

Both David and Goliath should be vying for attention.

If the backbone of any economy is a growing community of small businesses, Indonesia's spine is rapidly bending. It is far from upright and continues to weaken. In the last two years alone, the damage done is particularly severe.

The conclusion is based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older randomly selected each year. The statistical reliability is not easily challenged. Just two years ago, 8.2 per cent of this population group were owners of small businesses including small farms, often called "micro" businesses. That universe has shrunk rapidly to 4.6 per cent. In numbers, that would translate to some 11 million small business owners in September of 2006 reduced to less than 7 million today. The biggest proportion of these failures is not in the big cities nor the *kampungs*, it is in the smaller cities and towns across the country.

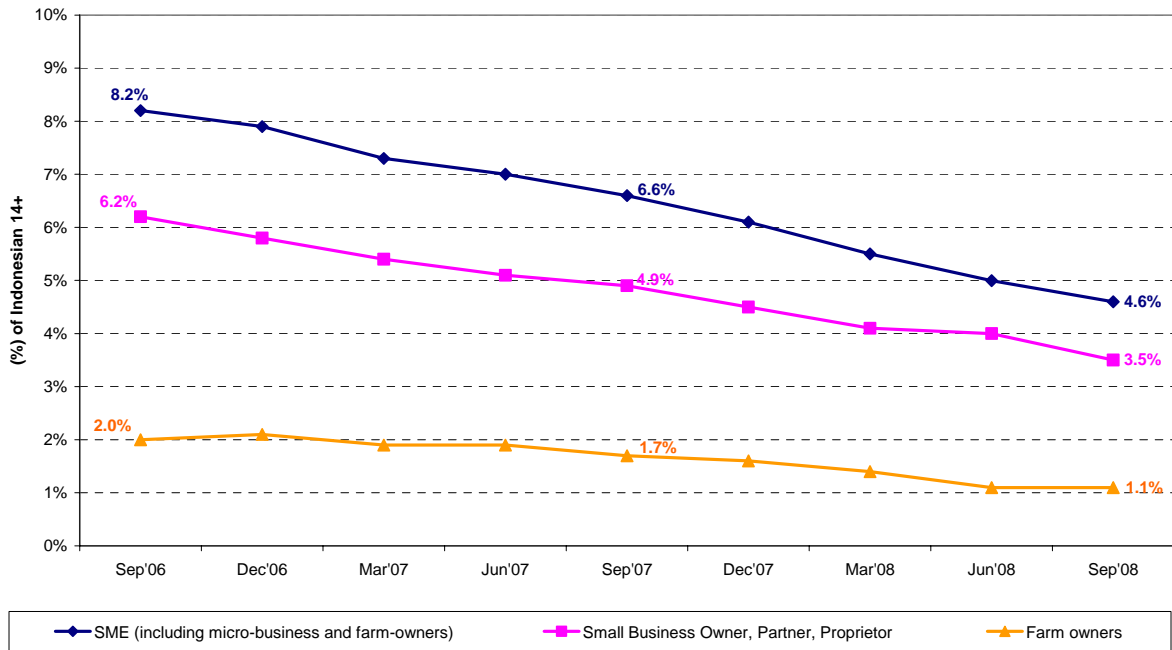
A combination of factors will have taken their toll. Rising costs, natural and man-made disasters as well as the growth of the "organised" sector encroaching into what is loosely termed "disorganised", have all played their roles. As these fragile small businesses shut down, the struggling entrepreneurs turned into workers: self-employed, employed and under-employed. The growth in the numbers of skilled and unskilled workers as well as the self-employed group is ample evidence of that reality. Every other group, like white or blue collar workers, professionals and managers have all remained steadily in step with population growth. Overall, as illustrated in this column last week, unemployment is on the decline. But underemployment remains a major issue, grossly under-estimated.

The damage done to small business and small farms, witness the rapidly dwindling numbers, is incalculable. The only glimmer of hope is the current upward swing of those "intending to open a business in the next 12 months". That number has grown from its lowest ebb in December of 2007 at 2.5 per cent, to 3.3 per cent of all Indonesians 14 years and older. In other words, there are over 5 million budding entrepreneurs dotted around the country today. Do they deserve to be nurtured or should they be left to fight alone?

Around the world, public funds and public debt are being deployed to stimulate the economy, both local and global. Fundamentally though, the mindset has not changed. The same old people in charge of our runaway train are in Davos, talking the same old language and raising the same old fears. In the meantime unbridled greed continues to rule with over 20 billion dollars recently paid out in 2008 bonuses, to ranking members of the financial sector. Bailout funds meant for loans have only plugged bottomless pits and continue to line the bottomless pockets of those who dug the holes. Politicians pour shame on the shameless by day and dine with them at night. The deadly nexus continues, unabated.

Today, Keynes wins over Friedman. The new Obonomics to come is needed to replace the Reaganomics that got us here. Trickle-down loses to sprouting-up, top-down to bottom-up. Nobody would argue with the need for the marketplace to be resuscitated and nurtured, for the banking system to survive. But the word "free" needs to be extracted from the term "free market" and if that surgery is conducted without anaesthetics, the more memorable it will be.

THE DECLINE OF SMALL BUSINESS



One of the major ironies facing the Davos-set is that the semi-regulated “mixed economies” of the BRICI countries are in much better shape than those championing unfettered globalisation even today. Indonesia needs to re-assess the way forward, as indeed it is showing signs of doing. The renewed focus on SMES and micro-businesses can only strengthen the economic backbone. Big business, multinationals and local businesses alike, can also benefit from partnerships that encourage entrepreneurs to thrive. Old mantras like “economies of scale” should no longer be used as camouflage to buy up and strangle the competition. Nor should professional managers look for safety in working with just the old and established. Honest competition is good, or at least it used to be.

Imagine this: if Indonesia’s stimulus package set aside \$5-a-day for two million new apprentices encouraged to enter the workforce via selected forward-looking industries, it would have a major impact on unemployment. At an annual cost of less than Rp 40 trillion the apprentice and the employer would both benefit. The money invested would all come back to the consumer economy, instead of idling in the bank accounts of the privileged few. If there is a better idea that focusses on training skills, empowering the workforce, addressing unemployment and stimulating small business, it surely merits attention. But there should be no going back to the same old, same old.

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