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The Influence of Internal and External Factors on Financial Performance in Enhancing the Competitiveness of Small and Medium Enterprises in Papua

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ABSTRACT

This study aims to identify and analyze the direct influence of internal factors, which consist of Human Resource Management, Production, Marketing, Working Capital, and Organizational aspects, as well as external factors, including Government Policies and Financial Performance, on Small and Medium Enterprises' competitiveness in Papua. Data was collected through observations, interviews, and questionnaires. The data was analyzed using Structural Equation Modeling (SEM) with Amos Software. The analysis results indicate that human resource management does not significantly affect the financial performance of Small and Medium Enterprises in Papua, whereas production, marketing, working capital, and organizational factors do influence financial performance. The analysis also shows that these internal factors impact the competitiveness of Small and Medium Enterprises in Papua. Furthermore, external factors, such as government policies and competition, affect both the financial performance and competitiveness of small and medium enterprises in Papua. Additionally, financial performance is found to be linked to the competitiveness of Small and Medium Enterprises in Papua.

Keywords: External Factors, Financial Performance, Internal Factors

INTRODUCTION

Economists have contended that the small business sector has demonstrated resilience in the face of various economic conditions, effectively competing against larger enterprises (Swanson, 2001). However, it is evident that small businesses, particularly in Papua, have not received adequate attention, lacking access to essential resources and support, which hampers their growth. Many small businesses struggle due to limitations related to management, capital, technology, and marketing (Tambunan, 2002).

The success of small businesses is often hindered by management inadequacies, decision-making weaknesses, lack of experience, inadequate financial supervision, and marketing limitations (Zimmerer & Scarborrough, 2002). In a rapidly growing economy and a competitive market, businesses must adapt and innovate their management and production strategies, while government policies play a crucial role in shaping the business environment.

Research directed at small and medium businesses will always be relevant, because the construction sector has been focused on areas with a populist-economic-linkages between industry and agriculture. The main priorities were developed among others by structuring the industry that leads to the strengthening and deepening the industrial structure that is supported by high-tech capabilities. Industrial development should be improved in order to become a major driver of economic efficiency and high competitiveness. Such companies will have a more solid structure with evolving patterns of production, of goods which rely on productive labor and abundant natural resources, into a quality goods of high added value and have a competitive advantage.

Seeing the importance of small businesses assess this, it is necessary to know the level of performance Financial of the company through strategic perspective approach. By knowing the level of performance financial of the company, it can be used as a guide for those who will participate in supporting small and medium businesses. This can be seen the internal capability of each group company and the magnitude of the role of aid that has been given (by the condition of each internal-owned), so that it can be seen picture of internal factors and external What are the most dominant in the handling of small and medium business development, especially in Papua

Small businesses are integral to the economic landscape of Papua, and their success or failure has broader implications for the region. Therefore, it is essential to assess the performance of small businesses, as this knowledge can guide support and intervention efforts. Understanding the internal and external factors that impact these businesses' performance is vital, especially in the context of Papua.

LITERATURE REVIEW

This section presents an overview of relevant research on factors influencing competitiveness, such as human resources, innovation, financial performance, and their relationships. The cited studies provide valuable insights into the significance of these factors and their impact on business performance and competitiveness.

Gutherie et al. (2004) stated a positive relationship, HRM leads to firm performance. Results indicated the primary impact of high-performance work systems on productivity and market value. (Human Resource Management creates financial performance. Results show the primary impact of high-performance work systems on productivity and market value) Sudewo and Welly (2021). This strategy represents a new approach in learning and development to strengthen human resources in food and drug control, aiming to support the improvement of public health through the control of quality food and drugs, as well as to enhance the competitiveness of the food and drug industry in Indonesia.

Pakpahan argues, written by Daulay and Mulyanto (2001), defines competitiveness as measured by dalah competitive production costs. The lower the production cost per unit of a product that is said to be competitive against products produced. A society is said to pick the high competitiveness if it is able to produce a product which beat products produced by other communities. A product can outperform other products when the products have characteristics better than rival products at the same price or more lace (Russo and Fouts, 1997).

"At least three reasons underlie the recent importance placed by developing countries on the presence of small and medium enterprises (Berry, Rodriguez, & Sandee, 2001). The first reason is that small and medium enterprises tend to perform better in terms of generating productive employment. Second, as part of their dynamics, small and medium enterprises often achieve increased productivity through investments and technological changes. The third is because it is often believed that small and medium enterprises have an advantage in terms of flexibility compared to large enterprises."

Muthusamy and Palanisamy (2004) state that organizations aiming to build competitive advantage must create and enhance their capabilities in: (a) generating new knowledge and (b) transferring it at every level and department within the organization. Organizations should consistently learn from: (a) the external environment and (b) the internal environment to creatively manage opportunities and threats in the future from the perspective of current business conditions. Bresser and Millonig (2003) argue that the institutional environment will influence competitive advantage.

Financial performance is crucial to monitor to avoid financial difficulties, and the basis for measuring financial performance is also the same as when we seek information about a company's financial difficulties, as stated by Rachmawati and Maulana (2022). The prediction results of financial distress are not solely influenced by the company's ability to pay debts, both short term and long term. Conditions related to asset performance, such as Return on Assets and Total Asset Turnover, actually affect the prediction results of financial distress.

In this section, the researchers discuss physical assets and technologies, human resources and organizational capabilities, and intangible resources in turn, arguing that industry context in general, and the growth within an industry in particular, moderate the influence of social performance on economic performance.

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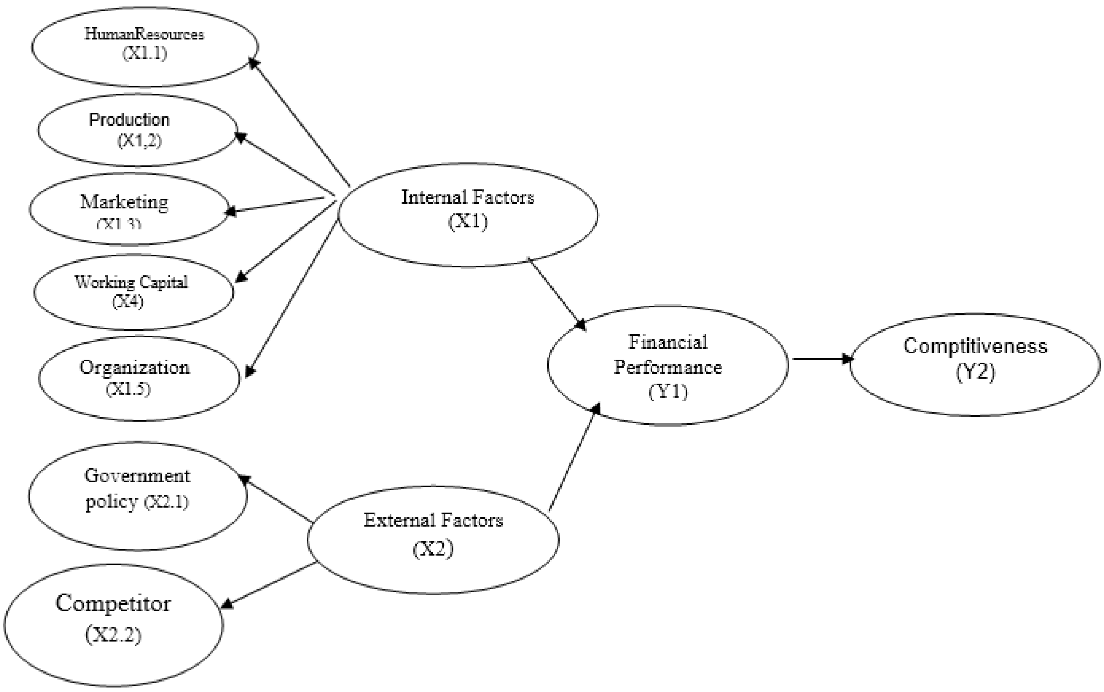
RESEARCH METHOD

Figure 1. Conceptual Framework



Based on the research described in the conceptual framework, then the following will formulated hypotheses: (1) Internal factors comprising for human resource management, production, marketing, working capital, and organizational influence on the financial performance of Small and Medium Enterprises in the city of Papua; (2) Internal factors comprising for human resource management, production, marketing working capital, and organizational impact on the competitiveness of Small and Medium Enterprises in the Papua; (3) External factors that consists of government policies, and the effect on competitors the financial performance of small and medium-sized enterprises in the city of Papua; (4) External factors that consists of government policies, and the effect on competitors the competitiveness of small and medium enterprises in the city of Papua; (5) Financial performance effect on the competitiveness of small and medium enterprises in the Papua.

RESULTS

Hypothesis testing is conducted by comparing the t-statistic (proxy for the critical limit ratio) with the t-table or by examining the significance level. This section will assess five hypotheses.

The first hypothesis asserts that internal factors, including human resource management, production, marketing, working capital, and organization, impact the financial performance of Small and Medium Enterprises in the city of Papua. The results are as follows: Human resource management (X1.1) does not influence the performance of small and medium enterprises in Papua. The analysis yielded a t-value of 1.253 with 186 degrees of freedom and a significance level (α) of 0.025. The critical t-table value is 1.960. Since the calculated t (1.253) is less than the critical t (1.960), the hypothesis is not supported. The p-value, representing the significance or error rate, is 0.210 (21%). Production (X1.2) affects the financial performance of furniture and printing small businesses in Papua. The analysis yielded a t-value of 2.147, which is greater than the critical t (1.960), indicating support for the hypothesis. The associated p-value is 0.032 (3.2%). Marketing (X1.3) does not impact the financial performance of small businesses in Papua. The analysis resulted in a t-value of 0.506, which is less than the critical t (1.960). Thus, the hypothesis is not supported, and the p-value is 61.3%. Working capital (X1.4) influences the financial performance of small businesses in Papua. The analysis yielded a t-value of 9.492, which is greater than the critical t (1.960), indicating support for the hypothesis. The p-value is 0.000 (0%). Organization (X1.5) does not affect the financial performance of Small and Medium Enterprises in the city of Papua. The analysis resulted in a t-value of -0.136, which is less than the critical t (-1.960) as it tests the left side of the normal curve. Therefore, the hypothesis is not supported, and the p-value is 89.2%.

The second hypothesis posits that internal factors, including human resource management, production, marketing, working capital, and organization, affect the competitiveness of Small and Medium Enterprises in the city of Papua. The results are as follows: Human resource management (X1.1) influences the competitiveness of Small and Medium Enterprises in Papua, with a t-value of 4.006, which is greater than the critical t (1.960). The p-value is 0.000 (0%). Production (X1.2) impacts the competitiveness of small and medium enterprises in Papua, with a t-value of 5.326, greater than the critical t (1.960). The p-value is 0.000 (0%). Marketing (X1.3) affects the competitiveness of small and medium enterprises in Papua, with a t-value of 2.449, greater than the critical t (1.960). The p-value is 0.014 (1.4%). Working capital (X1.4) does not influence the competitiveness of Small and Medium Enterprises in Papua, with a t-value of 0.191, less than the critical t (1.960). The p-value is 84.9%. Organization (X1.5) impacts the competitiveness of small and medium enterprises in Papua, with a t-value of -2.697, greater than the critical t (-1.960). The p-value is 0.007 (0.7%).

The third hypothesis suggests that external factors, such as government policy and competitors, affect the financial performance of Small and Medium Enterprises in the city of Papua. The results are as follows: Government policies influence the financial performance of small and medium enterprises in Papua, with a t-value of -2.000, greater than the critical t (-1.960). The p-value is 0.046 (4.6%). Competitors do not impact the financial performance of furniture and printing small businesses in Papua, with a t-value of 1.514, less than the critical t (1.960). The p-value is 13%.

The fourth hypothesis posits that external factors, including government policy and competitors, affect the competitiveness of Small and Medium Enterprises in the city of Papua. The results are as follows: Government policies influence the competitiveness of Small and Medium Enterprises in Papua, with a t-value of -3.468, greater than the critical t (-1.960). The p-value is 0.001 (0.1%). Competitors impact the competitiveness of Small and Medium Enterprises in Papua, with a t-value of 4.730, greater than the critical t (1.960). The p-value is 0.000 (0%).

The fifth hypothesis suggests that financial performance factors affect the competitiveness of Small and Medium Enterprises in the city of Papua. The results are as follows: Financial performance factors influence the competitiveness of Small and Medium Enterprises in Papua, with a t-value of 3.509, greater than the critical t (1.960). The p-value is 0.000 (0%).

Table 1. Direct Effect

No	Direct Effect	Critical Ratio	Probability	Note
1	Human Resource Management Factor → financial performance	1.253	0.210	Not affected
2	Human Resource Management Factor→ competitiveness	4.006	0.000	Affected
3	Production factor → financial performance	2.147	0.032	Affected
4	Production factor → competitiveness	5.326	0.000	Affected
5	Marketing factor → financial performance	0.506	0.613	Not affected
6	Marketing factor → competitiveness	2.449	0.014	Affected
7	Working capital factor → financial performance	9.492	0.000	Affected
8	Working capital factor → competitiveness	0.191	0.849	Not affected
9	Organizational factor → financial performance	-0.136	0.892	Not affected
10	Organizational factor → competitiveness	-2.697	0.007	Affected
11	Government policy factor → financial performance	-2.000	0.046	Affected
12	Government policy factor → competitiveness	-3.468	0.001	Affected
13	Competitor factor → financial performance	1.514	0.130	Not affected
14	Competitor factor → competitiveness	4.730	0.000	Affected
15	Financial performance → competitiveness	3.509	0.000	Affected

Source: Analysis Results

Table 2. Indirect, Direct, Total Effects

No	Direct Effect	Indirect Effect	Direct Effect	Total Effect
1	Human Resource Management Factor → financial performance	0	0.084	0.084
2	Human Resource Management Factor→ competitiveness	0.020	0.298	0.318
3	Production factor → financial performance	0	0.138	0.138
4	Production factor → competitiveness	0.034	0.393	0.426
5	Marketing factor → financial performance	0	0.035	0.035
6	Marketing factor → competitiveness	0.008	0.184	0.193
7	Working capital factor → financial performance	0	2.336	2.336
8	Working capital factor → competitiveness	0.569	0.060	0.629
9	Organizational factor → financial performance	0	-0.011	-0.011

10	Organizational factor → competitiveness	-0.003	-0.234	-0.237
11	Government policy factor → financial performance	0	-0.125	-0.125
12	Government policy factor → competitiveness	-0.030	-0.240	-0.270
13	Competitor factor → financial performance	0	0.140	0.140
14	Competitor factor → competitiveness	0.034	0.514	0.548

Source: Result of Processed Data

The research results in the above table indicate that directly, the Human Resource Management factor does indeed have an effect on competitiveness (direct effect = 0.084). However, since the Human Resource Management factor does not affect financial performance (indirect effect = 0), it can be said that financial performance does not contribute anything to the relationship between the Human Resource Management factor and competitiveness.

Furthermore, financial performance will weaken the influence or relationship between production factors and competitiveness. Directly, production factors do have an impact on competitiveness (direct effect = 0.393), but because production factors do not have an indirect relationship (although statistically significant) with financial performance (indirect effect = 0), it can be said that financial performance does not contribute anything to the relationship between production factors and competitiveness.

The table above shows that financial performance will weaken the influence or relationship between marketing factors and competitiveness. Directly, marketing factors do have an impact on competitiveness (direct effect = 0.184), but because marketing factors do not affect financial performance (indirect effect = 0), it can be said that financial performance does not contribute anything to the relationship between marketing factors and competitiveness.

The results in the above table indicate that financial performance will weaken the influence or relationship between working capital factors and competitiveness. Directly, working capital factors do not have an impact on competitiveness, so it can be said that financial performance does not contribute anything to the relationship between working capital factors and competitiveness.

The above results indicate that financial performance will weaken the influence or relationship between organizational factors and competitiveness. Directly, organizational factors do have an impact on competitiveness (direct effect = -0.234), but because organizational factors do not affect financial performance (indirect effect = 0), it can be said that financial performance does not contribute anything to the relationship between organizational factors and competitiveness.

The above results indicate that financial performance will weaken the influence or relationship between government policy factors and competitiveness. Directly, government policy factors do have an impact on competitiveness (direct effect = -0.240). However, even though government policy factors affect financial performance, it can be said that financial performance does not contribute anything to the relationship between government policy factors and competitiveness (indirect effect = 0).

The above results indicate that financial performance will weaken the influence or relationship between competitor factors and competitiveness. Directly, competitor factors do have an impact on competitiveness (direct effect = 0.514), but because competitor factors do not affect financial performance (indirect effect = 0), it can be said that financial performance does not contribute anything to the relationship between competitor factors and competitiveness.

The analysis showed that the performance of the company does not give impact or indirect effect on all existing exogenous variables in the model. Therefore, the company performance has properties that "weaken" the relationship between exogenous variables and competitiveness. This is confirmed in the table below.

Table 3. The Impact of Indirect Effect of Intervening Variable

No	Direct Effect	Intervening Variable	Intervening Variable Effect
1	Human Resource Management Factor → competitiveness	Financial Performance	Weakening the Relationship
2	Production factor → competitiveness	Financial Performance	Weakening the Relationship
3	Marketing factor → competitiveness	Financial Performance	Weakening the Relationship
4	Working capital factor → competitiveness	Financial Performance	Weakening the Relationship
5	Organizational factor → competitiveness	Financial Performance	Weakening the Relationship
6	Government policy factor → competitiveness	Financial Performance	Weakening the Relationship
7	Competitor factor → financial performance	Financial Performance	Weakening the Relationship

Source: Processed from the previous table

There are two arguments supporting the weak impact of financial performance as an intervening variable. Many exogenous variables directly influence competitiveness factors but not financial performance. According to Ghozali and Fuad (2005), the interpretation of the influence between these variables (if one influence is not significant) must be done very carefully when there is a non-significant relationship. This is because it can create bias. They illustrate this by assuming A → B → C. Suppose A → B is significant while B → C is not significant. In this condition, bias may arise if we interpret A → B → C.

In addition, even if the exogenous variable (financial performance) is significant, if its significance level is not too large (not greater than the significant direct impact), this exogenous variable may actually weaken the relationship.

DISCUSSION

Impact of Internal Factors on Financial Performance

Human Resource Management

This aspect was assessed using three indicators, including employee commitment, wage suitability, and employee relations with superiors. The results indicated that human resource management does not significantly affect the financial performance of Small and Medium Enterprises in the city of Papua. Several explanations can be considered.

First, in small businesses, the quality of the workforce may not be a significant factor influencing financial performance, especially when many employees have long tenures. Second, in the short term, human resource management may not have a direct impact on financial performance due to limited human resource development in small businesses. However, in the long term, it can impact competitiveness.

Production
Three indicators were used to assess production, which included equipment utilization, technology adoption, and raw material availability. The findings revealed that production has a significant effect on the financial performance of Small and Medium Enterprises in Papua. Effective production capacity was associated with better financial performance, as evidenced by improved Return on Assets (ROA) and Return on Equity (ROE). Companies facing financial distress often experience it due to poor economic management rather than production issues. Competence in managing various aspects of production, from raw material procurement to machinery maintenance, directly influences financial performance, particularly for businesses catering to consumer demand.

Marketing
Marketing was assessed using three indicators—product quality, product accessibility, and price-quality correspondence. The results showed that marketing factors do not significantly affect the financial performance of Small and Medium Enterprises in Papua. The path coefficient was -0.166 with a p-value of 0.339, leading to the rejection of the hypothesis. This implies that marketing capabilities do not significantly impact business performance. Several reasons might explain this. First, the success of marketing efforts may not be immediately reflected in accounting profits. Promotional activities and brand building may not lead to direct profitability. Second, relative financial performance may not fully capture the partial impact of marketing capabilities.

Working Capital
Four indicators were used to assess working capital management, including the working capital-to-total assets ratio, new investments, debt-to-assets ratio, and short-term debt composition. The results showed that working capital significantly impacts the financial performance of small and medium enterprises in Papua. Enhanced financial management tends to improve business performance, while ineffective financial management can lead to performance decline.

Organization
Three indicators were employed to evaluate the organization, encompassing control range, organizational learning, and alignment with quality-oriented values. The findings indicated that organization does not significantly affect the financial performance of small and medium enterprises in Papua. This suggests that factors such as control range, organizational learning, and organizational culture have no direct influence on financial performance. However, they may impact the competitiveness of the enterprises. Small and medium businesses typically have limited control ranges and underdeveloped organizational cultures, which do not directly affect financial performance but may influence competitiveness.

Impact of Internal Factors on Competitiveness
Human Resource Management
Human resource management affects the competitiveness of small and medium enterprises in the city of Papua. Competitive advantage and performance can be attained by harmonizing primary and support activities within a company (Porter, 1980). Primary activities encompass material logistics, product processing, marketing, sales, and

services. Support activities include infrastructure, human resources, technology, and procurement. In the long term, the quality of work influenced by human resource management has a significant impact on competitiveness. High-quality work enhances the products, ultimately improving the competitiveness of small businesses. According to Barney (1991), factors like value, rarity, inimitability, and organizational framework determine the role of the human resources function in building a sustainable competitive advantage.

Production
Production significantly affects the competitiveness of Small and Medium Enterprises in the city of Papua. Competence in production allows companies to offer a wide range of high-quality, specific products, establishing a strong industry reputation, and reducing operational costs—all vital components of competitive success. Villalonga (2004) emphasized the role of intangible assets, such as unique technology and corporate culture, in maintaining a competitive advantage.

Marketing
Marketing has a notable impact on the competitiveness of Small and Medium Enterprises in Papua. The development of new products and continuous improvements enables businesses to swiftly respond to market demands and satisfy customers, ultimately enhancing competitiveness. It's important to note that competitive strategy, marketing strategy, and elements of the marketing mix are critical factors in gaining a competitive advantage. Marketing capabilities improve a company's image, and long-term product innovation contributes to competitiveness.

Working Capital
Working Capital does not significantly affect the competitiveness of Small and Medium Enterprises in the city of Papua. This might be attributed to the fact that, for small businesses, working capital is not the determining factor for competitiveness. Many small businesses have relatively low capital requirements, and thus, working capital, new investments, and financial structure do not have a substantial impact on competitiveness. This argument stems from the limited use of credit by small businesses, with long-term loans often used for working capital and short-term loans for investments.

The Organizational Capacity
The organizational capacity significantly affects the competitiveness of small and medium enterprises in the city of Papua. A well-structured and systematic organization enhances the competitiveness of small businesses over the long term.

Impact of External Factors on Financial Performance
Government Policy
Government policy is assessed using three indicators, including the number of regulations in favor of SMEs, technical assistance provided to entrepreneurs, and coaching and training opportunities offered by the government. The results show that government policies affect the financial performance of Small and Medium Enterprises in the city of Papua, but with a negative coefficient. This suggests that an increased government role tends to decrease the financial performance of companies. Overreliance on the government, rather than internal capabilities, can lull small businesses. If this situation persists, government assistance may hinder performance. O'Connor (2004) discussed Business Development Programs directly administered by the federal government to benefit socially and economically disadvantaged individuals.

Competitors

Competitors are assessed through indicators of local competition intensity, domestic competition intensity across Indonesian regions, and barriers to entry for new competitors. The findings indicate that competitors do not significantly affect the financial performance of small businesses in Papua. In the short term, the financial performance is not impacted because different small business units cater to diverse consumers with relatively similar capabilities. Therefore, new competitors do not immediately affect financial performance.

Impact of External Factors on Competitiveness

Government Policy

Government policies affect the competitiveness of small businesses and furniture manufacturing in Papua, but with a negative coefficient. This suggests that an increased government role tends to decrease the competitiveness of companies. Overreliance on the government, rather than relying on internal capabilities, can lead to reduced competitiveness. In such a scenario, government assistance may hinder competitiveness.

Competitors

Competitors impact the competitiveness of Small and Medium Enterprises in the city of Papua in the long term. The entry of competitors and low barriers to entry, as per Porter's competitive advantage model, have a significant impact on competitive advantage and competitiveness.

Impact of Financial Performance on Competitiveness

Financial Performance

Financial performance is measured using four indicators, including ROA, ROE, profit margin, and current ratio. Competitiveness is measured by cognitive measures of individual competency in managing businesses, normative indicators of effective organizational leadership, and regulative competitiveness indicators that assess leadership's efforts to position the company as the industry's best. The results show that financial performance has a significant impact on the competitiveness of Small and Medium Enterprises in Papua. High financial performance enhances business competitiveness, making it easier for companies to survive, thrive, and withstand competition. High financial performance ensures the company's financial stability, thus improving competitiveness.

CONCLUSION

Internal factors of human resource management do not significantly impact the financial performance of small businesses in the city of Papua. Several factors may explain this observation, including the limited influence of human resource quality on financial performance, especially given the long tenure of many employees. Aspects like commitment, wages, and relationships with supervisors did not substantially affect financial performance. However, research results indicate that human resource management influences the competitiveness of small businesses in Papua. Over the long term, effective human resource management can enhance competitiveness through the delivery of high-quality work, which, in turn, improves the outcomes and products of Small and Medium Enterprises. Internal factors of production affect both financial performance and competitiveness of Small and Medium Enterprises in Papua. Marketing factors, on the other hand, do not significantly affect the financial performance of these businesses. This is partly because marketing success does not immediately translate into accounting profits. Indicators of relative profitability, such as promotional activities and brand-building efforts, may not directly contribute to profitability within the same period. Moreover, relative financial performance may not fully capture the partial impact of marketing capabilities. Nevertheless, research shows that marketing does affect the competitiveness of Small and Medium Enterprises in Papua. Marketing capabilities enhance a company's image, and long-term product innovation contributes to competitiveness. Working capital has a positive impact on the financial performance of Small and Medium Enterprises in Papua. However, it does not significantly affect their competitiveness. This may be because working capital is not a decisive factor for competitiveness in small businesses, given their limited funding needs. Consequently, it has no substantial impact on working capital management, new investments, and financial structures within Small and Medium Enterprises. Internal factors related to organization do not significantly influence the financial performance of Small and Medium Enterprises in Papua. This could be attributed to the limited control range and underdeveloped organizational culture of these businesses. However, research results indicate that organization does affect the competitiveness of these enterprises. Over the long term, a well-structured and systematic organization can enhance the competitiveness of Small and Medium Enterprises.

The research results indicate that government policies impact the financial performance of Small and Medium Enterprises in Papua. However, this impact is negative, suggesting that an increased government role leads to a decrease in a company's financial performance. Overreliance on government support can make small businesses complacent, relying on the government rather than their internal capabilities. In such a scenario, government assistance may hamper overall performance. Additionally, the study reveals that government policies also affect the competitiveness of these enterprises, but with a negative coefficient. This implies that an expanding government role tends to reduce a company's competitiveness. When businesses overly rely on the government for support, their internal capabilities can be eroded, thus reducing their competitive edge.

The research, based on three indicators, shows that competitors do not significantly impact the financial performance of Small and Medium Enterprises in Papua. In the short term, these businesses are not substantially affected by new competitors. This is because each small business unit serves different consumers, and their capabilities are relatively similar. Therefore, the entry of new competitors does not immediately affect financial performance. However, the research also demonstrates that competitors affect the competitiveness of these enterprises in the long term. The entry of competitors has a significant impact on their competitiveness. This aligns with Porter's competitive advantage model, which suggests that the entry of new competitors and low entry barriers in the industry can influence competitive advantage and overall competitiveness.

The study findings reveal that a company's financial performance significantly impacts the competitiveness of Small and Medium Enterprises in Papua. High financial performance enhances business competitiveness. This means that companies with strong financial performance find it easier to survive and thrive, even when facing numerous competitors. High financial performance ensures that the company is financially stable, which, in turn, improves competitiveness.

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DECLARATION OF CONFLICTING INTERESTS
The authors declared no potential conflicts of interest.

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