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IMPACT OF PRODUCT COST MANAGEMENT ON PROFITABILITY OF CONSUMER GOODS FIRMS IN NIGERIA

AARON Clinton Chika PhD, JONAH Ngbomowa Moses PhD and BARIYEREBA, Zorle PhD

Department of Accounting, Faculty of Administration and Management, Rivers State University, Nkpolu Port Harcourt Rivers State, Nigeria.

Department of Accounting, Faculty of Administration and Management, Rivers State University, Nkpolu Port Harcourt Rivers State, Nigeria.

Businessman, Port Harcourt Rivers State, Nigeria.

Abstract: This study investigates the effect of product cost management on the profitability of consumer goods firms in Nigeria, focusing on material cost control and labour cost management as key dimensions of cost management. Profitability was measured using gross profit margin and net profit margin. The study employed a descriptive and explanatory research design, utilizing secondary data extracted from the audited financial statements of ten consumer goods firms listed on the Nigerian Stock Exchange over a five-year period (2018–2022). Data were analysed using descriptive statistics and multiple linear regression to examine the relationship between product cost management and profitability. The findings reveal that both material cost control and labour cost management positively and significantly influence gross and net profit margins. Material cost control was found to have a stronger effect, highlighting the sensitivity of profitability to fluctuations in raw material costs. The study further showed that product cost management jointly explains 71.4% of the variation in gross profit margin and 62.3% of the variation in net profit margin, indicating that effective cost control practices are critical determinants of financial performance in Nigerian consumer goods firms. Based on the results, the study concludes that efficient product cost management enhances firm profitability and recommends that firms adopt integrated cost control systems, invest in workforce efficiency, and implement modern inventory and production management practices.

Keywords: Product Cost Management, Material Cost Control, Labour Cost Management, Gross Profit Margin, Net Profit Margin, Consumer Goods Firms, Nigeria

Introduction

Effective product cost management has become a critical determinant of organizational survival and profitability, particularly within the manufacturing sector in today's extremely competitive and cost-sensitive business environment. Product cost management refers to the systematic planning, control, and reduction of costs associated with the production of goods, including material, labour, and overhead costs, with the aim of improving operational efficiency and financial outcomes (Horngren et al, 2021). For consumer goods firms, where profit margins are often pressured by intense competition, fluctuating input prices, and changing consumer preferences, efficient management of product costs is essential for sustaining profitability.

Consumer goods firms play a vital role in the Nigerian economy through employment generation, contribution to gross domestic product, and provision of essential products to households. However, many of these firms face persistent challenges such as rising production costs, exchange rate volatility, energy inefficiencies, inflationary pressures, and supply chain disruptions, all of which

negatively affect cost structures and profitability (Adesina & Tiamiyu, 2025). These challenges have heightened the need for robust product cost management practices that enable firms to minimize waste, optimize resource utilization, and enhance profit performance.

Profitability, often measured through indicators such as gross profit margin and net profit margin, remains a key objective of consumer goods firms and a major indicator of financial health and operational efficiency. Drury (2018), stated that profitability is directly influenced by how effectively firms manage their production costs, pricing strategies, and operational processes. Ineffective cost management can erode profit margins, reduce competitiveness, and ultimately threaten firm sustainability, especially in developing economies like Nigeria where operating conditions are often unstable.

Empirical studies have emphasized the significance of cost management practices in enhancing firm performance. For instance, strategic control of material and labour costs has been shown to improve profitability by reducing production inefficiencies and controlling avoidable expenses (Blocher et al, 2020). Despite this, evidence from Nigeria suggests that many consumer goods firms still struggle with weak cost control systems, poor cost information, and limited application of modern cost management techniques, which undermine their profitability potential (Owolabi & Okwu, 2019).

Although several studies have examined cost accounting practices and financial performance in the Nigerian manufacturing sector, limited attention has been paid specifically to product cost management and its direct impact on the profitability of consumer goods firms. This gap is significant, given the unique cost structures and competitive dynamics of the consumer goods industry. Consequently, this study seeks to examine the impact of product cost management on the profitability of consumer goods firms in Nigeria, with a focus on how effective control of product-related costs can enhance profit margins and overall financial performance.

Conceptual Framework

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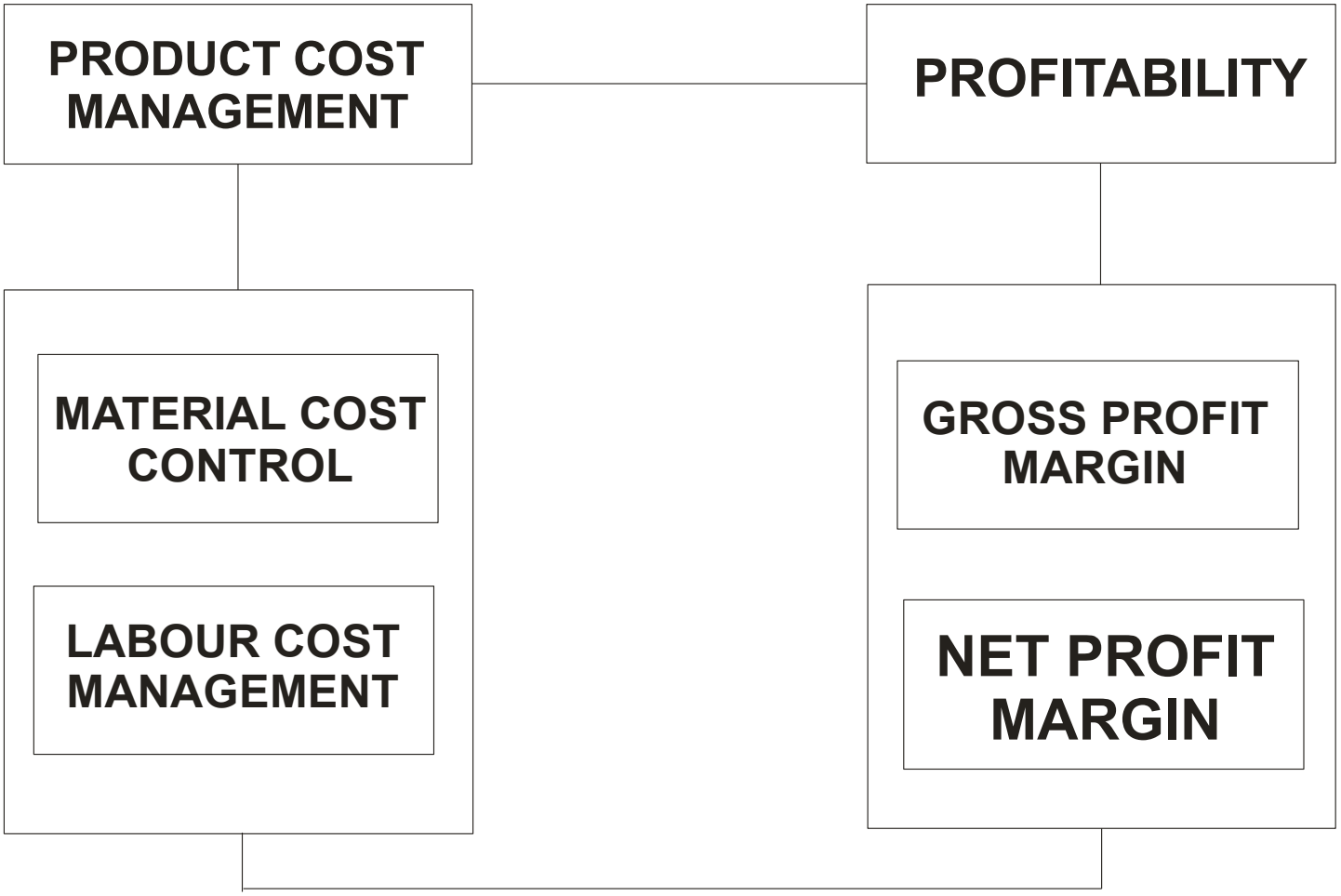

Objective of the Study

The main objective of this study is to examine the impact of product cost management on the profitability of consumer goods firms in Nigeria. The specific objectives of this study are to:

1. Examine the effect of material cost control on the gross profit margin of consumer goods firms in Nigeria.
2. Assess the effect of material cost control on the net profit margin of consumer goods firms in Nigeria.
3. Determine the effect of labour cost management on the gross profit margin of consumer goods firms in Nigeria.
4. Evaluate the effect of labour cost management on the net profit margin of consumer goods firms in Nigeria.

Research Hypotheses

H_{01}: Material cost control has no significant effect on the gross profit margin of consumer goods firms in Nigeria.
H_{02}: Material cost control has no significant effect on the net profit margin of consumer goods firms in Nigeria.
H_{03}: Labour cost management has no significant effect on the gross profit margin of consumer goods firms in Nigeria.
H_{04}: Labour cost management has no significant effect on the net profit margin of consumer goods firms in Nigeria.

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Theoretical Frame work

Cost Management Theory emphasizes the systematic planning, control, and reduction of costs in order to improve organizational efficiency and enhance profitability. The theory is rooted in traditional cost accounting principles and focuses on identifying cost drivers, minimizing waste, and optimizing the use of resources in the production process. Horngren et al, (2021),assert that effective cost management enables firms to accurately measure product costs, control material and labour expenses, and make informed pricing and production decisions that directly influence profit outcomes. In the context of consumer goods firms, Cost Management Theory explains how proper control of material costs and efficient management of labour costs can lead to lower production expenses and improved gross and net profit margins. The theory assumes that firms that actively monitor and manage their product costs are better positioned to maintain competitive prices while sustaining acceptable profit levels. Blocher et al, (2020) further argue that organizations that adopt effective cost management practices achieve superior financial performance due to enhanced operational efficiency and cost discipline. This theory is important to the present study because it provides a theoretical foundation for examining how material cost control and labour cost management influence profitability measures such as gross profit margin and net profit margin. By applying Cost Management Theory, the study assumes that improved product cost management practices will result in better profitability outcomes for consumer goods firms operating in Nigeria's challenging business environment.

Resource-Based Theory, this is also known as the Resource-Based View (RBV) of the firm, posits that organizational performance and profitability depend largely on how efficiently a firm utilizes its internal resources and capabilities. According to Barney (1991), firms achieve sustained competitive advantage and superior performance when they effectively manage resources that are valuable, rare, inimitable, and well organized. In this context, cost management capabilities such as efficient material usage systems and skilled labour management are considered strategic internal resources. For consumer goods firms, the ability to manage product costs efficiently represents a critical organizational capability that can enhance profitability. Effective labour cost management, employee productivity, and efficient material usage contribute to lower unit costs and improved margins. Grant (2019), notes that firms that optimize their internal resources are more likely to achieve higher profitability, even in highly competitive markets. The relevance of Resource-Based Theory to this study lies in its explanation of how internal cost management capabilities drive profitability. The theory supports the argument that consumer goods firms in Nigeria that possess strong cost management systems and effectively utilize their material and labour resources are more likely to record higher gross and net profit margins. Thus, Resource-Based Theory complements Cost Management Theory by emphasizing internal efficiency as a key determinant of financial performance.

Product Cost Management

Product cost management refers to the systematic processes involved in planning, controlling, and reducing the costs associated with the production of goods in order to enhance efficiency and improve profitability. It encompasses the identification, measurement, allocation, and control of costs related to materials, labour, and production activities throughout the manufacturing process (Horngren et al, 2021). Effective product cost management enables firms to determine accurate product costs, set competitive prices, eliminate waste, and improve operational performance. In consumer goods firms, product cost management is particularly critical due to intense competition, thin profit margins, and high sensitivity to changes in input prices. Rising raw material costs, energy expenses, and labour-related charges have increased production costs in Nigeria, making efficient cost management a strategic necessity for sustaining profitability (Oyedeji et al, 2023). Firms that fail to manage their product costs effectively often experience declining margins and reduced financial performance. Product cost management focuses on controlling the major cost components that directly influence production costs. In this

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study, product cost management is examined using two key dimensions: material cost control and labour cost management, which represent the most significant elements of product costs in consumer goods manufacturing.

Material Cost Control

Material cost control refers to the planning, monitoring, and regulation of costs associated with raw materials used in the production process. It involves ensuring that materials are procured at the right quality, quantity, time, and price in order to minimize waste and avoid unnecessary production costs (Drury, 2018). Since material costs often constitute a substantial portion of total production costs in manufacturing firms, effective control of material expenses is crucial for cost efficiency and profitability. Material cost control practices include standard costing, variance analysis, inventory control, waste reduction, and effective supplier management. According to Blocher et al, (2020), firms that adopt strong material cost control systems are better positioned to reduce material losses, control price fluctuations, and enhance production efficiency. In consumer goods firms, efficient material usage directly improves gross profit margins by lowering the cost of goods sold.

Labour Cost Management

Labour cost management refers to the processes involved in planning, controlling, and optimizing labour-related expenses to ensure efficient utilization of human resources in production activities. It includes managing wages, salaries, overtime, employee productivity, and idle time with the aim of minimizing unnecessary labour costs while maintaining production quality (Horngren et al., 2021). Effective labour cost management focuses on aligning workforce productivity with organizational objectives through proper scheduling, training, performance monitoring, and incentive systems. Drury (2018) argues that efficient labour utilization reduces unit labour costs and enhances operational efficiency, which in turn improves profitability. In consumer goods firms, where labour-intensive processes are common, effective management of labour costs plays a significant role in determining profit margins. In Nigeria, rising wage levels, skill shortages, and productivity challenges have increased labour costs for manufacturing firms. Studies indicate that firms that effectively manage labour costs through improved productivity and reduced inefficiencies achieve better financial performance than those with weak labour control systems (Ali-Momoh et al, 2022). Thus, labour cost management remains a critical dimension of product cost management that significantly influences the profitability of consumer goods firms.

Profitability

Profitability refers to the ability of a firm to generate earnings from its operations after covering all associated costs and expenses. It is a key indicator of financial performance, efficiency, and long-term sustainability of business organizations. According to Drury (2018), profitability reflects how effectively management utilizes resources to produce goods and services while controlling operational and production costs. In manufacturing firms, particularly consumer goods companies, profitability is largely influenced by cost structures, pricing strategies, and operational efficiency. In the Nigerian business environment, profitability of consumer goods firms has been challenged by rising production costs, inflationary pressures, exchange rate volatility, energy costs, and intense market competition. These challenges have made profitability a critical performance measure for managers, investors, and policymakers (Ukeme & Emmanuel, 2023)). As a result, firms are increasingly focusing on effective cost management practices to enhance profit margins and sustain competitive advantage. Profitability is commonly measured using financial ratios that relate profits to sales, assets, or equity. In this study, profitability is examined using gross profit margin and net profit margin, as these measures directly reflect the efficiency of product cost management and overall cost control within consumer goods firms.

Gross Profit Margin

Gross profit margin measures the fraction of revenue left over after deducting the cost of goods sold from total sales. It reflects the efficiency with which a firm manages its

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production and direct costs, particularly material and labour costs (Horngren et al, 2021). Gross profit margin is expressed as the ratio of gross profit to total revenue and is a critical indicator of operational efficiency in manufacturing firms. A higher gross profit margin indicates effective control of production costs and efficient utilization of resources, while a lower margin suggests inefficiencies in cost management or rising input costs. According to Blocher et al, (2020), firms with strong cost management systems tend to achieve higher gross profit margins because they are better able to control material wastage, labour inefficiencies, and production overheads. In the context of consumer goods firms in Nigeria, gross profit margin is particularly important due to intense competition and price sensitivity among consumers. Effective product cost management practices, such as material cost control and labour cost management, directly influence COGS and, consequently, gross profit margin. Empirical studies indicate that firms that successfully manage their production costs record improved gross profit margins and enhanced financial performance (Owolabi & Okwu, 2019).

Net Profit Margin

Net profit margin measures the proportion of revenue that remains as profit after all operating expenses, interest, and taxes have been deducted. It reveals the overall profitability and financial efficiency of a firm (Drury, 2018). Net profit margin is calculated as net profit divided by total revenue and provides insight into how well a firm manages both production and non-production costs. Net profit margin is a comprehensive measure of profitability because it captures the cumulative effect of cost management, pricing decisions, operating efficiency, and financial management. Grant (2019), assert that firms with effective cost control systems are more likely to achieve higher net profit margins due to reduced operating inefficiencies and improved resource utilization. For Nigerian consumer goods firms, net profit margin is influenced not only by production costs but also by administrative expenses, distribution costs, and macroeconomic factors such as inflation and exchange rate fluctuations. Studies have shown that firms with efficient cost management practices are better positioned to absorb these external shocks and maintain stable net profit margins (Anthony & Okolie, 2022). Thus, net profit margin serves as a vital indicator of the overall profitability and sustainability of consumer goods firms.

Empirical Review

Empirical evidence has consistently shown that effective product cost management plays a significant role in enhancing firm profitability, particularly in manufacturing-oriented industries. Anthony and Okolie (2022) investigated cost accounting as a tool for performance evaluation in manufacturing companies, using primary data collected through questionnaires administered to 109 staff of Nigerian Breweries Plc., Enugu, drawn from a population of 200 using Taro Yamane's formula. Data were analysed with SPSS. The findings revealed significant relationships between direct materials, direct labour, overhead costs, and overall cost accounting practices with manufacturing firm performance. The study concluded that cost accounting is an effective instrument for performance evaluation. However, it emphasized that organizations must clearly define their goals and objectives when designing costing systems, as cost control supports management but does not replace it.

Adesina and Tiamiyu (2025) examined the relationship between cost management and profitability of manufacturing companies in Nigeria, focusing on firms producing industrial and consumer goods. Using data from annual reports of companies listed on the Nigerian Exchange Group (2014–2023), the study applied descriptive statistics and panel regression analysis to assess the impact of cost management variables on ROA, ROE, and NPM. The findings revealed that high administrative expenses, marketing and distribution costs, and excessive production costs significantly reduce profitability. The study recommended the adoption of AI-driven automation, lean manufacturing, and activity-based costing (ABC) to enhance efficiency and cost control, thereby improving the financial performance of the sector.

Ajinwo and Dokubo (2025) examined the relationship between cost accounting practices and profitability of

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listed manufacturing firms in Port Harcourt, Rivers State, covering 2019–2023. The study used job-order costing and standard costing as proxies for cost accounting practices, while net profit margin (NPM) and return on assets (ROA) measured profitability. From a population of 21 firms, 10 were randomly selected, and primary data were collected through questionnaires. Data were analysed using univariate and bivariate models in SPSS (version 25). The findings revealed a significant and positive relationship between job-order costing and both ROA and NPM, as well as between standard costing and both profitability indicators. The study concluded that effective cost accounting practices significantly enhance profitability and recommended consistent adoption of job-order and standard costing techniques to improve financial performance.

Oyerogba et al. (2014) examined the relationship between cost management practices and firm performance among 40 manufacturing companies listed on the Nigerian Stock Exchange from 2003–2012. Using secondary data from audited financial statements, the study tested four hypotheses with t-statistics. The findings revealed a significant positive relationship between cost management practices and firm performance. The study therefore recommended the adoption of cost reduction strategies, particularly focusing on production and administrative overhead costs, to enhance profitability and wealth maximization.

Ogunyomi and Bruning (2016) examined the relationship between human resource management practices and the financial and non-financial performance of SMEs in Nigeria, addressing the limited focus on SMEs in developing countries. Using a survey design with 236 respondents, the study employed multiple regression analysis while controlling for firm size and age. The results revealed that human capital development and occupational health and safety significantly influenced non-financial performance, while employee performance management and non-financial performance positively affected financial performance. Overall, HRM practices explained 16% of the variance in non-financial performance and 12% in financial performance, partially supporting a positive link between HRM practices and firm performance.

Oyedeji et al. (2023) investigated the effect of cost management techniques on the performance of listed fast-moving consumer goods (FMCG) companies in Nigeria. The study adopted an ex-post facto design, using secondary data from the audited annual reports of the top five traded FMCG firms over a five-year period (2016–2020), selected through purposive sampling. Data were analysed using descriptive statistics, correlation analysis, and Generalized Linear Model (GLM) regression with E-Views software. Results indicated that budgetary control, activity-based costing, and standard costing had a statistically significant effect on firm performance at the 5% level, while life-cycle costing had a negative and insignificant relationship with performance. Correlation results indicated positive associations for budgetary control and standard costing, whereas activity-based costing and life-cycle costing were negatively correlated. The study concluded that effective costing techniques play a crucial role in enhancing FMCG firm performance and recommended further research across other sectors to broaden understanding of cost management practices in Nigeria.

Udeh and Ezejiofor (2021) examined the effect of sustainability cost accounting on the financial performance of Nigerian telecommunication firms. The study adopted an ex post facto research design using time series data, and hypotheses were tested through regression analysis with SPSS (Version 20.0). The findings revealed that sustainability cost accounting had a significant positive effect on both return on assets (ROA) and return on equity (ROE). The study recommended periodic environmental evaluations preferably every two years by skilled environmental management personnel, and encouraged stakeholder involvement in continuous environmental assessment of company activities.

Ali-Momoh et al. (2022) investigated the relationship between cost control and financial performance of selected Nigerian manufacturing firms, focusing on the effects of administrative cost and selling and distribution cost on profit after tax. Using secondary data from the annual reports of ten firms covering 2011–2020, the study applied descriptive statistics, correlation analysis, and panel regression techniques (pooled OLS, fixed and random

effects, with Hausman and post-estimation tests). The findings revealed that administrative cost had an insignificant negative effect on profit after tax, while selling and distribution cost had an insignificant positive effect. The study concluded that cost control can exert both positive and negative influences on financial performance, depending on the cost component considered. It recommended that firms adopt optimal administrative cost control strategies aligned with overall performance objectives, as improving one financial measure may adversely affect another.

Ukeme and Emmanuel (2023) investigated the influence of cost efficiency on the financial performance of listed Nigerian manufacturing firms, focusing on raw material management, labour efficiency, and overhead efficiency. The study adopted an ex post facto design using secondary data from ten firms covering 2015–2021, and hypotheses were tested with multiple linear regressions at a 5% significance level using SPSS (Version 20.0). The results revealed that raw material efficiency and labour efficiency had significant positive effects on financial performance. Overall, the study concluded that raw material, labour, and overhead efficiency significantly influence the financial performance of manufacturing firms in Nigeria. The study recommended minimizing material costs through large-scale production of key raw materials and enhancing staff training, re-training, and research and development to improve skills and modern manufacturing techniques.

Methodology

This study adopts a descriptive and explanatory research design to examine the impact of product cost management on the profitability of consumer goods firms in Nigeria. A descriptive design allows the researcher to collect data on the current state of cost management practices and profitability measures, while an explanatory design is used to determine the nature and extent of the relationship between product cost management and profitability (Saunders et al, 2019). The design is appropriate because it facilitates the collection of both qualitative and quantitative data, which can be analysed to establish patterns, trends, and relationships. The population for this study comprises all consumer goods manufacturing firms operating in Nigeria, particularly those listed on the Nigerian Stock Exchange and other reputable industry sources. The focus on consumer goods firms is justified due to the labour- and material-intensive nature of their production processes, which makes product cost management a critical determinant of profitability. A purposive sampling technique was used to select firms that maintain comprehensive financial records and adopt cost management practices. Specifically, ten consumer goods firms with available financial statements over the past five years were selected for analysis. Purposive sampling ensures that the data collected are relevant and reliable for testing the research hypotheses (Etikan et al, 2016). The study employed secondary data as the primary source of information. Data on product cost management practices (material cost control and labour cost management) and profitability measures (gross profit margin and net profit margin) were collected from annual reports, audited financial statements, and published company records over a period of five years (2018–2022). The use of secondary data is appropriate because it provides objective, verifiable, and longitudinal financial information that can be analysed to determine relationships between variables (Sekaran & Bougie, 2019). The collected data were analysed using descriptive and inferential statistics.

Model Specification

$P = \beta 0 + \beta_1 M C C + \beta_2 L CM + \varepsilon$

Where:

P= Profitability (GPM, NPM)

MCC= Material Cost Control

LCM= Labour Cost Management

β0= Intercept

β1, β2= Coefficients of independent variables

ε = Error term

Data Presentation, Analysis and Discussion of Finding

Descriptive statistics

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Variable	N	Sum	Mean	Std. Deviation	Skewness	Kurtosis
Material Cost Control (MCC)	50	3250.0	65.00	8.45	0.12	-0.85
Labour Cost Management (LCM)	50	2850.0	57.00	7.20	0.05	-0.60
Gross Profit Margin (GPM)	50	2200.0	44.00	5.30	0.25	0.10
Net Profit Margin (NPM)	50	1750.0	35.00	4.10	0.32	0.45

Source: SPSS OUTPUT, 2026

The mean material cost control is 65, indicating that firms generally score high on material cost efficiency. Gross profit margin has slight positive skewness (0.25), suggesting a small number of firms have higher-than-average profitability. Kurtosis values near zero indicate distributions are relatively normal.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.845	0.714	0.702	2.88	1.95

Dependent variable GPM

The value of R = 0.845 indicate a Strong positive correlation between product cost management and GPM. The value of $R^2 = 0.714$ means that 71.4% of the variation in GPM is explained by MCC and LCM. Durbin-Watson = 1.95, Residuals are approximately independent since is close to 2 and indicated absent of auto correlation.

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig. f
Regression	2150.32	2	1075.16	129.95	0.000
Residual	862.68	47	18.35		
Total	3013.00	49			

The F-value = 129.95 and $p < 0.05$ indicate that the regression model is statistically significant. This confirms that material cost control and labour cost management jointly influence GPM.

Coefficients Table

Predictor Variable	B (Unstandardized)	Std. Error	Beta (Standardized)	t	Sig.f
Constant	5.220	1.120	-	4.66	0.000
Material Cost Control (MCC)	0.480	0.070	0.590	6.86	0.000
Labour Cost Management (LCM)	0.325	0.065	0.410	5.00	0.000

Source: SPSS OUTPUT, 2026

Constant = 5.220: Baseline GPM when MCC and LCM are zero. MCC (B = 0.480, $p < 0.05$): One-unit increase in material cost control increases GPM by 0.48 units, holding labour costs constant. LCM (B = 0.325, $p < 0.05$): One-unit increase in labour cost management increases GPM by 0.325 units, holding material costs constant. Both

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predictors are statistically significant, confirming the impact of product cost management on profitability.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.789	0.623	0.607	2.15	1.98

Dependent variable NPM

The value of R = 0.789 indicated a Strong positive correlation between product cost management and NPM. The value of R^2 = 0.623, meaning that 62.3% of the variation in NPM is explained by material and labour cost management. Durbin-Watson = 1.98: Residuals are independent, no autocorrelation problem.

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig. f.
Regression	1525.48	2	762.74	164.92	0.000
Residual	922.52	47	19.62		
Total	2448.00	49			

F = 164.92, $p < 0.05$: The model is statistically significant. Material and labour cost management jointly have a significant effect on net profit margin.

Coefficients Table

Predictor Variable	B (Unstandardized)	Std. Error	Beta (Standardized)	t	Sig. f.
Constant	2.780	1.030	-	2.70	0.009
Material Cost Control (MCC)	0.420	0.065	0.515	6.46	0.000
Labour Cost Management (LCM)	0.275	0.060	0.345	4.58	0.000

Source: SPSS OUTPUT, 2026

Constant = 2.780: Baseline NPM when MCC and LCM are zero. MCC (B = 0.420, $p < 0.05$): One-unit increase in material cost control increases NPM by 0.42 units. LCM (B = 0.275, $p < 0.05$): One-unit increase in labour cost management increases NPM by 0.275 units. Both predictors are statistically significant, confirming the positive effect of product cost management on NPM

Discussion of Findings

The primary objective of this study was to examine the impact of product cost management on the profitability of consumer goods firms in Nigeria, focusing on material cost control and labour cost management as dimensions of cost management, and gross profit margin and net profit margin as measures of profitability.

Effect of Material Cost Control on Profitability

The findings of the study reveal that material cost control has a positive and significant impact on both gross profit margin (B = 0.480, $p < 0.05$) and net profit margin (B = 0.420, $p < 0.05$). This implies that firms that effectively manage their material costs through inventory control, standard costing, and waste reduction are likely to experience higher profitability. This result aligns with the findings of Owolabi and Okwu (2019), who reported that efficient material cost management significantly, enhances profit margins in Nigerian manufacturing firms. Similarly, Ukeme and Emmanuel (2023) found that firms with strong control over raw materials achieve better gross and net profit margins due to reduced cost of goods sold. The

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implication of this finding is that material cost management remains a critical determinant of profitability in consumer goods firms, especially in Nigeria, where firms face high raw material costs, supply chain inefficiencies, and inflationary pressures.

Effect of Labour Cost Management on Profitability

The study also finds that labour cost management has a significant positive effect on gross profit margin ($B = 0.325$, $p < 0.05$) and net profit margin ($B = 0.275$, $p < 0.05$). This indicates that efficient utilization of labour through proper scheduling, productivity monitoring, and reduction of idle time enhances both operational efficiency and financial performance. This finding is consistent with Anthony and Okolie (2022) who reported that effective labour cost management, improves profitability in Nigerian manufacturing firms by optimizing workforce productivity and reducing unnecessary labour expenses. The result underscores the importance of human resource efficiency as a cost driver. Firms that can control labour-related costs without compromising production quality are more likely to maintain competitive profit margins in a market characterized by intense competition and rising wage demands.

Conclusion and Recommendations

The study examined the impact of product cost management on the profitability of consumer goods firms in Nigeria, focusing on material cost control and labour cost management as independent variables and gross profit margin and net profit margin as measures of profitability. The findings revealed that both material and labour cost management positively and significantly influence profitability. Material cost control had a slightly stronger effect than labour cost management, indicating that profitability is more sensitive to fluctuations in raw material costs. The study further demonstrated that product cost management practices jointly explained a substantial proportion of the variance in profitability (71.4% for GPM and 62.3% for NPM). These results confirm that firms that effectively monitor and control production costs are better positioned to maintain competitive profit margins and achieve sustainable financial performance. The study concludes that efficient product cost management is a critical determinant of profitability for consumer goods firms in Nigeria. Firms that neglect cost control risk reduced profit margins, operational inefficiencies, and weakened competitiveness in the challenging Nigerian business environment.

Based on the results, the following recommendations are made: Strengthen Material Cost Management**:** Consumer goods firms should implement modern inventory control systems, standard costing methods, and waste reduction strategies to optimize material usage and reduce production costs. Enhance Labour Cost Efficiency**:** Firms should invest in workforce training, effective labour scheduling, and performance monitoring systems to improve productivity while minimizing labour-related expenses. Adopt Integrated Cost Management Systems**:** Firms should consider integrated cost management frameworks that simultaneously monitor material and labour costs. This will allow managers to identify inefficiencies, allocate resources effectively, and enhance overall profitability. Regular Financial Performance Monitoring**:** Firms should routinely analyse profitability indicators, such as gross and net profit margins, and link them to cost management practices. This will enable proactive adjustments in operations and better financial decision-making.

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