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Profitability and Leverage: Evidence from Nigerian Firms

Global Journal of Business Research, Vol. 6, No. 1, pp. 17-25, 2012

9 Pages

Posted: 6 Jan 2012

Olayinka Akinlo (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1731488)

Obafemi Awolowo University

Taiwo Asaolu (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1679964)

Obafemi Awolowo University

Date Written: 2012

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[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID1945956_code1332876.pdf?abstractid=1945956&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1945956_code1332876.pdf?abstractid=1945956&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID1945956_code1332876.pdf?abstractid=1945956&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1945956_code1332876.pdf?abstractid=1945956&mirid=1&type=2)

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