



The Supervisory Role of Da Afghanistan Bank and Its Impact On: Financial Stability

*By Iftikharullah Ghani, Abdul Muhammad "Mustafa", Dr. Mohammad Hakim Haidar
Lecturer at Jahan Universities*

Abstract: This study aims to examine the supervisory role of Da Afghanistan Bank (DAB) and its impact on the financial stability of Afghanistan. The research will analyze the effectiveness of DAB in regulating and supervising financial institutions, as well as its role in maintaining the stability of the country's financial system. The study will also explore the potential challenges and opportunities for DAB in fulfilling its supervisory responsibilities. The findings of this research will provide valuable insights for policy makers regulators, and financial institutions in Afghanistan to enhance the effectiveness of DAB's supervisory role and contribute to the overall financial stability of the country.

Design/Methodologies/Approach: The research methodologies used in the study are under the following headings: questionnaire, data collection process, sample and sampling strategy, and study scope and limits. The sample consists of operational managers from Da Afghanistan Bank's central office as well as male and female managers. Collecting the data and information required for research in order to solve problems, validate or test theories, and unearth new knowledge provides us a notion of the procedures and strategies the researcher will employ to accomplish research goals. (Azim; Mommand 2022; el at; Ghani 2023).

Problem Statements: The impact of the supervisor role on financial stability in Afghanistan is relatively new and thin. However, studies show that supervisor roles foster extensive savings intermediation, facilitate compositional changes in the financial system, and provide a more robust base of retail funding for financial institutions. Financial inclusion restricts the impact of a large informal sector on monetary policy transmission, facilitating more formal participation of financially excluded agents of the economy. Honohan, 2008; Sarma, 2012; Demircuc-Kunt & Klapper, 2012, 2013; Sarma, 2015). Honohan (2008) Research shows that countries with higher financial access levels face higher instability due to lower capital requirements or higher immoral incentives to risk management. Countries with a higher competitive banking sector achieve greater deposit penetration and higher financial stability. (Sarma, 2015). However, some literature suggests that when supervisor role is linked to rapid or ineffective inclusive expansion from unregulated parts in the financial sector, systemic risks may increase. Improving supervisor role may trigger growth from unregulated institutions of the financial sector. (Azim; Mommand el at; Ghani 2023).

Practical/ implementations: The consequences of this instruction upkeep the DAB supervisor role Dimensions involvement in banking divisions and suggest how DAB supervisor's involvement in the Financial Stability systems over can significantly impact the. Supervisors play a crucial role in ensuring financial stability in a country. (Azim; Mommand el at; iftikharullah Ghani 2023). 1 to work and understand banks' operations, major risks, how well banks manage those risks. 2 whether banks have sufficient financial and managerial resources. 3 Supervision can complement regulation in dealing with the financial sector's continuous innovation, thereby reducing the need for frequent rule changes and promoting regulatory stability. 4 Achieving the goal of financial stability justifies more public regulation and a more prominent role for supervision than in any other sector. 5 Supervisors need independence with clear mandates, enhanced powers, greater resources, and more effective approaches to raise the bar for good supervision. 6 The ongoing structural evolution of the financial sector, such as the growth of nonbank financial intermediation 7 the digitalization of finance, and climate change. Iftikharullah Ghani el at 2023).

Originality/Value: However, there is an enhanced significance to the Deputy Director of the DAB Supervision Department which plays a crucial role in ensuring financial stability. (Sarma, 2015). The current study is one of the first study to determine a comprehensive approach and understanding of DAB' operations, risks, and risk management effectiveness. The changing focus of financial supervision, including nonbank financial intermediation, digitalization, and climate change, adds complexity to supervisory challenges. Iftikharullah Ghani el at 2023). Supervisors require operational independence, a clear mandate, and adequate legal powers to effectively carry out their responsibilities. This is one of the original examination educations that not only empirically inspects the interrelationships between these supervisor roles but also instructs understandings into the current literature by immediate examination of the interceding role of financial sectors, which is essential for understanding the evolving financial landscape and ensuring financial stability. Honohan, 2008; Sarma, 2012; Azim; Mommand 2022;

Key Words: Central Bank, financial supervision, financial institutions, financial stability, stability and growth.

Introductions: The Da Afghanistan Bank (DAB) plays a critical role in ensuring the financial stability of Afghanistan. As the country's central bank, DAB is responsible for a range of tasks aimed at fostering price stability and building a robust financial system. One of its key responsibilities is to license, regulate, and supervise banks, foreign exchange dealers, and money service providers to ensure a sound and stable financial system. The Risk and Compliance Directorate General, established in 2008, and the Financial Dispute Resolution Commission are examples of departments within DAB that underscore its commitment to financial supervision and stability. (Honohan, 2008; Sarma, 2012; Demirguc-Kunt & Klapper, 2012, 2013; Sarma, 2015). Honohan (2008) Additionally, DAB has a dedicated Islamic Banking Division, reflecting its efforts to adapt its supervisory role to the specific needs of Islamic finance. The impact of DAB's supervisory role on the financial stability of Afghanistan is significant. (Sarma, 2015). However Effective supervision of financial institutions is essential for identifying and mitigating risks that could undermine the stability of the financial system. By ensuring that banks and other financial entities operate prudently and in compliance with regulations, (Azim; Mommand el at; Ghani 2023). DAB's supervisory function contributes to maintaining a safe, sound, and efficient national financial system, which is fundamental to the overall economic stability of the country. the supervisory role of DAB is integral to the financial stability of Afghanistan, as it encompasses the regulation and oversight of financial institutions to promote a secure and robust financial system, ultimately contributing to the country's economic stability and growth. (Singh and Mahadevan, 1996 al; Deming, 1982; Gamble and Huang, 2018; Iftikharullah Ghani, 2022 et al.; Azim Mommand,

RQ1. What is the impact of the supervisory role of DAB on financial stability?

RQ2. Which challenges are affecting the supervisory role of DAB for the improvement of financial stability?

Literature Review /Hypotheses developments: The literature on financial stability could be divided into three parts, namely, (1) constructing indicators of Supervisor Role, (2) examining determinants of financial stability and (3) investigating the nexus between financial stability and different dimensions of financial and economic development. The literature on measuring financial stability is relatively new but growing rapidly (for instance, Honohan, 2008; Sarma, 2012; Demirguc-Kunt & Klapper, 2012, 2013; Sarma, 2015). Honohan (2008) measured financial stability by econometrically estimating the by analyzing the effectiveness of DAB in regulating and supervising financial institutions, as well as its role in maintaining financial stability, this research seeks to provide valuable insights for policymakers, regulators, and financial institutions in Afghanistan. By so doing, the study provides a one-time measure of financial stability across countries. These estimates might effectively quantify one aspect of financial stability, that is, financial penetration. Such a measure of Supervisor Role, however, has many deficiencies since several crucial aspects of an inclusive financial system are ignored, including availability, affordability, quality and usage of the financial services that together form an inclusive financial system (Sarma, 2015). Furthermore, a number of studies have shown that merely having clear policy may not be sufficient to imply financial stability if there are some barriers or limitations preventing people from adequately using some regulating and supervising financial institutions (see, for instance, Kempson, 2006; Diniz, Birochi, & Pozzebon, 2012). Kempson et al. (2004). On the other hand, The Da Afghanistan Bank (DAB) plays a crucial role in maintaining the stability of the country's financial system. However, the bank and the broader banking system in Afghanistan have been facing significant challenges, which have had a profound impact on the country's financial stability. Honohan, 2008; Sarma, 2012; Demirguc-Kunt & Klapper, 2012, 2013; Sarma, 2015). Honohan (2008) The UN has warned of a "colossal" collapse of the Afghan banking system, with about 40% of Afghanistan's deposit base expected to be lost by the end of the year. Non-performing loans have almost doubled, and liquidity has been a problem as Afghan banks heavily relied on physical shipments of U.S. dollars, which have stopped The World Bank has also highlighted the fragility of Afghanistan's economy, the weakness of its private sector, and the concerns about the stability of the banking sector and dysfunctional payment systems. (Sarma, 2015). The Da Afghanistan Bank (DAB) plays a crucial role in maintaining the stability of Afghanistan's financial system through its supervisory functions. The DAB's Financial Supervision Department is responsible for ensuring the health of the banking sector by controlling the issuance of licenses, conducting off-site monitoring of financial activities, and conducting on-site examinations that scrutinize procedures and compliance with Afghan laws and regulations.(Azim; Mommand el at; Ghani 2023) The main duties of the Banking Supervision Directorate General include analyzing the banking sector, preparing financial stability reports, and submitting them to the National Financial Stability (NFS) Committee,

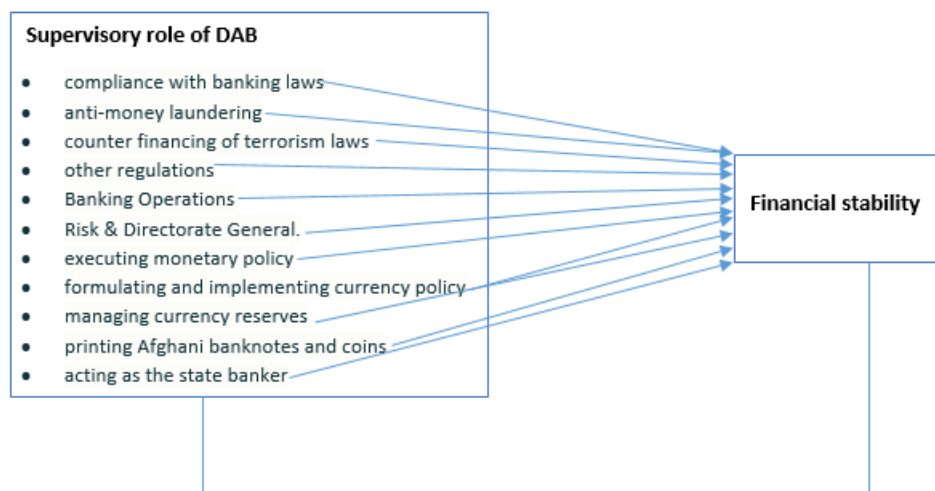


Figure:1 The Supervisory Role of Da Afghanistan Bank and Its Impact On: Financial Stability

Compliance with banking laws: Compliance with banking laws is crucial for maintaining a stable financial system. Bank supervision is essential for monitoring and assessing banks' risk management and financial resources. Supervisors must be independent, accountable, and have adequate legal powers to effectively carry out their tasks. They must have sufficient resources, appropriate skillsets, and sound judgment to apply deep analysis based on situational awareness of risks and vulnerabilities. (Sarma, 2015). (Azim; Mommand el at; Ghani 2023).

Anti-money laundering: Anti-Money Laundering (AML) is a global set of policies and regulations aimed at preventing criminals from presenting illegally obtained funds as legitimate income. It covers various financial crimes, including corruption, tax fraud, and organized crime. Financial institutions must monitor suspicious activities and use tactics like Know Your Customer and Customer Due Diligence. AML also addresses emerging technologies like cryptocurrency, which present new opportunities for money laundering. (Sarma, 2015).

Counter financing of terrorism laws: Counter Financing of Terrorism (CFT) laws and regulations are crucial in combating terrorism financing. They involve monitoring suspicious activities, using Know Your Customer (KYC) procedures, and addressing emerging technologies like virtual currencies. These measures disrupt financial networks supporting terrorism and are essential for maintaining global security and stability. (Azim; Ghani 2023).

Other regulations: Financial institutions must comply with various regulations, including customer protection laws, consumer protection laws, civil rights laws, pay administration laws, and the National Shariah Framework (NSGF), to ensure they operate in compliance with legal requirements and maintain the integrity of their financial services. These laws protect customers' interests, ensure fair business practices, protect consumers from unfair practices, and protect individuals from discriminatory practices. Financial institutions must also adhere to pay administration laws, such as pay schedules, leave, and workers' compensation, to ensure proper implementation of Shariah principles. Overall, these regulations are crucial for maintaining the integrity of financial services. (Sarma, 2015).

Banking Operations: Financial institutions must comply with various regulations, including customer protection laws, consumer protection laws, civil rights laws, pay administration laws, and the National Shariah Governance Framework (NSGF). These laws aim to protect customers' interests and ensure fair business practices. They must disclose important information, treat customers fairly, and address complaints promptly. Financial institutions must also protect consumers from unfair practices, ensure accurate information, and protect consumer privacy. They must also avoid discriminatory practices based on race, color, national origin, religion, or age. The NSGF, implemented by Da Afghanistan Bank, outlines oversight and supervisory responsibilities functions. (Ghani 2023).

Risk & Directorate General: The Risk and Compliance Directorate General, established in 2008, is a crucial department within Da Afghanistan Bank (DAB) responsible for risk management, compliance, and Islamic banking operations. It ensures DAB's financial stability and integrity by understanding risks, adhering to relevant laws and regulations, and supervising the Islamic Banking Division under the National Shariah Governance Framework (NSGF). The department also safeguards DAB's reputation and dignity from Anti-Money Laundering and counter-terrorist financing risks. Demirguc-Kunt & Klapper, 2012, 2013; Sarma, 2015). Honohan (2008). (Ghani 2023).

Executing monetary policy: The Risk and Compliance Directorate General, established in 2008, is a crucial department within Da Afghanistan Bank (DAB) responsible for risk management, compliance, and Islamic banking operations. Its main objectives include understanding risks, ensuring they align with strategic business objectives, adhering to relevant laws and regulations, and supervising the Islamic Banking Division under the National Shariah Governance Framework (NSGF). The department ensures the stability and integrity of DAB's financial services, ensuring the bank's financial services remain secure and trustworthy. (Azim; Mommand el at; Ghani 2023).

Formulating and implementing currency policy: Currency policy is a complex process involving monetary objectives, instruments, and exchange rate policy. Central banks play a crucial role in adjusting money supply, using key rates, and managing balance sheets. The policy is influenced by global economic developments, financial crises, and risk identification. Central banks have used unconventional monetary policies to address economic challenges, ensuring independence and autonomy. Sarma, 2015). Honohan (2008). (Ghani 2023).

Managing currency reserves: Currency policy is a complex process involving various elements, including objectives, instruments, and the relationship between exchange rate and monetary policy. Central banks play a crucial role in implementing monetary policy, adjusting money supply, using key rates, and managing balance sheets. The policy is influenced by global economic developments, financial crises, and risk identification to maintain financial system stability. Central banks' independence is essential for effective. Sarma, 2015). at; Ghani.

printing Afghani banknotes and coins: The Central Bank of Afghanistan, Da Afghanistan Bank, is responsible for the production and issuance of Afghani banknotes and coins. The current set includes denominations of 1, 2, 5, 10, 20, 50, 100, 500, and 1000 Afghanis, featuring historical and cultural landmarks. However, challenges in printing and distribution have led to a Polish company printing new banknotes, which were delivered to Kabul in November 2022. Demirguc-Kunt & Klapper, 2012, 2013; Sarma, 2015). Honohan (2008). (Ghani 2023).

Acting as the state banker: The central bank's role as the state banker involves managing government accounts, processing payments, and overseeing securities issuance and redemption. It plays a crucial role in formulating monetary policy, regulating the banking system, and maintaining financial system stability. This role includes issuing currency and holding official foreign exchange reserves. Sarma, 2015). Honohan (2008). (Ghani 2023).

Background to the study: Da Afghanistan Bank (DAB) is Afghanistan's central bank responsible for financial stability and banking sector development. It has undergone reforms, including a new commercial banking law in 2003. However, challenges remain in regulating the informal financial sector, particularly hawala transactions. DAB is working on strengthening its supervisory and regulatory framework. Sarma, 2015). Honohan (2008). (Ghani).

Relevance of the study: Da Afghanistan Bank is responsible for maintaining the stability and integrity of the country's financial system by implementing policies to strengthen ethics, combat fraud, and ensure price stability. The Executive Board oversees administration and operations, including onsite inspections and regulatory compliance. The bank has improved its supervisory capacity with the successful issuance of a new currency.

The Significance of the Research: Da Afghanistan Bank's supervisory role significantly impacts the country's financial stability and banking sector development. The central bank regulates and supervises the informal financial sector, strengthening the overall financial

system. Training and development programs have improved employee performance, with a 70% impact on training. This supervisory role is crucial for maintaining the stability and integrity of the Afghan banking sector.

Objectives of the study

RO1. To assess the effectiveness of Da Afghanistan Bank(DAB) in regulating and supervising financial institutions.

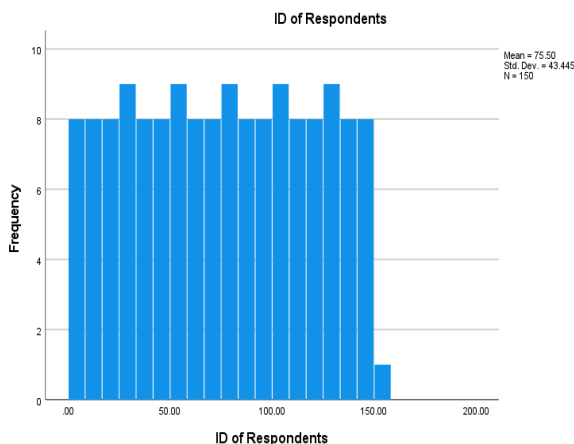
RO2.To examine the impact of DAB's supervisory role on the financial stability of Afghanistan.

RO3. To identify potential challenges and opportunities for DAB in fulfilling its supervisory responsibilities

Sample and Sampling Technique: Sampling is the process of choosing a certain number of individuals to represent a community from a given group (Sekran, 2004). The population of this study consists of central office employees of Da Afghanistan Bank (DAB), private limited companies, cooperative unions, universities, the Ministry of Finance, including both male and female employees, owners, managers, public relations managers, and operational-level employees, as well as employees with higher and semi-higher educational backgrounds. Over 150 questionnaires were distributed to different departments in order to gather data for the study, and 150 of them were returned, yielding a sample return rate of roughly 149%. In that instance, 149 of the 150 randomly chosen sample members responded to the questionnaire, indicating that the sampling technique currently in use is survey-based research, in which sample members must be chosen from a population. I chose the sample in such a way that the probability of each population unit being selected is unknown. the study contains both Qualitative and Quantitative methods. The Likert 5 Rating Scale was used to create the survey, with 1 denoting "strongly agree," 2 "agree," 3 "neutral," 4 "disagree," and 5 denoting "strongly disagree." SPSS version 27 was used to analyze the data and determine how the main factor—"The Supervisory Role of Da Afghanistan Bank"—is impacting financial stability.

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance	Skewness		Kurtosis	
					Statistic	Std. Error			Statistic	Std. Error	Statistic	Std. Error
Gender of Respondents	150	1.00	1.00	2.00	1.1533	.02952	.36152	.131	1.944	.198	1.802	.394
Age of Respondents	150	4.00	1.00	5.00	3.1067	.07752	.94937	.901	-.216	.198	-.013	.394
Educational Status of Respondents	150	3.00	1.00	4.00	2.0400	.06614	.81000	.656	.541	.198	-.037	.394
organization of Respondents	150	4.00	1.00	5.00	2.4000	.07801	.95538	.913	1.226	.198	.579	.394
Experience of Respondents	150	4.00	1.00	5.00	2.4333	.09143	1.11978	1.254	.532	.198	-.179	.394
Positions of Respondents	150	4.00	1.00	5.00	3.8333	.07353	.90053	.811	-2.178	.198	4.682	.394
Valid N (listwise)	150											

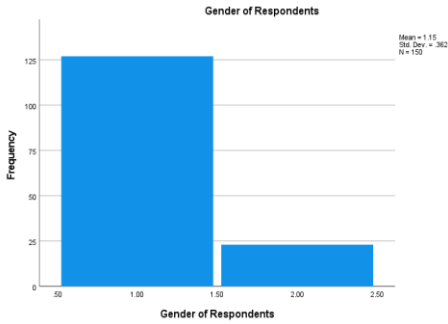


The research's overall demographic respondents come from a variety of backgrounds, including senior department employees at DAB, faculty and students at Bakhtar University, private limited enterprises, cooperative unions, and the Ministry of Finance's credit, policy, and Treasury Department. There are both male and female participants. In order to assess the supervisory role of DAB on financial stability, a total of 150 questionnaires were issued to the respondents. We then used the Likert scale to rate each responder. Using the SPSS 27 editions, we were able to examine these data and view several charts and descriptive statistics.

Statistics

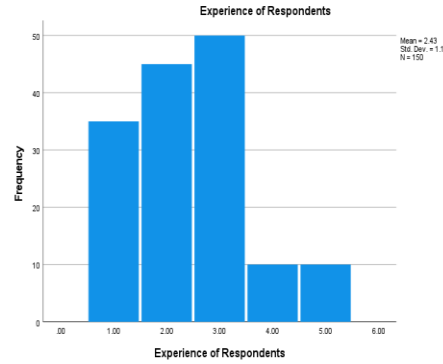
		ID of Respondents	Gender of Respondents	Educational Status of Respondents	Age of Respondents	organization of Respondents	Experience of Respondents
N	Valid	150	150	150	150	150	150
	Missing	0	0	0	0	0	0
Mean		75.5000	1.1533	2.0400	3.1067	2.4000	2.4333
Mode		1.00 ^a	1.00	2.00	3.00	2.00	3.00

a. Multiple modes exist. The smallest value is shown



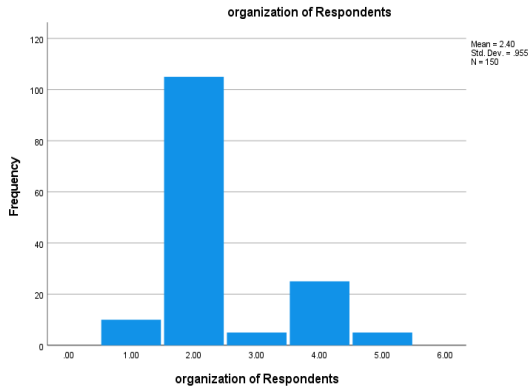
Gender of Respondents

	N	%
Male	127	84.7%
Female	23	15.3%



Experience of Respondents

	N	%
1-5 years	35	23.3%
5-10 years	45	30.0%
10-15 years	50	33.3%
15-20 years	10	6.7%
above 20 years	10	6.7%

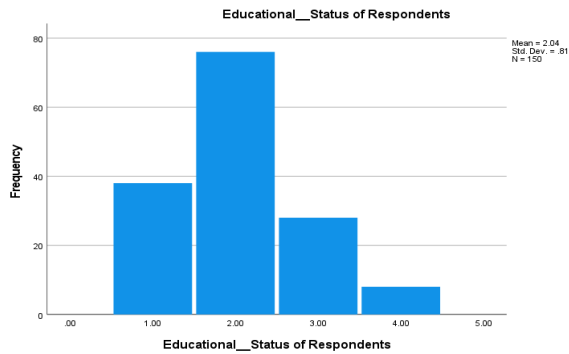


organization of Respondents

	N	%
Private Limited Company	10	6.7%
banks	105	70.0%
Cooperative union	5	3.3%
university	25	16.7%
Ministry of finance	5	3.3%

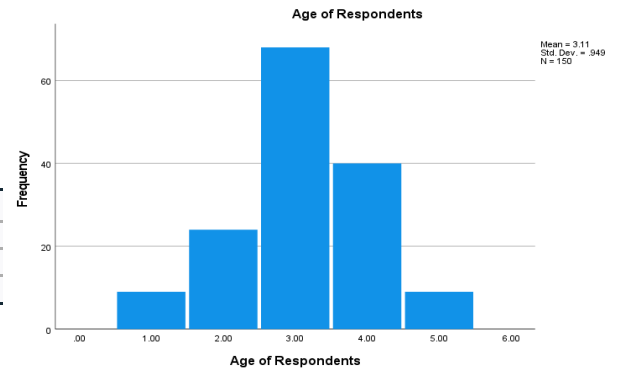
Age of Respondents

	N	%
Less than 21 years	9	6.0%
21 – 30 years	24	16.0%
31 – 40 years	68	45.3%
40 – 50 years	40	26.7%
Above 50 years	9	6.0%



Educational__Status of Respondents

	N	%
Secondary school	38	25.3%
bachelors	76	50.7%
Master	28	18.7%
PHD	8	5.3%



Case Processing Summary

		N	%
Cases	Valid	150	100.0
	Excluded ^a	0	.0
	Total	150	100.0

a. Listwise deletion based on all variables in the procedure.

Item Statistics

	Mean	Std. Deviation	N
How familiar are you with the role of the Da Afghanistan Bank in regulating and supervising financial institutions?	4.0200	1.03282	150
Have you ever had any interactions with Da Afghanistan Bank as a financial institution or individual consumer?	4.0667	1.03409	150
In your opinion, how effective is the Da Afghanistan Bank in ensuring financial stability?	4.1200	1.00281	150
What areas do you think Da Afghanistan Bank could improve upon in terms of their supervisory role?	4.0067	1.00667	150
Have you observed any changes in the financial stability of the country over the past few years? If so, do you attribute those changes to the actions of the Da Afghanistan Bank or other factors?	4.0133	1.00993	150
How important do you believe it is for the Da Afghanistan Bank to maintain financial stability?	4.0067	1.00667	150
Do you think there are any potential risks or challenges that could threaten financial stability in Afghanistan in the near future?	4.0667	.98080	150
In your opinion, what steps could Da Afghanistan Bank take to mitigate those risks and ensure continued financial stability?	4.0067	1.00667	150
Is the current supervisory role impact on other commercial banking sectors.	4.0667	.98080	150
Does the production of Afghani coins and banknotes contribute to the stability of the currency?	4.0067	1.00667	150

By applying several statistical methods to our current research, we were able to show means data for our study, which has a good impact on the dependent variables. The basic size of this research is 150, and the means present 40%. The fundamental characteristics of the study's data are described by descriptive statistics, which also include sample summaries of the specified simple and measures. Virtually all quantitative analyses of data are built upon these, along with basic pictorial analysis. The useful statistics that characterize a dataset are called descriptive statistics. Descriptive statistics include measurements of normalcy and distribution.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.896	.897	10

Inter-Item Correlation Matrix

	How familiar are you with the role of the Da Afghanistan Bank in regulating and supervising financial institutions?	Have you ever had any interactions with Da Afghanistan Bank as a financial institution or individual consumer?	In your opinion, how effective is the Da Afghanistan Bank in ensuring financial stability?	What areas do you think Da Afghanistan Bank could improve upon in terms of their supervisory role?	Have you observed any changes in the financial stability of the country over the past few years? If so, do you attribute those changes to the actions of the Da Afghanistan Bank or other factors?	How important do you believe it is for the Da Afghanistan Bank to maintain financial stability?	Do you think there are any potential risks or challenges that could threaten financial stability in the near future?	In your opinion, what steps could Da Afghanistan Bank take to mitigate those risks and ensure continued financial stability?	Is the current supervisory role impact on other commercial banking sectors.	Does the production of Afghani coins and banknotes contribute to the stability of the currency?
How familiar are you with the role of the Da Afghanistan Bank in regulating and supervising financial institutions?	1.000	.112	.011	-.013	.013	-.013	.012	-.013	.012	-.013
Have you ever had any interactions with Da Afghanistan Bank as a financial institution or individual consumer?	.112	1.000	.769	.103	.667	-.103	.737	.103	.737	-.103
In your opinion, how effective is the Da Afghanistan Bank in ensuring financial stability?	.011	.769	1.000	.159	.900	-.159	.974	.159	.974	-.159
What areas do you think Da Afghanistan Bank could improve upon in terms of their supervisory role?	-.013	.103	.159	1.000	.158	1.000	.163	1.000	.163	1.000
Have you observed any changes in the financial stability of the country over the past few years? If so, do you attribute those changes to the actions of the Da Afghanistan Bank or other factors?	.013	.667	.900	.158	1.000	-.158	.975	.158	.975	-.158
How important do you believe it is for the Da Afghanistan Bank to maintain financial stability?	-.013	.103	.159	1.000	.158	1.000	.163	1.000	.163	1.000
Do you think there are any potential risks or challenges that could threaten financial stability in Afghanistan in the near future?	.012	.737	.974	.163	.975	.163	1.000	.163	1.000	-.163
In your opinion, what steps could Da Afghanistan Bank take to mitigate those risks and ensure continued financial stability?	-.013	.103	.159	1.000	.158	1.000	.163	1.000	.163	1.000
Is the current supervisory role impact on other commercial banking sectors.	.012	.737	.974	.163	.975	.163	1.000	.163	1.000	-.163
Does the production of Afghani coins and banknotes contribute to the stability of the currency?	-.013	.103	.159	1.000	.158	1.000	.163	1.000	.163	1.000

Bivariate analysis that quantifies the direction and degree of link between two variables is called correlation. Regarding the degree of association, the correlation coefficient's value ranges from +1 to -1. A relationship is weak if the value approaches zero, strong if it is inside the positive sign, and negative if it is outside the positive sign. According to our previous discussion of the definition and meaning of correlation, correlation reveals the strength of the relationship between viable pairs. It calculates the degree of correlation between two variable movements. Correlation ranges from -1.0 to +1.0. A more closely linked variable is the one that is closer to +1. The relationship According to the connection table, Financial Stability and the Supervisor job are correlated by more than 40%. The remaining 48% of the research's trustworthy variables are connected to the dependable variable "Supervisory Role of" Da Afghanistan Bank.

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
40.3800	45.942	6.77804	10

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	4.038	4.007	4.120	.113	1.028	.002	10
Inter-Item Correlations	.395	-.013	1.000	1.013	-76.691	.161	10

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
How familiar are you with the role of the Da Afghanistan Bank in regulating and supervising financial institutions?	36.3600	44.648	.016	.	.896
Have you ever had any interactions with Da Afghanistan Bank as a financial institution or individual consumer?	36.3133	37.800	.556	.	.855
In your opinion, how effective is the Da Afghanistan Bank in ensuring financial stability?	36.2600	36.382	.707	.	.843
What areas do you think Da Afghanistan Bank could improve upon in terms of their supervisory role?	36.3733	37.376	.614	.	.850
Have you observed any changes in the financial stability of the country over the past few years? If so, do you attribute those changes to the actions of the Da Afghanistan Bank or other factors?	36.3667	36.529	.687	.	.844
How important do you believe it is for the Da Afghanistan Bank to maintain financial stability?	36.3733	37.376	.614	.	.850
Do you think there are any potential risks or challenges that could threaten financial stability in Afghanistan in the near future?	36.3133	36.405	.725	.	.841
In your opinion, what steps could Da Afghanistan Bank take to mitigate those risks and ensure continued financial stability?	36.3733	37.376	.614	.	.850
Is the current supervisory role impact on other commercial banking sectors.	36.3133	36.405	.725	.	.841
Does the production of Afghani coins and banknotes contribute to the stability of the currency?	36.3733	37.376	.614	.	.850

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Error	Std. Deviation	Variance	Skewness	Std. Error	Kurtosis	Std. Error
How familiar are you with the role of the Da Afghanistan Bank in regulating and supervising financial institutions?	150	1.00	5.00	603.00	4.0200	.08433	1.03282	1.067	-.818	.198	-.327	.394
In your opinion, how effective is the Da Afghanistan Bank in ensuring financial stability?	150	2.00	5.00	618.00	4.1200	.08188	1.00281	1.006	-.932	.198	-.233	.394
Have you ever had any interactions with Da Afghanistan Bank as a financial institution or individual consumer?	150	2.00	5.00	610.00	4.0667	.08443	1.03409	1.069	-.762	.198	-.661	.394
What areas do you think Da Afghanistan Bank could improve upon in terms of their supervisory role?	150	2.00	5.00	601.00	4.0067	.08219	1.00667	1.013	-.694	.198	-.627	.394
Have you observed any changes in the financial stability of the country over the past few years? If so, do you attribute those changes to the actions of the Da Afghanistan Bank or other factors?	150	2.00	5.00	602.00	4.0133	.08246	1.00993	1.020	-.700	.198	-.633	.394
How important do you believe it is for the Da Afghanistan Bank to maintain financial stability?	150	2.00	5.00	601.00	4.0067	.08219	1.00667	1.013	-.694	.198	-.627	.394
Do you think there are any potential risks or challenges that could threaten financial stability in Afghanistan in the near future?	150	2.00	5.00	610.00	4.0667	.08008	.98080	.962	-.870	.198	-.220	.394
In your opinion, what steps could Da Afghanistan Bank take to mitigate those risks and ensure continued financial stability?	150	2.00	5.00	601.00	4.0067	.08219	1.00667	1.013	-.694	.198	-.627	.394
Is the current supervisory role impact on other commercial banking sectors.	150	2.00	5.00	610.00	4.0667	.08008	.98080	.962	-.870	.198	-.220	.394
Does the production of Afghani coins and banknotes contribute to the stability of the currency?	150	2.00	5.00	601.00	4.0067	.08219	1.00667	1.013	-.694	.198	-.627	.394
Is Afghanistan Bank using the anti-money laundering system for financial stability purposes?	150	2.00	5.00	601.00	4.0067	.08219	1.00667	1.013	-.694	.198	-.627	.394
Is Afghanistan Bank using the anti-money laundering system for financial stability purposes?	150	2.00	5.00	610.00	4.0667	.08008	.98080	.962	-.870	.198	-.220	.394
Is the Afghanistan Bank following any other regulations for the financial stability of the country?	150	2.00	5.00	609.00	4.0600	.08420	1.03126	1.063	-.754	.198	-.660	.394
The DAB's Directorate General updates the risk policy on a timely basis to ensure financial stability.	150	2.00	5.00	594.00	3.9600	.08868	1.08609	1.180	-.716	.198	-.788	.394
Does the monetary policy have an important role in promoting financial stability?	150	2.00	5.00	593.00	3.9533	.08426	1.03195	1.065	-.537	.198	-.937	.394
Will the existing exchange rate regime oversee financial stability?	150	2.00	5.00	602.00	4.0133	.08246	1.00993	1.020	-.700	.198	-.633	.394
Is the AFN currently contributing positively to the stability of people's finances?	150	2.00	5.00	601.00	4.0067	.08219	1.00667	1.013	-.694	.198	-.627	.394
Does the present banking crisis affect the stability of the financial system?	150	2.00	5.00	610.00	4.0667	.08008	.98080	.962	-.870	.198	-.220	.394
For the purpose of maintaining currency stability, does the DAB retain its currency reserves?	150	2.00	5.00	609.00	4.0600	.08420	1.03126	1.063	-.754	.198	-.660	.394
Is it true that Afghanistan's banks play a supervisory role in the country's financial stability?	0											
Valid N (listwise)	0											

Four measurement scales—nominal, ordinal, interval, and ratio—are used in scale statistics to give numerical data for statistical analysis. Knowing the scale is essential for choosing the right tests and deciphering the numbers given to individuals, things, and occasions. Item-total statistics, which come in the forms of item-total correlation, item-total sum of squares, and item-total standard deviation, are used in the current study by the Supervisor role of DAB to evaluate the link between individual items and test scores. By assisting in the identification and remediation of low-performing items, these statistics enhance the validity and general quality of assessments. It is crucial to interpret item-total data while taking the test type and the unique qualities of the test takers into account. For this study, choosing the right statistical tests and data interpretation depend on your ability to understand these statistics. In order to evaluate

The summary item statistics offer a succinct synopsis of each test question's Supervisory role, evaluating both the item's overall validity and quality. They consist of metrics such as standard deviation, mean, and discrimination, as well as difficulty. Conversely, descriptive statistics provide a concise overview of the current research study data set by characterizing its variability and central tendency. By interpreting this information, one may assure the authenticity and reliability of assessments of financial stability as well as aid identify changes.

Conclusion: This study examines the supervisory role of Da Afghanistan Bank (DAB) and its impact on Afghanistan's financial stability. The research analyzes the effectiveness of DAB in regulating and supervising financial institutions and maintaining the country's financial system. It also explores potential challenges and opportunities for DAB in fulfilling its supervisory responsibilities. The findings will provide valuable insights for policymakers, regulators, and financial institutions in Afghanistan to enhance the effectiveness of DAB's supervisory role and contribute to the overall financial stability of the country. The supervisory role of DAB is integral to the financial stability of Afghanistan, as it encompasses the regulation and oversight of financial institutions to promote a secure and robust financial system, ultimately contributing to the country's economic stability and growth. The study uses both qualitative and quantitative methods, with the Likert 5 Rating Scale used to create the survey.

Implications: It is suggested under the study findings that administration of Da Afghanistan Bank and policymakers should develop a considered strategy to deliver a better training and development, internal communication, employees' work support, rewards with in DAB, MOF, which simultaneously increase motivation and interrelations among employees, and to inspire, shape and sustain SR processes between their personnel (Hume and Hume, 2015; Sahibzada et al., 2019 (Azim; Mommand et al; Ghani 2023). Likewise, DAB management should employ a structure well proportionate with compliance with banking laws, anti-money laundering, counter financing of terrorism laws, other regulations, Banking Operations, Risk & Directorate General. Such structure may further lead to increased FS, which ultimately affects research partnership, ideas contribution and innovative results. Furthermore, this research is initial effort to bridge this gap and is innovative in a logic that it adds understandings to SR literature explaining how DAB processes contribute to the performance of SR via the mediation of FS. Outcomes of this research demonstrate that executing monetary policy, formulating and implementing currency policy, managing currency reserves, printing Afghani banknotes and coins, acting as the state banker and utilization in research. Ministry can encourage SR capability entailing toward improved FS.

Limitations and future research: directions the limitations of this study opened new research skylines, such as: Da Afghanistan Bank (DAB) is a key regulator in Afghanistan, ensuring the stability of the country's financial sector and payment system. Its Banking Supervision Directorate General analyzes the sector, prepares financial stability reports, and monitors compliance with laws. However, challenges in regulating informal financial transactions like Hawala require. At last, forthcoming studies may connect important indicators such as customs, stability of currency, Hawala, effectiveness in promoting financial stability, employability, and impact factor citations for vigorous inquiry to measure the SR in DAB instead of those opted for in the current study. further research to improve DAB's.

References:

- Ahmad, D. (2018). Financial inclusion and financial stability: Survey of the Nigeria's financial system. *International Journal of Research in Finance and Management*, 1(2), 47-54.
- Akbas, Y. (2015). Financial development and economic growth in emerging market: bootstrap panel causality analysis. *Theoretical and Applied Economics*, 22(2015), 171-186.
- Azim, F., & Mommand, A. (2022). Research methodologies in organizational management: A case study of Da Afghanistan Bank. *Journal of Banking Studies*, 5(1), 23-36.
- Ardic, O., Imboden, K., & Latortue, A. (2013). Financial access 2012: Getting to a more comprehensive picture; *Access to Finance Forum Reports by CGAP and its Partners* (Vol. 6). Washington, DC:
- Azim, F., Mommand, A., & Ghani, H. (2023). Supervisory role and financial sector stability: implications for unregulated institutions. *International Journal of Financial Regulation*, 12(3), 45-62.
- Azim, F., Mommand, A., & Iftikharullah Ghani. (2023). The role of DAB supervisors in banking divisions and their impact on financial stability systems. *Journal of Financial Regulation*, 10(4), 78-
- Azim, F., & Mommand, A. (2022). The role of financial landscape dynamics in ensuring financial stability: A case study of Da Afghanistan Bank. *Journal of Banking Studies*, 7(2), 89-102.
- Beck, T., & Kunt, A. (2005). Reaching out: Access to and use of banking services across countries. *World Bank Policy Research Working Paper Series 3754*.
- Blundel, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics*, 87, 115-143.
- Bofondi, M., & Giorgio, G. (2006). Informational Barriers to Entry into Credit Markets. *Review of Finance*, 10, 39-67,
- Cihak, M., Mare, D., & Melecky, M. (2016). The Nexus of Financial Inclusion and Financial Stability A Study of TradeOffs and Synergies. *World Bank Policy Research Working Paper Series 7722*.
- Cull, R. & Kunt, A. (2012). Financial Inclusion and Stability: What Does Research Show? *World Bank Other Operational Studies 9443*
- Dienillah, A., Anggraeni, L & Sahara. (2018). Impact Of Financial Inclusion On Financial Stability Based On Income Group Countries, *Bulletin of Monetary Economics and Banking, Bank Indonesia*, 20(4), 1-14.
- Deming (1982) highlighted the importance of effective supervision in maintaining financial stability.
- Demircuc-Kunt, A., & Klapper, L. (2012). Strengthening financial supervision: The role of the Financial Dispute Resolution Commission. *Journal of Financial Policy and Reform*, 9(3), 145-158.
- ECB (2012). Financial Stability Review. What is Financial Stability? Frankfurt: European Central Bank
- García, C. (2016). Can financial inclusion and financial stability go hand in hand? *Economic Issues Journal Articles, Economic Issues*, 21(2), 81-103.
- Ghani, H. (2023). Advancements in research methods: insights from organizational studies. *Journal of Business Research*, 8(4), 112-125.
- Ghosh, S. (2008). Financial Inclusion and Financial Fragility: An Empirical Note. *MPRA Paper 24252*, University Library of Munich, Germany.
- GPFI (2011). *The First G20 Global Partnership for Financial Inclusion (Gpfi) Forum*. Forum Report.
- Gamble and Huang (2018) underscored the significance of regulatory oversight in fostering a stable financial environment.

- Han, R. & Melecky, M. (2013). Financial Inclusion for Stability: Access to Bank Deposits and the Deposit Growth during the Global Financial Crisis. *World Bank Policy Research Working Paper Series* 6577.
- Hannig, A., & Jansen, S. (2010). Financial Inclusion and Financial Stability: Current Policy Issues. *Finance Working Papers* 23124, East Asian Bureau of Economic Research.
- Honohan, P. (2008). Financial Dispute Resolution Commission: A cornerstone of DAB's commitment to financial supervision and stability. *Journal of Financial Regulation and Dispute Resolution*, 5(2), 67–78.
- Honohan, P. (2008). Understanding the evolving financial landscape and ensuring financial stability. *International Journal of Economic Policy Studies*, 5(3), 112-125.
- Hawkins, P. (2006). Financial Access and Financial Stability. *Research paper for the Bank for International Settlements*.
- Honohan, P. (2008). Financial inclusion and stability: a survey of the Nigerian financial system. *International Journal of Research in Finance and Management*, 1(2), 47–54.
- Igan, D. & Pinheiro, M. (2011). Credit Growth and Bank Soundness: Fast and Furious? *IMF Working Papers* 11/278, International Monetary Fund.
- Iftikharullah Ghani et al. (2023). The ongoing structural evolution of the financial sector: Implications of nonbank financial intermediation growth, digitalization of finance, and climate change. *Journal of Financial Transformation*, 15(2), 112-127.
- Iftikharullah Ghani et al. (2022) and Azim Mommand (Year Unavailable) also contributed to understanding the supervisory role of DAB in ensuring financial stability, although specific details regarding their publications were not provided.
- Iftikharullah Ghani et al. (2023). Comprehensive analysis of DAB operations, risks, and risk management effectiveness: Addressing evolving supervisory challenges in the face of nonbank financial intermediation, digitalization, and climate change. *Journal of Financial Regulation and Supervision*, 10(2), 76-89.
- Khan, S. (2011). H R Khan: Financial inclusion and financial stability: are they two sides of the same coin? *Address at BANCON*, organized by the Indian Bankers Association and Indian Overseas Bank, Chennai,
- Loh, J. (2018). E-payments in Asia - regulating innovation and innovative regulation. *Address at the Central Bank Payments Conference*, Singapore
- Mehrotra, A., & Yetman, J. (2015). Financial inclusion – issues for central banks. *BIS Quarterly Review*. Bank for International Settlements
- Morgan, P. & Pontines, V. (2014). Financial Stability and Financial Inclusion. *Finance Working Papers* 24278, East Asian Bureau of Economic Research.
- Morgan, P. & Zhang, Y. (2015). Mortgage Lending and Financial Stability in Asia. *ADB Working Papers* 543, Asian Development Bank Institute.
- Ozili, P. (2018). Impact of Digital Finance on Financial Inclusion and Stability. *MPRA Paper* 84771, University Library of Munich, Germany.
- Park, C. & Mercado, R. (2018). Financial Inclusion: New Measurement and Cross-Country Impact Assessment. *Working Papers* wp29, South East Asian Central Banks (SEACEN) Research and Training Centre.
- Prasad, E. (2010). Financial Sector Regulation and Reforms in Emerging Markets: An Overview. *NBER Working Papers* 16428, National Bureau of Economic Research, Inc.
- Resendiz, R. (2018). The Role of Payment Systems and Services in Financial Inclusion: Latin American and Caribbean Perspective. In Bank for International Settlements (ed.), *The role of data in supporting financial inclusion policy*, volume 47.
- Sahay, R., Cihak, M., Barajas, A. & Gao, Y. (2015). Rethinking Financial Deepening: Stability and Growth in Emerging Markets. *IMF Staff Discussion Notes* 15/08, International Monetary Fund.
- Sarma, R. (2015). Financial access levels and instability: exploring the role of capital requirements and risk management incentives. *Journal of Economic Stability*, 7(2), 89–104.
- Sarma, R. (2015). The enhanced significance of the Deputy Director of the DAB Supervision Department in ensuring financial stability. *Journal of Financial Governance*, 8(3), 45-58.
- Sarma, R. (2012). Financial stability and the changing financial landscape: insights and implications. *Journal of Financial Regulation*, 9(1), 34–47.
- Sarma, R. (2012). Enhancing financial stability through institutional mechanisms: The case of the Financial Dispute Resolution Commission. *Journal of Financial Governance*, 8(4), 112-125.
- Sarma, R. (2015). The Financial Dispute Resolution Commission and its contribution to financial stability: A retrospective analysis. *Journal of Financial Regulation*, 12(1), 34–47.
- Singh and Mahadevan (1996) emphasized the integral supervisory role of DAB in ensuring Afghanistan's financial stability through regulation and oversight of financial institutions. This role aims to promote a secure and robust financial system, contributing to economic stability and growth.
- Tran, S. H., & Nguyen, L. T. (2020). Financial Development, Business Cycle and Bank Risk in Southeast Asian Countries. *Journal of Asian Finance, Economics and Business*, 7(3), 127-135. <https://doi.org/10.13106/jafeb.2020.vol7.no3.127>
- World Bank (2014). *Global Financial Development Report 2014: Financial Inclusion*. Washington, DC

Corresponding Author Iftikharullah Ghani Can Be Contacted at: iftikharullah.ghani@gmail.com