

Experience and Challenges of Medium and Small and Medium Enterprises (MSME or UMKM) of Tofu Factories in Increasing Competitiveness

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in Indonesia's economy, especially in the food industry sector such as tofu factories. However, MSMEs face significant challenges in improving their competitiveness, such as fluctuations in raw material prices, limited capital, intense market competition, and lack of access to digital marketing technology. This study aims to analyze the experiences and challenges faced by tofu factory MSMEs and the strategies that can be applied to enhance their competitiveness. The research method used is descriptive qualitative with in-depth interview techniques and direct observations of business owners in Batu City. The research findings indicate that the main challenges include high production costs, limited capital, and lack of product innovation. Strategies that can be implemented include cost efficiency, product diversification, digital marketing utilization, and quality improvement. With the right strategies, tofu factory MSMEs can strengthen their competitiveness and ensure business sustainability in an increasingly competitive market.

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are one of the economic sectors that make a major contribution to the Indonesian economy. This sector not only creates jobs for the community but also encourages national economic growth (Tambunan, 2019). One of the MSME fields that has great potential is the tofu factory industry (Ropiudin and Syska, 2023). Tofu products are soy-based foods that are widely consumed by the Indonesian people because of their high protein content and relatively affordable prices (Yuliarti, 2020).

However, in its development, factory MSMEs are known to face various challenges that hinder their competitiveness. One of the main challenges faced is the fluctuation of the price of soybean raw materials, which often depend on imports (Gale *et al*, 2019). In addition, limited business capital is an obstacle for many MSME actors in increasing production capacity and innovating products (Arifin *et al*, 2021). The increasingly fierce competition from large-scale tofu producers also adds to the pressure for MSMEs to be able to survive in this industry.

In addition, there are still many MSMEs in tofu factories that have not utilized digital technology in marketing their products. In fact, by utilizing digital media. The adoption of digital technology in production and distribution systems can also help MSMEs in improving operational efficiency and reaching a wider range of customers

through e-commerce platforms and social media (Fauzi and Sheng, 2022).

In addition to technological and capital constraints, government regulations and trade policies also affect the development of tofu factory MSMEs. Several policies, such as food safety standards and business licensing, are often a challenge for MSMEs in meeting the set requirements. Therefore, a comprehensive approach is needed in understanding the factors that affect the competitiveness of MSMEs in tofu factories as well as strategies that can be applied to improve the sustainability of their businesses.

Taking these factors into account, this study aims to analyze the experience of MSMEs in improving their competitiveness, identify the challenges they face, and formulate strategies that can be implemented to keep them competitive in an increasingly growing market. The aim of the research are analyzing the experience experienced by MSMEs in tofu factories in increasing competitiveness, Identifying the main challenges faced by tofu factory MSMEs in an effort to increase competitiveness, and also assessing the strategy implemented by MSMEs in tofu factories to overcome challenges and increase competitiveness.

LITERATURE REVIEW

Yulistika *et al* (2023) show that technological innovations, such as automated machines and quality management systems, are a major factor in improving production efficiency. However, MSMEs often face obstacles in accessing financing and the latest technology. Supportive regulations and market promotion can increase business efficiency. The competitiveness of MSMEs is influenced by operational experience, access to raw materials, and innovative marketing strategies. Digital marketing strategies are increasingly becoming an important element in increasing the competitiveness of MSMEs. Marketing digitalization can significantly increase the market reach of MSMEs. This study found something similar, where MSMEs in tofu factories who implement digital-based marketing strategies are able to increase sales and expand their customer reach (Rusdana *et al*, 2022).

Digital marketing strategies are very effective in increasing the competitiveness of MSMEs. By utilizing social media and product differentiation strategies, MSMEs can reach a wider market (Arjang *et al*, 2023). The importance of regulations and quality standards in increasing consumer confidence, although the main challenge is adjusting to strict standards. On the other hand, human resource (HR) training can increase the productivity and quality of MSME products in tofu factories.

RESEARCH METHOD

Type of Data

This research uses a descriptive qualitative method, which aims to understand the experiences and challenges faced by tofu factory MSMEs in increasing competitiveness, as well as implemented by Nugroho *et al* (2019) and also Syamsiah and Kurniawan (2023). The data used in this study consisted of primary data and secondary data. Primary Data Obtained through in-depth interviews with MSME owners of tofu factories in Batu City as well as direct observation of their production and marketing processes. Secondary Data In the form of references from journals, books, and research reports that are relevant to the research theme.

Location and subject of research

The research was conducted in Batu City, East Java, with a focus on four tofu factory MSMEs that have different characteristics in business scale, production strategy, and marketing.

Data Collection Methods

This study uses three main methods in data collection:

1. In-Depth Interview: Conducted with MSME owners of the know-how factory to get information about business challenges and strategies implemented.
2. Field Observation: Directly observe the production process, marketing techniques, and obstacles faced by MSMEs.
3. Documentation: Using secondary data sources in the form of scientific journals, industry reports, and government policies related to MSME development.

Data Analysis Techniques

The data was analyzed using a thematic approach, namely identifying the main patterns in the experience and competitiveness strategies of MSMEs. In addition, data validation is carried out through source triangulation, namely comparing the results of interviews, observations, and documentation to ensure the accuracy of information.

RESULT AND DISCUSSION

Overview of the Research Location

This research was conducted in Batu City, which is one of the centers of the tofu factory industry in East Java. Most of the tofu factory MSMEs in Batu City still use traditional production methods and face challenges in improving their efficiency and competitiveness in the market.

Experiences, Challenges, and Efforts to Increase the Competitiveness of Four MSMEs

This study examines the experiences, challenges, and efforts made by four tofu factory MSMEs in increase their competitiveness in the food industry.

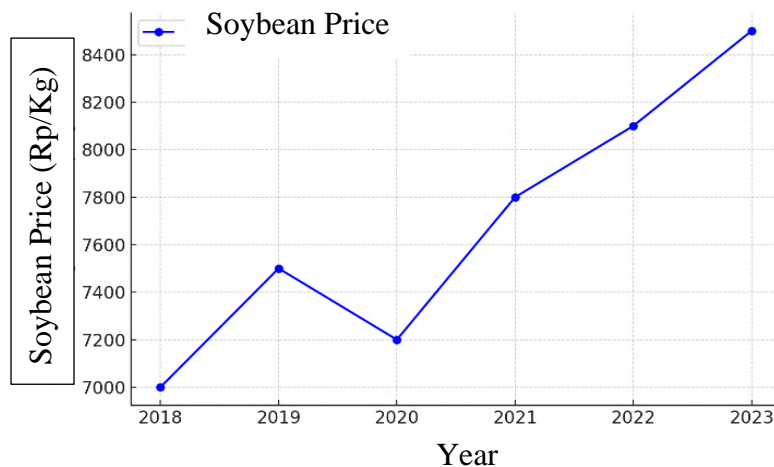


Figure 1. Soybean Price Fluctuations 2018-2023

Source : Data processed by Author (2025)

Blue ● Line → Shows the change in soybean prices from year to year
Data ● Points → Soybean prices each year, illustrating the trend of rising raw material costs

1. MSMEs of Pak Khori Tofu Factory

MSMEs Pak Khoiri Tofu Factory has been operating for more than 10 years and has loyal customers in the local market. Business owners apply traditional production methods with local soybean raw materials to maintain the distinctive taste of their tofu. Here is a pie chart depicting the challenges the plant faces

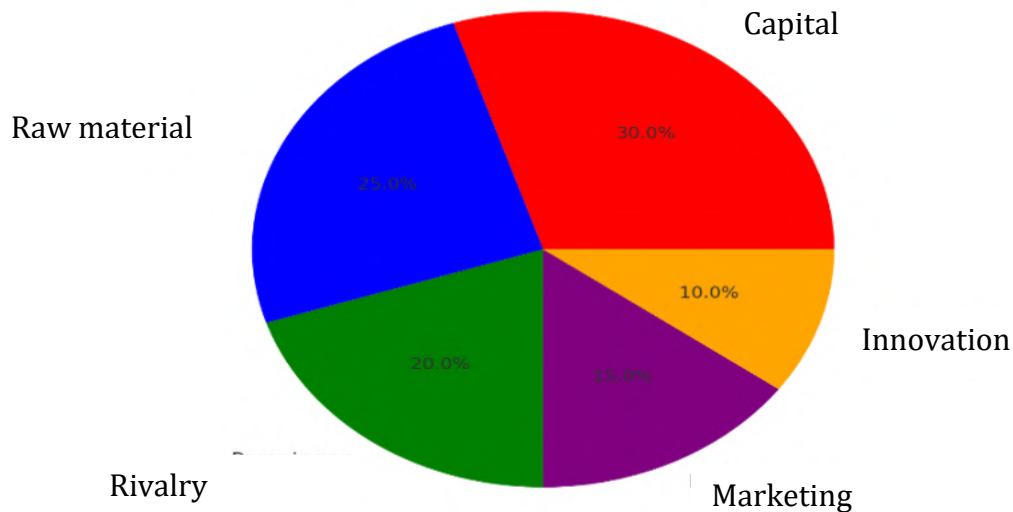


Figure 2. Challenges Faced by UMKM Tofu Factory

Source : Data processed by Author (2025)

- Red ● → Capital Limitations (The biggest challenge faced by MSMEs)
- Blue ● → Raw Materials (Fluctuations in soybean prices and availability of raw materials)
- Green ● → Market Competition (Competition with large-scale tofu producers)
- Purple ● → Marketing (Lack of digital marketing strategy)
- Orange ● → Product Innovation (Lack of new product development)

Pak Khori Tofu Factory faces difficulties in obtaining quality raw materials due to fluctuations in soybean prices. In addition, limited capital makes it difficult for them to expand the scale of production. To overcome these challenges, these MSMEs are trying to collaborate with local suppliers to get more stable raw material prices. In addition, they are starting to take advantage of social media to introduce their products to a wider range of consumers.

2. MSMEs SWT Tofu Factory

These MSMEs have experience in innovating by creating tofu variants, such as low-fat tofu and organic tofu, which attract the attention of the health market segment. One of the main challenges faced is the lack of access to additional capital to purchase more modern production equipment. Competition with large producers is also an obstacle to increasing market share. To increase competitiveness, SWT Tofu Factory MSMEs take advantage of e-commerce and marketplaces to sell their products outside the region. In addition, they attend business training to improve production efficiency and marketing strategies.

3. MSMEs Barokah Tofu Factory

These MSMEs focus on tofu production with semi-modern methods and already have a fairly wide distribution network, including suppliers to local restaurants and supermarkets. Price competition with large-scale tofu producers is the main obstacle. In addition, the price instability of raw materials often affects their production costs. To increase competitiveness, these MSMEs adopt simple technology in the production process to increase efficiency. In addition, they also implement customer loyalty programs to retain repeat customers.

4. MSMEs Sumber Rezeki Tofu Factory

This MSME is a family business that has been operating for more than two decades and is known for its softer tofu quality and distinctive taste. Limitations in the marketing network and lack of product innovation are the main obstacles for these MSMEs to develop more widely. To increase competitiveness, these MSMEs began collaborating with local restaurants and cafes to expand their market. They also began to introduce more attractive product packaging to increase their attractiveness in the retail market.

Table 1. Strategies from each MSME

MSME	Production Strategies	Marketing Strategies	Innovation Strategies	Financial Strategies
Pak Khori Tofu Factory	Using local raw materials	Marketing in traditional markets	Maintaining the distinctive taste of tofu	Relying on own capital
SWT Tofu Factory	Low-fat tofu production	Leveraging e-commerce	Developing organic variants	Seek external funding
Barokah Tofu Factory	Applying simple technology	Distribution to large restaurants	Add product variants	Collaborate with cooperatives
Sumber Rezeki Tofu Factory	Semi-modern product	Collaboration with local cafes	Product packaging is more attractive	Investment in new processing

Source: Data processed by Author (2025)

Based on the table above, from the results of this study, information can be obtained that each MSME has different challenges, but the strategies implemented, such as production efficiency, product diversification, and digital marketing, are the main keys to increasing their competitiveness. The research findings indicate that the main challenges include high production costs, limited capital, and lack of product innovation. Strategies that can be implemented include cost efficiency, product diversification, digital marketing utilization, and quality improvement. With the right strategies, tofu factory MSMEs can strengthen their competitiveness and ensure business sustainability in an increasingly competitive market.

CONCLUSION

Based on the results of the research, it can be concluded that MSMEs in tofu factories have a very important role in the local food industry. However, they face

various challenges that can hinder their competitiveness, such as fluctuations in raw material prices, limited capital, and lack of access to digital marketing. To increase competitiveness, these MSMEs need to implement strategies such as efficiency in production, product diversification, and the use of digital technology in marketing. With the implementation of the right strategy, MSMEs in tofu factories can increase their competitiveness and ensure business sustainability in an increasingly competitive market.

Suggestions that can be given from this research are :

1. The government and related institutions need to provide easier access to funding for MSMEs in tofu factories so that they can increase production capacity and product innovation.
2. MSMEs should start utilizing social media and e-commerce platforms to expand their market reach.
3. Cooperation with local soybean farmers can help MSMEs get raw materials at more stable prices and better quality.
4. More training programs are needed in business management, digital marketing, and product innovation so that MSMEs can compete in an increasingly tight market.

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