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ANALYZING ECONOMIC CHALLENGES IN AFGHANISTAN AFTER 2021 AN IN-DEPTH STUDY OF BALKH PROVINCE

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Abstract: As Afghanistan has faced a prolonged economic crisis in recent years, understanding the economic challenges to aid in the formulation of effective economic policies is of particular importance and requires further investigation. This study aims to explore the economic challenges in Afghanistan post-2021 through a case study of Balkh Province. The indicators representing the economic challenges in Afghanistan since 2021 examined in this research include: a decrease in bank liquidity and public access to their savings, a decline in purchasing power affecting the Afghan economy, a reduction in developmental projects, restrictions on women's participation in the workforce, migration to neighboring countries, a decrease in public demand within the economy, a reduction in business creation and investment motivation, the non-recognition of the Taliban interim government and its economic challenges, a decrease in trade volume with regional countries, economic instability in Afghanistan, fluctuations in the Afghan currency against exchange rates, and the lack of a strategic macroeconomic framework. The research methodology which used is applied research, employing a questionnaire with a Cronbach's alpha coefficient of 0.593 for data collection from a sample of 30 individuals consisting of both male and female employees from government economic sector offices in private and public. Data analysis was conducted using the T-test, with the reliability of the questionnaire and the acceptance or rejection of null and alternative hypotheses determined through SPSS 25. The results of this study indicate that the negative effects of the aforementioned challenges have been significantly more severe compared to the years before 2021.

Key words: Economic Challenges, Poverty, Decline in Purchasing Power, Foreign Investment, International Trade.

1- INTRODUCTION AND BACKGROUND

The world is in a constant state of transformation, and these changes have presented severe challenges across the globe. Among the countries affected, Afghanistan stands out as a Central and South Asian nation of significant geopolitical and economic importance. Serving as a crucial bridge between Asian countries, Afghanistan has long held a strategic economic position. Unfortunately, due to prolonged political rivalries and proxy wars, it has been unable to capitalize on its economic potential and has continually suffered from the absence of a coherent economic policy. Looking back to the 1930s, we see that Afghanistan had notable economic achievements at a regional level, surpassing many of today's advanced nations. For example, Afghanistan's annual natural gas exports once reached $300 million (Faqiri, 2018). However, over time, the country lost all its progress and the fruits of decades of advancement.

Recently, Afghanistan entered a new and challenging era following the end of twenty years of conflict and the rise of the new government in August 2021. Official statistics reveal that the country's economy faced a 20.7% contraction in 2021 due to the political upheaval, with the Gross Domestic Product (GDP) immediately falling by 20.7%. By 2022, the GDP continued to decrease by 3.6%, and when accounting for a 2% increase in population, the average real per capita income of Afghan citizens had decreased by 28.2% compared to 2020. However, in 2022, international humanitarian aid, amounting to approximately $3.5 billion, offered some signs of gradual economic stabilization (UNDP, 2023). Without this humanitarian aid, the country's economy would have deteriorated more rapidly and deeply. Nevertheless, this aid was insufficient to fully alleviate the economic pressures faced by Afghan families. Afghanistan has now entered its third consecutive period of severe economic instability and collapse. This paper will explore the economic challenges faced by Afghanistan post-2021.

1-1-RESEARCH QUESTION

What are the most significant economic challenges of Afghanistan after collapsing the republic government by the Taliban in 2021?

1-2-SIGNIFICANCE OF THE STUDY

Research on Afghanistan's economic challenges hold significant importance as it can contribute to a deeper understanding of the country's economic problems and offer more effective solutions for addressing them. This research can assist policymakers and decision-makers in designing strategies and programs that can expedite the economic improvement of the country. Additionally, by providing detailed analyses of the causes and consequences of economic issues, this research can also help the international community take more informed actions to support Afghanistan economically.

2- LITERATURE REVIEW

Extensive research has been conducted on international economic challenges, including those observed after the relative control of COVID-19. In 2021, the global economy experienced a period of relative recovery, marked by a significant growth rate of 6.1%. However, this positive trend was disrupted by Russia's invasion of Ukraine, disruptions in supply chains, and various emerging threats, which plunged the global economy into a period of darkness. In 2022, global economic output declined due to the economic downturns in China and Russia, and consumer spending in the United States fell below previous expectations. The global economy, already weakened by the pandemic, faced multiple negative shocks and damaging factors, including unexpectedly high inflation worldwide—particularly in the United States and major European economies—intensified financial constraints, slower-than-expected economic recovery in China due to COVID-19 outbreaks and lockdowns, and the adverse consequences of the war in Ukraine. (Khazaei, Global Economic Growth, Inflation, and Trade Outlook 2022-2023, 2022)

However, domestic research in Afghanistan has largely focused on political and military issues, with a lack of accurate data and information on key economic indicators needed for strategic decision-making, such as investment freedom indexes, economic freedom rankings, financial freedom metrics, and trade freedom indices. Consequently, there has been a lack of comprehensive analysis of significant economic issues and challenges in recent years, especially following the rise of the interim government.

Additionally, a cohesive and thorough account of Afghanistan's recent economic challenges has not been published to date. We aim to address this gap by presenting scattered prior research on economic challenges, including a study by Mohammad Ishaq Mahdawi, a PhD student in Economics, which discusses issues such as capital flight, neglect of factors affecting investment security, lack of investor confidence, administrative corruption, and resource misappropriation. (Mahdavi, The Economic Impact of Investment Security in Afghanistan,Challenges and Solutions, 2022)

BBC, quoting from the United Nations Development Program on March 5, 2023, reported that after the fall of Herat in the year 1400 (2022), there was a rush by people to banks to withdraw their deposits, which led to withdrawal restrictions. The central bank decided that customers could withdraw only up to $200 (equivalent to 20,000 Afghanis at that time) per week, a limit that was gradually increased to $400. The issue of reduced liquidity in banks continues to this day (BBC, 2022)

Furthermore, the International Red Cross has stated that the people of Afghanistan are facing a reduction in purchasing power due to a doubling of the prices of basic goods. According to this organization, the increase in food prices, caused by a decrease in agricultural output such as wheat, has limited access to food for the population. The Red Cross Committee's data from the past year

shows that wheat flour prices have increased by 68%, cooking oil by 55%, fertilizer by 107%, and fuel products such as diesel by 93% (International_Red_Cross, 2022).

In December 2023, economic researcher Hakim Bigzad reported in Khamma News that, according to a United Nations report, the reduction of international development projects has been a significant challenge for Afghanistan's economy. The allocation of development budget in 2022 was about 80% lower than in 2020, and the World Bank's latest report indicates that development budgets have decreased significantly from 143.1 billion Afghanis in 2019 to 10.8 billion Afghanis in 2022 (Begzad, 2023).

Overall, UN officials have expressed concern about the restrictions on women's employment and the immediate and dangerous consequences for the lives of all Afghans, providing statistics on its negative effects on families (Yusofi, 2023).

Deutsche Welle media network in 2022 published a documentary highlighting complaints from shopkeepers and business owners regarding high taxes and its detrimental effects on Afghanistan's critical economic situation (Shokran, 2023).

According to the Afghan Voice Agency (AVA) in Mazar-i-Sharif, the return of migrants from neighboring countries has increased in recent years following the regime change, exacerbating the plight of returning migrants in camps around the city (AVA_News_Agency, 2022). The challenge of unemployment, as discussed by economic expert Mr. Tawhid Warestan, focuses on the decreased demand for labor and the unemployment rate post-2021 (Warestan, 2023).

Finally, the National Statistics and Information Authority of Afghanistan announced in 2023 that Afghanistan's exports have decreased compared to previous years (Afghanistan, 2024).

3- RESEARCH METHODOLOGY

The research methodology of this study is applied in terms of objective, and descriptive-analytical in terms of data collection methods. The sample of this study includes employees from both public and private sectors such as government departments and banks in Balkh Province during the year 2024. A purposive sample selection method was applied to uncover the information needed for this study. A total of 30 bi-lateral interview were conducted among experts and specialists, both male and female. The interview form consisted of 14 questions using a 5-point Likert scale and open questions to assess the different aspect of the challenges. Data analysis was performed using SPSS 25 software which have used one sample T test analysis to elaborate the significance of each challenge among the target population. the qualitative data analysis techniques also used to further investigation about each challenges and deeply understanding of the challenges.

4- DATA ANALYSIS

4-1-VALIDITY AND RELIABILITY

Reliability refers to the ability of a measurement tool to provide consistent and repeatable results. One common method to evaluate reliability is through the calculation of Cronbach's Alpha. Cronbach's Alpha is a measure of internal consistency among questionnaire items. The closer the value of Cronbach's Alpha is to 1, the higher the reliability of the measurement tool. Based on the information provided, the results indicate that the Cronbach's Alpha value for the 14-item questionnaire is 0.593, which reflects a moderate level of reliability for the questionnaire.

Table 1: Cronbach's Alpha for research data collection questionnaire

Cronbach's Alpha	Number of Items
0.593	14

In this study, content validity was used to evaluate the questionnaire. In this method, a number of subject matter experts, including the research supervisor and advisor, reviewed the questionnaire and provided feedback on the relevance and comprehensiveness of the questions. Following this evaluation, it was confirmed that the questions effectively cover the various dimensions of the intended concept.

4-2-Analysis of Demographic Variables

This section presents the analysis of the demographic data of the research participants, including gender and educational background. This information is used to provide a detailed picture of the demographic composition of the study sample and to examine potential impacts on the research findings.

4-2-1. Gender Distribution

The gender distribution indicates that 96.7% of the participants are male and 3.3% are female. This gender imbalance was due to the restrictions of the Islamic Emirate of Afghanistan on women in different part of employment, education and other social aspects.

Table 2: Gender distribution of the research survey

4-2-2. Educational Background

The distribution of educational backgrounds shows that half of the participants hold a Bachelor's degree and the other half hold a Master's degree.

Table 3: Educational level of research respondents

Gender	Number	Percentage	Valid Percentage	Cumulative Percentage
Male	29	96.7%	96.7%	96.7%
Female	1	3.3%	3.3%	100.0%
Total	30	100.0%	100.0%	100.0%

4-3-Inferential Statistics Analysis and Research Findings

This section presents the inferential statistical analysis of the research data using the **One-Sample t-test**. The aim of this analysis is to assess the significance of differences between observed means and a hypothesized constant value (in this case, a constant value of 3) for various variables. The results of the test include the t-value, degrees of freedom (df), significance level (Sig. 2-tailed), and the 95% confidence interval for the mean difference.

Education Level	Number	Percentage	Valid Percentage	Cumulative Percentage
Bachelor's	15	50.0%	50.0%	50.0%
Master's	15	50.0%	50.0%	100.0%
Total	30	100.0%	100.0%	100.0%

1. **Investment Security in Afghanistan:**
   - **t = -0.947**, **df = 29**, **Sig. = 0.351**
   - **Mean Difference = -0.20000**
   - **95% Confidence Interval: -0.6319 to 0.2319**
   - **Finding**: There is no statistically significant difference from the constant value of 3. In other words, the level of investment security post-2021 does not significantly meaningful as the Sig value is above 0.05 which elaborates that this factor is not in the confidence interval of 95%.
2. **Bank Liquidity and Public Access to Deposits:**
   - **t = -1.884**, **df = 29**, **Sig. = 0.070**
   - **Mean Difference = -0.36667**
   - **95% Confidence Interval: -0.7648 to 0.0315**
   - **Finding**: At the 0.05 significance level, there is no statistically significant difference, though it is close to the significance threshold. This indicates that bank liquidity and public access to deposits are significant issues.

3. **Decrease in Purchasing Power:**
    - **t = 3.694, df = 29, Sig. = 0.001**
    - **Mean Difference = 0.80000**
    - **95% Confidence Interval: 0.3571 to 1.2429**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The decrease in purchasing power has had a significant negative impact on Afghanistan's economy.
4. **Decrease in Development Projects and Its Economic Impact:**
    - **t = 5.461, df = 29, Sig. = 0.000**
    - **Mean Difference = 1.13333**
    - **95% Confidence Interval: 0.7089 to 1.5578**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The decrease in development projects has had a significant negative impact on Afghanistan's economy.
5. **Restrictions on Women's Employment and Its Economic Impact:**
    - **t = 6.440, df = 29, Sig. = 0.000**
    - **Mean Difference = 1.06667**
    - **95% Confidence Interval: 0.7279 to 1.4054**
    - **Finding**: There is a statistically significant difference from the constant value of 3. Restricting women from participating in external work has had a significant negative impact on the country's economy.
6. **Impact of Taxation on Traders and Shopkeepers:**
    - **t = 1.394, df = 29, Sig. = 0.174**
    - **Mean Difference = 0.30000**
    - **95% Confidence Interval: -0.1402 to 0.7402**
    - **Finding**: There is no statistically significant difference from the constant value of 3. The impact of taxation on traders and shopkeepers is not significant.
7. **Migration to Neighboring Countries:**
    - **t = 8.510, df = 29, Sig. = 0.000**
    - **Mean Difference = 1.30000**
    - **95% Confidence Interval: 0.9876 to 1.6124**
    - **Finding**: There is a statistically significant difference from the constant value of 3. Migration to neighboring countries has created significant economic challenges.
8. **Decrease in Public Demand in the Economy:**
    - **t = 10.269, df = 29, Sig. = 0.000**
    - **Mean Difference = 1.33333**
    - **95% Confidence Interval: 1.0678 to 1.5989**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The decrease in public demand has been a major challenge for the economy.
9. **Decrease in Business and Investment Motivation:**
    - **t = 5.663, df = 29, Sig. = 0.000**
    - **Mean Difference = 1.03333**
    - **95% Confidence Interval: 0.6601 to 1.4065**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The decrease in business and investment motivation has had a significant negative impact on the country's economy.
10. **Non-recognition of the Taliban Interim Government:**
    - **t = 5.887, df = 29, Sig. = 0.000**
    - **Mean Difference = 1.16667**
    - **95% Confidence Interval: 0.7614 to 1.5720**

- **Finding**: There is a statistically significant difference from the constant value of 3. The non-recognition of the Taliban interim government has created significant economic challenges.

11. **Decrease in Trade Volume with Regional Countries:**
    - **t = 4.397**, **df = 29**, **Sig. = 0.000**
    - **Mean Difference = 0.80000**
    - **95% Confidence Interval: 0.4279 to 1.1721**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The decrease in trade volume with regional countries has had a significant negative impact on Afghanistan's economy.
12. **Economic Instability in the country:**
    - **t = 5.491**, **df = 29**, **Sig. = 0.000**
    - **Mean Difference = 0.96667**
    - **95% Confidence Interval: 0.6066 to 1.3267**
    - **Finding**: There is a statistically significant difference from the constant value of 3. Economic instability has had a significant negative impact on Afghanistan's economy.
13. **Instability of the Afghan Currency Against Exchange Rates:**
    - **t = 2.921**, **df = 29**, **Sig. = 0.007**
    - **Mean Difference = 0.50000**
    - **95% Confidence Interval: 0.1499 to 0.8501**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The instability of the Afghan currency against exchange rates has had a significant negative impact.
14. **Lack of Strategic Framework in Macro-Economic Policy:**
    - **t = 5.406**, **df = 29**, **Sig. = 0.000**
    - **Mean Difference = 1.06667**
    - **95% Confidence Interval: 0.6631 to 1.4702**
    - **Finding**: There is a statistically significant difference from the constant value of 3. The lack of a strategic framework in macro-economic policy has had a significant negative impact on the economy.

The analysis reveals that many of the factors examined in this study have had significant negative impacts on Afghanistan's economy since 2021. Factors such as the decrease in purchasing power, reduction in development projects, restrictions on women's employment, migration to neighboring countries, decreased public demand, and the lack of a strategic framework have all had substantial negative effects on the country's economy. These results underscore the need for special attention and the adoption of appropriate policies to address these challenges.

5- Conclusion

Since 2021, Afghanistan has faced new economic challenges characterized by economic recession, a decrease in Gross Domestic Product (GDP), and a reduction in per capita income. Political changes and security instability have been identified as primary causes of these issues. Additionally, while international humanitarian aid has played a significant role in temporarily stabilizing the economy, major issues such as decreased banking liquidity and rising prices remain unresolved.

Specifically, Afghanistan has encountered serious challenges post-2021. Investment security has not shown significant improvement compared to previous years, and banking liquidity along with public access to deposits has been problematic. Furthermore, the decrease in purchasing power and reduction in development projects have had major negative impacts on Afghanistan's economy. Restrictions on women's employment and reduced motivation for business creation are other issues that have clearly had adverse effects. Economic instability and currency exchange rate fluctuations have also significantly impacted the economy. This situation indicates that Afghanistan requires serious measures and effective strategies to improve its economic conditions and achieve sustainable growth. Additionally, the following can be identified as deep concerns of the survey respondents highlighted in this research:

1. **Sanctions and Their Impacts:** International sanctions have had severe effects on Afghanistan's economy. These sanctions have led to restrictions on access to financial resources, banking credits, essential product imports, and various commercial and financial activities.
2. **Financial Management Inefficiency and Transparency Issues:** Inefficiency in financial management and inadequate oversight in Afghanistan has created a legacy of financial corruption and budget mismanagement. This issue has diminished international trust in Afghanistan's economy and complicated efforts to attract foreign investment.
3. **Effects of War and Security Instability:** Ongoing conflict and security instability in certain regions have led to the deterioration of economic infrastructure and have limited business development opportunities. This situation has disrupted production, distribution, and marketing processes.
4. **Migration Crisis:** The migration crisis and mass exodus from Afghanistan due to unsafe conditions and poor economic prospects have led to a loss of skilled labor and increased pressure on the economic systems of other countries.
5. **Dependency on International Aid:** Afghanistan's economy is heavily dependent on international aid and humanitarian assistance, and instability in this aid can cause significant economic fluctuations.
6. **Need for Infrastructure Reconstruction and Economic Development:** Afghanistan requires the reconstruction of economic infrastructure such as roads, ports, power and energy networks, irrigation, and agriculture. These measures could provide the foundation for long-term economic development.

In light of the above issues, it can be concluded that Afghanistan is facing serious economic problems that require substantial solutions and effective planning for reconstruction and development. These developments, considering the political and security conditions of the country, could lead to significant improvements in economic and social conditions.

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