

If the consumer economy is looking and feeling sluggish, *it is.*

If the overall economy is growing at over 6 per cent, if foreign investments are on the rise again, why isn't the marketplace buoyant? Why is the consumer economy sluggish? An immediately visible explanation is the impact of higher prices for essentials like rice and now soya beans, regardless of the reasons for those increases. But the bigger, invisible reason is that the growth in GDP isn't creating a surge in employment, nor a lift in wages comparable to inflation. Most of the growth in the economy is coming from the natural resources sectors, not labour-intensive businesses. The wealth that is being created is remaining in the hands of the affluent few and those who serve them. Starbucks is doing well. The *tempe* vendor is not. The Roy Morgan Consumer Confidence Index is creeping around the 112 mark.

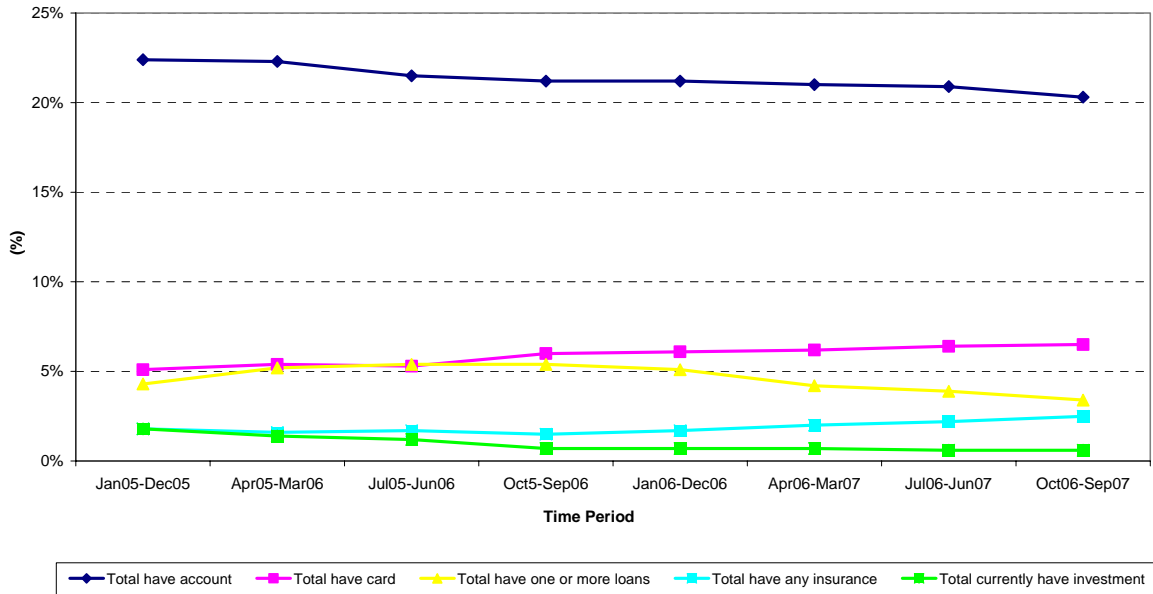
Even if the increases in the price of consumer essentials were contained at less than 10 per cent each year, it would cause real pain to the overwhelming majority of the population. No wonder the demand for consumer durables like refrigerators is flat. The number of people intending to buy a new motorcycle is stuck at 8 million. The number of people who are cellular subscribers is crawling at around 40 million, even though there are millions more who would like to join the club. But everybody has to bathe, with the usual brand or a cheaper option. That's a lot of soap, in comparison to most countries.

For nine out of ten adults in Indonesia, life is always a struggle, financially. At the end of each month, very little is left under their mattresses after all the bills are paid. Only one in five adults has a bank account and that number isn't growing. In fact, it is dipping. About 27 million people have an account. About half of those account-holders bank with BRI. All the other banks compete for the patronage of the remaining 13 million. They are Indonesia's financially fortunate minority. Among them are some 1.5 million people with disposable incomes, the primary breadwinners for their families. About a third of them could be deemed "affluent", by any yardstick. A tiny core is among the world's richest. That is the reality.

With the exception of BRI, not even the other state-owned banks are interested in the humble lives of most Indonesians. Their actions and initiatives seem to be aimed at competing for a share of the existing market, not expanding it. The number of people with a bank account is down, the number of people taking loans is also down, but plastic cards are up. The trouble is most bankers are more keen to embrace the "greed is good" credo made famous by Michael Douglas than they are to emulate Mohamed Yunus' real-life success.

There appears to be little shame for the subprime loans crisis that has triggered downward spirals across the world. Thousands of jobs have already gone, billions are being written-off in a mess that could finally cost over a trillion dollars. Brazen CEOs of the biggest global banks are quitting with bonuses in their pockets, to be replaced by successors from the same mould. We've seen it all, many times before. Who can forget the Internet bubble bursting in 2000? Yet it is the consumer who will pay the price for this callous greed, as always, not the Asian sovereign funds bailing out these big banks. Fees and rates will go up, to be paid by those who can afford to, who in turn will cause the mark-up of the products and services bought by even the poorest of the poor. The rich will get richer, the poor will get poorer. That gap between the rich and the poor is widening, across the world and in Indonesia.

Penetration of Consumer Financial Services



Source: Roy Morgan Single Source, 27,000 respondents p.a.

If there is no surge in new wealth, if it isn't distributed among more Indonesians, the country's retail banks will continue to be looking for profits only in the relatively small consumer banking market that exists today. But it is no secret that the backbone of any stable economy is small business, that the engine of any economy is consumer spending. Even in the US, over 60 per cent of all spending each year, is by the consumer. A smiling George Bush riding an American-made lawnmower was urging his consumers last week to spend the checks they are soon going to receive in the mail, to trick the economy out of a recession. Those checks will cost taxpayers \$140 billion, adding to the record deficits. There are no guarantees the stimulus will work and as usual, the talk-show pundits sound clueless.

How many billion rupiah would it require, in the hands of thousands of budding small business owners, to create millions of new jobs across Indonesia? Not too many. If each and every bank made it their mission to help build small business, not just big business, it would be to the mutual gain of all concerned. That means really small businesses, even smaller than the bankers' definition of SMEs. The government's willingness to guarantee such loans should not be the criteria. Small business has got to become the main pillar of Indonesia's economy because it will create many more jobs for more people than major corporations can.

Consumer credit is still hard to find. With more money in the hands of more people, banks will stand to win, again and again. There is money to be made from those thousands of budding small business owners as well as the millions of their prospective employees. Because it's a universal truth that people with more money borrow more, to build assets. It is time for Indonesia's retail bankers to work harder for their bonuses. And their country.

The writer can be contacted at Debnath.Guharoy@roymorgan.com