



Assessing the Economic Costs of Insecurity and Terrorism on Regional Growth and Development in North-Eastern Nigeria

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Abstract: The study examines the economic costs of insecurity and terrorism on the Regional growth and development in the North-Eastern States in Nigeria. The study investigated how insecurity and terrorism challenges have stifled economic growth and development in the North-Eastern region by disrupting agricultural activities, trade, and investment inflows, which are the primary economic drivers in the region. The Augmented Dickey-Fuller (ADF) was used to determine the stationary status of all variables to ascertain the level of their interaction. The data were analyzed using the Autoregressive distributed lag (ARDL) model and bound test approach to explore the resulting decline in GDP, Unemployment and Inflation rates, and government expenditure. The results of the ARDL estimates reveals that in the long-run, insecurity index has negative impact on the Gross Domestic Product (Economic growth) and statistically significant at 0.5% level. Unemployment rate has a negative economic impact on the Gross Domestic Product in the short-run and statistically significant at 0.5% level. Government expenditure also has negative impact on the real GDP and significantly positive. The finding reveals that insecurity and terrorism has not only constraint the economic growth and development of the region but also led to untold hardship, poverty and increased dependence on humanitarian. The study concluded with the following recommendations amongst others; Government should address the root causes of insecurity by investing in education, healthcare, and economic opportunities in vulnerable communities.

Keywords: *EInsecurity, Terrorism, Economic Growth, GDP, North-East.*

1. Introduction

The unabated menace of insecurity and terrorism and its deterioration in the economic fabric of the North-Eastern states call for a serious concern amongst the policymakers in Nigeria. Fostering a conducive environment and ensuring the safety of lives and properties of the citizen for growth and development are the primary responsibility of the government as enshrined in the constitution of 1999. The attainment of a peaceful and secure environment is a precursor to citizen's participation in political activities, economic

growth and development as investors and entrepreneur require this environment to reap their investments. These point to the fact, why many countries around the world should endeavor to maintain peace and security within and beyond their borders (Amana et.al, 2020). The exist of a military government, signaled the introduction of democratic system of government, this gave Nigerians hopes that the much needed security and enabling environment free of crimes would be provided. Unfortunately, the opposite was the

case, the present state of insecurity and terrorism in the country is unprecedented. This has taken over the economic and socio-political landscape of many states in Nigeria, particularly the Northeastern states of the country, namely; Yobe state, Adamawa, Taraba Borno, Katsina, Bauchi, Gombe and Benue state. The witnessed unprecedented security challenges ranging from Boko Haram, Suicide bombing, Kidnapping, Killing, assassination, Ethnic crisis, militancy, armed robbery, and Farmer-Herders conflicts These menace have posed serious challenges and threats to the peace and stability of Nigeria macroeconomic environment, disrupted governance, stalled economic growth and development, discourage both local and foreign investors, and increases government expenditure on security (Ewetan & Urhie, 2014, Ajufo, 2014).

A country cannot achieve development without first seeks to achieve human security (Ito, 2013). That is human resources are important for any country's growth and development, but if the people are living in fear and anxiety, they cannot be productive. According to Stewart (2004), the economic costs of insecurity is enormous but when lives and properties are destroyed it reduces the productive capacity of the economy, decline in the country's exports foreign exchange earnings and a potential decline in employment level and fall in human capacity development. The heinous activities of this terrorist groups are profound and multifaceted. This has led to multinational companies to close operations and deterred further investments in the zones and the country at large, internally displaced person (IDP) camps increased in numbers, state revenues (IGR) depleted, and the cost of doing business skyrocketed (Moazzami, 2019). Reports also indicated that between 2018 and 2020, over 6,500 lives were lost, while approximately 510,000 people were kidnapped, over 4,700 individuals were internally displaced, and

over 80,000 became refugees in their own communities and country (Soto, 2022, Daily Trust, 2023).

Despite the federal government efforts through its huge annual budgets allocation to the recurrent component of internal security, military personnel and other necessary apparatus relocated to the affected zones to combat the crises, the enactment of States law of the Anti-Kidnapping Act, the National Assembly Anti-Terrorism Act in 2012, the pace of insecurity still remains dire. According to Global Peace Index (2023), published by the Institute for Economic and Peace measures the level of peacefulness in 163 independent states and territories. Nigeria was ranked 143rd out of 163 countries (Muhammed, 2024). Furthermore, Global Terrorism Index (2023) published by the institute for Economic and Peace analyses on the impact of terrorism for 163 countries. Nigeria was ranked as the 8th country most affected by terrorist activity. The Fragile State Index (2024) published by the Fund for Peace ranks nations based on the vulnerability to conflict and instability. Nigeria was ranked as the 16th most fragile state out of 179 countries. The country's poor ranking on the Global Peace and Terrorism Index and the persistent economic downturn are testaments to the ongoing insecurity pervading the unity of Nigeria. The effect has a dwindling growth on the GDP of the country. Therefore, the aim of this paper is to analyzed the impact of economic costs of insecurity and terrorism activities on the economic growth and development of the Northeastern states of Nigeria. In order words, the remaining section of this paper are organized as follow, Section two shall examine the existing literature on the subject, section three would look at the methodology and model specification, section four examine the Data analysis and Discussion of results, while section five would highlight the conclusion of the study and recommendations of the study.

2. Conceptual Framework

Insecurity

To understand the concept of insecurity, one needs a grasp of what security is all about. According to Kofi Annan, the former Secretary General of the United Nations (UN) as quoted in Odomovo (2012), security encompasses areas such as education, health, democracy and human rights, protection against environmental degradation, and the proliferation of deadly weapons. He stated that we cannot be secure amidst starvation, we cannot build peace without alleviating poverty, and we cannot build freedom on the foundation of injustices. Security is an all-encompassing condition which suggests that a territory must be secured by a network of armed forces; that the sovereignty of the state must be guaranteed by a democratic and patriotic government which in turn must be protected by the military, police and the people themselves (Nwolise, 2006). According to Oladeji and Folorunso, (2008) Security is the condition or feelings of safety from harm or danger, the defence, protection and absence of threat to acquire values. The concept of insecurity comes semantically complex, with different opinions from different perspectives, some see from how it affects individual lives and properties loss. Achumba, Ighomereho & Akpor-Robaro, (2013) viewed insecurity from two perspectives areas; First, insecurity is the state of being open or subject to danger or threat of danger, where danger is the condition of being susceptible to harm or injury. Secondly, insecurity is the state of being exposed to risk or anxiety, where anxiety is a vague unpleasant emotion that is experienced in anticipation of some misfortune.

Terrorism

Terrorism has been recognized as a dimension of insecurity. It's a used of threat or violence by some groups in a country to acquire self-interest or political objectives or purpose

through intimidation of people, attacking of states, suicide attack and bombing, to force government to act. It has become one of the most complex and complicated phenomena of the contemporary world (Stibliz, 2010). Terrorism is a premediated political motivated violence perpetrated against non-combatant by subnational groups or clandestine agent (Ogbonnaya and Ehigiamouse, 2013) There are two types of terrorism; these are domestic terrorism and transnational terrorism. Domestic terrorism are terrorist activities that do with a host country. Their target is on fellow citizens, their properties, countries institutions and policies basically for political reasons. For example, the activities of Boko Haram in Nigeria. The transnational terrorism involves more than one country. their activities affect economic growth and development of a country. Example of transnational terrorism is the US attack of 9/11. Transnational terrorist attacks had a significant growth limiting effects and its incident per million persons reduces gross domestic product per capital growth by 1.5% in Asia according to (Gaibullov and Sandler, 2009).

Sources And Causes Of Insecurity In Nigeria

The Nigeria economy has been faced with unprecedented insecurity for almost two decades. This came in the forms of insurgency such as Boko Haram, Fulani herdsmen, Armed banditry, Unknown gunmen, Suicide bombing, kidnapping etc. to the detriment of the Northeastern states of Nigeria economy development.

Political Factors: The involvement of politicians has given rise to hooligans, thugs and higher murders in Nigeria particularly during electioneering campaigns to carried out killings and kidnapping of the opponents during and after elections. The recruitment of unemployed youngsters by political godfathers to sow disruption, steal ballot

boxes and kidnapped rivals from opponent's parties have turned these heinous activities into a full time business. Furthermore, the unexpected power shift from the northern hegemony to a minority geo-political zone of South-South, as a result of the death of President Yar'adua was allegedly linked to the high tempo of insecurity. The refutation of the North-South friendly agreement on rotational presidency within the People's Democratic party (PDP) was a major factor, thus the ascendancy of Goodluck Jonathan as the president upset careful political arrangement (Ferrell, 2012).

Ethno Religious Conflicts: The suspicious and distrust among the various ethnic and religious groups in the country are one of the remote causes of ethno-religious conflict in Nigeria. This conflicts are as a results of lack of cordiality, mutual suspicious and fear, and tendency towards violent confrontation (Achumba et.al, 2013). The persistent conflict clashes between the two dominant religious; Islamic and Christianity, present the country with a major security challenge. In many parts of the country, there exist ethnic religious conflicts which emerged as a result of new and particularistic forms of political consciousness and identified around ethnic religious identities (Ibrahim and Igbuzor, 2002). The claim over scarce resources power, land, chieftaincy title, local government, control of markets has resulted in large scale killing and violence amongst ethnic nationalities in Nigeria (Adegba, et.at, 2012).

The Porous Borders: The porous frontiers of the country where individual movements and trades are left unchecked and untracked have contributed to the level of insecurity in Nigeria. As a result of this, there is free proliferation of the Small Arms and Light weapons into the country, which has aided the criminality activities in Nigeria (Hazen and Horner, 2007). The porosity of the Nigerian borders has aided the uncontrollable influx of migrants, mainly young men from

neighboring countries such as Cameroon, Nigeria, Chad, Republic of Benin and Niger, responsible for some of the criminal acts (Adeola and Oluyemi, 2012).

Unemployment: Most Nigerians lack access to the basic needs of life, high unemployment rate and widespread poverty are some of the causes of the country's levels of insecurity. As a result, there is a force of hostile and unhappy mind in the country who are already misguided, bamboozled, and convinced to commit any kind of crimes. The failure of successive administrations in Nigeria to address challenges of poverty, unemployment and income inequality and the uneven distribution of wealth among the ethnic nationalities was attributed as one of the major causes of insecurity in the country (Nwagbosa, 2012). We cannot rule out the facts that some activities resulting from unemployment are indirect consequences of corruption. Corruption leads to unemployment, unemployment to conflicts and conflicts to insecurity. Many Nigeria youths have become preys to terrorist and are easily radicalized. The Nigerian Bureau of Statistics (NBS) in 2023 puts unemployment in Nigeria at about 34.9 per cent and still rising. These unemployed youths now employed themselves by engaging in illegal activities such as kidnapping, robbery, bunkering, assassination, electoral violence, cultism, candidates for Boko Haram as a way of making a living and same time unleash violence (Adegbami, 2013).

Weak Judiciary system: A system where criminals and terrorists go free, it creates an atmosphere of insecurity among the people. Rich people don't only think, rather they feel they can get away with anything since they have money to buy their freedom. This makes the poor masses insecure and lose confidence in their judiciary system of government. Most of the people involved in threatening the security of the country are young ignorant people who are being brain washed and

deceived by politicians and individuals who have influence on them. There are cases of several incidences of people involved in criminal activities being set free after their arrest without any prosecution or penalty. This is corruption in the government, where some government officials used criminals for their own selfish gains and would bribed their way through to see that such criminal's cases don't fly (Iyare, 2008). The various organs of government or other law enforcement agencies such as Independence Corruption Practices and other related offences Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) in order to reduce corruption to the barest minimum or if possible to eliminate it has not been able to achieve the aims of establishing the agencies.

Economy Marginalization and inequalities in the System: Nigeria's are currently facing ethnic disparity. The country no longer has what is called citizen, but tribalism and self-centered people. Concentrations of economic wealth in certain region. Some sections of the country are more favored than others, in times of appointment, employment and in the provision of basic infrastructural development. Some youths are denied the privileges of education basically because of they could not afford it. Vast population of Nigerians are facing deprivation, neglects, oppression and suppression in their own country. They vent out their dissatisfactions and anger against the government by any means possible. Consequently, going into insecurity; attacking people, dispossessed them of their belongings, killing and kidnapping for ransom (Onuoha, 2001).

Ransom Venture: Insecurity in Nigeria is now a massive industry and lucrative business for some individuals in the country. Many people in our official agencies corruptly enrich themselves through security-related procurement. They perpetuate insecurity that is more profitable for them than tranquility.

Hostage negotiation is a new and booming business for some criminal elements and influential people in Nigeria. When a member of family is kidnapped, the security agencies put the family in contact with the hostage negotiators who are paid not only to negotiate downward the massive ransom demanded by the hostage takers, but also to help deliver the ransom. Many residents including top politicians and community leaders have fallen victims of this menace and many who are kidnapped are most times not lucky enough to be released. The effect is that the local economy has been crippled since those who engage in small scale businesses are target of criminality and participation in democratic exercise lost for fear of kidnapping and attacks by political thugs.

Poverty: Poverty is a multidimensional phenomenon. It's one of the factors that contribute to many people turning into criminals in Nigeria. The window of opportunity remains closed to the poor masses, and this makes them practically inactive in the society. Their lack of empowerment limits their choices in almost everything and their lack of security makes them vulnerable to diseases, violence and so on. According to Adesina (2013), poverty has turned many youths into armed bandits as a result of unrelenting starvation and lack of resources to withstand the harsh economic situation in Nigeria. Adebayo (2014) stated that, Poverty has been linked to high crime rates especially in the Northeast states where there is a sharp contrast between the rich and the poor. According to United Nations (2022), widespread and severe poverty is a reality. A reality that connotes a lack of food, clothes, shelters, education and other basic amenities. Many youths in the North-eastern Nigeria have been denied the choices and opportunities to go to schools, denied access to medical cares, live in good houses, and access to credit facilities. As a form of retribution, youths decided to banding

themselves into groups to abduct and demand large ransoms from the well to do people who are unwilling to help their situation. Other engaged themselves in banditry activities as a way of venting their anger on the society that neglected them.

Consequences of Insecurity and Terrorism on the Economic Growth

Many studies have provided evidence on how insecurity and terrorism hinders economic growth and development of a nation. The upsurge of Insecurity and terrorism has hindered business opportunity, discourages foreign and local investors, multinationals closing shops and vacating the country, unemployment is soaring and people living in fears. Insecurity has become a challenge to Nigeria's efforts towards national economic development and its vision 20:2020 development agenda (Udeh and Ihezue, 2014).

Disruption of Economic Activities: Nigerians have witnessed the virtual death of economic activities in the North-eastern states of Nigeria over the last decade due to activities of insecurities. This has created internal refugees within the country. As a result, people in the refugee camps are not able to contribute to the economic activities of Nigeria, therefore leading to food scarcity and high cost of farm produce. The Boko Haram humanitarian crisis has led to over 40, 600 deaths with 3.5 million internally displaced citizens with severe impacts in Borno, Adamawa, Bauchi, Yobe and Gombe predominantly. The massive destructions, places burden on government to rebuild infrastructure, while individual households, grapple with rebuilding communities. Due to intersecting religious, ethnic and regional divisions the country is affected by several conflicts for decades leaving behind a depleted and dysfunctional healthcare and socio-economic systems. Terrorist attack increases risk and uncertainty that limits investment and hinders foreign direct

investment. It has destroyed existing infrastructure and prevent an environment for the development of infrastructure and a enabling climate for economic activities to thrive. (Suleiman and Oluwarotimi, 2021)

Discouraging Foreign Direct Investment (FDI): The state of insecurity in North-Eastern Nigeria has hindered the economic growth and development of these region. It has discouraged foreign direct investment (FDI) which is targeted in building new facilities or investing in actual production activities which creates jobs and reduced poverty. Insecurity discourages investment as it makes investment unattractive to business people (Achumba and Igbomereho, 2013). When a country's security conditions are unstable, it can lead to a decline in FDI, as investors become wary of investing in a country where their investments may be at risk. This can have a cripple effect on the entire economy, leading to a decline in economic growth, job creation, and revenue generation (Ogunyemi, 2024). Insecurity has created a negative impact in the cost of doing business either through direct loss of goods and properties or the cost of taking precautions against business risks and uncertainty. When the country's security conditions are unstable, it can lead to an increase in the cost of doing business, as companies may need to invest in additional security measures to protect their investments. It is essential for countries to prioritized the creation of a stable and secure environment, in order to attract FDI and promote economic growth and development. Investors confidence are worsened particularly where there are policy dysfunctions, ranging from multiple exchange rates of the CBN, poor transportation sector, unreliable power sector, inefficient judiciary system and unreliable alternative dispute resolution mechanisms are responsible for the decline in FDI inflows in the country.

Decrease in Food Production: Insecurity has led to reduction in food production thus contributing to inflation and poverty level in the country. It has also led to poor industrial development among other problems which have retarded its economic growth. The Global Peace Index (2022) ranked Nigeria very low, pointing out a serious state of insecurity in the country. The unrest and unconditional environment created by the act of insecurity in the society discourage both peasant and mechanized farmers from going to farm, it has also discouraged both local and foreign miners to move freely to their various sites in order to carry out their daily activities, it has cripple transportation, communication, industry, and other sectors. The uncertainty of insecurity in these zones has put off investment decision. This have affected economic growth of the region and cause the slow-growth of economic environment in Nigeria.

Effect on monetary terms: Insecurity affect the availability of credit which is essential for businesses to operate and expand. The fund budgeted to defence and security in the country is increasing on a yearly basis, leading to fall in the fund budgeted for other developmental sectors. The implications of these on Nigeria economy is that the affected sectors will have adverse effect on the masses. Insecurity has impacted on the human capital development of the country, when a country is unstable, it can lead to brain drain, as skilled work force may emigrate to other countries in search of better opportunities (Akindele, 2024). This can lead to a decline in skilled labour force in the war affected areas and therefore make it more difficult for companies to operate effectively and thus creating economic depression. Inflation had gone so high due to few commercial activities operated. Banks and other financial institutions and commercial activities operated for fewer hours. Government revenue remained unachievable as most

revenue generation areas of these states are either remained closed or partially opened (Ojo, 2024).

Poor Social Activities: Social activities in the Northeastern region are nothing to talk about, they are poor due to the fear of the unknown. Both privately and publicly owned schools remained closed indefinitely. Students in all these states were left behind in terms of teaching, learning and research. Majority of the staff in the school, teaching and non-teaching, particularly those coming from the Southern part of the country had fled the zone. The entire zone human and economic activities were left unproductive. The situation was not limited to primary and secondary school alone but to the Universities were all short down. The Professors and lecturers and non-academic all fled for their dear lives. Youths were being kidnapped, abducted or killed while others were forcefully lured into the Boko Haram terrorist organization (Charas et.al, 2015). Over 40% of the youths especially in Borno and Yobe were killed, some missing or kidnapped. Young girls were raped and impregnated, while those rescued were stigmatized with HIV/Aids disease.

3. Theoretical Framework

Democratic Peace Theory of Doyle (1998); The under pinning theory adopted in this study is Democratic Peace Theory of Doyle (1998), theory proposes that security depends on encouraging the liberal institutions to creditably discharge obligations and responsibilities. It further adduced that security policy must have long-term spread of liberalism. This is against the background that, the road map to peace is to enthroned and encourage democratic system, general regard for human rights and developmental promotion of civil society. This however, depends on an undisturbed and robust relationship between the democratic norm of a nation and its peaceful inclination. Therefore,

the democratic peace theory considers that tolerant nations do not combat war against others. Doyle asserts that there was a divergence tolerance in liberal societies and vice versa. There are three perspectives of growth models that have been developed over the years which this study considers. Initial growth perspective developed by Harold (1939) and Domar (1946), which emphasizes the need for savings and capital accumulation. They emphasized that growth rate should be in line with population growth in addition to growth in equipment to ensure full engagement and attendant resources. The second growth perspective was that of the Neo-classicist, Solow growth (1979), which argues that growth hinges on technological growth level, capital and labour force. The third perspective is the new growth theories which emerged and incorporating endogenous models or variables. This explains the reason some countries are poor yet others are rich. Akanbi & Du-Toit (2011), Romer (1994), therefore averred that economic growth and development depend primarily on endogenous factors, namely; human capital innovations, knowledge, and positive externalities. Essien and Onwioduokit (2012), asserts that the new growth model includes endogenous technological process dubbed; learning by doing or innovation process. Incidentally, much work has not been done on the theory of insecurity. Be that as it may, insecurity arising from the standpoint of this study, represents an aspect of violence that impinges on productivity of employable man and material resources.

4. Empirical Review

The existing empirical studies reviewed in this section is to bring out the gap in the literature.

Rotimi et.al (2024) analyzed the impact of terrorism on economic variables in Nigeria, using a Structural Vector Autoregressive (SVAR) approach. The SVAR model

incorporated endogenous variables such as economic growth, capital, terrorism, and trade. Data covering a period from 1980 to 2021 were utilized. The study revealed the detrimental impact of terrorism on productivity and economic growth in Nigeria. The study suggested highlighting the need for effective counter-terrorism measures to mitigate these effects.

Musa (2024) examines the relationship between insecurity on youth unemployment in some part of Northern Nigeria over the period from 1990 to 2020, employing the Ordinary Least Square (OLS) estimation method. The study uses the National Terrorism Index (NTI) and Crime Rate (CR) as independent variables, with unemployment as the dependent variable. The findings demonstrated that NTI has a positive and significant effect on unemployment; specifically, a one-unit rise in NTI increases unemployment by 0.000827 units. Similarly, the Crime rate in Nigeria significantly and positively impacts unemployment with a one-unit increase in CR leading to a 0.005653 rise in Unemployment. The study recommends reducing commercial bank interest rates to improve access to credit for small business owners, which would aid in job creation and subsequently reduce insecurity. Additionally, it advocates for increasing skill acquisition programs and curbing corruption in both public and private institutions, while addressing issues such as Kidnapping.

Aminu and Dauda (2023) examines the economic consequences of Kidnapping in Northern Nigeria, integrating discussions on insecurity and electoral processes. The study identifies various forms of insecurity, including Boko Haram insurgency, herder-farmer clashes, banditry, Militancy, and kidnapping. It further attributed insecurity to factors such as political instability, erosion of traditional values, weak security institutions, governance failures, unemployment, and corruption. The study is framed within the

Broken Windows and Queer Ladder theories. It reveals that insecurity poses threats to the conduct of the 2023 general elections. Consequently, it recommends that government address the root causes of insecurity through strategic planning and that all stakeholders work collaboratively to ensure peaceful elections. Economically, the study also reveals that Kidnapping has discouraged investment and hampered agricultural output, contributing to a 2.3% decrease in GDP growth (economic growth).

Agogbua, Mgbatogu and Nzewi (2022) investigated the impact of insecurity on Nigeria economic growth and development from the period 2009 to 2022. The study was designed as ex-post factor research. Gross Domestic Product (GDP) and Per Capital Income (PCI) were employed as the dependent variable while insecurity from defence budget and foreign direct investment as independent variables. Regression and pairwise t-test were employed in analyzing the data. The study found that insecurity hampers business activities but does not have significant influence on economic growth and development of Nigeria. The study concluded that national insecurity must be of high consideration as business activities blossom in a secure environment, which ultimately ensures sustainable economic growth and development.

Aghaulor (2020) carried out a study on the growth impact of insecurity on the Nigerian economy for the period 1981 to 2017. Gross Domestic Product was employed as the dependent variable while terrorism risk index, discomfort index (addition of unemployment and inflation rates), adult literacy rate and corruption perception index were employed as the explanatory variables. The methods of data analysis employed include Ordinary Least Squares (OLS) method, Augmented Dickey-Fuller (ADF) unit root test, Co-integration test, and Error Correction Model (ECM). The findings indicated that

discomfort index had an inverse relationship with GDP in the long run, while terrorism risk index, Adult Literacy rate and corruption perception Index have a direct relationship with GDP in the long run.

Unfried & Kis-Katos (2020) investigated the heterogeneous impact of conflict on education in Sub-Saharan Africa with their Spatial Analysis. By integrating 66 rounds of DHS surveys with details about geo-coded conflict. The study identifies the conditions under which and to what extent armed conflicts endanger children's long-run educational achievement in rural Sub-Saharan Africa. The result reveals that high-intensity conflicts in strong autocracies reduces local educational achievement but are insignificant. However, low-intensity localized conflict doesn't affect education. To poor states, the lack of human resources is often felt seriously.

Ndubuisi-Okolo & Anigbuogu (2019), carried out investigation on Nigeria Insecurity and the Implication for Industrialization and Sustainable Development. The authors employed Exploratory Research Design (ERD) and secondary data. Democratic Peace Theory was utilized to explain the challenges of insecurity. Findings therefore revealed that insecurity is pivotal to clogging industrialization and sustainable development in Nigeria. Consequently, it was concluded that rapid industrial growth and sustainable development can only be achieved in an atmosphere of peace and enduring security. The study recommended that Government drastic decision on the provision rule of law and skewed justice, address the vices of victimization, marginalization, discrimination, and insecurity. It also recommends the creation of a safe haven atmosphere for investors which will ultimately stir up rapid industrialization and sustainable development.

Louis and Kiikeya (2018), carried out a study on Insecurity and Economic Growth in Nigeria. The Vector Autoregressive model,

VAR was employed using quarterly data from 2009 to 2016. Finding of the study indicated that economic growth level and investment were on the rise in the periods of insecurity. It further unveiled that the level of unemployment declined during periods of insecurity. The implication of this is that insecurity threatens economic activities. Thus, to ensure sustainable economic growth, government need to protect the local and foreign investments by increasing the level of national security.

Arafet, and Hadhek (2018) examined the effect of terrorism on economic growth and the transmission mechanism of its effect. They applied simultaneous equation models to panel data for a sample of eleven countries (six developing and five developed) over the period 2008-2015. Their findings revealed a positive effect of terrorism on economic growth for both developed and developing countries for the whole sample and a negative effect of economic growth on terrorism for the case of the total sample and the case of developing countries.

Siddique, et.al (2017) examined the effect of terrorism on domestic investment as well as foreign direct investment in Pakistan. Their studies covered 1980-2015 sample periods. The autoregressive distributed lag bound testing co-integration approach was employed. The study found a long-run relationship between terrorism and investment. A negative effect of terrorism on both domestic and foreign investment was also found.

Ajibola (2017) examined the impact of economic growth amidst insecurity in Nigeria from 1981 to 2014. Real Gross Domestic Product (GDP) was employed as the dependent variable while total expenditure on security, gross fixed capital formation, total labour force, corruption perception index and poverty index were employed as the explanatory variables. Multiple regressions (OLS) were employed in analyzing the data. It

was found out that 90% systematic variation in Real GDP is caused by variation in total labour force, total expenditure on security, corruption perception index, poverty index, unemployment rate, inflation rate and gross fixed capital formation. The study showed that security and other related variables do not only contribute positively to economic growth in Nigeria, but its impact on economic growth is strong and statistically significant.

Ojogho and Egware (2015), carried out a study on the impact of insurgency on agricultural development in Nigeria, using secondary time-series data, this including, Nigerian agricultural share of GDP, infant mortality rate, CO₂ emission from fuel combustion and level of food production as proxies for agricultural transformation for the years, 1960-2011 the Nigerian civil war, Boko-Haram, Niger Delta, Fulani herdsmen insurgences were used as proxies for insurgency. The data were analyzed using the Vector Error Correction Model (VECM) after testing for stationarity. The result revealed that the VECM had a unit decrease in previous year food production level would increase the share of agriculture to GDP by 4.26% the following year while a shift from non-insurgence to insurgence in any year by Boko-Haram, Niger-Delta and Fulani herdsmen reduced the share of agricultural contribution to GDP 17.56%, 19.45% and 17.47% respectively.

Aminu, Hamza and AI (2015), examined the consequence of poverty and insecurity on the Nigeria Sustainable Economic Development. The study adopted Ordinary Least Square techniques in estimating the correlation between economic growth rate, insecurity and poverty level. The findings revealed a non-linearity between poverty insecurity and economic growth; the causation result of the study also indicated that economic growth and poverty are related and poverty leads to national insecurity not the reverse. It recommended among others that Government

should embrace good leadership, viable anti-terrorism strategies and entrench virile and legitimate institutions that would sufficiently reduce the prevalence of corruption and poverty. The study further concluded that Government should be proactive in responding to the challenges of banditry and criminality in Nigeria.

Bandyopadhyay and Sandler (2014) examined the impact of insecurity and terrorism on Trade, using a factor supply approach. The study found that consequent rise in transaction costs is akin to high rise in transportation and therefore tend to reduce the volume of trade. Consequently, depressed trade and discourage investors. The study further concluded that terrorism causes innumerable economic problems. A similar study was carried out on Foreign Direct Investment (FDI) using a system-GMM estimator to a dynamic panel, consisting of eighty-three (83) years average of all variables. The study concluded that domestic terrorism has a negative and significant impact on FDI as a share of Gross Domestic Product (economic growth).

Altay et.al (2014) examines the relationship between terrorism and economic growth using Panel data analysis from 1996 to 2010 to assess the effects of terrorism in the Middle East countries. The result reveals that terror negatively impacted all economic variables, mainly tourism. They may either increase spending on defence or invest in education and health to boost the wellbeing of people who could be involved with terrorist acts.

5. Methodology

Research Design

This study adopted Ex-post facto research design. To examined the aims of this study, the study employed both descriptive statistics and auto-regressive distributed and bound test approach to investigate the impact of economic costs of insecurity and terrorism on the economic growth and development of

North-eastern zones in Nigeria. The descriptive design approach measures the outcome and established a relationship if there is any associations exist between variables. Time series data obtained from secondary sources,

Model Specification

Based on the above reasoning and in line with the theoretical framework, Gross Domestic Product (GDP) would be used as proxy for the economy growth which is the dependent variables while insecurity and terrorism risk index, as the independent variables, also included in the model are, government expenditure, Unemployment and Inflation rate. The model is specified as:

$$GDP = F (INS, INF, UMP, GVE)$$

Where;

GDP = Gross Domestic Product

INS = Insecurity Index

INF = Inflation Rate

UMP = Unemployment

GVE = Government Expenditure.

A linear relationship between economic growth and Independent variables are stated thus:

$$GDP = \beta_0 + \beta_1INS + \beta_2INF + \beta_3UMP + \beta_4GVE + \mu_t$$

Where:

$\beta_1, \beta_2, \beta_3, \beta_4$ = Slope coefficients which show the rate of change in the value of GDP, when there is a unit change in the value of independent variables.

β_0 = Intercept coefficient which shows the rate at which GDP will change independent of INS, INF, UMP, and GVE.

‘U’ = Error term which shows other external factors that might affect the magnitude of GDP that are not stated in the model.

4.2.2 Descriptive Statistics Analysis

In order to have a clear understanding of the data employed in the study, descriptive statistics was carried out to shows the nature of the data for the variables and to gives the

average of the whole variables of the dependent variable and the independent variables of the study. Descriptive analysis is presented below, to establish the impact of Economic costs of Insecurity and Terrorism in the Northeastern states in Nigeria.

Table 4.1: The Table of Summary of the Descriptive Statistics

Statistics	GDP	INSE	INFL	UMPL	GOVE
Mean	4.405587	3.527431	4.608580	1.675019	2.767584
Median	6.723168	2.578439	2.753890	2.648978	2.309636
Maximum	4.258780	2.635879	2.685383	2.640875	2.607390
Minimum	2.490286	2.305600	2.375695	1.247980	0.748690
Std. Deviation	0.755791	0.472866	0.625680	0.456716	0.501290
Skewness	-0.353497	-0.554860	-0.217550	-0.449802	-1.856648
Kurtosis	1.578290	1.503760	4.635270	4.620253	2.420751
Jarque-Bera	3.640617	4.078426	10.618720	12.465700	3.439327
Probability	0.023507	0.022875	0.001970	0.002244	0.016046
Sum	130.4345	70.61857	78.51083	65.57482	60.65758
Observations	20	20	20	20	20

Source: Author's Computation Using E- view 10 plus

Following the table above, it reveals that Gross Domestic Product (GDP) has a mean value of 4.405587 and varies from a minimum value of 2.490286 to a maximum value of 4.258780 a standard deviation of 0.955890 with a probability value of 0.024607. Insecurity (INS) has a mean value of 3.527431 and varies from a minimum value of 2.305600 to a maximum of 2.635879, a standard deviation 0.472866 with a probability of 0.022875. Inflation rate (INF) has a mean value of 4.608582 and varies from a minimum value of 2.375695 to a maximum value of 2.685383, a standard deviation of 0.625680 with a probability value of 0.001970. Unemployment rate (UMP) has a mean value of 1.675029 and varies from a minimum value of 1. 247980 to a maximum value of 2.640875 a standard deviation of 0.456716 with a probability value of 0.002244 The descriptive analysis also reveals that, Government expenditures (GOVE) has a mean value of 2.767584 and varies from a minimum value of 0.748690 to a maximum value of 2.607390, a standard deviation of 0.501290with a probability value of 0.016046. In addition, the values of median considered ideal for economic growth were estimated to be 6.723168, 2.578439, 2.753890, 2.648978, and 2.309636 respectively. However, the values of Gross Domestic Product, Insecurity, Inflation rate, Unemployment rate and Government spending were negatively skewed and low, likewise the values of kurtosis were positive but high. It is important to note that the total unit of the Gross Domestic Product, Insecurity, Inflation rate, Unemployment rate and Government spending were computed at 130.4345, 70.61857, 78.51083, 65. 57482, and 60.65758 respectively.

6. Results and Discussions

Table 4.1: Results of Unit Root Test based on Augmented Dickey–Fuller (ADF) Statistics.

Variables	ADF Test Statistics	1 Percent Critical Value	5 Percent Critical Value	10 Percent Critical Value	P – Value	Order of Stationarity
Real GDP	- 4.13251	-3.610453	-2.933987	-2.607932	0.0025	I(1)
Insecurity Index	-6.311940	-3.605593	-2.936942	-2.606857	0.0000	I(1)
Inflation rate	-5.789817	-3.605593	-2.936942	-2.606857	0.0000	I(1)
Unemployment	-6.085812	-3.605593	-2.936942	-2.606857	0.0000	I(1)
Government Expenditure	-5.985745	-3.605593	-2.936942	-2.606857	0.0000	I(1)

Source: Author's computation, using E-views 10.0, 2025.

Table 4.1 above show the results of unit roots test. It is a test of stationarity of the variables as developed by Fuller (1976) and Dickey (1981). As can be observed from the table, all the variables are integrated of order one $\sim I(1)$, implying that the variables contain unit root and statistically significant at both 1 percent, 5 percent, and 10 percent levels. At the 5 percent level of significance, the ADF test statistics are significantly greater than the critical value. Consequently, the null hypothesis of a unit root (non-stationary) is rejected, as such, the level of time series is characterized as integrated of order one because the variables are co-integrated as the linear combination of the individual integrated series $I(1)$ is stationary.

ARDL Bounds Test Co-integration.

Table: 4.2 ARDL Bounds Test Co-integration

Test Statistic	Value	Significance Level	I(0) Bound	I(1) Bound
F-Statistic	6.432809	10%	2.81	3.40
k	5	5%	2.19	4.02
		2.5%	3.50	3.52
		1%	3.26	4.45

Source: Authors' Computation using E-Views

Table 4.2 below presents the results of the bounds co-integration test using ARDL. The variables must be integrated at order zero and one. This means that an ARDL bounds test estimate had to be performed because the variables in the dataset were integrated appropriately. The null hypothesis is rejected if the F-statistic surpass the upper and lower bound values of 4.02 at the 5% significance level. Thus, since the f -statistic (6.432809) exceeds the upper bounds of the critical value bounds at the various levels of significance (1%, 2.5%, 5% and 10%), therefore the null hypothesis of no co-integration is rejected, implying the evidence of a long-run relationship among the variables. That is, the growth rate of real GDP ($GGDP$), Insecurity (INS), Inflation (INF), Unemployment (UMP) and Government expenditures (GVE) are co-integrated.

Table 4.3 ARDL Co-integration and Long Run Form

Variables	Coefficient	Std. Error	t-Statistic	Probability
DLog(GVE)	-8.562379	5.276129	-1.274588	0.0084
D(INS)	-10.764738	13.576593	-0.764562	0.3407
D(INS(-1))	-15.867490	17.896351	-2.589340	0.0472
D(INF)	46.965470	18.478705	4.476638	0.0405

Variables	Coefficient	Std. Error	t-Statistic	Probability
D(INF(-1))	50.378478	20.743869	6.894186	0.0561
D(UMP)	-28.965749	10.653408	-2.367860	0.0051
D(UMP(-1))	30.563878	14.458629	-3.675509	0.0442
CointEq(-1)	-0.746486	0.179654	-3.587995	0.0238

Source: Authors own computation Using E-View 10.0

Discussion of Results

Table 4.4 reveals that in the short run, the coefficient of government expenditure on security is negatively signed by -8.562379 and it is statistically significant at 5% level of significance with a probability level at 0.0084. This implies that if government spending increases by one unit, economic growth will reduce by -8.562379 unit all things being equal. The coefficient of insecurity has a negative economic effect on the dependent variable by -15.86749 and it is statistically significant at 5% level of significance with a probability level at 0.0472. This finding is in agreement with the study of Ajibola (2017) that about 90% systematic variation in Real GDP is caused by variation in total expenditure on security, unemployment rate, inflation rate and gross fixed capital formation. The coefficient of Inflation rate has a negative economic influence on the gross domestic product and it is statistically significant at 5% level of significance. A unit increase in the coefficient of Inflation will reduce gross domestic product (economic growth) by -46.965470 both in the short run all things be equal. This finding is in agreement with the study of Gaibulloev and Sandler (2009) who asserted that insecurity and terrorism stifled economic growth. The coefficient of unemployment rate is negatively signed by -28.965749 and it is statistically significant at 5% level of significance with a probability level at 0.0051. This indicated that a unit increase in unemployment rate coefficient would lead to -28.965749 reductions in gross domestic product (economic growth) in the short run *ceteris paribus*. This finding is in line with that of Louis & Kiikya (2018) who

stated that the level of unemployment declined during periods of insecurity. The implication of this is that insecurity threatens economic activities. It thus means that a country that is highly terrorized and insecure will be characterized by a high level of unemployment rate which in turn would affect the economic growth and development of the war zones. What could be adduced for the positive causal relationship between Unemployment coefficient and GDP (Economic growth) is the fact that there could be other factors in spite of the presence of insecurity that would bring about economic growth. And, in spite of the presence of the unprecedented insecurity, Nigerians are still willing to go about their jobs and business in contributing to the growth of the economy.

The coefficient of the error term -0.746486 which measures the Speed of Adjustment towards long run equilibrium is negatively signed. The result aligned with the use of the ECM term which confirmed that economic growth adjusts to correct long-run disequilibrium that exist between the variables and its determinant. The lagged error correction term ECM (-1) is negative and statistically significant at 5% which confirm that long-run equilibrium relationship exist amongst the variables in the equation. The coefficient is (-0.746486) implying that 75% of the disequilibrium between the short-run and long-run is covered within a year.

7. Conclusion

From the study above, it shows that Nigeria is confronted with insecurity which has negatively impacted upon the growth of the economy. The persistent increase of insecurity

and terrorism has created an environment of uncertainty that hinders potential investors and retarded the economic growth of the Northeastern states and Nigeria at large. The study further concluded that economic growth responds negatively toward insecurity and terrorism in the short and long-run which mean that higher level of insecurity will lead to low level of economic growth and development where conflicts persisted.

8. Recommendations

Consequent upon this findings, the following recommendations have become inevitable and for policy issues.

1. The Nigeria government should address the root causes of insecurity in the Northeastern states of Nigeria by investing in education, healthcare, and economic opportunities in vulnerable communities, thus reducing the appeal of extremist ideologies.
2. Government should establish, empowered and fund community policing initiatives and strengthen partnerships between law enforcement agencies, train and retain the security personnel and citizens to engaged local communities in security efforts.
3. Government should collaborate with the international organizations and foreign governments to share intelligence, best practices, and resources for combating security threats effectively.
4. Government should prioritize security reforms and strengthen institutional frameworks. This would enhance investors confidence and as well as contribute to economic growth in the country.

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