

The political centre is moving left. Is big business taking note?

Whether we like it or not, change is coming. Across the globe, survival is nudging governments towards the left of the old ideological divide but they are carefully dragging the centre with them. European Commission President Barroso calls it 'social democracy'.

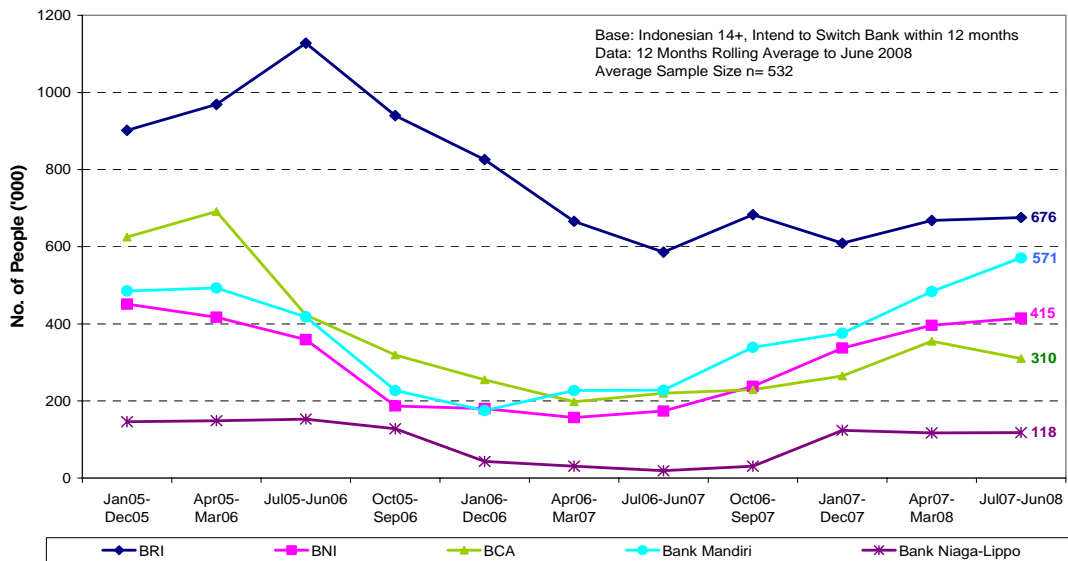
This is anathema to many. Unprecedented circumstances, the almost unreal business climate we live in right now, has made even the diehard believers in free-market principles rethink their positions. Faced with the prospect of some 4 million jobs disappearing if the American automakers collapse means a new administration will have no choice but to come to their rescue. The Eurozone, officially in recession now, is likely to be saving some more of its own icons next.

While appeals for a universal regulatory structure fell on the deaf ears of George Bush who has presided over eight years of runaway greed, his was the sole voice at the weekend's G20 summit urging caution against "over-regulation". It is a major irony that the Chinese banking system is in far better shape than many other countries today. Had the meltdown of American banks and the excesses of their senior managers happened in Chinese banks instead, the fate of the individuals concerned would not be difficult to imagine. The healthier 'mixed economies' of the BRICI countries, Brazil, Russia, India, China and Indonesia, are all critical to the recovery of the global marketplace. Their demands for a universal, transparent structure with common regulations and accounting principles can only be discussed with the United States after President-elect Obama has taken office. The time has come for collective action. The first major step has finally been taken, by facing the truth and accepting the realities of the day, instead of trying to bury it as it initially was for more than a year.

So it was a particular pleasure to attend a breakfast talk by Indonesia's charming Minister of Trade, Mari Pangestu, in Melbourne last week. She reiterated the Yudhoyono government's budget priorities for 2009. Less dependent on exports to the US than many of its neighbours, Indonesia's GDP growth is being revised downwards by just 1 per cent. To ensure there are real increases in spending for infrastructure development, health, education and poverty alleviation programs, other departments have been asked for 15 per cent cutbacks to meet national budget limitations in these difficult times. A conscious effort is being made to spread the wealth created, to enlarge the consumer economy. Is big business taking note?

Essential to growth, the banking sector in particular has the leading role to play in developing the consumer economy. Recent efforts led by the state-owned banks to disburse millions of modest loans to micro, small and medium-sized businesses augurs well. Resources deployed to build a bedrock of family-owned businesses and partnerships can only help strengthen the real economy, rapidly. Similar attention to maintaining transaction relationships with individual account holders is equally critical. As costs of everyday prices climbed in recent times, more and more people around Indonesia have been closing their savings accounts. Four years ago, only 22 per cent of Indonesians 18 years and older had a savings account. That is now down to barely 20 per cent. While more credit and debit cards have been issued to the fortunate few at the top, the bottom has been slowly falling out of Indonesia's banking relationships.

Customers Intending to Switch/Leave: Top 5 Banks



It's no secret that small businesses around the world use the same bank account for both business and personal transactions. If micro-business owners are closing their accounts or simply leaving their accounts dormant in the face of rising bank charges and minimum balances, it is a major step backwards for the the country. The predominantly state-owned banks, the Big Five in particular, have a social role to play in these difficult times. Their visibly improving balance sheets should encourage them to nurture those precarious and perhaps unprofitable accounts, subsidised by the more affluent customers as it were. This is a fragile time and business leaders need to balance the profit motive with good citizenship.

Just 4.5 per cent of adult Indonesians have any formal savings or investments. To put that in perspective, the comparable number in neighbouring Australia is 65 per cent. Higher costs and thresholds are chasing away the weaker sections of Indonesian society from the banking fraternity. As if that's not bad enough, the number of people planning to switch from or leave the Big Five banks altogether is also on the rise again. There are 676,000 BRI customers, 571,000 Mandiri, 415,000 BNI, 310,000 BCA and 118,000 combined Niaga-Lippo customers intending to leave their banks. We should remember that 676,000 is a relatively small number of unhappy customers at BRI considering it has about half of all consumer banking relationships, with some 17 million active customers.

To profile these disgruntled customers, to identify their reasons for leaving is no challenge as the data is readily available. Roy Morgan Single Source, the country's largest syndicated survey with over 27,000 Indonesian respondents annually, projected to reflect almost 90% of the population over the age of 14, both urban and rural, is updated every 90 days. Addressing the problems identified would make it easier to stem the tide of departures. That would be a major contribution to the national good.

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