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# Effect of Corporate Governance on Performance of Domestic Airline Operations in Nigeria (2013-2020)

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## Abstract

The study examines the impact of corporate governance on the performance of domestic airline operations in Nigeria. The main objective is to assess the extent to which corporate governance impacted on the performance of domestic airline operations in Nigeria. In order to achieve this objective, data was collected using questionnaires administered to 252 respondents of the population of 256 (employees of Overland, Arik and Air peace airlines). Stratified random sampling was used in selecting the sample size from the population. The analysis was conducted using regression analysis (Logit) to test the formulated hypotheses in line with the objectives of the study which revealed that "corporate governance compositions, the board size, CEO-duality and audit have significant effects on the performance of domestic airline operations in Nigeria." Some recommendations were made among the major recommendations is the need for domestic airlines in Nigeria to ensure that the board size and audit committee size is adequate and manageable in order to facilitate decision making in their operations. The study concludes that corporate governance practices have great significant role in improving domestic airline performance in Nigeria.

**Keywords:** *Corporate governance, Board size, Airlines, Organization, Performance, Operations*

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**Background to the Study**

Corporate governance is an important mechanism to improve the performance of airlines in the world, to Africa and to Nigeria in particular by which managers provide direction and guidance in their operations to create enabling environment for an organization to maximize shareholders wealth. Corporate governance is seen as the key foundation for effective operational performance and for the organizations to be more governed, controlled, and productive in the environment it operates. The corporate governance structure specifies the distribution of responsibilities among different participants, spells out the procedures and rules for making decisions in an organization such as the managers, board, shareholders. It provides the structure by which the airline objectives are set, and the means of achieving those objectives and monitoring performance in an organization in Nigeria.

Corporate governance in Nigeria took center stage in early 2002 (Kajola, 2008). Prior to this period, companies in Nigeria were operating below capacity and were not accountable to investors, shareholders, suppliers, depositors, and other stakeholders (Kajola, 2008). This trend culminated in the collapse of many Nigerian banks which were characterized by insider abuses, inefficiencies, and poor corporate governance structures. This scenario led to regulatory agencies involving codes of best practice to enhance adequate corporate governance culture in firms (Kajola, 2008). Nigerian airlines suffer the same problem as many of the airlines in Nigeria still have to deal with various setbacks such as liquidation or collapse or placement under stator management (AMCOM). Most of these airlines that liquidate may have been the cause as a result of mismanagement and misappropriation of airline assets by bad governance. The airlines affected were Chanchangi airlines, Kabo Air, Dasab Airlines EAS Airlines, First Nation Airways, and Freedom Air services. The aviation industry has to deal with issues of shrinking of their aircraft numbers causing flight delays and cancellations making passengers and the general public lose trust and confidence in air transport. All these issues may be attributed to poor corporate governance. Hence, this study sought to find out the effect of corporate governance on domestic airlines operations in Nigeria.

The importance of the study cannot be overstressed. The study will provide a guide to airline stakeholders and management to serve as a mechanism to create enabling environment for airlines to maximize shareholders' wealth, to give investors confidence in the industry. Discussions will provide the needed information to airline operators, regulators, stakeholders, and management on corporate governance decision-making in order to improve domestic airlines' business sustainability and guarantee shareholders' value.

**Statement of the Problem**

Many Nigeria airline companies in the last few years have stopped operations (liquidated or collapsed) and those operating now, are facing shrinking of their aircraft numbers or being in the state of depression with a significant reduction in the airline operating fleet causing flight delays and cancellations, inadequate aircraft maintenance, corruption, incompetency in some of the management of the airline, mismanagement, misappropriation of airline assets, conflict among managers and owners on control of resources and authority on the airline's operations, owners and managers being involved in cutting corners by not complying with

service bulletins on aircraft maintenance after a certain amount of time or usage. The Nigeria domestic airlines industry is facing problems with its operations, obsolete equipment/facilities, and economic recession. All these issues may be attributed to poor corporate governance playing a major role in the present state of the aviation industry. As a result of these and other factors, the airline industry has experienced a high cost of operations and bad corporate governance that has led to some passenger airlines to cease operations in the country or liquidated. Hence, this study sought to investigate the effects of all these problems and came up with some policy recommendations on how to enhance good corporate governance to direct and guide the operations of domestic airlines in Nigeria.

**Research Questions**

In view of the above problems, the following research questions were raised:

1. To what extent does corporate governance composition (CGC) significantly facilitate better decision making (BDM) of operational performance of domestic airlines in Nigeria?
2. How does board size (BS) significantly influence management performance (MP) of domestic airlines in Nigeria?
3. To what extent does CEO-Duality (CD) significantly improve on management accountability (MA) of domestic airlines in Nigeria?
4. To what extent does Audit committee (AC) independence affects the transparency and accountability (TA) of domestic airlines in Nigeria?

**Objectives of the Study**

The main objective of this study is to examine the effects of Corporate Governance on the Operational Performance of Domestic Airlines in Nigeria. The specific objectives are:

1. To examine how corporate governance composition (CGC) significantly facilitates better decision-making (BDM) of operational performance of domestic airlines in Nigeria.
2. To determine the extent to which board size (BS) significantly influences management performance (MP) of domestic airlines in Nigeria.
3. To identify how CEO-Duality (CD) does significantly improves on management accountability (MA) of domestic airlines in Nigeria.
4. To assess the extent to which Audit committee (AC) independence affects the transparency and accountability (TA) of domestic airlines in Nigeria.

**Statement of Hypotheses**

Base on the research questions, the following null hypotheses were formulate

**Ho1:** Corporate governance composition (CGC) does not significantly facilitate better decision-making (BDM) of domestic airlines in Nigeria.

**Ho2:** Board size (BS) does not significantly influence the management performance (MP)of domestic airlines in Nigeria.

**Ho3:** CEO-duality(CD) does not significantly improve on management accountability (MA)of domestic airlines in Nigeria.

**Ho4:** Audit committee (AC) independence does not significantly affect the transparency and accountability (TA) of domestic airlines in Nigeria.

**Scope of the Study**

The study focused on the effects of corporate governance on the performance of domestic airlines operations in Nigeria, looking at airline corporate governance composition, the board size, CEO-duality and audit. The study focused on corporate governance because corporate governance is the system by which firms are directed and controlled and a mechanism for managers to create enabling environment for airlines to maximize shareholder wealth (Zyad, 2014). Again, good corporate governance minimizes the possibility of poor performance because, in Nigeria, poor management and weak internal control system account for some of the lapses in the operation of some corporate organizations (Adetunji and Olawoye, 2009).

The study focused on the operational performance of domestic airlines because it covers the activities directed to aircraft performance, risk assessment, airline personnel, methods, procedures, tools, and guidelines (Eward and Claugh, 2005) for use by safety managers with accepted standards and best operating practices by Nigeria Civil Aviation Authority (NCAA), International Air Transport Association (IATA) and International Civil Aviation Organization (ICAO) (FAA 2000). The study focused on domestic airline on business/commercial operators and not private because the future opportunities of Nigeria are based on airline operations, locally and globally (Sirika, 2021). The only domestic airline was considered because Nigeria domestic airlines in the last few years have been in a state of depression with a significant reduction in the airline operating fleet (Iproject.com.ng, 2021).

The study focused on three domestic airlines; Overland, Dana, Airpeace Airlines operating at Nnamdi Azikiwe International Airport, Abuja, and Murtala Muhammed International Airport Lagos. Nigeria. The three airlines are selected because they operate locally within Nigeria and fly passengers to the main cities in Nigeria namely Port Harcourt, Kano, Abuja, Lagos, Enugu, Yola, Ibadan, and Calabar etc. The choice of these three airlines was based on the customer's preference of these airlines according to a Domestic Aviation Industry Customer Satisfaction Survey Report (Bayo, 2015) and they are among the best ten airlines in the country (NCAA Avicollect, 2021) which also their operation is more than five years and above. The study focused on two major airports in the country namely, Nnamdi Azikiwe International Airport, Abuja and Murtala Muhammed International Airport Lagos, Lagos state, which are the main hubs airports in Nigeria and accounts for over 75 percent of domestic airline operations (FAAN 2012). The study covered the period of 7 years from 2013 to 2020, the period which recorded a significant number of defunct airlines that have stopped operation in Nigeria. The target respondents are the management staff, the general staff of the six airlines, and the staff of the regulator (NCAA) within the area of the study.

## Literature Review

### Concept of Corporate Governance

Corporate governance is a broad concept and it is not easy to describe due to continuously expanding the boundaries of the concept. According to Zyad (2014), the term corporate governance has become more popular recently from different perspectives such as professional bodies, regulators, and academics. Further to this, due to the increasing concern of corporate fraud and fraudulent financial reporting, the concept became popular in both developed and developing economies. There is a considerable debate about the definition of corporate governance among researchers and scholars. In regard to the various definitions, researchers and scholars classify corporate governance definitions in either narrow or broad sense. Narrow definitions are based on satisfying the interests of the shareholders. However, broad definitions extend the previous definitions and are based on satisfying the interest of the stakeholders (i.e., employees, customers, suppliers, and government) (Gillan, 2006). The definition fundamentally relates to the epistemological assumptions involved (Gillan, 2006). For example, corporate governance can be viewed from the shareholders 'perspective, which essentially means the principals 'motivation to maximize their value, or from the organizational perspective, in terms of controlling mechanisms to regulate and maintain business operations.

A widely used framework to conceptualize the relationship between firm performance and organizational structure is agency theory, which was described by Denis and McConnell (2003) in terms of being an expression of property rights in corporate governance by principals; any understanding of firm structure must start with the proviso that shareholders are the principals (i.e. owners) in the organization. This study employed the agency theory as the main theory to investigate the relationship between corporate governance and firm performance. The agency theory deals with the interests of the shareholders in relation to the agency problem and the underlying target of value maximization. On the most basic level, reduced agency problems contribute to increasing share value and thus positive performance. This narrow conceptualization emphasizes the interests of the shareholders, whose overarching interest is value maximization. Therefore, with a view to the objective of the thesis to investigate the impact of corporate governance on firm performance, the narrow definition is more relevant since it provides a direct link between corporate governance and financial performance. Both the narrow definition of corporate governance and the agency theory provides theoretical justification for the link between corporate governance and firm performance and allow the testable hypotheses on the different corporate governance mechanisms in terms of improved financial performance.

Magdi and Nadereh (2002) stressed that corporate governance is about ensuring that the business is run well and investors receive a fair return. Prior studies by OCED (1999) provide a more encompassing definition of corporate governance. It defines corporate governance as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different stakeholders in the corporation such as the board, managers, shareholders, customers, employees, among others, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the companies' objectives are set and the means of attaining these objectives and monitoring performance.

**Nature of Corporate Governance**

Corporate governance characteristics are statutory requirements that protect outside shareholders from expropriation by administrators, insiders, or managing shareholders. Where such mechanisms are in non-existence, difficulties of monitoring are suffered by outside investors while administrators or managers may misuse organizational assets at the expense of small shareholders and this will impact on the long-run performance of firms (Rezaee as cited in Ammar et al, 2013) Corporate governance is concerned with building trust, ensuring accountability and transparency as well as maintaining an effective channel of information disclosure which helps to bridge the gap between information available to directors and the information available to stakeholders thereby helping to resolve the agency problem and foster good performance of firms (Rogers, 2008).

Corporate governance is also seen as a mechanism by which managers provide guidance and direction, create an adequate environment that encourages steamships effort amongst workgroups. Managers are therefore expected to be competent, proficient and skillful in conceptual thinking, goal setting and objectives and developing strategies for arriving at suitable decisions. From the view of Rwegasira and Sullivan (2000) as cited in Oyejide and Soyibo (2001), corporate governance is examined from two points of view; the narrow and the broad perspectives. The narrow perspective looks at the structure within which organizations are directed and the broad perspective is professed as being the hall mark of both a market and democratic society. From the above, it is crystal clear that corporate governance is the bedrock for the survival and enhanced corporate performance of firms.

**Corporate Governance Dimensions**

Corporate governance has various dimensions which include; governance structures, principles, pillars, and practices.

**Corporate Governance Structures**

Corporate governance structures specify the distribution of rights and responsibilities among different participants in the corporation including the board, managers, shareholders, and other stakeholders (OECD, 2004). Shareholders do not have direct power over the operation of a company.

**Pillars of Corporate Governance**

There are four central pillars of corporate governance namely; accountability, responsibility, fairness, and transparency which are needed to ensure effective corporate governance. In accountability, Individuals or groups in a company who make decisions and take actions on specific issues need to be accountable for their decisions and actions. Mechanisms must exist and be effective to allow for accountability. These provide investors with the means to query and assess the actions of the board and its committees. Responsibility pertains to behavior that allows for corrective action and for penalizing mismanagement. Responsible management would, when necessary, put in place what it would take to set the company on the right path. While the board is accountable to the company, it must act responsively to and with responsibility towards all stakeholders of the company (King Commission, 2002). Fairness

must be in practice to ensure balance in the organization. The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected. For example, minority shareowner interests must receive equal consideration to those of the dominant shareowner(s). Transparency is the ease with which an outsider is able to make a significant assessment of a company's actions, its economic fundamentals, and the non-financial aspects relevant to that business. This is a measure of how good management is at making necessary information available in an open, precise, and timely manner – not only the audit data but also general reports and press releases (King Commission, 2002).

**Corporate Governance Principles**

The principles that govern corporate governance include the rights of shareholders, the equitable treatment of shareholders, and the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the board (OECD, 2004). Basic shareholder rights should include, secure methods of ownership registration; conveying or transferring shares; obtaining relevant and material information on the corporation on a timely and regular basis; participating and voting in general shareholder meetings; electing and removing members of the board, and sharing in the profits of the corporation. Shareholders should 20 have the right to participate in, and to be sufficiently informed on decisions concerning fundamental corporate changes such as amendments to the statutes or articles of incorporation, the authorization of additional shares, and extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company (OECD, 2004).

**Corporate Governance Practices**

Good corporate governance practices dictate that the board of directors governs the corporation in a way that maximizes shareholder's value and is in the best interest of society (Cornelius, 2005). It demands a separation of roles between the management and the board to enhance oversight and supervision (Kingoro and Bujra, 2009). This separation of roles is essential to avoid conflicts and ensure clear accountability of an organization's performance. Governance practices depend on various factors such as; legal and regulatory framework, ownership structure, size of the company, motivation for improvements, stage of the company's development, and prevalent corporate culture and traditions.

**Corporate Governance in Nigeria**

Corporate governance in Nigeria took centre stage in early 2002. Prior to this period most companies in Nigeria were operating below capacity and were not accountable to investors, shareholders, suppliers, depositors, and other stakeholders (Kajola, 2008). This trend culminated into the collapse of notable Nigerian banks which were characterized by insider abuses, inefficiencies and poor corporate governance structures. This scenario led to regulatory agencies evolving codes of best practice to enhance adequate corporate governance culture in firms.

**Code of Best Practices (2003)**
The Code of Best Practices (2003) identified three key players in the implementation process and prescribed the functions and responsibilities for each of them. The principal actors are the Board of Directors, Shareholders, and Audit Committees.

**The board,** expectedly, will be an assemblage of distinguished individuals from diverse backgrounds. There is no gainsaying in the fact that effective corporate governance is an enduring factor that enables an establishment to evolve business excellence. It is capable of enhancing board competence and teamwork which will result in much improved benefits to the shareholders. The board has to be structured in such a way that it can achieve three ends which are stated thus:

(a) Proper understanding of, and capability to contend with, the matters of the company;
(b) Effective review and appraisal of the output of management; and
(c) Exercise of incisive and unbiased judgment.

A majority of the directors should have independent status and minds. They should be independent of management and free of all business and other relationships which could materially interfere with or be perceived to materially interfere with the exercise of independent judgment. Directors who are considered as independent by the board should be so acknowledged in the statutory annual report under the subject matter of corporate governance.

The company should state clearly the indexes of moral behavior which are required of all the directors and top management and insist that the standards should be obeyed. The company should publish its standpoint on the issue of employees and board trading in the organization's stocks and shares and in associated products which operate to reduce the economic risk of the securities.

The corporate body hould have a structure that would independently verify and preserve the honour of the entity's financial and economic reporting. There is, therefore, the necessity for a formidable structure or framework of review and authorization to make sure that there are truthfulness and accuracy in the company's financial position furnished. Safeguarding integrity in financial reporting could be achieved through the agency of the audit committee set up and a process to bring about the independence and ingenuity of the statutory auditors. All shareholders should have undiscriminating and timely access to material information that concerns the company's operations – financial position, governance, ownership structure, and performance.

The information generated and disseminated by the reporting entity should be factual and presented in unambiguous and standardized formats, in accordance with the legal and institutional framework, namely: Companies and Allied Matters Act, Cap. C20, LFN 2004, Statements of Accounting Standards issued by the Nigeria Accounting Standards Board, International Accounting Standards issued by the International Accounting Standards Board, Nigerian Standards on Auditing issued by the Institute of Chartered Accountants of

Nigeria and judicial pronouncements. The shareholder's rights should be respected and facilitated effectively. A company ought to empower its shareholders by effectively communicating with them and making it painless for them to attend general meetings.

**Responsibilities and Functions of Board of Directors:**
**Responsibilities are:**

1. The board of directors should be in firm control of the affairs of the company in a lawful, efficient and effective manner, such that the organization may increasingly improve on its value creation; and

2. The board should, with due regard to the other stakeholders' interests, ensure that the Value created is shared among the interested parties such as the shareholders and employees.

**Functions are:**
The functions of the board should include, but are not limited to, the following:

1. Strategic planning;
2. Selection, performance appraisal, and compensation of senior executive members;
3. Succession planning;
4. Communicating with the shareholders;
5. Ensuring the integrity of financial controls and reports; and
6. Ensuring that ethical standards are maintained and that the company complies with the laws of Nigeria.

**The Chairman's primary responsibility** is to ensure the effective operation of the board and as much as possible distance himself from the day-to-day running of the company which is the primary responsibility of the chief executive officer and management team;

1. The board is the main custodian of the corporation's accountability; and
2. It moderates the conflicting interests of the stakeholders.

**Composition of Board of Directors**
The board should be composed in such a way as to ensure the diversity of experience, without compromising compatibility, integrity, availability, and independence. Membership of the board should rest on the following attributes:

a) Uprightness in character;
b) Distinctive competencies;
c) Knowledge on board matters;
d) Entrepreneurial bias; and
e) Sense of accountability, integrity, commitment to the task of corporate and institutional building.

1. The position of the chairman and chief executive officer should ideally be separated and held by different persons;
2. There should be a strong non-executive independent director as vice chairman of the board, where the position of the chairman and chief executive officer are combined in one individual.

The board member remuneration policy should be supported by full and effective disclosure, in consonance with the spirit and intent of the Companies and Allied Matters Act (Cap. C20, LFN 2004 and Code of Corporate Governance in Nigeria, 2003).

Good corporate governance calls for a solid theoretical framework that recognizes and manages risks. According to Ansoff (1968), a sound and imaginative process of risk oversight and management and internal control are invaluable for corporate survival, particularly in the face of the global economic and financial crisis. The system calls for the tools of identification, assessment, monitoring, and managing all kinds of risks relating to production, marketing, financing, inflation, etc. In the invincible words of Drucker (2005) in his book "Managing in Difficult Times," a dynamic and forward-looking organization should, at all times and more especially during an economic downturn, "feed the opportunities and starve the problems as they unfold so as remain comfortably in business."

**The Role of Shareholders**
**Rights and Privileges**

1. The company, through the directors, should ensure that shareholders' statutory and general rights are protected every time;
2. It should be the responsibility of the shareholders to elect directors and approve the terms and conditions of their directorship positions;
3. The venue of the annual general meeting should be carefully chosen such that the shareholders could attend and vote and not be disenfranchised as a result of distance and cost;
4. Before the annual general meeting, notices should be dispatched at least 21 working days, with such details and annual reports, audited financial statements, and other information that would enable the shareholders to vote properly on any issue.
5. A separate resolution should be proposed by the board at the general meeting on each substantive issue in such a way that they could be voted for in an organized manner;
6. The board has to ensure that decisions reached at the general meetings are implemented;
7. There ought to be at least one director on the board to represent minority shareholders;
8. Unless they are in a competing business or have conflicts of interest that warrant their exclusion, shareholders holding more than 20% of the total issued share capital of the company should have a representative on the board;
9. The board should ensure equal treatment for all shareholders, such that none is given preferential treatment or superior access to information or other materials; and
10. The annual general meeting should be recognized by the board as the most potent avenue to communicate with the shareholders and encourage their participation.

**The Role of Audit Committee**

The Companies and Allied Matters Act, 1990 states that a public limited liability company should have an audit committee (maximum of six equal representation of three members each representing the management/directors and shareholders) in place. The members are expected to be conversant with basic financial statements. The committee has the following objectives:

1. Increasing public confidence in the credibility and objectivity of published financial statements
2. Assisting the directors, especially the non-objective directors, in meeting their responsibilities of financial reporting
3. Strengthening the independent position of a firm's external auditors by providing an additional channel of communication.

**Qualification and Experience of Members of an Audit Committee**

1. Members of an audit committee should be able to read and understand basic financial statements and make valuable contributions to the committee's deliberation;
2. An audit committee should review not only external auditor's report but also, most importantly, the report of the internal auditor;
3. Members of the committee should possess the following qualities:

a) Integrity; -Dedication;
b) Thorough understanding of the business, its products, and services;
c) Reasonable knowledge of the risks facing the company and the essential controls which it has in place;
d) Ability to offer a new or different perspective and constructive suggestions; and Inquisitiveness and dependable judgment.

Corporations owe a number of legal, social, and moral obligations to non-shareholder stakeholders. Examples of the stakeholders are employees, communities, and customers/clients. It is held fervently that companies can create value by optimally managing social, natural, human, and other forms of capital. Most companies are subject to a number of legal specifications such as trade practices, occupational health and safety, consumer protection, and effluent discharge control.

In orderly societies, directors and members of top management are held personally answerable for exhibiting corporate behavior which runs counter to the laid down norms. A board that is in charge of its destiny has to set the tone and indices of moral behaviour of the corporate entity and ensure adherence by the rank and file. Examples of the activities of social responsibility are the awards of scholarships to indigent students and the employment of physically challenged people in the local communities. According to the chairman of Guinness Nigeria Plc, Engineer (Chief) R. A. Alabi, in his year 2005 annual statement, “the company continued with its age-long sponsorships of various sporting activities such as the Kaduna International Polo Tournament”. The water of life programme was expanded to cover Badia in Lagos State while discussion to commence work on state-of-the-art boreholes for Port Harcourt in Rivers State is in progress.

**Board Size and Organizational Performance**

A company's board size borders on the number of directors on the board of a corporate organization. Organizational performance is a function of the number as well as the quality of directors. Ascertaining an ideal make-up of directors is crucial to board effectiveness. Scholars have posited that a large board size provides an increased and diversified pool of knowledge

and expertise which makes them better able of handling strategic issues. They are also proficient at reducing the dominance of overbearing CEO (Forbes and Milliken, 1999 as cited in Ogbechie et al 2010). Effective board monitoring is enhanced and supervisory functions broadened if more directors are on the board (Jensen, 1993) On the contrary, some authors have suggested that smaller board size increases the performance of firms. This is based on the premise that directors in large board sizes may have difficulty interacting with each other which slows down decision making and impacts negatively on firm performance. This proposition is in line with the studies of Yermack (1996); Eisenberg et al., (1998); and Singh and Davidson, (2003), who proved that board size has an inverse relation with firm value.

**Board of Directors' Role and Organizational Performance**

The board of directors' role is the hub upon which corporate governance is built. The board is charged with the task of effectively discharging its duties regularly. Different scholars however have suggested that board effectiveness can only be achieved if they exist an appropriate board size, composition, and leadership structure. The board should comprise individuals from diverse backgrounds with the capacity of discerning the strategic aims and objectives of the company, which in turn will lead to increased firm value. Members of the board should possess basic skills and tenets which will enhance their performance on the board. These skills include but are not limited to a sense of accountability and integrity, entrepreneurial bias, knowledge on board matters, relevant core competence, upright character, and pro-active intuition (ICAN 2014).

**Board Composition and Organizational Performance**

Board composition entails the proportion of executive directors to non-executive directors on the board. Executive directors are also known as insider directors are saddled with the routine administration and operation of organizations while non-executive directors also known as outsider directors participate indirectly in the management of organizations. Non-executive directors contribute to the strategic success of companies and also challenge the strategy if need be and equally make their inputs on the direction of strategy. They ensure their executive counterparts are accountable for the decision taken and also monitor their reporting performance to avoid information asymmetry.

**CEO Duality**

Another board of director's variable that might increase or reduce the agency problem is CEO duality. CEO duality refers to the board leadership structure in terms of whether the CEO and the chairman are the same people or not. On the other hand, stewardship theory argues against separation, because it is based on duality. According to the stewardship paradigm, effective management is based on the principle of the unity of command. This is because when responsibilities and decisions are restricted to one person; this might facilitate greater understanding and knowledge of the company operations and better decisions which will result in reduced agency costs and a positive impact on firm performance (Adams et al., 2005. These findings are consistent with the view that CEO duality enhances decision-making by focusing on the firm objectives to improve performance. Finally, Bozec (2005) in his study of a sample of 25 Canadian firms from 1976 to 2000 did not find any impact on the sales, return on sales, assets turnover, and sales efficiency.

In addition, Haniffa and Hudaib (2006) did not find any significant relationship between the CEO duality and the firm performance measured by Tobin's Q for 347 Malaysian Listed firms. Similarly, Mangena and Chamisa (2008) did not find any impact for the CEO duality on the financial performance for 81 South African listed firms from 1999 to 2005. As we have shown above, the previous studies 'results are mixed with regard to the CEO duality. From the agency perspective CEO duality might result in inefficient supervision of managerial opportunism, exacerbating the agency problem and facilitating CEO domination of the board, undermining the monitoring function of the latter, which affects firm performance negatively. On the other hand, CEO duality might be an advantage to the firm performance. This is because CEO duality might provide a unified leadership of the company that facilitates better knowledge and understanding of the company's decisions and operations. In Jordan, the recommendation of the JCGC 2006 recommended splitting the two roles from each other.

**Audit Committee Size and Organizational performance.**

The audit committee is considered one of the functional subcommittees on the board of organizations with the mandate of supervising and enforcing compliance with accounting and reporting policies. True and reliable financial information is based upon which investors and potential investors make informed economic decisions. Therefore, the size of an audit committee influences the quality of financial reports. Bansal and Sharma (2016) however, proposed that financial information misrepresentation and earnings management can be mitigated if the organization's audit committee structure is adequate.

**Corporate Governance Issues in Developing Countries**

Oman et al. (2004) and Allen (2005) argue that corporate governance in emerging markets has lately attracted much attention due to the weaknesses of corporate governance in developing countries, which was an important reason for a series of economic crises that affected these countries. Emerging markets tend to have quite well developed physical financial infrastructure including central banks, commercial banks, and stock exchanges, but to have less well-developed processes and systems of accounting, governance, regulation, and other financial infrastructure, and less efficient markets with less liquidity than the world's most advanced systems. These differences lead to greater uncertainty and risk, and they enhance the international diversification possibilities for investors from all countries in the world (Kearney, 2012).

Tsamenyi et al. (2007) have argued that there is a multitude of problems facing developing economies, including risk and uncertainty, political instability, weak legislation, high levels of government intervention, and low levels of protection for investors. As such, there is a necessity for effective structures of corporate governance to be adopted. There have been a number of suggested measures to help improve governance structures including improving the strength and transparency of capital market structures to increase the overall confidence of investors, improving the performance of domestic firms, and encouraging growth through the use of equity instead of debt (Reed, 2002).

**Concept of Performance**

Ristea (2002) Defined performance using the 3E: efficiency, efficacy, and economies, as forms of manifestation. He thinks that the following three concepts can be associated with performance: efficiency, economies, and efficacy. This approach to performance was named by the professor as being the equation of the 3Es, and mathematically, it could be represented as follows: *performance = Efficiency + Efficacy + Economies.* It can be noticed the fact that an entity is successful when it is efficient, effective, and economical. Therefore, to be successful means combining all three variables, the combination of which reflects the performance level of an entity. Efficiency consists in either using a quantity given by resource, aimed at the highest level of the achieved results, or reducing the quantity of the used resources with the aim of achieving a predetermined result. Economies consist in providing the means, the necessary resources to perform an activity at the minimum cost. Efficacy is determined by achieving or exceeding the predetermined results to the actual results made throughout the development of the activity. This represents the ability of the enterprise to meet and even exceed the expectations of users of the accounting information (shareholders/associates, clients, suppliers, employees, government) at the same time with reaching the predetermined organizational objectives. An entity reaches efficacy when it manages to improve the way of using all sources which are available and necessary to the development of the activity, performing as well as possible the needs and the requirements of the external partners of the organization.

In view of the above assertions, one can define performance for this study as when airlines are able to operate a whole flight cycle from departure gate to arrival gate safely within a planned schedule without delays, cancellation, and plane crashes or incidents caused by environmental factors.

**Organizational Performance**

Gloria (2015) Organizational performance involves the using of resources wisely to avoid wastage. Given the interaction between organizations and the environment, it follows that performance relates to how an organization reacts, understands, and influences certain environmental changes. Unfortunately, people do not want to perform those duties without a concession. For example, they can perform their duties in a short time if well planned. Organizational performance is, however, defined as a group of people that come together and are willing to carry out goals and objectives and plan or strategize.

Organizational performance is the ability of a group of individuals to achieve certain specific goals. The concept of organizational performance is an important aspect that has been used in all areas of business researches and it is difficult to have a general definition and measurement by reason of continuously expanding their boundaries. Santos and Brito (2012) state "business performance or firm performance is a subset of organizational effectiveness that covers operational and financial outcomes".

**Measurement of Performance**

Mulyadi (2001) states that the measure that can be used to measure the success of achieving the strategic target customers are:

(1) Market share,
(2) Customer acquisition,
(3) Customer loyalty,
(4) Customer satisfaction, and
(5) Profitability customer.

Market share reflects the proportion of businesses owned by the company in a market segment. Customer acquisition reflects the company's ability to attract or win new customers or businesses. Customer loyalty reflects the company's ability to sustain or maintain relationships with existing customers. Customer satisfaction reflects the company's ability to satisfy its customers based on certain criteria (such as quality, time, and price). Customer profitability reflects the ability of the service to the customer or a specific market segment in generating profits. c. Internal Business Perspective This perspective refers to the work done in the organization. In this perspective, the organization's performance is measured by how the organization is run and whether the organization can operate production or services effectively and efficiently according to implied or organizations that claim to be customers.

Kaplan and Norton (2000) explain that in perspective, there are three main components, namely,

(1) The process of innovation. In the process of innovation, the business unit examines emerging customer needs or is still hidden, and then creates a product or service that will meet those needs. The innovation process is divided into two parts: identifying market needs and creating products or services to meet the needs of the market.

(2) The process of operation Process operating companies show activities undertaken by the company begins from the receipt of a customer order and ends with the delivery of products or services to customers. This process focuses on the delivery of products and services to existing customers in an efficient, consistent and timely. Customers appreciate the grace period (lead time) is reliable as measured by their timely delivery. A company must always measure cycle time and set goals for employees to reduce the overall production process cycle time.

(3) The process of service this process is a service to the customer after the sale of products or services are performed. After-sales service activities include warranty and repair, and replacement of defective products that are returned, and processing customer payments. d. Learning and Growth Perspective In this perspective measure matters relating to human resources. There are three dimensions that must be considered in this perspective are:

i. The ability of employees measurements were performed on three main points namely measurement of employee satisfaction, measurement of employee turnover in the company, and the measurement of employee productivity.
ii. Information system capabilities measurement of the company can be done by measuring the percentage of availability of the information required by the employees

of the customer, the percentage of availability of information on the cost of production, and others.

iii. Motivation, granting privileges and restrictions authority employees measurements can be done through several dimensions, namely:

(a) Measurement of the advice given to the company and implemented,
(b) Measurement on improving and improving employee performance, and
(c) Measurement of the limitations of the individual within the organization.

To determine the objectives and measures related to the ability of the employees there are three things that will be considered in this study are:

i. Productivity of employees: This is a measure of the results, the overall impact of efforts to increase employee morale and expertise, innovation, and customer satisfaction. The goal is to compare the output generated by the number of employees who were deployed to produce the output. There are many ways to measure labor productivity and one of the simplest measures of productivity is per capita income.

ii. Percentage skilled employee: Training, coaching and development of human resources is a priority concern. This is done in an effort to increase competence in managing the management so that employees can continue to grow and be skilled in their respective work units.

iii. Employee satisfaction: Overall job satisfaction is now considered very important by most companies and this is a pre-condition to improving productivity, quality responsiveness, and customer service. To achieve employee satisfaction, then the manager can conduct surveys on a regular basis.

For this study, we are focused on the broader conceptualization of business performance, which is the performance that incorporates operational performance indicators (non-financial). This is done because the financial measures are not fully able to provide a real picture of the state of the airlines. Under this conceptual framework, measurements such as market share, service quality, marketing effectiveness, and efficiency of the technology are included as indicators of organizational performance measurement.

**Airline Business**

Jakada, Mohammed and Bello (2018), Airline Business is an organization or enterprising entity engaged in commercial activities or professional activities providing services in exchange for money with the aim of making profits guided by rules and regulation. An airline business model is to make money by selling tickets to passengers who wish to travel by air through plane. Business Model implies different cost structures adopted by the airline companies in their operations. An airline may adopt a full-service model or a low-cost structure in its operations. The business model adopted by an airline reflects the degree of flexibility and independence in decision making when an airline facing turbulent periods which can adversely affect its financial position. The faster the critical decision is made, the better it is for airlines as they can minimize their losses incurred from bad business performance, (Rafael and Gabriel 2008).

**Airline Operations**

Jakada, *et al* {2018} airline operations are defined as airlines activity that involves several people doing different things and involving many parts at different times within a short period of time the aircraft is on the ground These include passenger connection, baggage, and cargo connection, crew transfers and aircraft handling to prepare for the next flight between departure banks, known as the bank interval.

According to FAA (2000), Operational Safety in Aviation covers the activities directed to aircraft performance, risk assessment as presented, and the operator's flight safety handbook (OFSH) with commonly accepted standards and best operating practices, methods, procedures, tools, and guidelines for use by safety managers.

**Domestic Airline in Nigeria**

Domestic airlines are commercial airlines that operate locally by national law within Nigeria for business purposes; they fly passengers to the main cities such as Lagos, Abuja, Calabar, Enugu, Kano, Port-Harcourt, Kaduna, and Uyo etc (Africa-news). A few notable airlines have made a mark in terms of the state of the aircraft used, quality of services by the airlines, and adherence to safety procedures in the aviation industry, and thus distinguished themselves from others (Africa-news). According to Okeke (2011)., even, in the face of airline mishaps that ravaged the industry in Nigeria., air transport contributed a lot to the development of Nigeria GDP and domestic passenger traffic has increased remarkably over the past decade; this has been achieved through the increase in a number of airline operators, increasing flight frequencies and the construction of an airport in various states, hence enabling flight route connectivity (Bayo, 2015). This was possible due to aviation safety policies put in place by Government in recent years.

Nigeria's aviation industry in the last few years has been in a state of depression with a significant reduction in the airline operating fleet (Iproject.com ng). Many airlines companies in the last few years have stopped operations (liquidated) and those operating now, are facing a shrinking of their aircraft numbers.

**Table 1:** List of defunct domestic/commercial airlines of Nigeria

| AIRLINE | COMMENCED OPERATIONS | CEASED OPERATIONS |
|---|---|---|
| ADC Airlines | 1984 | 2006 |
| Afrijet Airlines | 1998 | 2009 |
| Air Nigeria | 2010 | 2012 |
| AlbarkaAr | 1999 | 2005 |
| Bellview Airlines | 1992 | 2010 |
| Capital Airlines (Nigeria) | 2003 | 2010 |
| Chrome Air Service | 1999 | 2006 |
| Dasab Airlines | 2001 | 2006 |
| EAS AIRLINES | 1993 | 2006 |
| EasyLink Aviation | 2001 | 2007 |
| Freedom Air services | 1998 | 2005 |
| Fresh Air (airline) | 1999 | 2006 |
| Mangal Airlines | 2006 | 2008 |
| Meridian Airways | 2006 | 2007 |
| Nicon Airways | 2006 | 2007 |
| Nigeria Airways | 1971 | 2003 |
| Ded-view Airline | 2007 | 2019 |

**Source:** NCAA 2021.

Most of the operators entered the business without adequate knowledge of the industry and its operational environment such as Higher taxes, restrictive regulatory environment increased cost, limited profitability, and limited growth of the market.

**Empirical Review**

Several empirical studies have investigated corporate governance and the performance of firms. Geradine, Sunday and John (2017) examine corporate governance and organizational performance: Evidence from the Nigerian manufacturing industry. Based on the empirical results, the study revealed that Board size, Board composition, and Audit committee size have a significant effect on return on capital employed. This result corroborates with the work of Adebayo, Ibrahim, Yusuf, and Omah (2014), who studied corporate governance and the performance of organizations. Their findings showed that board size, board skills, management skills and size of the audit committee are positively associated with performance in organizations. Also, the results are in line with that of Ammar, Asif, and Ammar (2013) who examined corporate governance and performance from the Pakistan context, their findings revealed a positive association between corporate governance and firm performance.

Hamidu and Aliyu (2015), who examined the link between corporate attributes of board size and market value of firms, using a sample of six companies, between 2004-2012. Results from the study indicate a negative correlation between board size and the market value of equity. In addition, Ammar, Asif and Ammar (2013) examined corporate governance and performance from the Pakistan context, the study utilized data from the website of Karachi stock exchange and financial statements of sampled listed companies for the period of five years 2007-2011. The findings revealed a positive association between board size and firm performance.

Henry, Lydia, Shadrack, and Paul Mbiti (2014) carried out a study on the effect of corporate governance on the performance of sugar manufacturing firms in western Kenya: a case of sugar manufacturing firms in western Kenya. What led them to this study is the increasing importance of corporate governance in organizations in recent years and some studies have argued for a positive relationship while others argued that there is a negative relationship between corporate governance and organizational performance. This study sought to determine the effect of corporate governance on increase in productivity of sugar manufacturing firms in western Kenya. The population of the study consisted of eleven sugar manufacturing firms in western Kenya. A convenience sample of sugar manufacturing firms in western Kenya was used for the study. Primary data were collected using structured questionnaires.

Descriptive statistics were used to summarize the data and Pearson's correlation coefficient was used to determine the relationship between corporate governance and organization performance of sugar manufacturing firms, multiple regression analysis was used to determine the effect of corporate governance on organizational performance. The findings of their study revealed that the corporate governance practices were positively related to the performance of sugar manufacturing firms in western Kenya, although not very strongly ($r = 0.587$, $P < 0.05$). this means that the corporate governance practices which involved board characteristics and shareholders communication policy and continuous disclosure had an impact on the performance of sugar firms in western Kenya.

Tek (2013) Review empirical evidence on the link between compliance with the governance of best practice and a firm's operating results. This study provides robust evidence in support of the agency theory argument that corporate governance matters for a firm's operating performance using the corporate governance ratings as the governance proxy from Horwath 2006 corporate governance report. The researcher examine 60 sample firms to reveal that a firm's governance is positively and significantly related to firm performance as measured by return on equity, earnings yield, and return on assets. This study extends the findings of these two reports which found a disturbing trend in the corporate governance practice of Australian mid-cap companies both a decrease in companies with excellent corporate governance and an increase in companies with significant corporate governance deficiencies to qualify the relationship between corporate governance and the performance of firms in Vietnam.

In this study, corporate governance is considered to consist of the following elements: (i) The size of the board, (ii) the presence of female board members (iii) the duality of the CEO (iv) The education level of the board (viii) the ownership of the board (v) the presence of independent (outside) directors (vii) the compensation of the board. The researchers used the flexible generalized least square (EGLS) technique on 77 listed firms trading over the period from 2006 to 2011. The findings of their study indicated that elements of corporate governance such as the presence of female board members, the duality of the (CEO, the working experience of board members, and the compensation of board members have positive effects on the performance of firms, as measured by the return on asset (ROA). The study also revealed that ownership of board members has a non-linear relationship with a firm's performance.

Gadi, Emesuanwu and Shammah, (2015) extended their study by examining corporate governance and financial performance of Micro Finance Banks in North Central Nigeria. Their study sampled 23 microfinance banks that board composition and composition of board committees have a significant relationship with bank's financial performance. Uwuigbe (2015) studied 30 manufacturing companies quoted on the Nigerian Stock Exchange Market between 2003 and 2007. The findings portray a significant but weak link between board size and Manufacturing firms in Nigeria. In addition, Ogbechie and Koufopoulos (2010) investigated the correlation between corporate governance and board practices in the Nigerian banking industry. The result discovered that a standard board size comprising of all board committees is ideal for any organizational setup.

Adebayo, Ibrahim, Yusuf and Omah's (2014) study examined the relationship between corporate governance and the performance of organizations from various perspectives: better decision making, effective asset management, better competitive advantage, and improvement in the level of confidence, among others. It was discovered that the adoption of good corporate governance practices enhances the transparency of a company's operations, ensures accountability, and improves a firm's profitability. It also helps to protect the interest of the shareholders by aligning their interests with that of the managers. The results show that generally, corporate governance has a positive impact on all the performance indicators of an organization. The factors of board size, board and management skill, CEO tenure, size and independence of audit committee, foreign and institutional ownership, dividend policy, and annual general meeting, all have a positive correlation with the performance of organizations.

The annual reports and the financial statements of the companies are the main means of communication between the company and the stakeholders. Therefore the sensitive role of the audit committee by ensuring that the financial statements show the true position of the company's performance cannot be over-emphasized. The audit committee must be well-constituted to increase its independence and with the right size. Furthermore, the result is an indication that the companies are well-positioned to support the economic growth and development of the country. With a good corporate governance record, the companies would be able to generate more resources to create more employment opportunities, support businesses through prompt payment of accident claims, pay a dividend to shareholders, and generate more tax revenue to the government. The study adopted a quantitative methodological framework. The finding showed that board size, board skills, management skills, and the size of the audit committee are positively associated with performance in organizations.

Ozuomba {2012} carried out a study on the impact of corporate governance on firm performance; Empirical study in Vietnam. This research is conducted to examine the relationship between corporate governance of firm performance. Corporate governance is proxied by a set of variables that is the dual role of CEO, board independence, and ownership concentration while firm performance is measured by return on asset {ROA}, return on equity {ROE}. They used the feasible generalized least squares {FGLS} on the dataset of 177 listed companies in Vietnam for the period of 5years from 2008 to 2012. The findings of the study

indicate multiple effects of corporate governance on firm performance. First, the duality role of the CEO is positively correlated with firm performance. Secondly, there is a structural change in the relation between managerial ownership and firm performance. Thirdly, board independence has opposite impacts on firm performance. Finally, there is no significant effect between corporate governance and an increase in productivity.

Ming-Cherg, Hsin-Chiang, I-Cheng and Chun-Fenglai, (2004). Research on the effect of corporate governance on firm performance. The main purpose of their study is to examine the impact of the corporate governance mechanism on firm performance. The variables, employed in this study to measure firm performance, include return on asset, stock return, and Tobins Q. Regression analysis was used to resolve the data collection for the study and the result indicated that the firm performance is in negative and significant relation to board size, CEO duality, stock pledge ratio and deviation between voting right and cash flow right, on the other hand, firm performance is in positive and significant relation to board independence and insider ownership.

**Theoretical Framework**

The theory propounded by Fama and Jense, (1983); Jensen and Meckling (1976) are based on the premise that when ownership of an organization is separated from control, managers acting as agents on behalf of the owners or principal, are prone to pursue their interest to the detriment of the owners. It further emphasized that managers have an interest that does not align with maximizing returns to shareholders thus creating agency problems between shareholders (principal) and directors (agents). The principal has to bear some agency costs to monitor the activities of the agent to ensure efficiency. Agency theory Agency theorists trace their origins back to the school of economics and finance (Davis et al., 1997). The basic premise of the principal-agent theory, as defined by Jensen and Meckling (1976), is a contractual relationship between one party (principal) engaging another party (agent) to perform a service(s) on behalf of the principal, which involves some decision-making authority being yielded to the agent. Agency theorists posit that the contractual relationship entered into involves a "voluntary exchange resulting in dependency".

**Assumption of the Theory:** Agency theory suggests that the management of an organization is undertaken on behalf of the owners of that organization, in other words, the shareholders. Consequently, the management of value created by the organization is only pertinent insofar as that value accrues to the shareholders of the firm. Implicit within this view of the management of the firm, as espoused is that society at large, and consequently all other stakeholders to the organization, will also benefit as a result of managing the performance of the organization in this manner. From this perspective therefore the concerns are focused upon how to manage performance for the shareholders and how to report upon that performance (Myners, 1998)

**Strength of the Theory:** This theory explain the nature of relationships in organizations and how these relationships can be managed through internally generated policies and externally imposed rules and regulations to achieve the intended performance goals and objectives

**Weakness of the Theory:** The primary agency problems related to the separation of ownership and control are: i. conflicts of interest between owners and managers; ii. asymmetries of information between owners and managers; and iii. the inability to write complete contracts for all potential future eventualities.

**Appropriateness and Justification:** A key advantage of agency theory is that it reduces the parameters of study to consideration of two parties: the agent and the principal. This renders the perspective of shareholders (i.e. principals) simpler for analysis, as they are primarily motivated by return on investment or firm value. The general view of the agency theory is that conflicts of interest arise in the relationship due to the divergence of managers'(assumed rational but opportunistic) from the shareholders 'interest. The theory provides a powerful theoretical basis and testable hypotheses for explaining the relationships and suggesting solutions for the agency problems between shareholders and managers to mitigate agency conflicts and enhance shareholder returns, resulting in better firm performance. In agency theory, corporate governance mechanisms play an important role in ensuring the alignment of the interests of the principal and the agent, thus enriching the firm's capability to maximize shareholder wealth and thereby improve firm performance. The ownership structure of firms, particularly in terms of the board of directors, is the main feature mitigating the inherent dichotomy between principals and agents to improve firm performance. Organizational factors affecting firm performance include board size, CEO duality, and the presence of non-executive directors (NEDs), as well as mechanisms related to the ownership structure, such as large shareholders or concentrated ownership, the identity of shareholders (individual/family ownership, companies' ownership, and government ownership) and managerial ownership.

The research work is based on Agency theory for enriching the airline's capacity and reducing conflicts of interest between owners and managers. All the theories and models discussed in this chapter are relevant to this study but the most suitable and important for the study is Agency theory as it is related to corporate governance and to sustain the performance of domestic airlines business in its operations. The theory is used to support the independent variables of the study because of the essential goals of the agency theory. It is to provide a powerful theoretical basis and testable hypotheses for explaining the relationships in organizations and how these relationships can be managed through internally generated policies and externally imposed rules and regulations to achieve the intended performance goals and objectives.

## Methodology

The study adopted a survey approach with a population of two hundred and fifty-six (256) respondents drawn randomly comprised of the full-time employees (Station Managers, Pilots, Engineers, Cabin crew, and Baggage Handlers) of the three domestic airlines Overland, Arik, and Airpeace Airlines operating at the two airports namely Nnamdi Azikiwe International Airport, Abuja and Murtala Muhammed International Airport Lagos Nigeria. This is because they are the kind of respondents that can competently comment on corporate governance issues and the performance of the domestic airline operations in Nigeria. From the population, a sample size of one hundred and fifty-six (156) was derived by applying

Yamane's formula. The sampling is done in a way that every element of the population has an equal and independent chance of being included by allowing randomness to prevail in the selection process. Both primary and secondary sources of data are used to assess the effect of corporate governance on the performance of domestic airlines in Nigeria. The data were sourced through both primary and secondary sources. The primary source involved the use of data collected from questionnaires while the secondary data involved information obtained from various documents including books, magazines, journals, periodicals, companies' annual reports, bulletins, articles, and internet materials. The study utilized both descriptive statistics and regression analysis to analyze the data obtained from the respondents. A time period under review of 10 years, from 2011 to 2020, the period which recorded a significant number of defunct airlines that has stopped operation in Nigerian aviation. It is the period that government implements some far-reaching safety policy reform measures which transformed the entire Nigerian aviation industry.

**Model Specification**

The effects of corporate governance on the performance of domestic airlines operations in Nigeria can be specified using the following Logistics Regression model: The model is given by: $L_i = \frac{P_i}{1- P_i}$

$$= \beta_0 + \beta_1 CGC + \beta_2 BS + \beta_3 CD + \beta_4 AC + \mu$$

Whereby

$L_i$ = 1: if business environment result to airlines performance
0: if otherwise
CGC = Corporate Governance Composition
BS = Board Size
CD = CEO - Duality
AC = Audit Committee
$\beta_{0=Constant}$
$\mu$ = Erro Term

**Estimation of Study Variables**

The study has two study variables namely the Independent variable **(**External Business Environment), and Dependent Variable (Domestic Airline Operations)

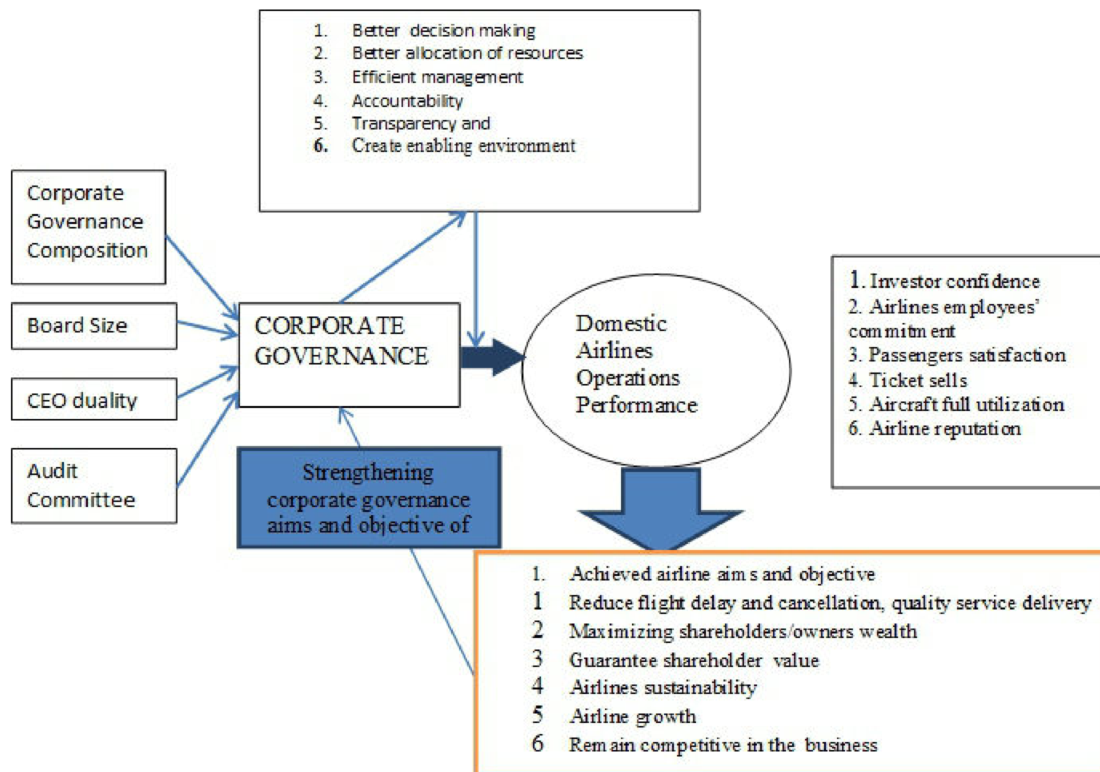


**Figure 1:** Study Variables.
**Source:** Developed by the Author (2021)

Figure 1 shows the study variables. From the figure, the Dependent variables; The Domestic Airlines Business Operations is dependent variable; the objective set by airlines to achieve, is the dependent variable used in promoting increase performance, maximizing shareholders/owners wealth, guaranteeing shareholder value, airlines sustainability, airlines growth, remain competitive in the business, quality service delivery, reduce flight delay and cancellation. This will, in turn, strengthen corporate governance aims and objectives of the management of the airline. Domestic airline performance will give investors confidence, led to airlines employees' commitment, passengers satisfaction, increase ticket sales, aircraft will be fully utilized and the airline will have a good reputation and improve the corporate image of the airline.

Independent Variables; corporate governance composition, the board size, CEO duality, audit committee are the corporate governance variable that can affect the attainment of the set objectives of domestic airlines negatively or positively. Good corporate governance outcomes are better decision making, better allocation of resources, efficient and effective management, accountability, transparency, and creating an enabling environment that led to good domestic airline performance. The Nigeria domestic airlines industry is facing problems in its corporate governance including corruption, incompetency in some of the management of the airline mismanagement, and misappropriation of airline assets. All these issues may be attributed to poor corporate governance.

## Results and Discussion

### Response Rate

Table 2 is the response rate which shows that of the 156 questionnaires distributed, 122 were returned complete and 34 were either returned uncompleted or unusable-generally because the respondents did not provide the needed information as enunciated in the objectives of the study. In total, a 78% response rate was achieved. It is acknowledged that the response rate is relatively high; this is given the respondent's interest in ensuring the performances of airline operations in the Nigerian aviation industry.

**Table 2:** Response Rate

| Options | Category of Respondents | No of Respondents | Percentage (%) | Cumulative |
|---|---|---|---|---|
| Returned: | Airlines (Management Ground Staff Pilot/Engineers/Cabin Crew) | 86 | 55% | **55** |
| | NCAA (regulators Airworthiness Inspectors) | 36 | 23% | **78** |
| | **Total Returned:** Questionnaires | 122 | 78% | **78** |
| Unreturned | | 34 | 22% | **100** |
| **Total Distribution** | Questionnaires | **156** | **100** | **100** |

**Source:** Field survey (2021)

From the table, the largest percentage of the questionnaires (86 or 55%) were completed by employees of Overland, Arik, and Airpeace Airlines (Station Managers, Pilots, Engineers, Cabin Crew, and Baggage Handlers) at Nnamdi Azikiwe International Airport, Abuja, and Murtala Muhammed International Airport, Lagos Nigeria. This finding implies that all the respondents were fairly targeted to avoid biases within the process.

### Logistic Regression Analysis

Table 3 show Logit estimate revealed that the mean of the dependent variable is 0.513611 while the standard error of regression is 0.502331. These suggest adequacy of the estimated Logit model. More so, the model selection criteria such as Akaike information criterion (AIC), Schwarz information criterion (SIC) and Hannan-Quinn criterion (HQC) with respective low values of 1.453154, 1.598845 and 1.513211 indicate that the estimated Logit model is adequately satisfied. The likelihood ratio (LR) statistic value of 41.01513 with probability (LR stat) value of 0.000000 which is significant at 5% level of significance, suggests the absence of autocorrelation. The McFadden R-squared value of 0.735271 implies that about 73 percent of the change in the dependent variable was explained by the explanatory variables of the model. While the remaining 27% which signifies the error term are accounted for by other variables not capture in the model. It also shows that the model is suitable for application in solving the problem at hand.

**Table 3:** Logistics Regression Analysis

Dependent Variable: L
Method: ML - Binary Logit (Quadratic hill climbing)
Date: 09/08/21 Time: 16:42
Sample: 1 122
Included observations: 122
Convergence achieved after 4 iterations
Covariance matrix computed using second derivatives

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.495026 | 0.739157 | 0.683717 | 0.5021 |
| CGC | 0.615857 | 0.015072 | 3.262636 | 0.0007 |
| BS | 0.591526 | 0.021181 | 2.342712 | 0.0016 |
| CD | 0.927513 | 0.020650 | 8.178442 | 0.0001 |
| AC | 0.813071 | 0.121083 | 6.549785 | 0.0001 |

| | | | |
|---|---|---|---|
| McFadden R-squared | 0.735271 | Mean dependent var | 0.513611 |
| S.D. dependent var | 0.002423 | S.E. of regression | 0.502331 |
| Akaike info criterion | 1.453154 | Sum squared resid | 18.92264 |
| Schwarz criterion | 1.598845 | Log likelihood | -56.07829 |
| Hannan-Quinn criter. | 1.513211 | Deviance | 112.1688 |
| Restr. Deviance | 116.2473 | Restr. log likelihood | -58.12818 |
| LR statistic | 41.01513 | Avg. log likelihood | -0.557588 |
| Prob(LR statistic) | 0.000000 | | |
| Obs with Dep=0 | 59 | Total obs | 122 |
| Obs with Dep=1 | 63 | | |

**Source:** Computed using E-views Version 7.0 Software

Furthermore, from the estimated Logit model above, we also observed that Corporate Governance Composition (CGC) had positive impact on facilitation of better decision making of airline (BDM). Hence, a unit changes in CGC increases better decision making of the airline performance by 62%. On the other hand, Board Size (BS) had positive impact on probability of management performance (MP); indicating that a unit change in BS increases management performance of Domestic airline by 59%. Furthermore, analysis from the results reveals that CEO-Duality (CD) also impacted positively on probability of management accountability (MA) of airline, as a unit change in CD will lead to a corresponding improvement on management accountability (MA) of domestic airline by 93%. Again, Audit Committee (AC) also exerts a positive impact on the probability of transparency and accountability (TA)Domestic airline performance; signifying that a unit change in AC will lead to a corresponding increase on the performance of Domestic airline by 81%.

**Test of Hypotheses**

The four Hypotheses of the study were tested using the Z-statistics from the logistic regression model.

**Table 4: $H_{O1}$:** Corporate governance composition (CGC) do not significantly facilitate better decision making (BDM) of domestic airlines in Nigeria.

| Variable | Coefficient | Std. Error | Z-Statistics | Prob. |
|---|---|---|---|---|
| CGC | 0.615857 | 0.015072 | 3.262636 | 0.0007 |

**Source:** Extracted from the Logit Regression Model in table 3

The Logit estimates table 4 showed that the individual impact of corporate governance composition (CGC) and better decision making (BDM) of domestic airline was statistically significant at 5% level of significance. This is evidenced by the high Z-value (i.e., Z=3.262636) and its corresponding low probability value (i.e., $p<0.05$). Since the observed probability value (i.e., p=0.0007) of CGC is less than the significance level, we hereby reject the null hypothesis ($H_O$) and accept the alternate hypothesis ($H_1$). We therefore conclude that corporate governance composition has significant impact on the performance of domestic airline in Nigeria. This finding is in consistent with the finding s of Geradine *et al* (2017) and Adebayo *et al* (2014) who found that corporate governance compositions has positive impact on all the performance indicators of an organization.

**Table 5: $H_{O2}$:** Board size (BS) do not significantly influence management performance (MP) of domestic airlines in Nigeria.

| Variable | Coefficient | Std. Error | Z-Statistics | Prob. |
|---|---|---|---|---|
| BS | 0.591526 | 0.021181 | 2.342712 | 0.0016 |

**Source:** Extracted from the Logit Regression Model in table 3

Furthermore, the logit estimates table 5 reveals that the effect of Board Size (BS) on management performance (MP) of domestic airline is statistically significant at 5% level. This is also true as the high Z-value (i.e., Z=2.342712) and probability value of observing automated teller machines (i.e., p=0.0016) is less than the significance level, (i.e., $p<0.05$) therefore, we hereby reject the Null Hypothesis ($H_o$) and accept of the alternate hypothesis ($H_1$). Thus, we conclude that Board Size (BS) have significant impact on the performance of domestic airline in Nigeria. This finding is in tandem with the finding s of Geradine *et al* (2017) and Adebayo *et al* (2014) who found that Board Size has positive impact on all the performance indicators of an organization.

**Table 6**: **$H_{O3}$:** CEO-duality (CD) do not significant significantly improve on management accountability (MA) of domestic airlines in Nigeria.

| Variable | Coefficient | Std. Error | Z-Statistics | Prob. |
|---|---|---|---|---|
| CD | 0.927513 | 0.020650 | 8.178442 | 0.0001 |

**Source:** Extracted from the Logit Regression Model in table 3

The regressions estimate table 6 showed that the individual effect of CEO-Duality (CD) and on management accountability (MA) of domestic airline was statistically significant at 5% level of significant. This is evidenced by the high Z-value (i.e., Z=8.199431) and its corresponding low probability value (i.e., $p<0.05$). Since the probability value (p=0.0001) of

CD is less than the significant level, we hereby reject the null hypothesis ($H_O$) and accept the alternate hypothesis ($H_1$) which state that point of sale (CD) has significant impact on the performance of domestic airline in Nigeria. This finding is in similar with Geradine *et al* (2017), Tek (2013) and Ozuoba (2012 found CEO-duality have significant impact on the performance of an organization.

**Table 7: $H_{O4}$:** Audit committee (AC) independence do not significant effects the transparency and accountability (TA) of domestic airlines in Nigeria.

| Variable | Coefficient | Std. Error | Z-Statistics | Prob. |
|---|---|---|---|---|
| AC | 0.813071 | 0.121083 | 6.549785 | 0.0001 |

**Source:** Extracted from the Logit Regression Model in table 3

Finally, the last hypothesis is also investigated using the Z-Statistics and the probability value. As the result reveals on the Table 4, the effect of Audit Committee (AC) on the transparency and accountability (TA) of domestic airline is statistically significant at 5% level of significant. This is represented by the high Z-value (i.e., Z=6.549785) and its corresponding low probability value (i.e., $p<0.05$). Since the probability value (p=0.0001) of observing AC is less than the significant level, we therefore reject the null hypothesis ($H_0$) and accept the alternate hypotheses ($H_{1)}$ which state that Audit Committee has significant impact on the performance of domestic airline in Nigeria. This finding is in consistent with the finding s of Adebayo *et al* (2014) who found that audit committee has positive impact on all the performance indicators of an organization.

**Major Findings**

The study found out that corporate governance composition (CGC) has significant effect on the performance domestic airlines operations in Nigeria. The study found out that corporate governance include non-executive directors of sufficient caliber and number of their views to carry significant weight in board's decisions by Overland, Arik and Airpeace airlines led to the performance of their operations. Corporate governance composition (CGC) comprises of experience of different department, independent board of directors to carry decision by Overland, Arik and airpeace airline. Corporate governance composition comprises of both executive and non-executive directors characterized by different department, incentives, experience and behaviours to Overland, Arik and Airpeace airlines on operational decision led to the performance of their operations. With higher proportion of non-executive in board of Overland, Arik and airpeace airline in improved monitoring and reduced airline problems of aligned the interests of the agents (managers) and principal (owners). Furthermore, Board Size (BS), small size of board comprises of more diverse board members from different areas of expertise in airlines business bring about good coordination and communication in monitoring Overland, Arik and Airpeace airlines agent (managers) led to performance of domestic airlines especially in Overland airline. Therefore BS has significant effect on the performance domestic airlines operations in Nigeria. Again, the finding also reveals that CEO-Duality (CD) leadership structure in terms of whether the CEO and the chairman is the same person or not. In Overland is same person serve as CEO and the chairman bring about

effective management responsibilities and decisions that facilitate greater understanding and knowledge of the airline operations reduce the airline costs and positive impact on Overland performance (Stewardship theory). Arik and Airpeace airline have separate CEO and chairman to increase board independence from management which results in better performance due to better monitoring and overseeing (Agency theory). Finally, audit committee (AC) with sufficient monitoring mechanisms to protect shareholders from the self-interest of management has significant effect on the performance domestic airlines operations in Nigeria. This more on Overland airline thank others airline.

## Conclusion and Recommendations

### Conclusion

The study concludes that Corporate Governance has significant effects on the performance of domestic airlines of Overland, Arik, and Airpeace airline in Nigeria. The corporate governance composition on Overland, Arik, and Airpeace significantly affects airline operational performance in Nigeria. Board size (BS)) with a small size of board comprises of more diverse board members from different areas of expertise in airlines business bring about good coordination and communication in monitoring Overland, Arik and Airpeace airlines have a significant effect on the performance of domestic airlines operations in Nigeria. Furthermore, the study concludes that CEO-Duality where the same person serves as CEO and the chairman brings about effective management responsibilities and decisions that facilitate greater understanding and knowledge of the airline operations have a significant effect on the performance of domestic airlines operations in Nigeria. Finally, an audit committee (AC) with sufficient monitoring mechanisms to protect shareholders from the self-interest of management has a significant effect on the performance of domestic airlines operations in Nigeria. There means that corporate governance practices have a great significant role in improving domestic airline performance in Nigeria.

**Recommendations**

From the findings of this study, the following recommendations are made;

1. Government/Regulators should ensure that domestic airlines companies work towards strengthening their corporate governance structures, principles, pillars, and practices.
2. Government/Regulators should ensure clear guidelines need to be provided for the implementation of corporate governance by the domestic airlines without any challenges. The principles should be well adhered to ensure compliance to corporate governance to improve the performance of domestic airlines in Nigeria.
3. Domestic airlines should ensure fair and balanced compositions are adopted to ensure proper direction of strategy and long-time maximization of principal value in their operations.
4. Domestic airlines should ensure that the board size and audit committee size are adequate and manageable as not to be too large or too small to facilitate decision-making in their operations.

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