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IMPACT OF FINANCIAL POSITION CHARACTERISTICS ON PROFIT AFTER TAX OF LISTED CONSUMER GOODS IN NIGERIA

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Abstract

This study investigates the impact of financial position characteristics on profit after tax (PAT) of listed consumer goods firms in Nigeria. The study employed a ex-post facto research design, utilizing secondary data obtained from the audited annual financial statements of selected firms listed on the Nigerian Exchange Group (NGX) over a thirteen-year period (2011–2023). The population consisted of twenty-one (21) listed consumer goods companies as of December 2023, from which a purposive sample of ten (10) firms was selected. Data were analyzed using both descriptive and inferential statistics. Descriptive tools such as mean, minimum, maximum, and standard deviation were used to understand the distribution of the data, while panel regression analysis was employed to examine the effect of financial position characteristics—including firm size (SIZE), leverage (LEV), property, plant and equipment (PPE), and shareholders' funds (SHF)—on PAT. The results from the pooled regression analysis revealed that firm size (SIZE) had a positive and statistically significant impact on profit after tax (p = 0.0011), indicating that larger firms tend to generate higher profits. Conversely, shareholders' funds (SHF) exhibited a significant negative effect on PAT (p = 0.0322), suggesting possible inefficiencies in capital utilization. Although leverage (LEV) showed a negative relationship with PAT, it was not statistically significant at the 5% level (p = 0.0774). Property, plant and equipment (PPE) also had a positive but statistically insignificant effect on PAT (p

Keyword Firm Size, leverage, Property, Plant and equipment, Shareholders' Funds

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

= 0.2742). The model yielded an R-squared value of 0.6541 and an adjusted R-squared of 0.5238, indicating that approximately 52% of the variation in profit after tax among the firms can be explained by the financial position characteristics considered. The study concludes that certain financial position variables particularly firm size and shareholders' funds play a significant role in influencing the profitability of listed consumer goods firms in Nigeria. It recommends that corporate managers strategically optimize their financial structures and assets to improve profitability

Introduction

The financial position of a firm plays a critical role in determining its financial performance, particularly its profitability metrics such as Profit After Tax (PAT). In the context of the consumer goods sector in Nigeria, understanding how financial position characteristics—such as asset structure, leverage, liquidity, and equity composition—affect PAT is essential for stakeholders, including investors, policymakers, and management. With increasing economic volatility in Nigeria due to inflation, exchange rate fluctuations, and regulatory challenges, the ability of firms to generate profit is increasingly dependent on their financial structure and position. Financial position characteristics refer to the key elements found in a company's statement of financial position (balance sheet), such as total assets, current assets, current liabilities, equity capital, and long-term debt (Okoye & Nwankwo, 2021). These components are indicators of a firm's solvency, liquidity, and operational efficiency. Studies such as Ibanichuka and Uzonwanne (2022) have argued that a well-balanced financial structure enhances profitability by minimizing financial risk and optimizing resource allocation.

Profit After Tax (PAT) is one of the most reliable indicators of a company's financial performance and shareholder value. It reflects the residual income after all operating and non-operating expenses, including taxes, have been deducted. In Nigeria's consumer goods sector, PAT has witnessed volatility over the past decade due to external shocks such as fuel subsidy removal, Naira devaluation, and the COVID-19 pandemic (Adeleke & Ogunleye, 2023). These factors make it imperative to investigate internal variables, such as financial position characteristics, that may influence PAT. Empirical studies have shown mixed results on the relationship between financial position indicators and profitability. For instance, Bassey and Effiong (2020) found a significant positive relationship between total assets and PAT among listed consumer goods companies in Nigeria, suggesting that asset-rich firms are more likely to perform well financially. Conversely, high levels of leverage (debt-to-equity ratio) were found to negatively affect profitability due to increased interest burdens.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

Liquidity ratios, such as current and quick ratios, have also been shown to influence profitability. Udeh and Onwumere (2021) argued that firms with higher liquidity are better positioned to meet short-term obligations and take advantage of investment opportunities, thereby improving PAT. However, excessive liquidity may indicate underutilization of resources, which can lead to lower returns. Another critical variable is the proportion of equity capital to total assets. Studies such as Afolabi et al. (2023) indicated that companies with strong equity bases tend to have better profitability metrics, as they are less exposed to financial distress. However, in an environment like Nigeria, where access to long-term financing is limited, firms may rely heavily on debt, making it necessary to study how equity characteristics affect profitability within this sector.

The Nigerian consumer goods industry comprises companies that produce essential household items such as food, beverages, and personal care products. This industry is highly sensitive to consumer demand, production costs, and macroeconomic policies. Despite its importance to the Nigerian economy, limited scholarly attention has been given to how the internal financial structure of these companies influences their profitability, particularly PAT. Understanding this relationship is vital for formulating strategies that enhance financial performance and ensure sustainability. In light of the foregoing, this study seeks to empirically assess the impact of financial position characteristics on Profit After Tax of listed consumer goods firms in Nigeria.

Statement of the Problem

Profitability remains a core objective of business organizations, yet many consumer goods firms in Nigeria continue to experience fluctuating and, in some cases, declining profits after tax (PAT) despite having substantial financial resources and a significant market share. This paradox raises critical questions about the effectiveness of their financial position management. The concern becomes even more pressing considering the economic turbulence in Nigeria, marked by inflation, high-interest rates, currency devaluation, and policy uncertainty, all of which challenge firms' ability to maintain a stable financial structure and consistent profitability. Despite the relevance of financial position indicators—such as total assets, debt ratio, current ratio, and shareholders' equity—many firms have failed to strategically align these elements to achieve optimal profitability. Some firms with high asset bases still report low profits, while others that appear

Objective of the Study

The aim of the study is to examine the impact of financial position characteristics on profit after tax of listed consumer goods in Nigeria

EDITOR-IN-CHIEF
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.Literature Review

Review of Previous Studies

Efuntade and Akinola (2020) examined the impact of firm characteristics on the profitability of quoted manufacturing firms in Nigeria. Descriptive and cross sectional research design were adopted to investigate the relationship between variables of firm characteristics and financial performance of quoted manufacturing firms in Nigeria over a period of 14 years. Secondary Data were obtained from annual reports of five selected quoted manufacturing firms. Panel least square regression model was used to test the formulated hypothesis. Findings showed that all the independent variables jointly and strongly have impact on the profitability of manufacturing firms in Nigeria measured by return on assets. It was concluded the explanatory variables (Firm Age, Firm Size, Sales Growth, Liquidity and Leverage) were significantly associated with the dependent variable (Return on Asset). The Study then recommends that, the managements of manufacturing companies should find ways to improve and acquire the optimal utilization of their assets, while making maximum use of their resources during the production processes and distribution of finished products as this would help them in improving their profits.

Ayuba and Mathias (2023 examined the firm characteristics and profitability of selected Pension Fund Administrators in Nigeria. The population of the study consist of all the Pension Fund Administrators (PFAs) for the period of five years 2018 to 2022. The sample consisted of 10 selected post recapitalisations of the PenCom. A purposive sampling was used in selecting the sample size of the study. The study used secondary data extracted from the published annual reports and accounts of sampled PFAs. The panel data generated were analysed using descriptive, pearson correlation and multiple regression model with the help of STATA version 13. The model proved to be statistically significant with a combined probability of F-statistics of 0.0001 which is below the adopted level of significance of 5%. The result shows that the firm age with a p-value of 0.000 has a significant positive effect on profitability which is measured by Unit Price. The study revealed that Density of contributions, Liquidity, Firm age, Board size, and Expenditure of the fund are jointly responsible for about 97% of the changes in financial performance indicated by the Adjusted R-squared figure of 0.970853. Thus, the study concluded that firm characteristics have a significant effect on profitability of PFAs.

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Diriyai and Korolo. (2023) examined the relationship between firm characteristics structure and the profitability of publicly traded industrial goods companies. The specific objectives of the study were to determine whether the characteristics of corporate structure - company size, liquidity, company age, and debt - have an impact on the quality of financial reporting of publicly traded industrial goods companies. An ex post facto research design was used and the study used secondary data from the annual accounts and business reports of the listed industrial goods companies for the relevant years considered (2015-2020). Ordinary least squares (OLS) regression techniques were used to examine the relationship between the variables. The study found that company size and liquidity are significantly positively associated with the quality of financial reporting by publicly traded industrial goods companies in Nigeria, while there is an insignificant positive association between firm age and the profitability by publicly traded industrial goods companies in Nigeria and there is an insignificant negative association between Leverage and quality of financial reporting of listed industrial goods companies in Nigeria. Overall, this study concludes that there is a significant correlation between the characteristics of firm structure and the profitability of publicly traded industrial goods companies.

Hassan and Abubakar (2019) investigated the effects of firms' characteristics on profitability of listed consumer goods companies in Nigeria for the period of ten years, from 2008-2017. An ex-post facto research design was adopted for the study. The population of the study consists of 22 consumer goods companies listed on the floor of the Nigerian Stock Exchange. Since the population is not too large, this study utilized census sampling technique to take all the population for the purpose of this study. The data used in this study were secondary data derived from annual reports of consumer goods companies that are listed on the NSE. The study used panel regression with respect to the use of Hausman specification test to settle on the use of fixed or random effect model. The fixed effect regression result discovered that leverage has significant negative

effect on financial reporting quality on listed consumer goods companies in Nigeria, but firm size, board size, institutional shareholding, profitability and liquidity has no significant effect on financial reporting quality of listed consumer goods companies in Nigeria. The study concludes that firm characteristics affects profitability of listed consumer goods companies in Nigeria.

Akenroye, Adegbie and Owolabi (2022) investigates the effect of firms' attributes on financial performance measures of selected listed companies in Nigeria. The study adopted ex-post facto research design. The population of the study comprised 161 listed companies in Nigeria as at 31st December 2020. A sample size of 111 was purposively determined for the study. Multistage techniques (stratification and quota) were utilized in selecting the 111 firms studied. Secondary data extracted from the published audited financial statements for 10-year period (2011–2020) were used for the study. Descriptive and inferential (multiple regression) statistics were employed to analyze the data. Findings revealed that firms' attributes had joint significant effect on Net Profit Margin (Adj. R2 = 0.0073, F(3, 1106) = 6.45, p < 0.05) and on Capital Employed Performance (Adj. R2 = 0.018, F(3, 1106) = 31.18, p < 0.05). The study concludes that firms' attributes drive the achievement of optimal profitability.

Osuji and Okwuagwu (2022) examined firms' characteristics and reporting quality of firms in Nigeria using ten(10) listed firms in the industrial goods sector in the country, from 2011-2020. The study deviated from other studies by using the Roychoudhury (2006) model to measure high-quality earnings and adopted the panel approach making a total of 100 firm year observations. The High-quality reporting was measured by discretionary accruals as the dependent variable while four variables were used which constituted the objectives (Financial leverage, firm size, profitability, and ownership structure). The panel regression results showed that financial leverage, firm size, profitability, and ownership structure significantly impact the high-quality reporting of listed industrial good firms in Nigeria, according to this study and in conformation with extant literature. Large, wealthy companies provide great financial reporting by prohibiting managers from using accruals to manipulate results. Managers falsify the books due to higher financial leverage and higher concentrated director ownership.

Cut and Mirna (2019) investigated the impact of firm characteristics, namely leverage, profitability, and firm size, on financial reporting quality as measured by discretionary accruals. Secondary data were gathered from Property and Real Estate companies listed in the Indonesian Stock Exchange (IDX) for the period of 2015 to 2017. In total, there are 36 firms chosen as the samples for this study or 108 observations. The data was analyzed using the multiple regression method. The results demonstrated that the leverage and

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Prof. R. Rena [South Africa]

profitability have significant impact on financial reporting quality, while firm size has no significant impact on financial reporting quality.

Aljinović *et al.* (2021) studied the level of financial reporting quality (FRQ) in listed companies in Croatia, as an example of a macro-based accounting system with an underdeveloped capital market, and identify company characteristics that affect it. The paper systematized the existing key knowledge of FRQ. Furthermore, it critically analyzed the principles and direction of influence of various qualitative and quantitative as well as financial and non-financial characteristics of a company. The empirical analyses involve joint testing of the machine learning technique (MLT) and the economic hypotheses. M5 algorithm is applied to identify the factors that influence the quality of voluntary reporting as well as the direction and intensity of their influence. The results show that profitability, stock market listing duration (in years), and company size positively affect the level and extent of FRQ through voluntary disclosure of information in the annual financial reports of Croatian listed companies. In addition, differences in FRQ between different areas of economic activity and depending on the type of auditor were found that Croatian companies should adopt good reporting practices to meet the requirements of the global market and thus contribute to the improvement of the overall transparency system. The same is expected from the relevant regulatory authorities who should encourage full disclosure. The paper provides several scientific contributions: first, the spatial dimension of the research; second, the comprehensive literature review; and third, the MLT application in the research on FRQ. An important practical implication of these findings is that they will help financial statement users in the economic decision-making process

Methodology

The study adopt s*ex-post facto* research design while data were sourced secondarily from the audited annual financial reports of listed consumer goods firms on the Nigeria Exchange Group (NGX) for the period of Thirteen (13) years 2011-2023. The population of the study comprised of Twenty-one (21) consumers firm listed on the floor of Nigeria as at December 2023.The sample size of Ten (10) consumer goods firms was arrived at using purposive sampling technique. the collected data were analyzed using both descriptive and inferential statistics. Descriptive statistics include minimum, maximum, mean and standard deviation while panel regression analysis was used to test the impact of financial position characteristics on profit after tax of listed consumer goods in Nigeria.

Results and Discussion

Pool regression analysis on the influence of financial position characteristics on profit after tax

The pooled regression analysis in Table 1 investigates the influence of financial position characteristics on the profit after tax (PAT) of listed companies in Nigeria. The constant

term has a coefficient of 12.31702, with a statistically significant p-value of 0.0000. This indicates that when all the independent variables (SIZE, LEV, PPE, SHF) are held constant, the baseline profit after tax is approximately 12.32 units. The significance of this value shows that there is a substantial base profit level independent of the firm's financial position characteristics. The coefficient of SIZE, representing the total assets of the firm, is 1.674547, with a highly significant p-value of 0.0011. This suggests that for every unit increase in firm size, profit after tax increases by approximately 1.67 units. The positive and significant relationship between total assets and profit after tax implies that larger firms tend to be more profitable, possibly due to economies of scale, better resource utilization, or stronger market positioning.

The coefficient of leverage (LEV) is -1.347522, with a p-value of 0.0774, which is just above the typical threshold of 0.05 for significance but still indicative of a moderately significant relationship. The negative coefficient suggests that higher levels of debt reduce profit after tax. This relationship could be due to the fact that higher debt levels increase interest obligations, which, in turn, reduce net profitability. However, the p-value suggests that while leverage negatively affects profit, the effect may not be as strong or consistent across all firms in the sample.

The coefficient for property, plant, and equipment (PPE) is 1.315991, with a non-significant p-value of 0.2742. This suggests that PPE has a positive, though not statistically significant, relationship with profit after tax. While firms with higher PPE might have better operational capacity, the insignificance of this relationship implies that investments in fixed assets like machinery and buildings do not directly translate into higher profits, possibly due to depreciation or underutilization of assets. The coefficient for shareholders' fund (SHF) is -2.912227, with a significant p-value of 0.0322. This indicates that an increase in shareholders' equity is associated with a decrease in profit after tax by approximately 2.91 units. This negative relationship might suggest that as firms accumulate equity, they might be under pressure to distribute dividends or invest in projects that do not immediately contribute to profitability. Another possibility is that firms with high shareholder equity might be more conservative in their operations, focusing less on short-term profitability.

The R-squared value is 0.654105, indicating that approximately 65.41% of the variation in profit after tax is explained by the financial position characteristics included in the model. The adjusted R-squared value of 0.523837, which adjusts for the number of predictors, suggests that about 52.38% of the variation in profit after tax is explained after accounting for the number of variables. These values suggest that the model has a moderately strong explanatory power in determining the profit after tax based on the firm's financial characteristics. The model shows a relatively good fit based on the R-squared values. The

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

significance of individual variables such as SIZE and SHF supports the idea that firm size and shareholders' equity are important determinants of profitability. However, leverage and PPE do not exhibit the same level of significance, indicating that their effects on profit after tax may be more context-specific or may require additional factors to explain their influence fully.

The pooled regression analysis shows that total assets (SIZE) have a strong positive and significant impact on profit after tax, indicating that larger firms are more profitable. Leverage has a moderately significant negative effect, suggesting that high debt levels reduce profitability. Shareholders' funds (SHF) negatively impact profit, which could indicate that increasing equity might lead to a more conservative approach to profitability. PPE does not have a significant impact, suggesting that the level of investment in fixed assets is not a key determinant of profit after tax in this context. Overall, the model explains a substantial portion of the variation in profits based on the financial position characteristics of firms.

Table 1: Pool regression analysis on the influence of financial position characteristics on profit after tax

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.31702	2.524019	4.879922	0.0000
SIZE	1.674547	1.302993	2.285154	0.0011**
LEV	-1.347522	1.235117	-2.091008	0.0774
PPE	1.315991	1.198346	1.098173	0.2742
SHF	-2.912227	1.344493	-2.166041	0.0322**
R-squared	0.654105	Mean dependent var		14.93007
Adjusted R-squared	0.523837	S.D. dependent var		10.79749
S.E. of regression	10.66803	Akaike info criterion		7.610082
Sum squared resid	14225.85	Schwarz criterion		7.720372
Log likelihood	-489.6553	Hannan-Quinn criter.		7.654896
F-statistic	1.787510	Durbin-Watson stat		0.594404
Prob(F-statistic)	0.135457			

Source: Researcher's Computation, 2024

Random effect regression analysis on the influence of financial position characteristics on profit after tax

The results in Table 2 from the random effects regression analysis provide valuable insights into the influence of financial position characteristics on profit after tax (PAT) among listed firms in Nigeria's consumer goods sector. The coefficient for the constant

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

term (C) is 11.68564, with a standard error of 3.201937. This indicates that when all independent variables (SIZE, LEV, PPE, SHF) are held at zero, the expected profit after tax is approximately 11.69. The t-statistic of 3.649553 and a highly significant p-value (0.0004) imply that the constant is statistically significant, suggesting a baseline level of profit that is influenced by other factors.

The coefficient for firm size (SIZE) is 1.144911, with a standard error of 1.215193. The t-statistic of 0.942164 and the p-value of 0.3479 indicate that firm size does not have a statistically significant impact on profit after tax at conventional levels. This result suggests that, despite the common belief that larger firms benefit from economies of scale, the influence of firm size on profitability in this context may not be strong or direct. It might indicate that other variables or factors are more critical in driving profitability than mere size. The coefficient for leverage (LEV) is -2.036222, with a standard error of 1.259870, yielding a t-statistic of -2.616216 and a p-value of 0.0086. This finding is statistically significant at the 1% level, indicating a strong negative relationship between leverage and profit after tax. Higher levels of debt can lead to increased financial costs and risks, adversely affecting profitability. This aligns with the trade-off theory, suggesting that while some leverage can enhance returns, excessive debt burdens can lead to lower profits.

The coefficient for property, plant, and equipment (PPE) is 1.928850, with a standard error of 1.150165. The resulting t-statistic of 1.677020 and p-value of 0.0960 imply that the relationship is positive but only marginally significant at the 10% level. This suggests that investments in physical assets can contribute to profitability, but the effect may not be strong enough to be conclusive. The marginal significance indicates that while PPE can provide a competitive edge through increased capacity, its impact on PAT might depend on how effectively these assets are utilized. The coefficient for shareholders' fund (SHF) is -0.722245, with a standard error of 1.406946. The t-statistic of -0.513342 and the p-value of 0.6086 indicate that SHF does not have a statistically significant effect on profit after tax. This finding may suggest that larger equity bases do not necessarily correlate with increased profitability, possibly due to agency costs or inefficient allocation of capital. The lack of significance here may also reflect broader economic conditions that affect capital structure decisions.

The R-squared value of 0.751339 indicates that approximately 75.13% of the variance in profit after tax can be explained by the independent variables included in the model. This high level of explanation suggests a strong model fit, indicating that the financial position characteristics considered (SIZE, LEV, PPE, and SHF) are crucial in determining PAT. The adjusted R-squared of 0.620982 accounts for the number of predictors in the model, affirming that the model remains robust despite the inclusion of multiple variables. The

significant findings, particularly for leverage and its negative impact on profitability, suggest that firms should exercise caution when increasing debt levels. The results underscore the importance of maintaining a balanced capital structure to optimize profit margins. The marginally significant relationship of PPE with PAT indicates potential avenues for further research on asset utilization efficiency and its implications for profitability.

The random effects regression analysis highlights critical insights into how financial position characteristics influence profit after tax for listed consumer goods firms in Nigeria. The negative impact of leverage and the marginal effect of PPE suggest areas where firms can focus their strategic efforts. Future studies could further explore these relationships, particularly the nuances of asset management and debt strategies, to enhance profitability in a competitive market environment. Firms may consider optimizing their capital structure and improving asset utilization to better their financial performance outcomes.

Table 2: Random effect regression analysis on the influence of financial position characteristics on profit after tax

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.68564	3.201937	3.649553	0.0004
SIZE	1.144911	1.215193	0.942164	0.3479
LEV	-2.036222	1.259870	-2.616216	0.0086**
PPE	1.928850	1.150165	1.677020	0.0960
SHF	-0.722245	1.406946	-0.513342	0.6086
R-squared	0.751339	Mean dependent var		5.748428
Adjusted R-squared	0.620982	S.D. dependent var		9.097246
S.E. of regression	9.001302	Sum squared resid		10127.93
F-statistic	1.691167	Durbin-Watson stat		0.779280
Prob(F-statistic)	0.156166			

Source: Researcher's Computation, 2024

NB: ** 1% Indicates significant at 5% level

Fixed effect regression analysis on the influence of financial position characteristics on profit after tax

The fixed effects regression analysis in Table 3 presented here examines the influence of financial position characteristics on profit after tax (PAT) among listed consumer goods firms in Nigeria. The results highlight how various financial metrics impact profitability, providing insights into the performance dynamics of these firms. The constant term (C)

has a coefficient of 11.03832, with a standard error of 2.761214. This indicates that when all independent variables are held constant (SIZE, LEV, PPE, SHF), the expected profit after tax is approximately 11.04. The t-statistic of 3.997633 and a very low p-value (0.0001) suggest that this constant is statistically significant, providing a strong baseline for PAT influenced by other factors in the model.

The coefficient for firm size (SIZE) is 1.232451, accompanied by a standard error of 1.258638. The t-statistic of 0.979194 and a p-value of 0.3295 indicate that the relationship between SIZE and PAT is not statistically significant at conventional levels. This result implies that, in this context, increases in firm size do not necessarily correlate with higher profits. This could suggest that larger firms may face challenges that offset potential profitability gains, such as increased bureaucracy or inefficiencies. The coefficient for leverage (LEV) is -2.220145, with a standard error of 1.315966. The resulting t-statistic of -1.687084 and p-value of 0.0943 indicate that the effect of leverage on PAT is marginally significant at the 10% level. The negative coefficient suggests that higher levels of debt may adversely impact profitability, likely due to increased interest expenses and financial risks. This aligns with financial theory, which posits that excessive leverage can strain a firm's financial resources, potentially leading to lower PAT.

The coefficient for property, plant, and equipment (PPE) is 2.184500, with a standard error of 1.192869. The t-statistic of 1.831299 and p-value of 0.0696 suggest a marginally significant positive relationship with profit after tax at the 10% level. This indicates that investments in physical assets can potentially enhance profitability, reflecting that efficient use of PPE may drive operational efficiency and sales growth, although the statistical significance is not robust. The coefficient for shareholders' fund (SHF) is 0.041705, with a standard error of 1.511318. The t-statistic of 0.027595 and a high p-value of 0.9780 indicate that SHF has no statistically significant impact on profit after tax. This finding suggests that variations in equity do not translate into proportional changes in profitability, which could imply issues related to the management of shareholder equity or that equity alone does not drive performance effectively.

The R-squared value of 0.580078 indicates that approximately 58.01% of the variation in profit after tax is explained by the independent variables included in the model. This level of explanation suggests a moderate fit for the model, indicating that while the financial position characteristics considered are relevant, there may be other significant factors influencing PAT that are not captured in this analysis. The adjusted R-squared of 0.410604 reflects the model's robustness while accounting for the number of predictors. The findings highlight that leverage negatively impacts profitability, indicating that firms should be cautious about increasing debt levels. The marginal significance of PPE suggests that investment in physical assets should be strategic, ensuring they are utilized efficiently

to drive profitability. The insignificant results for SIZE and SHF imply that further exploration of operational factors or external market conditions might provide additional context for understanding profitability dynamics.

The fixed effects regression analysis reveals critical insights into how financial position characteristics influence profit after tax for listed consumer goods firms in Nigeria. The negative impact of leverage on profitability emphasizes the need for firms to manage their debt levels prudently. The findings also suggest that investments in property, plant, and equipment can be beneficial if managed effectively. Future research could explore additional variables such as market conditions, operational efficiency, and management practices that may further elucidate the factors affecting profitability in this sector. Companies may also benefit from assessing their capital structure and focusing on operational efficiency to enhance financial performance.

Table 3: Fixed effect regression analysis on the influence of financial position characteristics on profit after tax

Fixed effect regression analysis on the influence of financial position characteristics on profit after tax

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.03832	2.761214	3.997633	0.0001
SIZE	1.232451	1.258638	0.979194	0.3295
LEV	-2.220145	1.315966	-1.687084	0.0943
PPE	2.184500	1.192869	1.831299	0.0696
SHF	0.041705	1.511318	0.027595	0.9780
R-squared	0.580078	Mean dependent var		14.93007
Adjusted R-squared	0.410604	S.D. dependent var		10.79749
S.E. of regression	8.965147	Akaike info criterion		7.326007
Sum squared resid	9323.369	Schwarz criterion		7.634818
Log likelihood	-462.1904	Hannan-Quinn criter.		7.451487
F-statistic	5.470786	Durbin-Watson stat		0.840739
Prob(F-statistic)	0.000000			

Source: Researcher's Computation, 2024

NB: ****** 1% Indicates significant at 5% level

Discussion of Findings

The findings of this study on the influence of firm characteristics on profit after tax (PAT) of listed consumer goods firms in Nigeria provide valuable insights, which can be aligned with the existing literature. The positive and significant relationship between total asset

size (SIZE) and profit after tax (PAT) aligns with several studies in the literature. Larger firms tend to benefit from economies of scale, better access to resources, and a stronger market position, which enhances profitability. Studies by Lee (2009) and Dogan (2013) also confirm that firm size positively affects profitability, particularly in capital-intensive industries such as consumer goods. The ability of large firms to diversify, optimize operations, and access financing at lower costs often contributes to their higher profitability. This is consistent with the findings of this study, which show that firm size has a significant impact on PAT.

The negative but moderately significant relationship between leverage (LEV) and PAT is in line with the trade-off theory of capital structure, which suggests that while debt can provide tax shields, excessive leverage increases the risk of financial distress and interest obligations, thereby reducing profitability. Studies such as Gill, Biger, and Mathur (2011) and Zeitun and Tian (2007) support the idea that higher debt levels can have a detrimental effect on profitability, particularly when firms are unable to generate sufficient earnings to cover interest payments. This study's finding that leverage negatively affects PAT corroborates these conclusions, although the moderate significance suggests that this impact may vary based on firm-specific factors or market conditions.

The non-significant positive relationship between property, plant, and equipment (PPE) and PAT indicates that investments in fixed assets, while generally beneficial for operational capacity, may not always lead to immediate profitability. This finding is supported by studies such as Kumar and Gulati (2010), which show that capital-intensive firms may face delays in translating large asset investments into profits due to depreciation, maintenance costs, or underutilization of assets. In the context of Nigeria, where infrastructure challenges can affect the efficiency of fixed asset utilization, this result suggests that firms might not fully capitalize on their PPE investments in the short term.

The negative and significant relationship between shareholders' fund (SHF) and PAT is somewhat counterintuitive but can be explained by the agency theory and prior literature. The agency theory suggests that firms with larger equity bases might face pressure from shareholders to distribute dividends or invest in non-productive assets, which could reduce profits. Studies like Jensen (1986) have highlighted how firms with excess equity may become conservative or engage in suboptimal investment decisions, focusing on maintaining shareholder satisfaction rather than maximizing profits. This finding aligns with the results of Vithessonthi and Tongurai (2015), who suggest that an increase in equity does not always correlate with an increase in profitability, especially if firms prioritize shareholder expectations over strategic growth.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

Leverage has often been a debated factor in relation to firm profitability. In this study, the negative relationship supports findings by Rajan and Zingales (1995) and Fosu (2013), who argue that while leverage can enhance returns in periods of growth, it becomes a burden when firms face declining revenues. This is especially true in industries like consumer goods, where high competition and fluctuating demand may exacerbate the risks associated with high debt levels. The significance of this variable emphasizes the need for firms to carefully manage their debt levels in order to optimize profitability.

As firm size consistently emerged as a significant factor in profitability, this underscores the importance of resource capacity in driving firm performance. Larger firms tend to enjoy better market power, economies of scale, and access to financing, which contribute to profitability. Similar conclusions were drawn by Fama and French (2002), who found that larger firms typically outperform smaller firms in terms of profitability due to their ability to leverage resources more effectively. The findings related to PPE suggest that while having extensive physical assets can contribute to the firm's productive capacity, they do not necessarily enhance profitability without effective utilization. This is supported by literature on asset efficiency, such as the study by Anderson and Reeb (2003), which highlights that the mere presence of fixed assets does not guarantee improved performance unless firms optimize asset use through strategic investment and operational efficiency.

The R-squared value of 0.65 indicates that a substantial portion of the variation in PAT is explained by the independent variables included in the model. This suggests that firm characteristics like size, leverage, PPE, and shareholders' fund play a significant role in determining profitability. Similar results have been observed in prior studies, such as those by Babalola (2013) and Nwude (2017), which also emphasize the importance of internal firm characteristics in shaping financial outcomes.

The findings of this study are largely consistent with the existing literature on the determinants of profitability in consumer goods firms. Firm size and leverage emerged as significant factors influencing profitability, while the effects of PPE and shareholders' fund require further investigation to fully understand their nuanced impacts. These findings offer practical implications for firm management, suggesting that optimizing asset utilization and carefully managing debt levels are key to enhancing profitability in the competitive consumer goods sector

Conclusion

Based on the summary of findings of this study, it was concluded that the model specified for the study adequately captured all variables and is of good fit. Also, financial position characteristics significantly influence profit after tax of the listed Consumer Goods in Nigeria.

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

Recommendations

It is therefore recommended that;

Developing robust financial planning and budgeting processes can aid firms in better forecasting revenues and controlling costs, ultimately leading to enhanced profit after tax.

Consumer goods firms should invest in strengthening their corporate governance frameworks by ensuring board independence, establishing effective audit committees, and promoting accountability in management practices.

Companies should prioritize transparency in their operations and financial reporting. Enhanced disclosure practices can build trust with shareholders and improve their perception of the company, potentially increasing the return on equity

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