

The role of the Central Bank in preventing the liquidity crisis in recent years in Afghanistan

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Abstract

Purpose: This study aims to examine Afghanistan's financial situation, with particular emphasis on the role of the central bank in addressing the ongoing liquidity crisis. It seeks to analyze the structural and operational challenges faced by Afghan banks in maintaining adequate funds and fulfilling their obligations without incurring significant financial losses.

Methodology: This study employed a mixed-method approach, combining document analysis and qualitative descriptive research. Primary data were obtained from reports of international organizations, such as the UNDP and the World Bank, as well as official submissions from the Da Afghanistan Bank (DAB). Targeted sampling was used to select participants and informants directly associated with central banking, financial institutions, and relevant government departments. Field observations and monitoring of banking operations were conducted to provide context.

Results: The findings reveal that Afghan banks are experiencing severe liquidity shortages caused by declining economic activity, restricted access to cash, weak institutional capacity, and a diminished public trust in the financial system. The political transition following the Taliban takeover further aggravated the crisis, leaving several banks on the brink of insolvency and increasing the risk of systemic bank failure.

Conclusions: This study concludes that Afghanistan's liquidity crisis is a structural issue that requires comprehensive policy responses. Strengthening the supervisory role of the central bank, rebuilding public confidence, and ensuring sustained access to capital are critical measures to stabilize the financial sector and prevent its collapse.

Limitations: This study is limited by its reliance on secondary data and restricted field access due to political instability and security risks.

Contribution: This study enriches the post-conflict financial governance literature by emphasizing the importance of central banking policies and institutional trust in stabilizing fragile economies and preventing financial collapse.

Keywords: *Liquidity crisis, Taliban*

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1. Introduction

The Central Bank of Afghanistan (Da Afghanistan Bank) was established in Kabul, the nation's capital, in 1939, with an initial capital of 120 million Afghanis (Pashtani Bank Basement5.Pdf, n.d.) (Fischer, 2003). Later, in 1975, that capital was increased to one billion Afghanis, as stated in Article VIII (8) of the Law (1994) on Money and demonstrated by the 10 billion Afghan banknotes. The foundation of the National Bank by Mr. "Zabli" resulted in the creation of the banking system in Afghanistan because, before the creation of Da Afghanistan Bank, the National Bank also managed state banking matters.

Following its founding, the Da Afghanistan Bank was responsible for government banking. The Afghanistan Bank was given the responsibility of printing and producing money on behalf of the National Bank, and it made significant advancements in this area. Maintaining fluidity or liquidity is one of the central bank's key responsibilities (Leiva & Mendizábal, 2019).

The central bank is regarded as the foundation of each nation's banking and financial systems. The success of central banks is seen as one of the global priorities of good governance because of their crucial and critical role in the economies of nations (Akinci, Akinci, & Yilmaz, 2015). The Central Bank of Afghanistan is responsible for various tasks, including managing the currency market, monetary policy, printing and distributing money, and monitoring the banking sector. Recent reports indicate that businessmen are unable to purchase real estate due to a lack of funds and private banks' partial cut-off from the global banking system. Every country's banking and financial system is thought to be built around its central bank. Because of their vital and significant role in the economies of countries, central banks are recognized as one of the worldwide goals of good governance. The Central Bank of Afghanistan is in charge of several duties, such as controlling the foreign exchange market, overseeing monetary policy, producing and distributing money, and monitoring the banking industry. According to recent sources, businessmen are unable to buy real estate because of a lack of finances and the partial cut-off of private banks from the global banking system (Moret, 2023).

Since 2018, Afghanistan's financial system has suffered from a severe lack of liquidity. Ajmal Ahmadi's reckless behavior, his extralegal presence at the central bank, and Ashraf Ghani's unflinching support for him are largely to blame for the liquidity crisis (Bashiri, 2023). For obvious reasons, the Afghan banking industry has been unable to lend the private sector more than 15% of its entire deposits for a long time. This indicates that throughout the last few years of the Republic, Afghanistan's banking system liquidity averaged 85%, and this money, which was the people's deposit, was held absolutely stagnant for a variety of reasons, including the absence of adequate investment options (Faiz, 2022). The liquidity crisis and tens of thousands of people attacking bank offices following the fall of the republic made the Taliban leaders highly concerned about maintaining control over the situation.

2. Literature review

2.1 Liquidity Crisis in Afghanistan (UNDP Report)

An abrupt withdrawal of most foreign assistant support after the Taliban seized power on August 15 from Afghanistan's Western-backed government has sent the economy into freefall, putting a severe strain on the banking system, which set weekly withdrawal limits to stop a run on deposits (Bashiri, 2023). "Afghanistan's financial and banking payment systems are in disarray. The bank-run problem must be resolved quickly to improve Afghanistan's limited production capacity and prevent the banking system from collapsing," the UNDP report said, finding a way to avert a collapse is complicated by international and unilateral sanctions on Taliban leaders (Kazemi, 1962). "We need to find a way to make sure that if we support the banking sector, we are not supporting Taliban," the head of UNDP in Afghanistan told Reuters. "We are in such a dire situation that we need to think of all possible options and we have to think outside the box," he said. "What used to be unthinkable three months ago has become thinkable now. "Afghanistan's banking system was already vulnerable before the Taliban came to power. However, since then, development aid has dried up, billions of dollars in Afghan assets have been frozen abroad, and the United Nations and aid groups are now struggling to get enough cash into the country (UNDP, 2021).

State Department spokesman Ned Price said the United States is working with the United Nations, UNDP, and other international institutions and countries "to find ways to offer liquidity, to infuse, to see to it that the people of Afghanistan can take advantage of international support in ways that don't flow into the coffers of the Taliban. The Taliban-led central bank, Da Afghanistan Bank, recently declared that the country's banking sector would resume normal operations soon. The central bank is making such a claim, while the liquidity crisis has forced commercial banks to default on payments to customers, even within the central bank's own limits. Whether the banking sector will return to normal depends on several factors, such as liquidity, consumer confidence, international banking restrictions, interest rates, and the general economic outlook. However, considering the situation on the ground and

the current economic crisis, it seems to me that the central bank's claim is merely an empty promise to the public (Worldbank, 2023). Afghani currency, al Dardari said that while there is about \$4 billion worth of Afghanis in the economy, only about \$500 million worth is in circulation. "The rest are sitting under the mattress or under the pillow because people are afraid," he said. As the United Nations seeks to avert famine in Afghanistan, al Dardari also warned of the consequences of a banking collapse for trade finance. "Last year, Afghanistan imported about \$7 billion worth of goods, products, and services, mostly foodstuff. If there is no trade finance, the interruption is huge," he said. "Without the banking system, none of this can happen." Liquidity reflects a financial institution's ability to fund assets and meet financial obligations. Liquidity is essential for all banks to meet customer withdrawals, compensate for balance sheet fluctuations, and provide funds for growth that Afghan banks are unable to pay people's deposits (Wang & Zhuang, 2022).

3. Research methodology

The research method for This study used a descriptive qualitative approach. The results of this study describe the submissions and observations in the field so that they can have a clear picture of their financial situation. Banking, especially liquidity, provides financial reports in response to coming to power. Samples in qualitative research are often referred to as participants or informants (Yuliansyah, Rammal, & Rose, 2016). The selection of informants in this study used the purposeful sampling method with considerations that are directly related to the submissions of international organizations (UNDP), the World Bank, the Central Bank Department (DAB), and other departments. data by observing the banking sector and studying the submissions of international and domestic institutions, such as Vision and Mission. Targets. The strategy of the annual report and publications of banks and international observers, that is, by analyzing the situation of banks, the liquidity situation in Afghanistan, and the way of paying people's deposits, has been obtained and collected from the accounting information system. This research was conducted in the banking and financial field in Afghanistan, which includes the central and private banks, and in the field of finance. In any case, it was performed using observations and submissions. The data were analyzed using documents (Campbell et al., 2020).

4. Results and discussions

4.1 Description of Central Bank

The Central Bank of Afghanistan (Da Afghanistan Bank) was opened in 1939 with an initial capital of 120 million Afghanis in the capital of the country (Kabul City). In 1975, the capital of Da Afghanistan Bank was increased to one billion Afghanis, as stated in Article VIII (8) of the Law (1994) on Money and 10 billion Afghani banks. The banking system in Afghanistan came into being with the establishment of the National Bank by Mr. "Zabli," as before the establishment of Da Afghanistan Bank, the National Bank also carried out state banking affairs. After the establishment of the DAB, government banking duties were assigned to the DAB. The printing of money from the National Bank was entrusted to Da Afghanistan Bank, which Da Afghanistan Bank was able to bring about great developments in relation to the printing of Afghani money. One of the important tasks of the central bank is to maintain fluidity or liquidity (Naseri & Sharofiddin, 2020).

4.2 Duties of the central bank (Da Afghanistan Bank)

Da Afghanistan Bank, as the central bank of the country, works towards price stability, strengthening the financial system, planning and creating payment systems, and maintaining and managing the country's currency reserves. Other activities of the bank are adapted to the basic goals and tasks of the central bank itself. To ensure and maintain the stability of the bank, which is one of the primary goals of Da Afghanistan Bank, effective monetary policies are planned and implemented, and liquidity is one of these important parts. The purpose of these policies is to control inflation, which is done in order to support the most vulnerable sections of society. Failure to control inflation reduces people's purchasing power and leads to an increase in poverty (Tahiri, 2017).

The financial system plays an important role in economic growth. The DAB is trying to support the government's macroeconomic policies and strengthen continuous economic growth by strengthening the financial system. For this purpose, Da Afghanistan Bank has tried to focus on increasing the quality

and credibility of the country's financial system in the fields of legal and regulatory framework, supervision, and other strengthening and support fields. Drasht, the non-observance of laws and regulations, the forgery of a number of bank shareholders, and the non-observance of good governance in the country's financial system, he fought separately, which had positive results in the field of strengthening the financial system, and this trend is still continuing (Löfström, 2022). Da Afghanistan Bank, in cooperation with other government institutions, continuously fights against money laundering and prevents the destructive effects of illegal economies. It removed Afghanistan from the gray list of the International Financial Measures Group, which was very important for the country, especially the financial sector of Afghanistan. This facilitated the access of the country's financial system to the global financial markets and increased Afghanistan's credibility with the international community, and such an effort was made to manage the currency reserves of the country effectively. Da Afghanistan Bank's main duties are (Suparyanto & Rosad, 2015):

1. Plan, adopt, and implement Afghanistan's monetary policy.
2. Planning, adoption, and implementation of the currency policy and arrangements of the Afghan currency.
3. Maintenance and management of official reserves of the Afghan currency.
4. Printing, minting, and publishing paper money and metal coins in Afghanistan.
5. performing duties as bankers, advisers, and financial representatives of the government.
6. Issuance or registration of licenses, regulation and supervision of banks, currency exchangers, monetary service providers, payment system providers, securities service providers, securities transfer system providers, and other persons that Da Afghanistan Bank can supervise according to the law.
7. Creating, maintaining, and developing an effective and healthy system for payment and transfer of securities issued by the government or Da Afghanistan Bank, and clearing and settlement of payment transactions and transactions that take place in such securities.

4.3. Implication of the central bank monetary policy for the preventing liquidity

4.3.1. Growth of the monetary base and money in circulation

The Monetary Policy department develops the monetary policies of Da Afghanistan Bank in consideration of the country's economic situation, through the main and effective channels of money demand, the government's fiscal program (revenue and expenditure), economic growth outlook, and price stability in the country. Reserve Money (RM) weekly actual amount stood at 319,148.54 million Af at the end of Hamal, while it was recorded as Af 352,255.99 million at the beginning of FY 1400 (2021), showing 9.40 percent negative growth under the ceiling since the beginning of FY. In addition, Da Afghanistan Bank successfully managed the currency in circulation (CiC), which stood at Af 286,463.25 million at the end of Hamal month, whereas the actual CiC recorded 293,341.38 million AF at the beginning of FY1400 (2021), and shows 2.34 percent negative growth under the ceiling (DAB, 2020).

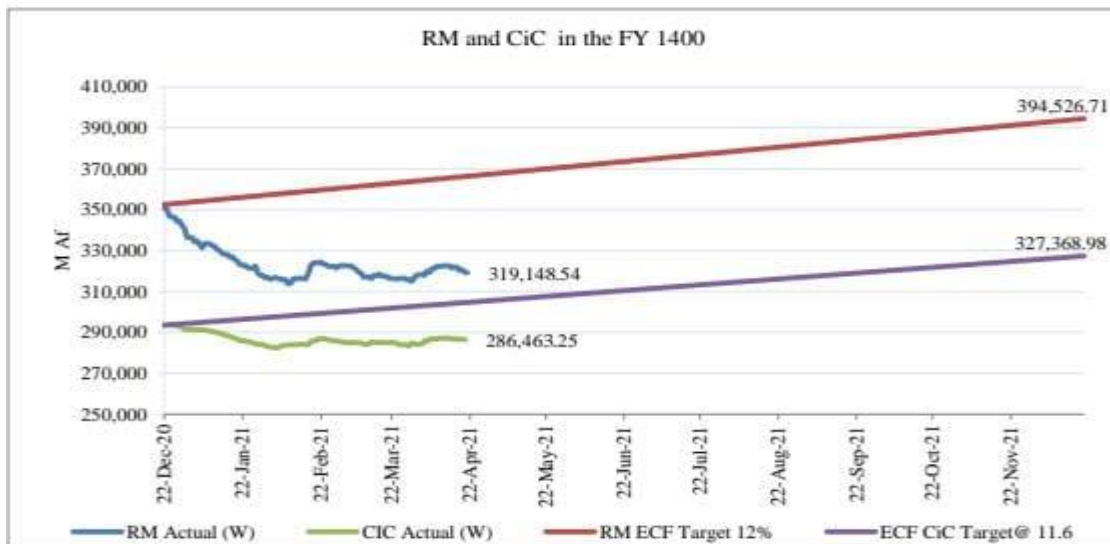


Figure 1. Monetary base and money in Durran during the fiscal year
Source: DAB (2020)

4.3.2 Accumulation of net international reserves

The accumulation of Net International Reserves (NIR), which is a key macroeconomic indicator of the national economy, is one of the biggest achievements in the country's financial system. NIR accumulation, without doubt, has significant direct impacts on better implementation of monetary policy as well as on managing macroeconomic indicators such as exchange rate, inflation, and balance of payment stability. NIR stood at 8,186.21 million USD at the beginning of FY 2020, and reached USD 7,848.66 million at the end of Sawr 2021, indicating a de-accumulation of USD 337.56 million, higher than the 138.11 5 million USD de-accumulation at the end of Sawr 2020. The reason behind its decline is the continuation of FX auction, including the sale of the US dollar to Breshna, and a lower inflow of grants than expected (DAB, 2021).

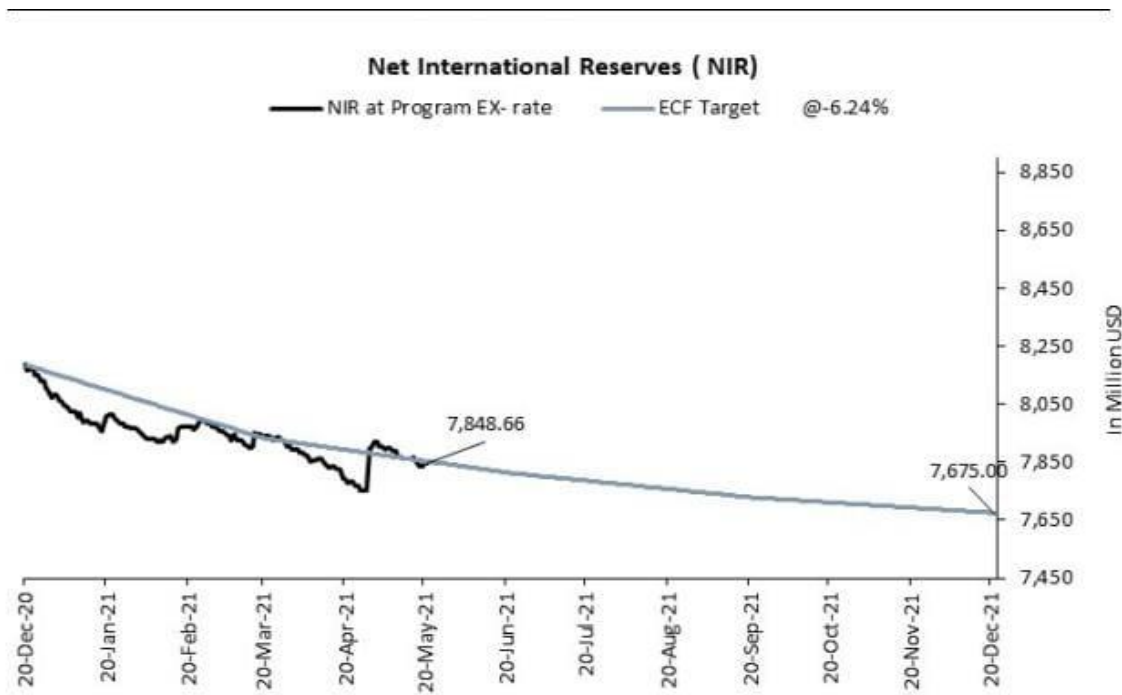


Figure 2. The trend of net international reserves during the fiscal year 2021
Source: Anon (2021a)

4.3.3 Currency auction

Since the beginning of the fiscal year of 1400 (2021) until the end of Jawza, DAB auctioned a total amount of USD 1088.69 million through open market operations and withdrew 84.40 billion Af from the market. On the other hand, at the end of Jawza 1399, DAB sold 956.10 million USD and Af withdrawn amount was 73.31 billion Af from the market. In addition, DAB sold 139 million USD to Da Afghanistan Brishna Shirkat (DABs) through commercial banks to pay the imported electricity bill and withdrew Af 10.75 billion from the market at the end of Jawza 1400. Meanwhile, 103 million USD was sold to Brishna, and 7.90 billion Af was withdrawn from the market at the end of Jawza in the previous year. These operations have fulfilled 31.74 percent of the total demand for currency (especially the US dollar) in the market (Stanikzai, Jawhar, & Ghausee, 2023).

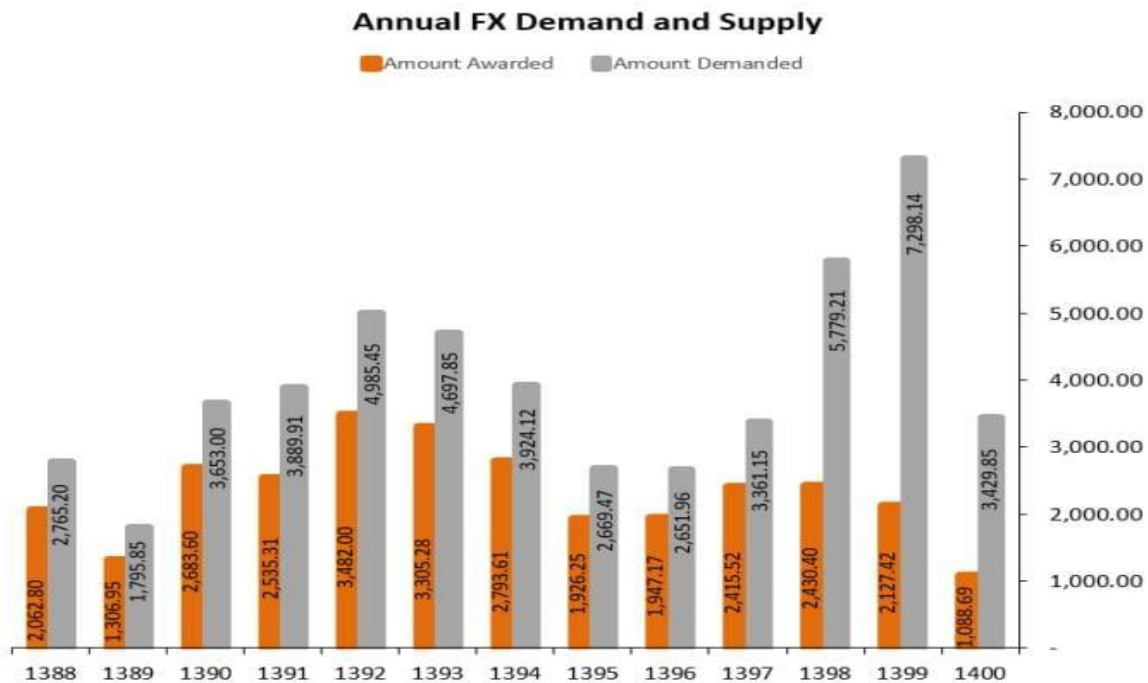


Figure 3. Demand and supply of US dollars from 2008 to the end of the month of Cancer 2021

4.3.4 Sale of securities

Capital Notes are one of the monetary policy tools used by DAB to manage liquidity in the market and mop up the excess liquidity from the banking sectors, establish and vindicate secondary markets for securities, maintain price stability, diversify monetary policy instruments, and motivate commercial banks to attract Afghan-denominated deposits. From the beginning of FY 2021 to the end of Jawza, the total announced, demanded, and awarded amounts of Capital Notes were 110.10Af 98.29Af and 80.27 billion Af, respectively, with an outstanding amount of Af 46.66 billion. At the end of Jawza 1399, the total announced, demanded, and awarded amounts of Capital Notes were 108.10 Af 117.63, Af, and 85.37 billion Af, with an outstanding amount of 34.47 billion Af. The total interest paid for CNs in FY 1400 was Af 194.06 million, while it was 90.55 million Af in the previous year (DAB, 2021).

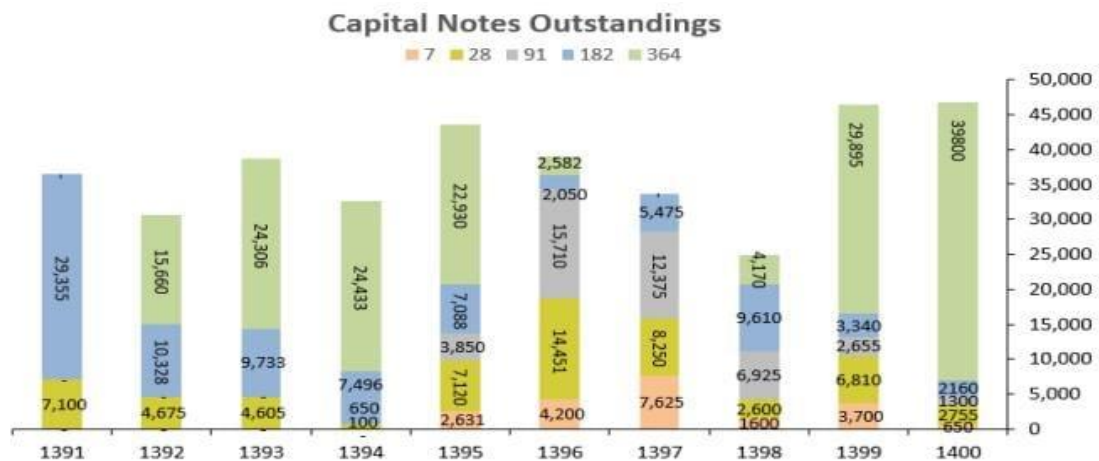


Figure 4. The balance of securities from the fiscal year 2011 to the last month of Cancer in 2021.
Source: DAB (2021)

4.3.5 Wadia Auction

It is one of the Monetary Policy tools used by the DAB through the Islamic Banking Window. This allows banks to sell surplus liquidity of their Islamic Banking window, which they cannot invest in the Capital Notes Auction. The Wadia auction started on the 4th of May 2021. The total announced, demanded, and awarded amounts of Wadiah were 9.00 Af, 4.55 Af, and 4.55 billion Af, respectively, until the end of Jawza, with an outstanding amount of 2.59 billion Af, and 2.10 billion Af Suhula expenses were paid for the mentioned period (Safi & Mashal, 2020).

4.3.6 Exchange rate

The Central bank does not target the exchange rate in the market. However, considering its significant effects on other macroeconomic indicators, the DAB closely monitors exchange rate behavior to smoothen its severe fluctuations. The Afghani exchange rate fluctuated against major currencies worldwide. From the beginning of FY 1400 (2021), the Afghani depreciated by 2.12 percent and has been exchanged at 77.52 per USD on average, and the exchange rate recorded at 78.77 Af at the end of Jawza 1400. The Afghani appreciated by 1.75 percent from the beginning of FY 1399 until the end of Jawza and was exchanged at 76.67 Af per USD on average, while Af was exchanged with USD at 77.06 Af at the end of Jawza of the previous year (Stanikzai et al., 2023).

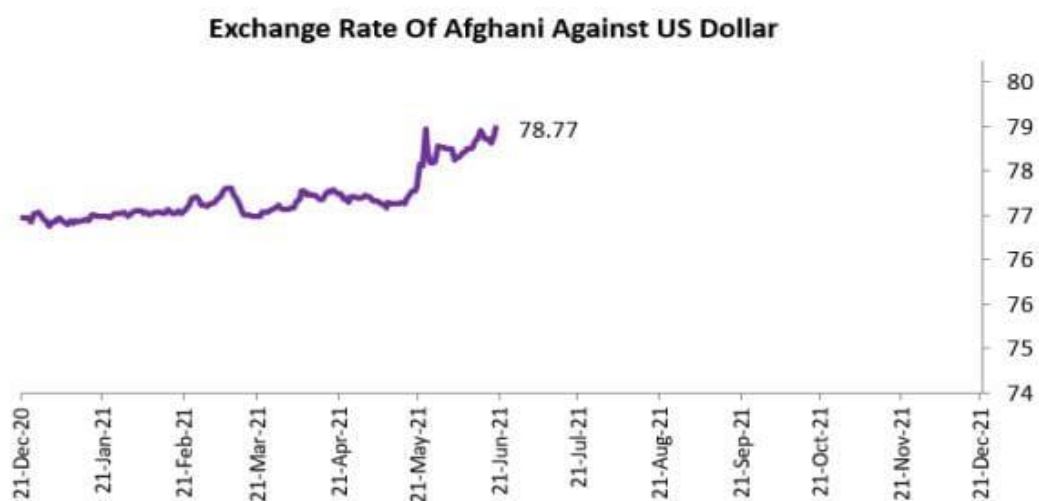


Figure 5. The exchange rate of Afghani against the US dollar during the fiscal year 2021
Source: DAB (2021)

4.3.7 Elements of monetary policies used to prevent liquidity crises.

Table 1. Monetary policies tools for preventing before government and new government

Elements of monetary policy	Predict(Af)	Result(Af)	Difference %	Currently Af	Good or not good
Growth of the monetary base and money in circulation	352255.99 million Af	286463.25 million Af	- 2.34 %	304000 Million Af	Not
Accumulation of net international reserves	8186.21 Million \$	5138.11 Million\$	3048.1 million\$	0	Not good
Currency auction	1088 million \$	84.4 billion Af	72 million \$	7 billion Af	Not good
Sale of securities	90 million Af	194 million Af	104 million Af	0	Not good
Wadia Auction	4.55 billion AF	2.59 billion AF	1.96 billion AF	0	Not
Exchange rate	78 AF	120 AF	42 AF	90 AF	Not good
Money flows in a year	17.6 billion AF	4 billion AF	13.6 billion AF	0	Not good
Budget	473 billion AF	231 billion AF	242 billion AF	231 billion AF	Not good

Sources: DAB (2021)

According to the table, it can be seen that before the fall of the Republic, there was a liquidity crisis, which became more severe with the arrival of the new government in Afghanistan and caused huge problems for the people of Afghanistan and the new government. Bring your own money. The central bank, which is facing many problems, has imposed restrictions on money withdrawals. The Central Bank of Afghanistan, which has just fallen into the hands of the new government, could not prevent this crisis from causing further harm. As can be seen in the graph, the monetary base of the country used to be around 352 billion, but with the arrival of the new government, it decreased to 282 billion and currently stands at 304 billion, which shows a decrease of approximately 48 billion compared to the past. International reserves, which were predicted to be 81,816 in the past, reached 5,138 despite the Taliban government. However, at the beginning of the financial year, it became zero, and we did not have any international reserves. The reserves that are outside of Afghanistan, which is about 7 billion, belonging to the previous government, are blocked in the United States, as we can see in the currency auction before the new government came (DAB, 2021)

In the first three months of the year, it was sold for \$1088 million. This has become about 84 billion Afghanis, but with the beginning of the financial year of the new government, it decreased by about 90 million in three months, which did not show itself as money. In addition, in the part that I see, the deposit shows a decrease of about 1.96 compared to other elements (DAB, 2020). In addition, the exchange rate is one of the most effective elements in preventing cash flow. In the year when the new government took office, it was 78 Afghanis, but during the year, it reached 120 Afghanis, and currently, it is around 90 Afghanis, which shows the inefficiency of the central bank. It shows the growth. In fact, it was Arden's pressure on the owners of the debentures that the new government obtained using force. In general, the role of the central bank was good before the new government, and it was able to prevent a liquidity crisis. work by using elements of monetary policies, the most important of which are currency auctions, money printing, and other sectors. The biggest difference is the difference between budgets, which make up about half of the current budget period during the Republican period (DAB, 2021).

4.4. World bank Assistances

4.4.1 The aid from the World Bank and other international organizations after the Taliban came to power

As Afghanistan's economy is more dependent on aid, especially during the Taliban regime, when Afghanistan's economy reached zero, based on the request of the financial donors of the Afghanistan Reconstruction Fund of the international community, the board of directors of the World Bank approved an expanded approach, based on which more than one billion dollars of the funds of the Afghanistan Reconstruction Fund were transferred to third parties outside the control of the Taliban, including the United Nations, and assigned to international non-governmental organizations. In the latest case, the United Nations expressed concern about the liquidity crisis in Afghanistan in a new report and warned that if immediate action is not taken, the Afghan banking system will collapse in a few months. In the 3-page report of the United Nations, a copy of which was provided to the Reuters news agency, it is stated that the economic cost and negative social consequences of this collapse for Afghanistan will be "extensive." After the Taliban came to power, widespread fear and despair caused some people to leave Afghanistan. The remaining part is also out of circulation due to bad luck and a lack of investment securities. Abdullah al-Dari, the head of the United Nations Development Program for Afghanistan, said in a conversation with Reuters that only \$500,000 of the 4 billion dollars of Afghan money in the Afghan economy is circulating in Afghanistan. According to Mr. Al-Dari, "The rest of this Afghani money is under the mattress and pillow because people are afraid." (DAB, 2021).

The United Nations has called for immediate action to get out of the liquidity crisis and prevent the collapse of Afghanistan's banking system. This problem, due to the sanction of the Taliban leadership and the global illegitimacy of the Taliban regime, has caused the United Nations and other international relief organizations to face a challenge. In this case, the head of the United Nations Development Program suggests that aid agencies should ensure that aid to Afghanistan's banking sector is not seen as supporting the Taliban. According to him, the United Nations is in a difficult situation, and all possible options should be considered (DAB, 2021).

In addition to bringing more money into Afghanistan, which the United Nations and international aid agencies are considering, another part of the solution that the United Nations has proposed in this report is a savings insurance plan and measures to ensure sufficient liquidity for short- and medium-term needs. The United Nations also warned in this report that if the Afghan banking system collapses, it may take decades to rebuild it. This issue will exacerbate the crisis in Afghanistan. This approach was approved on December 15 of last year, and 280 million dollars from the funds of the Afghanistan Reconstruction Fund, which includes 100 million dollars for UNICEF and 180 million dollars for the World Food Program, are provided to meet the vital. The purpose of this developed approach is to support the provision of basic services, protect vulnerable Afghans, protect human capital and key social and economic services, and reduce the need for humanitarian aid in the future. The Afghanistan Reconstruction Fund remains the main means of coordinating financial aid, and the World Bank is committed to supporting the people of Afghanistan (Worldbank, 2023).

In the first step, donors of the Afghanistan Reconstruction Fund will decide on four projects worth approximately 600 million dollars, which will address the immediate needs in the sectors of education, health, agriculture, and community livelihoods, with a strong focus on the participation and use of women and girls. Please consider these contributions.

In the coming weeks, the World Bank will work closely with the donors of the Afghanistan Reconstruction Fund and other partners to finalize the design of these projects and allocate funds. The operational policies of the World Bank have been applied to all contracts implemented in the framework of these projects, and the World Bank will play an active role in the planning and monitoring phases of the projects. This initial amount of \$600 million will be accompanied by further allocations of the Afghanistan Reconstruction Fund to the United Nations agencies during 2022, if the conditions allow and the international donors of the Afghanistan Reconstruction Fund decide so. This step-by-step approach is designed to be flexible and adaptable to the changing situation in Afghanistan (Worldbank, 2021).

Afghanistan Reconstruction Fund donors are exploring the use of the Humanitarian Aid Facilitation Framework jointly designed by the United Nations and the World Bank Group and will use this framework to facilitate financial disbursements until a permanent solution is found. In the framework of this developed approach, the World Bank will continue to publish the Afghanistan Economic Monitoring Report and other analytical publications in areas such as the financial sector, the private sector, and poverty under the name of Afghanistan's future, to engage with the international community and support the Afghan people. The resulting liquidity crisis has caused salary disruptions for hundreds of thousands of government employees, teachers, and healthcare workers and imposed limitations on the operations of international aid groups in the country (Fishstein & Farahi, 2023).

The banking system is completely paralyzed. The central bank is not operating,” according to Robert Mardini, director general for the International Committee of the Red Cross, as cited by. This has also contributed to the worsening of the domestic credit market. In the absence of international support, banks have ceased extending new credit to small- and medium-sized enterprises. In recent months, the increased supply of US dollars from humanitarian channels, averaging approximately \$150 million per month, has helped stabilize the value of the Afghani. However, these humanitarian channels are viewed as stopgap measures that are an insufficient substitute for the normal functioning of a central bank, SIGAR stated. In her March 2 statement to the UN Security Council, UNAMA head Deborah Lyons cited the “lack of access to hard currency reserves, lack of liquidity, and constraints on the central bank to carry out some of its core functions” as key challenges to reviving the Afghan economy. Liquidity is a concern for households, banking systems, and businesses (Jamal, ul haq Aziz, & Shinwari, 2023). The decrease in household liquidity in Afghanistan is challenged by rising unemployment, the fact that only 10–20% of Afghans have bank accounts, the uncertain status of DAB’s electronic payment system, and the declining volume of market transactions, as reflected in the country’s declining GDP.SIGAR. However, the Biden Administration is currently exploring possible avenues for disbursing \$3.5 billion of the frozen assets for humanitarian relief efforts, possibly through a separate trust fund or by providing support through the United Nations or another enabling organization (Worldbank, 2023).

Table 2. Aid before the Taliban rule and when the Taliban came to power

Aid before the new government	2.2 billion dollars per year for the entire sector
Estimated aid with the new government	4.4 billion dollars per year for the entire sector
Money in the economy in the new government	4 billion dollars
Money in circulation at the beginning of a new government	500 million Afghanis
Help for money in circulation and avoid liquidity crisis	600 million dollars
Monthly help needs	150 million dollars
Printing money to prevent liquidity crisis	4 billion Afghanis
Weekly help	30-40 million dollars

Sources: Worldbank (2023)

As shown in the chart, before the establishment of the new government in Afghanistan, Afghanistan was very dependent on foreign aid. With the establishment of a new government in Afghanistan, the need for aid has increased. The World Bank and other international institutions have tried to prevent the liquidity crisis to help the new government of Afghanistan. The main challenge facing the new government is its non-recognition at the international level, which has increased the problems, but the World Bank and other institutions have been able to take measures without considering the political part. With the guidance and help of these institutions, the new government of Afghanistan paid minimum wages and increased the amount of money, which prevented the deepening of the crisis (Clayton, 2018).

4.6. The Role of Frozen funds

The Frozen Funds of Afghanistan's total foreign exchange reserves, amounting to 7 billion dollars (including gold), were kept with several federal and non-federal financial institutions in the United States of America. With the fall of the republic and the discussion of the violation of the Doha agreement by the Taliban, the United States froze that part of Afghanistan's foreign exchange reserves that are kept by this country. Then, due to the legal claims of the survivors of the September 11 terrorist incident, half of the Afghan currency reserves that were kept in American financial institutions were transferred to a separate account by the order of Joe Biden, the president of that country, so that in the case of a court order, compensation should be paid to the families of the survivors of this incident (Savage, 2022).

In the past year, approximately 8 billion dollars of Afghanistan's gross foreign exchange reserves, which are in the form of cash, have not earned any kind of income. Thus, if the rate of monetary inflation in America is considered, the real value of these reserves has decreased in proportion to the average rate of monetary inflation in that country due to its stagnation in the past year. The rate of monetary inflation in America is considered here because the large cash portion of these reserves is in US dollars. With the deterioration of the economic situation in Afghanistan, countries supporting the Taliban, such as Pakistan, Iran, China, and Russia, demanded the release of Afghanistan's foreign exchange reserves under the title of preventing a humanitarian disaster. This is despite the fact that these countries provided the lowest level of aid to the people of Afghanistan on the worst days as neighboring countries and the region (Essar, Ashworth, & Nemat, 2022).

Table 3. frozen found

Total Afghanistan's foreign exchange reserves	9 billion 694 million dollars
Belong to the Commercial banks	500 million dollars
Income from interest Rate before Taliban	100 million dollars
Income from interest Rate After Taliban	0
Aid to prevent economic crisis	150 million

Sources: Savage (2022)

Afghanistan's foreign exchange reserves have reached 9 billion and 694 million dollars, which shows the increase in the country's foreign exchange reserves in recent years. According to these officials, this amount of foreign exchange reserves is currently better than that of some of Afghanistan's neighboring countries. However, the central bank has obtained only one hundred million dollars from these reserves, which is unprecedented in recent years. This money belongs to the Afghan nation, which is about half a billion dollars, and is related to the commercial banks that were kept by the Central Bank of Afghanistan. With the establishment of the new government in Afghanistan, the Taliban demanded the release of this money, but the people of Afghanistan reacted by saying that it would not fall into the hands of the Taliban because neighboring countries were waiting for this money to get off the IMF blacklist. As far as I can see, around 150 million dollars of this money have been used to help the economy, especially to prevent liquidity crises by international institutions (Saxena, 2021).

4.7. The Role of Private bank

The most severe crisis in Afghanistan's banking system occurred in the first few weeks after the Taliban seized power. As thousands of Afghans turned to banks to withdraw their deposits, the Taliban-controlled central bank imposed restrictions on cash withdrawals, indicating a shortage of cash, especially dollars (Worldbank, 2021). Currently, most of the ATMs from which people can withdraw money are out of order in Kabul, the capital, and people have to go to banks to get money and often wait in long queues. A central bank official, who did not want to be named in the report, told DW that one of the big problems with banks right now is that everyone wants to get their money back, but no one is depositing money into their bank accounts.

Currently, there is no credit in all banks and there is only debt (withdrawal), he said: Banks are facing a shortage of liquidity (money) and if this situation continues, we may face a very big disaster in the banking recession (Herzig & Kurkchiyan, 2005; Worldbank, 2021). According to this employee, the

negative effects of the current situation on private banks are already clear: "Some private banking institutions in Kabul have been closed and the number of their employees has decreased, the future of these banks is not very clear." Economic experts say that the continued activity of banks depends on the economic and political conditions, and if the conditions change and people trust the banks again, the activities of private banks may flourish again (Essar et al., 2022). Afghanistan's financial sector has been developing slowly but steadily over the last two decades. Before the fall of the republic, commercial banks had over 400 representatives across the country. Likewise, mobile money service providers (Money Mobile) had more than 3,000 service agents. According to the available information, most commercial banks have reduced the number of their agencies by half due to high costs and a sharp decrease in income. Agents of mobile money services also face many problems. Challenges are caused by the severe challenge of liquidity in the supply of services. Although the exact statistics of these paid service providers have not been obtained in the past year, according to the situation review, it is likely that the number of these service representatives has decreased by more than half. Thus, with the fall of the republic and the emergence of a crisis in the financial sector of Afghanistan, the development process of the financial sector has stopped, and the number of customers in this sector has decreased significantly due to the loss of high trust. In financial institutions, including the central bank, reducing the services of financial institution representatives will reduce people's access to these services and limit access to financial services in the centers of several large cities.

Table 4. Activity of private Bank

The money collection of these banks with the central bank	97 billion Afghanis
Cash available to pay customers	50%
Buying foreign currencies to collect Afghan money before Taliban	600 Af
Buying foreign currency to collect Afghani money now	30-40 million dollars
Buying foreign currencies to collect Afghan money now	10-15 million dollars
Restrictions on people's withdrawals by the central bank	400 dollars and 30,000 Afghani weekly

Sources: Essar et al. (2022)

Private banks and other financial institutions play an important role in managing money in circulation and preventing crises. These institutions play a very important role in purchasing foreign currency from the Central Bank of Afghanistan. As I can see in the chart, they buy around 35 to 40 million dollars weekly, which has been a very important part, but with the establishment of the new government in Afghanistan, this amount has decreased significantly due to the stoppage of capital and economic activities. This amount reaches approximately 10 to 15 million per week, indicating poor liquidity. This shows that even with the establishment of the new government, these institutions have lost their credibility compared to the past because the Central Bank of Afghanistan has imposed restrictions on the withdrawal of money. These banks have at least 50% of their customers' money. In addition, approximately 97 billion dollars of these banks are with the central bank, but the central bank of Afghanistan does not pay the money of these banks. In addition to the existing capital of banks, it can be mentioned that this institution, to a large extent, in the current situation, causes a more severe liquidity crisis.

5. Conclusion

In the liquidity crisis in Afghanistan, which started in 2018, the central bank of Afghanistan used monetary policies and other tools to prevent the crisis, which managed to prevent one percent of the crisis. The currency of the Central Bank of Afghanistan is in accordance with the international standards that other countries use when faced with this crisis. With the establishment of a new government in Afghanistan, this crisis intensified and caused a lack of money in the Central Bank of Afghanistan and other commercial banks. The monetary policies of the Central Bank could not prevent this crisis, despite

the fact that they were in accordance with international standards. There were two major differences that could not effectively control the crisis. The first is when a country with a liquidity crisis is faced with the Central Bank, which should print and circulate money. However, in Afghanistan, money is not printed inside the country, and with the establishment of the new government, no one was willing to save their money in the bank, and all the money in people's houses was kept, which worsened the situation. Second, when a new government is formed, the whole world recognizes it so that it takes a legal form to operate at the international level, and when such problems occur. International institutions should cooperate with them, but no country has legally recognized the new government in Afghanistan so far, and the only main reason that has made this crisis worse is the lack of recognition of the new government.

As we found, Afghanistan was very dependent on international aid, but this year, the aid was reduced to a minimum, and all income came from domestic revenues and other sectors. However, with the emergence of the crisis of lack of money in Afghanistan, the World Bank and other international institutions were some of the most influential elements that provided assistance and support. Indeed, as mentioned before, this institution, in addition to the direct assistance it provided to prevent this crisis, was a legal entity that helped the Central Bank of Afghanistan withdraw from its foreign-exchange reserves. which exists outside Afghanistan, so that he could not flow the money. In addition, he committed about 30 to 40 million dollars per week to get out of the current situation in Afghanistan. Banks have also played a role in preventing this crisis to some extent. These banks used to buy foreign currencies from the Central Bank of Afghanistan, and in return, they deposited Afghan money into the Central Bank by imposing restrictions on the Central Bank of Afghanistan to withdraw people's money from HASA. Consequently, people are no longer ready to keep their Afghan money in banks; however, this institution has become only a paying institution. Currently, only about 5% of the companies use banks, which shows the credit crisis. shows liquidity. This institution used to buy around 40 million dollars from the Central Bank of Afghanistan, but currently, they buy 15 million dollars. At present, these institutions are still playing a very good role, but the imposition of restrictions and non-payment of loans by the Central Bank of Money has made it possible to reduce this activity.

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