

ANALYSIS OF THE APPLICATION OF ACCOUNTING SCIENCE TO FAMILY LIFE TO AVOID DEBT AND LOANS

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Abstract

In household life, it is required to manage household finances carefully, so that finances are controlled and avoid unwanted things such as debt and loans. The purpose of this study is to show how the application and role of accounting in the household consists of four aspects, namely budgeting, planning, recording and decision-making to prevent debt and online loans. The method in this study is descriptive analysis through a phenomenological paradigm. Data collection techniques through observation, interviews and documentation. The informants in this study were 10 housewives with a minimum diploma background in economics. The results of the study show that housewives carry out household financial planning by dividing the current needs that have been planned at the beginning of the month. The media used for financial records is a notebook or journal book that is written simply. Financial decision-making is carried out with the husband. The role of accounting in the household helps informants to plan household finances so that they can control household finances wisely.

Keywords: Budgeting, Planning, Recording and Decision-making, Household Accounting, Debt and Loans.

Introduction

Humans go through many phases of life, one of which is the phase of being married. Marriage is a form of human effort in meeting biological, psychological, financial and other needs (Wahyu et al., 2016). Households are the basis of analytical units in many microeconomics, social models, and governments and are an important part of economics (Yulia, 2016).

Globalization has a great impact on human life, including in the field of technology. With globalization, slowly at this time in the field of finance in Indonesia began to be innovated by the electronic platform system. This makes it easier for people to carry out financial activities. The emergence of financial technology will make it easier for Indonesia people in any region, including those in rural areas, to access technology-based financial services (Wijayanti, 2022).

Several companies flock to meet the needs of the community ranging from the cost of housing, vehicles, insurance, and education. This is related to the development of technology, namely the increasingly sophisticated internet, now there are types of online loans that are increasingly mushrooming in Indonesia. Online loans are relatively easier and faster when compared to savings and loan cooperatives or bank loans, which sometimes have complicated requirements. In addition, online loans also do not require collateral or collateral at all.

As the times are more advanced, the level of consumption of household needs will be more diverse and unlimited. So that sometimes married couples to meet a consumptive lifestyle make online loans the fastest and easiest solution to meet their needs and lifestyle. The complexity of the needs in the household requires married couples to master financial management so as not to get entangled in debt or online loans. The effect of illegal online loans is not only the large interest. However, it can have an impact on the life of the borrower

Including messy households to suicide. This happens because the borrower is unable to pay. In the end, they have a much bigger impact on problems such as selling houses, messy households and suicide cases due to tangled loans.

In reality, what becomes a burden in the household if the spouse is unable to manage finances in the household will only disturb the harmony in the family (Yuliana et al., 2020). Many cases in households are economic problems. Difficulties in completing debt payment obligations and immature financial planning often trigger divisions in households.

The existence of accounting science is a guiding pillar in managing finances. Although there are still many of our people who think that accounting science is only limited to business. Household financial management has illustrated the value of accounting practices such as transparency and accountability (Yulianti, 2016). The concept of accounting practiced by accountants in household life is generally practiced through four activities, namely budgeting, record-keeping, decision-making and long-term financial planning (Nortcott & Dollin, 2000).

Budgeting is a technique to organize the planning, control and management of assets in the family. The accounting activities carried out can lead to achieving collective goals in the family (Chrisandi, 2018). Recording itself is a tool to monitor how much expenditure is made. Decision-making activities are long-term and short-term investments in financing household financial activities. The development of the idea of Mental Accounting Theory as a framework for family financial decision-making (Nur Eka, 2016). While basically, every family has a financial plan to avoid overspending and unexpected sudden expenses, so they will plan their finances for the long term carefully.

In carrying out this financial activity, married couples have their own roles. So that the couple's ability to relate to good and regular financial governance and an understanding of accounting science is very important in the household. The basis of a family to plan and make decisions always comes from the socio-economic ability of the family (Komori N, 2012). Accounting practices are very helpful in managing finances effectively. With the previous presentation, this study aims to see how the application and role of accounting in the household consists of four aspects, namely budgeting, planning, recording and decision-making to prevent debt and online loans.

Literature Review

Accounting

According to Jerry J. Weygandt et al. (2007) accounting is an information system that records and communicates economic events from an organization to stakeholders. Accounting is the art of recording, identifying, and summarizing transactions and events of a financial nature in an effective way and in the form of monetary units, and the interpretation of the results of the process (Suwadjono, 2010). According to Professors Albrecht and Stice, accounting is a business language that records financial transactions. Meanwhile, according to Donal E., accounting is a process consisting of three activities, namely identifying, recording, and communicating. The three activities are carried out by the organization to be aimed at all interested parties or those in need.

In general, accounting is an information system that distributes reports to users of accounting reports or to parties who have interests (stakeholders) in the performance results and financial condition of the industry. Accounting is business communication, where business data is communicated to stakeholders through accounting reports (Hery 2016). According to Tompodung, Sondakh, and Kalalo (2021), accounting is a process of collect, identify, classify, and record all transactions and financial-related events. The process generates financial information that is useful for accounting users to make decisions.

Household Accounting

Accounting is actually not just a science to look at balance sheets in a company. Accounting is also not just a science to find out how much a company's debits and credits in a period lasts but can also be applied in household life. Accounting can be described as a very valuable science, so it can be used as an effort to strengthen people's lives in the context of household financial management (Yuliana, Setiawan, and Auliyah 2020). Household accounting can be defined as the implementation of financial management in the household that applies accounting aspects (Yulianti 2016).

Household accounting is implemented on the basis of self-desire and is flexible because there are no rules or provisions that regulate it. It is different from accounting applied by government or business organizational units that have standards and guidelines in recording and reporting (Espa 2011). Household accounting is needed in managing financial income and expenses, considering that increasingly complex living conditions and needs make every family member able to maintain their survival (Suarni and Sawal 2020).

Planning

Household financial planning is a mechanism to achieve household life goals through planned financial management in the short and long term. One of the goals of financial planning is to avoid a family financial situation that is experiencing a deficit, because it will cause debt which in the future will give rise to various problems in the household (Probowati 2021).

Financial planning is not only related to organizations or companies, but also financial planning is not necessarily related to business or commercial activities. Financial planning is also important information that every individual or family must understand. Financial planning will help families sort the income received into their functions that will be used to achieve family financial goals (Hasanah 2019).

Budgeting

Budgeting is an important accounting technique in household accounting. Budgeting is the process of identifying, estimating the ability of the income earned to be allocated to valuable expenses to achieve family goals. Doing good budgeting planning is necessary to meet needs in the future and be a backup in estimating all possibilities and uncertainties in the future (Yulianti 2016).

Budget can be defined as a document that contains work estimates, both in the form of receipts and expenditures displayed in monetary measures that will be achieved in a certain period of time by including past data as a form of control and performance assessment. The most important part of household accounting and highly recommended is budgeting which provides facilities to control, manage and control finances in the household (Nur Eka, 2016).

Recording

Recording is an activity to ensure the handling of repeated company transactions. Based on this statement, record-keeping is the creation of accounting records, events that occur and are measured in a planned and systematic manner. Recording sources of household income and expenditure is the right action to see and control household expenses.

Yulianti (2016) explained that household financial records can be used as a means to prove and assess the propriety of expenditure issued by households. The process of recording in the household is also very much needed because it is part of each budgeting planning. Financial recording means that every form of need in the household must be recorded, because by carrying out the recording the family financial process can be well controlled, housewives will also know how much money is income, whether it is daily, weekly, or monthly (Mulyani and Budiman 2018).

Decision

Decision is the process of finding a problem from the background of the problem, identifying the problem, until a conclusion is reached. Conclusions have been used as a basic guideline for decision-making. In decision-making, it requires caution in its application. Everyone has their own way of thinking about family financial decisions and the decisions made need to be considered carefully to avoid financial problems (Hasmi 2019).

Decision-making is the way in which each individual and group combines timely information to choose one of several possible actions (Baron, Branscombe, and Byrne 2009). The financial condition in the family is greatly influenced by family decisions. Therefore, wise decisions are needed to manage the family economy. If the family has more money, it is usually used for future interests and there will be a choice on how to use the money for future interests, whether to save (save) or invest.

Methods

This study uses a qualitative research method with descriptive analysis through a phenomenological paradigm. Phenomenology is research that explains the experiences experienced by a person. The data source used in this study is primary data. The informants in this study are working and non-working mothers with backgrounds after a minimum diploma education in economics residing in the Batam area selected through purposive sampling techniques. This is intended so that the informant understands and is able to explain his views because he has knowledge in the financial field. The data collection techniques in this study are through observation, interviews and documentation.

Results and Discussions

Accounting Practices in Household

Accounting has many functions and roles in all aspects of life. According to most people, accounting is only used in business or business activities, but it can actually be used in managing household finances. In this study, I conducted interviews with several mothers in Batam city who have diplomas, bachelor's and master's degrees in economics and they all agreed that accounting can not only be applied in business but can also be applied in managing household finances. According to Mrs. Meta, who is a master of economics in accounting applied in the household, the function of controlling household finances can create a sense of security and transparency between family members.

According to Mrs. Rina, accounting practices in the household can be applied even though the practice is simple and not as complex as accounting in business activities. This is also emphasized by Yuni that accounting can be used in the household because members of the household, namely husbands, wives, and children are economic actors where there are financial income and expenses that must be managed properly and wisely. The accounting practice applied by the informant is basically carried out on the basis of his own will, adjusted to the needs of the family, not bound by any rules so that it is very flexible to be applied. However, there are some informants who do not apply one of these aspects of accounting, namely financial records. Of the informants I interviewed, only 3 out of 10 people did financial records. Even out of 10 informants, only 6 out of 10 informants applied accounting in the household to control family finances.

Accounting in the household is actually not a difficult thing to implement, but sometimes it is still underestimated even though there are many benefits obtained from the application of accounting in the household. The difficulties experienced by the informants are not due to the difficulty of the recording practice, but the difficulties arise from the reluctance of the informants to apply them.

Household Financial Planning

The informant carries out financial planning by dividing the current needs that have been planned at the beginning of the month when getting a salary or income. For example, Mrs. Rita, she always separates the budget for mandatory needs such as paying house installments, car installments, children's tuition fees, wifi, and electricity and water bills which are always paid at the beginning of the month. Mrs. Rita does this so that there is no burden because her obligations have been paid, so that the rest of her husband's salary and other income after separation can be used for daily needs.

The income earned by a family needs to be managed to meet current and future needs. Financial planning is the process of planning short-term and long-term financial goals. In addition to planning to meet the needs of each month, it is also necessary to plan for the future. Interview with Mrs. Zika about long-term financial planning in the form of savings or investments.

In carrying out financial planning, the informants replied that there were no obstacles in carrying out financial planning. However, according to Mrs. Zika, sometimes in financial planning it is not in accordance with what is planned. Emergency funds in household financial planning when facing the worst situations.

Household Financial Recording

Informant is a cash recording activity, which is recorded when money has been received or issued during financial transaction activities in the household. The media used by the informants is a notebook or journal book, this happens because the informants have been accustomed to recording family finances in a notebook for a long time and have never recorded in software media because they are already comfortable writing family financial records in a notebook or journal.

Household Financial Decision-Making

In managing family finances, it is inevitable if there is a mistake in doing so, such as there are large expenditures that exceed income, causing family finances to become a deficit. To overcome the problem of household financial deficits, decision-making is necessary. This decision-making process involves the husband as the head of the family and the breadwinner so that the husband's role in decision-making is great.

In an interview with Mrs. Lisa, she said that decision-making can be made by herself if the transaction nominal is small. However, if the value of the transaction to be carried out is large, it will be negotiated with the husband with the consent of the husband. It is the same with Lena's mother that she often makes decisions with her husband.

The informants make decisions in the household by considering the financial condition of the household. This activity will be easier if you look at the records of household financial statements. Of course, it will be more difficult to make household decisions if you do not record finances because you do not have a history of previous family financial transactions.

The Role of Accounting in Household Finance to Avoid Debt and Loans

The role of accounting in the household helps informants to manage household finances better and in a targeted manner, because with financial planning, financial recording is wise and disciplined can produce financial statements that describe healthy and effective financial conditions. This accounting is very necessary because if it is not planned and managed correctly, there will be overbudgeting. The existence of overbudgeting makes the family go into debt or take out loans to cover the shortcomings in meeting needs.

The existence of household accounting, implementing financial planning, financial recording, and financial decision-making, will result in good financial statement records. The informants explained that they used the report as a comparison between the current month and the previous month, so that it could be evaluated for the next month's financial planning process. The evaluation process of family finances is carried out with the hope that household finances in the future will become more stable and controlled and there is money that can be saved.

The Importance of Accounting in the Household

The researcher obtained information from several informants. The results of interviews from ten informants all stated that accounting is very important. The reasons why the informants apply household accounting, researchers can conclude, as follows:

- a. To find out the amount of expenses and income of his family in one month.
- b. To train honesty in the use of money.
- c. To manage family finances so that primary and secondary needs can be separated.
- d. To control income and find out other expenses outside of monthly needs.
- e. As an evaluation material once a month.

Conclusion and Suggestions

Based on this study, the informants have applied accounting in the household, namely planning, recording and decision-making. The role of accounting in the household helps informants to plan household finances so that they can control household finances wisely. Financial recording as an evaluation material for financial planning in the next month. In addition, accounting plays a role so that household finances are not as big as stakes, or other terms overbudgeting which causes family finances to become a deficit. Of course, to cover this, they go into debt or take loans.

Advice for housewives in doing financial records to try to use electronic media to make it easier to record finances and avoid losing financial record reports.

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