The Effect of Business Networks, Product Innovation, and Business Competition On the Development of Micro, Small and Medium Enterprises (MSMEs) In Boven Digoel District

Rita Anggraini1*, Abd. Rahman Kadir2, Mursalim Nohong3.

1 Boven Digoel Regency; ritaanggraini81@gmail.com
2 Faculty of Economics and Business, Hasanuddin University; rahmankadir80@yahoo.com
3 Faculty of Economics and Business, Hasanuddin University; mursalim@gmail.com

* Correspondence author: ritaanggraini81@gmail.com

Abstract
The purpose of this study is to determine and analyze the effect of business networks, product innovation and business competition on the development of MSMEs in Boven Digoel Regency either partially or simultaneously. This study will explain the causal relationship between variables through hypothesis testing. In this study, the analytical method used is path analysis (Path Analysis) using the SPSS program. The results of the study found that the variables of business networks, product innovation, and business competition partially have a significant effect on the development of small and medium enterprises in Boven Digoel Regency, which means that when the Business Network is improved it will have a significant effect on the development of Small and Medium Enterprises in Boven Digoel Regency. Furthermore, the variables of Business Network, Product Innovation and Business Competition together (simultaneously) have a significant effect on the development of Small and Medium Enterprises in Boven Digoel district.

Keywords: business network; product innovation; business competition, MSMEs

INTRODUCTION
The development of a business unit can be influenced by various factors, both internal and external. Business activities carried out by an organization are not only directed at achieving maximum profit but also directed at maintaining and developing the business so that its business activities can continue. Likewise with business activities carried out by Micro, Small and Medium Enterprises. This small-scale business sector is directed to be able to maintain its business existence and develop its business activities.

Micro, Small, and Medium Enterprises (MSMEs) have different definitions in each literature according to several agencies or institutions and even laws. In accordance with Law number 20 of 2008 concerning Micro, Small and Medium Enterprises, MSMEs are defined as productive businesses owned by individuals and / or individual business entities, productive economic enterprises that are independent, carried out by individuals or business entities that are not is a subsidiary or non-branch of a company that is owned or a business entity that is not a subsidiary or branch of a company that is owned, controlled, or is part of, either directly or indirectly, with the Small Business or Business.

According to Wismiarsi (2008: 6) businesses that have 1-4 workers are grouped as micro businesses, 5-19 workers as small businesses, 20-99 workers as a medium-sized business and if it reaches 100 workers or more, it is classified as a large business.

Micro business Small and Medium Enterprises (MSMEs) have a far greater number than
large companies so that they are called the sectors capable of supporting the national economy because they are believed to be able to withstand the crisis. The existence of MSMEs also plays an important role in the absorption of labor in Indonesia. This sector is able to provide new employment opportunities for the community, thereby helping to reduce unemployment.

The existence of micro, small and medium enterprises has contributed significantly in various aspects. However, the business activities carried out by MSMEs are not without obstacles. According to Anoraga and Sudantoko (2002: 250) the problems of small businesses in the marketing sector are focused on three things, namely problems of market and product competition, problems of access to market information and institutional problems supporting small businesses. Products produced by MSMEs are often unable to compete with products produced by large businesses, both in terms of product innovation, product quality, and product distribution. Competition between MSME actors and competition with large businesses often become obstacles for MSMEs to develop and expand their businesses. Even,

Cool et al in Hitt et al (2001) explain that competitive competition can have a major effect on firm profitability. When competition in the industry increases, the average profitability of the companies competing in the industry decreases. Business competition forces business actors in it to have advantages and strategies to compete in order to survive and win the competition. The product components (outputs) produced by MSMEs also become important elements for MSME actors to pay attention to. Those who are able to present superior products through innovation have a greater opportunity to attract consumers. Innovation cannot be separated from business life because innovation is the spirit or soul in a company to develop. innovation can develop anywhere and be carried out by anyone, innovation is not only carried out by large companies, but small companies also need to innovate for the continuity of their business (Dhewanto et al, 2014: 299). According to Peter Ducker in Dhewanto et al (2014: 68) a competitive company has two important objectives, namely creating customer value and innovation.

The government has paid great attention to the development of Micro Enterprises Small and Medium Enterprises (UMKM). Not only do the number of MSMEs in Indonesia dominate, but also MSMEs can be more resilient from the global crisis. Various initiatives are always being pursued by the government through the government through the State Ministry for Cooperatives and Small and Medium Enterprises so that more and more individuals are willing to pursue the world of entrepreneurship in the form of establishing MSMEs.

The Indonesian Ministry of Cooperatives and Small and Medium Enterprises (UKM) is fixing cooperatives and SMEs in Boven Digoel, southern Papua. Improvement is carried out to reduce the consumptive nature of the surrounding community because the development of Small and Medium Enterprises (UKM) requires good management and takes into account several factors including business networks and product innovation and competitiveness. MSMEs cannot run alone in running their business, however, there are links with external parties as suppliers, customers and intermediary traders. Therefore, a business network is needed so that the business is running sustainably. Suryana (2010) states that there are various types of business networks in business development in the form of production networks, marketing networks, service networks and cooperation networks.

Kotler and Armstrong (2008: 4) explains that business networks will involve other business units in business activities carried out by producers, both in production and product marketing activities. Producers use intermediaries to create efficiency in providing goods to target markets through contact, experience, specialization and scale of operations. The intermediary usually offers the company more than what the company can achieve on its own. After having a business network, the next thing to pay attention to is innovation.

Porter in research an Kuntjoroadi and Safitri (2009) stated that competition is the essence of success. To win the competition, every company must have a competitive strategy. The ultimate goal of a competitive strategy is to overcome environmental forces for the benefit of the company. According to Coyne in Lestari et.al (2015), a company must not only have the resources owned by
competitors but also the capability gap must make a difference in the eyes of consumers, with the meaning in order for a company to enjoy a sustainable competitive advantage in market segmentation, the difference between the company and its competitors must be demonstrated in one or more product attributes that consumers accept and feel which are the key purchasing criteria. Sustainable competitive advantage depends on two main factors;

Research results from Lestari et al. (2015) found that the results showed that business networks, product innovation and competition together had a positive and significant effect on involvement in developing micro, small and medium enterprises. Researchers suggest that IKMs continue to increase cooperation with various parties to build a wider business network, increase product innovation and increase competitiveness so that IKM can continue to develop in the midst of today's competition.

National economic development is the responsibility of the government. The community is the main actor of development and the government has a big share in being able to direct, guide and create supporting facilities. The narrowing of employment opportunities is a solution that cannot be postponed anymore, because the population is a valuable asset for the nation and state. The growth of independent visual society is a surefire alternative to break it down.

The purpose of this study is to determine and analyze the effect of business networks, product innovation and business competition on the development of MSMEs in Boven Digoel Regency either partially or simultaneously.

LITERATURE REVIEW

Business Network

Prabatmodjo in Lestari et al. (2015) explains that business networks can be a form of organization in the economic sector that is used to organize coordination and realize cooperation between elements in the organization. These elements are generally in the form of business units, may also be non-business units, but constitute elements in a series that facilitate the operation of the business unit. The organization in question can be formal or informal.

Kotler and Armstrong (2008: 41) suggest that business networks involve other business units in business activities carried out by producers, both in production and product marketing activities. Producers use intermediaries because they create greater efficiency in providing goods to the target market. Through contacts, experience, specialization and the scale of operations, intermediaries usually offer companies more than what companies alone can achieve.

Business network indicators according to Alifah et al. (2015) are as follows:
1. The breadth of the marketing network
2. Extensive service network
3. Extensive cooperation network
4. Extensive network between business groups, the private sector and BUMN
5. Extensive network in solving problems and challenges

Product Innovation

West in Djodjobo and Tawas' research (2014) suggests that innovation is a deliberate introduction and application in work, work teams or organizations regarding new ideas, processes, products or procedures in work, work teams or organizations, which are designed to benefit the job, team, work or organization. Innovation is a non-linear process of two components including the implementation of creativity and innovation. At the beginning of the process, creativity dominates and then, will be dominated by the process of implementing innovation. Innovation in entrepreneurship is divided into two types of innovations that make profits for a business in different ways, namely product innovation and process innovation.

Kotler (2007: 36) defines product innovation as a combination of various processes that influence one another. As for Nasution (2005: 44) states that product innovation is a new product or
service that is introduced to the market. Continuous innovation in a company is a fundamental requirement that will be able to create a competitive advantage, so innovation is an important function of management because innovation will determine a superior business performance.

Product innovation indicators according to Wahyono (2002: 30) are as follows:
1. Product expansion,
2. Product imitation
3. New product

**Business Competition**

According to Mudrajat Kuncoro (2005: 86), business competition is a social process that involves individuals / groups competing with each other and doing something to achieve certain victories. Competition in the business world encourages business people to improve efficiency and product quality to be able to compete with other companies and customers are satisfied with these products. In addition, business competition has a positive influence on the creative development of human resources to use existing resources optimally and produce goods of high value at competitive prices.

Basu Swasta and Ibnu Sujojto (2000: 22) state that business competition is a term that often appears in various literatures regarding legal aspects of business competition. Competition comes from English, namely competition which means competition itself or competitive activities, matches and competitions.

Indicators of business competitiveness according to Hafidhuddin and Hendri Tanjung (2002: 44) and Maharani et al. (2020) include: competitiveness of products, the product to be offered must be of good quality, price competitiveness. It is impossible to win the competition if the products owned are very expensive. With respect to marketing competitiveness, the world of marketing talks about market problems, so the most important thing is how to attract consumers to buy goods that have been produced. Network competitiveness (networking). A business will not have competitiveness and will lose if it "plays alone", in this case it means not doing cooperation, coordination and synergy with other business institutions in various fields.

**SME Development**

Nizarul Alim (2009: 14) explains that a micro business is a business that is managed by individuals or families or some people who do not have a complete business license. Meanwhile, Warkum Sumitro (2004: 168) argues that micro, small and medium enterprises are businesses carried out by a company with a workforce of not more than 50 people.

According to Purwanti (2013) in his research, the development of small and medium enterprises is the ability of a small entrepreneur to socialize himself to the needs of market share so that there is an improvement in the standard of life of an entrepreneur. Business development for micro, small and medium enterprises is a success in doing business which can be seen that the number of sales is increasing due to the ability of entrepreneurs to seize existing business opportunities, innovate, the extent of the controlled market, be able to compete, have wide access to good financial institutions banks and non-banks so as to increase their business financing.

Purwanti (2013) in his research states that the indicators for the development of MSMEs are as follows:
1. Characteristics of existing entrepreneurs
2. Ease and amount of working capital used
3. Pricing strategy,
4. Product promotion
5. Business development.
Conceptual Model

The framework in this research can be seen in the following figure:

![Conceptual Model Diagram]

**Figure 1**: The Conceptual Model

**RESEARCH METHOD**

**Location and Research Design**

This research was conducted in the district of Boven Digoel, Papua. This study uses a quantitative approach which aims to explain the position of the variables under study and the relationship between one variable and another.

**Population or Samples**

The population in this study was the total number of MSME actors in Boven Digoel district, totaling 228 businesses, while the sample in this study was 70 respondents.

**Data Collection Method**

The collection method in this research is 1) Interview, which is the technique of collecting data by direct questioning with authorized officials who are related to the object of research. 2) Questionnaires, which are data collection techniques by distributing a list of questions to obtain written answers to the problems faced.

**Data Analysis Method**

The analytical methods used in this research are: 1) Descriptive analysis. Descriptive analysis is used to analyze data by describing or describing the collected data as it is without intending to make generalized conclusions or generalizations. 2) To determine the quality of the data, it is done by testing the validity and reliability test using the help of SPSS 23 software. The data validity test is used to measure the validity or not.

**EMPIRICAL RESULTS**

**Descriptive Statistics**

Based on the research data that has been collected, data about the amount is obtained. As many as 79 questionnaires have been distributed, the descriptions of respondents' responses can be described as follows:

**Table 1. Description of Respondents' Responses About Business Networks**

<table>
<thead>
<tr>
<th>Statement</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>The social media network carried out by the company can expand and add to the marketing network through various activities and media.</td>
<td>4.24</td>
</tr>
<tr>
<td>The products that I market have collaborated with related parties</td>
<td>4.10</td>
</tr>
<tr>
<td>The products of my business have collaborated with various business groups, private parties and state-owned companies</td>
<td>3.70</td>
</tr>
</tbody>
</table>
Collaboration with various parties helps my efforts in overcoming problems and challenges in developing my business. | 4.11 |
Average | 4.04 |

Source: Smart PLS output

Based on the table above, it can be seen that all indicators of the business network variable with an average value of 4.04, which indicates that the respondents' responses fall into the high category. The highest response was the statement about "The company's social media network can expand and add to the marketing network through various activities and media." with the average value of the respondents' responses in the good category. This shows that the business network of MSME operators in Boven District is very good. The lowest respondent's score was the statement about "The products of my business have collaborated with various business groups, private parties and state-owned companies".

Table 2. Description of Respondents' Responses about Product Innovations

<table>
<thead>
<tr>
<th>Statement</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>My business has many product variants according to consumer desires</td>
<td>3.77</td>
</tr>
<tr>
<td>As a business owner, I have innovative and trendy product packaging</td>
<td>4.06</td>
</tr>
<tr>
<td>The product that I market is a new product in Boven Digoel district</td>
<td>3.84</td>
</tr>
<tr>
<td>New products that I create always adjust to the trend of the time</td>
<td>3.91</td>
</tr>
<tr>
<td>Average</td>
<td>3.90</td>
</tr>
</tbody>
</table>

Source: SPSS

Based on the table above, it can be seen that all indicators of the product innovation variable with an average value of 3.90 which indicates that the respondents' responses fall into the high category. The statement about "I, as a business owner, have innovative and trendy product packaging" is a statement with the highest respondent value in the very high category, indicating that there is innovation in packaging for the products of the business. As for the statement about "I am present at the office on time according to the time of entry". is a statement with the lowest respondent's response but still falls into the good category.

Table 3. Description of Respondents' Responses About Business Competition

<table>
<thead>
<tr>
<th>Statement</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>The products I produce are able to compete with products that come from outside the city.</td>
<td>4.43</td>
</tr>
<tr>
<td>The selling price of my product is able to compete with similar products</td>
<td>4.10</td>
</tr>
<tr>
<td>My product marketing has been able to compete with the marketing of other business products.</td>
<td>3.94</td>
</tr>
<tr>
<td>My product collaboration with various companies and state-owned enterprises has been very good</td>
<td>4.34</td>
</tr>
<tr>
<td>Average</td>
<td>4.20</td>
</tr>
</tbody>
</table>

Source: Smart PLS output

Based on the table above, it can be seen that the overall indicators of the business competition variable with an average value of 4.20, which shows the respondents' responses fall into the high category. The statement about "The products I produce are able to compete from products that come from outside the city." is a statement with the highest respondent value in the very high category, which shows that the competitiveness of the product is very high. As for the statement about "Marketing my product, it is able to compete with the marketing of other business products," is a statement with the lowest respondent's response. has entered the very good category which indicates that there is good marketing competitiveness.
Table 4. Description of Respondents' Responses About Business Development

<table>
<thead>
<tr>
<th>Statement</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>The characteristics of transgender women are able to improve their business</td>
<td>4.43</td>
</tr>
<tr>
<td>My business sales are increasing due to additional capital from credit through government programs</td>
<td>4.24</td>
</tr>
<tr>
<td>My business sales increased due to good promotions</td>
<td>4.23</td>
</tr>
<tr>
<td>My sales turnover is increasing continuously</td>
<td>4.43</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4.33</strong></td>
</tr>
</tbody>
</table>

Source: Smart PLS output

Based on the table above, it can be seen that the overall indicators of the business development variable with an average value of 4.33 which indicates that the respondents' responses fall into the high category. The same is the statement with the highest respondent's value in the very high category, which indicates that there are existing entrepreneurial characteristics and an increase in business turnover. The statement about "My business sales increased due to good promotion" is a statement with the lowest respondent's response but has entered the very good category.

Findings

**Hypothesis 1**

**Table 5. Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-861</td>
<td>1,777</td>
<td>-485</td>
</tr>
<tr>
<td></td>
<td>Network</td>
<td>.420</td>
<td>.109</td>
<td>.359</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>.323</td>
<td>.086</td>
<td>.344</td>
</tr>
<tr>
<td></td>
<td>Competition</td>
<td>.379</td>
<td>.074</td>
<td>.396</td>
</tr>
</tbody>
</table>

Source: Data Processing, 2020

From the calculation results, the t value for the Business Network variable is 3.849 and using the significance level (level of significance) of 5%, the t table is 1.668. Where t table is obtained from dk = nk (70-3-1) = 66 (Siregar, 2012), which means that the calculated t value is greater than t table, namely 3.849> 1.668. While the sig value in the table is 0,000 because the sig is smaller or less than 0.05, which shows that the Business Network (X1) has a significant effect on Business Development (Y). Thus it can be concluded that the hypothesis which states that business networks have a significant effect on business development is accepted.

**Hypothesis 2**

From the calculation results, the t value for the Product Innovation variable is 3.758 and by using the significance level (level of significance) of 5%, the t table is 1.668. Where t table is obtained from dk = nk (70-3-1) = 66 (Siregar, 2012), which means that the calculated t value is greater than t table, namely 3.758> 1.668. While the sig value in the table is 0,000 because the sig is smaller or less than 0.05, which shows that Product Innovation (X2) has a significant effect on Business Development (Y). Thus it can be concluded that the hypothesis which states that product innovation has a significant effect on business development is accepted.

**Hypothesis 3**

From the calculation results, the t value for the business competition variable is 5.093 and by using the significance level (level of significance) of 5%, the t table is 1.668. Where t table is obtained from dk = nk (70-3-1) = 66 (Siregar, 2012), which means that the calculated t value is greater than t table, namely 5.093> 1.668. While the sig value in the table is 0,000 because the sig is smaller or less than 0.05, which shows that business competition (X3) has a significant effect on business development (Y). Thus it can be concluded that the hypothesis which states that business competition has a significant effect on business development is accepted.

1) Hypothesis 4
Table 6. F Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>193,031</td>
<td>3</td>
<td>64,344</td>
<td>35,863</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>118,412</td>
<td>66</td>
<td>1,794</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>311,443</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Processing, 2020

From the calculation results obtained F-count of 35,863 (ANOVA table) and using the level of significance (significant level) of 5% obtained the F-table value of 2.74. Where the F-table is obtained from df1 = k-1 (4-1) = 3 with df2 = nk (70-4) = 66 (Siregar, 2012), which means that the F-count value is greater than the F-table, which is 35,863 > 2.74. While the sig value in the table of 0.000 is smaller or less than 0.005, indicating that the Business Network (X1), Product Innovation (X2) and Business Competition (X3) variables have a simultaneous or joint effect on the Business Development variable (Y). Thus it can be concluded that the hypothesis which states Business Network (X1), Product Innovation (X2) and Business Development variables (X3) together have a significant effect on Business Development is acceptable.

DISCUSSION

The results of data processing summarized in the tables above can then be discussed to determine the effect of the independent variables on the dependent and mediating variables.

The Influence of Business Networks on Business Development

Based on the results of multiple regression tests for the t test for the Business Network variable, it is concluded that the Business Network partially has a significant effect on Business Development. The results of this study are consistent with the narrative of Kotler and Armstrong (2008: 41) that through contact, experience, specialization and scale of operations, intermediaries usually offer companies more than what the company can achieve itself. According to this opinion, it can be explained that through the contact that the intermediary has, then the experience of the intermediary in marketing the product and the wide scale of the intermediary's operations, the intermediary usually provides more benefits to the company working with him than what the company could achieve without assistance, from intermediaries. Jarillo (1988) in Prabatmodjo & Firman (1996) states that business networks are the result of decisions and efforts of entrepreneurs to increase competitiveness through cooperation with other business units. Higher business competitiveness can be achieved through business networks because business actors can specialize so that businesses are more efficient, reduce transaction costs, and increase flexibility due to the presence of trusted partners. Kotler and Armstrong (2008: 39) also argue that producing a product or service and making the product or service available to buyers requires building relationships not only with customers but also with key suppliers and intermediary sellers in the company's supply chain. Based on the research results and explanations from several experts above, it can be argued that business networks have a major influence on the development of micro, small and medium enterprises. So, MSME players are expected to be able to foster cooperation with suppliers, financial institutions, labor and intermediaries so that their business can grow. From the recapitulation of respondents' answers, there are several things related to business networks that still need to be repaired or improved. This includes the need to increase cooperation with suppliers of supporting materials and intermediaries. The wider the business network that MSMEs can build, the more their business will be developed.

These results are also supported by research by Lestari et al. (2015) with the title of The Effect of Business Networks, Product Innovation and Business Competition on the Development of Micro, Small and Medium Enterprises (Studies on Food SMEs in Kuningan District, Kuningan Regency, West Java). The analytical tool used in this study is multiple regression analysis. The analysis results
show that the business network has a significant effect on business development.

**The Effect of Product Innovation on Business Development**

Based on the results of multiple regression tests for the t test for product innovation variables, it is concluded that Product Innovation partially has a significant effect on Business Development. The results of this study are in accordance with the opinion expressed by Dhewanto et al. (2014: 299) that innovation cannot be separated from business life because innovation is the spirit or soul in a company to develop, innovation can develop anywhere and be carried out by anyone, innovation cannot only be done by large companies, but even small companies need to innovate for the continuity of their business. Based on the research results, it can be argued that product innovation has an influence on the development of MSMEs. Thus, UMKM players are expected to be able to increase product innovation so that their business can grow. Product innovation is very important because globally, the market has increasing competition. Competitors are increasingly emerging and it cannot be avoided. Even a small difference in the benefits of a product and service will have a big impact on customers (Dhewanto et al., 2014: 70). Through product innovation, it is hoped that MSMEs will be able to take advantage and develop their business amidst the competition.

**The Effect of Business Competition on Business Development**

Based on the results of multiple linear regression tests for the t test for the variable business competition, it is concluded that business competition partially has a significant effect on business development. Based on these results, the results of this study are supported by the theory put forward by the opinion of Cool et al (1999) (as cited in Hitt et al., 2001) that competitive competition can have a major effect on company profitability and development. The ability of a small business to grow and develop, of course, differs from one type to another. However, in general this ability is greatly influenced by external conditions and internal capabilities (Haryadi et al., 1998: 30). The industrial environment or the competitor's environment is part of the company's external environment. Christensen (1973) in Kuncoro (2005: 23) explains that the external environment is all patterns of external conditions and influences that affect the life and development of the company. The external environment here is one of the competitive environments that exist around business actors. The emergence of competition will usually cause a reaction from companies that are already in the environment. The conditions that exist in the competitive environment, make many companies have to compete in different ways to achieve strategic competitiveness and profit above average (Hitt, Ireland & Hoskisson, 2001). SJ Marsh (1998) (as cited in Hitt, Ireland, Hoskisson, 2001) suggests that over time, companies that compete in an industry carry out a number of competitive actions and responses. Companies that develop more effective strategies will perform better than other companies (WPPutis JR, 1999, as cited in Hitt, Ireland, & Hoskisson, 2001) suggests that over time, companies that compete in an industry carry out a number of competitive actions and responses. Companies that develop a more effective strategy will perform better than other companies (WPPutis JR, 1999 as cited in Hitt, Ireland, & Hoskisson, 2001).

**The Effect of Business Networks, Product Innovation and Business Competition together on Business Development**

The results of the study show that simultaneously the variables of Business Network, Product Innovation and Business Competition have a significant effect on the variable Business Development. Prabatmodjo in Lestari et al. (2015) in his research explained that business networks can be a form of organization in the economic sector that is used to regulate coordination and realize cooperation between elements in the organization. These elements are generally in the form of business units, may also be non-business units, but constitute elements in a series that facilitate the
operation of the business unit. The organization in question can be formal or informal. Amabile in research conducted by Mustikowati and Tysari (2014) and Toaha et al. (2019) describes innovation as a concept that discusses the application of new ideas, products or processes. Therefore the company is expected to form new ideas in dealing with competitors, customers and the existing market.

West in Djodjobo and Tawas' research (2014) suggests that innovation is a deliberate introduction and application in work, work teams or organizations regarding new ideas, processes, products or procedures in work, work teams or organizations, which are designed to benefit the job, team, work or organization. Innovation is a no-linear process of two components including the implementation of creativity and innovation. At the beginning of the process, creativity dominates and then, will be dominated by the process of implementing innovation. Innovation in entrepreneurship is divided into two types of innovations that make profits for a business in different ways, namely product innovation and process innovation. Meanwhile, according to Mudrajat Kuncoro (2005: 86), business competition is a social process that involves individuals / groups competing with each other and doing something to achieve certain victories. Competition in the business world encourages business people to improve efficiency and product quality to be able to compete with other companies and customers are satisfied with these products. In addition, business competition has a positive influence on the creative development of human resources to use existing resources optimally and produce goods of high value at competitive prices.

CONCLUSION
Based on the results of research and discussion, the conclusions of this study are that the business network has a positive and significant impact on the development of small and medium enterprises. Product Innovation has a positive and significant impact on the development of small and medium enterprises in Boven Digoel Regency. The business competition has a positive and significant effect on the development of small and medium enterprises in Boven Digoel Regency. Business network, product innovation and business competition together (simultaneously) have a positive and significant effect on the development of small and medium enterprises in Boven Digoel district.

REFERENCE


