

# Afghanistan

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## **Afghanistan under Taliban financial policies and where India can help**

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### **Hypothesis**

Afghanistan, under Taliban rule, has achieved short-term fiscal stabilization through centralized revenue collection and strict monetary controls; however, this model cannot sustain long-term growth or social cohesion.

Afghanistan's economic reality has undergone a dramatic transformation since the Taliban returned to power in August 2021. The country, long dependent on international assistance, now operates under a minimalist and centralized financial model defined by limited domestic revenue, foreign isolation, and hardline ideological constraints. A surface-level impression of stability, balanced budgets, controlled inflation, and some trade flows obscures the deeper economic fractures. The real question is not whether Afghanistan's economy is functioning, but whether this version of it is sustainable.

### **A Budget Without Borrowing, and a Government Without Recognition**

At first glance, the Taliban appear to have avoided the financial collapse many feared. The group claims to have generated over \$2 billion in revenue in 2023, mostly from customs duties, mining exports (especially coal to Pakistan), and informal taxation (SIGAR, 2024). With the collapse of foreign-funded development programs, the Taliban simply slashed state expenditure to fit the revenue, eliminating most salaries, shutting down infrastructure work, and maintaining only skeletal services. They have refused foreign loans, which means Afghanistan holds very little official sovereign debt. Yet this "debt-free" approach has come at a cost: zero development planning, minimal investment in public goods, and no meaningful expansion of economic opportunity.

A major shift is now underway in the country's aid ecosystem. The United States, once the single largest donor to Afghanistan, has fully halted both direct and indirect financial support, including contributions to UN agencies and humanitarian organizations operating inside the country (The Guardian, 2025). This withdrawal is already being felt, as Afghanistan's 2024 humanitarian appeal is barely 20% funded (OCHA, 2025). In contrast, the United Kingdom has appointed a Special Representative for Afghanistan and Pakistan to coordinate targeted aid delivery, reflecting a more politically strategic but cautious approach. What's clear is that aid is now more conditional, more limited, and increasingly uncertain.

### **Fragile Resilience and Uneven Gains**



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Despite the external constraints, the Taliban have managed to maintain currency stability and contain inflation, largely through tight monetary controls, import restrictions, and a dollar-starved economy that limits cash circulation. In Kabul and parts of the south, trade activity has resumed, and some small businesses are returning. But these signs of “resilience” are concentrated and do not reflect broader recovery. Formal banking has nearly collapsed, private investment is stagnant, and international firms remain absent (Reuters, 2025). The economy, where it functions, is informal, cash-driven, and fundamentally exclusionary.

What little growth exists is extractive—coal, talc, and other resources producing short-term cash but offering no long-term productivity. Regional trade with Iran, China, and Pakistan sustains border economies but is not yet transformative. And any surplus the Taliban generate is spent almost entirely on internal administration and security, not health, education, or rebuilding civil institutions.

### **A Deepening Economic Divide**

Beneath the surface lies a growing social and economic divide. A new elite closely aligned with Taliban networks now controls logistics, cross-border trade, and contracting in provinces like Kandahar and Nangarhar (TOLONews, 2025). Meanwhile, former civil servants, educated professionals, and urban middle classes have seen their incomes evaporate. Rural areas are faring worse, with limited access to aid, employment, or services. Women have been almost entirely excluded from formal economic life, which the World Bank estimates could cost the economy up to \$1 billion per year in lost GDP (World Bank, 2023). Economic participation is no longer simply constrained—it is selectively distributed based on ideology, ethnicity, and loyalty.

This inequality is not accidental. It reflects the Taliban’s broader political project, which is not aimed at inclusive development but at regime consolidation. 665,000 Pashtuns deported by Pakistan into Afghanistan shall add to the economic pressures within the country.

### **Discrimination against Women & Civil society**

Taliban edicts violated the rights of women and girls to education, employment, freedom of movement and expression. The Taliban have also dismantled protections for women and girls experiencing gender-based violence, created discriminatory barriers to their accessing health care, and barred them from playing sports and visiting parks. Strict hijab and *mahram* (male guardian) regulations have impeded women from traveling for work or to receive medical treatment. Detention and arrest of prominent media journalists without proper reason is prevalent. Prominent people like Mansoor Nekmal, the editor in chief of Khaama Press, Saifullah Karimi, a Pajhwok News Agency Jawad Rasouli and Abdul Haq Hamidi from Gardesh-e Etilat News Center, Ehsan Akbari, Jawed Kohistani, a well-known political analyst have been subjected to such treatment.



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## What's in it for India

Fatwa to enable banking interest (Rifa) for benefitting the under privileged has been allowed by the Taliban. However **Takafful (Sharia-Compliant Insurance)** is allowed. With Agriculture produce growing in Afghanistan and India as one of the top 2 largest importer importing approx US\$ 672 mn off the total 1.8 bn US\$ Afghan exports, India should explore credit based financial insurance instruments for Agri producers. An education fund based on group donations (Tabarru) and health insurance aimed at children via an Indian bank provided against exports could be an ingenious model to extend humanitarian support for future Afghan generations

## References

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