HOUSEHOLDS' FINANCIAL AFFAIRS IN CURAÇAO 2020

Results of a research carried out by the Centrale Bank van Curaçao en Sint Maarten (CBCS) in collaboration with the Central Bureau of Statistics Curaçao (CBS) regarding the payment behavior, financial inclusion, financial literacy, and financial satisfaction in Curaçao in 2020.

OCTOBER 2020

INTRODUCTION

Research objectives

The Centrale Bank van Curaçao en Sint Maarten (CBCS) collaborated with the Central Bureau of Statistics Curaçao (CBS) to conduct the research "Households' Financial Affairs in Curaçao 2020". The current research has four main objectives:

- *Identifying the payment behavior of consumers in Curaçao.* Payment behavior refers to the payment habit of consumers in Curaçao, measured by the main local payment instruments, such as cash, debit cards, credit cards, and online/mobile banking.
- *Identifying the level of financial inclusion in Curaçao.* Financial inclusion refers to the availability and equality of opportunities to access financial products and services, such as (digital) payment instruments (The World Bank, 2019). Because smart devices and internet can help consumers gain access to financial products and services, these can also be considered as (indirect) indicators of financial inclusion.
- *Identifying the level of financial literacy of consumers in Curaçao.* Financial literacy is the ability to understand how money works to make effective financial decisions and achieve financial well-being (OECD/INFE, 2011). Financial literacy involves knowledge, attitudes, and behaviors all related to financial matters. Debt situation (i.e., consumer's outstanding debts on different loans) can also be considered an (indirect) indicator of financial literacy, because financially literate consumers should be able to properly manage their debt.
- *Identifying the level of financial satisfaction of consumers in Curaçao.* Financial satisfaction is a desirable state, as it involves consumer's happiness with their present financial situation (Robb & Woodyard, 2016). Financial satisfaction also forms an important component of overall well-being.

Research questions

- How do consumers in Curaçao pay? (e.g., what payment instrument is mostly used)
- What factors influence consumers' access to payment instruments and the use of these instruments?
- What do consumers in Curaçao know about general financial matters (e.g., inflation and interest)?
- What do consumers in Curaçao know about the Centrale Bank van Curaçao en Sint Maarten (e.g., the role and functions)?
- What is the current financial behavior of consumers in Curaçao (e.g., do they experience difficulty when covering their expenses, do they save money, and use credit)?
- What is the current debt situation of consumers in Curaçao (e.g., what type of debt do they have and where do they borrow the money)?
- How satisfied are consumers in Curaçao with their current financial situation?

Research delineation

- All local payment possibilities among residents in Curaçao who are at least 18 years old. The only exception is online shopping, where no distinction is made between local and international web shop payments.
- Other payment instruments involve checks, credit coupons ('bon'), bitcoins, and Fun Miles.

Research method

- Face-to-face interviews with 2,000 households, including a response rate of 58%.
- The current research took place between November 2019 and February 2020.
- The sample is representative of the population of Curaçao in terms of gender (see Figure i) and age (see Figure ii).

Figure i: Sample versus population 2020 by gender

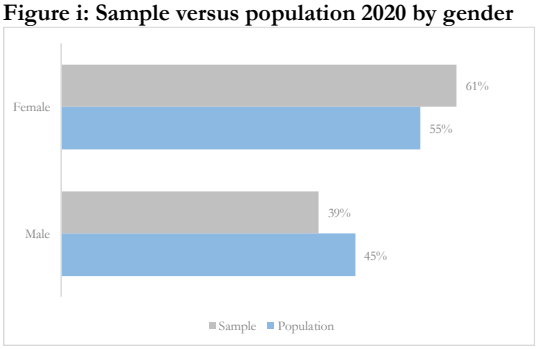
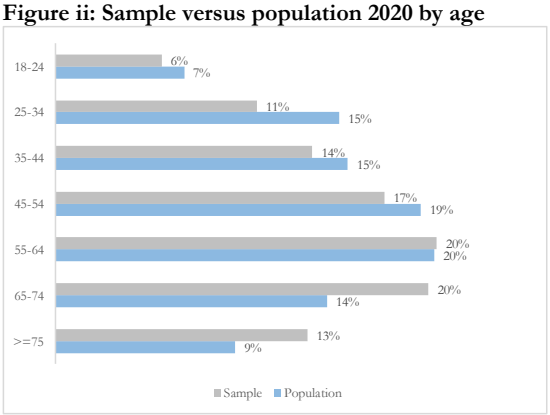


Figure ii: Sample versus population 2020 by age



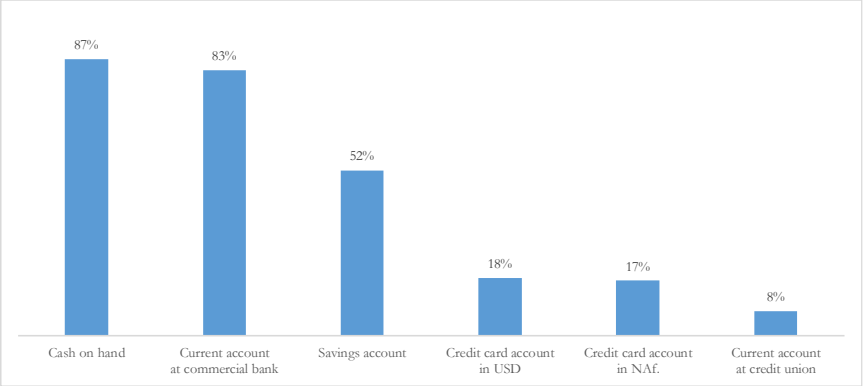
1. PAYMENT BEHAVIOR

1.1. PAYMENT INSTRUMENT POSESSION

The current research shows that, among all payment instruments, cash is the most popular in Curaçao (see Figure 1.1). Specifically, 87% of respondents carries cash on hand. Most respondents also have a current account at a commercial bank (83%).

Moreover, more than half of respondents have a savings account (52%). Meanwhile, having a credit card in USD (18%) or in NAf. (17%), or having a current account at a credit union (8%) is less popular.

Figure 1.1: Payment instrument possession



1.2. CASH

The current research shows that more than half of respondents in each age group hold between NAf. 1 and NAf. 100 cash on hand (see Figure 1.2a). Higher amounts are less likely to be carried in cash, indicating the awareness of consumers that carrying considerable amounts of money is not safe. Interestingly, respondents in the eldest age group (22%) are more likely to carry no cash on hand compared to the other age groups (11-12%). It is possible that older consumers' finances are managed by a family member or a trusted person.

On a monthly basis, most respondents withdraw cash at the ATM (44%), whereas a quarter withdraws cash at the branch (see Figure 1.2b).

On a weekly basis, 26% withdraws cash at the ATM, whereas only 1% withdraws cash at the branch. Moreover, 26% never withdraws cash at the ATM, while 53% never withdraws cash at the branch.

Most respondents never deposit cash at the branch (68%). Similarly, there is a large number of respondents that never deposits cash at the ATM (92%). The latter result may be related to the limited ATM cash deposit services available or the fact that consumers do not trust such services. Further research is encouraged to investigate this result.

Figure 1.2a: Cash on hand by age group

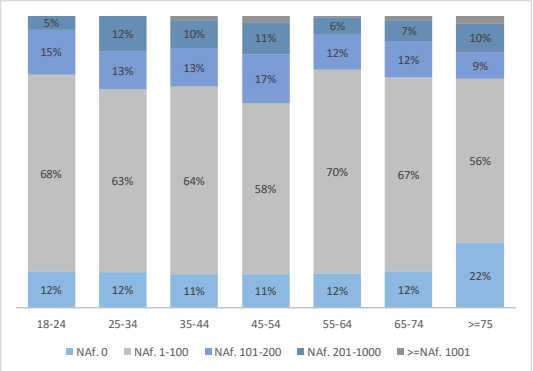
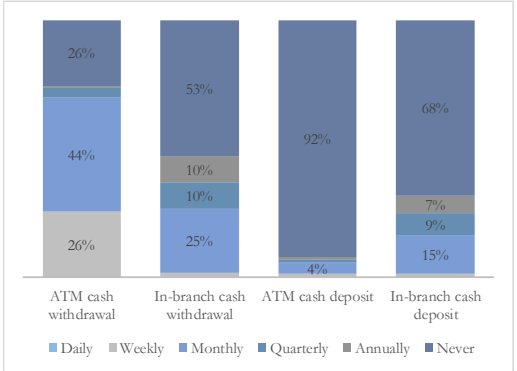


Figure 1.2b: Cash withdrawal and deposit at the ATM or branch



1.3. CASH WITHDRAWAL BY AGE GROUP

The current research shows that most respondents in the eldest age group (51%) report never withdrawing cash from the ATM (see Figure 1.3a). The other age groups are more likely to withdraw cash from the ATM, and this occurs particularly on a monthly basis (41%-50%).

On the other hand, the in-branch cash withdrawal shows that, the higher the age group, the higher the likelihood that respondents withdraw cash in the branch (see Figure 1.3b). On a monthly basis, respondents in the older age groups (38% and 34%, respectively) are more likely to withdraw cash in the branch compared to only 12% in the youngest age group.

Figure 1.3a: ATM cash withdrawal by age group

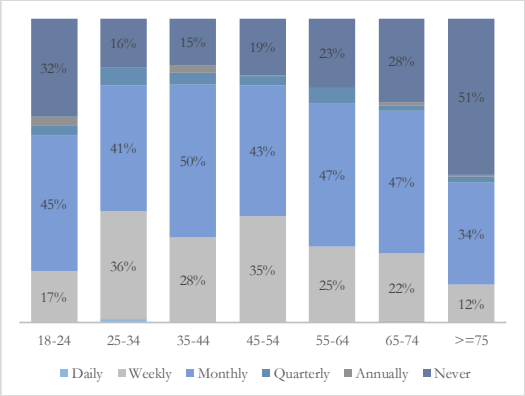
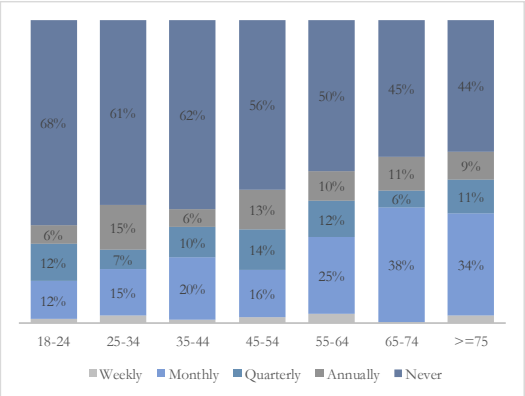


Figure 1.3b: In-branch cash withdrawal by age group



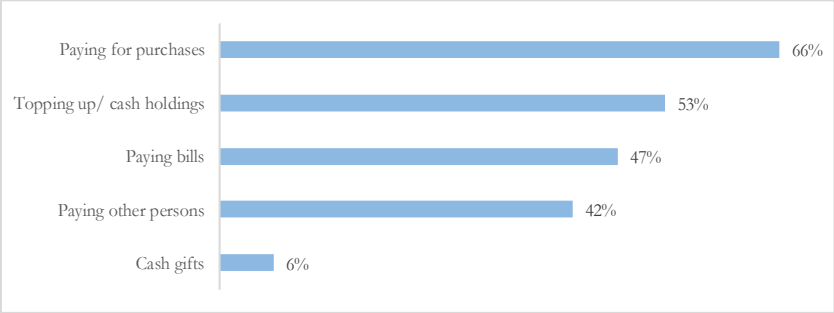
1.4. REASONS TO WITHDRAW CASH

Generally, consumers may have several reasons to withdraw cash (see Figure 1.4a). The current research shows that most respondents withdraw cash to pay for their purchases (66%), followed by to have cash on hand (53%), to pay for bills (47%) and to pay other persons (42%).

These results suggest that some consumers prefer to pay their expenses in cash, despite the availability of more efficient payment instruments, such as online payments or 'swiping' machines (POS). This underscores the need to stimulate digital payment instruments among the public.

Note that only 6% withdraws cash for cash gifts, such as donations/charities and presents.

Figure 1.4a: Reason cash withdrawal *(multiple responses)*



Interestingly, while there is no clear pattern in cash withdrawal to pay for purchases, neither by age group nor by income, the opposite applies to cash withdrawal to pay for bills (see Figure 1.4b and Figure 1.4c).

Specifically, the higher the age group, the higher the likelihood that respondents withdraw cash to pay their bills (see Figure 1.4b). Conversely, the higher the income, the lower the likelihood that respondents withdraw cash to pay their bills (see Figure 1.4c).

Figure 1.4b: Reason cash withdrawal by age group

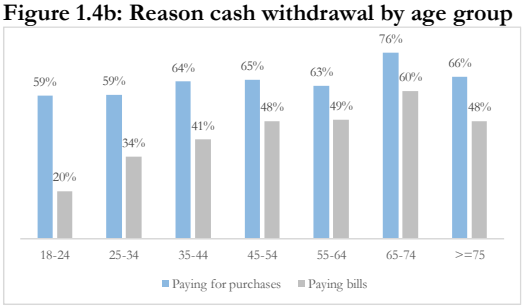
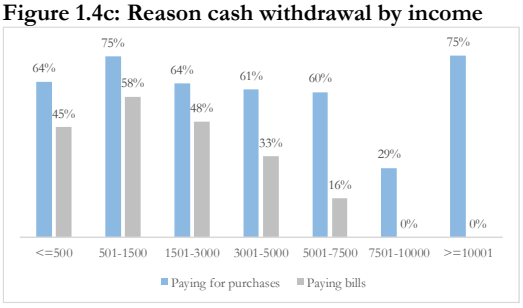


Figure 1.4c: Reason cash withdrawal by income



1.5. USE OF PAYMENT INSTRUMENTS BY PRODUCT

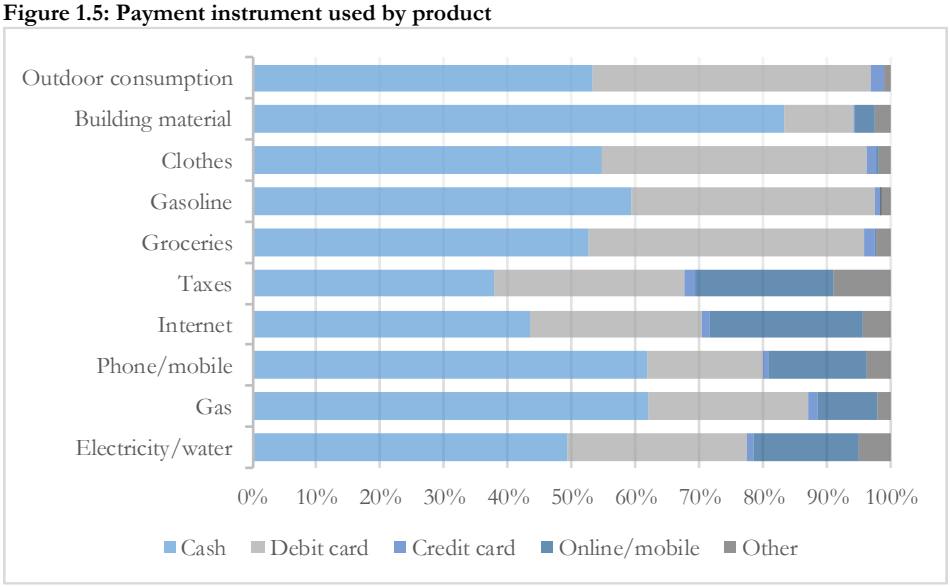
The current research shows that, regardless of the type of product, cash is the main payment instrument used, followed by a debit card (see Figure 1.5). The use of cash is remarkably high for building materials (83%). This may stem from the construction sector, which often has a high level of cash use due to the presence of the shadow economy[1].

Surprisingly, most respondents indicate paying their taxes[2] in cash (38%), despite the efforts of the government to automate the collection of taxes.

However, few respondents use a credit card. This finding corroborates the fact that few consumers in Curaçao have a credit card (see Figure 1.1), and may be related to the relatively high costs.

Although online payments are gaining popularity at certain stores, their use is quite limited (3%-24%).

Figure 1.5: Payment instrument used by product



[1]The shadow economy refers to all work activity and business transactions that occur 'below the radar' – economic activity that is undeclared and for which taxes are not paid (Carolina & Pau, 2017; Constable, 2017; Schneider & Williams, 2013).

[2]Taxes refer to all taxes paid to the government (e.g., sales tax, income tax, road tax, and waste tax).

1.6. PAYMENTS BY AMOUNT

Regarding bill payments, the higher the amount, the lower the likelihood that cash is used, but the higher the likelihood that electronic payments are used (see Figure 1.6a). For example, for less than NAf. 25, most respondents pay their bills in cash (67%), whereas 24% pays with a debit card and 7% pays with online banking. Conversely, for NAf. 2,001 or more, most respondents pay their bills with a debit card (39%), followed by online banking (30%), whereas 23% pays in cash.

Regarding person-to-person payments, cash is the primary payment instrument used up to an amount of NAf. 2,000 (see Figure 1.6b). Nevertheless, the overall pattern for person-to-person payments is similar to the pattern for bill payments.

Figure 1.6a: Bill payments by amount

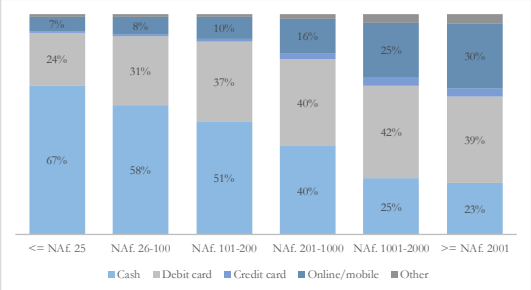
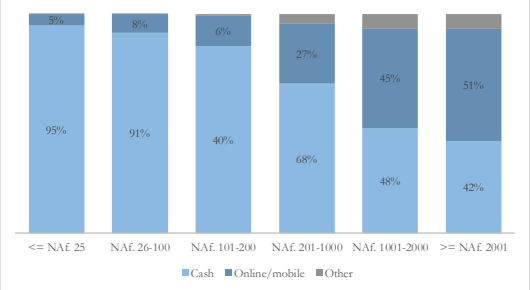


Figure 1.6b: Person-to-person payments by amount



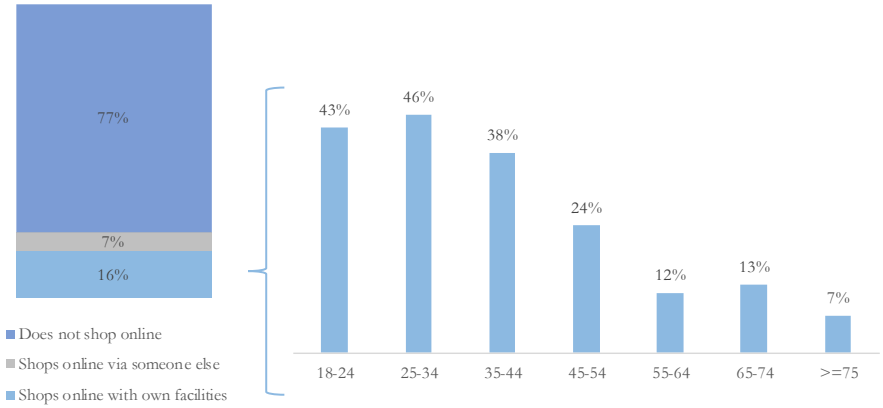
1.7. ONLINE SHOPPING (WEB SHOP)

The current research shows that only 23% of respondents shops online (locally or internationally), of which 7% shops via someone else[3] and 16% shops with own facilities[4] (see Figure 1.7). The latter result is consistent with the 18% and 17% of respondents having a credit card in USD and in NAf., respectively (see Figure 1.1).

These results may be related to no access to or high costs of credit cards in USD, and the lack of local possibilities to pay online with a debit card. Younger respondents are more likely to shop online than older respondents.

The remaining 77% of respondents does not shop online.

Figure 1.7: Online shopping



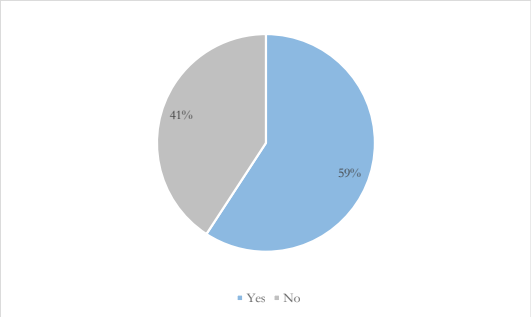
[3]Shopping via someone else refers to consumers who request another person to shop online on their behalf (e.g., because they do not have the facilities to shop online).

[4]Shopping with own facilities refers to consumers who shop online with their own bank account, PayPal account, and correspondence address.

1.8. FUTURE USE OF LESS CASH

In addition to the main payment behavior topics discussed above, the current research assessed whether consumers in Curaçao are willing to use less cash in the future (see Figure 1.8). More than half of respondents are willing to use less cash in the future (59%). Still, there seems to be a considerable part of the consumer population (41%) unwilling to limit or stop the use of cash. This merits further investigation to understand the underlying reasons.

Figure 1.8: Future use of less cash

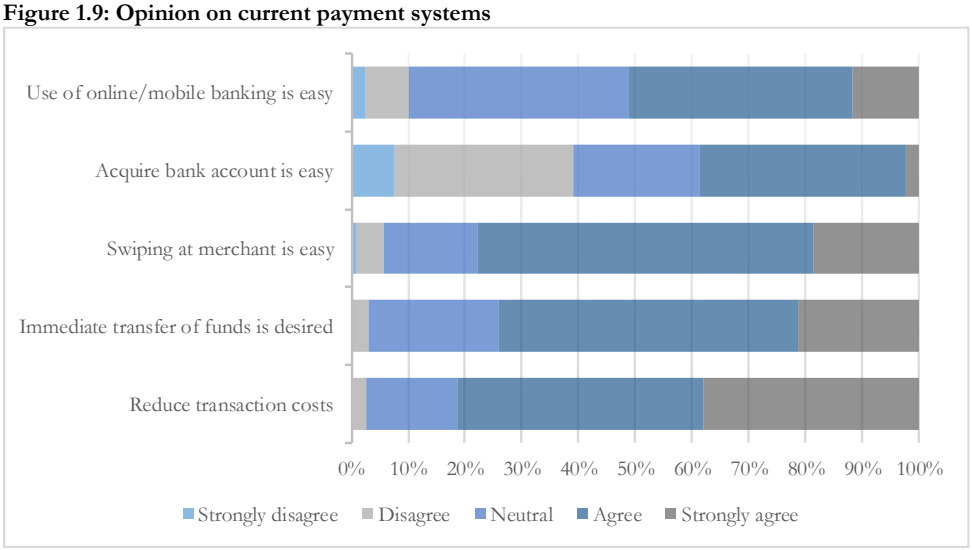


1.9. OPINION ON CURRENT PAYMENT SYSTEMS

The current research also assessed respondents' opinions regarding several payment systems (see Figure 1.9). Most respondents agree or strongly agree that: (1) it is easy to use online banking (51%); (2) it is easy to swipe at a merchant (78%); (3) there is a need for a system to enable immediate transfer of funds (74%); and (4) there is a need to reduce transaction costs (81%).

On the other hand, most respondents disagree or strongly disagree that it is easy to acquire a bank account (40%).

Figure 1.9: Opinion on current payment systems



2. FINANCIAL INCLUSION

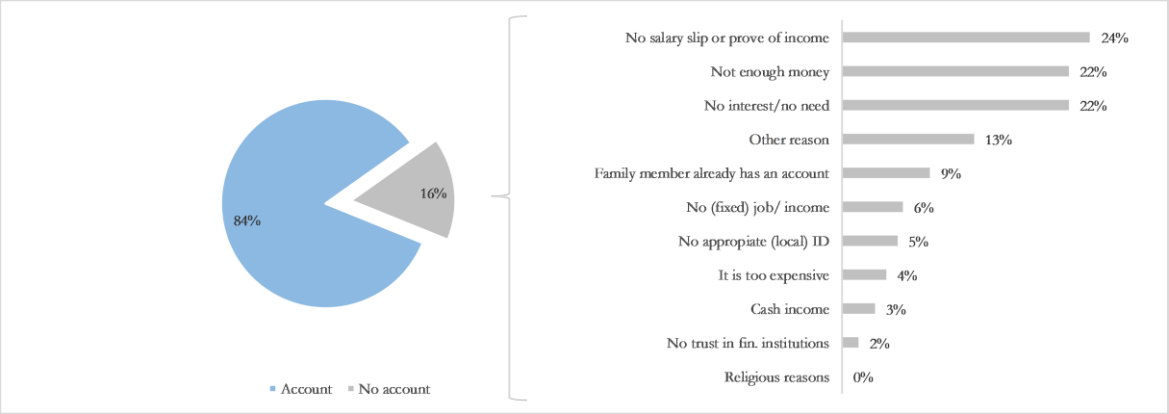
2.1. PAYMENT INSTRUMENT POSESSION

The current research shows that 84% of respondents has one or more current accounts at a financial institution (commercial bank and/or credit union) (see Figure 2.1). Conversely, 16% does not have a current account, and there are several reasons for this. The most common reason is that the respondents do not have a salary slip or other proof of income (24%). The second common reason is that respondents do not have enough money to maintain a current account or are not interested in having one (22%).

Only 4% does not have a current account due to the costs involved and 5% due to no appropriate local identification. The latter result probably reflects the undocumented persons.

An important and positive finding is that the trust in financial institutions seems very high, with only 2% of respondents having no current account due to lack of trust.

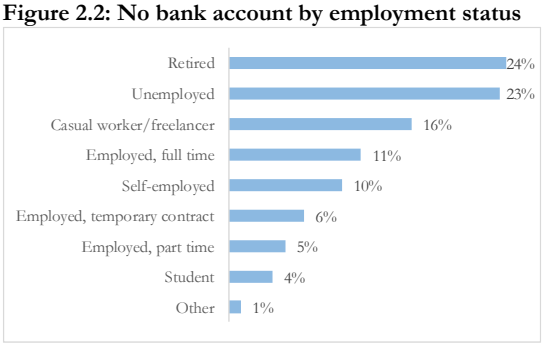
Figure 2.1: Local current account and reason for no account



2.2. NO BANK ACCOUNT BY EMPLOYMENT STATUS

Most respondents without a current account are retired (24%), unemployed (23%), or are casual workers (16%) (see Figure 2.2). Among the retired consumers, it may be that they receive their funds (such as a pension) on a savings account or in cash via the post office. Supporting this argument, 41% of retired respondents indicates having a savings account. Among the unemployed consumers and casual workers, it may be that they lack a proof of income to be able to open a current account. Surprisingly, some full-time workers do not have a current account (11%). Future research should look into this matter more in detail.

Figure 2.2: No bank account by employment status



2.3. CREDIT CARD POSSESSION

As indicated earlier, the possession of credit cards (USD/NAf.) is not so popular, only 18%/17% of respondents indicates having a credit card account (see Figure 1.1). Most of these respondents are between 35 and 54 years old (22%-30%) (see Figure 2.3a). The current research also shows that the higher the income, the higher the likelihood that respondents have a credit card account (USD/NAf.) (see Figure 2.3b).

These results can be related to the fact that banks require consumers to have a minimum income to qualify for a credit card, and the relatively high costs to have and use a credit card.

Figure 2.3a: Credit card by age group

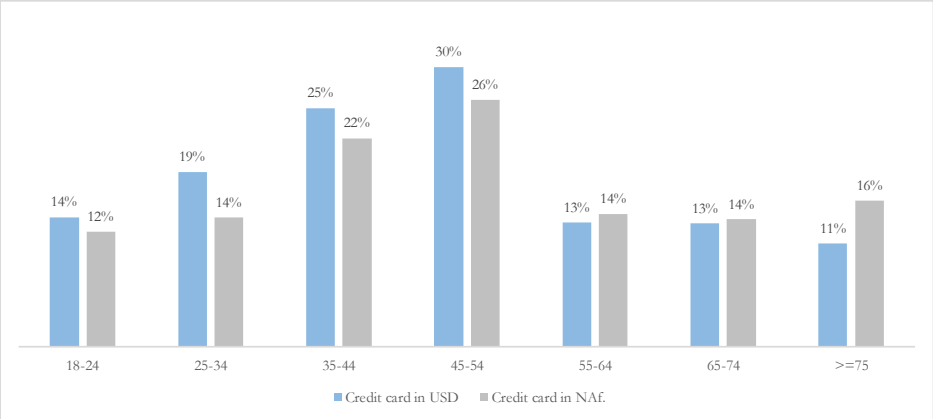
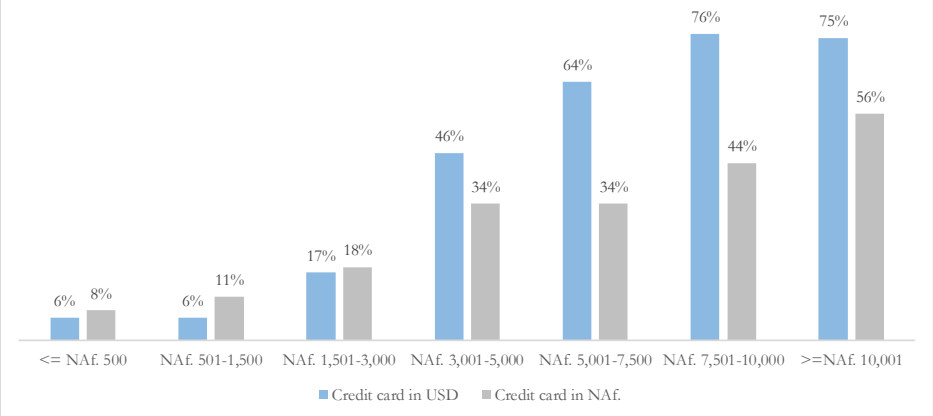


Figure 2.3b: Credit card by income



2.4. SAVINGS ACCOUNT POSSESSION

At most banks in Curaçao, it is possible to receive funds on and make payments with the savings account. Therefore, a savings account is often used as a replacement for a current account. As stated earlier, 52% of respondents indicates having a savings account (see Figure 1.1). It is interesting that the percentage of respondents with a savings account is relatively similar in all age groups (see Figure 2.4a).

However, this does not apply to income. The current research shows that the higher the income, the higher the likelihood that respondents have a savings account (see Figure 2.4b). This suggests that consumers with higher incomes have more financial room to save money.

Figure 2.4a: Savings account by age group

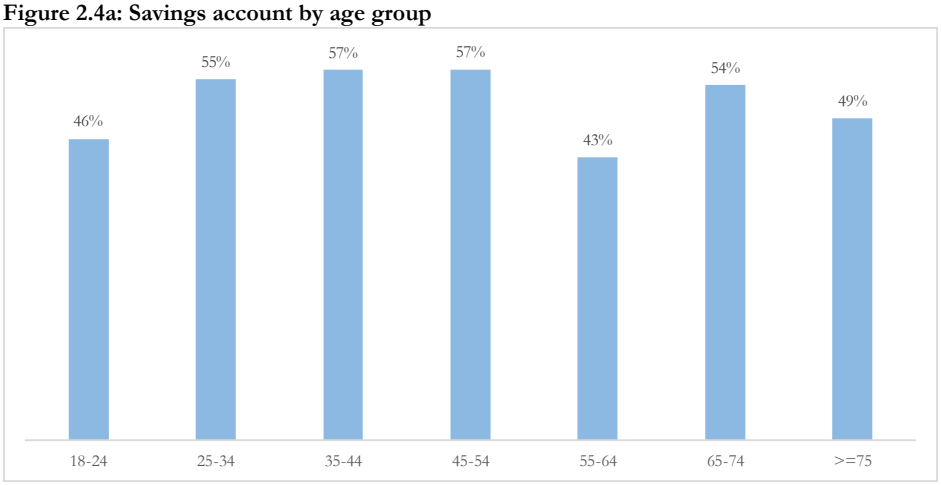
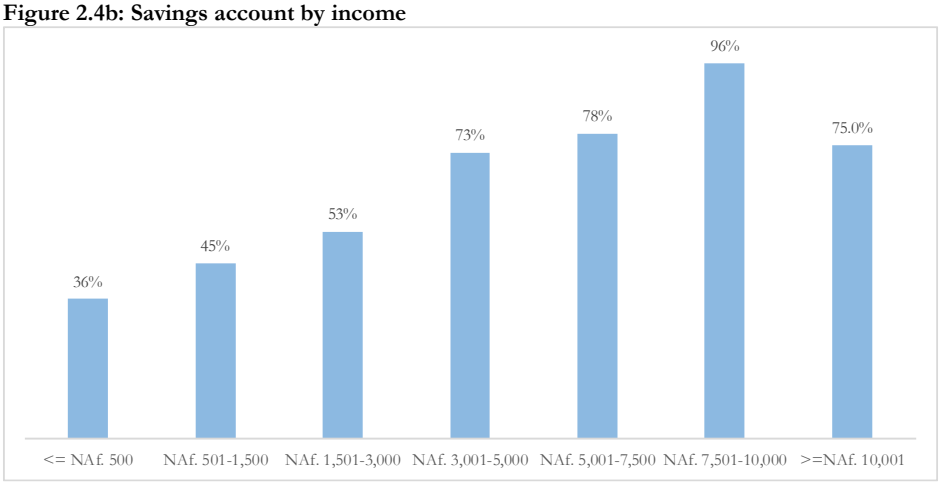


Figure 2.4b: Savings account by income

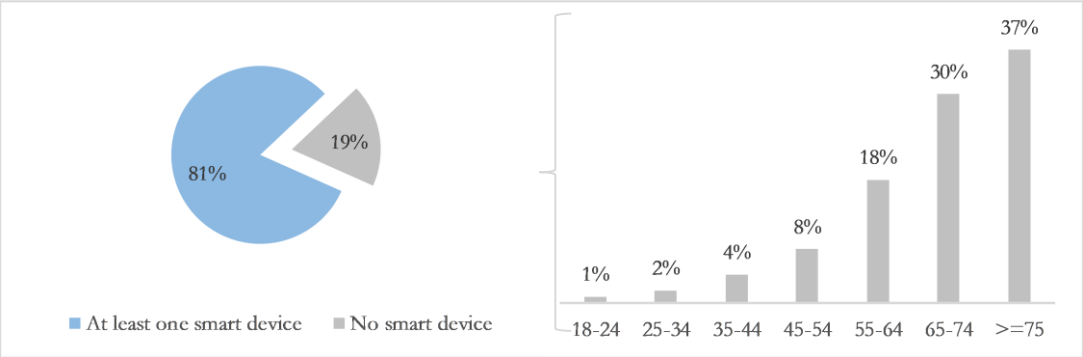


2.5. OWNING SMART DEVICES

In addition to the main financial inclusion topics discussed above, the current research assessed whether consumers have access to smart devices (see Figure 2.5). As indicated earlier, this can be considered as an indirect indicator of financial inclusion.

Results show that 81% of respondents have at least one smart device, whereas 19% has no smart device. Furthermore, the higher the age group, the higher the likelihood that respondents do not have a smart device. For example, 37% of respondents in the eldest age group has no smart device compared to only 1% in the youngest age group.

Figure 2.5: Possession of smart device



2.6. FREQUENCY OF INTERNET USE

Another indirect indicator for financial inclusion is (the frequency of) internet use. The current research shows that the higher the age group, the lower the likelihood that respondents use the internet frequently (see Figure 2.6a). On a daily basis, 92% of respondents in the youngest age group use the internet compared to only 36% in the eldest age group. Conversely, 56% of respondents in the eldest age group have no access to the internet or do not use the internet compared to only 5% in the youngest age group. When comparing the frequency of internet use by education, the results show that the higher the educational level, the higher the likelihood that respondents use the internet frequently (see Figure 2.6b).

Figure 2.6a: Frequency of internet use by age group

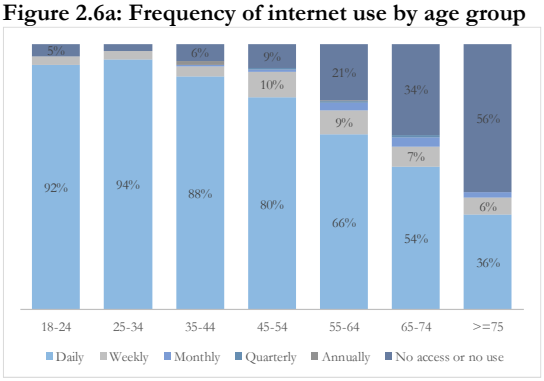
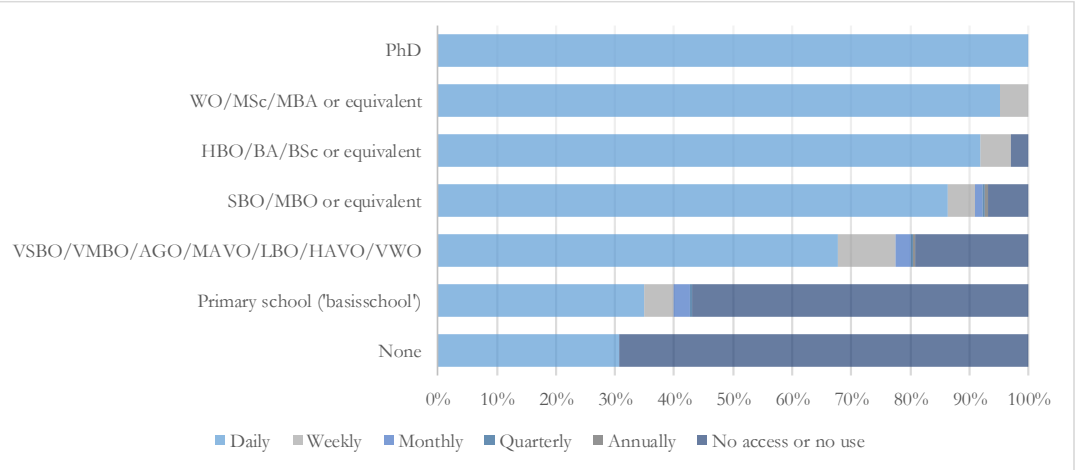


Figure 2.6b: Frequency of internet use by education

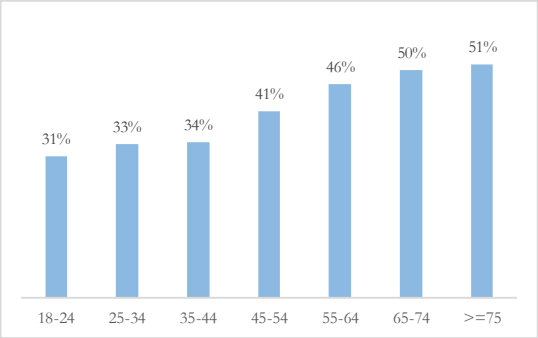


2.7. IMPACT OF REDUCING CASH IN CIRCULATION

Reducing a country's 'cash in circulation' means that the use of cash is limited and, therefore, electronic payments are preferred over cash. This also implies that some consumers may be excluded from the (formal) financial system because they only dispose of cash to conduct their payments.

The current research shows that reducing cash in circulation will impact slightly less than half of respondents (43%) (see Figure 2.7). Additionally, the higher the age group, the higher the likelihood that respondents think that reducing the use of cash will impact them.

Figure 2.7: Impact of reducing cash in circulation by age group



3. FINANCIAL LITERACY

3.1 FINANCIAL KNOWLEDGE

Financial knowledge concerns how well consumers understand financial matters. The current research analyzes both objective and subjective financial knowledge of consumers in Curaçao. Objective financial knowledge refers to consumer's actual knowledge of financial matters, whereas subjective financial knowledge involves consumer's confidence in their knowledge of financial matters (Robb & Woodyard, 2016).

The current research shows that almost half of respondents have high or very high confidence in their financial knowledge (47%) (see Figure 3.1a). However, only 23% of them provided correct answers to all knowledge questions regarding general financial matters (3 questions in total) and only 22% on CBCS matters (5 questions in total) (see Figure 3.1b). This suggests that some respondents have over-confidence (i.e., high subjective knowledge, but low objective knowledge).

This is not a desirable state, as earlier studies show that over-confidence results in poor decision-making (Thaler & Sustein, 2008). Conversely, under-confidence (i.e., low subjective knowledge, but high objective knowledge) is also not a desirable state because it leads to lower financial satisfaction (Robb & Woodyard, 2016). Following the approach of Lind et al. (2020), respondents are classified into high or low financial knowledge. Respondents' scores that are at or below the median score[5] are considered low, whereas those above the median score are considered high. In the current research, the median score of objective financial knowledge is 4 (range: 0-8) and that of subjective financial knowledge is 3 (range: 1-5). This classification results in four categories: (1) low objective and low subjective financial knowledge, (2) high objective and high subjective financial knowledge, (3) low objective and high subjective financial knowledge, and (4) high objective and low subjective financial knowledge.

Figure 3.1a: Subjective financial knowledge

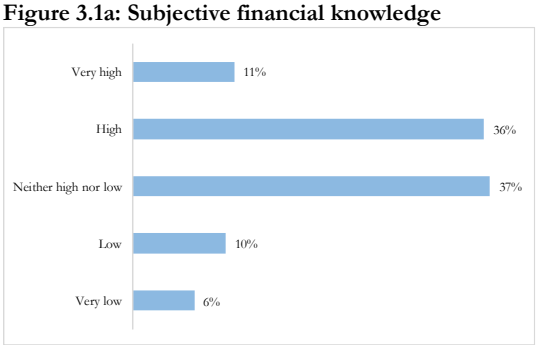
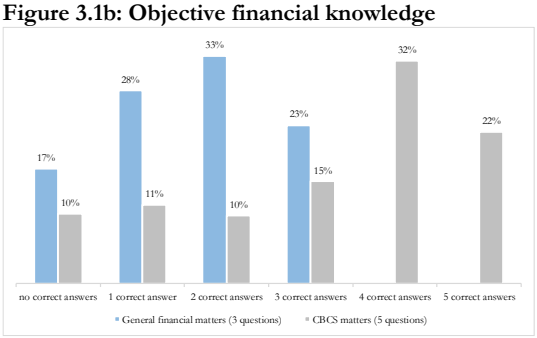


Figure 3.1b: Objective financial knowledge



[5]The median score is the middle number that separates the higher half from the lower half of the data.

Figure 3.1c: Combined financial knowledge

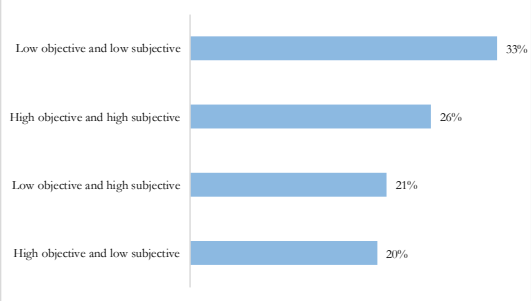
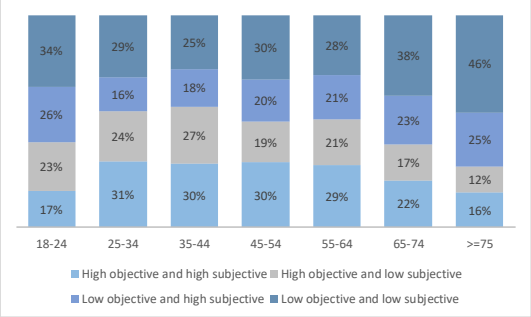


Figure 3.1d: Combined financial knowledge by age group



The current research shows that only 26% of respondents has both high objective and high subjective financial knowledge (see Figure 3.1c). The remaining respondents have both low objective and low subjective knowledge (33%), are over-confident (21%) or are under-confident (20%).

Regardless of gender, most respondents score low for both types of financial knowledge (female: 34%, male: 32%). Moreover, most respondents in the youngest age group (34%) and in the two older age groups (38% and 46%, respectively) have low scores on both objective and subjective financial knowledge, suggesting that financial literacy programs should particularly target these age groups (see Figure 3.1d).

Most respondents with high education (53%) or with middle education (30%) have high scores on both objective and subjective financial knowledge (see Figure 3.1e). On the other hand, most respondents with low education (42%) have low scores on both objective and subjective financial knowledge. Overall, the higher the educational level, the higher the percentage of respondents that scores high for both types of financial knowledge.

Furthermore, most respondents with high incomes (44%) have high scores on both objective and subjective financial knowledge, whereas most respondents with middle incomes (39%) or with low incomes (46%) have low scores on both types of financial knowledge (see Figure 3.1f). The overall pattern for income is similar to the pattern for education.

Figure 3.1e: Combined financial knowledge by education

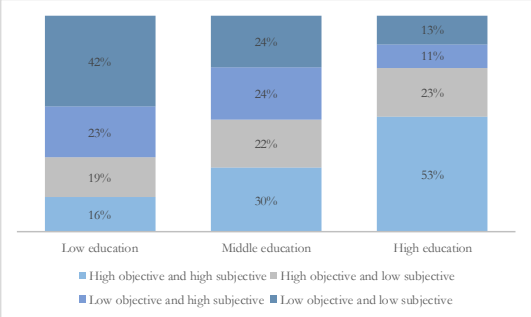
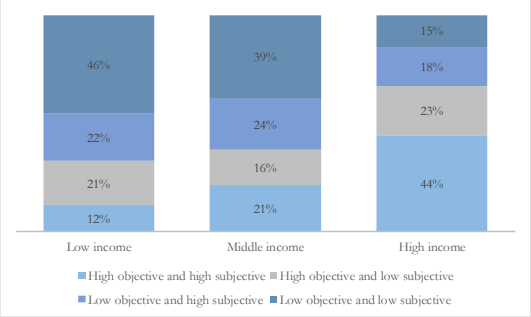


Figure 3.1f: Combined financial knowledge by income



3.2 FINANCIAL BEHAVIORS

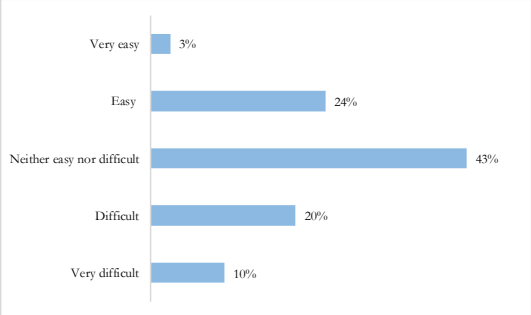
Financial behaviors involve all consumer's behaviors related to money management. The current research assessed three types of financial behaviors: (1) covering expenses and paying bills, (2) saving money, and (3) using credit and paying interest on the balance.

3.2.1. COVERING EXPENSES AND PAYING BILLS

Viewing the data on a scale from 1 (*very difficult*) to 5 (*very easy*), the average score regarding covering expenses and paying bills is 2.89[6], suggesting that an average consumer in Curaçao finds it neither easy nor difficult to cover his/her expenses and pay all his/her bills (43% of respondents) (see Figure 3.2.1a). It is possible that the respondents were undecided or did not want to express their opinion, for example, because they are just making ends meet.

The current research also shows that almost 1 in 3 respondents report finding it difficult or very difficult to cover their expenses and pay all their bills (30%) (see Figure 3.2.1a). Female respondents face more financial difficulties than male respondents, with 32% of females reporting that they find it difficult or very difficult to cover their expenses and pay all their bills against 28% of males.

Figure 3.2.1a: Covering expenses and paying all bills



Respondents within the 18-24 age group and those within the 55-64 age group face the most financial difficulties out of all age groups, with respectively 37% and 36% reporting that they find it difficult or very difficult to cover their expenses and pay all their bills, compared to only 18% of the 75 and up age group (see Figure 3.2.1b).

The current research further indicates that the higher the educational level, the lower the percentage of respondents that find it difficult or very difficult to cover their expenses and pay all their bills (see Figure 3.2.1c). This pattern is similar for income. These results indicate that consumers with higher education or higher incomes face less difficulty in meeting their financial obligations.

Figure 3.2.1b: Difficulty with covering expenses and paying all bills by age group

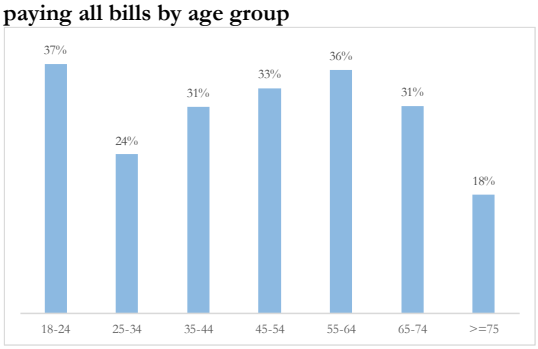
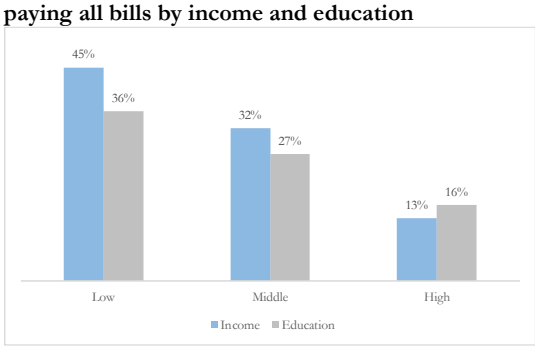


Figure 3.2.1c: Difficulty with covering expenses and paying all bills by income and education



[6]The standard deviation is 0.97.

3.2.2. SAVING MONEY

The current research shows that most respondents set money aside (63%), particularly for general savings without a specified purpose (41%), followed by emergencies (24%) and expenses in the future (17%) (see Figure 3.2.2a). More male respondents (66%) set money aside than female respondents (61%).

More than half of respondents (>58%) within all age groups set money aside (see Figure 3.2.2b). Of particular interest is that most respondents who set money aside are in the younger age groups, with 74% within the 18-24 age group and 72% within the 25-34 age group. This result is surprising, given that the income of young consumers is probably lower than that of older consumers.

Also interesting to note is that the higher the age group, the lower the percentage of respondents that set money aside. It is possible that older consumers enjoy less income and, therefore, can set less money aside. Alternatively, it may be that older consumers have already accumulated capital during their working years.

The current research findings also show that the higher the educational level, the higher the percentage of respondents that set money aside (see Figure 3.2.2c). This pattern also applies to income. These results suggest that consumers with higher education or higher incomes probably have more money available to set some of it aside.

Figure 3.2.2a: Saving money *(multiple responses)*

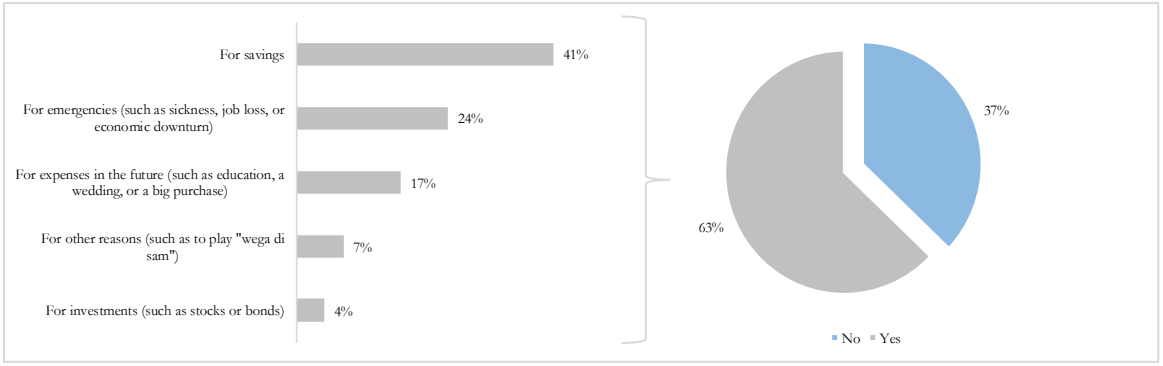


Figure 3.2.2b: Saving money by age group

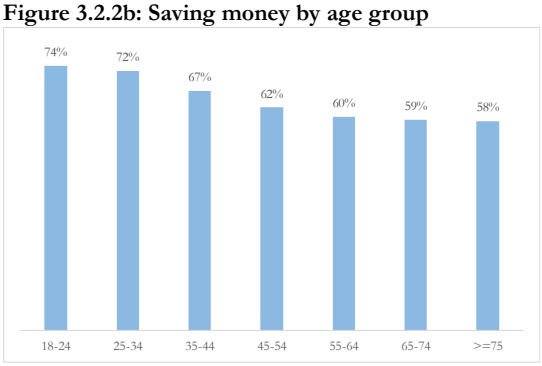
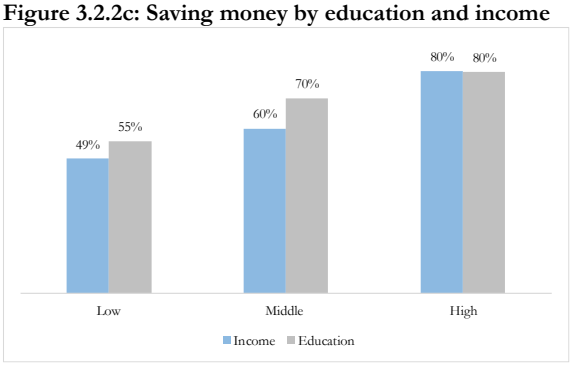


Figure 3.2.2c: Saving money by education and income

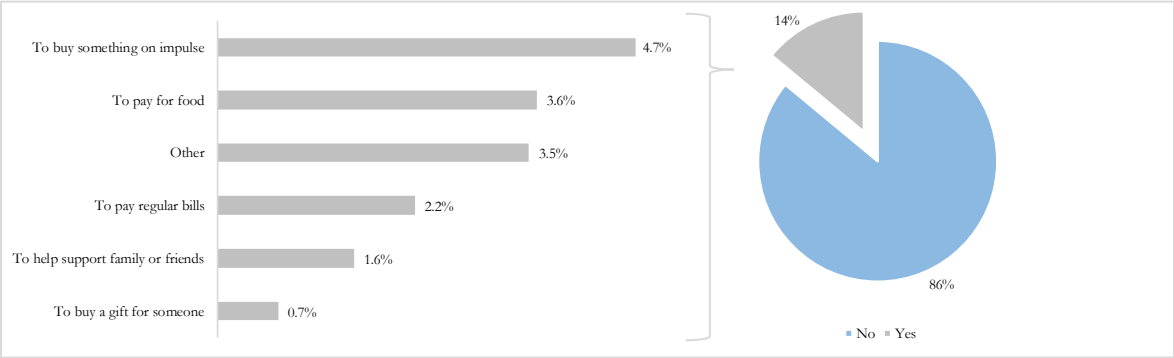


3.2.3. USING CREDIT AND PAYING INTEREST ON THE BALANCE

The current research shows that only few respondents (14%) used credit in the past 12 months and paid interest on the balance, especially to buy something on impulse (4.7%), followed by to pay for food[7] (3.6%) and for other reasons, such as to go on vacation or cover unanticipated expenses (3.5%) (see Figure 3.2.3a).

More female respondents (16%) used credit in the past 12 months and paid interest on the balance than male respondents (12%).

Figure 3.2.3a: Using credit and paying interest on the balance *(multiple responses)*



Less than 20% of respondents within almost all age groups used credit in the past 12 months and paid interest on the balance (see Figure 3.2.3b). The one exception for this finding is those within the 35-44 age group, with 23% reporting that they used credit in the past 12 months and paid interest on the balance.

The current research also indicates that the higher the educational level, the higher the percentage of respondents that used credit in the past 12 months and paid interest on the balance (see Figure 3.2.3c). This pattern also applies to income. These results suggest that consumers with higher education or higher incomes probably have more room to borrow money.

Figure 3.2.3b: Using credit and paying interest on the balance by age group

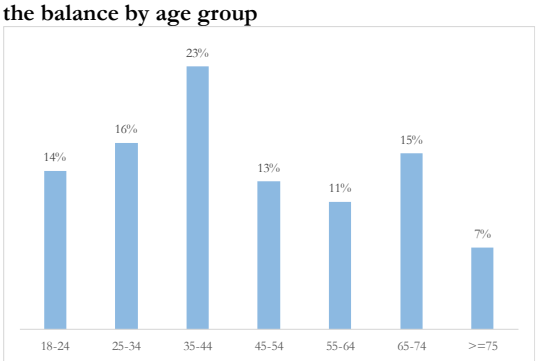
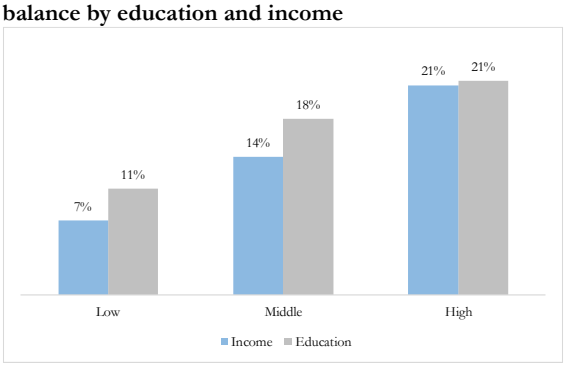


Figure 3.2.3c: Using credit and paying interest on the balance by education and income



[7]For example, some consumers buy food using credit coupons ('bon').

3.3 DEBT SITUATION

The current research shows that 39% of respondents has an outstanding debt on one or more loans, particularly for personal loans (50%), followed by mortgage loans (27%) and car loans (22%) (see Figure 3.3a).

Figure 3.3a: Outstanding debts on several loans *(multiple responses)*

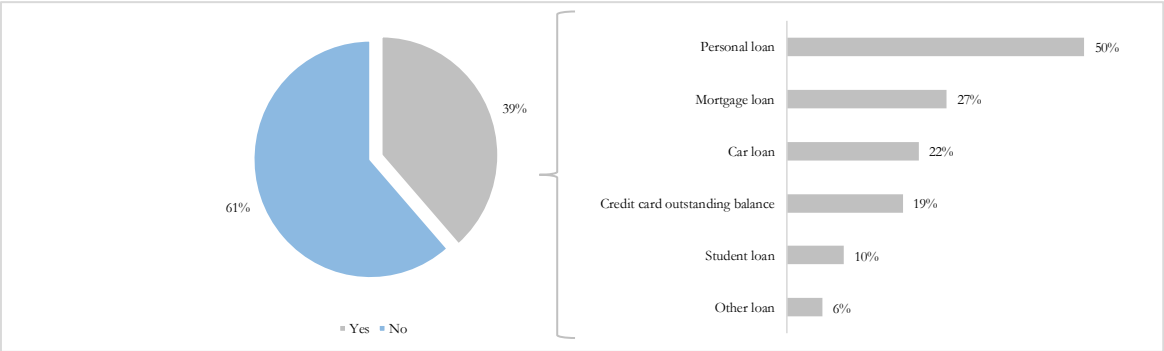
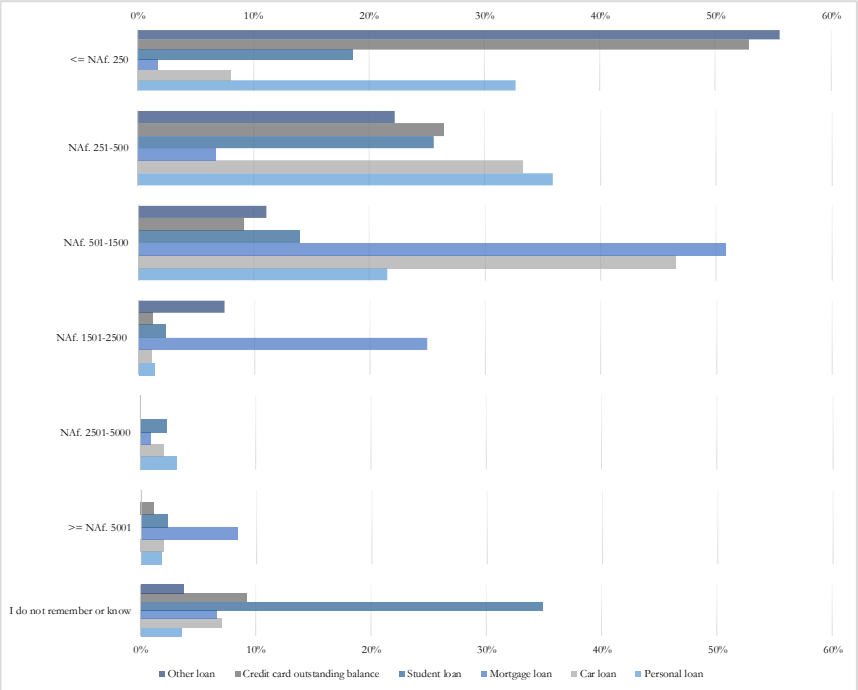


Figure 3.3b: Monthly debt repayment per loan



3.3.1. PERSONAL LOANS

Regarding personal loans, most respondents have a monthly debt repayment between NAf. 251 and NAf. 500 (36%), followed by 33% with a monthly debt repayment lower than NAf. 250 and 22% with a debt repayment between NAf. 501 and NAf. 1,500 (see Figure 3.3b). Moreover, most respondents borrowed money from a commercial bank (42%), followed by a credit union (29%) and a micro credit institution (21%) (see Figure 3.3c).

Furthermore, most respondents borrowed money to purchase materials or services related to their home (32%), followed by other reasons (mainly to purchase durable consumer goods, such as a washing machine or a laptop) (21%) (see Figure 3.3d).

3.3.2. MORTGAGE LOANS

Regarding mortgage loans, more than half of respondents have a monthly debt repayment between NAf. 501 and NAf. 1,500 (51%), followed by 25% with a monthly debt repayment between NAf. 1,501 and NAf. 2,500 (see Figure 3.3b).

Moreover, almost three quarter of respondents borrowed money from a commercial bank (73%) (see Figure 3.3c). Furthermore, as expected, most respondents borrowed money to purchase a home, land or an apartment (80%) (see Figure 3.3d).

3.3.3. CAR LOANS

Regarding car loans, almost half of respondents have a monthly debt repayment between NAf. 501 and NAf. 1,500 (46%), followed by 33% with a monthly debt repayment between NAf. 251 and NAf. 500 (see Figure 3.3b).

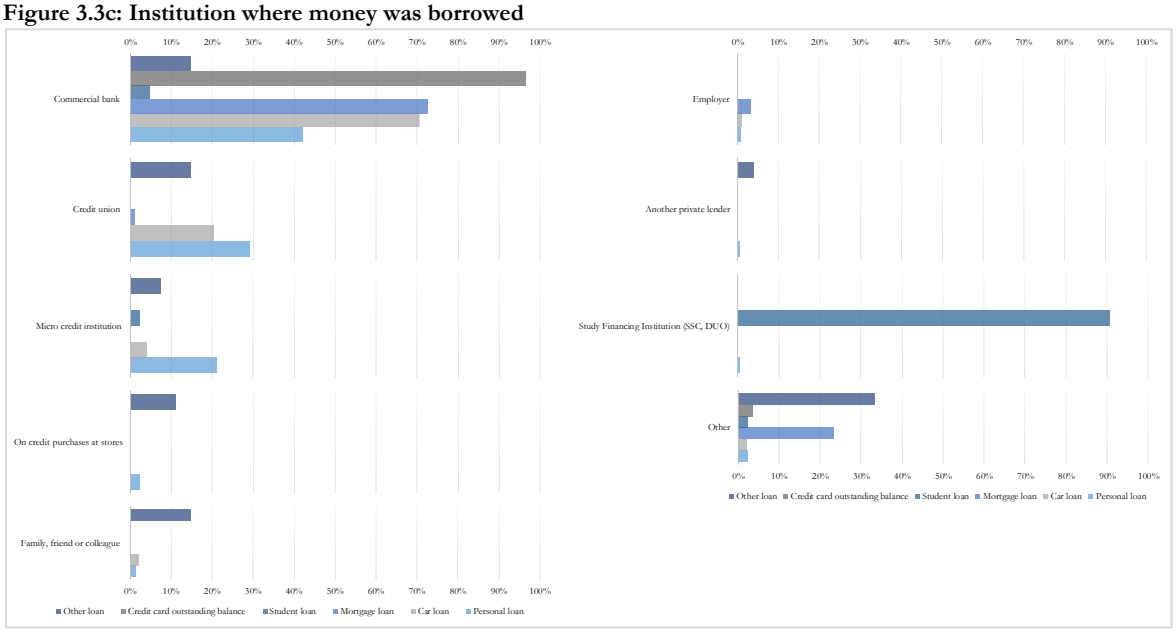
Moreover, most respondents borrowed money from a commercial bank (71%), followed by a credit union (20%) (see Figure 3.3c). Furthermore, as expected, all respondents borrowed money to buy a car (100%) (see Figure 3.3d).

3.3.4. CREDIT CARD OUTSTANDING BALANCES

Regarding credit card outstanding balances, more than half of respondents have a monthly debt repayment lower than NAf. 251 (53%), followed by 26% with a monthly debt repayment between NAf. 251 and NAf. 500 (see Figure 3.3b). Moreover, almost all respondents borrowed money from a commercial bank (97%) (see Figure 3.3c).

Furthermore, more than half of respondents (56%) borrowed money for a vacation, followed by other reasons (especially to purchase personal items online) (20%), and for consumption (13%) (see Figure 3.3d). Given that respondents with a credit card are mostly high-income earners, the latter result can be related to them using a credit card when, for example, eating at a restaurant.

Figure 3.3c: Institution where money was borrowed



3.3.5. STUDENT LOANS

Regarding student loans, more than a quarter of respondents have a monthly debt repayment between NAf. 251 and NAf. 500 (26%), followed by 19% with a monthly debt repayment lower than NAf. 251 and 14% with a monthly debt repayment between NAf. 501 and NAf. 5,000 (see Figure 3.3b).

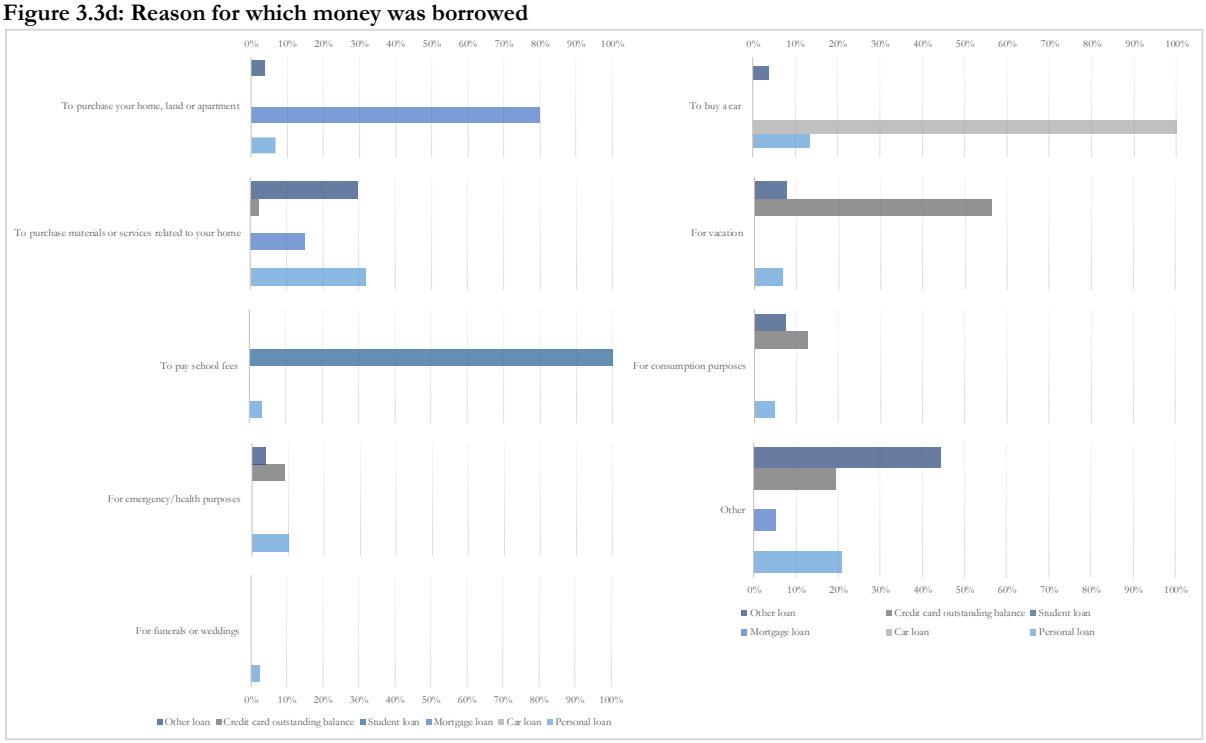
An interesting yet alarming result is that 35% of respondents report not remembering or knowing their monthly debt repayment on student loans. Moreover, almost all respondents borrowed money from a Study Financing Institution (SSC, DUO) (91%) (see Figure 3.3c). Furthermore, as expected, all respondents borrowed money to pay school fees[8] (100%) (see Figure 3.3d).

3.3.6. OTHER LOANS

Regarding other loans, more than half of respondents have a monthly debt repayment lower than NAf. 251 (56%), followed by 22% with a monthly debt repayment between NAf. 251 and NAf. 500 (see Figure 3.3b). Moreover, most respondents borrowed money from a natural person or an institution that was not specified in the survey (33%) (see Figure 3.3c).

This result provides an indication for the size of the informal market. Furthermore, most respondents borrowed money for other reasons (e.g., to cover water expenses, to pay for taxes or to purchase personal items) (44%), followed by to purchase materials or services related to their home (30%) (see Figure 3.3d).

Figure 3.3d: Reason for which money was borrowed



[8]Other student expenses, such as rent and groceries, are excluded.

4. FINANCIAL SATISFACTION

Financial satisfaction involves consumers' happiness with their present financial situation, and forms an important component of overall well-being (Robb & Woodyard, 2016). Viewing the data on a Likert scale from 1 (*very dissatisfied*) to 5 (*very satisfied*), the average financial satisfaction score is 3.07[9], suggesting that an average consumer in Curaçao is neither satisfied nor dissatisfied with his/her present financial situation (35% of respondents) (see Figure 4a). It is possible that consumers feel that their financial situation has room for improvement, for example, because they are just making ends meet or they have not achieved their financial goals yet. This result raises the question of what factors predict financial satisfaction in Curaçao to be able to help consumers experience it.

The current research also shows that more than 1 in 4 respondents (28%) report being dissatisfied or very dissatisfied with their current financial situation (see Figure 4a). Female respondents perceive their financial situation as worse than male respondents, with 30% of females reporting that they are dissatisfied or very dissatisfied, whereas 26% of males.

Respondents within the 35-44 age group and those within the 55-64 age group rate their financial satisfaction worst out of all age groups, with respectively 34% and 33% reporting that they are dissatisfied or very dissatisfied with their financial situation, compared to only 18% of the 75 and up age group (see Figure 4b). The latter result is remarkable because many older consumers tend to have only the old-age pension ('AOV') to cover all of their daily expenses. Thus, it can be that some of them are (financially) supported by their families or loved ones and, hence, are less dissatisfied with their financial situation. It may also be that some of them have accumulated capital during their working years and, hence, experience less financial worries.

Moreover, the current research indicates that the higher the educational level, the lower the percentage of respondents that report being dissatisfied or very dissatisfied with their financial situation (see Figure 4c). This pattern also applies to income. These results suggest that consumers with higher education or higher incomes are better able to live their life the way they would want to.

Figure 4a: Financial (dis)satisfaction

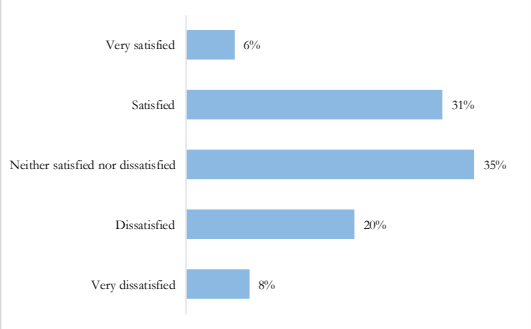


Figure 4b: Financial dissatisfaction by age group

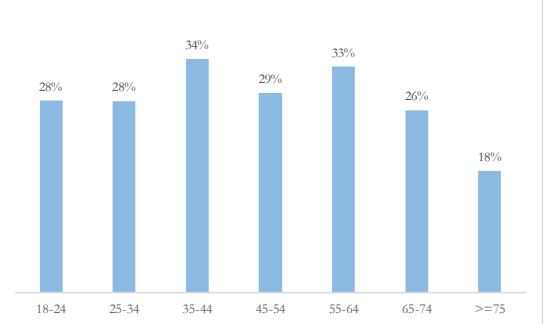
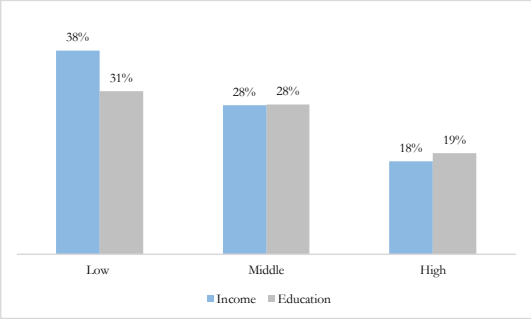


Figure 4c: Financial dissatisfaction by education and income



[9]The standard deviation is 1.03.

CONCLUSION

1. PAYMENT BEHAVIOR

- Cash is the most popular payment instrument in Curaçao. More than half of consumers in all age groups hold at least some cash on hand.
- Several consumers withdraw cash to pay for purchases (66%) and bills (47%), despite more efficient ways to do this.
- Cash is the main payment instrument for several products, particularly for building materials (83%).
- Younger consumers are more likely to withdraw cash at the ATM, whereas older consumers are more likely to withdraw cash in the branch.
- Online shopping (web shop) is not so popular. Less than 1 in 4 consumers shops online (23%). This probably stems from no access to and high costs of credit cards in USD, and the lack of local possibilities to pay online with a debit card. Younger consumers are more likely to shop online.
- More than one-third of consumers is not ready to limit or stop the use of cash (41%).
- Several consumers indicate that it is not easy to acquire a bank account (40%). This merits further investigation to eliminate or reduce barriers to open a (basic) bank account.
- Most consumers indicate that there is a need for a system to enable immediate transfer of funds (74%).
- Most consumers indicate that there is a need to reduce transaction costs (81%).

2. FINANCIAL INCLUSION

- Less than 1 in 4 consumers indicates not having a current account at a financial institution (16%). The most common reason is not having a salary slip or a proof of income.
- Less than 1 in 4 consumers has a credit card in USD (18%). Most of them are between the ages of 35 and 54 and earn NAf. 3,000 or more per month.
- Within all age groups, about half of consumers indicate having a savings account.
- The likelihood of having a savings account increases at a monthly income of NAf. 3,000 or more.
- Most consumers own or have access to smart devices (81%).
- Most consumers use the internet on a daily basis (70%). The higher the educational level, the higher the frequency use of the internet.
- Less than half of consumers will be impacted if cash in circulation is reduced (43%).

3. FINANCIAL LITERACY

- *Financial knowledge.* Particularly consumers younger than 25 years (34%) and those older than 64 years (38%-46%) seem to lack financial knowledge and confidence, indicating that financial literacy efforts should pay attention particularly to these age groups.
- *Financial behavior and debt situation.* Several consumers find it neither difficult nor easy to cover their expenses and pay all their bills (43%), probably illustrating that they do not want to express their opinion because their financial situation is not yet where they want it to be or they are just making ends meet. This finding is interesting, given that most consumers set money aside (63%) and barely used credit in the past 12 months (14%). On the other hand, several consumers had an outstanding debt on one or more loans (39%). Thus, the reason why most consumers did not use credit in the past 12 months can be related to their lack of financial room to borrow more money.
- Most consumers have personal loans (50%), followed by mortgage loans (27%) and car loans (22%).
- Credit card outstanding balances and other loans have the lowest monthly debt repayment (lower than NAf. 251), whereas mortgage and car loans have the highest monthly debt repayment (between NAf. 501 and NAf. 1,500).
- Except for student and other loans, most consumers borrowed money from a commercial bank (42%-97%).

- A remarkable result is that some consumers do not remember or know their monthly debt repayment on student loans (35%).
- Another notable result is that some consumers borrowed money from a natural person or an institution that was not specified in the survey (33%), thus probably referring to lenders in the informal sector.

4. FINANCIAL SATISFACTION

- Several consumers indicate that they are neither satisfied nor dissatisfied with their present financial situation (35%). This could suggest that they feel that their financial situation has room for improvement. For example, because they are currently just making ends meet.
- Alternatively, it may be that consumers have not reached their financial goals yet. Further research should look into the factors that predict the financial satisfaction of consumers in Curaçao, to be able to help them experience this desirable state. As indicated earlier, financial satisfaction has positive implications for consumers' overall well-being.

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