

## ECONOMIC ANALYSIS OF TERRORISM IN NIGERIA

Okonkwo N. Osmond Ph.D.

Alvan Ikoku Federal College of Education, Owerri.

---

**ABSTRACT:** *The different agitations and goals of the perpetrators of terrorism in Nigeria seem to define the root causes of terrorism in Nigeria. This study provides an in-depth economic analysis of terrorism in Nigeria, it linked terrorists costs-benefits matrices (as incentive to violence) to the root causes of terrorism such as; economic deprivation, socio-economic conditions, and population group with different identities. The effects of terrorism on Nigeria progress accounts for the dislocation and distortions of both industry and education in the affected parts of the country (this has also re-enforced terrorists activities). The study recommended among others that counter-terrorism measures must therefore take into account these root causes of terrorism in Nigeria with the view of making the price of terrorism and the opportunity costs of terrorism very high, so as to reduce the incentive to terrorists activities in Nigeria.*

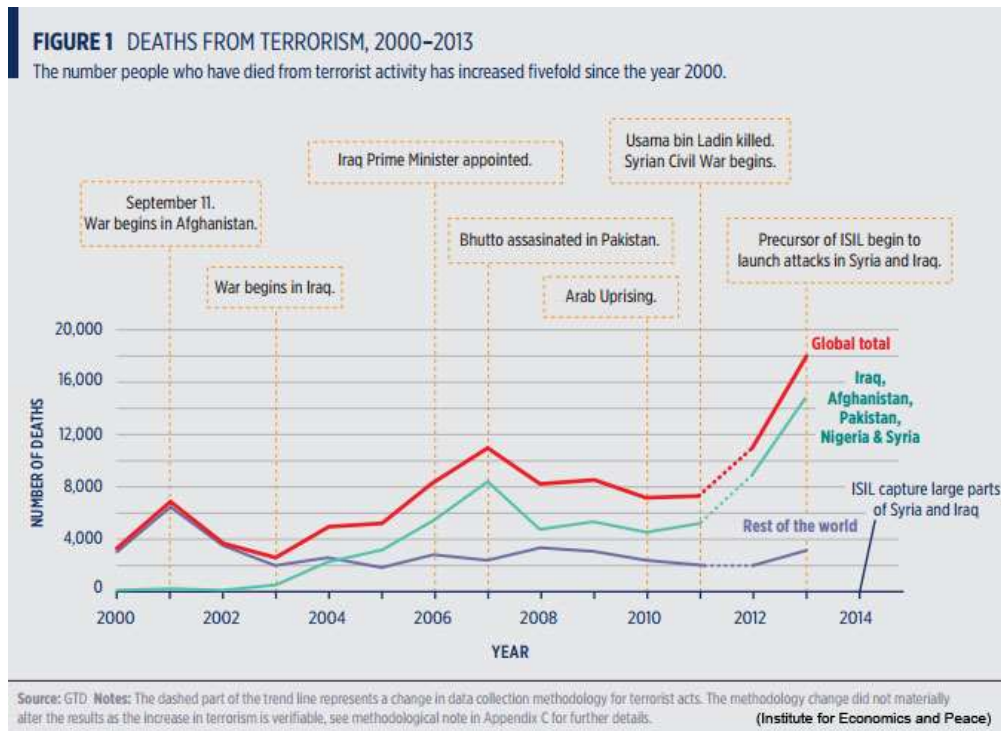
**KEYWORDS:** Economic Analysis, Terrorism, Nigeria

---

## INTRODUCTION

Terrorism is the use of violence, or threatened use of violence, in order to achieve either a political, ideological or religious goal. Terrorism is considered a major threat to society and therefore illegal. A broad spectrum of political organisation has practiced terrorism to further their objectives. The basic characteristic of terrorism is the exploitation of fear towards achieving the long-run goals, where the primary strategies of short-run goals of terrorism are economic and political destabilization, and media attention (Schelling 1991).

Nigeria has continued to experience the gory activities of terrorism which was first witnessed in Kaduna in January 17<sup>th</sup>, 1980 perpetuated by the then Zimbabwe patriotic front (ZPF). Since then terrorists' activities have appeared to become yearly affairs even though it has been on a scale where minimum number of human life was involved and less attention was given to it by the government until the Niger Delta youths took to arms to press for attention to their grievances. The Niger Delta militants' act of terrorism which lasted from 2002 to 2009 was mainly targeted at oil installations and kidnap of oil workers (both local and foreigners). The then concern of the government was its effect on the economy necessitated by the drastic cut in crude oil production which had dropped to 400,000 barrels per day from an average of 2 million barrels per day before the militancy in the Niger Delta (Ajanaku, 2015). However, terrorism in Nigeria assumed more deadly dimension since 27<sup>th</sup> July, 2009 when terrorism by Boko haram was first officially recorded in Maiduguri with 77 people killed and unconfirmed numbers of injuries and millions of properties (both private and government) were destroyed. The estimated numbers of deaths from terrorism in Nigeria have risen to 9,217 in 2014 (GTD, 2015).



The Boko haram terrorists had claimed responsibility of 75 percent of these deaths, the combined terrorism of all south- south militants Odua People Congress (O.P.C.), Biafra Zionists, and other terrorist organisations in Nigeria are credited with 8.1 percent deaths, while terrorism with no organisation accepting responsibility accounted for 8.8 percent during this period. In the same vein, the estimated number of deaths from terrorism worldwide rose from 3,229 in 2000 to 32,685 in 2014, according to the institute for economic and peace, 2015. 78 percent of these deaths resulting from terrorism in 2014 occurred in five countries to include Iraq, Nigeria, Pakistan, Syria, Afghanistan and more than half of the incidents claimed were attributed to Boko haram and the Islamic state (ISIS).

This study therefore seeks to review the economic costs of terrorism in Nigeria. What are the direct costs of terrorism in Nigeria in terms of; productive lives lost, infrastructure destroyed, educational activities disrupted with its attendant financial cost, security personnel lost and maimed, and work stoppages. There are also the indirect effects of terrorism in terms of; time and efficiency lost to increased security measures especially in certain public facilities, like airports, stadium, churches, mosques and schools, deadweight loss from the revenue needed to make pay-outs to victims of the attacks, settling them in camps, stock market devaluation due to changes in expected performance and risk.

**Table 1: Deaths from Terrorism in Nigeria 1980 - 2014**

Terrorists	Deaths	Injured	Total
Boko haram	6,912	2,682	9,594
Fulani	742	224	966
Unknown	807	680	1,487
Total	9,217	4,095	13,312

Source: GTD, 2014

## **Conceptual Framework**

Enders and Sandler (2002) defined terrorism as the premeditated use or threat to use of extra-normal violence or brutality by sub-national groups to obtain a political, religious, or ideological objective through intimidation of a huge audience, usually not directly involved with the policymaking that the terrorists seek to influence. This definition substantially defines the general outlook of terrorism across the globe, however, it does appear that it does not reflect the varieties of terrorism that have occurred in history, across countries particularly in Nigeria over time. Terrorism and terrorists display heterogeneous behaviour and so is its impact. Terrorism in Nigeria has taken small and large scale attacks; continuous and protracted incidences; localized and transnational terrorism. These different forms of terrorism are critical in analysing the economic impacts of terrorism, and also is the complexity of counter measures, depending on the nature of the terrorism. Incidence of terrorism such as the 1992 terrorism in Katsina by Shit Muslims, the 2000 terrorists attack in Lagos, perpetrated by Odua Peoples' Congress (OPC), and even 2004 terrorism on Kala-balge perpetrated by the Al-sunna wal Jamma are small scale, protracted and disparagingly localized. Terrorism by the south-south militants (under different groups) and the Fulani militants are in large scale, continuous and localized, while the Boko Haram terrorism are in large scale, contemporaneously continuous and both local and transnational (carrying out attacks on Nigeria, Cameroon, Niger and Chad territories).

## **Causes of terrorism**

Having defined terrorism as the deliberate use of violence and intimidation directed at a large audience in order to coerce its government into conceding politically or ideologically motivated demands implies that the root causes of terrorism can be political, economics, religious, ideological, cultural or the combination of these as shown in the course of history. In the light of any of these prevailing circumstances, what is the stimulus to taking to violence in demanding for change in status quo? Terrorists as rational actors, respond to incentives to terrorism based on its costs and benefits considerations. Terrorists seek to maximize their utility in every terrorist action given certain benefits, costs and constraints associated with these actions (Sandler and Enders, 2006). Terrorists get into strict consideration of the marginal costs and benefits of terrorism.

The utility maximizing level of terrorism is the level where marginal costs equal the marginal benefits of terrorism. The benefits from terrorism arise from attaining the short-run and strategic goals of terrorism, while the costs of terrorism are the use of resources and the opportunity costs of violent behaviour (Frey and Luechinger, 2004). The short-run goals of terrorism include (i) gaining publicity and media attention, (ii) destabilizing existing polity, and (iii) damaging national economies (Schelling 1991). Hence the strategies or long-run goals of terrorism impact the terrorist costs-benefits matrices and behaviour. The determinants formed in the terrorists' costs-benefits matrices may either raise the cost of terrorism or the opportunity costs of terrorism causing a decline in terrorists' activities. Alternatively the price of terrorism, and the opportunity cost of terrorism may be decreased, resulting in an increase in violent behaviour.

The terrorists' costs-benefits matrices could be picked up in the following root causes of terrorism.

**Economic deprivation:** Terrorism could be rooted in relative economic deprivation, which manifests itself in poverty, inequality and lack of economic opportunities. Violence could also result when there is a discrepancy between what individuals think they deserve and what they actually receive in the course of economic (distributive) process (Gurr, 1970).

**Table 2: Poverty Incidence North-east States Nigeria**

State	Very Poor	Poor	Moderate Poor	Fairly Rich	Rich
Adamawa	10.2	46.6	39.2	3.5	0.6
Bauchi	7.1	42.3	41.9	8.1	0.6
Borno	3.9	41.7	51.3	2.4	0.7
Gombe	7.5	42.6	46.3	2.9	0.8
Taraba	10.1	54.3	29.8	5.4	0.4
Yobe	11.0	35.4	49.7	3.3	0.5

Source: NBS, 2012

The table above clearly showed high level of poverty in the north east zone with more than 52 percent living in poverty only less than 5 percent classified rich. This could explain the easy recruit into the Boko Haram organization and the internal funding by sympathizers. Poor structural economic conditions create frustration, which in turn makes violence more likely. Thus in environments where (relative) economic deprivation prevails, terrorist group should find it easier (less costly to recruit frustrated members or to receive funding from supporters.

**Table 3: Distribution of Youth Employees in Northeast Zone**

State	No of Youth	% Total
Adamawa	22,846	1.65
Bauchi	71,514	5.15
Borno	8,840	0.64
Gombe	10,682	0.77
Taraba	21,390	1.54
Yobe	7,947	0.57

Source: NBS, 2012

Statistics from the above table reveals that only 1.72 of youths in this are under any form of employment. In other words, there are so much idle youths in this region who became easy recruits for the Boko haram terrorists group.

**Socio-economic conditions:** Terrorism could be fostered by the process of modernization which creates different types of strain, like economic changes, ideological changes (including religious ideologies) and new forms of living (shift from agricultural base rural societies to urban societies). These factors may create grievances associated with economic, demographic, social or strains (Robinson et al, 2006).

**Population group with different identities:** When groups exhibit different identities in terms of religion, ethnicity or both, this leads to conflict either along religious ideological line as the case of Boko Haram or along ethnic groups as the Fulani militants. The terrorists group easily muster support against antagonistic groups, especially when terrorist groups build on identity-related ideologies that stress the supremacy of their identity. Such view eliminates moral

constraints and strengthens organizations cohesion, thus making terrorism less costly and more effective (Bernholz, 2006).

### Effects of Terrorism in Nigeria

The effects of terrorism cut cross all spheres of human life; economic, political, social and environment. However, this paper shall discuss the effects of terrorism on economic activities in Nigeria. Terrorism has led to productive lives lost, about 9,217 death have been linked to terrorism in Nigeria as at 2014 (GTD, 2015). This has serious implication to industry (formal and informal sectors). The economies, particularly the economic units wherein the deceased carry out their trade are suddenly faced with the reality of the loss of the deceased crafts and productivity. The shock immediately reflects on output levels of these economic units.

Business units are in most cases forced to temporally close down due to the activities of terrorists where it persist for a while. The Niger delta militancy is case in point, where crude oil production was cut to less than half as compared to production before their activities. The situation was getting worse until truce was reached between the militants and federal government and amnesty was granted the militants. In the peak period of militancy the nation was losing billions of dollars to the activities of the terrorists. The situation in the northeast where Boko Haram holds sway is no different. Economic activities have been grounded to a halt. Most business concerns have either relocated or shut down or even destroyed by the terrorists.

Agricultural activities have been greatly jeopardized by the activities of terrorism in northern parts of Nigeria, especially the northeast zone. The combined terrorists' activities of Boko Haram and the Fulani herdsmen have severely impeded agricultural growth in that part of Nigeria that had remained the major source of food supply in the country. So many farm settlements in some parts of Adamawa, Yobe, Taraba, Plateau, Benue, and Kaduna states lay under total ruins and desolation resulting from the terrorists' activities of the Fulani militants, and survivors are forced to seek refuge elsewhere outside their locality. Estimated 2,152,000 internally displaced persons (IDPs) are said to be settling in various camps in thirteen northern states as shown in table 4 below. Borno state had the highest number of internally displaced persons totalling 1.4 million as at December 2015, with over one million others taking refuge in Cameroon, Niger Republic and Chad. The concomitant effect of this act is shortage of local agricultural produce, and subsequent hike in agricultural food prices. Consequently, survivors from Boko Haram and Fulani terrorists' attacks seek refuge in various IDP camps. As a result there is deadweight loss of revenue needed to make pay-outs to victims of the attacks and maintain the IDP camps.

**Table 4: IDPs Settlements by States**

States	Internally Displaced Persons(IDPs)
Abuja	13,481
Adamawa	136,010
Bauchi	70,078
Benue	85,393
Borno	1,434,149
Gombe	25,332
Kaduna	36,976
Kano	9,331



Nasarawa	37,553
Plateau	77,317
Taraba	50,227
Tobe	131,203
Zamfara	44,929

Source: IDMC, 2015

Infrastructure which is the totality of basic physical facilities upon which all other economic activities of the economy depends appeared to be the foremost target of terrorists. During the Niger Delta youths militancy, oil installation seem to be their primary targets, the Boko Haram have had the worst assault on infrastructure in the northeast, targeting schools, churches, houses, Hospitals, markets, motor parts, electricity installations, telecommunication installations and so on. The result is that there are considerable lost in time and efficiency providing security for these infrastructure.

Tourism: No doubt terrorists' activities have greatly jeopardized the economic fortune of states like Plateau, and Bauchi whose large chunk of internally generated revenue came from tourism. Also have all those who make a living from the industry directly or indirectly have had to face this financial quagmire occasioned by the act of terrorism.

The activities of the Boko Haram and the Fulani herdsmen have continued to bring about business and family dislocation from their base. Many businesses had been forced to relocate from the northeast, due to the terrorists' activities of Boko haram and Fulani militants, and lack of market. This situation has led to loss of jobs and income, and increased poverty incidence. The long run effect is that the already low revenue base of these states (in the north east) will be further depleted as corporate and personal taxes drop as a result of low economic activities, further exacerbating living conditions people. Also had there witnessed mass exodus of families who are forced to relocated to the southern part of the country for fear of the terrorist, thus bringing about distortions in socio-cultural equilibrium that once existed.

Education: education was severely devastated by the activities of terrorism especially by the insurgency in the north-east. The maiming and killing of students of Mamudo secondary school in Yobe, and the destruction of the school properties by Boko haram in July 6<sup>th</sup> 2013, the abduction of Chibok school girls in March 2015 have instill pathological fear on school children especially those of the northeast.

### **Theoretical Framework: Rational Behaviour Hypothesis**

Economic theory assumes that terrorists behave like rational economic agents. Terrorist commit terrorist actions as rational actors in order to obtain their tactical (short-run) and strategic goals, and in this way maximise utility. The implication of security measures will increase the cost of terrorism in term of the use of resources and the opportunity cost of violent behaviour (that is, the possibility to reach the strategies goals in non-violent ways), while a growing dissatisfaction among a group will decrease the opportunity cost of violent behaviour, thus increasing the use of violence. For instance, within this economic framework, even suicide bombers have been modelled as rational agents, suicide bomber value the choice of "life in paradise" and worship as martyr higher than their present life, and staying alive may not only mean foregoing paradise, but also losing group solidarity in real life (Wintrobe, 2006).

## DATA ANALYSIS TECHNIQUE

### Model Specification

The empirical model of this study is derived from the Keynesian aggregate demand framework. In order to estimate the impact of terrorism on the Nigeria economic growth the model to be estimated for this study is first specified in the following functional form as shown below:

$$\text{GDP} = f(\text{DEATHS}) \dots\dots\dots(1)$$

Where: GDP is Nigeria's Gross Domestic Product

DEATHS are the number of deaths resulting from terrorism in Nigeria.

To obtain an estimate linear function, Equation (1) was expressed in the implicit form as;

$$\text{GDP} = \alpha_0 + \alpha_1 \text{DEATHS} + \epsilon_t \dots\dots\dots (2)$$

The a priori expectations for the coefficients are;

$$\alpha_1 < 0$$

### Model Estimation Technique

The method of estimation used in this study is the Ordinary Least Square (OLS) estimation platform for the reason that OLS is the best linear unbiased estimator (BLUE). While the operational software used in this study is the E-views, version 7.1.

### Nature and Sources of Data

This study employed secondary data collected from the following sources; Central bank of Nigeria's statistical bulletin (2013 and 2014 editions); and Global Terrorism Database (2014).

### Data Analysis and Discussion of Findings

In order to avoid running a spurious regression, the time series property of the data set to be used in this study was tested using the Augmented Dickey-Fuller (ADF) statistic. The stationarity test as shown in table 5 revealed that all variables are stationary at levels, I(0).

**Table 5: Stationarity Test**

Unit Root Tests			
Sample: 1980 2014			
Test Type: ADF			
	Level	First	ORDER OF INT.
GDP	3.341315	0.783280	I(0)
DEATHS	7.481835	4.504366	I(0)
1% level	-3.653730	-3.661661	
5% level	-2.957110	-2.960411	
10% level	-2.617434	-2.619160	

Source: E-views result

The OLS result in table 6 revealed that terrorism (DEATHS) significantly impact negatively on economic growth in Nigeria as proxied by gross domestic product (GDP) at one percent critical value. Indicating that terrorism in Nigeria harms production. The coefficient of determination  $R^2$  was 0.593020; implying that terrorism (the explanatory variable) in the model explained about 59% of the total variations in economic growth (GDP) in Nigeria. Also, the F-statistic was significant at 1% which is indicative that the model is of good fit. The D.W value at 1.74 means that there is no autocorrelation in the model.

**Table 6: OLS Result**

Dependent Variable: GDP				
Method: Least Squares				
Sample (adjusted): 1983 2014				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.53153	0.482404	28.05018	0.0000
DEATHS	-0.557964	0.109714	-5.085629	0.0000
R-squared	0.593020	F-statistic		25.86362
Prob(F-statistic)	0.000038	Durbin-Watson stat		1.735176

Source: E-views result

## CONCLUSION

This study identified economic deprivation as the remote cause of terrorism in Nigeria. Also, the costs-benefits matrices of terrorism in Nigeria, especially, in the northern part of Nigeria provided very low price for terrorism, hence there are positive response to the incentive to terrorism in the northeast making recruits into terrorist organisations (Boko Haram and the like) a supervisor choice. Based on the findings of the study, the researchers concluded that there is a strong negative relationship terrorism and economic growth in Nigeria.

## RECOMMENDATIONS

Based on the conclusions of the study, the researchers recommended that:

- The government must as a matter of urgency, address the issue of economic deprivation (poverty) as a root cause of terrorism in Nigeria so as to raise the opportunity cost of terrorism and also the price of terrorism.
- Government must also create grazing fields with adequate infrastructure to ensure sustainability so as reduce if not eradication completely the Fulani herdsmen terrorists' rampage.



## REFERENCES

- Ajanaku A. (2015) "Amnesty: Too costly to politicize" The Guardian, 02 August.
- Bernholz, P. (2006). International political system, supreme values and terrorism. Public Choice 128: 221-231.
- CBN, (2012). Central Bank of Nigeria Statistical Bulletin
- Choi, Seung-Whan, (2015) "Economic growth and terrorism: domestic, international, and suicide," Oxford Economic Papers. DOI: 10.1093/oep/gpu036.
- Enders, Walter and Todd Sandler. 2002. "Patterns of transnational terrorism, 1970–99: alternative time series estimates." International Studies Quarterly 46:145–165.
- Enders, Walter and Todd Sandler. 2006. The Political Economy of Terrorism. Cambridge, U.K.: Cambridge.
- Frey, B.S. and S. Luechinger (2002). "Terrorism: Deterrence may backfire." University of Zurich.
- Frey, B.S. and S. Luechinger (2004). "Decentralization as a disincentive for terror" European Journal of Political Economy 20: 509-515.
- Frey, B.S. and S. Luechinger (2008). "Three strategies to deal with terrorism." Economic Papers 27(2): 107-114.
- Frey, B.S., S. Luechinger and A. Stutzer (2007). "Calculating tragedy: Assessing the costs of terrorism." Journal of Economic Surveys 21: 1-24.
- Frey, B.S., S. Luechinger and A. Stutzer (2009). "The life satisfaction approach to valuing Public goods: The case of terrorism." Public Choice 138: 317-345.
- Global Terrorism Database (2014), A publication of the Institute for Economics and Peace.
- Gurr, T. (1970). *Why men rebel*. Princeton University Press: Princeton.
- NBS, (2014) National Bureau of Statistics
- Robison, K.K., E.M. Crenshaw and J.C. Jenkins (2006). "Ideologies of violence: The social origins of islamist and leftist transnational terrorism". Social Forces 84(4): 2009-2026.
- Sandler, T. and W. Enders (2004). "An economic perspective on transnational terrorism." European Journal of Political Economy 20(2): 301-316.
- Sandler, T., D. Arce and W. Enders (2009). "Transnational terrorism." Global Crises, Global Solutions, S.B. Blomberg, Cambridge University Press: Cambridge (forthcoming).
- Schelling, T.C. (1991). "what purposes can international terrorism serve?" Cambridge University Press: Cambridge: 18-32.
- Wintrobe, R. (2006). "Rational extremism: the political economy of radicalism." New York, Cambridge University Press.