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USING AGILE METHODOLOGY TO IMPROVE CORPORATE GOVERNANCE IN UZBEKISTAN'S BANKS: CHALLENGES AND DEVELOPMENT PROSPECTS

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Abstract. *This article examines the opportunities, existing challenges, and development prospects of using Agile methodology to improve the effectiveness of corporate governance in Uzbekistan's banks. The accelerating digital transformation of the modern banking sector, rapidly changing customer demands, increasing competition with FinTech companies, and the need to introduce innovative products within shorter timeframes require greater flexibility in banking management systems. In this context, combining traditional hierarchical management mechanisms with Agile principles can expand banks' ability to make timely decisions and adapt to changing market conditions.*

The study analyzes international academic literature on Agile Governance and Agile Project Governance and links such Agile principles as adaptive management, rational delegation of authority, cross-functional collaboration, rapid decision-making, continuous improvement, and customer orientation with corporate governance systems in banks. The study also considers institutional and organizational challenges that may arise when implementing Agile methodology in Uzbekistan's banking sector, including centralized management, rigid hierarchical structures, concentration of decision-making authority at senior management levels, insufficient interdepartmental cooperation, and the integration of Agile approaches with risk management and internal control mechanisms.

As a result, the study proposes key directions for the gradual integration of Agile methodology into corporate governance in Uzbekistan's banks. This approach can contribute to accelerating management decision-making, strengthening innovation processes, enhancing cross-functional collaboration, improving the quality of customer service, and increasing banks' adaptability to changing market conditions.

Keywords: *Agile methodology, Agile Governance, corporate governance, banking sector, bank management, digital transformation, organizational agility, rapid decision-making, innovative management, risk management, FinTech.*

INTRODUCTION

Today, the rapid development of digital technologies in the banking sector, rapidly changing customer needs, intensifying competition from FinTech companies, and the need to bring new financial services to the market within shorter timeframes are creating new requirements for bank management systems. Ensuring competitive advantage in banking increasingly depends not only on financial resources and technological infrastructure, but also on the ability of corporate governance systems to adapt rapidly to changing environments, facilitate effective decision-making, and ensure cooperation among different functional units. Therefore, the issue of combining traditional hierarchical management mechanisms with modern adaptive management approaches is becoming increasingly relevant for the banking sector.

In this context, Agile methodology has emerged as one of the promising approaches to improving bank management.

Although Agile was initially developed to manage software development processes, its principles—including rapid adaptation, iterative improvement, cross-functional collaboration, customer value creation, and bringing decision-making authority closer to operational teams—have subsequently been applied to broader organizational management processes. From this perspective, studying Agile methodology not merely as a tool for managing IT projects, but as a mechanism for increasing the flexibility of corporate governance, is of significant academic and practical importance.

The relevance of Agile methodology in the banking sector is also increasing. The acceleration of digital transformation in banks requires closer cooperation between business and IT functions, short-cycle testing of new products and services, and greater alignment of managerial decisions with customer and market needs. Under such conditions, Agile principles can strengthen cooperation among various functional units of a bank, including IT, business, risk management, marketing, compliance, and operations. This can contribute to more effective coordination of organizational activities and faster responses to changes in the external environment.

This issue is particularly relevant for Uzbekistan's banking sector. In 2024–2025, the International Monetary Fund (IMF) and the World Bank conducted Uzbekistan's first comprehensive assessment of its banking and financial system under the Financial Sector Assessment Program (FSAP). The assessment examined financial-sector risks and vulnerabilities, the quality of financial-sector supervision, financial safety-net arrangements, the role of the state, non-performing loan management and resolution, payment systems, and access to finance[1].

Following the FSAP assessment, the Central Bank of the Republic of Uzbekistan approved a Roadmap for Further Enhancing the Bank Regulation and Supervision System for 2025–2028. Among its priority areas, the Roadmap identifies the improvement of corporate governance and risk-management requirements in banks, the strengthening of risk-based banking supervision, and the further development of the regulatory and supervisory framework.[2]

Within the framework of improving corporate governance, the Roadmap envisages measures aimed at strengthening governance and risk-management arrangements in commercial banks, improving internal regulatory documents and risk-related disclosures, and enhancing the roles and responsibilities of relevant governance bodies. These priorities are closely related to the principles of Agile management. Agile governance does not imply uncontrolled delegation of decision-making authority to lower organizational levels; rather, it seeks to establish faster decision-making within clearly defined authority, accountability, risk limits, and control mechanisms. Therefore, Agile methodology should not be viewed as being incompatible with corporate governance and risk-management requirements. On the contrary, when appropriately integrated with established control mechanisms, it can serve as a means of implementing these requirements more effectively.

The IMF's assessment also emphasizes the need for further reforms in Uzbekistan's legal and regulatory framework and highlights the importance of strengthening institutional and

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[1] International Monetary Fund and World Bank. Republic of Uzbekistan: Financial Sector Assessment Program (FSAP). 2025.

[2] Central Bank of the Republic of Uzbekistan. The "Roadmap" for Further Enhancing the Bank Regulation and Supervision System for 2025–2028 has been approved. 18 November 2025.

operational arrangements for financial stability.[3]This creates an important institutional context for examining management approaches capable of combining organizational flexibility with effective control and accountability. In this regard, Agile methodology may provide a practical framework for balancing managerial responsiveness, innovation, and risk control within banking institutions.

The scientific novelty of this study lies in examining Agile methodology in Uzbekistan's banks not merely as a project or IT management tool, but as a systemic approach aimed at increasing the adaptability of corporate governance. In this framework, Agile principles are linked to the interaction mechanisms among the Supervisory Board, executive management, risk-management, internal audit, business, and IT units. The proposed approach seeks to increase banks' capacity for rapid decision-making, innovation, and adaptation to market changes while maintaining the requirements of corporate control and risk management.

LITERATURE REVIEW

Although Agile methodology was initially developed for software development, its principles are increasingly being applied to organizational management and corporate governance systems. Luna et al., in their systematic study, characterize Agile Governance as an approach that enables organizations to respond rapidly to changing environments while improving governance effectiveness and competitiveness. Their systematic review examined 1,992 studies related to Agile Governance, of which 167 were selected for detailed analysis[4].

Lappi et al., in their study of Agile Project Governance, emphasize that Agile environments require a shift from rigid and predetermined control mechanisms toward continuous monitoring, rapid feedback, collaborative decision-making, and adaptive governance mechanisms. This approach is particularly relevant to the banking sector, where maintaining an appropriate balance between rapid managerial decision-making and effective risk control is essential.

Vaia, Arkhipova, and DeLone identify managed autonomy, business–IT integration, flexible organizational structures, and incremental decision-making and funding mechanisms as key elements of Agile Governance in the context of digital transformation.[5] These principles are particularly important for banks undergoing digital transformation, as they enable closer coordination between business and technology functions while maintaining appropriate governance and accountability mechanisms.

Studies focusing specifically on the banking sector indicate that Agile approaches are increasingly being applied beyond traditional IT projects to areas such as digital strategy, organizational design, product development, and business-process transformation. The adoption of Agile principles allows financial institutions to respond more rapidly to customer expectations, accelerate innovation cycles, and improve coordination between different organizational units.[6]

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[3] International Monetary Fund. Republic of Uzbekistan: Financial Sector Assessment Program—Financial System Stability Assessment. IMF Staff Country Report No. 25/145, 2025.

[4] Luna, A. J. H. de O., Kruchten, P., Pedrosa, M. L. E., Almeida Neto, H. R. de, & Moura, H. P. de. State of the Art of Agile Governance: A Systematic Review. International Journal of Computer Science and Information Technologies.

[5] Vaia, G., Arkhipova, D., & DeLone, W. H. Digital Governance and Agile Governance in the Context of Digital Transformation. Information Systems Management.

[6] Denning, S. The Age of Agile: How Smart Companies Are Transforming the Way Work Gets Done. AMACOM, 2018.

The review of the existing literature demonstrates that the majority of studies on Agile Governance have primarily focused on digital transformation, software development, and project management. However, the integration of Agile methodology with banks’ corporate governance, risk management, internal control systems, and the activities of governance bodies remains relatively underexplored, particularly in the context of emerging banking markets such as Uzbekistan. This research gap provides the theoretical and practical basis for examining Agile methodology as a mechanism for improving corporate governance in Uzbekistan’s banking sector.

RESEARCH METHODOLOGY

This study employs systematic analysis, comparative analysis, content analysis, and statistical analysis to identify the opportunities for applying Agile methodology to improve corporate governance in Uzbekistan’s banking sector. The theoretical foundation of the research consists of academic studies on Agile Governance, Agile Project Governance, digital transformation, and corporate governance.

Systematic analysis was used to examine the relationship between the core principles of Agile methodology—including adaptability, rapid decision-making, cross-functional collaboration, delegation of authority, and continuous improvement—and the mechanisms of corporate governance in banks. Comparative analysis was applied to compare international experience in implementing Agile approaches in banking institutions with the institutional and organizational conditions of Uzbekistan’s banking sector.

Content analysis was conducted to examine academic literature on Agile Governance as well as regulatory and institutional documents issued by the Central Bank of the Republic of Uzbekistan concerning corporate governance and risk management in banks. Particular attention was given to the 2025–2028 Roadmap for Further Enhancing the Bank Regulation and Supervision System, developed following the Financial Sector Assessment Program (FSAP).

The corporate governance, risk-management, and organizational-development priorities identified in the Roadmap were analyzed in relation to the principles of Agile Governance.[7]

Based on the synthesis of the research findings, the study identifies the principal institutional and organizational barriers to integrating Agile methodology into corporate governance in Uzbekistan’s banks. On this basis, practical recommendations are developed to improve managerial flexibility, strengthen cross-functional cooperation, accelerate decision-making, and maintain effective risk management and internal control mechanisms**.**

RESEARCH RESULTS AND DISCUSSION

The research findings indicate that the application of Agile methodology can make corporate governance in Uzbekistan’s banks more responsive, flexible, and customer-oriented. A key feature of the Agile approach is that decision-making is not concentrated exclusively at the highest level of management. Instead, appropriate authority is delegated to a team responsible for a specific task, while the achievement of results is continuously monitored within clearly defined accountability and risk-control frameworks.

For example, when a bank plans to introduce a new mobile banking service, the traditional management approach may require sequential approval from IT, marketing, risk management, legal, compliance, and other departments. Such a process can significantly increase the time required to launch the product.

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[7] Central Bank of the Republic of Uzbekistan. Roadmap for Further Enhancing the Bank Regulation and Supervision System for 2025–2028. 2025.

Under an Agile approach, representatives of these departments can form a single cross-functional team. The team defines short-term objectives, develops the product incrementally, evaluates the results, collects feedback, and addresses identified shortcomings during subsequent development cycles.

This approach can reduce unnecessary bureaucratic procedures while maintaining appropriate levels of internal control and accountability. Importantly, Agile methodology does not imply the elimination of hierarchical governance or formal risk-management mechanisms. Rather, it provides an opportunity to combine decentralized operational decision-making with centralized strategic oversight, risk limits, compliance requirements, and continuous monitoring.

From this perspective, Agile methodology can contribute to the improvement of several key areas of corporate governance in banks:

1-Table

COMPARATIVE ANALYSIS OF TRADITIONAL AND AGILE MANAGEMENT APPROACHES

Area	Key Problem in Traditional Approach	Proposed Agile Solution
Decision-Making	Multi-stage approval processes slow down decision-making and reduce responsiveness	Rational delegation of authority to lower levels; empowering teams to make decisions
Interdepartmental Collaboration	Departments operate in isolation ("silos"), limiting communication and synergy	Formation of cross-functional teams that work together on shared objectives
New Product / Service Development	Long, linear development cycles delay market entry and increase costs	Iterative (step-by-step) development with frequent testing and adjustments
Customer Responsiveness	Customer needs are identified too late or misjudged early in the process	Continuous feedback loops to gather real-time customer insights and adapt accordingly
Risk Management	Risks are reviewed periodically (e.g., quarterly), leading to delayed detection and response	Continuous monitoring and early warning systems to detect and mitigate risks in real time
Innovation	Innovation is treated as a large-scale project, carrying high cost and failure risk	Innovation is tested through small-scale pilot experiments, with rapid learning and scaling of successful solutions

As part of the study, a conceptual assessment was conducted to evaluate the expected impact of Agile methodology on banking management. A conditional 100-point scale was applied to assess the potential impact of the Agile approach across key areas of bank management.

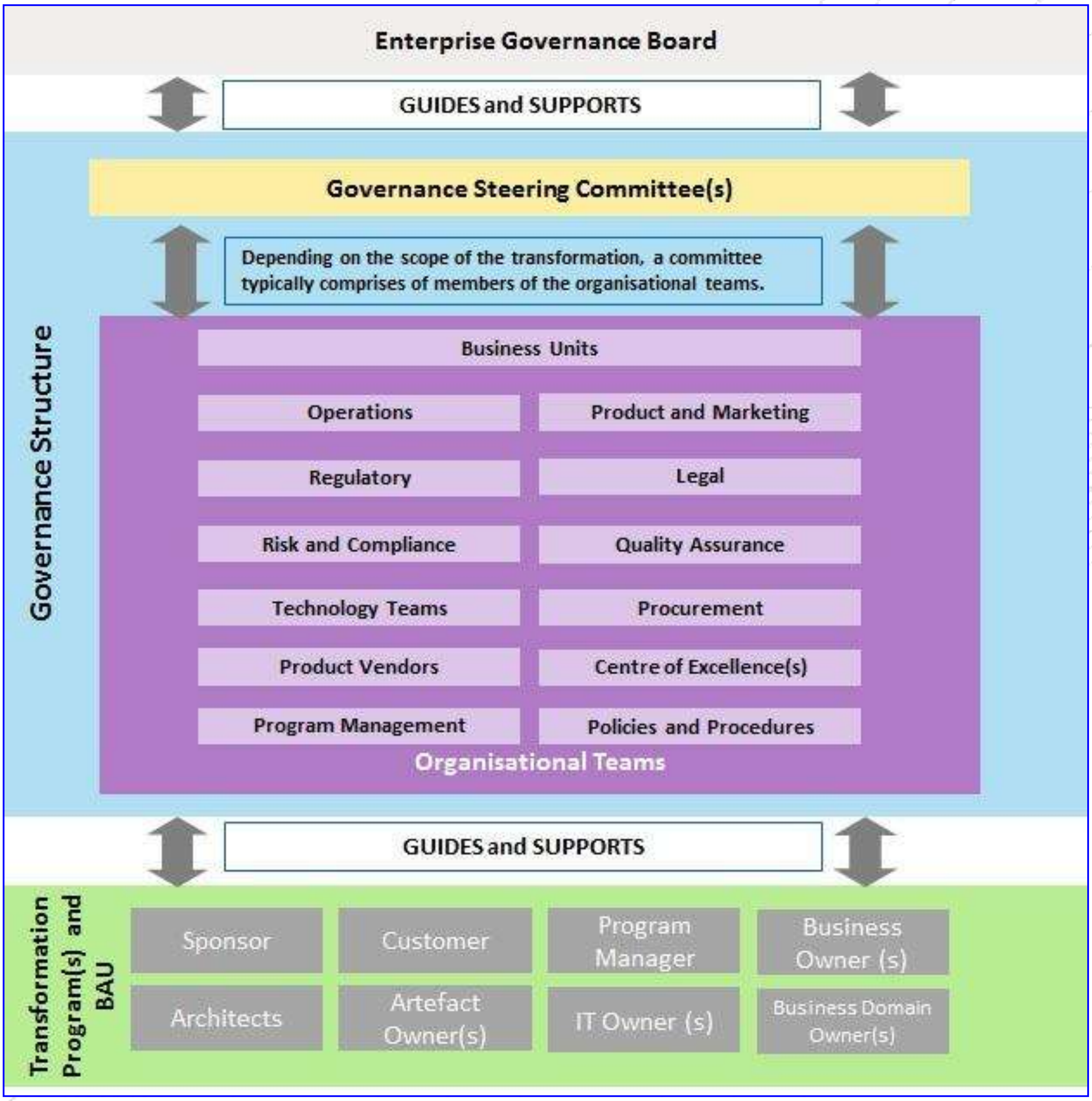
2-table

Expected Impact of Agile Methodology on Corporate Governance in Banks

Indicator	Conditional Score (0–100)
Decision-making speed	85
Interdepartmental collaboration	82
Innovation adoption	80
Customer orientation	78
Speed of response to risks	75

Note: The scores do not represent actual bank-level statistical data. They are conceptual expert-assessment indicators developed based on the Agile principles identified in the academic literature. The scores are intended to illustrate the expected relative impact of Agile methodology on key areas of corporate governance in banks.

Among the results, the highest score corresponds to decision-making speed. This is



considered one of the key advantages of Agile methodology. In banks, delegating certain operational and innovation-related decisions to the relevant teams can reduce unnecessary layers in the governance process.

The second important area is interdepartmental collaboration. In banks, the separate functioning of IT, business, risk management, marketing, and legal departments can complicate the process of developing new products. Agile, however, enables the integration of these specialists into a single team, allowing them to jointly address problems.

Agile methodology also offers significant advantages in terms of innovation adoption.

Instead of developing a new product in full at once, a bank can first test a smaller version, gather customer feedback, and then refine the product accordingly. This approach supports more efficient use of time and resources.

At the same time, special attention must be paid to risk management when implementing Agile methodology in banks. Unlike other enterprises, banks operate under a high level of prudential requirements and internal control systems. Therefore, Agile does not simply mean "working faster." Rather, its essence lies in making faster decisions while maintaining risk boundaries and regulatory compliance.

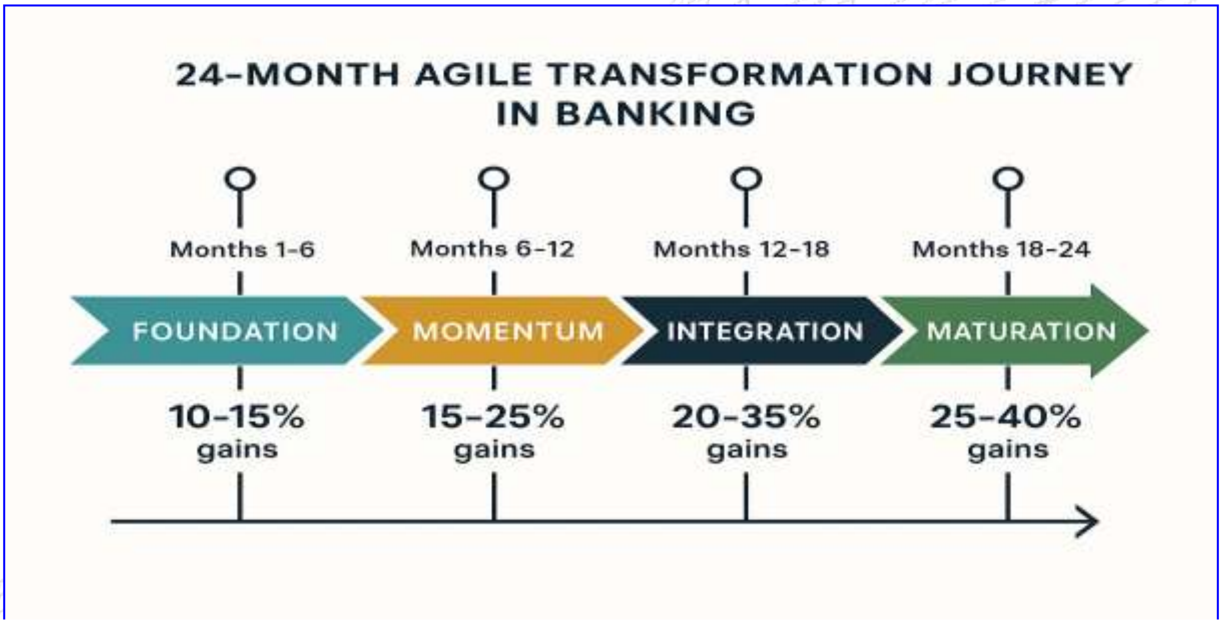
This aspect is aligned with the directions for improving corporate governance and risk management outlined in the Financial Sector Assessment Program (FSAP) Roadmap for 2025–2028 of the Central Bank of the Republic of Uzbekistan. Clearly defining the authority of governance bodies, monitoring risks, and improving the organizational structure in banks provide an important foundation for the careful integration of the Agile approach.

Based on the research findings, it is considered appropriate to implement Agile methodology in Uzbek banks in three stages:

Stage 1 — Experimentation:Agile teams should initially be established in areas such as digital banking services, mobile applications, and new product development.

Stage 2 — Integration:The activities of Agile teams should be connected not only with IT but also with marketing, business, risk management, and compliance departments.

Stage 3 — Corporate Governance:Agile principles should be gradually integrated into strategic planning, management decision-making, and the overall governance system of the bank.



Thus, Agile methodology is not a model that completely replaces the existing corporate governance system in Uzbek banks. It is advisable to apply it as a flexible governance tool that complements existing management, risk management, and internal control mechanisms. Such an approach enables banks to accelerate digital innovation, respond more quickly to customer needs, and improve governance efficiency while maintaining a balance between speed and control.

CONCLUSION

The findings of the study demonstrate that Agile methodology has significant potential for improving corporate governance in Uzbekistan's banks, enhancing management efficiency, and strengthening the capacity for rapid decision-making in the context of digital transformation.

The multi-stage nature of decision-making in traditional management systems, limited information exchange among functional departments, and relatively lengthy processes for introducing new banking products create important challenges in the modern banking environment. In this regard, Agile methodology can strengthen flexibility, transparency, cross-functional collaboration, and responsiveness to customer needs.

The study also found that Agile tools and approaches, including Scrum, Kanban, and other adaptive management practices, can support the development of digital banking products, improve customer service, optimize internal business processes, and strengthen cooperation among organizational units. Their potential application is particularly significant in digital banking services, mobile applications, online lending, payment systems, and FinTech projects.

However, Agile methodology should not be transferred mechanically into the banking system; rather, it should be integrated with existing corporate governance structures, strategic objectives, internal control mechanisms, risk-management systems, and regulatory requirements.

At the same time, several challenges may hinder the implementation of Agile methodology in Uzbekistan's banks. These include the dominance of traditional management culture, insufficient employee knowledge and skills related to Agile principles, excessive centralization of managerial authority, limited cooperation between IT and business units, and the absence of unified performance indicators for evaluating Agile initiatives.

Moreover, given the highly regulated nature of banking activities, maintaining an appropriate balance between managerial flexibility and effective risk control remains particularly important.

Therefore, the gradual implementation of Agile methodology is recommended for Uzbekistan's banks. At the initial stage, Agile teams could be established in areas such as digital banking services, mobile applications, and new product development. At the second stage, Agile practices could be expanded to lending, customer service, risk management, and internal business processes. At the final stage, Agile principles could be integrated into the broader corporate governance system to establish a more flexible, responsive, and results-oriented management model.

Overall, Agile methodology should be viewed by Uzbekistan's banks not merely as a tool for managing IT projects, but as a strategic mechanism for modernizing corporate governance.

Its effective implementation requires strong support from senior management, employee training and competency development, rational delegation of authority, appropriate digital infrastructure, and continuous evaluation of Agile performance.

These measures can improve managerial responsiveness and transparency, accelerate the introduction of innovative banking products, and strengthen banks' ability to adapt to changing customer needs and market conditions.

Consequently, the effective integration of Agile methodology can become an important factor in strengthening the competitiveness of Uzbekistan's banks and developing a modern corporate governance model.

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