ASSESSING TERRORIST MICRO-FINANCING IN SOUTH ASIA

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INTRODUCTION

On March 22, 2024, four Tajiki origin terrorists affiliated to the Islamic State's (IS') South-Central Asian regional offshoot, the Islamic State Khorasan Province (ISKP), carried out a deadly attack at the Crocus City Hall concert venue near Moscow. Shortly after the attack that took the lives of at least 145 people and injured more than 500 people,[1] the IS' media outlet Amaq News Media Agency via Telegram claimed responsibility for this episode.[2] Investigations conducted by the Russian authorities, supported by intelligence shared with their European counterparts, revealed an important detail that was initially overlooked, i.e., this attack operation was not funded through any large financial transfers, state sponsorship, or sophisticated criminal networks; rather the officials traced that parts of the planning and logistics were financed through a series of small, fragmented digital transactions, and Virtual Assets (VAs) using

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1. "What We Know About Attack on a Moscow Concert Hall," *BBC*, April 9, 2024, https://www.bbc.com/news/world-europe-68645755. Accessed on March 3, 2026.
2. "Islamic State Releases Photo of Alleged Attackers in Russia Shooting," *Reuters*, March 23, 2024, https://www.reuters.com/world/europe/islamic-state-releases-photo-alleged-attackers-behind-russia-shooting-2024-03-23/. Accessed on March 3, 2026.

cryptocurrency, originating from diaspora-linked networks in Central Asia and South Asia.[3] According to the 2025 Homeland Security and TRM Labs Reports, "The attackers received approximately 2,000 USD in virtual assets shortly before executing the massacre at Crocus City Hall […] this transaction was routed through a high-risk exchange and flagged only after forensic reconstruction."[4] Although the sum transferred through privacy enhancing cryptocurrencies and informal value-transfer networks was a fairly small amount, these micro-transactions have proved to be sufficient to support and facilitate travel, communications, and logistical preparations for these IS or ISKP attackers/sympathisers as they orchestrated one of the deadliest large scale terror attacks in the recent times. Clearly, the 2024 Crocus City Hall attack, thus, highlights a critical transformation in contemporary *jihadist* financing, i.e., the ability of violent non-state actors to sustain lethal operations through decentralised, low-value, and largely invisible financial flows.

This model of decentralised and invisible flow of finance is particularly evident in ISKP's evolution. Once reliant on territorial extraction, mineral smuggling, and extortion in eastern Afghanistan, ISKP has increasingly shifted towards a financing model built on much more secured dispersed diaspora donors, micro-payments, and crypto-enabled anonymity.[5] The group's growing dependence on small, deniable digital contributions from Tajik, Maldivian, and Pakistani support networks[6] reflects a broader IS adaptation to the

3. Financial Action Task Force (FATF), "FATF Report—Comprehensive Update on Terrorist Financing Risks," July 2025, p. 70, https://www.fatf-gafi.org/content/dam/fatf-gafi/publications/Comprehensive-Update-on-Terrorist-Financing-Risks-2025.pdf.coredownload.inline.pdf. Accessed on March 3, 2026.
4. Anna Corsaro, "The New Terror Finance Battlefield: ISKP's Expanding Use of Cryptocurrency," *Homeland Security Today*, December 1, 2025, https://www.hstoday.us/subject-matter-areas/counterterrorism/the-new-terror-finance-battlefield-iskps-expanding-use-of-cryptocurrency/. Accessed on March 3, 2026.
5. Animesh Roul, "The Rising of Monero: ISKP's Preferred Cryptocurrency for Terror Financing," Global Network on Extremism & Technology, October 4, 2024, https://gnet-research.org/2024/10/04/the-rise-of-monero-iskps-preferred-cryptocurrency-for-terror-financing/#:~:text=Quest%20for%20Crypto%20Coins&text=However%2C%20Bitcoin's%20initial%20appeal%20faded,methods%20largely%20obsolete%20and%20ineffective. Accessed on March 3, 2026.
6. Mona Thakkar, "Sadaqah Jariyah: The Thriving Cryptocurrency Fundraising Efforts Behind ISKP's Official Media," Global Network on Extremism & Technology, March

post-caliphate environment, where financial resilience is derived less from controlling territory and more from mobilising ideologically-aligned individuals from across borders.

This article aims to assess this emerging phenomenon as "micro-finance *jihad*." Unlike traditional terror-financing models, which depend on bulk transfers, state sponsors, or organised criminal revenue streams, micro-finance *jihad* feeds off on fragmentation, anonymity, and ideological affinity via numerous small-scale donations, often facilitated through secured privacy coins and hybrid crypto-*hawala* systems into an operationally meaningful resource base. It is essential to note that this entire process has developed the ability to sustain production of terrorist propaganda, recruitment pipelines, and low-cost and low-scale external attacks, all the while evading conventional Counter-Terror Finance (CTF) detection mechanisms.

Focussing on transnational terrorist organisations such as the IS/ISKP as an example, this article will further examine how identity-based support networks within the Tajik diaspora, Maldivian crypto hubs, and Pakistan's informal financial ecosystem, have, thus, become integral to the group's survival and external reach. Drawing on blockchain forensic analysis, *jihadist* propaganda outputs such as the Voice of Khorasan (VoK), and post-territorial IS financing evidence, the article maps the architecture, logic, and strategic implications of IS/ISKP's micro-finance *jihad* model.

FROM LOCAL TERRITORIAL EXTRACTION TO TRANSNATIONAL MICRO-DONATIONS

At its peak, between 2014 and 2017, the IS generated millions of dollars daily through taxation, extortion, resource extraction, and oil smuggling.[7] The collapse of the territorial caliphate (after Phase 1:

14, 2025, https://gnet-research.org/2025/03/14/sadaqah-jariyah-the-thriving-cryptocurrency-fundraising-efforts-behind-iskps-official-media/#:~:text=It%20did%20this%20by%20circulating,the%20U.S%20Treasury%20has%20sanctioned. Accessed on March 3, 2026.

7. Directorate-General for External Policies (Policy Department), European Parliament (European Union), "The Financing of the Islamic State in Iraq and Syria (ISIS)," September 2017, https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/603835/EXPO_IDA(2017)603835_EN.pdf. Accessed on March 3, 2026.

The Territorial Phase) forced the IS Core/Central and its offshoots/tentacles to reconfigure their financial operations away from resource-intensive governance structures. Although they retained an estimated US$ 10-30 million external reserve,[8] these funds were increasingly prioritised for Africa and selected high-value theatres in South Asia like Afghanistan.[9] ISKP's situation became even more precarious after the Taliban's 2021 return to power, which dismantled the former's access to revenue from minerals and gemstones, talc, marble, and lapis lazuli trade, that had previously been routed through Pakistan.[10] Antonio Giustozzi, in a special report, indicates that ISKP experienced a financial crisis in 2022-23, a decline or shortage in paying salaries, for example,

> …the deeper cause of the crisis was the worsening financial crisis, affecting IS-K in early 2023. Local elders in Kunar (Afghanistan), in regular contact with the families of IS-K members, and sometimes with the members themselves, indicated that salaries to IS-K fighters—between $300 and $500 per month—had not been paid for months […] at the end of May 2023, a source in Kunar, who was in regular contact with IS-K members, stated that he was hearing them complaining about funds shortages."[11]

Giustozzi, in an article for the International Centre for Counter-Terrorism further emphasised that at the peak of ISKP's financial crisis in the first half of 2023, the group's propaganda output, and

8. United Nations Security Council, "Thirty-Third Report of the Analytical Support and Sanctions Monitoring Team Submitted Pursuant to Resolution 2610 (2021) Concerning ISIL (Da'esh), Al-Qaida and Associated Individuals and Entities," January 29, 2024, https://www.ecoi.net/en/file/local/2103947/N2343179.pdf. Accessed on March 3, 2026.
9. Jessica Davis, "The Financial Future of the Islamic State," *CTC Sentinel*, 17, no. 7, 2024, p. 32, https://ctc.westpoint.edu/wp-content/uploads/2024/08/CTC-SENTINEL-072024_article-5.pdf. Accessed on March 3, 2026.
10. Amina Khan, "Islamic State Khorasan Province (ISKP) in Afghanistan—An Assessment," *Islamabad Papers*, no. 39, 2019, pp. 9-22, https://issi.org.pk/wp-content/uploads/2019/02/IP-No-39-Amina-Khan.pdf. Accessed on March 3, 2026.
11. Antonio Giustozzi, "Crisis and Adaptation of the Islamic State in Khorasan," LSE Ideas (Special Report), February 6, 2024, https://www.lse.ac.uk/asset-library/information/2024-02-01-specialreport-giustozzi-khorasan-final.pdf. Accessed on March 3, 2026.

operational procedures subsequently declined as well.[12] As a result, they pivoted towards external financing, relying on *Maktab al-Siddiq*, a regional IS financial office, to coordinate transnational funding channels. Operating under the IS General Directorate of Provinces, the office manages a broad illicit financial model that channels funds from *hawala* networks, unregistered donors and Money Service Businesses (MSBs), cash couriers, VAs, linking donor and crypto-facilitation networks across Central Asia, South Asia and South East Asia to finance subordinates in Afghanistan, Pakistan, India, Bangladesh, Maldives and the Philippines.[13]

Against this backdrop, ISKP shifted towards micro-scale, externally-sourced funding streams, which proved to be far more than an opportunity—it turned out to be structurally inevitable for them. As local revenue sources strained and IS (Core) redirected its limited reserves elsewhere, ISKP found itself compelled to seek financial resilience in dispersed channels that did not rely on territorial control.[14] According to the 2025 TRM Labs report, there was a sharp rise in low-denomination crypto flows linked to ISKP, particularly those conducted through Tether (USDT) on the TRON blockchain, an ecosystem that is designed for speed, low transaction fees, and high-volume throughput.[15] These characteristics made TRON especially conducive to micro-transactions: it helped ISKP receive dozens, sometimes hundreds, of small payments from geographically scattered sympathisers, each individually too trivial to trigger financial reporting thresholds—yet they were substantial, when aggregated.[16]

12. Antonio Giustozzi, "The Islamic State in Khorasan Between Taliban Counter-Terrorism and Resurgence Prospects," International Centre for Counter-Terrorism, January 30, 2024, https://icct.nl/publication/islamic-state-khorasan-between-taliban-counter-terrorism-and-resurgence-prospects. Accessed on March 3, 2026.
13. n. 3, p. 26; US Department of the Treasury, Federal Government of the United States of America, "Fact Sheet: Countering ISIS Financing," November 18, 2022, pp. 1-2, https://home.treasury.gov/system/files/136/Fact-Sheet-on-Countering-ISIS-Financing.pdf. Accessed on March 3, 2026.
14. Adam Rousselle, "Combating Islamic State Finance: Central Asian and Around the World," Global Network on Extremism & Technology, February 19, 2025, https://gnet-research.org/2025/02/19/combating-islamic-state-finance-central-asia-and-around-the-world/. Accessed on March 3, 2026.
15. "2025 Crypto Crime Report," TRM, February 10, 2025, https://www.trmlabs.com/reports-and-whitepapers/2025-crypto-crime-report. Accessed on March 3, 2026.
16. Ibid.

ISKP converted ideological sympathy into a steady financial pulse, transforming casual supporters into micro-donors. This distributed, low-visibility funding pattern, fragmented, transnational, and digitally anonymised, eventually formed the foundation of ISKP's emerging micro-finance *jihad* model.

IDENTITY-BASED SUPPORT NETWORKS AND THE LOGIC OF MICRO-FINANCE *JIHAD*

The operational viability of a micro-transactional transnational ecosystem cannot be understood solely through its technical architecture. Even though cryptocurrencies and the TRON network provide the means for small, low-visibility transfers, they, alone, do not explain the motivation, consistency, or geographic spread of the donors who use them. What sustains ISKP's micro-finance *jihad* is not just technological anonymity but a dispersed social substratum of sympathisers who interpret small financial contributions as acts of religious duty (*zakat*), identity affirmation, or transnational solidarity with the "*ummah* under siege." In other words, the financial model depends on an underlying human network. Micro-donations are technologically easy to transmit, but they are ideologically meaningful to the people sending them. This is why, today, ISKP's financial survival rests on the cultivation and mobilisation of identity-based support networks, whose modest but persistent contributions collectively sustain the group's transnational operations. ISKP's micro-finance ecosystem rests on identity-based support networks: diffuse communities whose members donate small amounts not as formal operatives but as expressions of ideological alignment and transnational solidarity.

While identity-driven donors exist across a wide geographic span, from West Asia to Southeast Asia, the concentration of documented financial activity is heavily clustered in three locations: Tajikistan, the Maldives, and Pakistan. These cases are not arbitrarily selected; they represent the most empirically verified hubs of micro-donors, as identified in various reports.

Tajikistan offers a better clarity on diaspora-based micro-transactions, where financial mobilisation emerges less from organisational command than from identity-based transnational networks embedded within migrant communities.[17] Investigations across Germany, Poland, Türkiye, and Russia in 2023-24 revealed that Tajik supporters, many of whom were labour migrants or second-generation diaspora, made frequent micro-crypto donations, typically ranging between US$ 100-2000, to ISKP-affiliated wallets.[18] Notably, many of these micro-transactions temporally aligned with the preparatory phase of the March 2024 Moscow Crocus City Hall attack, suggest that they played a crucial role in underwriting logistical, communications, or media-related functions rather than direct attack execution.[19] Thus, Tajik diaspora networks illustrate how micro-finance *jihad* converts transnational identity and grievance into a durable financial resource for ISKP's external campaigns.

The Maldives also provide a better understanding on how regulatory asymmetry and prior waves of IS recruitment create fertile terrain for crypto-mediated donations.[20] ISKP supporters used corporate fronts, Peer-to-peer (P2P) crypto exchanges, and privacy coins to send funds to their media units in Afghanistan and Pakistan. Their weak regulatory oversight and high historical recruitment rates into IS made them a natural incubator for micro-donor networks. These networks often relied on small-value crypto transfers (USDT and Monero), which were then converted to cash in Pakistan through *hawala* brokers.[21]

Pakistan, too, contributes a third layer to this micro-finance *jihad* ecosystem, as it remains the logistical backbone through which small-value contributions are aggregated, converted, and channelled into ISKP due to its vast informal financial sector.[22] Unlike the Tajik or Maldivian donors, Pakistani contributors frequently operate at the intersection of criminality and ideological sympathy. Small sums

17. Thakkar, n. 6; "TRM Finds Mounting Evidence of Crypto used by ISIS and its Supporters in Asia," TRM, July 20, 2023, https://www.trmlabs.com/resources/blog/trm-finds-mounting-evidence-of-crypto-use-by-isis-and-its-supporters-in-asia. Accessed on March 3, 2026.
18. n. 15.
19. Corsaro, n. 4.
20. Davis, n. 9.
21. Ibid.
22. Aamir Hayat, "Digital Jihad: How Cryptocurrency is Fuelling ISKP's Insurgency," *The Khorasan Diary*, December 4, 2025, https://thekhorasandiary.com/en/2025/12/04/digital-jihad-how-cryptocurrency-is-fueling-iskps. Accessed on March 9, 2026.

generated through illicit trade, smuggling, and urban crimes are routinely channelled into *hawala* networks that maintain ties to ISKP facilitators.[23] Since Pakistan's informal financial economy dwarfs its formal banking footprint, such micro-transfers almost never attract regulatory attention.

Together, these three nodes capture distinct but complementary pathways that are driven by the diaspora, regulations, and facilitation, through which micro-finance *jihad* takes shape. Their strength lies in anonymity, ideological cohesion, and reliance on such persistent transaction flows. What binds them is their capacity to channel micro-contributions into broader informal transfer infrastructures. As these small donations move toward ISKP, they inevitably intersect with Pakistan- and Afghanistan-linked *hawala* corridors, creating the hybrid crypto-*hawala* framework that now underpins ISKP's financial resilience.

THE CRYPTO-*HAWALA* HYBRID: A FINANCIAL SYSTEM BUILT FOR ANONYMITY

ISKP's financial innovation lies in its ability to combine two long-standing but traditionally separate methods of covert finance, i.e., the anonymity offered by cryptocurrency and the off-the-books transfer system known as *hawala*. Neither mechanism is new in itself, yet their fusion produces a financing framework that is exceptionally difficult for countries to monitor or disrupt. The process typically begins with a supporter/sympathiser scanning a Monero cryptocurrency wallet address provided in the *Voice of Khorasan* magazine or circulated through encrypted Telegram channels.[24] Monero is a "privacy coin," meaning it is intentionally designed to obscure sender, receiver, and transaction amount. Its core features—ring signatures, stealth addresses, and encrypted transaction histories—make conventional blockchain tracing almost impossible.[25] After receiving Monero,

23. Ibid.
24. Ahmet Yiğitalp Tulga, "Soliciting Terror: ISKP Digital Communications and Financing Tactics through Voice of Khurasan," Global Network on Extremism & Technology, December 12, 2024, https://gnet-research.org/2024/12/12/soliciting-terror-iskp-digital-communications-and-financing-tactics-through-voice-of-khurasan/#:~:text=It%20can%20be%20observed%20that,were%20introduced%20in%20Issue%2033. Accessed on March 9, 2026.
25. n. 15.

ISKP rarely uses it directly. Instead, facilitators convert it into more liquid assets, such as Tether (USDT), a widely used stablecoin, or into cash. This conversion usually occurs through Over-The-Counter (OTC) crypto traders operating in Türkiye, Pakistan, or West Asian states, who specialise in discreet, no-questions-asked transactions.[26] The 2024 TRM Labs Report has shown that ISKP frequently relies on USDT, transferred over the TRON blockchain network because it offers extremely low transaction fees and rapid settlement, making it ideal for receiving dozens of small donations that collectively evade financial reporting thresholds.[27]

After conversion, *hawaladars* take over. *Hawala* settlements are off-ledger, frequently executed through trade-based mechanisms such as over- or under-invoicing, or the use of counterfeit import records, methods that have been extensively documented in terror-finance investigations across Afghanistan and Pakistan.[28] These settlements transfer value into various ISKP operational hubs in Nangarhar, Kunar, Kabul, or Peshawar, without ever creating a digital footprint.[29]

The Maktab al-Siddiq aggregates these flows, redistributing funds to media production, safe houses, recruitment pathways, and external operations.[30] Among the various functions supported by this decentralised financial model, propaganda also occupies a privileged position. For ISKP, media production is much more than a peripheral activity, it is a strategic investment that sustains recruitment, legitimises violence, and continuously regenerates the very donor networks on which micro-finance *jihad* depends. As a result, funds aggregated through the Maktab al-Siddiq are disproportionately channelled into information warfare, resulting in a self-reinforcing

26. Ibid.
27. "Report Teaser: Proportion of Illicit Volume of Crypto Dropped 51% in 2024," *TRM*, January 14, 2025, https://www.trmlabs.com/resources/blog/report-teaser-proportion-of-illicit-volume-of-crypto-dropped-51-in-2024. Accessed on March 9, 2026.
28. Jessica Davis, "Illicit Financing in Afghanistan: Methods, Mechanisms, and Threat-Agnostic Disruption Opportunities," Serious Organised Crime & Anti-Corruption Evidence (SOC ACE), May 2022, https://www.birmingham.ac.uk/documents/college-social-sciences/government-society/publications/illicit-financing-in-afghanistan-paper.pdf. Accessed on March 9, 2026.
29. Ibid.
30. Thakkar, n. 6.

cycle where financial flows sustain propaganda, and propaganda, in turn, mobilises further micro-donations.[31]

FINANCING PROPAGANDA: HOW MICRO-DONATIONS SUSTAIN INFORMATION WARFARE

The informational apparatus of ISKP, as epitomised by the Voice of Khorasan, functions as both a consumer and generator of financial support. Media operations require constant funding for Virtual Private Network (VPN) subscriptions, encrypted server space, graphic design, video editing, translation, and cyber security tools.

ISKP's propaganda units have always been capital-intensive, even in territorial decline. Furthermore, it has deliberately linked its media output with its financial solicitations.[32] The Voice of Khorasan issues frequently include Quranic exhortations alongside Monero wallet addresses, encouraging diaspora Muslims to make micro-contributions framed as "*sadaqah* for *jihad*."[33] It is also observed that there are spikes in small-value crypto transfers in the 48-72 hours, following several issue releases, demonstrating the efficacy of this propaganda-finance integration.[34]

This media-finance nexus fulfils three strategic functions:

- It deepens the emotional and ideological ties between supporters and the organisation.
- It effectively decentralises responsibility for sustaining ISKP operations, distributing financial burden across thousands of micro-donors.
- Lastly, it protects ISKP against financial shocks, because the loss of one donor, broker, or facilitator has negligible systemic impact.

These dynamics show that ISKP's propaganda machinery does far more than disseminate ideology; it systematically lowers the organisational and financial barriers to violence. By continuously producing persuasive narratives, glorifying martyrdom, and framing

31. Ibid.
32. Priyadarshini Baruah, "The Blame Game: ISKP and the Fog of Geopolitical Rivalries," *Journal of World Affairs*, 1, no. 1, 2025, p. 34, https://journals.sagepub.com/doi/epub/10.1177/29769442251326409. Accessed on March 9, 2026.
33. Roul, n. 5.
34. Ibid.

micro-donations as a religious obligation, ISKP nurtures an expanding reservoir of potential recruits and logistical enablers dispersed across multiple regions. The resulting network of sympathisers provides travel assistance, in addition to funds, as well as safe house support, translation help, and digital facilitation. Generating sufficient human and financial inputs required to sustain violence at scale, the media ecosystem becomes an operational substrate for ISKP to plan and execute external attacks with minimal material resources.

OPERATIONAL IMPLICATIONS: LOW-COST, HIGH-IMPACT EXTERNAL ATTACKS

Recent external operations demonstrate that ISKP has internalised a core strategic lesson of post-caliphate *jihadism*, i.e., high-impact attacks do not require high-capacity financing. For instance, the Moscow Crocus City Hall attacks in March 2024 needed as little as US$ 2,000 in aggregated VAs, to carry out critical logistical functions.[35] Similarly, the January 2024 Kerman bombing attack in Iran, which killed nearly 100 people, was executed with a comparably lean resource footprint.[36] This reveals a pattern that ISKP relies less on expensive operational infrastructures and more on ideologically motivated personnel capable of leveraging minimal funds into substantial harm.[37]

This model reflects a broader transformation within the IS' transnational campaign. Aaron Y. Zelin notes, that IS' external operations now incline more on ideological mobilisation and decentralised facilitation than on the hierarchical, capital-intensive planning that characterised earlier attack cycles.[38] Since micro-donations are usually small and difficult to detect, they allow ISKP to maintain a baseline of operational liquidity without exposing its networks to the surveillance risks associated with large transfers.

35. Corsaro, n. 4.
36. Rousselle, n. 14.
37. Ibid.
38. Aaron Y. Zelin, "The Islamic State's External Operations are More Than Just ISKP," The Washington Institute for Near East Policy, July 26, 2024, https://www.washingtoninstitute.org/policy-analysis/islamic-states-external-operations-are-more-just-iskp. Accessed on March 9, 2026.

In such an environment, micro-finance *jihad* becomes an enabling mechanism rather than a mere funding stream.

What is strategically consequential is the ecosystem these transactions create. The same dispersed donors who contribute US$ 20 or US$ 50 also form digital communities that amplify propaganda, translate instructions, relay travel tips, and connect prospective attackers with facilitators abroad. This sets a decentralised facilitation chain in motion, wherein information, logistics, and motivation circulate with minimal financial expenditure. Moreover, small-scale funding allows ISKP to externalise much of the operational risk: local sympathisers provide shelter, transport, or forged documents, while the core organisation incurs virtually no cost beyond propaganda investment.[39]

It is safe to say that micro-finance *jihad* has the ability to structurally reconfigure the inception of violence. It underscores why ISKP has emerged as one of the most operationally adaptive *jihadist* organisations in recent years. This very efficiency, rooted in fragmentation, anonymity, and minimal financial footprints, poses a fundamental challenge to counter-terror finance regimes that remain oriented toward detecting large, centralised flows.

WHY COUNTER-TERROR FINANCE STRUGGLES AGAINST MICRO-FINANCE *JIHAD*

Micro-finance *jihad* exposes a fundamental mismatch between contemporary terrorist financing practices and the institutional design of the global CTF. Existing regulatory frameworks, such as the Financial Action Task Force (FATF) recommendations, suspicious transaction reporting systems, and Know-Your-Customer (KYC) thresholds, were developed primarily to detect large, centralised financial transfers associated with money laundering, organised crime, or state sponsorship.[40] Thousands of small crypto payments, routed through privacy coins, P2P exchanges, and informal value transfer systems, rarely trigger regulatory alarms and often appear

39. Maura Conway, "Determining the Role of the Internet in Violent Extremism and Terrorism: Six Suggestions for Progressing Research," *Studies in Conflict & Terrorism*, 2017, https://doras.dcu.ie/21238/1/DORAS_Version.pdf. Accessed on March 9, 2026.
40. n. 3.

indistinguishable from routine personal remittances or online payments. They are structurally ill-suited to identifying the scattered, low-value and anonymised transaction patterns that underpin ISKP's micro-finance model.

Compounding this challenge is the social character of micro-finance *jihad*. Identity-based donors frequently operate outside formal organisational hierarchies, without direct operational ties to terrorist cells.[41] This renders them largely invisible to intelligence-led targeting approaches that focus on membership, command structures, or known facilitators. Moreover, ISKP keeps its financial architecture deliberately modular: it does not rely on any single donor, broker, or conduit. Consequently, enforcement actions that disrupt individual facilitators or crypto wallets impose only marginal costs, as financial flows rapidly reroute through alternative nodes.[42]

For India, these dynamics carry serious implications. ISKP-linked radicalisation in the digital domain, combined with India's expanding crypto user base and persistent informal financial channels, creates a permissive environment for micro-donations to circulate undetected. Addressing this threat requires moving beyond transaction-centric enforcement toward a systems-level approach. Indian agencies such as the National Investigation Agency (NIA), Financial Intelligence Unit–India (FIU-IND), and state cyber units must prioritise detection of patterns: clusters of small transactions linked to high-risk geographies or propaganda cycles, rather than isolated transfers. Regulatory oversight of domestic crypto exchanges and P2P platforms should be strengthened to include wallet-risk profiling and proactive reporting of micro-transaction anomalies. [43]

Equally important is disrupting the human infrastructure: online radicalisation ecosystems, crypto-to-*hawala* conversion networks, and ideological narratives that frame micro-donations as a religious obligation. In short, countering micro-finance *jihad* requires recognising that the financial centre of gravity of terrorism has

41. Davis, n. 28.
42. Ibid.
43. Shalini Chawla and Priyadarshini Baruah, "Combatting Islamist Radicalisation and Advancing Secular Education in Assam," *Defence and Diplomacy*, 13, no. 4, 2024, pp. 121–123, https://capssindia.org/wp-content/uploads/2025/02/09-Shalini-Chawla-and-Priyadarshini-Baruah.pdf. Accessed on March 9, 2026.

shifted from large sums to small acts, and adapting CTF strategies accordingly.

CONCLUSION

ISKP's micro-finance *jihad* model represents one of the most significant evolutions in contemporary terrorist financing. By leveraging dispersed diaspora communities, privacy-enhancing cryptocurrencies, and hybrid crypto-*hawala* pipelines, ISKP has constructed a resilient financial ecosystem capable of sustaining propaganda, recruitment, external operations, and regional influence. The shift towards decentralised micro-financing is not just a tactical response to financial pressure but a deliberate organisational adaptation that takes advantage of regulatory asymmetries, digital anonymity, and diaspora connectivity. It reflects the IS' broader post-territorial strategy: decentralised, low-cost, transnational insurgency, strengthened by digital anonymity and ideological affinity rather than local territorial extraction. As long as regulatory asymmetries persist across South Asia, Central Asia, and West Asia, and privacy-enhancing technologies remain widely accessible, this model will remain a central pillar of ISKP's organisational survivability.

Countering this trend will require a rethinking of global CTF regimes, which must adapt from targeting large bulk transfers to identifying emergent patterns in distributed micro-transactions and the ideological ecosystems that enable them. As long as global frameworks such as CTF remain active to detect large, centralised financial flows, groups like ISKP will continue to exploit micro-finance *jihad* as a durable and scalable means of sustaining violence in South Asia and beyond. It is, thus, essential to detect, identify and disrupt the patterns of financial transactions and cycling of finances by the terror organisations.