



## Effect of Firm Characteristics on Profitability of Listed Consumer Goods Companies in Nigeria

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Consumer Goods, Firm Age, Firm Characteristics, Leverage and Profitability.

### **Jel Classification**

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### **Abstract**

The aim of this research is to examine the effect of firm characteristics on profitability of listed consumer goods companies in Nigeria. Profitability is the dependent variable proxied by Return on sales (ROS), while firm characteristics is the independent variable proxied by firm age, firm size, sales growth, liquidity and leverage. The population of the study consists of twenty two (22) listed consumer goods companies as at 31st December, 2016. Eighteen of the listed consumer goods companies are selected to form the sample of the study for the period of six years (2011-2016). The study employed multiple regressions as tool for analysis. A hypothesis was formulated and tested for the study; which states that: Firm characteristics have no significant effect on profitability of listed consumer goods companies in Nigeria. Secondary data obtained from the financial statements of the companies were analyzed. Panel data techniques (fixed and random effects models) were utilized to examine the effect of firm characteristics on profitability and Hausman specification test confirmed that random effects model was more appropriate for the study. The results show that firm size, sales growth and leverage have significant effects on profitability. In contrast, firm age and liquidity are not significantly affecting profitability of listed consumer goods companies in Nigeria. The study therefore recommended that, consumer goods companies in Nigeria should conduct careful evaluation and take into consideration the firm characteristics (firm size, sales growth, and leverage) that affect the profits of the company before making major business decisions as this will help in improving their profitability.