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Profitability and Leverage: Evidence from Nigerian Firms

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Abstract


This study examines the profit profile of firms in Nigeria and analyzes the impact of leverage on profitability for the period 1999-2007. The results show that aggregate profit level for the firms decreased by 0.02 percent yearly over the study period. However, when disaggregated into sectors, a few firms actually experienced an increased profit level. The results show that firm size has a significant positive effect on profitability, while leverage has negative effect. The paper suggests that expansion, increased sales and low debt ratios enhance firm profitability.

Keywords: profitability, leverage

JEL Classification: G32

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