Micro, Small and Medium Enterprises (MSMEs) Coaching Program

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ABSTRACT

Objective – This study aims to examine and analyze micro small and medium enterprises (MSMEs) coaching program and to obtain an empirical evidence regarding the effect of MSMEs coaching program on the quality of financial statements.

Methodology/Technique – This study was conducted using quantitative descriptive method and statistical analysis using a sample of 50 entrepreneurs in several MSMEs coaching program institutions in Pontianak, West Kalimantan.

Findings – The result shows that all objectives of MSMEs coaching program classified as good with the value of mean above 3.43. Furthermore, the hypothesis proposed in this study shows that MSMEs coaching program has a significant effect on the quality of financial statements.

Novelty – The study findings useful for future references in implementing coaching program.

Type of Paper: Empirical.

Keywords: Coaching Program; Entrepreneur; MSMEs; Quality of Financial Statements.

JEL Classification: I21, L26,

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1. Introduction

The existence of MSMEs is very important for economic growth in Indonesia (Hayashi, 2002) due to their contribution of 59.8% to the total Gross Domestic Product (GDP) of Indonesia (BPS, 2012). In addition, BPS (2012) recorded that the number of SMEs reached 56.54 million units which are equivalent to 99.99% of the total business units in Indonesia. It means that the ability of MSMEs to absorb the labor force has proven. BPS noted that SMEs are able to provide employment for 107 million workers or absorbs about 97% of the workforce. However, in order to improve the performance of MSMEs, they often experience several major problems such as limited of capital, low labor competency and lack of energy (Hamzani & Achmad, 2016).

In terms of limited of capital, the government introduced a program called Kredit Usaha Rakyat (KUR). KUR is a soft loan which means MSMEs do not need collaterals to apply for the KUR. However, it does not solve the problem at all. The problem is not only the need of capital but also the need of financial statements which MSMEs have to provide in order to assess their performance within one accounting period since the assessment of banks that decided to provide KUR as a credit to the MSMEs is based on their performance that can be assessed from their financial statements. Unfortunately, their unskill workers which most of them only

graduated from senior high school are unable to provide the qualified financial statements based on accounting standards for SMEs namely SAK ETAP in Indonesia (Hamzani & Achmad, 2016). Therefore, the bank could not assess their creditworthiness. Lack of bank lending to MSMEs is because they have a poor quality of financial statements and are unable to provide sufficient information related to the financial condition of MSMEs (Rudiantoro & Siregar, 2012). Therefore, Bank Indonesia issued a regulation which required commercial banks to participate in training on credit granting MSMEs (Regulation of Bank Indonesia No. 15, 2013).

The regulation of Bank Indonesia is in line with the statement of the European Commission that MSMEs need a training program in order to increase their performance. The European Commission said that SMEs were required to be as firm in general should be able to (1) meet the business needs and challenges (in the areas of technology, regulatory, demographic, and social; (2) satisfy the need to increase the internal capacity to adapt and change to adjust the age (to develop new products, improve the ability of employees and management, and has a strong endurance); (3) serve the demand of customers or client oriented; (4) meet employees' needs for lifelong learning and the need to add and keep employees in order to provide job field. Therefore, the European Commission appealed to stakeholders in order to create a training program for the realization of these objectives (European Commission, 2013).

Mwangi (n.d) stated that training will affect the performance of MSMEs in terms of achieving their goals and objectives. It will be difficult for MSMEs to improve their performance without training since it helps MSMEs in operational activities of the business. In training, the entrepreneurs do not only learn how to manage their business but also how to be innovative entrepreneurs since innovation will also affect the performance of MSMEs (Olughor, 2015). Furthermore, in order to improve the performance of MSMEs, the training program should be conducted in terms of managerial functions such as skilled personnel, financial management skills, planning skills, customer care, marketing knowledge skills and knowledge of human resources practices. Especially financial management skills, the workers of MSMEs must have training on bookkeeping and financial statements preparation (Fouad, 2013). Moreover, having an access to finance, managements skills and macro environment factor will affect the performance of MSMEs as well (Kinyua, 2014).

In addition, a wide variety of limitations of MSMEs includes a lack of knowledge of the accounting records, the complexity of the accounting process and the presumption that the financial statements are not critical to the business, educational background are not familiar with accounting records, lack of discipline in the implementation of accounting records, the absence of sufficient funds to hire an accountant or buy accounting software to facilitate the implementation of accounting bookkeeping (Irawan, 2012). It has proven that there is a positive relationship between SMEs' investment in employees' training program and SMEs' performance (Guan, 2004). Therefore, it is crucial for MSMEs to attend a coaching program where they will not only learn management skills (Kinyua, 2014) but also organizational culture, transformational leadership and empowerment (Sampe, 2012) in the training. In this study, it will examine and analyze MSMEs coaching program and will obtain empirical evidence regarding the effect of MSMEs coaching program on the quality of financial statements.

The indicators of MSMEs coaching program can be assessed through 7 (seven) objectives, namely: (1) increasing profit; (2) application of accounting cycle; (3) addition of number of employees; (4) employees training programs; (5) the addition of business units, (6) maximize the use of all media for advertising and marketing; and (7) customer care. These 7 objectives are collaborative goals and objectives between 4 (four) organizers of MSMEs coaching program in Pontianak. However, the quality of financial statement will be assessed based on the qualitative characteristics of information in financial statements mentioned by Indonesian Accountants Association (2012) which is comprised of understandable, relevant, materiality, reliability, substance over form, conservatism, completeness, comparable, timely, and evaluation of costs and benefits.

MSMEs coaching program is very crucial to be conducted since MSMEs need the support service for having an access to finance (Osano & Lagutone, 2016), (Daskalakis et al, 2014). The training program has proven to

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be an effective tool to improve the performance of the company in terms of sales and financial perspectives and modify employee behavior style in term of behavioral perspective (Sunardi et al, 2012), (Eravia et al, 2015). Furthermore, coaching program is the best place to learn about managerial skills which include bookkeeping and financial statements preparation (Fouad, 2013), (Kinyua, 2014), and as an entrepreneurial managerial consultancy in the areas of financial, technical, human resources, accounting, ecological, managerial (Nicolescua & Nicolescu, 2016). Moreover, coaching program is normally associated with improving the performance and it also affects employee's job commitment by supporting self-esteem and personal performance (Clutterbuck, 2009 in Rosha, 2014). Therefore, this study aims to test the hypothesis proposed as follows: H1: MSMEs coaching program significantly affects the quality of financial statements.

2. Method

This study was conducted using the descriptive method and linear regression analysis. Descriptive method was used to examine and analyze MSMEs coaching program and linear regression analysis was used to obtain empirical evidence regarding the effect of MSMEs coaching program on the quality of financial statements. The term of MSMEs referring to government regulation No. 20, 2008. Data used in this study were obtained through interview of 50 entrepreneurs in several MSMEs coaching program institutions in Pontianak, West Kalimantan. Prior to the testing hypothesis, data quality testing was conducted which included the validity and reliability testing. In addition, the samples of research conducted with a purposive sampling method (Sugiyono, 2012). Indicators used in the questionnaire to describe the study variables were measured using a Likert scale (Widhiarso, 2015). Assesment categories based on criteria interval was classified by 5 (five) groups which were very good (4.24 - 5.00), good (3.43 - 4.23), moderate (2.62 - 3.42), poor (1.81 - 2.61), and not good (1,00 - 1,80) (Mahsun, 2009).

3. Results

Table 1. The Assesment Results of MSMEs Coaching Program

No	Objectives	Very Good		Good		Moderate		Poor		Not Good		Mean
		$\sum$	%	$\sum$	%	$\sum$	%	$\sum$	%	$\sum$	%	
1.	Increasing profit	11	22%	25	50%	8	16%	2	4%	4	8%	3.72
2.	Applying the accounting cycle	3	6%	19	38%	26	54%	1	2%			3.48
3.	Increasing the number of employees	8	16%	27	54%	13	26%	1	2%	1	2%	3.80
4.	Employee training programs	6	12%	30	60%	14	28%					3.84
5.	Additional business units,	8	16%	24	48%	17	34%	1	2%			3.76
6.	Media advertising	9	18%	23	46%	18	36%					3.82
7.	Customer care	10	20%	18	38%	21	42%					3.78

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Table 2. Demographics of Sample

		Frequency	Percentage
Gender	Male	33	66
	Female	17	34
Age group	< 30 years old	34	68
	From 31 to 40 years old	12	24
	>40 years old	4	8
Occupation	Owner	38	76
	Manager	6	12
	Cashier	3	6
	Employee	3	6
Level of education	Not graduated from SD	1	2
	SD	3	6
	SMP	1	2
	SMU	27	54
	Diploma (DIII)	1	2
	Undergraduate (S1)	17	34
Type of business	Merchandising	23	46
	Service	19	38
	Manufacturing	8	16

Table 3. The result of Linier Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.429	.313		4.564	.000
	MSMEs coaching program	.632	.083	.741	7.639	.000

a. Dependent Variable: the quality of financial statements of MSMEs

Tabel 4. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741[a]	.549	.539	.33049

a. Predictors: (Constant), MSMEs coaching program

b. Dependent Variable: the quality of financial statements of MSMEs

4. Discussion

The respondents of this study were 50 entrepreneurs that had attended the MSMEs coaching program from the various institutions in Pontianak which were 12 respondents from Ministry of Cooperatives and Small and Medium Enterprises, 15 respondents were from SMEs Business Incubator of Bank Indonesia, 13 respondents were from Business Incubator of FEB Universitas Tanjungpura, and 10 respondents were from Integrated Business Service Center. The indicators of MSMEs coaching program were assessed by 7 (seven) objectives of MSMEs coaching program. Table 1 shows the assessment results of MSMEs coaching program and table 2 shows the demographics of the sample. Most of the objectives of the MSMEs coaching program had been successfully achieved, where the majority of respondents stated that by attending the MSMEs coaching program, company profits increased (50%), the number of employees increased (54%), coaching of employees

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increased (60%), the business unit increased (48%), and the use of media advertising increased (46%). Meanwhile, the application of the accounting cycle of respondents categorized as moderate by 54% and customer care were also categorized as moderate by 42% of respondents. Overall, the result indicated that all objectives of MSMEs coaching program classified as good with the value of mean above 3.43. These findings are consistent with research conducted by Rudianto and Siregar (2012), Mwangi (n.d), Olughor (2015), Fouad (2013), Kinyua (2014), Irawan (2012), Guan (2004), (Sampe, 2012), Osano and Lagutone (2016), Daskalakis et al (2014), Sunardi et al (2012), Eravia et al (2015), Clutterbuck (2009) in Rosha (2014).

Prior to the testing hypothesis, data quality testing was conducted which included the validity and reliability testing. In terms of reliability testing, the variable of MSMEs coaching program (X) and the quality of financial statements (Y) obtained the alpha value of 0.847 and 0.822, respectively. Since the alpha value was greater than the critical value of r, it can be concluded that the instrument questions of the MSMEs coaching program (X) and the quality of financial statements (Y) were reliable. Furthermore, based on the validity of the test results it can be concluded that the entire item questions used in this study were valid.

Based on table 3, the regression equation is as follows: $Y = 1.429 + 0.632X$. The variable of MSMEs coaching program (X) has a positive effect on the quality of financial statements (Y). This is indicated by the value of the regression coefficient for the variable of MSMEs coaching program (X) which is +0.632. It means that if the MSMEs coaching program is conducted, the quality of financial statement will increase by 0.632. Based on the results of hypothesis testing in table 4, it concluded that MSMEs coaching program (X) significantly affects the quality of financial statements. It is because the significant value of its variable is smaller (0.000) than $\alpha = 5\%$ (0.05/2=0.025). Based on the results indicate that the hypothesis (H1) which stated MSMEs coaching program significantly affects the quality of financial statements of MSMEs is proven. These findings are consistent with research conducted Rudianto and Siregar (2012), Fouad (2013), Kinyua (2014), Irawan (2012), Guan (2004), and Clutterbuck (2009) in Rosha (2014).

The result indicates that all objectives of MSMEs coaching program classified as good with the value of mean >3.43. The hypothesis (H1) proposed in this study which stated MSMEs coaching program significantly affects the quality of financial statements of MSMEs is proven. The coefficient of determination (R^2) of 0.549 means that 54.9% of the quality of financial statements can be explained by the variable of MSMEs coaching program, while the remaining of 45.1% is influenced by other variables which are not included in this research model.

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