

## Financial management and satisfaction with life in colombians during confinement by COVID-19

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### SUMMARY

*The health emergency generated by COVID-19 has led governments worldwide to take measures, in some departments, and-or states more rigorously than in others, to control morbidity and mortality through measures of protection. The acquisition of services and supplies at high costs, the closure of the productive sector, and the obligation of confinement in most sectors have negatively impacted the economy in the state, business, and personal finances, affecting the quality of life of the population. Objective: To describe personal financial management and satisfaction with*

*life during confinement by COVID-19 in Colombia. Method: A descriptive quantitative study was carried out, in which 293 Colombians over 18 years of age, from all regions of the country. The Financial Management instrument and the Life Satisfaction Scale were used. Data analysis was performed with SPSS version 23 statistical software, using descriptive statistics parameters such as absolute frequencies and percentage graphs. Results: 66 % of the participants do not have additional income to the main occupation, 39 % have not paid their obligations promptly during confinement, 42 % consider that the economic situation has worsened compared to the previous year and state feel uncertain about financial commitments, 23 % of the sample stated that life circumstances are not right, expressing not feeling satisfied and 38 % require changing aspects of their lifestyle. Conclusion: Colombians experience satisfaction, conformity with what they have experienced in different aspects of life, despite the financial crisis generated by COVID-19.*

**Key words:** Financial management, quality of life, COVID-19, Confinement.

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### INTRODUCTION

Since December 2019, a universal, abrupt crisis began, the result of the pandemic caused by the new coronavirus, which affects humanity and impacts productivity as well as global and local demands, being a threat to health that puts social-economic stability at risk and politics globally. Colombia is not immune to this situation, as a result of the government measures taken to prevent the spread of the disease, which led to the temporary closure of some sectors such as the productive sector. Consequently, the unemployed with the June 2020 cut-off presented a national

rate of 19.8 %, increasing by 10.4 % points compared to the same month of the previous year (9.4 %) (1). Report on the labor market, taking the PILA Comprehensive Contribution Settlement Worksheet as a reference, shows that, in May 2020, 37.7 % of dependent labor relations presented a new contract suspension throughout the month, and on May 8, 3 % registered holiday news.

Faced with the crisis, the Colombian government has been implementing measures, among them, the Bank of the Republic initiated an expansive monetary policy by lowering the interest rate to 3.75 % to encourage investment, activate, boost and promote consumption that represents around 70 % of Gross domestic product (GDP) (2-3). Since the Presidency of the Republic, public spending has been increased (Expansive Fiscal Policy), providing subsidies to the low economic status people and in vulnerable conditions, in some cities, local governments have exonerated some public services. However, these policies have not been sufficient to cover the needs of this population and reduce the unemployment rate, which according to figures from the National Administrative Department of Statistics (DANE) increased in the first quarter of the year, which has led economics experts to qualify the situation as one of the most significant reductions of the last decade.

In addition to the above, the difficulties that the business sector has in accessing credit lines from both the first and second-tier banks; In March, Bancoldex allocated two credit lines for 600 000 million, one for the tourism-aviation sector and the other for all sectors except the primary sector (agriculture) (4). Government aid is not enough to cover the business and social demands generated by the health crisis, and there are several difficulties in obtaining them due to the requirements, according to a survey carried out by the National Federation of Traders (FENALCO), 55 % of companies between March and April, contacted financial entities requesting loans to obtain liquidity and to be able to maintain their human capital, stating that the interests, demands, and conditions of the banks were too high, creating direct obstacles for suc

The increase in public spending will generate in the future the use of austerity policies that

will have repercussions on social investment. Thinking about fiscal measures to increase income, tax reform in this time and context are counterproductive, due to the economic recession in which Colombia finds itself. On the other hand, if the debt falls, the interest will be high in the medium term and will affect the country's investment projects (6-8).

Without ignoring that the "health emergency" measure decreed by the national government to cushion the effects of the crisis caused by COVID-19, added to the mandatory preventive isolation since March that the first cases were reported in Colombia, have tried to address the challenges at the level of health, social assistance and reactivating economic activities. However, all these measures have not been enough, and the period of confinement is increasingly extended in time, which ends up harming the quality of life of citizens that their finances have been affected. Therefore their well-being conditions decrease as they do not have sufficient financial resources to cover the commitments previously acquired and domestic expenses that may arise.

A very recent United Nations (UN) report issued in June 2020 on the economic crisis of COVID-19, exposes a discouraging outlook if social protection measures are not taken. Factors such as the closure of schools, the death of fathers and mothers, the reduction of remittances, the lack of work in general, and the increase in informal work will leave millions of children in the world exposed to exploitation, human trafficking, and forced labor (9).

The UN has warned that factors such as health, education, and quality of life (QoL) have worsened inequality gaps due to the pandemic. According to UN estimates that 60 % of the school population in vulnerable conditions are not receiving education due to the closure of educational centers and places global unschooling at levels unprecedented since the eighties of the last century. This fact implies a setback at the level of human development, with developing countries such as Colombia being the ones most at risk, so these countries have fewer resources to manage the social and economic effects of the pandemic (10).

The preceding reveals essential needs to attend to reduce the equity gap, and these are the new

needs of the 21<sup>st</sup> century, internet access, which allows us to take advantage of the benefits of the-education, telemedicine, and working from home (10). The UN has proposed five priority steps to face the coronavirus crisis, and they are:

- Protect health systems and services.
- Improve social protection.
- Protect jobs, small and medium-sized enterprises, and workers in the informal sector.
- Apply macroeconomic policies that benefit all people.
- Promote peace, good governance, and trust to reinforce social cohesion.

Studies carried out by experts in economics, social development, health, and human development show how the impact of the economy at a global level generates changes in the quality of life and well-being of people, putting the poor and vulnerable population at greater risk. Independent workers and the production sector that employs millions of people; Therefore, the study carried out in the Colombian population aims to describe how personal financial management may or may not affect satisfaction with life during confinement due to COVID-19 in Colombia.

## METHOD

A descriptive and cross-sectional quantitative research was carried out, in which 293 people over 18 years of age with an average age of 35 years participated, of which 199 were women (68 %) and 94 men (32 %), from the departments of Cesar, La Guajira, Magdalena, Atlantico, Bolivar, Cundinamarca and Risaralda, Colombia. A non-probabilistic sampling was carried out, the procedure for the detection of the participants was performed by sharing the scope of the study and sending the questionnaires employing email to managers, administrators, heads of human talent of companies in the sectors: mining, educational, commercial, industrial, agricultural, financial, arts, health, communications, energy, construction, forestry, transportation, with which from the Psychology program of the Andean

Area University Foundation it has internship agreements or strategic relationship through the Institution headquarters and they were asked to share the information with their employees or officials so that they could answer the questionnaires voluntarily. The responses were collected during May 2020.

### Inclusion criteria

People over 18 years of age, who had an average reading level, residing in Colombia.

### Psychological tests and measurements were employed in this study

*Personal Financial Management Instrument* is a Likert-type scale designed and validated by the authors of the study that consists of 20 items and evaluates: expenses, obligation payments, types of products acquired during confinement, purchase modalities, use of financial relief offered by the state, request for bank loans, savings capacity, business diversification, financial goals, spending plan, investment, emotions generated by financial obligations. The total internal consistency of the instrument was 0.926; the scales showed Cronbach's alphas between 0.625 and 0.875. An exploratory factor analysis was performed using the Varimax rotation statistical technique and confirmatory factor analysis using the *AMOS* statistical software.

*The Satisfaction with Life Scale (SWLS)* is a brief instrument with five elements, on a 7-point Likert scale, from 1 as "strongly disagree" and 7 as "strongly agree", with scores between 5 and 35 and that assesses the general satisfaction that the individual has with his life, understanding that a higher score reflects greater satisfaction (11). The translated and adapted version in Spanish was used, classified with the following normative data: 31-35, very satisfied; 26-30, satisfied; 21-25, a little satisfied; 20, neutral; 15-19, a little dissatisfied; 10-14, dissatisfied, and 5-9, very dissatisfied (11-13).

The validation of SWLS in the Colombian context denotes a single factor that explains 62.3 % of the total accumulated variance, as well as a general Cronbach's alpha of 0.839, positive

correlations between all the items, and appropriate agreement between the elements and the score corrected total (11).

### **Data analysis**

Once the information was obtained, the Google Docs Excel file was exported, organizing the data for subsequent statistical analysis, handling descriptive statistics such as percentage graphs through the use of the statistical software SPSS version 23.

### **Ethical aspects**

Due to the sanitary measures taken in the country, the need arose to virtualize the instruments through the Google Docs tool and share the link through email, social networks, and WhatsApp, explaining the scope of the research, objectives, inclusion criteria, responsible researchers, data management and protection and an informed consent sign, clarifying the anonymity preservation of the information provided.

## **RESULTS**

### **Characteristics of the participants**

In the research, we found that 32 % are women and 68 % are men, in the sociodemographic stratum, 10 % corresponds to stratum 1; 23 % to 2; 34 % to 3; 16 % to 4; 8 % to stratum 5 and 9 % to stratum 6. The 11.90 % are student, 6 % housework, 2 % general operations, 23 % freelancer, 45.6 % employee, 10.50 % unemployed, 1 % to pensioner.

### **Personal financial management**

The results indicate that 75 % of the participants have between 1 and 6 people under their economic responsibility; only 25 % do not have people under their charge. The majority of the participants (66 %) have only one source of income, while 33 % have income in addition to their primary occupation. 60 % of the sample state that their income is not sufficient to cover their expenses

and those of the people under their responsibility, while 39 % consider that it is enough. Income is sufficient to cover your expenses and those of his dependents. It is noteworthy that for 60 % of the participants, expenses have increased during confinement, especially the price of the products they purchase for the family basket. At the same time, 47 % consider that expenses remain the same.

### **Payment of financial obligations and purchase of products during confinement**

40 % of the sample stated that during the confinement due to COVID-19 they had not paid their obligations in a timely manner, 60 % did not express difficulty in this regard. It was found that 68 % of the participants during confinement have not been able to continue acquiring the products they consumed before the pandemic, while 32 % have been able to acquire them normally.

### **Purchase method during confinement**

In Colombia, despite confinement, not so many virtual purchases are made; the most used means are homes and face-to-face purchases 40 %, virtual 18 %, and home 42 %. It would be important in another study to know the reasons that set the trend in this regard and, according to the results, propose strategies that help to encourage the Colombian population to use virtual channels and avoid crowds when buying.

### **Financial relief, investments, and savings during confinement**

The health crisis has generated uncertainty in the Colombian population at the level of personal finances, the information provided by the participants shows this, which means that during confinement they refrain from spending more, making investments, and availing themselves of financial relief that has offered by banks such as freezing of fees and payments. A small percentage of people have made investments such as housing arrangement, gym adaptation, acquisition of products to sell, franchise, studio, and real estate.

**Colombian financial situation during confinement**

A considerable number of Colombians surveyed (42 %) consider that their financial

situation is worse compared to previous years, only 9 % state that it has been better and with good medium-term prospects (Figure 1).

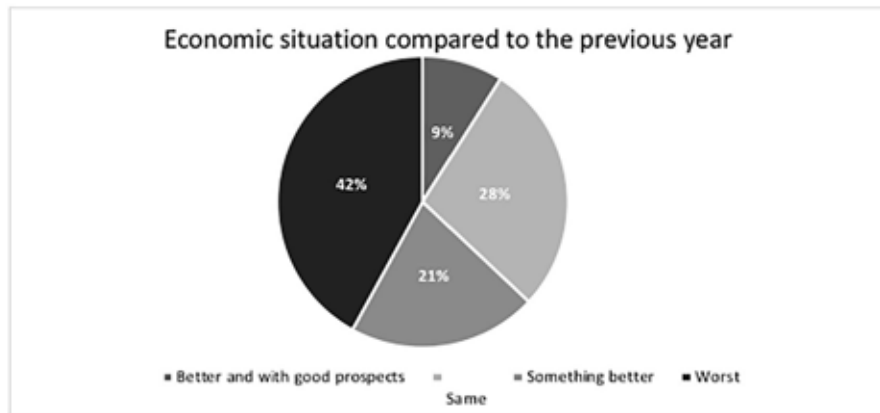


Figure 1. Colombian economic situation concerning the previous year of confinement by COVID-19. Source: Data set by Cudris et al. (18).

When inquiring about the emotion that participants feel when thinking about the financial commitments they have made, 50 % express that they feel uncertainty because they do not know how they will be able to pay them if the confinement lasts for a longer period and sadness

since they feel that they will not they are relieved, while the other 50 % of those surveyed state that they feel joy and tranquility because they have under control the payment of commitments and others say they have no debts; therefore they do not feel any type of emotion (Figure 2).

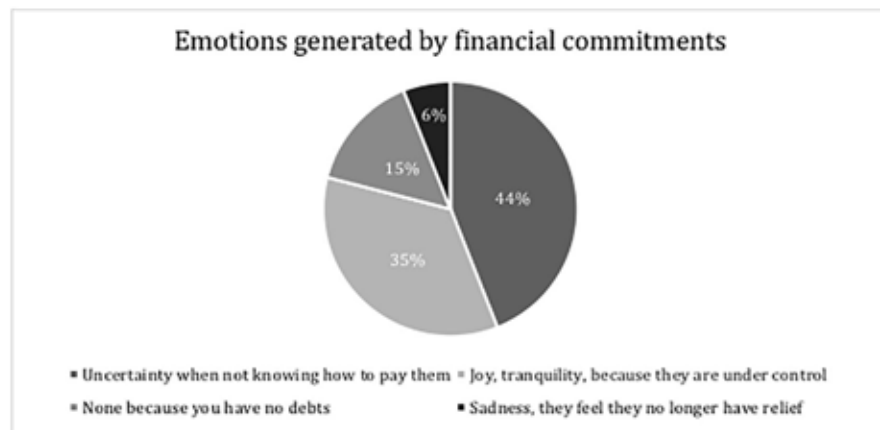


Figure 2. Emotions generated by acquired financial commitments. Source: Source: Data set by Cudris et al. (18).

**Satisfaction with life during confinement**

The statistical data allow us to infer that, despite the economic crisis generated by the COVID-19 pandemic, most of the Colombians surveyed feel satisfied with life, perceive the circumstances that it offers them as well, and feel satisfied with what lived, they have achieved in life the things that they consider necessary and

they feel content with most aspects of life that are as they wish.

Although the Colombians participating in the study have experienced feelings of uncertainty because they do not know how they will pay their financial commitments if their income continues to decline and they are unemployed in the context of the pandemic, their way of perceiving satisfaction with life has not changed (Figure 3).

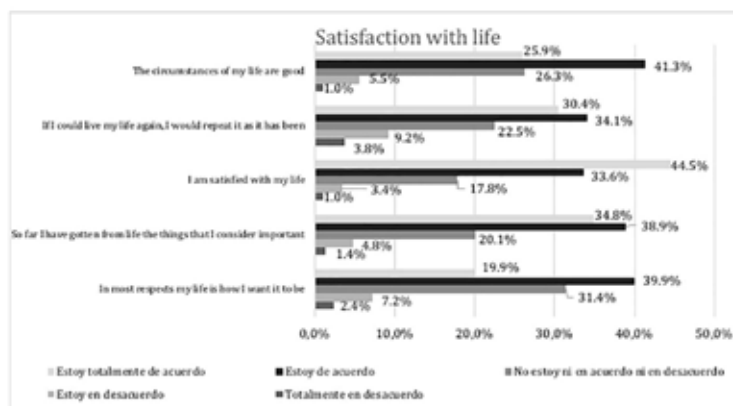


Figure 3. Satisfaction with life Colombians experiences during confinement due to COVID-19. Source: Data set by Cudris et al. (18).

**DISCUSSION**

The financial crisis generated by the new coronavirus pandemic has affected the economy worldwide and more so in developing countries such as Colombia, who will recover more difficultly from the impact it leaves, a situation that is reflected in the financial management of citizens (1-8), who state that products have increased during confinement, which has caused that they are not acquired in the same way as they were before the pandemic and that a high percentage of study participants they have not been able to pay their commitments on time; It is also important to highlight that 42 % of those surveyed report that their economic situation is worse compared to previous years.

FENALCO reported on the access barriers that the business sector and the common citizen

in Colombia have to access loans since the requirements are many and they are not fully met (4,5), which could save this is related to the results found in the study since most of the interviewees did not request loans during confinement and a high percentage have had difficulty paying on time the commitments acquired before the pandemic.

The Colombian has shown discretion in financial management, although most of those interviewed have not been able to save, the truth is that they have not shown a tendency to get into debt and have tried to comply with their obligations, respecting the projections of their budgets. Note that they avoid making investments, which may be related to the feeling of uncertainty produced by the current situation that has spread in the country.

Although in several reports, the UN has shown a wide inequality gap at the human

development level occurring in the short term due to the pandemic, health, education, and social development sectors (9,10). This phenomenon would negatively impact people's quality of life, generating a setback in social investment, exposing millions of children to child labor, and an increase in human trafficking.

These reports issued by the UN coincides with the economic context of countries such as Colombia, Argentina, Mexico, the Dominican Republic, Nicaragua, and Venezuela, in which the most vulnerable groups, such as people working in the informal economy, will suffer the greatest impact of the economic recession. As a consequence, there will be an increase in informality and unemployment, a crisis in the health sector and social protection systems will be insufficient, among other aspects (21,22).

In Colombia the tourism sector has been dramatically affected, which has increased unemployment at a formal and informal level since thousands of families are economically dependent on this sector, similar cases are found in countries such as the Dominican Republic, Argentina, Italy, New Zealand, Puerto Rico to mention a few, where people's quality of life depends on these incomes (21,22).

However, Colombians, despite the economic crisis and the uncertainty generated by financial commitments that cannot pay on time, and the job instability of those who work in the productive sector or as self-employed, have a positive perception of satisfaction with life, the circumstances that surround it and the achievement of personal goals, which lead them to feel that most of the aspects that surround it are they wish (14-16).

### CONCLUSIONS

The study carried out is the first in Colombia that analyses personal financial management and satisfaction with life, highlighting in the results that Colombians have the right coping strategies, an optimistic attitude, and a high capacity for resilience. Even though the financial management of the Colombian during the confinement by COVID-19 has been affected by the economic crisis derived from the health

emergency, unemployment, increased prices of products in the market, temporary closures of some sectors among other measures taken to prevent the spread of disease.

The previous is interpreted positively since the economic crisis has not affected the satisfaction with life experienced by Colombians, who express that most of the aspects are as they would like, consider that life circumstances are good, perceive that until now they have achieved the things that are important and if they could live life again, most report that they would not change anything, that is, they feel comfortable and satisfied with who they are and have (17-20).

Another aspect to highlight in the personal financial management of the respondents is the planning and compliance with the projected monthly budgets, establishment of a purchasing plan, comparison of prices in the market to choose the most suitable product, leaving aside luxury expenses and expenses investments.

In future studies, it is convenient to delve into situations, facts, and events that motivate the Colombian to feel satisfied with life in the face of complex or critical situations in which different results would be expected.

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