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NGOs, Institutional Transparency, and Citizen Trust in Small-Loan Programs: Evidence from the Kurdistan Region of Iraq

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Abstract:

The article discusses the role of non-governmental organizations (NGOs) to establish and maintain transparency, accountability, and engage the public in small-loan projects in the Kurdistan Region of Iraq (KRI). The study, which is based on the Systems Theory of Governance, Principal-Agent Theory, and Diffusion of Innovations Theory, considers financial inclusion not just as an economic aspect but as a governance process as well. The research relies on survey data from the KRI governorates and is intended to evaluate the impact of institutional transparency, the involvement of NGOs, and factors at the citizen level, especially awareness and trust, on obtaining loans in a transparent and equitable manner. The survey's outcomes reveal that only 36.6% of the population is familiar with small-loan programs, and only 5.9% of respondents stated that they have received a loan, thus illustrating a significant divide between the availability of policies and public participation in them. The data taken from these observations indicates that simply making institutions transparent is not enough as poor communication between institutions and citizens prevents efficient access. Awareness and trust are factors that mediate participation, and thus, provide a reason for emphasizing the importance of conveying information and gaining credibility in loan administration. Moreover, the article proves that the NGOs have a fundamental role in not only increasing transparency but also in extending openness by flowing of information, lessening information asymmetries, and helping to focus loan administration accountability. The partnership between NGOs and government institutions can be fortified, and the trust-building measures can be emphasized so that the transparency of policies can be transformed into an equitable and accessible financial inclusion more effectively. Hence, this article sees financial inclusion as a mechanism of governance and anti-corruption that leads to improvement of accountability and participation, especially in post-conflict settings such as the KRI .

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المنظمات غير الحكومية، الشفافية المؤسسية، وثقة المواطنين في برامج القروض الصغيرة: أدلة من إقليم كردستان العراق

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الملخص:

تناقش هذه المقالة دور المنظمات غير الحكومية في ترسيخ الشفافية والمساءلة وتعزيز مشاركة أصحاب المشاريع الريادية في مشاريع القروض الصغيرة في إقليم كردستان العراق. وتعتمد الدراسة على أطر نظرية متعددة، تشمل نظرية النظم في الحوكمة، ونظرية الوكيل–الأصيل، ونظرية انتشار الابتكار، حيث تنظر إلى الشمول المالي ليس بوصفه بُعدًا اقتصاديًا فحسب، بل باعتباره أيضًا عملية حوكمة متكاملة. وترتكز الدراسة على بيانات مسحية جُمعت من محافظات إقليم كردستان العراق، وتهدف إلى تقييم أثر الشفافية المؤسسية، ودور المنظمات غير الحكومية، والعوامل المرتبطة بالمواطنين—ولا سيما الوعي والثقة—في الحصول على القروض بصورة شفافة وعادلة. وتُظهر نتائج المسح أن نسبة ٣٦.٦% فقط من السكان لديهم معرفة ببرامج القروض الصغيرة، في حين أفاد ٥.٩% فقط من المستجيبين بأنهم حصلوا فعليًا على قرض، وهو ما يعكس فجوة واضحة بين توافر السياسات العامة ومستوى المشاركة المجتمعية فيها. وتشير البيانات المستخلصة من هذه النتائج إلى أن تحقيق الشفافية المؤسسية وحده لا يكفي، إذ إن ضعف التواصل بين المؤسسات والمواطنين يعيق الوصول الفعّال إلى هذه البرامج. كما يتضح أن الوعي والثقة يمثلان عاملين وسيطين أساسيين في تعزيز المشاركة، الأمر الذي يبرز أهمية إيصال المعلومات وبناء المصداقية في إدارة القروض. وتُثبت الدراسة كذلك أن للمنظمات غير الحكومية دورًا جوهريًا لا يقتصر على تعزيز الشفافية فحسب، بل يمتد إلى توسيع نطاق الانفتاح من خلال تدفق المعلومات، والحد من فجوات عدم تماثل المعلومات، والمساهمة في توجيه مساءلة إدارة القروض. ويمكن لتعزيز الشراكات بين المنظمات غير الحكومية والمؤسسات الحكومية، إلى جانب التركيز على إجراءات بناء الثقة، أن يحوّل شفافية السياسات إلى شمول مالي أكثر عدالة وإتاحة على نحو أكثر فاعلية. وبناءً عليه، تنظر هذه المقالة إلى الشمول المالي باعتباره آلية من

آليات الحوكمة ومكافحة الفساد، تسهم في تحسين المساءلة وتعزيز المشاركة، ولا سيما في السياقات الخارجة من النزاعات مثل إقليم كردستان العراق.

الكلمات المفتاحية:

المنظمات غير الحكومية؛ الشمول المالي؛ الشفافية؛ المساءلة؛ الحصول على القروض؛ إقليم كردستان العراق.

المقدمة: Introduction

Financial inclusion has been widely accepted as one of the powerful tools not only to promote transparency, accountability, and social justice but also to bring them about in post-conflict and transitional communities (Ul-Durar et al., 2025). In the KRI, government agencies and partner organizations have resorted to small-loan schemes as a tool to foster entrepreneurship, reduce unemployment, and socially empower the neglected segments of the population (GIZ, 2023; International Labour Organization, 2024; Iraq Business News, 2023; Kurdistan Region Statistics Office, 2022; Relief International, 2019; Shafaq News, 2024). Nevertheless, these purported developmental agendas have been actually marked by few participants and declining public trust. The loan uptake mechanisms are generally thought to be complicated, politically controlled, and not transparent enough which is why only a few citizens involved. The continuous difference between policy-making and citizen involvement shows that there are more serious governance issues related to institutional transparency, accountability, and lack of information.

Looking at the core challenges of loan uptake in the KRI, this research points to the lack of institutional transparency, low levels of public trust, and insufficient civic participation in financial governance as the main factors that undermine transparency and fairness. Small-loan programs are, in fact, formally accessible to everyone. However, only a small number of citizens actually take advantage of these programs, and the governance structures of these initiatives are often without any systematic supervision by independent or civic organizations. Without a well-structured NGO engagement and public awareness, loan systems are at work without transparency, thus leading to inefficiency, exclusion, and corruption risks that are aggravated. In this regard, financial inclusion is intertwined with the anti-corruption policy and strategic governance, where NGOs have a major role in bridging the accountability and openness between the government and society.

According to the gaps that have been mentioned above, this study is driven by the following objectives:

1. To investigate the impact of NGO participation and state transparency on citizens' awareness and trust in lending efforts.
2. Examining Socio-Economic, Institutional, and Cultural Determinants Affecting Loan Acquisition

In line with these objectives, the study advances the following hypothesis:

- H1: The involvement of NGOs and the transparency of the government have a good effect on how much people know about and trust loan programs
- H2: Awareness and trust act as intermediaries in the correlation between structural transparency and loan acquisition.

The study is based on three closely linked, mutually complementary theoretical perspectives. Systems Theory explains loan governance at a macro level as a set of interactions among suppliers (government and banks), users (citizens), and facilitators (NGOs and media). A system of transparent financial governance cannot exist without an efficient communication and feedback loop within these systems. Principal–Agent Theory, on the other hand, is an anti-corruption theory defining the mechanism of how mismanagement and favoritism can take place due to the information asymmetry between the governmental institutions (principals) and the implementing actors (agents) and, also, how the NGOs as scrutinizing parties can act as a remedy by monitoring the implementation and, hence, reducing the risks. Diffusion of Innovations Theory adds a dimension of human behavior by talking about how the level of awareness, trust, and perceived legitimacy shapes people's acceptance of governance-related innovations such as their willingness to get involved in loan programs.

Following this theoretical integration, the study's conceptual framework suggests that by NGO involvement and government openness, as causes, citizens’ awareness and trust will be raised. These two, through capacity-building and local community-based approaches to justice, are the main elements that bring about increased transparency and fairness in loan access, which in the end results in loan uptake as the dependent variable. The framework here sees financial inclusion not merely as an outcome but rather as a governance process, where the two factors–institutional openness and civic engagement–are seen as the necessary conditions or requisites for the fair and transparent access to public financial resources.

In terms of methodology, this research is a quantitative, cross-sectional survey-based one aimed at identifying the factors that lead to transparent and fair loan acquisition in the KRI. The data used in the study random sample refers to 3,371 individuals drawn from all four governorates of Erbil, Duhok, Sulaymaniyah, and Halabja, in which both the urban and rural areas as well as different socio-economic and educational backgrounds are well represented. Administered survey instrument contains a set of questions designed to measure different constructs such as institutional openness, awareness, trust, training needs, perceived fairness, and loan acquisition. The instrument was tried out to ensure non-confusability and reliability, and further analysis was done through descriptive and cross-tabulation statistical methods aimed at identifying the interrelations between the main variables. Measures of ethics have been strictly complied with through the study like voluntary participation, confidentiality, and response anonymity.

I. Literature Review

Financial inclusion is considered a very important tool for poverty reduction, entrepreneurship development, and increasing the ability of societies to withstand various shocks, especially those which are fragile and have been exposed to conflicts (Rubio, 2025). Microcredit and small-loan schemes aimed at supporting self-employment and micro-enterprise development are the main financial inclusion initiatives in the Kurdistan Region of Iraq (KRI). However, research indicates that simply having financial products available is not enough to guarantee participation, as the decision to use these products depends on a range of institutional, social, and personal factors that are beyond just access (Osuma, 2025).

Financial inclusion policies in transitional economies are targeted at removing structural obstacles like the weak network of branches, very limited identification systems, lack of collateral, tight regulations, and the lack of proper communication with the public (Rubio, 2025; Osuma, 2025). Studies on microfinance have shown that the results achieved would be mainly dependent on having support social infrastructure like trustworthy intermediaries, good communication channels, and grievance mechanisms which are all efficient. According to Systems Theory, which suggests that the interaction between the community and provider subsystems is at the heart of the program effectiveness (Boubker et al., 2021), the above-mentioned facts are consistent with it. Participation has always been conditional on awareness and financial literacy which are most of the time identified as the initial ones. Besides knowing that a program exists, it also involves an individual being well-informed about the eligibility criterion, procedures, and repayment terms (Haruna, 2024). Financial literacy not only complements these aspects but it also facilitates better understanding, confidence, and decision-making. Diffusion of Innovation Theory considers awareness as the very first stage of learning that comes before persuasion and adoption, and very low awareness is, therefore, a major hindrance, especially, in complicated or bureaucratic systems (Shaiku et al., 2025).

Moreover, institutional trust and engagement are two decisive factors that play a part in participation. Transparency in procedures, easy documentation, well-defined timelines, and the involvement of the community have been shown to increase the rate of applications (Islam, 2021). Trust in public institutions as well as financial provider’s affects people’s readiness to give their information and to get involved with formal systems. Considering a systems approach, trust fosters collaboration and sharing of information, whereas distrust harms the system's efficiency and discourages participation (Boubker et al., 2021).

Training and capacity development are major elements that can lead to increased access and better results as well. Gaining skills in areas like financial management, record-keeping, cash-flow management, and even some marketing can, therefore, help in not only getting loans but also in ensuring their sustainability after they have been obtained (Islam, 2021). Training works not only by lessening the fear of getting into debt but also by boosting self-efficacy as well as providing support for informed participation which is especially true if it is jointly done with mentoring or follow-up support. Besides the above, the loan product itself and demographic characteristics are also key factors that influence adoption. All such attributes of a loan as the length of the loan period, the number of installments, grace periods, and the repayment schedule should be in line with both the business and the individual's money-cycle so that they can be regarded as something that is sufficient and advantageous (Haruna, 2024). Age has been found to have an impact on one's awareness and trust where very often it's the young people who are not much acquainted with formal finance, on the other hand, the old ones are usually more cautious of going into debt (Haruna, 2024; Shaiku et al., 2025).

Theoretical Frameworks

The research is supported by three theories: Systems Theory, Principal–Agent Theory, and Diffusion of Innovations Theory. According to these theories, NGO involvement and institutional transparency influence not only awareness and trust but also participation in small-loan programs in the KRI. These frameworks, taken together, offer a governance-oriented view that traces the institutional structure, information flows, and citizen behavior in financial inclusion initiatives.

Systems Theory and Strategic Governance

Systems Theory (Bertalanffy, 1968) understands governance as a system of interrelated subsystems which depend on continuous interaction and feedback. In the case of financial access, the provider subsystem (government and financial institutions), the user subsystem (citizens and small business owners), and the enabling subsystem (NGOs, media, and oversight bodies) are three main subsystems. The lack of communication between these subsystems leads to opacity and mistrust, which in turn cause exclusion and governance failure. NGOs promote the stabilization of the system by executing coordination, monitoring implementation, and delivering citizen feedback, thus enabling the distribution of loans that are fair and rule-based.

Principal–Agent Theory and Anti-Corruption Oversight

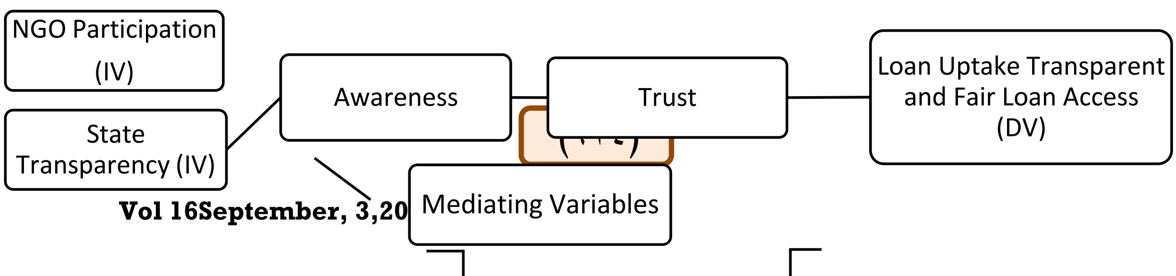
Principal–Agent Theory (Jensen & Meckling, 1976; Eisenhardt, 1989) deals with how information irregularity between principals (the state or public funds) and agents (implementing banks or branches) leads to favoritism and misuse of funds. Without monitoring, agents could hide the aspects of eligibility and also be involved in colluding with politically connected applicants. The role of the NGOs is to be the accountability intermediaries who by promoting transparency through education, independent monitoring, and civic reporting facilitate the reduction of misconduct and the strengthening of governance integrity in loan administration.

Diffusion of Innovations Theory and Civic Participation

Diffusion of Innovations Theory (Rogers, 2003) is a theory that looks at the behavioral side of the issue and helps to understand how awareness and trust are the factors that influence citizens' engagement with public financial programs. The citizen participation increases if they perceive loan schemes as understandable, credible, and advantageous. In the KRI, a lack of awareness combined with distrust of institutions leads to a very low uptake of such schemes. NGOs consider of these obstacles by providing correct information, facilitating community-level training, and repositioning loan programs from bureaucratic risks to empowerment tools thus not only legitimizing the government but also increasing participation.

Conceptual Framework

This conceptual framework displays how the structural and behavioral aspects determine the degree of transparency and accessibility of loan uptake programs in the KRI. Lending fairness and



transparency are the primary model outcomes representing the public's perceptions of loan distribution and individuals' participation levels. These outcomes are influenced by communication, trust, and accountability processes, which are clarified by Systems Theory, Principal-Agent Theory, and Diffusion of Innovations Theory.

The main independent variables are the NGOs intervention and government transparency. Based on a systems view, these two elements reinforce the "enabling subsystem," which facilitates the connection of the service provider sub-system with the receiver sub-system consisting of citizens and small enterprises. Through community efforts, training, and audit, the NGO actively engages in enhancing the channels for feedback, thus bettering the communication between the institutions and the beneficiaries. In a similar manner, government transparency has a positive effect on the willingness of the providers to share and disseminate information in a clear and straightforward manner, thus resulting in citizens being provided with reliable information and having a higher level of trust in the institutions.

Awareness and trust are essential mediators that facilitate the behavioral engagement by structural openness. The Diffusion of Innovations Theory considers knowledge as the very first phase of adoption which necessitates person understanding of the loan programs as well as the procedures involved before they can participate. The principal–agent theory argues that trust is the factor that alleviates the suspicion of corruption and favoritism that leads to engagement. NGOs help to smooth the trust building process by being the vehicles of communication between the governments and the implementing institutions, thus, instilling more confidence in the loan governance.

Once people are more aware and have a high level of trust, they can advance to the stage of training and skill acquisition that are the main connections between desire and actually doing. Learning about loan management and the fundamentals of business can help the potential borrowers to get over the obstacle of procedural complexity thereby removing one kind of resistance to the adoption of the innovations. When NGOs and government institutions work together in the "enabling subsystem," the citizens are best equipped through the provision of accessible information and capacity-building activities.

Fairness perceptions and the understanding of the loan conditions may also be determining factors in the decision to participate. Clear procedures, fair conditions, and the uniformity of application practices contribute to trust, and legitimacy and, thus, increase the probability of engagement. In general, the framework argues that loan application can be a very human process and not merely technical. The role of NGOs and making the institutions more transparent lead to awareness and trust that are the means through which openness leads to real participation and subsequently to higher levels of transparency and fairness in the financial sector.

Analysis and Discussion of Findings

Objective One: To investigate the impact of NGO participation and state transparency on citizens' awareness and trust in lending efforts.

(Connected to Hypothesis 1: The involvement of NGOs and the transparency of the government have a good effect on how much people know about and trust loan programs.)

Table 1 – General Awareness

Awareness	*Count*	*Percent*
No	2 137	63.4 %
Yes	1 234	36.6 %

The research hirer a large share of the sample perception informed that microcredit operations were unknown to them in the KRI. 63%

This percentage is quite concerning given that there are still microfinance programs in operation. At the same time, from the point of view of system theory, such a situation with awareness can be considered as a sign of an inadequately established communication link interaction between provider subsystem (government and financial institutions sector) and consumer subsystem (citizens and small businesses sectors). The dissemination of financial information that does not get to the recipients comprises the repayment of rules, the conditions for eligibility, and the steps for applying method. This systemic failure makes it difficult for people to make smart financial decisions, which in turn negatively affects both participation and transparency.

The little public knowledge about microfinance institutions to be the reason for NGOs that are not effectively involved in educating the people about public finances. NGOs are normally functioning as a part of a bigger system to increase people's engagement with the institutions. The absence of awareness-raising activities is a sign of inadequate governance since raising awareness is often regarded as a technical aspect of project realization rather than a strategic governance function that is crucial for the accountability and anti-corruption operations. The diminishing of NGOs in the middle of the gap between those who know and those who do not increases the problem of favoritism and uneven access to funds for certain people. This concept is very important in principal-agent theory. The insufficient level of citizen awareness decreases their capacity to supervise and increases the possibility of concealment, which benefits the principals (implementing institutions).

Table 2: Awareness by Governorate

Governorate	***No (%)***	***Yes (%)***
Duhok	60.3	39.7
Erbil	62.8	37.2
Sulaymaniyah	68.2	31.8

Halabja	63.0	37.0

Spatial holes show that institutions are not evenly spread out. This improvement is good for Duhok and Erbil.

A more profound understanding of what has been presented can be obtained by differentiating these governorates. Duhok and Erbil are a little bit more advanced in terms of proficiency compared to Sulaimaniyah which is mainly dependent on state programs. The link between these variables reveals that institutional transparency, which is a combination of government openness and civil society being alive and well, has a direct impact on people's knowledge. This is in line with the initial assumption, proposing that environments with more collaboration across different sectors result in more efficient information sharing. However, the levels of awareness don't reach even 40% in these two governorates which are more skilled. Structures are not able to achieve their full capabilities because of inefficient diffusion processes. The diffusion theory stipulates that only individuals who are at the knowledge stage can receive financing and new ideas. Even if it is from a less relevant or a more valid source, the message is still there. People in the KRI put more trust in their communities and personal networks than in government or social media information. If it weren't for the concentrated efforts led by NGOs, new ideas would hardly ever be able to penetrate into society.

The information doesn't directly point to trust but it can be inferred from the awareness patterns. Local people who have better access to training or public consultations through NGOs are not only more aware but they also have more trust in institutions. Limited knowledge implies that formal information systems are seen as untrustworthy, thus supporting the "principal-agent" theory, which argues that credibility is eroded due to information asymmetry. The citizens are against investigating the fairness of loan distribution which keeps the issues of uncertainty and marginalization intact.

Besides, lack of awareness also plays a role in the area of ethics and anti-corruption. The biggest number of people not knowing about the qualifying criteria or loan opportunities is the fact that gives the implementing agencies more power and at the same time it causes corruption, favoritism, and bias in the selection process to increase. NGOs, being external overseers or civic educators, can diminish these risks by educating people about who is eligible and by simplifying the process of filing a complaint. Whereas, their position intensifies the risks of government surveillance. The findings pinpoint the insufficiencies of strategic communication: awareness programs are mainly focused on information dissemination rather than persuasion. According to the diffusion theory, acceptance is dependent on source relevancy and legitimacy. To change someone's behavior, it is not enough to simply give them information. What is more important is the one-on-one contact which brings the policy into people's everyday lives. Without it, government financial programs may be viewed as unfeasible or as having a political agenda, thus, people's trust in the principles of inclusion would get eroded.

Synthesis for Objective 1

The investigation of the main goal presents considerable difficulties in confirming the very first hypothesis. On one hand, institutions and NGOs should be open and honest, but this alone is not sufficient. Transparency has to be significantly increased through trust-building measures. Due to lack of knowledge, there is systemic doubt, not enough NGO participation, and local people not getting informed about the policy objectives. The absence of clarity implies that there is not enough information and that there is not sufficient accountability, which demonstrates that citizens are not closely monitoring the financial governance system. In order to elevate public awareness, government agencies and NGOs have to collaborate in a planned manner. For this, you can establish feedback mechanisms, complaint lodges for citizens, and communication which is suitable for different cultures. The ultimate objective of anti-corruption is to make transparency known and practiced.

II. Objective Two

Examining Socio-Economic, Institutional, and Cultural Determinants Affecting Loan Acquisition

(Connected to Hypothesis 2: Awareness and trust act as intermediaries in the correlation between structural transparency and loan acquisition.)

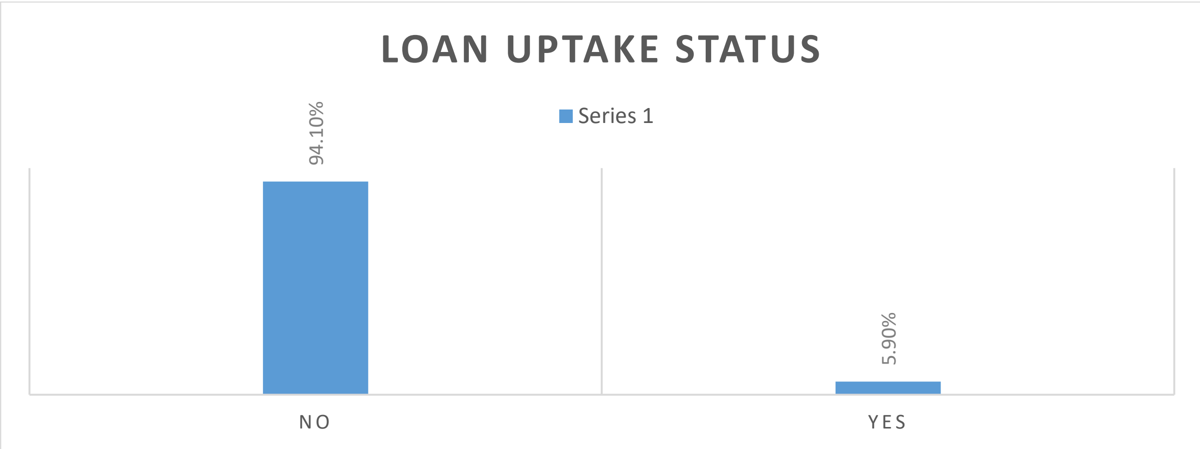


Figure 1. Loan Acceptance Status

The microcredit programs benefited only 5.9 percent of the sample population, which clearly indicates that the system is not functioning properly. It is not plausible to attribute the lower participation rate to the lack of demand due to the current negative economic situation. Rather, it is an indication that the government is not delivering its services efficiently enough, thereby, discouraging people from exploiting the opportunities. Hence, both the provider subsystem (which comprises policies and institutions) and the facilitator subsystem (which comprises NGOs and information intermediaries) are existing.

The system is structurally there, but it is dysfunctional due to the absence of communication channels between people who want to talk, check their eligibility, or process applications. This creates a situation in which the target group cannot utilize it.

Trust and awareness serve as mediating variables, as reflected in the difference between the level of awareness and the actual extent of engagement. Table 4 below demonstrates that being aware significantly increases the likelihood of obtaining a loan, but it does not address other issues. The dissemination of knowledge makes it more difficult for people to participate since they lack sufficient understanding, the process is too complicated, and they do not trust banks.

Table 3. Uptake loans by being aware

Awareness	***Received Loan (%)***	***Did Not Receive Loan (%)***
Aware	12.4	87.6
Not Aware	1.7	98.3

Awareness raises the probability of a seven-fold engagement, although the overall benefit remains modest. The small intersection between the two indicates that information alone is not sufficient to handle structural uncertainty. The diffusion of innovation model suggests that in order to move from "knowledge" to "decision", besides trustworthiness, the perceived ease is also necessary. Both KRI factors have the same issues, namely bureaucracy, lack of communication, and distrust of the institution's objectives.

In general, the lending system is believed to be politically biased or poorly managed. The communities' stories reveal that loan awareness does not necessarily lead to equal opportunities. Both providers and agents castigate lenders, whether they are local banks or implementers, for being the source of unfairness when the decision on acceptance of applications is made. At times, knowing the facts of the situation can make people more pessimistic since they acknowledge the need for the task but consider it unjust or beyond their power. The malfunction of the system in the assessment of accountability comes from the issue of justice rather than that of transparency.

The results indicate that a person's usage of an institution depends on his education level and residency. Duhok and Erbil, which are rich in NGOs, have lower participation rates. This finding implies that NGOs, through providing technical skills and lobbying for justice, can play a vital role in reducing bureaucratic uncertainty. Nevertheless, these changes are only apparent in certain areas; in places where civil society is less empowered, acceptability remains unchanged. The unavailability of a standardized policy for civil society engagement in every governorate is what causes the inconsistency of inclusivity. This demonstrates that the governance model is centering the administrative side more than the periphery. This is an instance of structural inequality that indirectly increases the possibility of corruption.

Morally and culturally, the data show that people who perceive differences between Islamic beliefs, particularly the prohibition of usury, are often not recognized enough for the magnitude of the problem they point out. This signifies that there is a dissemination gap, which basically means that the lending program or invention is not compatible with the recipient's values. Most Muslim communities consider interest-based financing as an evil that has no alternative, such as Sharia-compliant microfinance. The variation in principles makes individuals less willing to trust the goals of the institution. Transparency is not limited to just sharing information but also ensuring that laws are in accordance with people's lifestyle and work.

The 5.9% of usage rate has also an impact on the way anti-corruption supervision is conducted. Discretionary allocations are predisposed to be concealed if a system is vulnerable to elite capture during the application or qualification stage. The non-existence of public monitoring creates opportunities for bias and the giving away of unauthorized rewards. NGOs could become more responsible if they made eligibility criteria, the names of beneficiaries, and the statistics on payments accessible to the public for scrutiny. These transparent measures will turn lending programs from optional instruments to rights-based services. This is an indispensable part of the anti-corruption policy framework.

Synthesis for Objective 2

The data unequivocally support the second hypothesis, thereby elevating its significance. Higher levels of awareness and trust facilitate the obtaining of services; however, institutional, structural, and cultural barriers still impede the progress in this respect. Financing initiatives in the KRI reveal considerable transparency, offering adequate openness for participation while at the same time ensuring strict control. When people lose faith in the government, even if it is open, things tend to stagnate. When people witness injustice, they experience a sense of alienation.

Going beyond mere availability of real equity, policy changes should primarily emphasize informed governance and relationships:

- Collaborating with NGOs and governmental bodies might be a way to raise trustworthiness.
- Establish independence oversight boards to ensure that processes and choices are done fairly without bias.
- Align local financial morality more closely with market products by simply providing non-interest-charging solutions or those that are based on partnerships.

The second objective point to the lack of government as the main reason for reduced demand for microloans in the KRI, thus negating the notion of a shortage of individual desire. This indicates that the systems designed to assist people are not functioning properly. True inclusion goes beyond mere access to information. Trust in institutions, ethical standards, and fair procedures are also necessary. NGOs have the potential to effectively facilitate the attainment of all these components.

Conclusions and Recommendations

This article is an attempt to analyze how the participation of NGOs and the transparency of institutions contribute to fair and open access to loans in microcredit programs in the KRI. Finance inclusion is presented in the paper as a strategic governance model whereby integrity and accessibility of the public resources are ensured through a process regulated by the three elements of efficiency, information, and accountability.

The empirical evidence points to a very poorly developed infrastructure. While it is claimed that financial programs are available for everyone in all the governorates, only 36.6% of the population knows about them, which is a strong indication of poor and irregular communication between the two parties—service providers and citizens. The institution's failure is also manifested in insufficient institutional openness and minimal NGO involvement in spreading information. Besides, only 5.9% of those surveyed indicated that they have taken a loan from a bank, an indicator that financial inclusion in the KRI is basically a formal one—implemented on paper but not really in effect. Trust and awareness turn out to be crucial mediating variables which determine the level of participation in loan programs.

Furthermore, the data show that transparency and formal openness, without the accompaniment of other factors, may not really result in higher participation levels. Besides, the residents should be able to understand the steps involved in acquiring a loan and should also trust that institutions are operating without discrimination. In such a situation, NGOs are able to work effectively to help spread information, also helping to oversee the process and build trust between institutions and citizens. By doing so, their contribution goes a long way in preventing information asymmetry and making it easier to be confident in lending systems.

Systems Theory in combination with Principal–Agent Theory and Diffusion of Innovations Theory can make a comprehensive explanation of the place of anti-corruption in the development policy. Systems Theory focuses on the significance of communication channels within institutions, Principal–Agent Theory deals with the problem of how trust and participation are negatively affected by information asymmetry and lack of monitoring, while Diffusion of Innovations Theory draws attention to the importance of awareness and trust for citizens’ acceptance of governance initiatives. Thus, financial inclusion is seen here from the three perspectives of a governance system in which policy commitment to transparency needs to be understood, trusted, and communicated to result in fair and accessible uptake of loans.

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