ABSTRACT

This study aims to identify the relationship between macroprudential policies, specifically the loan-to-value (LTV) ratio, and to examine the role of financial inclusion in moderating the relationship between LTV policies and wealth inequality in developing countries. This study uses panel data covering 15 developing countries over the period from 2013 to 2023. Data analysis was conducted using panel data regression with the Random Effect Model (REM) approach, which was chosen based on model selection tests indicating that the characteristics between units of observation can be treated as a random component in the panel regression model. The estimation results show that the interaction between the relaxation of LTV policy and financial access has a significant and negative relationship with wealth inequality. This suggests that an increase in both LTV and financial access can reduce the level of wealth inequality. However, the Loan-to-Value policy itself did not have a significant effect on wealth inequality across the 15 developing countries during the observation period. These findings suggest that when credit access is made easier through the relaxation of LTV policies, followed by improved financial access for all income groups, the distribution of asset ownership becomes much more equitable, thereby reducing wealth inequality.

Keywords: Macroprudential Policy, Loan to Value Ratios, and Wealth Inquality