. Stock Exchange of Cyprus also looks into publication of stock market bulletin on timely basis and takes necessary steps to strengthen the stock exchange activities.

#### 2.5.3.1 Benefits of Listing on Cyprus Stock Exchange

The listings of collective investment schemes, UCITS units or shares started in the year 2012 with the law amendment that allows listing easily. It provides lot of advantages to fund managers and investors such as CSE is EU-regulated and internally accepted stock exchange that supports higher investor rights with minimum bureaucracy and low cost advantages. The listing process is fast and simple and there is competitive pricing policy for investors (Cyprus Investment Funds Association, 2015). Apart from this, it does effective

marketing for listed funds and with advanced technology infrastructure available and it aids investors to keep their funds safe and efficient.

### 2.5.3.2 Alternate Investment Funds

The AIF is a collective investment scheme registered under the Cyprus fund regime; it came into force on July, 2014 that raises capital from number of investors with a vision to invest as per the law for the benefit of those investors. Alternate Investment Funds (or AIF's) are not authorized as an UCITS (Michalis Avraam, 2014). The law that was established in 2014 replaced the previous ICIC Law of 1999. The law doesn't include different entities such as entities under UCITS law, holding companies, social security schemes, occupational retirement entities, employee participation schemes among others.

There are two types of AIF's (Michalis Avraam, 2014):

- AIF's that are accessible to unlimited number of investors and can be offered to different professionals, retail investors etc.
- AIF's which are limited to maximum of 75 investors and can be marketed on different informed investors.

The different items that are included under the AIF law are common funds, multiple investment compartments, listings issues by AIF's, and public offerings of Alternative Investment Funds. The pool of assets poured by different investors and each co-owner is liable for the amount of asset poured in is known as common fund. Alternative Investment Funds can be self- managed but with some conditions such as the total asset doesn't exceed more than 100,000,000 Euros (Michalis Avraam, 2014). There must be an external manger

in the case of limited liability partnership or common fund and there are provisions that external manager can be chosen from variety of ways to be the Alternative Investment Fund Manager that can be a Cyprus Investment Firm or a UCITS company (Michalis Avraam, 2014). AIF's can take different legal forms that can be formed for limited or unlimited duration such as Limited partnership, common fund, variable capital company and fixed capital company.

The major benefits of Cyprus AIF's can be classified as below (Cyprus Investment Funds Association, 2015):

- It is cost efficient, easy to operate and the regulatory framework is aligned as per EU directives and requirements.
- There is higher flexibility with higher tax incentives associated with Cyprus regulatory and tax framework.
- Alternative Investment Funds are supervised by experts and competent authority. There is transparency through audits which governs all the relevant information and is demonstrated for the public and investors.

There are other benefits for the AIFs such as taxation at lowest rate as compared to EU at 12.5% rate. Tax is exempted on dividends and security gains and no stamp duties while registering it (Michalis Avraam, 2014). The overall structure and framework of Investments in Cyprus is encouraging and interesting for investors. There are favorable provisions of taxation of interest and other royalties wherein investors have the chance to grow and save profits with taxes on their incomes. The present investment focus in Cyprus established by AIF's range on different sectors are 42% on financial instruments, 1% on

shipping, 16% each on real estate and private equity, 8% on Energy while 17% is on other sectors (Cyprus Investment Funds Association, 2015). The regional focus is highest on Global region like Russia or Eastern Europe with 29% each, 12% on Asia, and other countries 14% approximately. (Cyprus Investment Funds Association, 2015).

There are other conditions such as single depository for Alternative Investment funds and they must ensure safekeeping fund's assets which can be done by holding different financial instruments in its custody. It also ensures monitoring of the cash flows of the service providers and the investors. It overlooks the functions that ensures better compliance as per the Cyprus laws and follow the regulations that are incorporated thus making the regulatory framework robust and strong (Cyprus Investment Funds Association, 2015).

### 2.5.3.3 Undertakings for Collective Investment in Transferable Securities (UCITS)

The enactment of the new law of 2012 describing undertakings for the Collective Investment Law was a step forward in the development of the Cypriot economy. UCITS or undertakings for the collective investment in transferable securities are internationally accepted asset management tools. The basic characteristics of UCITS are low risk and higher investor protection (Cyprus Investment Funds Association, 2015). There are two UCITS management organizations in Cyprus and three UCITS funds available for the investors. The overseas UCITS are highly marketed in Cyprus which has a geographical advantage compared to markets from Asia, Middle-East countries and Russia.

The key benefits of UCITS can be defined as below (Cyprus Investment Funds Association, 2015):

- It is cost efficient to administrator and manage and there are full EU pass-porting rights available for marketing UCITS across Europe.
- It involves low investment risk and is managed by professional experts supporting in identification of investment opportunities as well.
- The investments are transparent, Cyprus regulatory framework aids in investor's interest protection.
- There is high possibility to set up umbrella funds and is supervised by professional and skilled authority.

#### 2.5.3.4 Foreign Organizations and their Re-domiciliation in Cyprus

The foreign organizations can re-domicile in Cyprus and organizations look for re-domiciliation for different reasons such as taking advantage of lower tax policies and moving close to their shareholders. Other benefits include enjoying extensive network of favorable double tax treaties, lowest cost advantages and high skilled workforce. On the other hand, the island is the gateway to Europe and Middle-East countries and business friendly environment with robust regulatory framework. (Cyprus Investment Funds Association, 2015).

### 2.6 Risk management

Risk management is one of the important factors that have to be taken into consideration while investing. It is basically related to identification, analysis and assessment of financial risks involved together with the procedures to minimize its impact on the initial capital invested.

Studies in behavioral finance have shown that investors are far more distressed by prospective losses than they are made happy by equivalent gains (Greg Elmiger, in the Financial Times, June 11, 2001). According to Greg Elmiger(2001), the risk involved in investing in the financial markets are not only related to the market volatility but also in the psychological behavior of the investors which is very important in taking any decision of any investment.

It is important to mention that the focus on risk of investment from potential losses to market volatility is very important to investor.

In the Modern Portfolio Theory (MPT), there are different risk premium models such as:

### 2.6.1 Dividend-based approach

The dividend-based approach says that returns are a function of dividends and their future growth. Here is explained how the Gordon Growth Model used to calculate the ERR with the dividends.

Gordon Growth Model	Expected rate of return
$P = \frac{D}{k - g}$ <p>Where :</p> <p>P = stock price</p> <p>D = dividends in dollars</p> <p>K = the expected return in %</p> <p>G = growth rate in %</p>	$k = \frac{D}{p} + g$ <p>K = dividend yield + dividend growth</p>

## 2.6.2 Earnings-based approach

This approach involves as well the price-to-earnings (P/E) ratio. The idea behind this approach is that the market in the long-run is expected to have a real return equal to current earnings yield.

Step	Formula	Note
Start with Gordon Growth Model	$P = \frac{D}{k - G}$	(P) = Stock Price (D) = Dividend per share (k) = Expected return (G) = Growth in dividends
Introduce Earnings Per Share (E) and Retention ratio (R)	$P = \frac{E(1 - R)}{k - (k \cdot R)}$	Replace Dividends (D) with Earnings per Share (E) times the payout ratio (i.e., 1-retentionrate)  Replace Growth (G) with: expected return (k) multiplied by retention ratio (r). The assumption that retained earnings are re-invested at the ERR.
Solve for Stock Price (P)	$P = \frac{E(1 - R)}{k(1 - R)} = \frac{E}{k}$	
Rearrange to solve for expected Return (k)	$k = \frac{E}{P}$	Expected Return (k) equals earnings yield ( or $1 \div P/E$ ratio)

### 2.6.3 Sharpe Ratio:

The Sharpe ratio was developed by Nobel laureate William F. Sharpe and is the measure of calculating the risk-adjusted return. This ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk.

$$x = \frac{R_p - R_f}{SD_p}$$

Where:

**R<sub>p</sub>** = Expected portfolio return

**R<sub>f</sub>** = Risk free rate

**SD<sub>p</sub>** = Portfolio Standard deviation

The returns measured in the equation could be any frequency ( i.e. daily, weekly, monthly or annually), as long as they are normally distributed.

## 2.7 Initial Public Offering

The process of Initial Public Offering (or IPO) is a cumbersome and complex process and the organization must choose appropriate approach that supports the launch of an IPO. Cyprus has been an attractive location for investment holding companies and it has become an international financial center due to its geographical location, its regulatory framework as compared to other jurisdictions across the world (Michalis Avraam and Partners, 2016).

There are wide network of double tax treaties, transparency in investment, legal system that is based on English language, high investor's protection rights and with lowest corporate taxation compared to other EU states, thus Cyprus has become one of the major international Financial Centre.

The CySEC is the competent and responsible authority to approve transferable securities public offers that allows their trading in the regulated markets. The private organization registers with CySEC so as to make an offer for investing public (Michalis Avraam and Partners, 2016). Also, after the registration, as per EU directives, it is eligible to raise a capital on any other EU state without any extra costs associated to it. As per the directive, it allows the same prospectus that can be used across different EU member states without any requirement for re-applying the same in other markets and without any approval of the local regulator and has the same credibility as per Cyprus laws (Michalis Avraam and Partners, 2016).

## **2.8 Bonds**

Cyprus issued ten- year Eurobond in late 2015 and that helped in drawing for more than one billion Euros and with a lowest interest rate ever secured for a ten year bond. The division of one billion Euros was done in the ratio of 45:55 wherein 550 million Euros were used for the strengthening of Cyprus liquid assets along with management of public debt while the remaining 450 million were used for exchange of bonds that mature in 2019-2020 (Cyprus Fact Sheet, 2015). The ten-year bond was an important step in restoring credit worthiness of Cyprus along with efficient credit policy that works for the improvement of the economy. The objective of issuance a ten year bond were aligned to the

Public Debt Management Strategy, to shape debt maturity profile, ensuring protection of investor's rights and increasing the investor base (Cyprus Fact Sheet, 2015).

The issuance has also been supported with a vote of assurance in the international bond market. The investors based in the UK stood at 62% of their financial allocations and there was support from the private banks and banks treasuries (Cyprus Fact Sheet, 2015). In September, 2015 Standard and Poor's (S&P) ranked Cyprus Bonds positive to BB- and in October, 2015 Fitch, another rating agency, upgraded foreign and local IDR's to B+ again with a positive outlook (Cyprus Fact Sheet, 2015). Fitch publication demonstrated, Cyprus has performed above par on its fiscal targets and has gone ahead in establishing good track record. All this was made possible because of the combined efforts of the Cypriot government, its economic policies that favor investors and different social partners that supported the development of the economy (Cyprus Fact Sheet, 2015). The continuous improvement of the Cyprus economy with full commitment and assurance from the government and regulatory authorities in Cyprus has ensured high benefit for the citizens, investors and overall development of the economy.



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# RESEARCH METHODOLOGY

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## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Research Objectives and Research Questions

The study aims to explore the investment opportunities in Cyprus and different investment patterns willing to invest in Cyprus economy. It is important to verify the various investment portfolios, the working of Cyprus economy, its rules and protocols for investors, impact of European Union and how it can be a win- win situation for both investors and the government of Cyprus. To understand the scope of the research, the following is the list of research questions and objectives for the researcher to examine the deeper aspects of investments in Cyprus economy and various opportunities available for investors across the globe.

#### 3.1.1 Research Objectives

The research objectives defined for this study are:

- To examine different investment patterns of investors in Cyprus
- To analyze different investment opportunities available for investors in the financial markets.
- To understand the difference between various investments options that aid in making decisions related to investments in Cyprus.

#### 3.1.2 Research Questions

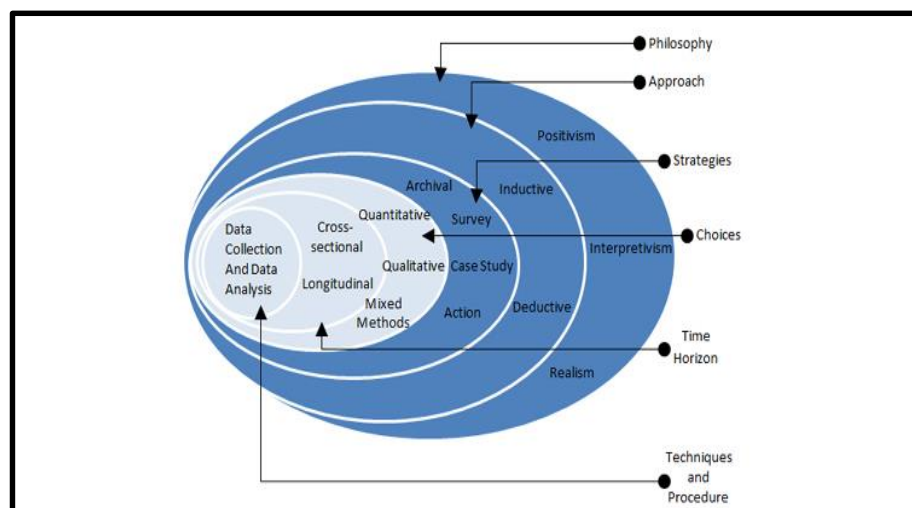
Q: 1 what are the different investment patterns observed in Cyprus for their investment?

Q: 2 what are the different investment opportunities available for the investors in financial markets?

Q: 3 what is the difference between various investment options that support investors in making investment decisions?

### 3.2 Research Process

The research process is defined by the research onion diagram which was first established by Saunders et al. (2009). The research onion diagram explains how the research should be carried out and to achieve the research objectives. The research philosophy, research strategy, approach, data collection techniques, sampling plan and different methodologies are understood as part of the research process. The onion diagram developed by Saunders et al. (2009) is shown in the figure below wherein it explains the researcher should move from outer layer of the onion to inner layer to achieve the set objectives of the research.



**Fig 3.1:** The Research Onion Diagram

**Source:** Saunders, M., et al. (2009). Research Methods for Business Students. London: Prentice Hall.

It gives soul to the research and act as a direction that stimulates quality and character in the research. The important point is the choice made by the researcher regarding the approach followed by him or her and it is important researcher keeps in mind the significance of choices made such as a decision on qualitative or quantitative research among others.

### **3.3 Research Philosophy**

The research philosophy is important to define here as it considers different viewpoints, persona or beliefs of the problem being investigated. It differs from research aims and objectives and provides a justification; how the research on various investment options and opportunities in Cyprus is being carried out. There are two paradigms namely positivism and interpretivism (Bryman and Bell, 2005, pp42-45) wherein positivism is defined under the scope of observation principles while the researcher responsibility is limited to data collection and adds objectivity to the research. The research is quantified based on researcher's analysis and observations in a logical manner. The other paradigm namely interpretivism is defined under the scope of qualitative data techniques through different data collection techniques such as one-to-one interviews and adds subjectivity to the research (Wilson, 2015). The study on various investment options and opportunities available for investors in Cyprus is carried out with positivist paradigm wherein questionnaire is prepared, and survey method is applied to get results. It aids in improved comprehension of investments in Cyprus and understanding of investment decisions made by the investors. The survey process helps the researcher in answering the research questions and achieving the research objectives in a logical manner.

### **3.4 Type of research**

The research type is descriptive in nature which describes characteristics of the population, and it may not explain what caused a given situation rather addresses what question or what aspects of the problem statement (Hair et al., 2011,p 22). The descriptive research is chosen as it helps in identifying various features of the investment patterns and options for investors in Cyprus economy. It is more specific in nature and in this study different graphs and charts are used that support in comprehending the data distribution thus analyzing different investment patterns and opportunities of the investors on various financial instruments available. It helps in deducing results efficiently and with the adoption of survey method, the primary information collected makes the research conclusive and coherent (Collis and Hussey, 2003, pp12 - 14).

### **3.5 Research Approach**

The researcher focused on different investment options in the Cypriot economy, and the approach is quantitative in nature that aids in understanding various theories based on investment. The questionnaire is prepared, and the primary information is collected from different investors using the survey method (Collis and Hussey, 2003). The set of questions as part of the questionnaire is presented to them, and respondents give the views to structured questionnaire based on their beliefs and attitude. Apart from primary data, there is secondary that forms part of this quantitative research from different sources. The quantitative nature of the research is objective in nature which is highly logical and makes the research comprehensible and accurate based on various viewpoints that form part of the primary data collection (Hair et al., 2011).

## 3.6 Data collection and sampling plan

### 3.6.1 Sources of Information

There are two sources of information that are used as part of this research namely primary data and secondary data. The secondary data is collected from various academic journals, books, information available on internet, company website, academic articles, and customer database among others. The primary data is collected through survey method using the questionnaire as the research instrument for analyzing various facets of investments (Saunders et al., 2009). Both primary and secondary data are necessary for the research as they both complement each other wherein the secondary data helps in getting better understanding of the research problem while primary data helps in gaining the understanding in a practical way for the researcher's real world scenarios.

### 3.6.2 Population Definition

As the study is related to investment opportunities and patterns of investors on different financial instruments, the potentiality of investors to reduce the risk and earn profit is analyzed. The population in this study is 1000 investors who already invested a capital in Cyprus. Each security in the economy is analyzed through investor's earnings that forms part of Cyprus economy.

### 3.6.3 Sample Size

The sample size chosen for this study is 50 that involve different investors from Cyprus. The sample size is an important criterion that establishes the characteristics of the population with a goal that it accurate inferences are made of a population from a sample

(Creswell, 2013). The understanding of statistics that drive the chosen sample size of 50 for this study is helpful in making decisions of the population. Each of the investors who form part of the sample is presented with a questionnaire to fill in and data are analyzed based on their responses.

#### 3.6.4 Sampling Technique

The sampling technique chosen for this research study is non-probability convenient sampling wherein in- depth discovery of the data enables to deduce various set of patterns (Sapsford and Jupp, 2006) and different procedures aids in selection of respondents from the available database. The structured questionnaire that is used as a research instrument aids in getting closer to the research objectives. The demographic profile of the investors involves both male and female investors and is restricted to investors in Cyprus.

### 3.7 Data Analysis

Data analysis form part of the research study after the data has been collected and it is important to convert the raw data into logical form (Sapsford and Jupp, 2006, p13). The various types of tools are used that helps in conversion of raw data into meaningful form such as Microsoft Excel, SPSS, and Microsoft Word among others. The representation of responses into set of data that forms part of the knowledge and aids in making conclusive arguments. The data is represented in the form of various types of graphs and charts which makes the reader to comprehend the results. The different types of graphs that are used are bar graphs, column graphs, pie charts or percentage analysis, just for visual presentation.

The discussion of results is done as the results are logically represented and the information processed leads to data nurturing which explains the coherence between different results. The discussion of results leads to answer research questions and with better understanding requirements the discussion is well aligned to the research objectives explaining each of them in detail (Cresswell, 2013, p54). The problem statement related to investors opportunities and patters of their investing support in the development of conclusion of the research aiding in to give arguments that are precise and clear to support the problem statement.



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# ANALYSIS, DISCUSSION OF RESULTS AND FINDINGS

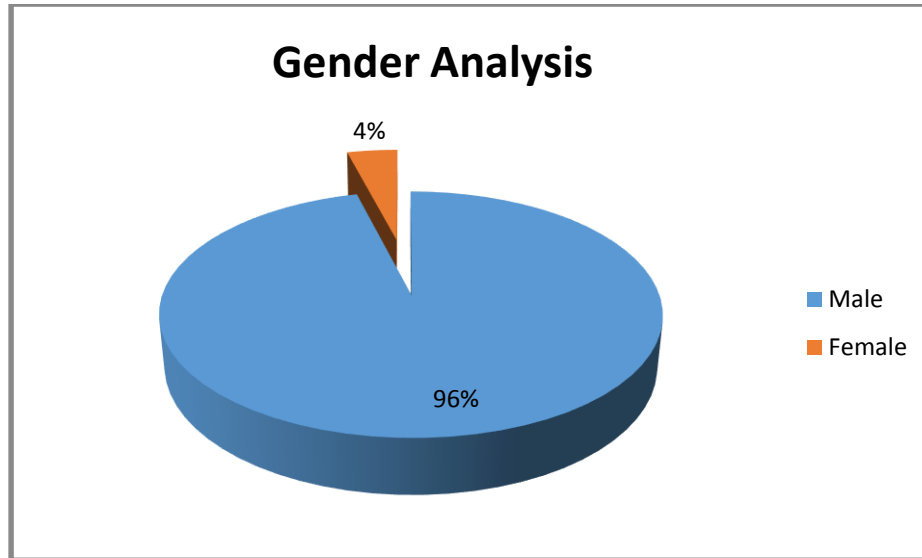
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# CHAPTER 4: ANALYSIS, DISCUSSION OF RESULTS AND FINDINGS

## 4.1 Demographic Profile

### 4.1.1 Gender



**Figure 4.1:** Gender Analysis

Gender	Frequency	%
Male	48	96
Female	2	4
Total	50	100

**Table 4.1:** Gender Analysis

The survey method adopted to examine the different investment patterns, options for investors in Cypriot economy was done on set of respondents that formed the sample for this research. The sample chosen for this study was 50. The above graph demonstrates the gender analysis of the respondents who participated in the survey. The gender analysis

makes the research responsive to social needs and to a certain extent that verifies how different investors can contribute to the Cypriot economy. There are nearly 96% of males and 4% of the females that formed part of the survey and there can be many reasons attributed to it. The results show that males are more aligned or associated to investments in Cyprus and there are limited females that may be involved in doing investments. Other reason for the skewed results with ratio of males to females 24:1 can be because of the sample size chosen. However, the researcher had equal access to males and females and there was no bias involved in it. It also verifies females have limited access to investment opportunities as compared to males and females may be more directly involved in other activities apart from being involved in investment and finance.

4.1.2 Age

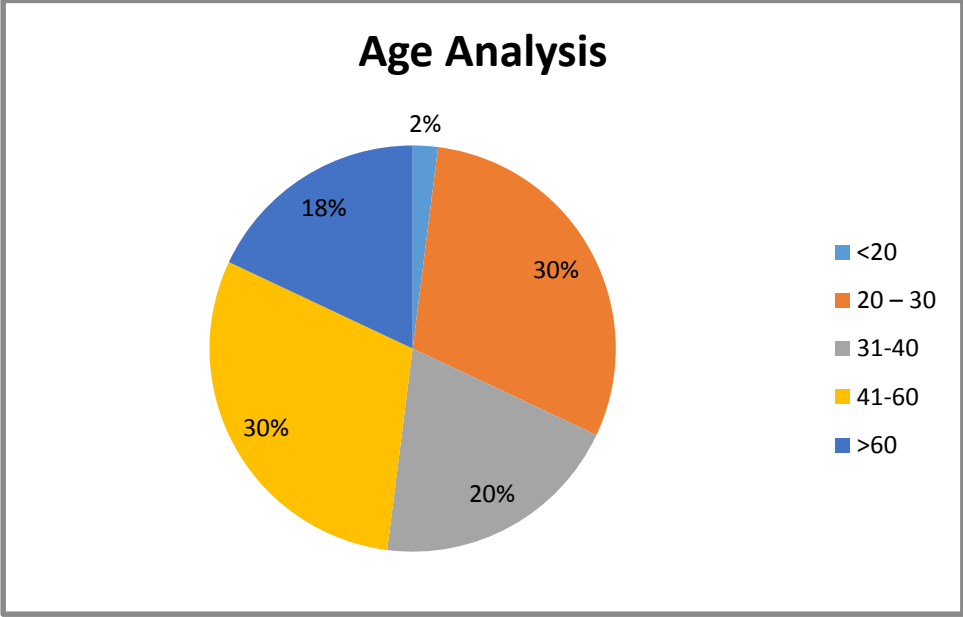


Figure 4.2: Age Analysis

Age	Frequency	%
<20	1	2
20 - 30	15	30
31-40	10	20
41-60	15	30
>60	9	18
Total	50	100

**Table 4.2:** Age Analysis

The age analysis was considered as part of different demographic characteristic of the respondents. There are 30% of respondents that lie in the age range of 20 - 30 and the similar number was seen in the age range 41 - 60. In all, there are 80% of the respondents that lie in the age range of 20 to 60. We can conclude the outliers for the age range less than 20 had only 2% of the participants and for the age range greater than 60 had nearly 18% of the participants. The findings are not skewed to a particular date range and they are evenly distributed from the young age as young as 20 and to the older age as old as above 60. Analyzing age signifies what types of investors are involved in the investments in Cyprus, starting early is gold old financial mantra of investing. The earlier the investor's starts with disciplined approach and builds a portfolio, the more time in investment has to grow in value and the less likely they have burdensome financial obligations. The relatively high number of investors in the age range 20 - 30 demonstrates the time value principle of investing. As the age grows, the investors look to supplement their retirement income and to keep investing as long as they desire and to have maximum rate of return.

4.1.3 Occupation

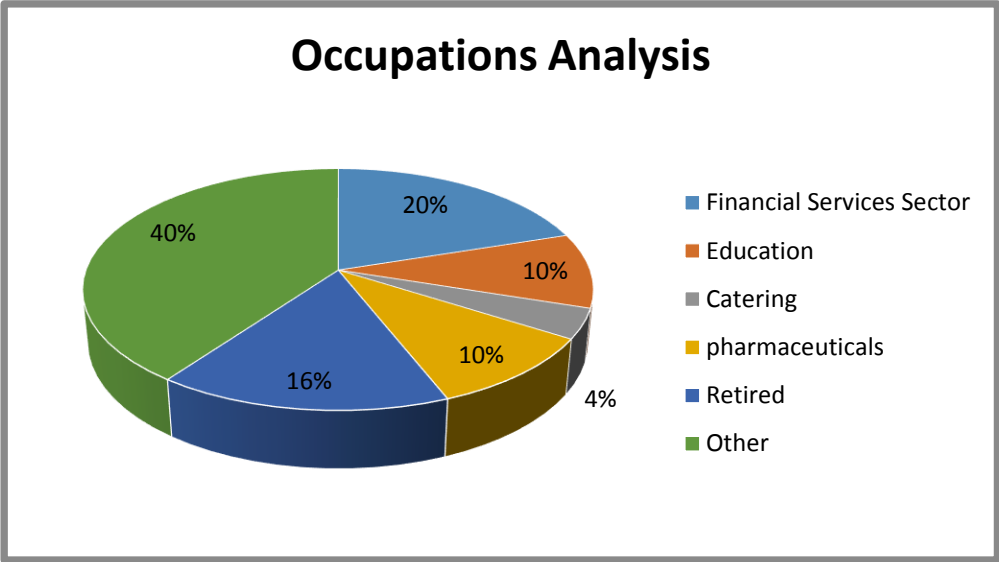


Figure 4.3: Occupations Analysis

Position	Frequency	%
Financial Services Sector	10	20
Education	5	10
Catering	2	4
pharmaceuticals	5	10
Retired	8	16
Other	20	40
Total	50	100

Table 4.3: Occupations Analysis

The occupations of the respondents have been categorized into 6 different sections including the last one which involves all other occupations apart from the other five categories. Investments in different financial instruments and in economy require a fair

knowledge. From the results, 20% of the respondents belong to the financial service sector, however, people involved in this sector have already the minimum knowledge required to invest and hence One-fifth of them are already working in the financial sector such as Banks, finance department etc.. Moreover, we find retired people in the next order with 16% of the respondents, demonstrating that these investors have maybe enough time by investing in different financial instruments in the Cypriot economy. The research proved that investors working in the pharmaceutical and educational sector stood at 10% each while catering stood at 4%. Apart from this, there were 40% of the respondents who belong to other sectors who look for financial gain through investments in different financial instruments.

### 4.2 Investment purpose

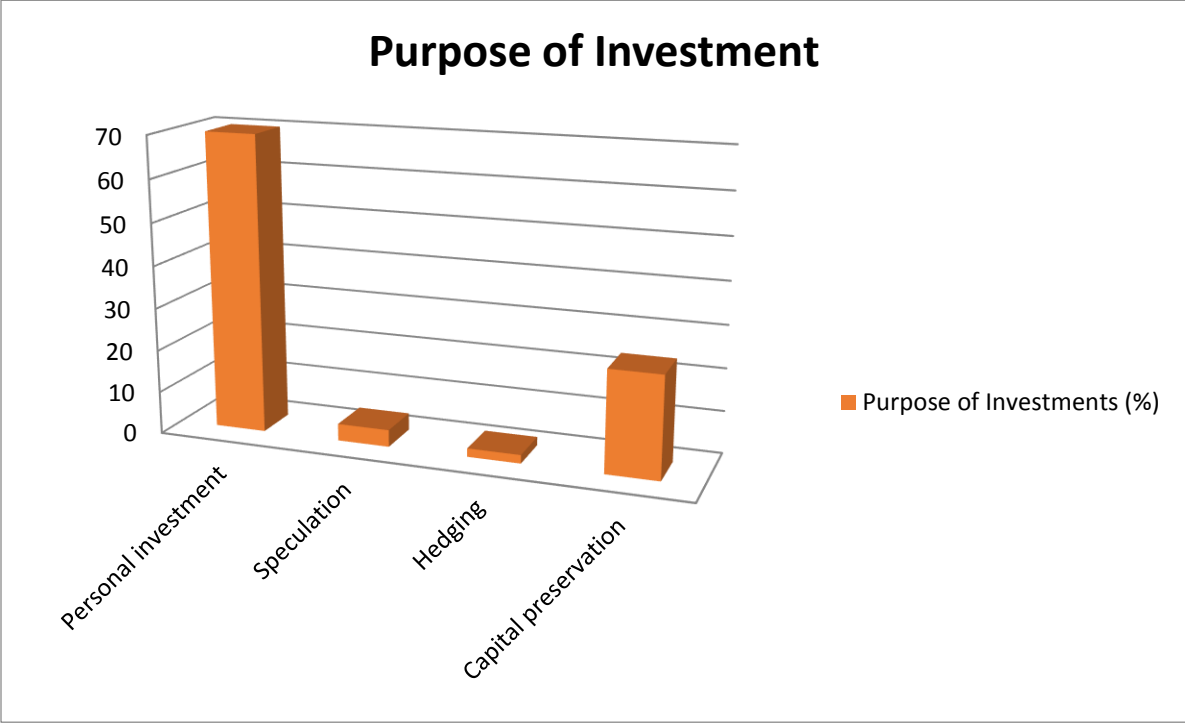


Figure 4.4: Purpose of investment

Purpose Of investment	Frequency	%
Personal investment	35	70
Speculation	2	4
Hedging	1	2
Capital preservation	12	24
Total	50	100

**Table 4.4:** Purpose of investment

There can be different reasons for investment in Cypriot economy and the purpose of investment in the sample was divided into four different categories namely personal investment, speculation, hedging and capital preservation. More than two-third of the respondents invests as personal investment and nearly one-fourth do it for capital preservation.

The personal investment reasons help to personal financial goals and look for various investment opportunities available in Cyprus with different investment solutions. The personal investment in diverse holdings can help in yielding returns in long term with additional income for their personal growth. The investment strategy with a goal to preserve the capital for different reasons such as preserving for retirement that help them in covering their lifestyle expenses and prevent loss in their portfolio is mentioned by one-fourth of the respondents. It can be assumed that majority of the respondents who mentioned as capital preservation as the reason would have been in the date range 41-60 or more. Apart from that small number of respondents mentioned speculation and hedging as the purpose of investment with 4% and 2% respectively.

### 4.3 Investment opportunities

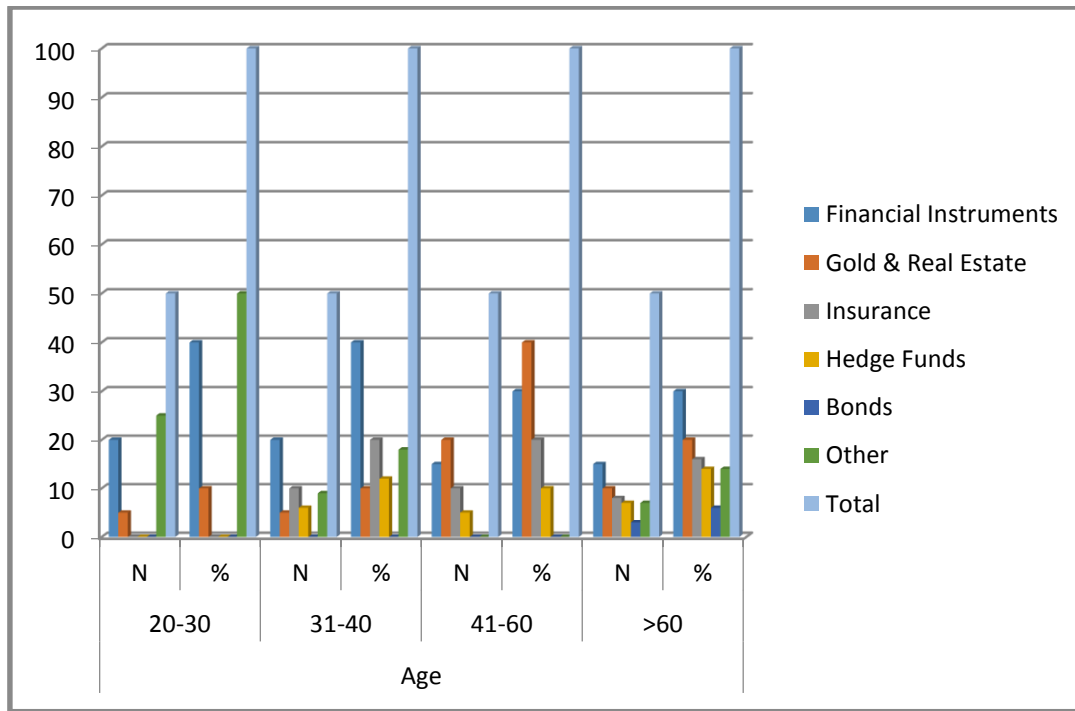


Figure 4.5: Investment options Analysis

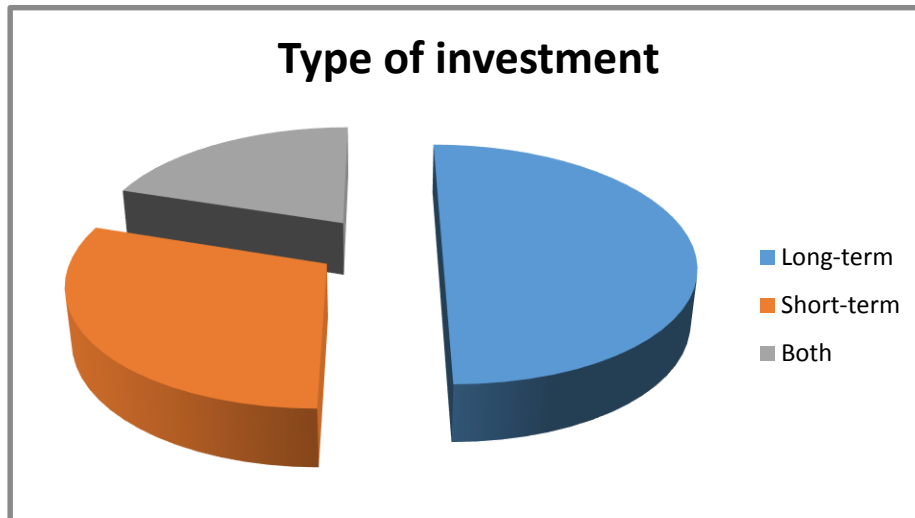
Investment options	Age							
	20-30		31-40		41-60		>60	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Financial Instruments	20	40	20	40	15	30	15	30
Gold & Real Estate	5	10	5	10	20	40	10	20
Insurance	0	0	10	20	10	20	8	16
Hedge Funds	0	0	6	12	5	10	7	14
Bonds	0	0	0	0	0	0	3	6
Other	25	50	9	18	0	0	7	14
Total	50	100	50	100	50	100	50	100

Table 4.5: Investment options

The investment opportunities are classified based on respondent's age range and the classification includes investments in financial instruments, gold and real estate, Insurance, hedge funds, Bonds and others. The investments in financial instruments (FOREX, Indices, Commodities and Stocks) were higher as compared to any other investment opportunities and were most preferred. The investments in financial instruments showed a certain trend with whopping 40% respondents in the age range 20-30 and 31-40 each mentioned they do investments in financial instruments. As the age increases, investments in financial instruments decreases to certain extent with nearly 30% of the respondents in the age range 41-60 or more than 60 mentioned they do investments in financial instruments and this number is also high as compared to other investment opportunities in the Cypriot economy.

The investments in gold and real estate were the highest in the age range 41-60 with 40% of the respondents mentioned the same. The investments in gold and real estate was very less by the investors who were younger that were grouped under 20-30 and 31-40. Investments in gold and real estate require high capital and people in the start of the career in the young age have limited income to invest and as they grow older, they take an opportunity and prefer to invest in real estate and gold. The young people showed no Investments in insurance 20% of the people in 31-40 and 41-60 each invested in insurance which is second to investments in financial instruments. Investments in insurance are the second rank while hedge funds are third for age range 31-40. There are very less number of respondents who invested in hedge funds and bonds with highest as 14% and 6% who are older than 60 years of age. There are no people who invested in bonds for the people 20-60 and hedge funds were also least preferred.

#### 4.4 Type of investment



**Figure 4.6:** Type of Investment

Types of investment	Frequency	%
Long-term	25	50
Short-term	15	30
Both	10	20
Total	50	100

**Table 4.6:** Type of investment

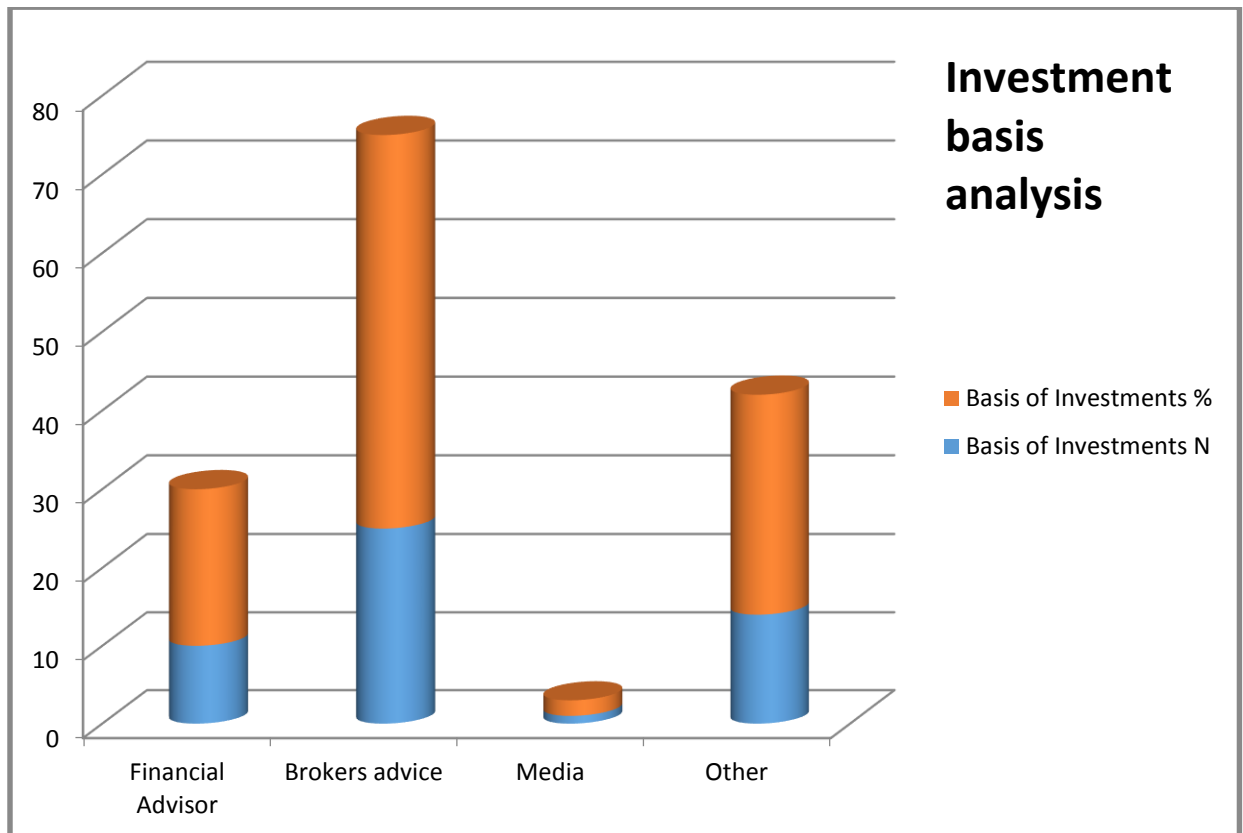
The type of investment is categorized based on short- term and long-term goals. The short term goal spans from few days to few months while the long term goal can span over years. It is important to prioritize the goals and have clear vision so that the goal can be reached. The respondents mentioned whether they invest for long-term, short-term or divide their portfolio based on short and long term investments.

The results of the survey for long-term versus short-term are skewed towards long-term and investor understands the importance of investing for longer duration of time. As per the results, 50% of the respondents mentioned they invest only with long-term vision of investment and 20% invest both in long and short term. It explains that Cypriot people understand the time value of money and they invest for longer duration that gives them an advantage of getting higher value of their capital invested. Long term investments are generally based on long term goals and as majority of people do their investment for personal reasons as analyzed in previous questions, it shows long term investment for personal reasons can be children’s education, purchasing own house or growth in business among others. Apart from that there are 30% of the people who do investment with short-term goals as their vision. The economic development is also linked to investor’s long term investment in the economy and shows the health of the economy. The Cypriot growth highly depends on long term investor which is a win-win situation for both investors and the economic development.

#### 4.5 Investment basis

Choice of investment	Frequency	%
Financial Advisor	10	20
Brokers advice	25	50
Media	1	2
Other	14	28
Total	50	100

**Table 4.7:** Investment Basis Analysis



**Figure 4.7:** Investment Basis Analysis

The respondents were analyzed in different categories for the basis of investment they do and explains from where they get advice in order to invest in the right instrument or product. The broker advice is mentioned by 50% of the respondents and they rely on his advice to make a decision on the investment. The financial brokerage institutions have their professionals supporting the different investors to make a decision on their investment.

20% of the respondents have their financial advisor on which they rely for making a decision on their investment. There are 2% of the respondents who rely on the media advice while the remaining 28% are categorized in other category. It verifies people are highly dependent on financial advisor or broker's advice for making the decision of their

investment. The lack of financial or investment knowledge with the people may be the reason for their dependence on the professionals to have higher knowledge as compared to them. It is important that people gain enough understanding of the investment as the market risks can cause them to lose their investment if not done in correct way. It is also important that people gain enough understanding of their investment that helps them to make their own decisions independently. On the other hand, it may be said financial advisor or brokerage advice is also essential to make the strong decision and hence it gives them advantage to make precise and accurate decisions.

**4.6 Age vs Investment opportunities**

Data can be presented in cross tabulation form as follows

<b>Table 4.8- Age * Investment_Oppurtunities Cross tabulation</b>								
Count		Investment_Oppurtunities						Total
		Financial instruments	Gold & real estate	Insura nce	Hedge funds	Bonds	Other	
Age	20-30	20	5	0	0	0	25	50
	31-40	20	5	10	6	0	9	50
	41-60	15	20	10	5	0	0	50
	>60	15	10	8	7	3	7	50
Total		70	40	28	18	3	41	200

**Table 4.8- Age \* Investment\_Oppurtunities Cross tabulation**

Further data can be analyzed using their frequencies

<b>Table 4.9- Investment_Oppurtunities (Frequencies)</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial instruments	70	35.0	35.0	35.0
	Gold & real estate	40	20.0	20.0	55.0
	Insurance	28	14.0	14.0	69.0
	Hedge funds	18	9.0	9.0	78.0
	Bonds	3	1.5	1.5	79.5
	Other	41	20.5	20.5	100.0
	Total	200	100.0	100.0	

**Table 4.9-** Investment\_Oppurtunities (Frequencies)

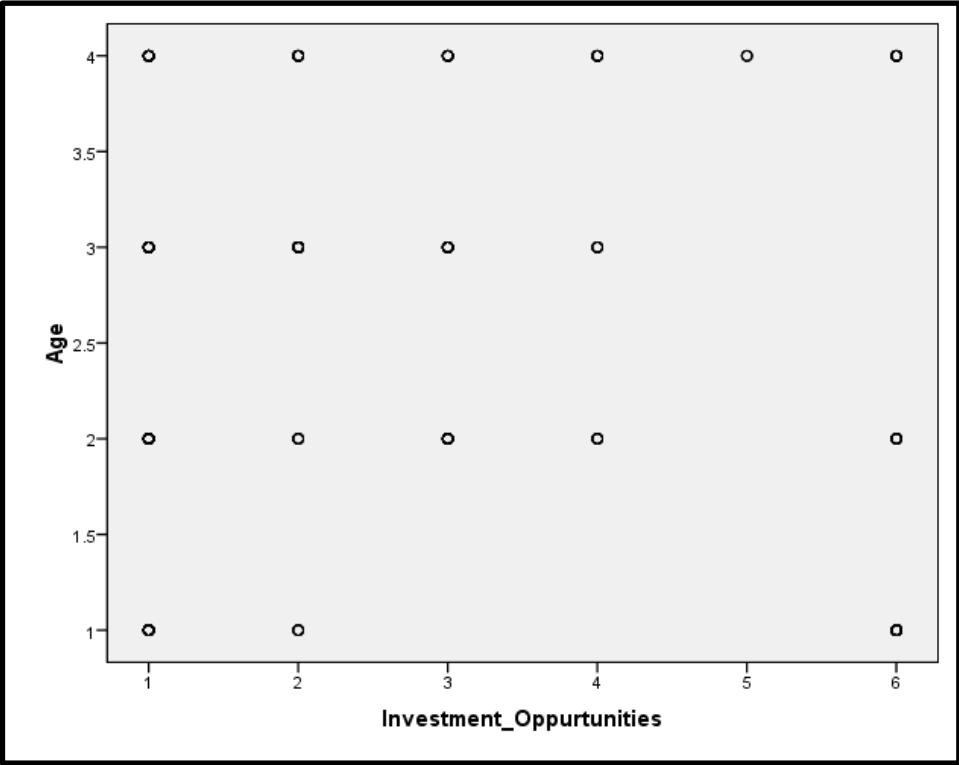
Using SPSS, results show that 35% of investment opportunities are financial instruments. Bonds show the least percentage when compared to others.

### **Association between age & investment opportunities**

<b>Table 4.10-Correlations</b>			
		Age	Investment_Oppurtunities
Age	Pearson Correlation	1	-.167*
	Sig. (2-tailed)		.018
	N	200	200
Investment_Oppurtunities	Pearson Correlation	-.167*	1
	Sig. (2-tailed)	.018	
	N	200	200
*. Correlation is significant at the 0.05 level (2-tailed).			

**Table 4.10:** Correlations

According to correlation analysis probability of association between age and Investment opportunities is 0.018. This is highly significant at 5%. Therefore, null hypothesis of correlation is rejected. It indicates that there is a relationship between age and investment opportunities. Coefficient of correlation is negative (-0.167). Therefore, there is a negative association between age and Investment opportunities.



**Figure 4.8:** Age \* Investment\_Oppurtunities

## Understand whether there is a significant difference in Investment opportunities in relation to age

Age is having more than 2 categories.

- 20-30
- 31-40
- 41-60
- >60

Therefore, we use one way anova in the analysis. In anova hypothesis are defined as follows

$H_0 = \mu_1 = \mu_2$  all means are equal no difference

Table 4.11 -ANOVA					
Investment_Oppurtunities					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	56.655	3	18.885	5.635	.001
Within Groups	656.900	196	3.352		
Total	713.555	199			

**Table 4.11: ANOVA**

According to age p value is highly significant. Therefore, there is a difference in investment opportunities in relation to age. This means that education has an effect on satisfaction.

If there is a difference following test can be used to identify those differences. These tests are used for multiple comparisons.

Table 12- Multiple Comparisons							
Dependent Variable: Investment_Oppurtunities							
Bonferroni	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
	20-30	31-40	.840	.366	.137	-.14	1.82
		41-60	1.500*	.366	.000	.52	2.48
		>60	.720	.366	.304	-.26	1.70
	31-40	20-30	-.840	.366	.137	-1.82	.14
		41-60	.660	.366	.438	-.32	1.64
		>60	-.120	.366	1.000	-1.10	.86
	41-60	20-30	-1.500*	.366	.000	-2.48	-.52
		31-40	-.660	.366	.438	-1.64	.32
		>60	-.780	.366	.206	-1.76	.20
>60	20-30	-.720	.366	.304	-1.70	.26	
	31-40	.120	.366	1.000	-.86	1.10	
	41-60	.780	.366	.206	-.20	1.76	
*. The mean difference is significant at the 0.05 level.							

**Table 4.12-** Multiple Comparisons

According to multiple comparison table age limit 41-60 is highly significant in comparison to age limit 20-30. Therefore, these groups have significant differences in relation to opportunities in investment. Age limit 31-40, >60 is insignificant in comparison to age limit 20-30. Also age limit 41-60 & >60 is insignificant in comparison to age group 31-40. This means that these groups have no difference.

<b>Table 4.13 -Descriptive statistics</b>								
Investment_Oppurtunities								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
20-30	50	3.60	2.441	.345	2.91	4.29	1	6
31-40	50	2.76	1.858	.263	2.23	3.29	1	6
41-60	50	2.10	.953	.135	1.83	2.37	1	4
>60	50	2.88	1.757	.248	2.38	3.38	1	6
Total	200	2.84	1.894	.134	2.57	3.10	1	6

**Table 4.13:** Table of descriptive statistics

Age group 20-30 has the highest mean value. This group has the highest tendency for investment opportunities. Other age groups have considerably similar mean values.



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# CONCLUSION & RECOMMENDATIONS

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## **CHAPTER 5: CONCLUSION & RECOMMENDATIONS**

### **5.1 Conclusion to the research**

The research methodology forms the foundation of the research as that gives the direction of what is intended to achieve, how it is going to be achieved and what all things need to be kept in mind while finding the solution to the research problem. The data improvisation is done as the researcher establishes the results with utilization of various research tools. The root of the research is the responses that are collected from different respondents that form part of the primary data. The secondary data is gathered from different sources such as academic journals, books, and internet content among others. The primary and secondary data form part of sources of information and they both laid the foundation to achieve the results that quantitative in nature. The results are represented in logical manner where information is processed representing the data in a rational and coherent way.

### **5.2 Final results**

The survey method adopted to examine the different investment patterns, options for investors in Cypriot economy was done on set of respondents that formed the sample for this research. The sample chosen for this study was 50. There are nearly 96% of males and 4% of the females that formed part of the survey and there can be many reasons attributed to it. The results show that males are more aligned or associated to investments in Cyprus and there are limited females that may be involved in doing investments.

The findings are not skewed to a particular date range and they are evenly distributed from the young age as young as 20 and to the older age as old as above 60. Analyzing age signifies what types of investors are involved in the investments in Cyprus, starting early is gold old financial mantra of investing. We can conclude the outliers for the age range less than 20 had only 2% of the participants and for the age range greater than 60 had nearly 18% of the participants.

From the results, 20% of the respondents belong to the financial service sector, however, people involved in this sector have already the minimum knowledge required to invest and hence One-fifth of them are already working in the financial sector such as Banks, finance department etc.. Moreover, we find retired people in the next order with 16% of the respondents, demonstrating that these investors have maybe enough time by investing in different financial instruments in the Cypriot economy.

There can be different reasons for investment in Cypriot economy and the purpose of investment in the sample was divided into four different categories namely personal investment, speculation, hedging and capital preservation.

The investments in financial instruments like Forex, commodities, indices and stocks were higher as compared to any other investment opportunities and were most preferred. The investments in financial instruments showed a certain trend with whopping 40% respondents in the age range 20-30 and 31-40 each mentioned they do investments in financial instruments. As the age increases, investments in financial instruments decreases to certain extent with nearly 30% of the respondents in the age range 41-60 or more than

60 mentioned they do investments in financial instruments and this number is also high as compared to other investment opportunities in the Cypriot economy.

According to correlation analysis, probability of association between age and Investment opportunities is 0.018. This is highly significant at 5%. Therefore, null hypothesis of correlation is rejected. It indicates that there is a relationship between age and investment opportunities. Coefficient of correlation is negative (-0.167). Therefore, there is a negative association between age and Investment opportunities.

On the other hand, according to ANOVA analysis, the age p value is highly significant. Therefore, there is a difference in investment opportunities in relation to age. This means that education has an effect on satisfaction.

If there is a difference following test can be used to identify those differences. These tests are used for multiple comparisons.

- Tukey HSD test (highly significant test)
- Bonferroni test

From the multiple comparison table age limit 41-60 is highly significant in comparison to age limit 20-30. Therefore, these groups have significant differences in relation to opportunities in investment. Age limit 31-40, >60 is insignificant in comparison to age limit 20-30. Also age limit 41-60 & >60 is insignificant in comparison to age group 31-40. This means that these groups have no difference.

Age group 20-30 has the highest mean value. This group has the highest tendency for investment opportunities. Other age groups have considerably similar mean values.

### 5.3 Limitations of the research

There are several limitations that are associated to this study and that needs to be demonstrated here as they form important element of any research study. We can differentiate some limitations such as environment limitations, researcher's limitations or any other that restricted the researcher in some way or the other. Such limitations are not in control of the researcher and all of them are mentioned as below:

The survey conducted on the investors in Cyprus and they communicated their views on the questions asked by the researcher. The responses to the questions may be affected by the respondent's personal beliefs, attitudes, values, behaviors or moods etc at the time of taking the survey. Such things are not in control of the researcher and it may deform the results to certain extent.

The sample size chosen is limited to 50 respondents and as the sample size increases results may vary to certain extent.

The research conducted is to just analyze the patterns that influence investing by the investors and not on any other factors.

It is an assumption that respondents who answered to the questionnaire gave the correct and true information and interpretation of the results is done on that basis.

The research takes into account only the present state of affairs of the economy of Cyprus. The results may change as the conditions changes in relation to Cyprus economy or if the same study is conducted after certain time period that is again linked to the economic conditions at that point of time. The economical conditions or also linked to political

conditions that are intended to change from time to time and thus results may vary depending on the conditions in the future.

The study demonstrates only the investor's results in Cyprus only and doesn't represent for the European Union as a whole. The results are thus limited to conditions in Cyprus only.

There are limitations related to the place, time, cost, and resources and it should be highlighted with enough number of resources or time available. The results may change depending on the resources that are available.

#### **5.4 Suggestion for further research**

The research that was conducted was enough adequate to answer the research questions. Regarding the investment patterns and opportunities, there were for sure some sections that were not covered. The study is conducted for sample size of 50 investors. There might be a chance that the behavior or investment decisions are varied due to different social life, living way and income level etc. that needs to be investigated and studied further.

#### **5.5 Research ethics**

The characteristics of quantitative research are challenging ethically for the researcher as the interactions between the respondents and the researcher happens. It is important to keep in mind certain ethical fundamentals during the research work that aids in getting the results which are true and sensible. Ethical considerations can span over honesty, justice, respect for respondents, trust and compassion. The researcher undertook ethical considerations as a serious matter and kept complete anonymity of the respondents (Gregory, 2003). The researcher maintained confidentiality in the responses to the survey

taken by them, apart from responses, their name, their demographic profile is also kept secure and confidential. It is ensured by the researcher that information collected as part of the survey is collected just for academic use and is not intended to use the responses or the results outside this research study.

It is communicated and articulated well to the respondents the purpose of collection of the data, its utilization and the intent. The information collected is kept safe and secure by the researcher and with confidentiality of the data, researcher's attitudes, beliefs or behaviors are not recorded (Gregory, 2003). Apart from the survey, any information shared by the respondents is also kept safe and is not disclosed directly as part of this study. In this way, researcher has maintained highest levels of ethical conduct at every stage of this research study.

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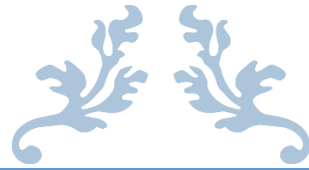
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# APPENDICES

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## APPENDICES

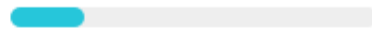
### Appendix 1

# Questionnaire

My name is Nizar Arioua and I am an MBA student at Neapolis University of pafos. This brief questionnaire belongs to my research of my dissertation related to investing in Cyprus. Your answers will be helpful in achieving my research objective. Please note that your answers are given anonymously and only will be used for survey purposes.

Please, answer the following questions either by ticking or by filling in the blanks.

NEXT



Page 1 of 5

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Google Forms

# Personal Information

Description (optional)

## 1. Name and surname (optional)

Short answer text

## 2. Gender

Male

Female

## 3. Phone number :

Short answer text

## 4. Age

less than 30

20 - 30

31 - 40

41 - 60

more than 60

# Financial information

---

Description (optional)

---

## 5. What is the industry of your current employment?

- Accounting
- Catering
- Education
- Financial Services Sector
- Pharmaceuticals
- Retail
- Retired
- Unemployed
- Other...

## 6. What is your Gross Annual Income ?

- Less than 10,000 \$
- 10,001 \$ - 50,000 \$
- 50,001 \$ - 100,000 \$
- More than 100,000 \$

## 7. What is the purpose of your investment ?

- Personal investment
- Speculation
- Hedging
- Capital preservation

## 8. What is your anticipated amount to invest ?

- Less than 10,000 \$
- 10,001 \$ - 50,000 \$
- 50,001 \$ - 100,000 \$
- More than 100,000 \$

# Investment opportunities

---

Description (optional)

---

## 9. Where have you invested ?

- Financial instruments
- FOREX
- Commodities
- Indices
- Real Estate
- Life Insurance
- Mutual Funds
- Bonds
- Other...

# Knowledge & Experience

Description (optional)

10. What is your investment strategy?

- Long-term investment
- Short-term investment
- Both

11. On which basis you choose your investment decision ?

- Financial advisor
- Broker's advice
- Media
- Other...