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**RISK MANAGEMENT PRACTICES AND BANK PERFORMANCE: THE
MEDIATING ROLE OF RISK MANAGEMENT IN COMMERCIAL BANKS IN
UZBEKISTAN.**

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Introduction

The stability and performance of banking institutions are critical to national economic development, particularly in emerging economies undergoing financial liberalization. Commercial banks in Uzbekistan operate in an environment characterized by credit risk, market volatility, liquidity constraints, operational weaknesses, and rapidly increasing technological risks driven by digital transformation. While international frameworks such as Basel Accords and COSO Enterprise Risk Management emphasize integrated risk governance, empirical evidence from Central Asia remains limited.

This study examines how multiple types of risk affect bank performance in Uzbekistan, focusing on the mediating role of risk management practices and the moderating influence of regulatory compliance and corporate governance. By addressing this gap, the research provides context-specific insights into banking resilience in an emerging market with constrained external risk-hedging mechanisms.

Research Aim and Objectives

The primary aim of this study is to investigate the relationship between major banking risk types and bank performance, considering the mediating and moderating mechanisms that shape this relationship.

The specific objectives are:

1. To assess the impact of credit, market, operational, liquidity, and technological risks on bank performance.
2. To examine the mediating role of risk management practices in the risk performance relationship.
3. To analyze the moderating effects of regulatory compliance and corporate governance.
4. To provide policy-relevant recommendations for strengthening banking resilience in Uzbekistan.

Methodology

A quantitative, cross-sectional research design was adopted. Primary data were collected through a structured questionnaire administered to 100 middle and senior managers from commercial banks operating in Tashkent, Uzbekistan. Respondents were selected using purposive sampling based on their involvement in risk management, finance, or operations.

The questionnaire measured five categories of risk, risk management practices, regulatory compliance, corporate governance, and perceived bank performance using five-



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point Likert scales. Reliability analysis confirmed strong internal consistency across all constructs. Data were analyzed using SPSS, employing correlation analysis, hierarchical multiple regression, mediation testing and moderation analysis using interaction terms.

Key Findings

The results show that all risk types are significantly associated with bank performance. However, these relationships are largely indirect. Without risk management practices, risk variables explained approximately 40% of the variance in performance. When risk management practices were introduced as a mediator, the explained variance increased to 55%, confirming a strong mediation effect.

Technological risk emerged as the most influential risk category, reflecting the growing importance of digitalization, fintech, and cybersecurity challenges in Uzbekistan's banking sector. Regulatory compliance and corporate governance were found to positively moderate the relationship between risk management practices and performance, indicating that strong institutional oversight enhances the effectiveness of internal risk controls.

Conclusion and Implications

The findings demonstrate that risk exposure alone does not determine bank performance in Uzbekistan. Instead, well-integrated risk management practices play a central role in transforming risk into manageable and performance-enhancing factors. The prominence of technological risk highlights the strategic importance of digital risk governance as banks expand online and fintech services.

From a practical perspective, the study suggests that bank managers should prioritize enterprise-wide risk integration, board-level oversight, and investment in digital risk management tools. For regulators and policymakers, the results provide empirical support for strengthening supervisory frameworks and promoting governance standards aligned with international best practices. Although limited by its cross-sectional design and single-city sample, the research offers a strong foundation for future longitudinal and regional comparative studies.

Keywords: Risk management practices, bank performance, technological risk, governance, Uzbekistan

