

Strengthening Performance-Based and Forward-Looking Macroprudential Liquidity Incentive Policy (KLM)

Bank Indonesia is strengthening performance-based and forward-looking Macroprudential Liquidity Incentive Policy (KLM), effective from 1st December 2025, through the provision of liquidity incentives to banks disbursing loans/financing to priority sectors and/or supporting lending/financing as determined by Bank Indonesia. The scope of priority sectors includes: (i) the agricultural, manufacturing and downstream sector, (ii) services sector, including the creative economy, (iii) construction, real estate and housing sector, and/or (iv) MSME, cooperative, inclusive and green sector. The size of KLM incentive available to eligible banks is capped at 5.5% as follows: (i) lending channel incentives up to 5% of third-party funds (TPF), and (ii) interest rate channel incentives up to 0.5% of TPF, namely based on the speed at which banks adjust lending rates on new loans or financing to the policy rate set by Bank Indonesia. Furthermore, the size of the incentive awarded to banks in the lending channel also considers adjustment factors for the realisation of credit/financing growth against the credit/financing growth commitments of the previous period. The size of incentives and scope of priority sectors determined by Bank Indonesia are recapitulated as follows:

1. Incentives for lending/financing to priority sectors (lending channel):

- a) Incentives for agricultural, manufacturing and downstream sector to a maximum of 1.5% for conventional commercial banks, sharia commercial banks and sharia business units as follows:

Scope of Agricultural, Manufacturing and Downstream Sector	Macroprudential Liquidity Incentives	
Agricultural Subsectors 1. Horticultural Crops 2. Fishing 3. Animal Husbandry/Livestock 4. Food Crops 5. Hunting and Agricultural Services 6. Plantation Crops 7. Forestry	Credit Growth Tier	Share of Credit
		Below threshold ($\leq 10\%$) (in bps) Above Threshold ($> 10\%$) (in bps)
	0%	0
	>0-3%	130
	>3-7%	140
	>7%	150
Manufacturing Industry and Supporting Subsectors 1. Chemicals and Chemical Products Industry* 2. Metal Fabrication and Electronics Industry 3. Plastic Products Industry 4. Furniture Industry 5. Rubber and Rubber Products Industry 6. Wood and Wood Products Industry 7. Motor Vehicle Industry (two wheels or more) 8. Food and Beverages Industry 9. Machine and Equipment Industry 10. Transportation Equipment Industry 11. Wearing Apparel Industry 12. Chemicals, Pharmaceuticals and Traditional Medicaments Industry 13. Coal Products Industry 14. Basic Metals Industry 15. Supporting Industries for Agriculture, Trade and	Notes: + is an additional incentive of 30 bps for each bank with credit share and growth exceeding upper threshold.	

Manufacturing ** Trade Subsectors 1. Wholesale Trade, Except of Motor Vehicles and Motorcycles 2. Retail Trade, Except of Motor Vehicles and Motorcycles 3. Sale, Repair and Maintenance Motor Vehicles and Motorcycles Notes: *) Additional codes for other chemical products; **Originating from Electricity, Gas and Water Supply sector	
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- b) Incentives for Services sector, including the Creative Economy to a maximum of 0.6% for conventional commercial banks, sharia commercial banks and sharia business units as follows:

Scope of Services Sector, including the Creative Economy	Macroprudential Liquidity Incentives		
1. Land Transportation 2. Goods Transportation and Logistics Support* 3. Storage and Transportation Support Activities 4. Accommodation and Food Service Activities 5. Printing and Reproduction of Recorded Media 6. Arts, Entertainment and Recreation 7. Tourism Transportation 8. Tourism Service Activities 9. Other Service Activities 10. Education Services 11. Health Services 12. Rental Activities and Business Leasing without Option Rights related to Tourism 13. Footwear Industry 14. Handicrafts Industry 15. Other Processing Industry related to Creative Economy 16. Information and Communication Notes: *) additional codes for goods transportation	Credit Growth Tier	Share of Credit	
		Below threshold ($\leq 2\%$) (in bps)	Above Threshold ($> 2\%$) (in bps)
	$\leq 0\%$	0	40
	$> 0-6\%$	40	50
	$> 6-12\%$	50	60
	$> 12\%$	60	60+
Notes: + is an additional incentive of 30 bps for each bank with credit share and growth exceeding upper threshold.			

- c) Incentives for Construction, Real Estate and Housing sector to a maximum of 1.4% for conventional commercial banks, sharia commercial banks and sharia business units as follows:

Scope of Construction, Real Estate and Housing Sector	Macroprudential Liquidity Incentives		
1. Construction 2. Real Estate 3. Housing Loans 4. Flat/Apartment Loans	Credit Growth Tier	Share of Credit	
		Below threshold ($\leq 2\%$) (in bps)	Above Threshold ($> 2\%$) (in bps)
	$\leq 0\%$	0	120
	$> 0-3\%$	120	130
	$> 3-7\%$	130	140
	$> 7\%$	140	140+
Notes: + is an additional incentive of 30 bps for each bank with credit share and growth exceeding upper threshold.			

- d) Incentives for MSME, Cooperatives, Inclusion and Green sector to a maximum of 1.5% for conventional commercial banks, sharia commercial banks and sharia business units as follows:

Scope of MSME, Cooperatives, Inclusion and Green Sector	Macroprudential Liquidity Incentives		
1. Micro, Small and Medium Enterprises (MSMEs) 2. Ultra Micro Enterprises (UME) 3. Green Housing Loans and Green Automotive Loans 4. Water Supply, Sewerage, Waste Management and Remediation Activities 5. Cooperatives	Credit Growth Tier	Share of Credit	
		Below threshold ($\leq 1\%$) (in bps)	Above Threshold ($> 1\%$) (in bps)
	$\leq 0\%$	0	140
	$> 0-4\%$	140	150
	$> 4\%$	150	150+

Notes: + is an additional incentive of 30 bps for each bank with credit share and growth exceeding upper threshold.

2. Incentives for setting interest rates on new loans in line with the direction of Bank Indonesia policy (interest rate policy):

Incentives for banks in the interest rate channel are measured based on the speed at which banks adjust lending rates on new loans to the policy rate set by Bank Indonesia, up to a maximum of 0.5% for conventional commercial banks, sharia commercial banks and sharia business units as follows:

Elasticity of interest rates on new loans/financing to BI-Rate	Incentive (in bps)
< 0.3	0
$\geq 0.3 - < 0.6$	40
≥ 0.6	50

Bank Indonesia is implementing KLM policy by providing liquidity incentives through reductions in the demand deposits of banks held at Bank Indonesia to meet average reserve requirement (RR) obligations. To calculate KLM policy, banks must submit a commitment report concerning a loan/financing disbursement plan offline to Bank Indonesia periodically in accordance with the mechanism set by Bank Indonesia. Bank Indonesia can then evaluate the provision of KLM incentives and communicate the evaluation results to the banks, including the realisation of the loan/financing commitment plan.