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EFFECT FIRM SPECIFIC CHARACTERISTICS ON STOCK RETURNS OF SELECTED QUOTED INDUSTRIAL GOODS COMPANIES IN NIGERIA

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Abstract

The study examined the combined effects of firm size, price earnings ratio, firm age, and leverage on stock returns of quoted industrial companies in Nigeria from 2009-2018. Stock returns was measured by the amount of dividend paid in a year. The study adopted ex-post facto research design. The population comprised of nineteen (19) quoted industrial goods companies in Nigeria out of which fourteen (14) were selected for the purpose of data collection. The study used secondary data obtained from the audited accounts of the sampled firms while analysis of data was done using Ordinary Least Square (OLS). The result of the study showed that firm size and price earnings ratio have significant effect on stock returns, leverage have positive insignificant effect on stock returns while firm age have negative insignificant effect on stock returns of quoted industrial goods companies in Nigeria. The study concluded that firm specific characteristics have significant influence on stock returns of industrial goods companies in Nigeria. Based on the findings and conclusion, it is recommended that government and policy makers (SEC) should design and implement policies that encourage frequent payment of dividends to shareholders.

Key words: ***Stock Return, Firm Size, Firm Age, Leverage and Price Earnings Ratio.***

Introduction

In businesses, the return on investment is the amount payable to the shareholder for investing in the company. Stock returns are very important because they are considered as the main objective of investing in ordinary shares.

Investors, both existing and potential regard return as the fundamental reason for investing in a particular firm. Stock return can be in form of capital appreciation/depreciation (as obtained in the Nigerian stock exchange) plus dividend received if any. Stock prices are important metrics of measuring stock market returns). Stock Market Returns are the returns or gains that the investors generate out of the stock market. The most common way of generating stock market return is through trading in the secondary market. In the secondary market an investor could earn stock market return by buying a stock at lower price and selling it at a higher price (Hearn, 2012). Book value of equity constitutes the accounting based value for owners and be useful in judging on the true value of equity.

Statement of the Problem

Stock markets play critical role in every economy of a nation. The criticality of the stock markets to the growth of every economy is based on the fact that resources are channeled to the most productive investment opportunities (Mburu, 2014). Consequently, stock markets serve as a place where securities are traded as well as provide the platform for effective and efficient interactions between savers and users of capital by means of pooling of funds, sharing risk and transferring wealth among stakeholders. Equity shares provide major channel of investment that has the potential of yielding meaningful returns to investors. However, a number of factors such as market conditions, activities of regulatory bodies, performance of particular stocks, among others cause returns from equity investment to fluctuate. According to Al - Tamimi (2007), knowledge of such factors and their possible impact on share prices is highly appreciable as it would help investors make wise investment decisions and enable firms to enhance their market value.

Objectives of the Study

The major objective of this study is to examine the effect of firm specific characteristic and stock returns among industrial goods companies in Nigeria. The specific objectives are to:

i. assess the effect of firm size on stock return of industrial companies in Nigeria
ii. examine the effect of leverage on industrial companies in Nigeria
iii. ascertain the effect of firm age on industrial companies in Nigeria

iv. investigate the effect of price earnings ratio on industrial companies in Nigeria

The study hypotheses are:

Ho_1: Firm size has no significant effect on stock return

Ho_2: leverage has no significant effect on stock return

$H0_3$: Firm age has no significant effect on stock return

Ho_4: Price earnings ratio has no significant effect on stock return

Literature Review

Conceptual Framework

Stock

In simple terms a stock refers to a share in the ownership of a company. Stock represents a claim on the company's assets and earnings. The percentage stake that an investor holds is reflected in the number of stocks the investor acquires from the company's stocks. Thus the more shares that one acquires, the greater his/her ownership rights in the company. When one holds a company's stock, it means that person is one of the many owners (shareholders) of the company and as such has a claim (albeit usually very small) to everything the company owns. An investor's share ownership is represented by a stock certificate. That is a piece of paper which serves as a proof to one's ownership. According to Beni and Alexander (1999), an ordinary stock simply represents an ownership interest in a corporation. In this modern age of business however, such certificates are rarely given the shareholder because the brokerage firms keep these records electronically otherwise known as holding shares "in street name". This is done in an attempt to make the stock easily tradable. Unlike in the past where one has to physically take a share certificate to the brokerage in order to sell, now with just a click on the mouse or even a phone call; stocks can easily be traded.

Return

Return refers to the financial rewards gained as a result of making an investment. The nature of the return depends on the form of the investment. For instance, a company that invests in fixed assets and business operations expects returns in the form of profit, which may be measured on before –interest, before tax or after tax basis, and in the form of increased cash flows. An investor who buys ordinary shares expects returns in the form of dividend payment and

capital gains (share price increases). Again, an investor who buys corporate bonds expects regular returns in the form of interest payments (Frimpong, 2010). Bawa, Haruna and Ojochenemi (2020) pointed out that looking at returns in terms of industrial sector, the exchange rate is useful for manufacturers who intends to export their produce to other countries they can use it to determine the country whose exchange rate value is sustainable for businesses either in term of foreign direct investment or other valuable investment and exportation.

Firm Size

Firm size is one of the most influential characteristics in organizational studies. Firm size has also been shown to be related to industry- sunk costs, concentration, vertical integration and overall industry profitability. Firm size is one of the most acknowledged determinants of audit quality. It is commonly measured by either natural logarithm of assets, or sales or employees. Larger firms are associated with having more diversification capabilities, ability to exploit economies of scale and scope and also being highly formalized in terms of procedures. Shaheen and Malik (2012) described firm size as the quantity and array of production capability and potential a firm possesses or the quantity and diversity of services a firm can concurrently make available to its clients.

Financial Leverage

According to Chartered Institute of Management Accountants (CIMA) Official Terminology, financial leverage is defined as "amount of debt in relation to equity in the capital structure of an entity or debt interest in relation to profit" (CIMA 2005). Also, financial leverage is sometimes called Debt ratio which is a solvency ratio that measures a firm's total liabilities as a percentage of its total assets, so companies with higher levels of liabilities compared with assets are considered highly leveraged and more-risky for lenders; as a result, financial leverage represents other creditors' claims on the assets of the company. Firm leverage is the degree to which a company uses fixed-income securities, such as debt and preferred equity. Leverage is simply the ratio between total debt and total assets of the company that shows the extent to which the totals assets are financed by loans. An increase in this ratio shows the dependence of the company on external debt financing and greater score being given to the firm by debt providers. This however, may curtail firms' autonomy because of the restrictive covenants imposed by debt providers and may in the worst case

scenario lead to financial solvency. This is because with a high degree of financial leverage comes high interest payments. Bawa, Yohanna and Abdullahi (2020) observed that statistical analysis indicated that though capacity utilization of manufacturing sector increases over time, the sector's development is still vanishing compared to other economy of the world.

Age

Age is the length of time during which a being or thing has existed. We defined firm age as the number of years of incorporation of the company; even though some believe that listing age, should define the age of the company (Shumway, 2001). According to him, listing age is more economical since listing is a defining moment in the company' life. Shumway's argument is debunked from the perspective of the company as a legal personality (Waelchi & Pdferer. 2011). As a legal person, a company is born through incorporation Gitzmann, 2008; Pickering, 2011). Hence our preference for the year of incorporation as the definition of the age of the company.

Price Earning

The price-earnings ratio, also known as P/E ratio, P/E, or PER, is the ratio of a company's share (stock) price to the company's earnings per share. The ratio is used for valuing companies and to find out whether they are overvalued or undervalued. Ojochenemi and Bawa (2020) noted that the profitability of the organization will increase as a result of increase in cash, inventory and trade credit.

Empirical Review

Uwaleke and Akwe (2018) investigated the effects of price- to book value and price-to –earnings ratios on stock market returns of consumer goods companies in Nigeria. The study uses firm age as a control variable. The study used multiple regressions to analyze the data collected from 2007-2016. The study results revealed that price- to- book value per share and firm age have significant negative effects on stock returns of quoted consumer companies in Nigeria.

Ayuba, Balago and Dagwom **(**2018) examined the effects of firm level attributes on stock returns of top twenty-five most capitalized quoted equity firms in Nigeria. Emerging markets have different structure and institutional characteristics from developed stock markets, and in view of the fact that investors are interested in getting more insights into the activities of blue chip companies, it is imperative to find out whether stock returns in Nigeria respond differently to effects of firm level attributes factors or not. Hence, the study investigated the effects of firm size, ratio of market to book value per share, and price to earnings ratio on stock returns of selected quoted firms in Nigeria

from 2007 – 2016. The population comprises top twenty-five most capitalized quoted equity firms, out of which twenty-one companies represent the sample of the study. The study adopted ex-post facto research design. The study used secondary data obtained from the audited accounts of the sampled firms, Central Bank of Nigeria Statistical Bulletin and the Nigerian Stock Exchange database and website. Analysis of data was carried out using panel data regression. The panel regression results indicate significant positive effect between ratio of market to book value per share and stock returns in Nigeria, and insignificant negative effect between firm size and stock returns in Nigeria. A further regression result indicates insignificant positive effect between price to earnings ratio and stock returns of selected quoted companies in Nigeria.

Matemilola, Ariffin, Nassir and Saini (2017) examined the effects of firm age on the association between stocks returns and debt for the study period of 2008-2012. The study uses the panel data of firms listed on Bursa Malaysia. The system Generalized Method of Moment (GMM) was used to analyze the data. The result revealed that firm age has significant positive effects on stock returns. The result further revealed that as the firms grow older and to maximize shareholders returns, they deploy their experience and knowledge to make effective capital structure decisions.

Bala and Idris (2015) empirically carried out a study on firms' specific characteristics of firm size, debt-equity, and price earnings ratio and stock market returns in Nigeria. The study employed ex- post facto research design. The study samples nine (9) quoted food and beverages firms in Nigeria from 2007 to 2013 by means of multiple regressions. The findings show that firm size has a significant and negative effect in stock returns of quoted food and beverages firms in Nigeria. The effect of price earnings ratio and debt-to-equity is found to have statistical significance and positive effect on stock market returns.

Haq and Rashid (2014) examined the relationship between firm size and stock returns in Pakistan's stock market. He selected 50 companies from Karachi Stock Exchange (KSE) and their yearly data from 2007 to 2011 and selected market capitalization, total assets, sales as independent variable and stock return as dependent variable. They applied Fama-Macbeth (1973) regression analysis in this study, they constructed 10 portfolio of the firms operated in Karachi Stock Exchange on the basis of market capitalization, total assets, sales

and its impact on stock return, that indicated smaller size firm have larger risk adjusted return.

Gandhi and Lustig (2014) investigated the size anomalies, stock return and risk associated with implicit guarantees provided by the government to the banks operating in U.S. They selected monthly data from January 1970 to December 2009 and computed risk-adjusted returns by using extensive regression analysis and also sorted ten portfolios on the basis of size and return by using three factor models technique. They selected market capitalization, stock returns and beta of the particular stock as variables in their study. Overall, finding suggests that stocks of the large banks in the U.S. have significantly lower risk- adjusted returns than small- and medium-sized bank stocks.

Chaibi, Alioui, and Xiao (2014) evaluated the firm size effect on risk return on American Stock Market. They selected daily traded values of the listed companies in Russell 3000 index period from 2010-2012. They established different size model by applying Sharp model and CAPM and selected Ordinary Least Square (OLS) regression method for preparation of each size group. Results suggest that high values performing significantly were compare to the smaller firms during the sample period, validity of CAPM is also not proven in explaining risk and return of the security. Overall finding explain that small size firms have low risk adjusted returns and higher values firm perform better compare to small ones in Russell 3000 index market.

Acheampong, Agalega, and Shibu (2014) examined the impact of firm size and financial leverage on stock return of five manufacturing company (i.e. Unilever, PZ Cussons, Aluworks, Camelot and Pioneer Kitchen) operated in Ghana Stock Exchange. They selected average monthly stock price, market capitalization and financial leverage of the selected data from 2006 to 2010 and applied ordinary Least Square (OLS) techniques. The study design is correlation research design. Results suggest that in Unilever size has positive significant impact and leverage has negative insignificant relationship on returns. In PZ Cussons size has positive and significant impact and leverage has negative significant impact on returns. In Aluworks size has positive significant impact and leverage has negative insignificant relationship on returns. In Camelot size has positive significant impact and leverage has negative insignificant relationship on returns. However, Pioneer Kitchen has negative significant impact on size and leverage has positive insignificant relationship on returns.

Zaremba and Konieczka (2014) analyzed the relations between selected company features and stock returns on the Polish market for a study period of 2000 to 2012. The study uses the Ordinary Lease Square (OLS) and obtains data from Bloomberg. The empirical results indicated a significant positive association between book to market ratio and stock market returns. The use of Ordinary Least Square Regression (OLS) does not seem to explain the individual or cross sectional effect of the sampled firms given their respective peculiarities. Panel data stand to tackle a more set of problems and address more sophisticated issues than either pure time series or pure cross sectional data alone would address. Thus the use of panel regression is capable of giving more robust result that can be acceptable than OLS.

Mazviona and Nyangara (2014) investigated relationship between firm size and stock returns for firms listed on the Zimbabwe Stock Exchange (ZSE) they apply the techniques of Ordinary Least Square (OLS). Monthly data of 64 companies listed on Zimbabwe Stock Exchange (ZSE) out of which 60 companies from industrial sectors and 4 from mining companies' period from June 2009 to July 2013. The reviewed literature adopted ex- post factor research design. They selected portfolio return, beta and market capitalization of the selected companies as variables for data analysis. Results suggested that smaller size firms operated in Zimbabwe Stock Exchange (ZSE) have lower risk adjusted return compare to larger size firm, that explain why size has significant and positive effect on stock returns.

Hwang, Gao and Owen (2014) examined the relationship between size and expected returns on UK stock market. They apply Markowitz mean–variance analysis approach to check the size and expected return effects on UK stock market; they constructed portfolios based on size and returns. Moreover, they selected monthly data from January 1985 to June 2012 of 612 companies listed in FTSE all share index. The results suggest that Markowitz efficiency frontier did not achieve in larger size portfolio stocks, this suggest that smaller firms operated in UK have higher risk adjusted return compare to bigger one. On Overall, these finding suggest that there is a negative relationship between portfolio size and portfolio return during that period.

Tahir, Sabir, Alam and Ismail (2013) explored the influence of some firm attributes on returns of common stocks. The study used data of listed non-financial firms in the Pakistani Stock Exchange for a 10 year period (2002 to 2012). Market capitalization, book- to-market value of equity, sales growth, and

EPS are used as firm characteristics proxies. The population of the study is 307 firms; secondary data was investigated using multiple regression models. Research design is descriptive. OLS analysis was used to analyze the data. The conclusions of the study reveal that market capitalization has significantly and positively impacted on Pakistani stock returns. The study establishes an agreement for the effect of firm size on stock market returns of Pakistan.

Salamat and Mustapha (2014) examined the relationship between capital structure and stock return for all industrial firms listed in the Amman Stock Exchange over the period from (2007–2014) after controlling for the ratio of the market value per share to the book value per share, as a proxy of growth opportunities, the size of firm, the turnover ratio, as a proxy of stock liquidity, earnings per share, and return on assets. The researcher used unbalance panel data statistical approach for analysis. The empirical results suggested that there is a statistically significant negative effect of capital structure on stock return. In addition, stock liquidity and return on assets have statistically significant positive effect on stock return.

Arslan and Zaman (2014) examined the impacts of price to earnings ratio and dividend yield on stock returns in Pakistan. The study uses advance econometrics techniques in determining the impacts between the variables using a period from 1998 to 2009. The impact of the variable of stock returns was determined using the fixed effect model. The findings indicate that stock returns and price to earnings ratio have significant positive impact. However, the study was limited to Pakistan and the use of more variables (internal and external) and the use of panel seems to be absence in the study. Also, the study was carried out in year 2009, therefore, the need to update it in Nigeria

Lieam and Sautma (2012) determined the predictability of stock return using price earnings ratio of forty-five (45) stocks listed in Indonesia Stock Exchange (ISE). The study uses descriptive statistics and Analysis of Variance (ANOVA) to establish whether low PE stock returns are different significantly with high PE stock returns. The findings show no significant link between price earnings ratio and stock returns. The study concludes that PE ratio is not a good tool in estimating stock returns.

Theoretical Framework

Arbitrage Pricing Theory

Arbitrage Pricing Theory (APT) developed by Ross (1976) as a Capital Asset Pricing Model (CAPM), is premised on the basis that the stock returns are

caused by a specific number of economic variables. The theory further suggests that there are different risks in the economy that cannot be eradicated by sole diversification. CAPM was introduced by Sharpe (1964), Lintner (1965) and Mossin (1966). The theory states that non-diversifiable market risk impacts expected security returns. According to Al-Shami and Ibrahim (2013), the general notion behind the APT is that compensation is provided for the investors due to the time value of money or systematic risk which is characterized by the risk-free rate (rf). Another compensation for taking up extra risk can be calculated through a risk measure (Beta) by comparing the asset returns with the market for a time period and with the market risk premium.

According to Gatuhi, Gekara and Muturi (2015), APT assumed that various market and industry related factors contribute towards returns on stocks. These multi factor models have been developed with the assumption that stock returns are based upon several factors which include market return as well as other factors, and can be grouped into industry wide and macroeconomic forces. The industry related variables can vary with the nature of industry and economic conditions. Amtiran, Indiastuti, Nidar and Masyita (2017) in their study concluded that model APT one factor is valid more than multi-factor APT. Other studies that found APT useful in relating changes in returns on investments to unanticipated changes in a range of key value drivers for these investments include Acikalin, Aktas and Unal (2008), Ali (2013), Ibrahim and Musah (2014).

Methodology

The study adopted ex-post facto research design to examine the effect of firm specific characteristics on stock return for a period of ten years from 2009-2018. The study population consists of all fifteen (14) quoted Industrial Goods companies on the Nigerian Stock Exchange as at 31 December, 2018. Dunlop Nigeria plc, Dangote Cement plc, Nigerian Breweries plc; Nestle Nigeria plc, Cadbury Nigeria Plc; Dangote Flour Mill Nigeria plc, Unilever plc; Dangote Sugar plc; International Breweries plc; P.Z Cussons; Champion Breweries Plc; NASCON Nigeria Plc, 7 UP plc. Ordinary Least Square Method has been applied to determine the effect of firm characteristics and stock return. Data has been mainly taken from the official source of individual company websites.

The linear model for regression analysis is

$SR = \beta_0 + \beta_{1}LEV + \beta_{2it}PER + \beta_{3it}FAG + \beta_{4it}FMSZ + \epsilon_{it}$ --

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Where:

ST= Stock Return

LEV= Leverage

PER= Price Earnings Ratio

FAG= Firm Age

FMSZ= Firm Size

$\beta_0 \ldots, \beta_k$= is the regression model coefficients of the independent variables

ϵ_{it} = is the random error

I= represents the number of companies of the panel data

t = represents the time periods of the panel data

Table 1: Measurement of Variables

s/n	Variables a	measurement
1	**SR**	Measured as the amount of dividend payout in a year (Mustafa (2016)
2	**FSZ**	Measured as the sum of the total asset of the firm. A natural logarithm will be applied to this sum in order to mitigate problems of heteroscedasticity, which is usually associated with large figures (Berk,1996)
3	**LEV**	*will be measured as the ratio of firm's total debt to total assets (Shafana, Fathima & Jariya 2013)*
4	**PER**	*Ratio of Price-to-Earnings per share (Mburu (2014) and Ali(2017)*
5	**FAG**	Measured as a natural logarithm of the number of years the firm has existed (Wakil, 2013)

Source: Author's computation, 2019.

Result and conclusion

This section presents, discuss and analyses the data which comprises of descriptive statistics,

Table 2: correlation matrix and summary of the regression results.

	STR	*LEV*	*PER*	*FAG*	*FMSZ*
MEAN	*39871.60*	*1.36*	*42.20*	*39.00*	*4.65*
MEDIAN	*27000.00*	*1.09*	*10.00*	*39.00*	*4.60*
MAXIMUM	*378731.00*	*10.96*	*570.00*	*95.00*	*6.12*
MINIMUM	*7000.00*	*0.09*	*-19.00*	*1.00*	*0.56*
STD DEV	*47910.90*	*1.23*	*92.89*	*22.89*	*0.73*

Source: E-view Output, 2019

The table 2 above shows the descriptive statistics of the variables in the study. The result revealed that stock return proxies by dividend payout have a mean of 39871.60 over the study period, with a maximum and minimum value of 378731 and 7000 respectively.

In respect of firm age, which is measured as the number of years in operation its average value shows 39 with a standard deviation of 22.89. This implies that there is a huge variation of age amongst the companies due to this standard deviation. The age of the industrial companies in the industry ranges from a minimum of 1 year to maximum of 95 years. The table also shows that the mean value of firm size as measured by the natural logarithm of total assets is 4.65 with a standard deviation of 073. This shows that there is large variation in size across the sample of listed industrial companies in Nigeria. Hence, the highly deviated size may have significant effect on the profitability of listed industrial firms in Nigeria as will be shown in the regression result.

The average leverage from the observations is 1.36 as ratio of debt levels to total assets, implying that on average 100% debt was used in financing total assets.

Table 3: Correlation Matrix result using E-View

VARIABLE	*STR*	*LEV*	*PER*	*FAG*	*FMSZ*
STR	*1.OOOOOOO*				
LEV	*-0.077018*	*1.000000 00*			

PER	*-0.018456*	*0.190027*	*1.000000000*		
FAG	*-0.309516*	*0.232310*	*0.249447*	*1.000000000*	
FMSZ	*0.496276*	*-0.131858*	*0.153652*	*-0.172716*	*1.000000000*

Source: E-view Output, 2019

The above matrix depicts the degree and direction of the association between each pair of variables being analyzed. A correlation coefficient with negative sign reveals that there is an opposite relationship between the two variables. The correlation result above indicates that leverage; firm age and price earnings ratio were all negatively correlated to stock return. Also, the correlation result indicates that firm size is positively correlated to stock return. This implies that stock return increase as firm size increase.

Table 4: E-View Regression Result

VARIABLE	*COEFFICIENTS*	*T-VALUES*	*P-VALUES*
CONSTANT	*-86167.42*	*-3.703627*	*0.0003*
LEV	*1785.211*	*0.668927*	*0.5045*
PER	*-21.81779*	*-3.242197*	*0.0014*
FAG	*-478.4374*	*-0.601822*	*0.5481*
FMSZ	*30875.4*	*6.829026*	*0.0000*
R^2	0.300921		
ADJ.R^2	0.283660		
PROB.	*0.000000*		

Source: E-view Output, 2019

Results and Discussions

The coefficient of determination of 0.300921 indicates that about 30% of variables in stock return of selected quoted industrial companies in Nigeria can be explained by leverage, firm size, firm age and price earnings ratios. The remaining 70% is explained by error term and other variables not captured in this study. The result of the regression also shows that the model is fit with F-statistics of 17.43338 and probability value of 0.000000. The result also

revealed that the overall result of the independent variables on the dependent variable is statistically significant.

Based on the individual explanatory variables, the result showed that firm size has positive and significant effect on stock returns of industrial companies in Nigeria. This means that an increase in firm size will bring about a proportionate increase in stock returns. The reason could be that larger firm has sound corporate governance practices and strong management frameworks as well as assets that are able to generate the needed profit that can be used to pay dividend. The result is in agreement with the study of Gandi and Lustig (2014) and disagree with Bala and Idris (2015).

The age of industrial firms measured by the natural logarithm of difference between observation year and year of incorporation shows a z-value of -601822 with a coefficient of -478.43 with a p-value of 0.5481 which is statistically insignificant. This result shows that age of industrial companies is not significant in explaining and predicting the stock returns of listed industrial goods firms in Nigeria within the study period. This result contradicts the resource based theory which states that older firms will perform better than younger firms because they are more experienced and are not prone to the liabilities of newness. This finding is in line with the finding of Uwaleke and Akwe (2018), but it is in contrast with that of Matemilola, Ariffin, Nassir and Saini (2017)

Leverage was measured as the ratio of total liabilities to total assets in this study. As can be seen on above table, it shows the z-value for leverage as 0.6689 with coefficient of 1785.211 and a p-value of 0.5045 which is statistically insignificant at 5% level of significance. This result signifies that leverage is positive but insignificantly effect stock returns of listed industrial oods firms in Nigeria. This implies that the higher the level of leverage, the lower the possibility of these firms to pay dividends. This could be as a result of debt servicing. This finding is in harmony with the finding of Salamat and Mustapha (2014), but contradicts the finding of Acheampong, Agalega, and Shibu (2014).

The result also, revealed a negative but significant effect on stock returns among the industrial good companies in Nigeria. This implies that increasing price earnings ratio; reduce stock returns of the sampled firms in Nigeria. However, such reduction is significant at 5% level of confidence. A further implication is that the ratio projects earnings capacity of firms in Nigeria and investors may focus on those companies because they have above average potentials.

Conclusion and Recommendations

Based on the findings, the study concluded that there is a statistically significant relationship between the combined firm specific characteristics and stock return of the sampled companies. The study also, concluded that price earnings ratio and firm size exerts significant influence on stock returns of quoted industrial goods companies in Nigeria. It was also, concluded that leverage and firm age do not play any significant role in determining the stock returns of quoted industrial goods companies in Nigeria.

Based on the results and conclusion of the study, the following recommendations were made;

Government and policy makers (SEC) should design and implement more stringent policies that will ensure that companies pay dividends regularly.

Industrial companies should incur less debt as the payment of fixed interest defeats their ability to make regular stock returns.

Companies should increase their assets base as the economic value created by assets help to fund stock returns.

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