

Barriers to the Growth of Food and Beverage MSMEs in Surabaya: A Strategic Analysis of Production and Marketing Challenges

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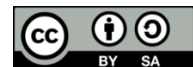
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ABSTRACT

The purpose of this study was to determine the factors that inhibit the growth of food and beverage MSMEs in Surabaya in terms of production and marketing. Using a qualitative descriptive approach. The informants in this study were 9 MSMEs in the city of Surabaya. Data collection was carried out using documentation and in-depth interviews with MSME actors, direct observation of activities, production and marketing. Data analysis was carried out using techniques (Miles & Huberman, 1994), the results of the study found that MSME obstacles in the production process include other capital that is still minimal can affect business development, the production process is still simple can have an impact on slow efficiency in the production process, fluctuating raw materials make it difficult for micro business actors to make production and price plans, and lack of managerial knowledge in the business. The obstacles led by micro food and beverage entrepreneurs in the product marketing function are that marketing is still limited to the environment around the business, lack of promotion and minimal product packaging that inhibits business growth. Digital marketing strategies on social media can be used as an effective promotional strategy at an affordable cost to expand market share. The results of the study resulted in: producing 2 groups of MSME levels, namely strong and weak survival groups. Strong MSMEs have the criteria of large turnover with a balanced ratio of the number of employees to their turnover, while weak MSMEs have the criteria of relatively large turnover but with an unbalanced ratio of the number of employees to their turnover.

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1. INTRODUCTION

MSMEs (Micro, Small, and Medium Enterprises) have a vital role in the Indonesian economy, especially in supporting regional economic growth, creating jobs, and encouraging innovation in

the real sector. In big cities like Surabaya, food MSMEs are one of the leading sectors due to high market demand, urban population growth, and the increasing trend of processed food consumption. However, this great potential has not been fully utilized by MSME

actors because there are still various obstacles that hinder the growth of their businesses. The growth of food MSMEs is not only determined by internal factors of business actors, but is also greatly influenced by business environmental conditions and local government policies. In addition, tight competition and consumer demands for product quality and safety also contribute to pressure for business actors to continue to innovate. Business actors must be able to create new changes and innovations within the company that are able to create new opportunities and markets by utilizing information technology and the development of digital convergence [1].

Previous research results show that the main obstacles in the development of food MSMEs are the lack of entrepreneurship training, lack of financial literacy, and limitations in accessing government assistance and [2], [3] Meanwhile, MSMEs are affected by Covid in product absorption, availability of raw materials, and distribution processes [4].

In Surabaya, which is the center of economy and trade in East Java, these challenges should be overcome through collaboration between MSMEs, government, financial institutions, and academics. However, in reality, there are still many food and beverage MSMEs that grow slowly and are unable to develop into a larger business scale. Therefore, this study is important to identify and analyze the most significant factors inhibiting the growth of food MSMEs in Surabaya. The results of this study are expected to be the basis for formulating more effective and targeted MSME development policies. From this background, the formulation of the problem is 1. What are the inhibiting factors in the production process faced by food and beverage MSMEs in Surabaya? 2. What are the obstacles faced by food and beverage MSMEs in Surabaya in product marketing activities? 3. What strategies can be applied to overcome these obstacles so that food and beverage MSMEs in Surabaya can grow sustainably? The objectives of the study include 1. Identifying

and analyzing inhibiting factors in the production process of food and beverage MSMEs in Surabaya. 2. Explore and evaluate the obstacles faced in product marketing activities by food and beverage SMEs in Surabaya. 3. Formulate appropriate strategies to overcome production and marketing obstacles in order to encourage sustainable growth of food and beverage SMEs in Surabaya.

2. LITERATURE REVIEW

2.1 *Definition of MSMEs*

According to Law Number 20 of 2008, MSMEs are productive businesses owned by individuals and/or business entities that meet the criteria of micro, small, and medium enterprises based on the amount of net assets and annual sales results. [5] states that MSMEs play an important role in the development of the national economy, especially in creating jobs, increasing community income, and alleviating poverty.

The growth of MSMEs can be seen from the increase in turnover, number of workers, market coverage, and increase in business assets. According to [6], business growth is influenced by a combination of internal factors (managerial ability, innovation, working capital) and external (regulation, infrastructure, market access). [7] the main obstacles to the growth of MSMEs in Indonesia include: limited access to capital, low managerial and HR skills, limited access to markets and technology, complexity of licensing bureaucracy, lack of ongoing assistance and training. [8] The results of research conducted by [9] MSMEs face low financial education, limited access to information, and minimal support from financial institutions. Other obstacles are limited capital, low utilization of digital technology, and lack of awareness of financial management. [10], MSMEs Face obstacles such as uneven technological infrastructure and lack of digital education, government initiatives and

support from business associations show great potential to overcome these issues.

2.2 MSMEs Barriers in the Production Process

Production is one of the most crucial aspects in the sustainability of micro, small, and medium enterprises, including in the food and beverage sector. An efficient and quality production process determines the competitiveness of products in the market. However, many MSME actors experience various obstacles that affect production capacity and sustainability. According to [5] the main obstacles in the MSME production process include:

- a. Limited Capital: MSME generally rely on personal capital and have difficulty accessing funding from formal financial institutions.
- b. Simple Production Technology: Many MSME still use traditional equipment that impacts the efficiency and consistency of product quality.
- c. Limited Raw Materials: Fluctuations in prices, availability, and quality of raw materials are often problems that disrupt the production process.
- d. Lack of Skilled Human Resources: Low technical and managerial knowledge of business actors is an obstacle to increasing production capacity.
- e. Compliance with Quality and Legality Standards: MSMEs often do not meet food safety standards, business permits, or halal certification, which are requirements for expanding the market. The Resource-Based View (RBV) theory from [11] emphasizes that the internal capabilities of an organization, including human resources, technology, and efficient production systems, are the determining factors for

sustainable competitive advantage. Therefore, unpreparedness in these aspects will be a significant obstacle to the growth of MSMEs.

2.3 MSMEs Barriers to Marketing

Marketing is one of the main challenges for MSMEs, especially in terms of reaching a wider market and building consumer loyalty. The inability to design and implement effective marketing strategies can cause MSME products to lose out in the midst of tight market competition. [12] effective marketing includes understanding consumer needs, setting the right price, efficient distribution channels, and promotions that can attract the attention of the target market. However, MSMEs generally experience the following obstacles:

- a. Lack of Access to Market: Limited distribution networks and business partnerships make it difficult for MSME products to compete with products from large companies.
- b. Minimal Utilization of Digital Technology: Many MSMEs have not utilized social media, e-commerce, or other digital platforms optimally.
- c. Low Branding and Promotion Capacity: The absence of a strong promotional strategy and brand identity makes products difficult to recognize and less attractive in the eyes of consumers.
- d. Market Information Limitations: MSMEs often do not have adequate data or information regarding consumer trends, market preferences, and competitor behavior. The 4P theory (Product, Price, Place, Promotion) from [13] is still relevant in the context of MSMEs, but business actors need to adapt to the Marketing 4.0 approach which emphasizes the importance of digital

engagement, customer experience, and connectivity in modern marketing strategies. Food MSMEs have special characteristics: fast food products, low profit margins, and high competition.

3. METHODS

This study uses a descriptive qualitative approach, with the aim of exploring and deeply understanding the factors that inhibit the growth of food MSMEs from the perspective of business actors. This approach is used because it is appropriate for revealing the meaning, experience, and perception of the subject contextually. The study was conducted in several areas in the city of Surabaya which are centers of food MSMEs, such as Genteng, Rungkut, and Wonokromo Districts. The subjects of the study were food MSME actors who had run their businesses.

Informants were selected using purposive sampling techniques, namely deliberate selection based on certain criteria, such as: Active food MSME owners, willing to be interviewed in depth. Data collection was carried out using in-depth interviews with MSME actors. Direct observation of activities, production, marketing, and documentation. Data analysis was carried out using techniques [14] which include three main stages: Data reduction, filtering and simplifying important data, Presentation of data organizing information in a narrative or table manner, drawing conclusions, namely identifying patterns, themes, and temporary conclusions which are then verified again. Data validity is done through Triangulation. Cooperation and collaboration of various parties is needed, namely local governments, financial institutions, and Non-Governmental Organizations to overcome the problems and challenges that have been mentioned.

4. RESULTS AND DISCUSSION

Table 1. Barriers for MSMEs

| No | Business Name | Production process | Marketing |
|----|-----------------|---|---|
| 1 | Sosreng Cas | Business is less effective with time/ often closed | Marketing is still limited to the surrounding environment |
| 2 | Piscok Alif | Quality raw materials are expensive, taste consistency is difficult, must always innovate | Tough competition: many similar products |
| 3 | Kerupuk bawang | Simple packaging | Many competitors, sales only in the surrounding area |
| 4 | Sinom Umikku | Funding constraints; There are aid carts, but no training | Just a stall on a cart and on social media |
| 5 | Pawon bu Lik | Lack of business capital, no financial manageme | Marketing is still limited |
| 6 | Donat Lasenta | Unstable raw materials | The marketing system is still simple |
| 7 | Ayam Geprek 99 | Limited opening hours for stalls, sellers are less effective with time/often closed | Location is not strategic, promotion is not effecti |
| 8 | Makaroni Musank | Less efficient due to time constraints, production is still simple | Sales are still in the surrounding are |
| 9 | Martabak | Additional business capital is needed so that the product is monotonous | Location is not strategic, lots of competitors |

Sources: Researcher 2025

From these problems, several efforts have been made by MSME actors to minimize the obstacles faced, including:

1. Sosreng products have thought about looking for employees

2. Piscok Alif ensures the quality of the ingredients used, such as bananas, flour, and chocolate, product innovation in flavor variants,

- toppings, expanding marketing in large market areas.
3. Onion crackers, improving packaging, increasing production capacity
 4. Sinom umikku business, there should be training in creating logos to attract customers, training in grab food, go food, using qris, Shopee pay, go pay, and other funds.
 5. Pawon Bu Lik, needs to take part in financial recording training, promotion on social media.
 6. Lasenta Donut Business, variations flavors in production, training in using social media as a means of promotion
 7. Ayam Geprek 99 Business, innovating, improving product taste, developing sales in e-commerce, establishing good relationships with customers.
 8. Macaroni Musank Product Business, choosing good raw materials so that the taste served can be better, looking for employees, online marketing strategy training
 9. Martabak, looking for a strategic location, maintaining cleanliness in the production process

From the results of the interviews above after data triangulation, it was found that both in the production and marketing processes in their micro businesses experienced obstacles. In the production process, the obstacles experienced on average have not implemented management in managing their businesses so that they experience time constraints such as those that occurred in the Sosreng, Makaroni Musank and Ayam Geprek 99 businesses, this shows that the business has not been managed in a focused manner, the implementation of management in its business has not run normally so that it seems less focused in managing the business. This time constraint will have an impact on sales turnover which affects the sustainability of the Sosreng, Makaroni Musank and Geprek 99 businesses.

To overcome the time constraints, Sosreng and Makaroni Musank businesses overcome them by recruiting new employees so that the business can open according to the specified time, the hope is that there will be an increase in sales turnover. Ayam Geprek 99 overcomes time constraints with product innovation, namely innovating in taste, the hope is that with a little time with innovation in taste will attract many consumers so that maximum sales are achieved. In the Piscok business and the Lasenta donut business, they experience the same constraints, namely the constraints in the production process which lie in the raw materials where in the banana raw materials and the Lasenta donut raw materials it is difficult to obtain consistent raw materials so that it will affect the taste, texture of the product and affect the production process. The innovation carried out is providing various flavors on the toppings that can tempt consumers to buy. In onion crackers, the business constraints on the product are in product labeling, to sell cracker products, attractive packaging is needed, with simple packaging the product becomes less popular with consumers, to handle this, the cracker business sells at affordable prices compared to similar crackers and increases product capacity, the hope is that it can achieve high sales so that it can increase the amount of profit. Some micro entrepreneurs have funding constraints that affect product quantity, this happens to the sinom umikku business, the pawon bu Lilik business, and the martabak business. Lack of funds will affect the slow growth of the business and the profits obtained are also limited to overcome this, these micro entrepreneurs record finances and develop their businesses from business profits.

Micro-business constraints in the marketing sector from 9 micro-business actors studied include marketing problems, the location is not strategic enough, sales are still limited to the surrounding environment, promotional strategies are still lacking, workers are still odd jobs so they are not focused. These problems are generally the same as those experienced by other micro-

businesses. However, several micro-businesses have implemented online sales through social media to expand their market share to achieve maximum sales and obtain maximum profits. From these marketing problems, low-cost marketing strategies can be adopted, including promotions on social media, business actors participating in various trainings related to digital marketing, both those organized by the government and universities as a form of community service, product design training, financial report training, training in managing online businesses, business management training so that businesses can be sustainable.

Research [9] emphasizes that limited financial education and minimal access to information and financial support are the main obstacles to the growth of MSMEs. This is in line with the findings of current research, where lack of capital and limitations in financial management are serious challenges. However, financial recording and profit development initiatives show that MSME actors are starting to improve financial literacy independently, although it is still limited. Meanwhile, research by [10] found that uneven technological infrastructure and lack of digital education hinder the use of technology by MSMEs. This is in line with the findings that promotional strategies are still weak and the workforce is still not focused. However, the adoption of online sales via social media in several businesses shows initial progress in marketing digitalization, although not yet optimal.

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5. CONCLUSION


From the discussion above, it can be concluded that: Inhibiting factors in the production process faced by micro food and beverage entrepreneurs in Surabaya include those that still come from within the micro business itself, including from the side of capital that is still minimal which can affect business development, the production process that is still simple can have an impact on the lack of efficiency in the production process, other obstacles are raw materials whose prices fluctuate making it difficult for micro business actors to make production plans and set prices, and the lack of managerial knowledge of business owners can have an impact on business management. The obstacles faced by micro food and beverage entrepreneurs in Surabaya in product marketing activities are that product marketing is still limited to the environment around the business, lack of promotion and minimal product packaging have the potential to hinder business growth. Digital marketing strategies on social media can be used as an effective promotional strategy at an affordable cost to expand market share.

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