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THE ROLE OF CORPORATE GOVERNANCE IN EXPANDING FINANCIAL INCLUSION AND REDUCING POVERTY

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Abstract: In the context of the transformation of the global economy and the intensification of digitalization processes, the problem of ensuring financial inclusion as one of the key factors for sustainable socio-economic development acquires particular relevance. Financial inclusion, understood as the access of the population and businesses to quality, affordable, and safe financial services, is directly linked to reducing poverty, increasing entrepreneurial activity, and strengthening the financial stability of the state.

Keywords: corporate governance, financial inclusion, poverty, banking sector, institutional environment, financial services, digitalization, access to finance, sustainable development, ESG approach, small business, financial literacy, investment attractiveness.

Introduction. Financial inclusion is an important factor in economic development, as it provides the population with access to financial resources and contributes to poverty reduction. In modern conditions, the importance of corporate governance is increasing as a mechanism for improving the efficiency and transparency of financial institutions' activities. Research shows that the quality of corporate governance has a significant impact on the level of trust in the banking system and the accessibility of financial services. [1]

According to P. K. Ozili, the development of institutional governance mechanisms contributes to the expansion of financial inclusion. In the Republic of Uzbekistan, large-scale reforms of the financial sector have been implemented in recent years with the participation of the Central Bank. However, despite positive changes, a significant part of the population still has limited access to financial services, especially in rural regions. The main problems remain insufficient transparency in the activities of certain financial organizations, low levels of financial literacy, and limited infrastructure development. Under these conditions, the study of the role of corporate governance becomes particularly relevant.

Methodology: The study utilizes methods of analysis and synthesis, as well as comparative and economic-statistical approaches. The information base consists of data from the World Bank and the Central Bank of the Republic of Uzbekistan. The theoretical foundation is based on the works of P. K. Ozili, as well as research by Uzbek economists

Main Body. Modern research confirms that corporate governance is one of the key factors influencing the efficiency of financial institutions and their degree of involvement in expanding financial inclusion. In developing economies, this relationship is particularly evident, as the quality of the institutional environment directly determines the access of the population and businesses to financial resources. Corporate governance is a system of relationships between owners, management, and stakeholders aimed at ensuring transparency, accountability, and sustainable development of the organization. In the banking sector, these mechanisms acquire

[1] Peter K. Ozili. Corporate Governance and Financial Inclusion. — 2023.

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special significance because banks act as primary intermediaries in the redistribution of financial resources and play an important role in ensuring economic stability.

According to studies by P. K. Ozili, a high level of corporate governance contributes to reducing information asymmetry and increasing trust in financial institutions, which is a vital condition for expanding financial inclusion. This is especially relevant for transition economies, where the level of trust in the banking system traditionally remains limited. In the Republic of Uzbekistan, large-scale reforms aimed at modernizing the banking sector have been implemented in recent years. The Central Bank of the Republic of Uzbekistan plays a significant role in this process by introducing international standards of regulation and supervision. Specifically, measures have been taken to increase bank transparency, develop corporate governance, and strengthen competition in the financial sector.[2]

Despite positive changes, the level of financial inclusion in the country remains insufficiently high. According to international organizations, a significant part of the population is still limited in access to financial services, including lending and insurance. This problem is particularly acute in rural regions, where there is insufficient development of banking infrastructure and digital financial services. One of the key reasons for this situation is the imperfection of corporate governance in a number of financial organizations. Insufficient transparency, limited information disclosure, and weak protection of investor rights reduce client trust and hinder the attraction of new participants to the financial system. Consequently, a large portion of the population continues to use informal financial mechanisms, which limits economic growth opportunities and contributes to the persistence of poverty.

Table 1: Main indicators of financial inclusion of JSC "Xalq Bank" in 2021–2024 [3]

Indicators	**2021**	**2022**	**2023**	**2024**
Number of clients, million people	4.1	4.6	5.2	5.8
Number of bank cards, million units	5.3	6.1	7.4	8.6
Volume of online payments, trillion soums	12.4	18.7	27.5	39.2
Number of mobile users, million people	1.2	1.9	2.8	3.7

[2] Central Bank of the Republic of Uzbekistan. Reports on the development of the banking sector. — 2022–2024.

[3] Source: compiled by the author based on data from Xalq Bank and materials from the Central Bank of the Republic of Uzbekistan.

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Indicators	2021	2022	2023	2024
Number of branches in regions	197	198	200	201

As seen in Table 1, there is a steady growth in financial inclusion indicators at JSC "Xalq Bank". The increase in the number of mobile banking users and the volume of online payments is particularly noticeable, indicating active digitalization of financial services and expanded access for the population to banking products. Research by Uzbek economists, such as Yu. Pulatov and B. Islamov, shows that improving corporate governance in the banking sector contributes to increasing the efficiency of financial institutions and expanding their client base.[4] Specifically, the implementation of independent control principles, increasing the role of supervisory boards, and strengthening internal audit allow for risk reduction and improved service quality.

Table 2: Impact of JSC "Xalq Bank" activities on population financial accessibility indicators [5]

Indicators	2021	2022	2023	2024
Microcredits to the population, trillion soums	2.8	3.5	4.7	6.1
Loans to small businesses, trillion soums	5.2	6.4	8.1	10.3
Number of female borrowers, thousand people	312	387	451	536
Number of youth loan programs	6	8	10	13
Rural population coverage rate, %	41	47	55	63

The presented indicators confirm that the activities of JSC "Xalq Bank" have a positive impact on expanding financial inclusion. The growth in micro-lending volumes and small business support programs contributes to increased entrepreneurial activity and reduced poverty

[4] Yu. Pulatov, B. Islamov. Research on the banking system of Uzbekistan. — 2021–2023.

[5] Source: author's calculations based on open data from Xalq Bank and the Central Bank of the Republic of Uzbekistan.

levels among the population. **Conclusion and Recommendations**. The conducted study allows for the conclusion that corporate governance acts as one of the key factors determining the level of financial inclusion development and, consequently, the degree of poverty reduction in the economy. It has been established that effective corporate governance mechanisms ensure increased transparency of financial institutions, reduced information asymmetry, and strengthened trust from the population and businesses.

Analysis showed that in the Republic of Uzbekistan, despite ongoing reforms and the active role of the Central Bank, the level of financial inclusion remains insufficient. The main constraints are institutional weaknesses in corporate governance, uneven development of financial infrastructure, and low levels of financial literacy among the population. These factors prevent the full involvement of broad layers of the population in the financial system and slow down the process of poverty reduction. A significant result of the study is the confirmation that improving corporate governance contributes to expanded access to financial services. This conclusion aligns with the research results of Peter K. Ozili and Uzbek scholars, including Yu. Pulatov and B. Islamov.

Based on the analysis, the following practical recommendations are proposed:

1. First, it is necessary to further improve the corporate governance system in the banking sector by implementing international standards, increasing the role of independent directors, and strengthening internal control mechanisms. This will increase bank transparency and strengthen client trust.
2. Second, it is advisable to intensify the digitalization processes of financial services, which will ensure expanded accessibility, especially for the population in rural and remote regions. Particular attention should be paid to cybersecurity and consumer rights protection.
3. Third, it is necessary to implement comprehensive financial literacy programs for the population aimed at building trust in financial institutions and stimulating the use of formal financial services.

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