

The Role of Crisis Management in Preventing Bank Bankruptcies in Afghanistan

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ABSTRACT

Objective: This study aims to explain the role of crisis management in preventing bank bankruptcies in Afghanistan. Economic instability and multiple financial crises in the country have exposed banks to serious systemic risks, making the identification of preventive mechanisms essential.

Methodology: This research is applied in terms of purpose and descriptive-survey in nature and method. The statistical population included 650 managers and experts in the Afghan banking sector, from which 245 individuals were selected through simple random sampling using the Morgan table. The data collection instrument was a researcher-made questionnaire with a five-point Likert scale. Its content validity was confirmed by supervisors and advisors, and its reliability was calculated using Cronbach's alpha (crisis management: 0.841; bankruptcy: 0.911). Data analysis was performed using descriptive and inferential statistics (Kolmogorov-Smirnov test and linear regression) in SPSS software.

Findings: The results indicated that crisis management and its components—transparent communication ($\beta = 0.399$), prioritization of actions ($\beta = 0.496$), early problem identification ($\beta = 0.270$), and willingness to seek more support ($\beta = 1.129$)—have a significant effect on preventing bank bankruptcies in Afghanistan ($p < 0.05$). The coefficient of determination of the main model was calculated at 0.461.

Conclusion: Effective crisis management, particularly through strengthening transparent communication and willingness to seek more support, can serve as a preventive mechanism in reducing the probability of bank bankruptcies in Afghanistan. These findings emphasize the necessity of developing an indigenous framework for banking crisis management under unstable economic conditions.

Keywords: Crisis management, bank bankruptcy, transparent communication, early problem identification, Afghan banks.

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1. Introduction

The banking system, as the center of money and wealth circulation in any economy, plays a pivotal role in financing enterprises, facilitating commercial transactions, and implementing monetary policies. In developing countries facing economic instability, institutional weakness, and numerous external shocks, this role is more vital and, at the same time, more fragile. Afghanistan, as one of the most vulnerable economies in the region, has witnessed significant growth in the banking industry over the past two decades—an industry that has made valuable contributions to service provision, facilitating export and import requirements, and improving commercial affairs (Nasiri, 2020). However, this industry has always struggled with structural challenges and numerous crises.

Bank bankruptcy is a more complex phenomenon than the bankruptcy of other economic enterprises. The reason for this complexity lies in the specific nature of banking activities and their close ties with the entire economic system. The occurrence of suspension or bankruptcy in one bank, through the systemic risk mechanism, can quickly spread to other banks and even the entire economy, creating monetary, financial, and in some cases, political and security crises (Molin & Ingves, 2008). A review of global experience shows that advanced monetary systems have designed specific mechanisms to deal with the phenomenon of bank suspension and bankruptcy—mechanisms whose primary goal is to prevent bankruptcy and, if it occurs, to minimize its economic and social costs (Bliss & Kaufman, 2007).

In Afghanistan, the phenomenon of bank bankruptcy has not yet been a primary priority for policymakers in the country's monetary sector. Available evidence indicates that not only are laws and regulations in this area facing serious weaknesses, but the supervisory institution has also not performed optimally in its supervisory and regulatory role (Farajzadeh & Taghavi, 2022). The experience of Kabul Bank, as one of Afghanistan's largest financial scandals, demonstrates that weak banking supervision, organized corruption, and political connections can lead to the looting of banking resources and ultimately the suspension of its activities. Meanwhile, other private banks in Afghanistan, due to concentrated investments and credit risks, are also exposed to serious vulnerabilities.

Crisis management, as a set of measures and processes used in crisis situations to control and mitigate their effects, can play a decisive role in preventing bank bankruptcies (Avgouleas, 2009). This concept is of double importance in Afghanistan's banking industry, given the numerous challenges in the country. Effective crisis management in banks can effectively counter potential risks and crises and prevent temporary problems from turning into complete bankruptcy. Among these, components such as transparent communication, prioritization of actions, early problem identification, and willingness to seek more support are recognized as fundamental pillars of crisis management (Fendereski et al., 2015).

Transparent communication, as the first component, includes accurate and timely transfer of data, effective communication with stakeholders, and providing guidance on critical issues. This component strengthens trust among managers, employees, and customers and helps make effective decisions. Prioritization of actions, as the second component, requires the bank's

ability to rank problems based on importance and urgency and optimally allocate resources. Early problem identification, the third component, includes the use of warning systems, continuous monitoring of financial performance, and risk analysis. Willingness to seek more support, the fourth component, refers to seeking support resources from government institutions, international organizations, and other banks (Fendereski et al., 2015).

Despite the theoretical and practical importance of this issue, limited empirical research has examined the relationship between crisis management and preventing bank bankruptcies in the context of Afghanistan. There is a clear research gap in this area, particularly regarding how crisis management components can act as preventive mechanisms under Afghanistan's unstable economic and political conditions. The present study aims to fill this gap by answering the following main question: Do crisis management and its components (transparent communication, prioritization of actions, early problem identification, and willingness to seek more support) have a significant effect on preventing bank bankruptcies in Afghanistan?

2. Theoretical Foundations and Literature Review

2.1. Theoretical Framework

2.1.1. Bank Bankruptcy and Its Distinction from Suspension

Bank bankruptcy is a phenomenon distinct from the bankruptcy of other economic enterprises. The main distinction lies in the specific nature of banking activities and their close ties with the entire economic system. The occurrence of suspension or bankruptcy in one bank, through the systemic risk mechanism, can quickly spread to other banks and the entire economy, creating monetary, financial, and in some cases, political and security crises (Molin & Ingves, 2008). A review of global experience shows that advanced monetary systems have designed specific mechanisms to deal with the phenomenon of bank suspension and bankruptcy, the primary goal of which is to prevent bankruptcy and, if it occurs, to minimize its economic and social costs (Bliss & Kaufman, 2007).

In financial literature, three concepts—"bankruptcy," "suspension," and "bank failure"—are distinguished from one another. Bankruptcy refers to a specific financial condition in which a bank is unable to repay its debts, and its legal process begins with a petition by the debtor or creditor. Suspension is a condition in which a bank is unable to fulfill its obligations but may be resolved through an economic plan or injection of external resources. Bank failure is the final step in the resolution process, where no other option exists for the suspension problem (Schooner & Taylor, 2009). Accordingly, three types of suspension can be identified: balance sheet suspension, in which the bank's obligations exceed its assets; liquidity suspension, which refers to the bank's inability to fulfill current obligations; and regulatory suspension, which arises from the bank's failure to implement laws and supervisory regulations.

2.1.2. The Special Importance of Bank Bankruptcy Compared to Other Institutions

Banks enjoy a special position in the monetary system due to their central role in financing and money circulation. However, it is possible that a bank, due to its own performance or

susceptibility to national or international economic conditions, may face a situation where, in the absence of necessary intervention, the termination of its activities becomes highly probable. The occurrence of this phenomenon in global monetary systems is met with high sensitivity, as the systemic risk consequences associated with it can have destructive effects on the entire monetary and financial system of countries and lead to monetary crises (Molin & Ingves, 2008).

Three main reasons can be identified for the special importance of bank bankruptcy compared to other commercial institutions. First, **the importance of banks' transaction accounts** for gaining public confidence; banks accept obligations in the form of deposits that are repayable upon demand. Consequently, the mismatch between assets and liabilities resulting from a sharp decrease in deposits makes banks vulnerable to compromised liquidity power. Second, **the role of banks as liquidity providers for other institutions**; banks' credit decisions affect the entire system, and a bank's ability to provide liquidity when other economic system pillars are unable to do so is crucial for the entire economic system. Third, **the role of banks as the transmission belt of monetary policy**; banks are positioned in the central bank's monetary transmission mechanism and perform their regulatory functions through policymaking regarding money supply, allocation of bank credits and their costs, and exchange rates (Schooner & Taylor, 2009).

2.1.3. Criteria for Determining Bank Status and Its Distance from Bankruptcy

Various criteria have been defined to determine a bank's status and its distance from bankruptcy. **Capital adequacy**, as the most important financial ratio, provides an appropriate assessment of the bank's status against periodic crises. According to Basel Committee principles, this ratio equals the ratio of base capital to risk-weighted assets. A low ratio outside the standard range indicates that the bank's capital cannot cover the risk arising from its activities, causing any damage from banking activities to be transferred to depositors (Basel Committee on Banking Supervision, 2015).

Asset quality is measured based on risk and liquidity and indicates the bank's ability to perform appropriate activities and acquire returnable assets. One of the most important asset items for financial institutions is the amount of non-performing loans. The higher the amount of these loans, especially the third type—doubtful receivables—the more it signifies asset lock-up and capital burn. Therefore, with reduced capital, the bank must focus on attracting new deposits to continue its activities, increasing the bank's fragility and risk (Laeven & Valencia, 2020).

Liquidity quality is important because it shows the extent to which a bank has cash assets and easily accessible financial resources to meet its obligations. The lower the liquidity quality, the higher the bank's liquidity risk and the greater the financial crisis risk. Three indicators—cash asset to deposit ratio, deposit retention ratio, and volatility coverage—provide a good picture of banks' liquidity quality (Evans et al., 2000).

2.1.4. Crisis Management and Its Components

Crisis management, as a set of measures and processes used in crisis situations to control and mitigate their effects, can play a decisive role in preventing bank bankruptcies (Avgouleas,

2009). This concept is of double importance in the banking industry, given the numerous challenges in developing countries. Effective crisis management in banks can effectively counter potential risks and crises and prevent temporary problems from turning into complete bankruptcy.

In this study, crisis management components are conceptualized in four dimensions based on the Fendereski et al. (2015) model:

Transparent communication includes accurate and timely transfer of data, effective communication with stakeholders, and providing guidance on critical issues. This component strengthens trust among managers, employees, and customers and helps make effective decisions (Fendereski et al., 2015). **Prioritization of actions** requires the bank's ability to rank problems based on importance and urgency and optimally allocate resources, including prioritizing financial problem resolution, managing key risks, and providing appropriate financial and human resources to counter the crisis (Fendereski et al., 2015). **Early problem identification** includes the use of warning systems, continuous monitoring of financial performance, and risk analysis. By identifying problems early, banks can react quickly and take appropriate measures to prevent crises (Avgouleas, 2009). **Willingness to seek more support** refers to seeking support resources from government institutions, international organizations, and other banks, including financial facilities, specialized consulting, practical guidance, and sharing resources and experiences (Fendereski et al., 2015).

2.1.5. The Role of the Central Bank in Banking Crisis Management

The central bank, as the supervisory and regulatory institution of the monetary sector, plays a pivotal role in managing banking crises. One of the central bank's key tools in this regard is **emergency liquidity assistance** to troubled banks. In theory, emergency liquidity support should only be provided to illiquid but solvent institutions; however, distinguishing between these two concepts, especially during crisis periods, is problematic for central banks (Tucker, 2014). The central bank can provide emergency liquidity over a short period when no other financial source is readily available. What the central bank should not do is provide long-term loans and commitments without explicit approval from the fiscal authority (Tucker, 2014).

The first line of defense against a banking crisis is liquidity support. Central banks provide liquidity when no other liquidity source is readily available. Then, capital provision is the government's responsibility (Tucker, 2014). In crisis conditions, monetary authorities may resort to blanket guarantees for all bank obligations. The exact form of these guarantees varies and can be implicit or even formal guarantees stipulated in law. An important factor in the success of blanket guarantees is their credibility (Tucker, 2014).

2.1.6. Theoretical Framework of the Research

The theoretical framework of this research is based on the premise that combining the four components of crisis management (transparent communication, prioritization of actions, early problem identification, and willingness to seek more support) with crisis management strategies and measures leads to increased confidence, stability, and sustainable financial performance in

banks. Consequently, attention to crisis management as an essential tool in the banking industry is necessary to prevent bank bankruptcies and ensure the strength and stability of this industry.

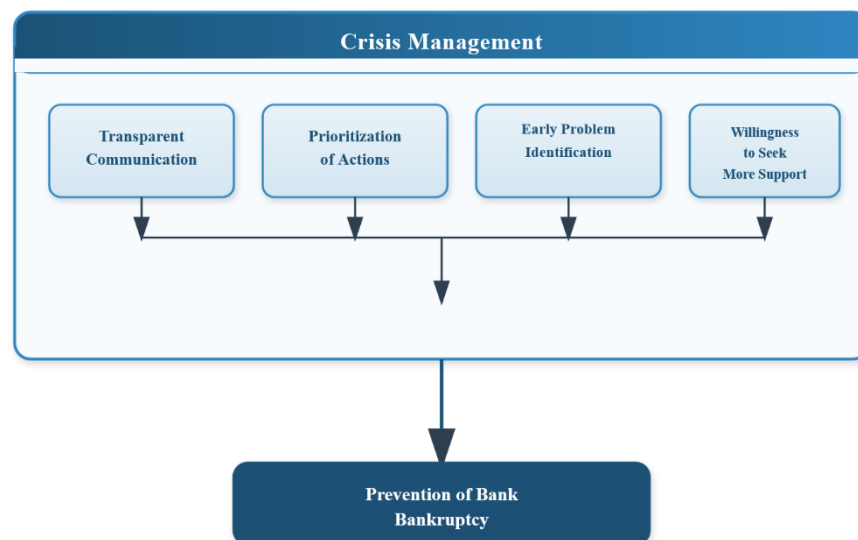


Figure 1. Conceptual Model of the Research

Source: Fendereski et al. (2015)

Accordingly, the research hypotheses were formulated as follows:

- **Main Hypothesis:** Crisis management has a significant effect on preventing bank bankruptcies in Afghanistan.
- **Sub-hypothesis 1:** Transparent communication has a significant effect on preventing bank bankruptcies in Afghanistan.
- **Sub-hypothesis 2:** Prioritization of actions has a significant effect on preventing bank bankruptcies in Afghanistan.
- **Sub-hypothesis 3:** Early problem identification has a significant effect on preventing bank bankruptcies in Afghanistan.
- **Sub-hypothesis 4:** Willingness to seek more support has a significant effect on preventing bank bankruptcies in Afghanistan.

2.2. Research Background

Numerous empirical studies have examined factors affecting bank bankruptcy and the role of crisis management in this context. Goli (2022) using a panel approach showed that bank cost and size have a negative and significant effect on the probability of bankruptcy, while the ratio of credits to assets, cash to deposits, GDP, and deposits to debt have a positive and significant effect on this probability. Farajzadeh and Taghavi (2022) demonstrated that bankruptcy risk strengthens the negative effect of financialization on employee payments in banks. Fazlollahi (2021), examining the relationship between risk management, major shareholder power, and corporate governance, emphasized the necessity of endogenizing corporate governance policies in banks. Nasiri (2020) in a study of Kabul banks showed that managerial communication

capabilities and marketing innovation affect bank competitiveness through the mediating role of customer value creation. Asghari (2016), investigating the impact of banking industry expansion on Afghanistan's financial development, found that bank capital, physical presence of banks, and electronic banking stimulate financial development in the long run. Mohammadi (2017) concluded that the set of laws and their enforcement, as well as financing, are among the most important institutional factors affecting entrepreneurial activity development in Afghanistan.

In international research, Ayoola et al. (2015) using the Cox proportional hazards model in Nigerian banks showed that banks with higher non-performing loan ratios and higher operating expense to total asset ratios have a higher probability of bankruptcy. Lee et al. (2014) in a study of U.S. banks after the 2008 crisis found that customer non-performing loans increase bankruptcy probability more than other variables, and large banks are more at risk of bankruptcy. Samad (2012) using a probit model showed that credit risk indicators explain 76% of the probability of bankruptcy in U.S. banks. Tatum (2012), using the CAMELS rating system and macroeconomic variables, identified total assets, energy price index, exchange rate, and interest rate margin as factors affecting bank bankruptcy. Zaghdoudi (2013) using a logit regression model in Tunisian banks showed that operating income coefficients, bank profits, and leverage ratio have a negative relationship with bankruptcy probability. Asif Khan et al. (2013), comparing Islamic banks in Malaysia and Pakistan, showed that Malaysian banks are more exposed to bankruptcy risk due to declining leverage ratios and weak resource attraction.

A review of the background shows that various models—including multiple discriminant analysis, logit, probit, and hazard models—have been used in empirical studies to predict bankruptcy. The results indicate that asset quality and liquidity quality are the most important indicators affecting bankruptcy, with management quality and profitability indicators ranking next (Laeven & Valencia, 2020). However, in the context of Afghanistan, there is a clear research gap. Studies conducted in this country have mainly focused on financial development, entrepreneurship, and bank competitiveness, with less attention to the relationship between crisis management and preventing bank bankruptcies. Recent studies indicate that Afghan banks face severe liquidity shortages due to reduced economic activity, limited access to cash, weak institutional capacity, and declining public trust in the financial system (World Bank, 2023). This structural liquidity crisis has pushed several banks to the brink of bankruptcy and increased the risk of systemic banking failure. The present study aims to fill this gap by answering the following main question: **Do crisis management and its components (transparent communication, prioritization of actions, early problem identification, and willingness to seek more support) have a significant effect on preventing bank bankruptcies in Afghanistan?**

3. Methodology

3.1. Research Type and Method

This research is applied in terms of purpose, as its results can be used in the regulatory policymaking of the Central Bank of Afghanistan and the design of preventive mechanisms in the country's commercial banks. In terms of nature and method, this research is descriptive-survey. In descriptive-survey research, the researcher describes the conditions or phenomena under study and, through data collection from a sample of the population, analyzes the relationships between variables (Sarmad et al., 2009). This study seeks to explain the role of crisis management and its components in preventing bank bankruptcies in Afghanistan and, from this perspective, has an explanatory-correlational nature.

3.2. Statistical Population

The statistical population of this research includes all managers and experts in the Afghan banking sector. Based on the statistics presented in the thesis, this number is estimated at 650 individuals. This population includes senior managers, middle managers, and expert professionals working in public and private banks in Afghanistan who are familiar with crisis management, risk management, and banking supervision processes.

3.3. Sample Size and Sampling Method

The Morgan table was used to determine the sample size. According to this table, for a statistical population of 650 individuals, the sample size was determined to be 245. The sampling method in this research is simple random sampling. In this method, each member of the population has an equal chance of being selected, and the selection of individuals is performed completely randomly (Hafeznia, 2008). This sampling method facilitates the generalizability of results to the statistical population.

3.4. Data Collection Instrument

The data collection instrument in this research is a researcher-made questionnaire. This questionnaire consists of two main sections:

Section One: Demographic Questions. This section includes general information about respondents such as age, gender, education level, and years of service. This information is used to describe the research sample and examine the potential effect of demographic variables on the main research variables.

Section Two: Specialized Questions. This section includes items related to the research variables, designed based on a five-point Likert scale (from 1 = strongly disagree to 5 = strongly agree). The crisis management questionnaire contains 18 items, with its four components as follows:

- Transparent Communication: 5 items (items 1 to 5)
- Prioritization of Actions: 5 items (items 6 to 10)
- Early Problem Identification: 5 items (items 11 to 15)
- Willingness to Seek More Support: 3 items (items 16 to 18)

The bank bankruptcy questionnaire also contains 15 items measured on a five-point Likert scale.

3.5. Validity and Reliability of the Research Instrument

Content Validity: To ensure the content validity of the questionnaire, the instrument was provided to supervisors and advisors to express their opinions regarding the dimensions and indicators of the model. Ultimately, after review by these individuals, the validity of the questionnaires was confirmed. Content validity involves the subjective judgment of an expert regarding the appropriateness of the measurement; in other words, the expert judges whether the data collection instrument measures what the researcher intends to measure (Sarmad et al., 2009).

Reliability: Cronbach's alpha coefficient was used to calculate the reliability of the questionnaires. This method is used to calculate the internal consistency of measurement instruments, including questionnaires or tests that measure various characteristics. A value of zero for this coefficient indicates unreliability, and +1 indicates complete reliability (Sarmad et al., 2009). The reliability calculation results are presented in Table 1.

Table 1. Cronbach's Alpha Test Results for Research Variables

Variable	Number of Items	Cronbach's Alpha Coefficient
Crisis Management	18	0.841
Transparent Communication	5	0.796
Prioritization of Actions	5	0.841
Early Problem Identification	5	0.802
Willingness to Seek More Support	3	0.914
Bank Bankruptcy	15	0.911

Source: Research findings

As shown in Table 1, all research variables have Cronbach's alpha coefficients above 0.7. The standard value of this coefficient should be between 0.7 and 1, and the closer this value is to one, the more reliable the research questionnaire is.

3.6. Data Analysis Method

In this research, two levels of descriptive and inferential statistics were used to analyze the data. At the descriptive statistics level, frequency distribution tables, percentages, and charts were used to examine the demographic characteristics of respondents and describe the research variables. At the inferential statistics level, the Kolmogorov-Smirnov test was first used to examine the normality of data distribution. Then, given the normality of variable distribution, linear regression was used to test the research hypotheses. All analyses were performed using SPSS software.

Normality Test of Variables: To examine the hypotheses, the Kolmogorov-Smirnov test was first used to demonstrate the data distribution. The results of this test are presented in Table 2.

Table 2. Normality Test Results (Kolmogorov-Smirnov)

Variable	Statistic Value	Significance Level	Result
Crisis Management	0.954	0.05	Data is normal
Transparent Communication	0.432	0.05	Data is normal
Prioritization of Actions	0.265	0.05	Data is normal
Early Problem Identification	0.362	0.05	Data is normal
Willingness to Seek More Support	0.124	0.05	Data is normal
Bank Bankruptcy	0.412	0.05	Data is normal

Source: Research findings

As shown in Table 2, all variables have a normal distribution because their significance levels are higher than the standard value of 0.05. Therefore, parametric tests should be used to test the hypotheses.

3.7. Ethical Considerations

In this research, the following ethical principles were observed: First, all respondents participated voluntarily, and informed consent was obtained from them. Second, the collected information was kept confidential, and the identity of respondents was not disclosed. Third, the data were used only for research purposes and were not provided to any other institution. Fourth, in data analysis, scientific integrity was observed, and no data manipulation was performed.

3.8. Research Limitations

This research faced limitations that should be considered in interpreting the results. First, **data access limitation**: Due to the confidentiality of banks' financial information and the non-publication of audited financial statements by some banks, access to accurate and up-to-date data was limited. Second, **limited access to bank managers and experts**: Given Afghanistan's security and political conditions and communication constraints, access to some senior bank managers for interviews and data collection was difficult. Third, **sample size**: Although the sample size of 245 was determined based on the Morgan table, this is less than the optimal Cochran formula (384) for large populations. However, given the existing limitations, this sample size is defensible. Fourth, **spatial and temporal limitations**: This research was conducted only in Afghan banks during the period 2022–2023, and generalization of results to other countries or time periods should be done with caution.

4. Findings

4.1. Descriptive Statistics

4.1.1. Description of Respondents' Demographic Characteristics

Data collected from 245 completed questionnaires were analyzed in terms of demographic characteristics, including age, gender, education level, and years of service. Table 3 shows the frequency distribution of respondents' age.

Table 3. Frequency Distribution of Respondents' Age

Age Group	Frequency	Percentage
Under 30 years	118	48

Age Group	Frequency	Percentage
31 to 40 years	62	25
41 to 50 years	44	18
Over 50 years	21	9
Total	245	100

Source: Research findings

According to Table 3, the highest frequency belongs to the under-30 age group with 118 individuals (48%), and the lowest frequency belongs to the over-50 age group with 21 individuals (9%). This distribution indicates that a significant portion of Afghanistan's banking managers and experts are young professionals.

Table 4. Frequency Distribution of Respondents' Gender

Gender	Frequency	Percentage
Male	178	72
Female	67	28
Total	245	100

Source: Research findings

According to Table 4, 178 respondents (72%) were male, and 67 (28%) were female. This distribution reflects the lower presence of women in managerial levels of Afghan banks.

Table 5. Frequency Distribution of Respondents' Education Level

Education Level	Frequency	Percentage
Diploma and Associate	66	27
Bachelor's	142	58
Master's and above	37	15
Total	245	100

Source: Research findings

According to Table 5, 142 respondents (58%) held a bachelor's degree, and 37 (15%) held a master's degree or higher. This distribution indicates an appropriate education level among Afghanistan's banking managers and experts.

Table 6. Frequency Distribution of Respondents' Years of Service

Years of Service	Frequency	Percentage
5 years or less	108	44
6 to 10 years	36	15
11 to 15 years	21	8
Over 15 years	80	33
Total	245	100

Source: Research findings

According to Table 6, 108 respondents (44%) had less than 5 years of service, and 80 (33%) had over 15 years of service. The lowest frequency belongs to the 11–15 year category with 21 individuals (8%).

4.1.2. Description of Research Variables

Table 7 provides a summary description of data for each crisis management and bank bankruptcy variable, including minimum, maximum, mean, and standard deviation.

Table 7. Descriptive Statistics for Each Variable

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Crisis Management	245	2.42	4.71	3.59	0.455
Transparent Communication	245	2.25	4.88	3.63	0.583
Prioritization of Actions	245	2.25	5.00	3.66	0.531
Early Problem Identification	245	2.12	4.75	3.48	0.514
Willingness to Seek More Support	245	3.05	4.75	4.19	0.362
Bank Bankruptcy	245	2.52	4.81	3.69	0.459

Source: Research findings

According to Table 7, the mean of crisis management is 3.59 with a standard deviation of 0.455. Among the crisis management components, willingness to seek more support has the highest mean (4.19), while early problem identification has the lowest mean (3.48). The mean of bank bankruptcy is 3.69 with a standard deviation of 0.459.

4.2. Inferential Statistics

4.2.1. Normality Test of Variables

To examine the hypotheses, the Kolmogorov-Smirnov test was first used to demonstrate data distribution. The results are presented in Table 8.

Table 8. Normality Test Results (Kolmogorov-Smirnov)

Variable	Statistic	Sig. Level	Result
Crisis Management	0.954	0.05	Data is normal
Transparent Communication	0.432	0.05	Data is normal
Prioritization of Actions	0.265	0.05	Data is normal
Early Problem Identification	0.362	0.05	Data is normal
Willingness to Seek More Support	0.124	0.05	Data is normal
Bank Bankruptcy	0.412	0.05	Data is normal

Source: Research findings

As shown in Table 8, all variables have a normal distribution because their significance levels are higher than the standard value of 0.05. Therefore, parametric tests should be used to test the hypotheses.

4.2.2. Testing the Main Hypothesis

Main Hypothesis: Crisis management has a significant effect on preventing bank bankruptcies in Afghanistan.

To examine the effect, regression model fit was analyzed. Table 9 shows the model adequacy indicators.

Table 9. Regression Model Fit Between Crisis Management and Prevention of Bank Bankruptcies

Correlation Coefficient	R ²	Adjusted R ²	Std. Error
0.679	0.461	0.456	0.447

Source: Research findings

The correlation between independent and dependent variables is 0.679. The coefficient of determination is 0.461, indicating that 46.1% of the variance in preventing bank bankruptcies is explained by crisis management. Since this value does not consider degrees of freedom, the adjusted R² is used, which is 45.6%. Given these indicators, the model has adequate fit.

Table 10. Regression Equation for Prevention of Bank Bankruptcy

Model	Unstandardized B	Std. Error	Standardized Beta	T	Sig.
Constant	-0.438	0.478	—	-0.916	0.000
Crisis Management	1.150	0.114	0.679	10.16	0.000

Dependent Variable: Prevention of Bank Bankruptcy

Source: Research findings

The regression equation can be calculated as follows:

$$\text{Prevention of Bank Bankruptcies} = -0.438 + (1.150) \text{ Crisis Management}$$

This means that a one-unit increase in crisis management leads to a 1.150 standard deviation increase in preventing bank bankruptcies. The significance level for the independent variable is 0.000, confirming the main hypothesis.

4.2.3. Testing Sub-hypothesis 1

Sub-hypothesis 1: Transparent communication has a significant effect on preventing bank bankruptcies in Afghanistan.

Table 11. Regression Model Fit Between Transparent Communication and Prevention of Bank Bankruptcies

Correlation Coefficient	R ²	Adjusted R ²	Std. Error
0.349	0.122	0.114	0.570

Source: Research findings

The correlation is 0.349, and the coefficient of determination is 0.122, indicating that 12.2% of the variance in preventing bank bankruptcies is explained by transparent communication.

Table 12. Regression Equation for Prevention of Bank Bankruptcies

Model	Unstandardized B	Std. Error	Standardized Beta	T	Sig.
Constant	2.750	0.407	—	6.750	0.000
Transparent Communication	0.399	0.098	0.349	4.09	0.000

Dependent Variable: Prevention of Bank Bankruptcies

Source: Research findings

$$\text{Prevention of Bank Bankruptcies} = 2.750 + (0.399) \text{ Transparent Communication}$$

The significance level of 0.000 confirms sub-hypothesis 1.

4.2.4. Testing Sub-hypothesis 2

Sub-hypothesis 2: Prioritization of actions has a significant effect on preventing bank bankruptcies in Afghanistan.

Table 13. Regression Model Fit Between Prioritization of Actions and Prevention of Bank Bankruptcies

Correlation Coefficient	R ²	Adjusted R ²	Std. Error
0.454	0.207	0.200	0.542

Source: Research findings

The correlation is 0.454, and the coefficient of determination is 0.207, indicating that 20.7% of the variance is explained by prioritization of actions.

Table 14. Regression Equation for Prevention of Bank Bankruptcies

Model	Unstandardized B	Std. Error	Standardized Beta	T	Sig.
Constant	2.270	0.382	—	5.950	0.000
Prioritization of Actions	0.496	0.088	0.454	5.61	0.000

Dependent Variable: Prevention of Bank Bankruptcies

Source: Research findings

Prevention of Bank Bankruptcies = 2.270 + (0.496) Prioritization of Actions

The significance level of 0.000 confirms sub-hypothesis 2.

4.2.5. Testing Sub-hypothesis 3

Sub-hypothesis 3: Early problem identification has a significant effect on preventing bank bankruptcies in Afghanistan.

Table 15. Regression Model Fit Between Early Problem Identification and Prevention of Bank Bankruptcies

Correlation Coefficient	R ²	Adjusted R ²	Std. Error
0.250	0.063	0.055	0.589

Source: Research findings

The correlation is 0.250, and the coefficient of determination is 0.063, indicating that 6.3% of the variance is explained by early problem identification.

Table 16. Regression Equation for Prevention of Bank Bankruptcies

Model	Unstandardized B	Std. Error	Standardized Beta	T	Sig.
Constant	3.300	0.381	—	8.73	0.005
Early Problem Identification	0.270	0.095	0.250	2.84	0.005

Dependent Variable: Prevention of Bank Bankruptcies

Source: Research findings

Prevention of Bank Bankruptcies = 3.300 + (0.270) Early Problem Identification

The significance level of 0.005 confirms sub-hypothesis 3.

4.2.6. Testing Sub-hypothesis 4

Sub-hypothesis 4: Willingness to seek more support has a significant effect on preventing bank bankruptcies in Afghanistan.

Table 17. Regression Model Fit Between Willingness to Seek More Support and Prevention of Bank Bankruptcies

Correlation Coefficient	R ²	Adjusted R ²	Std. Error
0.852	0.726	0.724	0.724

Source: Research findings

The correlation is 0.852, and the coefficient of determination is 0.726, indicating that 72.6% of the variance is explained by willingness to seek more support.

Table 18. Regression Equation for Prevention of Bank Bankruptcy

Model	Unstandardized B	Std. Error	Standardized Beta	T	Sig.
Constant	-0.533	0.277	—	-1.924	0.000
Willingness to Seek More Support	1.129	0.063	0.852	17.91	0.000

Dependent Variable: Prevention of Bank Bankruptcies

Source: Research findings

Prevention of Bank Bankruptcies = -0.533 + (1.129) Willingness to Seek More Support

The significance level of 0.000 confirms sub-hypothesis 4.

4.2.7. Summary of Hypothesis Testing Results

Table 19 summarizes the results of hypothesis testing.

Table 19. Summary of Hypothesis Testing Results

Hypothesis	Independent Variable	Correlation	R ²	Beta	Sig.	Result
Main	Crisis Management	0.679	0.461	0.679	0.000	Confirmed
Sub 1	Transparent Communication	0.349	0.122	0.349	0.000	Confirmed
Sub 2	Prioritization of Actions	0.454	0.207	0.454	0.000	Confirmed
Sub 3	Early Problem Identification	0.250	0.063	0.250	0.005	Confirmed
Sub 4	Willingness to Seek More Support	0.852	0.726	0.852	0.000	Confirmed

Source: Research findings

As shown in Table 19, all research hypotheses were confirmed at a significance level of 0.05. The strongest effect belongs to willingness to seek more support ($\beta = 0.852$), and the weakest effect belongs to early problem identification ($\beta = 0.250$).

5. Discussion and Conclusion

5.1. Introduction

This section is dedicated to interpreting the research findings, comparing the results with empirical background, presenting theoretical and practical implications, stating limitations, and suggesting future research. The main objective of the research was to explain the role of crisis management in preventing bank bankruptcies in Afghanistan. The findings from the regression analysis showed that crisis management and all four of its components have a significant effect on preventing bank bankruptcies. In the following, these findings are discussed and interpreted in detail.

5.2. Interpretation of Demographic Findings

Descriptive findings showed that 48% of respondents were under 30 years old and 58% held a bachelor's degree. This distribution indicates that the human resources employed at managerial levels in Afghan banks are predominantly young and educated. On the one hand, this situation can be an opportunity for implementing modern crisis management policies, as young forces are generally receptive to changes and new technologies. On the other hand, the low years of service of 44% of respondents (less than 5 years) may indicate a lack of sufficient experience in dealing with complex banking crises. This finding is consistent with the results of Nasiri (2020), which showed that human capital cannot play a role in explaining financial development in the short term but can be effective in the long term.

5.3. Interpretation of Findings Related to the Main Hypothesis

The research findings showed that crisis management, with a correlation coefficient of 0.679 and a coefficient of determination of 0.461, has a significant effect on preventing bank bankruptcies in Afghanistan. This means that 46.1% of the variance in preventing bank bankruptcies is explained by crisis management. The regression equation showed that a one-

unit increase in crisis management leads to a 1.150 standard deviation increase in preventing bank bankruptcies.

This finding is consistent with the results of Goli (2022), which showed that bank cost and size have a negative and significant effect on the probability of bankruptcy. It also aligns with the findings of Farajzadeh and Taghavi (2022) regarding the significant effect of bankruptcy risk on banks' financial relationships. In explaining this finding, it can be said that effective crisis management in banks, through timely risk identification, optimal resource allocation, and effective communication, can prevent temporary problems from turning into complete bankruptcy. This result is consistent with the theoretical framework of the research, which was developed based on the Fendereski et al. (2015) model.

At the international level, this finding is consistent with the results of Ayoola et al. (2015), which showed that banks with higher non-performing loan ratios and higher operating expense to total asset ratios have a higher probability of bankruptcy. It also aligns with the findings of Lee et al. (2014) regarding the effect of non-performing loans on increasing the probability of bank bankruptcy. Effective crisis management can prevent the accumulation of these loans and, ultimately, bank bankruptcy through continuous monitoring of non-performing loans and timely corrective actions.

5.4. Interpretation of Findings Related to Sub-hypotheses

5.4.1. Transparent Communication

The findings showed that transparent communication, with a standardized coefficient of 0.349 and a coefficient of determination of 0.122, has a significant effect on preventing bank bankruptcies. This means that 12.2% of the variance in preventing bank bankruptcies is explained by transparent communication. A one-unit increase in transparent communication leads to a 0.399 standard deviation increase in preventing bank bankruptcies.

This finding is consistent with the results of Nasiri (2020), which showed that managerial communication capabilities directly affect customer value creation and indirectly affect bank competitiveness. In explaining this finding, it can be said that transparent and accurate communication strengthens trust among managers, employees, customers, and regulatory institutions and helps make effective decisions in crisis conditions. A bank that can provide accurate and timely information to stakeholders can prevent depositor runs and the intensification of the liquidity crisis. This result is consistent with Tucker's (2014) theory regarding the importance of credibility in the success of banking guarantees.

5.4.2. Prioritization of Actions

The findings showed that prioritization of actions, with a standardized coefficient of 0.454 and a coefficient of determination of 0.207, has a significant effect on preventing bank bankruptcies. This means that 20.7% of the variance in preventing bank bankruptcies is explained by prioritization of actions. A one-unit increase in prioritization of actions leads to a 0.496 standard deviation increase in preventing bank bankruptcies.

This finding is consistent with the results of Fazlollahi (2021), which emphasized the necessity of endogenizing corporate governance policies in banks. In explaining this finding, it can be said that in crisis conditions, bank resources are limited, and managers must be able to rank problems based on importance and urgency and allocate resources in the most optimal way. A bank lacking a prioritization system may waste its resources on low-priority areas and face shortages in critical areas. This result is consistent with the findings of Zaghdoudi (2013) regarding the effect of financial ratios on the probability of bank bankruptcy.

5.4.3. Early Problem Identification

The findings showed that early problem identification, with a standardized coefficient of 0.250 and a coefficient of determination of 0.063, has a significant effect on preventing bank bankruptcies. This means that 6.3% of the variance in preventing bank bankruptcies is explained by early problem identification. A one-unit increase in early problem identification leads to a 0.270 standard deviation increase in preventing bank bankruptcies.

This finding is consistent with the results of Samad (2012), which showed that credit risk indicators explain 76% of the probability of bankruptcy in U.S. banks. In explaining this finding, it can be said that banks with strong warning systems and continuous monitoring of financial performance can identify early signs of crisis and take necessary corrective actions before problems escalate. This result is consistent with Avgouleas's (2009) theory regarding the role of crisis management in controlling and mitigating crisis effects. However, the low coefficient of determination of this variable (0.063) indicates that early problem identification alone cannot guarantee bankruptcy prevention and must be considered in combination with other crisis management components.

5.4.4. Willingness to Seek More Support

The findings showed that willingness to seek more support, with a standardized coefficient of 0.852 and a coefficient of determination of 0.726, has a significant effect on preventing bank bankruptcies. This means that 72.6% of the variance in preventing bank bankruptcies is explained by willingness to seek more support. A one-unit increase in willingness to seek more support leads to a 1.129 standard deviation increase in preventing bank bankruptcies.

This finding is consistent with the results of Mohammadi (2017), which showed that financing is one of the most important institutional factors affecting economic activity development in Afghanistan. In explaining this finding, it can be said that in crisis conditions, banks cannot handle problems alone and need support from government institutions, international organizations, and other banks. A bank that can create a stronger support network will be more resilient in facing liquidity and credit crises. The highest effect coefficient among crisis management components belongs to this variable, indicating the critical importance of external support in Afghanistan's unstable economic conditions. This result is consistent with Tucker's (2014) theory regarding the role of the central bank in providing emergency liquidity assistance and blanket guarantees.

5.5. Comparison with Research Background

A comparison of the present research findings with empirical background shows that the results are consistent with previous studies in many cases. Table 20 summarizes the comparison of research findings with the most important domestic and international studies.

Table 20. Comparison of Research Findings with Empirical Background

Study	Variables Examined	Main Finding	Consistency
Goli (2022)	Cost, bank size, credits, liquidity	Significant effect on bankruptcy probability	Consistent
Farajzadeh & Taghavi (2022)	Bankruptcy risk, financialization, employee payments	Significant effect of bankruptcy risk	Consistent
Fazlollahi (2021)	Risk management, corporate governance	Necessity of policy endogenization	Consistent
Nasiri (2020)	Communication capability, marketing innovation	Significant effect on competitiveness	Consistent
Ayoola et al. (2015)	Non-performing loans, operating expenses	Significant effect on bankruptcy	Consistent
Lee et al. (2014)	Non-performing loans, interest rate risk	Significant effect on bankruptcy	Consistent
Samad (2012)	Credit risk	Explains 76% of bankruptcy probability	Consistent
Tatum (2012)	CAMELS, macroeconomic variables	Significant effect on bankruptcy	Consistent
Zaghdoudi (2013)	Financial ratios	Negative effect on bankruptcy probability	Consistent

Source: Research findings

As shown in Table 20, the findings of the present study are consistent with the results of most previous studies. However, the distinguishing feature of this research is the simultaneous examination of four crisis management components in the context of Afghan banking, which has not been addressed in this form in domestic and international research. Furthermore, by identifying willingness to seek more support as the strongest crisis management component ($\beta = 0.852$), the present study shows that in Afghanistan's unstable economic conditions, external support networks play a more critical role than other components.

5.6. Final Research Model

Based on the regression analysis findings, the final research model with standardized path coefficients is presented in Figure 2. This figure shows that crisis management and all four of its components have a significant effect on preventing bank bankruptcies, with the magnitude of these effects specified by standardized coefficients.

As shown in Figure 2, all paths from independent variables to the dependent variable are significant. The coefficient of determination of the main model ($R^2 = 0.461$) indicates that 46.1% of the variance in preventing bank bankruptcies is explained by crisis management. Among the components, willingness to seek more support with a standardized coefficient of 0.852 has the strongest effect, and early problem identification with a standardized coefficient of 0.250 has the weakest effect.

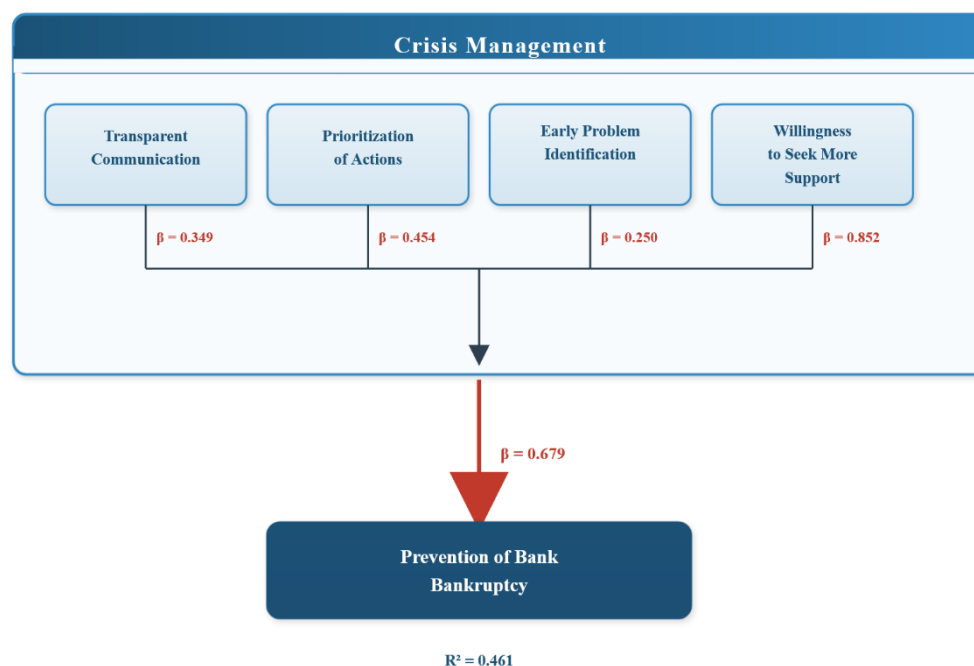


Figure 2. Final Research Model with Standardized Path Coefficients

Source: Research findings

5.7. Theoretical Implications

This research offers several important theoretical implications. First, the findings show that the Fendereski et al. (2015) model has empirical validity in the context of Afghan banking and can be used as an appropriate framework for analyzing crisis management in banks of developing countries. Second, this research shows that in unstable economic and political conditions, the "willingness to seek more support" component gains much more weight than other components. This finding is consistent with Tucker's (2014) theory regarding the critical role of central banks and support networks in managing banking crises. Third, the present study fills the existing research gap in the literature on banking crisis management in Afghanistan and can serve as a basis for future studies in this area.

5.8. Practical Implications

The findings of this research have important practical implications for policymakers, bank managers, and regulatory institutions:

For the Central Bank of Afghanistan: The results show that the central bank should strengthen its supervisory mechanisms and establish early warning systems in banks under its supervision. Additionally, establishing a crisis management center at the central bank is essential for coordinating actions and providing crisis response strategies.

For Bank Managers: The findings show that managers should focus on strengthening transparent communication with stakeholders, determining strategic priorities, early problem identification, and creating external support networks. Given that willingness to seek more

support has the strongest effect on preventing bankruptcy, bank managers should strengthen their relationships with international institutions, the central bank, and other banks.

For Policymakers: The research results emphasize the necessity of developing transparent laws and regulations in the area of bank suspension and bankruptcy. Additionally, strengthening corporate governance in banks and establishing standard accounting and auditing systems can help prevent banking crises.

5.9. Research Limitations

This research faced limitations that should be considered in interpreting the results:

Data Access Limitation: Due to the confidentiality of banks' financial information and the non-publication of audited financial statements by some banks, access to accurate and up-to-date data was limited. This limitation was mainly due to security and regulatory considerations in the Afghan banking system.

Limited Access to Bank Managers and Experts: Given Afghanistan's security and political conditions and communication constraints, access to some senior bank managers for interviews and data collection was difficult.

Sample Size: Although the sample size of 245 was determined based on the Morgan table, this is less than the optimal Cochran formula (384) for large populations. However, given the existing limitations, this sample size is defensible.

Spatial and Temporal Limitations: This research was conducted only in Afghan banks during the period 2022–2023, and generalization of results to other countries or time periods should be done with caution.

Research Method: Using a questionnaire as the only data collection instrument entails limitations such as respondent bias and the impossibility of more in-depth examination of variables.

5.10. Research Recommendations

5.10.1. Practical Recommendations

Based on the research findings, the following practical recommendations are offered for Afghan banks:

1. **Increasing bank capital** through attracting new investments, offering new shares, participation bonds, or merging with other banks to enhance financial capacity against crises.
2. **Revising customer credit rating models** to include more accurate assessment of financial conditions, credit history, and customer repayment capacity to reduce lending risk.
3. **Enhancing senior bank managers' knowledge** in risk management through specialized training courses, practical workshops, and consulting with international experts.

4. **Developing a crisis roadmap** including defining crisis scenarios, warning levels, notification and response processes, responsibilities, and necessary actions at each crisis level.
5. **Strengthening risk and crisis management culture** through employee training, establishing a risk management department, and performance evaluation based on risk management.
6. **Establishing a crisis management center at the central bank** to monitor banks, coordinate actions, and provide crisis response strategies.
7. **Equipping banks with intelligent early warning systems** and notifying managers in crisis conditions for timely decision-making.
8. **Increasing bank liquidity and reserves** through diversifying financing sources and optimal investment to enhance resilience against liquidity shocks.
9. **Strengthening periodic supervision and inspection by the central bank** to monitor bank performance and early identification of crisis signs.
10. **Regularly practicing and testing hypothetical crisis scenarios** to evaluate and improve banks' preparedness in facing real crises.

5.10.2. Recommendations for Future Research

For future research, the following topics are suggested:

1. Examining the relationship between bank risk management quality and bankruptcy probability using panel data.
2. Comparing crisis management models and approaches in successful and unsuccessful Afghan banks.
3. Identifying and prioritizing systemic banking risks in Afghanistan using multi-criteria decision-making methods.
4. Evaluating the efficiency of the Central Bank of Afghanistan's crisis management frameworks and policies.
5. Designing a model for early prediction of bank bankruptcies using machine learning algorithms.
6. Examining the role of new financial technologies in banking crisis management.
7. Comparative study of deposit insurance systems in different countries and providing an appropriate model for Afghanistan.
8. Developing a comprehensive banking crisis management model tailored to Afghanistan's context.
9. Examining the effect of macroeconomic variables on the probability of bank bankruptcy in Afghanistan.
10. In-depth case study of the Kabul Bank experience and extracting crisis management lessons for the Afghan banking system.

Declarations

Author Contributions (CRediT taxonomy)

The author confirms sole responsibility for the following: study conception and design, data collection, analysis and interpretation of results, and manuscript preparation and revision. All aspects of this work were undertaken by the author.

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Ethical Statement

Informed consent was obtained from all participants. The study was conducted in accordance with established ethical guidelines for qualitative research.

Authors' AI Use Statement

The author declares that no artificial intelligence (AI) tools were used in the preparation of this manuscript for writing, analysis, or data generation. All content is the result of the author's own human effort and judgment.

Conflict of interest

The author declares no competing financial interests or personal relationships that could have influenced the work reported in this paper.

Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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