



The Share of Domestic Revenue in Afghanistan Budget in (2002 – 2021)

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Abstract

Afghanistan 'internal revenue has been steadily increasing since the establishment of the interim government until now and shows a large share in the Afghan budget in recent years, 2002-2021 has been designed. This purpose of this research is to show the share of internal revenue in Afghanistan's annual budget. Quantitative design was to collect data through from various libraries. Numbers and figures of Afghanistan's internal revenue and budget have been obtained from the second hand (annual approval of the budget and statistical yearbooks.) it has been analyzed by the software (E-views) based on the ordinary least squares (OLS) model, tests of data normality, covariance, serial autocorrelation between the residuals and Dickey Fullers unit root have been applied. The result of the research shows a positive relationship, based on the obtained results, the probable value (00004) is smaller than (0.05) which causes a change in the budget level by 88% with each change in the amount of income, on the other hand, the estimated value of R² shows that if other influencing factors on the budget are constant, the domestic income alone can be as much as 97% effective on determining the budget level.

Keywords: Afghanistan, budget, quota, revenue, internal revenue, customs, tax, product.

Introduction

The government, as a powerful institution, performs its duty as a controller of the systems and provider of the needs of the people of the society. Providing the above requirements requires expenses, which governments are forced to earn in order to better implement their affairs and provide more and better services for their citizens, to finance their expenses through that, the revenues of governments with the passage of time and the development of their duties has changed, in all cases, they use their internal revenues to finance their expenses, and the afghan government is no exception to this.

The revenue sources of the afghan government include external sources and internal sources, which internal sources include those items of government revenue that are obtained

from within the country and are also known as sources of government revenue. This type of revenue is collected in different ways such as: taxes, customs duties, fines, tolls, or sometimes the government enters the market as an entrepreneur and gets revenue from this document.

Although the afghan government has made many efforts to increase domestic revenues over the years (2001-2021), it has not been able to finance all its necessary budgets through domestic revenue. For this purpose, this research under the title of examining the share of internal revenue in Afghanistan's budget during the years (2002-2021) is considered to state how much internal revenue has constituted the annual budget of the afghan government in the years in question and why Afghanistan could not provide the entire budget through internal sources. The hypothesis of the research is to seem that internal revenue has a significant contribution to Afghanistan's budget during the considered years.

The Concept of Revenue is the money that a person or a company earns in a certain period of time from the goods or services it has provided to others or the investments it has had. From the governments point of view, revenue is the money that comes from taxes, expenses, fines, government grants or transfers, sale of securities, resource rights and also the sales they make are received, and in government accounting, revenues are all the funds and financial resources obtained and obtainable in the financial period, which causes the increase in assets or the surplus of the independent account is determined in a certain period of time (Tingar, 2014: 38).

Government revenue is the revenue received from taxes and other sources to pay government expenses, the government needs financial resources to fulfill its duties, to provide financial resources from methods (tax revenues, issuance of securities, earning from economic activity and borrowing from the central bank) (Monir, 2017: 27).

Mercantilists believe that governments become richer, more stable, wealthier and stronger by collecting more gold and silver through trade (enterprise income) and can take care of the countries social, economic and infrastructure issues (Hedayat, 2008: 7). Physiocrats accepted the land as the main source of wealth and they still raise the issue of fixed income for the government (Tafzali, 2007: 86). The classics consider human work and activities to be effective and believe that the increase in production will increase the wealth of the individual and the society, which in turn will increase the revenue of the government (Qadiri Maal, 2009: 98).

The history of government revenue goes back to the time when people found a way to defend themselves in the form of an organization or system, that is, when governments came into existence, simultaneously with the creation of governments and the provision of security services for individuals and society, their expenses increased. In order to carry out their affairs, they needed revenues, which were collected partly through donations and partly by compulsion from the people (Farajvand, 2006: 19).

Along with the emergence of new governments and the extensive increase in their duties, the issue of finance, customs products and business revenues is of particular importance for governments considering their economic system (Hedayat, 2017: 5). In Afghanistan, the

administration of financial affairs was established for the first time during the reign of Ahmad Shah Abdali in 1126 under the name Diwan Humayun Ala, which collected taxes through contracts or directly from the people (Hedayat, 2007: 6).

Importance of internal government revenue There are many problems in financing the government's revenues from foreign sources, therefore, increasing internal resources is the only reasonable and effective way through which governments should obtain revenues and carry out their affairs, (Hedayat, 2017: 3).

One of the important needs of governments is to strengthen foundations and increase the volume of domestic revenues to achieve economic self-sufficiency (Katiyeh, 2003: 18). And one of the important goals of the government is to fully fund the budget from domestic revenues without any kind of reliance and dependence on foreign aid in the medium and short term (Qatiyan, 2017: 8).

Internal revenue can be provided from the tax or non-tax sector, the most important of which is the tax revenue, the higher the share of taxes in providing for government expenditures, the less adverse economic effects. Non-tax revenues are the funds that the government collects from economic activities, these revenues are either from investments or from providing various services to the government, the size of these revenues depends on the purchase or non-purchase of various products and services provided by the government. It depends on the side of the people. Therefore, such incomes are often irregular and somewhat uncertain, some of these incomes include profits from government monopolies, rewards for various services, incomes from public properties or borrowing from people or domestic monetary authorities or institutions and foreign countries (Arif, 2016: 85).

The revenues of afghan government are collected from various sources, these sources are divided into external sources including grants and loans and internal sources. Domestic resources, in turn, are divided into two regular parts (including taxes, products, quotas and corporate income) and irregular (aids and donations, timely sale of government assets, and money issuance) (Basirt, 2017: 23). The sources of internal revenue of the afghan government are divided into five chapters (Chapter 11 of tax revenues, Chapter 13 of non-tax revenues, Chapter 17 of social quotas, Chapter 18 of loans from foreign countries, Chapter 19 of foreign countries aid) (Tingar, 2015: 41).

In order of the afghan government to receive its revenues in a regular manner and to have positive effects on the flow of economic events, it should consider the basis of adequacy and moderation, the compatibility of revenues, the economy of revenue acquisition and the legality of government revenue acquisition (Samimi, 2009: 83). Otherwise, it may cause harm to the special class and the loss of social justice (Hedayt, 2017: 3).

The word budget in Latin *Bulga* in French (*Boudgette*) in English is called (*Budget*), which means a leather bag, the term budget in France for the first in 1814 AD officially about revenues and expenses. It was used by the government and from that date onwards it gradually spread in other countries as well (Tingar, 2014: 15). According to the definition of the classics, the budget is a document in which the revenues and expenses of the government

are predicted and approved for a certain period, usually for one year, and the budget regulation of Afghanistan also stated the same definition (Tingar, 2015: 16). The budget in todays form started from the approval of the expenditure plan of government departments by the government in 1733 AD in England, the budget system and forecasting of revenues and expenses in Afghanistans financial system was created in 1299 A.H. to make a separation between the royal treasury and the government budget (Tingar, 2014: 17).

Material and Method

Quantitative design was to collect data through from various libraries. Numbers and figures of Afghanistan's internal revenue and budget have been obtained from the second hand (annual approval of the budget and statistical yearbooks.) it has been analyzed by the software (E-views) based on the ordinary least squares (OLS) model, tests of data normality, covariance, serial autocorrelation between the residuals and Dickey Fullers unit root have been applied. If only one independent variable is used to identify and predict the dependent variable, ordinary least squares method and simple linear regression model are used to achieve the desired result. The formula of the simple linear regression model is as follows:

$NB = \beta_0 + (\beta_1) \text{ internal revenue} + \text{in this national budget (NB) model}$, β_0 is the width from the origin, β_1 is called the independent variable coefficient, the amount of error or disturbance factors as the dependent variable.

Diagnostic tests

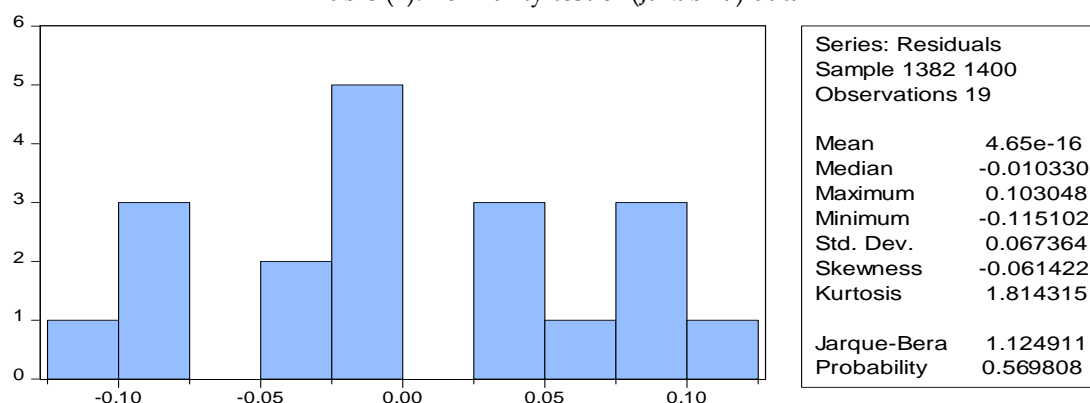
1. **Data normality test:** the normality of the research data is one of the preconditions for choosing a suitable method in order to check the correlation between the research variables.

HO: The residuals are normally distributed

HA: The residuals are not normally distributed

To confirm the null hypothesis, the probability value must be greater than 0.05.

Table (2): normality test of (Jakabira) data



Based on the results obtained from this test, it can be seen that the probability value of Jakabira is 0.569 which means it is greater than the probability value of 0.05 the null hypothesis is confirmed and it indicates a good regression.

2. The results of covariance test: The homovariance test is used to show the homogeneity of the remaining variances, and its hypotheses are as follows.

HO: The residuals are homoscedastic

HA: The residuals are heteroskedastic

Table (3): the results of the homogeneity of variance test among the residuals

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.422279	Prob. F(1,17)	0.5245
Obs*R-squared	0.460519	Prob. Chi-Square(1)	0.4974
Scaled explained SS	0.150107	Prob. Chi-Square(1)	0.6984

Source: research findings

This test was carried out using the proush piegan method and it shows that the probable value of chi square is 0.5245 and is greater than alpha 0.05 so we cannot reject the null hypothesis, however we conclude that the residuals have equal variances. And this indicates that the ordinary least squares method can be used in this research.

3. The results of the serial autocorrelation test between the residuals

The presence or absence of tested serial autocorrelation is essential in all researches.

Zero hypothesis: the absence of serial autocorrelation

The opposite hypothesis: the existence of serial autocorrelation

Table (4): The results of the autocorrelation test between the residuals breusch-Godfrey serial correlation LM test

F-statistic	7.179250	Prob. F(2,15)	0.0065
Obs*R-squared	9.292419	Prob. Chi-Square(2)	0.0096

Source: research findings

The possible value of chi-square is 0.0943 which is greater than alpha 0.05 so the lack of serial autocorrelation between the residuals is confirmed, which indicates the goodness of the regression.

4. Mean test of research data (Dickey-Fuller unit root test)

In this section, in the first step, we use the significance test of research data to avoid false regression.

HO: The variable is non stationary (The variable has a unit root)

HA: The variable is stationary

To reject the null hypothesis, the probability value must be smaller than 0.005, and rejecting the null hypothesis means data stability.

Table (5) Dickey-Fuller unit root test results

Test mode	In level of	First rank in defferentiation	Test results
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Transformed	Statistics	Prob	Statistics	prob	Zero hypothesis
Budget			-	-	Rejection on the surface
	-3.712986	0.0134			
Internal revenue			-	-	Rejection on the surface
	-4.615033	0.0024			

Source: research data

It is clear from table number (5) that all the variables are at the significance level, which means that all the data and figures used in this estimation have the required stability and it shows that our estimated models are not false.

Results and Discussions

Dependent Variable: LBUGET

Method: Least Squares

Date: 03/27/23 Time: 16:49

Sample: 1382 1400

Included observations: 19

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.672577	0.378727	4.416314	0.0004
LINCOM	0.889606	0.035102	25.34330	0.0000
R-squared	0.974214	Mean dependent var		11.26230
Adjusted R-squared	0.972698	S.D. dependent var		0.419510
S.E. of regression	0.069317	Akaike info criterion		-2.400940
Sum squared resid	0.081683	Schwarz criterion		-2.301526
Log likelihood	24.80893	Hannan-Quinn criter.		-2.384115
F-statistic	642.2826	Durbin-Watson stat		2.971432
Prob (F-statistic)	0.000000			

Source: research findings

Based on the results obtained from the ordinary least squares estimation model, the probable value (00004) is smaller than the probable value of 0.05 which results in an 88% change in the budget level with each change in the income, on the other hand, the estimated value of R2 shows that if the other influencing factors are constant, the internal revenue alone can be as much as 97% more effective than determining the budget level, which indicates the existence of a positive relationship.

Discussion

Mohammad Zamir Munir conducted a research titled the role of taxes in Afghanistan's domestic revenue during 1382-1387 and came to the conclusion that the government's revenue is increasing dramatically, from 10 billion in 1382 to 44 billion in 1387. (Monir, 2017: 27) Also, Mohammad Asif Hedayat conducted a research under the title of ways to increase domestic revenue in Afghanistan in 1387. The results of this research show that domestic revenue increased by 244 percent during the years 1382 to 1387. (Hedaya, 2017: 22). The

above research shows that the country's income was increasing and this increase has significant effects on Afghanistan's budget.

The results of my research also confirm the above research and show that with each percentage change in the amount of income, there is a 88% change in the budget level. Domestic alone can be as much as 97% effective in determining the budget level.

Conclusion

Internal revenues is one of the important sources of income of a country and the increase of internal revenue has an important and fundamental role in financing the country's budget.

The existence of problems in the use of foreign resources, including aid and loans, which are generally created based on the plans of the donor country, it is necessary for countries to provide their budgets from domestic sources, Afghanistan is a country that, despite the presence of domestic resources for years, the majority of the development budget and normally financed from foreign sources,

This research has been done in order to state how much the internal resources provide the budget.

The research method is quantitative and library, the research data related to a period of 20 years (2002-2021), was analyzed by the software (E-views) based on the ordinary least squares (OLS) model.

Based on the obtained results, the probability value (00004) is smaller than the probability value of 0.05 which causes a change in the budget level by 88% with each change in the amount of income, on the other hand, the estimated value of R² shows that if other influencing factors are constant above the budget, domestic income alone can be as effective as 97% above the determination of the budget level.

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Data Availability Statement:

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

Conflicts of Interest:

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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