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Banking Sector Resilience and Regulatory Frameworks under Financial Uncertainty

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Abstract

The issue of resilience in the banking sector has become more critical in a context where there is financial uncertainty, economic volatility, technology disruption, liquidity issues, and changes in regulatory requirements. This study analyzed the link between banking sector resilience and regulation under conditions of financial uncertainty. Specifically, the study focused on how regulation can enhance the resilience of banking institutions. It used a qualitative and conceptual approach to analyze how regulation can help to improve the resilience of banks by reviewing the existing literature on banking regulations, capital adequacy, liquidity management, risk management, stress testing, financial stability, and institutional resilience. Analysis results have proved that effective regulation may enhance banking resilience through establishing prudential standards, risk management, maintaining sufficient capital and liquidity reserves, and increasing the institutional readiness for financial shocks. However, regulatory intricacy, high cost of compliance, technological risks, and the dynamics of financial risks may become an obstacle for banks and regulatory institutions. Therefore, the research stresses the need for flexible and risk-oriented regulations that would provide a balance between financial stability and innovation, sustainability of operations, and banking sector development. The contribution of the study is a conceptual approach to investigating the role of regulatory preparedness, institutional capacity, and risk-management processes in banking sector resilience to financial shocks.

Keywords: Banking Sector Resilience, Financial Uncertainty, Banking Regulation, Financial Stability, Risk Management, Capital Adequacy, Regulatory Frameworks.

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Introduction

Evolution of Banking Sector Resilience

Resilience in the banking sector has been one of the key factors of financial stability due to the role of banks as pivotal players in terms of providing services such as creating credit, providing payments, collecting deposits, and financial intermediation. The idea of resilience in the banking sector has been evolving from the initial idea of bank solvency towards a wider approach that takes into account such aspects as capital adequacy, liquidity, risk management, supervisory capability, and continued performance of crucial activities in the face of economic and financial difficulties. It is obvious that major financial crises have shown that the problem of vulnerabilities of individual banks has a systemic effect.

The evolution of risk-sensitive capital regulations has also played a significant role in making banks resilient. Capital regulation gives banks some buffer in case of unforeseen losses and makes the banking institutions less vulnerable during times of financial crises. The findings on the effectiveness of regulatory reform post-financial crisis show that better positions of regulatory capital improved bank resilience during the pandemic crisis when there was a lot of economic uncertainty for banks (Anani & Owusu, 2023). Simultaneously, the approach to capital regulation has kept evolving as regulators try to find a way to measure the specific risks of each bank and the overall system. The model-based approaches to capital regulation have thus gained popularity since they try to make capital regulation more risk-sensitive (Behn et al., 2025).

Financial Uncertainty and Emerging Risks in Banking

Uncertainty in finances generates an environment that is difficult for banks to work in due to the effect that alterations in economic circumstances, financial systems, credit conditions, liquidity, and the nature of borrowers may have on the stability of banks. Uncertainties generate increased risk for banks regarding their credit, market, and liquidity risks, and likelihood of losses, all the while reducing the certainty of financial conditions. Therefore, resilience in banks is not only dependent on the amount of resources they have to offset losses, but also on the identification of risks and adapting to these risks.

This relationship between capital regulation and bank risk-taking assumes even more significance in the context of uncertainties. The effects of capital regulations can affect the motivations of banks towards risk-taking, while the efficacy of these regulations is based on how the regulatory framework interacts with the lending practices of the banks. Global experiences have shown that capital regulation does have the ability to impact the risk-taking behavior of banks, highlighting the significance of proper design of the regulatory framework to ensure financial stability (Dias, 2021). In the same way, the connection between capital, liquidity, and banking risk assumes significance especially during crises, where banks may be simultaneously exposed to risks in terms of funding and losses.

Importance of Regulatory Frameworks for Financial Stability

Regulatory frameworks offer an institutional framework through which risks in the banking sector are managed and controlled. Prudential regulation imposes requirements such as those pertaining to capital, liquidity, risk management, supervision, and other measures aimed at minimizing the chances of banking problems occurring. As a result, effective regulation is not only important in safeguarding banking institutions, but it also plays an important role in containing the transmission of problems across the entire financial sector.

The effectiveness of banking regulation, however, relies heavily on the institutional setting in which regulatory policies are implemented. Effective regulatory and supervisory frameworks help banks manage negative financial environments, while poor quality of institutions could limit the effectiveness of prudential regulations. Research from emerging and developing countries highlights how institutional quality shapes the link between banking regulation, supervision, and the stability of banks (Bermpei et al., 2018). The example of the COVID-19 crisis also proved how important capital and liquidity requirements were because banks started the crisis with sufficient levels of capital and liquidity, which helped them continue their lending and market-making activities (Duncan et al., 2022).

Capital Adequacy, Liquidity, and Risk Management in Banking Resilience

Capital adequacy and liquidity are essential factors that make up bank resilience since they allow the banks to withstand losses and to honor their financial commitments during times of stress. Capital adequacy helps protect against losses, while liquidity allows banks to meet their withdrawal and funding needs without interfering with their business operations. Risk management is a process that is complementary to the financial safety factors since it allows banks to assess and manage credit risk, market risk, operational risk, and liquidity risk.

It is important to consider the connection between capital and liquidity, since a financial crisis may impact the bank's solvency and its funding. Furthermore, recent research also points out that capital and liquidity risks must be taken together into account, especially in case of crises and regulation, since shifts in the financial environment can affect both loss absorbency and funding ability of banks (Haq et al., 2026). This implies that regulatory actions should achieve a balance between financial stability and the ability of banks to lend. The presence of sufficient levels of capital and liquidity could serve as a strong base for bank resilience, while proper supervision and risk management would be important to enhance resilience in changing financial conditions.

Research Problem

Although there have been advances in prudential regulations, banks are still faced with the challenges of uncertainty in the context of financial crises, economic disturbances, shifting market dynamics, liquidity concerns, and exposure to risks. Regulatory mechanisms in place may not at times offer adequate flexibility to deal with various levels and types of financial uncertainties. The core research question can thus be defined as the challenges involved in keeping banks resilient without undermining regulatory efficacy and adaptability.

Objectives

In light of this, the objective of the study is to identify the key dimensions of bank resilience, evaluate the contribution of regulatory systems towards improving financial stability, and create an integrated understanding of the role that regulatory systems can play in supporting banks under financial uncertainty.

Literature Review

Banking Sector Resilience and Financial Stability

The term resilience in the context of the banking industry means the capacity of financial institutions to withstand adverse shocks, provide critical financial services, and recover during times of financial distress without creating major systemic disruptions. Banking resilience is linked closely to financial stability since vulnerabilities at individual banks may spread through the interconnected financial markets and credit systems. Therefore, the assessment of banking resilience has to consider not only the financial strength of the banks themselves but also the surrounding regulatory environment.

One of the ways of assessing banking resilience involves the evaluation of the financial soundness and vulnerability of the banks in adverse circumstances. While financial strength measures can give an idea of the ability of banks to withstand adverse conditions, stress-based assessments can reveal their vulnerabilities that are not obvious when the banks are operating normally. For instance, the Bank Resilience Index is a measure that helps assess the vulnerabilities and financial strength of banks, taking into account stability measures related to banking institutions (Pompella & Dicanio, 2016). Other more extensive assessments can supplement conventional stress testing by adding the fair-value perspective based on the information from financial statements (Dao et al., 2023).

Capital Regulation and Bank Risk-Taking

Banking capital regulation is one of the most important elements of the prudential banking regulation framework. Regulatory capital is used to make sure that banks have enough capacity for absorbing losses with regard to the risks involved in their asset structure and operations. Healthy capitalization levels can prevent unexpected losses from being detrimental to the health and solvency of banks, while appropriately set regulatory capital requirement levels can promote the stability of the financial system as a whole.

However, the link between capital regulation and banking activity is rather complex because regulatory capital requirements affect the decision-making of banks when it comes to lending and risk-taking activities. A meta-analysis of the scholarly literature regarding the relationship between bank capital, lending activity, and regulatory practices highlights the significance of understanding the broader relationship between the regulation of capital requirements and bank behavior (Malovaná et al., 2024). Moreover, the differences in regulatory rules and national capital regulations across countries can affect the impact of capital regulation on actual capitalization (Gropp et al., 2024).

Liquidity Regulation and Banking Stability

Liquidity regulation is yet another important aspect of banking resilience since banks use short-term funding to fund long-term loans and are therefore susceptible to changes in the funding environment. Liquidity allows banks to satisfy short-term liabilities and endure funding difficulties, and regulations on liquidity aim to lower reliance on unreliable funding. Liquidity management is thus very crucial in ensuring that banks enjoy confidence during times of uncertainty.

Regulatory management of liquidity also requires a balance between financial stability and lending capacity. Liquidity regulation may affect credit provision and the way the bank balances its balance sheet. Studies on liquidity regulations and bank lending show how important it is to take into account these factors in evaluating regulatory policies (Ananou et al., 2021). Examples of crises indicate that capital and liquidity regulation play an important role in increasing banking resilience by ensuring that institutions have robust finances at the beginning of times of crises (Duncan et al., 2022).

Macroprudential Policies and Systemic Risk

Macroprudential regulation deals with risks that manifest themselves in the banking sector as a whole and not just in individual entities. Thus, the aim of such regulation is to decrease systemic risk, prevent the buildup of excess risks, and enhance the resilience of the financial system to external shocks. In general, the tools used for macroprudential policy may complement traditional microprudential supervision due to interconnectedness, procyclicality, and risk buildup in the system.

The importance of macroprudential policy is more relevant at the time of financial crisis. As per Igan et al. (2023), macroprudential policies may make banks resilient as they reduce the vulnerability to shocks, thereby making banks more capable of dealing with the financial crisis. There is evidence that macroprudential policies may make banking systems resilient by increasing the capacity of banks to handle financial shocks during systemic crises and the COVID-19 crisis (Matos et al., 2023). In the same way, macroprudential policies are related to systemic risk due to vulnerabilities arising from the interconnection among banks and financial markets (Meuleman & Vander Vennet, 2020). Also, it has been found that macroprudential policies may help in reducing the likelihood of banking crises (Nakatani, 2020).

Research Gap

A number of scholarly studies have focused on various aspects of the resilience of the banking system, such as the regulation of capital, liquidity, macroprudential policies, and stress testing. Nevertheless, the need still exists for the conceptual integration of knowledge regarding the way in which these mechanisms contribute to the resilience of the banking sector in general terms of financial uncertainty.

Methodology

Research Design and Conceptual Approach

In this research, a qualitative and conceptual research design approach was applied to analyze banking sector resilience and the role of regulatory systems in the context of financial uncertainty. The research did not collect any primary data through surveys, interviews, or econometric modeling and hypothesis testing but rather analyzed already available knowledge in academic circles in relation to banking sector resilience, capital regulation, liquidity regulation, macroprudential supervision, stress testing, and financial stability. It was believed that a conceptual approach would be suitable for this research since banking sector resilience was a multifaceted concept consisting of financial, regulatory, institutional, and risk management aspects. Thus, the research has considered the relationships among these aspects and structured them into one concept. Banking sector resilience was viewed in terms of the ability of banking organizations and banks' systems to withstand financial shocks, keep performing essential activities, and adapt to new risk situations.

Secondary Literature Identification and Selection

All the information for the study was derived from secondary sources relating to the issue of resilience and regulation of the banking sector. The sources included academic journal articles and studies, as well as financial regulation literature, to identify already established concepts, regulation methods, risks, and research findings concerning resilience of the banking system. The main attention was paid to literature related to capital adequacy, liquidity, risk-taking behavior of banks, macroprudential policies, systemic risk, stress tests, resilience in crisis, and regulation.

The sources were selected due to their relevance to the research question and ability to reveal the link between regulatory mechanisms and banking resilience. The studies used in the paper have been performed during different periods of time, including the time of financial crisis. This made it possible to include results of research performed in different spheres of banking and financial regulation. The process of literature identification entailed topic identification, source screening, relevance assessment, theme organization, and concept integration. The main emphasis was on studies that helped in understanding banking resilience, the effectiveness of the regulation, financial stability, and risk management. This literature-based approach conforms to the approaches of conceptual research, whereby the existing information is systematically integrated into a framework.

Thematic Analysis of Banking Resilience and Regulatory Dimensions

Thematic analysis methodology was used to analyze the selected literature. It was carried out through identification of the common themes in the reviewed literature as well as organizing the themes into broad thematic dimensions. Major themes included capital adequacy, liquidity resiliency, risk management, macroprudential regulation, stress testing, regulatory supervision, systemic risk, and crisis response. First, the literature was analyzed to identify the dimensions that recur with regard to banking sector resiliency.

Second, the mechanisms of regulation related to each theme were identified. Third, the results were conceptually analyzed to identify how various regulatory mechanisms aid in enhancing bank resiliency in the face of financial uncertainties. Finally, the interrelationships among the themes were examined. With the use of a thematic approach, the study was able to go beyond the description of the individual regulatory mechanisms in order to explore how they contribute collectively to financial stability. Thematic synthesis becomes more helpful especially in cases where literature treats a multifaceted concept from various angles.

Framework Development and Conceptual Synthesis

The final step of the research methodology entailed the formulation of an integrated conceptual framework for banking sector resilience amid financial uncertainty. This framework was formulated by integrating the main dimensions that were determined from the literature review process, and the interlinkages between these dimensions and the relevant mechanisms of regulation. Financial uncertainty and emerging financial risks were established as the exogenous factors affecting the stability of the banking system in the framework.

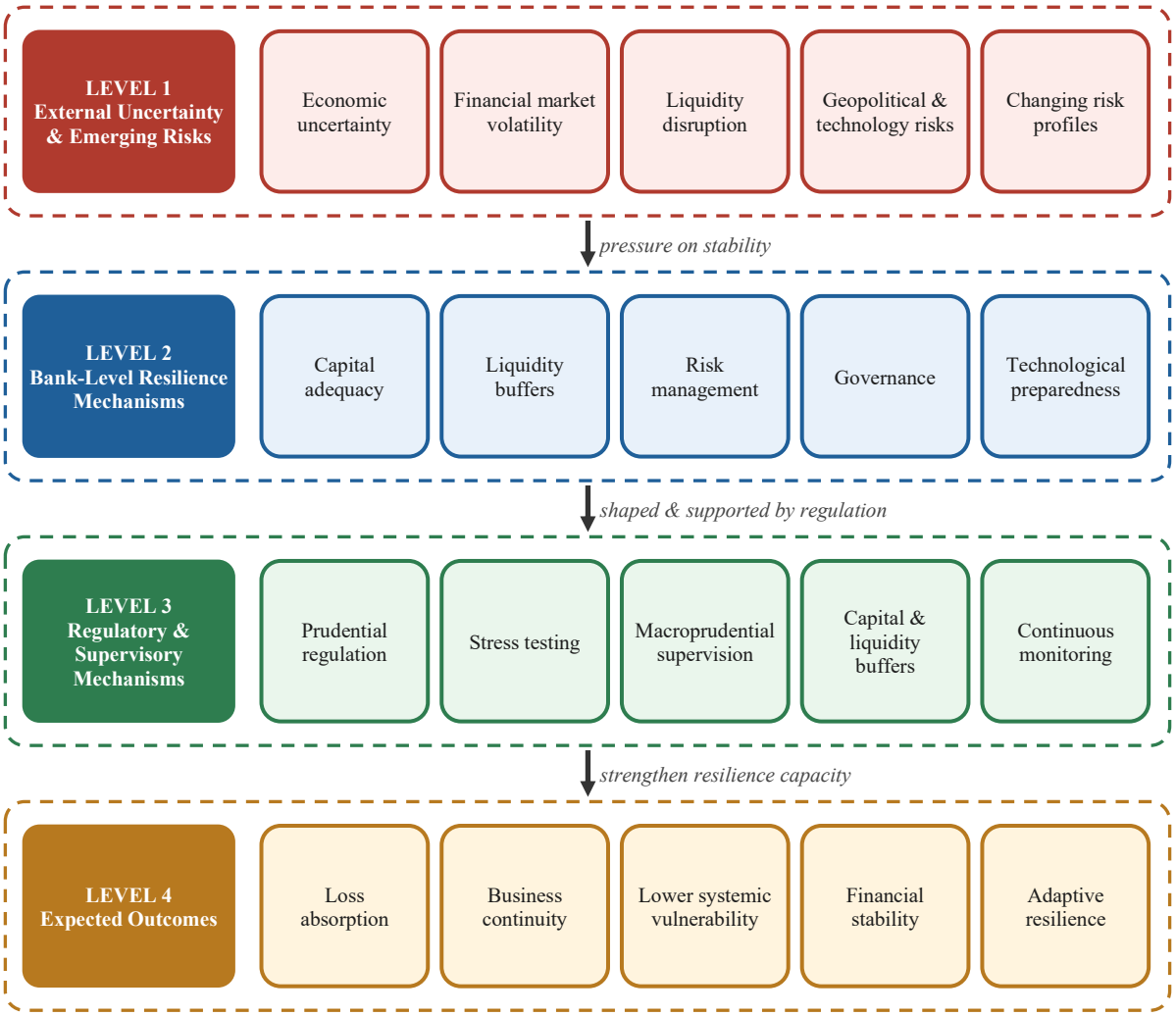


Fig. 1: Conceptual Architecture of Banking Sector Resilience and Regulatory Frameworks Under Financial Uncertainty

These factors were linked with key dimensions of banking resilience, which include capital adequacy, liquidity strength, risk management, stress testing, supervisory regulation, and macro-prudential regulation. The conceptual framework did not produce any empirical measurements or statistical relationships. Rather, the conceptual framework helped organize a relationship that had been established based on the analysis of the literature. This framework can be used as a conceptual basis for identifying the ways in which the regulatory instruments could help increase the resilience of the banking industry and the changes in the regulatory systems that would be necessary in response to the changing nature of financial risks. This conceptual framework, which connects external financial uncertainty, internal resilience measures at the bank level, regulatory and supervisory measures, and outcomes, is presented in fig. 1.

Findings and Discussion

Key Dimensions of Banking Sector Resilience

Conceptual analysis shows that banking sector resilience is a multidimensional construct, which is not limited to the ability of banks to sustain adequate levels of capital. This concept involves the ability of banking institutions to absorb financial losses, ensure liquidity, manage risks, sustain operations, and adapt to changes in the economic and financial environment. Major dimensions identified in the literature are capital adequacy, liquidity strength, risk management, stress-testing ability, regulatory supervision, governance, and crisis response capability. Dimensions are interrelated since weaknesses in one of the dimensions may increase vulnerability in other dimensions.

Capital strength is a significant basis of resilience since adequate capital allows banks to absorb shocks without affecting their solvency directly. Liquidity resilience complements capital strength, providing for the ability of banks to cover their short-term obligations and withstand funding challenges. The risk management dimension is responsible for identifying and controlling credit, market, liquidity, and operational risks, among others. The stress testing dimension further enhances resilience through analyzing possible vulnerabilities in adverse scenarios. Recent regulatory assessments also confirm that capital and liquidity are significant bases of banking resilience in an uncertain financial environment.

This therefore implies that it is not appropriate to consider resilience from a financial point of view. This concept is rather multidimensional, and consists of aspects such as financial buffer, management of risks, regulation, preparedness, and adaptation. This approach lays the basis for considering the role that regulations can play in creating stability amid financial uncertainties.

Table 1: Major Dimensions of Banking Sector Resilience and Regulatory Mechanisms

Resilience Dimension	Major Risk/Challenge	Key Regulatory Mechanism	Contribution to Resilience	Expected Outcome
Capital Adequacy	Financial losses and solvency pressure	Capital requirements and buffers	Absorbs unexpected losses	Financial stability
Liquidity Resilience	Funding disruptions and withdrawals	Liquidity requirements and buffers	Supports short-term obligations	Funding stability
Risk Management	Credit, market, and operational risks	Risk controls and governance	Identifies and mitigates risks	Reduced vulnerability
Stress Testing	Severe financial shocks	Scenario and stress testing	Identifies potential weaknesses	Improved preparedness
Macroprudential Regulation	Systemic risk and interconnectedness	Macroprudential tools and buffers	Reduces system-wide risks	Lower systemic vulnerability
Regulatory Supervision	Weak compliance and oversight	Monitoring and supervisory review	Strengthens regulatory implementation	Effective regulatory control
Governance	Excessive risk-taking and weak controls	Accountability and board oversight	Improves risk governance	Better decision-making
Technological Preparedness	Cyber and technology disruptions	ICT controls and continuity planning	Maintains critical services	Operational resilience
Crisis Response	Rapid financial deterioration	Contingency planning and intervention	Supports timely recovery	Sustained financial stability

Table 1 gives a summary of the various key dimensions of resilience in the banking industry that have been developed from the conceptual analysis, as well as their corresponding regulatory tools and contributions to financial stability. This synthesis shows that resilience does not lie in one regulatory tool but is a combination of financial buffers, risk management, supervisory tools, and preparation of banks for financial shocks. Capital and liquidity constitute the financial buffer, whereas risk management, stress tests, macroprudential regulations, and crisis response constitute the risk management and adaptation capacities.

Role of Capital Adequacy and Liquidity Buffers

Capital adequacy and liquidity buffers were identified as two key elements closely related to each other, which helped in creating resilience of the banking sector. The role of capital buffers is related to providing loss-absorbing capacity, while liquidity buffers allow banks to face unexpected withdrawals and disruptions. These measures combined together allow banks to maintain lending activities in difficult economic times. As a result, it follows from the literature that regulatory systems should ensure the existence of adequate financial buffers and avoid unnecessary restrictions that prevent banks from productive lending. It is especially important to pay attention to the issue of capital buffers in crisis periods. Higher levels of regulatory capital in pre-crisis periods may help banks to face shocks and maintain their resilience in the case of severe disruptions of the economy. However, at the same time, it is necessary to take into account that there exists a relation between regulatory capital and bank lending because the capital regulation affects the lending behavior.

The use of liquidity buffers can help provide another layer of protection. It is possible for a bank to be solvent on an accounting basis but face huge liquidity challenges if deposits are being withdrawn quickly or wholesale funding is not available. This means that liquidity regulations must cater for both normal funding needs and stress situations. Recent supervisory analysis has revealed that where banks have maintained liquidity buffers, they have been in a good position to weather uncertainties, despite funding structures and market volatility creating vulnerabilities. This indicates that capital adequacy and liquidity need to be seen as complementary rather than independent resilience tools. Maintaining adequate amounts of these two buffers will ensure that banks can absorb losses, maintain confidence, make loans, and adapt to changes in financial conditions.

Regulatory Governance, Risk Management, and Stress Testing

From the above discussion, we can conclude that financial buffers alone are not enough to ensure resilience in the banking system. In order to be sure that there is an appropriate use of financial buffers and that emerging risks are detected and managed before becoming serious threats, regulatory governance, risk management, supervision and stress testing should all be employed. Regulatory governance creates the environment in which regulation can be carried out. Risk management ensures that at the institutional level, banks can detect and assess their emerging risks such as credit, market, liquidity, operational, and others. Good governance is very critical here because poor governance leads to high risk-taking, poor internal controls, and late response to emerging risks. It is, therefore, up to the supervisors to combine regulatory measures with continuous supervision.

Stress testing is one way to ensure a forward-looking approach within this framework. Instead of measuring resilience based on the existing situation, stress testing measures how the bank performs under various adverse circumstances related to recession, asset price decline, volatility in markets, funding problems, or any other financial shock. This information may tell something about the losses the banks could sustain and the adequacy of capital. The current practice in supervision shows that the purpose of using stress tests is to measure whether banks will be able to withstand shocks and continue providing credit to households and companies. On the other hand, stress testing does have certain weaknesses. For instance, its effectiveness will depend on the quality of data, assumptions, models, scenarios, and estimates of the response behavior of participants. Liquidity stress tests suffer from difficulties related to the models used, contagion, second-round effects, and interaction between banks and non-bank institutions.

Integrated Framework for Banking Sector Resilience and Regulatory Stability

Based on the theoretical synthesis of the existing literature review, it could be said that banking resilience is fostered by a regulatory approach, which combines such aspects as financial buffers, risk management, supervisory governance, macroprudential regulation, stress testing, and adaptive crisis response. Financial uncertainty serves as the outside pressure in this framework, while regulatory instruments act as protective and adaptive means to limit the negative influence of financial uncertainty. Four levels of interrelated components define the structure of this framework. At the first level, there are external uncertainties and new risks, which include economic uncertainty, financial market uncertainty, liquidity disruption, geopolitical uncertainty, and changes in risk profiles. At the second level, there are mechanisms of resilience at the bank level, which include capital adequacy, liquidity buffer, risk management, governance, and readiness. At the third level, there are regulatory and supervisory mechanisms, which involve

prudential regulation, stress testing, macroprudential supervision, capital buffers, liquidity, and continuous monitoring. Finally, at the fourth level, there are expected results, which include loss absorption, business continuity, reduction of systemic vulnerability, financial stability, and adaptive resilience.

Macroprudential regulation is critical due to the fact that risks can be built up among institutions and financial markets and are not limited to individual banks. The existence of macroprudential buffers gives regulatory authorities more room to maneuver in times of adverse conditions, and this includes releasing the buffers in times of financial distress. Recent experience from Europe also places great emphasis on maintaining releasable capital buffers in such an uncertain environment. Therefore, the unified approach indicates that regulatory stability does not have to equate to constant requirements in any condition. Regulation needs to include both prudence and flexibility. It must have enough measures for stable times but must also be able to maneuver in case of risks and extreme situations.

Conclusion and Future Directions

Summary of Conceptual Findings and Contributions

The paper analyzed the link between resilience in the banking industry and regulatory frameworks under conditions of financial uncertainty by reviewing the literature. The results of the research revealed that resilience is a multidimensional concept that not only includes capital adequacy but goes much further and comprises capital adequacy, liquidity adequacy, risk management, stress testing, regulation, macroprudential regulation, governance, and the resilience of banking organizations to perform their key functions during financial difficulties. The conceptual review revealed that buffers of capital and liquidity serve as the financial backbone of resilience. While capital serves as a shock absorber for banks, providing them with an opportunity to sustain unexpected losses, liquidity helps to maintain payments and banking functions during times of market and funding pressure. Therefore, regulatory frameworks serve as an important tool for banks to ensure that the proper financial buffers are maintained while providing the lending function. The current Basel framework continues to focus on capital, leverage, and liquidity ratios.

Risk management, stress testing, regulatory governance, and macroprudential supervision were also found to be supportive processes for enhancing resilience. Such processes make it possible to detect and control any potential vulnerabilities before they contribute to financial instability. The theoretical contribution of the study, therefore, is a holistic approach where financial buffers, risk management of institutions, regulatory tools, and adaptive regulatory response processes work hand-in-hand. Finally, it should be recognized that resilience now involves technological preparedness. It means that banks have to be able to respond not only to financial risks, but also to cybersecurity threats, technology issues, dependence on third parties, and other operational threats. This point is made explicit in the Basel Core Principles.

Policy and Regulatory Implications

These implications have a number of important implications for banking regulators, supervisory authorities, financial institutions, and policymakers. To begin with, regulators need to ensure that capital and liquidity requirements are sufficient as a key buffer against any financial shock. The capital and liquidity buffers need to be sufficiently strong to absorb losses and liquidity shocks, but calibrated in terms of the risk characteristics of different banking institutions. Capital and liquidity requirements within the Basel Framework remain both risk-based capital requirements and liquidity standards such as the Liquidity Coverage Ratio and the Net Stable Funding Ratio. Secondly, regulatory frameworks need to be more risk-sensitive and adaptable. Financial risks can rapidly shift during times of economic uncertainty, and traditional frameworks might be unable to respond to changes in financial risks. Thus, macroprudential authorities need to constantly monitor conditions in the system and have appropriate tools to increase and decrease capital buffers.

Third, increased stress testing and forward-looking supervision must be promoted. Stress tests may serve to assess the ability of regulatory bodies and banks to cope with unfavorable situations of credit risks, interest rate shocks, liquidity issues, and more general economic disruptions. Nonetheless, stress tests must be accompanied by risk monitoring, good governance, and supervisory judgment and not regarded as an independent tool for measuring resilience. Fourth, operational and technological resilience must be enhanced by regulatory bodies. As banking increasingly becomes digitized, new types of vulnerability emerge related to cyber attacks, technology breakdowns, interconnectivity and third-party service providers. Indeed, among other projects on the Basel Committee's current work program are digitalization of finance and liquidity and resilience, and Basel III implementation. Finally, regulatory effectiveness depends on finding a balance between financial stability, regulatory effectiveness, and sustainable bank activity. Too complicated regulatory requirements lead to increased burden on complying with them, whereas too little regulation

leaves financial systems exposed to too much risk. Therefore, recent regulatory debates focused on simplifying regulatory regimes without undermining their ability to absorb losses or resilience goals.

Limitations and Future Research Directions

There are a number of limitations of the study. Firstly, it relied on secondary literature and a conceptual/qualitative approach to develop its framework, and thus no primary data was collected. Therefore, the conclusions drawn from the research should not be considered as statistical proof of the cause-and-effect relationship between regulatory mechanisms and banking resilience. Secondly, in addressing banking resilience from a regulatory perspective, the study did not focus on comparing countries and their respective institutions or banks, and thus differences in regulatory and economic situations can affect the relevance of the suggested framework. Finally, there is an ongoing limitation related to rapid changes in the financial industry. The emergence of new risks associated with digitalization, cybersecurity, climate change, geopolitics, and interbanking with non-bank financial institutions may require revising the current framework. In this context, it is worth mentioning that the BIS has identified increasing interconnections between banks and non-bank financial institutions as a potential source of spillovers.

Therefore, future research may use the proposed framework based on cross-country panel data, data for individual banks, stress test outcomes, and regulatory measures. Comparative research may study whether various regulatory approaches result in differences in the resilience of the banking system among developed and emerging countries. Research can also study the interaction of capital and liquidity ratios, macroprudential policy, risks from technology, and resilience. Further studies can study the impact of artificial intelligence, cybersecurity, climate-related financial risks, digital banking, and non-bank financial intermediation on the regulatory framework for banking resilience. Such research will make the empirical foundation for the proposed framework stronger and facilitate development of more adaptive, risk-sensitive, and forward-looking regulatory frameworks.

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