

The Challenges Faced by Local MSMEs in Meeting International Quality Standards for Export

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ABSTRACT

This study aims to analyze the challenges faced by Micro, Small, and Medium Enterprises (MSMEs) in meeting international quality standards to penetrate export markets, particularly for tuber-based chips such as cassava, taro, and sweet potato. The method used is a descriptive qualitative approach with a case study of one MSME operator. Data were collected through semi-structured interviews and analyzed using thematic analysis. The results indicate that MSME operators have a fairly good understanding of export quality standards. However, implementation still faces various obstacles, including high certification costs such as BPOM certification, nutritional testing, and shelf-life testing limited capital, and a lack of production technology. Additionally, maintaining product quality consistency which is influenced by raw materials and production processes also poses a challenge.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the national economy, particularly in creating jobs, driving economic growth, and increasing their contribution to non-oil and gas exports. In the era of globalization, MSMEs are required to be able to compete not only in the domestic market but also in international markets. Exports have become a key strategy for expanding markets and enhancing the global competitiveness of local products (Tambunan, 2019).

One SME subsector with significant export potential is the snack food industry based on local commodities, such as cassava chips, taro chips, and sweet potato chips. These products offer advantages in terms of raw material availability, distinctive flavors, and high potential for product innovation. Furthermore, the global trend toward consuming snacks made from natural and traditional ingredients presents a major opportunity for SMEs to penetrate international markets (Milanesi et al., 2020; O, 2020). However, this potential has not yet been fully realized due to various challenges faced by SME operators.

The process of internationalizing SMEs is no easy task. Various studies indicate that SMEs face a range of challenges in entering export markets, particularly regarding limited resources, access to information, and the ability to meet international standards. According to (Paul et al., 2017), SMEs often encounter structural and operational barriers in export activities, such as technological limitations, human resource quality, and a lack of understanding of global regulations and standards. These conditions make it difficult for SMEs to compete with large companies that have advantages in production scale and efficiency.

One of the main challenges faced by SMEs, particularly in the production of snack foods such as cassava chips, taro chips, and sweet potato chips, is meeting international quality standards. These standards encompass food safety, raw material quality, production processes, packaging, and certifications such as HACCP, ISO, and other standards applicable in the export destination country. The inability to meet these standards can be a significant barrier to accessing global markets. Research by (Dora et al., 2013) indicates that the adoption of international quality standards has a positive impact on export performance; however, their implementation remains a challenge for SMEs.

In the Indonesian context, these challenges become even more complex because MSMEs face not only quality requirements but also administrative hurdles such as licensing, export documentation, and limited access to financing and international distribution networks. Furthermore, low export literacy and a lack of technical assistance exacerbate these conditions (leonidou 2004). This results in many SME products, including tuber-based chips, failing to penetrate export markets effectively despite their significant potential.

Furthermore, the increasingly competitive dynamics of the global market require SMEs to focus not only on product quality but also on innovation, branding, and the utilization of digital technology in international marketing. According to (Li et al., 2018), the adoption of digital technology can enhance access to global markets and strengthen the competitiveness of SMEs in export activities. Therefore, the ability to adapt to market changes is a key factor in the success of SME internationalization.

Based on the above discussion, it can be concluded that local MSMEs, particularly those in the snack food sector such as cassava chips, taro chips, and sweet potato chips, face various multidimensional challenges in meeting international quality standards for export. These challenges include internal aspects such as limited resources and technology, as well as external aspects such as regulations and global competition. Therefore, this research is important to examine these challenges in greater depth and formulate strategies that can enhance the competitiveness of MSMEs in the international market.

LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in enhancing economic competitiveness, particularly in export activities. However, in practice, MSMEs face various challenges in meeting international quality standards, particularly in the processed food industry sector, such as chips made from cassava, taro, and sweet potatoes. International standards cover not only product quality but also food safety, certification, and production consistency (tienereken 2008).

According to (Paul et al., 2017), the main challenges for SMEs in exporting include limited resources, technology, and understanding of global regulations. This aligns with (Tambunan, 2019) research, which states that SMEs in developing countries tend to face obstacles in accessing financing and increasing production capacity.

In addition, product quality in the food industry is significantly influenced by raw materials, production processes, and the technology employed. Consistency in taste, product shelf life, and hygiene standards are key factors in determining export eligibility (O, 2020). In this context, certifications such as BPOM, nutritional testing, and other food safety standards are essential prerequisites for entering international markets.

Furthermore, (Li et al., 2018) emphasize that the ability of MSMEs to adapt to changes in the global market, including the utilization of technology and increased production capacity, is a key factor in export success. Therefore, a combination of internal quality improvement and external support is needed so that MSMEs can compete globally.

METHODOLOGY

This study employs a descriptive qualitative approach with the aim of gaining an in-depth understanding of the challenges faced by MSMEs in meeting international quality standards for export.

Types and Research Approaches

This study employs a qualitative method using a case study approach focused on a single Micro, Small, and Medium Enterprise (MSME) engaged in the production of various types of chips, such as cassava chips, taro chips, sweet potato chips, and other similar products. This approach was chosen to gain a deeper and more comprehensive understanding of the real-world conditions faced by the business operator in carrying out production activities, including the various challenges and opportunities that arise in the business development process, particularly regarding efforts to meet quality standards for a broader market.

Data Source

In this study, the data used consists of primary data obtained directly from the primary source, namely through interviews with business owners. The interviews were conducted to gather in-depth information regarding business conditions, experiences, and the various challenges faced in running and developing a business. By using primary data, this study aims to provide a more accurate picture that aligns with real-world conditions on the ground, thereby ensuring that the analysis results are more relevant and reliable.

Data Collection Methods

Data collection in this study was conducted through semi-structured interviews. This method was chosen because it provides researchers with the flexibility to explore information in greater depth, while still maintaining a set of guided questions aligned with the research objectives. In practice, the researcher prepared a list of main questions as a guide, while still leaving room for follow-up questions that emerged based on the respondents' answers. Thus, semi-structured interviews allowed for the collection of richer, more detailed, and contextual data, particularly regarding the experiences, perspectives, and challenges faced by business owners.

Data Analysis Techniques

Data analysis in this study employed a thematic analysis technique conducted through several stages: data reduction, data presentation, and drawing conclusions. During the data reduction stage, the researcher sorted, simplified, and grouped the data obtained from the interviews to focus on information relevant to the study's objectives. Next, in the data presentation stage, the reduced information was systematically organized in the form of narratives or tables to facilitate understanding of patterns and relationships among the data. The final stage was drawing conclusions, in which the researcher interpreted the presented data to generate meaningful research findings and answer the established research questions.

RESEARCH RESULT & DISCUSSION

Business Profile

Based on the interview results, the business under study is a sole proprietorship engaged in the production of snacks, specifically various types of chips such as cassava chips, taro chips, purple sweet potato chips, banana chips, and breadfruit chips. The business was established in 2022 and has been in operation for approximately four years. During this period, the business owner has continuously pursued development in both product variety and production quality to enhance competitiveness in the market.

Although this business has not yet engaged in direct export activities, it has demonstrated significant progress in its efforts to penetrate the international market. This is evidenced by the business's success in reaching the business matching stage with a potential buyer from Hong Kong. This achievement indicates that the products produced possess the appeal and potential to be accepted in the global market.

The success in establishing initial communication with potential international buyers indicates that this business has a great opportunity to advance to the export stage. However, further preparations are still required – in terms of meeting quality standards, production capacity, and legal compliance to truly enter and compete sustainably in the international market.

Understanding International Quality Standards

Based on the research findings, business operators demonstrated that they already have a fairly good understanding of the quality standards required to enter the export market. This understanding encompasses various important aspects, such as the need for BPOM certification, conducting nutritional testing to verify product content, and testing product shelf life to ensure quality during distribution. This knowledge indicates that business operators are no longer in the early stages of understanding export requirements.

Furthermore, business operators' awareness of the importance of international quality standards also reflects a conceptual readiness to compete in the global market. They recognize that products intended for export must meet various regulations set by the destination country, making food safety, nutritional content, and product durability aspects that cannot be overlooked. This serves as a crucial foundation in the process of expanding business operations toward export.

However, although understanding of these standards is already quite good, business operators still face various obstacles during the implementation phase. The barriers that arise are not caused by a lack of information or knowledge, but rather by limitations in meeting these requirements, whether in terms of costs, facilities, or available technical support.

These findings are consistent with the research by (Paul et al., 2017), which states that MSMEs generally have an understanding of applicable regulations and standards but often face difficulties in implementing them. Thus, it can be concluded that the main challenge they face does not lie in knowledge but rather in implementation capacity, which requires further support from various stakeholders.

Challenges in Meeting Export Standards

a. Cost Barriers to Certification

Based on the interview results, it was found that certification costs are one of the main obstacles faced by businesses in meeting quality standards for export. Businesses directly stated that “certification is expensive,” reflecting the significant financial burden involved in fulfilling various legal requirements, such as food safety certification and product testing. These high costs influence business owners’ decisions to postpone legal compliance, even though they understand the importance of certification in enhancing product competitiveness in international markets. This situation highlights a gap between knowledge and implementation capacity, where business owners are unable to meet the required standards due to limited financial resources.

This finding aligns with (Tambunan, 2019) assertion that capital constraints are one of the primary barriers faced by SMEs in their efforts to enhance competitiveness, particularly when entering broader markets such as export markets. Therefore, support in the form of financing or subsidies is crucial to help businesses overcome these challenges.

b. Limitations in Technology and Production

Based on the interview results, business owners also revealed that the production equipment currently in use still needs improvement to support a more optimal production process. These equipment limitations affect work efficiency and the ability to maintain consistent product quality, especially when faced with the demands of stricter international market standards.

Additionally, the quality of the products produced is significantly influenced by several technical factors, including the quality of raw materials used, temperature control during the frying process, and consistency across every production stage. These three aspects are critical because even minor variations in the process can affect the taste, texture, and shelf life of the product, ultimately impacting market acceptance.

These conditions indicate that technical aspects of the production process remain a major challenge for businesses in maintaining quality standards that meet international requirements. This aligns with the (O, 2020), which emphasizes that strict quality control at every stage of production is a key factor in the food industry, particularly to ensure product safety, consistency, and competitiveness in the global market.

c. Challenges in Securing Business Capital

Capital is a key factor in business development, particularly in supporting various critical aspects such as increasing production capacity, acquiring more modern production equipment, and obtaining the certifications required to meet market standards, especially in international markets. These three needs require significant financial support, making the availability of capital crucial for driving business growth.

Business owners also emphasize that capital is the most helpful and essential factor in the process of future business development. With adequate capital, business owners can more freely scale up production, maintain product quality, and meet the various legal requirements necessary to expand their market reach.

Thus, it can be concluded that without sufficient capital support, business development efforts will struggle to operate optimally. Therefore, access to easy and affordable financing sources is one of the primary needs for MSME owners in enhancing their competitiveness.

Supporting Factors and Development Strategies

a. The Role of Export Aggregators

In the process of entering export markets, businesses receive support from aggregators, who act as intermediaries between producers and overseas buyers. These aggregators are extremely helpful, particularly for MSMEs that lack experience or direct access to international markets, as they help streamline communication, negotiations, and the fulfillment of market demands.

This indicates that business networks play a crucial role in the internationalization process of SMEs. Through the support of strong networks, business owners not only gain market access but also obtain information regarding standards, consumer preferences, and broader export opportunities. Thus, the presence of solid business aggregators and networks is one of the key factors in enabling SMEs to compete in the global market.

b. Quality Improvement Initiatives

Based on the research findings, business operators have implemented several strategies to improve product quality and competitiveness. These strategies include selecting high-quality raw materials to ensure product quality from the very beginning, controlling the production process to maintain consistent results, and increasing production capacity to meet the potential for greater market demand.

These steps indicate that business operators are not only focused on the final product but also pay attention to every stage of the production process as part of a comprehensive quality improvement effort. By maintaining the quality of raw materials and production processes, business operators can produce more consistent products in terms of taste, texture, and shelf life.

This strategy aligns with the research by (Li et al., 2018), which emphasizes the importance of enhancing the internal capabilities of SMEs as a key to facing competition, particularly in the global market. Therefore, strengthening internal aspects is a strategic step that needs to be continuously developed to support business sustainability.

Analysis of the Relationship with Theory

Research findings indicate that the challenges faced by MSMEs are multidimensional, encompassing both internal and external factors. Internally, the main constraints include limited capital, the use of rudimentary technology, and suboptimal production capacity. These factors directly impact business owners' ability to consistently improve product quality and quantity.

Meanwhile, from an external perspective, MSMEs are confronted with the demands of fairly strict international quality standards as well as the high certification costs that must be met to enter export markets. These requirements often pose a significant barrier, particularly for business owners with limited resources.

These findings are consistent with the theory proposed by (Paul et al., 2017; Tambunan, 2019), who state that SME export barriers do not stem from a single factor but rather a combination of internal and external factors. Therefore, a comprehensive approach is needed to address these various challenges so that SMEs can enhance their competitiveness in the global market.

Research Implications

The results of this study indicate that efforts to enhance the competitiveness of MSMEs producing chips particularly those made from cassava, taro, and sweet potato in the international market require comprehensive support across various aspects. One of the primary needs is access to financing, especially to assist businesses in meeting the certification requirements that serve as mandatory standards for export activities. Without adequate financial support, the process of meeting these standards will be difficult to achieve.

Additionally, improvements in production technology are a crucial factor in ensuring product quality and consistency. By adopting more modern technologies, businesses can enhance production efficiency while maintaining the quality standards expected by the global market. On the other hand, ongoing support is also essential whether through training, consulting, or facilitating market access to enable businesses to continue growing and adapting to market demands.

Equally important, strengthening the supply chain is a strategic aspect in ensuring the availability of raw materials and production stability. A robust supply chain will help businesses ensure that the quality of raw materials is maintained and that production processes run consistently. With the synergy of these four aspects, MSMEs are expected to be able to enhance their competitiveness and be better prepared to enter international markets.

CONCLUSIONS AND RECOMMENDATIONS

Based on the research findings and discussion, it can be concluded that MSMEs engaged in the production of chips made from cassava, taro, and sweet potato have significant potential to penetrate export markets. This is supported by the availability of local raw materials, product variety, and international market opportunities that are open to natural-ingredient-based snack products.

However, in their efforts to meet international quality standards, MSMEs face various multidimensional challenges. The main challenges include high certification costs, such as obtaining BPOM permits, nutritional testing, and product shelf-life testing, which are major obstacles in the export process. Additionally, limited working capital poses a constraint in expanding production capacity and acquiring more modern technology.

From a technical perspective, product quality consistency remains a challenge, particularly regarding raw material selection and production processes, such as frying temperature control. Nevertheless, business operators have a good understanding of export quality standards and have undertaken various efforts to improve product quality.

On the other hand, the presence of export aggregators and access to market information serve as supporting factors in the internationalization process of MSMEs. This indicates that collaboration and business networks play a crucial role in fostering export readiness.

Thus, it can be concluded that the primary challenge MSMEs face in meeting international quality standards does not lie in a lack of knowledge, but rather in resource constraints, particularly in terms of finance and technology.

Based on the results of the research conducted, integrated efforts from various stakeholders are needed to address the challenges faced by SMEs in meeting international quality standards for exports. For SME operators, consistently improving product quality must be a top priority through standardizing production processes, selecting high-quality raw materials, and controlling processing procedures to produce products that meet international market requirements. Additionally, business operators need to begin optimizing the use of production technology to enhance efficiency and maintain product quality consistency. Strengthening financial management is also crucial so that SME operators can plan investments, particularly regarding certification processes and production capacity expansion.

On the other hand, the government's role is crucial in fostering the export readiness of MSMEs. The government is expected to provide support in the form of easier access to financing, particularly for certification processes such as marketing authorization, nutritional testing, and product shelf-life testing—which have long been major obstacles. Additionally, ongoing technical assistance programs need to be enhanced, not only in production aspects but also in understanding export standards and international marketing strategies. Simplifying licensing processes and expanding market access through promotion and international cooperation are also strategic steps that need to be strengthened.

Furthermore, for future researchers, it is recommended to conduct studies with a broader scope, both in terms of the number of respondents and the research area, so that the results obtained are more representative. The use of a combined approach between qualitative and quantitative methods can also provide a more comprehensive picture of the challenges and development strategies for MSMEs in facing the global market. Additionally, further research can focus on developing a strategic model to enhance the export-based competitiveness of MSMEs, particularly in the processed food industry using local raw materials.

ADVANCED RESEARCH

This study provides an initial overview of the challenges faced by MSMEs in meeting international quality standards for exports, particularly for chips made from cassava, taro, and sweet potatoes. However, this study has limitations, primarily due to the limited scope of respondents restricted to a single business operator and its descriptive qualitative approach. Therefore, further research is needed to deepen and expand upon the findings obtained.

Follow-up research can be conducted using a mixed-methods approach, which combines qualitative and quantitative methods. This approach allows researchers not only to gain a deep understanding of the phenomena but also to measure the extent of various factors' influence on SME export readiness more objectively. For example, quantitative research can be conducted to test the influence of variables such as capital, technology, product quality, and certification on the export performance of MSMEs.

Furthermore, future research could expand the scope of the study by involving more SMEs from various regions and subsectors of the processed food industry. This aims to yield results that are more representative and generalizable. Comparisons across regions can also provide insights into differences in SME export readiness based on geographical factors, market access, and local government support.

Further research could also focus on developing a strategic model to enhance the export-based competitiveness of MSMEs, for example, by employing the Resource-Based View (RBV) or Value Chain Analysis. This model can be used to identify internal resources that constitute the competitive advantages of MSMEs, as well as to formulate appropriate strategies for improving product quality and meeting international standards.

On the other hand, further research can also focus on technical aspects of production, particularly in improving the quality and shelf life of potato chip products. A more in-depth study of processing technologies, modern packaging techniques, and product innovation can make a significant contribution to enhancing the competitiveness of MSMEs in the global market. For example, research on the use of vacuum frying technology or modified atmosphere packaging (MAP) to improve product quality and shelf life.

Furthermore, public policy is also an important area for further research. Studies can examine the effectiveness of government programs in supporting export-oriented MSMEs, such as certification subsidies, training, and the role of export aggregators. Evaluating these policies is essential for providing more targeted recommendations on how to increase the contribution of MSMEs to national exports.

Thus, advanced research in this field not only contributes to the advancement of knowledge but also offers practical implications for SME operators, the government, and other stakeholders in fostering the competitiveness of local products in international markets.

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