Analysis of Factors Inhibiting MSME Exports in the Culinary Sector to Enter the Global Market

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Abstract:
MSMEs are currently the most developed commercial sector in the local market. The sector that is most in demand and survives in the local market is the culinary sector. However, culinary MSMEs have the lowest share in the global market. Lack of potential exporter capacity and products that do not meet export standards as well as a lack of export financing are currently the main obstacles for SMEs. This research aims to help prospective exporters with an overview of exporting their products on the global market as well as the export standards and procedures that must be followed, as well as providing solutions for export organizations to provide a more efficient export platform. This research uses data collection techniques through qualitative methods with primary data and secondary data. The research results show that exported products do not meet HACCP standards and food safety licenses in several countries. strict export procedures that must be followed by culinary MSMEs with relatively low human resources. Export stakeholders do not yet have sufficient skills to compete in the export market, and MSME stakeholders also do not have sufficient knowledge regarding Export Pro.

Keywords: MSME Exports, Culinary Sector, Global Market
Introduction

MSMEs are types of micro-businesses owned by individuals and groups that are separated based on the criteria of assets, types of businesses, and turnover owned. The criteria for MSMEs are determined based on the type of business sector or annual capital (Muttaqien et al., 2022). This sector is predominantly developing in developed and developing countries. MSMEs are the key to economic growth, regional job opening, and local and social development cohesion which is now recognized internationally (Yarlina & Huda, 2021). Currently, the MSME sector in Indonesia is growing rapidly and many sectors are experiencing an increase. The largest market share in Indonesia is occupied by the MSME sector with a percentage of 99.99% (Antesty & Tontowi, 2020). Along with the development of MSMEs, the proportion in each sector also continues to increase every year. In 3 years, the number of MSME sectors increased rapidly from 25,785,377 to 27,995,278. The four most superior main sectors were occupied by the processing industry sector (34.86%), trade (16.21%), agriculture (13.82%), and the construction sector (7.13%) (SA’DIYAH, 2022). The most superior MSME sector is the processing industry. The processing industry sector has several branches of MSMEs including culinary, garment, and manufacturing.

One of the sectors that is most in demand by MSME players is the culinary sector. This field requires the right innovation so that culinary MSMEs can develop and survive and get their value in the minds of consumers (Avriyanti, 2022). The increase in the number of MSMEs engaged in the culinary sector encourages the rapid level of competition experienced by this sector. MSMEs will exert all their optimal efforts to face a dynamic environment as well as possible (Ilhami & Setiadi, 2022). Very tight market competition, especially in the local market, forces MSME players to continue to develop the market. The more in demand a product on the market, the more competitors will follow similar businesses (Loka et al., 2022).

The current emerging local MSME market pattern is the digitalization market pattern (Ambarwati et al., 2019). Before the digitalization of local MSME market patterns, the majority were managed with traditional governance (Mulyaningsih et al., 2022). Unlike local MSMEs, the global MSME market pattern that is currently developing is a partner market pattern with e-commerce and digital marketing. MSME players in the global market will rely on business partners in carrying out market strategies. The difficulty of MSME players in finding business partners in the global market can be overcome by the existence of e-commerce and digital marketing systems (Sukmasetya et al., 2020). An example of a local MSME that has successfully penetrated the global market is Es Teller 77. In the last 4 decades, Es Teller 77 has had 180 outlets in Indonesia, 3 outlets in Malaysia, 3 outlets in Australia, and 2 outlets in Singapore (Restiano, 2021). In 2022, the value of culinary exports only remained at 9%, the manufacturing industry at 76.37%, and the textile industry at 12.45% (Kemenperin., 2022).

Data from (the Ministry of Industry., 2022) shows that manufacturing is ranked highest for exports from the processing sector. Of the 29,000 industrial MSMEs in Indonesia that have successfully exported to the global market, 22,147 of them are manufacturing MSMEs. Meanwhile, culinary MSMEs have the lowest export level. Of the 11,223 culinary MSMEs in Indonesia, only 1,010 MSMEs have succeeded in exporting to the global market. The lack of promotional capital and education on exports is the main problem faced by MSME players, including culinary MSMEs, to export to the global market. According to (Masduki, 2021), expensive business legality and lack of education...
about the global market portrait are obstacles for MSMEs to export. In addition, culinary MSMEs find it difficult to find investors or partners in the global market (Fajri & Zuliani, 2022).

The many problems experienced by culinary MSMEs are interesting topics to raise (Syapsan, 2019). Some previous studies on culinary MSMEs include examining the use of social media to increase sales turnover (Yarlina & Huda, 2021), strategies to improve the quality of marketable products (Ratnasari et al., 2021), determining segmentation and target markets (Sari et al., 2023), and the relationship between price and customer loyalty (Wijaya & Widjaja, 2023). Other studies related to culinary MSMEs are studies on the role of the use of e-commerce on MSME performance and studies on the innovation and competitiveness of culinary MSMEs (Andriyani et al., 2019).

So far only (Fathony & Wulandari, 2020; and Santoso & Haryanti, 2021) specifically examined the problems of the global market for MSMEs in the culinary sub-sector in Indonesia. The study conducted by (Santoso & Haryanti, 2021) focused on developing culinary MSME export platforms. This study analyzes export development platforms that use supply-linkage-demand side models. (Fathony & Wulandari, 2020) raised a study on export competition in the global market. This study focuses on business competition in the global market, the business environment, and strategies applied to face competition in the global market. Previous studies on barriers to export market access have been carried out in the seafood sector, this study uses a descriptive approach method with secondary data collection. This study examines barriers to shrimp exports to the United States. The purpose of this study is to predict upcoming 2023 exports and analyze the effect of tariff and non-tariff barriers on the United States market (Alsya et al., 2023).

So, although several studies have specifically examined MSME access to the global market (Harahap et al., 2023), the barriers experienced by MSMEs to enter the global market have never been adequately discussed. Even though the MSME sector from the culinary sector has a great opportunity to enter the export market. A study of the obstacles experienced by MSMEs to penetrate the export market is important so that stakeholders such as the office in charge of MSMEs and the industry and trade office can conduct education related to product standardization, packaging, and export processes, as well as everything that can encourage export growth in this sector. In addition, MSME players can be better prepared in terms of production, marketing, finance, and entrepreneurial mentality so that culinary MSMEs can compete with global market competitors. Thus, a study is needed that specifically analyzes the inhibiting factors for culinary MSMEs in Indonesia to penetrate the export market.

**Methods**

Qualitative research is carried out using grounded theory, the idea of which is to combine theoretical phenomenology and constructivist philosophy. Researchers are encouraged to systematically develop phenomena in this field (Trihatmoko, et al., 2019). The method for collecting informants was carried out through data research from related sources and previous journals.

The theory used in this research is the theory of comparative advantage. This theory was put forward by David Ricardo in the 19th century. The report proposes that countries consider what goods and services they should produce and specialize in using scarce resources to produce goods and services that have a comparative cost advantage (Suhardi & Afrizal, 2021). The intake of informants was carried out using an interpretive model,
especially phenomenology which was applied in this research, each phenomenon has several specific contexts and meanings. In the interpretive model, phenomena in the field are conventional wisdom, which means they show actual events. The qualitative approach aims to carry out tests between variables, as well as identify problems in the field so that interesting facts emerge to be discussed.

The unit of analysis for this research is the culinary MSME sector which exports to global markets. It was chosen as the unit of analysis because it is an MSME sector that is growing quite rapidly in the domestic market but is experiencing difficulties in penetrating the export market.

This research uses Atlas. ti as a research tool. Content analysis is a scientific analysis of the content of data messages (Latifah, et al., 2023). The purpose of content analysis is to interpret data so that it is easier to understand to conclude. Content analysis has the advantage of being able to draw basic conclusions systematically. In the content analysis technique, researchers will systematically link several relevant data and sources in the form of culinary MSME export development, export performance, export percentage, and export process. Several issues become export obstacles faced by culinary MSMEs. Therefore, a systematic content analysis technique is needed to identify problems and obstacles that arise in the export activities of MSMEs in the culinary sector.

Data that is suitable for processing using content analysis techniques is oral discourse, written documents, visual representations, government data, and all forms of writing or text. The data in this research comes from data from government agencies that oversee MSME export activities in Indonesia. Apart from related sources, supporting data is needed in the form of interviews from culinary MSMEs that have exported or have taken part in export coaching in the form of seminars or other activities.

Results

Indonesia has a great opportunity to penetrate the global market. The number of business sectors in Indonesia is considered an opportunity for Indonesia to occupy the highest position in the global export market. Today, China has the highest share of global exports, giving it the ability to grow rapidly in the face of competition in the global market. Next is Indonesia which has more activity areas than China, especially in the field of MSMEs. MSMEs are currently experiencing rapid growth in the local market, but Indonesian MSMEs are still struggling to make profits by exporting to the global market. This depends on several obstacles faced by MSMEs and the government as a provider of export protection to MSMEs.

Currently, the MSME Export Supervision Agency of the Cooperative and MSME Office of the Central Java Industry and Trade Office is analyzing export barriers faced by MSMEs, especially the culinary sector. The Head of Import and Export as well as the Person in Charge of Business Development said that the obstacle faced by small and medium enterprises in exporting to foreign markets is the quality of products that do not meet export standards, both in terms of exports and imports. In terms of packaging and legality, and halal policies of each country. In addition to the general obstacles faced by small and medium-sized enterprises, two main aspects become obstacles in exporting products to foreign markets. Limited capital, limited export platforms, and product buyers. This is the main obstacle in the export process for small and medium enterprises. Small and medium enterprises have limited capital, making it difficult to enter the export market.
In addition to limited capital, small and medium enterprises also still have difficulty finding buyers for their products in the export market. This is evidenced by the experience of the owner of CV Putra Andalas and the owner of Tado Tofu Chips who explained that so far small and medium enterprises still have difficulty finding buyers for their products in the export market. Because there is no effective export platform for exporters to attract buyers. The Indonesian government is still lacking in presenting export development programs that can increase the share of SME exports in Indonesia.

Common barriers to standardization of substandard products are usually caused by product packaging that does not meet export standards, short shelf life of products, and incomplete use of language. In terms of legality, SMEs are still unable to meet national and international legality. The national legality that must be owned by an IKM business entity is IRT, NIB, and NPWP permits. Small businesses must have international legality in the form of HACCP certificates and several other certificates determined by the destination country. International legality certificates can prove that exported products meet global market standards. Products that do not meet export standards or legality and safety standards of consumption permits in the destination country. In other words, products that do not meet the established standards and cannot be distributed to buyers are illegal products.

SMEs still have difficulty in meeting the legality of international security. Strict regulations and high levels of product standards are still difficult for local SMEs to penetrate. SMEs are required to have international certificates both globally and security certificates from the destination country. One example of the legality of international product safety is the FDA. Exported commodities must meet safety standards and pass trials in the destination country, exporters who export culinary products in America must meet FDA or Food and Drug Administration standards. The Food and Drug Administration is the United States food and drug regulatory agency that regulates food, dietary supplements, and medicinal drugs. FDA is the same as BPOM but has very high regulatory standards, so it is difficult for Indonesian exporters to pass FDA safety certification.

Limited capital is an obstacle to exports, and small and medium enterprises lack human resources to meet production needs that require large amounts of labor. The limited national capital and unreliable continuity of supply require MSMEs to think carefully about exporting to the global market. The lack of continuity of purchases from buyers and the absence of a direct buyer payment system makes it difficult for MSMEs to obtain productive capital. Small businesses can promote their products and find sponsors to finance the export process.

To develop the Indonesian business world and increase the share of Indonesian exports in the world market, it is necessary to expand MSMEs in the world market. However, the poor thinking ability of small and medium enterprises and the lack of human resources make it difficult for them to expand into the global market. The lack of consistency and continuity of government support for MSME development makes it difficult for MSMEs to change their attitudes towards the export market. Small and medium-sized enterprises need to have a thriving attitude in the export market, and for that, they need to promote their products and invest in the world market. However, this is still difficult to implement due to limited funds.

Of the various obstacles experienced by SMEs in the export process, the government has carried out several programs to increase exports of culinary MSMEs. Some programs carried out to increase MSME exports are through export training programs or seminars...
on export introduction and MSME expos. Export-ready SMEs will be screened to take part in international MSME expo activities. Through the expo program, SMEs can introduce their products to buyers imported directly from abroad. One of the international expo programs held by the government is JIEXPO which was held in Jakarta. However, until now there has been no platform that specifically promotes MSME products to foreign markets. So IKM actors find it difficult to find buyers for their products.

One of the export promotion programs carried out by the government is the Coronation program. Small domestic businesses or prospective buyers can do large-scale decoration in Indonesia. This means that small and medium-sized businesses have a higher risk of loss. In addition to having greater export opportunities, small and medium enterprises can minimize product losses because buyers pay first before sending their goods to the destination country. One of the cases is that Indonesian exporters send products to Malaysia where there have previously been payment transactions. In addition to the formation program, the government always provides exporter skill development towards export development strategies. To increase exports, the government can use digital marketing as a medium for developing MSME culinary exports. This method is expected to help increase the share of local MSMEs in the global market. The Indonesian government can also collaborate with Indonesian communities abroad and organize meeting forums between exporters and potential foreign customers. It is hoped that this initiative will not only help small businesses find buyers for their products; however, but you can also find investors who can distribute local MSME products legally.

Local MSMEs have a good opportunity to compete in the export market. Small businesses can thrive even in competitive export markets. By entering the global market, local small businesses can expand market segmentation and increase company sales and profits. Indonesia has high business opportunities to stand out in the global market. However, the inadequate export development program of local MSMEs has caused Indonesia’s export share to be relatively low.

**Conclusion**

In the process of exporting to the global market carried out by MSMEs, especially the culinary sector, of course, experiencing various kinds of problems. Factors The factor that underlies the obstacles for culinary MSMEs to enter the global market is the strict export procedures that must be met by culinary MSME players with relatively low human resource capabilities. Export players do not have enough skills to face competition in the export market, and MSME players also lack knowledge about export procedures. Another factor that hinders the export of culinary MSMEs arises from the financing aspect. Limited financial management and financing make it difficult for MSMEs to penetrate the legality of certain exports that must be owned by exporters because of the high legality costs. Legalities that are usually difficult to penetrate for food products are halal and BPOM abroad.

**Suggestion**

Based on the conclusions of the research above, SMEs and the government can work together to increase the rate of SME culinary exports. The government should create more effective programs first for small and medium enterprises. IKM stakeholders must be able to improve product quality and meet international standards in certifying the legality of culinary products.
References


