

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

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Abstract

Purpose: The purpose of this research is to examine the financial situation of Afghanistan with a special focus on the role of the central bank in reducing the liquidity crisis. The purpose of this study is to understand the challenges that Afghan banks face in maintaining sufficient funds and meeting their obligations without incurring significant losses.

Methodology: To address the research objective, this study has used a mixed method. First, we analyzed the documents obtained from international organizations, we examined the liquidity situation of Afghan banks. The research method of this research is descriptive with a qualitative approach. The results of this research describe the submissions and field observations so that they can have a clear picture of the financial situation. Banking and especially liquidity, once created, provide financial reports in response. Samples in qualitative research are often referred to as participants or informants. The selection of informed people in this research has been done using a targeted sampling method and with considerations that are directly related to the submissions of international organizations (UNDP), the World Bank, Central Bank Management (DAB) and other departments. Data by monitoring the banking sector and studying the submissions of international and domestic institutions such as Vision and Mission.

Results: The findings of this research show that Afghan banks are struggling with severe liquidity problems. The decrease in economic activity, lack of public trust in the banking system and limited capacity have contributed to this issue. In addition, access to physical notes is also limited. This study shows that after the Taliban took over, several Afghan banks faced a lack of funds, which led some of them to declare bankruptcy.

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.). 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 Afghanis banking. 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 given responsibility for government banking. The Afghanistan Bank was given the responsibility of printing and producing money on behalf of the National Bank, and it was able to make significant advancements in this area. Maintaining fluidity, or liquidity, is one of the central bank's key responsibilities.

The central bank is regarded as the foundation of each nation's banking and financial system. 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. The Central Bank of Afghanistan is responsible for a variety of tasks, including managing the currency market, managing monetary policy, printing and distributing money, monitoring the banking sector, and more. Recent reports indicate that businessmen are unable to purchase real estate due to a lack of funds and private banks' partial cutoff of 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 a number of duties, such as controlling the foreign exchange market, overseeing monetary policy, producing and distributing money, keeping an eye on the banking industry, and more. 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.

Since 2018, Afghanistan's financial system has been dealing with 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 issue. For obvious reasons, the Afghan banking industry had for a long time been unable to lend the private sector more than 15% of its entire deposits. This indicates that throughout the last few years of the Republic, the liquidity of Afghanistan's banking system 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. 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 of 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 Aug. 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. "Afghanistan's financial and bank 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. "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 three months ago unthinkable has become thinkable now. "Afghanistan's banking system was already vulnerable before the Taliban came to power. But 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).

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," said State Department spokesman Ned Price. The Taliban-led central bank, Da Afghanistan Bank, recently declared that the country's banking sector will 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 a number of factors such as liquidity, consumer confidence, international banking restrictions, interest rate, 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 just 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 is

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 about the consequences of a banking collapse for trade finance. "Afghanistan last year imported about \$7 billion worth of goods and 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 in 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 (SIGAR, n.d.).

3. Research Methodology

The research method for this study is a descriptive study with a qualitative approach. The results of this study describe the submissions and observations in the field so that they can have a clear picture of the financial situation. Banking and especially liquidity, after coming to power, provide financial reports in response. 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 bank and private banks, and in the field of finance. In any case, it was done using observations and submissions. The data was analyzed using documents.

4. Results and Discussions

4.1 Description of Central Bank

The Central Bank of Afghanistan (Da Afghanistan Bank) 1939 was opened with an initial capital of 120 million Afghanis in the capital of the country (Kabul City), which later in 1975, the capital of Da Afghanistan Bank was increased to one billion Afghanis, which is stated in Article VIII (8) of the Law (1994) on Money and 10 billion Afghani banking is shown. 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 the state banking affairs. After the establishment of Da Afghanistan Bank, government banking duties were assigned to Da Afghanistan Bank. The printing and printing of money from the National Bank was entrusted to Da Afghanistan Bank, which Da Afghanistan Bank was able to bring about great developments and developments in relation to the printing and printing of Afghani money. One of the important tasks of the central bank is to maintain fluidity or liquidity (nationsonline, n.d.).

4.2 Duties of the central bank (Da Afghanistan Bank)

Da Afghanistan Bank, as the central bank of the country, works in the direction of price stability, strengthening the financial system, planning and creating payment systems and maintaining and managing the currency reserves of the country. Other activities of the bank are adapted to the basic goals and tasks of the central bank. In order 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 in the country.

The financial system plays a very important role in economic growth. Da Afghanistan Bank is trying to support the macroeconomic policies of the government and strengthen continuous economic growth by strengthening the financial system. For this purpose, Da Afghanistan Bank, both in the field of the legal and regulatory framework, as well as in the field of supervision and other strengthening and support fields, has tried to focus on increasing the quality and increasing credibility of the country's financial

system. 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. Da Afghanistan Bank, In cooperation with other government institutions, while continuously fighting against money laundering and preventing the destructive effects of illegal economy, removed Afghanistan from the gray list of the international financial measures group, which was very important for the country and 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 whose main duties are (Suparyanto & Rosad, 2015):

1. Plan, adopt and implement monetary policy of Afghanistan.
2. Planning, adoption and implementation of the currency policy and arrangements of the Afghan currency.
3. Maintenance and management of official reserves of Afghan currency.
4. Printing, minting, and publishing paper money and metal coins of Afghanistan.
5. performing duties as a banker, adviser and financial representative 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 to do.
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 is recorded as Af 352,255.99 million at the beginning of FY 1400 (2021) and showing 9.40 percent negative growth under the ceiling since the beginning of FY. In addition, Da Afghanistan Bank could successfully manage the currency in circulation (CiC) and it 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).

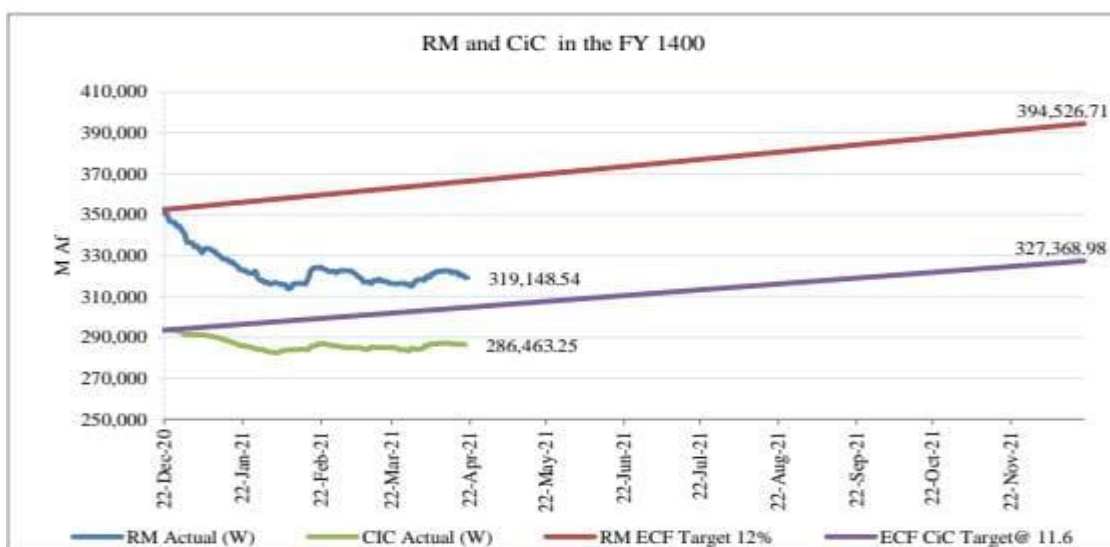


Figure 1. Monetary base and money in Durran during the fiscal year
Source: DAB (2020)

4.3.2 Accumulation of net international reserves

Accumulation of Net International Reserves (NIR), which is known as a main 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 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).

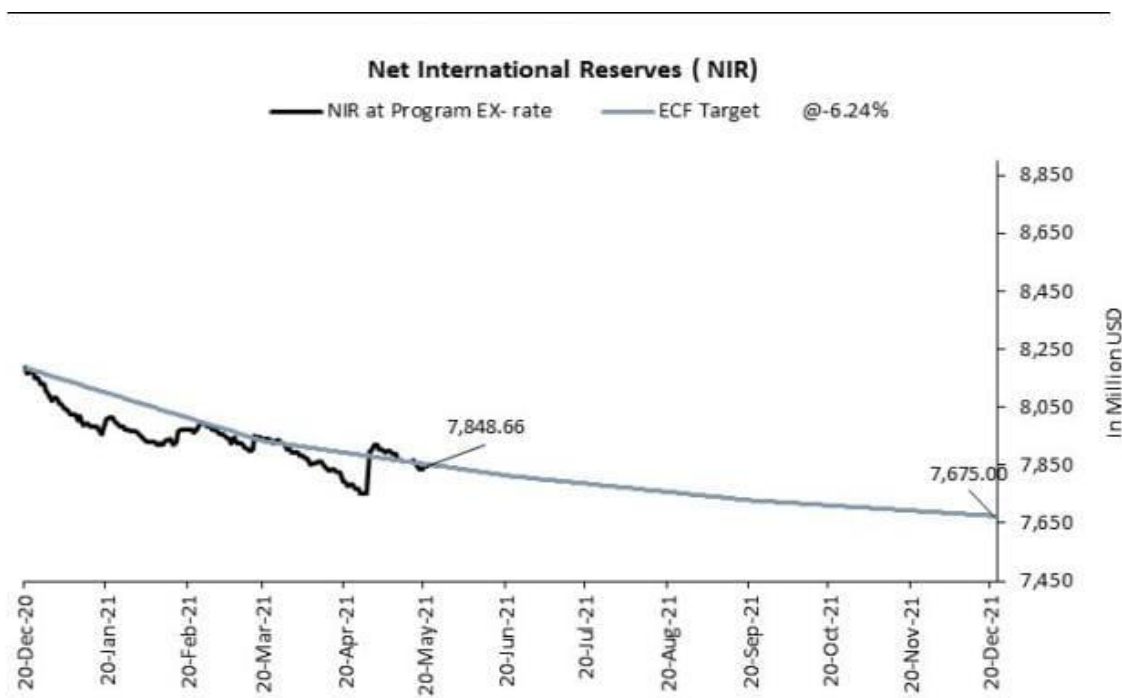


Figure 2. The trend of net international reserves during the fiscal year 2021
Source: Anon (2021a)

4.3.3 Currency auction

Since the beginning of the fiscal year of 1400 (2021) till the end of Jawza, DAB has auctioned a total amount of USD 1088.69 million through open market operations and withdrawn 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. Besides, DAB sold 139 million USD to Da Afghanistan Brishna Shirkat (DABs) through commercial banks to pay the imported electricity bill and has withdrawn Af 10.75 billion from the market at the end of Jawza 1400, meanwhile, 103 million USD was sold to Brishna and withdrawn amount of 7.90 billion Af from the market at the end of Jawza in previous year. These operations have fulfilled 31.74 percent of the total demand for currency (especially the US dollar) in the market.

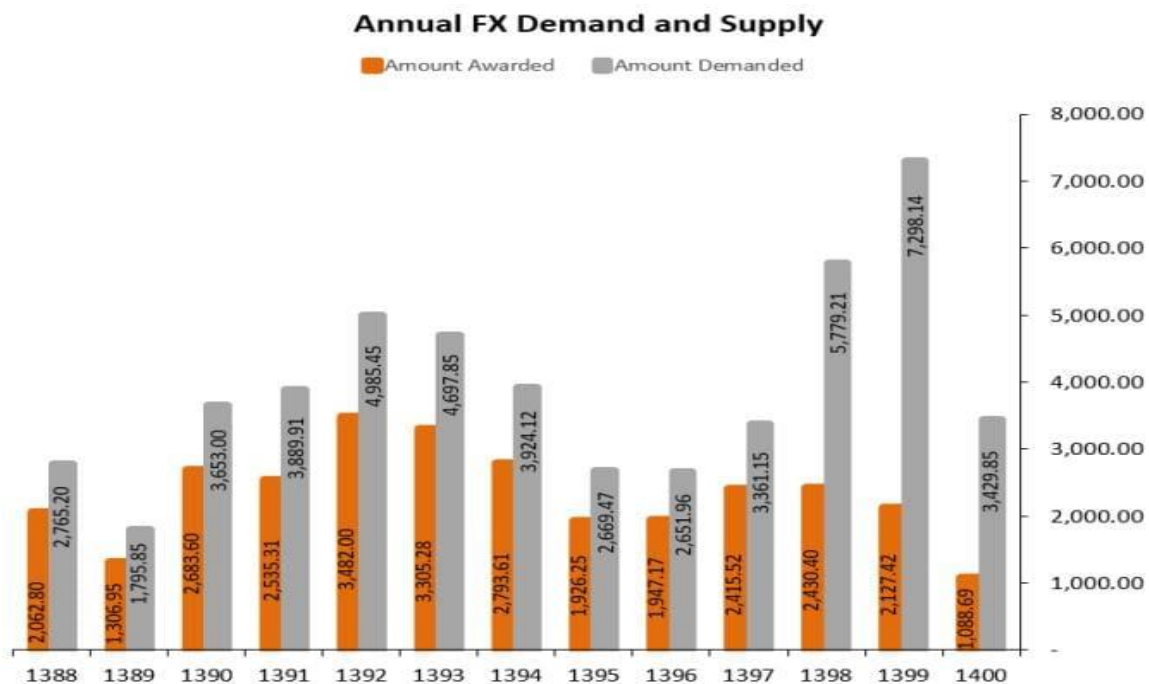


Figure 3. Demand and supply of US dollars from 2008 to the end of the month of Cancer 2021

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 Afghani 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).

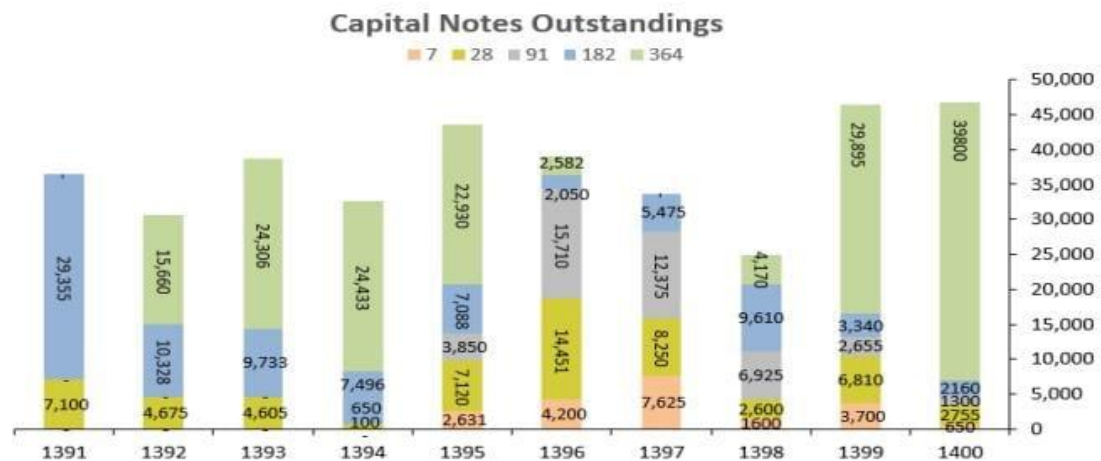


Figure 4. The balance of securities from the fiscal year 2011 to the last month of Cancer 2021.
Source: DAB (2021)

4.3.5 Wadia Auction

It is one of the Monetary Policy tools which is used by DAB through the Islamic Banking Window. This allows the banks to sell surplus liquidity of their Islamic Banking window which they can't invest in the Capital Notes Auction. Wadia auction is started on the 4th of May 2021. Total announced, demanded and awarded amounts of Wadiah were 9.00 Af 4.55 Af, and 4.55 billion Af till the end of Jawza, with outstanding amount of 2.59 billion Af, and has paid 2.10 billion Af Suhula expenses 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, DAB closely monitors exchange rate behavior to smoothen its severe fluctuations. Observing the data, the Afghani exchange rate has recorded some fluctuations against major currencies of the world. From the beginning of FY 1400 (2021), Afghani has 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. While Afghani had appreciated by 1.75 percent from the beginning of FY 1399 till the end of Jawza and has been exchanged at 76.67 Af per USD on average, while Af exchanged with USD at 77.06 Af at the end of Jawza of the previous year.

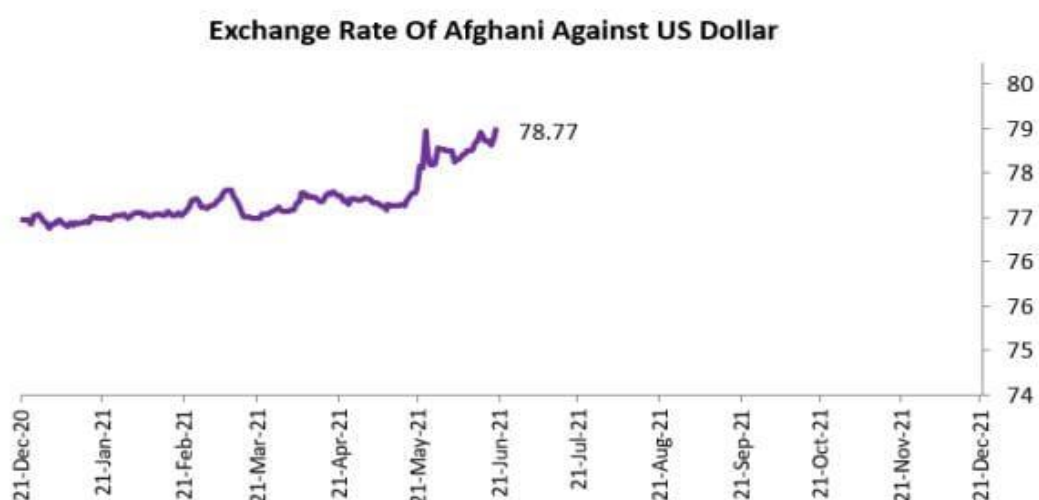


Figure 5. The exchange rate of Afghani against the US dollar during the fiscal year 2021
Source: DAB (2021)

4.3.7 Elements of monetary policies used to prevent liquidity crisis.

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, 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 damage. 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 about 48 billion compared to the past. Still, the international reserves, which were predicted to be 81,816 in the past, reached 5,138 in spite of the Taliban government, but at the beginning of the financial year, it became zero, and we do 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. Which 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. Also, in the part that I see, the deposit shows a decrease of about 1.96 compared to other elements (DAB, 2020). Also, 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 by using force. In general, the role of the central bank was good before the new government, and it was able to prevent the 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 that exists 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 has 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 a part of the capital to leave Afghanistan. The remaining part is also out of circulation due to bad luck and a lack of investment security. 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. A problem that, 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 make sure 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. An issue that will bring Afghanistan, which is already in crisis, into crisis even more.

This approach has been approved on December 15 of last year, 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 approving 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 also community livelihoods, with a strong focus on the participation and use of women and girls. Take care of 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 the allocation of funds. The operational policies of the World Bank have been applied to all the contracts implemented in the framework of these projects, and the World Bank will play an active role in the planning and monitoring phase 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. 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 to do.

The resulting liquidity crisis has caused salary disruptions for hundreds of thousands of government employees, teachers, and healthcare workers, and has imposed limitations on the operations of international aid groups in the country.

The banking system is totally paralyzed. The central bank is not operating,” according to Robert Mardini, director general for the International Committee of the Red Cross as cited by (SIGAR, n.d.).

This has also contributed to a worsening 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 around \$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 as well as for the banking system and businesses. Decrease 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 stated however that 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 I can see in the chart, before the establishment of the new government in Afghanistan, Afghanistan is very dependent on foreign aid. With the establishment of a new government in Afghanistan, the need for aid has doubled. The World Bank and other international institutions have tried to prevent the liquidity crisis so that they can help the new government of Afghanistan in this direction. The main thing that the new government is facing is its non-recognition at the international level, which has increased the problems, but with them, the World Bank and other institutions were able to take measures without considering the political part. have done that, with the guidance and help of these institutions, the new government of Afghanistan will pay the minimum wages and increase 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, the amount of 7 billion dollars (including gold) was 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 of America 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 terrorist incident of September 11, half of these 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, in the form of Compensation should be paid to the families of the survivors of this incident (Savage, 2022).

In the past year, about 8 billion dollars of Afghanistan's gross foreign exchange reserves, which are in the form of cash, have not earned any kind of income. In this way, 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 taken into account here because the large cash part 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
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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 some of Afghanistan's neighboring countries. Still, 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 it 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 weeks of the Taliban's seizure of 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, in banks (Worldbank, 2021).

Currently, most of the ATMs from which people could 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 in the last two decades. Before the fall of the republic, commercial banks had a little over 400 representatives across the country. Likewise, mobile money service providers (Money Mobile) had more than 3,000 service agents. Now, according to the available information, the majority of 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 have also faced many problems. Challenges 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. In this way, 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 greatly due to the loss of high trust. In financial institutions, including the central bank, finally, 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 a very important role in managing money in circulation and preventing crises. These institutions play a very important role by 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 about 10 to 15 million per week, which indicates bad liquidity. It 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, about 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 the 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 luckily 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 they are faced with this crisis. With the establishment of a new government in Afghanistan, this crisis has intensified and caused problems of lack of money in the Central Bank of Afghanistan and other commercialized banks, why the monetary policies of the central bank could not prevent this crisis, despite the fact that it is in accordance with international standards, there are two major differences that could not effectively control this crisis, the first is when a country with a liquidity crisis It is faced that the Central Bank should print the money and circulate it, but in Afghanistan, money is not printed inside the country, and still, with the establishment of the new government, no one was willing to save his money in the bank, and all the money d People's houses were kept, which worsened the situation. Second, when a new government is formed, the whole world recognizes it, so that it takes a legal form so that it can 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 out, Afghanistan was very dependent on international aid, but this year the aid was reduced to a minimum, and all the income came from domestic revenues and other sectors, but with the emergence of the crisis of lack of money in Afghanistan, the World Bank and other institutions International were one of the most influential elements that provided assistance and support to Afghanistan. Indeed, as we 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 to withdraw from its foreign exchange reserves. which exists outside of Afghanistan, so that he could not flow the money, in addition, he committed about 30 to 40 million dollars per week in order 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. Because of them, 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. and it shows the 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 The institution by the Central Bank of Money has made it possible to reduce this activity.

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