

Mental Accounting and Heuristics in Personal Finance Management in Students of the Faculty of Economics and Business (Case Study: On Unworking Students)

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Abstract: Because parents no longer have much control over their children's shopping and consumption choices, students must develop good money management skills in order to make wise financial decisions. Often they spend carelessly and irrationally when they don't have good money management, resulting in poor money management. The purpose of this research is to find out how heuristics and mental accounting can be used in personal financial management. This research was conducted mainly on unemployed students at the Faculty of Economics and Business, Tanjungpura University, Pontianak. A descriptive qualitative approach was used in this investigation. The findings show that the majority of research respondents are still in the process of learning to use mental accounting, and the use of heuristics by FEB UNTAN students is still lacking. Three main factors contribute to poor mental accounting and heuristic implementation: low motivation, limited experience, and lack of information. Even though the post sorting has been completed, for students who have used mental accounting. However, this is impossible to achieve in practice because respondents' financial decisions (heuristics) usually use them to consume rather than save or invest.

Keywords: Heuristics, Mental Accounting, Financial Management, Students

INTRODUCTION

Since students now have greater autonomy than their parents to choose how they want to shop and spend their money, they must be able to manage their money well in order to make the best financial decisions (Mulyadi et al., 2022). Inadequate personal money management among students can lead to impulsive spending and a frugal mindset, which can ultimately lead to poor money management. What is happening now is that many students still exhibit consumptive behavior. A person's personal financial management will be disrupted if this is done routinely. Based on initial observations made by a number of FEB students at Tanjungpura University, Pontianak, many students are still unable to manage their finances. The pocket money given by their parents is only used for consumptive behavior, such as overeating, traveling, eating at cafes and coffee shops, going to the cinema, and buying other luxury goods such as cellphones, clothes, and branded shoes. They are also unable to save for the future. Because of this situation, they cannot save the rest of their salary, making it impossible for them to cover unexpected costs such as medical emergencies, college

practical fees, purchasing course books, and so on. According to research by Asaff et al. (2019), in general, students are not yet able to control every expense they make, because they still follow their ego in making decisions. Items that should not be purchased, due to several factors, decide to buy the item. When purchases may not be followed by what is actually needed. This is because students generally still have difficulty distinguishing between needs and wants (Amelia, 2020).

Students are often less wise in planning their finances, especially in prioritizing needs. A common misconception among students is the assumption that wasting pocket money is normal, even though this pattern can have negative impacts. Many students spend their pocket money at the beginning of the month for less essential needs, so that in the middle or end of the month, they run out of money while their basic needs have not been met. This phenomenon shows that they do not apply the principle of good "mental accounting", where each expenditure item should be arranged according to needs. As a result, they often get caught in financial difficulties. Students' lack of understanding in managing finances also causes a lack of knowledge about financial heuristics, which are simple mental strategies for making the right financial decisions.

Without this strategy, students tend to use an impulsive approach in spending money. As a result, their financial planning becomes ineffective, and they experience short-term financial problems. Therefore, education related to mental accounting and effective heuristics is very important to help students be wiser in managing their finances, so that they are able to meet their needs better and avoid financial crises.. The ability to organize, assess, and make judgments about money is known as mental accounting (Hadi, 2022). Heuristics, on the other hand, are useful guidelines that help decision making, especially when resources, knowledge, or time are limited. This is especially true when it comes to student financial management. The idea behind mental accounting according to Wahono & Leng (2022), is that the funds you have will automatically be allocated for needs. Students who adopt an accounting mindset can benefit from it by developing self-control when managing their money. Heuristics, according to Febrianty et al. (2023), are also guidelines that can be applied to help speed up information processing when making decisions. While reducing the complexity and time required to make decisions, students who use heuristics can concentrate on the material that is important for financial management. However, if students are still unable to think about how to use money wisely, heuristics can backfire and cause financial decisions to be biased. This study seeks to investigate and describe the concept of mental accounting and heuristics in the context of personal financial management among unemployed FEB students at Tanjungpura University.

LITERATURE REVIEW

Behavioural Accounting

According to Insani et al. (2018), behavioral accounting is a subfield of accounting that studies how accounting systems and human behavior interact. The term "accounting system" encompasses various management control tools, including control systems, budgeting, responsibility accounting, organizational designs

(centralized or decentralized), cost collection methods, performance appraisal systems, and financial reporting mechanisms. These tools help manage and evaluate an organization's financial activities and performance.. In more detail, the scope of behavioral accounting includes investigating the impact of human behavior on the design, implementation, and use of accounting systems applied in business, including how management attitudes and leadership styles affect the nature of accounting controls and organizational architecture (Warongan et al., 2024; Morasa et al., 2024). The study of how accounting systems affect human behavior, especially motivation, productivity, decision making, job satisfaction, and cooperation. Methods for influencing human behavior involve using accounting systems to guide decision-making, control actions, and align behaviors with organizational goals. Behavioral accounting has similarities with behavioral science and accounting science. According to Berelson & Steiner (1964), behavioral science is the study of human behavior. Behavioral science is the human component of social science.

Mental Accounting

Individuals or family groups utilize mental accounting, according to Insani et al. (2018), as a series of cognitive processes to plan, assess, and manage their financial operations. There are advantages to mental accounting, such as making money management simpler. According to Supriyono (2018), the three aspects of mental accounting that receive the most attention are as follows. The first part discusses how results are perceived and felt, and how choices can be made and subsequently assessed. Data for ex-ante and ex-post cost-benefit analysis comes from the accounting system. Activities in certain accounts, including sources and uses of funds (expenses) expressed in real terms and in the mental accounting system, are the second part of mental accounting. Expenses can be classified into several groups (housing, food, etc.), and budgets, either explicitly or tacitly, can sometimes limit spending. The amount of money spent is also recorded, either as an investment (cash, home equity, retirement wealth, etc.) or as a flow (income). The frequency of account assessment and review (classification) is the last aspect of mental accounting (Hartono et al., 2020). The recording can be done daily, monthly, annually, or otherwise, and can be detailed broadly or narrowly. In other scenarios where decisions must be made under uncertainty, dynamic mental accounting analysis will provide excellent guidance (such as investment). According to Langoday et al. (2023), mental accounting has three important purposes, including: Value function against a reference point, defined as relative gain and loss. This shows the piecemeal character of mental accounting when the focus is on changes, especially in the level of wealth as in anticipated utility theory. Rather than being analyzed together with other transactions, these transactions are often valued separately. Sensitivity will be shown through the gain and loss functions. This shows a convex loss function and a concave gain function. The Weber-Fechner rule, a fundamental psychophysical concept, states that the difference between \$10 and \$20 appears larger than the difference between \$1000 and \$1010. This design illustrates this law. The function is to avoid losses. If losing \$100 is more unpleasant than gaining \$100, satisfaction can be calculated as $v(x) < -v(-x)$.

Prospect Theory

Kahneman & Tversky (1979), developed prospect theory, which basically combines two scientific fields: psychology and economics (psychoeconomics), which among other things examine how people behave when making decisions about the economy. two choices. The descriptive method of Prospect Theory focuses on the actual decision-making process. In fact, prospect theory is quite basic. Starting from the findings of Kahneman's research (2017), on human behavior in decision-making that is considered strange and paradoxical. Two different actions are displayed by the same research individual who is given the same choice but with the same words. In his research, Faidah et al. (2018), identified the principles of prospect theory, namely Value Function and Framing. The value function reflects the relative advantages and disadvantages in comparison to a reference point. In anticipated utility theory, the focus on changes, such as wealth levels, emphasizes the unique nature of mental accounting, where individuals evaluate gains and losses separately. These transactions are often assessed independently, without being combined with other transactions. Framing, as a method of presenting information, plays a critical role in influencing user evaluations. It demonstrates how different ways of presenting the same information can significantly impact decision-making (Lin et al., 2019; Sarwindah, 2022). This concept highlights the psychological factors involved in how individuals perceive financial outcomes and make judgments based on context.

Heuristik

Heuristics, according to Sari (2021), are useful recommendations to speed up information processing when making decisions. If applied properly, heuristics can be very helpful because they can save time and energy needed to make decisions. Heuristics will simplify decision making when resources such as time, information, and abilities are limited (Barida, 2017; Rizal, 2024). However, if heuristics are applied incorrectly, this can also lead to bias in judgment. The use of heuristics in decision making has two advantages, namely saving a lot of time for decision makers because they have a strong basis and usually produce the right answers (Insani et al., 2018). Types of heuristics include Availability Heuristics, Representativeness Heuristics and Confirmation Heuristics (Suartana, 2007). Availability Heuristics is a quick decision-making strategy (mental shortcut) based on information that is easy to remember in the mind. When we make decisions or consider something, we often rely on information that is easier to understand and remember. When choosing an option, several relevant incidents or circumstances come to mind at once. The representativeness heuristic refers to the subjective analysis of an object based on its similarity to its population. The confirmation heuristic is the tendency of a person to look for evidence that supports a conjecture or hypothesis that he believes to be true, but ignores or fails to look for evidence that contradicts his conjecture or hypothesis, even if the contradictory information is more valuable

Financial Management

Financial management encompasses all activities related to acquiring and allocating funds effectively (Kusmawati, 2022; Jaya et al., 2023). From an accounting

perspective, it is a carefully crafted plan aimed at preventing future financial problems. Financial management focuses on the processes of managing financial resources, which include budgeting, investing, and controlling costs. It involves determining how funds are acquired, used, and allocated within an organization. The financial management process ensures that resources are used efficiently and aligned with organizational goals. The core functions of financial management are obtaining, using, and controlling funds. It plays a crucial role in ensuring that financial decisions lead to sustainable growth and financial stability. Those responsible for financial management must ensure that funds are utilized optimally and placed in the right investments to generate returns or achieve specific objectives (Samsurijal Hasan, 2022; Sitinjak et al., 2023). This requires comprehensive financial planning, risk management, and strategic thinking to minimize financial uncertainties. In short, financial management is essential for organizations to maintain fiscal health, meet financial obligations, and achieve long-term goals. By understanding and implementing sound financial management practices, organizations can improve their financial performance and minimize risks. This disciplined approach ensures that resources are efficiently allocated and financial goals are met, contributing to the overall success of the organization.

METHODS

This study states that proper and wise decision making affects mental accounting so that it can be developed based on previous research and literature review. Heuristic strategies are used in the right decision making variables in this study. Heuristic strategies are used in the right decision making variables in this study. Students can manage, decide, and assess their finances more skillfully and efficiently by combining mental accounting with heuristics. While heuristics help students make decisions more easily by applying useful rules, mental accounting helps students organize financial expenses into multiple accounts. One type of research used in this study is qualitative research using descriptive methods. The purpose of qualitative research is to understand the events encountered by research participants (Sugiyono, 2016). Heuristics and mental accounting are used as independent factors in this study, while financial management is used as the dependent variable. To characterize mental accounting and heuristics in FEB UNTAN students, the researcher used qualitative descriptive techniques. From the beginning of the planning process to data analysis, this research took place at Tanjungpura University, Faculty of Economics and Business Pontianak for four months (February–May 2024). Primary data collected through direct interviews and recording are the types of data used in this study. This study uses various methods, including observation, interviews, and documentation, to collect data. The purposive sampling technique was used in this study to identify informants, namely respondents who are FEB UNTAN students who are registered in class and who are not working. The researcher calculated that there were 12 students who became informants based on informant estimates. This study employed descriptive research, utilizing field data collection to gather information from respondents.

Descriptive research focuses on describing respondents' actions or behaviors, which are then systematically converted into data. The collected data is analyzed to identify patterns, trends, or insights. From this analysis, conclusions are drawn, providing a clearer understanding of the subject matter. This method is particularly useful for studies aiming to describe existing conditions or phenomena in detail. Data reduction, data visualization, and formulation of conclusions are data analysis in this study.

RESULTS & DISCUSSION

The strategy to achieve financial goals through efficient money management is financial planning. Especially for students who must be independent in managing their money, financial planning is very important. If students are not working, having a financial plan can help them make the most of their limited resources to get more measurable costs or savings. Effective financial planning usually includes financial planning that is carried out every certain period, grouping finances into certain items starting with needs that must be met periodically, investment needs, including long-term and short-term investments such as savings, entertainment needs, setting aside money for charitable purposes, and other urgent needs that must be met immediately, and grouping finances into certain categories that are reviewed and resolved periodically. The three aspects of mental accounting that receive the most attention are as follows according to Syafitri (2018). First, there are feelings and experiences of the consequences; second, there is the ability to make decisions and then evaluate them. Input for ex-ante and ex-post cost-benefit analysis is provided by the accounting system. The second part of mental accounting consists of actions in specific accounts, including mental accounting systems and sources and uses of funds (expenses) stated in actual terms. Budgets, both explicit and implicit, can sometimes be used to control spending and categorize expenses (housing, food, etc.). In addition, money spent is labeled as investments (cash, home equity, retirement wealth, etc.) and flows (income). The frequency with which accounts are assessed and read is the final aspect of mental accounting. A more detailed definition of the record can be given. It can be done daily, weekly, annually, or other schedules.

Based on the research findings, the majority of participants did not use mental accounting for their financial management. Due to several things, including the limited experience of students because they do not have enough knowledge in grouping expenses into categories correctly, the mental accounting attitude that is lacking in FEB UNTAN students has not been applied. In general, research participants showed that they did not know the concept of mental accounting attitudes. Varying and understanding the importance of each category; students' inability to handle money properly, thus preventing them from applying financial management techniques; and lack of student motivation due to their belief that allocating funds to other accounts or purposes is unnecessary because it is considered less significant.

To balance their demands at all times, some research participants use mental accounting, dividing their pocket money into multiple accounts. FEB UNTAN students usually group their accounts into four categories: emergency needs, investment or savings needs, entertainment needs, and routine needs (food, transportation, etc.).

Based on a number of variables, including parental education, level of accounting and financial education, residency status, and personal financial experience, FEB UNTAN students who have adopted mental accounting were identified. Students who use mental accounting allocate their funds physically, using multiple savings accounts, digital wallets, and piggy banks; other respondents, on the other hand, reported allocating their funds mentally, using one storage space and their minds. Only their memories. In addition, for a number of respondents who use mental accounting, the nominal amount of each account is chosen based on their typical spending patterns and past experiences. Lifestyle, social environment, and trends are fundamental aspects that determine the nominal amount. Regarding the handling of extra money, such as bonuses or gifts from parents, most respondents said they prefer to spend it on shopping rather than increasing investment or savings. Since some respondents admitted that they did not have a big goal if the pocket money they received was set aside for long-term savings, the student heuristic played a role in the decision. In addition, respondents said that they believed that the money they earned was easy to obtain because they often received pocket money from their parents. Monthly and weekly financial assessments were completed by students. The evaluation aimed to ensure spending stayed within budget by reviewing and monitoring cash distribution, ensuring funds were allocated and used efficiently according to the financial plan. The financial planning for the next period was based on the conclusions of the evaluation. However, even after the assessment was completed, lifestyle choices and impulsive spending tendencies often resulted in less disciplined financial management. The use of mental accounting was not entirely ideal for respondents who had done it. Disregard for money and social pressure to make impulsive purchases were the main factors. Respondents often overspent because of their desire to conform to social norms.

CONCLUSION

Based on research data "Mental Accounting and Heuristics in Personal Financial Management" involving students of Tanjungpura University, Faculty of Economics and Business Pontianak, it is known that most respondents of FEB UNTAN students are still unable to use mental accounting in their financial management. Knowledge gaps, experience gaps, and low motivation are the main reasons why mental accounting is not used. In fact, mental accounting has not been implemented properly, even though it has been done. Trends, social environment, and lifestyle all contribute to this. Respondents' financial decision-making usually involves the application of heuristics for consumption purposes rather than saving or investing. This shows how often students spend money that they can easily earn. Some students conduct periodic financial evaluations (weekly or monthly) to monitor the distribution of funds and ensure that spending remains within budget. However, because lifestyle, the surrounding environment, and shopping behavior have an impact on students, there is often indiscipline in managing money. This study suggests that finance students should be taught how to apply mental accounting. Students who are implementing financial management manage their finances based on their needs, from primary to secondary needs. The realization of this plan must be constant and not affected by external factors.

except in critical and urgent situations. To obtain more precise and easily understood results, it is recommended to expand the research object and include more variables in further research.

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