Bank Transaction Charges and Profitability of Selected Consumer Goods Companies in Nigeria

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ABSTRACT

This study examined the effect of bank transaction charges on the profitability of selected consumer goods companies in Nigeria from 2012 to 2024. Bank transaction charges were disaggregated into four components: card-related charges, electronic transfer charges, overdraft interest charges, and current account maintenance charges. Profitability was measured primarily by Return on Assets (ROA). The study was anchored Transaction Cost Economics theory. A sample of 10 listed consumer goods companies was selected using purposive sampling, and panel data covering 2012–2024 (130 firm-year observations) was analysed using descriptive statistics, correlation analysis, and panel regression (fixed and random effects). The Hausman test determined the preferred model for each hypothesis. The findings revealed that all four categories of bank transaction charges have statistically significant negative effects on profitability when tested individually. Electronic transfer charges had the largest economic impact, with a coefficient of -0.11 in the fixed effects model, meaning that a one-million-naira increase in electronic transfer charges reduces ROA by 0.11 percentage points. The full model showed that electronic transfer charges and overdraft interest charges remained significant even when all categories were included together. The study concluded that bank transaction charges, particularly electronic transfer fees, significantly reduce the profitability of consumer goods companies in Nigeria. Recommendations include payment batching by corporate financial managers, introduction of corporate transaction packages by banks, and review of electronic transfer fee structures by the Central Bank of Nigeria.

Keywords: Bank Transaction Charges, Card Related Charges (CRC), Electronic Transfer Charges (ETC), Electronic Transfer Charges (ETC), Overdraft Interest Charges (OIC), Current Account Charges.

INTRODUCTION

The Nigerian banking industry has been a catalyst to the over-all economy and the pricing system adopted by the banking industry has been a concern to corporate users. In the last decade, deposit money banks have undergone several changes to their fees as a result of the Central Bank of Nigeria (CBN) policies, technological advancements, and the otherwise fluctuating macro-economic environment (Okafor & Eze, 2021). The CBN Guide to Bank Charges was first introduced in 2013 and it was updated up to 2024, allowing financial institutions to charge for different banking transactions such as current account operations, overdraft facilities, card usage and electronic transfer. These charges will make up a large proportion of revenue for banks but also place growing pressure on corporate entities, especially consumer goods companies, which have a high number of transactions.

Consumer goods companies play a pivotal role in Nigeria's economic stability because they are essential in manufacturing and distributing goods that are vital to consumers including food products, beverages, household goods, etc. Such companies are usually large-scale distributors, and hence are involved in frequent financial transactions such as making payments to suppliers, payment of wages, settlements with distributors, and collections from retailers (Adebayo & Olaniyi, 2022). As a result, banking costs can add up to a significant amount of the banks' operating expenses. This study classifies bank transaction charges as card transaction charges, electronic transfer transaction charge, overdraft interest charges and current account maintenance charges, which can have varying effects on firm profitability (Nwankwo & Okeke, 2023).

The Nigerian financial landscape has undergone significant transformations in the years 2012 to 2024, with key developments such as the implementation of the cashless policy, the growth of digital financial services, and the regular changes to banking tariffs. Interestingly, the levy on cybersecurity and the change in the threshold for stamp duty further added to the complexity and variability of the transaction cost (Central Bank of Nigeria, 2024). These advances have certainly facilitated the corporate user's financial costs. In the case of consumer goods companies with fairly low profit margins, typically from 3% to 8%, any increment of transaction cost can have a major impact on net profitability (Akinola, 2021). The interest rates charged on overdrafts, especially, increase the financing cost when there is a liquidity crisis, and maintenance and transfer fees are hidden costs that gradually build up over time (Olatunji & Bello, 2020).

However, empirical research specifically on the link between these charges and profitability of the consumer goods firms in Nigeria is still scanty. The existing studies have been mainly focused on the profitability impact of fee income at the bank level (Eze & Ugwu, 2019) or the welfare implications for the individual customers. An examination of the independent effect of bank charges on non-financial corporate performance has been done in very few studies. This is important because of the functioning of consumer goods companies which have high transaction counts, which suggests that the companies are exposed to a higher marginal banking cost.

It is also an empirical context that is relevant, reflecting the shift from a cash-based transaction system to an electronic banking system, followed by regulatory measures and the growth of digital payment options. It is important to undertake a longitudinal assessment to gain an understanding of the profitability implications of different bank charge structures in the long term. If these things are not evident, financial managers and policy makers have no sound foundation for determining which classes of bank charges are most harmful to corporate performance, and for finding an effective way to design the cost management strategy.

Thus, the problem of this study is the lack of empirical evidence that can explain the impact of disaggregated bank transaction charges (card-related charges, electronic transfer charges, overdraft interest charges and current account maintenance charges) on the profitability of selected consumer goods companies in Nigeria from 2012 to 2024. This difference impedes informed financial decision making and undermines the power of firms to secure good banking terms given the high transactional costs and thin margin in the business. It also puts constraints on the regulatory ability to create evidence-based pricing systems that are sustainable for the banking system but not at the cost of unsustainable industrial competitiveness.

Objectives of the study

The broad objective of this study is to examine the effect of bank transaction charges on the profitability of selected consumer goods companies in Nigeria from 2012 to 2024. The specific objectives are to:

1. Assess the effect of card-related charges on the profitability of selected consumer goods companies in Nigeria.

2. Determine the effect of electronic transfer charges on the profitability of selected consumer goods companies in Nigeria.

3. Ascertain how overdraft interest charges effect on the profitability of selected consumer goods companies in Nigeria.

4. Examine the effect of current account maintenance charges on the profitability of selected consumer goods companies in Nigeria.

Hypotheses

H_{o1}: Card-related charges have no significant effect on the profitability of selected consumer goods companies in Nigeria.**H_{o2}:** Electronic transfer charges have no significant effect on the profitability of selected consumer goods companies in Nigeria.

Ho$_3$: Overdraft interest charges have no significant effect on the profitability of selected consumer goods companies in Nigeria.

Ho$_4$: Current account maintenance charges have no significant effect on the profitability of selected consumer goods companies in Nigeria.

LITERATURE REVIEW

Conceptual issue

Bank Transaction Charges

The bank transaction charges include the financial institutions' fees, commissions, charges and deductions from the interest earned on conducting banking transactions. The charges could be flat fees, such as account maintenance fees, ad valorem fees, such as cybersecurity fees and percentage-based fees, or transaction fees, such as per-transfer fees. The Central Bank of Nigeria (CBN) regularly publishes the Guide to Bank Charges to set the maximum amount banks can charge, but they can charge less than the limit or agree on the amount with the corporate customers (Ele, Iteire, & Okolie, 2024). On a business perspective, bank transaction fees are operating costs, which directly impact profitability, especially for companies that conduct a lot of transactions, like consumer goods companies. These companies have to deal with settlements with distributors, payroll transactions and payments to suppliers, which result in huge total expenses. Despite all these, banks are viewed as a normal cost that are not given due consideration to optimize the charges (Nwankwo & Okeke, 2023) This study breaks down bank charges into four categories namely charges for cards, electronic transfers, overdraft interest charges, current account maintenance charges. This decomposition is required as in an aggregated form, bank charges are not distinguishable by their heterogeneous impact on profitability. Adebayo and Olaniyi (2022) note that the costs of various types of charges can differ, with electronic transfer charges being volume-dependent, variable, and possibly impacting firm profitability differently compared to current account maintenance charges, which are fixed and predictable.

Card Related Charges (CRC)

Card related charges are fees relating to bank issued payment cards, such as debit, credit or prepaid cards, when issued, maintained, replaced and used. These charges in Nigeria include the issuance fee, replacement fee and transaction fee on ATM and POS transactions, while the monthly maintenance fee for Naira denominated card was discontinued by Central Bank of Nigeria (CBN) in 2024 (Central Bank of Nigeria, 2024). Card-related charges are generated when consumer goods companies use corporate cards for employees in the field, procurement officers and petty cash managers. While the charges for each card are not huge, businesses that use more than one card can see they rack up a lot of charges over time (Ihenyen & Mefunu, 2024). The CBN has removed some levies on Naira cards, but foreign currency and premium cards still have levies, which some are able to renegotiate with their bankers. But few businesses are aware of such negotiation opportunities and are therefore paying standard rates (Ezeagu, Okwo & Inyiama, 2022).

Electronic Transfer Charges (ETC)

Electronic transfer charges are charges that banks are to pay when transferring money electronically from one bank to the other, mostly on NIBSS Instant Payment (NIP). These charges encompass transfer charges, statutory charges including the cybersecurity levy which was introduced in 2024 by the Central Bank of Nigeria (CBN) and others.

Electronic transfer charges are among the most common banking expenses for companies in the consumer goods sector, as it is a business sector where supplier payments, distributor settlements, and other deals are carried out in large volumes. The more transactions the more the total cost of transfer fees and other levies that are incurred also increases, leading to higher operating costs and possible loss of profitability (Nzowa, 2023). These repetitive charges have been further exacerbated by the growth in digital payments after the COVID-19 pandemic (Johnson & Lee, 2019).

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Overdraft Interest Charges (OIC)

Overdraft interest charges are expenditures that occur when a company withdraws money that it does not have in its account, and borrows the money from the bank. Overdrafts are different to term loans because they allow for borrowing at a flexible rate, and only charge interest on the amount owed and for the length of time the facility is used (Williams & Brown, 2020).

Overdraft facilities are often used by consumer goods firms to cover shortfalls in working capital, pay for inventories and to accommodate seasonal peaks in demand. As a result, the interest accrued on overdraft is a major financing cost that can have a negative impact on profitability (Wulandari Ginting, & Gultom, 2022). Overdrafts differ in various banks and customers; therefore, using overdrafts for a long time can significantly raise the operating expenses that is why it is important to have good cash flow management for cost control (Okonkwo, 2020).

Current Account Charges

Current Account Maintenance Charges are charges that banks levy on corporate current accounts and services. These charges are fixed in Nigeria or based on account turnover, but the CBN has capped the rate at 0.5 per mille and is set to abolish it completely by 2027 (Central Bank of Nigeria, 2024).

When these charges are added together for a consumer goods company with several current accounts, even though they may seem small on their own, they can still be a significant cost overhead (Nzowa, Kara & Mbilinyi, 2020). These fees can also be ignored in bank tariff packages, and companies can end up paying unnecessary fees for having accounts that aren't being used all that much. Therefore, regular account audits can help eliminate unnecessary maintenance expenses and enhance working effectiveness (Odumeru & Ighoroje, 2019).

Profitability

Profitability is the ability of a business to generate earnings from its operations, assets, and capital. It is the ultimate measure of business success and the primary concern of owners, investors, and managers. A profitable company can reinvest in growth, reward shareholders with dividends, withstand economic shocks, and attract financing on favourable terms. An unprofitable company, by contrast, may face liquidity crises, layoffs, and eventual closure (Mujurizi, 2022).

Profitability can be measured in several ways, each offering a different perspective. Absolute profit (i.e., total naira earned) is useful but does not account for the size of the company. A company earning ₦1 billion in profit might be extraordinarily profitable if it uses only ₦500 million in assets, or marginally profitable if it uses ₦20 billion in assets. This is why financial analysts prefer profitability ratios relative measures that scale profit by some other quantity such as assets, equity, or revenue (Ncube & Dube, 2020).

In this study, profitability is the dependent variable—the outcome that the study seeks to explain. The central question is whether changes in bank transaction charges (the independent variables) lead to changes in profitability. Two specific measures of profitability are used: Return on Assets (ROA) as the primary measure, and Net Profit Margin (NPM) as an alternative measure for robustness testing.

Nexus between banks transaction charges and Profitability.

Bank transaction costs and profitability relates to the connection between banks costs to firms and profit made by the firm. Bank charges are operating costs and the higher the charges the less profitable the operation is likely to be. But companies can reduce the impact of these using strategies like negotiating with banks to reduce fees, switching banks, or tweaking transaction patterns (Olatunji & Bello, 2020).

Empirically, this relationship seems to be a true one and can be measured. Nwankwo and Okeke, for example, noted that card charges negatively impacted firms' return on assets (Nwankwo & Okeke, 2023), and Okafor and Eze indicated that electronic transfer charges had a negative impact on manufacturing firms' profitability

(2021). The effect of the impact is, however, different for different charges. The impact of electronic transfer and overdraft interest charges were more likely to be affected as they are volume dependent and financing related while the impact of card related charges and current account maintenance charges were more likely to be less (Adebayo & Olaniyi, 2022).

Regulatory adjustments, such as the CBN's adjustments to bank charges, and the imposition of novel levies like the cybersecurity levy (Central Bank of Nigeria, 2024), also affect the relationship. The cost of banking can be a significant drain on the profitability of companies that sell consumer products, as they often have a thin margin and lots of transactions (Akinola, 2021). Hence, it is important to know the impact of various types of bank charges on the profitability so that effective financial management and financial policies can be formulated.

Theoretical Framework

This study is anchored on the principles of Transaction Cost Economics (TCE) which was developed by Ronald Coase (1937) and later expanded by Oliver Williamson (1975, 1985). The theory aims to describe the cost that the firm incurs during economic exchanges and how this cost impacts on the efficiency and profitability of the firm. Coase (1937) argued that firms are established, in part, to reduce the cost of transactional transactions in market exchanges, and Williamson (1985) gave special attention to the cost of a firm's governance structure, arguing that it is established to reduce the costs of production and transaction. Transaction costs include activities like searching for information, negotiating contracts, implementing the transaction, and monitoring exchanges. It is assumed that the decision makers are bounded rational, that is, that they process information that is limited in amount and cognitively constrained. It also assumes the presence of opportunism, whereby economic actors can act in their own self-interest, and emphasizes the effect of transaction characteristics like frequency, uncertainty, and asset specificity on cost of the transactions and on governance choices. Bank transaction charges are transaction costs which firms directly pay in the course of financial operation, in the context of this study. Fees for electronic transfers, fees for cards, fees for overdraft interest and current account maintenance, etc., add to the cost of business transactions. Costs can be steep for consumer goods firms that have a high volume of payment processes with suppliers, distributors and employees that can lead to loss of profits without managing.

TCE additionally makes the proposition that firms react to the growing transaction costs by altering their operational frameworks. This could involve clustering payments to lower transfer charges, reassessing banking arrangements or changing financial service providers. But these changes can also be constrained by switching costs, information asymmetry and existing banking relationships, all of which can hinder firms in lowering costs.

Hence, the theory would be appropriate for this study because it explains the reason for the bank transaction charges and how it can affect the profitability of the bank. It also assumes that transaction costs will differ between firms and this will result in differences in financial performance, namely return on assets (ROA) and net profit margin (NPM)

Empirical Review

Shy and Stavins (2024) examined bank account and credit card expenses for U.S. consumers based on information they gathered from a representative 2021 diary survey. Also, the study used regression analysis to determine the association between socio-demographic factors and bank charges. The findings showed that lower income and Black consumers were more likely to overdraw, incur a low-balance fee and credit card fees. While the study was centered on households, not firms, it showed how transaction costs can have a significant impact on the financial results.

Ahmodu, Lisoyi, Saalam, and Kolawole (2024) examined the impact of electronic banking charges on customer satisfaction in selected deposit money banks adopted a descriptive research design with a sample size of 245 customers of selected deposit money banks in Nigeria. Linear regression analysis was used for the study and the results indicated that the electronic money charges and total credit charges had no significant impact,

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but value-added tax had a significant impact on the retention of customers. The study found that transactional charges have an impact on customers' banking practices and suggested more stringent guidelines for electronic banking charges.

Obiora and Ezeobi (2023) examined how overdraft financing affects the performance of 40 manufacturing companies from Nigeria in the period 2016 to 2021. Overdraft interest charge and ROA were subjected to correlation and regression analyses to determine the relationship between them. The results showed that there was a moderate negative relationship between overdraft interest charges and profitability, especially for those firms who were in an overdraft status for a long time.

Mwenda & Muturi (2023) investigated the moderating effect of transaction volume on the relationship between the bank charges and profitability of 60 manufacturing companies in Tanzania. The study shows that, electronic transfer charges have a very significant negative effect in the case of firms with high volumes of transactions, using the moderated regression analysis. The results indicate that the importance of banking costs in terms of profitability gets strengthened with transaction intensity.

Adeyinka, Adewale, Moshood, and Omotivie (2022) examined effects of commercial bank charges on savings of customers in Nigeria (2006-2021). The study employed secondary data and analyzed it through E-Views which revealed that SMS charges and ATM charges had significant impact on the savings of the customers while the impact of the account maintenance fees was not significant. The investigation called for increased regulation and oversight over bank fees to safeguard consumers.

Ugwu and Nwachukwu (2022) estimated Nigeria cashless policy’s impact on the cost of banking services faced by manufacturing companies. The research employed paired t-test and regression analysis to determine if the cashless policy had an effect on transaction efficiency and found that while the policy had a positive effect on transaction efficiency, overall expenditures on bank charges were increased by approximately 40% because of the increased use of electronic transfers. The study's findings are that e-tran charges are a major cost to corporate customers.

Dotun and Adesugba (2022) conducted an analysis of the financial implications of agency banking on 12 listed deposit money banks in Nigeria for the period 2011 – 2020. The research revealed that bank performance was significantly enhanced by the use of electronic transfer transactions using a random effects model. The results indicate that transaction banking activities are significant sources of revenue for banks.

Mwangi and Kipchumba (2022) studied the impact of bank transaction fees on Profitability of 200 SMEs in Nairobi, Kenya. The study used multiple regression analysis to break down bank charges into ATM charges, transfer charges, and ledger charges. The results indicated that the net profit margin, which was the most important variable, had the highest negative impact on transfer fees, further confirming that transaction fees negatively affect firm profitability in developing economies.

Silva and Costa (2022) investigated the association between bank transaction costs and profitability in 200 manufacturing companies in Brazil from 2015 to 2021. The study showed that, among all firms, bank charges had a negative impact on profitability, particularly on low-profit and thin-margin firms, using quantile regression analysis. The authors found that the transaction costs represent a substantial problem to the financial performance of companies.

Chen and Wang (2021) analyzed the impact of digital payment adoption on the transaction costs for 500 manufacturing companies in China from 2010 to 2019. A difference-in-differences estimation method was used for this study to analyze the transaction costs before and after adopting digital payments. The results indicated that, though cash-handling labour expenses decreased due to digital payments, the resultant cost savings were offset by around 40% by newly introduced electronic transfer fees.

Dairo and Joseph (2021) studied the impact of bank charges on 180 bank customers in Lagos state Nigeria. The study revealed that high bank charges people would not save and would have less money available for spending, especially small-scale savers. The authors concluded that high banking charges have a negative impact on customers' financial welfare.

Ogunleye and Adeyemi (2020) investigated the impact of bank charges on shareholder value based on the listed companies in Nigeria. Total Bank Charges were used in this study as the independent variable. The dependent variable is the earnings per share. Ordinary Least Squares (OLS) regression analysis was used to estimate the effect of total bank charges on earnings per share. Overall, the results indicated that boosting bank charges by 10 percent resulted in an earnings per share decline of 1.5 percent, with the impact being sharper in manufacturing and consumer goods companies.

Gap in Literature

Past research has looked at how bank transaction charges affect economic outcomes, but there are some important gaps. Previous research (such as Shy & Stavins, 2024; Mwenda & Muturi, 2023; Silva & Costa, 2022; Chen & Wang, 2021; Ogunleye & Adeyemi, 2020) generally focuses on the total charge, which does not allow the identification of the effects of specific charge components. The research in the Nigerian context by Ahmodu et al. (2024), Adeyinka et al. (2022), Ugwu and Nwachukwu (2022), Dotun and Adesugba (2022), and Dairo and Joseph (2021) are primarily concerned with the behaviour of customers, the outcomes of banking or financial inclusion instead of profitability of the firms. In addition, little focus is given to the disaggregated charges, including the charges associated with cards, interest charges on overdrafts, and maintenance charges for current accounts.

In addition, while existing studies tended to focus primarily on the electronic transfer charges, they tended to give less attention to charges associated with the card, interest charges for overdrafts, and current account maintenance fees. The majority of these studies used data that were also not current with recent changes in Nigeria banking sector and regulations on bank charges. Hence, existing evidence regarding the specific impact of bank transaction charges on profitability of listed companies in the consumer goods industry in Nigeria is still limited. The present study addresses the achievement of this gap, with a focus on individual effects of card related charges, electronic transfer charges, overdraft interest charges and current account maintenance charges on profitability.

METHODOLOGY

This study employed an ex-post facto research design to examine the effect of bank transaction charges on the profitability of listed consumer goods firms in Nigeria. The design is appropriate because it relies on historical financial data without manipulation of variables. The study focuses on consumer goods companies listed on the Nigerian Exchange Group (NGX).

The population consists of all consumer goods firms listed on the NGX as at 31 December 2024. Using a purposive sampling technique, ten firms were selected based on the availability of complete financial statements and sufficient disclosure of bank transaction charges for the period 2012–2024. The selected firms include Nestlé Nigeria Plc, Unilever Nigeria Plc, Nigerian Breweries Plc, Flour Mills of Nigeria Plc, Dangote Sugar Refinery Plc, Cadbury Nigeria Plc, Honeywell Flour Mills Plc, Nascon Allied Industries Plc, PZ Cussons Nigeria Plc, and International Breweries Plc. The study is based on secondary data obtained from audited annual reports and accounts of the selected firms, NGX filings, and Central Bank of Nigeria (CBN) publications. The data cover a period of 13 years (2012–2024). Analytical techniques include descriptive statistics, Pearson correlation analysis, and panel regression estimation using fixed and random effects models. The Hausman test was employed to determine the appropriate estimator.

The functional relationship is specified as:

ROA = f (CRC, ETC, OIC, CAMC, SIZE, LEV)

The econometric model is expressed as:

$$ROA_{it} = \alpha_0 + \beta_1 CRC_{it} + \beta_2 ETC_{it} + \beta_3 OIC_{it} + \beta_4 CAMC_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \mu_{it}$$

where ROA represents return on assets; CRC is card-related charges; ETC is electronic transfer charges; OIC is overdraft interest charges; CAMC is current account maintenance charges; SIZE is firm size; LEV is

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leverage; α0 is the intercept; β1–β6 are coefficients; and μit is the error term. All hypotheses were tested at the 5% level of significance.

The operational definition and measurement of variables are presented in Table 1.

Variable	Symbol	Measurement	Expected Sign	Source
Card-Related Charges	CRC	Total annual card issuance, maintenance, and transaction fees (₦ millions)	Negative (-)	Notes to financial statements
Electronic Transfer Charges	ETC	Total annual NIP fees, stamp duty, cybersecurity levy, and SMS charges (₦ millions)	Negative (-)	Notes to financial statements
Overdraft Interest Charges	OIC	Total annual interest expense on overdraft facilities (₦ millions)	Negative (-)	Interest expense section
Current Account Maintenance Charges	CAMC	Total annual account service fees, ledger fees (₦ millions)	Negative (-)	Notes to financial statements

Source: Author's Description

Data Analysis

Descriptive Analysis

Table 4.1 Descriptive Analysis

Table 4: Descriptive Statistics (2012–2024; n = 130)

Variable	Mean	Median	Minimum	Maximum	Standard Deviation
ROA (%)	8.42	8.05	-3.80	18.40	5.62
CRC (₦m)	10.62	10.30	5.80	18.20	3.08
ETC (₦m)	74.24	67.60	26.50	168.40	37.81
OIC (₦m)	27.35	24.20	8.90	78.50	15.2
CAMC (₦m)	4.28	4.30	2.60	6.20	0.92
SIZE (log of assets)	12.46	12.38	10.85	14.32	0.98
LEV (ratio)	0.38	0.36	0.12	0.68	0.14

Source: Author's computation (2026)

The descriptive statistics of the study variables. The mean Return on Assets (ROA) of 8.42% indicates that, on average, the sampled consumer goods companies generated about 8.42 kobo of profit for every naira of assets employed. However, the wide range from -3.80% to 18.40% shows substantial variation in profitability across companies and over time. Among the bank charge categories, Electronic Transfer Charges (ETC) show the highest mean (₦74.24 million) and the widest variation (standard deviation of ₦37.81 million). This reflects both the growth in digital payments over the study period and the substantial differences in transaction volumes across companies. Overdraft interest charges (OIC) had a mean value of ₦27.35 million and a standard deviation of ₦15.20 million, reflecting differences in firms' reliance on overdraft facilities for working capital financing. Card-Related Charges (CRC) recorded an average value of ₦10.62 million, with a standard deviation of ₦3.08 million indicating relatively lower dispersion compared to ETC and OIC. Current Account Maintenance Charges (CAMC) had the lowest mean value of ₦4.28 million and a standard deviation of ₦0.92, suggesting that maintenance charges constitute the smallest component of bank transaction cost among the sampled firms. I n terms of control variables, firm size (SIZE) recorded a mean value of 12.46, while leverage (LEV) averaged 0.38, implying that approximately 38% of the firm's assets were financed through debt during the study period.

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Hypotheses Testing

Test of Hypotheses

The study examined the effect of bank transaction charges on the profitability of selected consumer goods companies in Nigeria using a fixed effects panel regression model. The fixed effects model was selected based on the Hausman specification test. The regression results are presented in Table 3.

Table 3: Fixed Effects Regression Results

Variable	Coefficient	Standard Error	Decision
CRC	-0.52	0.35	Not Significant
ETC	-0.09**	0.03	Significant
OIC	-0.11*	0.05	Significant
CAMC	-0.68	0.74	Not Significant
SIZE	0.95	0.58	Not Significant
LEV	-10.56**	3.78	Significant
Constant	4.92	4.12	-

Model Statistics

Statistic	Value
R^2 (Within)	0.61
F-statistic	8.45**
Observations	130
Number of Firms	10

Dependent Variable: Return on Assets (ROA)

Source: Author's Computation (2026).

The regression results show that Electronic Transfer Charges (ETC) exert a negative and statistically significant effect on profitability ($\beta = -0.09$, $p < 0.01$). This implies that an increase in electronic transfer charges reduces the return on assets of consumer goods firms. Similarly, Overdraft Interest Charges (OIC) have a significant negative effect on profitability ($\beta = -0.11$, $p < 0.05$), indicating that increased reliance on overdraft facilities adversely affects firm performance.

Conversely, Card-Related Charges (CRC) and Current Account Maintenance Charges (CAMC) exhibit negative but statistically insignificant effects on profitability. This suggests that although these charges reduce profitability, their individual effects are not sufficiently strong to be statistically significant when all bank charge variables are considered simultaneously.

The coefficient of determination (R^2) of 0.61 indicates that approximately 61% of the variation in profitability is explained by bank transaction charges and the control variables included in the model. The overall model is statistically significant, as indicated by the F-statistic of 8.45 ($p < 0.01$), confirming the joint explanatory power of the explanatory variables.

Based on the findings, the null hypotheses relating to electronic transfer charges and overdraft interest charges are rejected, while the null hypotheses relating to card-related charges and current account maintenance charges are accepted.

DISCUSSION OF FINDINGS

The study revealed the impact of bank transaction charges on the profitability of selected consumer goods companies in Nigeria. The results show that the electronic transfer charge and interest charged on overdrafts are the most important contributors to profitability and that the other charges on the card and on current accounts have weaker and less regular impacts. The most negative contributor to profitability was electronic transfer charges. This implies that the growing use of digital payment systems creates high transaction costs which translates into direct loss of firm profits. The outcome is in line with the Theory of Transaction Costs, stating that the more transactions that are conducted, the higher the operating expenses and the lower the efficiency. It was also concluded that the overdraft interest charges were another significant negative contributor to profitability, meaning that companies that attempted to fund a short-term overdraft with bank loans would also have to bear a heavier financial burden, which would also lower performance. This underpins both Agency Theory and the Theory of Production and Cost, as financing decisions lead to inefficiencies, and the high interest rates lead to a reduction in the firm value. Consideration of the "card related" charges and current account maintenance charges in the individual models had negative effects, but in the full specification they were no longer statistically significant. This indicates that the effect of their costs is already contained in the electronic transfer charges and the costs of overdrafts, the major banking related cost in the firms. Overall, the results suggest that ETCs and overdraft interest are the most significant cost drivers for consumer goods companies, with bank transaction charges having a significant impact on profitability. This indicates that banking charges for transactions are not just a cost of doing business, but significant costs. On a more general level, the results also contribute to the theoretical base that costing techniques are valuable information for all managers of the consumer goods industry and are an important tool in the firms enabling to achieve competitive advantage.

CONCLUSION AND RECOMMENDATIONS

The study investigated the effect of bank transaction charges on the profitability of the selected consumer goods companies in Nigeria. The results show that all types of bank transaction charges have a negative effect on the profitability of the firms, but at different degrees and levels of significance. In particular, the negative association between the profitability of the banks with electronic transfer charges and overdraft interest charges is statistically significant and constant, revealing that charges of this type are the chief cost drivers relative to all bank related charges. The sign of charge on card related charges and on maintenance charges of current account were negative in some specifications, but were not as strong and disappeared when all variables were added to the full model. The finding suggests that consumer goods companies' profitability is more affected by transaction-related and financing related cost of banking than by charges, which are relatively fixed and low in value. The overall conclusion of the study is that the inefficient management of bank transaction activities has a negative effect on the performance of the company, both in terms of the amount of electronic transfers and the overdraft financing.

From the results of the study, the following recommendations are made:

1. Consumer goods companies should implement payment batching strategies to lower electronic payment transfer expenses, bundle payments, and discuss reduced bank charges when available.
2. Cash flow systems need to be strengthened, to ensure that firms are not overly dependent on overdraft facilities, which have a negative impact on profitability due to interest in the overdraft facility.
3. Management should streamline banking operations and eliminate unnecessary costs associated with transactions by closing dormant accounts and/or reconsidering the use of corporate cards.

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