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Effect of Firm Financial Attributes on Value of Listed Consumer Goods Companies in Nigeria

Deshi, Nentawe Nengak[1]; Dang, Dagwom Yohanna[2]; Ogochukwu-Ray, Chinyere[3]; Bawa, Junaidu[4]

[1]Department of Accounting, Faculty of Management Science, Plateau State University, Bokkos – Nigeria
[2]HOD Public Sector Accounting, ANAN University, Kwall, Plateau State University – Nigeria
[3]Department of Auditing and Forensic Accounting, ANAN University Kwall, Plateau State - Nigeria
[4]Department of Financial Management, ANAN University Kwall, Plateau State – Nigeria

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***Corresponding Author:** Deshi, Nentawe Nengak

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Abstract **Original Research Article**

The paper focuses on the effect of the Firm financial attributes on value of listed consumer goods firms in Nigeria. The research is based on using a quantitative methodology and linear regression analysis concentrating on profitability, leverage and liquidity status as the factors defining firm value. This analysis uses data reviewed in the Nigerian Stock Exchange between 2013 and 2023 of a purposive sample of 16 companies listed in the Nigerian Stock Exchange. The results bring out that profitability plays a considerable role in firm value, which means that a firm with excellent profitability results in a better market value. On the other hand, the lever does not demonstrate a statistically significant influence on a firm value, and liquidity demonstrates a positive and non-insignificant influence. Firm value is discovered to be negatively affected strongly by firm size, which means that there is a tendency to ascertain a lower value among the larger firms within this sample. The findings reiterate the essence of profitability managing in boosting market competitiveness and shareholder value in the consumer goods market in Nigeria. It comes to the conclusion that profitability turns out to be a powerful method in predicting the firm value with highly significant negative relationship. What is more, leverage lacks the statistical impact on firm value, indicating that taking advantage of debt may not be beneficial in terms of increasing shareholder value in this case. Nevertheless, the practice of liquidity management ought to be aimed at satisfying the short-term debts at the expense of the long-term value of the firm. On the basis of findings, the companies should focus on practices that will enhance profitability ratio of the companies like Return to Assets (ROA). There should be strategic control over the level of leverage in order to have a balanced financial structure and even improve on market value. Efficient allocation of resources and strategic decision making should enable firms to maintain financial performance and competitiveness in a bid to overcome their existing size advantages in the consumer goods industry.

Keywords: Firm Value, Profitability, Leverage, Liquidity, Nigerian Stock Exchange, Consumer Goods Firms, Financial Performance.

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1.0 INTRODUCTION

Value of shares of the companies is one of the major determinants of financial stability and investor confidence, especially in a developing economy such as the Nigerian economy. The consumer goods companies are important to the Nigerian economy since they determine the spending patterns, employee earnings, and the general economic balance. Nevertheless, the industry is associated with a wide range of risks, such as profitability volatility, different levels of leverage, and liquidity shortages, which can have enormous implications on the share price. The relations of these financial variables with the share value play a pivotal role in the understanding of investors, policymakers, and managers who intend to enhance financial performance and market valuation of these firms.

The aim of the study is to examine how the financial characteristics of Firms impact on firm value of listed consumer goods companies in Nigeria. The study is very important because the consumer goods companies have taken a central position in the economy of Nigeria as far as economic stability is concerned in terms of consumption and employment of people. The problem with these companies is that they do not have a stable profitability, different leverage and liquidity faced by these companies may also substantially influence the value

of these companies in the market. The current research helps investors, policymakers as well as managers to understand the impact of these financial performance indicators (profitability, leverage, and liquidity) on firm value as a way of improving financial performance of consumer goods firms as well as perception of such firms in Nigeria.

Notwithstanding the fact that this topic is significant, there are eminent gaps in the empirical studies regarding the interconnection between profitability, leverage, liquidity and share value within the user goods industry in Nigeria. Existing literature investigated the Indonesian market and narrowed specific segments of the economy such as production and coal mining (Serlindawati & Chairunisa, 2024; Mudzakkir & Laila, 2024; Farij & Wardani, 2024; Rafli et al., 2023; Nindi & Triyono, 2022). Although these studies do point out the positive impact that profitability and leverage can have on firm value, these aspects of operation are not well-investigated in the Nigerian consumer goods industry. It is therefore a dire necessity of empirical studies which can study how these variables interact with each other within the environment of Nigerian consumer goods companies.

Along with the empirical gap, there is also a substantial contextual gap on an industry level (Syafiuddin, et al., 2024; Alawiyah et al., 2023; Ranti & Agus, 2022; and Nindi & Triyono, 2022) emphasizing the differences between the market conditions and industry-specific factors, e.g., dividend policy, of the growth of firm value in such areas as financial services and pharmaceuticals. Such findings emphasize the need to look at other contexts relating to industries of different models that determine the degree of financial performance. Considering that consumer goods industry in Nigeria has its own set of challenges and regulatory environment, present study is that of great importance to understanding how profitability, leverage, and liquidity affect value of shares in listed consumer goods firms in Nigeria.

Moreover, the geographical scope of the existing literature is mainly restricted to Indonesia, with most of the studies, such as Ombuh, et al. (2024); Ripaluddin, et al. (2023); Rafli, et al. (2023); Ranti and Agus (2022); Leni et al. (2021); Jihadi, et al. (2021) dedicated to Indonesian mining companies. This geographical non-incidence puts major gap in the extent to which economic and regulatory climate in Nigeria influences the association between profitability, leverage, liquidity, and firm value. Economy in Nigeria is completely different when compared to Indonesia. This puts us in need to find out how profitability, leverage and liquidity influence the share value of listed consumer goods companies in Nigeria.

The present study will embark on addressing these gaps in terms of empirical, contextual and geographical to study the influence of profitability, leverage and liquidity on share value of consumer goods listed firms in Nigeria. The study aims at delivering a more relevantly and practically useful information to investors, policy makers, and managers of companies dealing with consumer goods in the Nigerian situation and can be used to making better decisions in order to improve the financial returns and value of companies dealing with consumer goods in Nigeria by looking at a particular area in that situation and examining it with a wider perspective.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Firm Value

The share value is the number of shares times the market value per share and the debt level given the assumption that by increasing the share value directly, the company would improve its value provided that the value of the debt is fixed (Rafli, et al., 2023). The connection between the value of a company and its stock price is also too strong: the higher the stock price the higher the value of a company, which attracts more wealth to its stockholders (Nindi and Triyono, 2022). The financial gains associated with a high price of the shares also underscore this connection as a high price translates to a more valuable company. Besides the given performance of a certain company, market faith is also shaped by the optimism about future performance (Leni, et al., 2021). The hope that investors have regarding the potential of a certain company to grow as well as succeed is vital in the regard of increasing the market confidence thus raising the price of the stocks to a certain higher level and thus adding value to the company. Taking into consideration that maximizing their share value as the fundamental goal of the company, because it is aimed at raising its overall value, emphasis on raising the share price is in line with this purpose. Such a strategy adds additional value to the shareholders, which explains how the performance in the market and strategies utilized in the financial processes can assist the company to achieve economic power.

2.1.2 Profitability

Rafli Irham, et al. (2023) describe profitability ratio as a ratio that measures how well a firm can make profit. The ratio is used to access the level of effectiveness of management within the framework of the performance as it determines the profitability of sales, revenue on investment and thus provides information on how efficient the company is. Basically, profitability is concentrated on the ability of a company to generate profit. Maximization of profit to the investors is the main goal of a company. To survive, companies seek to attain high levels of profitability that can enable them to attract investors. When a company finds itself in a poor financial position, it will be hard to find investors to invest in it which may have its negative effects on stock price.

The Return on Assets (ROA) is the profitability ratio employed in the present study. ROA is used to indicate the overall performance level of a manager in terms of yielding profits using the available assets. Ranti and Agus, (2022), support this stating that the higher ROA, the better the management was in terms of using assets in order to obtain profit. Higher ROA indicates the efficiency of the company in utilizing assets to generation of high profits. Good profit maximization levels build the investor confidence hence raising the value of the company. In this regard, it is possible to submit the following research hypothesis: H01: Profitability does not influence the share value.

2.1.3 Leverage

Leverage ratio, as Nindi and Triyono, (2022), defined,

calculates the degree of debt financing within a firm and determination of risk of defaulting on debt financing. Markonah, et al. (2020) define leverage as the risks and returns linked to the utilisation of fixed costs, which include debt and preferred stock. The higher the amount of fixed-cost debt that the company employs, the higher the risk and desired gain. According to Jihadi, et al. (2021), leverage ratio is a measure that is used to ascertain the degree to which assets of the firm are funded using financial debt which in turn reflects the debt levels relative to the assets. In general terms, the leverage ratio determines the capability of the firm to fulfill all its short and long-term obligations when a firm is liquidated.

In this paper, the leverage ratio will be Debt-to-Equity Ratio (DER). Alawiyah, et al. (2023) observes that long term creditors mostly concern themselves with the prospects of earnings and forecasts of cash flow to ascertain the risk, in addition, they evaluate the equality between the assets that will be provided by creditors and those provided by proprietors of the business. This equilibrium is gauged as DER. According to Elga, (2021), Debt-to-Equity Ratio is a ratio that is utilized in calculating the ratio of total debt including all debts against that of the shareholders equity. This ratio assists one to learn the extent to which the assets of the company depend on debt. The larger the DER the more dangerous it is to the company which translates into a possible threat to the investors as well as having an impact on the value of the company. Therefore, investors tend to favour stocks that have less DERs. The second hypothesis of the study based on the theory mentioned above is: H02: Leverage does not impact on share value.

2.1.4 Liquidity

Liquidity ratio seeks to determine the ability of a company to cover its short payment demands with its best liquid assets (Farij & Wardani 2024). Computation of the liquidity ratio has immense valued to different interested parties. First of all, it is applied by the owners and management of the company to estimate their financial potentiality. There are also outside stakeholders who are interested in the business like the creditors, the funders of the business like banks etc as well as the supplier of goods on credit. In such a manner, the liquidity ratio is regarded as valuable not only to the company but also to the external stakeholders. Practically, this analysis of liquidity ratio is useful in various ways to the owners of the company and the outside people such as creditors and suppliers. The current ratio is the liquidity ratio adopted in the current study. Olivia, et al. (2021) again note that Current Ratio assesses the capacity of a company to pay short-term debtors or debts that have maturities. Greater Current Ratio shows that company is more capable of settling its obligations in due time. The Current Ratio is used when the ratio between total current assets and the total current liabilities are compared. A low value of this ratio indicates that the corporation might not have a large amount of capital sufficient to repay the debts (Serlindawati & Chairunisa, 2024). Nevertheless, the high ratio may not be the sign of a good situation since it may signify that the cash is not used effectively. Empirically, Current Ratio of 200 percent [200 / 100] (2:1) can be viewed as an acceptable proxy of the financial strength of a company. On the premise of this knowledge, the third hypothesis of this research can be stated as: H03: Liquidity does not influence the value of share.

2.2 Empirical Review

Mudzakkir and Laila (2024) analyzed the effect of profitability, leverage and liquidity ratios on the value of the company in the coal mining sector in Indonesia of 2018-2022. Employing the following indicators and quantifying the value of firms by Tobin Q: ROA, DER and CR, the research obtained a statistically significant positive impact of profitability and leverage and a statistically not significant impact of liquidity. Empirical gap includes the sector-wise focus on coal mining industry, the differences in the economic conditions and a low sample size that does not allow transferring the findings to the consumer goods industry in Nigeria. The study focuses on coal mines companies which are a particular area with different operational and financial properties. The gap in the domains lies in the industry-oriented emphasis on coal mining, which fails to take into consideration the peculiarities of the branch of consumer goods, and, as a result, the findings use cannot be applied to the companies involved in the consumer goods business of Nigeria. It is research undertaken in Indonesia dwelling on coal mining firms. The geographical difference is the difference in economic and regulatory conditions in Indonesia and Nigeria which touches on the extent to which findings are transferable to Nigerian consumer goods sector.

Serlindawati and Chairunisa (2024) was concerned with the effect of dividend policy, company liquidity and the company profitability on company value in the manufacturing sector of the consumer goods industries in Indonesia. It consumes 2017-2021 data, that includes 72 companies, and sample=18. The results show that the dividend policy and profitability have positive influences on the company value whereas liquidity has no impact on it. The empirical gap in this case is that the manufacturing sub-sectors are focused on, and that leverage as a variable is not included and this has resulted in small sample size and may limit the generalization of the research in other settings as a whole (examples of other contexts include the broader consumer goods sector, especially in Nigeria). This paper is devoted to manufacturing firms in consumer goods industry, its child-enterprise sub-food and beverage in Indonesia. The limited domain in the production which identified itself as manufacturing coupled with exclusion of other sub-sectors in the consumer goods category forms the domain gap limiting the application of generalization to the wider consumer goods firms in Nigeria. The study location is in Indonesia and concentrates on the manufacturing part of consumer goods sector. The geographical gap consists of various economic, regulatory and market realities in both Indonesia and Nigeria, which may affect the transferability of the findings to the consumer goods firms in Nigeria.

Rafli et al. (2023) examined the impacts of profitability, leverage, and liquidity on firm value based on financial information of companies involving manufacturing industries that were listed on the Indonesia share system through 2017-2021. All the findings demonstrate that profitability, leverages have a great positive effect, and liquidity a mean negative effect. The gap is the specialization on the manufactures and ignore of other variables like dividend policy or size of the companies and the applicability of the finding to the Nigerian

consumer goods industry. The research looks into manufacturing firms in Indonesia with regard to profitability, leverage, and liquidity. The domain gap is the sole emphasis on manufacturing and the area that is not covered by the other consumer goods sub-sectors which makes the business not fruitful to the greater consumer goods industry in Nigeria. The analysis will be of manufacturing companies that are listed in the Indonesia Stock Exchange. The geographical distance is the varying market forces and the economy under Indonesia that will not match with the financial context of consumer goods companies in Nigeria.

Ripaluddin et al. (2023) analysed the effects of liquidity and leverage on firm value based on its profitability are determined in PT. Indofood Sukses Makmur, Tbk employing SEM-PLS. It discovers liquidity and leverage using positive and significant impacts on profitability and negative impacts on firm value and that profitability has no essential impacts. The sole company orientation and concentration in a particular industry contributes to the little applicability of the research to general studies among consumer goods businesses in Nigeria, and it refers to the empirical gap. Concentrating on one corporation of production of food manufacturing industry, the liquidity and leverage effects of the company are covered by means of profitability. The gulf in domains refers to the excessively narrow targeting of a specific company and industry, which fails to indicate the dynamics of consumer goods market in Nigeria. This study is done on one company which is the food manufacture in Indonesia. The geographical distance is the fact that the economic and market conditions in Indonesia are unique, and the results would not be relevant to local consumers goods industry, as it has different regimes of economies and regulations.

Alawiyah et al. (2023) evaluated the impact on the firm value in the pharmaceutical industry of liquidity, profitability, and leverage based on panel data regression between 2017 and 2021. It discovers that ROA positively influences, whereas CR and DER impact the firm value adversely. The empirical difference in this case is industry orientation at the pharmaceutical sectoral level and different financial dynamics, which might not be completely relevant in the case of the Nigerian consumer goods market. The pharmaceutical industry is the focus of the research, as the impacts of liquidity, profitability, and leverage are being examined. The narrow area of focus is the specialisation of pharmaceuticals, which does not share the same market and financial characteristics with the general consumer goods sector, making the choice rather irrelevant to Nigerian business consumer goods firms. The research is done in the Indonesian pharmaceutical industry. The geographical gap is a given economic, healthcare, and market environment in Indonesia which could not directly compare with the consumer goods industry in Nigeria, which will, as a result, have a possible difference in the effects of liquidity, profitability, and leverage on the value of a firm.

Ranti and Agus (2022) conducted a study on the Indonesian financial sector with profitability, liquidity and leverage as exogenous variables in relation to firm value with dividend policy as an intervening variable, results indicate that profitability has an inconsistent significant effect among various firm value firm and liquidity and leverage of the firm have an insignificant effect. It brings out the influence of dividend policy on firm value indirectly. The gap is the sectorial emphasis on the field of finance, the place of the dividend policy as an intermediate variable, and the varying regulatory and market circumstances which are not discussed in the case of the consumer goods firms of Nigeria. The analyzed companies are in the financial sector and dividend policy is their intervening variable. Sector focus on the finance and the role of the dividend policy is the domain gap that does not directly refer to the operational behavior of enterprises of consumer goods in Nigeria. This paper is addressing the impact of the profitability, liquidity, and leverage variables in terms of their influence in the firm value in the Indonesian financial sector. The geographical distance is that the study findings cannot be directly applied to the Nigerian consumer goods sector since Indonesia and Nigeria have different financial markets conditions, the regulatory frameworks and the economic environments.

Nindi and Triyono (2022) investigated the influence of the profitability, liquidity, and leverage on the firm value in the consumer goods industry in Indonesia during 2018-2020, in which the dividend policy is a moderating factor. These factors obtain considerable impacts in it. The empirical gap is that, in addition to dividend policy being used as a moderator, there is also the fact that the time frame is shorter and this might be different in its applicability to the Nigerian consumer goods companies over a longer period. The study investigates consumer goods companies in Indonesia as a moderating variable; dividend policy. Domain gap is the fact that they solely emphasize on consumer goods in Indonesia but fail to accommodate the overall market and economic situations which could be different in Nigeria. The study focuses on the consumer goods companies in Indonesia. The geographical distance is the alternative economic, regulatory and market environments in Indonesia that may integrate on the impact of profitability, liquidity and leverage on the firm value in the Nigerian environment.

Leni et al. (2021) analysed of an impact of liquidity, leverage, and profitability on value of firms with the firm size as a moderating feature in the mining industry in Indonesia, where the leverage is reported as a positive influencer of the firm value, whereas liquidity and profitability do not influence the firm value. The size of the firm acts as a moderator of leverage, not of liquidity or profitability. The differences lie in the sectoral emphasis (mining) of the research, the addition of firm size as a moderator of the research and the differences in market conditions, which is a factor that does not lend itself to direct application to the consumer goods in Nigeria. The study targets the mining industry and uses the firm size as a moderator to the effect of liquidity, leverage, and profitability. Domain gap is the sector focus on mining that has varying operational and financial dynamics relative to the consumer goods sector, making it not directly applicable to Nigerian companies. This research is done on mining industry in Indonesia and the aspects that analysed include liquidity, leverage, and profitability. The geographical dissimilarity is distinct economic as well as regulative circumstances in Indonesia that will simply be different with those in Nigeria and that might have a profound effect on the generalizability of the consequences to the

consumer goods industry in Nigeria.

Elga (2021) analysed the impact of profitability, leverage, and liquidity on stock returns on Indonesian manufacturing industries and tested the use of dividend policy as an intermediary between these variables. It determines that profitability has a major influence to stock returns and the leverage and Liquidity have no influence and the dividend policy fails to affect the above mentioned relationships. The limitation to the empirical approach is that it focuses on stock returns and not operating value and in making use of dividend policy as a mediator, which might not be replicated to the consumer goods sector in Nigeria. This paper considers the manufacturing companies and it conducts research on stock returns using dividend policy as the intervening factor. The domain gap will be the concern about the manufacturing and stock returns, but not the firm value which might not be specifically applicable to the general consumer goods in Nigeria. This paper is about the manufacturing firms in Indonesia and it looks into stock returns. The geographical distance is whether the economic, regulatory, and market conditions in Indonesia can be directly compared with that in Nigeria bearing in mind the larger environment of consumer goods business and its varying sorts of working conditions.

Jihadi et al. (2021) addressed the consequences of firm liquidity, activity, leverage and profitability on the value of firm, the paper explores mediation by CSR disclosure and the size of a company in 2014-2019, the study restricts itself to the LQ45 companies over Indonesia. One can see enormous effects of these ratios divided with CSR and company size. The Gap is the incorporation of CSR and the size of the company as nuance variables and the particular inclusion of LQ45 companies which is not representative of the larger Nigerian consumer goods market. The study focuses on the LQ45 index companies where financial ratios will be analyzed as the moderators are CSR and scale of the company. The particular concentration on just a few companies, coupled with the fact that CSR is included, is the domain gap as it might be less applicable to wider consumer goods companies in Nigeria. The study is focused on LQ45 index firms in Indonesia. The geographical gap is the geographical discrepancy between the situation in Indonesia that has unique market, economy, and regulations, whereas in Nigeria if the results produced cannot be applied to the situation, which is especially relevant to consumer goods companies.

Markonah et al. (2020) established the impact of profitability, leverage and liquidity on firm value in the food and beverage industry in Indonesia based on panel data regression. it discovers that profits and leverage have substantial influence on firm value but liquidity does not. Visions (collections), specialising in a particular sub-sector, and fixed effect models are the empirical issues that are not necessarily directly determined in the context of diverse consumer goods sector in Nigeria. Analyzing the profitability, leverage and liquidity effects, this research targeted the food and beverage manufacturing businesses. The domain gap is when there is a limited concentration in a particular sub-sector, which might not cover the various dynamics of operation in the whole consumer goods sector in Nigeria. Only food and beverage manufacture companies in Indonesia will be used as the study on which to base the research. Geographical distance is the difference between certain economic and market circumstance in Indonesia as compared to that in Nigeria thus affecting the applicability of the results to the Nigerian consumer goods market.

2.3 Theoretical Review

This research was supported by Signaling theory:

2.3.1 Signaling Theory

Signaling theory, which was introduced by Michael Spence in the 1970s, concerns how asymmetric information (between the parties) can be attenuated using signals. Signal-sending behavior in the financial market helps the firm to communicate with its outer stakeholders by informing them of company performance and future possessions. The signals assist investors in making sound decisions as they reduce uncertainty and give them insights about the value of the firm and its stability (Connelly, et al. 2011; Nindi & Triyono, 2022). To evaluate the standing of the influence of financial performance measure on the firm value, signaling theory indicates that the three indicators of profitability, leverage, and liquidity are signal vital in informing investors and other stakeholders. An example is that Profitability is a good indicator of operational efficiency and competitiveness of a company. Good profitability reveals to the investors that the business is run effectively using excellent business strategies (Ripaluddin et al., 2023). Such a good signal may result into greater investor confidence, higher share prices and a higher firm value. A company leverage, or the level in which it is dipped in debt as compared to equity is a mixed signal to investors. On the one hand, moderate leverage might indicate a high probability of growth of the firm and its capacity in order to utilize a borrowed money wisely in order to see more growth and produce more income. Conversely, when the leverage becomes excessive it can be an indication of a high-financial risk and possible financial instability, which does not encourage risk-averse investors (Alawiyah et al., 2023). A vital indicator of financial wellness is liquidity, or how conveniently a company can settle its short-range values. When the level of liquidity is high, a business is immensely ready to face any unforeseen expenses and economical slumps, where it acts as a cushion to the investor (Rafli et al., 2023). Such an indicator of financial conservatism may result in greater investor confidence and value of a firm. The use of signaling theory in the same analysis of the influence of profitability, leverage and liquidity on firm value in Nigerian consumer goods firms exposes the huge impact of the measures in passing essential information to the market. Companies can manipulate the overall value of their firm based on the knowledge that manages the signals that are sent through profitability, leverage and liquidity to investors in order to affect their perceptions.

3.0 METHODOLOGY

The research was based on a quantitative research design and, interestingly, the ex-post facto research design was used due to the secondary data collected through access to annual reports of consumer goods companies listed in the

Nigerian Stock Exchange as the fact book reproduced in the Nigerian Stock Exchange (NSE) Fact Book. The study population included 25 consumer goods companies listed in Nigerian Exchange Group on 31st December 2023. The purposive method of sampling was adopted to get a sample of 16 companies, during the time period extending between 2013 and 2023. The selection criteria involved, sieving through the factors such as: (1) The Company appears in a sub-sector of consumer goods companies manufacturing company listed at Nigerian Exchange Group during 2013- 2023; (2) Companies that report their financials during the sample period of 2013-2023; (3) Companies with complete information, regarding the research, during the period of research, i.e., 2013-2023. This was to make sure that the chosen companies have offered consistent and reliable data through which a deep analysis can be made.

The study applied pooled Ordinary Least Squares (OLS) with the multiple regression method in the data analysis. The quantitative method has been adopted to analyse the relations between variables of importance and measure them during the given time. This research design allowed a stringent statistical investigation, as a systematic analysis of the dynamics and determinants of firm success in the Nigerian consumer goods industry was possible. Model specification is as follows:

$FIRMV_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 LEVG_{it} + \beta_3 LIQD_{it} + \beta_4 FSIZE_{it} + \varepsilon_{it}$

Where: $FIRMV_{it}$ is the Firm Value; $PROF_{it}$ represents profitability; $LEVG_{it}$ denotes leverage; $LIQD_{it}$ stands for liquidity, $FSIZE_{it}$ is the firm size; β_0 is the intercept term; β_1, β_2 , β_3, and β_4 are the coefficients to be estimated; ε_{it} is the error term; i denotes firms and t is period of study. This model was adapted from the study by Farij and Wardani (2024) to suit the objectives of this research.

Table 3.1: Variable Measurement

Variables	Code	Measurement	Source
Dependent			
Firm Value	FIRMV	Total Equity/Number Ordinary Shares	Rafli, et al., 2023
Independent			
Profitability	PROF	Profit After Tax/Total Asset	Deng, and Zhao, (2022)
Leverage	LEVG	((Total Liabilities-Current Liabilities)/Total Equity) *100	Jin and Xu, (2022)
Liquidity	LIQD	Current Asset/Current Liabilities	Ineke, et al., (2022)
Control			
Firm Size	FSIZE	Total Asset/Country Exchange Rate	Kolawole, et al., (2021)

Source: Author's Compilation, 2024

4.0 DATA ANALYSIS

Table 4.1: Descriptive Statistics

VARIABLE	OBS	MEAN	STD. DEV.	MIN	MAX
FVALU	176	.1394219	.2548606	.009624	1.679735
PROF	176	.0523374	.0760653	-.1966	.264935
LEVG	176	91.09211	399.7498	-1.83659	7.308
LIQD	176	1.236597	1.256771	.073	15.8
FSIZE	176	11.92262	1.810646	7.283407	14.56408

Source: STATA 15 Output, 2024

The descriptive statistics on firm value (FVALU) shows that the mean firm value of the firms in the sample is fairly low at 0.1394. Such average indicates that a majority of companies do not have huge prices. 0.2549 of standard deviation indicates that there is a very large dispersion in the values of firms and this is a big indicator. The lowest firm value in the sample is close to zero as it appears in the minimum value of 0.0096. On the other hand, the maximum

1.6797 indicates that it is a big outlier in which a company holds a relatively high valuation than other companies in the sample.

The profitability (PROF) of sample firms has an average value of 0.0523 or 5.2 percent implying that the average firms are purely moderately profitable. The standard deviation of 0.0761 indicates that there is moderation in dispersion of profitability of the firms. The value at the minimum of -0.1966 shows there are some companies making losses and the least profitable company has negative profitability of 19.66 percent. The highest profitability, on the other hand, is 0.2649 and this means that the most profitable firm has profitability of 26.49%. Such dispersion in the level of profitability brings out the different financial performance of companies within the sample.

The leverage (LEVG) statistics indicate an mean leverage ratio of 91.0921, implying that most of the sample firms tend to be highly leveraged. The standard deviation is that incredibly high at 399.7498 which shows that there is immensely high variable in the leverage of the firms. The lowest leverage of -1.8366 indicates it as the possibility of a negative equity of some of the firms which may be accrued losses. The highest value of leverage 4867.308 indicates the presence of an outletter because the firm is highly in debt regarding its equity. This wide variability of leverage ratio demonstrates that there are large disparities in the ways companies pose their capital structures and their debts.

The average liquidity (LIQD) ratio is 1.2366 that means that on average the firms have enough current asset to settle the current liabilities by slightly more than 1. The standard deviation of 1.2568 shows that liquidity is quite different among firms. The lowest figure of 0.073 indicates companies that might be experiencing liquidity problems where the levels of current assets are very low in comparison to the liabilities. On the other hand, the value at the threshold of 15.8 shows that not all firms have very low levels of liquidity because they could take enough current assets in order to pay their short-term debts. This huge difference in liquidity ratios indicates a variation in the liquidity management at the sample firms.

The average of FSIZE, which measures the firm size using the log of the total assets shows that the firms in the sample are moderate with the average measurement of firm size = 11.9226. The standard deviation of 1.8106 indicates that the sample has moderate level of variability of the firm sizes. The smallest firm size can be seen by the lowest value 7.2834 whereas the largest firm size in the sample is 14.5641. This difference in the size of firms proves that the sample consists of a wide variety of firms, both those that were relatively small and large entities, offering a wide view concerning firm characteristics.

Table 4.2: Correlation Analysis

	FIRMV	PROF	LEVG	LIQD	FSIZE
FIRMV	1.0000				
PROF	-0.4106	1.0000			
LEVG	0.0086	-0.1464	1.0000		
LIQD	0.2526	-0.0621	0.0034	1.0000	
FSIZE	-0.4588	0.2055	-0.0269	-0.2852	1.0000

Source: STATA 15 Output, 2024

The correlation matrix provides an insight on the distributions of the relationships between firm value (FIRMV) and other financial measures: profitability (PROF), leverage (LEVG), liquidity (LIQD) and firm size (FSIZE). The association of each variable to firm value is outlined below.

The relationship between firm value (FIRMV) and profitability (PROF) is moderately negative with the correlation coefficient of -0.4106. This implies that, in the present dataset, the higher the profitability of the firms, the lower their value. This negative statistical relation is somewhat counterintuitive to the degree that profitability would tend to increase the firm value.

A correlation coefficient of 0.0086 indicates an interrelationship between the firm value (FIRMV) and leverage (LEVG) is very weak and positive. It means that leverage does not affect the values of firms linearly to any significant extent at all in this sample. The insignificance of the correlation implies that changes in leverage have no big influence over firm value.

Firm value (FIRMV) and liquidity (LIQD) have a weak positive relationship as the correlation coefficient is 0.2526. This is an indication that increased liquidity is in some way relevant with increased firm value. A high liquidity leads to the availability of more resources which can be more easily disposed in order to fulfill any short-term obligation or acquire investments of new probability which could increase the value of firms and which could help them absorb the economic crashes.

It is noted that the correlation coefficient of firm value (FIRMV) and firm size (FSIZE) is -0.4588, which implies that the relationship is moderate and negative. This implies that bigger firms are likely to record low firm values, which may be attributed to various reasons. The ability of getting incrementally larger may be leading to diminishing returns to scale wherein larger firms get less benefit to less incremental increase in size.

Table 4.3: Multicollinearity Test

VARIABLE	VIF	1/VIF
FSIZE	1.13	0.883273
LIQD	1.09	0.918634
PROF	1.07	0.937902
LEVG	1.02	0.978535
Mean VIF	1.08	

Source: STATA 15 Output, 2024

The VIF analysis indicates that the variables firm size, liquidity, profitability, and leverage do not suffer from multicollinearity, as all VIF values are close to 1. This ensures that the regression model can be reliably estimated, and the effects of these independent variables on the dependent variable can be interpreted with confidence. The absence of significant multicollinearity allows for a more robust and credible analysis of the relationships between these financial metrics and the dependent variable.

Table 4.4: Robust Regression

Linear regression				Number of OBS =		176
				F (4, 171)	=	21.37
				Prob > F	=	0.0000
				R-squared	=	0.3333
				Root MSE	=	.21052
FVALU	**Coef.**	**Std. Err.**	**t**	**P>t**	**[95% Conf.**	**Interval]**
PROF	-1.129893	.2160239	-5.23	0.000	-1.55631	-.7034765
LEVG	-.0000323	.0000402	-0.80	0.423	.0001118	.0000471
LIQD	.0265671	.0132111	2.01	0.046	.0004892	.052645
FSIZE	-.0497594	.0093516	-5.32	0.000	.0682189	-.0313
CONS	.761912	.116746	6.53	0.000	.5314631	.9923608

Source: STATA 15 Output, 2024

4.2 Test of Hypotheses

The regression model has an R-squared value of 0.3333, indicating that approximately 33.33% of the variability in firm value is explained by the independent variables in the model. The F-statistic of 21.37 with a p-value of 0.0000 indicates that the model is statistically significant overall, implying that the set of independent variables used in the model reliably predicts firm value.

The coefficient for profitability (PROF) is -1.129893, with a standard error of 0.2160239 and a t-value of -5.23. The p-value associated with this t-statistic is 0.000, which is highly significant ($p < 0.05$). This result suggests that there is a statistically significant negative relationship between profitability and firm value.

The coefficient for leverage (LEVG) is -0.0000323, with a standard error of 0.0000402 and a t-value of -0.80. The p-value for leverage is 0.423, which is not significant ($p > 0.05$). This indicates that leverage does not have a statistically significant effect on firm value.

The coefficient for liquidity (LIQD) is 0.0265671, with a standard error of 0.0132111 and a t-value of 2.01. The p-value is 0.046, which is significant at the 5% level ($p < 0.05$). This suggests that liquidity has a positive and statistically significant effect on firm value.

The coefficient for firm size (FSIZE) is -0.0497594, with a standard error of 0.0093516 and a t-value of -5.32. The p-value is 0.000, which is highly significant ($p < 0.05$). This result shows a significant negative relationship between firm size and firm value, indicating that larger firms tend to have lower firm value in this sample.

4.3 Discussion of Findings

4.3.1 Profitability and Firm Value

The results of this research reveal that there is a strong negative correlation between profitab ility and firm value which concurs with the findings of Serlindawati and Chairunisa

(2024) and Mudzakkir and Laila (2024) whose results established a positive association between profitability and firm value in their respective businesses. These papers discovered that the measures like Return on Assets (ROA) and Return on Equity (ROE) can play a crucial part in increasing firm value since they provide the efficiency of a firm in earning profit. This negative association noticed in this study might indicate a separation because of market dynamics especially of the investors or sector-related issues or factors which may have an effect on how profitability is perceived within the consumer goods industry of Nigeria. The findings of the research indicate that there is the possibility in the Nigerian market to vary, unlike other geographical/industrial settings.

Nonetheless, there is a contradiction in these findings as demonstrated by some studies. To give a specific example, Rafli et al. (2023) and Markonah et al. (2020) carry an affirmation of positive correlation between profitability and firm value in different situations, implying that usually, the greater the profitability, the higher the investor trust and firm valuation. The negative relationship in the present research may be attributed to a number of causes including the fact that the market may be overvalued, or it might be that investors doubt the ability of the Nigerian consumer goods market to remain profitable. This contrary observation could be further explained by the great volatility of consumer preferences as well as the economic environment in Nigeria, at least as far as investors might be looking at short-term measures that determine profitability without attention to the other long-term indicators that also determine value of firms.

These findings can be discussed within the framework of the Signaling Theory and considered quite insightful. The theory indicates that the profitability translates to the investors the efficiency of operations and the growth of a company. A negative correlation, such as the one observed between profitability and firm value in this paper, may work as an indication of either the idea that high profitability is interpreted as an indicator of over-reliance on certain revenues or a strategy of not having sustainable growth plans. Such signals may translate into risks of long-term firm value according to investors and cause the overvaluation of firms with high profitability. Therefore, although the level of profitability can indicate about the health of the firm, there can be delays in the response of the investors because of the market and economic factors that can act as the overriding signs, which may be the case in determining the unexpected type of relationship that a firm has with profitability shown in this research work.

4.3.2 Leverage and Firm Value

It does not record a significant effect of leverage on the value of the firm and this complies with the existing literature like Rafli et al. (2023) whose research has shown that the influence of leverage on firm value can be unstable and not identical in all market conditions. These empirical studies have indicated that leverage may not have a direct or significant consequence on firm value though it may create an indirect effect of increasing returns on equity. The insignificant magnitude of the result in this analysis implies that in the Nigerian consumer goods industry, leverage might not emerge a major driver of firm value and other determinants might exert much weight in shaping investors sentiments and the valuation of firms.

Contrary, there are studies which indicated positive correlation between leverage and firm value, including: Nindi and Triyono (2022) and Leni et al. (2021). This discrepancy in the results may be warranted by the disparity in firm strategies and economic conditions. Nigerian market companies can be less willing to use debt in Nigerian market because of a rather volatile environment of the country due to which leverage can be considered more conservative. Also, financial vulnerability or instability may be imminent with high leverage hence there might not be any huge effect on firm value in the sample under study.

The Signaling Theory will provide an explanation to this observation where the signal that is provided by high leverage may be received in a variety of ways by the investors depending on circumstances. In one situation, the leverage may appear to respond positively to future leverage as part of growth potential and in the next it can be considered to be a case of financial instability. The neutral or insignificant effect between leverage and firm value in this paper implies that in Nigerian context, higher leverage levels are perceived by investors as unhealthy and it downplays its potentially positive signal. This means that high debt finance levels in a firm might not allow it to take advantage of financial structure to enhance firm value in Nigeria market.

4.3.3 Liquidity and Firm Value

The research shows that the liquidity and firm value are positively and statistically significantly correlated which is similar to the findings of Alawiyah et al. (2023) and Nindi and Triyono (2022), who reveal that a higher liquidity ratio positively impacts the firm value. Liquidity is the capacity of a firm to be able to pay off the short-run liabilities, and normally can lead to better appreciation of a firm by the investors due to the security and hence low risk it guarantees. The significance of finding this established that liquidity is key in the confidence and valuation of a firm particularly during the unstable economic times such as the Nigerian market.

On the contrary, other researchers like Markonah et al. (2020) and Rafli et al. (2023) have shown no significant effect of liquidity on the value of firms and as such indicated that it may not be so influential in every scenario of the market. The difference may be explained by the differences in economic conditions and industry specific. This inflicted a market where the investors are keen on the profitability, or potential growth than the short-term liquidity, and this might be the reason why other studies have failed to provide substantial findings. In the Nigeria case though, where both economic instability and inflation is common, the liquidity might be more of an important consideration to investors and this could be one of the reasons why there has been a positive relationship in this research.

The exclusion of this VitaminGroup can be explained by the Signaling Theory: liquidity is a good signal about the financial soundness and risk management of a corporation. An increase in liquidity gives investors a perception of stability and reliability on a firm lowering perceived risk and possibly raising the value of a firm. Conversely, the less liquid firms could be

predictors of financial distress or inabilities to fulfill short-term obligations effectively, as a result of which investor confidence and firm value might decrease, respectively. To that effect, the fact that the relationship in the current study is positive means that it is consistent with the signalling theory since liquidity is a fundamental financial signal that can directly influence the value of a firm.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study's findings reveal that profitability and firm size have significant negative effects on firm value, while liquidity has a significant positive effect. Leverage, however, does not have a significant impact on firm value. These results suggest that higher profitability and larger firm size might not always translate into higher firm value, whereas liquidity does. This study highlights the need for firms to manage their financial metrics carefully and consider the specific market and industry contexts when making strategic decisions to enhance firm value.

5.2 Recommendations

i. Boost Liquidity Management:

To ensure sufficient liquidity, firms should aim at the level of maintaining sufficient liquidity such that they are able to fulfill short term liabilities and to raise the level of investor confidence which will generate firm value. Nigerian Stock Exchange (NSE) and the Central Bank of Nigeria (CBN) are significant players in the determination of policies and regulation that govern the management of liquidity in the listed firms. It possible to make NSE give out additional guidelines that can make the market more transparent and such more can be done to make sure that financial institutions help in liquidity management practices that can support stability and growth of the markets.

ii. Answer Profitability Strategies:

Considering the adverse effect of profitability on firm value in this study, firms are advised to readdress their profitability strategies and reasons that could be influencing this relationship like market conditions and investor perceptions. The regulatory agencies like Securities and Exchange Commission (SEC) of Nigeria and Nigerian Investment Promotion Commission (NIPC) may come in and set the right environment to enable firms seek alternative profitability mechanisms. It is possible that these institutions may offer structures to help the companies to diversify profits and invest in sustainable practices of profitability.

iii. Track the Leverage Ratios:

As far as leverage did not have a serious influence on firm value, it is nonetheless vital that firms ensure that they have managed their debt levels carefully not to get into too much financial risk and be able to achieve a long-term sustainability. Strict policies should be implemented by the Financial Reporting Council of Nigeria (FRCN) and the Central Bank of Nigeria (CBN) that will see firms keeping their debt-to-equity ratios at a good level thus making it less likely to develop financial instabilities. This would be in the form of enhancing corporate governance practices and offering incentives such that firms follow conservative debt policies, which would likely suit risk averse investors.

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APPENDIX

```
. su fvalu prof levg liqd fsize
```

Variable	Obs	Mean	Std. Dev.	Min	Max
fvalu	176	.1394219	.2548606	.009624	1.679735
prof	176	.0523374	.0760653	-.1966	.264935
levg	176	91.09211	399.7498	-1.83659	4867.308
liqd	176	1.236597	1.256771	.073	15.8
fsize	176	11.92262	1.810646	7.283407	14.56408

```
. pwcorr fvalu prof levg liqd fsize
```

	fvalu	prof	levg	liqd	fsize
fvalu	1.0000				
prof	-0.4106	1.0000			
levg	0.0086	-0.1464	1.0000		
liqd	0.2526	-0.0621	0.0034	1.0000	
fsize	-0.4588	0.2055	-0.0269	-0.2852	1.0000

```
. reg fvalu prof levg liqd fsize
```

Source	SS	df	MS		
Model	3.78870628	4	.947176571	Number of obs	= 176
Residual	7.57822937	171	.044317131	F(4, 171)	= 21.37
				Prob > F	= 0.0000
Total	11.3669357	175	.064953918	R-squared	= 0.3333
				Adj R-squared	= 0.3177
				Root MSE	= .21052

fvalu	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
prof	-1.129893	.2160239	-5.23	0.000	-1.55631	-.7034765
levg	-.0000323	.0000402	-0.80	0.423	-.0001118	.0000471
liqd	.0265671	.0132111	2.01	0.046	.0004892	.052645
fsize	-.0497594	.0093516	-5.32	0.000	-.0682189	-.0313
_cons	.761912	.116746	6.53	0.000	.5314631	.9923608

```
. vif
```

Variable	VIF	1/VIF
fsize	1.13	0.883273
liqd	1.09	0.918634
prof	1.07	0.937902
levg	1.02	0.978535
Mean VIF	1.08	