

THE EFFECT OF SOCIAL MEDIA, BRANDING CAPABILITY, MARKET ORIENTATION, AND INNOVATION CAPABILITY ON MSME PERFORMANCE

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ABSTRACT

This research aims to determine the influence of social media, branding ability, market orientation, and innovation ability on SME performance in fashion SMEs in Pekanbaru city. This research is associative research with a quantitative approach. This research consists of four independent variables, namely Social Media (X1), Branding Capability (X2), Market Orientation (X3), and Innovation Capability (X3) as well as one dependent variable, namely MSME Performance (Y). The population in this research is Fashion MSMEs in Pekanbaru City. The samples taken using the purposive sampling method with the criteria for SMEs were retail businesses, clothing sewing services, had social media, and the business had been operating for at least one year so that a sample of 150 SMEs was obtained. Data was obtained by distributing 150 questionnaires to fashion MSMEs. There are 150 questionnaires returned and can be used. Data analysis uses smartPLS 4 software with outer model analysis and inner model analysis. The results of this research show that social media, branding capabilities, market orientation, and innovation capabilities have a positive and significant effect on the performance of MSMEs.

Keywords: Social Media, Branding Capability, Market Orientation, Innovation Capability, MSME Performance

INTRODUCTION

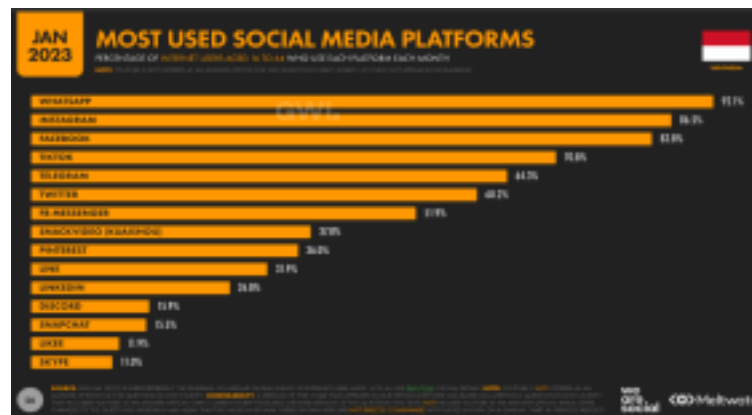
Micro, Small and Medium Enterprises (MSMEs) make an important contribution to the progress of the Indonesian economy, being a source of innovation, providing large employment opportunities, facilitating the supply of goods, increasing state income and a source of foreign exchange. The rapid development of digital technology in the industrial era 4.0 is due to increasingly complex human needs. For MSMEs, using appropriate and targeted technology will provide various conveniences to improve performance in carrying out their business activities. MSME actors in Pekanbaru City reached 25,335, the number of MSME actors has increased by 26.40 percent compared to the previous year. Even though the number of MSMEs continues to increase and provide Regional Original Income (PAD), the increased development in terms of quantity has not been matched by an adequate increase in the quality of MSME performance, especially the micro scale businesses.

MSMEs have a big contribution to the country, so business actors must focus on business performance as a way to develop and maintain their business despite intense competition. However, so far there are still many business actors who do not pay attention to business performance so that many business actors cannot survive in business competition. Business actors must focus on performance so they can find out how business performance drives business success (Ludiya & Maulana, 2020).

As time progresses, innovation continues to be carried out in the fields of technology and industry. The high public interest in clothing makes the clothing industry one of the priorities. Including

in Pekanbaru, many Micro, Small and Medium Enterprises (MSMEs) are already running their businesses in the fashion sector. The Riau Provincial Government through the Department of Industry, Trade, Cooperatives and SMEs (Disperindagkop UKM) and the Regional National Crafts Council (Dekranasda) is encouraging local MSMEs to increase fashion production. Fashion trends that are always up to date encourage a number of business people, especially in the fashion sector, to always innovate to bring fashion closer to society. Like the trend of shopping via live broadcasts on social media, it is now being liked by many audiences.

Social media can influence the performance of MSMEs. The following can be seen from the social media platforms that are widely used as of January 2023:



Figures. 1.1 social media platforms that are widely used as of January 2023

Figure 1.1 explains the most widely used social media, but research is focused on social media analysis (Whatsapp, Instagram, Facebook, tiktok). Deputy Chairman of the Indonesian People's Consultative Assembly Syarif Hasan supports the Indonesian government's efforts to regulate social commerce such as TikTok Shop to protect Micro, Small and Medium Enterprises (MSMEs). The reason is, social commerce sells more imported products at affordable prices which threatens the sustainability and existence of MSMEs in Indonesia, making it difficult for MSME players to compete. Lorensa and Hidayah (2022), Muslic et al (2021), Putri and Ie (2020), Tajvidi and Karami (2017) stated that social media has a positive effect on the performance of MSMEs. However, this is in contrast to the research of Rusdi, Armiani, and Murjana (2023) that social media has no effect on the performance of MSMEs.

Tajvidi and Karami (2017) stated that the performance of MSMEs could be further improved if it was balanced with good marketing capabilities in the branding aspect. The problem that MSMEs currently encounter is that in this era of digitalization, MSMEs do not understand the benefits of branding, lack knowledge about branding, do not have a positive entrepreneurial character and what is no less important is that they have not received training or assistance regarding technical branding strategies for the actors. MSMEs. Research by Anggraeni and Sanaji (2021), Tajvidi and Karami (2017) states that branding ability has a positive and significant relationship with the performance of MSMEs. However, this is in contrast to research by Absah and Rini (2020) which states that branding has a negative and insignificant effect on the performance of MSMEs.

Market orientation impacts MSME performance by enhancing the understanding of customer preferences. Adopting a strong market orientation helps MSMEs meet buyer demand. Despite

the challenge of digital adaptation, it's not just about mastering technology but also preparing products to fulfill rising demand. Ridwan Kamil's shared experience highlights instances where MSMEs returned to offline operations due to being overwhelmed by market demand despite going digital. Presearch Lorensa and Hidayah (2022), Rahadhini and Lamidi (2020) states that market orientation has a positive and significant influence on business performance. However, in contrast to research by Purnamasari and Wijaya (2020) which states that market orientation does not have a significant influence on business performance.

Tajvidi and Karami (2017) stated that the performance of MSMEs could be further improved if it was balanced with good marketing capabilities in the aspect of innovation. Friderica Widyasari, Chief Executive at the Financial Services Authority (OJK), highlighted that despite an abundance of business ideas, micro, small, and medium enterprises (MSMEs) often lack innovation. Consequently, numerous businesses face a short lifespan of 1-2 years, succumbing to bankruptcy due to weak or non-competitive products and services. Widyasari notes that many Indonesian MSMEs tend to follow trends without recognizing their own potential, contributing to business challenges. Presearch carried out Ferreira and Coelho (2020), Firdhaus and Akbar (2022), Muhlisin (2021), Sain (2021), Tajvidi and Karami (2017) state that innovation capability has a positive effect on SME performance.

This research aims to examine the influence of social media, branding ability, market orientation, and innovation ability on the performance of MSMEs in the fashion sector in Pekanbaru city. This research is important because by conducting research on fashion MSMEs, business owners can gain a better understanding of the market, trends and existing challenges. Research can also help in developing effective strategies, increasing creativity and innovation, and improving business performance. Apart from that, there are still gaps in previous research. The following research problem is formulated based on the previous context: Will social media, branding capabilities, market orientation, innovation capabilities improve the performance of MSMEs? This research problem is important because many MSMEs are experiencing a decline in sales and profitability, and some are even going out of business.

Literature Review

The Resource-Based View (RBV) theory was first pioneered by Wernerfelt (1984) explaining that the sustainability of a company is related to tangible resources and intangible resources. RBV theory emphasizes that resources are important because basically company performance can be measured based on the resources owned by the company. Resource utilization also needs to be adjusted to internal and external conditions within the company, therefore companies need to first understand the company's strengths and weaknesses so that they can use resources effectively and efficiently.

According to RBV theory, social media enables MSMEs to access market information, industry trends, and consumer behavior easily. This facilitates improved decision-making and

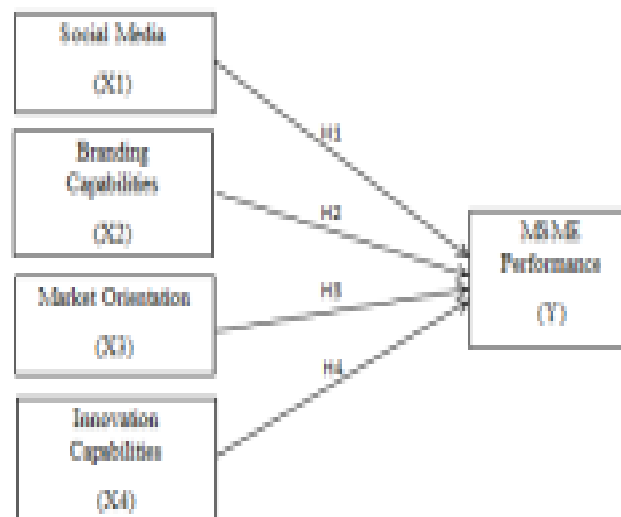
identification of new opportunities, ultimately enhancing business performance. Social media, considered the most accessible and cost-effective marketing medium, is vital for fostering interactions between companies and consumers. This interaction promotes product innovation, market orientation, and efficient utilization of social media for optimal company support (Ahmad and Eri, 2021).

According to the RBV theory, companies require capabilities to sustain resources for competitive advantage. Branding skills play a crucial role in introducing and making products recognizable to consumers, fostering customer loyalty, and encouraging repeat purchases. In the context of MSMEs, strong branding capabilities contribute to product/service differentiation, providing added value and enhancing overall competitiveness in the market.

According to RBV theory, it explains that companies can have a competitive advantage by focusing on the orientation of understanding opportunities and threats so that implementing market orientation can be one of the supporters of a company's competitive advantage. MSMEs that have good market orientation tend to have a deeper understanding of customer needs and preferences. This allows business actors to produce products or services that are more appropriate to the market, which in turn can improve business performance.

According to RBV theory, companies require capabilities to sustain resources for competitive advantage. Innovation skills are crucial for effective business management and product idea development. Successful MSMEs can identify innovation opportunities, aligning products or services with market trends. RBV theory underscores the significance of sustainable resource acquisition and utilization. MSMEs' continuous innovation and integration into operations impact long-term performance positively.

The research model in this study is as follows:



Figures. 1.2 Research Model

Based on Figure 1, the researcher formulated the research hypothesis as follows:

H1: Social Media influences the performance of MSMEs

H2: Branding ability influences MSME performance

H3: Market orientation influences the performance of MSMEs

H4: Innovation ability influences MSME performance

METHOD, DATA, AND ANALYSIS

This research focuses on fashion fashion MSMEs in Pekanbaru City in 2023, while the research was conducted in the same year. The population in this research is fashion fashion MSMEs in Pekanbaru City, totaling 239 fashion fashion MSMEs (Riau MSME Data, 2023). The research sample was 150 SMEs using the Slovin formula, the determination was carried out using purposive sampling using the following standards:

Table.2.1 Sample Criteria

No	Sample Criteria
1	Fashion MSME players who run retail businesses
2	MSME owners who have social media accounts (whatsapp, instagram, facebook, tiktok) as their marketing tool.
3	Fashion business owner who is still operating and has been running the business for at least 1 year.

The type of data used is primary data obtained through questionnaires and interviews with MSMEs. Sources of information were obtained from questionnaires that had been filled out by respondents).

Table 2.2.Functional Definitions and Estimation of Factors

No	Variable	Operational	Measuring instrument	Indicator
1	MSME Performance	UKM performance is the level of achievement of UKM achievements within a certain period of time.	Questionnaire	1. Sales volume increases 2. The number of new consumers increases 3. Sales profits increase
2	Social media	Social media is a communication medium that can help reach consumers or target markets so that it can increase the potential for business success. (Adebayo, 2015).	Questionnaire	1. customer information 2. market trend information 3. Consumer feedback 4. Building relationships between sellers and consumers

3	Branding Capabilities	Branding capability is the ability of a company to develop a series of organizational routines related to organizational activities such as brand communication, marketing programs related to conveying consistent brand meaning to consumers. (Odoom and Mensah 2018)	Questionnaire	1. measure the ability to introduce a brand 2. communication 3. information 4. devise a strategy 5. strengthen the brand
4	Market Orientation	Market orientation is defined as the process of meeting current and future consumer needs through gathering market intelligence. (Education Harjadi, 2020)	Questionnaire	1. Market orientation 2. Competitor orientation 3. Coordination between functions
5	Innovation Capability	Innovation ability is defined as a person's ability to transform knowledge and ideas into new products, new processes for business purposes. (Anh, 2017)	Questionnaire	1. innovation culture 2. technical innovation 3. product innovation.

Reference: Processed Data, 2023

Data analysis uses Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with SmartPLS 4.0 software. The tests that must be carried out using SEM PLS according to Hair et al (2021), namely evaluation of the measurement model (Outer Model Analysis) and evaluation of the structural model (Inner Model Analysis). Evaluation of the Measurement Model (Outer Model Analysis) consists of convergent validity, composite reliability and discriminant validity. Structural Model Evaluation (Inner Model Analysis) consists of collinearity, R-Square (R²), Q-Square (Q²), Standardized Root Mean Square Residual (SRMR), and path coefficient significance test (hypothesis testing).

RESULT AND DISCUSSION

This research aims to examine the influence of social media, branding ability, market orientation, and innovation ability on the performance of MSMEs in Pekanbaru City. The sample in this research was 150 MSMEs in Pekanbaru City in the fashion sector. The characteristics of respondents discussed by researchers include gender, age, education and length of business.

Table 3.1. Respondent Demographics

Respondent Characteristics	Number of Respondents	Percentage (%)
Gender		
a. Man	27	18%
b. Woman	123	82%
Total	150	100%
Age		

a. 15 - 30 years	31	20.66%
b. > 30 - 45 years	75	50%
c. > 45 years	44	29.33%
Total	150	100%
Education		
a. elementary school	19	12.66%
b. Middle/Junior High School	9	6%
c. High school/high school equivalent	72	48%
d. Diploma	20	13.33%
e. Bachelor	30	20%
Total	150	100%
Length of Business		
a. 13 years old	57	38%
b. > 3 - 5 years	33	22%
c. > 5 years	60	40.66%
Total	150	100%

Source: PLS SEM Data Processing, 2023

Based on the table above, the number of female respondents reached 82%. With a percentage of 50%, the majority of respondents are over 30-45 years old. Of the 48% of respondents, most had a high school diploma or equivalent. With a percentage of 38%, the business period is 1-3 years. To provide an overview of the data collected from respondents, the following descriptive analysis was carried out, as shown in Table 3.2.

Table 3.2. Descriptive Analysis of Variables

Variable	Measurement Items	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
Social Media (X1)	MS1	4,327	4,000	1,000	5,000	0.510417	4,892	-1,623
	MS2	4,307	4,000	3,000	5,000	0.392361	-0,588	-0,089
	MS3	4,360	4,000	1,000	5,000	0.455556	4,055	-1,257
	MS4	4,307	4,000	1,000	5,000	0.500694	3,152	-1,295
	MS5	4,313	4,000	1,000	5,000	0.501389	4,742	-1,522
	MS6	4,333	4,000	1,000	5,000	0.523611	6,094	-1,866
	MS7	4,300	4,000	1,000	5,000	0.479167	2,803	-1,093
	MS8	4,380	4,000	1,000	5,000	0.451389	3,554	-1,164
Branding Capabilities (X2)	KB1	4,287	4,000	2,000	5,000	0.470139	1,058	-0,817
	KB2	4,300	4,000	1,000	5,000	0.472917	3,046	-1,102
	KB3	4,307	4,000	2,000	5,000	0.438889	0.117361	-0,519
	KB4	4,353	4,000	2,000	5,000	0.432639	0.197222	-0,595
	KB5	4,373	4,000	2,000	5,000	0.477778	1,219	-1,020
	KB6	4,373	4,000	2,000	5,000	0.443056	1,100	-0,835
Market Orientation (X3)	OP1	4,167	4,000	1,000	5,000	0.557639	2,048	-1,092
	OP2	4,113	4,000	2,000	5,000	0.504167	0.257639	-0,600
	OP3	4,167	4,000	1,000	5,000	0.534722	1,410	-0,918
	OP4	4,120	4,000	1,000	5,000	0.577778	1,943	-1,142
	OP5	4,087	4,000	1,000	5,000	0.566667	0.440972	-0,757
	OP6	4,147	4,000	1,000	5,000	0.545833	1,326	-0,932
	OP7	4,133	4,000	2,000	5,000	0.529861	0.415972	-0,777

	OP8	4,080	4,000	1,000	5,000	0.623611	1,507	-1.107
	KI1	3,960	4,000	1,000	5,000	0.543056	4,469	-1.618
	KI2	3,967	4,000	1,000	5,000	0.503472	3,460	-1.222
Innovation Capability (X4)	KI3	3,933	4,000	1,000	5,000	0.485417	2,445	-0.971
	KI4	4,027	4,000	1,000	5,000	0.460417	3,310	-1.001
	KI5	4,013	4,000	1,000	5,000	0.494444	2,274	-0.916
	KU1	4,113	4,000	2,000	5,000	0.516667	0.100694	-0.579
MSME performance (Y)	KU2	4,167	4,000	1,000	5,000	0.509722	2,498	-1.091
	KU3	4,067	4,000	1,000	5,000	0.472222	2,579	-0.855
	KU4	4,160	4,000	2,000	5,000	0.475	1,631	-0.848

Source: PLS SEM Data Processing, 2023

Based on Table 3.2. It can be seen that the results of the descriptive statistical analysis of this research show that the data used in the research has a distribution that is close to normal, with Excess Kurtosis and Skewness values between $-2 <$ appropriate inferential statistical techniques for further analysis.

Table 3.3. Convergent Validity				
Variable	Measurement Items	Indicator	Outer Loading	Conclusion
Social media	MS1	Helps in promoting business	0.781	Valid
	MS2	To find information about consumers	0.708	Valid
	MS3	To build relationships with consumers	0.792	Valid
	MS4	Assist in customer service activities	0.778	Valid
	MS5	To receive feedback (suggestions, questions, complaints, testimonials) from consumers	0.776	Valid
	MS6	To find information about competitors	0.759	Valid
	MS7	To get information on trends in the market	0.739	Valid
	MS8	Able to design marketing activities to encourage partners or other parties to promote products/businesses to consumers	0.848	Valid
Branding Capabilities	KB1	Provide sufficient resources to introduce the brand	0.798	Valid
	KB2	Communicate the brand more consistently	0.754	Valid
	KB3	Provides more detailed information about the brand	0.717	Valid
Market Orientation	KB4	Able to design marketing activities to encourage consumers to choose products	0.734	Valid
	KB5	Ensure that activities to strengthen the brand run properly	0.775	Valid
	KB6	Able to develop ways to communicate the brand consistently	0.717	Valid
	OP1	Understand customer needs	0.811	Valid
	OP2	Understand customer desires	0.831	Valid
	OP3	Information about competitors	0.846	Valid
	OP4	Respond to competitors' actions	0.868	Valid
	OP5	Strategy Integration	0.837	Valid
	OP6	Quality of relationships between divisions	0.842	Valid
	OP7	Arrangement of interdivisional activities	0.865	Valid
	OP8	Interdivisional attitudes and actions	0.881	Valid
	KI1	Consistently finds new ideas	0.877	Valid
	KI2	Consistently introduce new products or services	0.930	Valid
	KI3	Be creative in running a business	0.902	Valid
	KI4	Looking for new ways to innovate	0.889	Valid
	KI5	Improvement of business management	0.866	Valid
MSME performance	KU1	Sales volume increases	0.788	Valid
	KU2	The number of new consumers increases	0.848	Valid
	KU3	Sales profits increase	0.830	Valid
	KU4	Increased customer satisfaction	0.797	Valid

Source: PLS SEM Data Processing, 2023

Based on Table 3.3 The overall outer loading value meets the convergent validity standard value because all factors have a value of more than 0.7, thus it can be concluded that all constructs are valid. Table 3.4 presents the results of reliability testing.

Table 3.4. Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)	Conclusion
Social media	0.905	0.922	0.598	Reliable
Branding Capabilities	0.846	0.885	0.562	Reliable
Market Orientation	0.944	0.953	0.719	Reliable
Innovation Capability	0.937	0.952	0.798	Reliable
MSME performance	0.833	0.889	0.666	Reliable

Source: Data processed by SmartPLS, 2023

Based on table 3.4 it can be concluded that each construct has a high reliability test, this can be shown from the composite reliability value of all constructs being greater than 0.70 so that all variables are reliable to test.

HTMT is the ratio of Heterotrait (average correlation between items measuring different variables) to the root of the geometric multiplication of Monotrait (correlation between items measuring the same variable) with a recommended value below 0.85 or below 0.90. Hair et al (2021) stated that this HTMT measure is better used than the Fornell and Lacker Criterion methods in detecting discriminant validity. The results of the HTMT test using smartPLS in this research are as follows:

Table 3.5. Heterotrait-Monotrait Ratio (HTMT)

Variable	Branding Capabilities	Innovation Capability	MSME performance	Social media	Market Orientation
Branding Capabilities					
Innovation Capability	0.526				
MSME performance	0.625	0.758			
Social media	0.168	0.170	0.211		
Market Orientation	0.401	0.619	0.725	0.096	

Source: Data processed by SmartPLS, 2023

Test results in table 3.5 shows an HTMT value of less than 0.90, this shows that the constructs are different and do not measure the same thing, so it is considered acceptable and shows that the construct has discriminant validity.

To find out whether there is a collinearity problem or not, you can determine the Variance Inflation Factor (VIF) value. According to Hair et al (2021), if $VIF < 5$ then there is no multicollinearity between variables.

Table 3.6. Collinearity

Variable	VIF
Social media → MSME performance	1,049
Branding Capabilities → MSME performance	1,328
Market Orientation → MSME performance	1,584
Innovation Capability → MSME Performance	1,780

Source: Data processed by SmartPLS, 2023

Based on table 3.6, it shows that all Variance Inflation Factor (VIF) values in the research model are < 5 . This indicates that there is no significant collinearity problem between the variables used in the analysis.

R-Square in SEM-PLS measures the extent to which the structural model (inner model) is able to explain variations in the observed dependent variable. The R-Square value ranges from 0 to 1, and the higher the value, the better the model is at explaining variations in the dependent variable. According to Hair et al., (2014), R-Square values of 0.75, 0.50 and 0.25 mean substantive (high), moderate and weak influence.

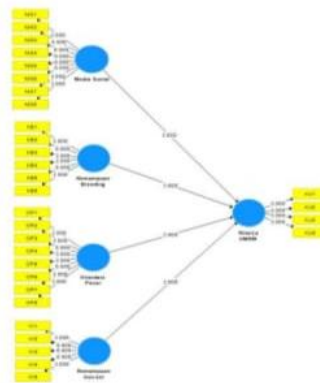
Table 3.7.R-Square

	R-Square
MSME performance	0.609

Source: Data processed by SmartPLS, 2023

The R-Squares results in Table 3.7 show that the R-Squares value is 0.609. this value was able to explain about 60.9% of the variability in the data. However, there is still around 39.1% of the variation that cannot be explained by this model, and other factors may influence the dependent variable.

In this study, an alpha of 5% (two-sided) was used, so the rule is that if the t statistic is greater than 1.96 or the p-value is less than 0.05, it shows that the hypothesis is accepted or there is a significant influence. There is a value limit in the Path Coefficient test, namely if the Path Coefficient value is > 0 , then the variable has a positive relationship with other variables. Conversely, if Path Coefficient < 0 , then the variable has a negative relationship with other variables. F-Square (F^2) measures how much influence exogenous/endogenous latent variables have on endogenous variables at the structural level. The f-square size (effect size) describes how big the influence of the variables in the structural model is. Interpretation of F^2 (effect size) values in Hair et al. (2021) is 0.02 (low influence), 0.15 (medium/moderate influence), and 0.35 (high influence).



Figures. 3.1. SEM PLS Research Model

Table 3.8.Hypothesis test

Hypothesis	Path Coefficient (Original Sample)	T Statistics (O/STDEV)	P-Value	F-Square (F^2)	Information
X1 → Y	0.115	2,346	0.022	0.032	Has a low level significant positive effect
X2 → Y	0.232	2,937	0.003	0.104	Has a low level significant positive effect
X3 → Y	0.377	5,281	0,000	0.229	Has a moderate level of significant positive influence
X4 → Y	0.319	4,471	0,000	0.147	Has a low level significant positive effect

The test results for hypothesis 1 (H1) have a path coefficient value of $0.115 > 0$ (positive) and a T statistic of $2.346 > 1.96$ or a P-Value of $0.019 < 0.05$, which means that social media has a significant positive effect on the performance of MSMEs so that H1 acceptable. The F-Square (F2) value for H1 is 0.032, which means that the influence of social media on MSME performance is in the low category. Social media has a significant influence on the performance of Micro, Small and Medium Enterprises (MSMEs). Social media is a resource that MSMEs can have. MSMEs utilize social media for customer communication, product promotion, and brand building. To stand out, they must create unique social media strategies, incorporating creative content, strong customer engagement, and distinctive platform utilization. According to the Resource-Based View (RBV) theory, social media is considered a valuable resource for MSMEs, and its impact on performance depends on effective utilization, development, and integration into business strategy. If MSMEs can leverage social media as a rare and difficult-to-imitate resource, it has the potential to significantly enhance their performance. The findings of this research are in line with research conducted by Putri and Ie (2020), Ahmad and Eri (2021), Lorensa and Hidayah (2022) which stated that social media has a positive and significant influence on the performance of MSMEs.

The test results for hypothesis 2 (H2) have a path coefficient value of $0.232 > 0$ (positive) and a T statistic of $2.937 > 1.96$ or a P-Value of $0.003 < 0.05$, which means that branding ability has a significant positive effect on MSME performance so that H2 acceptable. The F-Square (F2) value for H2 is 0.104, which means that the influence of branding ability on MSME performance is in the low category. Branding capabilities have a significant influence on the performance of Micro, Small and Medium Enterprises (MSMEs). MSME branding capabilities, encompassing elements like brand image, customer trust, track record, message, and identity, are considered internal resources. These capabilities play a crucial role in enhancing MSME performance through increased brand awareness, customer loyalty, and added value. In the context of the RBV Theory, it is concluded that the impact of MSME branding capabilities on performance is significant, contingent upon effective management and optimization as valuable, unique, and not easily imitated assets. Effectively leveraging branding can enable MSMEs to differentiate themselves, cultivate strong customer relationships, and establish sustainable added value. The findings of this research are in line with research conducted by Tajvidi and Karami (2017), Anggraeni and Sanaji (2021) which stated that branding ability has a positive and significant influence on the performance of MSMEs.

The test results for hypothesis 3 (H3) have a path coefficient value of $0.377 > 0$ (positive) and a T statistic of $5.281 > 1.96$ or a P-Value of $0.000 < 0.05$, which means that market orientation has a significant positive effect on MSME performance so that H3 acceptable. The F-Square (F2) value for H3 is 0.229, which means that the influence of market orientation on MSME performance is in the medium category (moderate). Market orientation has a significant influence on the performance of Micro, Small and Medium Enterprises (MSMEs). Market orientation in MSMEs encompasses the capacity to comprehend customer needs, recognize market opportunities, and tailor products and services to meet market demand. According to the RBV theory, a robust market orientation positively impacts MSME performance, contingent upon the ability of players to leverage these resources as valuable assets that are hard for competitors to replicate. MSMEs that adeptly comprehend and respond to the market can enhance competitiveness, fulfill customer needs, and attain superior performance. A strong market orientation additionally empowers MSMEs to pinpoint growth prospects and make essential adaptations in a dynamic business environment. The findings of this research are in line with research conducted by Rahadhini and Lamidi (2020), Lorensa and Hidayah (2022) which states that market orientation has a positive and significant influence on the performance of MSMEs.

The test results for hypothesis 4 (H4) have a path coefficient value of $0.319 > 0$ (positive) and a T statistic of $4.471 > 1.96$ or a P-Value of $0.000 < 0.05$, which means that innovation ability has a significant positive effect on MSME performance so that H2 acceptable. The F-Square (F2) value for H4 is 0.147, which means that the influence of innovation ability on MSME performance is in the low category. Innovation capability in MSMEs involves generating new ideas, creating products/services, and introducing processes to enhance operational efficiency. Proficient innovation can boost MSME performance by attracting customers, cutting production costs, and expanding into new markets. Competence in innovation management is crucial, encompassing the identification of opportunities, overseeing product development, and adapting to market changes. Applying RBV Theory, it's inferred that effective innovation capabilities significantly impact MSME performance, contingent on the MSMEs' ability to manage and optimize innovation resources as valuable, unique assets not easily replicated by competitors. The findings of this research are in line with research conducted by Tajvidi and Karami (2017), Ferreira and Coelho (2020), Muhlisin (2021), Sain (2021), Firdhaus and Akbar (2022) stating that innovation ability has a positive and significant effect on performance. MSMEs.

CONCLUSION

The research focuses on examining the impact of social media, branding ability, market orientation, and innovation ability on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Pekanbaru City. The findings reveal a positive and significant correlation between these factors and MSME performance. Social media serves as a valuable resource for communication, product promotion, and brand building. Effective branding enhances MSMEs by increasing brand awareness, customer loyalty, and added value. Furthermore, understanding and responding to the market positively influences competitiveness, customer satisfaction, and overall performance. Innovation capabilities contribute by creating appealing products, reducing costs, and facilitating market expansion.

The theoretical implications of the research contribute to expanding knowledge about factors influencing MSME performance. This knowledge can guide MSME practitioners in enhancing their business performance and contribute to the development of related theories. For future researchers, the study provides a foundation for exploring the roles of social media, branding capabilities, market orientation, and innovation capabilities in the context of MSMEs.

In practical terms, the research suggests that MSME players should prioritize increasing the use of social media, developing branding capabilities, and fostering market orientation to meet customer needs. However, it is important to acknowledge the research's limitations, as it focused solely on Fashion MSMEs in Pekanbaru City. Consequently, the results may not represent the overall condition of MSMEs or be widely applicable. The study also acknowledges the limited variables considered and recommends future research to include additional independent variables and expand the sample from diverse regions.

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