



Insurgency and its implication on Nigeria economic growth

Maureen Obi Mukolu ^{1*}, Blessing Ngozi Ogodor ²

¹ Department of Banking/Finance, Federal polytechnic, Ado-Ekiti, Ekiti-State, Nigeria

² Department of Accounting, Federal polytechnic, Ado-Ekiti, Ekiti-State, Nigeria

Abstract

The study deals with the implication of insurgency on Nigeria economic growth. The study proceeded with the objective i.e. to investigate the implication of insurgency on Nigeria economic growth. The secondary source of data collection was employed to collect the data and OLS regression was used to analyse the data. Gross domestic product is the dependent variable, and it proxies' economic growth, while human development index, Global peace index, corruption rank, corruption perception index and relative corruption rank proxies insurgency which is the independent variable. The result of the findings indicated that there is a linear relationship between GDP and the five independent variables. The economy responds favorably to measures taken to improve human capital development in Nigeria. The GPI has negatively affected economic performance in the last 10yrs; the RCI has positive relationship with GDP until late 2014 when there was fall in oil price and the demand for Nigeria oil. The negative impact of CR and CPI has critically brought a downturn in economic performance generally. Government must discourage the attractiveness of public offices by running a low cost government and invest more in public goods for the benefit of her citizenry. Public offices should be less attractive, proactive measure should be put in place to tackle insurgency both tactically and institutionally, the military must be strengthened.

Keywords: Insurgency; Economic Growth; Corruption Rank; Human Development Index; Corruption Perception Index; Relative Corruption Index

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* Corresponding author. E-mail address: Maureen.mukolu@yahoo.com

1. Introduction

In recent times, insurgency has become a harsh reality in today's Nigeria society; it has come in different forms of manifestations of kidnapping, suicide attacks, self-suicide bombing, corruption, armed robbery and the like e.t.c. (Enders, 2002; Lake, 2000). Several attempts have been made to reduce the inflicts of these insurgency in the Nigeria economy, (Luechinger, 2003) ; the Nigeria government has tried using a counter insurgent force as policy deterrence, with the imposition of sanctions, to curb actual attempts by putting appropriate measures in place to reduce the menaces of insurgent in the country. Despite these, the level of insecurity in the country is still high, this has made Nigeria to consistently rank low in the Global peace index (GPI, 2012), signifying a worsened state of insecurity in the country. Adagba et al. (2012), Uhumwuangho and Aluforo (2011) are of the view that the efforts of government have not yielded enough positive result.

The Nigeria economic growth with major focus on growth has witnessed an increase in spending on military hardware as well as equipping the personnel security systems and training to make them efficient to cope with the insurgent phenomenon and ensuring sustainability of economic growth (Ruys, 2004). Nigeria is considered to be an emerging power house, annual growth rates have averaged more than 7% per year, making the Nigeria economy one of the fast growing economies in the world, (www.gallup.com). A study carried out by Salami, Fatimah, Gazi et al. (2012) shows that one unit of Foreign Direct Investment increase in the oil sector will increase the GDP by 15-16 units. As a result of insurgency, foreign direct investment has declined; FDI has dropped by 21.3% in 2012 from \$8.9 billion in 2011 to \$7 billion in 2012, (World Investment Report, 2013). It was recognized that this high dependency ratio is a center of weakness for Nigeria's economy. Over the few years, insurgency has created widespread insecurity across regions in Nigeria, increased tensions between various ethnic communities, interrupted development activities, frightened off investors, inflamed religious tensions and upset the nation's social cohesion (Eme and Ibietan, 2012) and this has generated concern among the Nigerian citizens. At a particular period in the history of Nigeria especially during the military era, the country witnessed serious economic crisis and political isolation. However, with the introduction of democratic government in 1999 the country was stabilizing albeit consciously. The peace and stability witnessed his threatened by religious fanaticism induced insurgency, corruption, political and ideological intolerance, ethnic confrontation and others.

There might be so many factors that can have a negative effect on the level of investment, but it is clear that no foreign investor would want to invest capital in an environment of fear, anarchy, and insecurity. It is on the basis of the above that this study intends to assess the implication of insurgency on Nigerians economic growth between 2004-2013.

2. Literature review

2.1. The concept of insurgency and economic growth

The concept of insurgency would be best understood by defining the concept of security, which has being defined by Achumba and Ighomenho (2013) in Akin (2008) as the situation that exists as a result of the

establishment of measures for the protection of persons, information and property against hostile persons, influence and actions. Ogunleye et al. (2011) see it as a measure designed to protect and safe guard the citizen, the resources of individuals, groups businesses and the nature against sabotage or violent occurrence

Insurgency on the other hand as assessed by O'Neal (1990) is organized movements aimed at the overthrow of a constituted government through the use of supervision and armed conflict. The term insurgency is often used to cover a wider scope of low intent conflict and is often linked inextricably to terrorism as terrorism is a tool that many insurgent groups use to further their agendas. Bernard, (2005), maintains that insurgency is the state of fear or anxiety stemming from a concrete or alleged lack of protection. It refers to lack or inadequate freedom from danger

According to Chalk, Byran et al. (2001) certain conditions can transform a dissatisfied future of the population into an insurgency, people resist because of the government (or occupying power) or unwillingness to meet the legitimate needs of the population, the lack of government or occupying power and control can be real or perceived. Insurgencies often make use of the media to present the image of an unresponsive or unprepared government. Corrupt and inefficient governments cannot provide basic services, create jobs, encourage growth or improve the lives of the general population, this is why terrorism has become such a popular tool for insurgents; the government's inability to protect its citizens and destroy the insurgents is placed across the pages of the international press and becomes a daily reminder of lack of government control.

In addition to the above O'Neill (1990) gave additional elements that are common to all insurgencies in varying degrees. The combination of these elements determines the overall effectiveness of an insurgency and provides likely targets for counter insurgency efforts. This element are ideology, organization and goal, environment and geography, the strategic approach (mao's lenin or castro's strategy) phase and external support, e.t.c.

2.2. Insurgency and its implication on Nigerian economic growth

The insurgent environment of the Nigeria economy refers to the variables that affect the achievement of growth but then which the economy has little indirect control. In Nigeria the variables range from, theft to Armed Robbery, Kidnapping, Assassination, Unemployment, high cost of living e.t.c.

Economically, corruption and insurgence encourage capital flight as many foreign investors are reluctant to invest in Nigeria for fear of losing their money to swindlers and fraudsters. In many parts of the country, properties worth billions of naira have been destroyed and many businesses have come to a standstill, (Adebanjoko and Okorie, 2014).

When able youths of today are killing themselves through fighting it then extends to killing of state security officials, kidnapping and ransom seeking, (Garba 2014, Ikelegbe, 2001). As a result of uprising of insurgency, the future workforce may shrunk and gradually die out, thereby creating a vacuum in the economic future of a nation, which at the same time pose threat to the going concern of the economic activity of a nation. This in the long run may lead to child slavery as those to take up the future economic challenges may have gradually been reduced and may not be able to champion the economic demands,(Garba, 2014). An insurgent impedes growth

and also erodes the already established economic value systems in Nigeria. This devastated effect of continuous insurgence in Nigeria has gone so bad and it is worrisome as several but unsuccessful measures have been put in place to halt the menace, (Oditia and Akan, 2014). It is therefore not an understatement that Achebe (1988) concludes that insurgence has permeated the African society and anyone who can say that insurgence in Africa has not yet become alarming, is either a fool or a crook or else does not live in this continent.

Table 1. Global peace index/rank, human development index, corruption perception index/rank and relative corruption index and GDP for Nigeria between 2004-2013

YR	GDP	HDI	GPI	CR	RCR	CPI
2004	67.65	-	-	3	144	1.6
2005	87.84	0.466	-	6	152	1.9
2006	112.24	-	-	14	142	2.2
2007	145.42	-	2.898	32	147	2.2
2008	165.92	0.483	2.724	49	121	2.7
2009	207.11	-	2.602	43	130	2.5
2010	168.59	0.492	2.756	37	134	2.4
2011	228.64	0.496	2.743	33	143	2.4
2012	243.98	0.5	2.801	34	139	2.7
2013	359.35	0.504	2.91	-	136	2.4

Source: Transparency International, World Bank report on Nigeria, Human Development Report Various Issues.

2.3. Theoretical review

The following theories was reviewed in relation to Insurgency:

Marx's Theory of Rebellion: As propounded by Karl Marx and Frederick Engels in 1969, these theory states that along with the constantly diminishing number of the magnates of capital, that usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppressions a very degradation, exploitation; but with this too grows the revolt of the working-class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last will reach a point

where they become incompatible with their capitalist integument. Thus integument bursts asunder and the knell of capitalist private property then sounds.

Frustration-Aggression Theory: This theory as propounded by Fererabend, and Feirauben, 1972 stipulates that aggression is as a result of frustration which results from an individual's inability to attain their goals. Accordingly, insurgency is the product of aggressive behaviour which results from issues such as poverty and unemployment among others. Applying this to the study, insurgency in the country has resulted in abject poverty, unemployment, environmental degradation, injustice, absence of infrastructure, ethnic conflicts, and militancy

Empirical Review: Ahmed, Mussawar, Imran, Abbasullah and Gul (2012), examine the economic effects of insurgency on hoteling industry of Swat, it found that the number of small and medium enterprises were badly affected after terrorist activities. On the basis of the findings, loans on soft term for small and medium enterprises, special packages for affected industry employee, propagation of local values, which entails hospitality for non-locals through media, with strong participation of local's leaders were a major ingredient of economic activity in the study area.

Levitt (2009) studied the issue of foreign fighters and their economic impact on Syria and al-Queda in Iraq. Their study showed that foreign fighters' use of third party countries for training, fund raising and transit is not merely an operational phenomenon, but it is economic one as well. Thus, there are direct and indirect economic consequences which results in the existence and operation of foreign fighters networks in a country like Syria. It was recommended that government should develop realistic strategies to contend with foreign fighters networks that operate in third party countries and developing a holistic understanding of phenomenon including its economic impact.

Olabanji and Ese (2014) examined the pertinent issue of insecurity in Nigeria and its implication for socio-economic development. They recommended that government must be proactive in dealing with security issues and threats, through modern methods of intelligence gathering, and sharing among security personnel's, trading, logistics, motivation, and deploying advance technology in managing security challenges.

Adebanjoko and Okorie (2014) assessed corruption and challenges of insecurity in Nigeria and its political / economic implications. The findings showed that corruption is a major cause of insurgency in the country and it's therefore suggested that the Nigeria government should find lasting solutions to the crises while giving top priority to eradication of corruption in its transformation agenda.

Garba (2014) reviewed the long term cost implication of insurgency to economic development: a study of Zaria metropolis. The result of the findings revealed that the result and effects of any uprising affects the socio-economic activities of an economy thereby thwarting it's progress. It's therefore recommended that economic opportunities should be made available to the teeming populace via the construction of suavity social amenities.

Odita and Akan (2014) explore the Boko Haram menace and their implications on Nigeria's stability. With their findings, they recommended that there's need for the government to improve on the state of security with all machineries at her disposal that will help identify, unravel, forestall and prosecute Boko Haram insurgents.

Achumba, Igbomerho and Akpor, (2013) study security challenges in Nigeria and the implication for business communities and sustainable development. They recommended the need to evolve a safe business environment that allows for effective and a sustainable development process. The security management models recommended to achieve this are aimed at combating the creators and perpetrators of situation of insecurity and simultaneously addressing and removing the sources of dissatisfaction and discontentment which spun security breaches and the involvement of all stakeholders both in public and private capacity, government, business organization, society, religious groups, communities and individuals to supply resources, expertise and information that are required to ensure a safe government.

3. Methodology

This study relied on secondary source of data collection and employed ordinary least square (OLS) to analyse the data. The dependent variable is the Nigeria economic growth represented by GDP of the Nigeria economy, while the independent variable is the corruption perception index, corruption rank, relative corruption rank, Global peace index and Human development index.

3.1. Model Specification

In line with the work of Nageri, Gunu, and Abdul, (2013) the following model was formulated.

$$GDP = f(\beta_1 + \beta_2 CPI + \beta_3 RCR + \beta_4 HDI + \beta_5 GPI + \beta_6 CR + ut)$$

CPI = Corruption Perception Index

CR = Corruption Rank

HDI = Human Development Index

GPI = Global Peace Index

RCR = Relative Corruption Index.

3.2. Apriori expectation

An apriori expectation is a theoretical statement or critical set by economic theory for this study. It is expected that the level of insurgency proxied by Corruption Perception Index (CPI), Corruption Rank (CR), and Relative Corruption Rank (RCR), Human Development Index (HDI), Global peace Index (GPT) are expected to be related to economic growth proxied by GDP.

3.3. Regression result

The regression result can be expressed as:

$$GDP = -232.079 + 10659.04HDI - 0.162GPI - 1339.53CR + 1.254RCI - 1.298CPI$$

R=0.921 R²=0.854 F=57.675 DW=0.8084

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.921	0.854	0.840	9.6322

Table 3. ANOVA

Model	Sum of Squares	Df.	Mean Square	F	Sig.
Regression	4889.815	5	1629.938	57.675	.000
Residual	3902.124	13	91.665		
Total	8791.939	15			

Table 4. Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-232.079	30.5		-7.609	0.000
Human Development Index	10659.04	0.0234	1.921	4.039	0.000
Global Peace Index	-0.162	0.11	-0.144	-1.469	0.149
Corruption Rank	-1339.53	0.156	-1.087	3.393	0.002
Relative Corruption Index	1.254	0.165	0.786	7.584	0.000
Corruption Perception	-1.298	0.252	-0.3242	5.159	0.0023

4. Discussion

The regression result shows about 92.1% of the systematic variation in the dependent variables is explained by the five independent variables i.e. Corruption Perception Index (CPI), Corruption Rank (CR), Human Development Index (HDI), Global Peace Index (GPI), Relative Corruption Index (RCI). The F value is significant at the 5% level showing that there is a linear relationship between the GDP and the five independent variables.

The model equation further reveals the intercept as 232.079 which implies that in the absence of these interplaying variables, economics growth can still occur at the specified unit provided other economic variables are kept constant. The human development index result shows a positive and highly correlated relationship between HDI and the GDP (10659.04). This implies a unit change in HDI will bring about an increase in GDP. The implication is that the economy responds favorably to measures taken to improve human capital development in Nigeria. Similarly, a unit increase in GPI and RCI increases the GDP by -0.162 and 1.254 has brought a negative and positive relationship to the economy respectively. The negatively signed GPI connotes that as Global Peace Index changes in the last 10 years; it has significantly and negatively affected economic performance of Nigeria. Furthermore, the result of the Relative Corruption Index also shows that as corruption index changes over time in Nigeria, GDP has however increased steadily. This can be adduced to the factor of Nigeria being an oil producing nation where sabotage, stealing and corruption has not really made any significant decline which led to national disaster. However, the gross implication of this is widely seen since the end of November 2014 where there was capital fall in world oil price and foreign demand for Nigerian petroleum. The t-values of GPI and RCI are statistically significant at 5% level. The negative impact of CR may not be unconnected with the wanton level of gross corruption and impunity that has bedeviled Nigeria in the last ten years. The figure -1339.53 which implies that Nigeria's corruption rank which dwindle among top ten corrupt nations in the world (Transparency International Report) has critically brought a downturn in economic performance generally. Finally, the negative value of Corruption Perception Index indicate that as corruption become endemic in Nigeria and people's perception about it become normalized, there is tendency of negative relation on the Nigerian economic performance over time.

The ANOVA table shows the overall significance of the model used. From the result above, the model specified a significant F-value of 57.675 at 0.05 significant levels. Since $0.000 < 0.05$, we can therefore conclude that the model used is fit for the data. This conclusion can be further corroborated by the relatively small standard error of 9.6322.

5. Conclusion and recommendations

Over the years in Nigeria, corruption has become a hydra-headed monster which has destroyed the very fabric of her economy. It is this same corruption that has led to gross systemic failure of the government and institutions to provide its citizen with jobs and means of livelihood which has today led to the point of people going into all forms of social vices and volunteering for terrorism which is the subject of considerations in this paper. If we must survive as a nation, the general perception about corruption by government and its citizens must be properly put in the correct perspective. In the case of Nigeria, it is almost true from our finding that Nigerians are used to corruption that we even encourage our relations who are in government to steal while holding public offices. This problem also cut across the private and other public sectors like: the tertiary institutions, Private organizations and even multinationals. If we must overcome these challenges, the following recommendations are made:

- Government must discourage the attractiveness of public offices by running a low cost government and invest more in public goods for the benefit of her citizenry. Public offices should be seen less attractive
- Proactive measure should be put in place to tackle insurgency both tactically and institutionally—The military must be strengthened
- The populace also hold her nation the duty of reporting any strange event or persons if suspected to engage in such act
- Nigerian must stop the attitude of demanding money in exchange for vote from politicians who seek public offices
- Accountability measures should be put in place in order to hold people responsible for their actions or inaction.
- Civil societies and citizens should be at the fore of championing campaigns against corruption and corrupt leaders (public and private)

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