

CHAPTER I

INTRODUCTION

1.1 Background of the Research

SME's has a greater role in Indonesia economic growth and development. SME's contribute in creating new job opportunity and investment, expand tax base, and a drivers of innovation. Based on data from the Ministry of Co-operatives and SME's, Indonesian SME's account for nearly 97% of domestic employment and for 56% of total business investment. SME's also took part in regional economic development including in West Sumatra. According to Central Bureau of Statistics there are 593.100 of SME's in West Sumatra Province (Badan Pusat Statistik, 2019). Padang-Pariaman regency have 43.576 of SME's which contribute 13% of total SME's in West Sumatra.

In an organization including SME's a performance assessment is needed. Performance assessment is needed and important because it measures the success of a SME's (Chittithaworn et al, 2011). SME's performance consist of financial performance and non financial performance (Ahmad et al, 2011). SME's performance later on related to a wellbeing of an entrepreneur. Wellbeing is an experience of satisfaction, positive affect, infrequent negative affect, and psychological functioning. Feelings of wellbeing are fundamental to the overall health of an individual, enabling them to successfully overcome difficulties and achieve what they want out of life. In case of SME's the owner wellbeing will effect on how an entrepreneur developing, starting, growing, and running an

entrepreneurial venture (Wiklund, 2019). A good SME's performance will also enhance the wellbeing of its owner and not vice versa. The happier or the better a wellbeing of an owners, the more effort given to develop and contribute to its own SME's. If the business grow and develop it will absorb more employee, contribute more to local economy and in the end improve national economic growth and development.

But nowadays business environment is characterized by high levels of competition, dynamism, technological sophistication and affected by globalization. This environment create many difficulties and challenges for SME's. SME's need to be more competitive with each other in order to survive and grow. If they are not competitive the consequence can result in failure in business. Failure in business can result in financial problem, negative psychological effect, affecting relationship and also endure societal cost of failure. This possible negative outcome of failure makes many entrepreneur fear of failure.

. Padang-Pariman SME's have greater challenge for them in conducting and developing their business. The problem is that Padang-Pariaman, is located in area that is prone to natural disaster. Natural disaster is uncertain event that can inflicted great casualties in the area impacted with it. All of the hard work and dedication in building a business, can instantly gone within the matter of minute. This is surely become source of fear of failure in SME's in conducting business in Padang-Pariaman.

In the past Padang-Pariaman Regency has bitter experienced with natural disaster spesifically earthquake and there is possibility to happen again in the near future.

It's already a decade after the devastating 2009 West Sumatra Earthquake impacted Padang-Pariaman. On September 30, 2009 a powerful earthquake struck off the western Sumatra coast in Indonesia, measuring 7.6 degrees on the Richter Scales. Most heavily affected areas include: Padang City, Bukittinggi City, Solok and Padang Panjang and also Padang-Pariaman. The BNPB confirmed that one of the most heavily affected is Padang-Pariaman Regency. Three villages in the path of the disaster in Padang-Pariaman district appear to have been completely levelled and most of their inhabitants may have been buried due to a subsequent landslide. Many casualties created by the earthquake both pscychologicly and physically affecting the social economic condition at that time.

In the economic side, according to the previous research of Skidmore and Toya (2002) the link between geologic disasters and long run growth of economic was negative. In study conducted by UNDP (2013) more than half of SME's in the survey suffered a decline in sales after a disaster. Direct damages reported were usually related to lack of cash flow and disruption of service/product delivery. However the majority of the damages were indirect, such as disruptions related to power cuts, lack of customers and inaccessibility of roads. What can be generally concluded from the evidence is that the majority of surviving SMEs do not perform as well after disasters as they did before (UNDP, 2013). Disasters

compromise SMEs' operations through both supply and demand constraints due to issues such as population dislocation and transport disruptions. Disasters also pose financial burdens related to physical reconstruction and business continuity (e.g. loss of inventory).

Also Sumatra Island is prone to the seismic activity because, it is located at the interface of the Indian-Australian and Eurasian Plates. Two major seismic sources are the 1,900-km long Sumatran fault located along the center of Sumatra Island and the Sunda megathrust zone traversing more than 2,000 km along the western coast of Sumatra (Sieh and Natawidjaja, 2000). In the Western Coast lies many city including the city of Padang, The Island of Mentawai and Padang Pariaman. Past paleogeodetic, paleotsunami, and geodetic investigations (e.g., Nalbant et al., 2005; Sieh et al., 2008) indicate that the Mentawai segment of the Sunda subduction zone can host large tsunamigenic events with a recurrence period of about 200 years. The last major tsunamigenic earthquakes in this region were the 1797 and 1833 events (Natawidjaja et al., 2006).

Recently BMKG or Indonesian Meteorological, Climatological and Geophysical Agency indicate that there is movement in the Mentawai tectonic plate. This tsunamigenic earthquakes named as Megathrust Earthquake have predicted to have a magnitude of 8.9 Richter. If this predicted disaster happening, the city within the area of the Mentawai segment, which is City of Padang, Kepulauan Mentawai, including Padang-Pariaman is anticipated to be affected by

devastating earthquake followed by Tsunami. This Megathrust Earthquake which a geologic disasters will be more destructive than 2009 West Sumatra Earthquake.

With post-earthquake impact followed by pressures from fear of failure from various sources, this research were meant to examine this negative effect on SME's performance. Later on how the performance of SME's influenced the wellbeing of the owner. Another thing is the researcher want to know wheather post-earthquake impact still have any influenced on SME's in Padang-Pariaman. Through all of this background the researcher were interested to write a thesis which titled "POST-EARTHQUAKE IMPACT, FEAR OF FAILURE, SME PERFORMANCE, AND ENTREPRENEURS' WELLBEING IN PADANG PARIAMAN".

1.2 Problem Statement

1. How *post-earthquake impact* influenced SME's *performance* in Padang-Pariaman?
2. How *post-earthquake impact* influenced *fear of failure* in SME's of Padang-Pariaman?
3. How *fear of failure* influenced SME's *performance* in Padang-Pariaman?
4. How *post-earthquake impact* influenced SME's *performance* in Padang-Pariaman mediated by *fear of failure*?
5. How SME's *performance* influenced *wellbeing* in Padang-Pariaman?

1.3 Objectives of the Research

1. To examine the effect of *post-earthquake impact* on SME's *performance* in Padang-Pariaman.
2. To examine the effect of *post-earthquake impact* on *fear of failure* in SME's of Padang-Pariaman.
3. To examine *fear of failure* influenced on SME's *performance* in Padang-Pariaman.
4. To examine *post-earthquake impact* influenced on SME's *performance* in Padang-Pariaman mediated by *fear of failure*.
5. To examine SME's *performance* influenced on *wellbeing* in Padang-Pariaman.

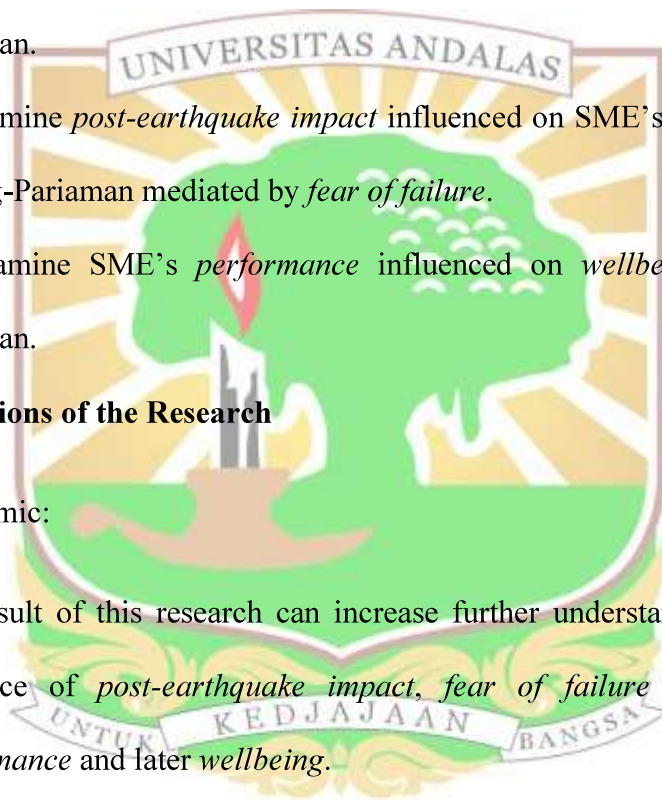
1.4 Contributions of the Research

For the Academic:

1. The result of this research can increase further understanding about the influence of *post-earthquake impact, fear of failure* toward SME's *performance* and later *wellbeing*.
2. For the purpose of knowledge development, this research can become references for future research.

For the SME's:

1. For the SME's, this research can become consideration for the contingency of the business.



2. For the SME's, this research can help them implementing new strategy, system, policies, regulation or culture related to business performance.

1.5 Scope of the Research

The scope of this research were minimize to some extent for the accuracy and the precision of the result, where the writer took SME's owner in Padang-Pariaman that impacted by the 2009 West Sumatra earthquake. The scope of the research is *Post-Earthquake Impact, fear of failure SME'S performance and Wellbeing* in 60 SME's located in several places in Padang-Pariaman Regency.

1.6 The Writing Structure

Chapter I INTRODUCTION

Chapter which contain the background of the research, the problem Statement, the objective of the research, the benefit of the research, the scope of the research, and ended with the structure of writing.

Chapter II LITERATURE REVIEW

This Chapter explained about all theories that are related to this research. Theories used include definition of natural disaster, post-earthquake impact, wellbeing, fear of failure, definition of SME's and SME's performance. Also in this chapter will be provided with review of previous study, hypothesis development and theoretical framework that will become guidelines in data processing.

Chapter III RESEARCH METHOD

This chapter explained about the research design, instrument used in quantitative, population and sample, data collection technique, variables and measurement, and also data analysis method used for testing the hypothesis.

Chapter IV ANALYSIS AND DISCUSSION

This chapter contains about the result analysis of the research, the respondent description and descriptive analysis.

Chapter V CONCLUSION

This chapter contained the conclusion of the conducted research, the implication of the research, the limitation of the research and suggestion.

