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Enhancing MSMEs Business Growth: Exploring Market Orientation and Innovation Capability as Catalysts

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ABSTRACT

This study aims to analyze the effect of market orientation on business growth of fashion MSMEs (Micro, Small and Medium Enterprises) in Sukabumi City, with innovation capability as the mediating variable. The focus of this study is to understand the extent to which market orientation affects innovation capability and business growth, and how innovation capability mediates the relationship. The research method used was quantitative with a causal descriptive approach. The study population consisted of 4,380 fashion MSMEs in Sukabumi City, with 200 MSMEs selected as samples through purposive sampling technique. Data was collected using questionnaires, literature study, and documentation. Data analysis was conducted using Structural Equation Modeling (SEM) with the help of AMOS 22 program. The results showed that market orientation has a positive and significant influence on innovation capability, indicated by the Critical Ratio (C.R) value of 0.674 and probability of 0.000. In addition, market orientation also has a positive and significant effect on business growth, with a C.R value of 0.839 and a probability of 0.000. Innovation capability is also found to have a significant influence on business growth, with a C.R value of 0.155 and a probability of 0.000. The mediation analysis results show that the effect of market orientation on business growth is stronger through innovation capability than its direct effect, as evidenced by the Sobel test value of 11,216, exceeding the z-table value of 1,969. Thus, the conclusion of this study emphasizes the importance of developing innovation capability in line with effective market orientation for fashion MSMEs in Sukabumi City to achieve optimal business growth.

Keywords: Market orientation; innovation capability; business growth; fashion MSMEs.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh orientasi pasar terhadap pertumbuhan usaha UMKM fashion di Kota Sukabumi, dengan kapabilitas inovasi sebagai variabel mediasi. Fokus penelitian ini adalah untuk memahami sejauh mana orientasi pasar mempengaruhi kapabilitas inovasi dan pertumbuhan usaha, serta bagaimana kapabilitas inovasi memediasi hubungan tersebut. Metode penelitian yang digunakan adalah kuantitatif dengan pendekatan deskriptif kausal. Populasi penelitian terdiri dari 4,380 UMKM fashion di Kota Sukabumi, dengan 200 UMKM dipilih sebagai sampel melalui teknik purposive sampling. Data dikumpulkan menggunakan kuesioner, studi kepustakaan, dan dokumentasi. Analisis data dilakukan menggunakan Structural Equation

Modeling (SEM) dengan bantuan program AMOS 22. Hasil penelitian menunjukkan bahwa orientasi pasar memiliki pengaruh positif dan signifikan terhadap kapabilitas inovasi, ditunjukkan oleh nilai Critical Ratio (C.R) sebesar 0.674 dan probabilitas 0.000. Selain itu, orientasi pasar juga berpengaruh positif dan signifikan terhadap pertumbuhan usaha, dengan nilai C.R sebesar 0.839 dan probabilitas 0.000. Kapabilitas inovasi juga ditemukan memiliki pengaruh signifikan terhadap pertumbuhan usaha, dengan nilai C.R sebesar 0.155 dan probabilitas 0.000. Hasil analisis mediasi menunjukkan bahwa pengaruh orientasi pasar terhadap pertumbuhan usaha lebih kuat melalui kapabilitas inovasi daripada pengaruh langsungnya, yang dibuktikan oleh nilai uji Sobel sebesar 11.216, melebihi nilai z-table sebesar 1.969. Dengan demikian, kesimpulan dari penelitian ini menekankan pentingnya pengembangan kapabilitas inovasi sejalan dengan orientasi pasar yang efektif bagi UMKM fashion *di Kota Sukabumi untuk mencapai pertumbuhan usaha yang optimal.*

Kata kunci: *Orientasi pasar; kapabilitas inovasi; pertumbuhan usaha; UMKM f*ashion*.*

A. INTRODUCTION

MSMEs (Micro, Small and Medium Enterprises) have an important role in improving the economic welfare of the community, MSMEs place a strategic position in improving people's lives while participating in the provision of employment, contributing to economic growth and equalizing community income. (Budiman, 2021). Entrepreneurship can be said to be one of the factors that encourage improvement in the economy in Indonesia, including being able to increase creativity and the ability to channel ideas and creations. (Mutiarasari, 2018).

Table 1. 3 Creative Economy Subsectors That Contribute Most to Creative Economy GDP

Subsector	Percent (%)
Culinary	41,47%
Fashion	17,8%
Craft	14,99%

Source(Hendriyani, 2022).

Based on data from the Central Statistics Agency (BPS), there are 3 creative economy subsectors that contribute most to the creative economy GDP, namely culinary as much as 41.47 percent, fashion by 17.8 percent and crafts by 14.99 percent, and the fashion subsector umkm ranks 2nd in its contribution to the creative economy GDP. (Hendriyani, 2022).

The types of MSMEs in Indonesia are very diverse and provide the needs and desires of the community, one of which is MSMEs in the fashion sector. According to *Cambrigde Dictionary* cited in (Watye, 2021) fashion means "style *that is popular at a particular time, especially in clothes, hair, make-up,* etc." This sentence means a style that is popular at a certain time, especially in clothes, hairstyles, make-up, etc. Fashion consists of clothes, bags, shoes, and shoes. Fashion consists of clothes, bags, shoes, and accessories. (Lorensa, 2022).

In modern times, the development of the fashion world is currently increasingly loved by various groups, both those in the village and those in the city. (Astuti, 2020). Fashion or clothing is now considered a necessity that cannot be separated anymore, and many people consider it as a primary need like food, in modern society, trends and lifestyles are one of the materials to be uploaded by someone in their social media account. (Astuti, 2020). One of the most prominent creative economy subsectors is the fashion industry, besides that this industry is filled with innovative and creative young people, who play an important role in determining fashion trends in 2023. (RI, 2023). Building one's own innovation capability is not easy. It requires the development of innovation capabilities that a company does not yet have, innovation capabilities are influenced by many things such as market orientation and business growth or business continuity (Yasa, 2016).

In addition, an understanding of business growth is very important. Business growth is influenced by the business environment, so to maintain it, businesses must adapt to changing environmental conditions (Reza et al., 2022). If MSMEs develop well, then increasing productivity will also increase the welfare of the community and ultimately have an impact on improving the economy (Rijaldi et al., 2023).. Competitive advantages in the small and medium enterprise (SME) sector will determine business sustainability (Alwi, 2018). (Alwi, 2018). Business growth or sustainable competitive advantage of businesses created by SMEs is incomplete if market orientation is a supporting factor without being bridged by innovation (Wiwoho, 2019). (Wiwoho, 2019). According to (Hidayahtullah et al., 2023) to be able to compete and grow, MSMEs need to create market orientation and innovation strategies to achieve competitive advantage or experience MSME growth.

Successful companies are those that accurately anticipate market trends and quickly respond to changing customer needs and understand their market orientation (Wiwoho, 2019). By using the concept of market orientation, business owners can identify customer needs and desires for specific items. (Praditya, 2021). When market orientation increases business profitability and builds a culture that increases customer value, it creates a competitive advantage, market orientation helps improve business performance and is one of the first strategic frameworks that gives companies a sustainable competitive advantage. (Laksana et al., 2022). In creating market orientation, all parts of the company must participate and contribute. Companies must continue to observe changes to meet customer needs and desires (Fauzan, 2024). (Fauzan, 2024)

Building your own innovation capability is not easy. It requires the development of innovation capabilities that a company does not yet have, such as being proactive, innovative, and risk-taking, which are indicators of market orientation. (Yasa, 2016). In a company, it must create an innovation in every product or service that will be sold so that consumers are not bored with existing products. (Falentina et al., 2022).. Strategies in outperforming competitors continue to be carried out, one of which is by innovating, both product innovation, innovation in the production process, innovation in marketing and innovation in the organization (Julina et al., 2017). (Julina et al., 2017). In previous research by Eddi Supriyanto with the title "The Effect of Market Orientation and Innovation

Capability in Increasing Customer Value and its Impact on the Company's Competitive Advantage" revealed that innovation capability is the key to company growth. (Suprayitno, 2017). Various factors influence and become determinants in the process of building innovation capabilities. Many studies conducted in developed country settings such as Canada, and the United Kingdom discuss the factors that determine, encourage and inhibit a company to innovate, especially in small and medium scale companies (Suprayitno, 2017).

Market Orientation has an influence on Business Growth. This is supported by research (Satyawati, 2019) which states that Market Orientation has an influence on Business Growth in SMEs in Nagasepaha village. Based on previous research conducted by (Sugiyarti, 2015) which states that Market Orientation has an influence on Business Growth in the apparel industry. However, other research conducted by (Kusuma, 2018) stated that there is no positive relationship between Market Orientation and Business Growth in MSMEs in Yogyakarta Province.

Innovation Capability has an influence on Business Growth. This is supported by research (Lubban, 2023) which states that Innovation Capability has a positive influence on Printing Business Growth in Sukaraja District. Research by (Dina, 2023) also states that Innovation Capability has a positive influence on Business Growth. However, according to research (Fatmasari, 2023) states that innovation capability has no significant effect on business growth.

Innovation Capability has an influence on Market Orientation. This is supported by research (Syafi'i, 2022) which states that Innovation Capability has a positive effect on the Market Orientation of furniture craftsmen in the Jepara region. Other research by (Lutfi et al., 2021) stated that Innovation Capability has a positive and significant effect on Market Orientation. Research by (Wulandari, 2021) also states that Innovation Capability has a positive and significant effect on Market Orientation in MSMEs in Malang city. However, research by (Fipit, 2020) states that market orientation has a negative and insignificant effect on innovation.

The fact that the city of Sukabumi is a city of services and trade so that many people have the opportunity for entrepreneurship (Ulhaq et al., 2022).. The problem that is now faced by many MSMEs is business growth, besides that MSMEs have weaknesses, namely it is difficult to grow and develop because the business remains stagnant, the market is limited, and it is difficult to grow. (Sabilla, 2019) .

Table 2. Category and Number of MSMEs in Sukabumi City in 2021

BUSINESS CATEGORY	AMOUNT	SOURCE
Accessories	126	Unit
Batik	126	Unit
Embroidery	18	Unit
Craftt	4488	Unit
Fashion	4380	Unit
Culinary	19315	Unit
Food	14128	Unit
Drinks	2621	Unit
Services/other	6103	Unit
TOTAL	**51305**	**Unit**

Source: (opendata.jabarprov, 2021)

The table above shows that the total number of fashion MSMEs in Sukabumi city is 4380 units. The research reveals serious challenges facing fashion MSMEs in Sukabumi and Indonesia in 2021, including a significant decline in sales and profitability due to price competition from online platforms, reduced purchases for campaigns, and the problem of imported clothing items. This study will explore how market orientation and innovation capabilities can be key in enhancing the business growth of fashion MSMEs, enabling them to be more adaptive to market changes and develop new products.

The fashion industry in Indonesia experienced significant ups and downs in 2021, there was a 34% decrease in sales so that profits fell by 90% (Somantri, 2021) and according to the editor of Marketeers (Tri, 2024) The Deputy for Micro and Small Enterprises of the KemenKopUKM said that there was a decrease in product sales and turnover in the convection sector in Indonesia, one of which was that traders in Tanah Abang and PD Jaya Pasar Senen Jakarta experienced a significant decrease in sales turnover from 40% to 90% because this year ordering products for campaigns directly through partner businesses from the party and the price of selling products for campaigns online was cheaper, and election participants preferred to distribute basic necessities rather than distribute t-shirts . In addition, a decrease in sales turnover also occurred in Sukabumi City, according to the editor of sukabumiheadline.com (Feryawi, 2023) said that the garment and convection industry business actors in Sukabumi were threatened with stopping production and experiencing a decrease in turnover and experiencing a decrease in production demand due to indications of rampant uncontrolled imports of apparel and textiles, low prices due to *predatory pricing* practices on *online* platforms, thus hitting *offline* traders and from the convection production sector as well as the textile industry. According to the editor of sukabumisatu.com (Mulvi, 2023) said that the ban on clothing imports made buyers' interest decreased and clothing sales turnover decreased by 50%. Editor from detikjabar (Siti, 2023) also said that the relocation of used clothing sales locations in the city of Sukabumi has resulted in a decline in sales levels. Editorial from radarsukabumi.com (Uploader, 2020) also said that the corona issue caused the sales turnover of used and not used clothing in the city of Sukabumi to decline dramatically by 30%.

Based on the description of the research background above and seeing how important the role of market orientation and innovation capability is in increasing business growth, the authors are interested in taking the title "Analysis of Market Orientation on Business Growth through Innovation Capability as a Mediating Variable (Study on Fashion MSMEs in Sukabumi City)".

B. RESEARCH METHOD

The research method used in this study is quantitative research with a causal descriptive approach. The population in this study is fashion MSMEs in Sukabumi City, with a sample size of 200 fashion MSMEs out of a total of 4380 fashion MSMEs in Sukabumi City. The data collection techniques used include the use of questionnaires, literature studies, and documentation. The data analysis technique used was SEM (Structural Equation Modeling) using the AMOS program.

The research used a quantitative approach with a focus on explaining cause and effect. The population consisted of fashion MSMEs in Sukabumi City, with a sample of 200 MSMEs randomly selected from a total of 4380 fashion MSMEs. Data collection techniques included questionnaires to obtain primary data from respondents, literature study to review relevant literature, and documentation to obtain relevant secondary data. Samples were randomly selected from the list of fashion MSMEs in Sukabumi City using random sampling method to ensure better representation of the population. Questionnaires were used to collect primary data directly from fashion MSME owners regarding their market orientation and innovation capabilities. Literature study was conducted to explore theories related to market orientation and innovation in the context of fashion MSMEs. Documentation was used to obtain secondary data such as historical sales data and market trends relevant for SEM analysis.

C. RESULTS AND DISCUSSION
Result
CFA Test of Exogenous Constructs

The exogenous constructs in this study consist of Market Orientation (X1) with three dimensions, namely customer orientation, competitor orientation, and inter-functional coordination. There are 9 indicators that have been selected by researchers. The following is an image of the exogenous construct:
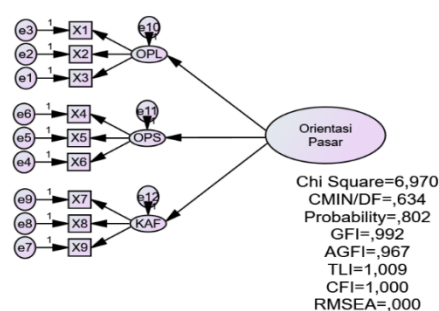

Figure 1. Exogenous Constructs

Source: Data processed by researchers, 2024 (using AMOS 22 software)

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After making the Exogenous construct, the researcher conducted a Validity Test and Reliability Test using AMOS software version 22. According to (Ghozali, 2020) the validity test using the AMOS application can be seen from the standardized loading factor whose value must be> 0.50, if the loading factor value is> 0.50 then the instrument will be declared valid. For reliability testing in AMOS software according to (Ghozali, 2020), it can use two methods, namely composite (construct). reliability (CR) and variance extracted (AVE) . A variable will be declared reliable if the cut-off value of CR $\geq$ and the cut-off value of AVE $\geq$ 0.05. the loading factor results are obtained from the standardized regression weights table taken from the text output in the AMOS software . For variance extracted (AVE), it is obtained from the sum of the tandard loading which is multiplied by two. Then for the results of composite (construct) reliability (CR) obtained from the number of loading factors divided by the number of loading factors then added to the number of measurement errors. The following is a table of the results of the validity test and reliability test of exogenous constructs.

Table 4. CFA Test Results Market Orientation Variable (X1)

Dimensions	Indicators	Loading Factor	Standard Loading	Measurement Error	CR	AVE
0,525	X1	0,491	0,701	0,508		
	X2	0,652	0,808	0,347		
	X3	0,535	0,732	0,464		
0,225	X4	0,574	0,758	0,425		
	X5	0,835	0,914	0,164		
	X6	0,853	0,924	0,146	0,952	0,691
1,029	X7	0,831	0,912	0,168		
	X8	0,81	0,9	0,19		
	X9	0,636	0,798	0,363		
Total		**6,222**	**7,447**	**2,777**		

Based on the data in Table 4.3 above, it can be concluded that all questionnaires on the market orientation variable are declared valid, this is based on the value of all loading factors showing a value> 0.50 which means that it has met the predetermined requirements. Furthermore, the reliability test was carried out using the variance extracted (AVE) formula and the construct reliability (CR) formula. According to (Ghozali, 2020) a variable can be considered reliable if it meets the requirements, namely the variance extracted (AVE) value $\geq$ 0.50 and the construct reliability (CR) value must be $\geq$ 0.70. Based on this, it can be concluded from the calculation results in Table 4.3 that all indicators on the market orientation variable can be declared reliable with a construct reliability (CR) value of 0.854 $\geq$ 0.70 and a variance extracted (AVE) value of 0.670 $\geq$ 0.50. Therefore, all exogenous construct CFA test results instruments are suitable for further testing.

CFA Test of Endogenous Constructs

Endogenous constructs in this study consist of innovation capability variables (M) and business growth (Y) with six dimensions, namely organizational innovation, process innovation, product innovation, market penetration, product development, market

development. As well as 18 selected indicators. The following is an overview of the endogenous constructs in this study:
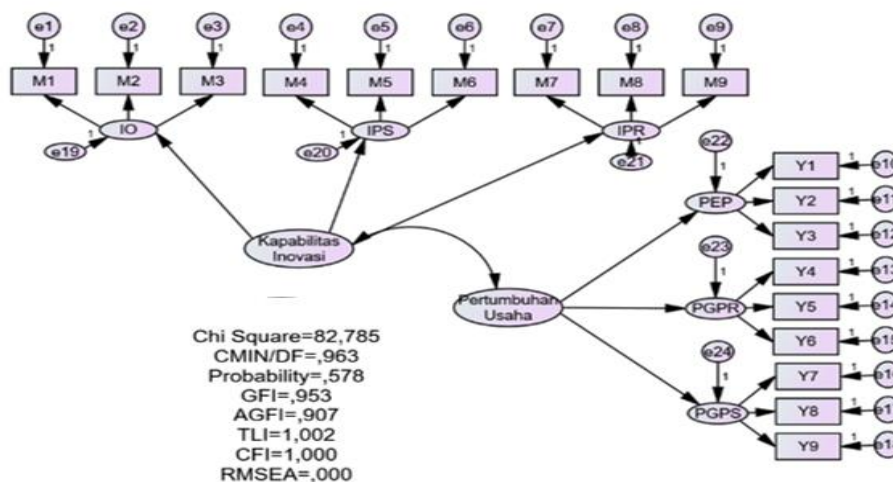

Figure 2. Endogenous Constructs
Source: Data processed by researchers, 2024 (using AMOS 22 software)

After making endogenous constructs, researchers conducted a validity test and reliability test using AMOS software version 22. According to (Ghozali, 2020) the validity test using the AMOS application can be seen from the standardized loading factor whose value must be> 0.50, if the loading factor value is> 0.50 then the instrument can be declared valid. For reliability testing in AMOS software according to (Ghozali, 2020), it can use two methods, namely composite (construct) reliability (CR) and variance extracted (AVE). A variable will be declared reliable if the cut-off value of CR $\geq$ 0.07 and the cut off value of AVE $\geq$ 0.05. The loading factor results are obtained from the standardized regression weights table taken from the text output in the AMOS software . For variance extracted (AVE), it is obtained from the sum of standard loading which is doubled. Then for the results of composite (construct) reliability (CR) obtained from the number of loading factors divided by the number of loading factors then added to the number of measurement errors. The following is the validity and reliability test of endogenous constructs:

Table 5. CFA Test of Innovation Capability Variables (M) and Business Growth (Y)

Dimensions	Indicators	Loading Factor	Standard Loading	Measurement Error	CR	AVE
0,518	M1	0,898	0,948	0,101		
	M2	0,516	0,719	0,483		
	M3	0,675	0,822	0,324		
0,537	M4	0,851	0,923	0,148		
	M5	0,853	0,924	0,146	0,962	0,743
	M6	0,669	0,818	0,330		
1,008	M7	0,756	0,87	0,243		
	M8	0,678	0,824	0,321		
	M9	0,788	0,888	0,211		

| Total | | 6,690 | 7,736 | 2,309 | | |

Dimensions	Indicators	Loading Factor	Standard Loading	Measurement Error	CR	AVE
0,662	Y1	0,664	0,815	0,335		
	Y2	0,430	0,656	0,569		
	Y3	0,756	0,87	0,243		
0,658	Y4	0,355	0,596	0,644		
	Y5	0,811	0,901	0,188	0,947	0,670
	Y6	0,770	0,878	0,229		
0,979	Y7	0,562	0,75	0,437		
	Y8	0,820	0,906	0,179		
	Y9	0,861	0,928	0,138		
Total		6,033	7,3	2,966		

Source: Data processed by researchers, 2024 (using AMOS 22 software)

Based on the data in Table 4.4 above, it can be concluded that all questionnaires on social influence variables are declared valid, this is based on the value of all loading factors which show a value of> 0.50 which means that it has met the specified requirements. Furthermore, the reliability test was carried out using the variantve extracted (AVE) formula and the construct reliability (CR) formula. According to (Ghozali, 2020) a variable can be declared reliable if it meets the requirements, namely the variance extracted (AVE) value ≥0.50 and the construct reliability (CR) value must be ≥0.70. based on this, it can be concluded from the calculation results in Table 4.4 that all indicators on the innovation capability variable can be declared reliable with a construct reliability (CR) value of 0.962 ≥ 0.70 and a variance extracted (AVE) value of 0.743 ≥ 0.50. Based on the data in Table 4.4 above, it can be concluded that all questionnaires on the innovation capability variable are declared valid, this is based on the loading factor value which shows a value of> 0.50 which means that it has met the predetermined requirements. Furthermore, the reliability test is carried out using the variantve extracted (AVE) formula and the construct reliability (CR) formula. According to (ghozali 2020) a variable can be declared reliable if it meets the requirements, namely the variance extracted (AVE) value ≥ 0.50 and the construct reliability (CR) value must be ≥ 0.70. based on this, it can be concluded from the calculation results in Table 5 that all indicators on the business growth variable can be declared reliable with a construct reliability (CR) value of 0.947 ≥ 0.70 and a variance extracted (AVE) value of 0.670 ≥ 0.50.

SEM Hypothesis Testing

SEM hypothesis testing in this study was carried out to answer the hypothesis in this study. The results of hypothesis testing can be seen from the *critical ratio* (c.r) in the *regression weights* table in the AMOS *software* displayed in the table below:

Table 6. SEM Hypothesis Testing

HYPOTHESIS TEST						
Hypothesis	Standard Estimate	Estimate	S.E.	C.R.	P	Conclusion

Market Orientation→ Innovation Capability	0,674	0,320	0,048	6.660	0,000	*Supported*
Market Orientation→ Business Growth	0,839	0,436	0,045	9,586	0,000	*Supported*
Innovation *Capability→* Business Growth	0,155	0,172	0,049	3,483	0,000	*Supported*
Market Orientation → Innovation Capability → Business Growth	Mediation Test	Z VALUE = 11.216 > 1.969				Mediation Part

Testing *Good Of Fit* (GOF) Results

	Cut Of Value	Results	Conclusion
Chisquare	Expectedly Small	402,660	Fit
Probability	≥ 0,05	0,13	Fit
CMIN/DF	≤ 2,00	1,177	Fit
RMSEA	≥ 0,08	0,27	Fit
GFI	≥ 0,90	0,834	Marginal Fit
AGFI	≥ 0,90	0,985	Fit
TLI	≥ 0,90	0,914	Fit
CFI	≥ 0,95	0,993	Fit

Effect Testing

	Direct	Indirect	Total
Market Orientation→ Innovation Capability	0,674	0,000	0,674
Market Orientation→ Business Growth	0,839	0,000	0,839
Innovation *Capability→* Business Growth	0,155	0,528	0,683

Source: Data processed by researchers, 2024 (using AMOS 22 software)

a. Hypothesis 1

The critical ratio (C.R.) value on the market orientation variable on innovation capability is 6.660> 1.969 (t table with a 5% significance level is 1.969) with a probability value of 0.000 which means it is smaller than 0.05. So it can be seen that the market orientation variable has a significant positive effect on innovation capability. Based on this, it can be concluded that hypothesis 1 can be accepted, namely "there is an effect of market orientation on innovation capability".

b. Hypothesis 2

The Cirtical Ratio (C.R.) value on the Innovation Capability variable on business growth is 9.586> 1.969 (t table with a 5% significance level is 1.969) with a probabilitiy value of 0.000 which means it is smaller than 0.05. So it can be seen that the innovation capability variable does not have a positive and insignificant effect on business growth. Then it can be seen that the market orientation variable has a significant positive effect on business growth. Based on this, it can be concluded that hypothesis 1 can be accepted, namely "there is an effect of market orientation on business growth".

c. Hypothesis 3

Hypothesis 3 testing is done by calculating using the help of Daniel Sopier's sobel test calculator to test the effect of mediation. Based on the results of calculations that have been carried out using Daniel Sopier's sobel test calculator, it can be seen that the result is 11.216 or greater than the z table with a significance level of 5% or 1.969. based on this, it can be concluded that there is an effect of Innovation Capability in mediating the relationship between Market Orientation to Business Growth.

Disscussion

The critical ratio (CR) value in hypothesis testing between market orientation variables on innovation capability shows a value of 6.660> 1.969 (z table value at a = 5%). The *standard estimate* result is 0.674> 0.5. From the results of hypothesis testing, it shows that there is a significant positive influence between market orientation on innovation capability. This is in accordance with research conducted by (Syafi'i, 2022) which states that innovation capability has a positive and significant effect on market orientation. Research by (Wulandari, 2021) lso states that market orientation is significant to innovation capability.

In this case, it can be interpreted that in an effort to increase business growth in fashion MSMEs in Sukabumi City by knowing customer needs, customer desires, customer satisfaction, competitor business developments, competitor business performance, changes in competitor strategies, communication between divisions, coordination between functions, and communication integration. This should be maintained because with this, MSME actors will maximally increase business growth.

Therefore, fashion MSMEs in Sukabumi City have the ability to meet and exceed customer expectations by providing high quality products and services that meet their needs and wants. This means that the application of market orientation can be influential in increasing business growth, therefore fashion MSMEs in Sukabumi City must maintain this.

Value *estimate, critical ratio* or CR. In hypothesis testing between innovation capability variables on business growth shows a value of 3.483> 1.969 (z table value at a = 5%). The result of the standard estimate is 0.155. From the results of hypothesis testing, it shows that there is a significant negative effect between innovation capability and business growth variables. These results are not in line with research conducted by (Lubban. 2023) which states that innovation capability shows a significant relationship to business growth. Research conducted by (Dina, 2023) states that innovation capability has a positive influence on business growth.

In this case, it can be interpreted that in an effort to increase business growth in fashion MSMEs in Sukabumi City, it can be done with indicators or other variables that can help increase business growth. In this study, the way to increase business growth is through a culture of innovation, the use of new technology, technology training, business process evaluation, technology utilization, measuring process performance, product quality, product variants, and product design.

The critical ratio (CR) value in hypothesis testing between market orientation variables on business growth shows a value of 9.586> 1.969 (z table value at a = 5%). The *standard estimate* of 0.839 from the results of hypothesis testing shows that there is a positive and significant influence between market orientation on business growth variables.

Furthermore, based on Daniel Sopier's sobel test calculator which is used to test the mediating variables in this study. It can be seen in Table 4.7 that the statistical results of the t count data show the results of 11.216> 1.96, with a significance level of 5%. This shows that in this study innovation capability mediates the relationship between market orientation and business growth.

The information above shows that the mediating effect of innovation capability in the relationship between market orientation and business growth is greater, namely 11.216 compared to the direct effect of market orientation on business growth, namely 9.586. Based on this, it can be concluded that the relationship between market orientation and business growth will be more effective if not mediated by innovation capability. Innovation capability is strong enough to mediate the relationship between market orientation and business growth. To build business growth for fashion MSMEs, they must be able to build good innovation capabilities in these fashion MSMEs.

D. CONCLUSION

Based on the results of the discussion regarding the analysis of market orientation on business growth regarding innovation capability as a mediating variable, It can be concluded that market orientation by fashion MSMEs in Sukabumi City is good. Innovation capability of fashion MSMEs in Sukabumi City has been well implemented as assessed by organizational innovation, process innovation and product innovation. Business growth has also been highly influenced by market penetration, product development, and market development. Innovation capability is one of the factors that influence business growth in fashion MSMEs in Sukabumi City. And there are still several other factors that can affect business growth that are not examined by researchers in this study. Market orientation has a significant effect on innovation capability in fashion MSMEs in Sukabumi City. This means that fashion MSMEs in building market orientation in MSMEs are well pursued through the influence of innovation capability. In building market orientation in fashion MSMEs in Sukabumi City, it can be assisted by several supporting dimensions including customer orientation, competitor orientation, and inter-functional coordination.

Innovation capability has a significant effect on business growth in fashion MSMEs in Sukabumi City. This can be interpreted that fashion MSME players in Sukabumi City in building market orientation towards their business is good so as to increase business growth and can be assisted by several supporting dimensions including organizational innovation, process innovation and product innovation. Innovation capability mediates the relationship between market orientation and business growth among fashion MSMEs in Sukabumi City. This suggests that to build business growth for fashion MSMEs, business actors must first build good innovation capabilities in their companies. After that, market orientation activities will be more effective in the process of business growth. In table 4.7,

it can be seen that the direct effect value is greater than the indirect value. Therefore, it can be concluded that the innovation capability variable is not recommended to be a mediating variable. The relationship between market orientation and business growth will be more effective if it is not mediated by innovation capability.

E. REFERENCES

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