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# An Evaluation of Household Accounting in Kema, North Sulawesi, Indonesia

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## Abstract (12pt)

In general, the people who lived at coast were easily involved in the poverty circle, this thing surely caused by the uncertain income. Because of this thing, then there should have been a good financial management in living a daily life. To be able to do this thing, of course there should have been a good role in a family, either as a head of the family or as a housewife. Besides that, there should have been also someone who was good at managing the household finance, therefore the role of the accounting was very important in the arrangement process of simple finance report of the household. With this background, the writer took a decision that the purpose of this research was to know about how the arrangement of family finance report in increasing the income of the coastal people in North Minahasa Regency at Kema Village. This research used qualitative method. This research also used questioner and direct interview with the research object, so that the achieved result could give a positive impact and could be a main project for the other villages. This research would give a result which could be made as a recommendation for the North Minahasa regency, especially at Kema village. This research would also be able to make the Kema village as a main project of coastal people empowerment in managing the household finance and the way to increase the income. This research would also make a simple accountancy application for the household, so that it could be applied easily by everyone even though they did not study accounting.

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## Introduction

Ocean coastal area has a strategic meaning because it is a transitional area between terrestrial and marine ecosystems, as well as it has a natural resource potential and an environmental services which are very rich. However, the characteristic of the sea can not be fully understood and integrated, because there are so many uncertain conditions which can happen. From the socio-economic side, the utilization of marine wealth is still limited to the rich entrepreneurs and foreign entrepreneurs. Fisherman is the

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smallest group profession in Indonesia and always gets involved in the poverty. The government policy regarding fishery, water boundaries for small or large fishermen who use ships gives special attention to every small fisherman. The policy taken is very good at increasing the income of every fisherman through the better fishing result, therefore the income will be better, and surely increase the prosperity of the fishermen.

The sea has a big varied wealth for the Indonesia people. This nation which consists of the islands, has an abundant wealth. The wealth of the sea resources raises the appeal of various parties to take an advantage of it, and for the institutions to regulate its use. There should be a regulation or a policy from the government to give the conditions and the limitations of the sea resources use, so that it still can be preserved well. The growth of the economy can make all the people live prosperously. But it is different with the life of the society working as a fisherman, and those living at the coastal area. Those working as the fishermen are active in doing their task in fishing, their main occupation is fishing. Meanwhile a fish farmer is someone who actively does his task to manage his fishpond in order to get the income. A wide sea with all the potentials inside it should logically able to prosper the life of the Indonesian people living at the coast. In other word that the fisherman society, and all the society elements depending their daily lives from the sea should live prosperously. Because naturally, the potential of the sea is generally used by them. They take an advantage of the sea wealth from the fish, seaweed, coral and so on to fulfill their daily lives.

North Sulawesi is a region known for the sea resources which are so wonderful, and their maintained preserverance, as well as the fish production which is so abundant that it can be exported to the foreign. This thing shows that the sea potential in North Sulawesi is very good. Kema village located in North Minahasa is a region located at the coast. The people do their tasks as the fishermen, either the small, or the big ones having a big boat which can take dozens untill tens people. Because the lack of the fishing tools from the fishermen who still use the traditional fishing tools, so that those having the advanced tools, supported by the big boat and have much money get a better result than them. The uncertain weather also affects them, because if the weather is bad, then they can not go fishing, and for sure they can not get an income. Therefore, the entrepreneurs with much fund, and advanced tools get the advantage from this case. Eventually, the traditional fishermen do not get income for their daily lives.

Based on the wealth of the coastal people, there are some factors causing they still leave behind in the less natural resources, the lack of saving culture and managing the family finance, and the economical structure which is still not good for the progress and the prosperity of the society. (Rokhmin Dahuri and Rais Ginting,2001). One of the many strategies which can be done in the effort to build the coastal people in order that the potential development can be managed well, it is by developing and strengthening the owned economy of the society and increasing the human resources through the housewives in the simple finance management and looking for a solution to produce the family economy through the fishing result of the head of the family, and also by developing and strengthening the human resources quality by adding their development knowledge and their economy skill in the society.

It is hoped that through these strategies, the people can collectively have the optimal ability in developing their area to achieve the expected wealth rate as well as they can have an enough income for their daily lives. Based on the background above, then the formulation of the problem in this research was, "Whether with the

arrangement of the household finance report can increase the income of the coastal people in the North Minahasa at Kema village.” Based on the background and the formulation of the problem above, then the purpose of this research was to know how the role of the management of the household finance report in increasing the income of the coastal society in the the North Minahasa at Kema village.

## **LITERATURE REVIEW**

Based on the constitution of the Republic of Indonesia number 27 year 2007 about the management of the coast and small islands, the coastal region is a transitional area between terrestrial and marine ecosystems affected by changes on land and sea. Furthermore, in the attachment of the decision from the Minister of Maritime Affairs and Fisheries number KEP.34/MEN/2002 about the general guidance of spatial planning of the coast and small islands, it is said that the coastal region is a meeting area between the land and the sea ; to the land region of the coast covers the mainland, either the dry or the submerged in the water which is still affected by the characteristics of the sea such as, tidal, sea breeze, and saltwater seepage; meanwhile to the sea covers the sea section which is still affected by the natural process occurring in the land such as ; sedimentation and fresh water flow, and also caused by the human activity in the land like ; deforestation and pollution. The boundary shows that there is no real border line of the coastal region. The boundary is just an imaginary line in which the location is decided according to the area condition. In the region in which the imaginary line can be far from the coastal line, and the opposite for the steep coastal area. The definition indicates that there is an interaction between the coastal area so that it creates a rich potential of diverse coastal habitats. But the life condition of the coastal habitats like this can easily have a damage caused by an irresponsible activity of the human.

In the Indonesia dictionary (2001), the potential is defined as all the things having the probability to develop. Because the coastal area has natural resource wealth and human (young generation) having the probability to develop, thus the coastal potential can be defined as all the natural resources and coastal human having the probability to develop for the wealth life of the coastal society.

The development is meant to be done through an establishment process using all the coastal potential. As what have been explained in advance that the development potential in the coastal area consists of three main groups ; 1. Renewable Resources, 2. Non-Renewable Resources, 3. Environmental Services (Dahuri et al., 2001).

Smith (1979), doing a research about the fishery development in some Asia countries, also Anderson (1979) doing it in Europe countries and North America get a conclusion that the fixity and rigidity of fishing assets are the main reasons why the fishermen still live or struggle in the poverty and it seems like there is no effort from them to get out of it. The rigidity asset is because the characteristics of the fishery asset which is so complicated that it is difficult to be liquidated or changed the form and the function to be used for the other interest. As a result, the productivity asset is low, and the fishermen can not change or liquidate the asset. Therefore, although the productivity is low, they still do fish catching which is economically not efficient.

Subade and Abdullah (1993) gives another argumentation, it is that the fishermen still live at fishery industry because of their low opportunity cost. Fishermen opportunity cost in accordance with its definition is a possibility, another activity alternative, or the best another economical effort which can be gotten besides catching fish. In other words, opportunity cost is another possibility which can be done by the fishermen if they do not do fishing. If the opportunity cost is low, then they tend to still do their another business

although it is no longer efficient. There is also another argument saying that the opportunity cost of the fishermen, especially in the developing country is very low event tends to nothing. If it is like that, then the fishermen do not have another choice as the source of their income. By that means, they still do their job as the fishermen because that is the only thing they can do.

The financial planning in a family is a growing term in Indonesia in the last four or five years. Financial planner is someone doing this profession in accompanying a family or an individual in arranging the financial plan to reach the decided or chosen financial purposes previously. This financial planning is more related to the personal finance than to corporate finance.

Every family surely has its own financial planning which is different in accordance with the family condition. There are so many things which should get an attention in arranging the financial planning in order that it can be managed well. This financial planning is different from the personal finance planning which gives more focus to the many things because in a family there are some members having their own interest and it is a responsible to manage the finance well. Some big finance plans cover all the investation aspects from the retirement to the death (Nickel, 2010 : 473).

According to Rudianto (2010 : 3), budgeting is an organizational work plan in the future implemented in the form of qualitative, formal, and systematic. The writing in the number form is to simplify the organization members in seeing the expected target in the organization. Rudianto (2010 : 5) generally classifies all the functions in a organization into four main functions, they are :

**1. Planning**

In this function, there is a long-term decided plan, short-term plan, the expected targets, the strategy which will be used and so on. This function related to the all things which want to be produced and reached in an organization.

**2. Organizing**

After all the expected things to be produced and reached in an organization are decided, then the organization should look for the needed resources to realize the decided plan.

**3. Actuating**

After all the needed resources are obtained, then the next task is to direct and manage all the owned resources by the organization to be used properly according to its function. Every existing resources should be directed, and organized one another in order to be able to work optimally to reach the corporate purpose.

**4. Controlling**

After all the needed data in the organization are obtained and directed to work as their own functions, then the next step is to make sure that all the resources have worked according to the decided plan of the firm to ensure the whole purposes. This function is highly related to the effort in ensuring that all the organization resources have worked efficiently and effectively.

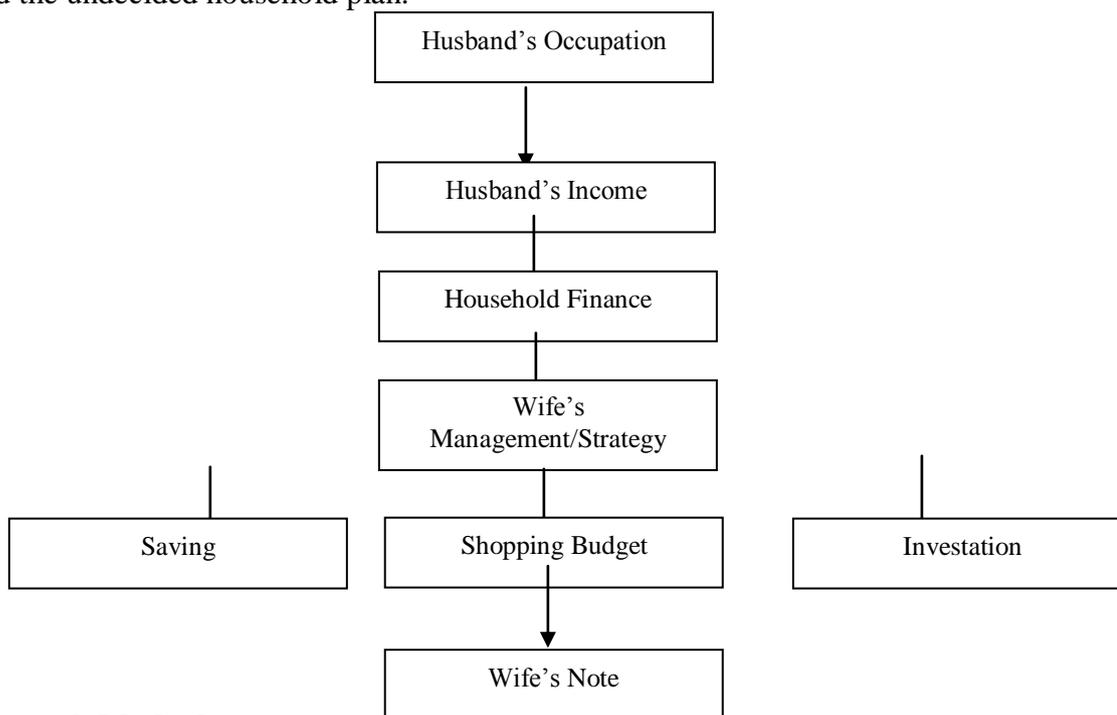
The knowledge about budgeting, planning, and accounting is no more dominated by the executives or corporate finance manager. In the smallest organizational environment which is family, the role of a housewife in managing the finance can not be separated from the knowldege which indirectly has an important role in managing the family finance.

(Moeljadi, 2010 : 3) thinks that a housewife having a responsibility in managing the household finance especially its limited sources should be smart in managing the finance and knowing the budgeting knowledge, planning, and accounting even though in a simple scale.

Moeljadi (2010 : 7), thinks that the housewives have a duty and the function which is not far different from a treasurer at a firm, even though the source of the family finance is limited. There are many activities of the housewives in managing the family finance such as saving the money, spending it, and using the remained to get an advantage.

The research about the accounting in the housewives once done by Vitriyan, Iwan Triyuwono and Unti Ludigdo (2011), "Construction of Family Accounting Forms" (Hipnometodologi method) about the importance of family accounting practice to have a motivation and a purpose, for example to form the family finance members, and actually there is no physical notes and the reflected values needed, like a responsibility, honesty, discipline, sincerity, and diligent and this thing actually simplify us to understand the values. This values can be shorted become "DESTINY" for the daily life of the accountant family's life.

Meanwhile in the research Northcott Deryl dan Dollin (2000) "Home Accountants: Exploring Their Practices" says that the the accounting practice consists of four fields, they are budgeting, recording, decision making and long term planning. This research is an evidence to know everything or as a controlling tools at housewives in avoiding the debts and the undecided household plan.



### Research Method

At this research, the data came from the quotiener, and the interview with the research object or coastal society. The coastal people were those who were ready to give a deep needed information in this research. According to the Sutopo (2003:117), The source of a very important research was human becoming an informant. To get the information from the source of the data, we need to do an interview technique.

The data collection technique was by using direct observation and deep interview to the informants. This research also played a role by getting involved with the informants in their daily lives, seeing what they did, when, with whom, in what kind of situation, and

asking them about their actions. The presence of the researcher was to interact with the subject and expected to give a more complete understanding through an interview by using recorder, notes, and an observation technique as a participant to see directly their attitude towards the observed phenomenon (Sanders, 1982, Saerang, 2001:87)

This research used qualitative technique by taking a current phenomenon in the household. Meleong ( 2000 ) said that qualitative research was a research using naturalistic approach to get an understanding about the phenomenon in a special contextual background. Qualitative research was a research occurring at the social environment included the person, events, places and times. These four scopes was called social editing ( Djam'an dan Aan, 2003). At the qualitative research, the researcher had to get more focus to the basic principles phenomenon occurring in the social life, in which it would be analyzed later by using the existing theory ( Bambang dan Melia, 2008:78-79).

Qualitative research contrasted with quantitative research. Quantitative research was about objective statistics through scientific calculations coming from the sample of the people and population who were asked to answer the questions and the surveys to determine the frequency and percentage of respondent responses.

**RESEARCH RESULT**

According to the research result done by the team, there were some obtained data that the most people at Kema Village in North Minahasa worked as fishermen. Kema village consisted of Kema 1 to Kema 3. The biggest population working as fishermen was at Kema 2. In this research we got profiles from every research object who were the fishermen filling the quetioner in this research. The followings were the respondents of this research done by the researcher team :

**Table 1. Respondent's Profile**

Characteristics	Response (%)
Gender:	
a. Male	0,92
b. Female	0,08
Family Member Studying Accounting	
a. Yes	0.04
b. No	0.96
Education	
a. No School	
b. Elementary School	0,16
c. Junior High School	0,3
d. Senior High School	0,52
e. College	0,02
Number of Family Members	
a. < 4	0,06
b. 4	0,2
c. 5	0,36
d. > 5	0,38

*Source: Data Olahan 2019*

The respondents's characteristics based on the table could be seen that 92% respondents were male and only 4% respondents having the family member who ever studied accounting. About the education, it was dominated by the senior high school 52% and the lowest percentage was college with only 2%. This thing showed that the education level of coastal people still had to be improved. For the number of the family above 5 people dominated with 38% respondents, this thing also caused the living budget of the

coastal society was getting higher because they had many family members making the economic burden was getting heavier.

**Table 2. Factor Analysis Result**

Indicator	Analysis Factor	1	2	3	Mean	Standard Deviation
Budgeting	Income Allocation For Living Costs	0,883			3,68	0,79
	Saving and Investment	0,826			4,12	0,66
Planning And Decision Making	Conduct Financial Planning		0,622		4,1	0,68
	Insurance Fund Allocation		0,675		3,96	0,81
	There is no financial burden		0,667		3,84	0,84
	Funds for Unexpected Budget		0,668		0,97	0,71
	Good Financial Decisions		0,741		3,84	0,65
	Fulfilled Family Needs		0,567		3,84	1,00
	Trying not to be in Debt		0,645		4,02	0,82
	Do Not Spend Money		0,639		3,1	0,24
Benefit	Income Recording			0,269	3,66	0,94
	Shopping at the Department Store			0,611	1,98	0,74
	Following the Trend			0,836	2,06	1,08

Source: Data Olahan 2019

**Budgeting**

This practice was common between the most respondents (3.68 from the Likert scale 5). This thing gave a preliminary evidence that households wanted to control their finances by allocating living expenses. It could be concluded that the control of the household budget had a lot of significance for households in the Kema village coast. In addition, the results agreed with the findings of Kempson (1993) that the choice of budget period was strongly influenced by the frequency of received income and that the choice of budget period was also related to the employment status. In addition, it was found that the public wanted to invest or save (4.12 with a Likert scale 5). Northcott and Doolin (2000) argued that some households made very detailed budgets while others used budgets with

fewer details or just mentally created an account of what was available to spend monthly. Respondents who did not prepare a budget argued that their income was insufficient, because they could not make budget allocations caused by an uncertain amount of income.

### **Recording**

The majority of respondents (3.66 with a Likert scale 5) claimed to maintain financial records. This finding provided evidence that the purpose of this record was in line with accounting purposes for reference purposes. The finding suggested the households understand the importance of maintaining proper financial records that could help in future spending and financial planning. The villagers also had little interest in shopping at shopping centers (1.98 on a Likert scale 5), so it could be said that the society had a limited income to spend at the shopping center and because it was also influenced by the location of the village which was quite far from the city center.

### **Decision Making**

Usually, when a large amount of money was involved, the decision making process became more important. Most households agreed with this (4.1 with a Likert scale 5). This result agreed with those of Janudin and Mohamad (2005) who argued that decisions became more important when larger numbers were involved.

In addition, respondents were asked to identify the criteria that were considered most important in the decision making process. The cash availability, followed by price were two most important factors identified by household accountants. This was in line with the findings of Janudin and Mohamad (2005) which confirmed that the main determinant were based on cash flow to avoid being indebted.

### **Financial planning**

About 62% of households were involved in long-term financial planning. This could claim that long-term financial planning was the most practiced among home accountants. This was in line with the findings of Northcott and Doolin (2000) who argued that this practice was the clearest among interviewees and their short-term focus reduced their tendency to engage in contrast planning. Long-term financial findings with ideas of the economic life cycle or permanent life cycle of the financial management hypothesis was one possible explanation saying that "home life was not like the context of the survival of a business enterprise".

### **Hypothesis Testing Results**

The first hypothesis was that there would be a relationship between household accounting and education level. The Pearson's correlation was used to test this hypothesis with a coefficient of 0.826 and significance of 0,000. The results for the independent variables showed that there was a significant relationship with the dependent variable. Therefore the hypothesis was accepted, it was the one which there was a significant relationship between the level of education and household accounting. One possible explanation was that accounting was very much connected to our personal lives about business. This was regardless of the achieved education level. It also believed that one intentionally or unintentionally evoked accounting ideas about what the best to do with the owned finance. This was regardless of the level of education.

The second hypothesis proposed that there was a relationship between household accounting and income level. The correlation showed that the hypothesis was supported at a significance level of 1% with a coefficient value of 0.567 which was the practice of household accounting was indeed influenced by income.

Further analysis from the table above showed that household with a vulnerable income to use household accounting which was in accordance with the findings of Pahl (2000). It was interesting to note the number of non-users household accounting were more prominent in the highest income category.

### **Factors Influencing Household Accounting**

This section identified factors that inspired home accountants to use home accounting methods. 13 factors had been identified. It appeared that the most important reason which had been proposed was financial allocation, investing and saving instead of following the trend, with a correlation value above 80%.

As far as the influence of parents was considered, this could be justified by the benefits of the used accounting methods produced to their parents. This result was in agreement with those of Northcott and Doolin (2000) who argued that many interviewees had accepted that their home accounting reflected the practices and attitudes of their parents. Ideas for home financial management were often learned from parents or were intentionally transmitted from the parents to their children.

Avoiding overspending or debt could be explained by the fact that people were very concerned about overspending and using accounting methods such as budgeting and recording could prevent them from spending money on unnecessary items. Thus, that was the function household accounting.

Therefore households would use an accounting tools to reduce a debt risk. In addition, respondents could feel the practice as a means by which the money could be saved periodically to invest to the needed items in the future.

### **CONCLUSION**

From the research results obtained in the field about how the role of the arrangement of Household Financial Reports in increasing the income of coastal society in North Minahasa Regency, Kema Village, the followings were the conclusion which could be taken :

1. The level of education at Kema Village, North Minahasa Regency was still low, especially in the coastal area.
2. The arrangement of household finance report was very useful in increasing the wealth of the society, especially the household.
3. From the arrangement of household finance report, then the family could carry out these things :
  - a. Conducting the Budgeting Process and Recording Process in the short and long term based on the earned income by the family.
  - b. Able to do financial planning for the future in order to obtain an additional income for the household.
  - c. From the process of preparing the household financial reports also in the making process decision to carry out any existing planning both long term and short term based on the process of budgeting, recording, and household financial planning.

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