

## Life is not a contest. Businesses need to put competition into context.

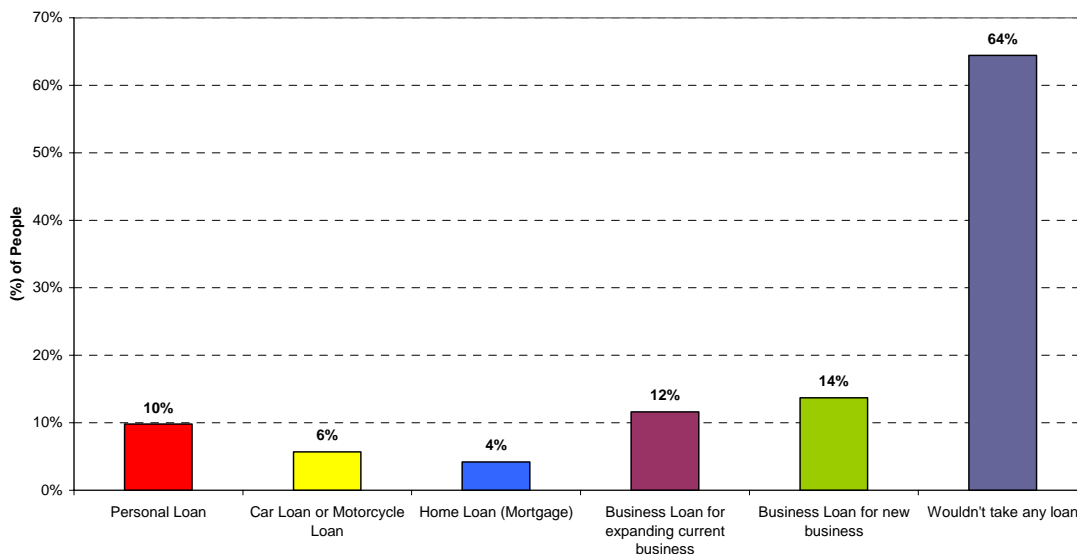
What a difference a day can make. Travelling the United States of America this week, one cannot escape the constant headlines drawing attention to the fortunes of Barack Obama. The incendiary remarks of a Rev. Wright revelling in the media spotlight, markedly different in Washington from his tone and manner in Detroit the day before, has hurt the fortunes of the Democratic hopeful. Proves the point that bright lights and camera lenses can indeed be mesmerising. Even a man of faith can fall prey to the dizzying impact of national attention.

What a difference a year can make. While the world is buffeted by the ever-increasing price of oil and its impact on the cost of food, oil companies are raking in record profits with Shell recently declaring US\$ 9 billion. While Indonesia rolls along at over 6 per cent growth in GDP and state-owned banks announce improve better operating results, the majority of its people are struggling even harder to make ends meet.

If the backbone of any economy is small business, Indonesia is hurting. With fortunes dramatically different from those of big business, spirits are still high among both existing and aspiring entrepreneurs. A year has gone by since the presidential proclamations to aid and abet small businesses across the country. Banks have lowered lending rates. The response from the prospective borrower is looking good but as always, everything will depend on conversion of hope to reality.

A special poll was conducted recently to ascertain interest in loans and credit, for both business and personal needs. A total of 2074 respondents were interviewed. Conducted in tandem with Roy Morgan Single Source, the country's largest syndicated survey, it reflects the views of Indonesians above the age of 14 from across the country.

"At the current interest rate, would you be interested to take/apply any loan for the following purposes:  
(You may select more than one answer)"



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About 17 million people, owners of small and micro business, including their spouses and grown-up children, would like a loan for the purpose of expanding their current family business. Of the approximately 7 million business owners in the country, many also join the ranks of the 20 million people, owners and spouses, who would like to start a new business. Considering that they are also fathers and mothers at home, the optimism is noteworthy. It explains the continuing upward movement in Consumer Confidence as well. Similarly, 14 million people would like to take a personal loan. 8 million are considering applying for a loan to finance a car or motorcycle. Around 6 million people would like a mortgage for a new home.

The 40:60 ratio of “haves” and “have-nots” seems to ring true yet again. As usual, the haves seem to want more, with 64 per cent of the people uninterested in any kind of credit even today. What will come as a pleasant surprise to many is the fact that almost half the people wanting credit facilities today, are women. That includes loans for both business and personal reasons. In a predominantly Moslem community, the final loan application may indeed be in the name of the male in the household or business, but the importance of the revelation should not be clouded by paperwork.

For the country’s banks, the news is as good as any they could wish for. The key question however is how many of these aspirations will materialise in actual loans or credit facilities. The time to convert hopes into reality is now, at a time when the country needs alleviation of the pain felt by most homes. If the hurdles are too high for too many, credibility will be lost and faith will be hard to build again. Cautious optimism is the balanced need of these turbulent times.

Every year thousands of Indonesian graduates return from universities overseas, eager to practice at home what they have learnt abroad. Often, they find themselves reporting to senior bankers who have preceded them at the very same institutions of learning. In an increasingly flat and borderless world, together they apply universal norms to the business of granting and managing loans. On the one hand, the wink-and-nod habit that led to the subprime loans crisis is practiced with equal enthusiasm here, as with credit cards issued often unasked by the affluent minority. On the other, most banks with the exception of BRI are loath to entertain the aspirations of “micro” business owners who could collectively power a mighty punch for the economy. Micro-loans can be tough work.

While local regulations must be adhered to, universal guidelines may warrant some rethinking if the country’s banks are to contribute towards nation-building. This is not a good time for blind devotion to improving the balance sheet at any cost, or nurturing the year-end bonus for personal gain. More than ever, now is the time for the country’s bankers to ‘do the right thing’. Anything less could be devastating at a time when the level of pain at home is high, but the optimism to build a better future is even higher. The pressure on the state-owned banks will be even higher in these crucial months, because they will be held to the highest of standards. After all, they are owned primarily by the people, not only investors. Dash their hopes or abuse their needs, either way a major opportunity could be lost.

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