Appendix of Press Release No. 28/84/DKom

# Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry

April 2026

BANK INDONESIA

## PLR Continued to Decrease in February 2026 due to a Lower Cost of Funds and Overhead Costs

- **The Prime Lending Rate (PLR) in February 2026 continued to decline, driven by lower cost of funds and overhead costs.**
- **As an aggregate, interest rates on rupiah loans decreased in March 2026, supported by a monthly decline in interest rates on new loans to stimulate intermediation.**
- **Lending rates in most Macroprudential Liquidity Incentive Policy (KLM) priority sectors continued tracking a downward trend over the past six months to reach a level lower than the industry average in line with contained credit risk.**

### Prime Lending Rate (PLR)[1] Developments in February 2026

**In February 2026, the PLR decreased to 8.63% as banking industry liquidity improved.** On a monthly basis, the PLR declined by 15 basis points (bps) to 8.63%. The decline occurred

[1] The Prime Lending Rate (PLR) is published by banks in accordance with OJK Regulation (POJK) No. 13 of 2024 concerning Lending Rate Transparency and Publication. The PLR is used as a benchmark for setting the interest rate charged by the bank to debtors but does not consider the individual borrower's risk premium component. Therefore, the interest rate that is charged to debtors is not necessarily equal to the PLR. The assessment period uses PLR data available until the publication of the report.

as credit growth slowed by 59 bps to 9.37% (yoy) (**Graph 1**)[2]. The lower PLR indicates adequate bank funding conditions that can promote more competitive lending rates, even though credit demand remained relatively soft, which constrained credit growth. By bank group, the PLR decreased across all bank groups except foreign bank branches. Regional government banks recorded the largest decline of 30 bps to 8.84% (**Graph 2**). Meanwhile, the PLR at state-owned banks (BUMN) and national private commercial banks declined more moderately by 15 bps and 11 bps to 8.82% and 8.47%, respectively. In contrast, the PLR at foreign bank branches (KCBA) increased slightly by 1 bps to 5.16%. These developments indicate differing responses among bank groups, reflecting liquidity conditions, credit disbursement strategies and risk profiles. Overall, non-KCBA bank groups are striving to maintain competitiveness through lower PLRs. Moving forward, these developments are expected to strengthen the transmission of policy rate cuts to prime lending rates in the banking industry.

**Graph 1 Prime Lending Rate (%)**

*PLR; Credit Growth (rhs)*

*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

**Graph 2 Prime Lending Rate in February 2026 by Bank Group**

[2] In October 2024, the components of the PLR were adjusted in accordance with the provisions contained in OJK Regulation (POJK) No. 13 of 2024 concerning the Transparency and Publication of Prime Lending Rates. The PLR values in October 2024, November 2024 and December 2024 were restated in line with data corrections submitted by the reporting banks for the aforementioned periods.

*Aggregate; Foreign Bank Branches; National Private Commercial Banks; State-Owned Banks; Regional Government Banks;*

*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

**PLR by Component[3]**

**The lower PLR in February 2026 was attributable to declines in the cost of loanable funds (CoLF) to 3.04% and overhead costs (OHC) to 3.35%.** On a monthly basis, the CoLF fell a further 6 bps to 3.04% in February 2026 (**Graph 3**), indicating milder funding pressure as banking liquidity increased, as reflected by lower third-party fund costs and other liabilities, which fell respectively by 5 bps and 4 bps to 2.36% and 0.06%. Meanwhile, overhead costs decreased by 9 bps to 3.35%, primarily influenced by lower labour costs, promotional costs and other costs. The declines in the cost of funds and overhead costs indicated bank efforts to maintain business and operational activities efficiently.

**Graph 3 Components of PLR* (%)**

*CoLF; OHC; Profit Margin*

[3] PLR consists of 3 (three) subcomponents, namely: (i) Cost of Loanable Funds (CoLF), comprising third-party funds (Cost of TPF, cost of reserve balances, cost of LPS premium) and cost of non-TPF (cost of liabilities to Bank Indonesia and other banks, cost of securities issued, cost of loans received, and others), (ii) overhead costs (OHC), comprising changes in the fair value of liabilities, operational risk loss, commissions/provisions/fees and administration, depreciation/amortisation, impairment of non-financial assets, labour cost, promotion cost, foreign exchange conversion loss, other expenses and other overheads, (iii) profit margin, which is set by the bank when disbursing new loans.

*based on the new regulation with adjustments to bank revisions

Source: OJK, processed

**The CoLF decreased in February 2026 as bank funding conditions improved.** By bank group, the largest monthly decline in the CoLF component was observed at regional government banks, down 21 bps to 3.52%, thus continuing a downward trend (**Graph 4**). The CoLF also declined at national private commercial banks and foreign bank branches by 14 bps and 5 bps to 3.23% and 1.77%, respectively. Conversely, the CoLF at state-owned banks increased slightly by 1 bps to 3.23%. The lower CoLF in the banking industry reflects the lagged impact of Bank Indonesia's policy rate cuts and easing competition in funding markets. At regional government banks, the decline was driven by increasing liquidity in line with faster Transfer Fund Allocations to Regions (TKD). At national private commercial banks, improvements in funding structure through reductions in special rate funds, particularly for corporate and BUMN depositors, which fell by Rp19.87 trillion on a monthly basis, also helped contain funding costs. At foreign bank branches, the CoLF decline was influenced by lower funding costs from obligations to other banks and lower interest rates on individual savings deposits. On the other hand, the availability of special rates on time deposits, particularly to government and corporate customers, contributed to a slight increase in funding costs at state-owned banks.

**Overhead costs experienced broad-based declines across all bank groups, with the largest contributions from state-owned banks and regional government banks.** At the industry level, OHC decreased by 9 bps to 3.35% on a monthly basis. The largest declines were recorded at state-owned banks and regional government banks, down 15 bps and 10 bps to 3.54% and 3.27%, respectively (**Graph 5**). Meanwhile, national private commercial banks and foreign bank branches also recorded declines, albeit more limited, of 1 bps and 7 bps to 3.18% and 1.79%, respectively. In general, the lower OHC was influenced by lower labour costs at most bank groups, except national private commercial banks, lower promotional cost particularly at regional government banks, and other costs, including the procurement of goods and services at regional government banks, national private commercial banks and foreign bank branches.

**Bank profitability improved, driven by wider profit margins at most bank groups.** Industrywide, bank profitability improved by 2 bps to 2.25% in February 2026. The improvement was more limited than the decline in funding and overhead costs as banks aimed to maintain competitiveness in the credit market. By bank group, the largest increases in profit margins occurred at foreign bank branches and national private commercial banks, up 13 bps and 4 bps to 1.60% and 2.06%, respectively (**Graph 6**). The wider profit margins at these two bank groups were driven by lower funding costs and greater operational efficiency. Profit margins also increased at regional government banks, although by a more moderate 2 bps to 2.05%. In contrast, the profit margin at state-owned banks decreased by 1 bps to 2.44% as funding costs increased due to higher interest rates offered to core depositors, particularly government and corporate customers. Overall, such developments indicate that declines in funding costs and operational efficiencies were used to increase profit margins and lower lending rates. Differences in profit margin developments across bank groups reflect variations in funding strategies and cost structures in response to market developments.

**Graph 4 CoLF* Component by Bank Group (%)**

*Industry; Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches*

*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

**Graph 5 OHC* Component by Bank Group (%)**

*Industry; Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches*

*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

**Graph 6 Profit Margin* Component by Bank Group (%)**

*Industry; Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches*

*based on the new regulation with adjustments to bank revisions

Source: Financial Services Authority (OJK), processed

**Lending Rates**

**Rupiah lending rates decreased in March 2026 in line with lower interest rates on new loans.**[4] On a monthly basis, the weighted average interest rate on rupiah loans declined by 4 bps to 8.76%, while interest rates on new loans decreased by 36 bps to 9.03% (**Graph 7**). The decline in interest rates on new loans reflects adjustments to loan pricing in line with ample liquidity and lower funding costs, which are beginning to push down aggregate lending rates. By bank group, lower interest rates on new loans were recorded at all bank groups, except national private commercial banks. Significant declines occurred at state-owned banks and regional government banks, falling by 71 bps and 61 bps to 7.84% and 8.42%, respectively (**Graph 8**). Meanwhile, foreign bank branches recorded a decline of 44 basis points to 7.64%. In contrast, national private commercial banks recorded an increase of 14 bps to 10.13%. Lower

[4] Interest rates on new loans are the prices set by lenders on new credit facilities.

interest rates on new loans also reflected the improving perception of debtor credit risk in March 2026.

**In terms of fund mobilisation, rupiah deposit rates were observed to decline, indicating less competition in funding markets.** Rupiah deposit rates declined by 2 bps to 2.66% on a monthly basis in March 2026, reflecting bank efforts to improve funding costs (**Graph 7**). The decline was driven by a higher share of current accounts and savings accounts (CASA) as well as lower deposit rates. Moving forward, synergy and the monetary operations strategy of Bank Indonesia to support bank liquidity, together with government fund placements in the banking industry, are expected to continue contributing to lower funding costs and lessen competition in deposit rates. Nevertheless, persistently elevated global geopolitical uncertainty could increase liquidity volatility and risk perception, affecting the stability of funding costs and the effectiveness of policy rate transmission.

**Graph 7 Interest Rates on Rupiah Loans and Rupiah Third-Party Funds (%)**

*BI-Rate; Lending Rates on Rupiah Loans; Lending Rates on New Loans; 3-Month Moving Average of Lending Rates on New Loans; Interest Rates on Rupiah Deposits; 1-month Term Deposit Rate*

Source: Integrated Commercial Bank Reports (Antasena), processed

**Graph 8 Interest Rates on New Loans by Bank Group (%)**

*Regional Government Banks; State-Owned Banks; Foreign Bank Branches; National Private Commercial Banks;*

Source: Integrated Commercial Bank Reports (Antasena), processed

**Elasticity of Interest Rates on New Loans Since August 2024**

**The elasticity of interest rates on new loans to the policy rate strengthened in March 2026.** On a monthly basis, transmission of the policy rate to interest rates on new loans improved, as reflected by a 15-bps increase in the industrywide elasticity coefficient to 0.40 in March 2026 (**Graph 9**). The coefficient reflects the sensitivity of changes in interest rates on new loans to changes in the policy rate in the short term. As a trend, industrywide elasticity was also higher than at the beginning of 2026, recorded at 0.31, indicating improved transmission over the past quarter. By bank group, elasticity increased at most bank groups, except national private commercial banks. At state-owned banks, the increase in elasticity was driven by the banks' ability to offer more competitive interest rates on investment loans to corporate borrowers and non-bank financial institutions in the private sector. Meanwhile, at regional government banks, stronger elasticity was influenced by growth in new working capital loans. At foreign bank branches, the increase in elasticity was also affected by interest rate adjustments in the consumer loan segment. On the other hand, national private commercial banks showed a weaker response due to higher interest rates on investment loans, particularly for tenors above one year.

**Graph 9 Elasticity of Interest Rates on New Rupiah Loans by Bank Group**

*BI-Rate (rhs); Regional Government Banks; State-Owned Banks; National Private Commercial Banks; Foreign Bank Branches; Industry*

Notes:

- Elasticity is calculated based on the following formula = (percent change in interest rates on new rupiah loans) / (percent change in BI-Rate)
- Base period used when calculating elasticity is August 2024, namely when the BI-Rate reductions began.

Source: Integrated Commercial Bank Reports (Antasena), processed

**Lending Rates in Macroprudential Liquidity Incentive Policy (KLM) Priority Sectors**[5]

**The forward-looking, performance-based Macroprudential Liquidity Incentive Policy (KLM) provides scope for banks to reduce lending rates across most priority sectors in line with lower funding costs and optimised lending to KLM priority sectors.** Such developments indicate that the transmission of policy rate reductions to KLM priority sectors is consistent with the relatively well-maintained risk perception of banks concerning borrower quality. In March 2026, lending rates in all KLM priority sectors were lower than the industry average and decreased in most sectors (**Graph 10**). Lending rates in the construction, real estate and housing sector declined by 3 bps to 6.84%, while the services sector, including the creative economy, declined by 1 bps to 7.79%. Meanwhile, lending rates in the agriculture, manufacturing and downstream sector remained relatively stable, rising by only 1 bps to 8.68%. Disbursement of macroprudential liquidity incentives totalling Rp427.1 trillion up to the first week of March 2026 helped support effective policy rate transmission and accelerate optimal financing to achieve sustainable economic growth. Lower lending rates in most KLM

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[5] Macroprudential Liquidity Incentive (KLM) policy is a set of incentives determined by Bank Indonesia to stimulate balanced, quality and sustainable intermediation by reducing the reserve balances required to be held at Bank Indonesia to meet the average reserve requirement. In accordance with Board of Governors Regulation (PADG) No. 7 of 2025, as the third amendment to Board of Governors Regulation (PADG) No. 11 of 2023 concerning the implementation regulations for Macroprudential Liquidity Incentive Policy (KLM), the priority sectors were reclassified on 1st December 2025 to strengthen KLM implementation as follows: (i) agriculture, manufacturing, and downstream sectors, (ii) services, including the creative economy, and (iii) construction, real estate and housing. In addition to the priority sectors, KLM policy also targets the MSME segment and micro enterprises.

priority sectors were consistent with lower non-performing loan (NPL) ratios in most sectors, with NPL ratios in all priority sectors remaining below the 5% prudential threshold (**Graph 11**). Meanwhile, the MSME segment recorded a monthly decline in lending rates of 8 bps to 10.47%, alongside a decline in the NPL ratio of 8 bps to 4.60% in March 2026.

**Graph 10 Lending Rates in KLM Priority Sectors and MSME Segment**

**Lending Rates in Priority Sectors and Non-KLM Sectors (%)**

*Industry; Trade, Agriculture, Manufacturing Industry (PPIP); Transportation, Tourism and Creative Economy (TPEK); Construction (including Public Housing); Green*; Non-KLM Agriculture, Manufacturing and Downstream Sectors; Services Sector, including the Creative Economy; Construction, Real Estate and Housing Sector*

Source: Integrated Commercial Bank Reports (Antasena), processed

**Lending Rates in MSME Segment (%)**

*Industry; MSMEs*

Source: Integrated Commercial Bank Reports (Antasena), processed

**Graph 11 NPL in KLM Priority Sectors and MSME Segment**

**NPL in Priority Sectors and Non-KLM Sectors (%)**

*Industry; Trade, Agriculture, Manufacturing Industry (PPIP); Transportation, Tourism and Creative Economy (TPEK); Construction (including Public Housing); Green*; Non-KLM Agriculture, Manufacturing and Downstream Sectors; Services Sector, including the Creative Economy; Construction, Real Estate and Housing Sector*

Source: Integrated Commercial Bank Reports (Antasena), processed

**NPL in MSME Segment (%)**

*Industry; MSMEs*

Source: Integrated Commercial Bank Reports (Antasena), processed

**Based on a longer-term perspective, namely the past six months, lending rates in all KLM priority sectors have declined.** The reclassification of priority sectors through the forward-looking KLM policy supports stronger credit demand prospects from KLM priority sectors, thereby underpinning credit growth. The decline in lending rates positions KLM priority sectors in Quadrants II and III (**Graph 12**), representing a combination of lower interest rates and relatively contained risk. Nevertheless, there was a slight increase in risk in the services sector, including the creative economy, which needs to be monitored continuously. Overall, lending rates in KLM priority sectors are lower than the industry average, indicating that the KLM policy can strengthen the transmission of policy rate reductions, while stimulating banking intermediation. Meanwhile, non-KLM sectors recorded a decline in lending rates of 4 bps to 10.60% in line with improvements in credit quality, as reflected by a 10-bps decline in the NPL ratio to 1.64% (Quadrant IV). In the MSME segment, lending rates declined despite higher credit risk, reflecting adjustments to interest rates by banks based on borrower characteristics and risk profiles and as part of the efforts to stimulate greater demand moving forward.

**Graph 12 Mapping Lending Rates and NPL in KLM Priority Sectors and Segments**

*KLM; Non-KLM;*

*MSMEs; Construction (including Public Housing); Trade, Agriculture, Manufacturing Industry; Construction, Real Estate and Housing Sector; Agriculture, Manufacturing and Downstream Sectors; Transportation, Tourism, Creative Economy; Services Sector, including the Creative Economy; Non-KLM*

***Lending Rates September 2025 and March 2026 Positions***

**Quadrant I:** high interest rate, high NPL

**Quadrant II:** low interest rate, high NPL

**Quadrant III:** low interest rate, low NPL

**Quadrant IV:** high interest rate, low NPL

**Notes:**

Size of bubble indicates credit share.

Direction of arrow indicates movement of bubble from July 2025 to January 2026.

Source: Integrated Commercial Bank Reports (Antasena), processed

**Box: Overview of Prime Lending Rate Transparency Policy in the Banking Industry**

The objective of the prime lending rate transparency assessment is to strengthen Bank Indonesia monetary and macroprudential policy transmission. Through transparency, the public and corporate sector can compare the PLR published by different banks. Faster policy rate transmission to interest rates in the banking industry in the form of competitive and efficient lending rates is expected to revive demand for loans and help drive the domestic economic recovery.

As part of this effort, Bank Indonesia (BI) is publishing the "Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry." Several factors influence the determination of the prime lending rate at each bank, namely the Cost of Loanable Funds (CoLF), overhead costs (OHC), and profit margin. This publication is expected to enhance public understanding of prime lending rates in the banking industry in Indonesia, including information on the mapping of such rates. In addition to expediting more effective monetary policy transmission, Bank Indonesia also strives to increase the dissemination of information to corporate and household borrowers through this publication. Furthermore, this assessment aims to increase governance, market discipline and competition when setting prime lending rates in the banking industry to ensure more competitive rates, boost the demand for loans and accelerate economic recovery momentum.

Similar publications are a common international practice. Central banks in other jurisdictions, including Malaysia, India, and China, also promote PLR transparency through publications such as the External Benchmark Rate, Loan Prime Rate and Base Rate. Moreover, the International Monetary Fund (IMF) requires members countries to submit a Reference Lending Rate and Reference Deposit Rate for publication as a reference spread between lending rates and deposit rates as one of the Financial Soundness Indicators (FSI).