

# Roy Morgan

— Research —

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**Finding No. JP 255**  
**September 2011 Figures**  
**Available on Website: [www.roymorgan.com](http://www.roymorgan.com)**  
**On November 29 2011**

## No need for greed in the dash to cash

Set against the backdrop of the on-going Eurocrisis (a newly minted word), Indonesia's consumer economy looks all the more rosy each quarter. Today, one in four of the country's 150 million adults have at least one banking relationship. That's approximately 35 million people. Good news, and it's getting better. Some 12 million more "intend to open a savings account" in the next 12 months. In other words, demand from more people is equal to almost 33 percent of existing customers. When I say customers, I mean people. Unique individuals, not accounts.

Expressed another way, 8 percent of Indonesians are in the market for a new account. Two percent are looking for a 'personal loan'. That's about 3 million people. But the financial plans of individuals go beyond personal needs and wants. We now have a steady 4 percent of all adults who "want to start a business" in the next 12 months. In numbers, that would amount to approximately 6 million budding entrepreneurs. Half that number wants to "take out a loan for business". These are robust statistics for any marketplace, especially at a time when much of the world is teetering on the brink of an economic slippery slope.

Coping with these demands, it is reassuring to note that the Big 4 banks continue to improve their standards. The Roy Morgan Bank Customer Satisfaction index updated for the quarter ending September 2011 shows a steady nine out of ten customers are satisfied with the service provided by the Big 4. These are regular customers of the biggest banks, people who treat them as their main financial institution, or MFI. Equally noteworthy is the competitive pressure they are now under from mid-size banks like CIMB Niaga and Danamon. A growing number of multinationals are also adding to the heat, with increasing intensity. Australia's ANZ and Commonwealth have both made major acquisitions, as have Britain's HSBC and Standard-Chartered. The Singaporeans aren't too far behind. These are all healthy signs for the sector: growing, competing, innovating and raising standards at the same time.

In a country with an overwhelming majority of young people, the return on investments made today will grow exponentially for decades to come. In that sense, Indonesia's potential for demographic dividends is hard to beat. With more jobs and better wages continuing to underpin economic stability, we are witnessing an increase in the median amounts idling in savings accounts around the country. At the same time, changing attitudes to finance today are also drawing attention from the banking sector. Almost half of all people with a bank account believe that "credit enables me to buy the things I want". The more money a person has, the stronger that belief. Combine that discovery with eight out of ten people wanting to

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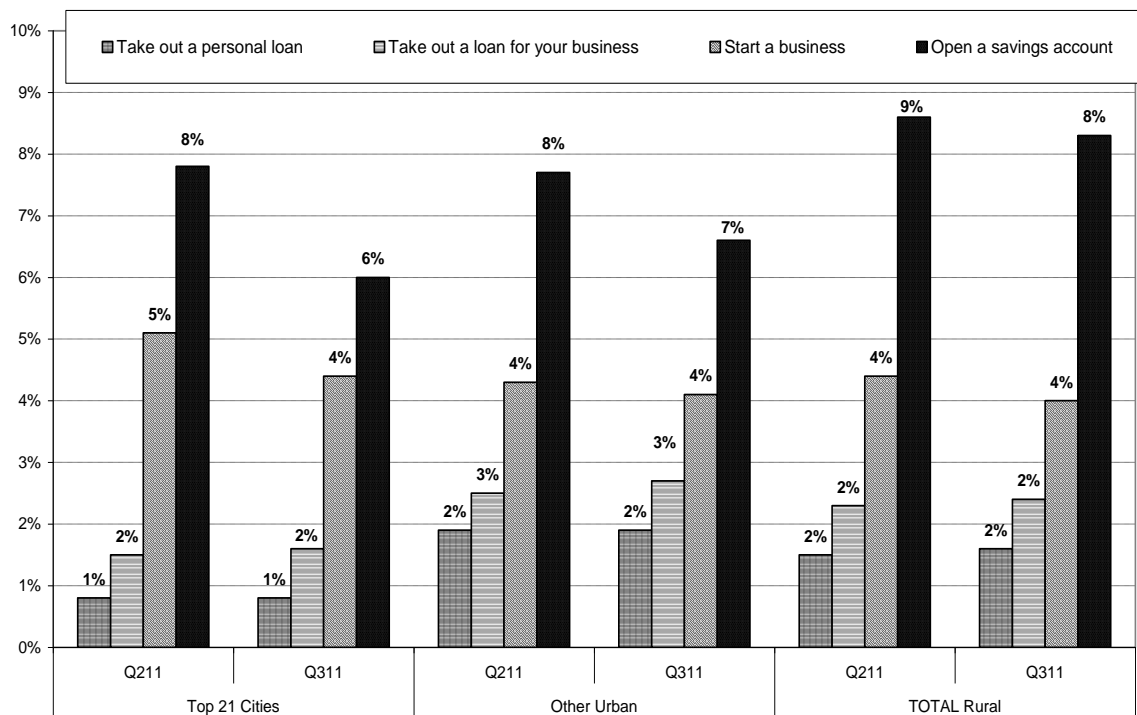
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“enjoy life today because I don’t know what the future will bring” and we have a recipe for the kind of disaster that will have many in Europe writhing in financial pain for years.

In Indonesia, this is a good time for all concerned to pause and introspect. If our banking sector blindly apes a culture of unbridled capitalism, if easy money is dangled too often to too many, the risk of going “the American Way” is just too high. In London, touted as the world’s financial capital, some recent revelations are nothing short of shameful. Last week, the High Pay Commission in Britain announced that former Barclays chief executive John Varley's annual income of £4,365,636 was 169 times more than the average worker in Britain. That represents an increase of 4,899.4 percent since 1980, when the top pay at Barclays was £87,323 and just 13 times the UK average.

### FINANCIAL INTENTIONS OF INDONESIANS 18 YEARS+



Base: Total Population 18+ years, in Top Cities n=14,223; Other Urban n=4,018; Rural n=4,201

If that’s considered social justice in Britain, if that’s the kind of runaway capitalism that Republicans in America advocate, it’s a brand of dubious ‘progress’ that Indonesia could do without. It’s not enough to simply report these disturbing realities, it is so much more important to help prevent the seemingly inevitable. In recent months we have witnessed some distressing stories unfold, with at least one customer paying with his life for accumulated

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debt. The habit of revolving credit cards isn't endemic, but the risk of playing with one card too many can indeed be injurious to health. Indonesia isn't staring at a property bubble, thankfully not yet. But it is the beaten path to an unhealthy and unreal economic future that too many banks in too many countries have fostered, raking in profits and fattening the wallets of the now infamous "1 percent" around the world. The disease has not reached Indonesia's shores, which is why we have not experienced an "Occupy Jakarta" movement yet. Who needs one? Who wants one?

Not only is it Bank Indonesia's responsibility to regulate in keeping with the country's cultural traditions, it is the moral responsibility of our captains of industry to collectively and individually volunteer standards that protect social mores. There's money to be made, without being greedy.

These conclusions are based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. The national database is updated every quarter. Almost 90 per cent of the population is covered across this large marketplace, spanning both urban and rural Indonesia. The opinions expressed are my own.

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