

Mental Accounting and Business Decision-Making within SMEs: A Covid-19 Pandemic Phenomenon

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Abstract

This study aims to analyze the mental accounting of SME actors in business decision-making in the midst of the Covid-19 pandemic. The objects of this study are the SMEs in Salatiga City. The data collection technique uses accidental sampling with the SME respondents who were willing to be interviewed during the research. The study employs a questionnaire from 100 respondents. This study is mixed-method research. The quantitative approach is to process the accounting information owned by SME actors in business decision-making and detect mental accounting when dealing with the COVID-19 pandemic. The qualitative approach is interviewing SME actors. The results show a mental accounting in terms of the separation of business finances and personal finances. Most SMEs actors allocate income to certain necessities. The recording of transactions has been done even though the records are limited to certain records. The income and costs incurred were separated for the business. The SMEs actors already have business decisions in the income cycle, expenditure cycle, production cycle, HR management cycle, and payroll and funding cycle decisions. In making these decisions, SME actors rely more on unwritten accounting information such as market price estimates, estimated cost of goods sold, estimated production costs, owners' memories of the amount of inventory they have, as well as direct physical inspection of inventories to make good business decisions. The main contribution of this research demonstrates that the Covid-19 pandemic has shaped new behavior relating to business decision-making by the separation of business and personal finances.

Keywords: Covid-19 pandemic, mental accounting, business decision-making, SMEs.

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INTRODUCTION

Micro, Small, and Medium Enterprises (SMEs) are the backbone of the Indonesian economy. Data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) shows that in 2019 there were 65.47 million SMEs in Indonesia (or approximately 99,9 percent of the total business units) and employed 117,000 workers, accounting for 97 percent of the total workforce in the economic sector (Kementerian Koperasi dan Usaha Kecil Menengah, 2019). Since the outbreak of the Covid -19 pandemic in March 2020, SMEs have had a serious impact not only on aspects of total production and trade value but also on the number of workers who have lost their jobs due to this pandemic. Most SMEs actors are very careful in managing their business financial expenditures because of the uncertainty of when this pandemic will end. In such a situation, the Kemenkop UKM shows that around 37,000 SMEs are reporting that they have a very serious impact due to this pandemic, which is marked by around 56 percent of sales declines, 22 percent of problems in the financing aspect, 15 percent of goods distribution problems, and 4 percent of difficulty in obtaining raw materials (Pakpahan, 2020).

One of the challenges faced by SME actors is that they tend not to keep accounting records of every business transaction that occurs. As a result, they cannot understand and analyze business performance so they are unable to make appropriate decisions (Kurniawati et al., 2012). Many SMEs actors have not made accounting records in their businesses, even though accounting records can produce information for decision-making and improve business management (Efriyenty, 2020; Yuliati & Khotmi, 2017). SME actors already know to account; therefore, they should be able to manage finances and utilize accounting information for business decision-making. However, SME actors still feel that complexity is the reason not to do accounting records, and consider that such complexity is not worth trying because their business scales are relatively small (Puspitaningtyas, 2015). The Covid-19 pandemic has created changes rapidly in the business environment, thus requiring business actors to continue adapting themselves to the development of new strategies so that the businesses they run can survive (Prianto et al., 2020). Sajuyigbe et. al (2021) study the effect of the Covid-19 pandemic on SMEs in Lagos-Nigeria using rational choice theory. They found that SMEs' choices depend on credit accessibility, tax waiver for sectors, the introduction of emergency advances, and flexibility of repayments of existing loans by financial institutions. However, none of the past research has explicitly shown the change of behavior and strategies among SMEs actors in order to keep their business survive in the midst of the Covid-19 pandemic.

The Covid-19 pandemic has devastated business operations, including daily routines, lifestyles, and the global economy (Gautam & Sharma, 2020). The pandemic has also made SME business owners suffer from two sides, namely the risk of life and business losses. In this case, they will also feel anxious and hopeless during the pandemic and fear being infected (IFRC, 2020). Due to the lockdown, business activities are hindered, resulting in business losses. Direct physical contact with customers creates fear for businesses; therefore, the pandemic creates uncertainty

(Qiu et al., 2020). (Ho et al., 2020) states that Covid -19 has also created mental fear among business actors, especially SMEs. They also demonstrate the impact of Covid -19 on psychological and mental stress among SME owners. Due to limited capital and assets, SMEs are more vulnerable to closure. Restrictions on business operations were put in place to stop the control the spread of the pandemic, which mostly hindered small and medium enterprises (Papadopoulos et al., 2020) due to lower capital, fewer assets, and lower productivity (OECD, 2020). Overall, Covid-19 caused a financial crisis among SME business actors as well as their mental psychology (Cowling et al., 2020). As a result of the closure of business operations, the decline in the income and turnover of SMEs also led to a decrease in the personal income of business actors due to business losses (Tan et al., 2020). Another impact of Covid -19 is the inevitable prolonged business losses in these SMEs because business owners lack or cannot deal with losses in the long term. As a result, many owners choose to dissolve the business and look for other business alternatives that can increase their family income.

Mental accounting is defined as a cognitive operations sequence used by individuals and groups to code, categorize, and evaluate financial activities. Mental accounting consists of three main components, namely (1) how the results are perceived and experienced, and how decisions are made and then evaluated, (2) the assignment of activities into certain accounts, and (3) how often accounts are evaluated (Thaler, 1999). In addition, mental accounting focuses on the form of individual decisions in finance, which are influenced by one's knowledge and understanding of finances (Xiao & O'Neill, 2018). An individual uses mental accounting because the possibility of transactions will be evaluated separately from other transactions to facilitate decision-making. Mental accounting tends to classify and treat money differently depending on where the money comes from. Individuals will allocate funds based on the source of the funds obtained, and allocate costs based on their intended use (Damayanti & Supramono, 2011). This condition is a mental accounting phenomenon with a tendency to separate income and expenses in certain allocations.

Similar studies have previously been conducted on SMEs (Sembiring & Elisabeth, 2018). The results of the study demonstrated that small businesses cannot distinguish which expenditure transactions are for personal interests and business purposes. Small businesses consider themselves family-owned businesses so that family members can withdraw some amounts of cash. Furthermore, small business owners are also still reluctant to do financial separation because they consider it difficult and unnecessary as the business scale is still small. In 2018, mental accounting research has been carried out on SMEs regarding the separation of business finances and personal finances (Saktianungrum, 2018). The results of the study indicate that SME actors would separate and treat money differently. They would allocate their funds based on the source obtained and also based on the purpose for which it is used. In this study, the mental accounting will observe whether or not the SME actors conduct mental accounting during the Covid-19 pandemic. In addition, it will figure out whether the sales revenue is allocated to certain needs or not.

Meanwhile, information is a fact processed in the form of data used in decision-making (Harash, 2017). Information can reduce uncertainty and improve planning. The characteristics required for information include relevant, reliable, complete, timely, easy-to-understand, ascertainable, and accessible. Likewise, accounting information is raw data about transactions that

have been turned into financial numbers used for decision-making. Accounting information can be divided into two types, namely written and unwritten accounting information (Kurniawati et al., 2013). Written accounting information can be in the form of inventory records, purchase records, the highest retail price determined by suppliers, price lists, sales records, sales orders, and production schedules. Whereas unwritten accounting information can be in the form of memory of the owner regarding inventory, estimated needs, physical inspection of inventory, estimated price to determine the cost of goods sold, estimated market price to determine the selling price, and owner's memory of customer orders.

Business decisions are various choices among alternatives to respond to the opportunities and threats and make decisions about business goals (Alnajjar, 2017). In SME business activities, the business decisions include decisions to purchase, decisions to determine selling prices and sales discounts, production decisions, payroll decisions, decisions to accept customer orders, decisions to hire employees, sales promotion decisions, product innovation decisions, decisions to give bonuses, and decision to sell on credit (Kurniawati et al., 2013). SME entrepreneurs need accounting information to support their daily business decision-making. Business actors use accounting information, both written and unwritten, as the basis for business decisions. With regards to purchasing, business actors use written information in the form of inventory records and business actors' memory regarding available inventory, estimation of business needs, as well as physical inspection of inventory to decide when and how much inventory or raw materials should be purchased. In addition, business decisions made by SME actors are also related to determining the cost of goods sold and production decisions.

This study aims to detect the mental accounting of the SME actors in using accounting information as a basis for making business decisions during the Covid-19 pandemic and also analyze the business decisions and performance. Due to the Covid-19 pandemic, SME actors will also experience behavioral changes in business financial management as well as changes in business decision-making. Therefore, a change in strategy is needed, such as improving product quality, improving service quality, and utilizing technology so that the business is carried out can survive (Nugraheni et al., 2020). In addition to survival strategies, SME actors also need a good management information system to support the survival of SME businesses in dealing with the COVID-19 pandemic situation (Rifai & Haerani, 2020). Accounting information in business is urgently needed as a basis for formulating SME financial strategies to cope with the pandemic (Kuswanto & Alfi, 2020) and can be used by business actors in analyzing risks caused by Covid-19 pandemic impacts (Safi'i et al., 2020). On top of that, the urgency of this research is also encouraged by the fact that there has been no research analyzing the mental accounting behavior of SME actors in making business decisions. Hence, mental accounting and SME business decision-making during the Covid-19 pandemic need to be investigated.

RESEARCH METHOD

This study utilizes a mixed-method that combines quantitative and qualitative approaches focusing on the types of accounting information owned by SME actors in making business decisions (Entina & Pramono, 2019), as well as detecting the mental accounting of SME actors in dealing with the Covid-19 pandemic, according to the research stages shown in Table 1.

Table 1. Research Stages

No	Process Stage	Results
1	Identify what business decisions are in SMEs.	<ol style="list-style-type: none"> 1. Revenue cycle 2. Expenditure cycle 3. Production cycle 4. HR and payroll management cycle 5. Funding cycle
2	Identify what information SMEs need in making business decisions	<ol style="list-style-type: none"> 1. Written accounting information 2. Unwritten accounting information
3	Identify what accounting information is available (both written and unwritten accounting information).	<ol style="list-style-type: none"> 1. Inventory records 2. Purchase records and price-lists 3. Highest retail price 4. Sales order and production schedule 5. Owner's memory of inventory, estimation of business needs, physical inspection for inventory 6. Estimated purchase prices to determine the cost of goods sold 7. Estimated market price to determine the selling price 8. The owner's memory of customer orders to determine the production quantity
4	Identify financial management carried out by SME actors during the Covid-19 pandemic, whether to do <i>mental accounting</i> or not.	<ol style="list-style-type: none"> 1. The mental accounting observes the behavior of SME actors in utilizing available funds, which are limited during the pandemic 2. The mental accounting observes the behavior of SMEs to generate other sources of funding to meet their business operations.
5	Conduct testing on the treatment of separation of and allocation of business revenue, as well as allocation of business income for personal interests in mental accounting.	The results of the SPSS crosstabulation analysis are to see the relationship between the extent to which mental accounting occurs in the treatment of the separation of and allocation of business revenue, as well as the allocation of business revenue for personal interests.

This research employs an interview survey to collect data following the measurement items from (Entina & Pramono, 2019). These items are meant to keep track of financial activities, record revenue and expenses, and classify expenses into different categories. The sample selection uses the accidental sampling method with the respondents being the SME actors who are willing to be interviewed during the research. The research respondents reside in Tingkir Lor and Tingkir Tengah villages, which are the largest productive SMEs cluster of convection and processed food

businesses. Based on data obtained from the Cooperatives and SMEs Office of Salatiga in the first quarter of 2020, the number of SMEs in Tingkir Lor and Tingkir Tengah villages is 134. The sample size is measured using the Slovin formula, giving the size of 100 respondents.

The type of data used in this study is primary data through interviews with SME actors in Tingkir Lor and Tingkir Tengah villages. The questions addressed to the business actors as respondents are grouped into four parts, namely (1) the identity of the respondents and business profiles, (2) the types of accounting information owned by business actors, and (3) questions about how SME business actors make business decisions and (4) mental accounting for SME business actors in managing finances during the Covid-19 pandemic. The interview results are then analyzed in four stages, namely (1) data collection, (2) data grouping, (3) data tabulation, and (4) data verification and drawing a conclusion.

RESULTS AND DISCUSSION

Characteristics of respondents

The development of businesses in Tingkir Lor and Tingkir Tengah villages is predominantly driven by businesses inherited by their parents. The convection business is still the leading sector in addition to the processed food industry business. A range of processed food industry commodities is scattered all over the region, including bak pia, tofu, cassava chips, dry loaves of bread, and other processed wet bread.

The recording of transactions carried out by business actors in Tingkir village is still very simple. The extent to which the record is different from one to another. Furthermore, some SMEs do not record business transactions because they consider the business they run is still relatively small. In the process of recording transactions, these SME actors do not have recording standards. Most of these SME actors record transactions according to their memories and knowledge on a self-taught basis. Not all transactions are recorded by business actors but are only limited to transactions that occur frequently. It was found that business actors do not separate their business finances and personal finances. They assumed that business money is also the owner's money which does not need to be accountable for its use, both for personal and business purposes.

The characteristics of respondents in this study based on the identity of business actors and business profiles are presented in Table 2. Table 2 shows that 67% of the respondents are female and 51% have a high school education. From the results of interviews, business actors prefer to work and continue their parents' business rather than continue their education because they do not have the funds to pursue further education, and there is still a lack of awareness among parents about the importance of education. As for the type of business they are involved in, 45% of SME actors are in the processed food business and 30% are trading businesses with a length of business between 10 to 15 years (74%). In terms of total monthly sales turnover, the respondents belong to SMEs with an average business turnover of Rp. 25 million/month (74%), Rp. 25-50 million/month

(16%), and the rest have a turnover above Rp. 50 million/month. In terms of business management, 97% of businesses are managed directly by the owners, 2% are managed by employees and 1% are group businesses.

Table 2. Characteristics of Respondents

No. of Resp			No. of Resp		
	No. of Resp	%		No. of Resp	%
A. Gender			G. Source of Capital		
Man	33	33.0	Owner's equity	91	91.0
Woman	67	67.0	Bank loan	6	6.0
Total	100	100.0	Cooperative loan, PKK	3	3.0
B. Last Education			H. Transaction Recording		
Elementary school	5	5.0	Already	88	94.0
Junior high school	21	21.0	Not yet	12	6.0
Senior high school	51	51.0	Total	100	100.0
Diploma degree	13	13.0	I. When to Start Recording		
Bachelor degree	10	10.0	Since its inception	82	82.0
Total	100	100.0	During running business	6	12.0
C. Business Sector			J. Recording Method		
Convection	25	25.0	Not recorded yet	12	6.0
Processed food	45	45.0	Total	100	100.0
Trading business	30	30.0	K. Who does the Recording		
Total	100	100.0	Self	82	82.0
D. Length of Business			L. Recording Media		
1-5 years	12	12.0	Book	84	90.0
6-10 years	4	4.0	Computer	4	4.0
10-15 years	74	74.0	Others	12	6.0
>15 years old	10	10.0	Total	100	100.0
Total	100	100.0	F. Who runs the Business		
E. Total Turnover/month			G. Source of Capital		
<25 million	74	74.0	Owner's equity	91	91.0
25 million-50 million	16	16.0	Bank loan	6	6.0
>50 million	10	10.0	Cooperative loan, PKK	3	3.0
Total	100	100.0	Total	100	100.0
F. Who runs the Business			H. Transaction Recording		
Owner	97	97.0	Already	88	94.0
Employee	2	2.0	Not yet	12	6.0
Group Business	1	1.0	Total	100	100.0
Total	100	100.0	I. When to Start Recording		

Source: Primary Data, 2021

In order to meet the business capital, 91% of SME business actors rely on their capital from savings and the sale of their assets, 6% of SME actors use funding sources from banks, and the remaining 3% use loans from cooperatives and other sources such as PKK. Most SME actors are still able to use their own funds as long as they have sufficient income to run a business. SME actors have

alternatives to make loans at banks or loans to relatives or family, although the source of loan from banks has a risk if one day they fail to pay debts because the amount of their profit is unpredictable.

In terms of bookkeeping, 88% of SME respondents have recorded business transactions or bookkeeping, the remaining 12% have not recorded transactions because they can still manage business finances on a self-taught basis without bookkeeping. As many as 82% of SME actors who do bookkeeping have recorded transactions since the beginning of their establishment, and the remaining 6% have started recording in the middle of the business. Bookkeeping and recording of transactions are still done manually (84%), starting to use computers (4%) and the remaining 12% have not recorded transactions. Most SME actors keep records of every daily transaction (91%) and only record as per order (3%). Bookkeeping is carried out by the business owner himself (82%), assisted by other family members or special employees (6%) by using recording media in the form of books (84%) and computers (4%). Transaction documents used in bookkeeping also vary. Most SME actors have used notes, receipts, invoices, sales invoices, cash receipts, proof of bank transfers, salary slips, stock cards or inventory cards, bank account books, and electricity/water/telephone bills. SME actors have accounting information in their books, namely in the form of cash inflow records, cash disbursement notes, debt records, accounts receivable records, inventory records, and price list records.

SMEs' business decisions and accounting information used

This section will describe SMES business decisions along with accounting information needed and available in making business decisions on the following activities: (1) revenue cycle, (2) expenditure cycle, (3) production cycle, (4) HR and payroll management cycle, and (5) funding cycle. Tables 3 -14 show the results of the interviews with SME actors based on the measurement items in Table 1.

Revenue cycle

Table 3 shows that the business decisions made by SMEs business actors in revenue cycle activities consist of 7 business decisions, namely (1) decisions to determine selling prices, (2) decisions to determine sales discounts, (3) credit policy decisions, (4) decisions to choose shipping methods, (5) decision to identify the type of product that generates the most and the least profit, (6) decision to promote sales, and (7) decision to sell for cash or credit.

Table 4 shows that, especially during this pandemic, business decisions made by SMEs actors are decisions in determining the selling price (100%), decisions whether to sell in cash or credit (77.27%), decisions to identify the type of product that generate the most and the least profit (59.09%), and decision to determine sales discounts (54.54%). To determine the selling price decision, accounting information is needed in the form of sales records, but most of the SME business actors (52.27%) only use market price estimates to determine the selling price.

In order to decide whether to sell in cash or credit, 77.72% of SME business actors use unwritten accounting information in the form of owner estimates regarding the cost of goods sold

and only 4.54% of business actors use written information in the form of cost of goods sold information. As for the decision to determine sales discounts, as many as 31.81% of SME business actors use written information in the form of sales records and 22.72% of business actors use unwritten accounting information in the form of owner estimates regarding market prices to determine the number of sales discounts.

Table 3. Business Decision Making (Revenue Cycle)

Business Decisions (Revenue Cycle)		Amount	Percentage
1.	The decision to determine the selling price	88	100.00%
2.	The decision to sell in cash or credit	68	77.27%
3.	The decision to identify the most and least profitable products	52	59.09%
4.	The decision to determine the sales discount	48	54.54%
5.	The decision to choose a shipping method (sending yourself or using a delivery service)	15	17.04%
6.	The decision to promote sales	13	14.77%
7.	The credit policy decisions (including credit approval for new customers and additional credit limits for existing customers)	1	1.14%

Source: Primary Data, 2021

Interviews were conducted with three respondents related to business decisions in the revenue cycle and accounting information used. The results of the interview are as follows:

All three respondents gave the same answers regarding business decisions in the revenue cycle and the accounting information they used during the pandemic. They stated that during the pandemic it was really difficult to determine the right selling price, to determine whether to sell products in cash or credit, and to identify what types of products sold the most and profitable. Respondent 1 (2022) said how to determine the selling price of products during the pandemic, as follows:

“During this pandemic, life has been so difficult. I have to think about how to sell these items which are still at home so that they can be sold and I can get money to run my business again. Usually, I sell these shorts for Rp. 5,000 for the small ones, Rp. 7,500 for the medium-sized ones and Rp. 10,000-15,000 for the big ones, but now I'm discounting the price, just to get them sold as soon as possible. Someone once bought them here, took one sack, roughly 100-150 pieces mixed in size, I didn't care how much they would pay as long as I didn't lose. No profit, no problem. The most important thing is just to get them sold.”

The same information was obtained from Respondent 2 (2022) who is engaged in processed food. SMEs in the processed food sector has been hit the most during this pandemic. The mobility restrictions have made the distribution of these processed foods late, even though these processed foods have an expiration date and do not last long.

Table 4. Available Accounting Information (Revenue Cycle)

Business decisions (revenue cycle)	Amount	Percentage	Amount	Percentage
1. The decision to determine the selling price.	88	100%		
Available accounting information:				
Written accounting information	Sales records		42	47.73%
Unwritten accounting information	Estimated market price		46	52.27%
Do not use			0	0.00%
Total			88	100.00%
2. The decision to sell in cash or credit	68	77.27%		
Available accounting information:				
Written accounting information	Cost of goods sold information		4	4.54%
Unwritten accounting information	Owner's estimate of the cost of goods sold		64	72.73%
Do not use			20	22.73%
Total			88	100.00%
3. The decision to identify the most and least profitable products	52	59.09%		
Available accounting information:				
Written accounting information	Sales records to find out which products make the most and the least profit.		29	32.95%
Unwritten accounting information	Owner's memory of which products generate the most and least profitable.		23	26.14%
Do not use			36	40.91%
Total			88	100.00%
4. Decision to determine the sales discount	48	54.54%		
Available accounting information:				
Written accounting information	Sales records to determine sales discounts		28	31.82%
Unwritten accounting information	Market estimation to determine sales discount		20	22.72%
Do not use			40	45.46%
Total			88	100.00%
5. Decision to choose a shipping method (sending yourself or using a delivery service)	15	17.04%		
Available accounting information:				
Written accounting information	Shipping records		8	9.10%
Unwritten accounting information	Owner's memory regarding the delivery of goods		7	7.95%
Do not use			73	82.95%
Total			88	100.00%
6. Decision to promote sales	13	14.77%		
Available accounting information:				
Written accounting information	Inventory records to find out the number of units available		1	1.13%
Unwritten accounting information	Owner's estimate of the cost of goods sold		10	11.36%
	The owner's memory of the amount of existing inventory.		2	2.27%
Do not use			75	85.22%
Total			88	100.00%
7. Credit policy decisions	1	1.14%		
Available accounting information:				
Written accounting information	Accounts receivable balance information for each customer		1	1.14%
	Accounts receivable aging table		0	0.00%
Unwritten accounting information	The owner's memory of each customer's receivables and the age of each customer's receivables		0	0.00%
Do not use			87	98.86%
Total			88	100.00%

Source: Primary Data, 2021

Following are the comments of respondent 2:

“Usually I sell bakpia in cash. People come here, buy, and resell, so they pay in cash. But because of this pandemic, I can no longer do that. Even if someone wants it, it can only be a deposit model. This is what makes me wait longer to get money because my bakpia must be sold there first. So I must think about which foods can be sold quickly. I make bakpia, egg rolls, peanut butter, ampyang, and peyek. So, if the bakpia is sold easily, I'll just make the bakpia first, I don't make the others. If it's not easily sold, I don't dare to make it, I'm afraid I can't sell it. I also made the market-class one, miss. I usually sell the big bakpia, now it's just a small package, so it can be sold out because it's only one thousand rupiahs.”

Not only respondents 1 and 2 but respondent 3 (2022) also felt the impact of this pandemic on business decisions made. The following is the statement of respondent 3 in response to the questions the researcher asked:

“In a pandemic situation like this, my sales have dropped, miss, it's so quiet here, not as crowded as usual. People don't dare to leave the house because they are afraid of the coronavirus. I usually make 3-4 million turnover in 1 month, now only 1 million at most. People prefer to buy online which can be delivered to their doorstep. Meanwhile, when they buy at my shop, I can't deliver the items, Miss. Also, I can't hire people to deliver. I'm sad, some items are also not sold yet and stored for a long time, sometimes I discount them so I can sell them quicker. I do my best so that the goods are sold, so I can run the business again, miss”

In more detail, respondent 3 (2022) explained that he uses market price estimates to determine the selling price of their products, owner estimates of the cost of goods sold and only relies on the owner's memory about which products can be sold quicker and generate profits. Respondent 3 also explained that he provided sales discounts for all sales in large quantities so that their products will be sold immediately. In summary, the behavior of determining the selling price during the Covid-19 pandemic is one of the mental accounting indicators of SMEs actor during the pandemic. They no longer focused on profit but aimed to sell their products immediately and keep the business survive.

Expenditure cycle

Table 5 shows that the activities of business decision-making in the expenditure cycle are (1) the decision to determine when to purchase inventory, (2) the decision to determine how much to purchase, (3) the decision to determine the specifications of the goods to be purchased (4) the decision to pay to suppliers, (5) the decisions to select suppliers by considering the price, quality and delivery quality, and (6) the decisions to accept the goods sent or not.

As presented in Table 6, to determine when to purchase inventory, accounting information is needed in the form of inventory records, but as many as 44.57% of business actors only use the owner's memory regarding the amount of inventory and as many as 45.18% of SMEs business actors carry out a physical inspection of inventory, while those who use inventory records account for 10.24%. To determine how much inventory to purchase, the accounting information needed is inventory records and production records, but most SME actors (67.2%) only use the owner's memory regarding the amount of inventory. To determine the specifications of the goods to be purchased, accounting information is needed in the form of order records, but most of the business actors (72.34%) use the owner's memory about the goods that are out of stock and will be purchased. The result also shows that 68.53% of SME business actors still use unwritten accounting information in the form of market price estimates.

Table 5. Business Decision Making (Expenditure Cycle)

Business Decisions (Expenditure Cycle)	Amount	Percentage
1. Decision determines when to purchase inventory	88	100.00%
2. Decision determines how much to buy	88	100.00%
3. The decision to determine the specifications of the goods purchased	87	92.55%
4. Decision to pay suppliers	73	82.95%
5. Decision to select suppliers (considering price, quality and delivery quality)	70	78.64%
6. Decision to accept the goods sent or not	13	14.77%

Source: Primary Data, 2021

Interviews were conducted with three respondents related to business decisions in the expenditure cycle and accounting information used. The results of the interview are presented as follows:

The three respondents gave the same answer regarding business decisions in the expenditure cycles and information they used during the pandemic period. They agreed that they must be smart in deciding when to make inventory purchases, determine how many purchases are made, determine what items will be purchased, decide which supplier, and also the ability to pay to the supplier. Respondent 1 (2022) states how he determines when to make a purchase, determine how much and where it is purchased, as follows:

"Miss, I am running a convection business, I need a long and wide cloth to make bed sheets, bed covers, and pants of various sizes. However, the price of 1-roll cloth goes up. In the past, I had a partner from whom I could take a roll of various motifs at low prices, but now no longer sell me at low prices. Finally, I took the leftover fabric from the textile factory and bought it at low prices, not a bad miss. I can make a little profit. Anyway, I get a rolled cloth even though sometimes the motive is not too beautiful, but yes, I still buy it because I have to produce. At most I only dare to buy 5 rolls, before the pandemic I could buy 10-15 rolls, miss.

Table 6. Available Accounting Information (Expenditure Cycle)

Business decisions (expenditure cycle)		Amount	Percentage	Amount	Percentage
1. Decision determines when to purchase inventory		88	100%		
Available accounting information:					
Written accounting information	Inventory records to find out the amount of inventory			17	10.24%
Unwritten accounting information	Owner's memory of inventory quantity			74	44.57%
	Physical inspection of inventory to find out the amount of inventory			75	45.18%
Do not use				0	0.00%
Total (*)				166	100.00%
2. The decision determines how much to buy		88	100.00%		
Available accounting information:					
Written accounting information	Production records to find out the number of goods purchased			5	4.00%
Unwritten accounting information	Owner's memory of inventory quantity			84	67.20%
	Owner's memory regarding product orders			36	28.80%
Do not use				0	0.00%
Total (*)				125	100.00%
3. The decision to determine the specifications of the goods to be purchased		87	92.55%		
Available accounting information:					
Written accounting information	Order records to find out what items to buy			19	20.21%
Unwritten accounting information	The owner's memory of the items that are out of stock and will be purchased			68	72.34%
Do not use				7	7.44%
Total (*)				94	100.00%
4. Supplier selection decision (taking into account price, quality, and delivery quality)		70	78.64%		
Available accounting information:					
Written accounting information	Purchase records and price list			9	10.11%
Unwritten accounting information	Estimated market price			61	68.53%
Do not use				19	21.34%
Total (*)				89	100.00%
5. Decision to pay suppliers		73	82.95%		
Available accounting information:					
Written accounting information	Purchase invoice			52	59.09%
Unwritten accounting information	Owner's memory regarding the amount to be paid			21	23.86%
Do not use				15	17.04%
Total				88	100.00%
6. The decision to accept the goods sent or not		2	2.27%		
Available accounting information:					
Written accounting information	Purchase order			0	0.00%
	Goods Receipt Report			0	0.00%
Unwritten accounting information	Owner's memory of what to order			2	2.27%
Do not use				86	97.72%
Total				88	100.00%

Source: Primary Data, 2021

(*) Respondents may choose more than one alternative answer

This pandemic makes my business harsh, maybe other tailors are also the same. If I spend all the money to buy cloth rolls, then I don't spare any money. I also have lots of needs, my children are still at school and need to eat and make a saving, I don't want to spend a lot on cloth. If I can sell and get some money, I will spend that money for cloth roll."

Similar to respondent 2 (2022), SMEs in the field of processed food also do the same in determining when to buy inventory, how much is purchased, what kind of inventory is purchased and when to pay for the supplier. The following are Respondents 2 comments:

“I'm producing food, Miss, I need the main raw materials such as flour and eggs for production. Usually, I have flour and eggs in stock, so I don't run out of ingredients when I want to make bakpia, egg rolls, and peyek. During this covid, I already have stock, miss. I knew that in the future the price of flour and eggs could go up, so I bought some when I had money. Thank God, I was able to run my business from the sales of these bakpia and eggrolls, even with the low prices. The only important thing is all being sold. If I buy raw materials, I have a partner, usually, I owe him first, then there will be a time when I should pay it, yes that's pretty easy, miss, I can buy it in debt first. Anyway, I always bear in mind to pay my debt, so I can maintain trust with him. The flour doesn't have to be an expensive brand, as long as it's suitable for my products. The branded one must be expensive, right?”

Respondents 1 and 2 explained in detail how SME actors have been able to make business decisions in terms of determining when to make a purchase, how much, and what kind of purchase is under their financial situation. Respondent 3 (2022), a trading business actor, also has the same opinion:

“I buy goods to resell when there are only 1 or 2 items left in the shop, Miss. I just do it because I wait for the other stuff to be sold as well. Besides, sometimes I don't have extra money. What I'm doing now is not the same as it used to be. I used to buy goods once every 2 weeks, miss, but now since not many customers, so I'm only doing it every 1 month and only if I have the money. If not, I only sell the goods left in my shop. I'll check which items are out of stock, I'll write them down first, if I have money, I'll just buy it again from the supplier.”

Production cycle

Based on the results in Table 7, the activities in the production cycle are (1) decisions on how many products to make (100%), (2) decisions to determine when to make products (100%), (3) decisions to determine the type of raw materials used (85.09 %) and the decision to determine the production costs (71.42%). In production cycle activities, the decision to determine when and how many products are made requires written accounting information in the form of product order records and inventory records, as presented in Table 8.

However, the majority of SME actors (88.09%) rely on the owner's memory to determine when the product is made and how many products must be made. To determine the production costs, most of the business actors (61.90%) only use the owner's estimate of the production costs incurred in a production process.

Table 7. Business Decision Making (Production Cycle)

Business Decisions (Production Cycle)	Amount	Percentage
1. Decision on how many products to make	47	100.00%
2. Decision determines when to make the product	42	100.00%
3. Decision to determine the type of raw material used	40	85.09%
4. Decision to determine the production costs	28	71.42%
5. Decision to determine the method of production (self-produced or produced by others)	7	16.66%

Source: Primary Data, 2021

Table 8. Available Accounting Information (Production Cycle)

Business Decisions (Production Cycle)	Amount	Percentage	Amount	Percentage
1. Decision of how many products to make	47	100%		
Available accounting information:				
Written accounting information	Product order notes to find out how many products are made		21	44.68%
Unwritten accounting information	Owner's memory regarding product ordering		26	55.31%
Do not use			0	0.00%
Total (*)			47	100.00%
2. The decision determines when to make the product	42	100.00%		
Available accounting information:				
Written accounting information	Inventory records to know when the product was made		5	11.90%
Unwritten accounting information	Owner's memory of inventory quantities to determine when products are made		37	88.09%
Do not use			0	0.00%
Total (*)			42	100.00%
3. The decision to determine the type of raw material used	40	85.09%		
Available accounting information:				
Written accounting information	Product order records to find out the raw materials used		18	38.29%
Unwritten accounting information	Owner's memory regarding product ordering		22	46.80%
Do not use			7	14.89%
Total (*)			42	100.00%
4. Decision to determine production costs	28	71.42%		
Available accounting information:				
Written accounting information	Production cost report		4	9.52%
Unwritten accounting information	Owner's estimate of production costs		26	61.90%
Do not use			12	28.57%
Total (*)			42	100.00%
5. The decision to determine the method of production (self-produced or produced by others)	7	16.66%		
Available accounting information:				
Written accounting information	Production cost report to find out the profit or loss if self-produced is chosen		1	2.38%
Unwritten accounting information	Owner's estimate of production costs		4	9.52%
	Owner's memory regarding order quantity		2	4.76%
Do not use			35	8.33%
Total (*)			42	100.00%

Source: Primary Data, 2021

(*) Respondents may choose more than one alternative answer

This pandemic period actually encourages SME business actors to take into account their production costs in more detail so that it does not become a "burden" in the production process.

In the production cycle, the SME actors' decisions are on how many products to make, when the products will be made, and what kind of raw materials will be used. Three respondents agreed that the number of orders determines the number of products they will make so that they will not keep too many finished goods in stock.

Interviews were conducted on three respondents related to business decisions in the production cycle and accounting information used. The results of the interviews are presented as follows: Respondent 1 (2022) states how he is really aware of how many products will be made, determine when the product will be made and determine what types of raw materials will be used, and calculate the production costs and choose whether to produce by themselves or others.

Respondent 1 (2022) states how to really take into account how many products will be made, determine when the product will be made and determine what types of raw materials will be used, calculate the production costs and choose whether to produce yourself or be produced by others as described below:

"During this pandemic, miss, I don't dare to produce a lot, because sales for the past few months have been low, so I only produce certain products that are selling well, which are ordered a lot and that's what I just made. I had to calculate how many orders I get, what model, what size, and which type of fabric, then I dare to take action for production. Sometimes the shorts I make are small and medium-sized, but the customers want to buy the big-sized shorts which are not available in my convection store. Sometimes some people order sheets of 160x200cm size, but when the material is made, they don't like it, so they don't buy it. That's often the case, so now I prefer to produce what has been ordered, miss. Yes, I have stock at home but it's not that much. I first saw the order that came in, what size they want, what type of fabric, and how much is being asked so I can calculate the production cost."

Respondent 2 (2022) also had similar reasons when researchers asked the same questions. The following are the answers from Respondent 2 (2022):

"For me, how many products will be made, when the products are made, and what raw materials are uncertain, Miss. I'm selling processed food (bakpia and egg rolls). These are wet food that I have to make continuously every day. I don't know how to make a little bit, I'll definitely make or produce it every day, miss. The amount doesn't have to be a lot, I usually have a record of how much I sell on average in the market. So I can roughly make how much each day. If the type of raw material is the same, I use flour and eggs from my regular supplier, so it's very helpful, right? I count how many are made every day, and

what to make? It might be bakpia, egg roll, or peyek. If the stock was out, I'm ready to make it. That's all, miss, the main thing is that I'm still productive, it's okay to be tired every day, I'm sure that God will arrange blessings for me, I'm just trying my best."

"I prefer to sell like this, rather than making by myself which is more complicated. I don't have the skills to make things like other friends, so I just sell things. Most of the time, I buy things from a friend and then I sell them, I take a little profit, as long as I don't lose, it's ok. All my sales are taken from other people, miss, nothing is self-made. Too time-consuming. Yes, it's okay to get a small profit. But during this pandemic, people prefer to shop online, you know, it can be delivered to their doorstep. If they shop at me, I can't deliver it. I just keep trying my best, miss." (Respondent 3)

Respondents 1, 2, and 3 have different characteristics of the type of business, but all respondents agree that the production business decisions related to how many products will be made, when they will be made and the types of materials made must be carried out continuously, according to their financial capabilities. Look at incoming orders to ensure that the products they produce will be sold.

HR and payroll management cycle

Table 9 shows that most SMEs actors in the human resource (HR) and payroll management cycle make decisions on how to determine the number of working hours for each worker (96.59%) and the decision to determine the amount of salary for each worker involved in the production process (96.68%). In making business decisions, almost all SME actors use unwritten information as shown in Table 10. This pandemic period encourages SME actors to increase efficiency by reducing the number of labor which is believed to alleviate the salary burden in each of their business production processes. The workforce conducts a variety of jobs so that it is possible for their working flexibly on various tasks.

Table 9. Business Decision Making (HR and Payroll Management Cycle)

Business Decision (HR and Payroll Management Cycle)	Amount	Percentage
1. Decision to determine the number of working hours for employees	85	96.59%
2. Decision to determine the amount of salary for each employee	85	96.59%

Source: Primary Data, 2021

Interviews were conducted on three respondents related to business decisions in the HR management cycle and payroll and accounting information used. The interview results show the following:

Respondent 1 (2022) explained that determining the number of hours worked for employees and determining the amount of salary for each employee, especially during a pandemic like this, was difficult.

Table 10. Available Accounting Information (HR and Payroll Management Cycle)

Business decisions (HR and payroll management cycle)		Amount	Percentage	Amount	Percentage
1. Decisions determine the number of hours worked by employees		85	96.59%		
Available accounting information:					
Written accounting information	Salary budget			0	0.00%
Unwritten accounting information	Owner's estimate of employee hours			85	96.59%
Do not use				3	3.41%
Total (*)				88	100.00%
2. The decision to determine the amount of salary for each employee		85	96.59%		
Available accounting information:					
Written accounting information	Employee absence records			0	0.00%
	Working hours card			2	2.20%
	Sales records (for employee bonuses)			0	0.00%
Unwritten accounting information	Owner's memory regarding employee attendance and employee working hours			85	93.40%
	Owner's recollection of sales and employee overtime			1	1.10%
Do not use				3	3.30%
Total (*)				91	100.00%

Source: Primary Data, 2021

(*) Respondents may choose more than one alternative answer

Respondents 1 and 2 were forced to reduce their workforce due to declining sales since the beginning of the pandemic and until now. The following is an explanation of each respondent:

"This pandemic period is difficult for me, Miss. My sales dropped drastically, it was quiet and all orders also decreased. Yes, in the end, I was forced to reduce my workforce. Previously, I had 10 active tailors, but because the sales plunged, I now only employ 2. If there is an order for new stitches, I will take them, Miss. If it's no incoming order, I'll just sell the leftovers that are at home, so it quickly turns into money. I paid for the workforce based on the number of stitches, Miss. For example, if she makes 10 pairs of shorts, I'll pay her Rp 2,500 for each short. I sell it for Rp. 5,000 for the small size. So I don't count the working hours, Miss. (Respondent 1, 2022)

"So far I have 7 employees, Miss. Each employee has their own responsibility. During this pandemic, some of them take some days off, meaning that if I need someday, I'll call. I'm sure the condition will recover, Miss and I can sell well again like before. I calculated it using working hours. They came from 7 am to 4 pm, I paid Rp50,000 per day. That's why I will be in difficulties if the sales aren't full yet but I still pay them that much, it's quite hard for me, miss." (Respondent 2, 2022)

"As long as I'm at the shop, I don't employ other people, Miss. If someone asks for it to be delivered, I'll just ask a person to deliver it. I don't have permanent employees, Miss. I pay

people once after they finish delivering. If I don't need a courier, I don't employ that person, that's it." (Respondent 3, 2022)

Funding cycle

As for the decision to borrow funds, Tables 11 and 12 show that as many as 52.27% of business actors use unwritten accounting information in the form of owner estimates to borrow funds.

Table 11. Business Decision Making (Funding Cycle)

Business Decisions (Funding Cycle)	Amount	Percentage
1. Decision to borrow funds	46	52.27%
2. Decision to determine which purpose the funds are used on	45	51.13%
3. Decisions on the estimation of funding amount	10	11.36%
4. Decision to determine the source of funds	1	1.13%

Source: Primary Data, 2021

Table 12. Available Accounting Information (Funding Cycle)

Business decisions (funding cycle)	Amount	Percentage	Amount	Percentage
1. The decision to borrow funds	46	52.27%		
Available accounting information:				
Written accounting information	Income statement		0	0.00%
Unwritten accounting information	The owner's estimate to borrow funds		46	52.27%
Do not use			42	47.72%
Total			88	100.00%
2. Decision on the estimation of funding amount	10	11.36%		
Available accounting information:				
Written accounting information	Income statement		0	0.00%
Unwritten accounting information	Owner's estimate of the need for funds		10	11.36%
Do not use			78	88.64%
Total			88	100.00%
3. The decision to determine the source of funds	1	1.13%		
Available accounting information:				
Written accounting information	Financial statements		0	0.00%
Unwritten accounting information	The owner's memory regarding the source of the funds obtained		1	1.13%
Do not use			87	98.86%
Total			88	100.00%
4. The decision to determine the purpose for which funds are used	45	51.13%		
Available accounting information:				
Written accounting information	Cash flow statement		0	0.00%
Unwritten accounting information	The owner's memory regarding the purposes for which funds used		45	51.13%
Do not use			43	48.86%
Total			88	100.00%

Source: Primary Data, 2021

The decision to determine the purpose for which the funds are used accounts for 51.13% of business actors by using unwritten accounting information in the form of memories of how much funds are used for their business needs. Similarly, the decision to estimate the need for funds (11.36%) and the decision to determine where the source of funds is obtained (1.13%) uses

unwritten accounting information that relies on the owner's memory and estimates regarding the need for funds, sources of funds obtained, and the purpose of funds.

This funding cycle looks at the decisions of MSMEs actors in borrowing funds, decisions to determine which funds are used for what purposes, decisions to estimate the need for funds, and decisions from where to obtain funds. Interviews with the three respondents are presented as follows:

"In this business, I have a loan at Bank BRI, the government's KUR program for SMEs, you know, I owed Rp 50 million at that time. Now during this pandemic, it's getting harder because I still have to pay bank installments even though I don't sell much. Yes, in the end, I looked for another loan, Miss. I'm looking for a KUR loan for business capital; furthermore, buying rolls of cloth isn't cheap. I also have to buy several rolls, because I am not allowed to buy one roll. That's why I estimated that KUR is enough for my business capital, I didn't expect there was a pandemic like this. Usually, I get an order for sacks, miss, sent to outside of Java, 1 sack can be 150-200 pieces, pretty good actually, but it's no longer the case, for now, miss." (Respondent 1, 2022)

"I owed bank BRI, the KUR bank, I owed Rp 25 million at that time. It was paid off and then I took another loan of Rp 50 million for Bakpia's business capital, Thank God I was able to run my business using the government program loan funds, Miss. Yes, this pandemic is indeed difficult, there are not many sales but business is still going on. A little bit is okay, just keep moving, miss. At the moment I plan to borrow again from cooperation, it will be enough amount of money during the pandemic, and my sales are not recovered yet. The thing is, I can still buy raw materials, I can still pay my employees, I can still pay for electricity and water for my business, thank God, that's all," (Respondent 2, 2022)

"During the pandemic, I learned to be economical, miss, I didn't spend much, just save as much as I can. I don't dare to buy goods yet. I also borrowed Bank BRI, I got a KUR loan. Not much, only Rp 20 million. I am afraid that I can't pay the installments so I just owed not much. I also have a debt in a local group, yes, it's for an emergency fund during my sales are not getting better yet. Thank God, all things still keep going, there will be a way." (Respondent 3, 2022)

SMEs Performance Assessment

In this study, the performance information owned by SMEs is seen from the financial side, namely an increase in the amount of production, an increase in the amount of turnover, an increase in the amount of profit, an increase in the number of sales, an increase in the number of purchases of raw materials, an increase in the number of production equipment. In addition, performance assessment can also be seen from the non-financial side by looking at the increase in the number of customers and the increase in the number of employees.

In this study, most of the respondents conducted a performance assessment using unwritten accounting information. Table 13 shows the financial performance assessment such as the owner's estimate of the increase in the number of equipment (34.09%), the owner's memory of the increase in the number of purchases of raw materials during the pandemic (88.63%), the owner's memory of the increase in the number of sales (92.04%) the owner's estimate of the increase in production (100%), the owner's estimate of the profit received (95.43%) and the owner's estimate of the turnover received. Meanwhile, from the non-financial perspective, they used the owner's estimate of the number of customers (97.72%) and the owner's memory of employees (89.77%), as given in Table 14.

Table 13. Performance Assessment Information (Financially)

Performance Assessment Information (financially)	Amount	Percentage
An increase in the number of products produced	88	100.00%
An increase in the amount of turnover generated	84	95.45%
An increase in the amount of profit generated	84	95.45%
An increase in the number of sales generated	81	92.04%
Increasing the number of purchases of raw materials for operations	78	88.63%
Increasing the number of production equipment owned	30	34.09%
An increase in the number of assets owned	26	29.54%
Increase in the number of investments in the form of savings in banks	5	5.68%
Ability to pay debts	3	3.40%

Source: Primary Data, 2021

Table 14. Performance Assessment Information (Non-financially)

Performance Appraisal Information (Non-financially)	Amount	Percentage
Increase in number of customers	86	97.72%
Increase in number of employees	79	89.77%

Source: Primary Data, 2021

Mental Accounting

Table 15 presents information about mental accounting for the SME actors as respondents. It shows that 71% of the respondents have separated the sales revenue from the other expenses incurred. However, it is still found that SME actors do not separate the sales revenue from the expenses incurred because they do not have time for doing so.

As for treating the sales revenue, 60% of respondents have divided it into two parts. Half of the revenue is used for business expenses and the remaining half for personal needs. Then, 60% of respondents save all of their business revenue for their next purchase, while 19% of respondents share the sales revenue for business expenses and personal needs with a ratio of 70:30.

Table 15. Mental Accounting

	No of Resp.	%		No of Resp.	%
Separating revenue and expenses *			Source of business operating costs		
Yes	71	71.0	Sales revenue	62	62.0
No	29	29.0	Business and personal capital	38	38.0
Total	100	100.0	Total	100	100.0
Treatment of sales revenue			Directly use the sales revenue for personal interest*		
Saved for next purchase	60	60.0	Yes	88	88.0
Divided in half, with half for business expenses and a half for personal needs	21	21.0	No	12	12.0
Business expenses 70%, personal 30%	19	19.0			
Total	100	100.0	Total	100	100.0
Allocating business revenue*			Purchasing for business and household needs at the same time		
Yes	78	78.0	Yes	22	22.0
No	22	22.0	No	78	78.0
Total	100	100.0	Total	100	100.0

Source: Primary Data, 2021

Table 16. Treatment on Sales Revenue Allocation and Separation

Allocation of sales revenue			Directly using sales revenue for personal interest		Total
			Yes	No	
Yes	Separate Revenue and Expenses	Yes	0	70	70
		No	3	5	8
Total			3	75	78
No	Separate Revenue and Expenses	Yes	0	1	1
		No	2	19	21
Total			2	20	22

Source: SPSS Results, 2021

Table 16 shows that 70 respondents have separated their sales revenue and expenses, and have allocated the sales revenue to certain purposes. The allocation of sales revenue is made to items of necessity such as purchasing raw materials, employee costs, rental fees, transportation costs for sales, and personal needs. The respondents also do not directly use the money from the sale for personal needs. In contrast, 19 respondents of SME actors do not separate the income and expenses incurred in the business and do not allocate the sales revenue even though they do not directly use the sales revenue for personal interests.

Table 17. Allocation of Sales Revenue for Personal Interest

Allocation of sales revenue			Directly using sales revenue for personal interest		Total
			Yes	No	
Yes	Purchasing for business and household needs at the same time	Yes	0	75	75
		No	1	2	3
	Total		1	77	78
No	Purchasing for business and household needs at the same time	Yes	0	13	13
		No	6	3	9
	Total		6	16	22

Source: SPSS Results, 2021

As many as 78% of SME actors admitted that the sales revenue obtained at that time was not directly used for personal interests because it would be set aside for further spending or saved for emergency use. However, as many as 22% of the respondents directly uses the money from the sale at that time for personal interests because of limited available funds and urgent personal necessities. The respondents using the sales revenue to buy raw materials do not buy household needs at once. This is done to avoid uncontrolled use of funds.

CONCLUSIONS

This study examines the mental accounting of SME actors and how business decisions are made during the Covid-19 pandemic. The mental accounting of this research is in terms of the separation of business finances and personal finances. In this study, the majority of SME respondents have recorded business transactions. The recording is carried out by business actors from all business sectors, including the trading business sector, processed food, and convection business with a monthly sales turnover of approximately Rp. 25,000,000 per month. The types of recording transactions carried out by SME actors are cash inflow records, sales records, expense records, salary records, debt records, purchase records, inventory records, and rental records. The recording of transactions has been carried out by the business actor although the records are only limited to cash inflow records, sales records, expense records, and salary records. In addition, SME actors have separated income and costs incurred for business. As for mental accounting, most SME actors have allocated their income to certain purposes, including purchasing raw materials, employee salaries, rental fees, transportation costs for sales as well as personal needs. In terms of financial separation, SME actors have separated business money and personal money so that when purchasing raw materials, SME actors do not buy household needs at the same time to avoid improper use of funds.

The results also found, first, most SME actors have been able to separate the income and costs incurred for the business because it becomes easier to control the business transactions and to know how much the business profits gained. They still managed to do so although sometimes they find it difficult, lack time, have lots of other needs, and have not too large a business scale. Second, in terms of mental accounting, SME actors have allocated sales revenue to certain purposes, such as raw material purchasing, employee salary expenses, rental fees, sales transportation costs, and personal needs. Similarly, when using the sales revenue to purchase raw materials, the SME actors do not use this amount of money to buy their household needs at the same time to avoid inappropriate use of funds. Third, as for financial separation, most SME actors have separated their business money and personal money both before the pandemic and during the pandemic. The business actor already has an account at a bank, although it is still found that there is no separation between business accounts and personal accounts. According to the SME actors, the bank account is used to save the sales revenue and personal money, but when the funds are used at the bank, all transactions are recorded.

This research implies that business actors should recognize the need for funds for business operations so that the allocation to certain needs can be carried out appropriately. So it is expected that the sales revenue can be used by SME actors to meet their business needs and personal needs. Regarding business decision-making, SME actors should use written accounting information and not only rely on memory and estimations. In order to stay survived, SME actors must keep producing the same products with a much lower cost of goods sold.

The limitation of this research is that it only focuses on mental accounting on the separation of personal finances and business finances. The respondents of this research are only limited to SME actors in Salatiga City who are willing to become research respondents, so their answers do not represent all types of businesses. Further research is expected to observe the effect of separation of financial transactions and revenue allocation on performance. In addition, the effect of various business decisions on performance must be sought by comparing the SMEs that separate the financial transaction to those that do not.

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Abbreviations

SMEs: Small and Medium Enterprises, HR: Human Resources

Author's Contribution

MEP led the research project, analyzed and interpreted data, and prepared the manuscript. BKW helped collect, identify, tabulate, and verify data.

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Conflict of Interest

The authors declare no competing interests.

Availability of Data and Materials

All data and materials can be accessed by contacting the first author.

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