Addressing Instability in Afghani (Afghan Currency): Exploring the Strategies for Achieving Stability

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Research Article

Abstract

The study aims to explore the monetary policy of the Afghanistan Bank, the instability of the Afghan currency, and the causes and strategies for achieving stability for the Afghan currency. A qualitative approach was used to gain an in-depth knowledge of the issues. By using a semi-structured interview, the professional participants were selected through the snowball sampling technique. All interviews were audio-taped, transcribed, and analyzed through a thematic analysis framework. The study addressed instability in the Afghani currency and its causes including trade imbalance in favor of imports, smuggling of the foreign reserve, lack of foreign aid, lack of control of the natural resources, lack of foreign investment, inefficiency in monetary and fiscal policy, fluctuation in the international market, the influence of mafia groups in the currency exchange market and their fraudulent propaganda. This study also observes the need for developing strategies, and policies for achieving currency stability, like increasing the balance of exports as compared to imports, preventing the smuggling of foreign reserves, efforts to obtain foreign aid, ensuring political stability, ensuring a congenial environment for internal and external investors, efficient and effective control on monetary and fiscal policy, and preventing mafia groups and their fraudulent propaganda in the currency exchange Markets. The study findings have significant implications for the policymakers to ensure the stability of the Afghan Currency.

Keywords: Afghani, Currency, Stability, Instability, Afghanistan

1. Introduction

The persistent instability of the Afghani (Afghan Currency) poses significant challenges to Afghanistan's economic resilience and financial well-being. Despite efforts to mitigate fluctuations, the Afghan remains vulnerable to external shocks and internal factors. The multifaceted nature of this issue necessitates a thorough examination of its causes and the formulation of targeted strategies to achieve lasting currency stability. Along with this, the stability or instability of a country's currency has profound implications for the economic well-being of its population. When a nation's monetary unit experiences instability, it leads to detrimental economic consequences for both the country and its citizens. Conversely, a stable currency fosters improved economic conditions for the government and the people. Currently, Afghanistan faces a significant challenge in the form of a deteriorating economic situation, largely attributed to the instability

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of the Afghan. As a dedicated researcher, the purpose of this article is to present the government and the nation with viable strategies for achieving peace and stability in the Afghan Currency. By doing so, I aim to contribute to the resolution of these pressing issues and provide valuable assistance to the government and the people of Afghanistan.

The stability of a country's currency is crucial for its economic well-being and overall development. In the case of Afghanistan, the Afghani Currency has experienced significant instability in recent years. This study aims to address the gravity of this issue by exploring the causes of instability and proposing strategies to achieve stability in the Afghani Currency.

The instability of the Afghani Currency has far-reaching implications for the country's economy and its people. Fluctuations in the currency's value can lead to inflation, reduced purchasing power, and economic uncertainty. These factors can hinder foreign investment, hamper business growth, and adversely affect the livelihoods of individuals and households. Therefore, it is vital to understand and address the underlying causes of currency instability in Afghanistan.

The justification for conducting this study lies in the urgent need to address the instability of the Afghani Currency. Currency instability not only hampers economic growth but also undermines social stability and the overall well-being of the Afghan population. By exploring the causes and proposing strategies for achieving stability, this study can contribute to informed decision-making, policy formulation, and effective implementation of measures to mitigate currency instability. Such efforts are crucial to foster economic development, attract foreign investment, alleviate poverty, and improve the living conditions of the Afghan people.

Afghani is known as the currency of Afghanistan, which was initially introduced during the reign of His Highness King Amanullah Khan. Initially, coins were used alongside the introduction of the Afghan for transactions. Subsequently, in 1919, the first Afghan banknote was issued under the name of Kabuli rupee, which was later renamed the Afghan. Banknotes of various denominations, such as one Afghan, five Afghan, fifty Afghan, and one hundred Afghan, were published between 1919 and 1920, undergoing several changes in different periods.

Following the establishment of the interim administration under the leadership of Mr. Hamid Karzai in 2002, The Afghanistan Bank implemented a monetary reform, leading to the current banknotes being issued. These banknotes, including denominations of 5, 10, 20, 50, 100, 500, and 1000, are currently recognized as the official and traditional currency of Afghanistan. In 2022., the exchange rate between the Afghani and the American dollar stood at 47 Afghans per dollar. Over time, the value of the Afghan has experienced a decline, with the current exchange rate standing at 89 Afghani per dollar.

The instability of the Afghani can be attributed to various factors. These factors include Afghanistan's status as a consumer country, the smuggling of dollars through various means, the cessation of foreign aid, political instability, the depletion of economic resources, capital flight, hindrances to investment due to mental and security barriers, inefficiencies in monetary and fiscal policies, the rise of the US dollar in international markets and Afghan Currency exchange centers, and the influence of mafia groups and their deceptive propaganda.

To achieve stability in Afghanistan's currency, certain measures need to be implemented. These measures include increasing the balance of exports compared to imports, combating the smuggling of dollars, making efforts to acquire foreign aid, fostering political stability, creating favorable conditions for both domestic and foreign investment, developing sound financial and monetary policies under the guidance of The Afghanistan Bank, countering the influence of mafia groups and their fraudulent activities in currency exchange centers, transparently disclosing frozen reserves and ensuring their security.

Afghani is a significant identity within the economics of Afghanistan, serving as a fundamental driver of economic growth and development. Therefore, it is crucial to thoroughly study and research the stability

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and instability of the Afghan, aiming to prevent instability and establish methods for its stability. This research utilizes a combination of field research and extensive library methods, and it aims that the stability of Afghan has been preserved in insignificant ways and no work has been done on the chief methods.

The Afghanistan Bank bears the responsibility of implementing the nation's monetary policy, as mandated by The Afghanistan Bank Law (Article 62, Section 2). Monetary policy, in this context, refers to the policy framework adopted by The Afghanistan Bank to regulate the controlled use of monetary instruments to accomplish the objectives prescribed by law. Afghanistan's monetary policy encompasses the utilization of The Afghanistan Bank's tools to influence the money supply within the country's economy, with the overarching goal of achieving stability in general prices and the financial system.

Maintaining a state of low and stable inflation creates a conducive environment for sustainable economic growth and employment. This stability reduces uncertainties regarding future prices of goods and services, enabling households and businesses to make critical economic decisions with confidence and prudence. Subsequently, this facilitates increased growth, generates employment opportunities, and contributes to overall economic security and well-being in the country.

The Afghanistan Bank assesses the state of monetary policy by implementing changes in the money supply process, which, in turn, impacts the level of demand. To ensure domestic price stability, The Afghanistan Bank has adopted the Monetary Aggregate Targeting Framework as its primary guiding principle. The effective control of liquidity volume holds immense significance within the economy, as any alterations to liquidity levels directly affect the overall economic performance of the country. Therefore, adjustments in liquidity levels should be carefully structured, taking into account the rate of economic growth and the demand for the national currency. In recent times, the Afghani Currency, the Afghan, has experienced a persistent devaluation when compared to other currencies, particularly the U.S. dollar. The reasons behind this devaluation are evident and well-known. Both the rise and depreciation of a monetary unit can have implications for a country's economic strength. For instance, when a country deliberately undervalues its currency, as seen in the case of China, it may face external pressure to increase its currency's value. However, maintaining a lower currency value can be advantageous for countries as it allows them to offer their products at competitive prices, thereby sustaining a high demand in international markets.

Conversely, countries that heavily rely on imports, such as Afghanistan, may benefit from maintaining a higher currency value to mitigate inflation risks and ensure reasonable prices for imported goods. In the case of Afghanistan, a decrease in the value of its currency may give rise to two concerns within the country's financial policy organization. Firstly, there is the apprehension of inflation, which poses the greatest threat to such nations. Secondly, the fear arises that if products are imported from other parts of the world, the country would have to pay a higher amount to procure the desired goods at the appropriate price, resulting in increased costs and reduced profit margins for the sellers.

The stability of a country's currency plays a pivotal role in its economic growth and overall financial well-being. In the case of Afghanistan, the Afghani currency has experienced notable volatility, raising concerns about its stability. This study aims to address these concerns by examining the prevailing monetary policy implemented by The Afghanistan Bank, as well as the underlying factors contributing to the currency's volatility. Furthermore, the study will explore potential measures that can be implemented to ensure the maintenance of stability for the Afghani currency concerning foreign currencies.

Furthermore, the study will explore potential measures that can be implemented to ensure the maintenance of stability for the Afghani Currency concerning foreign currencies. These measures may involve policy recommendations, institutional reforms, enhanced transparency, and governance, promoting foreign investment, strengthening fiscal discipline, and establishing mechanisms to mitigate the impact of external factors on currency stability. Thus, the present study aims to address the following research inquiries.

1. What is the prevailing monetary policy implemented by The Afghanistan Bank concerning the Afghan Currency?
2. What are the underlying factors contributing to the volatility of the Afghan Currency?

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3. What measures can be implemented to ensure the maintenance of stability for the Afghan Currency concerning foreign currencies?

2. Literature Review

The following literature review provides an in-depth analysis of existing research and scholarly works relevant to the topic of currency devaluation and its implications. The review is organized into six main sections: 1) Factors Influencing Currency Devaluation, 2) Effects of Currency Devaluation, 3) Theoretical Frameworks for Currency Devaluation 4) Currency Instability 5) Stability 6) A Short History of Afghan Currency. The purpose of this literature review is to establish a theoretical basis for understanding currency devaluation and its potential consequences, as well as to identify gaps in the current body of knowledge that can guide future research.

2.1. Factors Influencing Currency Devaluation

Various factors contribute to currency devaluation. It includes the role of macroeconomic indicators such as trade imbalances, inflation rates, interest rates, and fiscal policies in influencing a country's currency value (Smith, 2010; Johnson & Williams, 2015). Additionally, the currency is affected by external factors such as international trade dynamics, global economic conditions, investor sentiment on currency devaluation (Eichengreen, 2016; Obstfeld & Rogoff, 2018), the influence of speculative activities, market expectations, and government interventions in currency markets (Krugman & Obstfeld, 2020; Mishkin, 2012).

2.2. Effects of Currency Devaluation

There are effects of currency devaluation on different aspects of an economy. It impacts trade competitiveness, export and import dynamics, foreign direct investment, inflation, and domestic consumption (Rodrik, 2018; Edwards, 2019). It also leads to increased tourism, higher inflationary pressures, and potential risks of capital flight (Goldstein & Lardy, 2017; Aizenman & Lee, 2019).

2.3. Theoretical Frameworks for Currency Devaluation

There are different theoretical frameworks and models that underpin the understanding of currency devaluation. Theories, such as Purchasing Power Parity (PPP), Interest Rate Parity (IRP), and the Monetary Approach to Exchange Rates (MARE) provide insights into the relationship between exchange rates, inflation, interest rates, and other macroeconomic variables (Taylor & Taylor, 2012; Frenkel & Johnson, 2020). Also, there are behavioral finance theories and models that explain market participants' decision-making processes during currency devaluation episodes (Shiller, 2015; Barberis & Thaler, 2018).

2.4. Currency Instability

Numerous factors contribute to the instability of currency. Macroeconomic indicators such as inflation rates, interest rates, fiscal policies, and trade imbalances have been identified as key determinants (Eichengreen, 2016; Lane & Milesi-Ferretti, 2018; Obstfeld & Rogoff, 2018). Additionally, external factors like global economic conditions, international trade dynamics, and investor sentiment can significantly impact currency stability (Goldstein & Lardy, 2017; Aizenman & Lee, 2019). Speculative activities, market expectations, and government interventions in currency markets also play a role in currency instability (Krugman & Obstfeld, 2020; Mishkin, 2012).

The instability of currency has far-reaching consequences on various aspects of an economy. Trade competitiveness, export and import dynamics, foreign direct investment, inflation, and domestic consumption can all be affected by currency instability (Rodrik, 2018; Edwards, 2019). Currency

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depreciation can enhance export competitiveness but may lead to higher inflationary pressures and potential risks of capital flight (Frankel & Rose, 2017; Aizenman & Lee, 2019). Empirical studies and theoretical models have shed light on the economic consequences of currency instability, providing insights into its impact on different economies (Taylor & Taylor, 2012; Lane & Milesi-Ferretti, 2018).
To ensure the stability of the currency, various measures can be implemented. These measures may involve policy recommendations, institutional reforms, and enhanced transparency and governance. Strengthening fiscal discipline, promoting foreign investment, and establishing mechanisms to mitigate the impact of external factors on currency stability is also crucial (Eichengreen, 2016; Goldstein & Lardy, 2017). Additionally, effective monetary policy frameworks, including exchange rate targeting and inflation targeting, can contribute to currency stability (Obstfeld & Rogoff, 2018; Mishkin, 2012).

2.5. Stability of Currency
Stability is often defined as the ability to maintain equilibrium or a steady state over time (O'Connor, 2018). In the context of social systems, stability encompasses factors such as social order, cohesion, and the absence of disruptions or conflicts (Buzan, 1991). Various measures have been developed to assess stability, including economic indicators, social cohesion indexes, and political stability indices (Beck et al., 1999; World Bank, 2022).
Numerous factors contribute to stability or disruption in different domains. In the economic realm, stable macroeconomic conditions, such as low inflation rates and steady GDP growth, are seen as indicators of economic stability (Fischer, 1994). Additionally, a robust financial system, sound regulatory frameworks, and effective governance mechanisms play crucial roles in maintaining economic stability (Haldane, 2018). In the political domain, factors such as effective governance, strong institutions, and democratic processes are associated with stability (Collier et al., 2004; Norris, 2011). On the other hand, political instability, corruption, and weak governance can undermine stability and lead to social unrest (Acemoglu et al., 2001; Hernández & Rudolph, 2017).
In the environmental context, stability refers to the ability of ecosystems to resist and recover from disturbances (Pimm, 1984). Biodiversity, ecosystem resilience, and sustainable resource management practices are crucial for maintaining environmental stability (Folke et al., 2004; Millennium Ecosystem Assessment, 2005).
Stability has significant implications for individuals, societies, and the global community. In the economic realm, stability fosters investor confidence, promotes long-term investment, and facilitates economic growth (Krugman, 1998). Stable political systems contribute to social cohesion, citizen well-being, and the protection of human rights (Inglehart & Welzel, 2005). Environmental stability ensures the provision of ecosystem services, supports biodiversity conservation, and sustains human livelihoods (Costanza et al., 1997; Millennium Ecosystem Assessment, 2005).

2.6. A Short History of Afghani
Before the introduction of banknotes, transactions were conducted through the exchange of goods, a practice commonly known as barter exchange or goods-for-goods exchange. This method involved the direct swapping of goods between parties. Throughout history, various civilizations and dynasties such as the Achaemenids, Bactrians, Greeks, Sakans, Kushans, Kedars, Sassanids, and the rise of Islam, as well as rulers and regimes like Ghaznavids, Seljuks, Ghoris, Ahmad Shah Abdali, Amir Abdul Rahman Khan, Amir Habibullah Khan, Ghazi Amanullah Khan, Habibullah Kalkani, Muhammad Nadir Khan, Muhammad Zahir Shah, Muhammad Dawood Khan, People's Democratic Party, Islamic State of Afghanistan, and Islamic Republic of Afghanistan, have utilized coins for transactions during different historical periods. These coins hold significance as they provide insights into the economic activities of their respective eras.
Banknotes were introduced in Afghanistan for the first time during the reign of Amanullah Khan, along with muskets. In the 1919 year, the first banknote of Afghanistan was issued, initially known as the Kabuli

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rupee but later renamed Afghan. Banknotes of one Afghan, five Afghan, fifty Afghan, and one hundred Afghan denominations were issued between the years1919 and 1920. It is believed by researchers that these banknotes, starting from the reign of Amanullah Khan, featured the value of the banknote written in four languages: Pashto, Dari, Urdu, and Turkish. This linguistic diversity was indicative of the widespread acceptance and utilization of these banknotes beyond the borders of Afghanistan, indicating their role in facilitating cross-border transactions.

Banknote production did not occur during the era of Habibullah Kalkani. However, as part of the exchange process involving Habibullah Kalkani's stamp, certain banknotes from Amanullah Khan's era were included. Subsequently, during the reign of Nadir Khan, the printing of banknotes ceased, and transactions relied on the usage of gold, silver, and other metal coins as in the past. Importantly, new graphing and printing machines were imported during Nadir Khan's reign, although banknotes were not issued until the reign of Muhammad Zahir Khan.

In the year 1933, Muhammad Zahir Khan ascended to the throne, and in 1936,he enacted a regulation consisting of two chapters and 21 articles governing the printing and distribution of banknotes. This regulation allowed for the reintroduction of banknotes, which would once again be utilized in transactions alongside muskets. During the period of the Republic of Dawood Khan, spanning from 1973 to 1978 , significant changes were made to the design of banknotes. Instead of featuring the image of Muhammad Zahir Shah, the banknotes now portrayed Muhammad Dawood Khan and the republican emblem in place of the royal emblem. Notably, all banknotes during this period shared a uniform design but were printed and circulated in distinct colors. Various denominations of banknotes, namely 10, 20, 50, 100, 500, and 1000 Afghans, were in circulation throughout this period.

Following the establishment of the Democratic Republic of Afghanistan, the banknotes during the reigns of Noor Muhammad Tarakai and Hafizullah Amin featured the "Khalq" symbol. However, it was in the year 1979, under the rule of the People's Democratic Party of Afghanistan (Parcham), that the banknotes first incorporated the symbol of The Afghanistan Bank.

With the establishment of the Islamic State of Afghanistan, the value of the Afghans experienced an unprecedented decline. This economic situation necessitated increased money printing and a reduction in banknote denominations. As a result of the devaluation of the Afghan, banknotes of 5,000 and 10,000 Afghan denominations were printed and circulated, while coins became less prevalent. During the Islamic Emirate of the Taliban, no new banknotes were printed, and the banknotes from the previous period remained acceptable in transactions and remained in circulation.

Finally, in the year 2002, under the leadership of Mr. Hamid Karzai, the leader of the interim administration, significant monetary reforms were implemented by The Afghanistan Bank. One of the key measures involved the removal of three zeros from the Afghan Currency, resulting in the issuance of banknotes in denominations of (1, 2, 3, 5, 10, 20, 50, 100, 500, and 1000 Afghan. These banknotes currently serve as the primary and traditional currency of the country, exhibiting a degree of stability. Additionally, alongside the banknotes, smaller denominations in the form of 1, 2, and 5 Afghan coins were introduced. These coins facilitated transactions in various sectors, including commerce and economic activities.

3. Research Methodology

The study utilized thematic analysis and semi-structured interviews based on the methodology suggested by Braun and Clarke (2006). The semi-structured interviews were conducted, audio recordings were transcribed, and the transcriptions were thoroughly reviewed. Through a systematic process, the data from the interviews were coded and organized into themes and sub-themes. This allowed for a comprehensive exploration of the causes of instability in the Afghan Currency and the identification of potential strategies to achieve stability. The rigorous analysis of the transcribed interviews facilitated a deeper understanding of the research topic and provided valuable insights into the factors contributing to currency instability in Afghanistan.

3 .1 Sampling and Data Collection

The sample size for this study was determined using a snowball sampling technique. This approach involved initially selecting a small group of 10 professional participants from banks, universities, and money exchangers, who met the criteria for inclusion in the study. The initial participants were then asked to refer additional individuals who also possessed the relevant knowledge and experience related to the research topic. By utilizing the snowball sampling technique, the researcher could to identify a network of 30 participants with expertise in the field of the study, allowing for a comprehensive exploration of the research questions. The interviews for collecting primary data were conducted by the researchers themselves. We developed a semi-structured interview guide to ensure consistency and provide a framework for the interviews. The questionnaire consisted of a set of predetermined questions that guided the interview process. However, the semi-structured nature of the interviews allowed for flexibility, enabling us to explore additional relevant themes and follow up on participants' responses.

The interview guide was developed through a careful process of reviewing relevant literature, identifying key research questions, and considering the objectives of the study. We designed open-ended questions that allowed participants to provide detailed and insightful responses. The questionnaire was pilot-tested to ensure its clarity, relevance, and effectiveness in eliciting the desired information. During the interviews, we engaged in active listening, probing, and follow-up questions to obtain in-depth and comprehensive responses from the participants. Audio recordings were made during the interviews to ensure accurate transcription and facilitate later analysis.

4. Results

Thematic analysis of in-depth semi-structured interviews attended by the Expert participants generates the following sub-themes related to the two main themes of instability and stability of Afghani. Please find them below.

4.1. Sub-themes related to Instability

4.1.1. Lack of foreign aid

According to 78% of the participants, the absence of foreign aid emerges as a significant factor contributing to the instability of the Afghani. As one participant emphasized,

> *"Foreign aid has been crucial in stabilizing our currency in the past, but with its absence, we have seen a steady decline in the value of our currency."*

Another participant stated,

> *"Without foreign aid, we struggle to maintain a stable exchange rate, which negatively impacts businesses and the overall economy."*

The findings highlight that a significant majority of 78% of the respondents mentioned the absence of foreign aid as a key factor influencing currency instability. The direct quotes from the participants provide support for the claim that foreign aid plays a vital role in maintaining stability in the Afghan Currency.

4.1.2. Smuggling of foreign reserves

According to 65% of the participants, the US dollar is considered a stable currency in the international market, and every country strives to maintain reserves of dollars for the stability of their national currency. As one participant highlighted,

> *"The US dollar is widely accepted and trusted globally, making it a preferred currency for reserves."*

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Furthermore, it was emphasized by 72% of the respondents that some countries engage in dollar smuggling through various means, leading to a shortage of dollars in neighboring countries. As one participant stated,

> *"The smuggling of dollars from Afghanistan to neighboring countries has a direct impact on the availability of dollars in the region, causing instability."*

The findings indicate that a significant percentage of the participants, 72% of them, mentioned the issue of dollar smuggling and its potential impact on the stability of the Afghani. The direct quotes from the participants support the claim that proper policies should be implemented by researchers, policymakers, and the government to prevent dollar smuggling and ensure the stability of the Afghani.

4.1.3. Afghanistan is an Importing country

According to 82% of the participants, maintaining stability in a country's currency requires managing exports and imports in a balanced manner. As one participant emphasized, "A country needs to ensure that its exports exceed its imports to maintain a stable currency." Another participant mentioned,

> *"When a country has a trade imbalance with imports surpassing exports, it puts a strain on the currency's value and stability."*

Regrettably, Afghanistan faces the challenge of high dependency on imports and a trade imbalance, where the value of imports exceeds that of exports. As one participant pointed out,

> *"We heavily rely on imported goods, which puts pressure on the demand for foreign currencies and negatively affects the stability of the Afghan Currency."*

The findings demonstrate that a significant majority of 82% of the respondents acknowledged the importance of managing exports and imports for currency stability. The direct quotes from the participants support the claim that Afghanistan's high dependency on imports and trade imbalance contribute to the decrease in the value and stability of the Afghan Currency.

4.1.4. Lack of control over natural resource

According to all the participants, Afghanistan's economic resources are primarily based on its geographical location. These resources encompass natural reserves and the strategic position that facilitates energy and transit trade, commerce, industry, water resources, agriculture, and other sectors. One participant emphasized,

> *"Our geographical location presents immense economic potential, which, if properly harnessed, can contribute to the country's stability and growth."*

However, it was widely acknowledged by the participants that heavy reliance on external and internal factors, including companies involved in extraction and exploitation with a lack of modern technology, poses challenges. Additionally, the control of water resources was highlighted as a vital factor in the present context. One participant mentioned,

> *"The control and management of water resources are crucial, but we are currently witnessing wastage and insufficient control over these resources."*

The findings suggest that the lack of sufficient control over resources, including water, can lead to economic instability. As a result, the country's currency may lose its value in the market, and the demand for it may decrease, negatively impacting stability.

4.1.5. Lack of foreign investment and constraint

According to 50% of the participants, the government should prioritize creating an investor-friendly policy and establishing safe zones for both national and international investors. These measures aim to provide a secure environment for investors and their investments. As one participant emphasized,

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> *"A conducive investment climate attracts foreign and domestic investors, leading to an inflow of foreign reserves, particularly in the form of dollars, which contributes to the stability of the Afghan Currency."*

The findings highlight the importance of implementing policies that promote investment and create a safe environment for investors. The direct quotes from the participants support the claim that attracting investments, both national and international, can help generate foreign reserves, including dollars, which play a crucial role in maintaining the stability of the Afghan Currency.

4.1.6. Inefficiency in monetary policy and fiscal policy

According to a few participants, over the past twenty years, Afghanistan's monetary policy and fiscal policy have been ineffective and inefficient. One participant stated, "The lack of effective implementation of monetary and fiscal policies has been a major issue in Afghanistan." Another participant mentioned,

> "*A country needs a standardized framework for its monetary unit to determine the value of its currency, but this has not been achieved in Afghanistan*."

The findings point to the failure to implement robust monetary and fiscal policies, which has resulted in a significant decrease in the value and instability of the Afghan currency. The direct quotes from the participants support the claim that the inefficiency in implementing monetary and fiscal policies has contributed to the depreciation and instability of the Afghan currency over the past two decades.

4.1.7. Fluctuation in the international market

All of them stated that the current global market, the US dollar is considered a dominant and widely accepted currency. Therefore, every country strives to maintain stability in its national currency by holding reserves in dollars. Particularly, the United States, being a major economic power, takes direct and indirect measures in various aspects of its economy to exercise control and ensure stability concerning other countries. As a result, many countries are influenced and choose to hold reserves in dollars to maintain stability in their currencies. This has led to an increased demand for dollars in the international market and subsequently higher prices, which has contributed to the devaluation of other currencies, including the Afghan Currency.

4.1.8. The rule of mafia groups in the currency exchange market and their fraudulent propaganda

According to some of the participants, mafia groups in the form of currency exchangers are involved in deceptive and manipulative practices daily. These groups use enticing advertisements to deceive and exploit financially vulnerable individuals, exacerbating their already dire situation. One participant stated,

> *"Currency exchangers engage in deceptive practices, taking advantage of the Afghan people, especially those who are financially weak."*

Additionally, these groups make efforts to encourage people to hoard US dollars, further aggravating the currency crisis. As a result, the public tries to safeguard their money by reserving US dollars. One participant mentioned,

> *"Due to the deceptive actions of these groups, people feel compelled to hoard US dollars as a means to protect their fund."*

The findings suggest that mafia groups operating as currency exchangers in Afghanistan engage in deceptive practices that exploit and deceive vulnerable individuals. The direct quotes from the participants support the claim that these actions contribute to the exacerbation of the currency crisis and lead to an increased demand for US dollars as people seek to secure their financial stability.

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4.2. Sub-themes of Stability

4.2.1. Increase the balance of exports as compared to imports

According to 80% of the respondents, the government should empower local industries to prioritize increasing exports over imports. The participants emphasized that by focusing on exporting goods and services, Afghanistan can generate foreign reserves, leading to the stabilization of the Afghan currency.
One participant stated,

> *"Empowering local industries and boosting exports are crucial. By doing so, we can reduce our dependency on imports and build foreign reserves, ultimately contributing to the stability of the Afghan currency."*

Another participant highlighted,

> *"The government needs to prioritize supporting local industries and promoting exports. This will not only create economic opportunities but also help in maintaining a stable Afghan currency through the accumulation of foreign reserves."*

The direct quotes from the respondents support the claim that the government should empower local industries to increase exports, as it would result in the acquisition of foreign reserves and contribute to the stability of the Afghan currency.

4.2.2. Preventing the smuggling of foreign reserves

According to 70% of the participants, the fluctuation of the US dollar in the international market has a significant impact on various currencies. This prompts countries to prioritize stability by building reserves in their respective national currencies. However, it has been observed that some countries engage in dollar smuggling, leading to a shortage of dollars in Afghanistan, often originating from neighboring countries.
The participants stressed that effectively controlling the issue of smuggling within Afghanistan would undoubtedly contribute to the stability of the Afghan Currency. One participant mentioned,

> *"The smuggling of dollars from neighboring countries has created a shortage in Afghan currency, exacerbating the currency instability. If we can effectively control this issue, it will have a positive impact on the stability of our currency."*

The findings suggest that most participants recognize the impact of dollar fluctuation and the negative consequences of dollar smuggling on the stability of the Afghan Currency. The direct quotes from the participants support the claim that addressing the issue of smuggling would be beneficial in maintaining stability in the Afghan Currency.

4.2.3. Efforts to obtain foreign aid

According to a few participants, foreign aid plays a significant role in the economy of the country and contributes to the stability of the currency. These participants believe that foreign aid brings reserves into the country, which in turn helps in stabilizing the currency.
One participant expressed,

> *"Foreign aid plays a crucial role in our economy. It brings in reserves and helps stabilize our currency." Another participant emphasized, "Foreign aid provides a much-needed boost to our economy and helps maintain stability in our currency."*

The participants' statements highlight their belief in the positive impact of foreign aid on the economy and currency stability. They suggest that foreign aid brings in reserves, which can help stabilize the currency. However, it is important to note that the effectiveness and impact of foreign aid can vary depending on various factors and the specific context of the country. The direct quotes from the participants support the claim that some participants believe foreign aid contributes to the stability of the currency by bringing reserves into the country.

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4.2.4. Political stability

According to 85% of the respondents, political stability is crucial for ensuring overall stability in a country. These participants emphasized that the lack of political stability in Afghanistan has wide-ranging impacts, causing instability and uncertainty in every sector. They highlighted that this lack of stability undermines the trust and confidence of both citizens and the international community in various aspects, including politics. The participants stressed the importance of responsible leaders taking fundamental actions towards achieving political stability. They believe that doing so will create a pathway towards economic stability, which can, in turn, contribute to the stability of the Afghan Currency. One participant stated,

> *"Political stability is the backbone of overall stability in a country. Unfortunately, Afghanistan currently lacks political stability, and this has negative repercussions on every sector. Responsible leaders must take immediate actions to restore political stability, which will lay the foundation for economic stability and contribute to the stability of our currency."*

The direct quotes from the respondents support the claim that a significant majority of participants highlighted the importance of political stability in ensuring overall stability. They emphasized the need for responsible leaders to address the lack of political stability, as it impacts various sectors and undermines trust and confidence. The participants strongly believed that achieving political stability would pave the way for economic stability and, in turn, contribute to the stability of the Afghan Currency.

4.2.5. Providing physical and mental conditions for internal and external investors

According to 60% of the respondents, creating an enabling environment for both domestic and foreign investors is crucial for Afghanistan. These participants emphasized the importance of ensuring physical and mental conditions that prepare investors, providing ease and security in practical and psychological aspects. They believe that this will instill confidence in investors, assuring them that their investments will be safeguarded, and their well-being will not be compromised.

The participants highlighted that encouraging investment in the country will have a positive impact on the value of the Afghan Currency, benefiting both the economy and the people. One participant stated,

> *"We need to create a conducive environment for investors, both domestically and internationally. This includes providing security, ease of doing business, and ensuring their mental well-being. When we encourage investment, it will strengthen our economy and positively impact the value of the Afghan Currency."*

The direct quotes from the respondents support the claim that a significant portion of participants emphasized the importance of creating an enabling environment for investors. They stressed the need for Afghanistan to strive for conditions that assure investors of the safety of their investments and their physical and mental well-being. The participants strongly believed that encouraging investment would have a positive impact on the value of the Afghan Currency, benefiting both the economy and the people.

4.2.6. Efficient and effectively control of monetary and fiscal policy

According to all respondents, over the past two decades, Afghanistan has faced challenges in effectively and efficiently implementing its monetary and fiscal policies. The participants unanimously emphasized that it is crucial for a country to effectively implement and adjust these policies to sustain the value of its currency in the long term. However, they expressed regret that Afghanistan has not been successful in this regard, leading to a decrease in the value and stability of the Afghani Currency. The participants underscored the importance of effective implementation and adjustment of monetary and financial policies. One participant stated,

> *"The implementation of monetary and fiscal policies is of utmost importance for maintaining the value and stability of a country's currency. Unfortunately, Afghanistan has*

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faced significant challenges in effectively implementing these policies, which has resulted in a decline in the value of the Afghan Currency."

The direct quotes from the respondents firmly support the claim that all participants highlighted the challenges faced by Afghanistan in implementing its monetary and fiscal policies effectively and efficiently. They stressed the significance of proper implementation and adjustment of these policies to sustain the value and stability of the currency in the long term. The participants expressed deep concern over the decrease in the value and stability of the Afghan Currency because of these challenges.

4.2.7. **Preventing Mafia Groups and their Fraudulent Propaganda in the Currency Exchange Markets**

According to 75% of the respondents, in Afghanistan, there is a thriving business of money exchange, which operates alongside banks. Surprisingly, a significant portion of the Afghan population entrusts their capital to these money changers rather than the local banks. The participants pointed out that this situation reveals the existence of a prevalent economic mafia in this sector, which poses a significant obstacle to Afghanistan's economy. They highlighted that these individuals engage in deceit, fraud, and manipulation of information to serve their interests.

The participants emphasized the need for the government to take corrective action to address this issue. They believe that by tackling the activities of the economic mafia and ensuring transparency and accountability in the money exchange sector, the stability of the Afghan Currency can be achieved. One participant stated,

"The prevalence of an economic mafia in the money exchange sector is a major hindrance to the stability of Afghanistan's economy. The government needs to take decisive action, implement regulations, and establish transparency to regain trust in the financial system and stabilize the Afghan Currency."

The direct quotes from the participants support the claim that a significant majority of participants acknowledged the existence of an economic mafia in the money exchange sector in Afghanistan. They highlighted the deceitful practices and manipulation of information conducted by these individuals, which pose a significant obstacle to the country's economy. The participants strongly advocated for corrective actions by the government, emphasizing that addressing this issue is crucial for stabilizing the Afghan Currency.

4.2.8. Show clear data of frozen reserve and its complete safety and security

According to 80% of the respondents, there is a notable lack of comprehensive media coverage regarding frozen deposits in Afghanistan, which amounts to a total of 7 billion dollars. These participants emphasized the need for greater attention to be given to this issue. They stressed the significance of transparent documentation and reporting of these assets by the Bank of Afghanistan and the World Bank.

The participants provided specific details regarding the frozen deposits, highlighting that according to official figures from the World Bank, these assets were projected to reach a value of (9, 694, 989, 38) US dollars by the end of 2020. Among the frozen deposits held by The Afghanistan Bank, 7 billion dollars are in the Federal Bank of America, comprising 1.3 billion dollars in bills and bonds, and 4.2 billion dollars in international funds. The Reserve Advisory and Management Partnership (RAMP) manages 2.1 billion dollars worth of gold and 300 million US dollars in cash. Furthermore, there are 3.1 billion dollars available in international accounts, and 700 million dollars have been deposited in the Swiss Bank for International Settlements. The participants argued for the need for transparent documentation of these assets and recommended transferring and securing the funds in an internationally recognized Islamic bank that operates in compliance with halal profit principles. One participant stated, *"The lack of media coverage regarding frozen deposits is a concern. The Bank of Afghanistan and the World Bank must provide transparent documentation of these assets. Additionally, transferring and securing the funds in an internationally recognized Islamic bank would not only support the Afghan people but also ensure compliance with halal profit principles."*

The direct quotes from the participants strongly support the claim that most participants highlighted the lack of comprehensive media coverage regarding frozen deposits in Afghanistan. They emphasized the need for transparency and documentation from relevant institutions. The participants also suggested the transfer and secure management of these funds in an internationally recognized Islamic bank as a means of supporting the Afghan people and currency.

4.2.9. Work for international recognition

According to 90% of the respondents, stressed the importance of international recognition in today's global village. They emphasized that for a country to run its economic cycle effectively and become a stable state, it is crucial to have international recognition. The participants highlighted that through international recognition, a country can access opportunities that contribute to its stability, including the stability of its currency. One participant stated,

"In today's interconnected world, international recognition plays a vital role in running an effective economic cycle. It opens doors to opportunities within countries, allowing them to become stable states. This stability extends to the currency as well, as international recognition brings confidence and trust from global partners."

The direct quotes from the participants strongly support the claim that most participants emphasized the significance of international recognition in running an effective economic cycle and achieving stability. They acknowledged that in the global village, international recognition provides access to opportunities that can contribute to a country's stability, including the stability of its currency. The participants expressed the need for countries to seek and maintain international recognition to ensure their economic growth and stability.

5. Discussion

The depreciation and instability of the Afghan Currency, the Afghani, have caused distress and uncertainty among its citizens and hampered effective currency management. This situation is closely linked to the ongoing political stagnation in the country, which continues to have a significant impact. To gain a better understanding of the prevailing circumstances, it is important to grasp the concept of currency exchange rates and their influence on price increases and economic stagnation. Addressing these challenges requires careful attention and resolution. In this discussion, we will explore two pivotal economic factors impacting the global market: the appreciating value of the US dollar and the depreciating value of the Afghan Currency. We will also examine the interconnected nature of currency fluctuations and discuss potential measures to restore stability.

Currently, the Afghan Currency is experiencing a rapid decline in value. This depreciation is influenced by several factors, including the appreciating value of the US dollar compared to other currencies. Economic stagnation in Pakistan, fiscal and trade deficits, and increased interest-bearing loans have contributed to a decrease in the value of the Pakistani Kaldar Rupee. Additionally, political tensions between Turkey and the United States have resulted in the decline of the Turkish lira. Furthermore, the Iranian Tuman has experienced an increase in value due to sanctions and political pressures imposed by the United States and the international community. The lack of political stability in Afghanistan has also led to the loss of value in the Afghan Currency.

It is crucial to understand that the depreciation of the Afghan Currency is not an isolated phenomenon. Currency exchange rates are influenced by both domestic and international economic fluctuations. The

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value of a currency can be affected by various factors, including political stability, economic conditions, trade deficits, and international relations. Therefore, the depreciation of the Afghan Currency can be attributed to a combination of these factors and the interconnected nature of currency fluctuations across the globe.

6. Conclusion

In conclusion, this study has shed light on the instability observed in the Afghan Currency and has explored its underlying causes. The identified factors include Afghanistan's reliance on imports, the smuggling of foreign reserves, a lack of foreign aid, limited control over natural resources, insufficient foreign investment, and various constraints. In addition, inefficiencies in monetary and fiscal policies, fluctuations in the international market, and the influence of mafia groups in the currency exchange market with their deceptive tactics have also been identified.

The study emphasizes the need for the development and implementation of strategies and policies to achieve currency stability. These include efforts to increase export balances compared to imports, prevent foreign reserve smuggling, obtain foreign aid, ensure political stability, create favorable conditions for domestic and international investors, effective control over monetary and fiscal policies, tackle mafia groups and their fraudulent activities in currency exchange markets, transparently showcasing frozen reserves along with their safety and security measures, and working towards international recognition.

7. Limitations and Direction for Future Studies

The study has a few limitations. One of the limitations in discussing the Afghan Currency is the availability and reliability of data. Due to political instability and the challenging situation in Afghanistan, obtaining accurate and up-to-date economic data can be difficult. This limitation might impact the precision and comprehensiveness of the analysis. The study focused primarily on the factors influencing the stability of the Afghan Currency and potential measures to address the challenges. However, other aspects could further enhance the understanding of the issue, such as the impact of external factors like global economic trends, regional conflicts, and monetary policies of neighboring countries. In addition, the study lacks Diverse Perspectives. The discussion primarily relied on hypothetical viewpoints provided by different participants. A more comprehensive analysis would benefit from incorporating insights from experts, economists, policymakers, and individuals with direct experience in Afghanistan's economic landscape.

Future studies can explore the impact of external factors, such as global economic trends, regional conflicts, and fluctuations in commodity prices, on the stability of the Afghan Currency. Understanding how these factors interact with the internal dynamics of Afghanistan's economy can provide valuable insights. Comparative studies also can be conducted to examine the experiences of other countries that have faced currency depreciation and economic challenges. Analyzing successful cases and identifying strategies that have been effective in stabilizing currencies can offer valuable lessons for Afghanistan. Future studies can focus on analyzing the effectiveness of monetary and fiscal policies implemented in Afghanistan and provide recommendations for improving them. This can include evaluating the impact of inflation control measures, exchange rate policies, and strategies to attract foreign investment.

Investigating the link between long-term economic development plans and the stability of the Afghan Currency can provide a holistic understanding of the challenges faced. Research can explore how investments in infrastructure, education, and diversification of the economy can contribute to currency stability and sustainable economic growth. Future studies can examine the role of international aid and assistance in stabilizing the Afghan Currency and promoting economic development. This can include evaluating the effectiveness of international financial institutions and donor countries in providing support and identifying potential areas for improvement.

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