

**OPERATIONAL COSTS MANAGEMENT AND FIRMS' PROFITABILITY FOR
LONG-TERM SUSTAINABILITY OF LISTED FIRMS IN NIGERIA**

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ABSTRACT

Firms' profitability in Nigeria is depleting due to operational high costs and some firms have relocated to other countries while others have folded up. This study is an empirical examination of operational costs management and firms' profitability for long-term sustainability of listed firms in Nigeria. Specifically, to examine direct costs management, distribution expenses management as well as administrative expenses effect on firms' retained profits for the year of listed firms in Nigeria. Ex-post facto research design was used in the study. The population was made up of one hundred and fifty-one (151) companies from twelve actively sub-sectors listed firms in the Nigerian Exchange Group (NGX) with traded stocks on floor of the Nigerian Exchange Group (NGX) from 2018 financial year to December 31, 2024. Purposive sampling technique was used to select the sample size of ninety-two (92) companies. Annual reports and accounts of the sampled companies were the main sources of data. The data were encoded, extracted, computed and reviewed for the required data. Multiple regression model was used to test the hypotheses. Results showed that operational costs management as proxied by direct costs management, distribution expenses management as well as administrative expenses management have positive significant influence on retained profit for the year. It was concluded in the study that operational costs management is key for firms' sustainable profitability in Nigeria. It was recommended among others that managers of listed companies in Nigeria should track and manage direct costs, distribution expenses and administrative expenses on line-items by line items, determining their cost of operations more accurately so as to enable them to make informed decisions on making or ordering, pricing, sales and distribution. Also, firms should

look inward to identify their areas of operational strengths and exploit them rather than focusing on external market prevailing conditions in Nigeria.

KEYWORDS: - Operational costs management, profitability for long-term sustainability, direct costs management, distribution expenses management as well as administrative expenses management.

1.0 INTRODUCTION

Business firms worldwide are struggling in profitability objective due to persistent increase in operational costs. Operational costs are all the expenditure associated with a company conducting its businesses. Business firms' operational costs include direct costs and indirect costs. Direct costs are tied up in productions or services rendered which lead to product costing and pricing to determine costs of sale while indirect costs are operating expenses leading to the determination of operating profits for the period. Every operational costs involve processes of production and/or services rendered to final destination for consumers. There is no doubt that operational costs affect firms' profitability because lowering operating costs can increase profit margins, especially in competitive industries and cutting costs is not always the lasting solution for businesses facing financial difficulties.

In Nigeria, there have been reports of sudden collapse of some companies that once appears viable and futuristic through its financial reports due to high operational costs and has been an issue that calls for serious attention by all stakeholders. Companies that have recently shut down or reduced their presence in Nigeria due to high operating costs include GlaxoSmithKline (GSK), Procter & Gamble, Sanofi, PZ Cussons, Kimberly-Clark, and Bolt Food, with Jumia Food also exiting the market. These departures stem from factors like forex scarcity, high inflation, fuel price increases, and declining consumer spending power, which make it difficult for businesses to cover operational costs and remain profitable (Business Day, 2024).

Financial analysts have stressed mostly on operational costs affecting firms' annual performance. Operational costs positively influence return on assets (profitability) and company value (stock prices) of companies in the Indonesian region (Shella, 2024). Niyi et al. (2022) posited that operational expenses negatively influence financial performance of selected manufacturing companies quoted in the Nigerian Exchange Group. It is not news that high operational costs can impact a firm's financial performance by reducing profits, hindering growth, and potentially leading to cash flow problems. With the national insecurity, double taxation, and high operating costs, there is much concern about firms' financial performance in Nigeria as some firms have relocated to other countries while others have folded up (Udo & Udokang, 2024).

Bhowmik et al. (2020) postulated the impact of sales promotions and advertising costs on sales revenue and profits of DSE listed ceramic companies in Bangladesh. The results of their study revealed that a positive correlation exists between sales promotion cost and the following metrics of organizational performance; net profit, return on investment and sales revenue. However, a significant negative correlation was reported between advertising costs and the following metrics of organizational performance; return on investment, return on equity and net profit. Adeyemi and Esangbedo (2023) noted that sales and distribution costs have moderate high positive association to revenue, very high positive association to gross margin and no established relationship with Return on Assets and Return on Equity of Nigeria's consumer goods sector. The study also revealed that alcoholic beverage companies spend comparatively more on sales and distribution costs. Ultimately, this result from this study when combined with future studies can help identify points of maximum efficiency in the sales and distribution cost. Kisyeri and Kira (2022) opined that administration expenses influence the profitability of the listed manufacturing companies in Tanzania. But it seems that no study yet to establish how operational costs management affects financial performance of listed firms in Nigeria.

Statement of the Problem

The recent financial climate has been harsh in Nigeria. For instance, in 2018, Greif Nigeria Plc reported a total loss of ₦262 million, UAC of Nigeria Plc recorded loss of ₦9.4 billion, Lafarge Africa Plc recorded a loss after tax of ₦8.8 billion. Guinness Nigeria, the brewery giant reported a staggering ₦61.9 billion loss between July 2023 and March 2024, in five years due to increased costs of operations. UAC of Nigeria Plc 2024 Audited Results reported operating profit of ₦3.3 billion was 20% lower of 2023 (₦4.1 billion) due to higher operating costs. Flour Mills of Nigeria Plc struggles in 2024 as profitability worsened largely due to significant increase in operating costs. Expenses in line with International Financial Reporting Standards (IFRS) can be classified according to function or nature. By function, operational expenses to be classified into cost of sales, sales/marketing and distribution costs and administrative expenses. By nature, expenses are classified into material consumed, staff/labour costs/salaries and wages, advertising, depreciation and amortization. This category includes costs like marketing, sales, administration, finance costs and also, increasingly, corporate social responsibility (CSR) initiatives (Udo, 2023). Research in Indonesia, Tanzania, Bangladesh, and India among other have shown that operational costs depleting annual profits can be reduce by operational costs management. Operational costs management include direct costs management, sales and distribution costs management as well as administrative expenses management. But the extent to which operational costs management is crucial for maintaining profitability and ensuring long-term sustainability is yet to be determined as concerning listed companies in Nigeria from 2018 - 2024. This is necessary in for firms in Nigeria.

Objectives of the Study

The main objective of the study is to examine operational costs management and firms' profitability for long-term sustainability of listed firms in Nigeria. Specific objectives are to:

- i. Examine effect of direct costs management on retained profit for the year of listed firms in Nigeria.
- ii. Examine the influence of distribution expenses management on retained profit for the year of listed firms in Nigeria.
- iii. Evaluate the impact of administrative expenses management on retained profit for the year of listed firms in Nigeria.
- iv. Investigate the combined effect of direct costs management, distribution expenses management and administrative expenses management on retained profit for the year of listed firms in Nigeria.

Research Questions

The following questions were postulated to guide the study as:

- i. What is the effect of direct costs management on profit for the year of listed firms in Nigeria?
- ii. What is the influence of distribution expenses management on retained profit for the year of listed firms in Nigeria?
- iii. How do administrative expenses management impact retained profit for the year of listed firms in Nigeria?
- iv. What is combined effect of direct costs management, distribution expenses management and administrative expenses management on retained profit for the year of listed firms in Nigeria?

Research Hypotheses

The research hypotheses were posited as follows:

- i. Direct costs management do not significantly affect profit for the year of listed firms in Nigeria.
- ii. There is no significant influence of distribution costs on profit for the year of listed firms in Nigeria.
- iii. Administrative expenses do not significantly impact profit for the year of listed firms in Nigeria.
- iv. There is no significant combined effect of direct costs management, distribution expenses management and administrative expenses management on profit for the year of listed firms in Nigeria.

2.0 REVIEW OF RELATED LITERATURE

Operational costs are the costs associated with direct costs of production or service rendered (cost of sales or production) and indirect costs of the day-to-day running of a business (overhead expenses). Operating expenses are ongoing costs incurred from running a business that are not related to production. Basically, it is sine qua non to business organization. It is often likened to a life blood in a business organization because they are essential for the costs of sales or production and the day-to-day functioning and survival of the business. Any costs not related to the direct production of a good or service gets filed under operating expense. Operating expenses are included in running a business are rent, utilities, wages, office supplies, and business travel. Operating expenses relate to those costs incurred on the running of the company's activities, and also connected to the effective use of the assets. Enlarged operating expenses might have significant effect on financial performance whereas low operating expenses do not necessarily enhance better financial performance. Operating expenses differ by industry and within an industry by how a company decides to operate based on its business model.

Moreso, corporate social responsibility (CSR) costs generally fall under the category of operating expenses, specifically as it affects a subset of selling and distribution and administrative (SD&A) expenses. CSR costs are incurred to meet the organization's commitment to social and environmental well-being, which can be seen as part of the overall cost of doing business. Companies often engage in activities of corporate social responsibility such as donating a share of profits to charity. Unlike Donation, CSR expenses are not voluntary in nature. Therefore, such expenditure can be regarded as expenditure necessarily and statutorily expenses (Duo-duo, 2025). Many companies view CSR as an integral part of their business strategy and not just a separate charitable endeavour. Therefore, the costs associated with CSR activities, such as donations, community programs, or sustainable practices, are often integrated into their operating budgets. While some CSR activities might have a direct link to production (like using sustainable materials), the broader category of CSR costs is typically categorized under SD&A because they relate to the overall management and operation of the business rather than the direct production of goods or services.

According to Udo (2023), the problems of high operational costs include;

- i. **Reduced Profitability:** It lowers Net Income as expenses are subtracted from revenue to calculate net income. If expenses increase without a corresponding increase in revenue, net income (and profits) will decrease. Subsequently, impacted on profit margins as high expenses can squeeze profit margins, making it harder to invest in future growth or respond to market changes,
- ii. **Hindered Growth: Reduced Investment Capital.** When profits are lower due to high expenses, there is less capital available for reinvestment in research and development,

marketing, or expanding operations. Thus, causes Cash flow problems as high expenses can make it difficult to pursue new opportunities or take advantage of market trends; and

iii. Cash Flow Issues: Difficulty Meeting Obligations as at when due. If expenses consistently exceed revenue, the business may struggle to pay suppliers, employees, or other creditors on time. Due to inability to fund operations, cash flow problems can disrupt day-to-day operations and make it challenging to maintain normal business activities. There is Loss of Investor Confidence. Consistently high expenses and low profitability can erode investor confidence and make it harder to attract funding as well as Poor financial performance due to high expenses may attract unwanted attention from regulatory bodies.

The following categories of operational costs management are often adopted by business managers according to Udo (2023) rather than cutting operational costs which indirect affect products quality:

I. Direct Cost Management: Direct costs are direct expenses that are tied to the production of goods or services. It is otherwise called cost of sales or production. Examples include raw materials, direct labour costs (like wages for production workers), and any specific costs directly associated with creating a product or delivering a product or delivering a service. The total of all direct costs is known as prime cost. Prime cost is a crucial metric for businesses to understand their production expenses and make informed pricing decisions.

Direct cost management involves the process of identifying, tracking, and controlling the costs that are directly attributable to a specific product, service, or project. Examples of direct costs are: - direct materials - raw materials used in the production of a product. Direct labour - wages and salaries of employees directly involved in production or rendering services. Direct expenses - specific costs directly related to a project, such as travel expenses for project team members. Equipment costs - Costs associated with purchasing or renting equipment used directly in production/services rendered. Subcontractor fees - payments made to external parties for specific tasks related to the project. These costs are easily traceable and can be directly linked to a particular cost object.

GEP-Intelligence Drive Innovation (2024) spelt-out key aspects of direct cost management for business firms to include the following:

Determining which costs are directly associated with a specific cost object, such as a product, project, or service. Monitoring the actual costs incurred for each cost object. Implementing strategies to manage and minimize direct costs, such as negotiating with suppliers, optimizing production processes, and improving resource utilization. Evaluating the direct costs to

understand their impact on profitability and make informed business decisions. Effective direct cost management is crucial for accurate pricing, resource allocation, and profitability analysis.

Udo (2023) highlighted that direct cost management information helps in setting competitive and profitable prices for products or services. Enables businesses to allocate resources effectively to different projects or products based on their cost structures. Tracking direct costs allows for a better understanding of the profitability of individual products or projects. By monitoring direct costs, businesses can identify areas where costs can be reduced and improve overall efficiency and effectiveness. Direct cost information management is essential for making informed decisions about production, pricing, and resource allocation.

II. Distribution Expenses Management: Distribution expenses management is the process of controlling and optimizing all expenses related to moving products or services from a company's location to the end customer or client (Ajibola et al., 2024). This includes managing costs associated with transportation, warehousing, packaging, inventory management, and customer service. Distribution costs are costs to sell or market products in different territories. They are the costs for activities after goods are produced and services rendered. Effective distribution cost management aims to minimize expenses while maintaining or improving service levels, ultimately boosting profitability. High costs in these areas can significantly impact a company's gross margin and profitability. Effective sales and distribution are crucial for business success and significantly impacting revenue, customer satisfaction, and overall profitability. They ensure products reach the right customers at the right time and place, influencing buying behavior and building brand loyalty (Mohsen et al., 2023).

Callahan et al. (2020) theorized some key aspects of distribution cost management to include the following: Identifying and tracking costs by understanding all the individual costs associated with different distribution activities, such as transportation, warehousing, packaging, and order processing.

Regularly monitoring distribution costs to identify areas where expenses are increasing or where there are opportunities for savings. Evaluating the effectiveness of different distribution channels (examples, direct sales, wholesalers, retailers, etc.) and selecting the most cost-efficient options. Negotiating favourable terms by working with suppliers and service providers to secure competitive pricing for transportation, warehousing, and other services.

Improving operational efficiency by streamlining processes to reduce waste, minimize handling time, and optimize inventory levels. Leveraging on technology by implementing technology solutions like warehouse management systems and transportation management systems to

improve visibility and control over distribution operations. Tracking key performance indicators (KPIs) related to distribution costs and regularly reporting on performance to management. Balancing cost and service by finding the right balance between minimizing costs and maintaining the desired level of customer service. By effectively managing distribution costs, businesses can improve their bottom line, enhance customer satisfaction, and gain a competitive advantage (Udo & Udokang, 2024).

III. Administrative Expenses Management: Administrative expenses management involves the oversight and control of costs related to the general administration of a business, distinct from direct production or sales costs. It encompasses various expenses like office supplies, salaries for administrative staff, rent, utilities, and professional fees, all of which are crucial for supporting the company's overall operations and strategic goals such as corporate social responsibility costs, environmental costs. Effective management of these expenses is vital for maintaining profitability and operational efficiency. Others include research and development (R&D). R&D costs are considered operating expenses because they are incurred in the normal course of business operations to innovate and improve products or services. R&D is important for innovation; ineffective or poorly managed R&D spending can be wasteful and negatively impact performance. In companies with significant R&D activities may choose to list R&D expenses.

Mahr and Morales (2023) outlined key aspects of administrative expenses management to include the following: Identification and categorization of all administrative expenses, including personnel costs, office supplies, rent, utilities, insurance, legal and accounting fees, and other general and administrative overhead. Cost tracking and analysis by monitoring and analyzing these expenses to understand spending patterns, identify areas of overspending, and assess the effectiveness of cost-saving measures. Budgeting and forecasting by developing realistic budgets for administrative expenses, forecasting future needs, and aligning spending with organizational goals. Undertake expense reduction strategies through implementing measures to reduce administrative costs, such as negotiating better deals with suppliers, optimizing resource utilization, streamlining processes, and exploring remote work options. Ensuring compliance and reporting by ensuring accurate record-keeping, adherence to accounting standards, and proper reporting of administrative expenses for financial transparency and regulatory compliance and finally, adopt technology by utilizing accounting software and other tools to automate tasks, improve efficiency, and gain better insights into administrative spending (Ajibola et al., 2024).

How Administrative Expenses Management Affect Business Organization

The following ways qualitatively enumerate how administrative expenses management affect business organisation. By controlling administrative costs, businesses can improve their bottom

line and increase profitability. Efficient administrative processes and cost management contribute to smoother operations and better resource allocation. Sound management of administrative expenses helps maintain financial stability and enables businesses to weather economic fluctuations. Accurate data and analysis of administrative expenses provide valuable insights for informed decision-making and strategic planning. While some administrative expenses are necessary, excessive spending can negatively impact overall performance.

Importance of Administrative Expenses Management

Properly recording and categorizing expenses is crucial for accurate financial reporting and informed decision-making. Implementing cost-saving measures and monitoring expenses regularly can help improve financial performance. Strategic Expense Allocation: Allocating expenses to the areas that offer the best returns can help optimize resource utilization and improve overall performance (Udo, 2023).

Sustainable Profitability

Sustainable profitability also known as long-term profitability and stability of a business, is a type company's financial performance that consider all stakeholders' interests. Sustainable profitability refers to a business's ability to maintain or increase its profitability over the long-term value, while also balancing profitability with environmental and social responsibility. It is about generating profits in a way that does not deplete resources or negatively affect stakeholders, ensuring the business can thrive for years to come. Sustainable profitability involves a business's ability to consistently generate profits over the long term while minimizing negative environmental and social impacts. It is about balancing short-term profit maximization with responsible practices that ensure the business's long-term viability and positive contributions to society. Profitability is a measure of how efficient a firm uses its assets to generate revenue from its operating activities (Aniefor&Onatuyeh, 2020). It can be said to be a term that is used to measure the financial health and growth of a firm over a period of time. It can also be used to compare different firms in the same industry.

There are different measures of financial performance and since there are many stakeholders in a company, each group has its own interest in tracking the financial performance of that company. The trade creditors will be interested in the liquidity of the company, the bond holders will be interested in the solvency of the company, the shareholders will be interested knowing how well their investment will yield return and the management will be interested in knowing how well the firm performs in mostly in terms of profitability (Udo, 2023). Profitability is the ability of a business firm to make a profit from its operations. Akinleye and Ogunleye (2019) defined profitability as the capacity of a company to earn income. Utia et al. (2021) indicated that profitability is not only limited to finance but also the way the company manage together all

resources to attain its aimed goal and they suggested that profitability is a measure of a company's prosperity which is paramount to achieving the company's purpose of wealth maximization for its owners. In essence, sustainable profitability is about creating a business model that is both economically successful and socially and environmentally responsible, ensuring long-term value for all stakeholders. Retained profit is the amount of a business's profit for the year that is kept within its accounts, rather than paying-out to shareholders. Retained profit is a strong indicator of the long-term profitability and stability of a business (Udo, 2023).

Theoretical Framework

Contingency Theory of Management form the main thrust of the study. This theory was founded by Austrian psychologist, Fred Edward Fiedler in 1964. The contingency theory of management states that, there is no single best way to manage business costs, and the most effective approach depends on the specific situation and context. This theory suggests that managers should adapt their styles and strategies based on various factors like the organization's size, culture, technology, environment, and goal as well as the nature of the task and the characteristics of the employees. The theory argues that what works in one firm's and situation might not work in another and that managers should try to adapt to different situations. This theory is relevant to this study as it would enable managers of firms to adopt key strategies in management of their operational costs to achieve firms' profitability for long-term sustainability. This theory provides a framework for tailoring cost management practices like budgeting and control systems to an organization's unique context to improve decision-making and performance. For example, a cost leadership strategy might require tight cost controls and a focus on economies of scale, while a differentiation strategy would focus on innovation and quality, requiring a different cost management approach.

Empirical Review

Haryanto and Retnaningrum (2020) examined the effect marketing expenditure on firm performance. The contribution of marketing expenditure to firm performance of the big four of the telecommunication companies in Indonesia (PT. Telkom, Tbk (including PT. Telkomsel), PT. Indosat Ooredoo, Tbk, PT. XL Axiata, Tbk, and PT. Smartfren Telecom, Tbk) was analyzed. Firm performance was proxied as the profit margin on sales (PM on Sales), return on assets (ROA), return on investment (ROI), and return on equity (ROE). The methodology of the research used the quantitative model, and the analysis applied the simple regression. The results showed that the marketing expenditure had a significant effect on PM on Sales, ROI, and ROE, partially. On the contrary, the marketing expenditure had no impact on the return on assets (ROA).

Shella et al. (2024) examined operational costs, profitability and company value in Indonesia's food and beverage sector. The aim was to gain insight into how these factors interact and affect the overall value of companies in the Indonesian region. This analysis uses quantitative methods based on financial data and relevant metrics for a sample of Food and Beverages companies operating in Indonesia, as many as 24 companies, with purposive sampling techniques of 17 companies sampled for 2020 – 2022. This study examines the relationship between firm cost, profitability, and value through statistical analysis and linear regression modelling techniques with SPSS version 26. The results showed that operational expenses had a significant effect on the value of the company. Profitability has a substantial impact on the value of the company. Then, operating costs and profitability have a considerable effect on the value of the company.

Ajibola et al. (2024) investigated cost control and profitability of listed manufacturing companies in Nigeria, with reference to ten listed manufacturing businesses in Nigeria. The study employed an ex-post facto research design. Secondary data was incorporated by this study through the financial statements of the chosen firms, which entails a ten-year period (2014-2023). Descriptive statistics, correlations, and regression were employed to analyze the data. The study found that net profit margin of the selected firms is significantly affected by cost of sales and distribution cost. The study concludes that potential investors can rely on cost of sales and distribution cost in forecasting net profit margin of the selected listed manufacturing outfits. It was recommended that management of Nigerian manufacturing companies should routinely assess the production and operational costs of their companies which will in turn improve the firms' profitability.

Kisyeri and Kira (2022) examined the influence of administration expenses on the profitability of the listed manufacturing companies in Tanzania. study used an explanatory research design whereby all data for the explanatory, cross-sectional from the year 2005 to 2018 including each six listed manufacturing companies, hence making a total population of 84 cross-sectionals (6 companies x 14 fourteen financial statements years) = 84 cross-sectionals). Because of panels, a census approach was used to incorporate all six LMCs. Data were gathered from yearly audited financial statements of listed manufacturing companies listed on DSE. and response variables were collected from financial statements of six listed manufacturing companies. The results indicate that administration expenses have a negative influence on the profitability explained by DuPont. This implies that if the companies would want to successfully increase their market share, increase customers, and their profitability then they must spend less on administration expenses which will ensure saving of cash for re-investment and be able to meet their other financial obligations.

Adeyemi and Esangbedo (2023) examined effects of sales and distribution expenses on organizational performance in Nigeria's consumer goods sector several costs associated with sales and distribution, including costs relating to the moment production is complete to the point it gets to the consumer and everything in between, including the cost associated with making the products attractive or desirable to consumers. These costs related to sales and distribution has the potential to impact some metrics of organizational performance. This study examines the impact of such costs on revenue, return on assets, and return on equity and gross margin in the Nigeria consumer goods sector from 2013 to 2021 in 14 companies. The results revealed that sales and distribution costs have: moderate high positive association to revenue; very high positive association to gross margin and no established relationship with Return on Assets and Return on Equity. The study also revealed that alcoholic beverage companies spend comparatively more on sales and distribution costs.

Hernández (2024) investigated production costs and their effect on the profitability of the SMES in Latin America. The purpose is to reflect on the current costs management prices, the common challenges faced by SMEs in the region, and effective strategies to improve the profitability and sustainability of these companies. A review study of type reflective, which used the dialectic as a method for the construction of the speech, based on techniques of triangulation of information was deployed. In order to obtain the results, these study topics were pre-selected: determinants of the costs of production in the SMES, strategies for the reduction and control of production costs, and impact of production costs on the profitability of SMES. This study posited that the determinants underpinning these costs encompass a spectrum of elements including but not limited to labour, raw materials and supplies, energy and utilities, infrastructure and logistics, regulatory frameworks, selling and distribution costs as well as administrative expenses. Furthermore, the expenses interplay of technology adoption and innovative capabilities is also recognized as a crucial facet in this cost determination paradigm. It was concluded that the operational expenditure of microenterprises and small businesses affected the profitability of the SMES in Latin America.

3.0 METHODOLOGY

Ex-post facto research design was employed in the study. The design was considered best for the study as it allows for the use of existing data that the researcher cannot be manipulated. The population was the one hundred and sixty-four (164) companies from twelve actively sub-sectors listed firms in the Nigerian Exchange Group (NGX) and traded stocks on floor of the Nigerian Exchange Group (NGX) from January 01, 2018 financial year to December 31, 2024. Purposive sampling technique was used to select sample size of ninety-two (92) companies as follows; Alternative Security Market (AseM, 9 companies), agriculture (5 companies), Conglomerates (6 companies), Construction/ Real Estate (9 companies), consumer goods (9 companies), Financial

Services (9 companies), Health (8 companies), Information Communications Technology (6 companies), Industrial Goods (9 companies), Oil and Gas (9 companies), natural resources (4 companies) and Services (9 companies). The choice of the period was based on the Securities and Exchange Commission (SEC) delisting and restructuring of companies as well as coming out from the woods of 2016 economic recession in 2017. Secondary sources of data were used consisted of the annual reports and accounts of the selected companies and formed the main sources of data of this study. In order to test the research hypotheses, multiple regression model (functional form and econometrical) was used as:

$$SP_{it} = f(OCM_{it}) \text{ Functional Relationship Equation I}$$

$$Y_{it} = \alpha_0 + \alpha_1 X_{1it} + \alpha_2 X_{2it} + \alpha_3 X_{3it} + \varepsilon_{it} \text{ Econometric Equation II}$$

$$SP_{it} = \alpha_0 + \alpha_1 DCM_{it} + \alpha_2 DEM_{it} + \alpha_3 AEM_{it} + \varepsilon_{it} \text{ Model Equation III}$$

Where; SP = Sustainable Profitability, OCM = Operational Costs Management

DCM = Direct Costs Management (X₁) DEM = Distribution Expenses Management (X₂)

AEM =Administrative Expenses Management (X₃)

$\alpha_1, \alpha_2, \alpha_3 =$ estimated coefficients of the independent variables

$\alpha_0 =$ constant term; $\varepsilon =$ error term; i,t = company i in year t.

Description and Measurement of Research Variables

Variable	Description	Measurement	A priori Sign
Sustainable Profitability (SP)	Profit for the year after deduction of all stakeholders' interests	Retained Profit for the year= Retained Earnings of Current year (R ₂) Minus Retained Earnings of Previous (R ₁)	
Direct Management (DCM)	Costs All cost of sales, production costs and services rendered by a firm.	Total Annual cost of sales, production costs and services rendered.	+
Distribution Expenses Management (DEM)	Expenses All sales and distribution costs or marketing expenditure to reach out customers/clients.	Total Annual Sales and distribution costs.	+

Administrative Expenses Management (AEM) All administrative expenses including R&D and CSR initiatives Total Annual administrative expenses. +

Source: Researchers’ Conceptualisation (2025)

Descriptive and inferential statistics were used to analyse the data. Multiple regression technique was adopted to analyse the data. This was carried out with the help of Statistical Package for Social Sciences (SPSS) Version 22.0 at 5% level of significance in order to reach valid conclusions for the study.

4. RESULTS AND DISCUSSION OF FINDINGS

The data obtained were processed with the aid of SPSS version 22.0 and the statistics were presented in both descriptive and inferential forms.

Table 4.1: Descriptive Statistics for the Research Variables

	n	Min.	Max.	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
DCM (₹'m)	644	111,755	225,744	168,750	17.11	2.23	0.20	7.21	0.39
DEM (₹'m)	644	60,768	112,919	86,844	7.82	1.90	0.20	3.73	0.39
AEM (₹'m)	644	11,986	32,289	44,275	5.40	2.72	0.20	9.13	0.39
SP (₹'m)	644	-9,179	69,528	34,759	3.92	-2.23	0.20	9.97	0.39

Source: Researchers’ Computation (2025).

Table 4.1 is presentation of the descriptive statistics for the research variables. Result reveals mean values of 168,750; 86,844; 44,275 and 34,759 for DCM, DEM, AEM and SP with standard deviations of 17.11, 7.82, 5.40 and 3.92 respectively. The Shapiro-Wilks test was used to examine the normality of these variables and the results obtained are presented in Table 4.2.

Table 4.2: Summary of Normality Test using Shapiro-Wilk test for the Research Variables

Variables	Shapiro-Wilk		
	Statistic	df	P-value
DCM	0.835	644	0.041
DCM	0.603	644	0.010
AEM	0.360	644	0.030
SP	0.266	644	0.000

Source: Authors' Computations (2025)

Table 4.2 is the presentation of the summary of the results of the normality of the research variables using Shapiro-Wilk test. Result shows p-values of 0.041 for DCM (p-value >0.05), 0.010 for DEM (p-value <0.05), 0.0000 for AEM (p-value <0.05) and 0.0000 for CSR (p-value <0.05). The summary of the multiple regression models showing the influence of Operational Costs Management (OCM) on Sustainable Profitability (SP) of listed Firms in Nigeria as presented in Table 4.3.

Table 4.3: Regression summary showing the influence of Operational Costs Management (OCM) on Sustainable Profitability (SP) of listed Firms in Nigeria

Mode	R	R Squared	Adjusted Squared	R Std. Error of the Estimate	Durbin-Watson
1	0.899	0.758	0.741	3.1497525	1.922

Source: Authors' computations (2025).

Table 4.3 is the presentation of the summary result of the influence of Operational Costs Management (OCM) on Sustainable Profitability of listed companies in Nigeria. Result shows multiple correlation of 0.758 was obtained, which means that 75.8% was the overall contribution of the model independent variables to the dependent variable. Results also show R-Square (R^2) of 0.741 which means that 74.1% of the variation in the Sustainable Profitability (SP) of the listed companies in Nigeria was accounted for by Operational Costs Management (measured by DCM, DEM and AEM). To examine whether there is presence of autocorrelation, the Durbin Watson test was used and the result yielded Durbin Watson statistic of 1.922 was obtained which is greater than 1 and less than 3.00 meaning that there is no evidence of autocorrelation. Result of Analysis of Variance (ANOVA) showing whether there is a regression relationship between the independent and the dependent variables, Operational Costs Management (DCM, DEM and AEM) and Sustainable Profitability (SP) as presented in Table 4.4.

Table 4.4: ANOVA result summary of SP, DCM, DEM and AEM of the listed Firms in Nigeria

Model	Sum of Squares	df	Mean Square	F-calc.	F-crit.	p-calc.
Regression	844.285	3	460.321	58.232	2.691	0.000
Residual	4606.513	640	32.111			
Total	5347.798	643				

Source: Researchers' Computations (2025).

Table 4.4 is the ANOVA result summary showing the influence of operational costs management on sustainable profitability of listed firms in Nigeria. From Table 4.4, the F-calculated of 58.232 was obtained with P-value of 0.000 as against the F-critical of 2.691 at 0.05 level of significance. Result shows that the F-calculated (58.232) is greater than F-critical (2.691), which means that there is a significant regression relationship between the dependent variable (Sustainable Profitability) and the independent variables (operational costs management – DCM, DEM & AEM). This result also indicates that DCM, DEM and AEM jointly accounted for significant variation in sustainable profitability (SP) of listed firms in Nigeria. Parameter estimates of the multiple regression models as well as the significance of each of the parameter in the multiple regression models is as presented in Table 4.5.

Table 4.5: Coefficients of the regression SP with DCM, DEM and AEM of listed Firms in Nigeria

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t-calc.	p-value	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
Constant	0.219	7.593		0.029	0.937		
DCM	2.496	0.938	0.251	2.661	0.004*	0.929	1.077
DEM	1.499	0.353	0.133	4.244	0.001*	0.699	1.430
AEM	1.068	0.355	0.156	3.009	0.003*	0.596	1.679

*Significant at 5% (P<0.05). t-cri. = 1.97. *Source: Author s' computations (2025)*

In Table 4.5, the regression coefficients for the model parameters were computed showing the influence of operational costs management on sustainable profitability of listed companies in Nigeria. The results show that DCM – Direct Costs Management ($\beta = 0.251$, Std Error = 0.938, t-calc = 2.661 and p-value = 0.004; DEM – Distribution Expenses Management ($\beta = 0.133$, Std Error = 0.353, t-calc = 4.244 and p-value = 0.001), AEM – Administrative Expenses Management ($\beta = 0.156$, Std Error = 0.355, t-calc = 3.009, and p-value = 0.003), all have positive significant influence on sustainable profitability (SP). This implies that as DCM, DEM and AEM increase, SP increases and vice versa. Result in Table 4.5 reveals tolerance of 0.929, 0.699 and 0.596 for DCM, DEM and AEM and Variance Inflation Factor (VIF) of 1.077, 1.430 and 1.679 respectively as a check for the possible presence of multicollinearity. The tolerances were all greater than 0.1 while VIFs were all less than 10 indicating that there is no evidence of multicollinearity. **In summary, the predicted model therefore construed as:** $SP_{it} = N0.219 + N0.251DCM + N0.133DEM + N0.156AEM + \varepsilon_{it}$

Test of Hypotheses and Discussions of Findings

Hypothesis One was tested and the multiple regression results in Table 4.5 reveals that direct costs management, DCM ($\beta = 0.251$, S E = 0.938, t-calc. = 2.661, P-calc = 0.004, P-value<0.05)

has significant positive influence on the sustainable profitability (SP) of listed firms in Nigeria. Result also reveals standardized beta coefficient of 0.251 which implies that if other variables are held constant, for every 1% increase in direct costs management (DCM), sustainable profitability (SP) of the listed companies in Nigeria will increase by ₦0.251. Result also reveals that the absolute value of the t-calculated (2.661) is greater than the t-critical (1.98) at the 0.05 level of significance. The null hypothesis is rejected which means that direct cost management significantly influence sustainable profitability (SP) of listed companies in Nigeria. This is in line with the findings of Hernández (2024) that found that production costs management has positive effect on the profitability of the firms in Latin America.

Hypothesis Two was tested and the result in Table 4.5 reveals that Distribution Expenses Management ($\beta = 0.133$, S E = 0.353, t-calc. = 4.244, P-calc = 0.001, P-value<0.05) has positive influence on sustainable profitability of listed companies in Nigeria. Result also shows standardized beta coefficient of 0.133 which implies that if other variables are held constant, for every 1% increase in Distribution Expenses Management, the sustainable profitability performance of listed companies in Nigeria will increase by ₦0.353. Result also reveals t-calculated of 4.244 and t-critical of 1.98 at the 0.05 level of significance. The t-calculated (4.244) is greater than the t-critical (1.98) at the 0.05 level of significance. The null hypothesis is rejected which means that there is a significant influence of Distribution Expenses Management on sustainable profitability of listed companies in Nigeria. The values of the standardised beta (0.353) as well as the t-calculated were positive meaning that Distribution Expenses Management has significant positive influence sustainable profitability of listed companies in Nigeria. This is in line with the findings of Haryanto and Retnaningrum (2020) that marketing expenditure had a significant effect on profit margin on sales, return on investment (ROI), and return on equity (ROE) and on the contrary, the marketing expenditure had no impact on the return on assets (ROA) of the big four of the telecommunication companies in Indonesia. Although, Adeyemi and Esangbedo (2023) established no correlation of Distribution Expenses Management with Return on Assets and Return on Equity of listed consumer goods firms in Nigeria.

Hypothesis Three was tested and the results in Table 4.5 reveal that Administrative Expenses Management ($\beta = 0.156$, S E = 0.355, t-calc. = 3.009, P-calc = 0.003, P-value<0.05) has significant positive impact on sustainable profitability of listed companies in Nigeria. Result also shows standardised beta coefficient of 0.156 which implies that if other variables are held constant, for every 1% increase in administrative expenses management, the sustainable profitability of listed companies in Nigeria will increase by ₦0.156. Result also reveals t-calculated of 3.009 and t-critical of 1.98 at the 0.05 level of significance. The t-calculated (3.009) is greater than the t-critical (1.98) at the 0.05 level of significance. The null hypothesis is rejected

which means that there is a significant impact of administrative expenses management on sustainable profitability of listed companies in Nigeria. This result implies that 1% increase in the Administrative Expenses Management will result in ₦0.353 increase in sustainable of listed companies in Nigeria. This is in collaboration with the findings of Kisyeri and Kira (2022) that, administration expenses management influence the profitability of the listed manufacturing companies in Tanzania.

Hypothesis Four was tested and results of ANOVA result in Table 4.5 shows the combined influence of operational costs [direct costs management, distribution expenses management, and administrative expenses management] on sustainable profitability of listed companies in Nigeria. Results reveals F-calculated of 58.232 and F-critical of 2.391 at 0.05 level of significance. The F-calculated (57.802) is greater than F-critical (2.691) which means that there is significant joint effect of operational costs on sustainable profitability of listed companies in Nigeria. This agrees with the opinions of Shella et al. (2024) that, operational costs affect profitability and company value in Indonesia's food and beverage sector in Indonesia as well as Ajibola et al. (2024) that, cost of sales and distribution costs have significant effects on net profit margin of the selected ten listed manufacturing businesses in Nigeria from 2014 – 2023.

5.0 CONCLUSION AND RECOMMENDATIONS

Operational Costs Management and Firms' Profitability for Long-Term Sustainability of Listed Firms in Nigeria was examined. Results showed that direct costs management, distribution expenses management, administrative expenses management have significant effect on sustainable profitability (proxied by Retained Profit for the year) of listed companies in Nigeria. It was concluded that Operational Costs Management has positive significant effect on sustainable profitability of listed companies in Nigeria between 2018 - 2024. It was recommended among other that:

- i. Managers of listed companies in Nigeria should track and manage all direct costs, all distribution expenses and all administrative expenses line-items by line items, determine their cost of sales more accurately so as to enable them to make informed pricing decisions. Decisions to make or buy should be reconsidered if the costs of productions are very high without generating operating profits. Where distribution expenses are high, consider depots and warehouses or using of regional or states-by-states distribution channels with commissions on performance as well as reducing promotional costs. The firms in Nigeria should improve customer service, deliver quality products through operational efficiency, consider merger, and explore new partnerships and financial grants where necessary.
- ii. The Nigerian government should provide conducive business environment, support the firms by providing modern infrastructure like transportation and energy, fostering a stable regulatory environment, providing access to affordable finance and training programs,

implementing targeted tax incentives, shared facility schemes as well as promoting innovation through research and development support. Addressing issues like double taxation, insecurity, corruption and bureaucratic red tape is also crucial to creating a more conducive environment for businesses to thrive and increase their bottom line.

- iii. Industry regulators and policymakers in Nigeria should educate and train firms to manage operational costs and generate profitability by adjusting pricing, boost sales, expand market research, reducing unnecessary bureaucracy, improving infrastructure, offering targeted tax incentives, promoting technological adoption, and fostering a stable, predictable business environment. Streamlining import/export processes, providing reliable power, and enforcing fair competition also contribute to lower operational expenditures for businesses.

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