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THE ROLE OF MARKET ORIENTATION, FINANCIAL COMPETENCE, AND GOVERNMENT SUPPORT FOR SME'S INNOVATION AND COMPETITIVENESS

DIAN INDRI PURNAMASARI[1] (dian_indri@upnyk.ac.id)
FEFRA IRAWATI[2]
DEKENG SETYO BUDIARTO[3]

[1] Department of Accounting Universitas Pembangunan Nasional "Veteran" Yogyakarta , Indonesia
[2,3] Department of Accounting Universitas PGRI Yogyakarta, Indonesia

A B S T R A C T

The Covid-19 pandemic that has attacked all countries has made various businesses suffer losses, especially small businesses. Small businesses need the right strategy to be competitive in the market. This study will examine whether market orientation, financial competence, government support, and innovation are antecedents of the competitiveness of SMEs. This study uses 124 SMEs owners as research respondents. Questionnaires were administered offline and online and analyzed using Smart PLS to prove the hypothesis. The results show that the roles of market orientation, financial competence, government support, and innovation are the antecedents of innovation. This research has implications for the government to provide full support to SMEs owners to survive in the face of environmental uncertainty.

Keywords: *Market orientation, financial competence, government support, innovation, competitiveness.*

Pandemi Covid-19 yang menyerang semua negara membuat berbagai bisnis mengalami kerugian, terutama usaha kecil. Usaha kecil membutuhkan strategi yang tepat untuk dapat bersaing di pasar. Studi ini akan mengkaji apakah orientasi pasar, kompetensi keuangan, dukungan pemerintah, dan inovasi merupakan anteseden dari daya saing UKM. Penelitian ini menggunakan 124 pemilik UKM sebagai responden penelitian. Kuesioner diberikan secara offline dan online yang dianalisis menggunakan Smart PLS untuk membuktikan hipotesis. Hasil penelitian menunjukkan bahwa peran orientasi pasar, kompetensi finansial, dukungan pemerintah, dan inovasi merupakan anteseden inovasi. Penelitian ini memberikan implikasi kepada pemerintah untuk mendukung penuh pemilik UKM agar mampu bertahan dalam menghadapi ketidakpastian lingkungan.

Kata Kunci: Orientasi pasar, kompetensi keuangan, dukungan pemerintah, inovasi, daya saing.

INTRODUCTION

Small businesses (SMEs) are essential because they can absorb a large proportion of the workforce, thereby driving a country's economy (Distanont & Khongmalai, 2020). However, the rapid and complex development of technology is a challenge for companies, especially SMEs, to innovate because innovation is a powerful weapon to survive (Thongsri & Chang, 2019; Yousaf, Radulescu, Sinisi, Serbanescu & Păunescu, 2021). In addition, SMEs face problems such as poor management, insufficient market information, and inadequate resource competencies (Kim & Shim, 2018; Afriyie, Du & Ibn Musah, 2020). To reduce these limitations, SMEs must implement innovative and effective marketing strategies to survive (Bamfo & Kraa, 2019). Industry competition is high-speed, making competition between SMEs increasingly tight. SMEs owners must use competitive strategies relevant to the development of the business environment to maintain a competitive advantage. The right design will encourage SMEs to continue to exist in their business environment (Winarti, Purnomo & Akhmad 2019).

Limited resources prevent SMEs from innovating, even though innovation is a powerful weapon in facing competition to

achieve business excellence (Wang, Lee, Yap, Wood & Rahman, 2020; Distanont & Khongmalai, 2020). Pressure from industry and competitors in the market will force SMEs to improve production processes, take advantage of new technologies, and carry out various innovations (Distanont & Khongmalai, 2020). Various literatures explain that innovation is a dynamic force capable of transforming social, institutional, and economic structures (Patanakul & Pinto, 2014). Organizations can innovate exploitatively and exploratively to serve new customers and markets. Exploitative means gradually improving existing products, while explorative means developing radically new products (Božič & Dimovski, 2019). SMEs owners who are innovative and have an entrepreneurial spirit will be able to become a driving force to increase the company's competitiveness (Lantu, Triady, Utami & Ghazali, 2016). Therefore, innovative products on the market will generate great potential for increasing the productivity of SMEs (Bamfo & Kraa, 2019).

Companies need to make organizational changes in the process of technological innovation to adapt to the needs of the digital era. Digital technology innovation requires collaboration and communication between companies and other parties to facilitate knowledge and resource sharing and improve performance (Ge, Lv & Wang, 2023). Rapid consumer tastes changes also force SMEs owners to understand marketing concepts to sell their products (Afriyie et al., 2020). Market orientation is the main principle of organizational strategy that is based on profit maximization by identifying market demands that are constantly changing (Fernandez, Roy & Chiambaretto, 2018). Market orientation is a series of processes related to behavior in obtaining and disseminating information in business. Companies can create behaviors to be more effective and efficient in achieving excellence. From a cultural point of view, market orientation will look at customer orientation and competitor orientation as strategic tools for identifying market needs that lead to competitive organizational performance (Bamfo & Kraa, 2019). Companies with a more substantial market focus can withstand turbulence that endangers the organization's survival (Wang et al., 2020).

Nowadays, business companies are starting to understand the values and role of innovation in the industry by increasing the intensification of their knowledge to achieve maximum capacity, increasing business resilience and success (Abbas, Zhang, Hussain, Akram, Afaq & Shad, 2020). The company will achieve its goals by utilizing its existing resources, including the abilities of its staff. Someone who can use knowledge will be able to make the right decisions to manage resources more efficiently (Morris, Maillet & Koffi, 2022). If your resources are competent, innovation will be easy to implement, and company growth will be easy to achieve (Afriyie et al., 2020). Although additional knowledge can cause problems such as increased costs and complexity, financial knowledge is crucial to company management. The knowledge possessed by employees is a strategic resource for organizations because it can be used to anticipate rapid environmental changes and make innovative breakthroughs (Zhang, Wang & Xu, 2021). Many companies fail because of limited financial knowledge, so they are wrong in problem-solving when making important decisions (Rachapaettayakom, Wiriyapinit, Cooharojananone, Tanthanongsakkun & Charoenruk, 2020).

The government's role in helping SMEs, especially in dealing with crises, is still being debated because the assistance provided by the government does not match the needs of SMEs. Therefore, it is still a question for researchers to determine what kind of government support SMEs need (Najib, Rahman & Fahma, 2021). The government, called an agent, is vital in helping small businesses innovate and transfer technology to maintain the country's economic health (Patanakul & Pinto, 2014). SMEs' critical role has encouraged the government to provide enormous support so that they can increase competitiveness both domestically and at the global level (Distanont &

Khongmalai, 2020). The government can provide policies to facilitate access to capital for SMEs to be competitive because this sector helps increase welfare (Udimal, Jincai, Ibn Musah & Hua, 2019). The business incubator for SMEs is one of the programs used by the government to realize the development of SMEs. The government, through several SMEs empowerment programs in Indonesia, always synergizes with financial institutions and banks, especially in lending to SMEs (Sedyastuti, 2018).

Much research has been done on innovation and competitiveness in SMEs, for example (Lantu et al., 2016; Anjaningrum & Sidi, 2018; Lestari, Astuti & Ridwan, 2019; Afriyie et al., 2020; Udimal et al., 2019). However, this research is still interesting because the findings on innovation and competitiveness are still inconsistent. The results of a previous study found that market orientation, financial competence, and government support affected innovation (Khotimah & Budi, 2020; Noor, Derriawan & Soebagyo, 2018). While other findings state that financial competency and government support do not affect innovation and competitiveness (Bahar, 2019; Krisnawan & Safirin, 2021). The contingency theory explains that the success of SMEs is influenced by internal and external factors such as resource capabilities and government support (Depperu, Magnani, Crosato & Liberati, 2021). Limited resource capabilities due to the level of education and experience of the owner will hinder the process of technology transfer and innovation (Budiarto, Vivianti & Diansari, 2021). Furthermore, if government support does not meet the needs of SMEs, their ability to innovate and competitiveness will not develop. The inconsistent findings above are a controversy that contributes to the ongoing debate and provides an opportunity for researchers who are interested in innovation and competitiveness in different settings (Božič & Dimovski, 2019). This research also tries to build on previous findings by adding market orientation variables because an understanding of market orientation will allow companies to develop product innovations according to market tastes and exceed the advantages of their competitors (Putri, Yasa & Giantari, 2018). This research is different from the previous finding, which was a methodological contribution and became a research gap with a broader object and better analytical methods. Some previous researchers used descriptive analysis, for example (Delmayuni, Hubeis & Cahyadi, 2017; Sedyastuti, 2018; Sari & Suprapto, 2019; Rosmadi, 2021; Adams, Jeanrenaud, Bessant, Denyer & Overy, 2016), then used multiple linear regression (Khotimah & Budi, 2020; Winarti et al., 2019). This study links the factors that influence innovation with competitiveness using structural analysis. The structural analysis allows for testing more complex models and is free from all assumptions (Hair, Risher, Sarstedt & Ringle, 2019).

This research was conducted in Yogyakarta because Yogyakarta was familiar as a tourism city (Vitasurya, 2016), with the number of tourists reaching 24 million in 2021, which is more significant than Bali, which has nine million (www.bps.go.id). However, the Covid-19 pandemic resulted in a reduced number of tourists and impacted SMEs supporting tourism, which experienced a decrease in turnover of 80%. Furthermore, the decline in turnover was felt by more than 66% of SMEs that support tourism, such as trade, 32% creative economy, 21% tourism, and 13% transportation (sibakuljogja.jogjaprov.go.id). The two studies examining the role of SME innovation over the past ten years in Yogyakarta are still limited, for example, to batik SMEs in the city of Yogyakarta (Buwana & Nursyamsiah, 2018); Sleman and Bantul Regency (Ranto, 2015); Yogyakarta City (N. Kusuma & Atmaja, 2018); and batik SMEs in Yogyakarta City (Antori, 2021). This research will explain the role of innovation in increasing competitiveness in five parts. First, the introduction will explain why this research was carried out. Both literature and hypothesis reviews will elaborate on the findings of the previous study. The three research methods will describe the population, variable measurements, and analytical tools. The

four research results will explain the findings and discussions based on literature reviews and previous research findings. The five conclusions, limitations, and research suggestions will explain opportunities for future researchers who are interested in research in the SMEs area, especially on the theme of innovation and competitiveness.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Contingency Theory

The contingency theory states that no one accounting system can be universally applied to all companies in all circumstances (Agustina, 2017). Researchers have widely used contingency theory to examine the relationship between situational factors and organizational behavior. The company will implement the design and function of the organization according to changes because there needs to be a proper design for changing situations (AlMuhayfith & Shaiti, 2020). Contingency theory explains that companies can achieve good performance when their organizational structure is relevant to the uncertain environment (Donaldson & Preston, 1995). The contingency theory shows that the company's strategy is needed to ensure long-term business continuity (Pratono, 2017). Contingency theory explains that they must have good design and governance because companies will face competitors in an uncertain environment (Hariyati, Venusita & Dyani, 2018). Companies will have various alternative strategies because not all deal with specific settings effectively. Companies must be able to adjust between environmental factors (external) and corporate strategy (internal) because environmental changes will require structural changes to the company to achieve compatibility. Environmental conditions that are aligned with the company's strategy will increase the ability to compete; this is where the contingency theory works (Depperu et al., 2021).

The influence of market orientation on SMEs innovation

The dominant role of SMEs in increasing economic growth in Indonesia must, of course, be balanced with awareness to strengthen SMEs by increasing competitiveness through increased productivity and efficiency (Sari & Suprapto, 2019). Market orientation can be explained through two concepts: culturally and behaviorally. (Bamfo & Kraa, 2019). Market orientation is based on specific considerations that give all departments the responsibility to participate in the collection, dissemination, and follow-up of the market (Anjaningrum & Sidi, 2018). Market orientation will enable them to create product innovations according to market tastes and have a competitive advantage. Market orientation is used to provide an overview of consumer desires and competitors' movements so that they can form SMEs strategies (Putri et al., 2018; Haryanto, Haryono & Sawitri, 2017). Market orientation can be explained in three dimensions: customer orientation, supplier orientation, and inter-functional orientation. Still, companies with good relationships with customers and suppliers will have better competence in dealing with uncertainty (Preeker & Giovanni, 2018). With the information obtained from the market, SME owners can align innovation strategies to get optimal results (Wang et al., 2020). Market orientation has a positive influence on innovation because the company's willingness to implement a market orientation strategy will impact its ability to compete with other companies (Putri et al., 2018). Findings in South Korea explain that there is a relationship between knowledge sharing between various parties and innovation capabilities in SMEs (Kim & Shim, 2018). Results in Ghana demonstrate that market orientation is the key to SMEs' success (Bamfo & Kraa, 2019). Other findings in Thailand explain that market orientation can be used as an effective strategy to obtain information about customers and competitors and use this information to increase firm value (Thongsri & Chang, 2019). Based upon the statement above, the hypothesis is:

H1: Market orientation affects SMEs

innovation

The influence of financial competence on SMEs innovation

There is no consensus on the exact definition of financial competence. Still, some researchers explain that financial competence is an individual's ability to make financial decisions based on financial concepts such as budgets, savings, interest rates, and debt (Mashizha & Sibanda, 2017). Currently, environmental conditions and competition are very uncertain, so the role of management in creating knowledge is significant for continuous innovation. Management must be able to manage human resources well so that they provide information and use their ability to make good use of company assets (Abbas et al., 2020). In an innovation ecosystem, apart from internal knowledge, organizations can use external knowledge to seek to acquire and integrate valuable information into the company. Companies must be open to the development of knowledge from outside the organization because this information will improve their ability to carry out innovative breakthroughs effectively (Zhang et al., 2021). Financial management is an important aspect, but SME owners often omit it (Rakhmawati, 2018). Even though SME owners need knowledge and information for problem-solving and decision-making, their understanding of financial capabilities still needs to be improved, which can lead to business failure. (Rachapaettayakom et al., 2020). Many MSMEs do not compile financial reports following financial accounting standards. Even though financial competence can increase innovation and capital access, their businesses can develop (Khotimah & Budi, 2020). In line with research findings in China that explain that knowledge acquisition will drive the speed of innovation in companies (Ge et al., 2023). Based on the statement above, the hypothesis is:

H2: Financial competence affects SMEs innovation

The effect of government support on SMEs innovation

The challenges for SMEs in developing innovation are enormous, so support and cooperation from external parties such as research institutions, universities, and the government are needed (Najib et al., 2021). The government, as a policymaker, has a strategic role in the development of SMEs. One of the government programs through a business incubator is very helpful for SMEs because it has synergized with several large companies (Khotimah & Budi, 2020; Elmansori, 2018). Government encouragement for SMEs can indirectly create job opportunities or redistribute income because more than 90% of the workforce is in this sector. The results of previous research findings show that law enforcement and government policies that favor small industries can encourage business development and foster innovation (Patanakul & Pinto, 2014). Research in Ghana explains that tax credits and government subsidies will help promote the growth of SMEs, especially in the field of new product innovation (Udimal et al., 2019). Other findings in Thailand explain that good relations with external parties such as banks, tax offices, and government agencies will facilitate SMEs in transferring technology and sustainable innovation (Thongsri & Chang, 2019). In Indonesia, the government supports SMEs in three ways: first, through financial support through subsidies and payment relief. Second, through technical assistance with innovation and go-digital facilities; and third, by supporting loan restructuring policies. This support has proven to encourage innovation by SMEs (Najib et al., 2021). Based on the statement above, the hypothesis is:

H3: Government support affects SMEs innovation

The influence of innovation on the competitiveness of SMEs

Competitiveness is an essential factor in the economic cycle, especially in producing goods and services to meet demand (Agustina, 2017). The concept of competitiveness refers to the company's commitment to market competition both locally and internationally. Porter (1992)

says that an industry's competitiveness is seen from the production side and the combination of the result with efforts to achieve it. The efforts made by the industry are not only in production but also involve finance, marketing, target markets, sales, distribution, procurement, purchasing, and labor.

Innovation is introducing new ideas to companies that result in increased company performance (Dias & Silva, 2021). No consensus can measure innovation precisely, but many researchers use subjective measurement bases such as a company's ability to produce new products (Kim & Shim, 2018). Innovation's role in helping businesses transition to success is a severe concern for academics, managers, and policymakers (Adams et al., 2016). Innovation is an essential factor in organizational success due to increasingly fierce competition and rapidly changing technology, so organizations must adapt quickly and be willing to take risks (Kittikunchotiwut, 2020). As businesses with many limitations, SMEs must survive in a constantly evolving environment. SMEs owners can generate creativity and innovation to compete in the market (Rosmadi, 2021). Innovation can come from within or outside the company, but outside factors, such as new knowledge from competitors, have a more prominent role in fostering innovation in business. Innovation is the primary key to increasing resource capacity and sales, increasing competitiveness because SMEs will have differences from their competitors (Distanont & Khongmalai, 2020). Innovation can be done outside the technology domain, such as by adopting new business models and creating new service systems. This innovation focuses on how innovation is used and who is involved in the innovation process (Adams et al., 2016).

The concept of innovation that many SMEs innovate ideas is to build a brand with digital marketing to expand business reach (Khotimah & Budi, 2020). Organizations can innovate dynamically by allocating and mobilizing resources to be efficient and effective and utilizing external information and knowledge to support their goals (Božič & Dimovski,

Table 1.
Variable Measurement

Variable	Indicators
Market Orientation (X_1) (Putri et al., 2018)	The company always understands its customers The company continuously monitors its competitors Customer service orientation Market information is the company's efforts to seek information about market conditions
Financial Competence (X_2) (Kusuma & Lutfiany, 2018)	a. Understanding of basic principles b. Confession c. Recording d. Measurement e. Reporting f. Report credibility
Government Support (X_3) (Abidin & Dharma, 2017)	a. Infrastructure support b. Access to financial institution c. Competence of SMEs owners d. Tax incentives
Innovation (Y) (Lestari et al., 2019)	a. Online marketing b. Product quality c. Cost efficiency d. Market reach e. Continuous training
Competitiveness (Z) (Lantu et al., 2016)	a. Availability of resources b. Entrepreneurial ability c. Existence of promotion and consistency d. Capital development

2019). Findings in Thailand state that companies that innovate will have better performance, so they can survive in an uncertain environment (Kittikunchotiwut, 2020). Based on the above statement, the hypothesis is:

H4: Innovation affects the competitiveness of SMEs

RESEARCH METHODS

This study used a questionnaire to collect data from respondents, namely 124 SME owners in Yogyakarta. Previous research explains that SME owners are the primary source of vital information because they know their business (Kim & Shim, 2018). The number of respondents has met the minimum criteria required for structural analysis using SEM: > 100 respondents (Hair, Black, Babin & Anderson, 2010). The sampling technique was purposive sampling. Under the research criteria, SMEs that have been established for more than two years must have an NPWP and use e-commerce. All questionnaires in this study used a 5-point Likert scale from 1 strongly disagree to 5 strongly agree. SME owners will answer all the questions contained in the questionnaire relating to their perceptions of innovation, financial capability, government support, and the competitiveness of their business.

In this study, market orientation is defined as the ability of SMEs to understand market needs and all information related to product prices and competitors' capabilities. There are seven questions on the market orientation variable, but because two questions have an outer loading value <0.7, these questions are excluded from the model. Financial knowledge is the owner's ability to record and report finances following applicable regulations. The financial ability variable uses eight questions adopted from research (Kusuma & Lutfiany, 2018). Government support is an understanding by SME owners of the availability of government facilities, ease of tax matters, internet access, and access to capital. The governing support variable uses four questions adopted from Abidin & Dharma

Table 2.
Respondent's Demographics

		Yogyakarta	Sleman	Bantul	Kulon Progo	Gunung Kidul	Total
Type of Business	Culinary	11	18	20	13	18	80
	Fashion	4	6	1	5	-	16
	Furniture	-	1	-	-	-	1
	Textile	2	-	-	-	-	2
	Others	8	1	5	6	5	25
Running of Business	< 3 years	5	6	1	2	2	16
	3-5 years	10	17	10	5	10	52
	6-10 years	5	2	5	5	5	22
	>10 years	5	1	10	12	6	34
Gender	Male	6	4	10	9	9	38
	Female	19	22	16	15	14	86
Education	Bachelor	15	12	11	9	9	56
	Others	10	14	15	15	14	78
Using of e-commerce	<1 year	9	14	14	16	11	64
	1-3 years	9	10	6	6	11	42
	3-5 years	5	1	4	2	1	13
	>5 years	2	1	2	0	0	5

(2017). Innovation is the owner's ability to increase efficiency, reduce costs, and carry out massive marketing. The innovation variable consists of five questions adopted from the research by Lestari et al. (2019). Furthermore, what is meant by competitiveness is the ability of SMEs to manage resources to produce new strategies to increase organizational success. The competitiveness variable consists of four questions derived from Lantu et al. (2016).

This study differs in methodology from previous findings because the previous study only took samples in one regency/city. For example, previous research was only conducted in the city of Palembang (Delmayuni et al., 2017); South Tangerang Regency (Khotimah & Budi, 2020); Denpasar City (Putri et al., 2018); Batam City (Bahar, 2019); Bangkalan Regency (Krisnawan & Safirin, 2021); and Jakarta (Najib et al., 2021). His research will expand the research object into four regencies (Sleman, Bantul, Kulon Progo, and Gunung Kidul) and one city (Yogyakarta City) in the province of Yogyakarta in the hope of obtaining a more significant number of respondents. It is easier to generalize because it has varied characteristics, making it more useful and providing value in providing conclusions (Sekaran & Bougie, 2016). This research used the Structural Equation Model because it could simultaneously test more complex research models and analyze variables that could not be measured directly (Sholihin & Ratmono, 2021; Budiarto et al., 2021).

ANALYSIS AND DISCUSSION

This research was conducted for three months, from November 2021 to January 2022, with the target population being owners of all types of SMEs in the Special Region of Yogyakarta. After successfully collecting data, an analysis was carried out to determine the characteristics of the research sample (Table 2). The characteristics of the respondents presented in Table 2 show that the majority (64.52%) are businesses of the culinary type. Most of the use of e-commerce (51.61%) is less than one year. This result is interesting because the Covid -19 pandemic has encouraged small businesses to take advantage of technology to survive. After analyzing the characteristics of the research sample, the next step is to test the quality of the data (validity and reliability) and the hypothesis. Hypothesis testing uses two approaches:

Table 3.
Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Market orientation	0.877	0.885	0.910	0.671
Financial Competence	0.927	0.928	0.940	0.661
Government Support	0.870	0.887	0.913	0.726
Innovation	0.837	0.845	0.883	0.603
Competitiveness	0.952	0.958	0.965	0.874

Table 4.
Outer Loadings

Market Orientation	Financial Competence	Government Support	Innovation	Competitiveness
X1.1 : 0.783	X2.1 : 0.806	X3.1 : 0.938	Y1 : 0.788	Z1 : 0.970
X1.2 : 0.733	X2.2 : 0.829	X3.2 : 0.919	Y2 : 0.730	Z2 : 0.934
X1.3 : 0.815	X2.3 : 0.816	X3.3 : 0.819	Y3 : 0.771	Z3 : 0.935
X1.4 : 0.895	X2.4 : 0.824	X3.4 : 0.715	Y4 : 0.763	Z4 : 0.899
X1.5 : 0.861	X2.5 : 0.805	-	Y5 : 0.825	-
-	X2.6 : 0.806	-	-	-
-	X2.7 : 0.837	-	-	-
-	X2.8 : 0.781	-	-	-

testing the measurement model and testing the structural model.

This study uses a validity test called convergent validity with a score (AVE), Average Variance Extracted (Table 3), and discriminant validity with outer loading (Table 4) and cross-loading (Table 5). The convergent validity test shows that all variables have an AVE value > 0.5; the indicators used in this study are valid. The discriminant validity test using the outer loading value proves that all indicators in this study are valid with a value > 0.7. The Furthermore, the cross-loading test shows that the target variable is greater than that of the other variables. Reliability testing shows that all constructs are reliable with Cronbach's Alpha and Composite Reliability values > 0.7.

Table 6 shows the structural model testing using the R square coefficient for the innovation and competitiveness variables. The results of the structural model test show the value of R square in the competitiveness equation (0.238) and the innovation equation (0.499). Table 7 shows the test results with Variance Inflation Factor (VIF) values with ideal results < 3.

The results of hypothesis testing using the bootstrapping technique use a significance level of 5% (Table 8). The results of testing the first hypothesis prove that market orientation affects innovation. The study results indicate that the values contained in market orientation can be

Table 5.
Cross Loadings

Indicators	Market Orientation	Financial Competence	Government Support	Innovation	Competitiveness
X1.1	**0.783**	0.265	0.211	0.287	0.134
X1.2	**0.733**	0.234	0.173	0.288	0.101
X1.3	**0.815**	0.331	0.353	0.310	0.237
X1.4	**0.895**	0.292	0.333	0.368	0.283
X1.5	**0.861**	0.318	0.318	0.322	0.208
X2.1	0.344	**0.806**	0.425	0.496	0.330
X2.2	0.234	**0.829**	0.422	0.431	0.240
X2.3	0.190	**0.816**	0.422	0.416	0.229
X2.4	0.321	**0.824**	0.537	0.473	0.274
X2.5	0.266	**0.805**	0.495	0.482	0.216
X2.6	0.241	**0.806**	0.470	0.421	0.204
X2.7	0.324	**0.837**	0.465	0.463	0.286
X2.8	0.346	**0.781**	0.424	0.482	0.311
X3.1	0.234	0.517	**0.938**	0.604	0.247
X3.2	0.296	0.529	**0.919**	0.615	0.296
X3.3	0.259	0.493	**0.819**	0.520	0.201
X3.4	0.409	0.368	**0.715**	0.472	0.176
Y1	0.288	0.371	0.331	**0.788**	0.465
Y2	0.148	0.363	0.253	**0.730**	0.430
Y3	0.366	0.502	0.453	**0.771**	0.387
Y4	0.350	0.459	0.737	**0.763**	0.361
Y5	0.305	0.474	0.638	**0.825**	0.279
Z1	0.248	0.313	0.262	0.498	**0.970**
Z2	0.199	0.329	0.302	0.468	**0.934**
Z3	0.228	0.323	0.278	0.445	**0.935**
Z4	0.227	0.240	0.171	0.405	**0.899**

perceived well and have an effect on innovation in SMEs (Putri et al., 2018). This finding can be interpreted as meaning that if the intensity of market orientation is increased, it will make a significant contribution to improving SMEs innovation for the better and increasing the added value to the organization. The results of this study relate to the contingency theory that a company will achieve good performance if its structure can face the uncertainty of its environment (Donaldson & Preston, 1995). Market orientation will generate customer loyalty for the products produced and create value for customers to develop excellence (Bamfo & Kraa, 2019). Market orientation will make it easier for SMEs to absorb knowledge and technology from customers, which are valuable inputs for innovation (Wang et al., 2020). To deal with rapidly changing consumer preferences, integrating market orientation with innovation will complement small businesses' advantages (Iliescu & Ciocan, 2017). Customer orientation will help SMEs understand customer needs, competitor orientation will help set competitive prices, and function orientation will provide helpful information within the company for decision-making (Thongsri & Chang, 2019).

In-depth knowledge in specific fields, such as finance, will help organizations manage limited resources efficiently, making innovation breakthroughs easy (Zhang et al., 2021). SMEs owners will face challenges, namely limited financial knowledge, making it difficult to get capital, keep adequate accounting records, and carry out planning, making it challenging to maintain their business (Rachapaettayakom et al., 2020). If SMEs owners have financial competence, financial information will be presented correctly, and external parties can take advantage of this information. However, transforming knowledge into innovation depends on the owner's ability to absorb and integrate knowledge into company processes, products, and services (Dias & Silva, 2021). Globalization, innovation, and

Table 6.
R Square

	R Square	R Square Adjusted
Innovation	0.499	0.487
Competitiveness	0.238	0.231

Table 7.
Variance Inflation Factor (VIF)

	Innovation	Competitiveness
Market orientation → Innovation	1.183	-
Financial Competence → Innovation	1.529	-
Government Support → Innovation	1.519	-
Innovation → Competitiveness	-	1.000

Table 8.
Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics	P Value
Market orientation → Innovation	0.138	0.142	0.071	1.931	0.054*
Financial Competence → Innovation	0.258	0.249	0.095	2.705	0.007**
Government Support → Innovation	0.460	0.475	0.086	5.357	0.000**
Innovation → Competitiveness	0.487	0.469	0.144	3.384	0.001**

*sig < 10%. **sig<1%

rapid technological advances have become strategic organizational drivers in today's unstable economic environment. Hence, the innovation process in business organizations is highly dependent on the availability of knowledge (Abbas et al., 2020; Ge et al., 2023).

The results of the third hypothesis prove that government support affects innovation. The government's role is needed in supporting small firms to regulate the development of small industrial clusters, such as through tax incentives for the investment of technologies and the provision and maintenance of infrastructure (Patanakul & Pinto, 2014; Adams et al., 2016). The critical role of SMEs in driving national economic growth requires government policies in the form of subsidies and tax credits so that they continue to grow. Reasonable policies and regulations will enable SMEs to maintain the quality and quantity of their products (Udimal et al., 2019). The government's role in helping SMEs deal with Covid-19 is crucial because the SMEs' resources are limited. At the same time, the impact of the pandemic has resulted in a deteriorating economy, social inequality, and supply chain failures due to lockdowns in various regions (Najib et al., 2021). Government support in the form of training facilities for technology implementation is essential for innovation development because SMEs cannot get it from the market (Thongsri & Chang, 2019). Innovation strategies require creativity so that SMEs owners can find new ideas so that the products produced can adapt to market needs (Dias & Silva, 2021). Innovations that are carried out early will hamper competitors' pace, so SMEs will still have an advantage in the market compared to others. Continuous innovation in companies is a fundamental need to provide a competitive advantage (Lestari et al., 2019).

Innovation can be carried out by

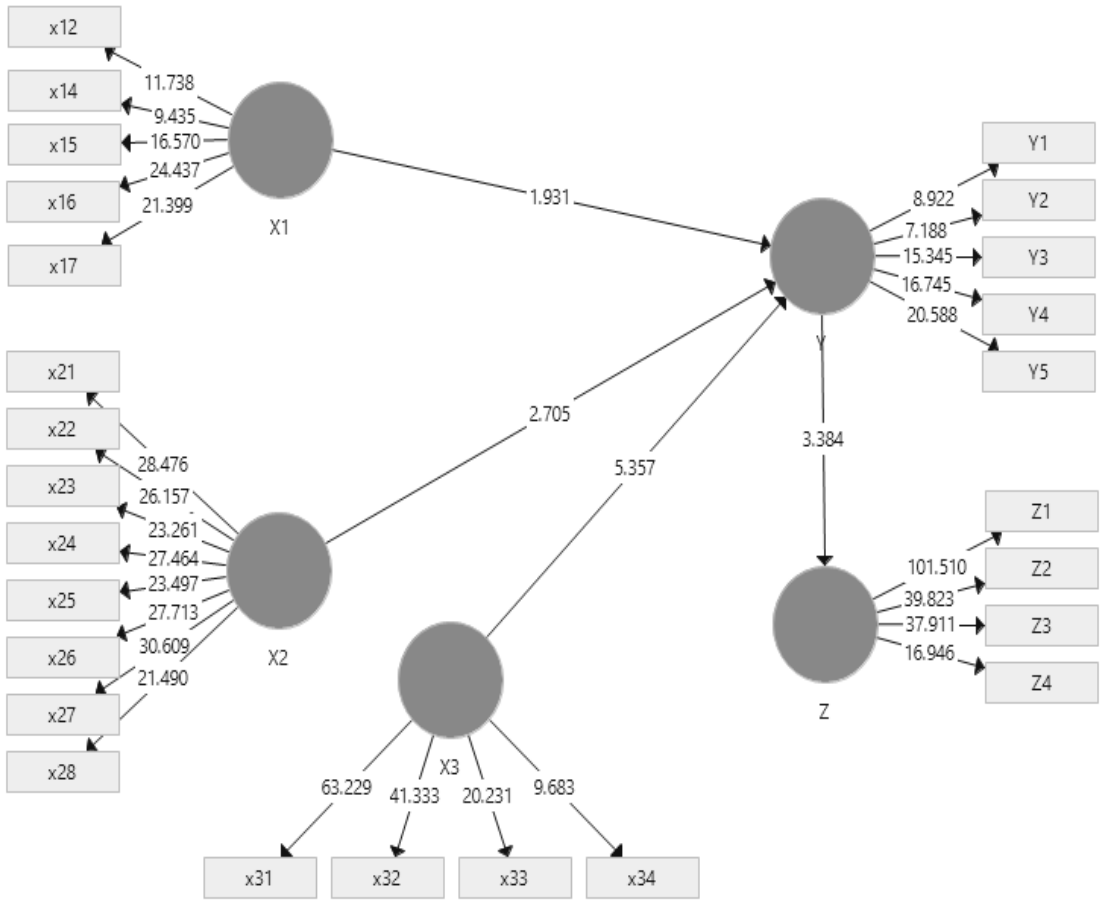


Figure 1.
Hypothesis test using bootstrapping technique

small businesses by transforming from traditional businesses to digital companies (Yousaf et al., 2021). Innovation will be able to create company growth so that SMEs have competitiveness in both the internal and external markets (Distanont & Khongmalai, 2020). Companies can innovate by refreshing the products and services they produce and updating the organization to ensure organizational survival (Adams et al., 2016). Companies must always introduce new technological innovations in their products and services to stay competitive and meet the changing demands of customers (Božič & Dimovski, 2019). By innovating, organizations will be able to have the competitiveness to enter new markets, implement strategies for long -term excellence, and increase customer value (Preeker & Giovanni, 2018). Various forms of employee knowledge and creativity must be implemented as a form of innovation to influence the environment and provide solutions to irregularities inside and outside the organization (Kittikunchotiwut, 2020).

CONCLUSION. AND SUGGESTION

This study explains the significant influence of market orientation, financial competence, and government support for innovation. In addition, innovations made by SMEs owners will increase their competitiveness in the market. Operating a business in the context of SMEs requires skills and experience to develop networks and make a real contribution to organizational innovation (Dias & Silva, 2021). The results of this study are interesting because previous research also explains that the market orientation of small firms is more robust than that of large firms (Wang et al., 2020). The company's innovation ecosystem will utilize collaboration from various resources such as information, technology, and knowledge. Therefore, innovation will work effectively if SMEs use financial knowledge in their decision-making (Zhang et al., 2021). In addition, the owners' financial capabilities will help measure costs and make it easier for owners to conduct feasibility studies on future businesses (Rachapaettayakom et al., 2020). Government support, both financial and technical, during the Covid-19 pandemic, helped SMEs continue running their businesses (Najib et al., 2021). Furthermore, the crucial role of innovation requires that SME owners have good relationships with buyers and suppliers so that resources are used optimally. Long-term partnerships will help SME owners build, supervise, and enhance technological capabilities to support sustainable innovation (Preeker & Giovanni, 2018). This result aligns with previous findings, which explain that innovation by generating new ideas can differentiate a company from its competitors (Kim & Shim, 2018). This study provides two implications, namely for SMEs owners and the government. SMEs owners need to improve their strategies, especially in understanding market conditions and innovation. In addition, the government needs to oversee the progress of SMEs by providing infrastructure, financial management assistance, and access to financial capital (Khotimah & Budi, 2020).

LIMITATIONS. AND SUGGESTIONS

The limitation of this study is that the number of research samples is still limited, so further research can expand the object of research to obtain more samples to represent real SMEs. The next limitation is not conducting a more in-depth analysis of innovation and market orientation. Future research can perform a more in-depth analysis by separating the types of innovation into two categories, namely process innovation and product innovation (Distanont & Khongmalai, 2020). In addition, it can include three types of market orientation: customer orientation, competitor orientation, and inter-functional orientation (Bamfo & Kraa, 2019).

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