

PRIORITISING AND BUDGETING HOUSEHOLD

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Abstract

This study aims to examine the importance of prioritisation and budgeting in household financial management. The method used in this research is a quantitative and qualitative survey, involving a sample of households from various economic classes. The results showed that families who prioritise and budget regularly tend to have better financial stability and are able to deal with emergencies more readily. The prioritisation process involves identifying primary, secondary and tertiary needs, which are matched with income as well as short- and long-term financial goals. Effective budgeting involves recording income and expenditure, as well as regular monitoring to ensure compliance with the original plan. This research emphasises the importance of financial education in helping families develop realistic and implementable budgets. With a structured and disciplined approach, household financial management can become more efficient and have a positive impact on family well-being.

Keywords: Priority Scale, Budgeting, Household.

INTRODUCTION

In our daily lives, we are often faced with various needs and wants that we want to fulfil. However, we have limited resources in terms of time, energy and finances. This is where the importance of prioritising and budgeting effectively comes in. Prioritising means identifying the most important and urgent needs and wants and ranking them in order of importance. This helps us to focus on the things that really matter and avoid wasting resources on things that are less of a priority. A household budget is a financial plan that organises a household's expenditure and income over a period of time

The importance of prioritisation and household budgeting is increasingly felt in this modern era. Rising living costs and consumptive lifestyles make financial management more complex. Without proper planning, it's easy to get trapped in a cycle of debt and financial hardship. By understanding the concept of prioritisation and budgeting effectively, we can achieve a balance between needs and wants, and build a strong financial foundation for the future.

DISCUSSION

Prioritisation Scale Concept

In the KBBI, the word "priority" is something that takes precedence or priority, while "prioritising" means putting something ahead of others. Every human being in their activities does not escape prioritisation when at one time they find activities or events that are urgent or planned. "Scale" is a line or mark point that is lined up at the same distance used to measure thermometers, lanes to determine the level or amount of something and a comparison of the size of the picture with the actual situation. "Priority scale" means having an orderly arrangement of activities according to their importance and urgency, so that there is a reference in the actions and actions that are the basis of these activities (Satria Kharimul Qolbi & Sutrisno, 2021).

Prioritisation refers to the ability to identify and place a high value on the most important financial goals. By allocating financial resources wisely, families can ensure that essential needs are met before considering broader desires. Prioritisation in financial planning refers to the approach used to rank and categorise financial goals and expenditures by level of importance and urgency. In financial planning, individuals or families assess and map their financial goals into a priority order, giving more attention to the more urgent and important goals. This approach helps allocate financial resources wisely, so that the most crucial goals are met before others (Smith, 2021). Prioritisation in financial planning helps individuals or families avoid unnecessary spending and ensures that they allocate funds according to their most important needs and priorities. By applying prioritisation, limited financial resources can be used effectively to achieve short-term and long-term goals (Johnson, 2022). Prioritisation is key to helping families in the city face economic challenges and achieve financial well-being. By understanding and applying prioritisation, families can better plan and manage their finances, enabling them to meet basic needs, invest in education, health and the future, and cope with unexpected financial situations.

How to prioritise

Prioritisation may include the following steps:

- a. Families need to identify short and long-term financial goals. These goals can range from property purchase, children's education, retirement preparation, to family holidays. Identifying these goals helps in prioritising them.

- b. Once the goals are identified, the family needs to evaluate the urgency and importance of each goal. Goals that are more urgent or critical will get a higher priority than those that are less important.
- c. Use a numerical prioritisation scale or other scoring method (such as a Likert scale) to determine the extent to which the objectives are prioritised. For example, number or score each goal based on the level of importance, e.g. from 1 (most important) to 5 (least important).
- d. Once the priority scale has been determined, allocate funds according to the order of priority. Objectives with a higher priority scale will get a larger allocation of funds, while objectives with a lower priority scale may get a smaller allocation.
- e. The prioritisation scale and allocation of funds may be revised periodically according to the changing needs and goals of the family changes in the economic situation or changes in family goals may affect the prioritisation scale.
- f. It is important to involve all family members in the prioritisation and allocation of funds. This collaboration helps ensure that all family members feel involved and have a similar understanding (Yanti, 2023).

Expenditure Prioritisation Scale

The spending priority scale recommended by Ahmad Ghozali in (Tatik, 2021) for healthy family financial management is as follows:

- a. Social Expenditure Expenditure in this priority can be referred to as social expenditure, which can be in the form of donations or donations, or other social expenditure. It is recommended to allocate 5-10% of your income to social spending, although there is no standardised percentage for this.
- b. Emergency Savings Emergency Savings are intended for emergency expenses or urgent needs that are quite important. If you still have debts that need to be repaid, then paying off debts becomes the second priority and can be adjusted to the emergency savings that will be allocated.
- c. Investing or Saving Investing or saving needs discipline to become a culture in family financial management. Investing or saving does not need to wait until you have a large income.

- d. Consumption This expenditure is usually the biggest, even no matter how much we earn, if this item is not controlled, we will feel constantly lacking.

Factors Affecting Prioritisation Scale

There are several factors that influence prioritisation in different sectors of life. Here is an explanation of each:

- a. Urgency Level
As mentioned earlier, the focus of prioritisation is needs before wants. Therefore, things related to basic needs, including clothing, food, and shelter need to be prioritised.
- b. Impact
Prioritisation is done by considering the impact of the activity. Fulfilment of basic needs that are delayed will certainly have an impact on the purchase of other things. For example, prioritising buying a smartphone over paying for electricity may hamper important household activities, such as using the washing machine and iron.
- c. Resource
One of the factors that influence prioritisation is resources, such as the availability of time, energy and money.
- d. Exhausted Power
Each need has a different rate. Therefore, the effort required to obtain the funds to fulfil them also needs to be adjusted. For example, someone will save longer to be able to buy a car than to fulfil basic needs, such as buying rice.
- e. Economic Conditions
An important factor to consider when prioritising is economic conditions. A person with a limited economy certainly has different priorities from investors. The main needs for people with minimum income include buying groceries, paying rent, and electricity bills.
- f. Family Status
One of the things that affects prioritisation is family status. Obviously, people who are single have more freedom in determining the fulfilment of their needs and wants than those who are married.
- g. Life Purpose

The priority scale is also determined based on one's life goals. For those who want to prepare for retirement, saving for the future is often a priority.

h. Social Environment

Prioritisation is also influenced by the social environment. Family members, close friends, and colleagues can put pressure to fulfil certain needs.

1. Benefits of Prioritisation

a. Increased Efficiency

One of the main benefits of prioritising is that everything becomes efficient. By setting a priority scale, we can divide what needs to be done first, so that all work can be completed quickly and accurately.

b. Key Needs Fulfilled

By prioritising, all our primary needs will be met. We have to start understanding and realising what our main needs are. Because this way, we can prioritise items that are in accordance with our needs.

c. Better Time Management

Prioritising can greatly improve your time management. When you prioritise the important things, you don't waste time doing less important things. When you understand prioritisation, you can manage your time more effectively.

d. More Controlled Finances

Setting priorities can benefit your finances. You can decide to buy needs based on priorities. Not just based on desire alone, so that finances are more controlled.

e. Financial Planning is Going Well

Another benefit of determining a priority scale is that financial planning goes well. This can happen because you have determined which ones to buy based on the scale of needs, so that the financial budget can run properly.

f. Helps Measure Progress in Achieving Goals

The last benefit is that you can find out what things or needs have not been fulfilled and monitor the progress of the financial goals that have been planned.

Household Budget Concept

According to Nafari, a budget is a plan that has been prepared and planned in quantitative form based on a programme that has been approved and expressed in units of money and a predetermined period of time. And many other experts say that the budget is a form of plan that is first compiled as a guideline regarding what will be done as a company towards a set goal, and the budget is a form of document that contains performance, both in the form of revenue and expenditure that has been presented in a monetary measure to be achieved in the future as a form of performance assessment control. According to some of the opinions above, a budget is a plan that has been systematically prepared both in the form of numbers and expressed in monetary units and measuring units within a period of time (Ameliya & Husna, 2022).

Making a household budget is a very important thing to do for families. Because the household budget is a plan that contains what needs must be obtained. Making a budget also allows families to know the remaining money left after obtaining all the needs that have been recorded. Broadly speaking, the Ulama have divided the priority scale of the shopping budget into three parts:

- a. Primary needs are the main or basic needs that must be fulfilled by humans. Namely the need for clothing, food and shelter.
- b. Secondary needs are needs that can be fulfilled after primary needs or in other words, secondary needs are additional needs that are complementary in nature.
- c. Tertiary needs are entertainment needs. These needs can be achieved after primary and secondary needs (Suarni & Sawal, 2020).

There are two major parts to a budget, namely income (inflow of funds) and expenditure (outflow of funds).

- a. Income can be divided into two types: regular and irregular income. Regular income is income that must be received every month and is generally a fixed amount, for example, salary, rent and others. While non-routine income is income that is only received in a certain period and generally the amount is not the same and not fixed, for example bonuses, business income, THR, business profits and others.
- b. Expenses can be divided into two groups, namely routine expenses and non-routine expenses. Routine expenses are costs that must be incurred every month and are generally fixed While

non-routine expenses are cash funds that are only issued in certain periods.

Benefits of a household budget

With this budget, you can find out how much estimated costs will be incurred to meet the needs within a certain period of time and anticipate if there are urgent needs or costs. Examples of other benefits are:

- a. We can see in detail the inflow and outflow of our family finances, meaning that we can find out which expenditure items are the largest compared to other expenditure items so that we can evaluate if we exceed the ideal amount of expenditure items.
 - b. The budget that we have made can be used as a guide in managing money, both in setting aside and in spending the money. So it will be easier to go towards healthy finances and in achieving our financial goals.
 - c. Budgeting also serves to prevent ourselves from spending more than we earn (Finance, 2017).
1. How to make a household budget
 - a. Recognise your financial condition
Identify what assets a family has, such as cash, valuables (house, savings, vehicles, jewellery, etc.). And assets that have a current or future sale value that is still good / high. Then debt, obligations that must be fulfilled either in the form of money loans or instalments in the form of objects.
 - b. Determine the main desire
Clarification of desires is needed to avoid family financial instability. Fulfilment of unlimited desires will create a financial deficit in the family. So a financial manager must really pay attention to what are the main desires, with many family members, not all desires can be fulfilled due to limitations. one of the limitations possessed is financial capability. Therefore, we need to make an order of which desires should be prioritised. Examples of desires that we have (priorities): Buying clothes, food, vehicles.
 - c. Define Desire

is a hope or dream to have or fulfil something. In families, desires need to be distinguished from family needs (Ayuning Puri et al., 2022).

Conclusion

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A budget is a plan that has been prepared and planned in quantitative form based on a programme that has been approved and expressed in units of money and a predetermined period of time. And many other experts say that the budget is a form of plan that is first compiled as a guideline regarding what will be done as a company towards a set goal, and the budget is a form of document that contains performance, both in the form of revenue and expenditure that has been presented in a monetary measure to be achieved in the future as a form of performance assessment control.

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