The Urgency of Research and Strengthening Entrepreneurship Policies in Generating Business Models in Ex-Conflict Areas

Suadi Zainal

Universitas Malikussaleh, Cot Tengha Nic Reuleut Muara Batu, Aceh Utara, Aceh 24351 Indonesia

A B S T R A C T

Entrepreneurship contributes a lot to the economic growth of a regional area. In former conflict areas, entrepreneurship is a mechanism to facilitate prosperity and peace. The involvement of former conflict actors in micro, small and medium enterprises (MSMEs) provided them opportunities to enjoy peace dividends and repair the order of life damaged by protracted conflict. Even so, failure of MSMEs become a problem because it causes economic stagnation and has the opportunity to create new conflict. Therefore, this paper aims to analyze the importance of research and strengthening policies related to entrepreneurship in former conflict areas. This study was conducted in Aceh Utara District using a qualitative approach. The data collection process carried out observation, interviews, and document studies. The empirical facts were analyzed by the stage of data reduction and data categorization, data display, and conclusion. The results showed that one of the causes of failure in MSMEs developments is weak policies and regulations related to community business empowerment. This fact was raised because the policies presented by the stakeholders were not based on research. Indeed, strengthening policies related to MSMEs can be done by making the results of studies and social mapping the primary basis for policymaking. Thus, the development of the MSMEs model for former conflict actors in Aceh has effects on increasing welfare and maintaining sustainable peace.

INTRODUCTION

In many areas of the former conflict, entrepreneurship is seen as a mechanism to facilitate prosperity and peace (Naudé, 2007). Understanding the crucial role of entrepreneurship, the Aceh Government through the regional planning agency has compiled a Roadmap for the Regional Innovation System. Among the important actions in this innovation is the presence of Micro, Small, and Medium Enterprises (MSMEs). Its existence has a strategic role in encouraging economic growth and reducing the number of unemployed. For this reason, the local government is required to develop and strengthen the integration of increasing MSMEs resources (Zainal & bin Abubakar, 2021) so that it can provide satisfactory economic benefits to its members and be competitive in facing local and global market competition.

The growth of Aceh’s MSMEs continues to increase every year. This is inseparable from the peaceful situation in Aceh, and the many stimulants of economic empowerment assistance provided by the government and donor agencies to the people of Aceh, especially for former combatants of the Free Aceh Movement (GAM) and conflict victims. Some elite actors of the conflict have transformed into political elites (Stange & Patock, 2010), contractors as well as rent seekers to obtain post-conflict economic gains (Aspinall, 2009; Hajad, 2019). This condition has implications for the creation of a patronage system controlled by former combatants in various development and economic programs (Barron, Rahman, & Nugroho, 2013; Lee, 2020). On the other hand, there are also many former combatants and civil society who have difficulty accessing assistance from development programs that are disbursed due to limited political relations. Thus, the peace dividend is not felt equally and functions optimally in reducing poverty and injustice in Aceh (Sustikarini, 2019).

The patronage system of economic and political development is still being practiced so that even though so much business capital is provided, it still has no significant effect on reducing poverty. At some level, there are even many groups of combatants who get access to capital assistance but fail to develop their businesses. One of the reasons is the weak policies and regulations related to community business empowerment. This fact arises because the policies presented by stakeholders in Indonesia are generally not based on research results. The results of studies and research have not been the main considerations in producing policies. The tug-of-war between policy-making actors, be it political or economic interests, still dominates the cycle and process of creating the policy itself. Actually, superior policies related to public affairs must be born from research conducted in-depth (Asmara, 2016).

Many factors cause the wide gap between the world of research and policy, including (1) The understanding and awareness of policymakers who are still lacking regarding the importance of the existence of research in the policy-making process; (2) A false perception of the research itself, as if the world of research is only related to the academic world; (3) Limited research results that are worthy of reference by policymakers, both in quality and quantity; (4) So far, most studies have only been complementary to formality procedures in producing policies; (5) The results of the research conducted have not been properly inventoried so that they are difficult to access; and (6) Lack of dissemination of information on research results to policy formulation parties (Noor & Setyawati, 2014). This tendency has implications for weak substance and policy implementation on the ground.
This study is considered important as a trigger for scientific discussions among entrepreneurial policy stakeholders (MSMEs) in Aceh so that the policies presented have gone through a review process first. Thus, the existence of MSMEs can restore the economic situation of former GAM combatants who can sustainably meet their basic economic needs. This study can be viewed as an urgent need as a solution to the economic problems of former combatants because if ignored it will become a time bomb that can explode at any time as an implication of social and economic inequality that has an impact on social instability.

METHOD

This study was conducted in the Aceh Utara Regency with the main focus on GAM combatants who run MSME businesses. This research used a qualitative approach with observational data collection techniques, interviews, and literature studies. Observations and interviews were conducted to collect primary data while supporting data were obtained from the study of documents and literature relevant to the topic. The author made observations at the location of the existence of MSMEs and conducted interviews with several MSME actors from former combatants. In this case, the author went to MSMEs whose managers involved former GAM combatants by first exploring preliminary information from the public and liaison informants. This was done in order to no make mistake in determining the informants.

Furthermore, the data was analyzed with an interactive model, namely through the stages of data reduction, data categorization, and data presentation which ends in concluding. Of course, this study does not intend to produce general conclusions so the results of the study cannot represent the condition of all MSMEs whose managers are former combatants. However, this study is a discussion space that can explore understanding (verschen) which of course will be useful for scientific development and policy-making process practices.

RESULTS AND DISCUSSION

MSMEs and a Brief Story of the Former Combatant Business

Variety of MSMEs Definitions

Micro, Small, and Medium Enterprises (MSMEs) have an important role in the economic empowerment of the lower middle class. Not only in developing countries, but also in developed countries. In the case of Indonesia itself, MSMEs were able to become a solution to economic instability during the financial crisis in 1997 and the global crisis in 2008 (Tyas & Safitri, 2014). These business entities play a strategic role in national economic development through the absorption of labor and the distribution of development products (Kristiyantri, 2012). Therefore, it is not surprising when David McClelland mentioned that a country falls into the category of the prosperous if it has entrepreneurs as much as 2% of its population. The characteristic of successful entrepreneurs is that they are more proactive, they have already done something before they have to do it; they show characteristics of the motivational syndrome of achievement; and they commit to others (McClelland, 1987).

MSMEs have various definitions. The Central Statistics Agency (BPS) defines SMEs based on the quantity of labor. If the number of workers ranges from 2 to 19 people, then it falls into the category of small businesses. Meanwhile, medium-sized businesses, if the number of workers is 20 to 99 people (Winarni, 2019). Referring to the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, the definition of MSMEs is explained as follows: “(1) Micro Enterprises are productive businesses owned by individuals and/or individual business entities; (2) Small Business is a productive economic business that stands alone, carried out by an individual or business entity that is not a subsidiary or not a branch of a company that is owned, controlled, or is part either directly or indirectly of a medium-sized business or large business. (3) Medium Enterprises are productive economic enterprises that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or part either directly or indirectly with small businesses or large businesses with a total net worth or annual sales proceeds” (Suci, 2017).

Furthermore, the law states the criteria for MSMEs in article 6 as follows: ‘(1) The micro business category is those with a maximum net worth of Rp. 50,000,000,000.00 (fifty million), excluding land and buildings for business premises and have a maximum annual sales of Rp. 300,000,000,000.00 (three hundred million); (2) The criteria for Small Businesses are those with a net worth of more than Rp. 50,000,000,000.00 (fifty million) and a maximum of Rp. 500,000,000,000.00 (five hundred million), in addition to the wealth of land and buildings for business premises and annual sales proceeds of Rp. 300,000,000,000.00 (three hundred million) up to Rp. 2,500,000,000,000.00 (two billion five hundred million); and (3) The Medium Enterprise category has a net worth of more than Rp. 500,000,000,000.00 (five hundred million) up to Rp. 10,000,000,000,000.00 (ten billion), excluding land and buildings for business premises; and has annual sales of more than Rp. 2,500,000,000,000.00 (two billion five hundred million) up to a maximum of Rp. 50,000,000,000,000.00 (fifty billion).’

According to Burns (2016), a small company is a social entity that revolves around personal relationships. They approach risks and uncertainties in a certain way that may sometimes seem far from rational. Another characteristic is that they are usually short of cash. They can’t raise capital in the same way as big companies. Then small companies tend to operate in one single market or a limited number of markets, perhaps offering a limited number of products or services. According to Harini, Sudarijati, and Ashari (2016), to improve the performance of MSMEs, the involvement of stakeholders such as educational institutions, financial institutions, cooperatives, and business associations is needed. Referring to the various definitions above, the business group built by former combatants that the author got in the field can be classified into MSMEs.

A Brief Story of the Former GAM Combatant’s Business in Aceh Utara

The 2005 peace agreement (MoU Helsinki) formally resolved the political conflict between the Free Aceh Movement (GAM) and the Government of Indonesia. Post-peace, improper peacebuilding has led to horizontal conflicts in Aceh; conflicts between former GAM elites; conflicts between elites and former soldiers; and among groups of people divided according to ethnic lines and economic lines (Ansori, 2012; Barron et al., 2013). However, it must be admitted that Aceh’s peace, which
has been going on for a decade and a half, has had an impact on economic growth, although it is seen as slow.

Good economic growth will lead to a reduction in poverty that contributes to peace. Therefore, it is undeniable that the ability of businesses to generate job opportunities can promote economic and social development capable of preventing conflicts from recurring again (Chang & Rynhart, 2016). One of the paths to economic growth is through the development of entrepreneurship.

The former combatant started a business with capital derived from individuals and government assistance. It’s just that MSMEs built by ex-combatants with capital sourced from external groups (not self-help) often fail. Like the two MSMEs in the Aceh Utara region who were captained by the following former combatants. First, MSMEs ‘Muda Mandir’ was engaged in onion and chili farming in Riseh Tunong Village, Aceh Utara. The group was formed by former Combatants of the Free Aceh Movement in early 2020. Its founders were Muhazar and Abdurrahman. The group’s members consist of conflict victims, while the manager is a former member of the Free Aceh Movement (GAM). According to MSME managers, the initial capital for the formation of this group was obtained from government assistance programs through the allocation of funds from the Aceh Representative Council (DPRA). This group only ran for a year and then disappeared unstoppable.

Second, the Goat Fattening Business Group in Gampang Lang Nibong Matang Sijuek Barat, Aceh Utara Regency. This group received assistance from the Investment, Transmigration, and Manpower Office of Aceh Utara Regency. The assistance provided was in the form of goats for fattening. The group, which was born in 2018, is also managed by former GAM combatants and ordinary people. There are about 20 members of the group listed under the ‘Makmu Ternak’ group. Each member of the group received the help of 2 male goats. In its implementation, this group received the guidance of officers who were brought in from the relevant service for three days. The problem is when goat breeds are given, these members claim to receive goats below fattening standards. The members of the group were disappointed with this kind of relief mechanism. Moreover, they only accept goats, without any other operational costs that are also needed during the fattening process, such as medicines, feed, and stall maintenance, all of which require additional costs. Along the way, the goats that became the forerunners of this assistance suffered from illness and even experienced death. According to the aid companion, the goat breed assistance provided lasted only two months, after which it was no longer found, either due to the death factor, or sold by the beneficiaries.

From the two business stories above, it can be explained that the failure of economic empowerment through MSMEs is motivated by the following factors: (1) Limited capital provided; (2) Lack of human resources related to the management of the business provided; (3) The assistance provided is not through a forerunner of this assistance suffered from illness and even experienced death. According to the aid companion, the goat breed assistance provided lasted only two months, after which it was no longer found, either due to the death factor, or sold by the beneficiaries.

The Urgency of MSMEs Research in Aceh in the Perspective of Peace Studies

Some former middle-class and lower-class conflict actors have transformed into small and medium-sized entrepreneurs alongside other creative communities in their villages. However, there has been no research that focuses on the involvement of former conflict actors in MSMEs to improve economic welfare. Among the researches related to MSMEs that focus on economic aspects, were the research of Hafni and Rozali (2015) that entitled ‘Analysis of Micro, Small, and Medium Enterprises (MSMEs) on Employment in Indonesia’; the research of Afifaq and Fuadi (2019) entitled ‘Application of the Target Costing Method in Production Cost Planning for Profit Optimization in Aceh Beef Jerky MSMEs in Banda Aceh’; research by Bahri and Rahmawaty (2019) with the theme ‘Analysis of Determining Cost of Goods Produced in Determining The Selling Price of Products (Empirical Study on Beef Jerky MSMEs in Banda Aceh)’; Fadzillah (2019) with the title ‘Strategy of the SME Cooperatives and Trade Office of Banda Aceh City in Increasing The Development of Creative Industries for MSMEs’; Maulina (2020) with the title ‘Analysis of Determinants of Muslimpreneur Interest in Running MSMEs in Banda Aceh’; Murezeki (2017) with the theme ‘Analysis of Increasing and Developing Coffee Production from Post-Harvest in MSMEs ‘Bergendaal Koffie’ Bener Meriah Aceh Regency’; the study of Nasir, Putri, Lianti, and Dewi (2018) ‘Superior Products and Their Implementation in North Aceh Regency’; Ridha and Putri (2017) ‘Factors Affecting the Income of Aceh Bag Handicraft Business in Ulee Madon Village, Muara Batu District, Aceh Utara Regency; and the study conducted by Yusriyasa and Mahalli (2013) The Role of CSR PT. Arun NGL in the Development of SMES in Aceh Utara’.

If explored further, none of these studies explain the involvement of former conflict actors in MSMEs. In addition, previous research on MSMEs focused more on production, marketing as well as profit and employment from an economic perspective. As a result, the study of MSMEs in Aceh has been dominated by an economic perspective, and there has been no study that focuses on the development of MSMEs conducted by former conflict actors. However, there are several studies related to the economic empowerment of the former GAM, including the research of Yunus, Zainal, Jalil, and Abubakar (2013) entitled ‘Local Economic Empowerment of the Ex-GAM (Free Aceh Movement Former Combatant) and Conflict Victims through Palm Oil Plantation Aid Program in Aceh Timur’. This study concluded that the Palm Oil Assistance Program in Aceh Timur was intended for groups consisting of former GAM, conflict victims, and civil society. This program has had a positive impact on improving the local economy, especially the incomes of farmers and communities around plantation land.

Furthermore, Ridwan, Fauzi, and Daud (2015) in their study ‘Gam’s Political Economy Transition: A Study of the Development Direction of the Free Aceh Movement’ states that during the peace-making period, their income was generated from community voluntary donations, taxes, donations from entrepreneurs and officials. In the peacekeeping phase, some of them earned income from work as representatives from GAM at AMM, and others received assistance from the government as compensation for Aceh’s peace. Furthermore, during the peace-building period, they gained the economy from the provision of physical projects by the ‘GAM Government’ as well as economic
empowerment programs through cooperatives and NGOs, such as the granting of arable forest land.

Regarding cooperatives and arable land or plantations, Nazaruddin, Sukmawati, and Nasution (2016) in their study ‘Reintegration and Socio-Economic Transformation For Ex Combatants of The Free Aceh Movement (GAM) Post-Conflict Era in Aceh Utara-Indonesia’, stated that the birth of the Bumoe Tari Cooperative as a form of oil palm plantation joint venture, was caused by: the absence of a real program from the government to achieve the welfare of former combatants GAM and victims of conflict; arose their collective consciousness to design welfare for them, victims of conflict, orphans and marginalized societies; and the call for the moral responsibility of GAM leaders in the Sago region. The existence of this cooperative is determined, among other things, by a democratic leadership system, solidarity, and responsibility framed with the GAM’s military-style command management system.

Slightly different from Nazaruddin, et.al (2016), Tibrani and Ubadillah (2019) in their study ‘The Role of the Aceh Transitional Committee in Improving the Economic Welfare of Former GAM Combatants’, mentioned that welfare programs for former combatants have been implemented through economic, educational, and political development mechanisms under the Aceh Transition Committee (KPA) program. In addition, the KPA also serves as a mediator between former GAM combatants and the formal government elite in terms of safeguarding the interests of the GAM and victims of the Aceh conflict. This is in line with Hajad (2019) in his study ‘The Role of Former GAM Combatants in the Post-Conflict Economic Sector’, he mentioned that the economic income of former GAM combatants after the conflict was obtained by becoming rent seekers (intermediaries or agents) of government projects. They work by leveraging GAM's power network to get to economic resources, be it through lobbying, negotiation, and even intimidation.

From the many studies above, no one explains the form and development of MSMEs of former conflict actors (GAM), both from combatants and civilians, except Ridhwan et.al who alluded to the economic resources of the former GAM through cooperatives and NGOs, but they did not explain what cooperatives and NGOs were, as well as how the businesses were run by the former GAM. While Nazaruddin et.al explained specifically about cooperatives, their focus was on the motivation of the former GAM in developing cooperatives. Thus, it is seen that there has not been a study that explains the forms of MSMEs involving the former GAM and the relationship patterns built for the development of MSMEs.

Based on the description above, multi-disciplinary studies are important to be carried out to find an appropriate business model for increasing the economic growth of former conflict actors. In addition, the studies carried out later must also be able to explain the growth of MSMEs involving former Aceh conflict actors, especially peace studies involving multi-disciplinary sciences by placing economic programs in the process of reintegration of former conflict actors. If only use a single perspective, for example, a sociological perspective, the resulting study is only able to analyze the development of MSMEs and their relationship patterns with stakeholders. Thus, it can be comprehensively measured its development and sustainability potential. This kind of research is seen as important as a basis for post-conflict economic empowerment policies to minimize the potential for conflicts to re-emerge due to economic inequality and social relations in society.

**The Importance of Strengthening Entrepreneurship Policies for Peace**

It is indisputable that SMEs encourage job creation and economic development. Therefore, reviving institutions and rebuilding economic ecosystems is one of the priorities of reconstruction after the war ends. According to the U.S. Agency for International Development, a five percent negative economic shock could increase the risk of a civil war by 50 percent in fragile countries. Although entrepreneurship is not a panacea for economic growth, initiatives that support entrepreneurial growth — especially the growth of MSMEs — can promote stability and development in conflict-affected countries. Therefore, for those who promote peace and prosperity, as well as support entrepreneurship and smart investment in the growth of MSMEs, it is a must and must be an important component of any post-war reconstruction strategy (Lemmon, 2012).

Three conditions affect the state of entrepreneurship after the conflict, namely socio-political, economic, and legal conditions (Djip, 2014). For this reason, in general, some key policies for economic development are: (1) Sound macroeconomic policies (fiscal, monetary, and regulatory frameworks); (2) Strengthening of the institutions needed for a dynamic market economy, and (3) Support of economic entities for private sector development. While specifically in countries in post-conflict transition, local governments and donor agencies in revitalizing the damaged local economy need to carry out economic policies that can: (1) Develop basic economic infrastructure and regulate the private sector; (2) Develop the credit market; (3) Stimulate foreign investment as well as promote exports; and (4) Developing human resources (Kusago, 2005). Thus, problems or difficulties that are often faced by entrepreneurs (MSMEs) to grow and develop can be resolved, such as the difficulty of finding the capital, markets, and networks needed to grow and expand their business. Many MSME owners also do not have basic business skills, such as recording, marketing, and product placement (Lemmon, 2012).

Furthermore, in particular, the development of MSMEs must be placed in a long-term reintegration process to ensure the welfare of former conflict actors economically, socially, and politically. Economic reintegration can take the form of providing assistance and access to jobs through job training, skills development, microenterprise support, rural development activities, and job promotion. It implies the financial independence of former guerrillas through productive and decent work (Office, 2010). This explains that MSMEs in the former conflict area serve as a long term economic reintegration mechanism for former guerrillas.

Reintegration consists of short-term and long-term reintegration. In the short term, this is reinsertion. It consists of an early period when former guerrillas came to their former families or communities. Often they are provided with household necessities, land, dietary supplements, and housing materials. Meanwhile, reintegration is a long process to incorporate former guerrillas and their families into civil society and achieve financial independence through productive activities. Reintegration can be categorized into two interrelated elements: social and economic and must run in parallel.
There are two approaches to reintegration; objective and broad. The first is to eliminate potential threats to public security, dealing directly with target groups of former guerrillas and their family members as well as other vulnerable groups such as unemployed youth, internally displaced people, and other influences that disrupt the stability of society. The second is to develop the community. It deals with issues as part of unified regional development, reconstruction, and reintegration program. The program focuses on communities with a greater percentage of beneficiaries than the beneficiaries themselves (Body & Brown, 2005).

Based on this conceptual description, it can be understood that if the development of MSMEs involving former conflict actors in Aceh can be combined with Aceh’s development plan, then it is very potential that negative Aceh peace immediately leads to a positive/sustainable peace where the benefits of peace and prosperity can be distributed fairly and evenly. This also serves to improve the reintegration program at the beginning of peace which is considered unable to consolidate Aceh peace. Among other things, it is caused by: (1) Vagueness regarding the overall objectives of the reintegration program, which causes its focus to be limited to economic integration, and output rather than results; (2) Too much emphasis on individual and compensation-based reintegration approaches. This approach is usually used only for the initial reinsertion period, and (3) Reintegration assistance has not been mainstreamed into broader government and donor programs, nor into strategies to support sustainable regional development and economic growth. Therefore, the Aceh Government’s very abundant resources have not been effectively utilized to support peacebuilding through development programs and policies (Hillman, 2011; Utomo, Hadi, & Nur Djuli, 2009).

CONCLUSION

Based on the explanation above, it can be concluded that the MSMEs functions improve the economic welfare of business actors and the economic growth of a country. In peacebuilding, MSMEs can cover the economy of communities damaged by conflict. Even beyond that, MSMEs can be used as a soft mechanism to transform conflict actors into peace actors. However, to develop one MSME model that is right for former conflict actors in Aceh requires an in-depth multidisciplinary study first, considering that many studies so far have been dominated by an economic perspective. In addition, government policies, especially the Government of Aceh in carrying out post-conflict economic development should mainstream peace-sensitive MSMEs, where economic structures and values can encourage the involvement of former conflict actors in the development of MSMEs that contribute to sustainable peacebuilding.

In addition, for the existence of MSMEs to become one of the media for improving and empowering the community’s economy that strengthens peacebuilding, the following important points should be considered comprehensively, namely: (1) The policies presented by stakeholders must be based on field research, so that the type of business provided is following the passion and expertise of the beneficiaries; (2) The granting party shall conduct regular monitoring and evaluation so that the assistance provided is always under control; (3) The assistance provider must assist so that the management’s human resources are also upgraded; and (4) Increase mutual trust between related elements so that a solid and structured system is built.

REFERENCES


