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 - Introduction should encompass general idea about the topic, research question, research objective and contribution.
 - Conclusion should represent the brief finding of the research.
 - References should be arranged based on alphabetical order, starting from A to Z. References should be arranged as follow: Second name, first name of the author, year of publication, title of the book, name of publication, name of translator, place of publication and number of pages.
- 6- Article should be provided in MS. word format using (Times New Roman) with a font of 13 simple for main contents, font of 14 bold for titles and font of 13 bold for subtitles, also, 1.4 line spacing for the contents.

Reminder: Arguments and perceptions that conflict with national values of the country and harm national unity of the Afghans are unwelcome.

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Analysis of Afghanistan's labor market

Abstract

The labor market in Afghanistan plays an important role in shaping the country's economic outlook and influencing job creation opportunities. This study analyzes the Afghan labor market and its role on job creation with a focus on understanding the challenges and opportunities that exist in this complex socio-economic context. The purpose of this study is to investigate and analyze the state of the labor market and its role in recruitment of human resources in order to provide a general picture of the current state of the labor market in Afghanistan. Secondary data and information from reports, academic journals, research papers and electronic sources have been used to analyze the labor market in the country. Key indicators such as unemployment rate, labor force participation, skills mismatch, and informal sector activities will be examined to identify the main challenges of Afghanistan's labor market. This study will also examine potential strategies and policy interventions to increase employment generation in Afghanistan and seek to contribute to ongoing efforts to promote sustainable economic

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development and social stability in Afghanistan by elucidating labor market dynamics and their implications for employment generation. In addition, the existing study found that increasing the technical and specialized capabilities of the unemployed through the provision of skill training as one of the active policies of the labor market can be considered to improve the country's employment situation. Overall, this study attempts to provide valuable insights into the role of the labor market in job creation in Afghanistan and offers suggestions for policy makers, economists and other stakeholders to address the challenges of unemployment and underemployment in the country.

Keywords: labor market, human resources, unemployment, job creation, policies,

Introduction

Afghanistan is a country with a turbulent history and complex socio-economic dynamics, struggling with significant challenges in its labor market. Combating the lack of jobs and unemployment has been an urgent matter for policy makers, economists and the people of Afghanistan in general. Furthermore, market analysis is defined as quantitative and qualitative evaluation of capabilities of a specific market (WB, 2012). In analysis of the labor market, the size of the market is mainly analyzed in terms of scale, value and employment generation capacity. The labor market is one of the most significant economic markets and is of particular importance

due to its direct relationship with human resources and is always on the focus of government and policy makers. Considering the economic and social conditions of Afghanistan based on the youth of the working population (48.4 percent) and the lack of balance in the labor market from various aspects, the issue of creating jobs in economy is of great importance, which is emphasized and paid attention to even in national planning, so that in the perspective documents of the Afghan government on the horizon of year 2021, the situation of full employment of the labor force is described (NRVA, 2011/12). Unfortunately, in recent years, this country has experienced high levels of unemployment, especially among the youth, which has led to social and economic instability. The labor market in Afghanistan is characterized by a lack of formal job opportunities, and a large number of people making a living from agriculture. The impact of these factors on job creation and overall economic development is profound and requires a comprehensive analysis to understand the basic issues and potential solutions (WB,2017). Arguments and debates on employment creation are considered to be one of the most important issues in the country, and the debate is about economic, social and political conflicts that must be interpreted and analyzed in order to prepare and implement practical approaches with a real perspective plan.

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Despite the human casualties caused by war and violence in the country, over the last four decades, the upward trend of population growth in the last two decades is remarkable, because the number of young labor who are in working age and the disproportionate situation of job creation in the economic sectors have caused Employment, is not proportional to labor supply and there is widespread of unemployment (ILO, 2019). Analyzing the issue of unemployment and getting appropriate approaches in the country is very complex and requires practical policies that are more complicated than the recommended policies in the field of increasing the level of investment and aggregate demand. In other words, unemployment and underemployment are not only self-correcting and unsustainable factors, but are signs of widespread economic and social disturbances. This study is important for analyzing the present situation of Afghanistan as increasing knowledge and awareness about the state of the labor market and providing suggestions and solutions to employment of workforce in Afghanistan.

Literature Review

Many studies related to the subject have been written by scholars and researchers, some of these studies introduce briefly in this article. Kalyani, 2015, in his research work entitled "*Analysis of the labor market situation*", which used a mixed method. In this study, he examined a wide range of

indicators, including the proportion of the labor population, sector changes in combination of added value and employment structure, growth of added value and employment, employment status in terms of self-employment, regular employment with wages, unemployment rate, formal and informal division of employment, elasticity of employment and labor productivity, and finally poverty.

He found that India's rapid economic growth has reduced extreme poverty, with an average real wages growing by more than 3 percent annually among Indians between 1983 and 2012. However, for approximately 460 million Indians of working age who are on the verge of becoming the world's largest workforce by 2030, large employment gaps remain. Most of their jobs are routine with low productivity and almost 60 percent of Indian workers are still considered poor despite having a job.

Brochure, 2020, in his research work entitled "*Labor Market in India*", has attempted to collect and analyze a new set of figures in a way that is effective for researchers of the labor market in India. The author used two sets of source of panel data, examined the effect of changing class (caste-social division) on job opportunities and extended this analysis to religious affiliation and gender. He found that India's workforce is large and diverse, with a large number of low-skilled people working in the informal sector. The Indian labor market is also

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characterized by wage and gender disparities, and complex labor laws and regulations.

Smith et al., 2017, in their study, entitled "*Analysis of the labor market in low-income countries: a review of evidence from Asia*" using the GLS regression method, investigated the dynamics and challenges of the labor market in various low-income Asian countries. and highlighted the impact of globalization and technological advances on the employment model. However, Lim, C. et al., 2020, in a study entitled "*Youth Unemployment in Southeast Asia: A Literature Review of Challenges and Solutions*" using the (OLS) method, to investigate the challenges and solutions related to youth unemployment in Southeast Asian countries and to reduce the effective factors in high rate of youth unemployment, they proposed policy recommendations to address this issue.

Khan et al., 2019, in their research entitled "*Informal Labor Markets in Developing Economies: A Review of Asian Literature*", focused on the prevalence and consequences of informal labor markets in developing Asian economies, and studied the factors affecting informal employment and its impact on economic growth.

Patel et al., 2018, in a research titled "*Gender Differences in Labor Market Outcomes in South Asian Countries*" and using the linear least squares (OLS) regression method, that women with multiple barriers to access opportunities quality jobs are

faced and potential political interventions are needed to promote gender equality in the workforce.

Research questions

1. How does the labor market in Afghanistan affect the use of human resources?
2. What are the problems and challenges in Afghan labor market that reduce the opportunities to employ labor force?

Objective of the study

1. Analyzing the labor market situation and its role in recruitment of labor force in Afghanistan.

Hypothesis of the study

1. Afghanistan's labor market is affected by multidimensional factors.

Research methodology

The present study uses library approach to provide a comprehensive analysis of the labor market in Afghanistan and its impact on job creation. For the purpose of analysis, secondary data sources from government reports, research journals, electronic websites, and reports of the Central Statistics Organization (CSO) related to Afghan labor market and Employment figures have been collected. This study may face limitations such as unavailability of accurate data, reliability, and generalizability due to the unstable and complex nature of Afghanistan's labor market. Research findings may be

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affected by external factors such as political instability, economic conditions and social dynamics in Afghanistan.

Major characteristics of the labor market in Afghanistan

Informal Economy: A significant part of Afghanistan's workforce is engaged in informal jobs. The economy is characterized by businesses that are not regulated or supported by labor laws. This informal sector plays an important role in providing the livelihood of many Afghans, but it also creates challenges in terms of job security, social support and productivity.

Governance of the agriculture sector: Agriculture is still considered a key sector in the Afghan economy and accounts for a large part of the labor force. The labor market is heavily dependent on agriculture and many people are engaged in subsistence farming or rural agricultural activities.

Youth unemployment: Afghanistan has a young population (48%) and a high proportion of young people face challenges in accessing formal job opportunities. The youth unemployment rate is significantly high and highlights the need for policies and programs to address the skills gap and create employment opportunities for youth.

Gender inequality: Gender inequalities exist in the Afghan labor market, and women face barriers to entry and advancement in the workforce. Cultural norms, limited access to education, and discriminatory practices contribute to higher levels of unemployment and underemployment among women.

Mismatch of skills: There is a mismatch between the skills required by employers and the available skills of the workforce in Afghanistan. Limited access to quality education, vocational training, and skill development programs hinders the ability of individuals to secure employment in sectors with increasing demand for skilled labor.

Conflict, uncertainty and Instability: The ongoing conflicts uncertainty and security challenges in Afghanistan have a significant impact on the labor market. Displacement, business disruption, and insecurity affect job opportunities and lead to higher levels of unemployment in conflict-affected areas.

Government policies and programs: Government policies and programs with the aim of increasing the level of employment, developing skills and labor market regulations play an essential role in shaping the characteristics of the labor market in Afghanistan. Analyzing the effectiveness of these policies and their impact on labor employment can provide insight into the improvement of labor market conditions.

Migration and remittances: Migration into Afghanistan and neighboring countries for work, as well as remittances sent by Afghan workers abroad, are important aspects of labor market dynamics. Understanding how migration patterns and remittances affect job opportunities and sources of income is essential for analyzing the labor market in Afghanistan. By examining these main characteristics of the labor market in

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Afghanistan, this study can provide valuable insights into the challenges, opportunities and dynamics of shaping the employment of human resources in the country. A comprehensive analysis of these factors can provide recommendations and policy interventions aimed at improving labor market conditions and promoting sustainable employment for Afghan workers. (World Bank, 2018).

Analysis of the unemployment trend in Afghanistan

Analyzing the trend of unemployment in Afghanistan during the years 2001-2023 requires a deep consideration of the socio-economic and political conditions of the country in this period. Here are some key points to check the unemployment trend in Afghanistan. First, the period after 2001, which begins with the presence of allied forces led by the United States of America, Afghanistan experienced a period of little reconstruction and development compared to the financial and technical facilities that were placed in it. However, this country was still facing conflicts uncertainty and security challenges that had a significant impact on the employment and unemployment rates. Second, youth unemployment has been a constant challenge in Afghanistan, and a large portion of the population under the age of 30 faces limited job prospects. (Akbari, M. Z. 2019). Lack of technical and vocational training and formal employment options have contributed to high levels of youth unemployment. Third, gender inequality in employment has

also been one of the important issues in Afghanistan, and women face obstacles to access the labor market. Discriminatory practices and cultural norms have limited women's participation in the workforce and contributed to the increase in women's unemployment rate. Fourth, the prevalence of informal employment in Afghanistan has also affected the unemployment rate. Many workers participate in the informal economy due to limited formal job opportunities which can lead to unemployment and unstable sources of income. Fifth, the unstable security situation in Afghanistan has disrupted trade, investment and job creation and has led to an increase in unemployment in conflict-affected areas (International Labor Organization, 2017).

The current conflicts have also displaced people, disrupted people's livelihoods, and exacerbated the challenges of unemployment. Sixth, the mismatch between the skills required by employers and the skills of the workforce has contributed to unemployment in Afghanistan. Limited access to quality education, vocational training and skills development plans has hampered people's ability to secure employment. Seventh, government policies and plans aimed at promoting employment and dealing with unemployment have played a role in shaping trends over the years. Efforts have been made to improve labor market conditions, increase skills and create

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job opportunities with the aim of reducing the unemployment rate (International Labor Organization, 2014).

In general, the trend of unemployment in Afghanistan in the period 2001-2023 is probably due to various factors such as conflicts, uncertainty, insecurity, poor economic development, weak skills, gender differences, and political interventions. A detailed analysis of these factors can provide insights into the changing outlook of unemployment in Afghanistan and provide strategies to reduce the unemployment rate and promote sustainable job opportunities for the people of Afghanistan (Management of Labor Evaluation, 2016).

The current status of labor market in Afghanistan

The labor market in Afghanistan is facing insurmountable challenges and complications which are affected by the socio-economic and political conditions of the country. In this study, some key aspects of the current market situation are presented. As mentioned above, attention to the labor force in the informal economy is significant, and many employees are in sectors such as agriculture, construction, and services. They operate outside of official structures. This informal sector lacks job security, social support, and mostly includes low wages. And on this account, Afghanistan has a high unemployment rate, especially among young people and women (ILO, 2022), lack of job opportunities, skills mismatch, and Limited access to education contributes to high levels of unemployment in the country.

Many working people in Afghanistan are underemployed, which means they work fewer hours than they want or work in jobs that do not fully utilize their skills and qualifications. Unemployment is a common problem in urban and rural areas. There is a mismatch between the skills of the workforce and the skills required by employers. (ILO, 2019) This skills gap hinders productivity and economic growth in Afghanistan as businesses struggle to find quality workers for available positions.

On the other hand, women face significant challenges in accessing the labor market in Afghanistan due to cultural norms, limited educational opportunities and discriminatory practices. Gender inequalities in terms of employment rates, wages and occupational segregation continue. The security situation in Afghanistan has a direct effect on the labor market, and conflict, uncertainty and instability affect trade, investment and job creation. Many workers face safety and security risks in their workplace. The formal employment sector in Afghanistan is relatively small and most jobs are concentrated in the government sector, international organizations and a few key industries such as agriculture, mining and telecommunications. Limited formal employment opportunities contribute to the prevalence of informal employment.

It is worth mentioning, that in December 2017, Afghan government has taken action to address the challenges of the labor market through policies and programs aimed at increasing

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employment, improving skills and social support. However, the implementation of these policies is still a challenge (International Labor Organization, 2014). In general, the labor market in Afghanistan is characterized by a complex set of issues that require comprehensive analysis and targeted interventions to improve labor force participation, productivity and economic development. Conducting research on labor market analysis and its impact on employment generation can provide valuable insights to address these challenges and promote sustainable employment opportunities in Afghanistan.

Performance analysis of employment policies and labor market indicators

The first seven-year of economic, social and cultural development plan that covers the years (1969-1973) was formulated in a situation where the royal system (Kingdom) was dominant in the country and the society was in a state of economic prosperity. During this period, the unemployment rate in Afghanistan was very low (3.4 percent) and many people were working in different economic sectors such as agriculture, industry and services. The employment rate was also good (84 percent) and many people were active in the labor market. Also, the gross domestic product in this period was on average around 20 billion Afghani which indicated the total value of goods and services, produced in Afghanistan. The number of mine workers in the public and private sectors was high, and

the government was known as one of the largest employers in the country. In general, in the first development plan of Afghanistan (1969-1973), Afghanistan was experiencing a strong and stable economic situation and many economic indicators had reached a favorable state. This economic situation was almost preserved after the coup of 1973 by Sardar Mohammad Daud Khan in the framework of the five-year development plan (1973-1978), but after the coup d'état on 7th of April 1978 and the new civil wars (1978-2001) which led to the complete destruction of government infrastructure and facilities, the condition of rebuilding the country's economy in 2002 with the entry of international forces under the leadership of the United States of America was prioritized in the plans (Maxwell Fry, 1978). In this research, firstly, a brief analysis of the performance of the country's first seven-year development plan, which covers the years 1968-1973, is discussed, and subsequently, the analysis of the performance of the development plans of the republican system under the administration of the United States of America during the years 2002-2021 is specifically discussed.

Basic indicators of labor market in the development plan of 1968-1973

The active population of the country as the main parameter of labor force supply in 1968-1973, at the beginning of the first development plan, there were an average of 3.6 million people

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out of the total population of 8 million in the country. This number includes people who were active in various economic and social sectors of the country, with an upward trend, this active population increased to 4.2 million people at the end of the 1352 plan. This increase showed the growth of the population and the increase of economic and social activities in that period. About 3,722,000 of these active populations were employed in 1973, so the labor force participation rate in this year is about 87.6 percent and the unemployment rate is 12.4 percent. The working population of the country increased to 563,000 people during the plan years of 1368-1973, and according to that, the participation rate declined to 38.4 percent and the unemployment rate decreased to 11.5 percent. The unemployment rate in the country in 1973 was equal to 11.1 percent and the labor force participation rate was 38.01 percent (Maxwell Fry, 1974).

Performance of development plan and job creation during 1968-1973

The performance of the development plan (1968-1973) shows that, first of all, as per the modality of created environment, the employment plan has been successful because the average annual performance of job opportunities created in this plan was 200,000 people. In other words, during the period of the first development plan of 1968-1973, 212 thousand new job opportunities were created. Therefore, quantitatively, more than 75 percent of the plan's goal was

realized in the first development plan in the context of creating new employment. It was also predicted that the share of employment in service activities would decrease, which did not happen (World Bank, 1981).

Labor productivity increased by an average of 3.4 percent annually, which was about 0.6 units less than the plan's goals, and the goals of this plan in terms of increasing productivity were realized by about 78.5 percent (World Bank, 1981). In general, it can be said that the first development plan has had a relatively successful track record in terms of employment creation goals and policies. The use of empty capacities in the economy, increasing infrastructure investments, increasing economic growth, reducing labor productivity, traditional and small and low return jobs, employment of labor at the level of economic sectors, especially at the government sector, are among the main reasons for the success of the development plan in the context of employment creation.

Performance of development plan and job creation during 2001-2021

After 2001, Afghanistan has designed and implemented several development plans for job creation, and some of these plans are analyzed in detail.

Afghanistan National Development Plan (ANDS): This plan was designed in 2013 by the Afghan government in cooperation with the international community. ANDS set its main goal to

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create job opportunities, develop infrastructure and strengthen the local economy. Considering the economic and social conditions of the country and population pressure, the supply of labor force during this plan (2001-2021) forced the government to pay special attention to the category of increasing employment and reducing unemployment in this plan, therefore, unemployment became the most important concern of the government. A great part of this plan was devoted to the issue of employment policies that directly and indirectly have an effect on creating employment (Central Statistics, 2012). The approval of the articles for the first development plan is one of the most important legal provisions for the government's actions in job creation.

In the national development plan of Afghanistan, the formation of the Supreme Employment Council of the country was considered, and also the law requiring the acquisition of technical and vocational education for employment was approved (WB, 2017). From a quantitative point of view, according to large estimates, the performance of ANDS employment policies has been the creation of 120,000 job opportunities per year, which is far from the plan goals and indicates that 60 percent of the plan goals have been achieved in terms of creating new job opportunities. In other words, during the implementation of ANDS, a total of 900,000 jobs

have been created, while according to the goals of ANDS, more than 120,000 new jobs should have been created.

In the third plan, facilities in the form of administered funds and other job creation facilities have been granted, which have had positive effects on private investment and employment. Also, the increase of self-employment based on freelance work and the expansion of economic companies have been among other active labor market policies that were put on the agenda in ANDS (WB, 2017). Except for the supportive and passive policies of the labor market (for the unemployed), other policies were included in the framework of the plan during this period, but in practice, some of these policies were given less attention. What has been emphasized the most is the policies related to the amendment of the labor market laws and regulations in the plan, the implementation of which was expected to lead to greater flexibility in the labor market for the entry and exit of the labor force, while this policy is only included in the plan format. At the same time, the implementation of active market policies by the government and the creation of suitable platforms for the development of non-governmental sector investments in order to increase job opportunities have become more active, and the effect of this movement has been evident in the relative improvement of employment performance. Therefore, in a general view, the performance of the government in the national development

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plan regarding job creation has improved (National Development Strategy, 2018).

National Rural Development Plan (NRDP): This plan was implemented in 2017 in order to develop villages and increase job opportunities in rural areas. It focused on promoting sustainable agriculture, developing rural infrastructure and supporting national entrepreneurs. According to the results of the sampling plan for the collection of labor data of the Afghanistan Statistical Office, the total unemployment rate in 2007 reached 11.2 percent, and according to the plan, about 90 percent of the employment creation goals have been realized. (ANDS, 2008). At the same time, there were inequalities and imbalances in some dimensions of the labor market, despite their relative reduction. From the qualitative aspect, considering the extent of the policies and solutions, the evidences were indicative of the necessity of operationalizing the policies and executive solutions in the following years of the plan. Granting facilities to small, early-yielding projects and entrepreneurs has also been the most important action of the government's employment creation policy in the national rural development plan, among the other measures taken in National Rural Development Plan to respond to the rapid supply of labor, the use of household facilities, job creation facilities within the framework of managed funds, technical and credit assistance to the private and cooperative sector, granting

facilities from the foreign exchange reserve account to production activities with the purpose of job creation. In practice, the National Rural Development Plan was able to prevent the increase in unemployment rate by creating 462,000 new jobs in 5 years despite the significant growth of the active population (ANDS, 2008).

Industry and Trade Development Plan (IDEP): This development plan was started in 2010 in order to grow and develop local industries, increase exports and strengthen the private sector in the country. However, IDEP focused on promoting foreign capital, developing local industries, and increasing local trade. The industry and trade development plan included eight macro-qualitative goals, including industry growth, export promotion, employment creation, infrastructure development, trade facilitation, capacity building, regulatory reforms, and regional integration. The goals of this plan, like the previous two plans, are more important with the approach of unemployment and also the experience of the first plan, the issues related to employment have been given a lot of importance (CSO, 2014).

According to the goals and policies in the performance of employment creation, there are differences in this plan compared to the previous plan. First of all, at macroeconomic level, during the plan of 2010, about 680 new job opportunities have been created (on average, about 231 new job

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opportunities). Secondly, According to this plan, labor productivity should have increased by one percent annually, while the performance shows that this figure reached above one percent (1.3 percent). Also, the ratio of employment to the working age population, during the 2010 industry and trade development plan, has taken a downward trend, although it increased again in the last year of the plan (World Bank, 2012). With the implementation of these plans, Afghanistan had a significant improvement in the employment situation and economic development of the country. Some of the results achieved included increasing job opportunities, reducing the unemployment rate, developing infrastructure, growing local industries and strengthening the private sector. By continuing to persevere in implementing these plans and improving resource management, Afghanistan can achieve sustainable economic growth and development.

Analysis of job creation in economic sectors

1. Job creation in the agriculture sector

At the end of 2001, about 75 percent of the country's population was engaged in the agriculture sector, which has reached to 73.5 percent in 2003 with a slight decrease, and again with a noticeable decrease to 71.5 percent in 2010 (Rubin, R. Bhrentt, 2011). An important point is that during the intended years, the share of the agriculture sector in creating employment in the country has always gone through a downward trend which can

be attributed to reasons such as increase in employment in the service sector, non-governmental organizations, international institutions, commercial contracts, migration from villages to cities and increase the urbanization rate.

2. Job creation in the industry sector

At the beginning of 2001, Afghanistan's industries were severely damaged by the internal conflicts, and about 5.6 percent of the country's workforce was engaged in this sector, which reached 12.4 percent in 2011 with the start of reconstruction of industrial parks in some provinces of the country, and again increased to 16.5 percent in 2016. The important point is that during the intended years, the share of the industry sector in creating employment in the country has always gone through an upward trend. The survey data of the living conditions of Afghanistan shows that the industry sector absorbed about 18.1 percent of the labor force in 2016. (ALCS,2017).

3. Job creation in the service sector

After the agriculture, the service sector has attracted the most labor force in the country. In 2002, about 20.7 percent of the country's labor force was working in the service sector, and with the acceleration of economic activities in the country, the absorption of this sector increased to 26.4 percent in 2006 and again reached 37.5 percent in 2017. In other words, this year, nearly 40 percent of the country's workforce has been working in the service sector, which has a high share compared to the industry sector, which is due to

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the higher rate of profitability in this sector compared to other productive sectors. Another point is that during the intended years, the share of the service sector in the country's employment generation has always gone up (ALCS, 2016).

Barriers to Job creation in Afghanistan's labor market:

1. Inappropriate and inhibiting business environment and obstacles to production and investment.
2. Economic laws and regulations (especially the labor law) are cumbersome and restrictive.
3. The inflexibility or rigidity of the country's labor market environment.
4. Poor productivity of the agriculture sector.
5. Increasing and excessive imports which has a negative impact on Afghanistan's economy as a serious obstacle to employment.
6. The volume of imports is increasing which takes the opportunity of investment, production, employment, from domestic companies.

Data shows that in recent years in Afghanistan, the government has made large and inappropriate imports from abroad in order to compensate the decrease due to insufficient foreign (FDI) investment and production. Of course, according to estimates, assuming that one job opportunity is created with every 10,000 dollars, the number of jobs provided with Afghan resources will be at least 100,000 jobs against one billion dollars of imports to Afghanistan from abroad.

Summary and conclusion

The analysis of Afghanistan's labor market in relation to job creation in the course of development plans shows that in the first and second plans, the policy and decision makers have tried to provide cheap facilities or necessary credits to implement the plans related to employment creation. Meanwhile, the creation of sustainable employment is the result of the boom in production and investment, the prerequisite for which is the correct and principled orientation of the country's macro-economic policies towards creating a stable and suitable business environment to increase production and investment in economic companies. The relative success of the first plan in job creation was mostly due to the infrastructure investments during the royal regime and the use of the empty capacities of the country's economy. On the other hand, the relatively successful but slow process of the development plans of the 80s and 90s related to job creation was due to the emergence and continuation of the internal and external conflict and foreign interventions in the country.

In addition, the reason why the development plans after 1380s did not have a good success in terms of job creation was that a significant part of the job opportunities created under the conditions of these plans were more affected by passive policies than by active policies of the labor market. Examining the trend of supply and demand of skilled labor, confirms this

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fact that the labor market of skilled labor has faced more imbalance than the domestic labor market.

Therefore, it is necessary to take a different approach than the past to provide appropriate strategies to balance the labor market and increase the employment level of youth and skilled workers. What is certain is that the economic environment of the country and the environment of the domestic labor market do not have the necessary flexibility to make large investments, especially in labor intensive projects. Empowering women through improving the level of education and job skills is very important for sustainable development. Increasing the technical and skilled capabilities of the unemployed through the provision of skill training as one of the active policies of the labor market can be considered to improve the country's employment situation.

Approaches and policy proposals for employment in development plans

Afghanistan's national development plans (ANDP) explicitly consider the issue of employment. Improving the business environment, removing barriers to production and investment, increasing investment and production, stabilizing prices, amending some laws and regulations governing the labor market, increasing the skills of the workforce and creating new capacities for the presence of women, an effective role in

balancing the supply and demand of the country's workforce and solving the existing challenges.

1. Adopting appropriate economic, political and cultural policies to improve the business environment and create the necessary areas for investment.
2. Creating a suitable platform and environment for production and economic growth.
3. Reforming macroeconomic policies in order to improve economic functions.
4. Development and expansion of entrepreneurship through the stabilization of macro-economic and political policies in order to reduce the risk-taking of economic companies.
5. Flexibility and responsiveness of the educational system to the needs of the labor market.
6. Increasing the efficiency and flexibility of labor laws and regulations by focusing on legal frameworks and mutual expectations of labor unions and employer organizations.
7. Strengthening tripartism in order to create an atmosphere of understanding and dialogue between the government, the employer and the worker and applying tripartite supervision instead of any interference in the work environment.

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Key Macroeconomic Factors Influencing Inflation in Afghanistan

Abstract

Similar to other nations, Afghanistan's economy is susceptible to the impacts of inflation. Understanding the factors that drive inflation is crucial for addressing high inflation rates. This paper employs the Auto Regressive Distributed Lag (ARDL) method to investigate the determinants of inflation in Afghanistan. Previous research has largely overlooked the study of inflationary factors in this context. Hence, the goal of this paper is to explore the elements influencing price changes in Afghanistan over the past two decades. The results indicate a long-term positive relationship between inflation, the exchange rate, foreign aid, and GDP in Afghanistan. The accuracy of the econometric estimations has been confirmed through various diagnostic tests. The paper offers several key policy recommendations for Afghan authorities to consider in their efforts to control inflation.

Keywords: Consumer Price Index (CPI), Exchange Rate, Foreign Aids

Introduction

Inflation, as a macroeconomic phenomenon, affects nearly every aspect of human life. It lowers welfare by reducing purchasing power and altering income distribution; it harms businesses by increasing uncertainty; it hampers the government's ability to finance expenditures; and it disrupts international trade. Consequently, controlling inflation is a primary goal of monetary policy for almost all countries.

Afghanistan has faced significant economic challenges from inflation for many years. The country's heavy reliance on imports to satisfy domestic demand makes it particularly vulnerable to high inflation rates. Persistent inflation has been driven by rising import prices, further aggravated by political instability, natural disasters, and ongoing conflicts. This inflation has negatively impacted Afghanistan's economy by raising the cost of living, diminishing household purchasing power, and impeding economic growth. These effects have exacerbated poverty and vulnerability. Additionally, high inflation has compromised macroeconomic stability, and the government's inability to control it has raised concerns about overall economic management. Addressing inflation in Afghanistan requires a comprehensive and coordinated approach to tackle its root causes and foster sustainable economic development. Theoretical discussions often link inflation to an economy operating above its potential level. The

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Phillips Curve illustrates a short-run inverse relationship between inflation and unemployment, indicating that lower unemployment rates are associated with higher inflation rates. In

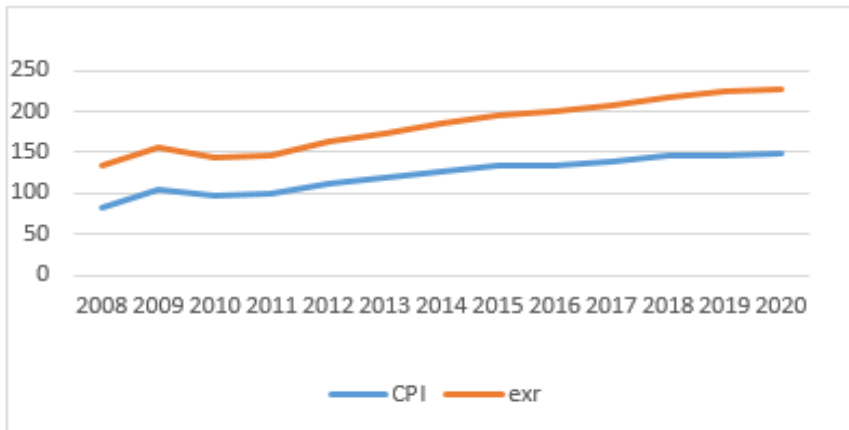


Figure 1: The co-movements of CPI and exchange rate

Source: the figure is drawn with the data collected from (WBI)

such scenarios, the strategy to control inflation becomes clear. In Afghanistan, numerous supply and demand-side factors contribute to inflation variability. A key factor is the heavy reliance on imports to satisfy consumption needs. A significant portion of Afghanistan's domestic demand is fulfilled through imports, making the prices of imported goods critically influential in determining the overall price level in the country, both directly and indirectly. In Afghanistan, numerous supply and demand-side factors contribute to inflation variability. A major factor is Afghanistan's heavy reliance on imports to meet consumption needs. A substantial part of the country's domestic demand is met through imports, making the prices of these goods

highly influential on the overall price level, both directly and indirectly. A key influence on the cost of imported goods is the depreciation of the domestic currency. With the demand for foreign currency exceeding its supply, the domestic currency consistently depreciates. This depreciation raises the prices of imported goods as well as the prices of domestically produced substitute goods. (Safi & Mashal, 2020).

Over the past two decades, foreign aid has significantly influenced the variability of many macroeconomic variables in Afghanistan. It has greatly contributed to economic growth and socioeconomic development. However, it has also had a profound impact on price levels in the country. The increase in foreign aid affects prices in two ways. Directly, it raises the price level by boosting aggregate demand, either by financing government deficits or by creating purchasing power through funding foreign military expenses, NGO activities, and private sector support. Indirectly, foreign aid affects the exchange rate positively, at least in the short run. During periods of high foreign aid inflow, the exchange rate remains relatively stable. For instance, from 2002 to 2012, due to substantial foreign aid inflows, the price of one dollar fluctuated between 46 to 50 Afghani. After 2012, as foreign aid decreased, the exchange rate rose from 50 AFN in 2012 to 77 AFN in 2017 (World Bank Indicators), continuing to depreciate thereafter.

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Research on the determinants of inflation in Afghanistan has been largely neglected. Therefore, this study aims to investigate both the short and long-run determinants of inflation in the country. Due to limitations in the availability of statistical data, this study will examine several key determinants of inflation in Afghanistan. Additionally, some descriptive and historical analysis will be provided on other external shocks that contribute to short-term inflation variability.

The following sections of the paper cover various aspects of the issue. The next section addresses theoretical considerations. This is followed by a review of past empirical studies. Subsequently, data and methodological issues are discussed. The final section focuses on the findings and their discussion.

Do exchange rate and foreign aid spike inflation?

In this section, an attempt is made to explain the channels through which inflation is influenced by exchange rates and foreign aid, in the context of Afghanistan's economy.

From exchange rate to inflation: In the framework of the monetary theory of the balance of payments, changes in the money supply are made through either an increase in bank money or changes in foreign exchange reserves (Snowdon & Vane, 2005). A change in foreign exchange reserves occurs when the central bank engages in buying or selling foreign currency in the domestic market. When the central bank sells foreign currency, it reduces its foreign reserves, thereby

decreasing the money supply in the economy. Conversely, purchasing foreign currency increases the central bank's foreign reserves, leading to an increase in the money supply. Any factor that affects the exchange rate can also impact the money supply and inflation.

Under a fixed exchange rate regime, if the domestic currency appreciates (the exchange rate decreases), the central bank must intervene in the foreign exchange market to bring the exchange rate back to its target level. This intervention involves buying the excess supply of foreign currency, which boosts the central bank's foreign reserves and, consequently, increases the money supply. Conversely, if the exchange rate rises (the domestic currency depreciates against foreign currency), the central bank sells foreign reserves, decreasing the money supply.

The influence of money supply on inflation has been a topic of long-standing debate in economic theory. According to the quantity theory of money espoused by classical economists, changes in the money supply have no real effects on the economy. They argue that an increase in the money supply results in a proportional increase in the price level. (Batarseh, 2021). Keynesians contend that due to wage and price rigidity, money exerts a real impact on the economy, except when the economy is in a liquidity trap. Conversely, Monetarists acknowledge that money influences the business cycle only in the short term. They maintain that inflation is always a

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monetary phenomenon, regardless of money's role in affecting output and unemployment (Snowdon & Vane, 2005). Most economists concur that there is a positive relationship between the money supply and inflation.

In a flexible exchange rate regime, changes in the exchange rate do not directly affect the central bank's foreign reserves. However, according to the theory of purchasing power parity, the exchange rate has a direct impact on the domestic price level, assuming all other factors remain constant (Darrat, 1988). An appreciation in the value of the domestic currency increases the value of domestic goods in the foreign market and decreases the price of imports in the domestic market. A depreciation in the domestic currency, on the other hand, increases the price of imported goods in the domestic market and decreases the price of exported goods for foreigners. If domestic consumption heavily relies on imports, the exchange rate will be an important determinant of the price level, especially under the flexible exchange rate regime.

The theory of purchasing power parity argues that the difference in domestic and foreign prices reflects in the exchange rate. The following equation shows the link between domestic and global prices when PPP holds.

$$E_{\text{AFN/USD}} \times P_f = P_d \dots 1$$

$E_{\text{AFN/USD}}$ denotes the nominal exchange rate (more specifically, the value of one dollar in terms of Afghani currency) P_f is the

foreign price index and P_d is the domestic price index. The theory of purchasing power parity states that, in the absence of other trade-related costs and distortions, arbitrage equalizes the price level globally. By rearranging the above equation for the exchange rate, we can write it as follow:

$$E_{\text{AFN/USD}} = \frac{P_d}{P_f} \dots\dots 2$$

From the above equation, if the foreign price is assumed to be fixed, an increase in exchange rate will be accompanied by a proportional increase in domestic price, so that to maintain the equation.

Woo & Hooper (1984) explain the exchange rate pass-through using different channels. They argue that an increase in the exchange rate will directly rises the domestic price level through prices of imported consumer goods, prices of inputs, and changes in aggregate demand. In the first channel, prices of imported goods increase through the exchange rate. Since imported good is an important component of the consumer price index, it will influence the price level. The second channel affects the price level via the cost of production. The latter channel influences price level through changes in the current account.

From Foreign Aid to Inflation: Foreign aid impacts the price level in Afghanistan through two primary channels: the aggregate demand channel and the exchange rate channel, each exerting opposing effects on inflation. An increase in net aid inflow bolsters aggregate demand by financing government

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deficits, supporting the private sector, boosting NGO activities, and augmenting direct military spending. This surge in demand may elevate both domestic and imported goods prices, albeit with limited expansion in production, leading to a notable rise in the overall price level.

Conversely, an influx of foreign aid tends to depreciate the exchange rate. As discussed earlier, under a flexible exchange rate regime, depreciation reduces the cost of imported goods, thereby curbing inflation. Here, the demand and exchange rate effects of foreign aid counterbalance each other, with the outcome depending on their relative magnitudes. In a fixed exchange rate system, a decline in the exchange rate prompts government intervention in the foreign exchange market, involving the purchase of foreign currency. Consequently, the money supply expands, reinforcing the demand-driven impact of foreign aid.

Afghanistan follows a kind of managed floating exchange rate regime where its central bank regularly intervenes in the foreign exchange market to maintain a relatively stable exchange rate, but as is mentioned in the central bank study (Safi & Mashal, 2020), due to the high demand for foreign currency, the central bank cannot fully stabilize the exchange rate.

Literature review

Inflation is a macroeconomic phenomenon influencing every aspect of our life. The question of what determines inflation has attracted the attention of a large number of studies. Ridwan (2022) attempts to examine the determinants of inflation in Malaysia using the Vector Error Correction Model. He finds money supply and Islamic finance as important determinates of inflation in Indonesia in the long run. He fails to find any short-run link for the mentioned determinants, however. ERDOĞAN et al. (2020) report exchange rate and money in circulation as important determinants of inflation in European Member countries. Using a dynamic panel analysis, Bilgrami & Maryam (2022) also provide support for the role of the exchange rate, money supply, and current account in explaining the variability of inflation in South Asian countries. Melaku (2021) finds the exchange rate, GDP, interest rate, and money supply as factors affecting the level of inflation in Sub-Saharan African countries. Kaur (2021) examines a wide range of demand and supply side factors influencing inflation in India. He reports negative long-run effects from the money supply and fiscal deficit to inflation. He emphasizes that exchange rates and oil prices are the dominating determinants of inflation in this country. In empirical studies, inadequate literature could be found investigating the nexus between foreign aid and inflation. This might arise from the fact that in most economies, the amount of foreign aid might be very negligible as compared to the overall

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size of the economy. Therefore, variation in foreign aid could fail to explain changes in inflation. In the case of small aid-dependent countries, however, foreign aid can be an important cause of inflation. Several studies, for example, Awan & Imran (2015), Enu & Havi (2014) & Dönmez (2005) find foreign aid as an important determinant of inflation in Pakistan, Ghana, and other developing countries, respectively. Ikpesu (2020) also reports long-run integration between foreign aid and inflation for Sub-Saharan African countries. Considering the above finding, foreign aid is expected to have dominating role in explaining variation in many macroeconomic variables including inflation in aid-dependent countries like Afghanistan. Related to the determinants of inflation in Afghanistan empirical study was not found. Therefore, this study is motivated to examine the dominant factors that determine the price level in this country.

Data and Methodology

Data: The debate surrounding the methodology of this paper revolves around the adequacy and reliability of the data used, particularly concerning Afghanistan, which faces challenges of data scarcity. The paper employs a range of statistical tests, including the Augmented Dickey-Fuller (ADF), Kwiatkowski-Phillips-Schmidt-Shin (KPSS), and Zivot-Andrews tests, to assess the stationarity of the data. While the ADF test reveals some variables as integrated of order one (I (1)), suggesting potential deterministic trends, the KPSS and Zivot-Andrews tests provide alternative insights, indicating both I (0) and I (1)

characteristics across variables. This discrepancy underscores the need for robust statistical techniques in the face of data uncertainties. The paper ultimately opts for the Autoregressive Lag Distributed Model (ARDL) due to its adaptability to mixed orders of integration and suitability for limited observations, demonstrating a pragmatic approach to address data challenges and enhance the reliability of the analysis.

Table 1. Unit root test using ADF, KPSS, and Zivot Andrews approaches

Variables	ADF		KPSS		ZA	
	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
Price Level	-2.417	-2.752*	0.10*	0.09***	-3.37	-5.51**
Nominal exchange rate	-0.974	-1.428	0.256	0.08***	-4.818**	-6.03**
Gross Domestic Product	-2.44	-3.341*	1.036	0.17**	0.14**	-4.78**
Foreign Aids	-2.017	-1.58	0.258	0.117**	-3.61	-6.3***

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* Stationary at 10 % level

** Stationary at 5 % level

*** Stationary at 1 % level

Model specification: If a time series is stationary at the first difference and non-stationary at the level, it means that there exists long-run integration. When all variables are I(1) VCEM model is conducted to examine the long and short-run relationship among variables. In the situation where some of the variables are I (0), VECM cannot be used. In such conditions, ARDL is proposed (Nkoro & Uko, 2016). In the ARDL model, the dependent variable is a function of its lag value and the lag value of repressors. Taking this into account, the general form of the ARDL model is as follows:

$$Y_t = b_0 + \sum_{i=1}^p b_1 \Delta y_{t-i} + \sum_{i=0}^q b_2 \Delta Z_{t-i} + \lambda Z_t + u_{it} \dots 3$$

In equation 3, Y represents the dependent variable, Z represents a set of independent variables and all bs are short-run coefficients. λ denotes the long-run coefficient. P shows the number of lag order for dependent variables and q shows the number of lag for independent variables.

Table 2: The lag selection information

CPI

Exchange rate

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-75.762				860.524	9.59526	9.59773	9.64354
1	-51.2855	48.953*	1	0.000	45.7925*	6.66068*	6.66563*	6.75726*
2	-50.854	.86303	1	0.353	49.3213	6.73174	6.73916	6.8766
3	-49.9986	1.7107	1	0.191	50.5405	6.74983	6.75972	6.94297
4	-49.7342	.52883	1	0.467	56.0096	6.84177	6.85414	7.08321

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-60.4328				126.645	7.6791	7.68158	7.72739
1	-38.1807	44.504	1	0.000	8.89979*	5.02259*	5.02754*	5.11916*
2	-38.0764	.20871	1	0.648	9.98574	5.13455	5.14196	5.27941
3	-37.985	.18264	1	0.669	11.258	5.24813	5.25802	5.44128
4	-35.9842	4.0016*	1	0.045	10.042	5.12303	5.13539	5.36446

Foreign Aid

GDP

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-356.934				1.6e+18	44.7418	44.7443	44.7901
1	-348.139	17.592	1	0.000	6.0e+17	43.7673	43.7723	43.8639
2	-348.064	.1499	1	0.699	6.7e+17	43.8829	43.8904	44.0278
3	-344.675	6.777*	1	0.009	5.0e+17	43.5844	43.5943	43.7775*
4	-343.436	2.4774	1	0.115	4.9e+17*	43.5545*	43.5669*	43.796

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-379.406				2.6e+19	47.5507	47.5532	47.599
1	-356.409	45.994*	1	0.000	1.7e+18	44.8011	44.806	44.8977*
2	-355.2	2.4175	1	0.120	1.6e+18*	44.775*	44.7824*	44.9199
3	-354.599	1.2014	1	0.273	1.7e+18	44.8249	44.8348	45.0181
4	-354.507	.18537	1	0.667	2.0e+18	44.9383	44.9507	45.1798

Finding and discussion

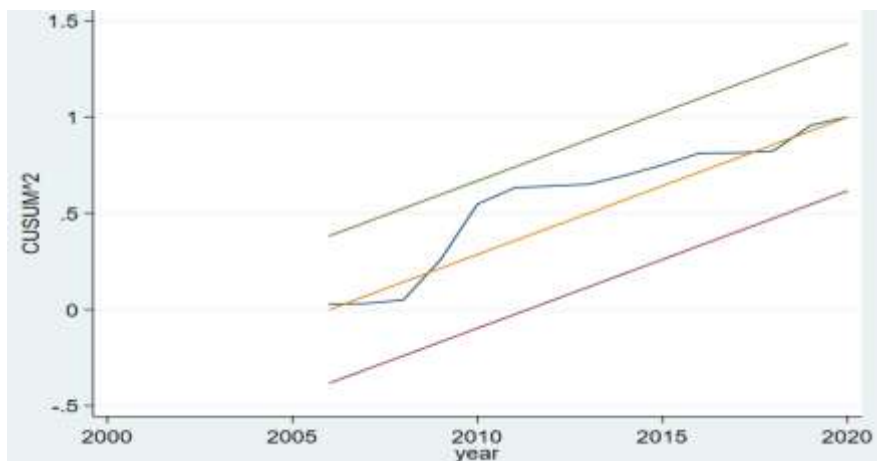
The study's findings indicate a long-term relationship between the price level and the selected determinants, as evidenced by the F statistic surpassing the upper bound critical value at the 1% level, suggesting long-run co-integration among the variables. Long-run coefficients reveal positive associations between all dependent variables and the price level in Afghanistan. Specifically, the exchange rate coefficient of 1.81 suggests that a one Afghani increase in the dollar's price corresponds to a 1.81 unit rise in the price level in the long run. Similarly, GDP and foreign aid coefficients, significant at 5% and 10% levels respectively, imply that a hundred-million-dollar increase in GDP and foreign aid corresponds to a 2.32 and 4.35 unit rise in the price level, respectively. Notably, the impact of foreign aid on inflation appears greater compared to GDP. The coefficient of adjustment parameter, significant at the 1% level, indicates a system correction toward long-run equilibrium at a speed of 1.66, suggesting a rapid reversal to equilibrium following short-run disturbances, typically within a year. However, short-run coefficients display negative signs, inconsistent with theoretical expectations, possibly due to external shocks such as political discrepancies, external price shocks, or natural disasters, which may not be captured by the variables studied. For instance, political tensions in 2009 led to a significant inflation spike without corresponding changes in exchange rates or other variables studied, highlighting the influence of non-economic factors on short-run inflation dynamics in Afghanistan.

Table 3. The empirical result from the econometric estimation

Variable		Coef	Std	P-value
Adj. Parameter		-1.66	0.366	0.004
Long run				
Exchange rate		1.81	0.1937	0.000
GDP		2.32	0.6462	0.011
Foreign Aid		4.35	1.8723	0.059
Short run				
Exchange rate	D1	-3.33	0.8967	0.009
	LD	-4.31	1.1459	0.028
GDP	D1	-3.34	1.6812	0.094
	LD	-7.64	2.3023	0.016
Foreign Aid	D1	-1.02	0.4148	0.049
	LD	-3.23	2.6543	0.269
Bond Test			Diagnostic test	
F statistic = 12.898			Autocorrelation	
1%	Upper	5.61	P value = 0.3257	
	Lower	4.29	Heteroscedasticity	
5%	Upper	4.35	P value = 0.9532	
	Lower	3.23	Rumsey Reset test	
			P value = 0.3796	

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To validate the estimation, we conducted several diagnostic tests. Firstly, to assess the absence of autocorrelation, we employed the LM test proposed by Brush (1978) and Godfrey (1978). The P-value of the LM test, displayed in the bottom right of Table 3, exceeds the critical value, indicating the absence of serial correlation in our estimation. Similarly, we tested for constant variance using the procedure outlined by Breusch and Pagan (1979), with the results confirming the absence of heteroscedasticity in the regression, as evidenced by the high P-value. Furthermore, to ensure the model's appropriate specification and stability, we conducted additional diagnostic tests. The J.B. Ramsey (1969) test, evaluating the validity of the regression's functional form and the presence of omitted variables, yielded a P-value exceeding the critical value, indicating the absence of specification issues. Additionally, the results of the Cusum and Cusum Squared tests further confirmed the stability of the model.



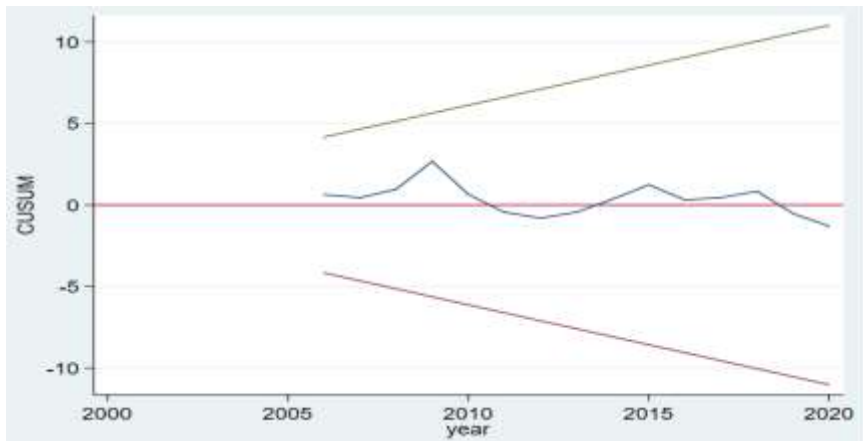


Figure 2: Stability diagnostic based on Cusum and Cusum Squared tests

Conclusion and policy recommendation

This study delves into the long-term determinants of inflation in Afghanistan, revealing the positive associations between inflation and the exchange rate, foreign aid, and GDP. While these factors are significant contributors to price level fluctuations, it's important to acknowledge the potential influence of other variables on inflation dynamics in the country. Given Afghanistan's heavy reliance on imports for domestic demand, fluctuations in the exchange rate can exacerbate inflationary pressures. While central bank intervention to control the exchange rate is advisable, it's constrained by limited foreign exchange reserves. Diversifying imports and improving transportation infrastructure can mitigate inflation volatility by reducing reliance on foreign

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markets and lowering production and transportation costs. Additionally, incentivizing domestic production and exports can curb import dependence, stabilize the exchange rate, and contribute to inflation normalization. These supply-side measures are crucial for fostering economic stability and price-level consistency in Afghanistan.

One limitation of the discussed measures is their dependency on external factors and systemic challenges within Afghanistan. While diversifying imports and improving transportation infrastructure are viable strategies to mitigate inflation volatility, their effectiveness may be hindered by broader geopolitical and economic conditions. Afghanistan's geopolitical instability, coupled with limited resources and infrastructure development, poses significant hurdles to implementing these measures effectively. Additionally, incentivizing domestic production and exports requires substantial investment and policy support, which may be challenging to achieve in an environment characterized by political unrest and economic fragility. Therefore, while these strategies hold promise for stabilizing inflation, their successful implementation relies on addressing broader systemic issues within Afghanistan's economic and political landscape.

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An empirical analysis of barriers to the education sector and their impact on the economic growth of Afghanistan (2001-2021)

Abstract

In the past two decades, many steps have been taken to improve the education sector of Afghanistan. International NGOs, sponsors, donors, and partners along with the government of Afghanistan have invested heavily in the education system to improve literacy across the country, but the country still faces many challenges in this sector. Although access to education is the right of every child and youth, the government is also responsible for creating opportunities for quality education for its people by spending money and using resources. It is a fact that the government of Afghanistan has implemented many policies and achieved the objectives of quantitative and qualitative goals, but the outcomes are very insufficient. It should also be mentioned that the status of the education system in the 1980s is not comparable with 2021 at all. It is also a fact that, the education system faced serious and crippling challenges in the last twenty years 2001-2021, which have had a direct impact on the economic growth and development

process in medium and long terms. This article will highlight the main challenges in the education system of Afghanistan in the last 20 years, and its impact on economic growth will be determined. It will also explain the impact of these challenges on the quality of education in the different sectors by descriptive research and empirical analysis to evaluate the available evidence.

Keywords: barriers, education, economics, growth, Afghanistan.

Introduction

Social, technological, environmental, demographic, economic, and political factors cumulatively impact the structure and system of education in every country. In order to realize the full potential of the education system, its structure and content need to be defined at school and university levels. These should arise from the needs of the society and the contemporary environment in which the society is expected to operate.

To fulfill these needs, it is important to define the general structure of the educational system at schools, universities, and other educational centers. Therefore, it is necessary to evaluate the past and present challenges in order to provide recommendations according to the needs of the society, which describe certain ways to the economic growth and development of the country.

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The education sector has been weakened in the last four decades of conflict (Ribetti,?) in Afghanistan in terms of lack of human capital and other effective factors. It has created many challenges and obstacles for the development process in the country.

The educational system of the Afghan school can be defined in three levels: (1) general education, from 1st to 12th grade, which consists of elementary, primary, secondary, and high school. While most schools provide such general education in Afghanistan, (1) vocational education, the vocational education offered in high schools, has two main types (agricultural and technical schools). (3) In addition to these public and professional schools, there are religious sciences or schools for religious education that provide Islamic education in mosques and Islamic education centers whose grade is equal to 12 standards bachelor and master degree.

The Ministry of Education (MoE) has been established as a central administrative body to manage the entire educational system, and, at the same time, it manages basic, general, and Islamic education throughout the country. (moe.gov, 2024) The technical vocational education department manages the entire technical and vocational education system throughout the country. These two organizations are the driving force behind the expansion and development of the mentioned education fields. They provide the legal framework, laws, policies,

strategies, different types of programs, and resources to achieve the goals and objectives of the strategy at the country level. However, at the end of 1977, the management and supervision of educational institutions was divided into different authorities, namely the Ministry of Education and the Ministry of Higher Education. (Sherzad, 2017)

The education system in Afghanistan has a long history. The greatest progress was made during King Amanullah Khan's government; after 1919, there were 762 schools in 1956 with 121,000 students. Out of these, 27 were primary schools, of which 23 were boys' schools and four were girls' schools (Irshad, 2016). Therefore, in the last two decades (2001-2021), the education system of schools has attracted more attention in society. As of early 2020, the number of students has increased from 1 million in 2001 to approximately 9.7 million. In addition, the number of schools went up to 16625 by 2019. (DeutscheWelle, 2011). Other reports have said about the steady progress and reconstituting the education sector of Afghanistan; it said approximately 800,000 students in 2001 were enrolled in schools, which has increased to 8.5 million in 2014, of which the 39% were girls. (Aps, 2016)

Along with primary and secondary education, higher education is also the basic pillar of this system, which has a vital impact on society. It said that, investing in human resources means creating skilled labor force and leads the creative and

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innovative resources of the society in the path of economic growth. It has a direct relationship with the higher, technical, and professional education of the society.

The history of Universities and higher education began with the establishment of the Kabul medical faculty, in 1932. After that, some other departments were created and joined with this medical faculty, named Kabul University. Limited students used to get education in these faculties and Departments under foreign lecturers. (MoE, 2022)

At the beginning of 2021, there were more than 387,946 students in public and private universities and institutions in the country, which showed a decrease of 8.6 percent compared to 2020. Thereafter, the total number of higher education institutions was 167, of which 128 were private and 39 were public universities and higher education institutions active in the whole country. The total number of private and public lecturers in these university and institutions is 18,998 of which 2,617 were female and 16,381 were male lecturers. (NSIA, annual statistical, 2021)

Along with higher education, technical, and vocational education also have had a long history and progress in Afghanistan. In fact, this education system is designed in three parts. (1): formal technical, vocational education, (2): non-formal technical and vocational and (3): in-formal technical and vocational education, resulting from daily work-related.

These three parts are organized by the Technical and Vocational Education Organization. There were about 172 public institutes and about 16 were private institution in different provinces of Afghanistan, (NSIA, 2019) so that many students get education in these centers and they have made good achievement and innovations the last few years. Despite many problems faced by teachers and students in the country. Therefore, these challenges affect socio-economic sectors. Researches show that there is a strong relationship between education and economic development of countries and education is a fundamental factor in the economic development of any economy. (Sagar, 2022).

The relationship between literacy ratio and Human Development Index (HDI) shows that the 100% literacy ratio indicates 0.93 HDI in Luxembourg, while in Pakistan this value corresponds to a literacy rate of 56.44 with an HDI of 0.554,(sagar, 2022). The data shows that the highest literacy rate indicates the highest HDI, though the same data showed that there is a positive relationship between literacy rate, GDP per capita and life expectancy. Therefore, Gebre (2020) found that access to education is likely to help to improve the socio economic status of individuals and society as a whole, indicating that empowering individuals has a positive impact on economic development.

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Investing in education means investing in human resources, such as creating a skilled labor force that affects the creation of innovations, increasing productivity, etc., which is expected to have a positive impact on economic growth. (Besime Fekri et al., 2022). Therefore, considering this important role of education and affecting such impact through challenges is an importation issue. For this purpose, it is necessary to highlight the major obstacle that affects the entire system and economic growth of the country.

Literature Review

Education and its role in the society is an important subject to research and it has potential to the bring significant benefits to every individual, society, and nations to increase their standard of living and finds different ways to gain income, enhance their skills, and so on. Hence, many organizations and individuals have work on it. These studies directly and indirectly related to this research articles, thus, some of the literatures and their findings has collected as follow.

At first, Jerome Bredt and CarlyeSycz (2007) showed in a research, published by OCED, that about 29 countries have 5.42% average expenditure on Educational Institutions or in all Levels of education as a percentage of GDP in 1995. In addition, these countries increased these expenditures up to 5.9% average of GDP in 2003. This average for these 29 countries, where every country has its one level of

expenditures. The researchers criticized the relationships between effective expenditure on education and economic growth. This researcher also said in its literature which agreed with “Leuvan et. al., (2004), who found that, “human capital has ‘dynamic complementarities’, earlier learning makes subsequent learning easier.”

Secondly, UNICEF (2017) UNICEF-Afghanistan published an article which highlighted obstacles faced by education in Afghanistan. These challenges are mostly the consequences of their field studies of their staffs, which they explain via descriptive method. They found there is shortage of schools, insufficient transportation, and 48% of the teacher have minimum academic qualification, which result lower quality of education.

Thirdly, Irshad Awragzeb (2016) published about general historical situation of education in Afghanistan. For him, most of the development took place in Amanullah Khan's Period (after 1919): There were 762 schools in 1956 with 121,000 students. 27 of these schools were primary high school, out of which 23 of them were for boys and four of them for girls . This study described the past data and situation. Hence, in the past two decades (2001-2021), school education system attracted much more interest from society. Early in 2020, the numbers of students, schools, and higher education institutions were increased, according to their research.

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Fourthly, Gebre (2020) has said “access to the education is likely to contribute improvements in the socio economic status of individuals and community at large, which indicated empowering individuals, has a positive impact on economic development.(Gebre, 2020). Fifthly, Anna Valero (2021) found, in a research published by Center for economic performance, that, “there is strong evidence supporting the links between education and the determinants of growth in terms of investment in technology, and in generating innovation itself - the driver of growth in the long-run. Highly skilled individuals are key for invention of new technologies, and for establishing and managing high performing Businesses. “This research finally found, “Universities, as producers of both human capital and innovation tend to generate positive economic impacts on their surrounding economies, understanding better the precise mechanisms through which these effects occur.”

Sixthly, Besime et al. (2022) has said that investing in education means investing in human resources, that is, creating a skilled labor force that will influence the creation of innovations, increase productivity and others which is expected to have a positive impact on economic growth.

Seventhly, Ramanand Sarparaj (2022), in Role of education in the economic development of India, has develop both H1 and H0 hypothesis. Finally, he found to support the H1 which

“there is a causal relationship between literacy ratio and crude death of India, population growth in India, life expectancy in India and HDI of India”. He found coefficients of correlation $(r) = 0.795$ which show significant positive causal relationship between literacy ratio and per capita GDP of India.

Eighthly, for UNESCO (2023), about the education in Afghanistan, the huge progress has been made in enrollment at all education levels from the around one million in 2021 to ten million in 2018, which include 2.5 million girls. In addition, they said, forty years of war, recurrent natural disasters, chronic poverty, drought, and COVID-19 pandemic, have already taken a huge toll on the Afghan people. They also added that, since august 2021, 1.1 million secondary girls have been prevented from attending secondary school until further notice of the highest Authority of the country.(UNESCO, 2023).

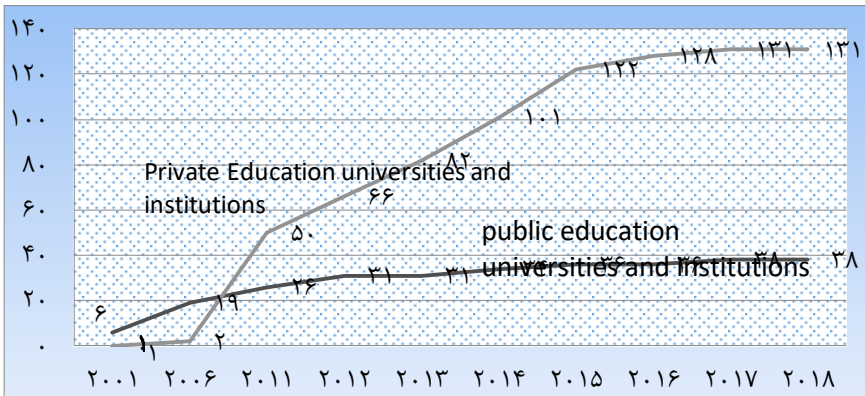
Most these studies and researches describe the generic situation of the education in Afghanistan, without focusing directly on education obstacles and its impact eco-growth. Despite the research work of Ramanand Sarparaj has focus on the topic from the different perspective and hypothesis, he defines his research scope only from India and the data and analysis he used are related to the mentioned country. Hence, it is necessary to introduce the research gap for this paper and highlighted the main education obstacles and its impact on eco-growth of Afghanistan.

1. Brief image of Post 2002 status of the education sector

It is important to show the gradual progress of higher education institutions in private and public sector during the past 20 years. After that, their impact on economic growth will analyze and main barriers faced by education sector will describe as well. Below chart show the comparison of both governmental and private higher education institutions. The comparison indicate that the private higher institutions had well quantitative progress and the No of these institution been increase from zero to 131 in below mention 18 years.

Figure No.1

Comparison of private and public higher education institutions from 2001-2018.



Sources: Strategic plan of Ministry of Higher Education (2015-2019).

Before 2002, less than one million boys were receiving education in 3,400 public schools by 20,700 teachers and there was not a single standard curriculum or standard textbooks.

(CSRS, 2020). Thereafter, education sector widely received support from international donors and supporters, beside many other social and economic sectors.

After a long mission, Afghanistan successfully approached and got to some of the developmental goals at related field and the huge increment happened in the numbers of school students due to these efforts.

There were 3,400 schools at 2001 in the whole country and 20,000 teachers had been teaching to the one million students in these schools.(DeutscheWelle, 2011). This number reached to 9.7 million at 2020. Still a huge percentage of boys and girls were deprived of education in Afghanistan. As per the UNESCO statistics, before 2021, 67% of the school age boys and 48% of school age girls were going to schools. (DuetscheWelle, 2021)

2. Major barriers to education in Afghanistan

There have been many obstacles and challenges in almost all social and economic sectors of Afghanistan in the past four decades due to conflict and political instability. Political events led to the fall of Islamic Republic of Afghanistan and the re-rise of Islamic Emirate of Afghanistan once again, after 20 years, in august of 2021.

New obstacles and new opportunities arose in the country as well. What will be the opportunities and how will the current government overcome the challenges? These questions will be

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answered by time, but main obstacles in the education sector could be described as follow: Shortage of infrastructures, lack of professional teachers, lack of female teachers, traditional beliefs, geographical barriers, weak leadership and administration form the government, and Shortage of infrastructures.

For instance, 9.7 million students were going to schools at early 2020, out of which 38% of them were girl students. (Education ministry. 2021) At the same time, it was found that 47% of schools do not have infrastructure and buildings. (CSRS, 2020). Student sits under the sky and carries on their studies. In the rainy, windy, and cloudy weather, teachers tell students to leave schools. Huge number of students face this problem, especially in rural and Pashtuns dominated areas. Mismanagement by the education ministry's authorities, corruption in the education sector, and insufficient budget allotment from the government and donors cause these challenges. As mentioned before, there were around 16,625 schools in the country, according to National Statistics Authorities Report, (NSIA, 2019), of which 46% did not have buildings and standard educational environment, being a huge obstacle for education in Afghanistan.

Regarding lack of professional teachers, there is a shortage of teachers, especially lack of professional teachers at schools in the rural areas of Afghanistan. During decades of internal war and violence, most human resources and human capital

migrated to Pakistan, Iran, and other countries, causing serious deficits in human capital building process in the country. And, the level of proficiency in the specified field of education becomes low. Natural Sciences subjects do not have teachers or, if there were, they only possessed 14th class of Daru'llmalimeen (Teachers Training Centers) and very low percentage of teachers with bachelor degree existed, that too at the beginning of the republic state of Afghanistan. Even though this percentage has increased, the mentioned obstacles have not been overcome at the past two decades.

Ministry of Education has employed contractors and visiting teachers in the schools to deal with this challenge. If one gives as specific example of this obstacle in a specific geographical location, for example, the eastern Kuzestan province education directorate had 4,045 teachers in 2019, which consisted of 3,803 male and 242 female teachers. Among these teachers, 22 were Master degree qualified, 411 were bachelor degree holders, 2,578 were 14th class graduated, 1,002 were 12th class graduated and 32 teachers were not even graduated from 12th class. (Ministry of Economy, 2019). It means, among those 4,045 teachers, more than 3,000 teachers are less qualified to teach professionally. UNICEF noted that children receive a lower quality of education because only 48 per cent of their teachers have the minimum academic qualifications in Afghanistan (UNICEF, 2017).

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Having such types of challenges brings consequences. In addition, producing over-demand graduate student to the society will lead sustainability in the different fields or create other challenges. This article will answer this question at the discussion part. Nevertheless, it is possible to say that the quality happen to establish clear standards of performance of core subjects. (Hallak, 1995). So, focus on this subject is much important for the quality graduated. Furthermore, targeting and using resources to ensure access to quality education according to national values and educational objectives of the country.

Regarding lack of female teacher, it is other huge and sensitive challenge due to traditional cultures of people and other social thoughts of mostly rural people. The environmental factors directly affect this issue, which has arisen from the lack infrastructures, weak education system, corruption, lack of resources and funding channels, and so on. In early 2019, there were almost 51 female students per female teacher, but here the only concern took in the account were quantity, and, in such, the proficiency and subjects profession were not considered. In fact, this issue has known a huge influencer via the system as a whole. Furthermore, according to the national statistics and information authorities, there were 72,480 females teachers for 3,685,665 female students in 2019 (NSIA, 2019), it means for more the 50 female students. Hence, there was only one female teacher at the education sector.

With relation to traditional beliefs, tradition is a very important factor in the Afghan society at all, especially for women. It is necessary to follow up these traditional rules and beliefs. Many girls are not allowed to be admitted at schools, some of them are not allowed to continue their secondary education in most rural areas from so many years. It might be a cause of low level of education and educated nation at the general society, where it is much important to provide the safe environment for the general inclusion of the education seekers and eligible bodies. As war and political affected nation from the past five decades, many families are not well prepared to allow their daughter for the modern education, specifically in the medical sectors, where, right now, there might be some districts and places that there is not a women doctor to provide medical services to the residential females. This challenge has been in existence from so long in the society and, now, secondary girl's schools are totally closed due to the general policy of current government in Afghanistan.

Another challenge are geographical barriers. Afghanistan is a country of mountains. Most of the area is covered by mountains and different valley does not have standard transportation system too. Going to schools in the mountain areas or long walk across the schools is difficult for the children, disable students, and for girls living in these areas. Nuristan, Kunar, Badakhshan, and many other provinces mostly faced these kind

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of challenges. At the meantime, schools with the weak infrastructures and no building are other obstacles for students in these locations. Therefore, in most cloudy and rainy days, these schools are off or at least some of the classes are off for the same day in these areas. Hence, these are the geographical barriers impact on education system in Afghanistan.

Finally, weak leadership of government is another challenge. Administrative mature and difficult procedures reason corruption and other challenges mostly. (rashid, 2015) Therefore, this sector defined mature services procedures in all levels, for instance, getting admission, changing schools, extra payments in private schools, no same supportive curriculums in private schools, different school uniforms, no legal documents to pay fees and other compulsory payments in private schools. These entire have directs impact on education system at the country.

At past two decades, the political interferes and corruption in the education sector caused to minimize, getting advantages of existing opportunities for the purpose of educational system improvement. (Chêne, 2017) These obstacles faced by the education system, especially school education in Afghanistan, fully reduced the productivity of education. These challenges cause a strong impact at schools graduated boys and girl with extremely less educational capacity of them.

In addition, schools' books were printed and published outside of the country in the past. They do not reach schools in time for distribution. Transportation and political challenges with the neighboring country and many other challenges have existed in this part as well. To provide a clear example here, at 2012, more than four million school's books were stopped in Karachi (Pakistan) port for almost 10 months. (Eman, 2012). It means prospective and specified number of the students have spent their time without books for almost ten months.

3. Impact of Educational Obstacles on Education System and Economic Growth

In fact, the relationship between the existing challenges and quality education and quantity of the students in Afghanistan are widely considerable. The relationships between the rate of professional teachers and quality education, especially at the rural areas, are highly affecting on each other. If there are insufficient teachers at the natural sciences' subjects, defiantly, there will be no proper consequences in those subjects as well. It has also found, most lecturers (teachers) are graduated from the 12th class itself or some of them studied at Teacher Training Centers (TTC), where they will have problem to teach natural sciences subjects, like Mathematics, Geometric, Physics, and Chemistry. Studies shows that, in the earlier 2004-2006, there were not Mathematics, Geometrics and some natural sciences 'Courses' teachers in many Eastern and Southern Provinces schools and in most schools in Pashtuns' dominated areas.

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There, the outcome was against the expectations and most of the 12th class graduated students were not able to understand the basic knowledge of these subjects. (Rahim, 2021)

In addition, relationships between the weak infrastructures and quantity of students enrolled in the system for education is also considerable and it will have huge impact on both quantity and quality of the system. Proper buildings, classrooms, library, clean water, good washrooms, sports ground, laboratories, innovations support centers, and other factors have direct impact on the productivity of the system as whole.

Apart from this the political and security challenges, there have also been broad impact on the total numbers of students at the Afghanistan. In 2018, UNICEF has reported, that, half of the Afghan children were excluded from the education in Afghanistan. (UNICEF, e 2018) . At the same time, it has declared that, 3.7million children are deprived from school education, which is considered a basic right of life. The main cause of this exclusion was insecure situation and political instability at the past couple of years.

Human Resource Watch (2017) published that two of the third girls do not go to schools at Afghanistan. The main cause could be the insecure situation. It also said that 41% of the schools do not have infrastructure and school's buildings in all over Afghanistan. As an example of specific province, there were 453 schools in Kunar province, out of which 268 schools do not have buildings. (Mnistry of Economy, 2019) It means, more than 50% of the schools do not have buildings.

These obstacles have had broad impact on the system, from 2002 to 2021, and despite the scenario have been changed from August 2021, due to the certain political reasons and changes, current government working on its curriculums and other policies for the girl's schools. This situation could consider as a challenge to face the school education system of Afghanistan. Almost four decades' conflict have had vital effect on Afghanistan's education system. High/Secondary School-aged girls have been especially affected. (Borgen, 2014), although it has found that these schools will re-open once the decree issue from the IEA highest authority.

The understanding from the past researches and published data shows that over four decades, this system has faced serious challenges and obstacle, which need permanent and strategic solution. It has to be discussed from the related authorities of the Education Ministry and other involved parties. If it does not take into account, it will cause reduction of both quality and quantity of the productivity of the education sector. These obstacles also have impact on the displacement and immigration levels in and out of the country and stress level of the youth. Self-confidence of youth people might be reducing. It will reduce the trust of public on the government as well and the country will depend on other countries' human capital and human resources in the both short and long run.

It has said the education and knowledge are known the infrastructure of economy of a country. (Azam, 2023) As Azam (2023) says, the countries stayed less developed because its

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economy is not productive and not developed and the economic is not developed while its education is not developed. Therefore, the literacy rate of the country, from 1979 to 2021, has shown 18.16% to 37.27%, while the annual change rate in literacy rate in 2011 was 13.29%. (Macrotrends, 2021).

The GDP per capita, for instance, were 62\$ in 1960 and 285\$ in 1979, but it has increased to 517\$ in 2020. The GDP growth rate at the same year of 2020 was -2.35% due to the political uncertainties and situation. In comparison, to show China literacy rate, which was 65.51% in 1982 and it increased to 97.15% in 2020, its GDP per Capita in 1993 was 377\$, increasing to 12720\$ in 2022. (Macrotrends, 2022).

The result from the above figures is that, if the Ministry of Education is not willing to take serious strategic action for solving all these challenges, the quality of the 12thclass's graduate student will be very low and it will clearly affect badly the education sector. The author recommends authorities to design a policy to attract, hire, and keep professional teachers, according to their professions, who have higher education diplomas, and who work for the good solution of all these challenges. This will support the future economic development of the country from the different perspective.

Consequently, if these challenges carry on, they will motivate the youth to immigrate. This will raise other challenges in the county, like the tradition beliefs, political issues, and environmental difference, which could affect the economic development process through the general capacity of the

society.(Azam, 2023) Therefore, it is necessary to overcome these obstacles and avoid all barriers from this sector.

Table No.1

Government expenditure on education (total % of GDP), expenditure on education (% of total expenditure) and annual economic growth rate (%).

No	Year	Govt. Expenditure on education(%of GDP)	Government expenditure on education, total (% of government expenditure)	Annual Eco-growth rate (%)
1	2006	4.7	14.55921173	5.4
2	2007	4.2	10.8146925	13.8
3	2008	4.4	4.86058569	3.9
4	2009	4.8	6.492490292	21.4
e	2010	3.5	6.395579815	14.4
6	2011	3.5	5.146921635	0.4
7	2012	2.6	6.489447594	12.8
8	2013	3.5	7.13206768	5.6
9	2014	3.7	7.964570045	2.7
10	2015	3.3	7.284904957	1.5
11	2016	4.5	8.260235786	2.3
12	2017	4.3	8.202471733	2.6

Sources: <https://www.statistica.lead.com>

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The above table shows that the Government of Afghanistan has spent different percentages of the total government expenditure to decrease illiteracy and promote the quality education in country. To analysis these data, it has found that there is a positive relationship between the economic growth and education expenditure. This will allow accepting the hypothesis mentioned before.

Education is the infrastructure of development of the countries. If the education system of the country is at high level, up to date, according the needs and requirement of market, its impact will be greater on economic growth. As much as the efficiency of education is at the highest level, it represents a quality human force.

The argument here is that skilled labor and qualified human-power lead to the effective performance of related responsibilities. As the data above-mentioned shows, Afghanistan has little progress overall, but it is also argued that there is a qualitative increase in the relevant sector (MoE,2021) Participation of the homeland skilled labor resources in the basic and huge project, and performance in government organizations and in Ministries have shown that human resources, labor trained and graduated from the Afghanistan universities, especially from the Polytechnic and some Universities, played main role in infrastructure projects. As examples of projects there are Qeshtepa Canal, Salang whole

and Road reconstruction, kabul-qandahar high way reconstruction, water management projects, thousands of construction, designing, and other projects in the past years. (mopw,2024)

These projects were designed and accomplished by the Afghan skilled labors, a working force trained and educated at Afghan universities and higher education institutions, during the past 20 years.

Despite, hundreds of innovations and creation of the modern and other instruments have been invented by the afghan youth. Other sectors, like Medical Sector also have qualitative improvement, which has proven in the past years.

Considering all these factors, it could be found from discussion that all these obstacles faced by the education sector in the past and currently, have widely impact on the same sector, which finally have effects on eco-growth of the country. It has also found that there are the positive relationships between annual GDP growth and expenditure on education sector of the country. It is also possible to say that the exact date for the trained teachers in lower secondary (male and female), preprimary education, primary, secondary, high schools, and other institutions did not exist at national and international data indicators and platforms to be analysis and discussed.

Conclusion

Afghanistan has faced serious obstacles in the education sectors, due to the certain reasons like, a four-decade war, internal and external displacement, immigration, shortage of professional teachers, shortage of female teachers in schools, weak infrastructures, ineffective curriculums, discrimination, corruption, traditional believes and more challenges that come from the past couple of decades.

Most of these challenges still exist in education sector of the country, which researchers found that have direct effect on economic growth and the development processes of the country. Some experts believe that these challenges affect education system, quality and quality of education, trust of public, and so on. As a result, the low quality of education will affect the academic society and all other sectors in the future, reducing the productivity and efficiency of these sectors.

It is required to establish high quality and define standards of the performance of core subjects at the schools, targeting resources to ensure the equality of access to these basic rights of every child and youth. Currently, it is important for the government to take special and strategic initiatives for adopting policies to facilitate improvement of the system and work for the productivity of the education sector. This author, based on his research, recommends some strategies to face the challenges posed here, for instance:

- Capacity building and teaching trainings for strengthening and productivity of Afghanistan education system, by newly hiring teachers trained before entering to the education system.
- The Ministry of Education and Higher Education has to focus to attract international and regional donors to overcome their existing needs of infrastructures and building of schools and higher education institutions.
- The government of Afghanistan should increase the salaries of the school's teachers.
- The higher education Ministry of Afghanistan should focus on operating universities curriculums and educational professions according to the needs of society and sectorial ministries.

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Islamic Banking in Afghanistan - A Confluence of Tradition and Modernity

Abstract

This research offers a comprehensive exploration of Islamic banking in Afghanistan, spanning its historical origins to its contemporary significance. Islamic banking, rooted in ethical principles and Shari'ah compliance, is introduced as a financial framework promoting fairness and inclusivity.

Afghanistan's historical context in Islamic banking reveals a compelling narrative of adaptation and resurgence. Decades of instability had ushered in conventional banking, but Afghanistan's commitment to Islamic values and the need for financial stability gave rise to Islamic banking institutions. Regulated by the Central Bank of Afghanistan (Da Afghanistan Bank- DAB), these institutions aimed to harmonize traditional Islamic finance practices with modern financial structures. This historical context forms the backdrop for an in-depth analysis of Islamic banking's contemporary role in Afghanistan's economy. It highlights its contributions to GDP growth, financial inclusion, and stability.

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The study underscores the vital role of ethical finance in reconstructing the Afghan economy and fostering prosperity, it also addresses the challenges and opportunities in the Islamic banking sector, offering actionable policy recommendations for government and financial institutions. In conclusion, it emphasizes Islamic banking's transformative potential in Afghanistan, bridging tradition and modernity to spur economic growth, sustainability, stability, and inclusivity.

Keywords: Islamic Banking, ethical finance, sustainable economic development, financial institutions, modernity.

Introduction

Islamic banking, a financial system rooted in ethical principles and Shari'ah compliance, has been gaining momentum on the global stage, offering an alternative approach to conventional banking. In the context of Afghanistan, this financial paradigm carries not only contemporary significance but also deep historical roots that intertwine with the nation's economic evolution. Islamic banking represents a financial framework guided by the principles of Islamic jurisprudence (Shari'ah). At its core, it embodies ethical financial practices that emphasize profit sharing and risk bearing, asset-backed transactions, and avoidance of Riba based (usury-based) transactions. These principles are not merely economic doctrines but are deeply interwoven with Islamic values and ethics, fostering economic activities that are just, equitable, and inclusive.

Afghanistan's journey into Islamic banking is a testament to its enduring relationship with Islamic finance. While the modern Islamic banking sector formally emerged in the early 2000s, its roots trace back to Afghanistan's historical connection with Islamic finance principles. The nation's financial landscape has undergone transformative phases influenced by its unique historical context:

1. **Pre-Conflict Era:** Afghanistan's financial system needs to be based on Islamic finance principles. These principles will shape informal financial practices that were deeply rooted in the local culture and Islamic ethics.
2. **Conflict and Transition:** The decades of instability in Afghanistan disrupted its financial sector, leading to the dominance of conventional banking. However, the need for financial stability and the desire to align with Islamic values paved the way for the emergence of Islamic banking institutions.
3. **Post-Conflict Revival:** In the early 2000s, as Afghanistan sought to rebuild its economy, Islamic banking was officially introduced. Da Afghanistan Bank, the nation's central bank, assumed a pivotal role in regulating and fostering the growth of Islamic banking in accordance with Shari'ah principles.

This historical context illustrates how Islamic banking in Afghanistan embodies a convergence of traditional Islamic financial practices and modern financial institutions. It reflects a

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profound desire to harmonize economic development with Islamic values while addressing the unique challenges faced by the nation. In the pages that follow, we delve into the significance of Islamic banking in Afghanistan's contemporary economic landscape. We explore its impact on economic growth, financial inclusion, and stability, while also examining the challenges and opportunities that lie ahead. Ultimately, this exploration sheds light on how Islamic banking in Afghanistan is not just a financial system but a means to shape a more equitable, inclusive, and prosperous future.

Islamic Finance Principles

Guiding principles ensure Shari'ah-compliant banking and financial services. These principles derive from Divine Law in the Quran and the Prophet Muhammad (SAW's) Sunnah. The Quran, covers every aspect of life, emphasizing fairness, honesty, and morality for all, including non-believers. Sunnah, encompassing the Prophet's words and acts, provides moral guidance. Ijma involves Islamic Scholars' consensus on Shari'ah matters lacking clarity in primary sources, while Qiyas extends the law using common attributes. Lastly, Consensus of Islamic Business Scholars allows them to address unique problems.

Definition of Riba and Its Prohibition

The Quran does not provide a formal definition of Riba, as it was well-understood by its existing audience, akin to prohibitions like pork, liquor, and gambling. Riba was a

familiar term in the Arab world, as well as in previous societies. The Quran reproaches the Jews for engaging in Riba, affirming that the practice of Riba prohibited for Muslims was the same as that prohibited for the Jews¹.

Expert commentators, such as Imam Abubakr Al-Jassas and Imam Fakhruddin Al-Raazi, offer definitions of Riba. Imam Abubakr Al-Jassas describes it as the practice of advancing a loan with an agreed increase on the principal². Imam Fakhruddin Al-Raazi elucidates the Riba An-Nasihah, where money was lent with a condition of charging a specific monthly amount, increasing the principal if the debtor couldn't pay on the maturity date.³

Nabil Saleh defines Riba as an unlawful gain resulting from quantitative inequality in any transaction. The Hadith also emphasizes the prohibition of Riba, stating that any increase or gain beyond an equal exchange constitutes Riba.

Categories of Riba

There are two main types of Riba: Riba al-Buyu' and Riba al-Duyun⁴.

¹ Islamic Banking & Finance: Principles and Practices Pg: 26, 2014 by Marifa Academy.

² Certified Islamic Bankers, Pg: 15- 17, 2016, International Qualification Network.

³ Same reference " "

⁴ Certified Islamic Bankers, Pg: 14- 17, 2016, International Qualification Network.

1. **Riba al-Buyu'** encompasses Riba an-Nasiyah, where deferment leads to additional charges, and Riba al-fadhl, involving the exchange of the same and different commodity of the same genus but in different quantities. Riba Al-Fadl applies to specific and similar commodities like: gold, silver, dates, raisins, wheat, and barley.
2. **Riba al-Duyun** refers to usury in debts, encompassing interest earned or paid on money lending transactions. It includes any excess or additional benefit charged or received in lending or borrowing transactions.

Prohibition of Riba (Usury)

The Quran unequivocally forbids Riba, as highlighted in various verses⁵. It condemns the practice of increasing wealth through interest, emphasizing that charitable contributions are multiplied by Allah.

The Quran explicitly warns of a painful punishment for those who engage in Riba. The Hadith further emphasizes the severity of Riba, equating it with committing adultery with one's mother⁶. It foretells a time when Riba will become

⁵ 1- First Revelation (Surah al-Rum, verse 39). 2- Second Revelation (Surah al-Nisa', verse 161). 3- Third Revelation (Surah Al 'Imran, verses 130-132). 4- Fourth Revelation (Surah al-Baqarah, verses 275-281).

⁶ From Abu Hurayrah: The Prophet (blessings and peace of Allah be upon him), said: "Riba has seventy segments, the least serious being equivalent to a man committing adultery with his own mother." (Ibn Majah)

pervasive among people⁷. Scholarly consensus holds that all forms of interest are Riba and are thus prohibited. Attempts to differentiate between types of interest have led to complex debates, but the prevailing view firmly rejects interest in all its forms.

Shari'ah-compliant lending practices require transactions to be trade-based, involve real goods and services, maintain integrity, and avoid uncertainty. These principles underpin real Islamic banking products and distinguish them from conventional banking counterparts.

No Uncertainty, Speculation, or Gambling

Islamic finance adheres to prohibitions beyond interest-bearing transactions. It strictly forbids maysir (gambling) and the acceptance of gharar (uncertainty). The maysir is often valued in the context of conventional finance practices like speculation, derivatives, and insurance⁸. Similarly, gharar's prohibition extends to various forms of uncertainty in contracts, including cases where goods can't be delivered immediately,

⁷ From Abu Hurayrah: The Prophet, (blessings and peace of Allah be upon him), said: "There will certainly come a time for mankind when everyone will take Riba and if he does not do so, its dust will reach him." (Abu Dawud, Kitab al-Buyu', Bab fi ijtinabi al-shubuhah; also in Ibn Majah).

⁸ In a Hadith the Prophet Muhammad (Peace be upon Him) said: "Whoever sells a defective commodity without disclosing it remains in Allah's wrath". There are many examples of Gharar-based transactions like the sale of the offspring in the womb of a pregnant animal, sale of fish in water and birds in the sky. Volume 3, Hadith #1513, Pg: 1153 Sahih Muslim. The reason behind the prohibition of these transactions is that the ability of the seller to deliver these items is uncertain.

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speculative investments, or where the buyer can't inspect goods before purchase.

Islamic law's stance against risk-taking and uncertainty sets it apart from conventional business practices. Gharar, in legal and business terms, means engaging in overly unknown transactions or entering a commercial venture without adequate knowledge. However, minor uncertainties may be allowed under specific conditions, ensuring that the goods or services are known, the parties have control, and the transaction's date is certain.

Trade Must Involve Real Goods and Assets

Islamic finance fundamentally differs from modern secular property concepts. In Islamic law, property is divinely ordained, sacrosanct, and transcendent. Its acquisition and use are rooted in the Quran and the Sunnah, placing it beyond human-defined utility. The essence of the Islamic economic system is to enable fair and profitable livelihoods without exploitation, prioritizing societal welfare over individual rights. This aligns with contemporary Western concerns about economic growth at the expense of quality of life and increasing wealth inequality.

Islamic Finance and Its Historical Development⁹

After the advent of Islam in Mecca and Madina at 650 AD - 750 AD, interest-based loans were prevalent for financial

⁹ Islamic Banking & Finance: Principles and Practices Pg: 29-35, 2014 by Marifa Academy.

needs. However, with the Quranic prohibition of Riba (usury), Islamic finance principles emerged. This period saw the establishment of Baitul-mal, an Islamic treasury for the needy, and the use of financial instruments like bills of exchange and cheques. Limited historical documentation is available on Islamic finance development during the era of 750 AD - 1900 AD, including the Ottoman Empire, Moghals in India, and Damascus. Regional and international trade flourished, often based on Musharaka (profit-sharing) arrangements. Financial instruments like Sak or Sukuk, Saftija, Bai al-wafa, and Bai al-nuqud were also practiced.¹ In response to the expansion of usury-based banking after the industrial revolution, Muslim scholars called for Shari'ah-compliant financial mechanisms. Early forms of Islamic capitalism and mercantilism developed between the 8th and 12th centuries. The monetary economy relied on the gold dinar, fostering trade connections among previously independent regions.

In the 20th century, scholars recognized the need for commercial banks within Islamic norms. They proposed a banking system based on Mudarabah, where capital and expertise are shared for profit at an agreed ratio¹. Islamic banking institutions began emerging, starting with efforts like the 1963 profit-sharing experiment in rural Egypt. The influx

¹ Same book as above Pg: 30.

¹ Same book as above, Pg: 31.

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of "petro-dollars" and growing interest in Islamic banking led to the establishment of Islamic financial institutions, with Dubai Islamic Bank being one of the pioneers in 1975. The industry experienced consistent growth, with Islamic banking assets reaching over \$822 billion globally by 2008. Islamic finance is recognized as one of the fastest-growing segments in the global financial system.

During the 1990s and the early 21st century, the rapid growth of Islamic financial institutions necessitated the creation of regulatory frameworks on both local and global scales. This period witnessed the emergence of international organizations and agencies that set standards and benchmarks. Notable institutions such as the International Islamic Financial Market (IIFM) were founded in 2001. Additionally, in 2002, organizations like the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), International Accounting Standards Board (IASB), Islamic Financial Services Board (IFSB), and Islamic International Rating Agencies (IIRA) were established to address these regulatory needs¹.

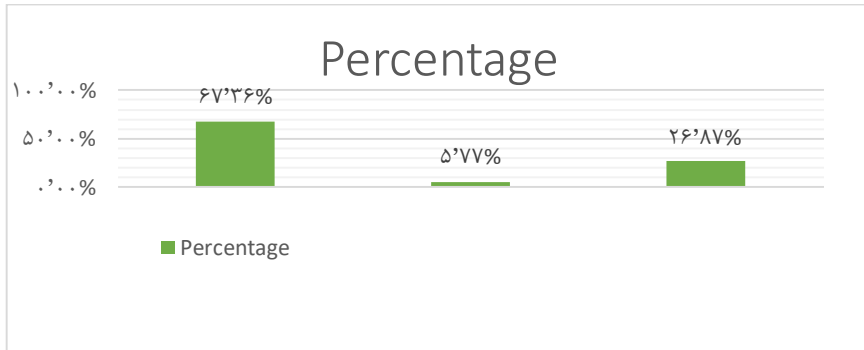
Development of Islamic Banking in Afghanistan

Financial Institutions

The financial sector in Afghanistan is dominated by banks and concentrated in urban areas. In 1933, Afghanistan saw the

¹ Islamic Banking & Finance: Principles and Practices Pg: 32, 2014 by Marifa Academy.

establishment of its inaugural financial institution, the Bank-e-Millie Afghan (BMA). It notably marked the country’s first-ever public-private partnership in the financial sector, with 72 percent of its shares owned by private entities¹. The sector consists of 12 banks: seven private commercial banks, including one private Islamic bank; three state-owned banks (SOBs) and branches of two foreign banks, ABA (2021)¹. Banking Market Shares in Afghanistan, (see Figure. 1), Source: DAB, 2020



All three categories of banks are regulated and supervised by Da Afghanistan Bank (DAB) which was established in 1939. There are around 400 commercial bank branches across the country. The banks are mostly active in the three largest urban centres – Kabul, Herat and Mazar-i-Sharif. These three centres account for two-thirds of their branch networks. The SOBs have the largest branch networks, but the private banks

¹ <https://www.bma.com.af/abouthistory>

¹ ABA. 2021. “Afghanistan Banks Association Voice of the Bank.” (<https://www.aba.org.af/index.php?lang=en>).

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dominate the market with around 66 per cent of total banking sector assets.

Historically, the banking sector has made a limited contribution to economic growth. Lending to the private sector has been passive, with credit to the private sector at barely 4 per cent of GDP compared to nearly 30 per cent on average in low-income countries. The loan-to-deposit ratio is particularly low at 15 per cent. This means that banks rely on their deposits to make loans to their customers and may not be earning and growing as much as they could. Foreign Direct Investment (FDI) and Public-Private Partnerships (PPPs) have been constrained by the weak rule of law and lack of contract enforceability, thereby failing to attract ventures and enhance state-owned enterprise performance or to facilitate trade, UNDP Afghanistan CO. (2021)¹ . Accordingly, the non-bank financial sectors (Islamic Microfinance, Takaful, and Islamic capital market) in Afghanistan are very small in size or may not even exist and have limited outreach. Additionally, there is a formal microfinance sector, consisting of eight microfinance institutions (MFIs) supported by the Microfinance Investment Support Facility (MISFA), this number might be decreased recently, AMA (2021)¹ .

¹ UNDP Afghanistan CO. 2021. Afghanistan: Socio-Economic Outlook 2021-2022 Averting A Basic Needs Crisis. Kabul.

¹ AMA. 2021. Microview 35. Kabul.

Islamic Banking and Finance in Afghanistan

The Islamic banking sector is gradually attaining dominance in the global Islamic finance system (IFS). In many Muslim-majority countries, Islamic banking is growing faster than conventional banking. Islamic banking contributes up to 71% (USD 1.72 trillion) to the total assets of the Islamic finance industry, making it the largest segment. As of 2019, more than 1400 Islamic financial institutions are operating in over 70 countries, ICD-Refinitiv (2019)¹. Islamic finance is gaining global acceptance, with regions such as the Middle East, the US, the Far East, Europe, Africa, South Asia, and Central Asia actively participating in the industry. In Afghanistan, the Center for Islamic Banking and Contemporary Issues was established under Article No. 2, Decree No. 15 (16.05.1443 AH / 29.09.1400 HS) under the Afghanistan Sciences Academy (ASA).

This center is responsible for integrating Islamic principles into Afghanistan's banking and financial sector by formulating strategies that align the market with Islamic economic systems. It conducts extensive research on Islamic banking and contemporary financial issues while spearheading the conversion of conventional financial activities into Shariah-compliant operations. Through these initiatives, the center aims to advance Islamic banking, promote ethical financial

¹ ICD-Refinitiv. (2019). Islamic finance development report 2019 shifting dynamics. Islamic Corporation for the Development of the Private Sector.

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practices, and contribute to the development of an Islamic economy in Afghanistan¹ .

Islamic banking was introduced to Afghanistan in 2008-2009. Although there is only one full-fledged Islamic bank in Afghanistan, namely the Islamic Bank of Afghanistan (IBA), other banks have Islamic banking windows alongside their conventional banking services. As of end of 2020, Islamic banking assets (including windows) was making up 8.3 % of the total assets of the banking sector, DAB (2020a)¹ . Although it remains a new concept for Afghanistan, Islamic finance has the potential to play a much larger role in the country. With its principles and its basis in the real economic activities and assets that underlay transactions, it could be a very appropriate instrument for supporting the humanitarian and development effort. It could also promote financial inclusion by encouraging people – including women – in this predominantly Muslim country to use the banking system for deposits and investments.

Governance and Regulatory Aspects of Islamic Banking in Afghanistan

Corporate governance covers the areas of Shari'ah framework, environmental awareness, ethical behaviour, corporate strategy, compensation, and risk management. The basic

¹ <https://asa.gov.af/en/introduction-research-center-islamic-banking-and-contemporary-issues>

¹ DAB. 2020a. Economic Statistical Bulletin: Annual Bulletin. Kabul.

principles of corporate governance are accountability, transparency, fairness, responsibility, and risk management. The term ‘corporate governance’ has gained prominence only during the last two decades². In the context of Islamic banking in Afghanistan, governance and regulatory aspects play a critical role in ensuring adherence to Shari’ah principles and maintaining the integrity of the financial system. This examination delves into the mechanisms, challenges, and effectiveness of governance within the Afghan Islamic banking sector.

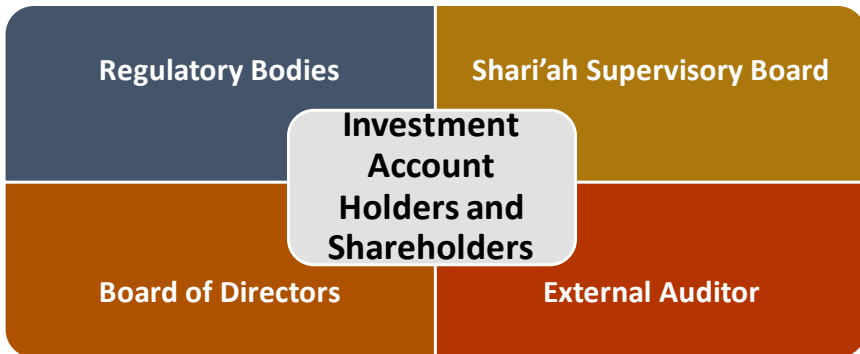
The Islamic banking sector in Afghanistan operates under the oversight of Da Afghanistan Bank (DAB), the nation's Central Bank. DAB is entrusted with the pivotal role of formulating and implementing policies to regulate Islamic banks. Its primary objective is to ensure that these banks adhere to Shari’ah principles while promoting financial stability. To achieve Shari’ah compliance, DAB collaborates closely with the Centre of Islamic Banking and contemporary issues of Afghanistan, which is mainly established for converting all Banks and financial institutions (Microfinance and Insurance companies) into Islamic financial institutions, that comprises religious scholars and Islamic finance well-versed in Islamic jurisprudence. This centre provides guidance and issues fatwas (religious rulings) to interpret and enforce Shari’ah principles within the banking sector.

² Zingales, 1997, P.1.

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Nonetheless, an Islamic banking governance framework has been developed by regulatory bodies and/or central banks in various countries to facilitate good governance practices and end poor governance practices at Islamic financial institutions. The important components of the framework are illustrated in Figure 2. The framework provides standards and guidelines that are in accordance with Shari'ah; addresses the intermediary and multifaceted roles of Islamic financial institutions, it seeks to ensure accountability, transparency, an adequate division of power among stakeholders and to avoid conflicts of interest.

Figure 2. Responsible Parties for Implementation of Corporate Governance;



In fact, Islamic banks operate on the principle of profit sharing-and-loss bearing. Thus, the funds contributed by investment account holders are more than mere deposits; they are, in part, equity investments. Investment account holders lack some of the rights that a shareholder enjoys, however, even though, like

shareholders, they are a type of equity holder with residual claims to their share of the bank's assets (Archer, Abdel Karim, and Al-Deehani 1998)² .

Hence, a corporate governance framework for Islamic financial institutions should encompass the interests of all stakeholders, including the fair treatment of minority shareholders and investment account holders at Islamic banks, as is encouraged in the Islamic faith under the concept of taqwa (righteousness). The governance framework should also encourage transparency and disclosure regarding decision making in all areas of an institution's professional competence, which is of paramount importance to investment account holders because their funds are normally pooled together with those of shareholders. The framework prescribes disclosure rules, firewalls to protect against conflicts of interest, and sanctions for breaches.

Generally, the governance structures of Islamic financial institutions are distinguished from conventional (Riba based) governance structures by the addition of a Shari'ah supervisory body (see Figure 3). Usually, each Islamic financial institution has its own in-house religious board/ advisers who compose the Shari'ah supervisory board and whose responsibility is to ensure that the institution's business practices and products

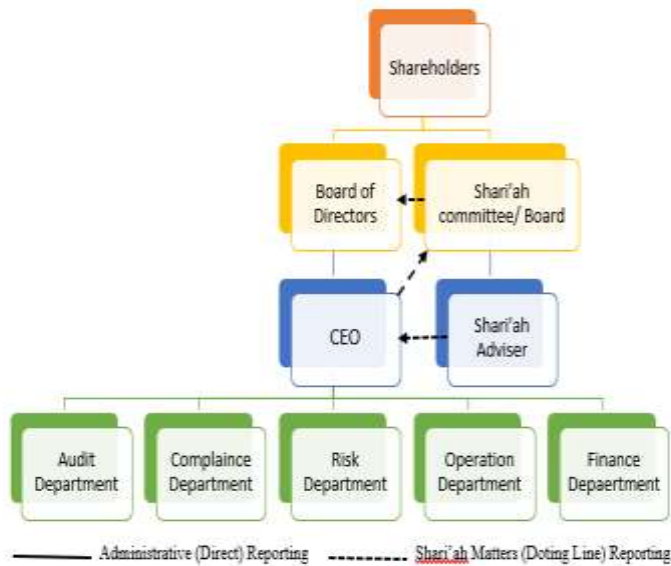
² Simon Archer & Rifaat Abdel Karim & Talla Al-Deehani, 1998. "Financial Contracting, Governance Structures and the Accounting Regulation of Islamic Banks: An Analysis in Terms of Agency Theory and Transaction Cost Economics".

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conform to Shari'ah (Islamic law). The existence of the Shari'ah board mitigates the institution's exposure to fiduciary and reputational risks related to Islamic standards of compliance, which, in turn, boosts the confidence of Muslim shareholders and the ummah (Muslim community) in the institution.

Corporate governance practices in Islamic finance may require the composition of the Shari'ah board to be disclosed, and all-important fatwas (religious opinions) issued by the Shari'ah board need to be published. Such public disclosures strengthen stakeholders' confidence in the credibility of the institution's assessment of its Shari'ah compliance.

Reporting lines at Islamic Banking (Figure 3)



Afghanistan is currently in the early stages of developing its Islamic Banking sector, encountering challenges in aligning with global standards. Issues with bank managements'

understanding of Islamic Banking functions have led to inconsistencies in the National Shari'ah Governance Framework (NSGF) of Da Afghanistan Ban (DAB) – the central bank Afghanistan. Specifically, the reporting line of Shari'ah Advisers requires standardization. Comparably, it is evident that a Shari'ah Adviser has a dual reporting system: identifying issues for management and reporting directly to the Shari'ah Board, the same function applied in Islamic window (Sharing the Shari'ah issues with the Chief of Islamic finance and direct report to Shari'ah board).

Discussions and Results

Challenges and Compliance

Despite the regulatory framework in place, several challenges persist. Afghanistan's security situation remains volatile, posing difficulties for effective oversight and enforcement. Moreover, despite the establishment of Islamic banking and finance in Afghanistan; public awareness of Islamic banking principles is relatively low, making it challenging to ensure that customers fully understand the Shari'ah compliant products they engage with. In addition, the lack of skilled professionals with expertise in Islamic finance and Shari'ah compliance hampers the sector's growth. Training and capacity-building initiatives are essential to address this gap.

Effectiveness of Governance Mechanisms

The effectiveness of governance mechanisms within Afghan Islamic banks varies. While DAB and the Centre of Islamic Banking provide regulatory oversight, ensuring compliance across all banks remains a work in progress. However, there is room for improvement in enforcing consistent standards. Regular audits and examinations by DAB can identify shortcomings and inconsistencies in Shari'ah compliance. Still, their effectiveness can be enhanced through increased resources and greater transparency in reporting.

Models of Developed Countries

Islamic banking has witnessed remarkable growth and diversification in various countries, including Afghanistan, Malaysia, and the UAE. This comparative analysis aims to shed light on the unique trajectories of Islamic banking in these nations. Afghanistan, with its Islamic values deeply embedded in society, embarked on its Islamic banking journey in the early 2000s. The nation's progress in Islamic banking has been marked by steady expansion, albeit with distinct challenges. The Afghan government's commitment to Shari'ah compliance and the establishment of regulatory frameworks by the DAB, set the foundation. However, professional Islamic finance and banking employees, security concerns and a lack of public awareness have posed obstacles.

Malaysia: A Global Islamic Banking Hub

In contrast, Malaysia stands as a global Islamic banking hub. Its journey began in the 1980s when it introduced Islamic banking alongside conventional banking. Robust regulatory bodies like Bank Negara Malaysia facilitated the sector's growth, offering a comprehensive model for Afghanistan to follow. Thus, Malaysia's success is attributed to its innovative products, strong governance, and targeted marketing to both Muslim and non-Muslim communities. It's pioneering Sukuk (Islamic bonds) market, the establishment of Islamic financial institutions, and vibrant Islamic capital markets have set global standards.

UAE: Diverse Islamic Banking Ecosystem

The UAE has diversified its Islamic banking landscape significantly. Dubai Islamic Bank, founded in 1975, spearheaded the sector. Today, the UAE hosts a mix of domestic and international Islamic banks, offering a broad range of services. The Emirates' focus on innovation and customer-centricity has led to the development of innovative Islamic banking products. Regulatory authorities like the Dubai Financial Services Authority (DFSA) have played a pivotal role in maintaining trust and confidence in the sector.

Key Takeaways and Afghan Potential

Afghanistan's Islamic banking sector holds immense potential, albeit with lessons to learn from Malaysia and the UAE. These

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nations showcase well-established models emphasizing governance, innovation, and regulatory efficiency. Malaysia's inclusive approach and scalability, alongside the UAE's diversification, offer valuable insights for Afghanistan's growth trajectory. To harness this potential, Afghanistan must prioritize security enhancement, public awareness, and regulatory refinement, leveraging collaborations with international Islamic financial institutions for accelerated growth. Moreover, tailoring innovative products to meet Afghan consumers' specific needs is pivotal for driving financial inclusion and stability.

Islamic banking serves as a catalyst for economic growth, financial inclusion, and stability across diverse sectors, guided by Sharia principles. Small and Medium Enterprises (SMEs) benefit from Shari'ah based financing options, fostering entrepreneurship and job creation. Similarly, Islamic banking supports agricultural development, infrastructure projects, and housing finance, contributing to rural employment, poverty reduction, and inclusive development. Microfinance initiatives empower marginalized communities, while Islamic capital markets provide avenues for investment and risk management, supporting economic growth and stability.

In conclusion, Afghanistan's Islamic banking journey presents unique challenges and opportunities. By drawing lessons from Malaysia and the UAE, Afghanistan can steer towards a vibrant

and inclusive Islamic banking sector, aligning with cultural and religious values. Through concerted efforts in governance, innovation, and collaboration, Islamic banking can drive Afghanistan's economic prosperity and stability, transcending borders and enriching the global financial landscape.

Challenges and Opportunities of Islamic Banking in Afghanistan

The banking and financial market of Afghanistan has undergone significant changes and challenges from the past two decades up until today. This discussion outlines the key challenges faced by Islamic banking and highlights opportunities for growth and expansion in this dynamic Afghan financial market.

Table 1: Challenges and Opportunities of Islamic Banking in Afghanistan; (Authors' source)

Challenges of Islamic Banking in Afghanistan	Opportunities for Islamic Banking in Afghanistan
1. Regulatory Environment: The regulatory framework for Islamic banking in Afghanistan may face complexities, requiring alignment with Shari'ah principles while ensuring compatibility with the broader financial regulations.	1. Untapped Market Potential: The Afghan financial market presents vast untapped potential. Islamic banking can cater to a diverse range of financial needs, attracting a broader segment of the population.

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|---|--|
| <p>2. Financial Literacy: Limited awareness and understanding of real Islamic finance among the Afghan population; including current and previous top- and low-level bankers pose challenges. Efforts are needed to enhance financial literacy to foster greater acceptance and participation in Islamic banking.</p> <p>3. Infrastructure Development: Insufficient technological infrastructure poses hurdles in implementing modern Islamic banking practices. Investments in technology are vital for efficient operations and customer service.</p> <p>4. Risk Management: Developing robust risk management mechanisms aligned with Islamic principles is crucial. This includes addressing specific risks associated with profit sharing and loss bearing contracts.</p> <p>5. Overnight Conversion of all Banks Together: Converting all banks simultaneously could impact the outcome of the</p> | <p>2. Agricultural Financing: Given Afghanistan's significant agricultural sector, there is a unique opportunity to develop specialized Islamic Agricultural Banking and financing products, fostering sustainable rural development.</p> <p>3. International Collaboration: Strengthening ties with international Islamic financial institutions and investors can bring in expertise, capital, and best practices, facilitating the growth of Islamic banking in Afghanistan.</p> <p>4. Ethical Banking Appeal: Islamic banking's ethical foundations resonate with the cultural and religious values of the Afghan population. This appeal can drive customer loyalty and trust, contributing to the sector's sustainable growth.</p> <p>5. Government Support: Policy support and incentives from the Afghan government can play a pivotal role.</p> |
|---|--|

<p>process. Therefore, the government should initiate the conversion of one of the state-owned banks (SOBs) first. This is intended to provide a clear roadmap for private banks and to share insights into the practical challenges encountered during the conversion process.</p>	<p>Encouraging regulatory frameworks and providing a conducive environment for Islamic banking can spur innovation and expansion.</p>
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Navigating these challenges while capitalizing on the unique opportunities presents a pathway for Islamic banking to play a transformative role in Afghanistan's financial landscape, contributing to economic development and financial inclusion.

Conclusion

In our comprehensive exploration of Islamic banking in Afghanistan, several key findings and insights have emerged:

1. **Islamic banking foundation:** Afghanistan has laid a foundation for Islamic banking, with regulatory frameworks in place and institutions dedicated to Shari'ah compliance need to be strengthen.
2. **Challenges and opportunities:** Challenges such as public perception, regulatory hurdles, and competition exist but can be overcome. Opportunities in fin-tech, green finance, microfinance, and rural expansion offer significant growth potential.
3. **Governance and compliance:** While regulatory bodies like Da Afghanistan Bank, and the Centre of Islamic

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Banking and contemporary issues oversee compliance, enforcement remains a work in progress.

4. **Global comparisons:** Afghanistan's experience can benefit from the successes of well-established Islamic banking sectors in countries like Bahrain, Malaysia and the UAE.
5. **Prospects:** The future of Islamic banking in Afghanistan is promising, with financial inclusion, fin-tech, sustainability, and international integration as key growth areas.

Emphasizing the importance of Islamic banking in Afghanistan's economic development and financial inclusion is paramount. Islamic banking aligns with the cultural and religious values of the Afghan population, making it a crucial tool for fostering economic growth and reducing poverty. By addressing challenges, embracing innovation, and strengthening regulatory oversight, Islamic banking can play a pivotal role in building a more inclusive and resilient financial ecosystem in Afghanistan, ultimately contributing to the nation's overall prosperity and stability.

Recommendations for Islamic Banking and Finance in Afghanistan

No	Recommendations	Description
1	Strengthen Regulatory Framework	<ul style="list-style-type: none">➤ Enhance and streamline regulations for Islamic banking, ensuring consistent Shari'ah compliance.➤ Conduct regular audits to monitor and address compliance issues.

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2	Financial Education and Awareness	<ul style="list-style-type: none"> ➤ Launch awareness campaigns nationwide to educate the public about Islamic banking principles. ➤ Collaborate with religious Islamic Finance scholars to promote compatibility.
3	Fin-tech Integration	<ul style="list-style-type: none"> ➤ Encourage fin-tech solutions adoption to enhance accessibility and efficiency. ➤ Incentivize investments in digital infrastructure.
4	Green Finance Initiatives	<ul style="list-style-type: none"> ➤ Promote green finance with Shari'ah-compliant funding for sustainable projects. ➤ Develop supporting regulatory frameworks.
5	Microfinance and SME Support	<ul style="list-style-type: none"> ➤ Create tailored Islamic microfinance products. ➤ Provide financial support for SME lending.
6	Capacity Building	<ul style="list-style-type: none"> ➤ Invest in Islamic banking professional training. ➤ Partner with international institutions for knowledge transfer.
7	Public-Private Partnerships	<ul style="list-style-type: none"> ➤ Attract foreign investments through partnerships. ➤ Simplify investment processes.
8	Risk Management, Dispute resolution and Security.	<ul style="list-style-type: none"> ➤ Develop robust risk management and security strategies. ➤ Utilize advanced security tech for transactions and a standard financial dispute resolution.
9	Global Integration	<ul style="list-style-type: none"> ➤ Establish Afghanistan as an Islamic finance gateway. ➤ Attract foreign Islamic institutions and investors.
10	Product Diversification	<ul style="list-style-type: none"> ➤ Encourage innovative product offerings. ➤ Tailor products for different customer segments.

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11	Converting one of the state-owned banks to Islamic bank prior to any private banks in Afghanistan	<ul style="list-style-type: none">➤ Encouraging private sector to be involved in Islamic Finance.➤ To lead the conversion process as well as the Islamic banking sector by a practical model.
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Encouraging the establishment of sectoral Islamic banking in Afghanistan is crucial for fostering sustainable infrastructure and economic development. A strategic collaboration between the government, policymakers, economists, bankers, and global Afghan business leaders is essential to introduce specialized Islamic banking models such as Investment Banking, Agricultural Banking, and Corporate Banking. This approach blends tradition with modern financial innovations, utilizing Islamic finance principles to drive inclusive economic growth while catering to sector-specific needs and attracting international investments.

To achieve this, policymakers should prioritize developing a robust legal and regulatory framework for Islamic finance. Strengthening Sharia'h governance, enhancing transparency, and ensuring compliance with international Islamic finance standards will increase investor confidence and foster a stable financial system. Leveraging the ethical and value-based appeal of Islamic banking can further enhance Afghanistan's position as an attractive destination for investment. Additionally, collaborating with global Islamic financial

institutions will facilitate the introduction of innovative financial solutions and unlock much-needed capital. Investing in financial technology (FinTech) will enhance banking accessibility, improve efficiency, and bridge critical infrastructure gaps in the sector.

On the international front, diplomatic and economic initiatives should focus on negotiating beneficial Memorandums of Understanding (MOUs) with foreign entities to strengthen Afghanistan's financial ties. Promoting on-budget international development partnerships is pivotal to ensuring sustainable financial support. Moreover, engaging with global financial communities and exploring innovative Islamic financial instruments—such as Sukuk and impact-driven investment funds—can help mitigate the impact of declining off-budget humanitarian aid.

By implementing these strategic measures, Afghanistan can establish a resilient and sustainable Islamic banking system, fostering financial inclusion, economic stability, and long-term development.

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The Current Surge in Tourists to Afghanistan and Recommendations for Tourism and Cultural Growth

Abstract

Afghanistan is located in an outstanding geographical position historically known as the crossroads of Asia or the heart of Asia. From this point of view, the country has been attractive to foreign tourists for a long because of its multicultural, historical picture and wonderful seasons of the year. Given the remarkable history of tourism in Afghanistan, the paper explores the current surge of foreign tourists to Afghanistan after the Taliban takeover in 2021. It provides policy-based recommendations to strengthen tourism and cultural growth to attract more tourists annually. The paper's methodology considers the desk research method, which analyzes tourism based on the available data.

Key Words

Tourism, culture, foreign tourists, policy recommendations, security and facilities

Introduction to Tourism History in Afghanistan

Afghanistan, a landlocked country located at the crossroads of Central and South Asia, enjoys a rich cultural heritage and

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stunning natural landscapes that have historically attracted travelers worldwide. Despite its current challenges, Afghanistan's history as a destination for tourists is marked by periods of significant interest to outsiders, driven by its unique blend of ancient civilizations, breathtaking geography, and diverse ethnic tapestry. Afghanistan's history as a travel destination dates back to antiquity. The region was a crucial part of the Silk Road, the ancient network of trade routes that connected the East and West. Merchants, pilgrims, and adventurers traversed Afghanistan, drawn by its strategic location and the promise of exotic goods. Cities like Balkh, Herat, and Kabul were vital hubs where different cultures and civilizations intersected (Hansen, 2015). One of the earliest known tourists to Afghanistan was the Chinese Buddhist monk Xuanzang, who traveled through the region in the 7th century CE. His detailed accounts of his journey provide valuable insights into ancient Afghanistan's cultural and religious landscape. Xuanzang visited Bamiyan, famous for its colossal Buddha statues carved into the cliffs, which stood as a testament to the region's Buddhist heritage (Beal, 1983).

During the medieval period, Afghanistan continued to attract travelers, scholars, and traders. The Islamic conquest of the region in the 7th and 8th centuries brought new cultural and architectural influences, transforming Afghanistan into a center of Islamic learning and civilization. The city of Herat, in

particular, flourished as a cultural and artistic hub under the Timurid dynasty in the 15th century. The exquisite Herat Citadel and the intricate tile work of the Friday Mosque are enduring symbols of this era (Dupree, 1973). The journeys of famed explorers like Marco Polo in the 13th century further solidified Afghanistan's reputation as a land of mystery and wealth. Polo's writings describe the natural beauty and the strategic importance of Afghanistan's cities, which played pivotal roles in regional trade networks (Polo, 1958)—the 19th century marked a period of geopolitical rivalry known as "The Great Game" between the British Empire and the Russian Empire, both vying for influence in Central Asia. This era saw Afghanistan becoming a focal point of strategic interest. Although this period was marked by conflict and political maneuvering, Western travelers and adventurers also led to increased exploration and documentation of Afghanistan's landscapes and cultures (Hopkirk, 1990). One notable figure was Alexander Burnes, a British explorer and diplomat whose travels in the 1830s provided detailed accounts of Afghan society, geography, and politics. Burnes' work, "Travels into Bokhara," captivated the imagination of European readers and highlighted the allure of Afghanistan as an exotic and enigmatic destination (Burnes, 2012). The mid-20th century is often considered the golden age of tourism in Afghanistan. Following World War II, the country experienced a period of

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relative stability and modernization under the reign of King Zahir Shah (1933-1973). Afghanistan's government actively promoted tourism, recognizing its potential to foster international goodwill and economic development (Gregorian, 1969). The 1960s and early 1970s saw a surge in international tourists, mainly from Europe and North America. Afghanistan's allure lay in its unspoiled landscapes, ancient historical sites, and vibrant local cultures. The capital city, Kabul, became a popular destination known for its bustling bazaars, historic gardens, and the Kabul Museum, which housed an impressive collection of artifacts spanning Afghanistan's diverse history (Dupree, 1997). The Hippie Trail, a popular overland route from Europe to South Asia, brought a wave of adventurous travelers to Afghanistan. These visitors were drawn to the country's reputation for hospitality, its affordable cost of living, and the promise of an authentic, off-the-beaten-path experience. The cities of Kabul, Kandahar, and Herat, as well as natural attractions like the Panjshir Valley and the Band-e Amir lakes, were among the top destinations for these intrepid tourists (MacLean, 2006).

The onset of political instability and conflict abruptly halted Afghanistan's golden age of tourism. The Soviet invasion in 1979 marked the beginning of a prolonged period of war and upheaval that devastated the country's infrastructure and made it perilous for travelers—the ensuing decades of conflict,

including the Afghan Civil War, further isolated Afghanistan from the international tourism community (Rashid, 2000). The impact on tourism was profound. Historical sites suffered damage, and many artifacts were looted or destroyed. The country's once-thriving tourism industry was reduced to a shadow of its former self, with only the most daring and intrepid travelers venturing into the war-torn nation (Zahir, 2001). Following the fall of the Taliban (first Islamic Emirate of Afghanistan, 1996-2001) regime in 2001, Afghanistan began a slow and challenging process of reconstruction. Ongoing security concerns have hindered efforts to revive tourism, but there have been some positive developments. International organizations and the previous Afghan government have worked to restore and preserve cultural heritage sites. Notable initiatives include the restoration of the Herat Citadel and revitalizing of the historic city of Bamiyan as a cultural and tourist hub (Alimia, 2010). Establishing the Band-e Amir National Park in 2009 marked a significant step towards promoting eco-tourism and conservation. With its stunning series of deep blue lakes surrounded by rugged mountains, this park symbolizes Afghanistan's potential as a destination for nature enthusiasts and adventure travelers (UNEP, 2009). Despite the challenges, a small but determined community of local and international tour operators continues to promote

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Afghanistan's tourism potential, emphasizing cultural exchange and sustainable practices (Wily, 2004).

Surge in Foreign Tourists Under Taliban Rule

Tourism and culture are interconnected and boost a country's social, cultural, and economic growth, playing a significant role in building a soft power influence in terms of the rich history and dynamic culture. It strengthens public diplomacy, paving the way for the exchange of cultures, social interactions, and sharing ideas between tourists and people of the host country. As such, Afghanistan is still an attractive tourist destination for foreigners in terms of its rich history, cultural civilization, social context, and geographical location, even though it has been conflict-affected for a long time. The continued political and military conflicts had contributed to a decrease in the arrival of tourists and directly impacted the tourism industry, creating unemployment and low revenue. Before that, Afghanistan was host to 90,000 foreign tourists in the 1970s. (Masomy and Bahar, 2024) Regrettably, the country's tourism industry was not given significant attention. Foreign tourists also did not have an interest in traveling to Afghanistan due to security reasons after 1978, when the country was stuck in political turmoil and later faced civil war. Foreign tourists would also have been limited to Kabul city. However, Afghanistan contains plenty of historical sites, multi-ethnic traditional cultures, multi-ethnic language settings, rich

literature of Pashto, Dari (Farsi), Uzbek, and Turkmen, different social contexts, and terrific landscapes and locales including four seasons of the year for overseas visitors. The country is slowly seeing a return of tourists. However, there are still some multidimensional challenges, including the absence of basic facilities and modern infrastructures, but the right kind of management can develop these.

Contrary to expected predictions, it has been nearly three years after the Taliban's takeover, and the country is increasingly looking like an attractive destination to explore for both domestic and foreign tourists. As such, there has been an influx of foreign tourists every month. Surprisingly it started from European and Western countries like Britain, Germany, France, the United States of America, Australia, Canada, Spain, Finland, Sweden, Hungary, Poland, New Zealand, Belgium, Greece, Ireland, Netherlands, Italy, Turkey, Mexico, Columbia, Argentina, Portugal, Ukraine, and Chili. In addition, visitors from Asian countries like India, Pakistan, Iran, China, Japan, Russia, Thailand, the Philippines, and other countries have also traveled to Afghanistan since the Taliban takeover. When the tourists arrive in Afghanistan, most tend to wear traditional Afghan clothes, eat Afghan food, and learn about Afghan conventional customs, which is an excellent route for cultural growth. According to reports, 8,200 foreign visitors have visited Afghanistan since the Taliban's takeover, and this

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continues further. (Amini, 2024) Given the international sanctions imposed against the Taliban by the international community, the question arises: why are tourists interested in visiting Afghanistan under Taliban rule?

The first thing the Islamic Emirate of Afghanistan (IEA) did was to ensure domestic security amidst the economic crisis so that it could assure the people of Afghanistan, including other foreigners, to invest in Afghanistan and travel to various places. Second, the international community directly started engaging with the Islamic Emirate of Afghanistan to seek solutions to relevant matters of concern, such as security and human rights-related issues, and the immediate resumption of humanitarian aid by the Western and non-western countries to the people of Afghanistan to restore the Afghan economy. Some neighboring and regional countries such as Pakistan, Iran, China, Uzbekistan, Turkmenistan, Kazakhstan, Russia, Qatar, United Arab Emirates, and Turkey soon opened diplomatic missions in Kabul to engage directly with the Islamic Emirate of Afghanistan (IEA) on relevant issues. Third, Afghanistan is well known as the “graveyard of empires” from Alexander the Great to the U.S.-led invasions (Jonathan Steele, 2011). Therefore, foreign tourists are keenly interested in exploring Afghanistan and meeting up with the people of Afghanistan in order to learn more directly about Afghan history, culture, and socio-economic conditions. The current surge in foreign

tourists to Afghanistan primarily is the outcome of Afghanistan's rich history, the security for foreign tourists ensured by the current Taliban regime, and the active engagement of the international community and governmental and non-governmental organizations. The number of foreign tourists may increase, significantly if the current situation improves further.

Recommendations for Tourism and Cultural Growth

Afghanistan's history as a tourism destination is a tapestry woven with threads of ancient civilizations, cultural confluence, and natural beauty. From its prominence on the Silk Road to its golden age in the mid-20th century, Afghanistan has long captured the imagination of travelers. While the late 20th century brought conflict and decline, the resilience of its people and the enduring allure of its landscapes and heritage sites offer hope for a future where Afghanistan can reclaim its place on the global tourism map (Nojumi, 2002). Despite the formidable challenges, the spirit of exploration and the promise of discovering a land of rich history and breathtaking beauty continue to inspire those who dream of visiting Afghanistan. With sustained efforts towards peace, stability, and cultural preservation, Afghanistan's tourism industry holds the potential for a remarkable resurgence, contributing to the country's economic development and fostering international understanding (Barfield, 2010).

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In this regard, Afghanistan has become a place to travel and visit again for foreign tourists after the Taliban takeover. However, it needs a comprehensive policy framework to support and promote Afghanistan's tourism industry and cultural constituency to attract more foreign tourists annually. As such, the Islamic Emirate of Afghanistan should announce tourist visas free of charge and provide full security in the country for tourists to travel everywhere without any fear or threat, which is important for a tourist's mental and physical stability. Additionally, foreign tourists need facilities of value and convenience: national and local maps, travel guides, transportation, safety and security, suitable options for lodging, and upscale restaurants to be built at zonal levels. Afghanistan is a multi-ethnic and multi-lingual nation, practicing a variety of traditional cultures, social contexts, clothes, cooking different types of food, providing amazing fruits, playing music in several languages, a popular national dance known as Mili Atan, manufacturing top-quality handicrafts, and other cultural and social traditions including historical sites and places. ("Afghanistan national SMART survey report, 2023) The country should be introduced through a useful guidebook together with beautiful photos in English language, available both at the relevant tourism organs of government and outside diplomatic missions of Afghanistan to be easily accessible for tourists.

Despite the economic challenges in Afghanistan, the government needs to revive the tourism industry and seek funds from UNESCO and other financial resources to promote the country's cultural and historical values. It is vital to rebuild and repair ancient monuments, sculptures, old citadels, reputed mosques, ancient shrines and gardens, and other landmarks and archaeological remnants of ancient kingdoms, empires, and governments. Besides, the government is expected to provide facilities around the above-mentioned sites, such as roads, parks, restaurants, and entertainment services. This also can boost income and create jobs for the local people. For this purpose, private and public sector partnerships are required to transform tourism into a viable economic industry. A functional, specialized web portal focusing on Afghanistan's tourism and culture industry should be developed to offer an accurate picture. This will increase the attraction of tourists to travel to Afghanistan. Similarly, the culture of all tribes and ethnic groups in Afghanistan and historical sites throughout the country need to be covered by the Afghan media. Social media, including special YouTube channels, Instagram, and Facebook pages, should be run by the Ministry of Culture and Information. In addition to this initiative, the government should invite globally reputed YouTubers to visit Afghanistan and explore Afghanistan's culture and ancient civilization for broadcast via their YouTube channels. This will show the real

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picture of Afghanistan to the overseas world and positively influence the number of tourists traveling to Afghanistan.

Conclusion

After more than two years of Islamic Emirate of Afghanistan rule, since 2021, it seems that the surge in foreign tourists is increasing because the security environment of Afghanistan is more conducive than in the years between 2001 and 2021. Also, domestic and foreign tourists could not visit parts of Afghanistan due to security threats before 2021. As a result, it is important to note that the growth of the tourism industry will only depend on the security situation in Afghanistan. Investment in this sector is based on the needs and demands of tourists, which augments the country's economic profile. Moreover, sustainable development projects can help promote and rebuild historical and cultural sites throughout the country.

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Comparative Analysis of Decision-Making Styles: A Study of Male and Female Perspectives

Abstract

This study aims to explore the differences and similarities in decision-making styles between males and females. The research involved collecting data from 77 individuals, including 23 males and 54 females, to gather data on their general decision-making styles, factors considered in decision-making, legal decision-making approaches, perception of risk, information processing methods, and influence of societal expectations.

The findings reveal that both males and females prioritize logical reasoning and societal impact in their decision-making processes. However, females tend to consider personal values, past experiences, social and familial influences, risk perception, and emotional intuition to a greater extent, while males focus more on factual analysis. In legal decision-making, both genders prioritize legal precedent and logical reasoning, with females also considering social, family and environment implications and males focusing more on case law.

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Both males and females perceive a moderate level of risk in decision-making and are willing to take risks if necessary while females tend to take lower risk than males. They also share similar approaches to information processing, such as analyzing facts and personal experiences, but females may rely more on seeking advice from others, while males trust their intuition and research more thoroughly.

Regarding societal expectations, both genders believe that these expectations have some influence on their decision-making, with females perceiving a slightly higher influence.

In conclusion, while there are differences in the factors considered and the decision-making styles between males and females, there are also many similarities. Understanding these differences and similarities can provide valuable insights for improving decision-making processes and gender-differentiated approaches in decision-making contexts.

Introduction

Decision-making is a fundamental aspect of human behavior, influencing individual choices, organizational outcomes, and societal developments. Understanding the factors that shape decision-making styles is crucial for improving decision-making processes and outcomes. One area that has garnered attention is the differences and similarities in decision-making styles between males and females. While existing research has explored various aspects of decision-making, including

cognitive processes, emotional influences, and risk perceptions, there is still a need for a comprehensive comparative analysis of decision-making styles between genders.

The decision-making process is undeniably influenced by our perceptions of sex-based characteristics, often relying on criteria that may be dubious. Despite societal advancements toward gender equality in social and labor domains, it remains crucial to scrutinize whether there are inherent sex-based disparities in the factors individuals prioritize during decision-making. Current research findings are somewhat inconclusive, as while certain significant differences have been detected, the majority of disparities appear marginal.

Research Question: The primary research question for this study is: What are the differences and similarities in decision-making styles between males and females?

Hypothesis: Based on existing literature and theoretical frameworks, we hypothesize that -except environmental factor, emotional intuition, and lower risk perception- there are no differences in decision-making styles between males and females.

Literature Review

There are splendid ideas among different societies toward the appointment of females as judges. Some countries, for example; however, advocate for women's rights to be preserved, while these countries do not allow women to sit on a bench of the judgment.

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The first female judge assigned to the Supreme Court of Canada was O'Connor. There are rationales that restrict women from appointment as judge. Justice Wilson argues that women view the world differently from men, and that female judges often bring this alternative perspective to bear on the cases they decide. She argues that the addition of more women to the bench could make a difference in the law, if "women judges, through their differing perspectives on life, can bring new humanity to bear on the decision-making process. (SUSAN W. JOHNSON AND DONALD R. SONGER: 265 p)

In addition, research shows the difference between men and women in the attractiveness as well. "The analysis of attractiveness ratings showed that this is the case: again, we found that sexual attraction is relatively less permeable to moral factors in men, or, conversely, sexual attraction is more permeable to moral factors in women." (Julio González-Alvarez :532p) It shows; however, the emotional differences between males and females, but it can be implemented in judgment as well as females are more emotional than men.

Women are not only emotional, but they are influenced by the environment either. "It seems that women are more affected by the environment; they look for more information, and dedicate more time to the decision process. Men, on the contrary, are more dominant, assertive, objective, and realistic (Maria L. et al.: p 383). In many societies, including Afghanistan,

traditional gender roles often dictate that males are expected to be more decisive and assertive in decision-making, while females are expected to be more nurturing and collaborative. These stereotypes can impact how individuals perceive their own decision-making abilities and can influence their behavior in decision-making contexts.

A research has shown that despite producing the identical work product as a man, a woman's work is often regarded as inferior. In fact, there have been many investigations in organizational psychology that attest to the fact that unless the quality of the work product is incontrovertible, women's accomplishments are undervalued as compared to those of men. Moreover, it appears that the more women are viewed in stereotypic terms, the more likely this is to occur. (Madeline E. Heilman: 662 p)

Also contributing to the devaluation of women's performance is the tendency to interpret the same behavior differently depending upon who the actor is. It has been demonstrated that when actors are of different sexes, the implication drawn from their behavior is quite different. Thus, in work setting a behavior such as frequent phone conversation is a good deal more likely to be seen as slacking off for a woman but productive for a man. Similarly, waiting to make a decision rather than acting immediately may seem passive coming from a woman but prudent coming from a man. Consequently, disconfirming performance information, rather than prompting a

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revision of the negative expectations held for women, can server to maintain or ever reinforce them. (Madeline E. Heilman: 662 p)
“Thus, women are more concerned with uncertainty, doubts, and the dynamism that are involved in the decision. They place more value on time and money; they are more concerned about the consequences that may derive from the decision, no matter whether these affect them or other people. Women are more aware of the constraints that the setting and close persons put on them, and their emotions are more important to them in the decision process. Conversely, men assign more importance to the analysis of the information required to carry out the decision and to the definition of the goals or purposes of the decision. They are more motivated during the process and also feel more intensely the pressure from all the work-related aspects.” (Maria L. et al.: p 387) The research is quantitative, not qualitative. We tried to conduct our research in qualitative manner.

Surprisingly, the existence of gender differences in propensity to take risks has been documented in a large number of questionnaire and experimental studies. For example, a meta-analysis by Byrnes, Miller, and Schafer (1999) reviewed over 150 papers on gender differences in risk perception. They concluded that the literature “clearly” indicated that “male participants are more likely to take risks than female participants” (Christine R. Harris: P 48) Relative to women, men reported a greater overall likelihood of engaging in risky

behaviors in the gambling, health, and recreational domains. In all three domains, women judged potential negative consequences as more likely to occur and they judged the potential negative consequences as significantly more severe in two of these domains (gambling and health). (Christine R. Harris: P 51).

On the other hand, research shows null sex difference between male and female in the aspect of general intelligence. The null sex difference in *g* suggests that: (a) The factor (*g*) that is present in nearly all measures of cognitive ability does not differ between sexes; (b) non-*g* factors and/or test specificity are responsible for the observed cognitive sex differences; and (c) the “paradox”—the findings of larger male brain, the association of brain size with IQ, and the absence of a sex difference in overall IQ—is not relevant to the problem of whether or not is there a sex difference in general intelligence, because there is no sex difference in general intelligence. (Roberto Colom: 34 p) unexpectedly, we analyzed the above mentioned literature and found that there are some differences between male and female in general.

Gender differences in decision-making have been a topic of interest across various fields not only in law, but also including in psychology, sociology, and management. Studies have shown that males and females often have different decision-making styles and approaches, influenced by various factors such as socialization, and emotional intuition.

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Research Method: To address the research question and test the hypothesis, a mixed-methods approach is employed. The study involves surveying a sample of individuals from both genders to gather quantitative data on their decision-making styles, perceptions of risk, information processing methods, and experiences with societal expectations and gender stereotypes in decision-making. Additionally, qualitative data is gathered to gain deeper insights into the underlying factors shaping decision-making styles.

The sample consists of 77 individuals, split between males and females, to ensure a representation of both genders. Participants are asked to respond to a series of questions related to their decision-making processes in general, as well as in legal contexts. Data analysis involves both quantitative methods, such as statistical analysis of survey responses, and qualitative methods, such as thematic analysis. In addition, a library-based data-gathering method is also used in the research to analyze the previous research and address the scarcity of the field.

Results

Results of the present research can be categorized into three domains: A- Analyzing the male data, B- Analyzing the female data, and C- Comparison of male and female decision-making styles. All three domains are described as follows.

A- Analyzing the male data

Various patterns can be analyzed regarding their decision-making styles and factors influencing their decisions as follows.

Decision-making Style: Male participants generally describe their decision-making styles as logical, considering various factors before making a choice. In contrast, females mentioned a collaborative decision-making style, indicating a preference for seeking input from others.

Factors Considered in Decision-Making: Both participants often consider past experiences and logical reasoning when faced with difficult decisions. This suggests a reliance on both personal history and rational analysis in making choices.

Legal Decision-Making: When faced with legal decisions, participants tend to consider legal precedents, case law, and statutory interpretation. This reflects a reliance on established legal principles and frameworks.

Perception of Risk: Participants generally perceive risk in decision-making, with most indicating a moderate likelihood of taking risks in hypothetical scenarios involving risk.

Information Processing: Participants commonly process information by analyzing facts and figures, researching thoroughly, and relying on personal experiences.

Societal Expectations: While both genders believe societal expectations influence their decision-making, the extent varies.

B- Analyzing female data

Analyzing the female data, several trends can be observed regarding their decision-making styles and factors influencing their decisions.

Decision-Making Styles: Many females describe their decision-making style as logical and collaborative, considering personal values, past experiences, and emotional intuition. They emphasize fairness, non-discrimination, and societal impact in their decision-making.

Factors Considered in Decision-Making: Personal values, past experiences, and logical reasoning are common factors considered. Additionally, females also mention the influence of peer and social or familial influence in their decisions.

Legal Decision-Making: Legal precedent, logical reasoning, statutory interpretation, and social implications are key factors considered in legal decision-making for females.

Perception of Risk: Females generally perceive risk in decision-making from moderate to high level, with a willingness to take no risks if necessary.

Information Processing: They tend to analyze facts and figures, seek advice from others, and research thoroughly when making decisions. In legal judgments, they rely on analyzing legal precedents, statutory interpretation, and legal research.

Influence of Societal Expectations: Most females believe societal expectations have some influence on their decision-making, though not extremely significant.

These findings suggest that females exhibit diverse decision-making styles influenced by personal values, logical reasoning, and societal and familial impact, with a commitment to fairness and non-discrimination.

C- Comparison of male and female decision making styles

Comparing the data of males and females from persons 1 to 77, several differences and similarities can be observed in their decision-making styles and factors influencing their decisions as described below.

Decision-Making Styles: Males and females both emphasize logical reasoning in their decision-making. Females are more likely to consider personal values, past experiences, and emotional intuition, while males focus more on logical reasoning and factual analysis. In addition, females far more rely on statutory interpretation than males.

Factors Considered in Decision-Making: Females tend to consider a wider range of factors, including personal values, past experiences, logical reasoning, emotional intuition, and societal and familial impacts. Males also consider logical reasoning and societal impact but may rely more on factual analysis.

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Legal Decision-Making: Both genders consider legal precedent and logical reasoning in legal decision-making. Females may also consider social and family implications and statutory interpretation, while males may focus more on case law.

Perception of Risk: Astonishingly, a narrow difference arose between males and females in the extent of risk perception; as males tend to take more risk than females do. Females and males perceive risk in decision-making quite differently, with a moderate perception of risk and a willingness to take risks if necessary for males. Conversely, females tend to take fewer risks.

Information Processing: Both genders analyze facts and figures and may rely more on personal experiences when making decisions. Particularly, females stated they seek advice from others, while males may trust their intuition and research more thoroughly.

Influence of Societal Expectations: Both genders believe societal expectations influence their decision-making, though females may perceive this influence to be slightly higher. Additionally, males are assertive and independent and not influenced by society or family. In contrast, females are more influenced by societal expectations. A female respondent stated that society and family influence us from a very early life.

Overall, while there are some differences in the factors considered and the decision-making styles between males and females, there are also many similarities. Both genders

prioritize logical reasoning and societal impact in their decision-making, with females tending to consider a broader range of factors, including personal values, emotional intuition, and familial and societal implications, while males may focus more on factual analysis and tend to be assertive and decisive.

Discussion

The findings of this research provide valuable insights into the differences and similarities in decision-making styles between males and females. The study's mixed-methods approach allowed for a comprehensive analysis, combining quantitative survey data with qualitative responses.

Decision-Making Styles: The analysis revealed that females tend to exhibit a more holistic approach to decision-making, considering personal values, emotional intuition, and societal and familial impact. In contrast, males appeared to focus more on analytical reasoning and factual evidence. These findings align with existing literature suggesting that females may prioritize interpersonal and contextual factors in their decision-making, while males may lean towards more logical and objective considerations.

Perceptions of Risk: Interestingly, both genders perceived risk at a different level, with an average score around the midpoint of the scale. This suggests that risk perception may not be significantly similar between males and females. Additionally,

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when faced with hypothetical scenarios involving risk, males were slightly more likely to take risks than females.

Information Processing: In terms of information processing, both genders exhibited similar approaches, such as analyzing facts and figures, seeking advice from others, and researching thoroughly. However, females also emphasized relying on statutory interpretation, indicating a more subjective element in their decision-making process.

Societal Expectations and Gender Stereotypes: Both males and females reported a moderate influence of societal expectations on their decision-making. However, only a few females mentioned feeling pressure to conform to gender stereotypes in decision-making, while no males reported experiencing this pressure. This suggests that while societal expectations may play a role, they may not be a primary factor influencing decision-making styles.

Conclusion

This research aimed to explore and compare the decision-making styles of males and females, focusing on factors such as risk perception, information processing, and societal influences. The findings suggest that while there are some differences between the decision-making styles of males and females, there are also many similarities.

Females tend to consider peer and family influence, seeking advice, and societal impact in their decision-making, while

males are tend to be more assertive, independent, and risk accepting and focus more on analytical reasoning and factual evidence. These differences reflect broader societal norms and expectations regarding gender roles and decision-making. Both men and women generally view decision-making risks as moderate and are open to taking risks when needed, though women tend to opt for less risky choices compared to men. They both employ similar strategies in processing information, such as analyzing facts and personal experiences. However, women may lean more towards seeking advice from others, while men often trust their intuition and conduct more extensive research.

Concerning societal expectations, both genders acknowledge that these expectations play a role in their decision-making, with women perceiving a slightly stronger influence than men. Future research could explore additional factors that may influence decision-making styles, such as cultural differences or individual personality traits. Additionally, replicating this study with a larger and more diverse sample could provide further insights into gender differences in decision-making.

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