Investigation of the relationship between investment and the profit of tradespeople in Qala-e-Naw city, Badghis province, in 2023

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Abstract: Management of working capital is an important issue in the field of financial management and accounting. Proper utilization working capital of components and making optimal decisions and implementing policies in this regard can significantly enhance a company's profitability indirectly. (Arshiannejad et al., 2017). Working capital highly influences a company's profitability, risk and sometimes affects its continuity. Implementing suitable working capital management and preventing cash resource constraints improve performance and profitability, as result it can add the value of a company (Arshiannejad et al., 2018). Increasing household savings inclination by 20% has resulted in a corresponding 20% increase in their savings, yet it has concurrently led to reduced household consumption (Shahreki et al., 2010). Tradespeople in markets act as distribution channels, purchasing goods from producers and making them available to consumers. The activity and income generation of this market segment signify market vitality, demand sustainability, and investment potential. Absence of tradespeople implies lack of production, supply, demand, and investment. This research, conducted in the year 2023 AD, aimed to investigate the relationship between investments and the profit of tradespeople in Qalai Naw City, Badghis Province, using a questionnaire distributed to a sample of 381 randomly selected tradespeople. Data analysis was performed using SPSS version 25. The findings indicate that increasing investments lead to increased profit for tradespeople in Qalai Naw City. The relationship between investment and tradespeople's profit is positive, with a correlation coefficient of 0.35, meaning that a one-unit increase in investment results in a 0.35-unit increase in profit for tradespeople. Additionally, there is a weak positive relationship (0.48) between investment and cost of tradespeople, while a strong positive relationship (0.52) exists between investment and gross income of tradespeople.

Keywords: investment, profit, tradespeople

Introduction:

Capital is defined as that portion of wealth utilized for further production capabilities. Sources of capital include domestic resources such as individual savings, corporate savings, public savings, and external resources like international borrowings from organizations such as the World Bank, International Monetary Fund, and others. Capital, once accumulated or pooled, transforms into investments - in a three-stage process involving savings initiation, transfer, and investment. Therefore, investment represents one of the most effective means to accumulate assets that generate income over time. At all, investment is an asset that yields income for tradespeople alongside other profit, enhances their welfare. Based on this foundation, individuals endeavor to enter the economic cycle through investment in small capitals, aiming for long-term income generation and capital growth (Habil, 2017). Tradespeople in Qalai Naw City engage in activities aimed at increasing their wealth and achieving profit. Consumption, besides affecting production costs, distribution, and other economic activities, also significantly impacts other macroeconomic variables. Most economic activities are pursued with the goal of improving and enhancing consumption levels. Regarding consumption, three general theories exist: 1; Keynesian Consumption Theory: Keynes believed that consumption is directly related to income, a relationship confirmed by empirical evidence from 1948 to 1982 in the United States. According to the theory of Keynes, there is a strong positive relationship between average individual consumption and their income. 2; Life Cycle Theory of Consumption and Savings: This theory posits that individuals' consumption behavior in a specific period depends on their income in that period. It suggests that individuals plan their consumption and savings over their lifetime to allocate income optimally. Additionally, this theory notes that consumption, along with income, affects individuals' wealth. 3; Permanent Income Consumption Theory: This theory is based on the idea that individuals tend to maintain their consumption consistently, even when their income varies. Thus, the consumption-income ratio is more stable in the long term compared to short-term periods (Durnbush, fisher, 2010). Income is fundamental to consumption and typically derived from individuals' activities through the provision of goods or services. In commercial activities, income is categorized into operational and non-operational incomes or we can say it is contributing to the flow of profit over time (Shahidzadeh, 2014). One of the fundamental aspects of moving towards economic development is the attraction of existing savings within the national economy towards investment cost (Dr. Javid Bahrami, Parvaneh Aslani, 1384). The rates of investment and long-term savings in countries are strongly interconnected with each other (Rezaei, 1389). A significant issue that has attracted the attention of most economists is the decline in savings after 1970 AD, while interest rates have simultaneously

increased in all countries worldwide (Mehdi Taghavi, Ibrahim Rezaei, 1389). Investment, being a crucial component of aggregate demand, plays a decisive role in the country's economy. This is why the behavior of investors has been of considerable interest to economists (Negar Jafari Fasharaki and ETL, 2023). Tradespeople constitute one of the most important economic sectors in a market, as they act as distribution channels responsible for making goods and services available to individuals and consumers. Through this function, they not only increase their own wealth and capital but also contribute to accelerating the economic growth of society as a whole. The assumption in this research is that there exists a positive and significant relationship between investment, profit, consumption, and income of tradespeople in Qala-e-Naw, Badghis Province.

Research Hypotheses

Main Hypothesis: There is a significant and positive relationship between investments and the profit of tradespeople in the city of Qala-e- Naw, Badghis province.

Sub-Hypotheses:

1. There is a significant and positive relationship between investments and the cost of tradespeople in the city of Qala-e- Naw, Badghis province.

2. There is a significant and positive relationship between investments and the income of tradespeople in the city of Qala-e- Naw, Badghis province.

Materials and Methods:

This study is classified as descriptive-field research in terms of its objective and practical application. The data collection method employed is survey-based, which encompasses a set of methods aimed at describing the conditions of the phenomena under investigation, without attempting to change or influence the current status being studied. The statistical society of the study includes all tradespeople in Qala-e-Naw, Badghis Province. The sample size was determined 381 tradespeople by using cochran's formula. To ensure greater validity of the research data, 395 questionnaires were distributed and collected from tradespeople in Qala-e-Naw, Badghis Province. Secondary data for the research was gathered from books, relevant articles, and previous studies on the topic. To test the research hypotheses, after assessing the reliability of the questionnaires using Cronbach's alpha, correlation analysis was conducted using SPSS 25 software. This methodological approach allows for a comprehensive examination of the relationships between investment, profit, consumption, and income among tradespeople in Qala-e-Naw, Badghis Province.

Validation of the Research

To determine whether the current research was conducted accurately with standards, whether the research tools and questionnaire items are capable of correctly measuring and examining the study variables, we evaluated its reliability using

Cronbach's alpha coefficient. A measurement tool is considered reliable when it consistently yields similar results in repetitive situations. Cronbach's alpha is one of the most common methods for measuring the reliability of a questionnaire, favored by researchers over other methods. A general rule in field research, statistics, and research methodologies is that if Cronbach's alpha value is equal to or higher than 0.7, the research results are considered acceptable. This threshold allows for further statistical analyses with confidence. If Cronbach's alpha falls below 0.7, it indicates insufficient reliability, rendering both the research and its utilized tools less credible. In the current study, as shown in Table (1), the Cronbach's alpha coefficient for the data was calculated to be 0.805. This indicates that the collected data is reliable and acceptable. Therefore, the research tools, including the questionnaire and its items, have demonstrated sufficient capability to measure and assess the study variables accurately. This validation ensures that the research conducted is reliable and meets the necessary standards to draw meaningful conclusions about the relationships between investment, profit, consumption, and income among tradespeople in Qala-e-Naw, Badghis Province.

Table (1)

Reliability Statistics

Cronbach's Alpha	N of Items
.805	8

Source: Findings from Field Research

Table (2)

Tests of Normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Shop Rent 2023	.251	395	.000	.413	395	.000
Services Worker Wages 2023	.362	395	.000	.361	395	.000
Electricity Bells 2023	.316	395	.000	.414	395	.000
Tax Expenses 2023	.283	395	.000	.439	395	.000
Investment 2023	.325	395	.000	.383	395	.000
Total Spend 2023	.326	395	.000	.383	395	.000
Total Income 2023	.422	395	.000	.125	395	.000
Profit 2023	.384	395	.000	.121	395	.000

a. Lilliefors Significance Correction

Source: Findings from Field Research

Normality Assumption Test

For assessing the normality or non-normality of the data, the Kolmogorov-Smirnov and Shapiro-Wilk tests were used. As shown in Table (2), the significance levels of the Kolmogorov-Smirnov and Shapiro-Wilk tests were both (0.000), indicating that these values are smaller than the alpha level of 0.05. Therefore, the null hypothesis of normality assumption is rejected.

Based on this, to examine the relationship between variables, the Spearman correlation test was used.

The annual rental fees for shops in Afghanis

According to the results obtained from the field research conducted via questionnaire, tradespeople pay annual rental fees ranging from a minimum of 0[1] Afghanis to a maximum of 420,000 Afghanis. On average, tradespeople pay an annual rent of 63,405 Afghanis for their shops to the shop owners.

Table (3)

Statistics

Shops Rent 2023		
N	Valid	395
	Missing	0
Mean		63405.87342
Median		48000.00000
Mode		30000.000
Std. Deviation		94602.908186
Range		1560000.000
Minimum		.000
Maximum		420000.000

Source: Findings from Field Research

The annual wages paid to service employee

Table (4)

Statistics

Services Worker Wags 2023		
N	Valid	395
	Missing	0
Mean		21659.2405
Median		.0000
Mode		.00
Std. Deviation		44624.78238
Range		360000.00
Minimum		.00
Maximum		360000.00

Source: Findings from Field Research

The results obtained from the research indicate that the minimum wage paid by tradespeople to their service employees is equal to 0[2] Afghanis, and the maximum wage paid is equal to 360,000 Afghanis annually. On average, tradespeople pay an annual wage of 21,659 Afghanis to their service employees.

Annual electricity cost for shops

The results of this research, as shown in Table 5, indicate that the minimum annual electricity cost by tradespeople in the city of Qala-e-Naw, Badghis Province, equals (0 Afghanis), and the maximum annual electricity cost by tradespeople equals (360,000 Afghanis). On average, tradespeople annually pay 15,798 Afghanis for their electricity consumption to the government.

[1] The shopkeeper is the owner of the shop.
[2] The shopkeeper does not have any service employees.

Table (5)

Statistics

Electricity Bells 2023		
N	Valid	395
	Missing	0
Mean		15798.0759
Median		6000.0000
Mode		6000.00
Std. Deviation		32924.89420
Range		360000.00
Minimum		.00
Maximum		360000.00

Source: Findings from Field Research

Paying taxes annually

Table (6)

Statistics

Tax Expenses 2023		
N	Valid	395
	Missing	0
Mean		9355.4481
Median		5200.0000
Mode		6000.00
Std. Deviation		16328.79957
Range		172000.00
Minimum		.00
Maximum		172000.00

Source: Findings from Field Research

The results of this research, as observed in Table 6, indicate that tradespeople in Qala-e-Naw city, Badghis Province, pay a minimum of (0 Afghanis) and a maximum of (172,000 Afghanis) annually in taxes to the government. On average, they pay (9,355 Afghanis) annually in taxes.

The main hypothesis test

The relationship between investments and profits of the business owners in Qala-e-Naw, Badghis Province, shows a statistically significant positive correlation. As indicated in Table (7), the Pearson correlation coefficient between investments and profits is equal to 0.350, demonstrating a weak positive relationship between the variables. The significance level (sig) is reported as 0.000, which is less than the alpha of 0.05. Therefore, the main hypothesis of the research, which states that "there is a positive and significant relationship between investments and profits of business owners in Qala-e-Naw, Badghis Province," is confirmed, and the null hypothesis is rejected.

Table (7)

Correlations

			Investment 2023	Profit 2023
Spearman’s rho	Investment 2023	Correlation Coefficient	1.000	.350**

		Sig. (1-tailed)	.	.000
		N	395	395
	Profit 2023	Correlation Coefficient	.350**	1.000
		Sig. (1-tailed)	.000	.
		N	395	395

**. Correlation is significant at the 0.01 level (1-tailed).

Source: Findings from Field Research

The first sub-hypothesis test

There is a significant positive relationship between investments and final cost of tradespeople in Qala-e-Naw city, Badghis province. As shown in Table (8), the Pearson correlation coefficient between investments and cost equals 0.480, indicating a weak positive relationship between the variables. The significance level (sig) is equal to (0.000), which is smaller than the error level of 0.05. Therefore, the first alternative hypothesis, which states that there is a positive and significant relationship between investments and overall cost of tradespeople in Qala-e-Naw city, Badghis province, is confirmed, and the null hypothesis is rejected.

Table (8)

Correlations

			Investment 2023	Total Spend 2023
Spearman's rho	Investment 2023	Correlation Coefficient	1.000	.480**
		Sig. (1-tailed)	.	.000
		N	395	395
	Total Spend 2023	Correlation Coefficient	.480**	1.000
		Sig. (1-tailed)	.000	.
		N	395	395

**. Correlation is significant at the 0.01 level (1-tailed).

Source: Findings from Field Research

The second sub-hypothesis test

There is a significant positive relationship between investments and revenues of tradespeople in Qala-e-Naw city, Badghis province. As shown in Table (9), the Pearson correlation coefficient between investments and revenues equals 0.528, approximately a strong positive relationship between the variables. The significance level (sig) is equal to 0.03, which is smaller than the error level of 0.05. Therefore, the second alternative hypothesis, which states that there is a positive and significant relationship between investments and revenues of tradespeople in Qala-e-Naw city, Badghis province, is confirmed, and the null hypothesis is rejected.

Table (9)

Correlations

			Investment 2023	Total Income 2023
Spearman's rho	Investment 2023	Correlation Coefficient	1.000	.528**
		Sig. (1-tailed)	.	.03
		N	395	395
	Total Income 2023	Correlation Coefficient	.528**	1.000
		Sig. (1-tailed)	.03	.
		N	395	395

**. Correlation is significant at the 0.01 level (1-tailed).

Source: Findings from Field Research

Conclusion:

Investment is considered the main factor of economic growth, with each tradespeople in Qala-e-Naw city, Badghis province investing an average of 406,034 Afghanis in the year 2023 SH. Consequently, their average income derived from these investments in the same year amounted to 909,691 Afghanis. This included an annual average rent of 63,405 Afghanis for their shops, 21,659 Afghanis in wages for service staff, 15,798 Afghanis for electricity bills of their shops, and 9,355 Afghanis paid as taxes to the government. On average, the final cost of tradespeople in Qala-e-Naw city, Badghis province in 2023 SH were 219,838 Afghanis, totaling their profit to 689,853 Afghanis. There exists a significant and positive relationship between investments and profit of tradespeople in Qala-e-Naw city, Badghis province, with a Pearson correlation coefficient of 0.350 and a significance level (sig) of 0.000, which is smaller than the error level of 0.05. Therefore, the main hypothesis of the research is confirmed. Similarly, there is a significant positive relationship between investments and final cost of tradespeople, with a Pearson correlation coefficient of 0.480 and a significance level (sig) of 0.000, indicating a weak positive relationship that is statistically significant. Hence, the first alternative hypothesis is confirmed, rejecting the null hypothesis. Furthermore, investments also show a significant positive relationship with revenues of tradespeople, as indicated by a Pearson correlation coefficient of 0.528 and a significance level (sig) of 0.03, which is smaller than the error level of 0.05. Therefore, the second alternative hypothesis is also confirmed, rejecting the null hypothesis. In summary, the study underscores the pivotal role of investment in driving economic growth in Qala-e-Naw city, Badghis province, influencing both the financial outcomes and cost of local tradespeople significantly.

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