

PANEL 3. CURRENT ISSUES OF INTERNATIONAL MANAGEMENT AND MARKETING (EXPERIENCE ECONOMY; EVENT MANAGEMENT; ECONOMIC PSYCHOLOGY, HR-MANAGEMENT, ETC.)

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MENTAL ACCOUNTING AS A BEHAVIOURAL ECONOMIC PHENOMENON

Behavioral decision making has been an area of interest for economists for many years, in which, the cognitive component of behavioral decisions, for instance, mental accounting has been studied in various concepts of financial decision making and cognitive evaluation of economic outcomes (Thaler, 1988; Thaler, 1990). Individual households' financial decision making is influenced by their implicit mental accounting characteristics (Thaler, 1985). The understanding of the mental accounting process helps an individual to make sure that their financial choices are not unbiased.

The main objective of this article is to identify and analyze the impact of mental accounting on household income distribution.

Today's market is completely consumer-oriented. In today's marketing world, the consumer holds the highest importance and it is the marketer's top priority to ensure consumer satisfaction at all times. Consumers take various decisions when making a purchase, such as what to buy, how to buy, when to buy, and how much to buy. But the question arises that how they take their purchase decisions, how they allocate money for everything they need to purchase. This leads us to the concept of Mental Accounting.

This concept was brought up by Richard H. Thaler in «Mental Accounting Matters» (1985) to describe “the set of cognitive operations used by individuals and households to organize, evaluate, and keep track of financial activities” and to explain the reason that people are affected by sunk cost [1]. Before that, it was often thought that money is fungible regardless of its source, which means that 100 dollars gained by salary paid and 100 dollars gained by bonus are equal to the people who receive it. However, in our daily lives, it is usually not the case. It is found that people tend to group money into categories and make budgets based on those categories, like creating many mental accounts. For example, the 100 dollars received by salary may be categorized into the budget of food, whereas the 100 dollars received by bonus may be categorized into the budget of entertainment. That is, mental accounting can be viewed as a personal cognitive bias in which people categorize their wealth based on the source of money and their importance [2].

To confirm the existence of the concept of mental accounting, a survey has been conducted among representatives of various age groups with different income levels. 100 respondents have taken part in the survey, including 28 men and 72 women. The majority of respondents (81%) are in the age group from 18 to 25 years, 15% are over 40 years

old. It also can be noticed that most of the questionees are students. A large number of respondents (36%) indicate that their monthly income is within 200 rubles, 25% of people have an income ranging from 200 to 500 rubles, 22% fall in the income bracket of 1100 rubles or more.

The following survey results have been obtained: 62% of respondents rank their money depending on what they spend it on or depending on its source. When people receive money from the lottery, they see it as an unexpected source of income that they can use for more emotionally meaningful purposes, such as vacation. In this case, more than half of the respondents (55%) chose the purposeless option for distributing money. On the other hand, when people are paid for working overtime, it is perceived as part of the normal work process and can be seen as a stable source of income. Therefore, in this case, the majority of respondents 61% prefer to spend money on purchasing large household appliances, which can be considered as a more rational choice in terms of mental account.

Thus, the survey results confirm that mental accounting influences people's decisions about how they spend their money depending on its source. That is, a person tends to attribute additional value to money depending on how it has been received. And based on this, determine what it will be spent on. For example, after winning money in the lottery, a person is more likely to spend it on entertainment and optional purchases. At the same time, one will save his hard-earned money for mortgages, utility bills and so on.

The issue of the equivalence of cash and virtual money has been also investigated. According to the classical theory, there should be no difference between types of money, but 55% of respondents prefer to pay by a debit card, which refutes the traditional approach. Therefore, we often say that people spend more paying by credit card than in cash. This is due to the “pain-to-pay theory.” A plastic credit card is less tangible than cash as you cannot visually see the loss of money when swiping the card, and obviously the payment is delayed.

Summing it up, it should be stated that mental accounting is a complex phenomenon that plays a decisive role in human behavior and decision making. Understanding how it works can help people make better financial decisions and avoid common financial mistakes.

REFERENCES:

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