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Revealing The Effectiveness Of Coaching And Mentoring In Preparing Financial Reports For MSMEs In The Maluku Region

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Abstract
This study aims to analyze the effectiveness of coaching and mentoring in preparing financial reports in improving the ability of Micro, Small, and Medium Enterprises (MSMEs) to manage their business finances in an orderly, simple, and sustainable manner. The focus of this study is the low level of understanding among MSMEs regarding recording financial transactions, preparing financial reports, and the continued mixing of personal and business finances. The study used a qualitative descriptive approach with data collection techniques through observation, interviews, documentation, and evaluation of the results of the mentoring. Data analysis was carried out through the stages of data reduction, data presentation, and drawing conclusions. The results show that coaching and mentoring activities have a positive impact on increasing the knowledge and skills of MSMEs in systematically recording financial transactions, preparing simple profit and loss reports and cash flow statements, and separating business finances from personal finances. These improvements support better business decision-making, increase financial management accountability, and strengthen MSMEs' readiness to access formal financing sources. Thus, coaching and mentoring in preparing financial reports is an effective strategy in improving MSMEs' financial management capacity and supporting business sustainability.
Keywords: *MSMEs, financial reports, financial literacy, mentoring, financial management.*

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I. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are a sector that plays a strategic role in supporting national economic growth by creating jobs, reducing unemployment, and improving public welfare. In many developing countries, including Indonesia, MSMEs are the backbone of the economy because they are able to absorb a large workforce and maintain economic activity during crises. Research by Rekha, Sriram, and Hungund (2025) shows that financial literacy and managerial capacity of MSMEs are strongly linked to business sustainability and the ability to face economic uncertainty. These findings confirm that strengthening MSME capacity, particularly in financial management, is a crucial prerequisite for sustainable economic growth.

Despite their significant contribution to the economy, most MSMEs still face various challenges in business management, particularly in financial recording and reporting. Many MSMEs have not prepared systematic and structured financial reports, while transaction recording is often done simply, irregularly, and even mixed with the business owner's personal finances. This condition causes business financial information to not reflect the actual condition, making it difficult for business actors to control and evaluate business performance. Rekha et al. (2025) emphasized that low financial literacy is one of the main factors hampering the quality of MSME financial management and increasing the risk of business decision-making that is not based on accurate financial data.

These problems with financial recording and reporting directly impact the ability of MSMEs to calculate business profits or losses, manage cash flow, and plan sustainable business development. Furthermore, limited financial reporting also hinders MSMEs' access to formal financing sources because financial institutions require financial reports as the basis for assessing business feasibility. Research by Rekha et al. (2025) shows that the quality of financial reports is a key indicator influencing financial institutions' trust in MSMEs and determining their opportunities to obtain business credit and long-term investment.

Various studies also show that improving financial reporting skills can be achieved through practical and ongoing training and mentoring. Mentoring enables MSMEs not only to understand accounting concepts theoretically but also to apply them to recording daily transactions, preparing profit and loss statements, and managing cash flow according to their respective business conditions. Direct accounting training and mentoring programs have proven effective in improving financial literacy, disciplined transaction recording, and the ability of entrepreneurs to separate personal and business finances, thus improving financial management and accountability (Hasnarika et al., 2024; Rasyid, Hendrik, & Fernando, 2025).

Based on these conditions, this study focuses on coaching and mentoring for MSMEs in preparing financial reports as an effort to improve their financial management capacity. The mentoring activities are carried out in an applied manner through socialization, training, and direct guidance in recording transactions and preparing simple profit and loss and cash flow statements. Through this approach, it is hoped that MSMEs will be able to uncover financial reporting issues that they cannot yet perform independently, which can affect the quality of business decision-making, hinder access to formal financing, and hinder the sustainability and competitiveness of MSMEs at the local and national levels.

II. Literature Review

Human Capital Theory

Human Capital Theory explains that investment in education , training and development skills will increase productivity individual and organization . In context of MSMEs, improvement competence owner business through coaching and mentoring is form investment source Power capable human being increase ability management business , especially in management finance .

International literature shows that financial competence is a key factor in determining the success of MSMEs. A systematic review by Rekha, Sriram, and Hungund (2025) found that financial literacy improves MSME owners' ability to prepare budgets, manage cash flow, make investment decisions, and access formal financing. Furthermore, financial literacy consistently influences business performance and sustainability.

Based on this theory, coaching and mentoring activities are viewed as investments that increase the capacity of MSMEs, enabling them to produce higher-quality financial reports. This article uses Human Capital Theory as the primary theory because it best explains the relationship between coaching, competency improvement, and achieved results. Experiential Learning Theory can be used as a supporting theory to explain why practice-based mentoring methods result in more effective capacity building. The combination of these two theories is highly relevant to the research objectives and is supported by the latest international literature on financial literacy, training, and MSME capacity development.

MSME Development and Mentoring

Coaching is a process of improvement capacity through giving knowledge , whereas mentoring is a guidance process in a way directly so that participants capable apply knowledge the in practice business .

Mentoring own superiority compared to training conventional Because participant get chance For practice compilation report finance in accordance condition their respective efforts . Mentoring also allows existence bait come back so that error recording can quick repaired .

International studies show that the combined training program with mentoring produce change more behavior big compared to training One direction . MSME actors who obtain mentoring in a way sustainable show improvement ability in recording transactions , preparation report finance , cash management , and decision making decision business .

MSME Financial Report

Financial reports are information that illustrates a business's financial condition over a specific period. For MSMEs, financial reports serve as the basis for evaluating business performance, controlling cash flow, calculating profits, and planning business development.

However, various studies show that most MSMEs still do not prepare financial reports in accordance with accounting standards. This lack of accounting skills makes financial information unusable as a basis for decision-making or as a requirement for accessing financing.

A bibliometric study of MSME financial literacy shows that the ability to prepare financial reports is a key indicator of the quality of a business's financial management. MSMEs with good bookkeeping systems tend to have higher business performance and access to financing than those without.

Financial Literacy

Financial literacy is the ability to understand financial concepts and use them in economic decision-making. In the context of MSMEs, financial literacy includes the ability to prepare budgets, record transactions, manage working capital, and prepare financial reports.

Molosiwa and Holland (2025) explain that financial literacy improves MSMEs' ability to conduct financial planning, manage risks, utilize financial technology, and increase business profitability . finances also become forms *of* human capital that strengthen Power MSME competitiveness .

Besides that , Esomar et al . (2025) showed that literacy digital finance contributes to resilience MSME finance through improvement ability cash management , withdrawals decision investment and adaptation to digital transformation .

Effectiveness Coaching and Mentoring

Effectiveness is level success a program in reach goals that have been set . In study this , effectiveness coaching and mentoring measured through change ability MSME actors after follow the program.

Indicator effectiveness includes :
1. Increased understanding of financial reports;
2. Ability do recording transactions ;
3. Ability to prepare profit and loss reports;
4. Ability to prepare cash flow reports;
5. The ability to separate business and personal finances.

International research shows that hands *-on training* followed by mentoring provides greater competency gains than lectures alone. This approach results in behavioral changes in financial management that impact the sustainability of MSMEs.

III. Research Methods

This research uses a descriptive qualitative approach with a case study method . This approach was chosen because it aims to reveal in depth the effectiveness of coaching and mentoring in preparing financial reports for Micro, Small, and Medium Enterprises (MSMEs). Through a qualitative approach, researchers can understand changes in knowledge, skills, and behavior of MSMEs after participating in coaching and mentoring activities. The case study approach allows researchers to comprehensively explore phenomena according to the real conditions that occur in MSME partners. This method is widely used in research on MSME mentoring because it is able to provide a contextual picture of the implementation process and activity results.

The research was conducted on MSMEs in Mamala Village, Leihitu District, Central Maluku Regency, Maluku Province . The research location was chosen because most MSMEs in the area do not yet have an adequate financial recording system and still experience difficulties in preparing simple financial reports. The research activities were carried out in January 2026 , concurrently with the implementation of a coaching and mentoring program for preparing financial reports.

The research subjects were MSMEs participating in financial reporting coaching and mentoring activities. Informants were selected using purposive sampling , which involves selecting informants based on specific criteria, including:
1. Have a micro or small business that is still active.
2. Do not yet have systematically compiled financial reports.
3. Willing to participate in the entire series of coaching and mentoring activities.
4. Willing become respondents study.

Besides MSME actors , informants supporters consists of on team implementer devotion and equipment villages involved in implementation activity .

Data collection technique

Research data obtained through a number of techniques , namely :

a. Observation

Observation done For identify condition beginning management MSME finance , including system recording transaction , form bookkeeping used , as well ability perpetrator business in compile report finance .

b. Interview In -depth Interview

Interview done semi - structured to MSME actors to get information about constraint in compilation report finance , needs training , as well as perceived changes after follow activity mentoring .

c. Documentation

Documentation done with gather document in the form of cash book , notes transactions , reports finance simple results participants , photos activities , modules training and documents supporters other .

d. Evaluation of Mentoring Results

Evaluation done through comparison condition before and after activity Coaching . Evaluation indicators include the ability to record transactions, prepare profit and loss reports, prepare cash flow statements, and separate business and personal finances. A combination of observation, interviews, documentation, and evaluation is a common approach in research and mentoring activities for preparing MSME financial reports.

Data analysis uses an interactive model from Matthew B. Miles, A. Michael Huberman, and Johnny Saldaña which consists of three stages, namely:

1. Data reduction , namely the process of selecting , grouping and simplifying the data obtained. during study .
2. presentation (data display) , namely organize data in an orderly manner systematic in form narrative , tables , and picture so that facilitate the interpretation process .
3. Withdrawal conclusion drawing and verification , namely interpret results study For explain effectiveness coaching and mentoring to improvement ability MSME actors in compile report finance .

For ensure validity and credibility results research , used technique triangulation sources and triangulation Triangulation method source done with compare information obtained from MSME actors , team companions , and devices village . Meanwhile that , triangulation method done with compare results observation , interviews , documentation , and evaluation so that consistent and reliable data is obtained accountable in a way scientific.

Indicator Effectiveness Coaching and Mentoring

Effectiveness activity coaching and mentoring analyzed based on a number of indicator as following:

Indicator	Assessment Parameters
Understanding report finance	Understanding the function and benefits of financial reports
Ability recording transaction	Able to record cash inflow and outflow regularly
Compilation report profit make a loss	Able to prepare a simple profit and loss report
Compilation report cash flow	Able to prepare a simple cash flow report
Separation of business and personal finances	Able to separate business transactions and personal transactions
Sustainability practice bookkeeping	Consistently implement financial recording after mentoring

These indicators are used to assess changes in participants' skills after participating in the coaching and mentoring program, allowing for a comprehensive evaluation of the program's effectiveness. This competency-based evaluation approach aligns with recent research on training and mentoring in financial reporting for MSMEs.

IV. Results And Discussion

1. General Overview of the Implementation of Coaching and Mentoring

Financial reporting coaching and mentoring activities were conducted for Micro, Small, and Medium Enterprises (MSMEs) in Mamala Village, Central Maluku Regency. This program aims to increase the capacity of MSMEs to manage their finances by preparing simple financial reports that align with the characteristics of micro-enterprises.

The activity stages include outreach on the importance of financial reports, training on preparing simple financial reports, practice recording transactions, and direct assistance in preparing cash books, profit and loss reports, and cash flow statements. The approach used is participatory, so participants not only receive theoretical material but also practice preparing financial reports based on their business transactions.

Initial observations indicate that most MSMEs lack an adequate financial recording system. Business transactions are still recorded simply, with many relying solely on the owner's memory. Furthermore, most participants still mix business finances with personal finances, making it difficult to objectively assess the business's financial condition.

2 Conditions of Financial Management Before Mentoring

Observation and interview results show that low ability compilation report finance caused by several factors, namely:

1. lack of knowledge of simple accounting;
2. have never attended training in preparing financial reports;
3. do not yet understand the benefits of financial reports for business development;
4. time constraints in recording transactions; and
5. the assumption that bookkeeping is only needed by large companies.

As a result of these conditions, MSMEs experience difficulties in:

- calculate business profits accurately;
- know amount of capital used ;
- control expenditure business ;
- evaluate development business ; and
- fulfill administrative requirements when applying for financing to financial institutions.

These findings indicate that low financial literacy remains a major obstacle in managing micro-enterprises. This condition aligns with research by Rekha et al. (2025), which states that limited financial literacy is a dominant factor contributing to the low quality of financial management in MSMEs.

3 Effectiveness of Coaching on Increasing MSME Knowledge

The implementation of coaching resulted in quite significant changes in participants' understanding of the importance of financial reports.

Prior to the activity, most participants assumed that financial reports were solely used for banking administrative purposes. After receiving the training materials, participants began to understand that financial reports serve as a business control tool, a basis for decision-making, a medium for evaluating business performance, and a tool for business development planning.

This increased understanding was evident in the participants' ability to explain the function of each financial report and the benefits of routine transaction recording. Furthermore, participants began to recognize the importance of separating business transactions from personal transactions to accurately assess the business's financial condition.

These results indicate that the coaching activities have improved participants' financial literacy. According to Human Capital Theory, increasing knowledge through education and training is an investment that can increase individual productivity. In the context of this research, improving financial literacy is a key asset for MSMEs in developing better financial management systems.

Effectiveness of Mentoring on Financial Report Preparation Ability

The mentoring phase is the most crucial process for the program's success. This mentoring is provided directly through practical training in preparing financial reports based on each participant's business transactions.

At this stage participants are guided to:

- identify transaction business;
- take notes cash receipts;
- take notes cash disbursements;
- group transactions by account type;
- compile daily cash book;
- prepare a simple profit and loss statement; and
- compile report cash flow.

Mentoring give experience Study in a way directly (*experiential learning*) so participant more easy understand the drafting process report finance compared to only accept explanation theoretical .

After follow assistance , some big participant has capable do recording transaction in a way systematic and organized report finance simple in a way independent .

Findings This show that method mentoring more effective compared to method lecture solely Because participant get chance For practice every stages compilation report finance .

5. Changes in MSME Financial Management Behavior

In addition to increasing knowledge and skills, mentoring activities also result in behavioral changes in business financial management.

Some of the changes that were successfully identified include:
1. Start recording transactions every day;
2. Separate account business and accounts personal ;
3. Compile report profit make a loss every end month ;
4. Using financial information as a basis for determining selling prices;
5. Conduct an evaluation of business operational costs.

These behavioral changes indicate that participants not only understand the concept of financial reporting, but are also able to implement it in daily business activities.

According to Experiential Learning Theory, behavioral change is the main indicator of the success of the experience-based learning process because participants gain knowledge through direct practice and reflection on that experience.

Discussion

Research result show that coaching and mentoring is an effective strategy in increase capacity MSME actors in compilation report finance.
This effectiveness can be seen in three main aspects.

First, increasing financial literacy.

Participants gained a better understanding of the function of financial reports, the benefits of recording transactions, and the importance of separating business and personal finances. These findings support research by Rekha et al. (2025), which states that financial literacy is a key determinant of successful micro-business management.

Second, improving accounting competency.

Through mentoring, participants were able to prepare a cash book, profit and loss statement, and simple cash flow statement. These results demonstrate that practice-based learning is more effective than lecture-based learning because participants gain hands-on experience in solving real-world problems.

This finding is also in line with research by López-Valeiras et al. (2024), which explains that improving accounting competency through training contributes to the quality of financial control in MSMEs.

Third, changes in financial management behavior.

Mentoring encourages participants to implement continuous transaction recording, conduct regular business evaluations, and use financial information as a basis for decision-making.

These findings strengthen the Human Capital Theory which explains that investment in improving competency will result in changes in productive behavior that have an impact on improving organizational performance.

Thus, the effectiveness of the coaching program is measured not only by the participants' increased knowledge but also by their ability to consistently apply simple accounting practices in daily business activities. This program has successfully improved the financial management capacity of MSMEs, strengthened business accountability, and opened up greater opportunities for MSMEs to access formal financing and develop their businesses sustainably.

V. Conclusion And Suggestions

Conclusion

Based on the research results, it can be concluded that coaching and mentoring in preparing financial reports is an effective strategy for improving the financial management capacity of Micro, Small, and Medium Enterprises (MSMEs). Prior to participating in the program, most MSMEs had not systematically recorded transactions, were unable to prepare simple financial reports, and still mixed business and personal finances. This situation made it difficult for entrepreneurs to accurately assess their business's financial condition and hampered their business decision-making process.

Implementation of coaching through socialization, training, and practice-based mentoring has been proven to improve the knowledge and skills of MSMEs in recording financial transactions, preparing cash books, profit and loss reports, and simple cash flow statements. In addition to improving technical competence, mentoring activities also encourage behavioral changes in business financial management, particularly in implementing routine transaction recording, separating business and personal finances, and utilizing financial information as a basis for decision-making.

The findings of this study reinforce Human Capital Theory , which states that investment through education, training, and mentoring can improve the quality of human resources, thereby increasing the competence and productivity of business actors. Thus, the effectiveness of coaching and mentoring is reflected not only in increased participant knowledge but also in changes in financial management practices that are more orderly, accountable, and oriented towards business sustainability.

Suggestion

Based on results research, some suggestions that can be given is as following.

1. For MSME actors, it is recommended For apply recording transaction finance in a way consistent and sustainable in accordance with principles accountancy simple, so that report finance can become base in evaluate performance business, composing planning business, and improve access to source formal financing.
2. For government regions and agencies related , necessary improve the coaching and mentoring programs carried out in a way periodic and continuous , not only through training , but also through intensive mentoring so that MSME actors are able implement compilation report finance in accordance with Standard Accountancy Finance Entity Micro , Small, and Medium Enterprises (SAK EMKM) .
3. For college high , activity devotion to public should developed become a mentoring program sustainable through collaboration with government region , institution finance , and organization profession accounting approach This expected can strengthen implementation of the Tri Dharma of Higher Education at the same time give contribution real to improvement capacity management MSME finance .
4. For researchers Next , it is recommended For develop study with use approach quantitative or method mixed *methods* use measure in a way more comprehensive influence coaching and mentoring to quality report finance , performance finance , literacy finance , as well as sustainability MSMEs . Research next also can enter variables like digitalization accounting , adoption application digital bookkeeping , competency entrepreneurship , and access financing as influencing factors success management MSME finance .

Research Implications

The results of this study provide theoretical and practical implications. Theoretically, the findings strengthen the Human Capital Theory , which states that investment through coaching and mentoring can improve the accounting competency and financial literacy of MSMEs. Practically, the results show that mentoring programs that combine socialization, training, hands-on practice, and ongoing evaluation are more effective than one-way training. Therefore, this mentoring model can be adopted by universities, local governments, and MSME empowerment institutions as a strategy to strengthen the sustainable financial management capacity of MSMEs.

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