

Strengthening Macroprudential Liquidity Incentive Policy (KLM)

Strengthening the Macroprudential Liquidity Incentive Policy (KLM) aims to stimulate higher bank lending/financing growth, while maintaining prudential principles, effective from 1st August 2026 for conventional commercial banks, sharia commercial banks, and sharia business units. KLM strengthening is implemented as follows:

1. Maintaining the maximum KLM incentive at 5.5% of third-party funds (TPF).
2. Strengthening the KLM lending channel to become the KLM financing channel through the additional calculation of bank holdings of corporate securities/sharia securities as determined by Bank Indonesia. Bank holdings of corporate securities/sharia securities will be calculated as part of the loans or financing disbursed to the MSME, cooperatives, inclusive, green and others sector, with the maximum incentive maintained at 1.0% of TPF. Overall, the financing channel incentive is maintained at a maximum of 4.5% of TPF.
3. Strengthening the mechanism for granting KLM interest rate channel incentives in line with the direction of Bank Indonesia policy. The KLM interest rate channel incentive, which was previously calculated based on the elasticity between the policy rate (BI-Rate) and the lending rate on new rupiah loans or the percentage return on new rupiah bank financing, has been strengthened to be based on the spread between the lending rate on new rupiah loans or the percentage return on new rupiah bank financing and the policy rate (BI-Rate). The interest rate channel incentive is maintained at a maximum of 1.0% of TPF.

4. Adding a new incentive channel, namely the KLM financing to funding channel.

Additional KLM incentives are granted to banks that have not yet received the maximum incentive of 5.5% and meet the MIR target in accordance with the range determined by Bank Indonesia based on the performance of non-TPF funding sources. The additional financing to funding channel incentive is set at a maximum of 0.5%.

A summary of the KLM strengthening plan, including the size of the incentive for each channel, sectoral scope, and criteria for granting KLM incentives as determined by Bank Indonesia, is as follows:

1. Incentives for lending or financing to certain sectors (financing channel):
 - a) Incentives for the **agriculture, manufacturing and downstream** sector are set at a maximum of **1.5% of TPF** for conventional commercial banks, sharia commercial banks, and sharia business units, as follows:

Scope of Agriculture, Manufacturing and Downstream Sector	Summary of Macprudential Policy Incentives																											
AGRICULTURAL SUBSECTOR 1. Horticultural Crops 2. Fisheries 3. Livestock 4. Food Crops 5. Agricultural Services and Hunting 6. Plantation Crops 7. Forestry	<table border="1"> <thead> <tr> <th data-bbox="799 1368 1066 1413">Credit/Financing</th> <th colspan="2" data-bbox="1066 1368 1398 1413">Share of Credit (%)</th> </tr> <tr> <th data-bbox="799 1413 1066 1458">Growth Tiers</th> <th data-bbox="1066 1413 1225 1458">Below</th> <th data-bbox="1225 1413 1398 1458">Above</th> </tr> <tr> <th data-bbox="799 1458 1066 1503">(% yoy)</th> <th data-bbox="1066 1458 1225 1503">threshold</th> <th data-bbox="1225 1458 1398 1503">threshold</th> </tr> <tr> <td data-bbox="799 1503 1066 1547"></td> <td data-bbox="1066 1503 1225 1547">($\leq 10\%$)</td> <td data-bbox="1225 1503 1398 1547">($> 10\%$)</td> </tr> <tr> <td data-bbox="799 1547 1066 1592"></td> <td data-bbox="1066 1547 1225 1592">(in bps)</td> <td data-bbox="1225 1547 1398 1592">(in bps)</td> </tr> </thead> <tbody> <tr> <td data-bbox="799 1592 1066 1637">$\leq 0\%$</td> <td data-bbox="1066 1592 1225 1637">0</td> <td data-bbox="1225 1592 1398 1637">130</td> </tr> <tr> <td data-bbox="799 1637 1066 1682">$> 0-3\%$</td> <td data-bbox="1066 1637 1225 1682">130</td> <td data-bbox="1225 1637 1398 1682">140</td> </tr> <tr> <td data-bbox="799 1682 1066 1727">$> 3-7\%$</td> <td data-bbox="1066 1682 1225 1727">140</td> <td data-bbox="1225 1682 1398 1727" rowspan="2">150</td> </tr> <tr> <td data-bbox="799 1727 1066 1771">$> 7\%$</td> <td data-bbox="1066 1727 1225 1771">150</td> </tr> </tbody> </table>	Credit/Financing	Share of Credit (%)		Growth Tiers	Below	Above	(% yoy)	threshold	threshold		($\leq 10\%$)	($> 10\%$)		(in bps)	(in bps)	$\leq 0\%$	0	130	$> 0-3\%$	130	140	$> 3-7\%$	140	150	$> 7\%$	150	
Credit/Financing	Share of Credit (%)																											
Growth Tiers	Below	Above																										
(% yoy)	threshold	threshold																										
	($\leq 10\%$)	($> 10\%$)																										
	(in bps)	(in bps)																										
$\leq 0\%$	0	130																										
$> 0-3\%$	130	140																										
$> 3-7\%$	140	150																										
$> 7\%$	150																											

MANUFACTURING AND SUPPORTING
INDUSTRIES SUBSECTOR

1. Chemicals, Chemical Products Industry
2. Metal Products and Electronics Industry
3. Plastics Industry
4. Furniture Industry
5. Rubber, Rubber Products Industry
6. Wood and Wooden Products Industry
7. Automotive Industry (two wheels or more)
8. Food and Beverages Industry
9. Machinery and Equipment Industry
10. Transportation Equipment Industry
11. Wearing Apparel Industry
12. Chemicals, Pharmaceuticals and Traditional Medicaments Industry
13. Coal Products and Petroleum Refining Industry
14. Basic Metals Industry
15. Agriculture, Trade and Manufacturing Support

<p>TRADE SUBSECTOR</p> <ol style="list-style-type: none"> 1. Wholesale Trade, except of Motor Vehicles and Motorcycles 2. Retail Trade, except of Motor Vehicles and Motorcycles 3. Trade, Repair and Maintenance of Motor Vehicles and Motorcycles 	
---	--

b) Incentives for the **Services** sector, including the **Creative Economy**, are set at a maximum of **0.6% of TPF** for conventional commercial banks, sharia commercial banks, and sharia business units, as follows:

Scope of Services Sector, including the Creative Economy	Summary of Macprudential Policy Incentives		
	Credit/Financing Growth Tiers (% yoy)	Share of Credit (%)	
		Below threshold (≤2%) (in bps)	Above threshold (>2%) (in bps)
1. Land Transportation			
2. Freight and Logistics Support			
3. Storage and Transportation Support Activities			
4. Accommodation and Food Service Activities			
5. Printing and Reproduction of Recorded Media Industry	≤0%	0	20
6. Arts, Entertainment and Recreation	>0-6%	20	40
7. Tourism Transportation	>6-12%	40	60
8. Tourism Services Activities	>12%	60	
9. Other Services Activities			

10. Education Services 11. Health Services 12. Leasing and Leasing Without Options Rights related to Tourism 13. Footwear Industry 14. Handicrafts Industry 15. Other Manufacturing Industries related to the creative economy 16. Information and Communication	
--	--

- c) Incentives for the **Construction, Real Estate and Housing** sector are set at a maximum of **1.4% of TPF** for conventional commercial banks, sharia commercial banks, and sharia business units, as follows:

Scope of Construction, Real Estate and Housing Sector	Summary of Macprudential Policy Incentives		
	Credit/Financing Growth Tiers (% yoy)	Share of Credit (%)	
1. Construction 2. Real Estate 3. Households for Ownership of Residential House (Housing Loans) 4. Households for Ownership of Flat or Apartment (Apartment Loans) Construction and Real Estate Support		Below threshold (≤2%) (in bps)	Above threshold (>2%) (in bps)
	≤0%	0	100
	>0-3%	100	120
	>3-7%	120	140
	>7%	140	

- d) Incentives for **the MSME, Cooperative, Inclusion, Green and Others** sector are set at a maximum of **1.0% of TPF** for conventional commercial banks, sharia commercial banks, and sharia business units, as follows:

Scope of MSME, Cooperative, Inclusion, Green and Others Sector	Summary of Macprudential Policy Incentives		
	Credit/Financing Growth Tiers (% yoy)	Share of Credit (%)	
		Below threshold (≤1%) (in bps)	Above threshold (>1%) (in bps)
1. Micro, Small and Medium Enterprises (MSMEs)	≤0%	0	70
2. Ultra-Micro Entreprises	>0-4%	70	100
3. Green Housing Loans and Automotive Loans	>4%	100	
4. Waste Management and Remediation Activities			
5. Cooperatives			
6. Corporate securities/sharia securities holdings (scope refers to MIR policy)			

2. Incentives for setting lending rates on new rupiah loans or percentage returns on new rupiah financing in line with the direction of Bank Indonesia policy (interest rate channel).

Incentives for banks are based on the spread between the lending rate on new loans or the percentage return on new rupiah bank financing and the Bank Indonesia policy rate (BI-Rate). The maximum incentive is 1.0% of TPF for conventional commercial banks, sharia commercial banks, and sharia business units, as follows:

Spread between lending rate on new loans/percentage return on new bank financing and BI-Rate (%)	Incentive (in bps) Maximum 100 bps
<3%	100
≥3% - <6%	40
≥6% - <10%	10
≥10%	0

3. Incentives for non-TPF funding sources, consistent with the performance of MIR target (financing to funding channel).

Incentives for non-TPF funding sources are granted to banks that have not yet received the maximum KLM incentive of 5.5%, subject to the requirements of achieving the percentage for non-TPF funding, including securities, covered under the MIR policy, against total bank funding and with a Macprudential Intermediation Ratio (MIR) in accordance with the range determined by Bank Indonesia.

Ratio of non-TPF Funding to Total Bank Funding (%)	Incentive (in bps) Maximum 50 bps
0%	0
>0% - <2%	40
≥2%	50

KLM implementation is conducted through the provision of liquidity incentives by reducing the banks' demand deposits at Bank Indonesia to meet the average reserve requirement. Specifically for KLM financing channel calculations, banks are required to submit offline

reports on commitments for planned lending/financing disbursements to Bank Indonesia periodically in accordance with the stipulated mechanisms. Furthermore, Bank Indonesia may evaluate the provision of KLM incentives and communicate the evaluation results to banks, including in relation to the realisation of commitments for planned lending/financing disbursements.