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ACCOUNTING CONSERVATISM, FIRM CHARACTERISTICS AND PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract
The performance of publicly quoted consumer goods companies in Nigeria continues to attract significant attention due to persistent fluctuations in profitability. Although accounting conservatism is intended to enhance the credibility of financial reports, its influence on firm performance remains uncertain, as existing empirical evidence provides mixed and inconclusive results. This study examined the effect of accounting conservatism and firm characteristics on the performance of listed consumer goods companies in Nigeria from 2014 to 2023. An ex post facto research design was adopted, and secondary data were obtained from the annual reports of 18 consumer goods companies listed on the Nigerian Exchange Group (NGX), representing the entire population of firms in the sector during the study period. Return on Assets (ROA) was used to measure firm performance, while accounting conservatism, firm size, financial leverage, and asset tangibility served as the explanatory variables. The Panel Estimated Generalised Least Squares (PEGLS) technique was employed to analyze the data and address issues of heteroskedasticity and serial correlation. The findings revealed that accounting conservatism had a negative and insignificant effect on firm performance ($\beta = -0.0003$, $p = 0.8213$). Firm size exerted a significant negative effect ($\beta = -0.0671$, $p = 0.0088$), whereas financial leverage had a positive and highly significant effect ($\beta = 0.2789$, $p = 0.0000$). The study reveals that best practices for finance and asset utilization have the most significant impact on a company's success, while accounting practices are not as crucial. It encourages the careful use of debt finance, optimization of processes in large companies and fair distribution of assets to increase profitability and long-term sustainability.

Keywords: Accounting conservatism; Firm characteristics; Size; Leverage; Asset tangibility.

1. Introduction

Conservatism in accounting is a major controversial accounting matter. The tenet emphasizes the timely recognition of anticipated losses and liabilities, which means that the recognition of gains and assets requires more levels of substantiation. Conservatism in accounting is a principle based on prudence, which seeks to make financial information as credible, reliable and disclosing as possible to the investors and all other stakeholders who use it. Conservatism is believed to reduce management opportunism, ease earnings management, reduce information opacity, and improve corporate governance outcomes (Gao & Wagenhofer, 2021; Kieschnick & Shi, 2021). The procedures are expected to increase the efficiency of investments and help strengthen investors' trust in the financial information that has already been disclosed. However, the practice of accounting conservatism has come under fire. Conservatism can result in overstated losses, overstated assets, and overstated company value, reducing the importance of the information in the accounts and possibly affecting the evaluation of business performance by stakeholders. Hence, the issue of the effect of accounting conservatism on company performance is still an empirical one that has yet to be resolved.

The discussion over accounting conservatism assumes new importance in developing countries such as Nigeria where businesses are operating in a challenging and very volatile business environment. Inflation reached 15.63% in December 2021 but climbed to 28.92% in December 2023 with continued depreciation of the exchange rate placing significant increases on the costs of industrial companies. In recent years, the macroeconomic problems have deterred the profitability and sustainability of business, particularly consumer products sector which is almost reliant on imported raw materials and consumer purchasing power. The Nigerian consumer products sector is an important area of manufacturing which has significantly contributed to the generation of employment, creation of value and economic growth. However, companies in this sector continue to face rising operational costs, falling customer interest, disruption to supply chains and uncertainty over regulations (Orjinta et al., 2025). During such times, the need for reliable and transparent financial reporting becomes even more critical, as investors, creditors and regulators rely on financial information to assess the performance of the firms and to make economic decisions. In fragile institutional settings and high economic volatility, as noted by Egbadju (2023), good financial reporting is especially significant.

While theorists have studied the theoretical implications of accounting conservatism, actual information concerning the impact of accounting conservatism on corporate performance is ambiguous. Some of the current research literature suggests three conflicting perspectives. The first argument holds that conservatism complements performance in several ways: it improves reporting quality, reduces agency conflicts, and increases confidence in the reported information by stakeholders. There is evidence that accounting conservatism is positively related to profitability measures, as indicated by Saleh et al. (2022) and Etale and Empere (2023). The other one holds that conservatism does not have any significant effect on performance as its benefits can be offset by the costs associated with the delayed recognition of favorable economic events as shown in the study of Ugwunta & Ugwuanyi (2019). The third point suggests a measurement approach matters, and there is an institutional context in which to measure, which was affirmed by Egbadju (2023) who contended that the effect of conservatism is greatly affected by the measuring methodology used and the institutional context that is being studied. Overall, these studies suggest that the relationship between accounting conservatism and the company's performance is context dependent and not unambiguous.

There are also factors related to the firm that are recognised as having an impact on the success of the firm, apart from accounting conservatism. However, the results of studies on their effects are also conflicting. The size of the firm is often associated with economies of scale, availability of resources and market power, which may enhance the profitability (Effiong & Ukpong, 2024; Oluwatuyi & Obafemi, 2023). But for larger companies, there can be inefficiencies in the bureaucracy and agency problems that reduce performance (Idris & Bala, 2022). Financial leverage can also improve performance through tax advantages and increased investment opportunities, but can also cause financial difficulties and high financing costs for organisations if they become too indebted (Adebayo & Olatunde, 2021; Saleh et al., 2022). The evidence relating to asset tangibility is also inconclusive. The acquisition of tangible assets can enhance borrowing potential and financial security (Ugwunta & Ugwuanyi, 2019), however, investing in fixed assets could reduce operational flexibilities and profitability particularly in dynamic corporate settings (Orjinta et al., 2025). According to Egbadju (2023) and Oluwatuyi and Obafemi (2023), the performance implication of asset tangibility is primarily dependent on the asset utilisation efficiency.

Although the literature has examined the accounting conservatism and corporate performance, a number of issues remain unexplored. The main thrust of most of the Nigerian studies is that they have examined either the accounting conservatism or business characteristics as separate determinants of performance without considering the two as a single unit in one study. Second, the data available is largely based on large samples of public quoted companies, financial corporations or cross-sectoral analyses and is less targeted on publicly listed consumer goods companies, whose increased importance and sensitivity to recent macroeconomic shocks is crucial. Third, there are various factors involved in previous research which might not be the same and make it difficult to draw firm conclusions.Thirdly, differences in previous research could be due to differences in sectors, time periods, estimation techniques and measures of conservatism and performance. Therefore, it is unclear whether accounting conservatism has a separate effect on business performance, after controlling for the other key firm-specific characteristics in the Nigerian consumer products industry. This knowledge gap is important because it provides industry-specific knowledge which could inform decision-making for managers, investments, and regulatory policies in an economically uncertain landscape.

This study examines the effect of accounting conservatism and some of the business characteristics such as firm size, financial leverage and asset tangibility on the performance of the consumer products industry firms in Nigeria which are listed in stock exchange of Nigeria between the year of 2014 and 2023. The study specifically focuses on the effect of accounting conservatism, business size, financial leverage and asset tangibility on the firm's success in terms of ROA. This study provides valuable contributions to the literature by directly investigating accounting conservatism and firm characteristics in an integrated empirical framework, and by providing significant evidence from Nigeria's consumer goods industry and valuable insights into corporate performance under an emerging economy framework.

2. Literature Review

Firm Performance

Firm performance refers to the extent to which a company achieves its financial and strategic objectives through the prudent and effective use of resources to generate profitability, increase shareholder value and sustain long-term growth. It proves the effectiveness of management decision making and organisational activities in creating value for stakeholders (Egbadju, 2023). Nguyen and Phan (2024) explained firm performance as the ability of firms to turn resources into positive outcomes, such as profitability, competitiveness and sustainability. Firm performance is measured both in terms of financial and non-financial measures, and is usually evaluated using accounting-based indicators such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), Net Profit Margin (NPM) and Return on Capital Employed (ROCE), as well as market-based indicators such as Tobin's Q or stock returns. Return on Assets (ROA), as a proxy business performance, was employed in this study because it has the ability to capture managerial efficiency in generating profits from the total assets of the business and shows the performance of the operations of public consumer goods companies in Nigeria (Egbadju, 2023; Nguyen & Phan, 2024).

Firm characteristics

Firm characteristics refer to the unique properties and aspects of a company that impact its operational efficiency, strategic decisions and overall performance (Ohiomegwea & Emeka-Nwokeji, 2025). The features cover quantitative component that includes business size, leverage, liquidity, capital structure and firm age, and qualitative component that includes management competence and corporate culture (Ofulue et al., 2022). These unlock a company's resource base, risk profile and competitive position, impacting profitability and sustainability. Some of the key metrics used to evaluate firm characteristics include total assets, debt ratios and asset mix. Large corporations frequently get advantages from economies of scale, improved financing options, and more market power (Ogiriki & Levi-Owonaro, 2023). The study identifies company characteristics namely firm size, financial leverage and asset tangibility because these are some essential features of company that influence the performance of consumer goods business in Nigeria (Ofulue et al., 2022; Ohiomegwea & Emeka-Nwokeji, 2025).

Accounting Conservatism

Accounting conservatism is the financial reporting approach that emphasizes caution in recognizing and measuring assets, liabilities, revenues and costs (Orjinta et al., 2025). The idea of accounting conservatism was defined by Basu (1997) as the asymmetric recognition of economic events, where losses are more easily recognized than gains. Givoly and Hayn (2000) contended that conservatism improves the dependability and credibility of financial statements by averting the exaggeration of earnings and net assets. Accounting conservatism provides a buffer against management over-optimism particularly in uncertain business environments and reduces information asymmetry, which makes the users of accounting information more confident in the financial reports of companies (Egbadju, 2023). It reduces agency problem by restraining the agency problem behaviors of managers and ensures that financial reporting is done in a way that reflects the interests of shareholders and other agents (Saleh et al., 2022; Watts, 2003). The study is an examination of accounting conservatism as one of the important financial reporting techniques which could have an impact on the performance of consumer products publicly quoted companies in Nigeria.

Firm Size

Firm size refers to the volume of a business's operations and resources, which is typically measured by total assets, sales, market capitalisation or the number of employees (Berger & Udell, 2018; Oluwatuyi & Obafemi, 2023). This attribute is extensively utilised in corporate finance and accounting research because to its impact on a firm's resource accessibility, financing prospects, and competitive edge. Firm size is usually measured using its natural log of total assets or revenues depending on the study context (Orjinta et al., 2025). In the case of large corporations, economies of scale, operational diversification, higher market power, lower financing costs and better profitability are expected to influence the financial performance of the enterprise (Eriotis & Vasiliou, 2007). Too much expansion can result in inefficiencies in bureaucracy, increased agency costs and problems in coordination, which could adversely affect performance (Tharinda & Tennekoon, 2025). This study aims at finding out how business size is one of the important factors that can influence the performance of the consumer products firms listed in the Nigerian Stock Exchange.

Financial Leverage

Financial leverage is the ratio at which a firm uses debt funds to acquire its assets and sustain its operations in the business (Eburajolo & Ogiemudia, 2026). It shows the relation between the debt and equity and is an important ratio used to measure a company's financing policy and financial risk status. The level of financial leverage is sometimes analyzed using indicators such as the debt ratio and debt-to-equity ratio, which assesses the reliance on debt capital (Effiong & Ukpong, 2024; Lawani et al., 2023). While financial leverage can increase the risk of financial crisis and financial risk, it can also provide benefits in terms of tax efficiency and lower financing costs, which is beneficial for shareholder profits if the debt is managed appropriately (Afolabi et al., 2019). For this reason, companies seek an optimal capital structure that balances the benefits and risks of debt financing to maximize the value of the company (Egbadju, 2023). Based on this, the study examines financial leverage as an important determinant of the performance of public listed consumer goods firms in Nigeria.

Asset Tangibility

Asset tangibility is the degree to which a company's asset portfolio comprises physical, verifiable resources like as buildings, machinery, land, and equipment, in contrast to intangible assets like goodwill, patents, and brand equity (Ehiriudu et al., 2026). It conceptually represents the extent of collateral value inherent in a firm's assets that might underpin financing and investment choices. The measurement is typically expressed as the ratio of non-current tangible assets to total assets, or total tangible assets (excluding intangibles) divided by total assets (Lawani et al., 2023). It is categorised as permanent tangible assets, including plant and machinery, and current tangible assets, such as inventories. Higher tangibility is conceptually linked to increased asset security, favourable borrowing conditions, and enhanced financial access, which may ultimately bolster firm performance by alleviating financial constraints and optimising resource allocation (Orjinta et al., 2025; Effiong & Ukpong, 2024).

Theoretical framework

This study is fundamentally based on Agency Theory, which elucidates the contractual connection between shareholders (principals) and managers (agents), whereby conflicting interests may lead to information asymmetry and opportunistic conduct (Jensen & Meckling, 1976). The idea posits that managers may act in their self-interest unless limited by robust monitoring systems, such as accounting conservatism. Thus, conservatism serves as a contractual mechanism that facilitates prompt loss detection and restricts earnings exaggeration, thereby improving transparency and organisational performance (Watts, 2003). Firm attributes, including size, financial leverage, and asset tangibility, further influence agency conflicts by affecting monitoring intensity, debt pressure, and collateral capacity. Agency Theory has been criticism for disproportionately highlighting opportunism while overlooking ethical conduct and management stewardship (Donaldson & Davis, 1991). Complementary support is derived from Stewardship Theory and Resource-Based Theory, which highlight governance based on trust and unique organisational resources. Agency Theory is fundamental in elucidating reporting quality and performance results in this study.

Empirical Review and Hypotheses Development

Accounting Conservatism and Firm Performance

The empirical literature provides inconsistent however predominantly affirmative data about the correlation between accounting conservatism and company success. El-Habashy (2019) conducted a panel regression analysis on Egyptian non-financial firms from 2009 to 2014, revealing a significant positive impact of accounting conservatism on performance metrics including ROA, ROE, and Tobin's Q, positing that conservative reporting enhances transparency and mitigates earnings manipulation. Saleh et al. (2022) utilised fixed-effect panel regression (2010–2020) on Nigerian listed firms and discovered that asymmetric timeliness, as an indicator of conservatism, significantly improves profitability, indicating that conservatism reinforces financial discipline and alleviates agency conflicts. These findings together reinforce the perspective that accounting conservatism enhances company performance by improving information quality. Nonetheless, contradictory data is present within the Nigerian setting. Ugwunta and Ugwuanyi (2019) employed panel least squares regression on consumer goods businesses and found a positive albeit statistically insignificant correlation between conservatism and ROA, suggesting that enhanced reporting accuracy does not always result in increased profitability. Egbadju (2023), utilising GMM estimates, found incongruous results, as various conservative measures yielded both good and negative effects on performance, underscoring the susceptibility of outcomes to measuring methodologies. In contrast, Etale and Empere (2023) employed OLS regression and identified a substantial positive correlation between accounting conservatism and ROE in Nigerian consumer services businesses, therefore supporting the notion that conservatism bolsters financial performance via enhanced reporting credibility. The empirical data is ambiguous but suggests a positive correlation between accounting conservatism and company performance, with differences among industries, methodology, and measurement proxies. In light of this inconclusive evidence, the research posits the null hypothesis:

H_{01}: Accounting conservatism has no significant effect on firm performance among listed consumer goods firms.

Firm Size and Firm Performance

The empirical literature often indicates that business size is a crucial factor of financial success, with the majority of research demonstrating a positive correlation. Oluwatuyi and Obafemi (2023) employed static panel regression on publicly traded consumer goods companies in Nigeria from 2011 to 2020, revealing that company size considerably improves ROA, net profit margin, and profits per share, which they ascribe to economies of scale and enhanced resource utilisation. Idris and Bala (2022) utilised OLS regression on food and beverage enterprises, revealing diverse however predominantly favourable impacts of company size on profitability, ultimately concluding that the influence of size is contingent upon firm-specific and contextual variables. Tharindra and Tennekoon (2025) employed a quantitative methodology on publicly listed food, beverage, and tobacco companies in Sri Lanka, revealing that business size positively affects financial performance, indicating that larger enterprises have enhanced investor trust and market credibility. Ugwunta and Ugwuanyi (2019) conducted a panel data study and found a substantial positive correlation between business size and investment efficiency, indicating that larger firms often function more effectively due to economies of scale and enhanced resource accessibility. Consequently, the data suggests that business size enhances financial success via economies of scale, operational efficiency, and improved market perception, but contextual variations may affect the relationship's strength. From this empirical reasoning, the subsequent hypothesis is formulated:

H_{02}: Firm size has no significant effect on firm performance among listed consumer goods firms.

Financial Leverage and Firm Performance

The empirical research on financial leverage and company performance largely indicates a negative association, while some studies present varied results based on context, measurement, and technique. Tharindra and Tennekoon (2025) employed a quantitative methodology in the Sri Lankan food, beverage, and tobacco sector, revealing that financial leverage adversely impacts ROA, since excessive debt heightens financial risk and diminishes profitability. Lawani et al. (2023) utilised fixed-effect regression and found a substantial negative impact of leverage on company performance, advising a diminished dependence on loan financing owing to increased risks of financial instability. In the Nigerian context, Okezie et al. (2025) conducted a panel data study on consumer goods businesses and found that leverage often exerts a negative influence on performance, which they ascribed to ineffective debt utilisation. Idris et al. (2022) identified a substantial negative correlation by OLS regression and underscored the necessity for moderate leverage to prevent financial instability. Additional corroborative data strengthens this detrimental association. Oluwatuyi and Obafemi (2023) recorded a negative correlation between leverage and business performance, but Egbadju (2023) indicated that leverage influences accounting conservatism results. Orjinta et al. (2025) said that elevated leverage compromises the integrity of financial reporting, whereas Saleh et al. (2022) observed that, although leverage may regulate management conduct, it does not inherently lead to enduring profitability. The research indicates that financial leverage detrimentally affects corporate performance when inadequately managed, resulting in heightened financial risk and interest obligations. The paper posits the hypothesis based on this evidence:

H_{03}: Financial leverage has no significant effect on firm performance among listed consumer goods firms.

Asset Tangibility and Firm Performance

The empirical research regarding asset tangibility and business performance reveals inconsistent although typically substantial data, with results mostly influenced by industry factors and the efficacy of asset utilisation. Nangih (2023) employed panel regression analysis on publicly traded companies and discovered that asset tangibility improves financial stability while potentially limiting liquidity flexibility, suggesting that asset structure substantially affects financial decision-making and performance results. Idris and Bala (2022) utilised regression analysis to demonstrate that asset tangibility considerably influences business performance, however the extent and direction of this impact differ among industries, suggesting optimal asset allocation to enhance operational efficiency. Oluwatuyi and Obafemi (2023) employed static panel regression on Nigerian consumer goods businesses and discovered that effective asset utilisation enhances ROA and EPS, highlighting the role of asset structure in profitability and operational efficiency. Egbadju (2023), utilising GMM estimate, affirmed that asset structure substantially affects profitability and advocated for enhanced efficiency in asset utilisation. Nonetheless, contradictory data is present. Orjinta et al. (2025) utilised panel regression to demonstrate that capital intensity, as a proxy for asset tangibility, adversely impacts both conservatism and business performance, contending that excessive investment in non-current assets diminishes financial flexibility and undermines performance. The empirical data indicates that asset tangibility affects company performance positively or negatively, contingent upon utilisation efficiency, industry dynamics, and capital structure choices. In light of this inconclusive evidence, the study posits the hypothesis:

H_{04}: Asset tangibility has no significant effect on firm financial performance among listed consumer goods firms.

3. Methodology

This study used an ex-post facto research approach to investigate the impact of accounting conservatism, business size, financial leverage, and asset tangibility on the performance of publicly listed consumer products companies in Nigeria. The concept is useful since it utilises historical financial data without variable modification, rendering it effective for studying naturally existing economic linkages. This is especially pertinent for panel financial data, since it enables the examination of firm-level fluctuations over time, therefore including both cross-sectional and time-series dynamics aligned with the study's aims. The dataset comprises a balanced panel of firm-year observations from 2014 to 2023. The population consists of all 20 consumer products companies listed on the Nigerian Exchange Group (NGX). A selective sampling approach is utilised to pick 18 organisations according to stringent inclusion criteria, especially the availability of comprehensive and consistent audited financial statements throughout the research period, therefore assuring data dependability and comparability. Secondary data are sourced from certified annual reports, NGX records, and corporate websites.

Model Specification

The study employs Panel Least Squares (PLS) based on an adapted model from Ugwunta and Ugwuanyi (2019). The econometric specification is:

$$ROA\_it = \alpha + \beta_1 CONV\_it + \beta_2 SIZE\_it + \beta_3 FINLEV\_it + \beta_4 TANG\_it + \varepsilon\_it ----(I)$$

ROA denotes return on assets, CONV signifies accounting conservatism, SIZE indicates business size (logarithm of total assets), FINLEV represents financial leverage (debt-to-equity ratio), and TANG refers to asset tangibility (non-current assets relative to total assets). α signifies the intercept, β_1–β_4 represent the coefficients, ε denotes the error term, i indicates the business, and t corresponds to time (2014–2023). Accounting conservatism is based on the idea of prudence, necessitating the prompt recognition of prospective losses and liabilities over gains and assets, thereby averting the overstatement of financial performance. This work operationalises conservatism using the accrual-based paradigm proposed by Givoly and Hayn (2000), in accordance with Ugwunta and Ugwuanyi (2019). The method disaggregates total accruals into operational and non-operating elements to distinguish discretionary reporting conduct.

Total accruals are computed as: $ACC_{it} = (NI_{it} + DEP_{it}) - CFO_{it}$

Operating accruals are given as: $OACC\_it = \Delta(AR\_it + INV\_it + PE\_it) - \Delta(AP\_it + TP\_it)$

Non-operating accruals, which capture the conservative reporting bias, are derived as:

$$NOACC\_it = ACC\_it - OACC\_it$$

Finally, accounting conservatism is measured as: $CONV\_it = NOACC\_it \,/\, TA\_it$

In this context, NI denotes net income prior to unusual items, DEP signifies depreciation cost, CFO refers to cash flow from operations, AR indicates accounts receivable, INV represents inventory, PE stands for prepaid expenses, AP denotes accounts payable, TP signifies taxes payable, and TA refers to total assets. This specification enables the analysis of conservative reporting behaviour and its interaction with business-specific factors in affecting firm performance in the Nigerian consumer goods industry.

Operationalization of Variables

Table1: Variable Measurement and Source

Variables	Definition	Type	Measurement	Apriori Sign	Source
ROA	Firm Performance	Dependent	Profit before interest and tax divided bt total assets	Nil	Aribaba et al., (2022)
CONV	Accounting Conservatism	Independent	Mearsured using Non-Operational Accruals divided by total assets based on Givoly and Hayn (2000) Model.	-	Egbadju (2023)
SIZE	Firm Size	independent	Log of total Assets of a financial year	+	Aribaba et al.,(2022)
FINLEV	Financial Leverage	Independent	Ratio of total debt to equity in a particular year	+	Oluwatuyi and Obafemi (2023)
TANG	Assets Tangibility	Independent	Ratio of total non-current assets to total assets	+	Effiong and Ukpong (2024)

Source: Researcher's computation (2026)

4. Results and Discussion

Descriptive Statistics

Table 2: Descriptive Statistics

	Mean	Median	Max.	Min.	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Prob.
ROA	0.069	0.039	6.193	-4.200	0.630	3.956	65.037	29333.630	0.000
CONV	-7.505	-0.061	6.181	-191.188	31.833	-4.412	21.787	3231.047	0.000
SIZE	7.481	7.698	9.040	4.758	1.005	-0.845	3.090	21.477	0.000
FINLEV	-0.353	0.373	0.806	-18.557	3.189	-4.383	21.574	3163.600	0.000
TANG	0.484	0.465	1.439	0.000	0.256	0.303	2.814	3.022	0.221

Source: Researchers' Compilation **(2026)**

Table 2 displays the descriptive statistics of the research variables derived from 180 firm-year observations, offering first insights into the data features utilised in the investigation. The Return on Assets (ROA), serving as an indicator of company performance, had a mean value of 0.0688, signifying that the tested firms achieved an average return of 6.88% on total assets. The extensive range and standard deviation indicate disparities in profitability among companies. The positive skewness and elevated kurtosis values signify the existence of outliers and a non-normal distribution. Accounting Conservatism (CONV) exhibited a mean value of -7.5049, indicating a relatively low level of conservative reporting practices among the sampled firms. The significant dispersion and pronounced skewness indicate considerable variety in conservative practices among businesses. The mean value of Firm Size (SIZE) was 7.4811, exhibiting minimal dispersion, which suggests a certain level of regularity in the asset sizes of the selected businesses. Financial Leverage (FINLEV) yielded a mean score of -0.3527, indicating that enterprises predominantly utilised equity financing over loan financing. Asset Tangibility (TANG) had a mean value of 0.4835, signifying that around 48.35% of all assets comprised tangible assets. Generally, the majority of variables display non-normal distributions, with the exception of asset tangibility, which exhibits rather normal properties.

Correlation Matrix

Table 3: Correlation Matrix

	ROA	CONV	SIZE	FINLEV	TANG
ROA	1.0000				
CONV	0.0173	1.0000			
SIZE	-0.0378	0.3980	1.0000		
FINLEV	0.0223	-0.0673	0.5682	1.0000	
TANG	-0.0799	-0.0519	-0.1706	-0.3209	1.0000

SOURCE: Researchers' Compilation (2026)

Table 3 displays the correlation matrix for the research variables. Accounting conservatism (CONV) and financial leverage (FINLEV) have slight positive correlations with ROA, with coefficients of 0.0173 and 0.0223, respectively. In contrast, company size (SIZE) and asset tangibility (TANG) demonstrate weak negative associations with ROA, recorded at -0.0378 and -0.0799, respectively. The low correlation values signify weak linear relationships and the lack of multicollinearity issues.

Multicollinearity Test

Table 4: Variance Inflator Factor estimates

Variance Inflation Factors			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.2733	122.6120	NA
CONV	0.0000	1.4932	1.4142
SIZE	0.0046	117.3473	2.0667
FINLEV	0.0004	1.9253	1.9020
TANG	0.0386	5.1718	1.1266

Source: Researcher's Computation (2026)

The Variance Inflation Factor (VIF) test was performed to assess multicollinearity among the model's independent variables. The VIF readings for accounting conservatism (1.4142), business size (2.0667), financial leverage (1.9020), and asset tangibility (1.1266) are all within the threshold of 10. This signifies the lack of significant multicollinearity among the explanatory factors. Consequently, the variables exhibit low correlation, rendering the regression estimates accurate, stable, and appropriate for further investigation without necessitating remedial actions.

Diagnostic Test

Table 5: Diagnostic Test Estimates

Breusch-Godfrey Serial Correlation LM Test:				Decisions
F-statistic	34.2354	Prob. F(2,173)	0.0000	<0.05 No Serial Correlation
Obs*R-squared	51.0403	Prob. Chi-Square(2)	0.0000	

Heteroskedasticity Test: ARCH				
F-statistic	0.193059	Prob. F(1,177)	0.0309	<0.05 Homoskedastic
Obs*R-squared	0.195028	Prob. Chi-Square(1)	0.0388	

Source: Researcher's Computation (2026)

The diagnostic tests indicate the existence of autocorrelation and heteroskedasticity in the model. The Breusch-Godfrey LM test and ARCH test yielded significant findings ($p < 0.05$), indicating the presence of serial correlation and heteroscedasticity. Therefore, the Panel Generalised Least Squares (PGLS) method was employed to get robust, efficient, and reliable regression estimations.

Panel Generalized Least Square Regression.

The estimates are stated below:

Table 6: Panel Generalized Least Square Regression Estimates.

Dependent Variable: ROA				
Method: Panel EGLS (Cross-section weights)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.6954	0.1893	3.6731	0.0003
CONV	-0.0003	0.0011	-0.2262	0.8213
SIZE	-0.0671	0.0253	-2.6528	0.0088
FINLEV	0.2789	0.0447	6.2411	0.0000
TANG	-0.0583	0.0307	-1.9030	0.0589
S.E. of regression	0.5337	R-squared	0.5885	
F-statistic	10.7578	Adjusted R-squared	0.5338	
Prob(F-statistic)	0.0000	Durbin-Watson stat	2.0295	

Source: **Researcher's computation (2026)**

The Panel EGLS findings reveal a strong and statistically valid model, evidenced by an R-squared value of 0.5885 and an adjusted R-squared of 0.5338. This indicates that around 53–59% of the systematic variance in business performance is collectively elucidated by accounting conservatism, firm size, financial leverage, and asset tangibility, demonstrating considerable explanatory power for firm-level panel data research. The elevated and substantial F-statistic ($p < 0.001$) further substantiates the combined significance of the explanatory variables, demonstrating that the model is appropriately stated and offers valuable insights into business performance. The Durbin-Watson value of 2.0295 indicates no first-order serial correlation, hence enhancing the reliability, consistency, and efficiency of the computed coefficients for inference and policy interpretation.

Restatement of Hypothesis

Ho_1: Accounting conservatism does not have a significant effect on firm performance of listed consumer goods firms in Nigeria.

The findings indicate that accounting conservatism exerts a negative and statistically negligible influence on business performance ($\beta = -0.0003$, $p = 0.8213$). This suggests that while conservatism may augment financial reporting prudence, it does not result in quantifiable enhancements in ROA among the selected enterprises. The insignificance indicates that conservative policies are either excessively homogeneous among enterprises or inadequately robust to affect profitability, suggesting that operational and market-driven variables may prevail in determining success within the sector.

Ho2: Firm size does not have a significant effect on firm performance of listed consumer goods firms in Nigeria.
Firm size demonstrates a negative and statistically significant impact on firm performance (β = -0.0671, p = 0.0088), indicating that an increase in business size correlates with reduced profitability. This conclusion suggests possible diseconomies of scale, in which heightened administrative complexity, bureaucratic inefficiencies, and increased coordination costs surpass the advantages of scale enlargement. It further suggests that asset expansion without simultaneous enhancements in efficiency may diminish returns on assets in consumer products companies.

Ho3: Financial leverage does not have a significant effect on firm performance of listed consumer goods firms in Nigeria.
Financial leverage exhibits a positive and statistically significant impact on company performance (β = 0.2789, $p < 0.001$), suggesting that debt financing improves ROA. This indicates that companies adeptly employ leverage to fund productive projects, reaping advantages from tax shielding and enhanced capital allocation efficiency. The outcome also illustrates the regulatory function of debt, wherein external finance constraints may promote more effective managerial decisions and enhanced asset utilisation.

Ho4: Asset tangibility does not have a significant effect on firm performance of listed consumer goods firms in Nigeria.
Asset tangibility exerts a negative and marginally significant influence on business performance (β = -0.0583, p = 0.0589), indicating that increased investment in fixed assets may modestly impede profitability. This can be ascribed to less asset flexibility, increased maintenance and depreciation expenses, and a protracted turnover of long-term assets. Despite its weakness, the impact suggests that high capital intensity may not inherently lead to enhanced returns, particularly when asset utilisation efficiency is inadequate.

Discussion of Findings

The regression findings offer significant empirical and theoretical insights into the factors influencing company performance across publicly traded consumer goods companies in Nigeria, principally based on Agency Theory, supplemented by Resource-Based Theory (RBT) and Stewardship Theory. From an agency standpoint, accounting conservatism is anticipated to diminish information asymmetry and limit managerial opportunism; however, the observation of a negative yet insignificant effect indicates that the conservatism practices in the sampled firms are not robust enough to significantly impact profitability. This corresponds with Ugwunta and Ugwuanyi (2019) and is congruent with the mixed empirical data shown in El-Habashy (2019), Saleh et al. (2022), and Egbadju (2023), suggesting that the impacts of conservatism are context-dependent. This suggests a minimal economic influence of cautious reporting on short-term profitability choices in the sector. The size of a corporation has a negative and significant impact on performance, contradicting the Resource-Based Theory's premise that larger firms utilise greater resources for competitive advantage. The outcome indicates diseconomies of scale, wherein growth exacerbates bureaucratic inefficiency and diminishes asset productivity, consistent with the findings of Idris and Bala (2022).

Financial leverage demonstrates a positive and significant impact, corroborating Agency Theory's assertion regarding the regulatory function of debt and Stewardship Theory's premise of effective managerial conduct under scrutiny, indicating improved capital utilisation, tax efficiency, and increased return generation. This is consistent with Saleh et al. (2022) but contradicts research that indicate negative leverage effects, suggesting a contextual dependency in financing results. Asset tangibility has a negative and marginal impact, aligning with Orjinta et al. (2025), indicating that excessive investment in fixed assets may diminish flexibility, impede asset turnover, and compromise operational responsiveness. This indicates a partial mismatch with Resource-Based Theory, suggesting inefficiencies in asset utilisation. The findings suggest that company success in Nigeria is mostly influenced by the efficiency of resource utilisation rather than the sheer holding of resources. Companies have to optimise size, refine capital structure decisions, and augment asset efficiency, while governments should promote financial discipline and robust corporate governance to raise sectoral productivity and foster long-term economic value creation.

5. Conclusion and Recommendations

The results indicated that accounting conservatism exerts a negative albeit statistically negligible impact on business performance, implying that conservative reporting procedures do not substantially affect profitability within consumer products firms in Nigeria. The size of a business was determined to have a considerable negative impact on ROA, suggesting that larger organisations may encounter operational inefficiencies and diseconomies of scale that detrimentally influence performance. Financial leverage demonstrated a positive and statistically significant correlation with business performance, suggesting that the proper use of debt financing enhances profitability. Conversely, asset tangibility demonstrated a negative and marginally significant impact on ROA, indicating that an overemphasis on fixed assets may diminish financial flexibility and constrain profitability. The results demonstrate that firm-specific features have a more significant impact on performance than accounting conservatism. Consequently, managerial decisions on financing structure, asset utilisation, and operational efficiency are pivotal in improving the profitability and performance of publicly traded consumer products companies in Nigeria.

Deducing from the evidential analytics and finding of this study, the following recommendation are made:

i. enterprises must to use balanced accounting conservative policies that enhance reporting dependability without diminishing performance, while management and regulators guarantee regular reviews and provide clear principles for uniform implementation across enterprises.
ii. Managers of major consumer products companies should prioritise operational efficiency by optimising procedures, minimising administrative expenses, and utilising technology to enhance production. Growth strategies must prioritise scalable expansion, efficient resource utilisation, and robust governance control to improve profitability and operational effectiveness.
iii. Firms should implement optimum capital structures that strategically use debt to improve performance while maintaining financial stability through efficient debt management, oversight, and regulated leverage ratios.

iv. Firms must evaluate the productivity of tangible assets and, if required, redirect investments towards more adaptable and innovation-oriented resources. They want to enhance asset management via systematic performance evaluations and effective maintenance. Capital budgeting decisions must prioritise initiatives that augment asset turnover, promote efficiency, and correspond with long-term strategic growth goals.

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