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**THE COST OF TERRORISM ON INWARD FOREIGN
DIRECT INVESTMENT IN NIGERIA**

ELIZABETH JOHNSON

A thesis submitted to the University of Huddersfield in partial fulfilment of the requirements
for the degree of Doctor of Philosophy

The University of Huddersfield

March 2019

CHAPTER 1: Copyright statement

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ABSTRACT

As the world continues to converge into a global village, cross border trade and investments have become increasingly essential for the economic growth of several countries. Foreign direct investment (FDI) has become pivotal to economic growth especially in developing countries. Due to its numerous benefits countries strive to ensure favourable environments for potential FDI while minimising the possible hindrances. One of such hindrances is terrorism which has been reported across several countries including Nigeria to have a negative effect on FDI. In Nigeria, despite the burgeoning studies in this discourse, three important gaps remain. Firstly, past empirical researches have either focused on terrorism as an aggregate variable or looked at just one form of terrorism, thereby making the actual relationship between terrorism and FDI unclear. Secondly, while the role of natural resources has been analysed as a determinant of FDI, the literature has not evaluated if it has any role on the terrorism/FDI relationship. Thirdly, the regionalised and sectorial effect of terrorism on FDI has not been explored. This thesis addressed these gaps.

Adopting a mixed method approach both quantitative and qualitative analyses were carried out. Quantitatively, this study employed an autoregressive distributed lag (ARDL) model to examine the long and short run relationship of variables between 1970 and 2017. A thematic analysis of fifteen (15) semi-structured interviews was subsequently used to analyse qualitative data. Both quantitative and qualitative analyses showed that total terrorism was negatively associated with inward FDI leading to loss of millions of dollars. The result of the quantitative analysis of secondary data confirmed that total terrorism in Nigeria has a negative relationship with inward FDI both in the short and long run however, this relationship is statistically significant only in the short run. In addition, terrorism by the Boko Haram and the Fulani Herdsmen were also found to have a non-statistically significant but negative relationship with FDI in the short and long run while Niger Delta Militants with the highest negative impact revealed a statistically significant relationship with inward FDI in short- and long-run Nigeria. Crude oil production was found to have a positive effect on the inflow of FDI into Nigeria and its presence has a moderating effect on the negative impact of terrorism on FDI in the short run.

Based on these results, the thesis contributes to the terrorism/FDI literature in Nigeria by assessing both the total and subsets of terrorism as they relate to inward FDI. It further reveals

the moderating role of crude oil production on the negative effect of terrorism on the inflow of FDI. The research also provides a methodological contribution using a mixed method approach. It is recommended that government invest more in counterterrorism measures to curb terrorism in the country and also seek foreign aid from international organisations. Furthermore, more development should be channelled to the Niger Delta region to improve the welfare of the host communities wherein the MNEs operate. Finally, more efforts should be paid to the diversification of the economy and the improvement of existing institutional frameworks within the Nigeria economy.

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DEDICATION

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LIST OF ABBREVIATIONS

AU- African Union
BITs- Bilateral Investment Treaties
BOP- Balance of Payment
CBN- Central Bank of Nigeria
COP- Crude Oil Production
CSR- Corporate Social Responsibilities
EFCC- Economic and Financial Crime Commission
FCT- Federal Capital Territory
FDI- Foreign Direct Investment
FPI- Foreign Portfolio Investment
GDPPC - Gross Domestic Product Per Capita
GTD- Global Terrorism Database
ICPC- Independent Corrupt Practices Commission
ICT- Information and Communication Technology
IEP- Institute for Economics and Peace
IMF- International Monetary Fund
ISIL- Islamic State of Iraq and the Levant
ISIS- Islamic State of Iraq and Syria
JV- Joint Ventures
LEEDS- Local Economic Empowerment and Development Strategies
MASSOB- Movement for the Actualization of the Sovereign State of Biafra
MEND- Movement for the Emancipation of the Niger Delta
MNE- Multinational Enterprises
NBS- National Bureau of Statistics
NEEDS- National Economic Empowerment and Development Strategy
NEPD- Nigerian Enterprises Promotion Decree
NIPC- Nigerian Investment Promotion Commission
NSE- Nigerian Stock Exchange
OAU- Organization for African Unity
OECD- Organization for Economic Cooperation and Development

OLI- Ownership Location Internationalisation
OPEC- Organization of the Petroleum Exporting Countries
RDWTI- RAND Database of Worldwide Terrorism Incidents
SAARC- South Asian Association for Regional Cooperation
SAP- Structural Adjustment Programme
SEEDS- State Economic Empowerment and Development Strategies
UN- United Nations
UNCTAD - United Nations Conference on Trade and Development
UNDESA- United Nations Department of Economic and Social Affairs
WDI - World Development Indicators
WMRC-GTI- World Market Research Centre's Global Terrorism Index

ACADEMIC PROFILE AND RESEARCH GRANT ARISING FROM THIS THESIS

Conferences

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CHAPTER 1: INTRODUCTION

1.1. Background Information

With the advent of globalization which has led to an improvement in transportation, communication infrastructures and a reduction in trade barriers amongst other benefits, the need for increased cross border trade is now more important than ever (Chaudhuri & Mukhopadhyay, 2014; Madura & Fox, 2011). Because of this, the concept of foreign direct investment (FDI) has become very prevalent in the world today. FDI can be defined as an investment by a multinational company in a country other than its own country (Denisia, 2010). It is said that this type of investment offers immense benefits not just to the source country but also to the host country. Some of these benefits include, increased gross domestic product (GDP), employment opportunities, improvement in human and managerial skills, transfer of technology and a general economic efficiency (Osinubi & Amaghionyeodiwe, 2009). Therefore, it is important that a country to analyse factors that may be responsible for attracting and deterring foreign direct investment into the country.

From the 21st century, the world has become a global village thus presenting multinational enterprises (MNEs) with ease of access to raw materials and other factors necessary for production. The investment decision of MNEs has for a long time been greatly influenced by economic and financial variables of the host countries which are key determining factors of inward FDI (Çiftçi & Yildiz, 2015; Elshamy, 2015; Jadhav, 2012). However, over the years focus seems to have shifted from economic determinants of FDI such as GDP, inflation, exchange rate and interest rate amongst others to institutional and policy determinants. According to Dunning (2004), institutional factors are taking the lead as major determinants of FDI especially with regards to developing economies. While economic variables still have a strong effect on determining the inflow of FDI, the relationship between FDI and institutional factors such as corruption, insecurity, rule of law, political instability and governance appear to be on the high side particularly in developing countries (Freckleton, Wright, & Craigwell, 2012; Melo & Quinn, 2015). This therefore, has warranted a need to go beyond understanding the economic determinants of FDI to analysing possible institutional determinants of FDI (Subasat & Bellos, 2013).

The Nigerian economy is characterised by a number of factors that make it stand out in the African continent. With several factors like the abundance of human and natural resources, favourable climate, cheap labour and a large market size, Nigeria, also known as the “Giant of Africa” possesses a high competitive advantage in comparison to other African nations (Osinubi & Amaghionyeodiwe, 2009). However, despite these advantages, the current insecurity issues in the country pose a huge threat to the inflow of FDI. It is well known that the security situation in Nigeria has been compromised. With the activities of the Boko Haram group in the Muslim dominated northern part of Nigeria as well as the activities of militants in the oil rich region of the Niger Delta, potential investors may be discouraged from making investment decisions about the country. According to Obi (2015), the terrorism issues in Nigeria have caused FDI to take a detour to other supposedly secure countries. Furthermore, as scholars continue to delve into this area of research, there is an ostensible consensus that insecurity and terrorism exhibit negative effects on the inflow of FDI into a country. However, scholars like Ikpe and Nteegah (2014) reported a positive relationship between insecurity and FDI in Nigeria which according to them was based on the analysis of insecurity as an aggregate variable rather than in its distinct forms. This variable which has been analysed under different captions such as insecurity (Ikpe & Nteegah, 2014), political risk (M. M. Khan & Akbar, 2013), conflict (Abadie & Gardeazabal, 2003), violence (Blomberg & Hess, 2006) and terrorism (Enders, Sachsida, & Sandler, 2006; Kinyanjui, 2014) has proven to be an important consideration by potential investors in their choice of FDI destination. For the purpose of this study, the term terrorism was used to represent all forms of political instability including, insecurity, conflict and violence. Therefore, this study was aimed at understanding the dominant forms of terrorism in Nigeria as well as their individual effect on inward FDI.

1.2. Literature Review

The concept of foreign direct investment has been in existence ever since the opening up of the world’s economy through globalization and liberalization. From then until now research has shown the numerous advantages that accrue to countries especially developing countries engaged in FDI activities. Some of these advantages include; increased GDP, reduction in the level of unemployment, improvement in human and managerial skills, technology spill over, improvement in the balance of payment (BOP) and overall country economic growth

(Omadjohwoefe, 2013). According to Kevin (2009, p. 235) “*the economic benefits of FDI are real, but they do not occur automatically. The extent of benefits varies according to the policies and environment of the host country*”. Therefore, it is important for a country to ensure an investment environment suitable for FDI activities to thrive. Several studies have elaborated upon a number of possible factors that could aid in attracting FDI into a nation. The results of the work of Blonigen and Piger (2014) revealed that host country and parent country’s GDP, cultural distance factors (common language and colonial links), labour endowments and regional trade agreements are the main drivers of FDI. Another study by Tocar (2018) showed market size, agglomeration, infrastructure, language, population, education, liquidity as positive drivers of FDI while corruption, political risks and corporate taxes are shown as having negative associations with FDI inflows. Despite the extension of these factors as possible determinants of FDI, Yu and Walsh (2010) state that there is no assurance that those factors that may attract FDI to developed economies would be the same factors that would attract FDI into developing economies. Developing and transition economies mostly have higher inflation, poorer institutions, political instability, corruption, unemployment and other poor development indicators when compared to developed economies. However, these economies still experience inflows of FDI pointing to a different balance or mix of factors responsible for attracting FDI.

For developing economies, the importance of FDI cannot be overemphasised. This is because amongst several benefits, FDI helps technology transfer into the host economy, reduces poverty level, increases employment and build up stronger international market links (Choudhury & Rao, 2018). It could further support the development of human capital, more competitive domestic market and increased revenue for the government through corporate tax revenues. On this basis, there is need for developing economies to attract FDI to enable them attain macroeconomic development and stability.

Evaluating the determinants of FDI in developing economies, Kumari and Sharma (2017) revealed that market size, trade openness, interest rate and human capital are significantly responsible for attracting FDI into these countries. According to their results, market size is the most statistically significant determinant of FDI inflow into developing economies. This may be because most developing economies have large population, which translates to a large market size and a key determinant for market seeking FDI. Similarly, Khachoo and Khan (2012) using panel data estimator in their analysis of FDI determinants found that the market

size, total reserves, infrastructure and labour costs are the key pull factors of FDI into developing economies. While these FDI pull factors abound, Bandyopadhyay, Sandler, and Younas (2011) emphasize that the presence of terrorism reduces the inflow of FDI into developing economies. Therefore, because FDI is an essential propeller of development, it is important that countries understand the impact of terrorist incidents on FDI and seek for ways of curbing terrorist activities and improving the favourable determinants of FDI.

1.2.1. Terrorism and Foreign Direct Investment (A Global Perspective)

As stated by Fakier and Ehmke (2014a), the concept of terrorism is a widespread and topical global issue plaguing the world economy. Therefore, there exists an abundance of literature on its effect on different sectors of the economy. The work of Enders and Sandler (1996) constitute the seminal study in the terrorism/FDI literature. Using time series analysis, they sought to discover the effect of terrorism on FDI in Spain and Greece. The results revealed that terrorist events reduced annual net FDI in Spain by 13.5% and in Greece by 11.9%. This result according to them did not just have a negative impact on FDI but also on the economic growth of both countries due to their reliance on FDI as a major source of national savings. More recently, Omay, Araz-Takay, Eruygur, and Kiliç (2013), examined the relationship between FDI and terrorist incidents in Turkey between the periods of 1991 and 2003. Their findings disclosed a large negative impact of terrorism on FDI. Furthermore, with the aid of an autoregressive distributive lag model, Ali, Waqas, and Asghar (2015), found that terrorism measured by sectarian violence displayed a significant negative effect on the FDI inflows in Pakistan from 1989-2014. Anwar and Afza (2014) also confirmed that political instability and terrorism have negative effects on Pakistan's FDI inflows. Other countries where studies revealed a significant negative effect of terrorism on FDI include Kenya (Kinyanjui, 2014), SAARC member nations namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka (Shah & Faiz, 2015), Central Europe and the Balkans (Brada, Kutan, & Yigit, 2006), United States (Enders et al., 2006) and developing countries (Abadie & Gardeazabal, 2008; Bandyopadhyay et al., 2011). However, (2006) in their analysis of twenty-three (23) Latin American countries between 1969 and 1988 discovered a minimal negative effect while Nikšić Radić (2018) in his analysis of fifty countries over the period 2000 to 2016 found no significant effect of terrorism on FDI.

It is apparent from the studies that terrorism reduces the inflow of FDI into a country, which could influence its economic growth and translate to a slowing down in the achievement of macroeconomic goals such as higher standards of living, increase in GDP, improved government budget, reduced inflation, increase in employment and income and consumption growth. Therefore, it is pertinent for countries to address terrorism issues in order to abate the negative effects on national economies.

1.2.2. Terrorism and Foreign Direct Investment (The Nigerian Experience)

Drawing from past literature, the Nigerian investment environment has been adversely affected by instances of kidnappings, armed robbery, religious violence and killings by terrorist groups such as the Niger Delta militants and the Boko Haram terrorist sect. With these prevailing circumstances in the country, FDI as well as other forms of investment activities stand a great chance of being repelled especially as no investor will want to operate in an unsafe environment where risks may outweigh benefits (Afen, 2012; Nkemdili, Bonaventure, & Kingsley, 2013; Ugochukwu, Okore, & Onoh, 2013).

The discourse on the effect of terrorism on FDI in Nigeria is relatively new hence; there exists minimal body of literature on this research area. However, there appears to be a great level of consensus amongst the existing research. Using time series annual data from 1986 to 2014, Edesiri, Michael, and Msugh (2016), disclosed a weak negative effect of insecurity on FDI. Similarly, Oriakhi and Osemwengie (2012) employing a multiple equation model, revealed a negative relationship between FDI and national security. Nwogwugwu, Emmanuel, and Egwuonwu (2012), in their analysis of the militancy and insecurity issues in the Niger Delta revealed that increase in the insurgency has led to a decline in the economic growth and development of the country due to a decrease in the inflow of FDI. Furthermore, Efe-Omojevwe and Sekar (2012), also revealed that the high rate of insecurity in Nigeria has driven FDI activities from the country and also incurred losses for existing foreign investors. Adegbami (2013) who stated that the insecurity debacle in the country has led to the closing down of existing business and caused potential MNEs to take a detour to other countries further buttressed this notion. Given the numerous benefits FDI offers to a country, especially developing countries, a decrease in inward FDI will negatively affect the health of the economy

since it relies a lot on foreign trade and investment to achieve key macroeconomic goals. Therefore, Ugochukwu et al. (2013) advised that government pay more attention to the insecurity and terrorism issues in the country so as to attract greater level of FDI and compete properly on a global scale. Furthermore, Otto and Ukpere (2014) recommend that efficient and effective policies should be set up in order to reduce insecurity challenges as well as other negative happenings in the country to facilitate inward FDI.

Contrary to the majority of existing literature, Ikpe and Nteegah (2014) disclosed an unexpected result where social insecurity stimulated the inflow of FDI. This positive effect according to them was due to the analysis of insecurity as a composite variable as opposed to analysing it in its segregate form. Hence, they proposed that a comprehensive study be done to determine the effect of the different forms of insecurity in Nigeria on FDI. Based on the above, this study built upon their recommendation with the aim of providing a coherent view on the distinct forms of terrorism in Nigeria and disclosing their effects of FDI.

1.3. Rationale of the Study

Insecurity, poor governance and terrorism are existing issues plaguing the global economy. According to Fakier and Ehmke (2014b, p. 115), terrorism “*is a global phenomenon with different faces around the world*”. Several scholars have disclosed that the presence of terrorist activities within a country can impede economic growth (Adegbami, 2013; Shahzad, Zakaria, Rehman, Ahmed, & Fida, 2016). Furthermore, scholars have revealed FDI as the principal source of outward resource flow especially to developing economies and also that a significant correlation exists between foreign direct investment and the economic growth (Imoughele & Ismaila, 2014; M. M. Khan & Akbar, 2013; Sakyi, Commodore, & Opoku, 2015). Therefore, given the possibility that FDI leads to economic growth if terrorist activities deter economic growth then it is pertinent to explore the relationship and possible effect of terrorism on FDI.

Within the Nigerian context, terrorist activities have become very prevalent in the country. The existence and atrocities of several terrorist perpetrating groups have not only threatened the peace of the nation but also its economic growth. Given the presence of natural endowments such as crude oil, many MNEs are drawn to engage in FDI activities within the country.

However, with the many attacks launched against foreign expatriates and MNEs, there seems to be a decline in the inflow of FDI (Ajayi, 2012; Ifeoma, Purity, & Anagbogu, 2015).

The severity of the nation's terrorism issues has led to a number of researches on the effects of these issues on the inflow of FDI into Nigeria. Scholars have either analysed terrorism in Nigeria as a composite variable or just looked at one particular form of terrorism (Afolabi & Bakar, 2016; Najaf & Najaf, 2016; Obi, 2015). However, they have failed to recognise the distinct peculiarities of the different forms of terrorism and their possible effects on FDI. This study was intended to bridge that gap by disaggregating the variations of terrorism in Nigeria in order to explore and gain an in-depth understanding of their effects on inward FDI.

The growing insurgency of the Boko Haram sect has also created an unsafe atmosphere within the country. In addition according to Ekundayo (2014), the undue reliance of Nigeria on crude oil has made it become a mono-economy. Being an oil exporting country, the bulk of FDI activities are concentrated in the petroleum sector. With the oil basin of the nation and the headquarters of the Niger Delta Militants group located in the South-South, the inflow of FDI may be negatively affected. These two groups according to government organizations such as, the US Department of State, Global Terrorism Database (GTD) and various country border agencies have been designated as the main terrorist groups in Nigeria that have the capacity of crippling the nation's economic growth. Hence, this study seeks to understand and explore the effects of activities of these two dominant groups on the inflow of FDI in Nigeria taking into consideration the role of natural resources with particular reference to crude oil.

1.4. Research Aims, Objectives and Questions

This study seeks to explore and analyse the cost of terrorism on the inflow of FDI in Nigeria. It also takes into consideration the role of natural resources in mitigating the effect of terrorism on the inflow of FDI into the country.

1.4.1. Research Objectives

In order to achieve this aim, the following key objectives are outlined:

- i. To examine the motivations of MNEs in engaging in FDI in Nigeria.

- ii. To understand the causes of terrorism in Nigeria and determine the relationship between terrorism and inward FDI in Nigeria.
- iii. To evaluate the relationship between disaggregated terrorism and inward FDI in Nigeria.
- iv. To analyse both the regionalised and sectorial effects of terrorism on FDI.
- v. To assess the role of natural resources in the relationship between overall terrorism and inward FDI.

1.4.2. Research Questions

Building on the research objectives, the following research questions direct the thesis towards achieving the research objectives:

- i. Why are MNEs motivated to engage in FDI in Nigeria?
- ii. What are the causes of terrorism in Nigeria and the relationship between total terrorism and inward FDI in Nigeria?
- iii. What are the relationships between disaggregated terrorism and inward FDI in Nigeria?
 - a. What is the relationship between Boko Haram terrorism and inward FDI in Nigeria?
 - b. What is the relationship between Niger Delta Militants terrorism and inward FDI in Nigeria?
 - c. What is the relationship between terrorism by other unknown groups and inward FDI in Nigeria?
- iv. How do the different geographical regions and economic sectors affect the impact of terrorism on inward FDI?
- v. What is the role of natural resources in the relationship between overall terrorism and inward FDI?

1.5. Significance of the Study

The discourse on the effect of terrorism on FDI globally and in the Nigerian context is very topical issue. The significance of this research cuts across both previous empirical studies and

the Nigerian economy. In terms of theory and the existing body of literature in the FDI field, this research introduces a new line of thought that assesses not just the impact of terrorism as a whole but also the impact of the different subsets of terrorism in Nigeria on FDI. While previous studies have analysed the relationship of overall terrorism on FDI, Nigeria is a very peculiar nation when it comes to terrorism because of the presence of multiple terrorist groups, which affect the economy and FDI differently. It is hoped that the outcome of this study will amount to several economic benefits that are significant to the growth of the Nigerian economy. An understanding of the impact of terrorism and disaggregated terrorism on FDI will help government to tackle terrorism issues and provide an enabling environment for FDI. This will lead to several benefits such as economic growth, technological transfer from home countries of MNEs to the host country Nigeria, creation of jobs, improvement in international trade through an increase in export. Furthermore, it will allow the country be more economically integrated on a global scale and engage with other economies towards the advancement of the national economy.

1.6. Methodology

The research adopted a mixed method approach based on the pragmatic philosophical position. It employed both quantitative and qualitative data collection techniques focused on addressing the research objectives of the thesis. Quantitatively, secondary data was accessed from a number of Nigerian official sources as well as international sources and was analysed using descriptive and inferential statistics. The research questions were designed to determine the intrinsic relationships between terrorism and inward FDI in Nigeria. In order to assess the relationships between the variables the research utilised an Autoregressive Distributed Lag Model (ARDL) model with the aid of the Statistical Package for the Social Sciences (SPSS) 24 to estimate the short and long run relationships using the Eviews software to emerge with results. The results of the quantitative phase were used in the design of qualitative data collection instrument. Using semi-structured interviews, the research obtained qualitative data from MNEs and government officials. MNEs were drawn from several sectors of the Nigerian economy and across the different geopolitical regions based on selection criteria. The data gathered were analysed following Braun and Clarke (2006) thematic analysis.

1.7. Outline of the Thesis

Chapter 1 – Introduction

This chapter served as foundational chapter guiding the rest of the thesis. It provided a brief background of the research area and the rationale for the study outlining the research aims, objectives and questions achieved by the thesis.

Chapter 2 –Literature review

Here the chapter provided an extensive discourse of the concepts of FDI and Terrorism. It provided the theoretical framework for this research. The main arguments within FDI/Terrorism field were critically analysed using past empirical studies. Furthermore, the trend of FDI and terrorism were presented and the relationship between both concepts analysed. Drawing upon the different research methods employed by previous studies, this chapter presented an analyses the findings of these studies and identified the research gap on which this thesis was built.

Chapter 3 – Foreign Direct Investment and Terrorism in Nigeria

As its primary objective, this chapter narrowed down the FDI/Terrorism discourse to the context of Nigeria. It elaborated upon the different faces of terrorism in Nigeria, their history and their possible causes. The chapter further evaluated the concept of FDI in Nigeria critically analysing the trend of FDI inflows, the determinants of FDI into the country and discussed some of the investment institutional frameworks in place in the country. The chapter concluded by assessing the relationship between terrorism and FDI in Nigeria to gain an understanding of the direction of the discourse over the years and build up on this by developing testable hypotheses.

Chapter 4 – Research Methodology

This chapter described the research methodology encompassing the research philosophy, research approach, and research methods. It elaborated and justified the mixed method approach with a description of the sequence in which both qualitative and quantitative research methods were undertaken. The chapter moved on to discuss the sample and sample selection process, data collection techniques, research reliability and validity, limitations and the ethical considerations observed for the research process.

Chapter 5 – Quantitative Data Presentation and Analysis

This chapter presented the results of the initial phase of data analysis in line with the formulated hypothesis of the research. It disclosed the systematic approach employed in the treatment and analysis of secondary data using the ARDL model.

Chapter 6 – Qualitative Data Analysis

This chapter described the findings of the semi-structured interviews undertaken to answer research questions. Using thematic analysis, the chapter explained the process of the generation of sub-themes and themes addressed specifically to provide insight into results obtained from the quantitative analysis of secondary data.

Chapter 7 – Discussion of Findings

The chapter integrated the findings of both research methods utilised in data analysis to the research questions of the thesis. It supported results of the thesis with empirical literature and provided arguments and justifications based on the findings and existing research theories.

Chapter 8 – Contribution, Recommendation and conclusion

This chapter served as the final chapter of the thesis. It firstly, offered the contributions of the research under four categories. Secondly, it extended practical implications and recommendations based on the findings of the research. Thirdly, it provided the limitations of the thesis and offered possible opportunities for future research. Finally, the concluding discourse of the thesis is presented summarising the key research findings obtained.

1.8. Summary

This chapter introduced this thesis elaborating on the research background, a brief literature review to emerge with the gaps on which this thesis focused on. Based on these gaps the chapter provided the rationale for the study on which a clear statement of the research aim was presented. It further detailed the research objectives and research questions of the study. In addition, the manner in which the research was to be carried out was explained in the methodology section. The significance of the study and an overview of the thesis structure were outlined in the subsequent sections. Finally, the chapter summary was presented.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter provides an extensive discourse on the concepts of foreign direct investment (FDI) and terrorism with the aim of gaining an in-depth understanding of both. To achieve this, the chapter presents some theoretical and empirical review of existing literature on both concepts and thereafter discusses the impact of terrorism on the inflow of foreign capital with a major emphasis on developing economies. There are various ways in which organizations possess assets in foreign countries; however, these ways do not necessarily translate to being direct investments. Over the years, several economic and financial standard setters such as the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD) and the World Bank have indicated the threshold for which an investment can be classified as a direct investment. Drawing from the OECD 1996 Benchmark Definition of FDI, the edition explained that the element of lasting interest must be present in the enterprise located in the host country for it to be regarded as FDI.

Furthermore, the IMF elucidated that the concept of lasting interest can be seen when “*an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise)*” (IMF, 1993, p. 86). This not only gives the direct investor the lasting interest in the enterprise but also a great level of control which according to UNCTAD (2013) is a major distinguishing factor between FDI and Foreign Portfolio Investment (FPI). Therefore, FDI as defined by the 2008 OECD Benchmark Definition “*reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor*” (p. 48).

FDI stands as one of the most popular forms of foreign market entry strategies (Chaudhuri & Mukhopadhyay, 2014) however, there is a range of contrasting views regarding this concept. While some scholars belong to the school of thought that the ripple effects of FDI are capable of leading to economic growth amongst other things and hence support it, other scholars view

FDI as the exploitation of host countries resources by Multinational Enterprises (MNEs) without fulfilling their corporate social responsibilities (CSR) towards the host country (Te Velde, 2006). Although this divergence may still be subject to critical review, the role of FDI to developing economies has widely been acclaimed as not just being important but also as instrumental to the advancement of such economies (Freckleton et al., 2012). Based on this, governments of economies especially developing and transition economies strive to maintain a favourable investment climate by making and implementing policies capable of curbing possible deterrents of FDI so as to become a choice location of foreign investment.

As the literature on FDI continues to grow, there has been an increase in research into the determinants of FDI (Elshamy, 2015; Jadhav, 2012; F. Yin, Ye, & Xu, 2014). Using different countries as case studies, results have revealed several variables responsible both for attracting and for discouraging FDI. A common variable across several studies responsible for hindering the inflow of FDI has been political instability however, for the purpose of this research terrorism is used. This chapter aims to understand the concepts of FDI and terrorism through a review of relevant literature.

To achieve this, it is structured as follows. Section 2.1 introduces the chapter and gives a clear description of the concepts under study. The next section expands on the concept of FDI highlighting the two schools of thoughts on the subject of the contribution of FDI to economic growth. Following on from this, the next section discusses the theoretical framework on which the research is underpinned. Section 2.4 examines the global trend of FDI over a forty-seven year period between 1970- 2017. Section 2.5 discourses on the gains of FDI to host economies offering a smooth glide into the next section, which discusses the impact of FDI on developing economies in recent years. Section 2.7 delves into past literature to understand the concept of terrorism as well as the swarm of definitions surrounding the concept. The next section moves forward to analyse the typologies of terrorism stating the scope within which the concept is analysed in the study. This leads to the evaluation of several causes of terrorism under three umbrella headings: economic, social and political. Section 2.10 gives a brief discourse of the global trend of terrorism between 1970- 2017 with a brief mention of countries that recorded highest levels of terrorist attacks as well as the terrorist groups responsible for such attacks. The next section discusses the economic cost of terrorism evaluating the financial impact and cost of terrorist activities over the periods of 2000-2016. The final section provides an empirical

review of the literature about the impact of terrorism on the inflow of FDI, drawing inferences from a number of countries. The chapter concludes with a brief summary of the different subject areas covered and provides a brief insight into the next chapter.

2.2. The Concept of Foreign Direct Investment

As the world continues to experience rapid improvements in technology, communication, and transportation infrastructures due to globalization, international markets are increasingly becoming more integrated thus making the world a global village (Madura & Fox, 2011). Based on this, the past decades have witnessed a rise in the flow of different forms of capital across national boundaries, which according to past research has led to an increase in GDP and higher trade and investment interrelationships among countries. FDI, in particular, has been noted to stand out amongst other forms of international capital movement and also as a key player in the globalization process (Razin & Sadka, 2012). According to the IMF, FDI can be described as a type of international investment where a resident of one country makes a lasting investment in an enterprise located in a foreign country. Whereas FPI, loans and other forms of international market entry strategies also involve international capital flows and investment, FDI emphasises the need for the direct investor to have a lasting control in the foreign investment of which several international and financial standard-setting bodies have stipulated as 10% or more of ordinary shares or voting power (IMF, 1993). This distinct element of lasting control allows for the actual amount of inward FDI to be identified and recorded in the balance of payment account of a country.

While this distinction of FDI from other forms of international capital flow may be attributed to several reasons, research points towards the many advantages FDI offers host economies as the major reason that sets it apart from other international market entry strategies (Alfaro, Chanda, Kalemli-Ozcan, & Sayek, 2004). However, not all scholars agree that FDI can be used as a tool for economic growth and development based on the advantages it offers to host countries. This lack of consensus has led to the emergence of two schools of thoughts namely the proponents of foreign investment advocates and the anti-foreign investment advocates. On the one hand, the proponents of foreign investment advocates represent the majority of the divide and posit that FDI offers a triadic advantage to host economies. This triad cuts across economic, social and environmental advantages that ultimately assist the host country in

achieving macroeconomic goals. Conversely, the Anti-foreign advocates view FDI activities as a threat to local production, the introduction of inferior technology and exploitation of host country's natural resources without adequate compensation of local residents, (Aveh & Krah, 2013). Despite these negative possibilities, the global trend of FDI over the past decades has been on a rapid increase until recently when the world experienced a number of adverse economic events culminating in the global financial crisis.

2.3. Theoretical Framework

In a bid to unraveling the concept of FDI, a major step towards this would involve the assimilation and understanding of the theories that underpin the concept. The past decades have witnessed an upsurge in the development of theories that can offer possible explanations for the motivations of FDI and international production. Lipsey (2001) postulates that the concept of FDI is made up of two distinct yet related ideologies which are underpinned by different theories and strands of economics. According to him, the first ideology can be considered as the international finance ideology, which views FDI at the country level or at a macro level. This ideology describes FDI in terms of the movement of capital from a home country to a host country, which is usually represented in the balance of payment statistics. The second ideology known as the industrial organization ideology views FDI at an industry or firm level and is also referred to as the micro view. This view attempts to offer explanations on the motivations for FDI from the perspective of the investor.

Based on the above, it may be pertinent to put forward that a single theory may not wholly explain satisfactorily the different ideologies encapsulated within the concept of FDI. The work of Nayak and Choudhury (2014) reveals that a number of theories have been developed in an attempt to explain FDI however, there is still no generally accepted theory that justifies the motives of the different forms of foreign investment activities carried out either at industry or country level in a host country. Furthermore, according to Denisia (2010), the birth of every theory gives rise to criticisms of the previous theories and the emergence of new ideas which then makes it difficult to arrive at a single theory of FDI. Despite the lack of a distinct and unanimously agreed upon theory of FDI, the Ownership, Location, and Internalization (OLI) Framework or the Eclectic Paradigm which was developed by John Dunning in 1976 has been acclaimed as a comprehensive and all-inclusive theory of FDI (Arnett & Madhavaram, 2012).

2.3.1. Ownership Location And Internalization (OLI) Framework

The OLI framework has been described by Read (2008) as a combination of the international finance and industrial organization ideologies encompassed within the concept of FDI. Over the years, several scholars have adopted the OLI framework as the theoretical underpinning in analysing both the motivations and determinants of FDI across the world at firm, industry and country levels (J. C. Anyanwu & Yameogo, 2015; Li, 2008). The OLI framework “*attempts to explain the existence, activities and strategies of multinational enterprises (MNEs) through the synthesis of macro- and micro-economic determinants of FDI flows*” (Read, 2008, p. 503). However, a common misconception of the OLI framework is in it being tagged as a theory rather than a framework. Its fundamental feature draws upon three tiers that have been pulled from three distinct theories to make up the framework. Based on this, the OLI framework is also seen as an eclectic paradigm that is capable of explaining the foreign investment activities of MNEs.

In his work, Dunning (2000) describes the OLI framework as a holistic, all-inclusive envelope of sub-paradigms that attempt to justify the FDI activities of MNEs. These sub-paradigms represent certain advantages firms ought to possess when deciding to engage in FDI. The first sub-paradigm, which has its roots in the Industrial Organisation theory, is the Ownership advantage. This strand of the framework postulates that for a fair and levelled playing ground to exist in the foreign domestic market, MNEs should possess monopolistic or firm-specific advantages that can easily be transferred to the foreign unit or subsidiary in order to compete maximally with the local firms in the host country. Bearing in mind the existing advantages held by domestic firms such as knowledge of the economic and political terrain, institutional and legal system, language, culture, consumer preference and the local market, the MNE must be able to bring to the foreign domestic market monopolistic advantages. These may include new products, brand names, marketing and managerial skills, proprietary technology, better and cheaper access to capital and economies of scale in order to equally have an edge over domestic firms (Nayak & Choudhury, 2014).

A major proponent of this advantage is Stephen Hymer (1976) who emphasises that a lead in technology stands as the most important advantage a MNE should have as this constitutes advanced knowledge and can give rise to other monopolistic advantages. Similarly, Parry

(1974) makes reference to Vernon's product life cycle theory (Vernon, 1966) stating that firms maximise their advanced technological expertise in their decision to engage in international operations. Based on his empirical studies, he further exemplified this notion revealing a link between technological expertise and the cluster of foreign companies in the Australian manufacturing industry. Conversely, Robock and Simmonds (1973) are of the opinion that only the competitive or ownership advantages of firms alone are not strong enough as justifications for them to engage in FDI. According to them, firms can still maximise profit using their monopolistic advantages through exporting or licensing. This therefore served as a springboard to the inclusion of the other sub-paradigms or strands of the OLI framework by Dunning.

The next strand of the eclectic paradigm talks about location advantages. These are advantages that are specific to a foreign market, which makes it attractive for foreign investment activities through a reduction in cost or an increase in profitability for the MNE. While the location theory dates back to 1826 where Von Thunen introduced the concept of the concentric rings in his book *The Isolated State*, several other location models have been developed by scholars over the years (Feinberg, 2009). The basic underpinning of the theory points towards how the multinational firm can maximise more profit by reducing certain costs associated with the domestic market. This has led to the emergence of a number of factors a firm wishing to engage in FDI may consider before locating its foreign investment in a host country. Empirical studies have disclosed cheaper labour, larger consumer market, financial incentives offered by host government, economic policy, cultural closeness, infrastructure, lower transport costs, cheaper raw materials, access to natural resources, technology, agglomeration economies and political stability as possible factors that may serve as a locational advantage in deciding the location of foreign production and investment (Nayak & Choudhury, 2014).

The third sub-paradigm gives a clear distinction between the forms of FDI in terms of either being a Greenfield or Brownfield FDI. The former represents a newly set up foreign subsidiary that is built from scratch in a host country while the latter describes FDI in the forms of joint ventures, mergers and acquisition of an already existing domestic firm. The crux of this third leg of the OLI framework advocates for the internalization of the ownership advantages of the MNE. Based on the Internalization theory of Buckley and Casson (1976), this sub-paradigm explains that MNEs engage in FDI in order to take advantage of market imperfections by

utilising their firm-specific or competitive advantages themselves. As aforementioned, these monopolistic advantages, which could be in the form of technology or knowledge expertise, should be integrated into the foreign subsidiary as a way of maintaining the competitive advantage of the firm. Similarly Coase (1937) discloses that this process of vertical integration allows for the firm to minimise both transaction and agency cost that would normally have been incurred by employing intermediate firms. Furthermore, the process of internalization also allows for the control of human capital that are responsible for research and development, which yield new information, and increases the competitiveness of the firm. Emphasis is therefore laid on the need for the satisfaction of all three preconditions before a firm can engage in FDI. In order to achieve this, all three strands of the OLI framework must be given equal weighting and be supportive of the other if the framework is to explain the FDI activities of MNEs. Despite being an “envelope for economic and business theories of MNE activity” (Dunning, 2000, p. 163), the eclectic paradigm just like other theories has received its share of criticisms.

A major criticism has centred on the practicability and the applicability of the framework. According to Narula (2010), OLI framework has become very complex owing to the several modifications of the framework to the increasingly changing global world. Though this may have broadened the knowledge of individuals in the international business field, these modifications have left the eclectic paradigm rather enigmatic diluting its workability because of the inclusion of several variables or sub-paradigms. However, Stoian and Filippaios (2008) prove from their empirical study on the international investments of Greek firms that the framework is not just workable but also context specific. Nevertheless, the inclusion of the motivations for FDI will augment the OLI advantages and enhance the applicability of the framework.

2.3.2. Motivations of Foreign Direct Investment

With the rapid advancement in technology and the integration of markets across the world, Dunning (2001) discloses the need for new motives of international production to enhance the existing advantages of the OLI framework. According to him, these motives will allow for better maximisation of the ownership advantages in the foreign market and enhance the

decision making process of foreign direct investors on where to locate international production. Research has identified four main motivations of MNE activity namely,

2.3.2.1. Market Seeking

Here FDI is undertaken to meet the demands of a particular host economy or get into to a certain region. As the name implies, this motive is demand driven and travels in the direction where opportunities abound to satisfy a particular need within the host economy while also maximising profit. According to Dunning (1993, 1994), the market seeking motive of MNEs are hinged on four essential reasons. Firstly, MNEs will engage in FDI in host countries that house their major suppliers as well as potential consumers. By so doing, MNEs are able to cut down on transportation costs and other associated costs and expenses incurred in the production of goods and services. Secondly, MNEs driven to engage in FDI may do so in order to stay abreast with the ever-changing consumer needs and preferences including business trends and legal requirements. Furthermore, operating from the host market economy avails the MNEs marketability opportunities needed to advance the demand-seeking motive as well as stay ahead of local competitors.

The third point talks about defensive and aggressive market seeking strategies MNEs adopt in engaging in international business. On the one hand, defensive strategies point towards strategies undertaken to maintain a presence in a host economy by setting up a new plant or subsidiary near to its local competitors. It could also involve getting into special arrangements with key suppliers in the target market thereby monopolising the products offered by the supplies and needed to feed the production process of the MNE. This way, MNEs do not only restrict if not rule out access of competitors to key suppliers but also secure and defend their market share through the creation of specialised products or product differentiation (Yannopoulos, 2011). On the other hand, aggressive strategies represent actions undertaken by MNEs such as exploring new markets that have not been tapped within the industry through foreign investments. While this new market offers little or no competition to the MNE, it also presents opportunities for increased demand as well as increased revenue and profit.

Finally, another reason why MNEs engage in market-seeking FDI is to avoid tariffs and excessive trade barriers associated with international trade. These “*protectionist barriers*” as

Cole and Davies (2011, p. 480) call it increase the cost of trade and place FDI as a better option for foreign market entry. Furthermore, they expound that MNEs adopt a reactionary strategic motivation than an anticipatory one in response to host country governments' tactics of encouraging FDI through increasing trade barriers. Therefore, whether Greenfield or through firm acquisition, FDI offers the market seeking MNE a more profitable opportunity of foreign market entry than international trade (Dunning, 1993).

2.3.2.2.Resource Seeking

Unlike the market seeking FDI, this motive is supply oriented and is carried out with the intention of gaining access to locational advantages of the host country for the purpose of cost reduction and/or profit maximisation. In his work, Dunning (1993) classifies the resource-seeking motive of FDI into three types comprising, physical resource seeking which also can be called natural resource or raw material seeking, low-priced labour seeking usually unskilled labour and organisational skills (technological, managerial or marketing proficiency) seeking. According to Kudina and Jakubiak (2012), natural resources such as, minerals, raw materials and agricultural products have over the years stood as one of the most significant determinants of FDI. However, the presence of just natural resources does not always guarantee FDI as these resources can be exported from host economies to the world. Direct investments in host economies occur when resource rich economies lack large amount of capital or the technical competence usually associated with and required for resource extraction businesses.

While businesses in the extractive industry constitute the majority of natural resource seeking investments in host countries particularly in developing economies, MNEs in the manufacturing and service sectors mainly engage in FDI due to labour seeking motives (Dunning & Lundan, 2008). These MNEs undertake investments in host economies with relatively low labour cost whether through setting up a subsidiary or acquisition to aid in the production of either intermediate or finished products to offset the high real labour costs present in the investing country. Owing to the numerous benefits associated with FDI, host countries have thus set up free trade or export processing zones as an incentive to attract inward FDI.

The idea of the labour seeking motive by Dunning (1993, 2000) centred on unskilled labour and on the quest of MNEs for cheap labour. Over the years, this ideology has received a number

of analysis and has led to the expansion of the motive to include skilled labour. According to Franco, Rentocchini, and Vittucci Marzetti (2008) though investments targeted towards obtaining human capital are typically classed as asset or capability seeking, the skills of workers can to a certain degree constitute the terms on which FDI contracts are entered into. Furthermore, they disclose that in as much as skilled-labour seeking FDI can enhance the degree of productivity spill over, they also can promote MNEs international outsourcing and trade strategy.

2.3.2.3. Efficiency Seeking

This type of FDI usually results from any of the previously mentioned motives and it aims to promote overall productivity between foreign and domestic operations. Otherwise called rationalised FDI, this motive draws upon the common control of physically dispersed activities of the established investment whether resource or market seeking. The intention is to maximise the benefits associated with situating production in a number of locations such as the different factor endowments, market structures, cultures, economic systems and policies, legal and institutional frameworks in order to serve multiple markets (Dunning, 1993). As earlier stated, the efficiency-seeking motive is both associated with the resource and market seeking motives. Nevertheless, the latter takes deeper roots in influencing the efficiency seeking motives of the MNE. This is based on the interaction between economies of scale and scope resulting from freer trade policies and the international division of labour resulting for example from, lower production cost due to cheaper location-specific business inputs in developing economies or capital and ICT in developed economies (Eiteman, Stonehill, & Moffett, 2016).

The resource efficiency-seeking motive has led to an increase in the inflow of FDI from highly industrialised economies to emerging economies, mainly as a result of low-wage labour (Dunning, 2000). To enable efficiency seeking FDI therefore, international markets must both be highly established and accessible as this motive thrives more in regionally integrated markets and must be able to support trade liberalization policies.

2.3.2.4. Strategic Asset/Capabilities Seeking

The final motive for a firm's decision to engage in FDI sets out to increase and improve the monopolistic advantages of a firm in order to gain more competitive advantage among fellow players in the industry. The aim is to guard and/or acquire strategic assets that are not directly exchangeable by way of trade or business dealings. Here, the possibility of the exploitation of these assets depends on an inside out investment strategy. That is to say, such assets can only be maximised "*inside the country or in the "local" context where they are created*" (Franco et al., 2008, p. 16). Therefore, when firms are resolute about accessing such assets, they engage in direct investment in the host country.

This motive is mainly associated with firms that have deep-seated strategic plans geared towards maintaining and/or improving ownership advantages or competitiveness on the global front. Such strategies could include accessing new technologies, business approaches and acquiring brand names. According to Pradhan (2010), most asset-seeking FDI either come in the form of Joint Ventures (JV) or Merger and Acquisitions (M&As) agreements. These forms of FDI have constituted over the years the mainstream strategies of MNEs in accessing technological and managerial skills as well as marketing assets. Furthermore, these forms of FDI allow firms to protect and dominate monopolistic assets such as a specific production from competitors.

It is pertinent to mention however that a number of MNEs that engage in FDI do so for "*pluralistic objectives*" and most of them engage in FDI that cuts across each of the afore-discussed motives. Similarly, it is also important to note that the motives of foreign market entry may change depending on the growth and stage of the MNE from a new foreign investor to an established and experienced foreign investor (Dunning, 1993, 2000; Dunning & Lundan, 2008). With the inclusion of these motives in the OLI framework, Narula (2010) discloses that the framework becomes more feasible and applicable to the FDI decisions of MNEs.

2.4. Global Trend of Foreign Direct Investment

The amount of Inward FDI is described and calculated in terms of FDI flows from the foreign investor into a host country. This allows FDI trends to be monitored both on a national and

global scale. As aforementioned, the reduction in trade barriers and the improvement in transportation and communication infrastructures have allowed for a surge in both international trade and investment across the world. According to Agrawal and Khan (2011), the 1970's was characterised by more countries engaging in international trade than in FDI, making it the most dominant and most important economic activity at the time. However, this dominance was short-lived as the following decade saw an upsurge in global FDI where firms enjoyed several incentives of imperfect markets thereby allowing MNEs access to cheaper raw materials and a wider market share amongst other things (J. C. Anyanwu & Yameogo, 2015). Global FDI flows have substantially increased since the commencing of FDI activities by MNEs in the early 1970's. Over the years, FDI flows witnessed a steady increase up until 1976 when it fell by 20.3% from \$23billion to \$18billion (see Figure 2.1). The next few years into the new decade recorded a gradual increase across the world with FDI flows reaching over \$66billion in 1981. However, with the advent of the 1980 recession which was characterised by the debt crisis, a decline in production output, increase of unemployment, higher inflation and interest rates, global FDI flows experienced an initial 2.64% decrease followed by a 30.58% slump in the developed economies in 1981 and 1982 respectively (Ho, 1981; Kyer & Maggs, 2016). In the same vein, the developing economies which were relatively new recipients of FDI also suffered a reduction in FDI flows from 1983-1985 (Figure 2.2).

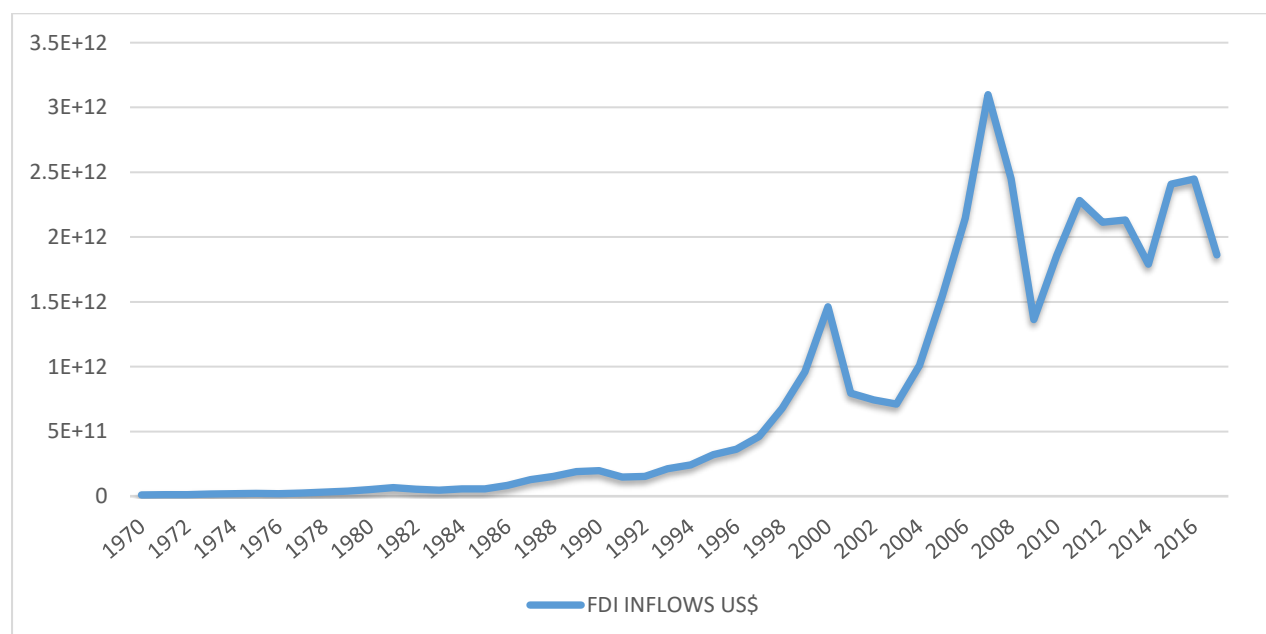


Figure 2.1 Trend in Global FDI, 1970–2017, billions of USD

Source: *World Development Indicators; World Databank.*

This period of recession gave birth to a short period of recovery when, FDI flows saw a slight increase from 1986-1990 as economies of the world set out to recoup their trade and investment deals. In 1991, global FDI experienced a 25.12% decline from \$196billion to \$147billion owing to the 32.74% decrease in the FDI flows of developed economies at the time. This decrease may have been due to the early 1990's recession that involved the crash of the stock market leading to financial crisis in several developed economies such as Hong Kong, Europe, America, India, Sweden, Finland, Australia and New Zealand (Galbraith, 1994). Following this downturn, global FDI flows continuously improved for nine consecutive years leading up to \$1.4trillion in 2000. However, due to several economic and political events that surrounded the early decade FDI flows in both developed and developing economies saw a sharp decline from 2001-2003. These years which witnessed events like the bursting of the dot com bubble, the 9/11 terrorist attack and the Enron case regarding corporate fraud, all led to issues of financial uncertainty and ultimately a slump in the flow of FDI across the world (Sauvant, Maschek, & McAllister, 2010).

Peaking at \$3trillion in 2007, global FDI flow reached its highest since 1970 but was cut short by a series of financial crisis, which spanned through 2007-2015 leading to instability in the flow of global FDI. Figures (2.1; 2.2) reveal a drastic drop in the flow of FDI, which could have been due to economic crisis such as the US subprime mortgage crisis that led to the collapse of Wall Street and climaxed at the global recession. In addition, other financial crises experienced by various FDI front liners could have contributed. For example, the 2015 Chinese stock market crash and the Russian economic crises, which commenced in 2014 up to 2017, which is evidenced by the continuous decline in total FDI inflows as at 2017. These ripple effects on FDI flows because of financial, economic and political crises happening across the world reemphasise the current nature of the world as a global village where international markets are increasingly becoming more integrated in the 21st century.

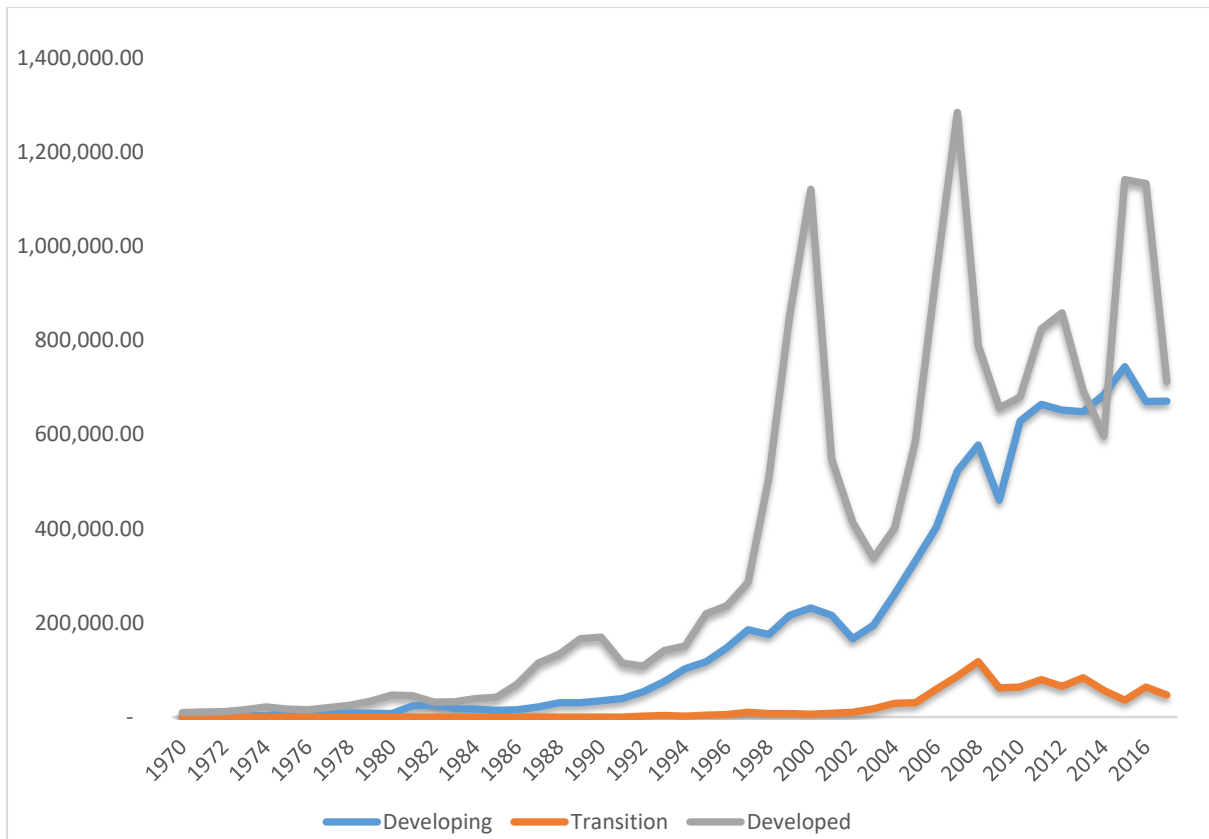


Figure 2.2 Global FDI by group of economies, 1970–2017, millions of USD

Source: UNCTAD

2.5. Gains of Foreign Direct Investment to Host Countries

The analysis of the effect of inward FDI to host countries dates back to the 1950's when Dunning (1958) in his seminal work set out to ascertain the effects of American investment in the British manufacturing industry and economy. Since then until date, there has been a bulk of studies regarding the effects of inward FDI on a host country. Seeing that this is no longer a novel area of study as several positions have been put forward both by governments and the research community, this study considers it of utmost importance to analyse the effects of inward FDI to host countries. This is because the world is not only ever changing but also characterised by several factors that may influence previous positions about the effect of FDI on host economies. Similarly, according to Markusen and Venables (1999), the constant presence of market distortions will always present room for there to either be gains or losses of FDI to a host economy. Furthermore, the constant changes in the national investment

decisions of several countries further emphasise the need for an analysis of the effect of FDI on host economies. Based on the 2016 world investment report of UNCTAD, 46 countries introduced changes in their investments policies, where 96 regulatory changes were made. While 71 policies favoured the liberalization of economies and the promotion of investment, 13 policies concerned the restriction/regulation of investment and 12 policies were undetermined due to the uncertainty of the possible effect of such policies on investment (UNCTAD, 2016). Judging from the number of policies in favour of liberalization of world economies and promotion of FDI, it may be assumed that there is a relative consensus by several countries regarding the gains of FDI to host economies.

Drawing from the pool of FDI literature, scholars have discovered several effects FDI has on a host country. In his study, Oloyede and Obamuyi (2000) state that FDI offers a threefold benefit to host countries; this comprises economic, social and environmental benefits. As the world evolved Dunning (1994) saw the need to re-evaluate the benefits of FDI to a host country. According to him, MNEs offer several capabilities such as technology spillovers, management skills, dynamic competitive practices, enhanced productivity of domestic firms, improvement in the balance of payment, and increase in the host country's GDP. Despite these positive spill overs, Görg and Greenaway (2004) suggested that MNCs are careful not to allow the spill over of firm specific or monopolistic advantages. However, the extent to which this can be managed by the foreign firm is limited due to other externalities characterized by the foreign domestic market. Therefore, technology for example may be difficult to manage if it constitutes a firm specific asset. In this case, local firms may still be able to take advantage of several spill over channels such as through imitation or skill acquisition in order to benefit from the foreign firm's technology (Lipsey, 2004). Similarly, if a foreign company holds access to export market as a monopolistic advantage, domestic firms as well as competitors can easily observe the dynamic competitive practices of the MNC and engage in exporting to enhance their productivity. This again may lead to the loss of the MNCs ownership advantage. Therefore, while this serves as a positive contribution to local firms, the reverse is the case for the foreign firm.

While majority of the benefits enumerated by Dunning (1994) may be classified under the economic category of the threefold benefit of FDI to host economies, other gains of FDI exist such as reduction in the unemployment rate, increase in income/standard of living and a reduction in poverty amongst others. Again, Te Velde (2006) discloses that these spill overs

can be positive or negative. Taking a reduction in unemployment and an increase in income as examples, the establishment of a foreign firm in a host country will avail the citizens of job opportunities with a relatively higher wage especially for skilled labour than those offered in domestic firms. This not only directly provides employment but also contributes to the economic growth of the host country. However, while this may be a positive effect of FDI, the higher income paid to workers in the foreign firm may lead to a widened gap among the social classes, which could result in political and cultural uncertainties. Furthermore, employment opportunities as well as the wage inequality, may potentially lead to an increase in factor prices or force a decrease in other existing domestic employment as workers will then be attracted to a higher pay (UNCTAD, 1999, 2013, 2016).

Despite the possible double sided effects of FDI, host countries still strive to maintain a healthy economic and political environment where FDI can thrive whilst also putting in place investment policies to curb exploitation opportunities of MNEs and other possible undesirable outcomes.

2.6. Impact of Foreign Direct Investment on Developing Economies

The concept of foreign direct investment has widely been elaborated both by mainstream economists and by global economic organisations as crucial in the growth of developing economies. Central to this notion rests on the horde of potential benefits the concept brings, which causes host economies to compete in creating favourable environments to attract FDI. Results of past theoretical and empirical studies have revealed that foreign investments offer developing economies both direct and indirect advantages that culminate to the economic growth of the country (Bairagi, 2017; Siddiqui, 2015). These include; an increase in the availability of capital, technology transfer, stronger managerial and organizational skills, increased access to foreign markets, and export diversification. The actualisation of these benefits can thus lead to the realisation of the developing country's macroeconomic goals such as improved productivity, better standard of living, reduction of unemployment and an increased investment in research and development amongst others. However, these benefits of FDI are not cast-iron; neither do all kinds of FDI yield similar positive impact. Therefore, host governments must come up with and implement policies that are capable of maximising potential advantages from the distinct types of inward FDI (Kusek & Silva, 2017).

Although past literature has established the existence of a relationship between FDI and economic growth, this relationship is rather ambiguous especially regarding developing economies. With the findings of the majority of the divide revealing a positive relationship between FDI and economic growth (usually measured in terms of the country's productivity; GDP), FDI represents a major route towards more efficient investment activities in the developing economy by complementing domestic investments and remaining an essential supplement for capital and investment deficiencies (Silajdzic & Mehic, 2015). Furthermore, with most developing economies characterised by mounting debt crisis alongside unstable economic and political climates, there has arisen a major quest to attract as much foreign investments as possible. This has particularly been due to the cessation of bank loans and financial aid erstwhile received by countries from international financial organisations. Similarly, developing and transitioning countries striving for global economic integration can through international capital inflow especially FDI attain this and overcome adverse economic exposures (Susic, Stojanovic-Trivanovic, & Susic, 2017).

Another impact of FDI to developing economies centres on the issue of technological transfer. Through FDI, the technological competence and expertise of developed countries are transferred from home countries to host developing countries thereby promoting linkages with local firms. According to Elkomy, Ingham, and Read (2016), technology spillovers and efficiency gains are not just critically important but reflect an essential area where MNEs as well as foreign investment activities spur economic growth in developing countries. Likewise, Siddiqui (2015) opines that the technological and organisational spillovers accrued to host economies through FDI could raise productivity and competitiveness. However, beyond that, J. C. Anyanwu and Yameogo (2015) disclose that FDI can propel the diversification of the economy. Seeing that most developing economies especially in Africa are resource rich countries, the introduction of technology and organisational expertise will enable these economies move beyond their reliance on factor endowments and natural resources to developing long-term investment initiatives.

Though the majority of previous literature emphasise on the positive spillover effects of FDI on developing economies, there exists some critics of the positive impact foreign capital and

investment have on host economies. In their panel analysis of financial development and FDI-growth nexus, Nor, Ripain, and Ahmad (2015) reveal that FDI negatively influences the economic growth of emerging economies however not completely. According to them, the absorptive capacity of the beneficiary countries with reference to the financial sector determines the growth effect experienced by such countries. The openness of the financial sector including the ability of financial institutions to freely operate, serves as a prerequisite for the realisation of the growth gains of FDI. Therefore, as much as developing countries want to attract inward FDI, the desired growth effect as well as other benefits may not fully be realised without a solid financial policy framework geared towards encouraging financial independence and freedom of banks and other financial institutions. Similarly, the impact of FDI on developing economies in terms of positive spillovers is largely hinged on the level of economic and institutional development as well as the quality of policy making present in the economy. That is to say that several conditions such as skilled labour, effective governance, developed and stable political system and security, amongst others, play a great role in determining whether developing economies enjoy FDI growth-effects benefits and whether these benefits are spread across the wider population (Elkomy et al., 2016).

Having mentioned security as one of the preconditions necessary for ensuring host country economic growth, the next section sets out to expound on the concept of terrorism. The World Bank Group in their research by Kusek and Silva (2017) finds that among the total survey respondents, 76% encounter political risks in their investment projects. While this discloses the urgency in which measures need to be taken by host country governments to curb these risks, the next section provides theoretical and empirical arguments from which policy recommendations can be extended.

2.7. Understanding the Concept of Terrorism

Right from early 1970s, the global world has continued to witness a shift in terrorism owing to the peculiar nature of the concept. As the world continues to evolve due to recurring economic and social events, terrorist organisations have also found ways of adapting their activities to this ever-changing world. As a result of this, Locatelli (2014) has likened the concept of terrorism to attributes of a chameleon due to the different forms in which this phenomenon has manifested itself over the years. This has not just led to the definition of the concept being very

challenging but also to highly diverse methods in the practice of terrorism by perpetrators. Based on the works of scholars, the complexity of the concept has made it very difficult to emerge with a singular definition that clearly explains what terrorism is without including factors beyond the scope of the concept or excluding factors associated with the concept (Schinkel, 2009).

In defining the concept of terrorism, Locatelli (2014) points out three problems that make this procedure challenging. The first reason centres on the issue of perception. Being a very sensitive discourse, there exists a broad range of perceptions held by several social groups such as the government, mass media, scholars and the public. Terrorist activities as well as the concept of terrorism are thus defined by these social groups to suit their opinions and beliefs leading to a concept culled from individualistic biases. According to Schmid and Jongman (2005) these perceptions which they tag “*Perception Bias*” constitute an empirical problem and compound the emergence of a single definition of the concept. The second problem focuses on what can be referred to as “*Recency and Myopia*”. This problem captures the notion that the research community as well as government agencies base the definitions of terrorism on the most recent and severe terrorist activities rather than on pure scientific facts. This has resulted in the fundamental framework of terrorism being built upon features of current or immediate past terrorist occurrences.

Bird, Blomberg, and Hess (2008) describe this problem as individual short-sightedness or short term effects that only persist for a short period of time and hence does not suffice as an underlying argument for the concept of terrorism. Finally, the third problem represents the normative approach adopted by social groups. Here, social groups have associated issues of terrorism with issues of governance, democracy or national interest. This makes a clear definition of the concept difficult as terrorism is then based on the value judgements of others which are mostly politically inclined rather than on scientific facts. Drawing from these three problems, it may therefore make logical sense to highlight what terrorism is not in order to understand what terrorism is so as to emerge with a working definition of the concept for this study. Figure 2.3 below summarises factors that are confused to be terrorism as opposed to being features of terrorism.

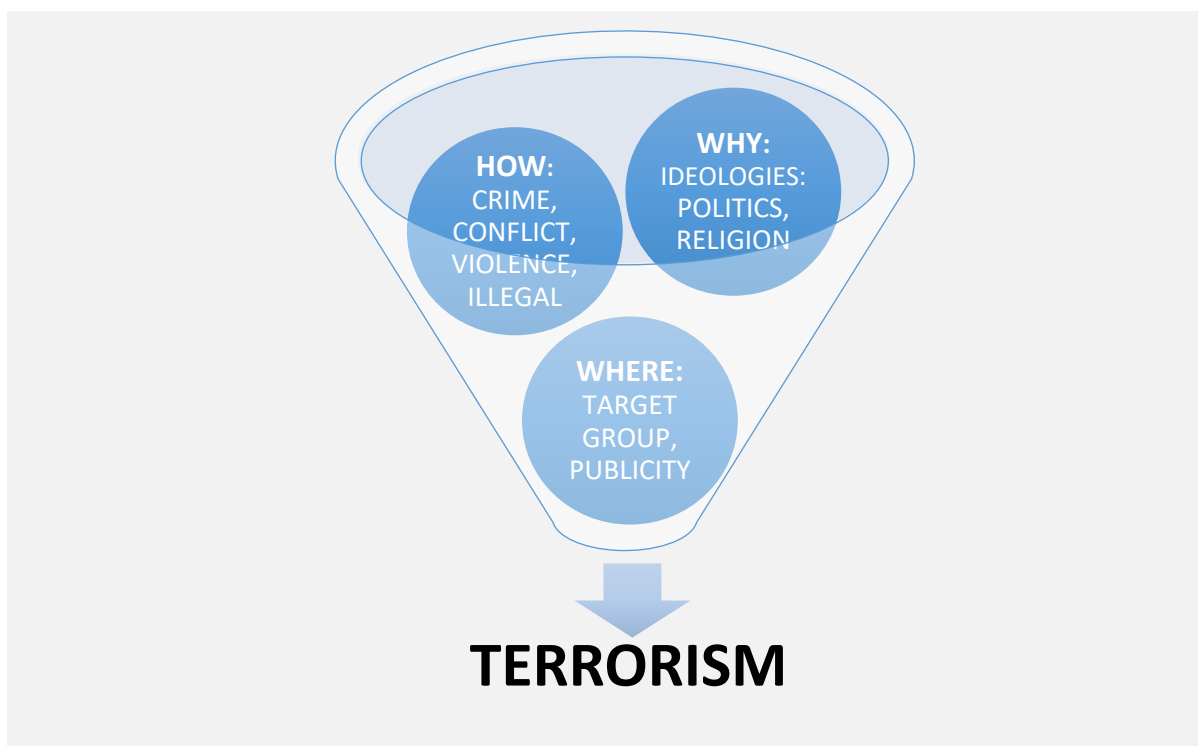


Figure 2.3 Features of Terrorism

Source: Author

From Figure 2.3, we can clearly see that there are a number of factors that constitute the concept of terrorism. These factors do not individually translate to terrorist activities but may to a great extent collectively represent what terrorism is. The Figure illustrates therefore that terrorism is an illegal and destructive process carried out through the use of crime, conflict and violence based on underlying ideologies of the perpetrating group for example; a political or religious attack carried out against a target group of people to gain publicity and attract the attention of government and media houses (Bird et al., 2008; Crenshaw, 2000). In the same vein, Fletcher (2006, p. 894) outlines eight primary factors that constitute terrorism, namely; violence, intention, target victims, the connection of the offender to the state, underlying motive, the organizational structure of the terrorist group, how the attack is staged and the absence of guilt. Based on these factors, it is clear that emerging with an all-encapsulating definition for the concept of terrorism may be very problematic. While Jenkins (2001) details that this process is an enduring task, several government organizations have however attempted to put forward definitions that can assist in the identification of terrorism and terrorist activities.

2.7.1. Definitions of Terrorism

This section reviews some definitions that have been set forth by international organisations, selected countries and scholars to gain an in-depth understanding of the concept and steer the course towards the emergence of a distinct and workable definition for this study. Being that Nigeria is a member state of both the United Nations and the African Union, this study finds it appropriate to consider the definitions of terrorism presented by these international organisations. In the same vein, the study analyses the definition of terrorism as stipulated by the United Kingdom and the United States of America, as these are the countries from which the most capital is imported into Nigeria. Particularly with the U.K., the Nigerian legal system is greatly influenced by the English legal system owing to the historical tie of both countries as such some of the laws that held in the then colonial Nigeria are still very much active in the country (Nwogugu, 2014; Obilade, 1979). Finally, the academic definitions that are included in this section have been chosen based on the number of citations they have received over time. This section has also included the definition of terrorism as explained by the Global Terrorism Database of the National Consortium for the Study of Terrorism and Responses to Terrorism (START); a research and education centre made up of an array of international scholars based in the University of Maryland, USA.

DEFINITIONS BY INTERNATIONAL ORGANISATIONS

1. United Nations (UN) Security Council Resolution 1566 (2004)

Without defining the concept, the UN Security Council “*recalled that criminal acts, including those against civilians, committed with the intent to cause death or serious bodily injury, or taking of hostages, with the purpose to provoke a state of terror, or compel a government or international organization to do or to abstain from doing any act which contravened terrorism-related conventions and protocols, were not justifiable for any reason -- whether of a political, philosophical ideological, racial, ethnic or religious nature*” (“United Nations Security Council,” 1566; 2004).

2. African Union (Formally Organization For African Unity [OAU])

Despite no clear definition of the concept of terrorism, the union defines terrorist acts as

“(a) any act which is a violation of the criminal laws of a State Party and which may endanger the life, physical integrity or freedom of, or cause serious injury or death to, any person, any number or group of persons or causes or may cause damage to public or private property, natural resources, environmental or cultural heritage and is calculated or intended to:

- (i) intimidate, put in fear, force, coerce or induce any government, body, institution, the general public or any segment thereof, to do or abstain from doing any act, or to adopt or abandon a particular standpoint, or to act according to certain principles; or*
- (ii) disrupt any public service, the delivery of any essential service to the public or to create a public emergency; or*
- (iii) create general insurrection in a State;*

(b) any promotion, sponsoring, contribution to, command, aid, incitement, encouragement, attempt, threat, conspiracy, organizing, or procurement of any person, with the intent to commit any act referred to in paragraph (a) (i) to (iii).”
("OAU Convention on the Prevention and Combating of Terrorism," 1999, p. 207).

DEFINITIONS BY COUNTRIES

1. United Kingdom: Terrorism Act 2000

The current definition adopted by the United Kingdom can be found in section 1 of the Terrorism Act 2000. This act offers the interpretation of terrorism as used by UK legal systems and is presented as follows;

“(1) in this Act “terrorism” means the use or threat of action Terrorism:

Where—

- (a) The action falls within subsection (2),*
- (b) The use or threat is designed to influence the government or to intimidate the public or a section of the public, and*

(c) *The use or threat is made for the purpose of advancing a political, religious or ideological cause.*

(2) *Action falls within this subsection if it—*

(a) *Involves serious violence against a person,*

(b) *Involves serious damage to property,*

(c) *Endangers a person's life, other than that of the person committing the action,*

(d) *Creates a serious risk to the health or safety of the public or a section of the public, or system.*

(3) *The use or threat of action falling within subsection (2) which involves the use of firearms or explosives is terrorism whether or not subsection (1)(b) is satisfied*" ("Terrorism Act," 2000, p. 1)

2. United States Code Of Federal Regulations

Here terrorism is defined as "*the unlawful use of force and violence against persons or property to intimidate or coerce a government, the civilian population, or any segment thereof, in furtherance of political or social objectives*" ("Code of Federal Regulations Definition," 1969, p. 51)

ACADEMIC DEFINITIONS

1. Global Terrorism Database (GTD)

GTD defines "*a terrorist attack as the threatened or actual use of illegal force and violence by a non-state actor to attain a political, economic, religious, or social goal through fear, coercion, or intimidation*" ("Global Terrorism Database," 2016, p. 9)

2. Schmid and Jongman (1988)

With over 1688 citations, these scholars present a more robust definition of terrorism from their first attempt in 1984. According to them,

terrorism is an anxiety-inspiring method of repeated violent action employed by (semi) clandestine individual, group or state actors for idiosyncratic, criminal or political reasons, whereby in contrast to assassination-the direct targets of violence are not the main targets. The immediate victims of violence are generally chosen randomly (targets of opportunity) or selectively (representative or symbolic targets) from a target population and serve as messenger generators. Threat-and-violence-based communication process between terrorist (organization), imperilled victims and main targets are used to manipulate the main target (audience(s)) turning it into a target of terror, target of demands or target of attention, depending on whether intimidation, coercion or propaganda is primarily sought (p.28).

3. Crenshaw (1981)

With a careful disclosure of the scope of the definition, Crenshaw (1981, p. 379) focuses on “*terrorism directed against governments for purposes of political change*” where, “*the premeditated use or threat of symbolic, low-level violence by conspiratorial organizations*” is considered. “*Terrorist violence communicates a political message; its ends go beyond damaging an enemy's material resources. The victims or objects of terrorist attack have little intrinsic value to the terrorist group but represent a larger human audience whose reaction the terrorists seek*”.

4. Laqueur (1999)

Here, terrorism is disclosed to entail the unlawful use of force against innocent people to accomplish a political objective.

5. Hoffman (2006)

By differentiating “*terrorists from other types of criminals and irregular fighters and terrorism from other forms of crime and irregular warfare.....*” [Hoffman (2006, p. 63) defines terrorism] “*as the deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of political change*”.

While the definitions of terrorism can number almost as much as the scholars in the research area, the selected sample sums up the general idea from the pool of definitions in this discourse. However, there still does not exist a generally accepted definition for the concept. Though several themes can be drawn from the above definitions such as, illegal acts, harm, non-combatants (civilians), intention, force, political and religious ideologies and intimidation amongst others, these themes do not always translate to terrorism or terrorist acts. For example, terrorism makes use of violence but not all forms of violence can be classified as terrorism (Laqueur, 2006). It can therefore be said that the concept of terrorism seems to be evolving and adapting to the changing world denying scholars the ability to emerge with an all-time definition. Although this presents the study the opportunity of contributing to the research area by taking into consideration the peculiarities of terrorist acts within Nigeria and applying the above-mentioned themes in order to come up with a distinct definition, an analysis of the typologies of terrorism can further offer more insight into the concept.

2.8. Typologies of Terrorism

Literature has put forward different classifications of terrorism and terrorist acts which are canopied under two typologies; domestic and transnational terrorism. Nevertheless, the classification of a terrorist activity according to Locatelli (2014) goes beyond the broad domestic and transnational distinction to more specific classifications on the basis of the nature of the actors involved, the goals intended to be achieved by these actors and the type of perpetrators. The nature of the actors involved has sub-typologies such as state terrorism, state-sponsored terrorism and terrorism carried out by private actors. However, state-sponsored terrorism is included in the state terrorism package where, terrorism is carried out by government of a state (country) either directly or indirectly through sponsorship and/or provision of funds towards terrorist activities against its citizens or foreign targets. The third sub-typology provides more insight in terms of terrorism perpetrated by private actors and overlaps in ideology with the third classification regarding the type of perpetrators. Here, perpetrators of terrorist acts are classified under single terrorists also known as lone wolves, cliques, movements and organisations. These categorizations are based on the membership and hierarchy of the terrorist group which make up the structure of the organisations. While these classifications expound more on the formulation, motives, structure and perpetrators of

terrorism, it fails to explain the broad categories from which these sub-typologies emanate from. According to Enders, Sandler, and Gaibullov (2011), an understanding of the typologies of terrorism is essential as they can exhibit different relationships towards, for example, the economic growth of a country. Furthermore, the distinction between the different types of terrorism is important as it enables researchers tailor empirical data to suit the type of terrorism under scrutiny.

Although the classifications put forward by Locatelli (2014) seem rather complex, a closer look at his classifications and sub-classifications provides a deeper understanding on both domestic and transnational terrorism. This is because what makes terrorism domestic or transnational depends on the targets, venue and perpetrators of the terrorist acts. Domestic terrorism is defined as one in which the targets, location and the perpetrators of the act are all from the same country. This type of terrorism is said to be home grown or internal and occurs within the national borders of a country. Conversely, transnational terrorism spans beyond the national borders of a country and is said to occur if it involves targets, venue or perpetrators of a foreign country (Enders et al., 2011). Based on this, it is clear that terrorist perpetrators do not necessarily have to export terrorist activities to other countries to qualify as transnational. As long as terrorist acts affect a single foreign victim, such acts can be classified as transnational. In view of this, there exists a possibility that domestic terrorism can therefore give rise to transnational terrorism by reason of targets of terrorist activities. In order to manipulate or coerce main terrorist targets towards a particular ideology, the randomly selected sample of targets may have a foreigner included within that target. According to Gaibullov and Sandler (2011), terrorism can be transnational when there is a difference in the nationality of perpetrators from victims, difference in the nationality of victims from the venue of terrorism, occurrence of terrorist acts at an international border, terrorist attacks against international diplomats, international skyjackings of planes, terrorist attacks against international organizations and the kidnappings of foreigners.

2.9. Why Does Terrorism Occur?

There is no clear-cut explanation or reason as to why terrorist activities occur. The multidimensional nature of terrorism makes it impossible to arrive at a singular justification for the concept and further complicates the emergence of counter terrorism measures. As a

result of this, scholars have stated possible causes and root causes of terrorism in both global and national arenas. This serves as a stepping stone in the terrorism debacle because the identification of its triggers pave way for possible solutions. According to Crenshaw (1981, p. 381), the successful analysis of the causes of terrorism hinge on establishing “*the conceptual distinctions among different types of factors*”. There is a significant difference between root causes and causes of terrorism. The notion of root causes is one that has received series of arguments over time. While it may be quite straight forward to enumerate several causes of transnational and domestic terrorism, the idea of root causes go beyond superficial factors that may enable terrorism to analysing underlying factors or factors that directly inspire terrorist acts (Butler, 2015). However, in an analysis of these underlying variables, several extraneous variables may emerge. These variables are referred to as ‘*causes*’ of terrorism which are enabling or permissive factors that set the scene for terrorism over a long period of time. Therefore, it may be plausible to say that root causes are underlying or initial factors that give rise to terrorist activities with the help of already existing enabling or permissive factors of the phenomenon under consideration. Furthermore, drawing from a methodological analogy by Newman (2006) if terrorism represents the dependent variable, ‘*root causes*’ are the independent variables and ‘*causes*’ a range of intervening variables or precipitant factors. Though this analogy can give rise to several questions as to which factors are then more important in the analysis of how, where, and why terrorism occurs, that debate is beyond the scope of this study. This study will accord equal importance to factors affecting terrorism whether root causes or intervening causes. Owing to the number of causes that have been put forward by past research, this study will adopt the approach of selected studies by grouping causes of terrorism under economic, social and political factors (Butler, 2015; Krieger & Meierrieks, 2011).

2.9.1. Economic Causes

2.9.1.1. Economic Deprivation

Here, economic deprivation spans across factors such as poverty, economic inequality and discrimination. These factors represent some of the most controversial factors regarding their relationships with terrorism. The general assumption is that poverty, economic inequality and discrimination breed terrorist activities and hence have a direct relationship with terrorism.

That is, an increase in these economic causes will lead to an increase in terrorism. While policy makers will like to accept this notion, past research has shown that there is not always a causal link among these variables. According to Piazza (2011) several researches have not yet found that terrorist perpetrators emanate from a lower socio economic class or suffer from any form of economic distress and deprivation. This however, does not mean there are no researches that have found relationships among these variables; there are actually. Li and Schaub (2004) reveal that developing countries are more susceptible to terrorist attacks than economically developed OECD countries. Similarly, Lai (2007) discovers that when a country is more egalitarian the probability of terrorist incidences are reduced as opposed to a country with higher levels of economic inequality. Without refuting this notion, Blomberg and Hess (2008b) however, describe economic development void of inequality and discrimination as a two-edged sword capable of reducing and attracting terrorist activities. According to them, economically developed countries are more prone to terrorist attacks than developing countries. This may be due to the fact the terrorist perpetrators may have access to a more captivating target, wider range, availability of lethal weapons and a high standard of communication technology for maximal dissemination of the attack (Ross, 1993). Therefore, an economically developed country may not be a victim of domestic or in-bred terrorism but international terrorism.

2.9.1.2. Globalization

This research puts forward globalization as an umbrella factor for modernization and urbanization. The underlying notion of these factors state that terrorist perpetrators or organizations resent the shift of economic and social frontiers in today's world. These shifts which span across several facets of the economy sometimes contradict the ideologies of terrorist organizations which then lead to an uprising. Globalization-led factors such as economic integration, foreign policy, alliance structures etc., may spur grave grievances and constitute possible causes of terrorism (Krieger & Meierrieks, 2011). Where these factors are not positively received in a country but rather seen as a form of foreign hegemony or western supremacy, the outcome is bound to be a rebellion towards this change. These factors on their own may not motivate terrorist activities however, the abuse of economic reliance of world economies on one another may lead to terrorist acts. For instance, economic integration by way of FDI may not produce grievances amongst citizens that may motivate domestic terrorist

activities if the benefits of such cross border investment such as increased GDP, employment, technology and other socially responsible activities are felt by the citizens.

On the other hand, where MNEs aim just to profiteer from host country endowments leading to income inequality, increased class segregation, higher standard of living, unemployment, and so on, terrorism is almost inevitable. As a result of this, terrorist acts may transcend domestic to transnational terrorism disrupting international economic scene, terrorist perpetrators may emerge with new terrorism strategies by reason of improved Information and Communication Technology (ICT) and transportation facilities. Also, the disgruntled citizens may serve as targets of recruitment by terrorist organizations offering them the platform of terrorism as a means to air their dissatisfaction to state actors (Bird et al., 2008; Crenshaw, 1981, 2000; Newman, 2006).

2.9.1.3. Unemployment

This economic factor is very much related to the above-discussed factors. Anecdotal evidence suggests that the higher the unemployment rate because of economic deprivation with specific emphasis on poverty the more likely terrorist activities will occur. Also, research evidences that the advent of globalization with its offshoots of modernization and urbanization may produce a burgeoning class of bourgeoisie concerned only about profit maximisation. Where these activities of the bourgeois do not translate to feasible economic benefits for the society, for example, employment opportunities, this can give rise to an aggrieved labour force and may constitute a motive for terrorism. In their analysis of the relationship between youth unemployment and terrorism, Caruso and Gavrilova (2012) revealed a positive relationship between both variables in the Israeli/Palestinian agricultural sector. Principal to these findings was the fact that male youth unemployment as against the female unemployment helped explain this result. Similar to this result but with additional evidence, Richardson (2011) discloses unemployment as a predictor of terrorist activities especially in countries where there have been past terrorist incidents. Contrary to these results, Butler (2015) reveals that increased levels of unemployment give rise to a decrease in terrorist activities. Though this relationship was insignificant, the choice of the measures of the variable may have led to this negative result. Here, unemployment was used to represent the economic causes of terrorism, primarily as a proxy for poverty.

While past research has put forward unemployment as a feature of poverty, it, however, does not solely reflect the poverty level in a country. Other factors also constitute poverty and hence other indicators or a combination of indicators that could have been used to measure poverty. This is not to support the notion of a positive relationship between unemployment and terrorism but to point out methodological criticisms that may have contributed to the negative result put forward by this study. Finally, a case of no relationship was reported by Krueger and Pischke (1997) between unemployment and ethnic violence among 543 counties in Germany at a time when the country had severe issues of violence and high unemployment. Based on this result, the authors pointed towards a breakdown in law enforcing institutions as a cause of terrorism rather than economic inefficiencies of the country.

2.9.2. Social Causes

2.9.2.1. Education

The causal link between education and terrorism is quite unclear and requires a lot more research. Past research has presented a mixed relationship between both variables. Though similar to economic development and modernization, education presents a more bewildering association with terrorism. Common belief has it that ignorant individuals with little or no educational training mostly perpetrate terrorist acts. However, critics of this stance have made reference to terrorist icons such as Usama bin Laden and perpetrators of the September 11, 2001 attack as people with high education and skill despite being involved in terrorism (Berrebi, 2007). Similarly, Krueger and Malečková (2003) in their analysis of a causal connection between education/poverty and terrorism with a focus on three terrorist groups reveal that members of those terrorist organizations come from relatively wealthy families and have high levels of education. This result, which translated to a positive relationship between the variables considered, negates the common belief of ignorant terrorist perpetrators. This raises more questions regarding this tentative empirical evidence. In an attempt to explain this, it may be worth considering the geographical context of the analysis as well as the motivation or ideology of the terrorist organizations.

In terms of geographic location, most developed economies have put in place high standard educational frameworks that present individuals with access to basic education. This may not

be the same for emerging and developing economies and may therefore lead to a different result. For example, the analysis of both developed and developing by Azam and Thelen (2008) suggest a negative relationship where, higher secondary school enrolment decreases terrorist activities. Furthermore, concerning motivation, some terrorist organizations may be willing to sponsor their members in the acquisition of advanced knowledge in order to execute highly classified and tactical terrorist operations. Based on the above discussion, the lack of a concrete causal link between education and terrorism may be due to the different measures of education employed in the statistical analysis of variables (Krieger & Meierrieks, 2011).

2.9.2.2. Religion

The relationship between religion and terrorism is an obvious one that has been analysed by several research studies and seen through several global epochs. According to Hoffman (2006) the religious motive constitutes a major defining feature of global terrorism today. This motive most often than not supersedes other motives terrorist perpetrators may have and consequently shapes different aspects of the organization. Ranging from membership to structure to sponsorship to how terrorist activities are carried out and eventually to targets, terrorism is tailored to reflect the underlying religious ideology. By this unified ideology within the terrorist organization, members see themselves as having an obligation or the rare privilege of being used by a supernatural being; “a god” to enforce this ideology through terrorist acts. This notion of service as an underlying cause then begs the question of one man’s terrorist being another man’s freedom fighter (Fletcher, 2006). That is to say, while terrorist activities are seen as “moral” and towards a “just cause” by the perpetrators, primary and secondary targets view these acts as inhumane and insane. Therefore, from what standpoint an incident is categorised, as terrorism is greatly subjective and very dependent on human judgement.

Despite this twist, recent years have seen an increase in the toll of religious motivated terrorism. When a country’s population comprises different religions, Krueger and Malečková (2003) disclose that the mainstream religion has a positive relationship with the incidents of terrorism. Also, the need to emphasise the supremacy of one religion over another or the sovereignty of a particular faith may arise which may lead to increased domestic terrorism between or among the antagonistic groups. This type of terrorism which is often initiated by the minority or inferior group births more effective and cohesive terrorist acts aimed at publicising their

ideology and realising the desired outcome (Krieger & Meierrieks, 2011). Based on these, it is possible to assume that radicalist religious belief is a major underlying cause for both domestic and transnational terrorism.

2.9.2.3. Population Dynamics and Ethnic Fractionalization

It is pertinent to mention that most of the causes of terrorism seem to overlap, establishing the fact that no single cause is capable of exclusively giving rise to terrorist activities. Some causes set the pace for other causes to trigger terrorist incidents. Having said that, here, a country's population and the ethnic fractionalization may not directly give rise to terrorist activities but may create an environment for terrorist activities to thrive. A review of previous literature presents a rapid growth in population and population shifts across different ethnic regions as demographic factors capable of increasing the rate of terrorist incidents. The underlying notion states that an increase in the population especially with regard to young vibrant males, may lead to an increase in terrorist activities.

The work of Richardson (2011) supports this notion where, population size was strongly correlated with increased terrorist incidents across a number of countries. However, Gaibullov and Sandler (2011) point out high population growth as one of many factors peculiar to the African continent that may cause it to react differently towards terrorism. Their results reveal that the effects of population growth on transnational terrorism are not statistically significant which may be because Africa is more characterised by domestic and not transnational terrorism. In the same vein, Newman (2006) found a negative relationship between terrorist incidents and population density. That is, the rate of terrorist incidents was found to decline as the population density increased.

Population shifts of ethnic groups in terms of migration to other regions may lead to conflicts and possibly climax to terrorism. These shifts, which are mostly birthed by the urbanization of particular regions, warrant ethnic groups to migrate from one location to another. Just like religious extremism, ethnic related terrorism are mostly initiated by minority groups who feel they are being marginalised by the ethnic majority and thus use terrorism as a means of voicing their grievances (Crenshaw, 1981). For this reason, this type of terrorism advocates for things like equality and emancipation from the oppressed status quo placed on them by the majority

ethnic group. In her book, Stern (2003) stated how the movement and population shifts in some areas of Indonesia aided the uprising of terrorist acts.

Still under the ethnic fractionalization cause is linguistic fractionalization where, Goldstein (2005) found this stem of ethnic fractionalization to be related to terrorist risks while Kurrild-Klitgaard, Justesen, and Klemmensen (2006) found no significant relationship. Despite these differing results, a point worthy of consideration is the concept of context. The contexts in which these studies were carried out differ in many respects and hence may influence the outcome of the different studies. For example, a country may have a high population density, which may be expected to bring about increased terrorist incidents. However, if majority of the population are made up of a high working class, this immediately influences the result of such study to other possible outcomes. The same applies if a country has a low population density with the majority living below the poverty line. In this instance, the majority may be forced to set up movements to air their minds for the possible alleviation of their sufferings. Where the state or appropriate institutional frameworks do not recognise these plights, this movement may lead to terrorist activities.

2.9.2.4. Region

The underlying notion of this cause views terrorism as an event that is ‘contagious’ and capable of being ‘transmitted’. According to Butler (2015) a great number of countries affected by terrorism are situated in the same region which make them easy targets for terrorist attacks. The cause assumes that countries within a particular region are liable to experience terrorist incidents if one country in that same region has had a previous terrorist attack. Thus the closer the proximity between a terrorist country and neighbouring countries, the higher the chances of terrorist incidents. On the flip side, Blomberg and Hess (2008a) posit that spatial contagion which represents the distance between countries, reduce the possible occurrence of terrorist attacks between or among countries. Given these findings, Krieger and Meierrieks (2011) disclose that emerging terrorist groups thus take advantage of and draw from the experience of established groups in surrounding countries. They do this not just for the effective actualisation of terrorist goals but also for economic reasons such as a reduction of cost through terrorist training, sharing of expertise and weapons.

Aside from the aforementioned spatial contagion effect, Lai (2007) presents that temporal contagion also affects the occurrence of terrorist incidents. Temporal contagion opines that past terrorist attacks are capable of predicting present and future terrorist attacks. In their work, Tutun, Khasawneh, and Zhuang (2017) develop a new comprehensive framework called the Networked Pattern Recognition (NEPAR) Framework, in order to predict, detect and prevent future terrorist behaviours and activities. Analysing over 150,000 terrorist incidents between 1970 and 2015, the framework pointed out some attributes of future terrorist incidents drawn from the analysis of the relationship between past attacks. With over 90% accuracy, their results revealed that the framework was able to predict successfully majority of the attributes of terrorist incidents when compared to exiting data.

Furthermore, in relation to spatial contagion the authors disclosed a tactical spread of terrorist activities from Baghdad to Iraq to Middle East and then to the rest of the world stating that when terrorist attacks in Baghdad are curbed, terrorist attacks in Iraq, middle east and the world can also be prevented (Tutun et al., 2017). Therefore, it is worthwhile to look in to the trend or pattern of terrorism of a country more so a region, to be better equipped with adequate knowledge in event of future occurrences.

2.9.3. Political Causes

2.9.3.1. Governance/Political Regime and Institutions

The political ideology has been widely acclaimed as a major root cause of terrorist activities. As said by Gaibulloev and Sandler (2011), acts of violence and the likes of it will be nothing more than criminal activities carried out by perpetrators for whatever selfish reasons where the underlying notion of political change is absent. Therefore, political change connotes a fundamental feature capable of inspiring terrorism. In the same vein, Crenshaw (2000) discloses that other forms of violence like genocide and guerrilla warfare are distinguished from terrorism predominantly based on the political nature of the concept. Having said this, the type of political system in a country may largely affect the existence and severity of terrorism within that country.

The governance structure of a political system shares similar undertones with some economic causes such as, economic deprivation and poverty. For example, the hardship of a population living below the poverty threshold can inspire a movement as a means of expressing their dissatisfaction to the government. Where the government shows no concern towards their plight, more violent demonstrations may be undertaken which could take the shape of terrorism. This is done to coerce the government for a change in the status quo and towards the fulfilment of their demands. This process may create opportunities for terrorist organizations to easily and cheaply recruit members into the terrorist organization to foster the underlying political ideology.

In analysing the political system, a number of research studies advocate that when a government is more stable and democratic, the chances of terrorist occurrences are minimised. Conversely, an unstable and authoritarian political regime will produce aggrieved citizens that may resort to terrorism as the only known means to express their dissatisfaction (Abadie, 2006; Newman, 2006). Aside from the ruling political regime, political institutions set up by the government could also affect terrorist incidents within a country. This may be so, where intervening institutions such as those encompassed within the legislative and judiciary arms of the government fail to ensure checks and balances within the executive. This neglect may result in citizens taking laws into their hands and the consequent ensuing of terrorist activities. However, if democratic institutions adopt conflict resolution measures, the likelihood of the terrorist activities may be minimised.

Contrary to this opinion, Lai (2007) put forward that the liberal nature of a democratic government may dilute its authority and create loop holes for terrorist activities to occur. Autocratic regimes on the other hand have the potential to curb and subdue uprisings that attempt to emerge in opposition to the ruling political policy or regime. While these different views pose an uncertain conclusion in the international business literature, it may be pertinent to put forward that the interaction between terrorism and the political terrain of a country may be highly contextualised and subjective. Therefore, researchers will continue to find a variety of results and data interpretation when it comes to the political causes of terrorism.

2.10. Global Trend of Terrorism

The concept of terrorism is one of those concepts where tracing its origin on a global scale is very difficult. While it may be much easier to deliberate on its origin at a country level, understanding the origin of the terminology proves to enhance the tracking of global terrorist events. According to White (2016), the French Revolution pioneered the usage of the words ‘Terrorist’ and ‘Terrorism’ where the words were used in reference to the ‘Reign of Terror’ initiated by the revolutionary government from 1794-1795. This therefore means that acts of violence that occurred before this period in early history were not tagged as ‘terrorism’. Even if they were, the complex and dynamic nature of the concept makes it such that what may have constituted terrorism years back may not fit in to today’s definition of the concept. Notwithstanding this challenge, research points towards the French revolution as the starting point for terrorism or as commonly called modern terrorism. From that period onwards, the world has experienced several faces of terrorism and it is only recently that terrorism databases emerged with records of some of these terrorist incidents. The Global Terrorism Database (GTD) defines itself as the most extensive database on terrorist incidents worldwide. It currently provides data on terrorism from 1970-2017 however, the data for year 1993 got missing due to an office move which have not been recovered until date. Due to this gap, this study makes use of the 1993 data from the RAND Database of Worldwide Terrorism Incidents (RDWTI); another front-liner in the terrorism and counter-terrorism studies.

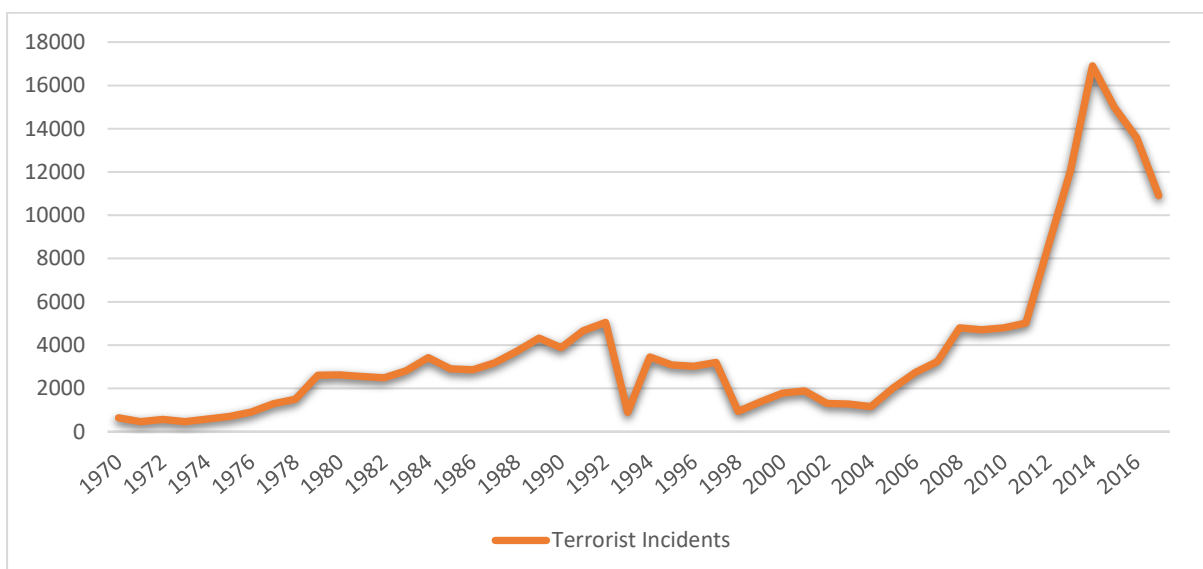


Figure 2.4 Global Trend of Terrorism (1970-2017)

Source: GTD.

Beginning from the base year, the Figure shows that terrorist incidents through the first decade have been on a steady increase from 635 in 1970 to 2621 in 1980. During this period, terrorist activities increased by about 313% above the 1970 level revealing the successes of several attacks launched globally. Following from this increase, the subsequent decade revealed a rather inconsistent movement in the trend of both domestic and transnational terrorist incidents. This may be due to two possible reasons. Firstly, the sharp rise in terrorist activities in the previous decade may have instigated the adoption of several counter-terrorism measures by countries around the world causing this inconsistency. Secondly, terrorist attacks during the 1980's were not so much on a large scale but were more of individualistically oriented political attacks. For example, the period witnessed the assassinations of presidents, prime ministers, ambassadors, diplomats, government and military officials ("U.S. Department of State," 2004). Despite these inconsistencies, the end of the decade recorded a 48% increase from the 1980 number of incidents to 3876 incidents as at 1990.

Moving on, a steady increase of terrorist incidents is observed in the ensuing years prior to the GTD loss of data in 1993, which caused terrorist incidents to plummet to a low level of 894 incidents (see Figure 2.4). While this research can only speculate based on the data provided by the RDWTI, research findings also reveal that low level of terrorist activities occurred in that year (Shughart II, 2006). With terrorist incidents seemingly levelling out in the subsequent four years, global trend of terrorism experienced another sharp downturn in 1998 of over 71%. Whether because there was an actual reduction in terrorist attacks or that there were several failed attempts of terrorist attacks is beyond the scope of this research. However, the GTD records a number of attacks that took place in that year notably, the almost simultaneous bombing of the united stated embassies in Tanzania and Kenya amongst others. After the success of these incidents, the following three years saw a continuous increase in terrorist activities climaxing at the 9/11 incident in 2001. The terrorist attacks by the al-Qaeda terrorist group on the United States did not just lead to the loss of lives, injuries and loss of property but also to the beginning of the 'War on Terror'. This anti-terrorism campaign instigated the adoption of high anti-terrorism and counter-terrorism measures by several countries of the world such that by the end of 2004 global terrorism trend had decreased by about 39%.

Incidents took a sudden upward turn from 2005 through 2008. This can be linked to the rise in terrorist activities in Iraq amidst other terrorist activities worldwide. Following a slight decrease of 1.4% in 2009, the Figure shows that worldwide terrorist incidents suddenly began to rise from 2010 peaking at a massive number of 16860 incidents in 2014. This colossal 257% increase can be linked to the steep rise of terrorist activities in Iraq, Afghanistan, Nigeria, Pakistan, Syria and India. According to the GTD (2015) report, Iraq and Nigeria alone accounted for 53% of total deaths in 2014. These countries are stated to house the two most notorious terrorist organizations in the world comprising the Islamic State of Iraq and the Levant (ISIL) and Boko Haram group. Furthermore, these two countries single-handedly recorded the highest numbers of deaths in 2014. With the highest score of 9,929 deaths, ISIL or the Islamic State of Iraq and Syria (ISIS) as popularly known accounted for the greatest terrorism impact in the world. Following up close with a score of 6,644 deaths, the Boko Haram group stood as the second most deadly terrorist group in the world. Despite these huge figures, 2015 experienced a 12% decrease in terrorist incidents especially as countries put more effort towards the war against terrorism. A further 9% decrease was recorded in 2016 however, it is important to look beyond the immediate decrease to the wider picture of global terrorism movement through the past decades. Comparing the results from 2016 and 1970, the percentage change in global terrorism trend amounts to a whopping 2024% increase in the number of incidents. It is therefore of great essence to investigate if and how this increase has impacted upon economic situations across countries of the world.

2.11. The Economic Cost of Terrorism

The financial impact and cost of terrorist activities have over the years run into millions of US dollars. Apart from covering the cost of the immediate or direct impacts of these activities, countries have also had to bear the brunt of the ripple effects produced by terrorist attacks. More often than not, the cost of the indirect impacts of terrorism linger on for a long period of time and sometimes outweigh the cost of the immediate impacts. Other direct impacts such as the loss of lives, destruction of property and the cost of injury often yield very substantial costs such as compensation to the bereaved family, payment of medical bills for the injured, reconstruction of destroyed property and so on. However, terrorist attacks go beyond these immediate costs to several other indirect costs that affect the health of the economy in the long

run. According to the GTD (2014b, p. 45), “the long term indirect costs of terrorism can be ten to 20 times larger than the direct costs”. While these costs may cover a number of outcomes that concern the victims psychologically, socially and politically, the economic costs of outcomes appear to affect a country more on a larger scale. The Institute for Economics and Peace (IEP) released the global economic cost of terrorism from 2000-2016 in the year 2017 where it incorporated both direct and indirect costs of terrorism. While the direct costs were calculated based on expenses incurred by the victims and government for loss of lives and injuries, the indirect costs included reduced efficiency and earnings suffered by victims and their loved ones along with the psychological trauma of the attack.

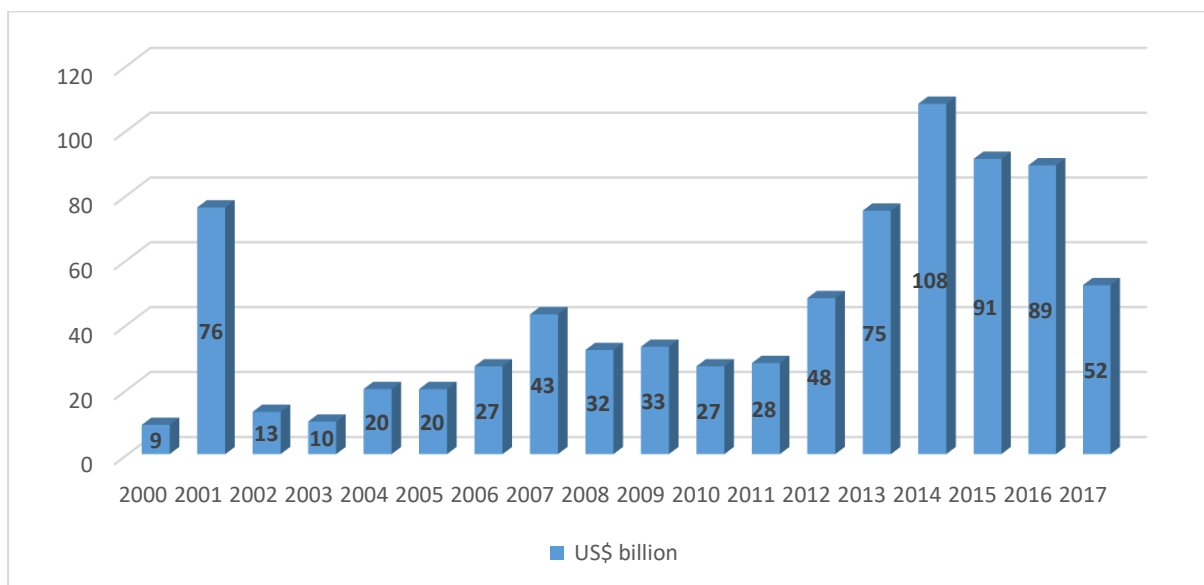


Figure 2.5 Economic Impact of Terrorism, US\$ Billions, 2000-2017

Source: START GTD, IEP

Based on the results released by the IEP in conjunction with GTD, the greatest impacts of terrorism are associated with specific events that occurred in particular years. The high increase in the cost of terrorism in 2001 was attributed to the 9/11 incident in the US which had both direct and indirect impacts amounting to about \$76 billion. Other scholars have estimated this cost to reaching about \$90 billion (Bird et al., 2008). This event which led to the establishment of several anti-terrorism campaigns led to a relative reduction in terrorist incidents and the cost associated with such events. The second upsurge was in 2007 when the Iraq war was at its highest point. The impacts which incurred about \$41 billion constituted both direct and indirect costs associated with the coalition troop surge dispatched against the al-Qaeda terrorist group

in Iraq. Levelling out in the subsequent years, the third surge of economic cost spanned the years 2012 through 2014 when terrorist activities took a great toll in Afghanistan, Syria, Iraq and Nigeria. Following the highest point of economic cost at \$104 billion, the 2015 cost experienced a drop due to a 10% decrease in the global number of deaths and a specific 32% decrease of terrorism deaths in Iraq and Nigeria. Despite this decrease, the increased number of deaths in OECD member countries, increased number of attacks undertaken by the ISIS group and the greatest number of deaths in about Twenty-three countries also accounted for the \$91 and \$84 billion cost of global terrorism in 2015 and 2016 respectively (GTD, 2017).

While Figure 2.5 represents the overall economic cost of terrorism globally, past researches have disclosed that there are sectoral economic costs associated with terrorist incidents. That is to say, different sectors of the economy absorb the shocks of terrorism differently yielding varying impacts across these sectors. These impacts differ from high to low as well as from positive to negative. Some of these sectors include, transportation, tourism, insurance and financial markets. The transportation sector especially the aviation industry, happens to be one of the top sectors that is greatly affected by terrorist attacks. As a result of improved communication infrastructures, news of terrorist occurrences make headlines on several broadcasting platforms in a matter of minutes and filter down to the rest of the world. This immediately translates to cancellations of airlines bookings and a further decline in airfares. The demand for air tickets are therefore pushed down while the supply becomes in excess affecting the price and profitability of airline operators. Here, airliners do not only experience economic and financial downturn as a result of the decline in the demand but also losses as a result of numerous cancellations. In their work, Ito and Lee (2005) disclose that there was approximately a 30% decline in the demand for air travel and a further decline of 17% due to heightened airport security as a result of the 9/11 attack. This led to a total of about \$1.5 billion loss as members of the public found it more suitable to use alternative means of transportation. However, some of the alternative means of transportation such land transport led to even more losses in the long run. Sequel to the attack, an estimation of about 327 driving deaths per month was recorded as a hidden cost of the 9/11 attack (Blalock, Kadiyali, & Simon, 2009).

Just like transportation, the tourism sector is another sector where the impact of terrorism is highly felt. According to J. M. Lutz and Lutz (2006) the size, frequency and target of terrorist attacks often determine the rate at which tourism activities are affected. That is to say, where

attacks are highly severe and recurrent, a country may experience reductions in the inflow of potential tourism and the diminishing of existing tourism. Similarly, if terrorist targets constitute foreigners or tourists, there is an immediate risk to future tourists which translates to a decline in tourism demand. Drawing from past terrorist incidents in Spain, Enders and Sandler (1991) reveal that the number of visits by foreigners reduced by not less than 140,847 people. Based on their findings, 41 of those attacks were clearly targeted at tourists yielding a loss of 5.7 million tourist visits and a decline in GDP. While the economic cost of terrorism on the tourism sector can have an immediate effect, it can also have a long-term impact on the image of the country. From the above-mentioned example, the authors disclose that the effects of 1985-87 transnational terrorism on tourism in Spain still influenced the choice of the country as a tourism destination over two decades post-attack. A number of terrorist incidents have also occurred to confirm the significant relationship between these two variables. In terms of severity, frequency and target, Egypt has also been a major recipient of terrorist attacks perpetrated by several groups. Some of these tourism-related attacks include, the Luxor massacre of 1997, attacks in the resort city of Sharm el Sheikh in 2005, and the Russian Metrojet crash in 2015. While the country has experienced many other types of terrorism, the frequency and impact of these attacks have led to economic consequences and flight bans imposed by countries whose citizens were victims such as, UK and Russia.

As a major contributor to capital formation, sectorial income and revenue constitute the lifeblood of the economy and a decrease in its inflow can adversely affect the GDP of a country. For countries that primarily or substantially rely on this terrorist prone sectors, a decline in such sectors may lead to a fall in the prices of financial instruments traded on domestic capital markets. Assessing the pre and post 9/11 attack, Navarro and Spencer (2001) revealed a \$1.7 trillion decrease in the total values of market shares traded on the National Association of Securities Dealers Automated Quotations (NASDAQ), New York Stock Exchange (NYSE) and the former American Stock Exchange (AMEX). While this evidently points towards the direct relationship between terrorist activities and financial market, the actuality of a \$1.7 trillion decrease in the stock markets seems rather questionable. One would assume that for a loss this massive, economic, financial and terrorist institution will record this figure. However, the GTD and IEP record \$72 billion global economic cost of terrorism of which \$65 billion was attributed to losses from the 9/11 attack. Therefore, caution should be applied when

interpreting the \$1.7 trillion value especially since stock markets tend to recover speedily (Enders & Olson, 2012). Conversely, financial markets may simultaneously witness a rise in the equity and prices of instruments traded by companies producing security products. Companies that deal in ammunitions and weapons may record increased sales and subsequently higher profits as governments and military personnel may place higher demands for products to enhance in counter-terrorism actions. Hence, increased terrorist activities may have a double sided effect on financial markets within the affected country (Bird et al., 2008).

The insurance industry is another sector where the effects of terrorism is highly felt. Here, terrorist attacks are disclosed to have both adverse and advantageous effects for the sector. Insurance companies will experience a higher demand for claims from the terrorist attacks and also a higher demand for insurance policies due to heightened risk of a terrorist attack. As an economic rule, an increase in demand leads to an increase in the price of the product. Therefore, the cost of insurance policies will go up as the demand increases. While this will lead to higher profitability and productivity in firms output, it may largely affect the savings of government, military and private companies. Where there is a divergence of funds from routine activities to security and counter terrorism measures, government and parastatals tend to expend from their reserves and savings in order to cover this additional cost. *“For example, from 2001 through 2005, military spending in the United States was increased by nearly \$100 billion to fund the ‘war on terrorism’, in addition to the cost of conflict in Afghanistan and Iraq”* (Czinkota, Knight, Liesch, & Steen, 2010, p. 827). Despite this additional cost, the ability of a nation to make financial adjustments in response to terrorist attacks through counterterrorism measures regulates the economic impact on international commerce and trade.

International trade within a nation affected by terrorism tends to be associated with extra costs. These costs which could be in form of transportation and transaction costs increase the general cost of doing business within the affected country. Furthermore, for a country experiencing terrorist attacks alongside internally and externally generated conflict, the cost of terrorism according to Bandyopadhyay and Sandler (2014) equates a 30% tariff on trade. However, this does not just affect bilateral trade but also impedes the country’s ability to meet production demand of its trading partners due to a number of reasons. They include, the displacement of the human capital required in the production process due to terrorist attacks, destroyed production facilities, limited resources for the payment of salaries due to security measures that

have been put in place and lower consumption pattern of consumers affecting sales, profitability and expansion of the company (Blomberg & Hess, 2006). In the same vein, companies that require intermediate products or that outsource certain stages of the supply chain may incur higher cost, experience delays and a lengthened production lead time. Giving an example, Navarro and Spencer (2001) describe how the 9/11 US attack led to over a \$100 million loss for the Federal Express (FedEx) delivery company as a result of increased distribution costs and also the temporal closure of five Ford Motors auto plants due to interruptions in the supply chain of the company. While this supports the empirical standpoint of a strong negative relationship between terrorism and trade, this effect overlaps with other areas such as property values, consumer confidence and FDI.

Based on the above discussion of the sectorial effects of terrorism, it is clear that terrorism has great indirect costs amidst the visible direct cost. This is because, apart from lost revenues, governments put in place counter-terrorism measures that attract indirect cost in order to minimise or totally evade potential terrorist attacks that will have direct cost. Hence, a higher ratio of indirect cost to direct cost can be used as a measure of a country's effectiveness in combating terrorism. Furthermore, terrorist organisations are more concerned with capitalising on the indirect costs associated with an attack than the direct cost. In a statement, the leader of the perpetrating group of the 9/11 attack, Usama Bin Laden bragged about how it had cost the group (Al-Qaida) \$500,000 to execute the attack but had cost the United States over \$500 billion in dealing with the incident (Barrett, 2008). This again ties with certain elements of terrorism where attacks are carried out on secondary targets (non-combatants) in order to coerce the main targets (government) towards the fulfilment of an underlying ideology. The general idea is to force government to concede to terrorist demands by imposing costs on members of the public. Therefore, the direct costs of terrorism sometimes only serve as a means for terrorist perpetrators to get the government to incur indirect costs.

2.12. The Impact of Terrorism on Foreign Direct Investment

There is an enormous amount of research regarding the interaction between terrorism and FDI. It seems like every terrorist incident births a new research in this area, analysing how the incident affects FDI and consequently economic growth. The topical nature of this area may be linked to the controversies surrounding the activities on MNEs. For example, the pro-foreign

investment advocates see FDI as a welcome international capital movement strategy while the anti-foreign advocates assume FDI to be acts of exploitation capable of causing grievances and creating internal conflict. While this relates more to how economic grievances cause terrorism, the focus of this research is on determining how terrorist incidents and the presence of terrorist groups affect existing and potential FDI in a country or region.

Analysing if terrorist incidents discourage FDI in Spain and Greece, Enders and Sandler (1996) put forward a transfer function and find a significant impact of terrorism on net FDI in both countries. The results showed that terrorist incidents reduce annual FDI by 13.5% and 11.9% in Spain and Greece respectively. The existence and increase in terrorism within a country thus reduces the inflow of FDI. Potential investors begin to shift investment to countries where the expected return on capital is higher and the overall risk involved is lower. Similarly, Abadie and Gardeazabal (2008) using a simple two-country model, analyse the long-run relationship between terrorism and FDI. With the limitation of transition dynamics in the adopted model, the short-run effects of terrorist incidents were not reflected in international capital movements. Findings from the 110-country regression sample however revealed an indirect relationship between variables. An increase in terrorist risks reduces the levels of net FDI positions.

Furthermore, investigating the effects of domestic and transnational terrorism on FDI and the role of foreign aid in developing economies Bandyopadhyay, Sandler, and Younas (2014) revealed that both typologies of terrorism suppress FDI. The economic cost of domestic terrorism is mitigated by the intervention of foreign aid; however, not for transnational terrorism. Foreign aid cannot address the issues of transnational terrorism because these acts do not stem from within but can support developing economies to tackle home-grown terrorism in a manner that addresses the root causes of terrorism. Therefore, foreign aid is important because it addresses two major issues that are akin to developing economies; domestic terrorism and FDI. A lower rate of domestic terrorism will enhance FDI and the spillover effect of economic growth.

Terrorist attacks can affect the confidence levels of potential foreign investors. As a result of heightened risk and targeted attacks, a reduction in the confidence levels of investors will limit the net inflow of FDI. Using a multiple regression model, Kinyanjui (2014) found out that the presence of terrorism reduces foreign investor confidence which negatively affects the level of

inward FDI in Kenya. With a p-value of 0.008, the results present that changes in terrorist incidents in Kenya significantly explains the inflow of FDI into the country. The same effect is seen in the analysis of the impact of terrorism on FDI in five South Asian Association for Regional Cooperation (SAARC) member nations comprising, Bangladesh, India, Nepal, Pakistan and Sri Lanka. Analysing annual data from 1980-2012 using a panel econometric estimation model, Shah and Faiz (2015) show a statistically significant negative relationship of terrorism with FDI inflows. Though this result reveals a negative effect of terrorism on FDI for the region, individual countries may exhibit different effects or levels of effects towards terrorism.

According to Enders et al. (2006), the impacts of terrorism are more intense in developing than in developed economies. This is because the economies of developed countries are more diversified; therefore, different sectors can assimilate the direct and indirect costs of terrorism. Furthermore, developed countries have larger inflow of FDI from different investing countries and as such are better positioned to withstand the economic cost of terrorism as opposed to developing countries. Agrawal (2011) also discloses the sectorial nature of both terrorism and FDI explaining that different sectors react to terrorism differently and this reaction may be affected by other extraneous factors. Therefore, if both concepts are sectorial, the impact of terrorism on FDI may be more complex since terrorist prone sectors may double as high recipients of inward FDI. For example, his results show an overall negative relationship between terrorist incidents and FDI inflows but also a sectorial negative effect of terrorism on FDI inflows in the manufacturing, trade and construction sectors amongst twelve broad industrial sectors.

While there is an apparent consensus on the effect of terrorism on FDI, Lutz & Lutz (2017) discovered in their analysis of the economic cost of terrorism that especially in developing economies an increase in terrorism led to increased FDI. Furthermore, their results showed a link between globalization and increased terrorism. This findings agreed with the results of Asongu and Biekpe (2018) regarding the positive link between an increase in globalisation and the rise in terrorism. This represents a major ideology (concerning the fight against western culture) of some of the terrorist groups such as the Boko Harm group. Therefore, the positive association between terrorism and FDI could be attributed to a possible positive link between globalisation and FDI.

This result presented the need to delve more into the relationship between terrorism and FDI. Deeper analysis into this relationship reveals that a little attention has been paid on what aspect of terrorism really deters the inflow of FDI into countries. The magnitude of the existing consensual effect differs from one study to another. Therefore, more research is needed to investigate the different components of terrorism and their effects on FDI. Based on the 2003/04 World Market Research Centre's Global Terrorism Index (WMRC-GTI), there are five different measures employed in calculating the perceived terrorist risk of various countries. These measures include:

- i. Motivation: entails the extent to which terrorist groups both domestic and transnational are driven and inspired to initiate attacks against the country.
- ii. Presence: talks of how long a country suffers from persistent, sustained and recurrent terrorism activities.
- iii. Scale: refers to the extent of damage caused by the terrorist perpetrating group.
- iv. Efficacy: represents the effectiveness of terrorist groups operating within the country based on the extent of their technicality and capability.
- v. Prevention: denotes the proficiency of counter-terrorism measures adopted by the country military and security personnel.

Using these five measures, Mancuso, Dirienzo, and Das (2010), employ a Shannon information measure of relationship to investigate how the different aspects of terrorist risk affect the inflow of FDI. Their results reveal Prevention as the most significant measure that determines FDI decisions followed by Scale, Motivation and Presence. Efficacy on the other hand, did not emerge as a significant influence on foreign investment decisions. This neither promotes nor demeans the importance of any measure but emphasises the need for both the overall and specific nature of the effect of terrorism on FDI to be understood within the context under investigation. The next chapter will focus on the Nigerian economy, which is the scope of this study exploring the impact of terrorism on FDI and the institutional frameworks in place for both concepts.

2.13. Summary

This chapter provided a detailed review of past literature on the concepts of FDI and terrorism. As one of the offshoots of globalisation, FDI had become a major foreign market entry strategy especially to developing economies and had received extensive discourse in terms of the motivations of MNEs decision to invest abroad. This had led to the development of several theories and the growth of the subject area in terms of the determinants of FDI in several host countries. This study drew upon the OLI framework as the theoretical foundation on which the activities of MNEs are hinged upon. It put forward that MNEs must have ownership, location and internationalization advantages in place before any decision to invest abroad. However, these advantages alone were not sufficient in attracting MNEs to host economies. Alongside the OLI advantages, four main motivations comprising market seeking, resource seeking, efficiency seeking and strategic asset/capabilities seeking drove MNEs. Furthermore, MNEs might have pluralistic objectives for engaging in FDI or sometimes these objectives and motivations might change depending on the growth and stage of the MNE.

Analysing the global trend of FDI, this chapter revealed the substantial increase of FDI flows since the commencing of FDI activities by MNEs in the early 1970's both to developed and developing/transitional economies. As a result, FDI had become a major catalyst for economic growth and several other gains especially to developing economies summarised as economic, social and environmental benefits. Given the numerous benefits, host governments strive to make their countries thriving environments for direct investment activities. One of such ways this was done was through the eradication of possible deterrents of FDI such as terrorism.

The next section of the chapter discussed the concept of terrorism and concluded that emerging with a comprehensive definition for the concept would be very problematic. Therefore, several definitions were examined and with the conclusion that the concept seemed to be evolving and adapting to the changing world presenting scholars the challenge of emerging with an all-time definition. In line with the research objectives of the study, this challenge did not just present the study the opportunity of contributing to the research area but also took into consideration the peculiarities of disaggregated terrorism in Nigeria in order to come up with a distinct definition. The chapter further examined the different types of terrorism and the root causes that gave rise to terrorist occurrences. Whether transnational or domestic, the causes of

terrorism fell under one or more of the following categories economic, social or political causes. These causes, which were further expatiated upon in the chapter revealed that there was no clear-cut explanation or reason as to why terrorist activities occurred as many of them overlapped with one another.

Similar to FDI, the chapter provided detailed analysis of the global trend of terrorism over a forty-seven year period between 1970 and 2017. With the event of several memorable world attacks, one of the things revealed by the trend was the economic cost accrued because of terrorist activities. This cost, which ran into millions of US dollars, extended beyond the immediate or direct impacts of these activities but lingered on for a long period and sometimes outweighed the cost of the immediate impacts. As one of the outcomes of terrorist activities, there seemed to be a consensus on the effect of terrorism on FDI. The empirical review presented in this section disclosed the negative effect of terrorism on FDI including the dampening of investor confidence in terrorist countries leading to the detour of investment opportunities to other seemingly safe countries. The review further revealed an area for possible research regarding what aspect of terrorism in terms of motivation, presence, scale, efficacy and prevention really deterred the inflow of FDI into countries.

This study intends to explore this area as it relates to the Nigerian investment environment and in line with the disaggregated terrorism in the country.

CHAPTER 3: FOREIGN DIRECT INVESTMENT AND TERRORISM IN NIGERIA

3.1. Introduction

This chapter aims to discuss the background of terrorism and FDI in Nigeria focusing on government policies instituted to attract FDI and combat terrorism within the country. To achieve this, the chapter is divided into nine main sections and sub sections. Section 3.1 introduces the chapter, with details pertinent to its scope. Section 3.2 draws upon facts from several world organizations in discussing the study area of the research. Section 3.3 outlines the evolution of terrorism in Nigeria. This section further discusses the operational terrorist groups in the country, the causes and trend of terrorism in Nigeria. Section 3.4 explains the concept of FDI and some of the government policies guiding investment in the country. Section 3.5 analyses the trend of FDI in Nigeria over the period of 1970 to 2017. Section 3.6 enumerates and discusses the key determinants of inward FDI in Nigeria. The impact of FDI on the Nigerian economic growth is discussed in Section 3.7. Section 3.8 expounds upon the impact of terrorism on inward FDI in Nigeria from which the research gap is highlighted. Finally, Section 3.9 concludes the chapter with a summary.

3.2. Study Area: Nigeria

Nigeria lies in the western region of Africa and comprises thirty-six States and a Federal Capital Territory (FCT) located in Abuja. With a population of over 183.2 million as at 2015, Nigeria stands as the most populous country in Africa and the seventh most populous country in the world according to the United Nations Department of Economic and Social Affairs (UN/DESA, 2015). With this massive population, which translates to a large market size the country has become a hub for both domestic and foreign businesses across all sectors of the economy. This alongside the rebasing of the nation's economy in 2014 has placed Nigeria as the largest economy in Africa. As earlier mentioned, both domestic and foreign businesses continue to thrive owing to the large market the country provides. Therefore, concerning foreign companies, market seeking MNEs will find Nigeria as an attractive destination for FDI all other variables being favourable. Similarly, for resource seeking MNEs, Nigeria's population offers foreign firms access to both skilled labour and cheap labour especially since

a large proportion of the country's population are youths. Furthermore, the great deposits of different natural resources have placed the country as a major frontliner in terms of resource seeking FDI in Africa. According to the Organization of the Petroleum Exporting Countries (OPEC, 2016), the oil and gas sector contributed about 35 per cent towards total GDP of Nigeria in 2016 while over 90 per cent of total exports revenue were as a result of petroleum exports revenue in the same year. However, apart from petroleum, Nigeria possesses other natural resources such as natural gas, tin, iron ore, coal, limestone, niobium, lead, zinc and gold amongst others. The country is equally blessed with favourable weather conditions and arable land which account for agriculture as a major economic sector of the country with a 25.49% contribution to overall GDP as at the fourth quarter of 2016 [The National Bureau of Statistics (NBS, 2016)].

Despite these numerous accolades, issues of political instability, corruption and terrorism amongst other hazards are plaguing Nigeria. While this trio have contributed in sanding the wheels of the economy in many respects, they have also created an atmosphere of insecurity not just domestically but on a global front. Several insurgent groups like the Boko Haram group, the Fulani Herdsmen and the Niger Delta Militants have contributed in making the country the third most terrorised country in the world (GTD, 2016, 2017). The issue of globalisation has made it such that the dirty linens of countries are now washed on the global stage through the vehicle of the media and several other internet platforms. National systems and multinational companies are hence not left in the dark regarding the terrorist incidents taking place within the country. It is therefore the aim of this study to investigate how inward FDI responds to the insurgency within the Nigerian economy and put forward possible solutions in terms of policy recommendations about attracting future FDI into the country.

3.3. History of Terrorism in Nigeria

Nigeria has experienced several acts of violence that over the years have metamorphosed into full-blown terrorism and is fast becoming a primary concern not just to the country but also to the world at large. This is because terrorism in Nigeria has transcended its borders to other neighbouring countries such as Benin Republic, Cameroon, Chad, Ghana and Niger Republic amongst others and has also affected foreigners from around the world thus gaining international significance (Chuku, Abang, & Isip, 2017). Several world organisations

especially those of African derivation have expressed concern about the insurgency in the country and have sought for ways of tackling the situation. However, according to the GTD (2015), a major step in tackling the issue of terrorism and developing counterterrorism measures lies in the understanding of root causes and the evolution of terrorism in the country concerned. With reference to Nigeria, terrorism can be explored under three historical epochs comprising, pre-colonial, colonial and post-colonial Nigeria.

Terrorism, which dates back to pre-colonial Nigeria, witnessed predominantly the age grade members (a social group where people qualified as members based on their ages), special interest groups (SIGs) and vigilante groups as the main wielders of power; each representing distinct ideologies. Some of these SIGs included *Ndinche*, *Modewa*, *Aguren*, *Eso*, *Akoda* and *Ilari* (Chinwokwu, 2012). These groups constituted what may be obtainable as today's law enforcement agencies with the responsibilities of safeguarding the lives, properties and public amenities of the community, taking into custody offenders of the law and bringing them before the appropriate authority which in those days were the traditional rulers or village heads. Despite the functions of the age grade members, SIGs and other control groups, several recalcitrant groups and secret societies still existed and constituted a menace to communities; killing, stealing, kidnapping and rebelling against the laws governing the land. The notoriety of these secret societies extended beyond being no respecters of justice to also being used by community heads in the fulfilment of political ambitions through threatening and sometimes eliminating potential oppositions. By these acts, Oyeniyi (2007) puts forward that the local chiefs not only endorsed terrorism but set the pace on which the country's current domestic terrorism originated from.

Following the precolonial era, the amalgamation of the then northern and southern protectorates into a single colony in 1914 ushered in another period of tension amongst the different ethnic groups and the country at large. This was because the unification of the colonies did not just involve the merging of groups of people but the distinct political, social, economic, cultural and religious ideologies under which the ethnic groups had previously existed. According to Oyeniyi (2007), the resistance of a single Nigerian colony by the local communities warranted the use of every means possible by the colonial rulers including the use of violence to implement its policies. Relying on the existing partnerships between traditional leaders and the secret societies such as the Ogboni, Ekpe, Obon, Okonko, Ekpo, Awopa and

Osugbo (Ugwuoke, 2010), the colonial masters were able to capitalise on the loopholes in the system to coerce the locals into complying with their administrative policies. As disclosed by Oshita (2007, p. 30) *“the entry of colonial administrators into Africa saw colonizers aligning with local rulers as they set up trade centres in places where it would serve their strategic mercantilist interests”*. As a result, the divide between the different ethnic groups under the northern and southern colonies only grew wider apart especially as the colonial masters enforced a new system of governance known as the “divide and rule” system which essentially reflected a structural system of slavery. This new system set a clear demarcation between the governing class and the governed. This led to the introduction of the class system, a rise in social inequality, lack of accountability by the ruling class, injustice, exploitation, marginalization and deprivation of the governed and a surge in religious and political fundamentalism. These ripple effects of the systemised slavery propagated more animosity among the different ethnic groups culminating in insecurity and acts of terrorism in the new colony which is still very much existent in today’s Nigeria (Chinwokwu, 2012). Scholars have opined on the close relationship between slavery and terror, as both were conjointly required in the enforcement of colonial imperialist agenda. The lack of a consensual agreement between the colonial masters and the locals unleashed the use of illegitimate authority in coercing them to submit to the colonial administration. While terrorism played a major role in the overthrow of territories by the Global North, colonialism still stands as the most ruthless form of historical terrorism.

The exit of the colonial era ushered in the introduction of self-government and the existence of three independent regions of the Nigerian nation comprising Northern region, western region and the Eastern Nigeria. To reduce the power base of the western region, the north (who were at the helm of affairs) agreed to the creation of the fourth region known as the mid-west region. With these regions came the introduction of a sharing formula and a separate federal fiscal policy that guided the allocation of resources based on the principles of derivation, distributable and independent revenue.(Chinwokwu, 2012). Despite this leap into independence, the Nigerian nation still experienced the ruins of colonial rule. According to Eyo (1980), the nation was founded on the many factors of dissension following the execution of imperialist agendas and the forceful compliance of the people to such. The manipulation of the socio-political and geographical resources continued to breed divisiveness amongst the different ethnic groups and

consequently influenced the seat of power in the nation. As such, the political climate of the country was run based on the use of “hard power” (Oyeniyi, 2007, p. 48) to suppress public opposition to government policies mainly under the military regime of government. During this time, several policies that were instituted to oversee revenue allocation amongst the different regions of Nigeria were changed by the military rulers in favour of the Northern region from which most military rulers originated to the disadvantage of the Eastern region, which covered the present eastern and southern part of Nigeria. This action, which was prejudiced and seen as an attack on the other regions of Nigeria brought about series of uproar and agitation. This further constituted the basis of the resource control saga and the consequent birth of the existing Niger Delta Militants comprising the Movement for the Emancipation of the Niger Delta (MEND) and the Niger Delta Avengers.

The tension between the regions of the nation fast translated to acts of domestic terrorism with direct impacts of loss of lives and destruction of properties. In his compilation, Chinwokwu (2012) disclosed that conflicts between indigenes and non-indigenes formed the majority of ethno political and communal violence experienced within the country in the initial years of the first republic especially regarding natural endowments such as land amongst others. These conflicts, which according to him stemmed from the disregard of ancient landmarks by the colonialist which the Nigerian leaders inherited and have up to date failed to correct, has deterred the country from optimum national growth and development. With the increase in ethnocentric violence climaxing at the 1966 pogrom, the northerners of Nigeria sought to “*systematically ethnically cleanse*” (Uzoigwe, 2011, p. 2) the land by completely eradicating the southerners most of which were the Igbos resident in that region of the country. The killings, which led to the loss of thousands of lives, spurred a retaliation by the South Eastern region in killing the northerners that were resident in that region at the time. Furthermore, the pogrom necessitated the movement of the surviving Igbos back to eastern Nigeria and the subsequent demand for the autonomy of the eastern region from the rest of the Nigerian State to form a separate federal State called Biafra. This quest for an autonomous state led to the Nigerian civil war on 1967-1970 that Biafra lost, but has once again become an issue of concern in recent times with the emergence of the Movement for the Actualization of the Sovereign State of Biafra (MASSOB) (Magnus & Joseph, 2015; Okoye, 2018).

As different ethnic groups continued in activism towards their distinct ideologies, there began to exist an uprising in the northern region towards the Nigerian government for a change. This change stemmed from the perceived incompetence of the government in fostering both economic and political growth of the nation and hence, the need for an ample system of governance. The 1979 Maitatsine uprising ushered in the revolution to institute the Sharia legal system. The group, which was led by Muhammad Marwa, held that modernization had diluted the authenticity of the practice of Islam and hence needed to be addressed. For him, the concept of modernization encompassed anything that had to do with the acceptance of western culture, education and technology. In no time, the group rapidly witnessed a rise in the number of disciples that believed in Marwa's agenda especially due to the strategic transition of the economy from the reliance on the agricultural sector that was anchored in northern Nigeria to the production and exploration of oil anchored in the southern region. Owing to this unfortunate economic displacement of the northerners as a result of the oil boom, these aggrieved individuals; predominantly youths became easy prey for Muhammad Marwa in fostering the Maitatsine agenda (Elkaim, 2012). This uprising represented the first major movement of religiously motivated terrorism in northern Nigeria including a rise in ethnoreligious conflicts between Muslims and Christians throughout the country.

According to Joshua and Chidozie (2014), the major difference of moral conduct, legitimization and motivation of perpetrators regarding terrorist acts make religious terrorism more dangerous than secular terrorism. While the incidents of violence and terrorism continued, several years down the line, the Maitatsine uprising became the historical antecedent to the present day Boko Haram terrorist group with both groups sharing numerous ideological state of affairs (Boidi, 2016). Apart from religiously motivated terrorism experienced in the country, several other uprisings have been linked to the corruption pandemic infesting the government as seen in its negligence of political and economic responsibilities to the people due to the greed and self-aggrandisement of state officials. Therefore, domestic terrorism in Nigeria has also stemmed from the extremities of aggrieved citizens making up different militant groups. They have taken advantage of government inadequacies and incapacities in resolving issues of ethnic cleansing, corruption, injustice, exploitation and marginalisation but have rather exploited these loopholes as a means to engaging in terrorist activities. This has been characterised by mass destruction of lives and properties, assassination and/or kidnapping

of elite individuals as well as foreigners, towards the fulfilment of the desired change. Furthermore, though the motivations and ideologies may vary across the spectrum of terrorist groups, their modus operandi in terms of the creation of fear through violence remains the same (Akanni, 2014).

3.3.1. Operational Terrorist Groups in Nigeria

3.3.1.1. Boko Haram

Boko Haram (BH) was previously an Islamic sect in the early 70s, but this changed to a jihadist sect and then to terrorist group based on their Islamic beliefs. They started mainly in the northern part of Nigeria in 1979 due to their hatred for western practices and education. It was originally called, “*The Movement for the Eradication of Heresies and the implementation of Sunah*” before later adopting the name Boko Haram. The word “Haram” in the name stands for “abomination” and the goal of the sect was to purge the nation from western scourge via killings and sharia style executions. The group hides their agenda under a religious cover, capitalizing on the fact that Nigeria appears to be among the most religious countries in the world (Tella, 2018). The sect became more emboldened in the President Olusegun Obasanjo tenure as a civilian president, however after the leader of the group got shot in a military operation and killed eventually, the sect went into hiding until 2011, shortly after the presidential elections. The group is popular for indoctrination, citizen grooming, carrying out bombings, suicide attacks, child terrorist operations and notorious kidnappings.

The group has further been strengthened by the extra judicial activities of the army, the neglect of the government towards terrorism due to the then coming elections and the few state of emergencies in the northern part of the country. Since their full-scale introduction, the group has successfully attempted territorial enlargement with the use of lethal force, unapologetically (Tella, 2018), making Sambisa forest in Northern Nigeria their strategic hideout. Just before the 2015 elections, the Nigerian army recorded some success in the war against the insurgents, taking back Sambisa forest; however, the leader of the group, Shekau, was not apprehended. Currently, sources believe him dead; however, ever since then videos have been released suggesting that he may still be alive. BH was the seventh richest organization in the world in 2015, with a revenue of over \$70million. Although, their sources of revenue seem uncertain,

however it could be attributed to their successes from abductions, ransoms, bank heists and assistance from fellow terrorist groups such as al-Qaeda (Alapiki, 2015).

A lot of the cases of terrorism in Nigeria can be attributed to some sort of revivalism, for example the BH leaning towards the Islamic revivalism, with the use of blind obedience and extreme repercussions for disobedience and a declaration of holy war (Jihad) on the nation due to different reasons, as stated in the Quran. Venkatraman (2007) highlights the different types of Jihad, stating that Jihad is mostly encouraged by the Quran, given the interpretation and flexibility of Jihad and its forms in the Quran. The first step in the mode of propagation is the indoctrination. The leader, Mohammed Yusuf in this case, takes his time to sell the religious rhetoric to the potential Jihadists, as they love to be called, emphasising the fact that the service is for God, the terrorists see themselves as God's agents, helping God to purge the earth of un-Islamic infidels (Onapajo & Uzodike, 2012). A lot of the doctrines are supported by the Quran with the promise of eternal life after death in a garden filled with several benefits (Venkatraman, 2007). In addition, the promise of better governance, poverty alleviation and justice makes it harder for the poor indigenes to reject the proposals by the Jihadists (Idowu, 2009).

The second step is internal Jihad, where those that do not believe in the doctrine of violence are punished for their unbelief, depending on where they fall among the citizens. If they are Muslims, the punishment might not be fatal as the Quran states, if they are non-Muslims however, they are forced to renounce their faith or face extreme repercussions. These actions have a two-way effect, first on the rest of the citizenry and also on the neighbouring cities, as these punishments are carried out in the open. On the Islamic community, other Muslims become scared of deviating or they become more emboldened that they are working for a higher power, while the action strikes fear in the hearts of the neighbouring cities or the rest of the world. BH carried out executions in open show, in addition to giving lashes and amputations as prescribed in the Sharia. The final part of the puzzle is the external Jihad, where the terrorists now take the fight to either the Government or neighbouring cities who will not join their cause. In the case of BH, the fight is against westernization and bad leadership, which is also an aspect of Jihad, this was evident in the bombing of the UN building in Abuja, a symbol of westernisation, in 2011, abduction of schoolgirls and closing down of educational institutes. BH aims to create a system rooted in Islamism, with the Sharia as the major basis of education,

trading and farming the major drivers of the economy and the formation of an independent State. The process of Islamisation involves territorial capture and systemic radicalisation; as a result, northern parts of Nigeria were first captured as the area has higher percentage of Muslims that can be radicalised, partly based on their level of education and the poverty levels in the area. In addition, the fight against BH was further aided by the political instability in the country, with military operations being politicised at every turn (Adelaja, Labo, & Penar, 2018; Chukwurah, Okechukwu, & Ogbeje, 2015; Iyekekpolo, 2016; Tella, 2018).

3.3.1.2. Niger Delta Militants

Another compelling group is the Movement for the Emancipation of the Niger Delta (MEND). According to Tella (2018) the focus of this group is resource related making their activities sector specific, rather than religious related (de Montclos, 2014). MEND is a collection of other groups or organizations with a common purpose, to fight against the exploitation of the region by the government and foreign companies. In general, the coalition is called Niger Delta Militants. Table 3-1, presents some of the groups encompassed within the MEND. Alapiki (2015) highlighted some of the most notorious groups in the region under the umbrella of MEND explaining that the motivations of these groups is to cripple the oil exporting capacity of the Nigerian economy by launching attacks on oil installations. Additionally, the operation style of the militia groups include kidnapping and in some cases, murder, burning monuments or government edifices, pipeline vandalism, oil bunkering, burning oilrigs and holding expatriates hostages. Often times, the groups work independent of each other, as a result it is impossible to determine the worth of the umbrella group, MEND.

Table 3.1 Groups under the Movement for the Emancipation of the Niger Delta

S/N	Different Appellations Of The Niger Delta Militants
1.	Concerned Militant Leaders (CML)
2.	Delta Democratic Militia
3.	Egbesu Boys (EB)
4.	Federation of Niger Delta Ijaw Communities (FNDIC)
5.	Indigenous People of Biafra (IPOB)
6.	Movement of the Survival of Ogoni People (MOSOP)
7.	People's Liberation Force (PLF)
8.	Red Egbesu Water Lions
9.	The Niger Delta Forest Army (NDFA)
10.	The Niger Delta Freedom Fighters (NDFF)
11.	The Niger Delta Greenland Justice Mandate (NDGJM)
12.	The Niger Delta People's Volunteer Force (NDPVF)
13.	The Niger Delta Strike Force (NDSF)
14.	The Niger Delta Vigilante Force (NDVF)
15.	Urhobo Revolutionary Army

Source: Alapiki (2015); GTD (2018); Ordu (2017)

Discussing the location and background information of the region, Nwogwugwu et al. (2012) disclosed that the Niger Delta stands as the third largest delta in the world with a population of over twenty five million people. It equally houses over forty ethnic groups situated in nine States that make up the region. These States include Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers States. Given the richness of the region both in renewable and non-renewable natural resources such as oil, gas, bitumen, the region accounts for about 95% of the total revenue made from oil and gas exploration and 80% of national wealth (NBS, 2016). The people in the region prior to the discovery of oil were mainly into fishing and farming however, this is not the case anymore as their means of livelihood seems to have been destroyed by the activities of oil MNEs in the regions. As a result of this, the people (predominantly youths) who have been rendered jobless and economically deprived have turned to acts of violence after years of the government not complying with their demands regarding the region Niger Delta (Ordu, 2017). Some of the demands of the militants as disclosed in one of Nigeria's top newspapers by Usman (2016) comprised:

- i. An evaluation of the amnesty programme's core mandate
- ii. Restructuring and funding of the Niger Delta Development Commission (NDDC)

- iii. Infrastructural development and empowerment of the region
- iv. Inclusive participation in oil industry and ownership of oil blocs
- v. Reinforcement of the Niger Delta ministry
- vi. Relocation of the administrative and operational headquarters of major International Oil Companies (IOCs) to the Niger Delta region,
- vii. Clean-up of communities affected by oil spill.

With the prolonging of the government in meeting these demands, the fight for the region has continued. Several movements organised by group leaders such as Ken Saro Wiwa, Asari Dokubo, Tompolo, Ebikabowei Victor-Ben amongst others have continued to be made to advocate for government intervention in the region (Alapiki, 2015). However, because of the continued laxity of the government, the dysfunctional social structure and political economy and expropriation of the Niger Delta, the region has continued to experience pockets of violence aimed towards the Nigerian State (Duruji & Ayodele, 2017; Francis & John, 2018). Although scholars such as Akanni (2014) refer to the militants as terrorists because of their actions some others classify them as militants or freedom fighters owing to the ideology underpinning the actions (Nwogwugwu et al., 2012; Ordu, 2017). However, despite the underpinning ideology, the rise in militancy has led to an insecure business environment, which has also slowed down growth and development in the region and the Nigerian nation.

3.3.1.3. Fulani Herdsmen

Another popular terror group are a sect from the Fulani pastoralists originating from the northern part of Nigeria but operating mostly in the middle belt region of the country. The Fulani pastoralists account for a huge percentage of the meat business of Nigeria, because of their very affordable and readily available meat. They constitute about 3.2% of the nation's economy and believe in grazing as a way of life rather than as a means of business, taking their cattle around towns and cities in search for new pastures (Bello, 2013). It is believed that a Fulani would lay down his life for his cattle; as a result, he is ready to kill for his cattle. This characteristic of the Fulani could be seen as one of the reasons for the clashes with farmers and other indigenes (Ndubuisi, 2018). The Fulani tribe pre-dates colonial eras, dating back to the time of Usman Dan-Fodio. The Fulani have fought to become established in Nigeria, however,

their migration and pastoral habit continue as this is embedded in the history of the people and this is beyond the business aspect, as some people might assume (Adebayo, 2014).

At a point, a lot of herdsmen, as they are fondly called in Nigeria, were facing situations with cattle rustlers and issues with availability of grazing fields, their reports to the police did not yield any positive result, the herdsmen then had to fight for themselves. This resulted in the formation of a militia, like a Fulani militant group, the main goal of which was to repel the oppressions they were facing, ranging from cattle rustlers to farmers who were against grazing on their farmlands. These militants are believed to have killed about 1300 people in Nigeria according to the Global Terrorism Index, with the number increasing yearly with the Governments continuous inactivity regarding the situation. The Fulani herdsmen militia has a different way of propagation, and this is more hereditary (Ndubuisi, 2018). The Fulani procreate a lot, giving birth through polygamy and building up their population. It is believed in some parts of Nigeria that, when a Fulani man gives birth to a boy, the boy is given a calf, from this point, a new cattle breeder is born and from this point, the boy is shown how to take care of a herd based on the history and practise. The way of life is inbred in the younger generation and these in turn drives the lifestyle. These herdsmen take their cattle for water and for grazing in different parts of the area and across cities to avoid cattle rustlers.

3.3.2. Causes of Terrorism in Nigeria

A review of previous literature suggests that historical terrorism was more politically inclined. However, the recent sweep of modern terrorism across the world and also in Nigeria according to Joshua and Chidozie (2014) have been more associated with religious ideologies stemming both from collective moral and value orientations of the perpetrating sects. This as stated by them makes this type of terrorism more terrifying than secular terrorism. While this notion may be valid judging from the number of fatalities and deaths of religiously motivated terrorism in comparison to other types of terrorism, it is pertinent to beg the question as to where the demarcation lies between terrorism motivated by religious values, political connotations and socio-economic rights fulfilment. The idea of clear-cut causes of terrorism may not be as definite as research puts forward. Most often than not, the distinguishing line between terrorism ideologies are rather fuzzy. The work of Zimmermann (2008) points to the notion that the causes or root factors of terrorism often overlap and can only be determined by an investigation

into the goals of the terrorist groups. Similarly, the National Research Council (2002) is of the opinion that modern-day terrorism are spurred by a blend of factors rather than distinct factors. Therefore, this section analyses some of the possible causes or root causes of terrorism in Nigeria as put forward in previous literature. Drawing from a hoard of literature, the main causes of terrorism in Nigeria comprise corruption, poverty, economic deprivation, unemployment, religious fanaticism and illiteracy (Adebayo, 2014; Alapiki, 2015; Joshua & Chidozie, 2014; Magnus & Joseph, 2015). These causes are discussed below.

3.3.2.1. Corruption

Terrorism analysts and scholars have identified several factors as the causes of terrorism in Nigeria. Amongst these factors, Alapiki (2015) disclose corruption as the principal factor from which every other factor stems from. In its basic form, corruption can be defined as the misuse of entrusted power or authority for personal gain. This definition as put forward by the Transparency International (TI); an organisation geared towards fighting corruption for over twenty-five years views corruption as a deliberate action rather than an accidental occurrence. In Nigeria, the issue of corruption has become widespread to the point of its celebration as the norm and celebration as a culture (Onapajo & Uzodike, 2012). It has so eaten deep into the fabrics of the nation and has manifested itself in various ways such as abuse of government position, bribery, electoral malpractice, victimization, misappropriation of public funds and misuse of power for exploitive and despotic purposes amongst others (Alapiki, 2015). The effect of this over time has led to a case where the rich (mostly those in power) get richer while the poor get poorer breeding dissatisfaction, anger and frustration in the minds of the aggrieved population culminating in acts of violence and terrorism.

For some of the operating terrorist groups in the country, their motivations stem from the dissatisfaction with the corrupt practices of the government. Orhero (2015) disclosed that the Boko Haram group for example, are embittered by the activities of the Nigerian government and the ruling classes. Particularly, they are enraged about the extant social injustice, corruption and widening gap between the rich and the poor, which strengthens their quest for the implementation of Sharia law and the propagation of their agenda of Nigeria as an Islamic state. Similarly, the activities of the Niger Delta Militants according to Ordu (2017) are expressions of frustration and social displeasure against the structural callousness and

dysfunctional social structure and political economy of the Nigerian state. For this reason, several studies have found a strong positive relationship between corruption and terrorism in Nigeria (Chayes, 2016; Melo & Quinn, 2015; Nkemdili et al., 2013; OECD, 2017).

According to the OECD (2017), corruption and terrorism work hand in hand in countries that are prone to terrorist activities. The organisations in their paper state that terrorist organisations rely on the loopholes in the system to aid terrorist financing. They disclose that corruption impedes the country's ability to fight terrorism, aids transitional terrorism, assists international terrorist financing and allows for concealing of terrorist financing. Similarly, Louise (2018) extended that corruption enables terrorism to thrive as it subverts governance, the economy, social order and sustainable development. A direct effect of corrupt practices as alluded by Chayes (2016) points toward the evidence from her study that corruption pushes a number of people into engaging in extremist movements, which form the basis of terrorist incidents. Expounding on the relationship between corruption and terrorism, Alapiki (2015) notes that lowest ranked countries by the Corruption Perception Index suffer high level of terrorism. This comprises North Korea, Somalia, Sudan, Afghanistan, South Sudan, Iraq, Eritrea, Libya, Venezuela and Yemen. Therefore, an understanding of the ways in which corruption aids terrorist activities is key in the fight against terrorism and subsequent fight against corruption.

3.3.2.2. Poverty

Several scholars have mentioned poverty as an offshoot of corruption and a major cause of terrorist activities in Nigeria (Dapel, 2018; Hackett, 2016; Kurecic & Seba, 2016). According to the Nigerian National Bureau of Statistics (NBS, 2014) about 70% of Nigerians live below a dollar daily which denies them the ability to afford the basic needs of life. Of the 70%, a number of studies as well as world organisations state that the northern region of the country account for the majority of poverty in Nigeria. The UN in particular discloses that the rate of poverty in the twelve of northern States is nearly twice that found in the rest of the country (Adebayo, 2014).

Drawing from the work of Awoyemi (2012), the northern region documented the highest rates of poverty in 2010 as disclosed by the NBS. As shown in Table 3.2, the North-West, North-

East and North- Central recorded poverty rates of 77.7%, 76.3% and 67.5% respectively reflecting the predominance of poverty in Nigeria in the northern region.

Table 3.2 Poverty Rates in Nigeria by Geo-Political Zones

S/N	GEO-POLITICAL ZONES	PERCENTAGE
1.	North-West	77.7%
2.	North-East	76.3%
3.	North-Central	67.5%
4.	South-East	67%
5.	South-South	63.8%
6.	South-West	59.1%

Source: Awoyemi (2012)

Similarly, Lukman (2012) pointed to the fact that the top richest States in Nigeria are all located in the south while the ten poorest states are all located in the northern region of the country. With this high rate of poverty, members of these impoverished areas become easily brainwashed into terrorist agendas especially with the promise of monetary benefits offered by the terrorist groups. The link between the terrorist prone regions and high rates of poverty has been emphasised in several studies. According to Alapiki (2015), the Boko Haram insurgency can be viewed using the lens of the prevalent poverty in the northern region of the country. This poverty according to him does not stem from the reluctance of the people to work rather from the bad governance of a failing State where political heads misappropriate federal resources for personal aggrandisement rather than the benefit of the masses. Such benefits ought to include the creation of employment opportunities, improvement of infrastructure and instigation of poverty alleviation programmes. This failure of the Nigerian State drives its citizens into a state of frustration pushing them into engaging in acts of violence and making them vulnerable to terrorist organisations recruiting members.

Different scholars have explored the relationship between poverty and terrorism in Nigeria in light of the different terrorist groups. In his work on poverty and terrorism in Nigeria, Akubor (2016) found that wealthy and influential political and religious leaders in northern Nigeria intentionally manipulate the Islamic system of education to perpetuate terrorism. It is on backdrops like this that terrorism thrives owing to the misleading information being fed into the minds of young people. Similarly, using content analysis Khan and Cheri (2016) disclose that there is a relationship between the present crises in northern Nigeria and the rate of poverty

in that region which they posit as the triggers of the crises. Their result revealed that the inefficiency of poverty mitigation and eradication programmes, mismanagement of resources, lack of a development plan for the northern States and the overreliance on minimal job opportunities account for and sustain terrorism in the region.

3.3.2.3. Economic Deprivation

Similar to poverty, economic deprivation has been extended by a number of studies as another root cause of terrorist activities (Aghedo & Osumah, 2015; Nwoke, 2016; Orogun, 2010; Rhuks, 2012). The issue of economic deprivation has been noised as a main trigger for the activities of the Niger Delta Militants. Where, although responsible for about 80% of the nation's wealth, the Niger Delta region and its inhabitants suffer from years of political and economic relegation, environmental degradation, and policy inconsistency and poverty due to bad governance. With the majority of the people living in shanties and loss of means of livelihood given the pollution of the environment due to oils spills, the plights of the communities are evidenced in the agitations of the militants (Alapiki, 2015; Nwogwugwu et al., 2012). For the militants for example, their agitations are targeted at compelling the government to come to their aid. However, the continuation of neglect and relegation by the government spurs the aggrieved citizenry into acts of violence for emancipation.

Results from some empirical studies emphasise the direct relationship between this factor and terrorism in Nigeria. Using the Ordinary Least Square (OLS) estimation method, Okon (2014) investigated the relationship between economic deprivation and terrorism in Nigeria. His results revealed that economic deprivation fuels terrorist activities in Nigeria and therefore a key policy implication is that government needs to make proactive steps in improving social welfare and macroeconomic policy inconsistencies plaguing the nation. Furthermore, Khan and Cheri (2016) extend that economic deprivation which connotes the vulnerability, powerlessness and social exclusion of the people amongst other things leads to grievances and potential acts of violence specifically in the North Eastern and Niger Delta regions of the country. With the proceeds of these resource rich regions being exploited by political leaders leading to class inequality, the situation leaves the masses made up predominantly of youth deprived of basic economic and social amenities. Additionally, the outcome of the deprivation experienced by the citizens leaves youths disposed to participating in violent activities as a two

edged sword: one, as a means of earning a living and two, as a retaliation against the oppression of the Nigerian State (Adelaja et al., 2018; Dapel, 2018).

Deviating from the mainstream opinion of the cause and effect relationship between economic deprivation and terrorism is the work of Aaron (2015) who puts forward a new line of thought. According to him, although several undisputable facts that give credence to the notion of relative deprivation abound, there is need for a rethink about this notion given the rise of recent developments in Nigeria's political life. Furthermore, he points out that despite the continued deprivation experienced by the region, there was a cessation of violence in the region during the tenure of the then President Goodluck Jonathan who hails from the long standing politically marginalised region of the Niger Delta. While this fails to explain the reasoning behind the theory of economic deprivation as a principal cause for the insurgency in the Niger Delta, it calls for a deeper investigation into possible political connotations that may be spurring militant activities in the region. Although the results of his study still calls for intervention in the worsening economic and environmental conditions, there is need to analyse the activities of militants on the backdrop of the functioning system of government. The study puts forward a federal system of government as a solution to the insurgency of the Niger Delta region and the country at large.

3.3.2.4. Unemployment

Just like poverty and economic deprivation, the issue of unemployment has been disclosed as a cause of terrorist activities in Nigeria. According to Linetsky (2017), *"job, not bombs, will win the war on terror"*. With about 20.3million unemployed Nigerians of which 5.3million are youths with an average of 1.8million graduates annually released into the job market as documented by the NBS (2014), Alapiki (2015) posits that there is a great connection between corruption, poverty, unemployment and terrorism. With its rich endowment with human, material and natural resources, especially from the revenue gotten from crude oil, Nigeria is well able to provide for its citizens. However, due to the corruption and unethical practices plaguing the country, this societal goal of reduced unemployment amongst other macroeconomic goals have failed to be met allowing the people seek for fair or foul means of survival. Thus, they resort to ways of social vices including militancy and terrorism against the State and as a way of fending for themselves (Ordu, 2017). Therefore, the swarming

unemployed and impoverished youths serve as a fertile ground for terrorist and criminal related actions. This pandemic if not addressed will eventually result in failed nation as according to Adebayo (2014) unemployment leads to the frustration of not being able to service ones needs but rather relying on support from other people. While this leaves the youths in a state of lack and poverty, it snatches away any glimmer of hope and confidence they may have had in the government and a better future.

Contrary to popular opinion Linetsky (2017) disclosed that the absence of employment opportunities as opposed to religious fanaticism is responsible for the activities of the Boko Haram group in the North East. Similarly, the studies of Khan and Cheri (2016) expounded on the joblessness ravaging northern Nigeria as one of the main causes of increased terrorist activities in the region. This lack of employment translates to a decrease in the living standards of the people. Additionally, Okon (2016) using social welfare as a measure of unemployment in his study of the root causes of domestic terrorism in Nigeria, found this variable to be negative however not statistically significant. What this implied was that an increase in the social welfare and standard of living reduces terrorism in the country. It is on this basis that Magnus and Joseph (2015) summarise the root causes of terrorism in Nigeria under three main socio-economic factors comprising youth unemployment, poverty and a poor standard of living which account for the same reasons youths are recruited into militant and terrorist groups.

3.3.2.5. Religious Fanaticism

From as far back as the 1990's, Ranstorp (1996) had drawn upon the historical association between religion and terrorism where over the years, a rise in religious extremism was revealed by several acts of terrorism around the world. Given the two major religions in the country: Christianity and Islam, religious antagonism is an issue that characterises the Nigerian State. Similarly, the issue of religious beliefs have eaten deep into the fabric of political and sociocultural issues confronting the nation such that it is quite difficult to draw the line between issues of religious, political, cultural undertones (Okunade & Njoku, 2013). The issue of religious fanaticism in Nigeria can clearly be associated with the Boko Haram terrorist group. In his work Rapheal (2018) states Nigeria as a perfect example of a country plagued by terrorism in the name of religion by the Boko Haram group. This according to him stems from

religious and ideological manipulations propagated by religious leaders, which result in acts of terrorism.

In their work, Okunade and Njoku (2013) postulate several reasons for the rise in religious fanaticism. Firstly, the transition from the traditional rulership system of government to democracy propagated by the foreign policies of western culture. This links with the ideology of the Boko Haram group given their fight against western education. Secondly, the surge in religious radicalism and terrorism can be attributed to the extant poverty in the country stemming from policy inconsistencies, economic inequalities, marginalization, and corruption. Thirdly, while the issue of religion is a means of identifying with a particular group of people, the controversy surrounding it as aforementioned also has political inclinations. This is because over time leaders at the helm of political power in the country have attempted to move the country from its original multi-religious stance to one of the religious groups: Islam. As a result of this, the Christian community have suffered at the hands of the Muslim communities especially the southerners based in the northern region of the country and this led to the consideration of a division of the nation into separate States on grounds of issues of religion amongst other reasons (Magnus & Joseph, 2015). Therefore, the resultant effects of many of the religious tension are uprising of terrorist activities.

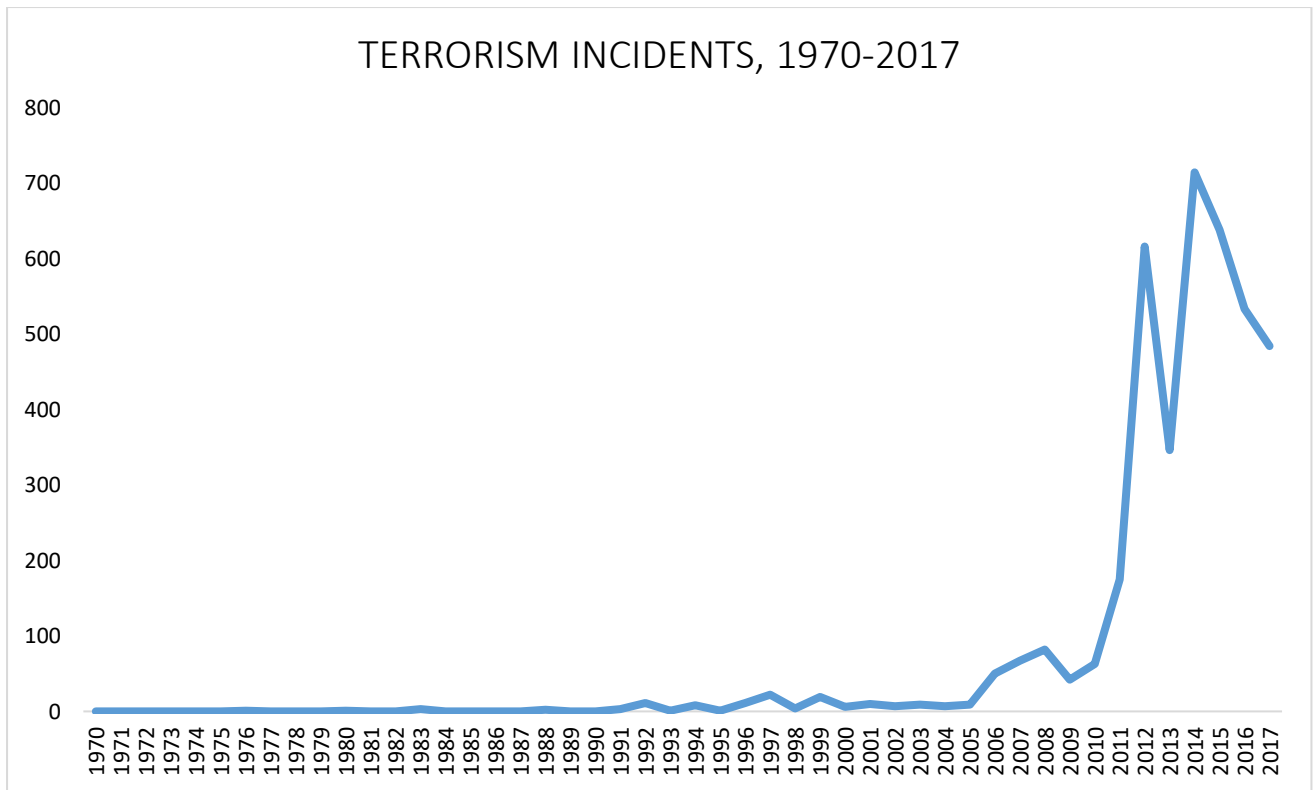
3.3.2.6. Illiteracy

Several studies put forward illiteracy as a cause of terrorism alongside the poverty of the people. In the context of Nigeria both of these factors go hand in hand as factors underpinning the violence in the northern region of the country. Particularly for the Boko Haram group, the activities of this group can be linked to the low levels of education of its members making it easy for them to be brainwashed under religious, political or monetary umbrella into engaging in terrorist activities (Adegami, 2013; Okon, 2016; Onapajo & Uzodike, 2012). Illiteracy just like poverty and unemployment are offshoots of government's negligence of their responsibilities. As stated by Oluwatuyi (2012), with the presence of education amongst other basic amenities particularly in the northern region, the activities of the Boko Haram terrorist group would have fizzled out naturally. This is because these basic amenities would have created a favourable environment for both domestic and foreign investment to thrive. The empirical findings of Salihu (2018) supported this factor as a major cause of the rise in Boko

Haram terrorist activities in the northern region. The authors' descriptive statistics summarised the probable causes of terrorism in Nigeria particularly in northern Nigeria where terrorism thrives more as socioeconomic indexes comprising poverty, unemployment, population growth and illiteracy rates.

3.3.3. Trend of Terrorism in Nigeria

This section provides the trend of terrorism in Nigeria from 1970 to 2017 measured by terrorist incidents. The Figure below graphically represents the total number of incidents in Nigeria over the period under study. From Figure 3-1, Nigeria recorded its first terrorist attack in 1976 with just one occurrence of terrorist incident in Lagos State perpetrated by some coup plotters according to GTD (2017). There was no record of terrorist attack over the next three years following from the initial attack till 1980 when the country witnessed another strike of terrorist attack by the Zimbabwe Patriotic Front in Kaduna State. The Figure showed that the country experienced a total number of three attacks in 1983 by some unknown groups and others by terrorist gangs in Lagos State from which subsequently no terrorist attacks were recorded between 1984 and 1987. Similar to the incidents in 1983, the country experienced two terrorist incidents in 1988 from an unknown terrorist group. With a first peak at 11 incidents in 1992, the third decade began to witness a gradual increase both in the number of terrorist incidents and in the number terrorist groups. Although fluctuating at a minimal rate, the terrorism incidents in Nigeria remained relatively low until 1997 when the year experienced double the initial 1980 peak of a total number of 22 incidents. Sequel to this year, the country carried on experiencing different attacks in different regions of the country by different perpetrating groups.



Source: Global Terrorism Database

Figure 3.1 Terrorism Incidents, 1970-2017

The next largest number of terrorist incidents that the country experienced was in 2006 when 50 attacks were recorded most of which was perpetrated in the Niger Delta region by the MEND. Thereafter, the greatest number of incidents recorded in a single year in the country was in 2014 when total number of 714 incidents occurred. The number of terrorist attacks in that year accounted for 18.1% of the total number of terrorist incidents between 1970 and 2017. The Boko Haram group and the Fulani Herdsmen were the major terrorist groups responsible for this number of attacks contributing 15.03% and 2.86% respectively to the total number of attacks in 2014. From 2014, the country has continued to see a decline in the number of terrorist attacks.

Nigeria has experienced its highs and lows with regards to terrorism. Moving from a country that could hardly be associated with terrorism to one that currently ranks as the third most terrorised country in the world with a score of 8.66, Nigeria currently accounts for 8% of the total number of deaths from terrorism globally (GTD, 2018). However, the country has experienced a three-year decrease in the total number of both terrorist incidents and deaths. From the highest recorded number of terrorist incidents in 2014 with a total number of 6136

deaths, the country saw a decrease of 34% in 2015, 63% in 2016 and 16% in 2017 in terrorist deaths. According to the GTD (2018), the decline could be linked to the increased efficiency in counter terrorism measures put in place to tackle terrorist activities not just by Nigeria but by other neighbouring countries such as, Cameroon, Niger and Chad affected by the activities of the two most deadly terror groups in the county: Boko Haram and the Fulani Herdsmen. Together these groups account for 63% of terrorist incidents and 88% of terrorism deaths in Nigeria (GTD, 2018).

3.4. Foreign Direct Investment and Government Policies in Nigeria

Nigeria as a developing economy is blessed with an abundance of resources both human and natural. With this huge presence of resources, it is sad to see that the economic growth of the country is not commensurate with the many advantages the country holds in comparison to other African countries. Foreign direct investment has been extended as a major source of inward capital flow to developing economies and has become instrumental in the development of the economy. Aside from the investment and inflow of capital, FDI yields several advantages to the host economies such as opportunities for employment, transfer of technology and managerial and technical expertise amongst others which add up to the growth and development of the host economy (Arawomo & Apanisile, 2018). The country is therefore in desperate need of an influx of FDI to accelerate its growth, push the nation towards the realisation of macroeconomic objectives and enhance economic efficiency. This will further serve as a boost to the domestic market given the need to stay ahead of market competition leading to the penetration of foreign markets for domestic products through international trade (Ebekoziem, Ugochukwu, & Okoye, 2015). Given the many benefits offered by FDI, several attempts have been made by the Nigerian government through the institutionalising of various reforms to ensure a favourable investment environment not just to attract FDI but conducive for existing FDI to thrive.

Government policies guiding trade and foreign investment in the country are disclosed by Ojong, Aripko, and Ogar (2015) as significant in pulling FDI into the country. As at 1956, over 25% of the companies registered in Nigeria were foreign-owned while about 70% of investment in the manufacturing sector were from foreign sources in 1963. In a bid to increase the economic base of the country and reduce the rise in foreign firms and the subsequent

dependence on foreign trade, the Nigerian government set forth the initial national development plan of 1962-1968. The plan had a new tariff structure encompassing an industrialization and import substitution programme. However this development plan was short-lived given the institution of foreign exchange and import license control in 1971 and 1972 (Babatunde, Oyeniran, David, & Ibrahim, 2013; Ojong et al., 2015).

Following this, the need for a second development plan was initiated which saw the institutionalisation of the Nigerian Enterprises Promotion Decree (NEPD) under the indigenisation policy of 1972. This decree set several restrictions on FDI entry, exclusively reserving twenty-two business activities for Nigerian investors and permitting up to 60% ownership of foreign investment (Zakari, Aliero, & Abdul-Quadir, 2012). With a surge in world oil prices, a third development plan was necessitated. This led to the review of the 1972 NEPD evidenced by a more stringent indigenisation policy in 1977. This revised policy increased the business activities reserved for Nigerian investors, reduced foreign participation in FDI restricted businesses from 60% to 40% and created a second list of business activities where foreign investment was placed at 40% ownership (Dinda, 2010; Ebekoziem et al., 2015; Ojong et al., 2015).

Sequel to this decade, the Nigerian government has taken proactive steps in pursuing FDI inflow into the country especially since the fall of oil prices and global recession in the early 1980's. While this revealed the inefficiency of the existing investment policies, it more importantly sought to develop the Structural Adjustment Programme (SAP) geared towards privatization, economy liberalisation, encouraging competition and increasing investment in the economy. This programme was therefore initiated in 1986. However; it contradicted some of the provisions in the extant NEPD such as tariff increases, which pointed to the need for a deregulation of the economy. Thus, the NEPD was further reviewed and in a bid to compete more effectively on a global scale for FDI and its benefits, the Nigerian Investment Promotion Commission (NIPC) was established in 1995 (Arawomo & Apanisile, 2018; Wafure & Nurudeen, 2010). The essence of the NIPC was to market the Nigerian economy, remove possible deterrents of FDI, provide investment incentives to attract FDI and ease the process of FDI entry by MNEs into the country. The country has taken further steps to attract FDI such as the signing of Bilateral Investment Treaties (BITs) in the late 1990s, the establishment of

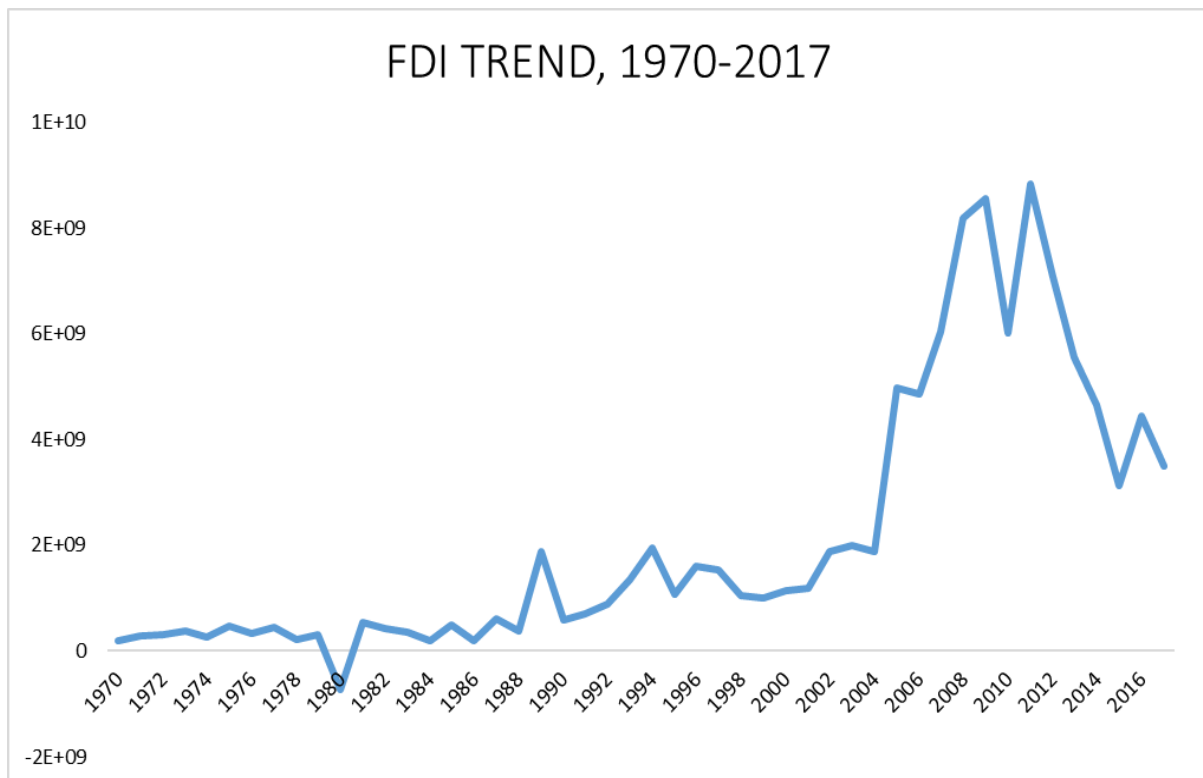
the Economic and Financial Crime Commission (EFCC), the Independent Corrupt Practices Commission (ICPC) to curb unethical behaviours that could deter inward FDI.

A review of some empirical research showed mixed results concerning the role of the NIPC in influencing the inflow of FDI in Nigeria. Using an independent T-test, the results of Zakari et al. (2012) showed a statistically significant relationship between the establishment of NIPC and a surge in FDI inflow. The average flow of FDI after the establishment of NIPC was seen to be higher than before the establishment of NIPC suggesting that the NIPC had succeeded in promoting the development of FDI in Nigeria. Conversely, using a dynamic error correction mechanism model and cointegration approach Babatunde et al. (2013) found that the NIPC had no significant influence in attracting FDI possibly due to the lack of independence and the negligence over time alongside the unsustainability of government policies. The paper therefore extended for the sovereignty of the commission in administering incentives and the support of the Nigerian government that would attract FDI into the country. Based on the mixed findings, his study did not totally negate the influence of the institutional framework guiding investment in the country; however, it put forward that together with economic, social and political factors the goal of the country in attracting FDI could be achieved.

3.5. Trend of FDI in Nigeria

With the country's vast resources, one would assume that the country would be a major recipient of increased FDI. However, Figure 3-2 reveals that the trend of FDI into Nigeria between 1970 and 2017 has been somewhat irregular. Despite the country's effort to attract FDI, the country has not been able to record sustained growth in the inflow of FDI over the period under study. The 1970's witnessed a marginal increase in the flow of FDI over the decade. The first decrease of 31% was observed in 1974 with a total FDI inflow of US\$257million from US\$373million. This could be attributed to the rise in oil prices at the time, which required the formulation of a second national development plan guiding investment in the country leading to tighter FDI entry policies. The next major change observed was in 1978 when a 52% decrease was recorded in the inflow of FDI. This was the year following the 1977 review of the NEPD, which restricted the participation of foreign investors to 40% of national business activities. This restricted the number of sectors foreign investors could invest

and operate. The inflows saw a drop from US\$441million to US\$211million accounting for the weakness of the existing policies in attracting and maintaining FDI.



Source: World Development Indicators

Figure 3.2 FDI Trend, 1970-2017

The fall in oil prices and the resultant global recession of the 1980's translated to a drastic loss of FDI. The country experienced a negative FDI inflow or disinvestment in that year. This reverse investment which according to UNCTAD (2016) is mostly associated with countries experiencing unrest of some sort may have been the case with Nigeria. This is because the nation experienced a terrorist attack in that year which could have made existing MNEs pull out their investments and capital. Furthermore, it could hint to the fact that majority of the foreign investment in the country were in primary sectors such as the oil and gas owing to the abundance of crude oil (Babatunde et al., 2013). Therefore, a fall in oil prices could have led to the reduction of the capital invested in this sector, which accounted for the bulk of total FDI. The subsequent year showed an increase in FDI inflows followed by four years of a consistent decline in the inflows of FDI. Anyanwu (2012) put forward that this could have been as a result of several negative factors in the country such as political instability, corruption, limited privatisation of the economy, lack of transparency and poor infrastructures.

Figure 3.2 shows that the flows of FDI increased between 1989 and 2005 from US\$1.9billion to US\$5billion and then to US\$8.8billion in 2011. This astronomical increase could be associated with a number of things, mainly the introduction of the SAP in the 1995, the transition of the political rule from military to democracy in 1999 and the initiation of several economic empowerment and development strategies at national, State and local levels of the country (Ojong et al., 2015). The following years till date has seen a continuous decline in the inflow of FDI into the country. The terrorist activities of the different terrorist groups in the country could be associated with the continuous decrease observed in the inflow of FDI. Overall, the inflow of FDI to Nigeria from 2011 to 2017 with an exception of an increase recorded in 2016 showed a downward trend.

3.6. Determinants of FDI in Nigeria

On the determinants of FDI, several empirical studies have extended a number of factors that could potentially attract FDI into the Nigerian economy. Given the uniqueness of the Nigerian economy, the ever-changing economic, political and social variations in the economy has necessitated the constant evaluating of the factors that determine the inflow of FDI in the country. In their work, Adefoso and Agoola (2012) investigated the long run determinants of FDI in Nigeria. Their result showed that degree of openness, market size, ICT, oil sector, tax, tourism and infrastructure measured by mobile phone penetration significantly affected the inflow of FDI on the long run. Particularly, the results showed that a 1% change in market size and the oil sector will lead to 67% and 79% change in the inflow of FDI. These variables stand out as the key determinants from their study, placing FDI in the country as both market seeking and resource seeking. Similarly, Ebiringa and Emeh (2013) analysing long-run determinants of FDI in Nigeria, found that exchange rate, inflation rate and interest rates showed a negative long run effect on the FDI inflows and were all statistically significant. GDP and Stock Market capitalization on the other hand exerted a positive long run effect on FDI in Nigeria. This study emphasised the importance of economic variables as key determinants of FDI in Nigeria. Based on the results the study advocated for increased attention to be paid to policies and programmes that favour macroeconomic stability and improve macroeconomic variables.

Moving on to more institutional factors Ndem, Okoronkwo, and Nwamuo (2014) employed Ordinary Least Square (OLS) and co-integration Error Correction Method (ECM) to

investigate the factors affecting the inflow of FDI between 1975 and 2010. Their results similar to other empirical studies showed that market size, openness and exchange rate significantly affect FDI but more importantly, the presence of political risk in the country deters the inflow of FDI in Nigeria. The quality of infrastructure was also found to positively affect the flow of FDI into the country though not significantly. Dinda (2012) showed that a key determinant of FDI is the endowment of natural resources pointing towards FDI flow into the country as being resource-seeking. Also, contrary to the majority of the literature in the FDI discourse on Nigeria, their results reveal no statistical significance between market size and FDI suggesting that the FDI inflows are not essentially market seeking. However, other macroeconomic variables such as inflation and exchange rates significantly determine the level of FDI inflow into the country.

Different from all other studies, Okpara (2012) revealed in his results that past FDI are capable of influencing and encouraging new FDI. An understanding of the Nigerian investment environment could potentially influence the flow of FDI into the country in future. According to him, the extant minimal flow of FDI into the country is because of the unfavourable investment climate of the past. Therefore, there is need for the government to improve the current investment environment in order to sustain existing FDI and attract more FDI in the future. Their results also highlighted the positive and significant role of natural resources in attracting FDI amongst other factors such as fiscal incentives, favourable government policy, exchange rate and infrastructural development. Although not significant, market size and trade openness were positively associated with the inflow of FDI. Political risk was disclosed as a major factor capable of discouraging FDI into the country.

Based on the review of previous literature, the major factors that affect the inflow of FDI in Nigeria comprise market size, trade openness, infrastructure, inflation, exchange rate, political risk, favourable government and fiscal policies and terrorism. Primarily, market size and trade openness were extended as the main determinants of FDI into Nigeria across a number of studies (Arawomo & Apanisile, 2018; Enisan, 2017; Maghori, 2014; Wafure & Nurudeen, 2010). The nation's endowment of abundant natural resources was also shown as a major determinant of resource seeking FDI's (Anyanwu, 2012; Okpara, 2012; Yohanna, 2013).

3.7. Impacts of FDI on the Economic Growth of Nigeria

Literature extends several benefits of FDI to the host economy that amount to overall economic growth. These benefits comprising, creation of job opportunities, increased standard of living, technological transfer, improved BOP, increase in GDP and increase in exports among others are essential for the growth and development of an economy especially developing economies like Nigeria (Bandyopadhyay et al., 2011; Choudhury & Rao, 2018). Owing to the fact that the issue of economic growth is very essential especially to developing and transition economies, the discourse has risen to be very topical. Although there is no consensus regarding the factors that determine economic growth, the causal relationship between FDI and economic growth has been put forward by several researches as a key factor that boosts the growth of an economy. Nevertheless, there still abound different opinions on the impact of FDI on economic growth (Nyoni & Bonga, 2018).

Using an augmented growth model to investigate the impact of FDI on economic growth between 1970 and 2002, Ayanwale (2007) revealed in his study that FDI positively impacts the economic growth of Nigeria. Although this effect was not significant for total FDI on economic growth, the results of sectorial FDI presented that the FDI in the communication and the oil and gas sector significantly affects the economic growth of the country with the communication sector accounting for the highest positive impact. Conversely, FDI into the manufacturing sector showed a negative effect on the economic growth of the country pointing towards an adverse investment environment in the country. Similarly, Olokoyo (2012) employed the OLS regression technique in the analysis of time series data between 1970 and 2007. His results supported the previous findings of a non-statistically significant link between FDI and economic growth. However, according to him, though this effect was minimal, it does not negate the importance of FDI to an economy rather it reduces the confidence placed in the possibility of FDI significantly increasing the growth in the Nigerian economy. It is therefore important for the Nigerian economy to provide a favourable business environment that aids in private domestic investment rather than full reliance on FDI as a major approach for economic growth and development.

Analysing the results of more recent empirical studies, Ugochukwu et al. (2013) utilising the OLS method to examine the relationship between FDI and economic growth in Nigeria

between 1981-2009 found that on the one hand, FDI was positively but not significantly associated with economic growth. On the other hand, domestic investment in the country revealed a positive and significant relationship with economic growth. While this supported the results of earlier studies on the need to encourage more domestic investment, the authors disclosed that a possible reason for the minimal impact of FDI on economic growth could be as a result of security challenges in the country. Therefore, government ought to invest in an enabling environment both for domestic and foreign investment. Furthermore, Kunle, Olowe, and Oluwafolakemi (2014) utilising the same statistical method as previous studies investigated the FDI/economic growth relationship in Nigeria over the period of 1999- 2013. Their result revealed a two-way causality where an increase in the economic growth of the country significantly affects the inflow of FDI and an increase in FDI positively increases the economic growth rate of the country. The study called for more relaxation of investment and trade barriers and an extension of investment incentives to attract more investors into the country.

In their study Nyoni and Bonga (2018) sought to answer question “*what determines economic growth in Nigeria?*”. Based on extant deplorable conditions in the Nigerian economy, such as, abject poverty, high unemployment and economic instability in Nigeria an analysis of factors that could improve the economic situation in the country was necessitated. The results of the study showed that an increase in economic growth is most significantly dependent on FDI, population growth, inflation, interest rates and less on exports as well as private & public investment. The study advocates for keen attention to be placed on all factors especially those of most significance. With key institutions such as EFCC, ICPC and NIPC alongside several poverty reduction strategies such as the National Economic Empowerment and Development Strategy (NEEDS), State Economic Empowerment and Development Strategies (SEEDS) and Local Economic Empowerment and Development Strategies (LEEDS) the Nigerian government is extending great efforts to develop the investment environment of the nations.

3.8. The Impact of Terrorism on Foreign Direct Investment in Nigeria

The review of past literature revealed the importance of political instability and other security issues as an important factor considered by MNEs when deciding to invest in a host economy. This is essential owing to the many adverse economic consequences that a nation suffering

from terrorist attacks may have on existing and potential FDI (Orhero, 2015). Evaluating the impact of terrorist activities on MNEs, Magnus and Joseph (2015) disclosed that terrorism negatively affects the growth of the Nigerian economy and the activities of MNEs. According to them, these negative effects lead to the diversion of funds from primary business operations to alleviating terrorist attacks. As a result, this reduces the amount of capital available for reinvestment thereby reducing FDI inflows. Therefore, because terrorism creates additional cost for MNEs, it is pertinent for government to increase measures of reducing terrorist activities in the country.

Analysing the implications of the Boko Haram insurgency specifically on national development Adebayo (2014), found the terrorist activities of the group translate to several negative effects comprising, bad representation of the country on a global scale, reduced market size and reduced the budget set aside for national development. Specifically on FDI, his findings showed that terrorism negatively affects existing investment in the country as well as the investors. Furthermore, it discourages potential investment such that MNEs divert investment to other somewhat safer countries which slows down the development of the Nigerian economy. Based on this, the author recommends that Boko Haram insurgency be urgently addressed to curb both its direct and economic costs on the national development and on foreign investment.

Employing a qualitative content analysis method, the findings of Nwagboso (2018) revealed that the activities of terrorist groups in the Southern part of Nigeria greatly influence the nation's GDP and the inflow of FDI. Specifically he extended that frequency in kidnapping in the region led to the shutting down of some business operations thereby reducing productivity of MNEs especially those in the manufacturing sector. Furthermore, the findings disclosed that the activities of terrorist groups in the country are responsible for the dwindling of national economy in the last eight years. This is because the activities have not only plunged the country into a state of recession but has also led to the exit of MNEs, closure of manufacturing companies, unfavourable investment climate amidst many other social consequences. Therefore, the study called for a review of the national security policy and an inclusion of more effective strategies of by the government to attract MNEs and FDI into the country.

Focusing on the Niger Delta Militants, Nwogwugwu et al. (2012) employed a content analysis of secondary data and showed that the activities of the militants negatively impacts economic growth and reduces FDI inflow into the region and country. According to them given the activities of the militants, FDI has witnessed a decrease in inflow because of the relocation of oil investors to cheaper and safer host economies such as Angola and Ghana. The potential impact of this on the economy is the loss of jobs and an increase in unemployment, which further creates opportunities for unemployed youths to be recruited into terrorist organisations. The policy implications set out by this study emphasised on the need for government to intervene in the Niger Delta region to attend to the issues of marginalization, environmental degradation, poverty, unemployment and the divide and rule policy (Nwogwugwu et al., 2012).

Looking at the activities of the Fulani Herdsmen, Ndubuisi (2018) employed a qualitative and phenomenological approaches in the analysis of data. Amongst other negative effects, the findings showed that constant attacks perpetrated by the Herdsmen have over time discouraged FDI in the region. The region has experienced the destruction of lives and properties including foreign assets of MNEs. As a result of this, MNEs have withdrawn their investments and have had to move out of the region to more peaceful regions or totally out of the country. In terms of national development, the activities of the Fulani Herdsmen have had economic, political, educational, social and religious effect on the economy.

On the overall effect of terrorism on FDI from 1990 to 2012 in Nigeria, Obi (2015) employing the OLS method found a negative effect of terrorism on FDI in Nigeria and on economic development. Similar to the other studies, the presence of terrorism has necessitated the diversion of the nation's resources into the defence and security sector in order to better tackle the terrorism issue. While the analysis of economic growth reveal the effectiveness of counterterrorism mechanism put in place in the country, the outcome of the study posit that the fight against terrorism should employ more rigorous measures in reducing and potentially eliminating terrorism in Nigeria.

Despite the hoard of results that revealed a negative association between terrorism and FDI, Ikpe and Nteegah (2014) reported a positive association between terrorism and FDI. While this was found to be surprising, they explained that this could be because of a lack of investigating the distinct effect of the different forms of terrorism in Nigeria. While this forms the important

existing gap in literature, this study intends to bridge that gap by analysing the different terrorism forms in Nigeria and by extension, how they affect inward FDI into the country over the period under study.

3.9. Summary

Moving on from the global perspective discussed in the previous chapter, this chapter provided a discourse on the concepts of terrorism and FDI in Nigeria. The first section outlined the structure of the chapter and then moved on to discuss the study area of the research. It provided a brief account of terrorism in Nigeria across three historical epochs comprising pre-colonial, colonial and post-colonial Nigeria. The next section examined the key operational groups in Nigeria discussing their ideologies. These groups included the Boko Haram group, Niger Delta Militants and the Fulani Herdsmen. To gain more understanding of the ideologies of these groups the subsequent section discussed the possible causes of terrorism in Nigeria. Based on past literature the chapter outlined six major causes of terrorism including corruption, poverty, economic deprivation, unemployment, religious fanaticism and illiteracy. Although these causes seemed to cut across each other, the chapter distinctly assessed the details of each while linking them to these existing terrorist groups in the country. Sequel to this section, the trend of terrorist incidents in Nigeria between 1970 and 2017 was examined. This showed that Nigeria had experienced years of uneven incidents of terrorism. However, the last three consecutive years have recorded a decrease in the activities of terrorist groups.

The concept of FDI and the role of government policies was discussed. The discourse outlined several benefits of FDI to the country as reasons why the Nigerian government over the years engaged in strategies, policies and reforms to ensure a favourable investment environment. The next section analysed the trend of FDI inflow into Nigeria over the 1970 -2017 period. Overall, the trend revealed an irregular pattern with the country recording a decrease from 2011 to 2017 excluding 2016, which attracted an increase in FDI inflows. The determinants of FDI into the country were then examined drawing upon the results of past empirical studies. The review of past literature revealed market size and trade openness as the key determinants of FDI in Nigeria.

However, other factors such as infrastructure, inflation, exchange rate, political risk, favourable fiscal policies and terrorism were revealed as locational factors for attracting inward FDI to Nigeria. With the presence of key positive factors to attract FDI, the next section expounded on the impact of FDI on economic growth. The section detailed the different results presented by past literature revealing that along with FDI, domestic investment equally determines the level of economic growth experienced by the country. Sequel to this, the impact of terrorism on inward FDI in Nigeria showed that majority of the empirical studies analysed total terrorism in Nigeria neglecting the impact of the different terrorist groups on FDI. The results of extant literature showed a negative relationship of terrorism on FDI leading to several undesirable ripple effects on the MNEs and the economy at large. Moreover, the section also discussed the work of Ikpe and Nteegah (2014) who highlighted on an important gap in the literature which this research is built on. The final section summaries the chapter.

CHAPTER 4: RESEARCH METHODOLOGY

4.1. Introduction

This chapter examined all the processes involved in achieving the research objectives of this study. It focused on the procedures employed during different stages of the research process such as the philosophical underpinning, methods of data collection and data analysis to achieve the research objectives.

The chapter is set out as follows; Section 4:1 opens up with the purpose of the chapter and some brief details regarding its scope. Section 4:2 discussed the philosophical underpinning of the research including the methodological choices adopted by the researcher. Subsequently the research approach was explained in Section 4.3. Section 4.4 elaborated on the research methods expounding and justifying the mixed-method approach used in the research as opposed to other alternative approaches. Section 4:5 examined the sampling choices and selection criteria of the research. Section 4.6 presented the methods of data collection both for the quantitative and qualitative phases of the research. Consequently, section 4.7 detailed the issues regarding research reliability and validity both for primary and secondary data. Section 4.8 extended the limitation encountered during the data collection phase. Ethical issues that concern the impact of the study on a wider audience were discussed in Section 4.9. Finally, the last section gives a summary of the chapter.

4.2. Research Paradigm and Philosophy

Researches are structured to reflect underlying paradigms that influence methodological choices made by researchers. The term 'paradigm' has suffered misuse over the years by different scholars due to the complexity associated with the terminology. This complexity is attributed to the fact that scholars from diverse fields globally have assigned through the space of time different meanings to the word diluting its original and intended signification. To help clarify this problem, Morgan (1979) put forward three levels at which this term can be applied comprising the philosophical, social and the technical levels. At the philosophical level, paradigms reflect the overall representation of reality or perceptions about the world. The social level denotes paradigms in terms of ways in which research is carried out based on the guiding

principles of a social organisation. Thirdly, paradigm at the technical level refers to the approaches and techniques employed during the research process in achieving pre-set research objectives. These different levels give perspective and help chart the course of the entire research from the metatheoretical assumptions to methodological stages of the research. This section therefore focuses on the philosophical level of paradigms as a foundation for the other two levels, which are treated in subsequent sections of this chapter.

According to Scott (2007, p. 6) “*philosophical criteria are prerequisites for the work of the researcher*”. The research choices made by the researcher hinge on the adopted philosophy for the research. In their work, M. Saunders, Lewis, and Thornhill (2016) define research philosophy as a set of opinions on which the development of knowledge is built upon. These opinions or assumptions differ in typology such as assumptions about the reality that surround the research, assumptions about the relationship between the researcher and the research in the development of knowledge and assumptions about how knowledge is discovered, gathered and analysed in order to achieve the reality. Philosophically speaking, these assumptions represent ontological, epistemological and methodological assumptions that shape every stage of the research from the formulation of research questions to the choice of methods and the interpretation of findings (Crotty, 1998).

4.2.1. Ontological Assumptions

The ontological assumption refers to the study or nature of reality. This assumption determines the perception the researcher has of the reality within which the research exists. The nature of reality could either be a singular objective reality or a subjective reality created by the researcher based on multiple realities shaped by research participants within a given context. Furthermore, the ontological assumption determines how a research phenomenon is viewed by the researcher which consequently affects how such phenomenon is studied and analysed. Drawing from the review of past literature for example, the majority of researchers have ontologically assumed that FDI on the one hand largely benefits a host country and terrorism on the other hand has an adverse effect on the inflow of FDI. Based on this assumption, the reality is that terrorism deters FDI yielding adverse effects on economic growth, trade and tourism and leads to heightened terrorism costs. Conversely, other researchers have viewed the concept of FDI as a means of exploitation carried out by MNEs against locals of a host country.

This different ontological assumption adopts a reality, which suggests that FDI creates grievances among a deprived population that may climax at terrorism as a means of expression. The realities of these different ontological assumptions not only shape the way these researchers view the world but also determine the type of knowledge to be discovered, developed and analysed. As a result, ontological assumptions exhibit an enveloping relationship towards epistemological positions because the choice of an epistemological assumption depends on an established nature of reality (ontology) adopted by the researcher (Flowers, 2009).

In deciding what knowledge is to be discovered based on a particular reality, the researcher needs to consider the quality of the knowledge in terms of acceptability, validity and the impact factor of this knowledge. This process, which encompasses the study of knowledge, is known as epistemology. The knowledge produced has a lot to do with the type of relationship that exists between the researcher and what is being researched (Collis & Hussey, 2014). This relationship influences the kind of knowledge that can be discovered by the researcher. Epistemology offers the researcher different types of knowledge based on the researcher's relationship with the research. Where a researcher assumes a detached and independent relationship from the research (because only knowledge that can be measured and observed are deemed as valid), this represents epistemology based on a positivist assumption. Conversely, where a researcher exhibits some level of subjectivism based on the interaction with that which is being researched in the quest for knowledge, this explains an interpretivist epistemological assumption. These two assumptions, which are two extremes on a continuum alongside other epistemological assumptions not discussed here, offer a range of research methods that can be utilised in achieving the objectives of a research. However, the "*epistemic positions are central to choices that researchers make about the methods and strategies they use to investigate the social world*" (Scott, 2007, p. 4). Therefore, it is pertinent to understand the epistemological assumptions underpinning this research before discussing how it translates to the methodological choices adopted by this research.

4.2.2. Epistemological Assumptions

As aforementioned, epistemological positions reflect, a continuum made up of several assumptions with positivism and interpretivism being the two extremes. Encompassed within

this continuum are other assumptions such as critical realism, postmodernism and pragmatism (M. Saunders et al., 2016). However, for understanding, this section focuses on positivism and interpretivism due to the influence they both have on the adopted philosophical approach for this research.

4.2.2.1. The Positivist Assumption

This assumption is rooted in the belief of a single reality that can be observed to produce generalisable results. In order for this reality to be achieved, positivists assume that the researcher must be independent of the research to ensure objectivity, reliability and validity of the information provided. This information according to Walliman (2011) represents knowledge retrieved from 'positive information' that can be justified based on scientific experiments or mathematical proofs. The assumption, which further represents the underlying philosophy adopted by researchers within the natural sciences, has also found its way to the social science research. Despite how far apart social science research may be from the natural science research, research articles of the former have adopted a positivist position where theories are used as the basis of explaining and controlling social behaviours and events. Based on the assumption, social phenomena are believed to be underpinned by a cause and effect relationship hence, research explanations usually emanate from investigating causal relationships between variables which are governed by existing laws and theories (Creswell, 2009). Furthermore, these explanations are used to test existing theories using formulated hypotheses making the research process deductive in nature. Methodologically, the positivist assumption usually involves the use of quantitative data covering a large sample to enhance generalisability of the findings.

Regarding this research, this philosophical assumption relates not just to the overall aim of the study but can be used in explaining the social realities of two of the objective of this research. As the aim of this study is to analyse the cost of terrorism on foreign direct investment in Nigeria through determining the relationship between terrorism and FDI and assessing the role of natural resources in this relationship, the positivist position provided a philosophical foundation for investigating such causal relationships between variables. This approach therefore allows for the observation and statistical analysis of large amount of quantitative data which adequately represents effective tools for achieving the stated objectives and overall aim

of the research. Despite the correlation of this philosophical assumption with this research, Collis and Hussey (2003) reveal that very few researches are carried out purely within the confines of the two extremes of the epistemological continuum. According to them, a research may operate within other alternatives.

4.2.2.2. The Interpretivist Assumption

The interpretivist assumption advocates that the intricacies of the human nature have the potential of revealing rich information that may not be obtainable if left to law-like or theoretical generalisations. This second extreme of the continuum was developed based on the perceived shortcomings of the positivist assumption. These shortcomings, which translated to criticisms, centred on the nature and complexity of the social world. It is the belief of interpretivists that *“it is impossible to separate people from the social context in which they exist”* (Collis & Hussey, 2009, p. 56). Therefore, in order to understand social subjects it is pertinent to have an insight into the way these subjects perceive their own activities. The understanding of social subjects thus requires the application of research principles different from those adopted by natural sciences. These principles which are underpinned by different philosophies should be applied to a research based on the framework provided by the guiding philosophy. Saunders et al. (2016) posit that for the social world to be understood, the researcher needs to grasp the different interpretations put forward by social subjects in creating the reality of a social phenomenon. This reality is therefore subjective because it takes into consideration the perceptions and meanings of research participants. Here, it is difficult to detach the interpretations created by the research from the social world in which the research is carried out. The researcher thus has a close relationship with that which is being researched as a result of this inductive process of research.

For interpretivism, emphasis is laid on the need to explore a social phenomenon in order to gain in-depth understanding of the research under consideration. This process allows proponents of the assumption to employ a number of qualitative methods such as interviews, focus groups and document analysis amongst others for the purpose of acquiring contextual evidences towards the construction of meaning. As a result of the comprehensive nature of information sought after, interpretivism usually involves a smaller sample of participants targeted to expound upon their experiences in relation to the social phenomenon. In relation to

this, the interpretivist assumption provides a strong philosophical underpinning for some of the research objectives of this study comprising; discovering the motivations of MNEs in engaging in FDI in Nigeria, understanding the major forms of terrorism in Nigeria and their causes and analysing both regionalised and sectorial effects of terrorism on FDI.

While it will be rather difficult for this research to mix the ontological and epistemological assumptions individually maintained by the positivist and interpretivist philosophical positions, the late nineteenth/early twentieth century ushered in the rise of a new philosophical position that sought to synthesise both paradigms (Saunders, Lewis, & Thornhill, 2012).

4.2.2.3. The Pragmatic Assumption

As emphasised by its proponents Charles Pierse, William James and John Dewey, the pragmatic assumption was created with the aim of bridging the gap between the positivist and interpretivist assumptions. According to Creswell (2014), pragmatism seeks to discover what works for a research based on its peculiarities by discovering the best way in which research problems can be resolved. Therefore, rather than focusing on paradigms at the philosophical level, pragmatism emphasises on the research problems and how these problems can be resolved using appropriate research methods whether qualitative or quantitative. Thus, this assumption supersedes the rigid confines and tenets of both the positivist and interpretivist assumption as well as their associated research methods. Thus the pragmatic assumption has been put forward as one of the philosophies that guide the process for mixed methods research and is driven by the need to produce information capable of yielding practical results for imminent research practises and policy implications (Tashakkori & Teddlie, 2010).

According to Tashakkori and Teddlie (1998, p. 22) “*best scholars have always been more interested in investigating the questions that they have posed than the specific methodologies that they employ and the paradigms that underlie these methods*”. While this reveals the emphasis laid on research questions, it also suggests that researchers are open to a variety of methods that can be employed in answering research questions. Research questions are usually formulated to underpin problems that the research intends to resolve in order to offer practical results of the phenomenon under consideration. Since practical application is one of the underlying beliefs of pragmatism, the researcher under this assumption has the liberty of

deciding what methods to utilise in the research. However, the freedom of choice is hinged on the justification of the chosen research methods and design and how they are the most appropriate in answering research questions (Collis & Hussey, 2009). Furthermore, the use of a variety of methods illustrates the absence of the assumption's commitment to a single philosophy and ontology. Consistent with the pragmatist belief, the existence of a single reality as purported by positivists may not provide an underlying context for the explanation of a social phenomenon. Pragmatists identify that the world can be interpreted in several ways using several methods to provide an all-rounded view. However, Kelemen and Rumens (2008) disclose that pragmatism does not always involve the mixing of methodologies or the use of multiple methods, rather the assumption underlines the use of the 'best' method or methods that allow for the collection of valid and reliable data.

This research adopted the pragmatic assumption on the strength of several reasons. The above-discussed philosophical extremes; positivism and interpretivism revealed the correlation of both philosophies with the different research questions. However, since it is difficult to combine both philosophies in a single research as this will entail mixing not just research methods but also ontologies and epistemologies, it is impossible to make use of either or both philosophical assumptions (Holmes, 2006; Scott, 2007). The crux of this research points towards the successful achievement of research objectives in order to bring about practical results in terms of theoretical contributions as well as policy implications in the research field and study area. On this basis, the focal point of this research laid on the research problem typified by the objectives and therefore made use of a single paradigm; pragmatism. This involved the combination of epistemologies and methods from both positivism and interpretivism in order to tackle the research objectives and questions more successfully. The use of both qualitative and quantitative methods also allowed for the strengths of both methods to be harnessed and the weaknesses eliminated since the possible shortcomings of one method offset the other. This philosophical approach will provide comprehensive, valid and credible information regarding the cost of terrorism on FDI in Nigeria, which will be of great utility to the academic community and also to practitioners.

4.3. Research Approach

The research approach constitutes an essential step in the research design process. These approaches usually referred to as approaches to reasoning or theory development are not only incorporated in the design of the research but like philosophical assumptions also influence the way data are collected (Saunders et al., 2016). There are different approaches that can be adopted by a researcher depending on the theoretical stance adopted. There are two contrasting research approaches to theory development or reasoning namely; deduction and induction. These logical conclusions for a long time have been the only approaches known and considered within research. While still being the dominant approaches to reasoning, it was not until 1597 when Julius Pacius introduced a third approach; abduction into the research vocabulary. This approach however remained undiscovered until about three centuries later when C. S. Peirce took interest in, embraced and put forward the approach as *“the only truly knowledge-extending means of inferencing...categorically distinct from the normal types of logical conclusion”* (Reichertz, 2004, p. 299).

According to Saunders et al. (2016), the logic behind the deductive approach holds that the conclusion of an observation will be true if all the premises are also true. Here, there is a direct link between the premise of a proposition and the conclusion. That is to say, where all premises of a theory are true, the conclusion will also be true. For example, if the theoretical assumption obtained from past literature suggests that ‘all terrorist countries repel the inflow of FDI, a possible premise could be that ‘Nigeria is a terrorist country’ hence a conclusion that ‘Nigeria repels the inflow of FDI’. A researcher may therefore decide to test this reasoning, which may lead to the verification or falsification of the theory. Based on the above illustration, it is clear that the research starts with a general theory and is subsequently designed to test the validity of the theory within a specific context. This approach follows the philosophical underpinnings of the positivist assumption and points towards a quantitative research method (Creswell, 2014). However, the deductive approach may be faced with other factors not included in a premise. Still using the above example of all terrorist countries repelling the inflow of FDI, the premise that ‘Nigeria is a terrorist country’ and hence ‘Nigeria repels the inflow of FDI’ may not be true in reality. Consider an inference that ‘Nigeria is a natural resource abundant but terrorist country’, this may lead to a different conclusion diluting the efficacy of the deductive approach.

Furthermore, a second criticism with this approach hinges on the assumption that the supposed law-like theories being tested by the researcher are formulated based on previous observations of and from the world. Therefore, there is a possibility that the objectivity and factuality of the theory takes its root in the subjective observations of reality (Reichert, 2004).

Conversely, consider an observation that ‘All terrorist groups reported on the news media were religiously motivated’ and a conclusion that ‘All terrorist groups world-wide are religiously motivated’. Although there might be some element of correlation between the observation and the conclusion, these conclusions have not been tested and as such may not be certain. The inductive approach thus aims to bridge the gap between an observed premise and a conclusion by generating a theory that explains the conclusion. This approach on which most social research is built upon supports the interpretivist assumption and will presumably employ a qualitative research method. It will seek to explore a phenomenon by asking the ‘why’ questions so as gain in-depth information from a small and specific sample which can possibly be generalised (Tashakkori & Teddlie, 2010).

The above-discussed approaches to a great extent tie in with the design of this research and can both be adopted as the underlying approaches towards theory development. Deductively on the one hand, this research makes use of existing theories developed from academic literature on which several propositions have been developed. These propositions, which are in the form of testable hypotheses, are aimed at answering research questions about relationships among variables for explaining a social phenomenon within a specific context. The results from the hypotheses will produce conclusions that either verify or contradict the theoretical underpinnings on which this research is built upon. On the other hand, Binkhamis (2016) suggests that when research is carried out in a relatively new field where there is little or no literature available, it is most appropriate to assume an inductive approach. This research explores the underlying causes of terrorism in Nigeria. It further delves into several innovative strands such as the effect of disaggregated forms of terrorism on FDI, regionalism, sectorialism and the impact of natural resources on the terrorism/FDI relationship. Therefore, it may be pertinent to undertake an inductive approach to reasoning on the basis of the research’s quest for theory building and generation. While it may have been plausible for this research to employ both approaches based on the logical demands of the research questions, it would rather be clumsy for two different approaches to be combined in a single research. However, Saunders

et al. (2016) discloses the possibility of the combination of the deductive and inductive approaches in a single research using abduction.

According to Reichertz (2004), the abductive approach has over the years gained wide acceptance and has been adopted as a major approach to reasoning by social science research. This may be due to the involvement of a number of processes towards the development of a logical conclusion. The approach begins with the observation of a surprising fact from which several inferences or hypotheses are drawn as possible explanations for this conclusion or surprising fact. However, the discovery of possible premises for the conclusion does not make the premises true or coherent explanations for this anomaly. Therefore, using a deductive approach a number of predictions are made based on the developed hypotheses and verified inductively by an in-depth exploration of information that can be used to support predictions made. The information gathered would then be tested leading to the practical explanations of patterns or relationships and the modification of an existing or the generation of new theory. The success of abduction thus lies in the hybrid nature of the approach comprising the combination of logical inferences and thorough unravelling of social constructs (Suddaby, 2006). Based on the above explanation, this research adopted an abductive approach to reasoning for two reasons; the observation of a ‘surprising fact’ and the existence of both abundant literature in one context and limited literature in another.

Firstly, this research builds upon the work of Ikpe and Nteegah (2014) whose results emerged as a ‘surprising fact’. The results revealed a positive relationship between insecurity and the inflow FDI in Nigeria; connoting that an increase in social insecurity would lead to an increase in inward FDI both in the long and short run. As a result of this, the research emerged with several premises on which this conclusion may suffice such as the aggregation of the different forms of social insecurity in Nigeria, the role of natural resources, the sectorial distribution of FDI inflow and the regional classification of social insecurity. These premises were therefore developed into hypotheses and further verified using inductive qualitative research methods to yield information that can be tested towards theory development. Secondly, according to Bryman and Bell (2015) a research that is characterised by an abundance of literature in one aspect and less literature in another aspect may benefit from adopting an abductive approach leading up to the modification of an existing theory. While there is a burgeoning number of literature regarding inward FDI in Nigeria, conversely there exists no single research on the

effect of disaggregated forms of terrorism on inward FDI especially considering the role of regionalism, sectorialism and natural resources. Therefore, the adoption of an abductive approach does not only allow for logical reasoning but also supports the pragmatic philosophical assumption and lends to the contribution of the research to both theory and policy.

4.4. Research Method

The research process is a sequential one where decisions made in previous stages influence decisions that will be made at latter stages of the research. For example, the ontological and epistemological assumptions encompassed within the research philosophy ought to influence the adopted research approach and subsequent methodological choices made in the research. According to Kothari (2004), the research method maps out the route the researcher takes in the quest of gathering information and gaining insight into the research area under consideration through the process of data collection. Furthermore, it serves as a blueprint of how research is intended to be carried out outlining the tactics that will be utilised towards the achievement of research objectives. The methodological choice therefore depends on the suitability of the chosen method(s) with the research study and its applicability in solving research problems (M. Saunders et al., 2016).

Social science research for a long time has been characterised by two major types of research methods comprising quantitative and qualitative research methods. However, recent studies have witnessed the fusion of these main methods leading up to the emergence of a third method known as the mixed methods research. The quantitative research method is mainly linked with the positivist assumption and the deductive research approach. It represents researches that seek to investigate the relationship between and among variables measured in numeric terms and analysed through a number of statistical techniques for the purpose of testing the validity of theory. Some of the main methods used under the quantitative research method include questionnaires, secondary data analysis and experimental design. As some of its numerous advantages, analysis under quantitative research through the use of statistical packages often allow for thorough scrutiny of the validity and the reliability of data, the generalisation of findings to a larger population beyond the sample of the research and the replicability of the research (Bryman & Bell, 2015). Conversely, the qualitative research method has generally

been associated with both the interpretivist assumption and the inductive research approach. It involves data collection approaches such as observation, interviews, focus groups and documents analysis.

The crux of the qualitative research rests on the desire to gain in-depth information into a social phenomenon under investigation. This method does not only afford the researcher comprehensive data but also avails the researcher the opportunity of exploring causes, dynamics and complexities associated with a social phenomenon which may not be obtainable or possible using a quantitative research method. Nevertheless, critics of the qualitative research put forward the great probability of bias associated with the method as a result of the lack of estrangement of the researcher from the research. This may not only breed bias on both the part of the researcher in the collection and analysis of data and on the part of the participants (social desirability bias) but may also reduce the validity and reliability of the data collected (Bryman & Bell, 2015). Based on the pros and cons of both methods, the adopted research method should ideally offer the researcher the opportunity to utilise appropriate data collection techniques that would foster the achievement of research objectives.

Over the years, the use of numeric and non-numeric data has been a major distinguishing element between the quantitative and the qualitative research methods. As a result, researches where data are collected, analysed and represented using numbers have generally been connoted as quantitative researches while researches where data are collected, analysed and represented using words or other non-numeric data such as images, video and sound clips have been deemed as qualitative researches. However, according to Saunders et al. (2012, p. 161), the deconstruction of these research methods based on this differentiating element is rather *“problematic and narrow”*. On the one hand, this distinction may be problematic in actuality where a social science research may go beyond the stipulated confines of one research method while undertaking fieldwork to incorporate elements of the second method. For example, despite the fact that a research may start out as a quantitative study, the researcher may require additional information through the use of qualitative data collection techniques. Such a research though predominantly quantitative will end up settling somewhere along the quantitative/qualitative continuum. Hence, this may pose a problem if the study is to adhere strictly to the restrictions of a single research method. On the other hand, the numeric and non-numeric data distinction between the quantitative and the qualitative research methods seem

narrow because it only borders on the data collection and analysis techniques utilised within the research.

This makes the quantitative-qualitative divide only peculiar to the methodological stage excluding the underlying philosophical assumption and logical approach to reasoning of the research. It is therefore for this reason that Collis and Hussey (2009) designate the terms quantitative and qualitative to specifically describe data as opposed to a research method or paradigm. Furthermore, an analysis from a philosophical standpoint dilutes this distinctive element of both research methods. This is because, data collected in positivist study for example can either be quantitative, qualitative or both depending on the nature of the research. Thus, despite the inclination of the quantitative research method to positivist assumption, the use of qualitative nominal data is still possible. Therefore, the methodological choice should not only be informed by the philosophical assumption but should also be designed in a way that is appropriate in addressing research questions (M. Saunders et al., 2016). While this study incorporated the use of both quantitative and qualitative research methods, the combination of the methods did not only occur through the use of multiple data collection techniques to obtain comprehensive information but transcended to other technical aspects encompassed within the research making it a complex mixed methods study.

4.4.1. Mixed Methods Research

As the name implies, the mixed methods research is a branch of the multiple methods research that integrates both quantitative and qualitative data collection and analysis techniques for the purpose of achieving research objectives. The multiple methods provide the basis on which the mixed methods research is built upon. For the former, it involves the use of more than a single data collection and/or analysis technique within an individual research method. For instance, the use of data retrieved from observations, interviews and documentary analysis within a qualitative research method. While this approach represents data triangulation and allows for the collection of a more comprehensive dataset, the mixed methods research represents a methodological triangulation by merging multiple data collection and analysis techniques drawn from both quantitative and qualitative research methods (Collis & Hussey, 2014). Having discussed some of the strengths and weaknesses of the quantitative and qualitative research methods, the mixed methods research through the combination of both methods

offsets the weaknesses of each method by the strengths of the alternative method. The nature of the current research warrants both the unravelling of underlying social anomalies surrounding terrorism and the determination of the relationship between FDI and terrorism amongst other variables. However, this cannot be satisfactorily achieved using either a mono-method or multiple methods design. This research combined multiple data collection and analysis techniques from both quantitative and qualitative methods in tackling the research problem under consideration. Drawing from the notion of pragmatists that the research problem is key, the use of both methods in addressing the research problem was what worked appropriately for this research.

As aforementioned, the mixed methods research entails the combination of both quantitative and qualitative techniques; however, this combination occurs in a variety of ways depending on the nature of the research. According to John W. Creswell and Plano Clark (2011), both quantitative and qualitative methods can be combined either concurrently or sequentially. The concurrent mixed methods entails the simultaneous use of both research methods within a particular phase of the research with both methods being equally weighted. Conversely, the sequential mixed method explicates the preceding of one method before the other with the initial method being the main method of the study. This type of mixed methods involves two stages of data collection and analysis because, findings made from the initial research method informs the design of data collection and analysis technique of the second stage. Therefore, the sequential mixed method can on the one hand, take the form of an initial quantitative data collection and analysis phase and then a subsequent qualitative data collection and analysis phase known as a sequential explanatory mixed method. Conversely, it could assume a sequential exploratory mixed method design where the first phase of the research method could be a qualitative collection and analysis of data and the second phase a quantitative data collection and analysis. Furthermore, the sequential mixed method can also be a multi-phase design where the research is composed of multiple stages of the data collection and analysis processes (Greene, 2007; Tashakkori & Teddlie, 2010).

4.4.2. Sequential Explanatory Mixed Methods

As afore-discussed, the sequential mixed methods describes a two methodological step approach in the research design comprising data collection and analysis that produce findings

geared towards the overall achievement of research objectives. According to Cameron (2011), an initial type of data is gathered and analysed and serves as a building block on which another type of data is collected and analysed. The choice of which strand of mixed method design to adopt including the type of data collected and the sequence with which the data are collected lie within the discretion of the researcher and depends on the nature of the research and the research problems to be addressed .

Therefore, in line with the overall aim of this study as well as other research objectives, this study adopted a sequential explanatory mixed methods design with the aim of explaining the terrorism-FDI nexus in Nigeria in order to emerge with findings necessary for the design of qualitative data collection instruments that would establish coherent themes. Here, the primary research method of quantitative collection and analysis of secondary data informed the design of the secondary qualitative data collection instrument. Amidst the many advantages of this mixed methods strategy comprising mainly the ease of implementation and the clarity of research design stages, the major justification for the choice of this strategy lies in the suitability of the strategy in explaining relationships between two major constructs with individual effects on the Nigerian economy. In their work, Creswell & Creswell (2017), posit that the sequential explanatory approach is more appropriate when the research is aimed at explaining and interpreting relationships between variables. Additionally, the introduction of several innovative aspects into the study such as regionalism, sectorialism and the role of natural resources made it pertinent for the researcher to explain these social constructs exhaustively using appropriate data collection and analysis techniques capable of harnessing the research process and ultimately answering research questions. This would allow the research benefit from an all-rounded and comprehensive perspective of the subject matter that otherwise may not have been possible using a mono-method research approach.

Therefore, the research first collected, analysed and revealed the findings of quantitative data, which thereafter was infused into the design of qualitative data collection and analysis techniques. This two-stage process allowed for data triangulation aimed at offering holistic insights required in solving research problems. Furthermore, while this process in line with an essential benefit put forward by Morse (1991) and Creswell and Creswell (2017) enabled the researcher understand reasons behind ‘surprising facts’ embedded within the research from

past literature, it also allowed for the generation of new ideas towards the development of future research.

4.5. Sampling

The idea behind sampling borders on selecting cases from a larger population, which might inherently be too much to be examined to be able to make conclusions that can be applied not just to the samples but also to the entire population. This notion forms the basis of the principle of representative sampling, which specifies a formal approach focused on selecting a sample as a subset or unit capable of representing a wider population. Furthermore it represents the framework on which the random sampling technique is built on where members of the population have equal probabilities of being participants in the research as the selected sample. Thus generalising results obtained from sample to the wider population poses no problems in terms of reliability of the research (Flick, 2014).

Sampling techniques are mostly classified into two groups comprising: probability and non-probability sampling. On the one hand, probability sampling is more associated with the quantitative research method. The idea of representative sampling discussed above, forms an underlying principle of probability sampling and quantitative research in general. With the use of statistical data, members of the population become members of the research sample based on random selection. This type of sampling is aimed at keeping sampling error (the difference between the sample and the population from which the sample is drawn out from) to the barest minimum. On the other hand, non-probability sampling adopts substantive criteria in sample selection. It uses a non-systematic process where certain features are used to determine if an individual should be included in a sample frame. In other words, individuals are selected based on criteria essential to the research investigation. This type of sampling represents the core of qualitative research where neither statistical interpretations nor a statistically representative sample is aimed at. Therefore, the sample is selected not based on equal opportunity or probability but on explicit research related criteria (Bryman & Bell, 2015).

4.5.1. Sample Selection

A sample is defined as a smaller group that gives an adequate representation of the study population, which is selected for research investigation. The result of several constraining factors primarily; time and cost, has made it almost impossible to collect data for an entire study population. The sample thus serves as an alternative condensed representation of the population under review. However, not all research studies require a sample. The need for sample selection depends on the nature of the research and research questions. According to Bryman and Bell (2015), the use of sampling should be based on how well it fits the purpose of the research study. For example, where the population is small the research may not require a sample because the entire population may not only be accessible but also manageable and hence adequately analysed (Collis & Hussey, 2009). In the light of this insight, this research made use of a sample at the qualitative phase of the study because of the large size of the study population.

4.5.1.1. Quantitative Sampling Technique

This phase of the research made use of total population sampling which examined the entire population of the study area. According to Thygesen and Ersbøll (2014) some of the main strengths associated with studies using total population sampling include the pre-existence of data, a large sample size and the fact that data are collected independently of the research questions of current study. Furthermore, total population sampling is effective when the population exhibits different attributes that would otherwise be difficult to capture using random sampling techniques. For this research, this sampling technique was employed in line with the secondary data collection technique. The data collected covered the entire population to represent the economic position of the country over the period under analysis. Using a national sample, the quantitative phase utilised data drawn from primary data collected by world organisations through surveys. This sampling technique was selected because of its suitability for the research study and in line with similar studies reviewed in the second chapter of the research. Drawing from some of these studies, total population sampling was used to capture several independent/control variables thought to have a possible effect on the FDI/Terrorism nexus (Bandyopadhyay et al., 2014; Elkomy et al., 2016; Okon, 2016; Witte, Burger, Ianchovichina, & Pennings, 2017). In the same way, this research used this sampling

technique to derive data on a national level for similar variables incorporated into the analysis of the relationship between FDI and terrorism.

4.5.1.2. Qualitative Sampling Technique

Unlike quantitative sampling, qualitative sampling is not aimed at generating a representative sample or generalisability. As a result of this single notion, there is no straight-cut rule regarding the issue of qualitative sampling rather several researchers have put forward different criteria on the decision of sampling technique and sample size for qualitative research. According to Blumberg, Cooper, Schindler, and Cooper (2014), the researcher engaged in qualitative type research should have no limits with regards to sample size as long as more knowledge is gained regarding the issue under investigation including the emergence of different perspectives regarding the research question. Thus, the researcher should only stop when information begins to be recycled by participants in terms of repetitions of insights into the research problem.

Given the importance of sample selection in the data collection process, it is pertinent to mention that despite the popularity of certain probability sampling techniques for example the random sampling technique, the qualitative research involves nonprobability or as otherwise called purposive sampling whose main aim is to discover the several if not all angles relevant to the issue under study. According to John W. Creswell and Plano Clark (2011) purposive sampling involves the identification and selection of persons or groups of persons that possess theoretical and/or practical expertise in the subject area under consideration. In their work, Bryman and Bell (2015) reveal that depending on the type of qualitative study for example interviews, probability sampling using random sampling technique can be employed into the collection of data. This may be due to the need for generalisation of results from the sample to a broader population and/or if the research questions of the study do not involve different categorisation of participants. Notwithstanding, they put forward that this type of sampling may not be appropriate for the qualitative study given the exploratory nature of the methodology as well as the quest for in-depth understanding on research issues. In line with this, Bryman and Bell (2015) present nine approaches to purposive sampling techniques comprising, extreme or deviant case, typical case, critical case, maximum variation, criterion, theoretical, snowball, opportunistic and stratified purposive sampling. Out of these, the

snowballing sampling as well as the theoretical sampling are set forth as the two main types of purposive sampling. Blumberg et al. (2014) sum up this list under three headings comprising purposive, snowball and convenience sampling.

Generally, purposive sampling reflects the sampling technique where participants are chosen based on several criteria that have direct relevance to the research problem. Theoretical sampling on the one hand represents a step-by-step sampling process where sampling is undertaken for developing theoretical constructs and interpretations. On the other hand, snowball sampling exemplifies some level of convenience sampling technique where, initial contact is made with participants who are knowledgeable in the research area and then use them as channels to reach other participants who may or may not share similar characteristics with the initial group but are equally knowledgeable and relevant to the research. Finally, as the name implies, the convenience sampling presents a situation where participants in the qualitative research are selected based on non-research-based criteria such as easy accessibility in terms of availability and geographical proximity and the willingness to participate. Also known as Haphazard Sampling or Accidental Sampling, sample may be selected just based on participants simply being located close to where the researcher is undertaking data collection. This type of sampling mostly is associated with ethnographic researches (Bryman & Bell, 2015; Etikan, Musa, & Alkassim, 2016)

Based on the above-described sampling techniques, this research made use of the purposive sampling otherwise called the judgemental sampling technique. This technique according to Guest, Bunce, and Johnson (2006) stands as the most common non-probability sampling technique in qualitative research. Given the importance of data collection in the research, the need for quality data is not one to be taken lightly especially as data gives more credence to the theoretical framework underpinning the research. Having said this, it is not out of place for the selection of data sources including the selection of sample participants to be carried out with good judgement given the ripple effects quality or poor data has on the entire research. Therefore, the deliberacy of decisions and well thought out parameters associated with the purposive sampling in the selection of participant stands as a major reason for the choice of this sampling technique. The purposive sampling technique entails the identification and choice of individuals that are adept and conversant with the research phenomenon under investigation.

Aside from these criteria, other criteria such as demographics, availability, openness to converse experiences and the willingness to participate are also attributes fundamental to the selection process (Etikan et al., 2016).

While it is important for a clear definition of the selection criteria, it is also important to keep such criteria simple in order to obtain good and quality data. Drawing from the purpose of this study, this research aimed to determine the effect of terrorism on the inflow of FDI in Nigeria. The study population thus comprised all MNEs engaged in FDI activities across the thirty-six (36) states in Nigeria and the Federal Capital Territory of the country. It also comprised government officials directly associated with foreign investment decisions across all the states of the country. Using the purposive sampling technique, the following selection criteria were set to reduce the number of MNEs to be considered for interview.

- i. MNEs registered with the Corporate Affairs Commission.; an organisation responsible for legally registering all firms operating in Nigeria. A list of MNEs registered to operate in Nigeria was retrieved from the commission’s database.
- ii. MNEs listed on the Nigerian Stock Exchange (NSE).
- iii. Date of Listing of MNEs
- iv. Valid date of listing
- v. Absence of Compliance Status Indicator (CSI) codes
- vi. Exclusion of Indigenous MNEs

Table 4.1 Selection Criteria

Selection Criteria	Total number of MNEs
MNEs registered with the Corporate Affairs Commission	150
MNEs listed on the Nigerian Stock Exchange (NSE).	50
After excluding invalid dates of listing	31
After excluding MNEs with Compliance Status Indicators	27
After excluding Indigenous MNEs	17

Source: Author

Regarding government officials, this research drew upon the FDI committees of the states with the highest capital importation for the second quarter of 2018 as reported by the National Bureau of Statistics (NBS, 2018). These states include, the Federal Capital Territory; Abuja, Abia, Enugu, Akwa Ibom, Lagos and Ogun States. Whilst these States have different investment councils or committees, only Abuja, Lagos and Akwa Ibom States specifically have FDI committees. Thus, participants under the category of the government were drawn from the committees from these three states.

4.5.1.2.1. Maximum Variation Sampling (MVS)

The MVS also known as Heterogeneous Sampling is a non-probability, purposive type of sampling technique. The onus of this sampling approach lies in the examining of the subject matter under consideration from as many perspectives as possible in order to achieve a more comprehensive insight into the research problem. It involves the selection of participants dissimilar in several respects however proficient in the research topic (Etikan et al., 2016).

With regards to this research, participants were drawn from MNEs in the different sectors of the economy comprising, Agriculture, Construction/ Real Estate, Consumer Goods, Financial Services, Healthcare, Industrial Goods, Oil & Gas and Services,. Participants were also drawn from the six geopolitical zones of the country comprising, North-Central, North-West, North-East, South-South, South-East and South-West (see Appendix 8). This allowed the research problem to be analysed from the viewpoints of the different MNEs both sectorially and regionally which revealed various approaches, characteristics, incidents, and qualities while also incorporating their distinct experiences for the identification of common themes towards the achievement of overall research aim.

4.5.1.2.2. Sample Size

As stated earlier, there is no clear-cut number as to how many interviews are enough for a qualitative research. It is the decision of the researcher, as this is a rather subjective process. However, as long as there is still new knowledge gained regarding the research problem under study, the researcher is permitted to carry out more interviews. Conversely, when there is nothing new being revealed from interviews undertaken or participants are beginning to recycle

information already discussed by previous participants, then there would not be any need for more interviews to be undertaken. This determining criteria concerning the number of interviews is what Seidman (2013) refers to as sufficiency and saturation. These two criteria mainly determine the number of interviews undertaken by the researcher and not necessarily pre-set numbers of interviews. However, the criteria of saturation has become a more widely accepted methodological approach in determining the sample size for interviews and in qualitative research.

Several studies have opined on the importance of this criterion in qualitative research. According to Saunders et al (2018) saturation is used as a cessation criterion for data collection and/or analysis in qualitative research. Additionally, Fusch and Ness (2015) posit a correlation between the failure to reach saturation and the quality of the research produced. While this allows for the efficient management of the research timeframe it also serves as a means of checking research thoroughness as identified by Janice M. Morse (2015). Finally, though the criteria of saturation is fast rising as a methodological edict, it is important to bear in mind that saturation should be implemented in line with the research problem, theoretical framework and data analytical tool adopted. Furthermore, as the determination of saturation is research specific, Saunders et al (2018, p. 1893) recommend that attention be paid to the scope of the study in order not to *“risk saturation losing its coherence and potency if its conceptualization and uses are stretched too widely”*. Based on this, fifteen semi-structured interviews were carried out for the purpose of this research.

4.6. Data Collection

According to Sekaran and Bougie (2016), the data collection process constitutes the mainstay of the social science research. This process specifies an essential stage for the researchers' journey in solving research problems. The information retrieved during the process of data collection enables the researcher attach meanings to inferences extrapolated from the literature review to make coherent conclusions. The data collection process of this study encompassed both primary and secondary sources.

4.6.1. Secondary Data Collection

The secondary data comprises information that is not originally collected by the researcher. That is, the data collected are not first-hand but second-hand data. In their work, Saunders et al. (2016) reveal that secondary data can either take the form of document or survey-based data. On the one hand, document secondary data refer to the extraction of non-numeric data from numerous sources such as; emails, journals, newspapers, books, reports, audio and visual platforms. This definition suggests that every stage of the entire research project is a product of document secondary data since research information such as; theories and premises developed take root in secondary data derived from the review of past literature. On the other hand, survey-based secondary data exemplify existing data collected by previous empirical studies using questionnaires. These data mostly cover a large sample size such as organisations or countries and may be suitable for country-case study researches Yin (2014).

While secondary data may have certain drawbacks such as the data quality, inaptness of data with the research and the difficulty in gaining access to data (particularly sensitive data), it equally has numerous benefits that cushion the weight of the disadvantages. They include, lower cost implications, the availability of data subject to access and the time horizon of data amongst others (Bryman & Bell, 2015). Therefore, because this study seeks to explain the relationship between terrorism and FDI in Nigeria amongst other control variables over a forty-seven year period, it utilised secondary data originally collected using the survey-based method. Data on the units of measurement of quantitatively analysed variables were obtained from the World Bank's World Development Indicators (WDI), Global Terrorism Database (GTD), Organization of the Petroleum Exporting Countries (OPEC), United Nations Conference on Trade and Development (UNCTAD), National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN).

4.6.2. Primary Data Collection Using Interviews

Primary sources of data represent those methods used to obtain original or first-hand information from respondents or participants of a research. The importance of primary data cannot be overemphasised because instruments of data collection are designed and tailored to obtain information that is relevant to the research questions. Some of these data collection

instruments include; observation, interviews and questionnaires of which the initial two are qualitative and the third quantitative data sources. As an exploratory study, this research utilised interviews in the second phase of the sequential mixed methods approach. Different from previous researches that have been carried out in this area, this study adopted this explanatory approach using interviews to determine the motivations of MNEs in engaging in FDI in Nigeria and to understand the major forms of terrorism in Nigeria and their causes.

Generally, the interview process requires a direct interaction between the researcher (interviewer) and the research participants (interviewees). This interaction can either assume the form of a face-to-face interview or a telephone interview. Whichever form the interview assumes, the aim is to explore a social phenomenon by obtaining in-depth information through the meanings and experiences divulged by interviewees on the subject matter. Although M. Saunders et al. (2016) amongst other scholars posit the telephone interview process as the cheapest, fastest and most flexible primary data collection method, this method is faced with a number of disadvantages that may discourage researchers from adopting it. With telephone interviews for example, the opportunity of observing and reading the body language of the interviewee by the interviewer is not obtainable. This is an important element of the interview process, which seems to be lacking in a telephone interview. However, some have argued that it still is possible to read the body language of interviewees even over the telephone. According to Knott (2016), the body movement has the capacity of impacting on breathing patterns thereby affecting the tone of voice and subsequently revealing the feelings of an individual. While this logic may be plausible, this may not be the case in all situations. Jay (1999) discloses that the telephone interaction is characterised by the ease of masking feelings and only revealing that which is intended to be revealed. Furthermore, the hassle of noting down responses to questions raised while still paying attention to the interviewee may not allow for the keen observation of breathing patterns or voice tones during the interview process.

Another disadvantage possibly encountered whilst utilising a telephone interview is the lack of permanency of record. As opposed to a face-to-face interview where participants are required to sign an informed consent form before the commencement of the interview, the participants for the telephone interview unless having signed such form previously by some other means for example online or via email, is not implicated by any document and can therefore make a case of uninformed consent. These shortcomings as well as others such as the lack of control

by the researcher and inability of asking sufficiently probing questions place this interview method at a disadvantage to the face-to-face interview.

Hence, this research made use of a face-to-face interview method as a way of overcoming the above-mentioned shortcomings. The face-to-face interview offers the researcher the platform to build a good rapport and gain the trust of the interviewees. Especially regarding the sensitive nature of the discourse on terrorism, it is important for research participants to feel safe in divulging the kind of detailed information required. The strengths of this interviewing method rest on all that the telephone interview is not able to provide. Therefore, issues regarding lack of control over the interview, restriction in both verbal and visual prompts, absence of body language and the lack of permanent records are all mitigated if not totally eliminated using the face to face interview method (Bryman & Bell, 2015).

The type and quality of information obtained using an interview also depends on the structure the interview assumes. Interviews are generally classified as structured, semi-structured or unstructured interviews. Structured interviews according to M. Saunders et al. (2016) are questionnaire-like interviews where the interviewees respond to a rigid set of questions asked by the interviewer. Structured interviews consist of questions that are neither flexible nor varied rather; the interviewer adheres to a strict schedule of questions across all categories of participants. This type of interview does not allow for the thorough understanding of social phenomena and hence may not be compatible with the design of an explorative study.

The semi-structured and unstructured interviews conversely are flexible and represent the types of interview that can be utilised in collecting qualitative data. The semi-structured interview has a list of areas to be explored and therefore tailors the questions to provide insight into those areas whilst also asking probing questions where necessary. The crux of this interview type is the flexibility attached to it allowing the interviewer the opportunity of varying the questions depending on the category and knowledge of the participants on the subject area. It further gives room for the explanation of research objectives as well as opening and closing discussions for clarity purposes. The researcher however, sticks to the intended themes of research investigation by asking questions that guide the participants along the scope of the research. Whereas structured interviews follow a predetermined schedule of questions, semi-structured interviews allow researchers explore both the length and depth of social constructs.

Finally, the unstructured interview adopts an ‘anything goes’ approach where participants are allowed to respond freely about interest areas of the researcher. Here the interviewer has no pre-set questions but only introduces the areas of concern and allows the direction of the interview to unfold based on the information provided by the interviewee (Bryman & Bell, 2015; Saunders et al., 2012). While the unstructured interview may have suited a research, where there exists no previous knowledge in the research field making data collected aimed towards theory building; that is not the case for this research. This research explores the underlying causes of terrorism in Nigeria in addition to several new constructs comprising; regionalism, sectorialism and the role of natural resources embedded within the terrorism-FDI discourse. Hence, there was need to direct the course of the interview by asking questions that opine on these areas where their analysis will result in findings complementing results from the initial stage of data collection and analysis and paving way for future research. This study therefore made use of semi-structured interviews in the collection of primary data relevant towards achieving specific objectives and the overall aim of the research.

4.6.2.1. Design of Interview Questions

As opposed to the majority of qualitative research studies where interview questions are derived from initial research questions or a conceptual framework generated from the identification of a gap in the review of literature, this research assumed a very different approach based on the research method adopted as an explanatory sequential mixed method. Here, the results obtained from the quantitative analysis of data were used in the design of the interview questions. The explanatory mixed method allows for a more in depth analysis into the findings of the quantitative data analysis. According to Creswell and Creswell (2017), the sequential explanatory design is usually used to offer explanations and interpretations of quantitative results especially when such results are contrary to formulated hypotheses through the collection and analysis of complementary qualitative data.

Drawing from the analysis of quantitative secondary data, the preliminary findings revealed a negative relationship between terrorism and the inflow of FDI in Nigeria. It further revealed differences in the level of significance when analysing the relationship between disaggregated terrorism and FDI within the country. It is on this backdrop that the research needed to

investigate why terrorism affects FDI and why the effect of terrorism on FDI is higher in one form of terrorism than in the other. While the interview questions covered a range of other areas mainly to gain a practical and in depth understanding of the concepts as they apply to MNEs in Nigeria, the interview questions mainly addressed to the third and fourth research questions. This was because the quantitative analysis of data did not sufficiently answer these questions and hence more information was required to build upon the results of initial quantitative results. The table below shows the link between research objectives and the interview questions used for the qualitative stage of data collection.

Table 4.2: Link between Research Objective and Interview Questions

Research Objectives	Interview Questions
To discover the motivations of MNEs in engaging in FDI in Nigeria.	i. Why invest in Nigeria?
	ii. What makes for a favourable and unfavourable investment environment for FDI?
To understand the major forms of terrorism in Nigeria and their causes and determine the relationship between total terrorism/disaggregated terrorism and FDI in Nigeria	i. Terrorist groups come in many faces globally, what are the forms seen in Nigeria?
	ii. Is there a particular ideology behind terrorist activities?
	iii. Why do you think terrorist activities occur?
	iv. Do you think terrorism affects the inflow of FDI in Nigeria? If yes, in what ways?
	v. How does terrorism affect the Nigerian economy and your business specifically?
	vi. Are there other cost of terrorism
	vii. The Global Terrorism Database (GTD) has disentangled terrorism in terms of Motivation, Presence, Scale, Efficacy and Prevention. Which measure do you think affects existing and potential foreign investors?
To assess the role natural resources in the relationship between terrorism and FDI.	i. As a country with a wide variety of natural resources, what are the possible influences of these natural resources on the relationship between terrorism and inward FDI?
To analyse both the regionalised and sectorial effects of terrorism on FDI.	i. Are the effects of terrorism nation-wide or regionalised? Does this have any impact on FDI?
	ii. Do you think terrorism in Nigeria is sectorial? How does terrorism affect the different sectors of the economy

Source: Author

4.6.2.2. Pilot Interviews

An essential determining factor of the validity of the research process is the piloting stage. This stage allows the researcher to evaluate the efficacy of data collection techniques whether questionnaires, interview checklists or observation schedules. According to Blumberg et al. (2014), piloting is undertaken to highlight possible weaknesses and or errors in the design of the data collection instrument in order to allow for refinement and the overall answering of research questions. Also known as pretesting, the pilot study does not only assess the validity of the questions asked but also evaluates the understandability of the questions by respondents to allow for smooth recording of data collected and subsequent data analysis. Whilst the majority of pilot studies bother on the testing of data collection instruments, Pritchard and Whiting (2012) argue for the scope of piloting to be extended to encompass the transcription and analysis processes with regards to qualitative research. This will “*allow for exploration, reflexivity, creativity, mutual exchange and interaction through examining the establishment of research relationships*” (Doody & Doody, 2015, p. 1075).

In their research aimed at exploring the experience of learning disability nurses caring for older people with a learning disability, Doody and Doody (2015) detail several advantages of piloting that have been classified into three. The first puts forward piloting as a strategy of self-assessing the readiness and ability of the researcher in undertaking fieldwork. Secondly, the pilot study reveals methodological, ethical and practical issues that may hinder the achievement of research objectives and hence allows adjustments to be made to the main study. Finally, it exposes the possible risks and costs that may be associated with undertaking the research and allows for the making of informed decisions to reduce such risks and cost. Given these advantages, this research undertook a three stage pilot study to assess the semi-structured interview schedule and process. It followed and adapted to a seven point piloting template put forward by Bell (2010) that examines;

- i. The length of time used to complete,
- ii. Clarity of instructions,
- iii. Any unclear or ambiguous questions,
- iv. Reasons for objection to answering questions if any,
- v. Any other important area not covered by the interview schedule,

- vi. Clarity and attractiveness of interview schedule
- vii. Any other comments.

The pilot study of this research followed a three-stage approach that involved the pretesting and modification of the interview schedule at all stages. The main aim was to test the validity of the interview questions and the sustained interest and attention of the respondents whilst also assessing the sequence and flow of the interview process. At the first stage of pilot study, interview questions were given to researcher's PhD colleagues within the Huddersfield Business School for initial scrutiny. This stage led to minor amendment of the structure and order in which some of the questions were laid out. It also led to the removal of certain ambiguous terminologies and academic jargons that were hitherto included in the interview schedule. Sequel to these adjustments, the interview questions were submitted to the researcher's supervisor for the second stage of pretesting. Similarly, this stage did not quite uncover issues warranting any major amendments. It however allowed for the inclusion of some questions designed to get information about the demographics of MNEs. Furthermore, the feedback received allowed for the introduction of several probing questions to buttress on areas of key importance to the research and to enhance data analysis.

The final stage of pilot study involved an interview with the executive manager of a multinational company in the consumer goods sector in Nigeria. The interview, which lasted for about forty-three (43) minutes revealed a few areas where a bit of clarity, were needed as certain terminologies still remained technical to the respondent. Therefore, it allowed for the re-structuring of some questions and the introduction of more probing questions to enhance the comprehensibility of the interview schedule. Despite the importance of pretesting, Holloway (2008) posited that concerning qualitative research, there is the pliancy of the researcher to make adjustments while carrying out the main interview process and hence conducting pilot studies are not necessary. Although this can be argued, this position may be valid especially as it applies to semi-structured interviews where the researcher has the flexibility of adapting the questions depending on the category and knowledge of the participants on the subject area however still sticking to the guidelines of the interview schedule.

4.6.2.3. Procedure for Conducting Interview

Twenty respondents (17 MNEs and 3 government officials) were contacted for participation in semi-structured interview as well as to schedule interview appointments. Out of this number, only fifteen respondents obliged to participate (12 MNEs and 3 government officials). The interview schedule as well as all other forms comprising, participant information and the informed consent forms were sent to the participants; some via email and others personally delivered to their offices. All documents were dispatched to the different respondents one week before the scheduled interview dates to allow for familiarisation of the overall research aim and the interview questions. On the scheduled dates, the researcher arrived at the interview venue about thirty minutes before the start of the interview to get acclimatized and comfortable with the interview location. The majority of interviewed respondents agreed for the interview to be tape-recorded after the researcher had again emphasised that the aim of the interview and all information gathered was solely for research purposes. However, a few respondents did not consent to having the interview tape-recorded due to the sensitive nature of the research and the questions that were going to be asked. In these cases, the researcher made notes of responses from the participants.

The majority of interviews followed the guidelines and questions on the interview schedule however; emphasis was laid more on certain topical areas depending on the interest and sector of the participant. Similarly, regarding the order of questions, a number of the interviews assumed different order of questioning as the researcher made use of the direction of their responses to ask subsequent questions to ensure and maintain the flow of the interview process. All interviews were held at different locations that covered the six geopolitical zones of the country (see Appendix 8). The interviews lasted for different lengths of time with the maximum being 63.26 minutes and the minimum being 22.14. At the end of each interview, the participants were reminded of the researcher's commitment to ethical standards of confidentiality and anonymity as well as the use of all divulged information solely for research purposes. The details of the MNEs that participated are given below while a copy of the interview schedule is found in the Appendix 7.

Table 4.3 Details of Interviewed MNEs

Participants	Position	Sector	Category	Geopolitical Zone
P1	General Manager	Agriculture	MNE	South West
P2	Site Coordinator	Construction/Real Estate	MNE	North Central
P3	Committee Secretary	Government	GOV	South West
P4	Head of Marketing	Consumer Goods	MNE	South West
P5	Accounts Officer	Financial Services	MNE	North Central
P6	Senior Industrial Relations Officer	Oil and Gas	MNE	South South
P7	Member of Investment Board	Government	GOV	North Central
P8	Head of Operations	Services	MNE	North Central
P9	Sales Manager	Industrial Goods	MNE	South West
P10	Company Secretary	Financial Services	MNE	South East
P11	Director	Consumer Goods	MNE	South West
P12	Head of Maintenance	Oil and Gas	MNE	South South
P13	Chief Pharmacist	Healthcare	MNE	South West
P14	Member FDI Committee	Government	GOV	South South
P15	Branch Manager	Services	MNE	South East

Source: Author

4.7. Research Reliability and Validity

Beyond the achievement of research objectives lies a more crucial point of the quality of research. Owing to the expected contribution to theory and to existing literature, it is fundamental that a research process, which adheres to the tenets of credibility, is followed to yield results that are tested and trusted. Similarly, it is pertinent to emphasise the high importance of social science research given its close association and application to the real world stemming from both the collection of primary data and from the potential generation of practical and policy implications. Therefore, it is of great necessity that research is evaluated through the lens of several quality checks and controls. The importance of quality research encompasses both the reliability and validity of the study, which both depict the assurance of truth that can be placed in the research findings (Korstjens & Moser, 2018). As essential concepts in the research process, reliability and validity allow the researcher as well as other research users assess the extent to which findings and results explain the research problems

investigated. Furthermore, using different statistical and non-statistical tools, both concepts examine the quality of data collection instruments utilised in achieving accurate and suitable units of measurement for social phenomena embedded within the research.

4.7.1. Reliability and Validity of Primary Data

On the one hand, according to Saunders et al. (2016), reliability hinges on the two major principles of replication and consistency while validity centres on issues regarding appropriateness, accuracy and generalisability. Appropriateness in terms of the units of measurements and if they truly measure the social constructs being examined, accuracy in terms of the analysis of results and generalisability in terms of the findings obtained. While both of these strands of research quality are independently important, they are also dependent on each other to ensure maximum research quality. That is to say, the possibility exists of a research being reliable; where the findings of the research can be replicated given similar conditions with which the initial study was carried out, but not valid and vice versa (Bryman & Bell, 2015). The onus thus lies on the researcher to be aware of and minimise possible errors and biases that may allow for the absence of any or both of these characteristics of research quality in the research study. Some of these errors and biases include participant error, participant bias, researcher error and researcher bias. Table 4.4 gives more descriptions about these threats as they pertain to reliability and the measures put in place by the researcher to curb if not totally prevent these threats.

Table 4.4 Threats to Research Quality

Threat to Reliability	Description	Application To Interviews
Participant Error	This describes anything or factor that hampers the manner in which participants respond in the data collection process.	All participants were contacted for the arrangement of a convenient time when the interview could be carried out. Participants were briefed beforehand of the possible duration of the interview to allow them create ample time and fit this around their tight schedule. This process involved several

		<p>cancellations and rescheduling of the interview time to arrive at the best time possible both for the researcher and particularly for the participant. This was done mainly to address hastiness and laxity, which the researcher identified as possible factors responsible for participants error.</p>
Participant Bias	<p>Any factor that causes participants to provide false responses to questions asked.</p>	<p>Owing to the leadership position held by the majority of the participants, most of them were privileged to have personal offices, which availed them the freedom to provide sufficient responses to interview questions and ask for clarity where necessary. One of the participants happily granted interview in the comfort of his home while another allowed the choice of interview location to be made by the researcher. Furthermore, with the assurance of anonymity, participants felt more confident in divulging information, some with documented evidences to buttress on some points that were discussed and to eliminate possible doubts that the researcher may have had in the cases of unexpected findings.</p>
Researcher Error	<p>Similar to the first, this threat covers factors that impede the trustworthiness of researchers in the interpretation of findings.</p>	<p>To prevent this error, the researcher made sure to carefully plan the number of interviews to be carried out in a day in order to avoid issues of fatigue or exhaustion during interview process. A key skill that assisted in the prevention of this error was time management. Based on several constraints such as the limited time given for</p>

		<p>completion of fieldwork, inaccessibility of participants and the difference between study area and the location from where research was undertaken, the researcher made sure to maximise fully all resources necessary for the collection of rich and sufficient data to be used in the study. The maximum number of interviews held in a day was two; one in the morning and the other in the evening to allow the researcher to recoup and prepare for the next interview session.</p>
<p>Researcher Bias</p>	<p>Any factor that suggest some level of bias in the researchers' documentation of responses.</p>	<p>While it is difficult to eliminate bias in research (Smith & Noble, 2014), the researcher made sure to address such biases that arose during the conducting of interview by documenting important points in the form of a reflexive journal. According to Mann (2016) the reflexive journal helps make clear the researchers assumptions, keep record reservations encountered as well as ways in which these were tackled; all of which shaped the interviews conducted. This process constituted one way of ascertaining rigor, transparency, credibility and the overall research quality in order to ensure validity of the qualitative research findings. It further brought to light certain personal concerns the researcher held which may not have occurred without the adoption of a structured approach of documentation (Finlay, 2002, 2008). This not only reduced the possibility of bias and its consequent</p>

		impact on research quality but also allowed for a reasonable distance between the researcher and the research by documenting areas of concern for consideration at latter stages of the research.
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The assessment of reliability and validity for the qualitative research differs from the quantitative research method in terms of what factors the research is measured against. According to Creswell (2014), when examining the validity and reliability of interviews, factors such as the credibility, confirmability, dependability, transferability, and the authenticity criteria are alternative criteria utilised to measure research quality. Similarly, Saunders et al. (2016) describe these factors as alternative ways of examining research quality especially when it concerns interviews or qualitative research in general. The Table below gives a breakdown of these distinct factors as they relate to the qualitative strand of this mixed methods research.

Table 4.5 Alternative Research Quality Measures

Alternative Research Quality Measures	Meaning	Application To Research
Credibility	This is similar to the quantitative internal validity principle. Credibility emphasises the true representations of ideas, views and realities put forward by research participants that are consistent with what the participants intended that are void of methodological bias that may have occurred due to researchers' personal experiences and viewpoints. It also highlights	In their work, Noble and Smith (2015) disclose the use of a reflexive journal to enhance credibility and the confirmability of qualitative research. This research made use of the reflexive journal alongside a decision trail to reflect on personal experiences and possible biases that may have affected the research

	<p>the applicability of the research findings to reality in order to establish the veracity of the research findings (Korstjens & Moser, 2018)</p>	<p>quality. Following the position of Dikko (2016) on the effectiveness of a pilot study in ensuring validity, this research</p>
<p>Confirmability</p>	<p>This measure is closely linked with the credibility measure. It assesses the accuracy of the findings including ways of validating the results. According to Billups (2014) the importance of confirmability to a qualitative study not only produces assurance in the results but also reveals the truth value of the participants' standpoints.</p>	<p>sought to ensure credibility using a three-stage piloting of the interview schedule. This was used not only to pre-test interview questions but also to assess the degree of divergence and convergence amongst researchers regarding the research design and data collection instruments in order to arrive at a consistency throughout all stages of the research and uncover hidden biases embedded within some of the questions. Furthermore, the research made use of repeated listening of semi structured audio-recorded interviews to ensure the true representation of participants' views. Finally, to enhance further the credibility and confirmability of the research, two strategies of investigator triangulation and member checking were used. The former was done by presenting data, analysis and interpretation to</p>

		<p>supervisor to arrive at results that are more credible while the latter involved a recapping of data to interview participants that allowed for data clarification, correction of misconstrued ideas and the provision of additional information (Creswell & Miller, 2000; Mertens, 2005).</p>
<p>Dependability</p>	<p>This quality measure represents the quantitative reliability equivalent. Dependability advocates an explicit recording of changes made during the undertaking of the research to arrive at congruence among the different research stages that allows for clarity and appraisal by other research users. This measure questions the stability and consistency of the findings over and across times and conditions. It further measures the probability of data collection methods yielding similar results.</p>	<p>Given the iterative nature of the qualitative research mostly leading up to the consequent modification of research ideas, this research made use of a decision trail also known as an audit trail as a way of ensuring rigour. This was done to keep track of decisions made during the research process from the formulation of research questions to several other methodological decisions such as data collection strategy and analysis. This was done in line with the work of Koch (2006) who likened the decision trails to an auditing tool capable of ensuring rigour in qualitative research.</p>

		<p>This research also made use of external audits as a way of ensuring the research process yielded similar findings. Here the perspectives of some colleagues in the Huddersfield Postgraduate Researcher (PGR) network were used to reveal other viewpoints from the study to develop and assess truthfulness of initial findings.</p>
Transferability	<p>Otherwise known as applicability, this measure is comparable to the quantitative generalisability and or external validity criterion and represents the extent to which the findings of the research can be applied to other contexts (Dikko, 2016; Guba, 1981; Guba & Lincoln, 1989).</p>	<p>This research provided an in-depth and comprehensive description of the research process from the research questions to the sample selection of interview respondents, the design of the interview, the procedure for conducting interviews including details of the interview settings and data analysis. It further provided rich details of the participants behaviours captured in the findings from which interpretations were made to aid the evaluation of research results and conclusions as well its applicability to other contexts.</p>
Authenticity Criteria	<p>According to Saunders et al. (2016), this criterion was not originally</p>	<p>Specifically, Given (2008) discloses that authenticity can</p>

	<p>included in the alternative measures of quality. However, it has been advocated by several qualitative researchers as an essential element in determining trustworthiness. This criterion ties together the research aim and objectives with the resultant findings highlighting the proposed value of the research especially to participants. It is set out to encourage fairness by demonstrating all opinions embedded in the research to raise awareness, aid learning and bring about practical implications (Billups, 2014; Creswell & Miller, 2000; Guba, 1981; Jones, 2013).</p>	<p>be assessed against five criteria comprising; fairness, ontological, educative, catalytic, and tactical authenticity. Fairness represents the accessibility of the participants to research data and interpretations in order to check that views are represented as intended to avoid bias. This was achieved in this research by explicitly stating while conducting the interviews that participants were free to request for a review of data collected as well as findings and interpretations obtained. Furthermore, the issues of ontological, educative, catalytic, and tactical authenticity respectively represent deeper understanding of the social phenomenon, deeper awareness of other viewpoints, inspiration of action through research process and the empowerment of participants to act (Given, 2008; Mertens, 2005). These elements were revealed in the discussion and final chapter of the thesis where, research questions were</p>
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		<p>answered based on interpretations of findings, through research contributions provided to theory and through policy implications for research applicability.</p>
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4.8.2. Reliability and Validity of Secondary Data

While the above represented the reliability checks undertaken primarily for the qualitative strand of this research, this section provides a detailed discourse of the measures employed to ensure reliability and validity of secondary data. According to Mohajan (2017), the assessment of reliability and validity for all secondary data is dependent on a comprehensive evaluation of methods used to collect the original data. Several elements were incorporated into the measurement of the quality for secondary data comprising; the reputation of the data source, the appropriateness and fit between secondary data and the research problem including the variables under discourse, the sampling procedure adopted and the examination of past research. While these elements were listed in no particular order, the authority and reputation of the data source, and the accessibility, are considered as initial steps to be observed when assessing the quality and credibility of secondary data (Dochartaigh, 2007).

Sequel to the collection of qualitative data, this research utilised secondary data primarily from the World Bank. Values for the dependent and control variables were drawn from this source to cover the period under study. The WDI database stands out as one of the major international databases utilised by different groups of people to provide quality data that cover a number of themes and topics within individual countries and country groups (Dominique, 2016). To enhance the quality and reliability of secondary sources, data collected from the WDI database were substantiated using other international and national sources and databases such as; IMF, UNCTAD, NBS and CBN. This was done to check the consistency and verification of data against these reputable sources and allow for retrieval and supplementation of some missing values where applicable. According to Saunders et al. (2016) survey data from large, prominent organisations such as the ones aforementioned are likely to be relied upon. Furthermore, the

longevity of such organisations attests to the credibility of the data produced and the meticulous techniques involved in the collection of primary data.

With regards to terrorism data, LaFree and Dugan (2007) and LaFree (2010) disclose the particular challenge associated with gathering terrorism data amongst other data on criminal violence. This according to them stems from the notion that domestic terrorist incidents, which are difficult to capture for individual countries greatly outnumber international terrorist incidents, which are easier to capture given the global nature of incidents. It was therefore on this backdrop that the GTD was initiated as an open-source database providing systematic data on domestic as well as transnational and international terrorist incidents. While GTD data has been slated by several critics as unreliable due to the inconsistencies associated with the collection of primary data, it is still being put forward as the most utilised database in the field of terrorism (Frånlund, 2017). These inconsistencies as described by Pape, Ruby, Bauer, and Jenkins (2014) reflect the constant change in collection criteria set by GTD in the collection of terrorism data. However, the GTD (2014a), had asserted the reliability of data collection procedures, the consistency and comprehensiveness of data collection standards and the credibility of data sources.

Furthermore, this research followed the work of Berkebile (2017) where the refining of GTD data was put forward in order to make it more useable for empirical research. According to him, the absence of a clear distinction between transnational and domestic terrorism in the GTD dataset, could lead not only to including incidents that may not be terrorism but also the possibility of type 2 errors. This further supports the critique of Pape et al. (2014) about the flexibility of selection criteria. However, previous research in the terrorism discourse have continued to use the GTD because of the availability of over ninety-eight different variables. This makes it appropriate and applicable to a host of research questions whilst offering more researcher-transformable variables (Bandyopadhyay, Sandler, & Younas, 2018; Efobi, Asongu, & Beecroft, 2015; Enders, Hoover, & Sandler, 2016).

A further strand of the reliability of secondary data covers the methodological procedures observed to ensure representativeness as it pertains to sampling. As stated on the database, GTD extrapolates data from a number of open media sources possibly through keyword searching for the collation of terrorism data. In their investigation of population

representativeness, Parkin and Green (2016, p. 668) reveal that, “*a sample of between 20 to 29 constructed weeks is necessary to realise representativeness of an entire year of coverage for a population*”. While they expounded on the importance of secondary data sampling, they also disclosed minimal evidence supporting the correlation between terrorism news frequency and the frequency of reported GTD terrorist incidents. This nonetheless, does not dilute the authenticity, authority and comprehensiveness of GTD as a leading provider of terrorism data (Berkebile, 2017; GTD, 2017; Gundabathula & Vaidhehi, 2018).

Conversely, a number of researchers have discussed the reliability of WDI as well as the rigorous methodological processes followed in the collection of data. The transparency of data sources, statistical methods including curation and vetting processes have made the WDI become one of the principal international organizations in the provision of social, economic and financial data. This is because of the documentation of issues centred on data availability, reliability and comparability to assist data users make better and more informed methodological choices as it pertains to the specific research problems. To ascertain further the quality of datasets, the WDI owing to the international utilisation of data have elaborated upon a number of internationally accepted standards. This allows for the measurement of statistical data by its users against pre-set guidelines stipulated in such standards (J. C. Anyanwu & Yameogo, 2015; Efobi, Asongu, & Beecroft, 2018).

The availability of a wide range of secondary data both for GTD and WDI allow for the adaptability of such data to research questions posed by different research studies. Drawing from the review of past literature, this research using the above-discussed criteria undertook an in-depth scrutiny of secondary data including data collection techniques employed in collecting data. The results of this affirmed the appropriateness of the dataset not just to the research aim and objectives but also to the data analysis techniques employed (Saunders et al., 2016). Furthermore, the justification of the decision to utilise secondary data from both WDI and GTD is hinged on the suitability of the dataset with the nature and scope of this research as a macro level empirical research (Alfaro, 2017).

4.8. Limitations

Almost all researches have one form of limitation or the other. However, the expression of certain research limitations in not a way of belittling the research or the research process but is mainly a reflection and disclosure of possible factors that can influence the research findings and conclusions (Saunders et al., 2016). The major methodological limitations experienced in this study are discussed below.

- i. **Accessibility:** a minor challenge encountered during the collection of primary data using interviews was the unavailability of some of the initially contacted respondents. Out of the twenty respondents, only fifteen were able to grant an interview for the research. Although these numbers of interviews were sufficient for this research given the comprehensiveness and duration of the interviews, the research could have benefitted from more data that could potentially have yielded more insightful themes.
- ii. **Study location:** given that research as well as fieldwork were carried out in a location different from the United Kingdom, it was impossible for certain credibility strategies to be employed for example member checking which involves reviewing research data by a sample of participants to assess if the researcher captured opinions accurately (Dikko, 2016). This however, does not in any way question the quality of qualitative data or the findings as other strategies were employed to ensure credibility and dependability.
- iii. **Time Constraints:** the researcher was faced with limited time for the conducting of all primary research and fieldwork. While this presented some initial challenge in terms of time management, interviews were carried out within the time frame approved by the Huddersfield Business School for collecting of data. The researcher had to ensure that all data relevant to the research were collected within the allocated time well enough to assess if further interviews were needed to generate more data.

4.9. Ethical Issues

In line with the Ethics Policy and Procedures of the University concerning the conduct of research, it is a requirement that ethical approval and clearance be obtained before commencing data collection. According to Saunders et al., (2016), ethics from research perspective represent

guiding principles that shape the researcher's behaviour concerning the rights of participants involved in or affected by the research. On this note, the researcher submitted an application to the Huddersfield Business School Ethics Committee. The process, which was supposed to take two weeks, however lasted for over seven weeks due to the sensitive nature of the research. The reviewers required the researcher to provide further information regarding access to participants, contingency plans and concerns regarding safety. The researcher was also required to submit a risk assessment form as well as an itinerary for activities to be undertaken while carrying out fieldwork. Upon fulfilment of these requirements alongside clarification of some concerns, ethical approval was granted for the commencement of data collection scheduled to last between two to three months (copies of ethical approval are attached as Appendices).

On grounds of good practice and in fulfilment of ethical principles, the participant information letter (See in Appendices 7 and 8) as well as a consent form were given to each participant prior to the interview date. Furthermore, involvement in the research was voluntary where participants were made aware of their rights to withdrawal at any time and stage of the research process. As a way of ensuring confidentiality, participants information were kept anonymous with the use of pseudonyms where necessary whilst confirming the usage of data solely for academic purposes.

4.10. Summary

This chapter examined the research methodology employed comprising a step by step development of the methodological components and choices implemented in this study. It commenced with a reiteration of the research aims and objectives from which several hypotheses were formulated. Moving on, the chapter presented the research paradigm and philosophical standpoint assumed and the justification of the pragmatic assumption employed. The next section explained the logic behind the research including the abductive approach adopted which provided a basis for the choice of the research method. The major types of research methods prevalent in social science were discussed including their strengths and limitations. Upon review of this, the chapter opined an emerging third type of research method; mixed methods, which was thence adopted in this study in line with the pragmatic consideration of the research problem. A sequential explanatory mixed methods approach was adopted with

the aim of clarifying the terrorism-FDI nexus in Nigeria in order to emerge with results necessary for the design of qualitative data collection instruments.

Having discussed the intended strategy, the next section examined the practical steps which bordered on how data was collected. This allowed for the initial presentation of the sampling method, selection process and sample size employed in the study both for the quantitative and qualitative collection of data. In order to achieve the different objectives, the research made use of both primary and secondary data to allow for the integration of research strategies. The chapter explained the collection of secondary data using the survey-based method from several reliable sources. On the other hand, the chapter expounded on the collection of qualitative primary data using semi-structured interviews including the selection criteria of the MNEs interviewed. Next, the chapter explained the three-stage approach utilised in the piloting of the interview schedule which allowed both for pretesting of the data collection instrument and subsequent modification. The results of the piloting stage as well as other strategies and research quality measures allowed for the confirmation of research reliability and validity. As a way of full disclosure, the next section explained the methodological limitations encountered by the study and concluded by providing the ethical issues considered in the research process.

CHAPTER 5: QUANTITATIVE DATA PRESENTATION AND ANALYSIS

5.1. Introduction

Focusing on the nature of data collected, research points towards the different levels of data measurement comprising ordinal, nominal, ratio and interval where the last two are combined into one heading called the scale data in SPSS. The choice of the statistical method to employ in data analysis is greatly dependent on the level of data measurement. This is because; different levels of measurements have statistical rules permissible and applicable only within the confines of particular data types. Quinlan, Babin, Carr, and Griffin (2015, p. 357) disclose “*the importance of the different levels of variables as they determine the kind of analysis that can be carried out on or with each variable*”. Amongst the four levels of data measurement, Trochim, Donnelly, and Arora (2016) disclose that most data utilised in social science research are ratio data. Using SPSS 24 and Eviews for secondary data analysis, this research adopted a scale level of measurement, which represented continuous data on either an interval or a ratio scale.

This chapter presents data analysis for the quantitative strand of this research. It particularly discusses the research questions and hypotheses addressed by the quantitative research method. To begin, the chapter presents some descriptive statistics to provide a general overview of the dataset such as mean, standard deviation, minimum and maximum values. It moves on to present several preliminary tests undertaken that check for normality and other statistical assumptions associated with the presentation of inferential statistics such as stationarity, error normality, autocorrelation, heteroskedasticity and absence of multicollinearity. The chapter also employs inferential statistics using an ARDL model to examine both the direction and strength of relationships between inward FDI and terrorism as well as with other independent variables under review in the short and long run. The study utilises annual secondary data for the period 1970 to 2017 both for the dependent and primary independent variables as well as for other variables of interest. Data used in the quantitative study are obtained from secondary sources such as Nigerian official sources including the National Bureau of Statistics and the Central Bank of Nigeria as well as international sources comprising; World Development

Indicators, Global Terrorism Database, International Monetary Fund and United Nations Conference on Trade and Development.

5.2. Model Specification

In deciding MNEs overseas investment decisions, Dunning (2001) in the discussion of the OLI framework, eludes that all three strands of the framework must be present for FDI to take place. These strands, which represent the ownership, location and internalisation advantages of a firm, depict the why, where and how questions an MNE will need to answer before engaging in FDI activities. Drawing from this framework as well as the different motives of FDI put forward by Dunning (1993, 2001), several studies have over the years expounded upon a range of locational variables capable of enhancing or deterring inward FDI in a host country. These include, GDP, inflation, exchange rate, infrastructure, trade openness, terrorism/political instability, population, natural resources, corruption and corporate tax amongst others (Alam & Zulfikar Ali Shah, 2013; Bekhet & Al-Smadi, 2015; Economou, Hassapis, Philippas, & Tsionas, 2017; Elkomy et al., 2016; Jadhav, 2012; Villaverde & Maza, 2015). The current research focuses mainly on the terrorism variable however, incorporated other explanatory variables in the analysis to reduce the likelihood of unreliable results due to the exclusion/omission of several other possible determinants of inward FDI.

With regards to the FDI and terrorism literature, there exists an unclear relationship between both variables (Demirhan & Masca, 2008; Powers & Choi, 2012). While the majority of findings reveal a significant negative relationship between inward FDI and terrorism, some others suggest that there is no significant relationship between both variables. It is on this basis that this study employed an ARDL model of annual time series data to examine the short and long run relationship between inward FDI and terrorism (both total and disaggregated) in Nigeria over the period 1970 to 2017.

The data used in the study were obtained from a number of reputable online databases as detailed in Table 5.1. between 1970 and 2017. Using the annual time series over the period under study, the study utilised country year as the unit of analysis where inward FDI was the dependent variable and terrorism was the primary independent variable. The study also incorporated other control variables drawn from past empirical studies as possible explanatory

variables of inward FDI. Similarly, in line with past relevant research in this study area, FDI was represented as a function of the independent variables as seen below:

$$FDI_t = f(GDPPC), (GDPG), (OPEN), (INF), (INFRAS), (COP), (EXRTE), (POPG), (TI [BK, NDM, OTHERS])$$

The econometric model thus formulated is represented by the equation below:

$$FDI_t = \alpha + \beta_1 (GDPPC)_t + \beta_2 (GDPG)_t + \beta_3 (OPEN)_t + \beta_4 (INF)_t + \beta_5 (INFRAS)_t + \beta_6 (COP) + \beta_7 (EXRTE)_t + \beta_8 (POPG)_t + \beta_9 (TI [BK, NDM, OTHERS])_t + \varepsilon_t$$

Where,

FDI- Inward FDI, GDPPC- Market Size, GDPG- Economic Growth, OPEN- Trade Openness, INF- Inflation, INFRAS- Infrastructure, COP- Crude Oil Production, EXRTE- Exchange Rate, POPG- Population Growth, TI- Terrorism Incidents, BK- Boko Haram, NDM- Niger Delta Militants, OTHERS- Unknown groups α - intercept, β - unknown parameters, t- time and ε - error term.

5.2.1. Dependent Variable

FOREIGN DIRECT INVESTMENT (FDI):

As mentioned previously, this study utilised FDI as the dependent variable. Here data was accessed from the World Bank's WDI under the measure "FDI net inflows in US\$". This measure was seen as appropriate due to the researchers' interest in evaluating inward FDI into Nigeria. With reference to the WDI database, FDI consists of total equity capital, reinvested earnings as well as both long-term and short-term capital as reflected in the balance of payments. While data was available from 1960, the study only utilised data from 1970 given the scope of the study. In line with empirical studies, this study anticipated a negative relationship between inward FDI and terrorism both total and disaggregated.

5.2.2. Independent Variables

Drawing from the results of previous empirical studies, this research adapted some of the factors highlighted as control variables in the ARDL model (Elkomy et al., 2016; Enisan, 2017; Geda & Yimer, 2018; Ndem et al., 2014; Ojong et al., 2015).

Market Size (GDPPC)

This variable is measured in terms of the GDP per capita of a country which explains the total market value of finished goods and services produced in a country over a period in relation to the population of the country (Petrović-Randelović, Janković-Milić, & Kostadinović, 2017; Yohanna, 2013). This variable is presented as the topmost economic variable suitable for measuring the market size of an economy and is sometimes used as a proxy for population. The aim of this variable was to test if market-seeking motives drives inward FDI in Nigeria. Data for market size were retrieved from WDI and the findings anticipated a significant positive relationship between market size and inward FDI.

Economic Growth (GDPG)

Though similar to GDP, the growth rate of GDP measures if a country has experienced economic growth over the years as this according to Epaphra and Massawe (2017) serves as an incentive to attracting FDI. Particularly it reveals the income level of the economy and provides MNEs an insight into the anticipated return of investment (Efobi et al., 2018). Using data from WDI database, the study predicted a positive relationship between economic growth and FDI.

Trade Openness (OPEN)

This variable measured by the sum of exports and imports as a percentage of GDP was obtained from WDI database. It evaluated the degree to which the Nigerian economy is open to international investment and trade to the rest of the continent. The variable according to Dinda (2014) also assesses the mobility of capital across national border by MNEs. Empirical evidence has it that the more open an economy is in terms of having opportunities for internationalization, the more it will be attractive for FDI operations (Anyanwu, 2012; Geda & Yimer, 2018). Trade openness was expected to be positively correlated with inward FDI.

Inflation (INF)

For this study, inflation was measured in terms of the year by year percentage change in consumer prices. This measure directly reflects the economic stability of a nation and serves as a proxy for economic stability. Increased inflation can discourage inward FDI due to several reasons particularly as it could increase cost of capital (Dinda, 2014). Data were gotten from WDI and results were expected to yield a negative relationship between inflation and inward FDI.

Infrastructure (INFRAS)

There exists an abundance of measures used as proxies for infrastructure. According to Demirhan and Masca (2008), these measures span across dimensions covering basic amenities such as electricity, roads, ports, railways, telecommunication systems and institutional development. In line with Anyanwu (2012); Efobi et al. (2018), this study used fixed telephone subscriptions as a proxy for infrastructure and a positive relationship was anticipated. Data for this variable were gotten from WDI database.

Crude Oil Production (COP)

This variable was used as a proxy for natural resources to assess the influence of oil in attracting FDI into Nigeria. Given the fact that Nigeria is an oil producing country and a member country in OPEC, it is no news of the heavy reliance of the country's economy on this product. In addition, past research has established that the majority of inward FDI into the country serves the oil and gas sector (Dinda, 2014). Measured in thousands of barrels per day Lee (2016) discloses that oil production which is a measure of oil abundance in a country has the capacity of affecting the inflow of FDI into that country. Data were obtained from the OPEC annual statistical bulletin and a significant positive relationship of the variable on the FDI/terrorism relationship was predicted.

Exchange Rate (EXRTE)

This variable measures the official host country exchange rate (Naira; ₦) to current US\$. While Dinda (2014) explained that low value currency in terms of exchange rate attracts FDI into a host country, Sharifi-Renani and Mirfatah (2012) explained that real exchange rate is positively

correlated with FDI. Despite the unclear results, existent in past research, this study predicted a negative relationship between exchange rate and inward FDI in Nigeria.

Population Growth (POPG)

This variable measured the increase in the number of people in a population. Notwithstanding the legal status or citizenship of the resident, the measure captured the increase in the total number of people and expressed it as a fraction of total population. The measure was used as a proxy for market growth and is expected to have a positive relationship with FDI.

Terrorism Incidents (TI)

This was the principal independent variable of this study. The variable aimed to measure both total and disaggregated terrorism in Nigeria using the number of incidents as a proxy. Data for this variable were obtained from GTD as this offered data both for domestic and transnational terrorism. The variable was made up of number of incidents perpetrated by Boko Haram (BK), Niger Delta Militants (NDM) and other unknown groups (OTHERS). Similar to Efobi et al. (2018) and Okon (2016) the study used incidents as a measure of terrorism as it essentially revealed the frequency of terrorist activities. All forms of terrorism were expected to reveal negative relationships with FDI. The Table below summarises all variables utilised in this study, their labels as well as the expected outcomes.

Table 5.1 Definition of Variables, Labels, Data Sources and Expected Signs

Variable	Label	Definition	Source	Expected Sign	
Foreign Direct Investment	FDI	FDI, net inflows (BoP, current US\$)	World Development Indicators, 2018		
Market Size	GDPPC	GDP Per Capita (current US\$)	World Development Indicators, 2018	+	
Economic Growth	GDPG	GDP growth (annual %)	World Development Indicators, 2018	+	
Inflation	INF	Consumer prices (annual %)	World Development Indicators, 2018	-	
Crude Oil Production	COP	Thousand barrels per day	Organization of the Petroleum Exporting Countries (OPEC)	+	
Population Growth	POPG	Population growth (annual %)	World Development Indicators, 2018	+	
Exchange Rate	EXRTE	Official exchange rate to the current US\$,	UNCTAD, 2018	-	
Infrastructure	INFRAS	Fixed telephone subscriptions	World Development Indicators, 2018	+	
Trade Openness	OPEN	Sum of exports and imports of goods and services, percent of GDP	World Development Indicators, 2018	+	
Terrorism	Total Terrorism	TI	Number of terrorism incidents	Global Terrorism Database, 2018	-
	Boko Haram	BK	Number of terrorism incidents	Global Terrorism Database, 2018	-
	Niger Delta Militants	NDM	Number of terrorism incidents	Global Terrorism Database, 2018	-
	Others	OTHERS	Number of terrorism incidents	Global Terrorism Database, 2018	-

5.3. Descriptive Statistics

The descriptive statistics usually represent the initial step towards the analysis of quantitative data. As expounded by Quinlan, Babin, Carr, and Griffin (2015) descriptive statistics represent the basic transformation of raw data in a manner that reveals the elementary attributes of the dataset. It signifies the representation of the basic information encompassed within the data set in order to describe data, appreciate the richness of the data collected and offer a summary or

general overview of the dataset (Bryman & Bell, 2015; Trochim, Donnelly, & Arora, 2016). These reasons are actualised using several graphical and non-graphical presentations tools where the former offers a visual examination of the frequency distribution of data and the latter provides a brief composition of the dataset. The descriptive statistics in this study highlighted the preliminary analysis of variables comprising, frequencies, measures of central tendency (such as, mean and median) and dispersion (such as standard deviation and range). Each of these measures told something specific about the dataset, which allowed for a better description of data. The statistics were graphically represented using tables and histograms.

5.3.1. Missing Data

Prior to running descriptives statistics, the researcher performed a test for missing data to ascertain the missing values in the dataset. Data can be said to be missing when values of one or more variables in a dataset are not available for analysis. While this issue is very prevalent in most researches and can pose several threats to the data analysis, conclusions drawn and potentially affect research reliability and validity, there exists a number of methods available for handling missing data (Kang, 2013). This study recorded no cases of missing data as all variables were complete over the period under consideration in this research

5.3.2. Descriptives

Table 5.2 summarizes the descriptive statistics for all the variables of the study. The first column describes the variables while the second gives the number of cases available for each variable. On average, Nigeria suffered about 82.13 incidents of total terrorism over the 1970-2017 period. While the country recorded an average number of incidents of 4.88 by the Niger Delta Militants (NDM), it recorded 54.31 incidents by the Boko Haram (BK) sect and 23 incidents by other unknown perpetrators. Despite these numbers of incidents, the average net inflow of FDI into the country stood at US\$2,150m while GDPPC averaged at US\$1,081,117m with a 4% GDP growth rate. Furthermore, Crude Oil Production averaged at 1820 thousand barrels per day over the period under analysis. All standard deviation values represented the dispersion or spread from the mean and provided insight into the normality of the distribution of variables. All other variables are shown in Table 5.2 below.

Table 5.2 Descriptive Statistics

Variables	Observations	Mean	Median	Maximum	Minimum	Std. Dev.
FDI	48	2.15E+09	1.07E+09	8.84E+09	-7.39E+08	2.52E+09
GDPPC	48	1081.117	618.6390	3222.694	160.2488	863.8719
GDPG	48	4.019112	4.823564	25.00724	-13.1279	6.480655
OPEN	48	33.27361	35.25827	53.27796	9.135846	12.28075
INF	48	18.54672	12.94178	72.8355	3.45765	15.89535
INFRAS	48	0.321966	0.259288	1.183594	0	0.303318
COP	48	1820.158	1852.85	2365.9	1083.1	306.2341
EXRTE	48	69.01879	28.1266	305.7901	0.546781	77.40318
POPG	48	2.603143	2.591963	3.044341	2.284989	0.153669
TI	48	82.125	3.5	714	0	188.0624
TI_BK	48	54.3125	0	593	0	142.1598
TI_NDM	48	4.875	0	81	0	12.88843
TI_OTHERS	48	23	3.5	183	0	43.72448

Source: EViews

Given that inferences could not be made from descriptive analysis, the study further employed the inferential analysis of variables using ARDL model to test research hypotheses and make appropriate inferences.

5.4. Inferential Statistics

Unlike descriptive statistics, inferential statistics using several statistical tests offer insights into associations and causal relationships between variables. The aim of inferential statistics is to go beyond providing surface information about the dataset to arriving at generalisable conclusions based on the sample drawn from the study population. Inferential statistics can be used to offer possible explanations and justifications for statistical outcomes and for the generalisation of quantitative data based upon the testing of hypothesis. This allows for a better interpretation of data and the acceptance or rejection of formulated hypotheses. Basing inferences on probability principles, inferential statistics reveal that differences between samples reflect differences in population whether by chance or by clear facts (Trochim et al., 2016). Therefore, this not only leads to the production of more evidence-based results but ones that meet both reliability and validity criteria (Blumberg et al., 2014; Collis & Hussey, 2014). It further gives credence to and provides a clearer perspective to outcomes obtained from the descriptive analysis of data

There are a number of statistical techniques used in inferential statistical analysis. As aforementioned, the level of data measurement largely determines the data analysis technique appropriate for the research (Quinlan et al., 2015). According to Wetcher-Hendricks (2011), there are several models suitable for continuous variables which are measured numerically either as interval or ratio data such as Ordinary Least Square (OLS) regression, Error Correction Model (ECM), Vector Autoregressive (VAR) model and Autoregressive Distributed Lag Model (ARDL). This study therefore uses the ARDL model as the statistical technique in quantitative analysis of data.

5.4. Autoregressive Distributed Lag Model (ARDL)

Drawing from the research objectives, this study aimed at investigating the relationship between terrorism and inward FDI in Nigeria as well as assessing the role of natural resources in the terrorism and FDI nexus. While there are different examples of inferential statistics, the ARDL is particularly suitable for this research. This is because it extends the relationship between economic variables in a time-series model. This model suggests some kind of relationship of the present values of variables with historical values. According to Shrestha and Bhatta (2018) the autoregressive component of a time series model extends that present values of variables are hinged on their past values as well as some adjustment factors (which are estimated from the association between current values and past values). The ARDL model is a type of modified OLS model which can be used both for non-stationary time series and for times series with mixed order of integration i.e. $I(0)/I(1)$. This model applies sufficient numbers of lags to capture both cointegration (short-run) and long run relationships between variables.

Furthermore, the use of the ARDL model in this research pointed towards the appropriateness of the statistical test to the level of data measurement. According to Wetcher-Hendricks (2011) the ARDL model can be used in the analysis of numerically measured continuous scale (interval or ratio) data which this work made use of. Therefore this research employed the ARDL model based on the long run predictive capability of the model which will allow for better recommendations to the Nigerian government in terms of policy implications. This is because the results will be able to project unbiased long term impact of total terrorism as well as the disaggregated forms on the inflow of FDI as well as the relationship between other independent variables on inward FDI in Nigeria.

5.4.1. Stationary Test

As the name suggests, this test checks for stationarity in the time series. That is; it tests that the mean or variance are consistent over time where a change in time does not cause a change in the shape of the distribution. This test is important as an estimation based on non-stationary data can lead to spurious results (Ojong et al., 2015). One cause for non-stationarity is the presence of unit root. To test for the presence of unit root this study makes use of the Dickey Fuller (DF) Unit Root with break Test. Unlike the standard Augmented Dickey-Fuller (ADF) test which has some criticisms, Perron (1989) put forward that including a structural break in the unit root analysis eliminates potential bias towards the non-rejection of the null hypothesis. For instance, Shahbaz, Nasir, and Roubaud (2018) disclose that the ADF test may produce unclear empirical results due to its inability to reflect the information for unknown structural breaks within the series. Therefore the presence of structural breaks may cause unit root diagnostic problems in time series allowing the ADF unit root test to reject the null hypothesis when it is true, and vice-versa (Kim & Perron, 2009).

The DF test incorporates dummy variables to explain one known, or exogenous structural break which is fixed and selected independently of the data (Glynn, Perera, & Verma, 2007). The DF test put forward the null hypothesis (H_0) where all variables are non-stationary at a p-value of greater than 0.05. Conversely, the alternative hypotheses (H_1) extend that all variables are stationary at p-value of less than or equal to 0.05. These tests were completed using Eviews software and the results are shown in the table below.

Table 5.3 Dickey Fuller Unit Root with break Test

Variables	Level			1 st Difference		
	T-statistic	P-value	Break Date	T-statistic	P-value	Break Date
FDI	-5.360142	0.01				2004
GDPPC	-3.480456	0.3980	2004	-7.243016	0.01	1981
GDPG	-6.035287	0.01				1983
OPEN	-3.087579	0.6350	1988	-8.605978	0.01	1981
INF	-5.880356	0.01				1995
INFRAS	-3.367019	0.4621	1998	-8.418257	0.01	2006
COP	-3.539553	0.3656	1982	-8.011908	0.01	1981
EXRTE	-0.095776	0.99	2009	-5.846510	0.01	2014
POPG	-3.867233	0.2069	1984	-6.591462	0.01	1996

TI	-2.346936	0.9380	2012	-10.78093	0.01	2002
TI_BK	-86.32032	0.01				2011
TI_NDM	-5.332002	0.01				1980
TI_OTHERS	-8.837085	0.01				2011
<i>Note: The critical t-values at 1%, 5% and 10% are -4.949133, -4.443649 and -4.193627, respectively.</i>						

Eviews

Table 5.3 presents the unit root tests for all the variables used in the estimation. Drawing from the table FDI, GDPG, INF and all terrorism components (TI_BK, TI_NDM and TI_OTHERS) were regarded as stationary at level at t-values of 0.01. The null hypothesis for the presence of unit root was therefore rejected for the above mentioned variables but accepted for the rest of the variables investigated at level. Consequently, the non-stationary variables were retested at first difference. All variables became stationary at 1%, 5% and 10% critical t-value at first difference. The null hypothesis was thus rejected for these variables pointing to the absence of a unit root.

5.4.2. ARDL Model

In line with the research questions of this study four models were developed to measure the relationship between inward FDI and all categories of terrorism (TI, TI_BK, TI_NDM and TI_OTHERS). The table below highlights the research questions and the formulated hypotheses.

Table 5.4 Research Questions and Hypotheses

Model 1	
Research Question	What is the relationship between total terrorism and inward FDI in Nigeria?
Hypotheses	<p><i>H₀: There is no statistically significant relationship between total terrorism and inward FDI in Nigeria</i></p> <p><i>H₁: There is a statistically significant relationship between total terrorism and inward FDI in Nigeria</i></p>
Model 2	
Research Question	What is the relationship between Boko Haram terrorism and inward FDI in Nigeria?
Hypotheses	<p><i>H₀: There is no statistically significant relationship between Boko Haram terrorism and inward FDI in Nigeria</i></p> <p><i>H₁: There is a statistically significant relationship between Boko Haram terrorism and inward FDI in Nigeria</i></p>
Model 3	
Research Question	What is the relationship between Niger Delta Militants terrorism and inward FDI in Nigeria?
Hypotheses	<p><i>H₀: There is no statistically significant relationship between Niger Delta Militants terrorism and inward FDI in Nigeria</i></p> <p><i>H₁: There is a statistically significant relationship between Niger Delta Militants terrorism and inward FDI in Nigeria</i></p>
Model 4	
Research Question	What is the relationship between terrorism by other unknown groups and inward FDI in Nigeria?
Hypotheses	<p><i>H₀: There is no statistically significant relationship between terrorism by other unknown groups and inward FDI in Nigeria</i></p> <p><i>H₁: There is a statistically significant relationship between terrorism by other unknown groups and inward FDI in Nigeria</i></p>
Research Question	What is the role of natural resources in the relationship between overall terrorism and inward FDI?
Hypotheses	<p><i>H₀: There is no statistically significant relationship between Total Terrorism and inward FDI in Nigeria given the presence of natural resources</i></p> <p><i>H₁: There is a statistically significant relationship between Total Terrorism and inward FDI in Nigeria given the presence of natural resources</i></p>

For all models the optimal lag selection of two lags was determined and employed both for the dependent variable and the regressors under the Akaike Information Criteria (AIC). The maximum number of lags was determined using a Vector Autoregression (VAR) lag order selection criteria while the model criterion was determined based on the criterion that gave the lowest value. Table 5.5 shows the lag order and model selected. The value for the AIC reveals the criterion as a better model selection criterion since its value is lower than other selection criteria. The AIC criterion amongst other model criteria at a lag of 2 with the value of 70.57863 is seen as the optimal lag criterion and was therefore adopted for the ARDL model. Tables 5.6-5.10 shows the results of the ARDL estimates.

Table 5.5 VAR Lag Order Selection Criteria

Endogenous variables: GDPPC GDPG OPEN INF INFRAS EXRTE COP POPG TI TI_BK TI_NDM TI_OTHERS						
Exogenous variables: C FDI						
Sample: 1970 2017						
Included observations: 45						
Lag	LogL	LR	FPE	AIC	SC	HQ
0	-1986.385	NA	1.48e+23	87.40802	88.36210	87.76543
1	-1670.495	439.4987	1.07e+20	79.93456	86.61308	82.43637
2	-1311.308	312.3360*	4.43e+16*	70.57863*	82.98159*	75.22485*
* indicates lag order selected by the criterion						
LR: sequential modified LR test statistic (each test at 5% level)						
FPE: Final prediction error						
AIC: Akaike information criterion						
SC: Schwarz information criterion						
HQ: Hannan-Quinn information criterion						

EViews

Table 5.6 ARDL Estimates- Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	0.055821	0.115835	0.481906	0.6338
GDPPC	1077066.	326630.0	3.297512	0.0027
GDPG	35377155	22430492	1.577190	0.1264
GDPG(-1)	4382598.	20526285	0.213511	0.8325
GDPG(-2)	48447110	16611846	2.916419	0.0070
OPEN	18517783	15005511	1.234065	0.0078
OPEN(-1)	16060149	13273025	1.209984	0.0368
INF	-1113450.	7900154.	-0.140940	0.8890
INF(-1)	13892348	7683298.	1.808123	0.0817
INFRAS	5.30E+08	1.19E+09	0.443621	0.0069
INFRAS(-1)	2.53E+09	1.67E+09	1.511912	0.0002
INFRAS(-2)	8.43E+09	1.36E+09	6.204423	0.0000
EXRTE	625384.5	4087392.	0.153003	0.8795
POPG	5.26E+09	1.97E+09	2.668570	0.0127
POPG(-1)	-4.29E+09	2.00E+09	-2.143238	0.0413
TI	-899576.6	1452180.	-0.619466	0.0508
TI(-1)	-95854.03	1353910.	-0.070798	0.9441
TI(-2)	-2874494.	1602944.	-1.793259	0.0841
C	-4.00E+09	2.22E+09	-1.805124	0.0822
R-squared	0.965589	Mean dependent var	2.23E+09	
Adjusted R-squared	0.942649	S.D. dependent var	2.54E+09	
S.E. of regression	6.08E+08	Akaike info criterion	43.58333	
Sum squared resid	9.99E+18	Schwarz criterion	44.33864	
Log likelihood	-983.4166	Hannan-Quinn criter.	43.86627	
F-statistic	42.09096	Durbin-Watson stat	2.451625	
Prob(F-statistic)	0.000000			

EViews

Table 5.7 ARDL Estimates- Model 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	0.070506	0.110256	0.639478	0.5279
GDPPC	870167.9	374079.0	2.326161	0.0278
GDPPC(-1)	622994.3	466388.7	1.335783	0.1928
GDPG	-20352069	22156661	-0.918553	0.3665
GDPG(-1)	15036655	20432072	0.735934	0.4681
GDPG(-2)	46401699	15507323	2.992244	0.0059
OPEN	14025771	12240884	1.145814	0.2619
INF	1565251.	7619152.	0.205436	0.8388
INF(-1)	15380777	7270174.	2.115600	0.0437
INFRAS	-4.83E+08	1.11E+09	-0.436528	0.6659
INFRAS(-1)	-2.90E+09	1.56E+09	-1.863457	0.0733
INFRAS(-2)	8.23E+09	1.29E+09	6.358048	0.0000
EXRTE	-581995.3	3681722.	-0.158077	0.8756
POPG	5.03E+09	1.85E+09	2.723973	0.0112
POPG(-1)	-4.72E+09	1.84E+09	-2.571650	0.0159
TI_BK	-2606072.	1680609.	-1.550672	0.1326
TI_BK(-1)	-1769672.	1666100.	-1.062164	0.2976
TI_BK(-2)	-5107333.	1773887.	-2.879176	0.0077
C	-2.92E+09	2.06E+09	-1.416753	0.1680
R-squared	0.969929	Mean dependent var	2.23E+09	
Adjusted R-squared	0.949881	S.D. dependent var	2.54E+09	
S.E. of regression	5.69E+08	Akaike info criterion	43.44852	
Sum squared resid	8.73E+18	Schwarz criterion	44.20383	
Log likelihood	-980.3161	Hannan-Quinn criter.	43.73147	
F-statistic	48.38171	Durbin-Watson stat	2.398393	
Prob(F-statistic)	0.000000			

Table 5.8 ARDL Estimates- Model 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	0.003567	0.098260	0.036304	0.9713
GDP	1082509.	291193.7	3.717488	0.0010
GDPG	-23552872	19336068	-1.218080	0.2341
GDPG(-1)	9048710.	17165570	0.527143	0.6026
GDPG(-2)	36271205	14646677	2.476412	0.0201
OPEN	22837226	12368672	1.846377	0.0763
OPEN(-1)	-17036246	11466627	-1.485724	0.1494
INF	2381676.	6842414.	0.348075	0.7306
INF(-1)	20991504	7257201.	2.892507	0.0076
INFRAS	-8.23E+08	1.07E+09	-0.769035	0.4488
INFRAS(-1)	-2.43E+09	1.61E+09	-1.511658	0.1427
INFRAS(-2)	7.27E+09	1.19E+09	6.087461	0.0000
EXRTE	-8741264.	11988810	-0.729119	0.4724
EXRTE(-1)	-14091106	17925625	-0.786087	0.4389
EXRTE(-2)	27804672	14041131	1.980230	0.0584
POPG	3.63E+09	1.78E+09	2.039273	0.0517
POPG(-1)	-3.52E+09	1.79E+09	-1.961163	0.0607
TI_NDM	-35710610	10047254	-3.554265	0.0015
TI_NDM(-1)	-27370630	10646436	-2.570873	0.0162
C	-1.80E+09	2.02E+09	-0.891064	0.3811
R-squared	0.975701	Mean dependent var	2.23E+09	
Adjusted R-squared	0.957944	S.D. dependent var	2.54E+09	
S.E. of regression	5.21E+08	Akaike info criterion	43.27887	
Sum squared resid	7.05E+18	Schwarz criterion	44.07393	
Log likelihood	-975.4141	Hannan-Quinn criter.	43.57671	
F-statistic	54.94751	Durbin-Watson stat	2.623860	
Prob(F-statistic)	0.000000			

Table 5.9 ARDL Estimates- Model 4

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	0.019846	0.117772	0.168513	0.8673
GDP	1054761.	300759.3	3.506995	0.0015
GDPG	-33307650	22225938	-1.498594	0.1448
GDPG(-1)	8801432.	20216052	0.435369	0.6665
GDPG(-2)	50534780	16830985	3.002485	0.0055
OPEN	16347368	14472597	1.129539	0.2679
OPEN(-1)	-24969337	12592279	-1.982909	0.0569
INF	363381.9	7811337.	0.046520	0.9632
INF(-1)	13717628	7820718.	1.754011	0.0900
INFRAS	-7.91E+08	1.20E+09	-0.659301	0.5149
INFRAS(-1)	-2.06E+09	1.64E+09	-1.250212	0.2212
INFRAS(-2)	7.86E+09	1.32E+09	5.937355	0.0000
EXRTE	4539640.	2510292.	1.808411	0.0809
POPG	5.31E+09	2.00E+09	2.647980	0.0130
POPG(-1)	-3.86E+09	2.03E+09	-1.902330	0.0671
TI_OTHERS	2134144.	5089587.	0.419316	0.6781
C	-4.95E+09	2.18E+09	-2.266366	0.0311
R-squared	0.961723	Mean dependent var	2.23E+09	
Adjusted R-squared	0.940604	S.D. dependent var	2.54E+09	
S.E. of regression	6.19E+08	Akaike info criterion	43.60286	
Sum squared resid	1.11E+19	Schwarz criterion	44.27866	
Log likelihood	-985.8658	Hannan-Quinn criter.	43.85602	
F-statistic	45.53929	Durbin-Watson stat	2.466115	
Prob(F-statistic)	0.000000			

Table 5.10 ARDL Estimates- Model 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
FDI(-1)	0.047244	0.114944	0.411018	0.6847
GDPPC	718658.9	413308.5	1.738795	0.0499
GDPPC(-1)	542897.6	499539.5	1.086796	0.0027
GDPG	-24023102	25075119	-0.958045	0.3476
GDPG(-1)	4707806.	21114829	0.222962	0.8255
GDPG(-2)	50172098	17197094	2.917475	0.0075
OPEN	8307178.	16971468	0.489479	0.0062
OPEN(-1)	-27300746	15774509	-1.730688	0.0963
INF	171292.4	7906450.	0.021665	0.9829
INF(-1)	15784416	7604403.	2.075694	0.0488
INFRAS	-1.37E+09	1.26E+09	-1.087630	0.2876
INFRAS(-1)	-2.51E+09	1.65E+09	-1.521132	0.1413
INFRAS(-2)	8.58E+09	1.37E+09	6.275783	0.0000
COP	170239.1	705739.6	0.241221	0.0084
COP(-1)	1165403.	729148.2	1.598307	0.1231
EXRTE	2448735.	4100231.	0.597219	0.5560
POPG	3.89E+09	2.05E+09	1.901769	0.0693
POPG(-1)	-3.21E+09	2.05E+09	-1.571177	0.1292
TI	-1243768.	1482683.	-0.838863	0.4098
TI(-1)	-1099443.	1472072.	-0.746868	0.4624
TI(-2)	-2626934.	1589551.	-1.652627	0.1114
C	-5.02E+09	2.27E+09	-2.210821	0.0368
R-squared	0.970752	Mean dependent var		2.23E+09
Adjusted R-squared	0.945161	S.D. dependent var		2.54E+09
S.E. of regression	5.95E+08	Akaike info criterion		43.55119
Sum squared resid	8.49E+18	Schwarz criterion		44.42576
Log likelihood	-979.6774	Hannan-Quinn criter.		43.87881
F-statistic	37.93240	Durbin-Watson stat		2.524015
Prob(F-statistic)	0.000000			

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The results of the ARDL estimates showed statistical significance among a number of variables and their lags with inward FDI. The ARDL estimates showed a negative statistical significance of TI and TI_NDM and inward FDI while TI_BK and TI_OTHERS revealed a negative but non-statistical relationship with the inflow of FDI in Nigeria. Upon the introduction of natural resources (COP), total terrorism revealed a negative non-statistical relationship with inward FDI.

Although the results reveal a significant and positive relationship between COP and inward FDI, the lag of COP is negatively related to the inflow of FDI in the short run and with a

coefficient of -621062. This suggest that a 1 barrel decrease in crude oil production will lead to a US\$621,062 decrease in inward FDI in the short run.

The results also extend the statistical strength and direction of other variables in explaining the inward FDI into the Nigerian economy. Furthermore, Tables 5.6, 5.7, 5.8, 5.9 and 5.10 reveal the R square of the models as 0.965, 0.969, 0.975, 0.961 and 0.970 respectively indicating that the models, comprising all incorporated independent variables explain 96.5%, 96.9%, 97.5%, 96.1% and 97% of the variance in inward FDI. Model 3 which measured the relationship between terrorism perpetrated by the Niger Delta Militants and the inflow of FDI in Nigeria had the highest R Square.

The adjusted R Square is also of importance given the sample employed in the model. The adjusted R Square corrects any overestimation that may have been expressed by the R Square value to provide an improved assessment of the goodness of fit of model. From the estimation results of all four models, the adjusted R square of 0.942, 0.949, 0.957 and 0.940 respectively revealed that 94.2%, 94.9%, 95.7%, 94% and 94.5% of the variance in the dependent variable FDI were explained by the independent variables.

The *F* statistic tested the overall ARDL model essentially revealing how well the model fits the data series. It revealed if one or more of the independent variables employed in the model explained some level of variability in inward FDI or in predicting future values of inward FDI. Where the p value was set at 0.05, *F* was significant at a 0.000 value indicating the existence of a significant relationship or predictive power of at least one of the independent variables.

5.4.3. Cointegration Test Using Bounds Test

With the ARDL model, it is important to establish if a long run relationship exists. This is done by performing a cointegration test using the Bounds test proposed by Pesaran, Shin, and Smith (2001) based on the error correction framework. The bounds test assumes that the model consists of both $I(0)$ and $I(1)$ variables and two bounds of critical values are obtained. The first bound which is the lower bound is obtained based on the assumption that all variables included in the ARDL model are integrated at level, while the second bound which is the upper bound

is determined based on the notion that the variables are integrated at first difference (Adeleye, Osabuohien, Bowale, Matthew, & Oduntan, 2018).

This tests puts forward both null and alternative hypothesis as:

H_0 = No long-run relationships exist

H_1 = H_0 is not true

The decision criteria for the bounds test is to reject the null hypothesis of no cointegration at 10%, 5% or 1% if the F absolute value is greater than the critical value for the upper bound $I(1)$. Thus pointing towards the presence of cointegration and a long run relationship. H_0 should therefore be rejected and the long-run cointegrating model estimated. Also, the short run parameters of the model which is the Error Correction Model (ECM) should also be estimated to capture the short run effects of the regressors on the dependent variable. The table below shows the results of the bounds test.

Table 5.11 Bounds Test

Test Statistic	Model 1	Model 2	Model 3	Model 4	Signif.	I(0)	I(1)
	Values				Asymptotic: n=1000		
F-statistic	9.307499	10.04592	14.07115	9.516266	10%	1.85	2.85
					5%	2.11	3.15
k	8				2.5%	2.33	3.42
					1%	2.62	3.77

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Table 5.12 Bounds Test for Model 5

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	8.755395	10%	1.8	2.8
k	9	5%	2.04	2.08
		2.5%	2.24	3.35
		1%	2.5	3.68

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For models 1 to 4, the number of regressors are 8, hence $K = 8$. From Table 5.11 we reject H_0 of no long run relationship due to the F statistic in all four models being greater than the lower and upper bound critical values at 1%, 2.5% 5% and 10% level of significance. Model 5 extends

$K=9$ given the introduction of COP. Similar to other models, the null hypothesis of no long run relationship is rejected as the F statistic is greater than both $I(0)$ and $I(1)$ bounds.

5.4.4. Long Run Coefficients

Given FDI as the dependent variable, bounds testing approach extended that there exists the presence of a long run relationship (cointegration), among the variables in the ARDL FDI model. Therefore, the long-run cointegrating equations are thus estimated.

Table 5.13 Long Run Coefficients Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPPC	1140744.	321111.4	3.552488	0.0014
GDPG	18484378	33671796	0.548957	0.5875
OPEN	2602933.	14837128	0.175434	0.0020
INF	-13534408	8077275.	-1.675616	0.1054
INFRAS	5.69E+09	8.69E+08	6.550584	0.0000
EXRTE	662358.3	4323192.	0.153210	0.8794
POPG	1.03E+09	9.80E+08	1.047366	0.3042
TI	-1990157.	2144855.	-0.927875	0.0367

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Table 5.14 Long Run Coefficients Model 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPPC	1606425.	390050.1	4.118509	0.0003
GDPG	44202854	36403469	1.214248	0.2352
OPEN	15089685	13110050	1.151001	0.0028
INF	-18231456	8187673.	-2.226696	0.0345
INFRAS	5.21E+09	9.75E+08	5.342569	0.0000
EXRTE	626142.1	3976151.	0.157474	0.8760
POPG	3.31E+08	9.27E+08	0.357573	0.7234
TI_BK	-787083.4	2887762.	-0.272558	0.7873

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Table 5.15 Long Run Coefficients Model 3

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPPC	1086385.	246538.0	4.406561	0.0002
GDPG	21844969	26535374	0.823240	0.4179
OPEN	5821747.	11635147	0.500359	0.0021
INF	-23456856	7728723.	-3.035023	0.0054
INFRAS	4.03E+09	5.21E+08	7.740227	0.0000
EXRTE	4990103.	3947325.	1.264173	0.2174
POPG	1.13E+08	8.56E+08	0.132300	0.8958
TI_NDM	-63307070	18258060	-3.467349	0.0018

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Table 5.16 Long Run Coefficients Model 4

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPPC	1076118.	271601.6	3.962119	0.0004
GDPG	26555586	31255806	0.849621	0.4025
OPEN	8796546.	12061169	0.729328	0.0047
INF	-14366120	7596083.	-1.891254	0.0686
INFRAS	5.11E+09	5.43E+08	9.407974	0.0000
EXRTE	4631558.	2566964.	1.804294	0.0816
POPG	1.48E+09	9.23E+08	1.601724	0.1201
TI_OTHERS	-2177356.	5129286.	-0.424495	0.6743

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Table 5.17 Long Run Coefficients Model 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDPPC	1324113.	392787.0	3.371071	0.0025
GDPG	32386886	38837021	0.833918	0.4126
OPEN	19935395	20973404	0.950508	0.0353
INF	-16746898	8265050.	-2.026231	0.0540
INFRAS	4.92E+09	9.37E+08	5.249253	0.0000
COP	-1401872.	816612.1	-1.716692	0.0809
EXRTE	-2570160.	4288489.	-0.599316	0.5546
POPG	7.10E+08	9.72E+08	0.730134	0.4724
TI	-297792.2	2368106.	-0.125751	0.9010

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Table 5.13 to 5.17 summarise the long-run results of all four ARDL FDI models. The results show that GDPPC, OPEN and INFRAS were consistently positively associated with inward FDI and were all statistically significant at 5% p-value in the long run. That is to say an improvement in the country's market size, trade openness and quality of infrastructure will lead to an increase in the inflow of FDI. Conversely, an increase in the inflation rate will lead to a

decrease in the inflow of FDI in the long run given the significant but negatively associated relationship of the variable with FDI. From

Table 5.13 total terrorist incidents (TI) has a statistically negative impact on inward FDI in Nigeria in the long run with a coefficient of 1990157. This means that a one incident increase in the number of total terrorist incidents will lead to a US\$1,990,157 decrease in inward FDI in the long run. Amongst the disaggregated forms of terrorism, TI_NDM revealed a statistically significant impact on inward FDI in Nigeria in the long run. The result extend that an increase in the activities of the Niger Delta Militants by one incident will reduce the inflow of FDI into the country by US\$63,307,070. This stands as the highest amount of decrease when compared to the values of the negative impact of other forms of terrorism in the country. Terrorist activities by Boko Haram and other terrorist groups do not have a statistically significant impact on the inflow of FDI although a negative relationship is observed in the long run.

The result of the long run model shows that the presence of natural resources COP is a negative determinant of the inflow of FDI into the Nigerian economy as seen in Table 5.17. A decrease in crude oil production by one barrel points towards a US\$1,401,872 increase in the inflow of FDI. The results further show that the presence of natural resources leads to a statistically non-significant relationship between total terrorism and inward FDI.

5.4.5. Error Correction Model (ECM)

The ECM represents the short-run dynamics which is the reparameterized ARDL model. According to Nkoro and Uko (2016, p. 79) ECM is obtained from the ARDL model through a *“simple linear transformation, which integrates short run adjustments with long run equilibrium without losing long run information. The associated ECM model takes a sufficient number of lags to capture the data generating process in general to specific modelling frameworks”*.

From the t-statistic of the error correction term, it is possible to infer a long run causal relationship. The negative sign of the coefficient of the error term evidences long run reversion to equilibrium. From the ECM regression results of all models, the coefficient of the error correction term, which indicates the speed of adjustment is both negative and significant at 1%,

signifying that the series is not explosive and the convergence of the variables to equilibrium in the long. In their work Shittu, Yemitan, and Yaya (2012), state that a highly significant error correction term confirms the presence of a stable long-run relationship. The result shows that the expected negative sign of EC1 is highly significant and less than 1%. This therefore validates the existence of the long run relationship among the variables with their different significant lags where $EC1 = 0.944, 0.929, 0.996, 0.98$ and 0.952 indicating that the disequilibrium in the FDI function for the current period will be corrected by 94.4%, 92.9%, 99.6%, 98% and 95.2% across all models respectively in the following year.

Table 5.18: ECM Regression Short Run Model 1

ARDL Error Correction Regression				
Dependent Variable: D(FDI)				
Selected Model: ARDL(1, 0, 2, 1, 1, 2, 0, 1, 2)				
Case 3: Unrestricted Constant and No Trend				
Sample: 1970 2017				
Included observations: 46				
ECM Regression				
Case 3: Unrestricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.00E+09	3.88E+08	0.000000	0.0000
D(GDPG)	-35377155	13886742	0.000000	0.0000
D(GDPG(-1))	-48447110	13618611	0.000000	0.0000
D(OPEN)	18517783	10343285	0.000000	0.0000
D(INF)	-1113450.	5755854.	0.000000	0.0000
D(INFRAS)	5.30E+08	9.21E+08	0.000000	0.0000
D(INFRAS(-1))	-8.43E+09	1.13E+09	0.000000	0.0000
D(POPG)	5.26E+09	1.47E+09	0.000000	0.0000
D(TI)	-899576.6	1022521.	0.000000	0.0000
D(TI(-1))	-2874494.	1059513.	0.000000	0.0000
CointEq(-1)*	-0.944179	0.086703	-10.8898	0.0000
R-squared	0.803460	Mean dependent var	69809422	
Adjusted R-squared	0.747305	S.D. dependent var	1.06E+09	
S.E. of regression	5.34E+08	Akaike info criterion	43.23550	
Sum squared resid	9.99E+18	Schwarz criterion	43.67279	
Log likelihood	-983.4166	Hannan-Quinn criter.	43.39931	
F-statistic	14.30806	Durbin-Watson stat	2.451625	
Prob(F-statistic)	0.000000			

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Table 5.19 ECM Regression Short Run Model 2

ARDL Error Correction Regression				
Dependent Variable: D(FDI)				
Selected Model: ARDL(1, 1, 2, 0, 1, 2, 0, 1, 2)				
Case 3: Unrestricted Constant and No Trend				
Sample: 1970 2017				
Included observations: 46				
ECM Regression				
Case 3: Unrestricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.92E+09	2.77E+08	0.000000	0.0000
D(GDPPC)	870167.9	266352.0	3.266985	0.0030
D(GDPG)	-20352069	12930700	0.000000	0.0000
D(GDPG(-1))	-46401699	12430866	0.000000	0.0000
D(INF)	-1565251.	5392706.	0.000000	0.0000
D(INFRAS)	4.83E+08	8.42E+08	0.000000	0.0000
D(INFRAS(-1))	-8.23E+09	1.04E+09	0.000000	0.0000
D(POPG)	5.03E+09	1.32E+09	0.000000	0.0000
D(TI_BK)	-2606072.	1164674.	0.000000	0.0000
D(TI_BK(-1))	-5107333.	1108991.	0.000000	0.0000
CointEq(-1)*	-0.929494	0.082033	-11.3307	0.0000
R-squared	0.828246	Mean dependent var	69809422	
Adjusted R-squared	0.779174	S.D. dependent var	1.06E+09	
S.E. of regression	4.99E+08	Akaike info criterion	43.10070	
Sum squared resid	8.73E+18	Schwarz criterion	43.53798	
Log likelihood	-980.3161	Hannan-Quinn criter.	43.26451	
F-statistic	16.87800	Durbin-Watson stat	2.398393	
Prob(F-statistic)	0.000000			

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Table 5.20 ECM Regression Short Run Model 3

ARDL Error Correction Regression				
Dependent Variable: D(FDI)				
Selected Model: ARDL(1, 0, 2, 1, 1, 2, 2, 1, 1)				
Case 3: Unrestricted Constant and No Trend				
Sample: 1970 2017				
Included observations: 46				
ECM Regression				
Case 3: Unrestricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.80E+09	1.62E+08	0.000000	0.0000
D(GDPG)	-23552872	11859714	0.000000	0.0000
D(GDPG(-1))	-36271205	11456561	0.000000	0.0000
D(OPEN)	-22837226	8528879.	0.000000	0.0000
D(INF)	2381676.	5032158.	0.000000	0.0000
D(INFRAS)	8.23E+08	8.12E+08	0.000000	0.0000
D(INFRAS(-1))	-7.27E+09	9.61E+08	0.000000	0.0000
D(EXRTE)	-8741264.	7456830.	0.000000	0.0000
D(EXRTE(-1))	-27804672	8821458.	0.000000	0.0000
D(POPG)	3.63E+09	1.25E+09	0.000000	0.0000
D(TI_NDM)	-35710610	4876722.	0.000000	0.0000
CointEq(-1)*	-0.996433	0.073916	-13.4806	0.0000
R-squared	0.861214	Mean dependent var	69809422	
Adjusted R-squared	0.816313	S.D. dependent var	1.06E+09	
S.E. of regression	4.55E+08	Akaike info criterion	42.93105	
Sum squared resid	7.05E+18	Schwarz criterion	43.40808	
Log likelihood	-975.4141	Hannan-Quinn criter.	43.10975	
F-statistic	19.18017	Durbin-Watson stat	2.623860	
Prob(F-statistic)	0.000000			

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Table 5.21 ECM Regression Short Run Model 4

ARDL Error Correction Regression				
Dependent Variable: D(FDI)				
Selected Model: ARDL(1, 0, 2, 1, 1, 2, 0, 1, 0)				
Case 3: Unrestricted Constant and No Trend				
Sample: 1970 2017				
Included observations: 46				
ECM Regression				
Case 3: Unrestricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.95E+09	4.61E+08	0.000000	0.0000
D(GDPG)	-33307650	14204332	0.000000	0.0000
D(GDPG(-1))	-50534780	13949798	0.000000	0.0000
D(OPEN)	16347368	10055052	0.000000	0.0000
D(INF)	-363381.9	5885641.	0.000000	0.0000
D(INFRAS)	7.91E+08	9.14E+08	0.000000	0.0000
D(INFRAS(-1))	-7.86E+09	1.12E+09	0.000000	0.0000
D(POPG)	5.31E+09	1.51E+09	0.000000	0.0000
CointEq(-1)*	-0.980154	0.089070	-11.0043	0.0000
R-squared	0.781376	Mean dependent var	69809422	
Adjusted R-squared	0.734106	S.D. dependent var	1.06E+09	
S.E. of regression	5.48E+08	Akaike info criterion	43.25503	
Sum squared resid	1.11E+19	Schwarz criterion	43.61281	
Log likelihood	-985.8658	Hannan-Quinn criter.	43.38906	
F-statistic	16.53003	Durbin-Watson stat	2.466115	
Prob(F-statistic)	0.000000			

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Table 5.22 ECM Regression Short Run Model 5

ARDL Error Correction Regression				
Dependent Variable: D(FDI)				
Selected Model: ARDL(1, 1, 2, 1, 1, 2, 0, 1, 1, 2)				
Case 3: Unrestricted Constant and No Trend				
Sample: 1970 2017				
Included observations: 46				
ECM Regression				
Case 3: Unrestricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.02E+09	4.55E+08	0.000000	0.0000
D(GDPPC)	718658.9	272102.9	2.641129	0.0143
D(GDPG)	-24023102	13742132	0.000000	0.0000
D(GDPG(-1))	-50172098	13046052	0.000000	0.0000
D(OPEN)	8307178.	10956631	0.000000	0.0000
D(INF)	-171292.4	5502229.	0.000000	0.0000
D(INFRAS)	1.37E+09	8.89E+08	0.000000	0.0000
D(INFRAS(-1))	-8.58E+09	1.08E+09	0.000000	0.0000
D(COP)	170239.1	463644.6	0.367176	0.0076
D(POPG)	3.89E+09	1.37E+09	0.000000	0.0000
D(TI)	-1243768.	1001780.	0.000000	0.0000
D(TI(-1))	-2626934.	1009364.	0.000000	0.0000
CointEq(-1)*	-0.952756	0.083317	-11.43533	0.0000
R-squared	0.832950	Mean dependent var	69809422	
Adjusted R-squared	0.772204	S.D. dependent var	1.06E+09	
S.E. of regression	5.07E+08	Akaike info criterion	43.15989	
Sum squared resid	8.49E+18	Schwarz criterion	43.67668	
Log likelihood	-979.6774	Hannan-Quinn criter.	43.35348	
F-statistic	13.71213	Durbin-Watson stat	2.524015	
Prob(F-statistic)	0.000000			

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Tables 5:18 to 5:22 present the ECM results of the ARDL model. All models reveal strong R-squared values indicating that all models, comprising all incorporated independent variables explain 80.3%, 82.8%, 86.1%, 78.1% and 83.2% respectively of the variance in inward FDI. A strong causal relationship can be obtained from the combination of both ECM and ARDL results. This can be inferred if the independent variables in the short run model and long run model are significant and the error correction term is also significant.

The results from the Tables also show the short run coefficients for the selected regressors in the ECM regression models. Almost all variables have causal relationship in the short run at 1% significance level. Both at levels and at the first lag, total terrorism, terrorism by the Boko Haram group and total terrorism given the presence of natural resources all have causal

relationship with inward FDI in the short run at 1% significance level (Tables 5:18, 5:19 and 5:22). This suggests that the current year's number of terrorist incidents is directly influenced by the previous year's number of terrorist incidents. Terrorism by the Niger Delta Militants show short run causal relationship at levels while terrorism by other terrorist groups are not include based on the ARDL model of the ECM regression (Tables 5:20 and 5:21)

5.5. Diagnostic and Stability Tests

5.5.1. Normality Test

While many researches suffer from one statistical error or the other, Ghasemi and Zahediasl (2012) state that the validity of research findings depend on the testing of the error normality assumption and should therefore be paid attention to. The testing for error normality can either be graphically or statistically done. Graphically this can be done using several visual methods such as, histograms and statistically using normality tests such as the Jarque Bera (JB) normality test. This research tested for normality using histograms and the JB normality test. For the histogram, a normal distribution will usually follow a bell-shaped curve with the mean, median and mode overlapping each other. The histogram of the model, which represented the relationship between FDI and the regression-standardized residuals, showed a moderately normal distribution as shown in Figure 5.1 and 5.2. As one of the limitations, visual assessments sometimes give an incorrect representation of the normality distribution, this then made it pertinent to use other statistical tests. Therefore, for further confirmation of the normality assumption, the study employed the JB normality tests. The null hypothesis of the JB test states that the variables follow a normal distribution with a p value ≥ 0.05 while the alternative hypothesis states that the variables do not follow a normal distribution with p-value of ≤ 0.05 . The results of the JB tests are shown in the figures below:

Table 5.23 Summary of the JB tests for all models

	Model 1	Model 2	Model 3	Model 4	Model 5
F-statistic	1.154221	1.364218	2.903630	0.076335	0.388057
P. value	0.561519	0.505550	0.234145	0.962552	0.823634

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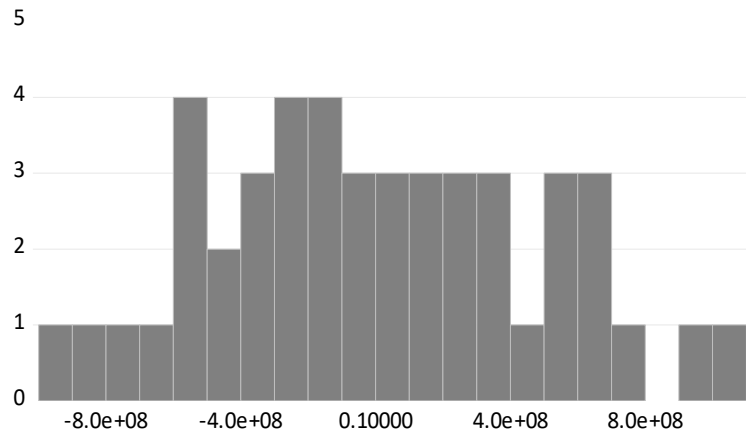


Figure 5.1 Histogram to test normality assumption Model 1

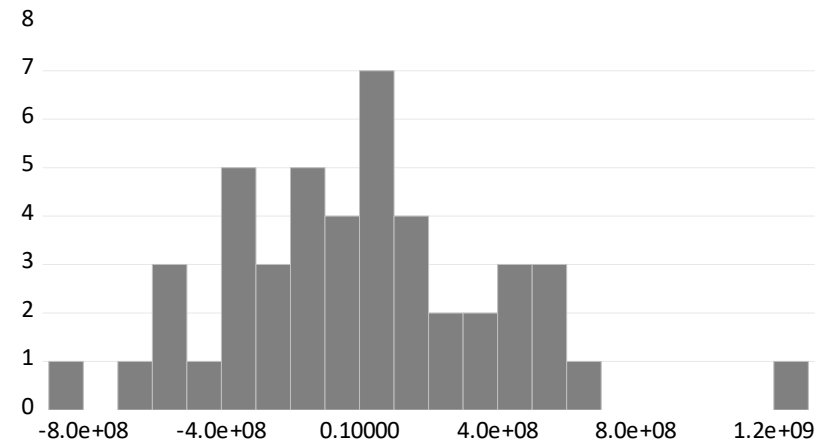


Figure 5.3 Histogram to test normality assumption Model 3

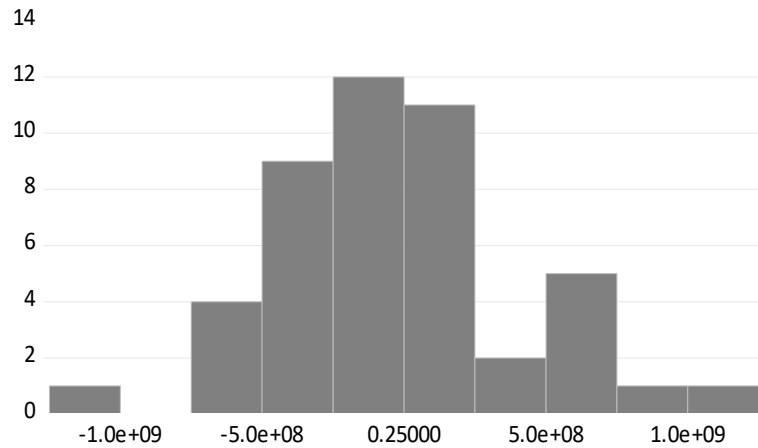


Figure 5.2 Histogram to test normality assumption Model 2

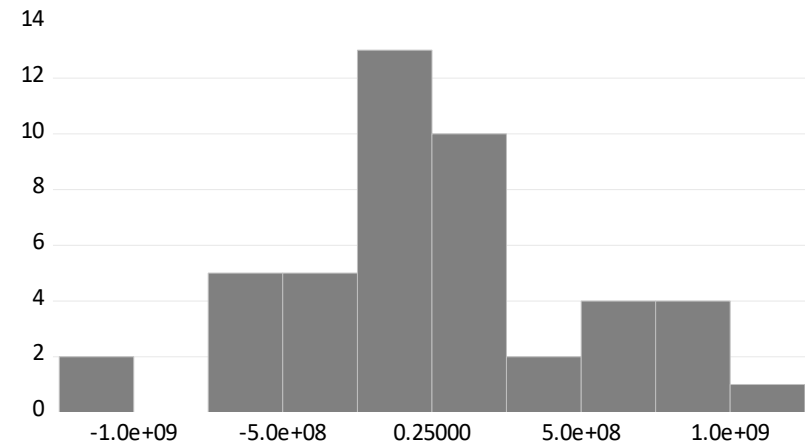


Figure 5.4 Histogram to test normality assumption Model 4

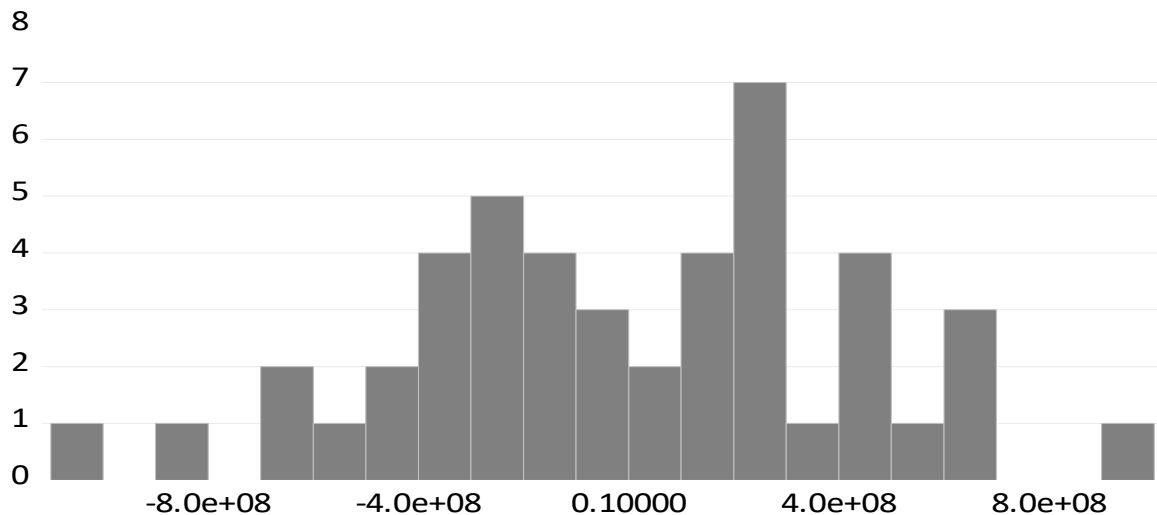


Figure 5.5 Histogram to test normality assumption Model 5

From the Figures the null hypothesis is not rejected as the histograms show a fairly normal distribution and together with the results of the JB tests where all models revealed p-values greater than 0.05, the study concludes that the residuals of all models follow a normal distribution.

5.5.2. Autocorrelation

Autocorrelation explains the relationship between a variable and its lagged value. Also called serial correlation, it can be observed if the error term of a certain period say y is correlated with the error term of period x . to test for the presence of autocorrelation in the residuals of the model, the study employed the Durbin–Watson (DW) test which focuses on first order serial correlation. Typically the values for the DW tests ranges from 0 to 4 and a value of 2 suggests no autocorrelation. Several scholars have put forward as a general rule of thumb that test DW values between 1.5 to 2.5 are relatively normal (Bokpin, Mensah, & Asamoah, 2015; Ikpe & Nteegah, 2014; Wafure & Nurudeen, 2010). However, Field (2009) posits that values less than 1 and greater than 3 point towards the existence of first order correlation. For the DW test, the

$H_0 =$ There is no serial autocorrelation

$H_1 =$ There is a serial correlation.

The results from the regression estimation reveals a DW test value of between 2.3 and 2.6 which falls within the no serial autocorrelation range. Therefore the null hypothesis is accepted and the alternative hypothesis rejected. The model can therefore be said to be void of first order autocorrelation concerns. The research also employed the Breusch-Godfrey Lagrange Multiplier test for serial correlation. Here, H_0 is rejected if the p-value of the Breusch-Godfrey statistic is less than 0.05.

Table 5.24: Breusch-Godfrey Serial Correlation LM Test Model 1

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	1.342611	Prob. F(2,5)	0.2794
Obs*R-squared	4.461594	Prob. Chi-Square(1)	0.1074

Eviews

Table 5.25: Breusch-Godfrey Serial Correlation LM Test Model 2

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	1.149687	Prob. F(2,25)	0.3329
Obs*R-squared	3.874492	Prob. Chi-Square(2)	0.1441

Eviews

Table 5.26 Breusch-Godfrey Serial Correlation LM Test Model 3

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	2.671616	Prob. F(2,24)	0.2896
Obs*R-squared	8.376333	Prob. Chi-Square(2)	0.1052

Eviews

Table 5.27 Breusch-Godfrey Serial Correlation LM Test Model 4

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	1.236640	Prob. F(2,27)	0.3063
Obs*R-squared	3.860135	Prob. Chi-Square(2)	0.1451

Eviews

Table 5.28 Breusch-Godfrey Serial Correlation LM Test Model 5

Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	2.216958	Prob. F(2,22)	0.1327
Obs*R-squared	7.715849	Prob. Chi-Square(2)	0.2011

Eviews

The results of the Breusch-Godfrey Serial Correlation LM confirm the presence of no serial correlation in all models given p-values of greater than 0.05 leading to the rejection of the null hypothesis.

5.5.3. Heteroskedasticity

Under this assumption heteroskedasticity is said to be present when the size of error terms or residuals differs across the values of the independent variables. It checks the equal distribution of variances across all independent variables. This was done both by visual assessment and also statistically. The visualisation approach using the scattered plots, did not elucidate on the presence or absence of heteroskedasticity in a statistically significant way. Therefore, heteroskedasticity was tested using the Breusch-Pagan-Godfrey statistical test. The test was calculated by regressing the square of the residuals against the independent variables. The results for the Breusch-Pagan-Godfrey tests are presented in the Tables below. For these tests, the null hypothesis held that variables expressed homoscedasticity at a value greater than 0.05. Thus, $H_0 = \text{No heteroskedasticity in the data or the dataset is homoscedastic.}$

Table 5.29 Heteroskedasticity Test: Breusch-Pagan-Godfrey Model 1

F-statistic	1.469202	Prob. F(18,27)	0.1784
Obs*R-squared	22.76143	Prob. Chi-Square(18)	0.1999
Scaled explained SS	5.303728	Prob. Chi-Square(18)	0.9983

EViews

Table 5.30 Heteroskedasticity Test: Breusch-Pagan-Godfrey Model 2

F-statistic	1.149616	Prob. F(18,27)	0.3629
Obs*R-squared	19.95849	Prob. Chi-Square(18)	0.3352
Scaled explained SS	7.941373	Prob. Chi-Square(18)	0.9795

EViews

Table 5.31 Heteroskedasticity Test: Breusch-Pagan-Godfrey Model 3

F-statistic	0.735819	Prob. F(19,26)	0.7522
Obs*R-squared	16.08546	Prob. Chi-Square(19)	0.6516
Scaled explained SS	7.273063	Prob. Chi-Square(19)	0.9926

EViews

Table 5.32 Heteroskedasticity Test: Breusch-Pagan-Godfrey Model 4

F-statistic	0.967384	Prob. F(16,29)	0.5126
Obs*R-squared	16.00774	Prob. Chi-Square(16)	0.4524
Scaled explained SS	5.894491	Prob. Chi-Square(16)	0.9892

EViews

Table 5.33 Heteroskedasticity Test: Breusch-Pagan-Godfrey Model 5

F-statistic	0.933554	Prob. F(16,29)	0.5683
Obs*R-squared	23.77623	Prob. Chi-Square(16)	0.4745
Scaled explained SS	3.095727	Prob. Chi-Square(16)	1.0000

EViews

The results of the Breusch-Pagan tests allowed for the acceptance of the null hypothesis given that sig-values are greater than 0.05 in all cases for all models. Thus, the assumption of homoscedasticity was met for this study.

5.5.4. Absence of Multicollinearity

Multicollinearity describes the situation where one independent variable is explained by other independent variables in analysis. In other words, it describes the correlation of two or more of the predictors in the statistical model. Higher extents of multicollinearity lead to large standard errors and the only solution for this is the exclusion of one of the correlated variables (Johansson & Tretow, 2015). Appendix 3 shows the correlation matrix. While there is no specific cut off, this study drew from the work of De Vaus (2014) with a threshold of over 0.70 for correlations matrix. Appendix 3 present the correlation results of all models used in this study. The results show the highest value as 0.77 which was observed between COP and OPEN. Other variables show minimal correlation therefore the problem of multicollinearity does not occur in the series.

5.5.5. Stability Test

The cumulative sum (CUSUM) and cumulative sum of squares (CUSUMSQ) tests from recursive estimation of the models were employed to test the stability in the coefficients over the sample period for Nigeria. These tests are also employed to ascertain the stability of the results from the estimations of both long and short-run parameters from the ARDL with error correction (Brown, Durbin, & Evans, 1975). The Figures below show the results of the CUSUM and CUSUMSQ tests for all four models.

It is observed that the plots of the CUSUM and CUSUMSQ are between the critical bounds and they are statistically significant at 5%. Therefore, the null hypothesis of all coefficients

being stable cannot be rejected. The plots of all blue lines did not extend beyond the red critical value line, which signifies the stability of the estimated techniques and the fine specification of the models to the goodness of fit. The Nigerian government can therefore use these models in policy implications and decision making.

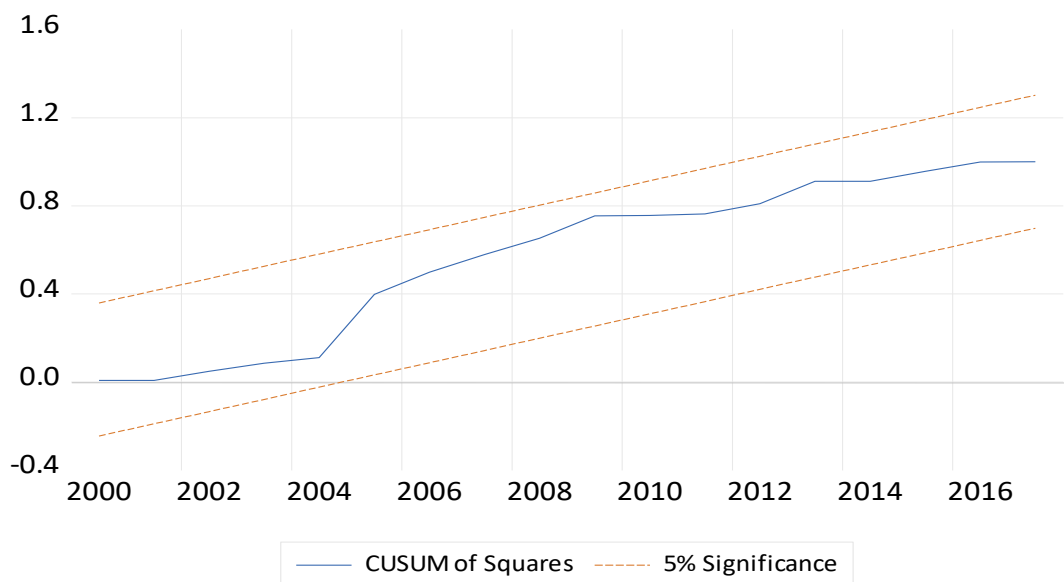
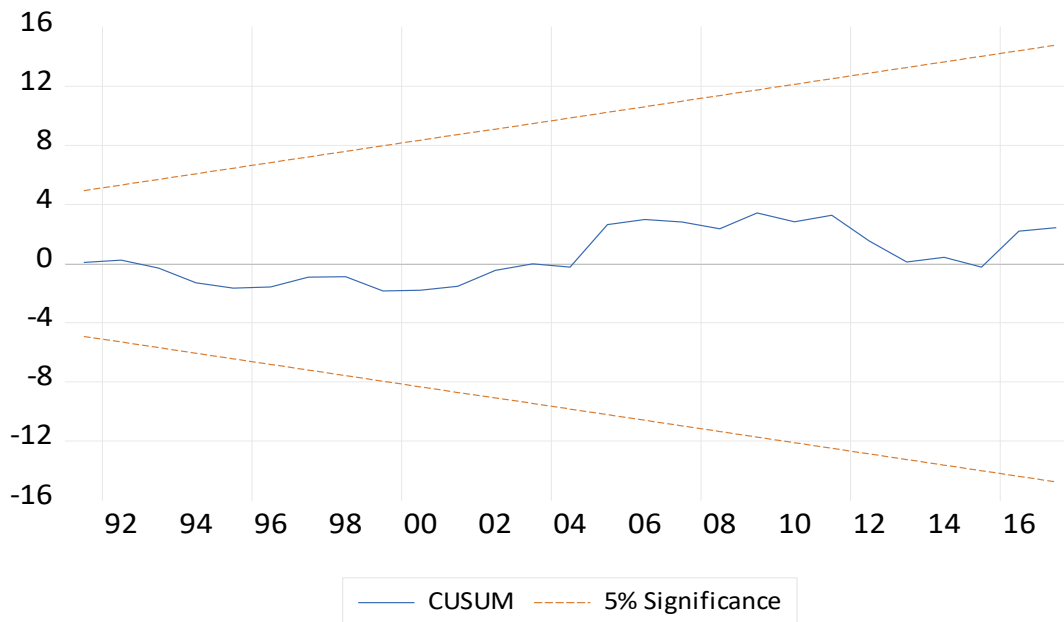


Figure 5.6 Stability analysis Model 1

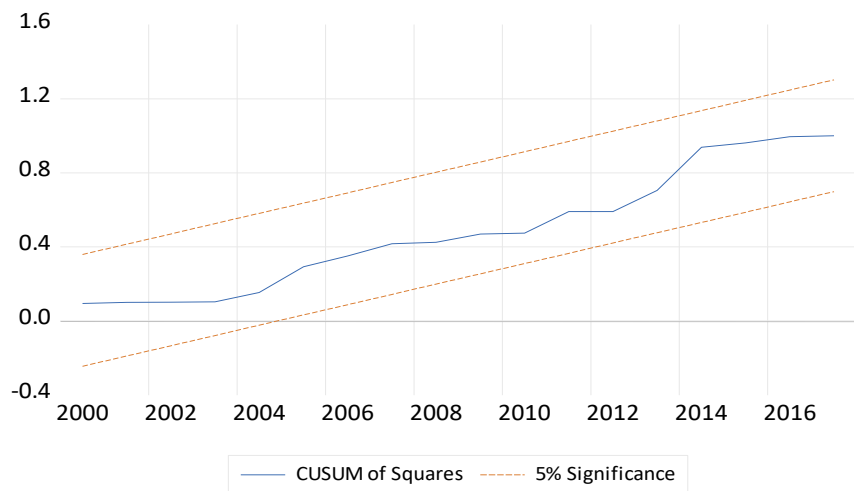
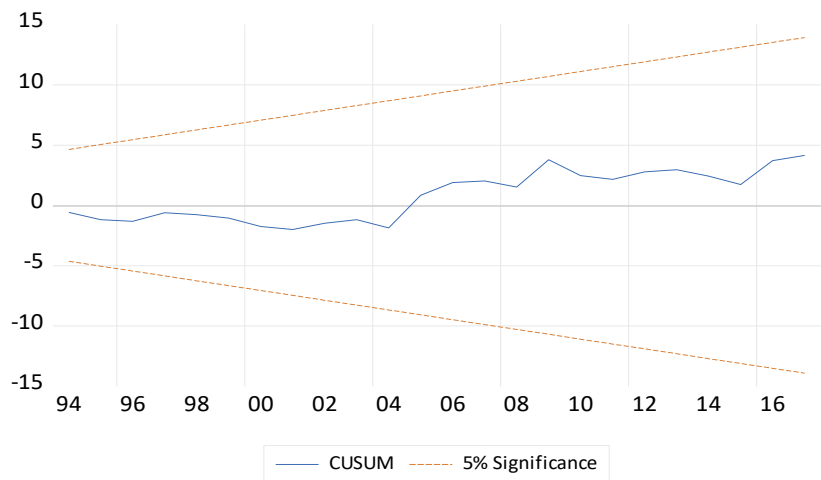


Figure 5.7 Stability analysis Model 2

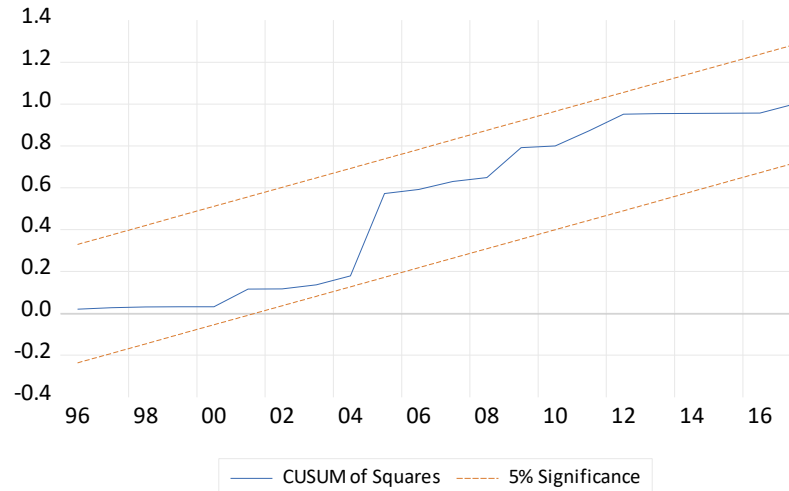
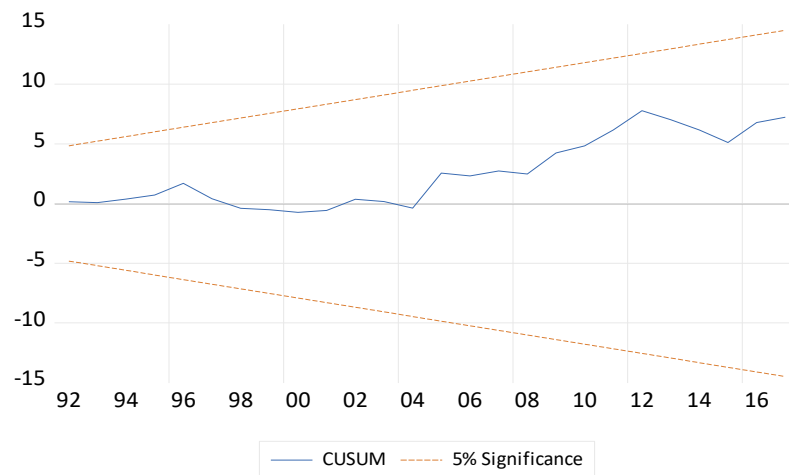


Figure 5.8 Stability analysis Model 3

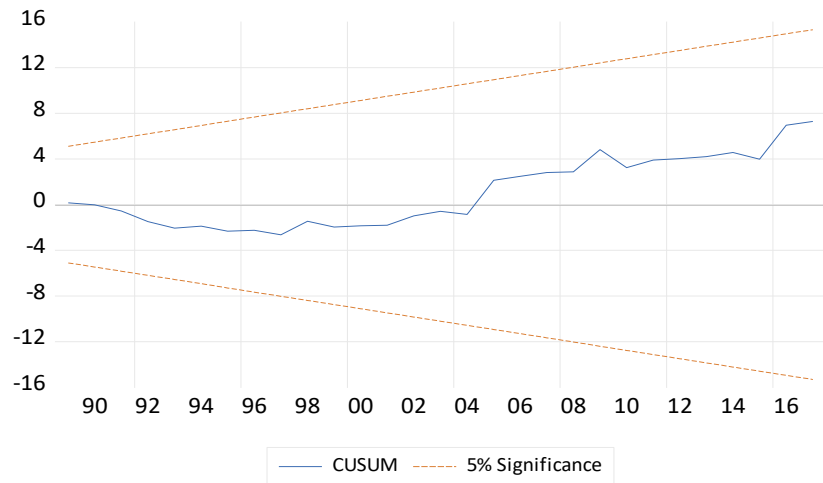


Figure 5.9 Stability analysis Model 4

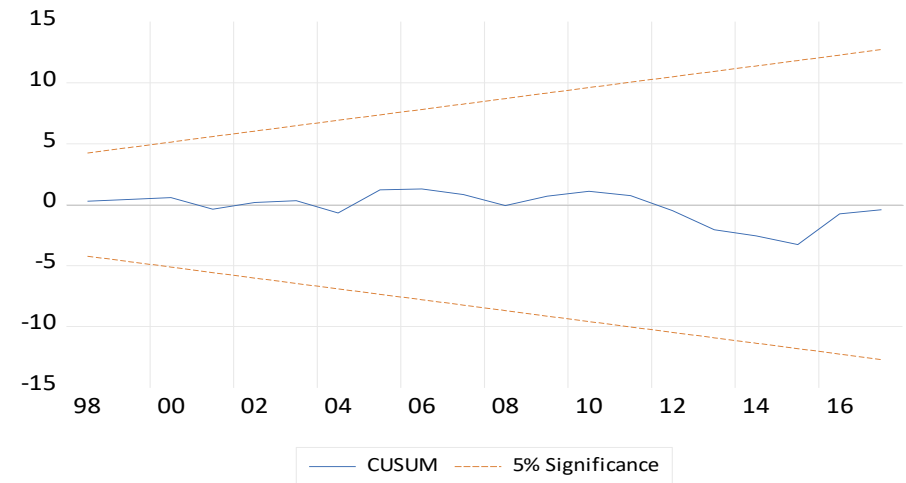
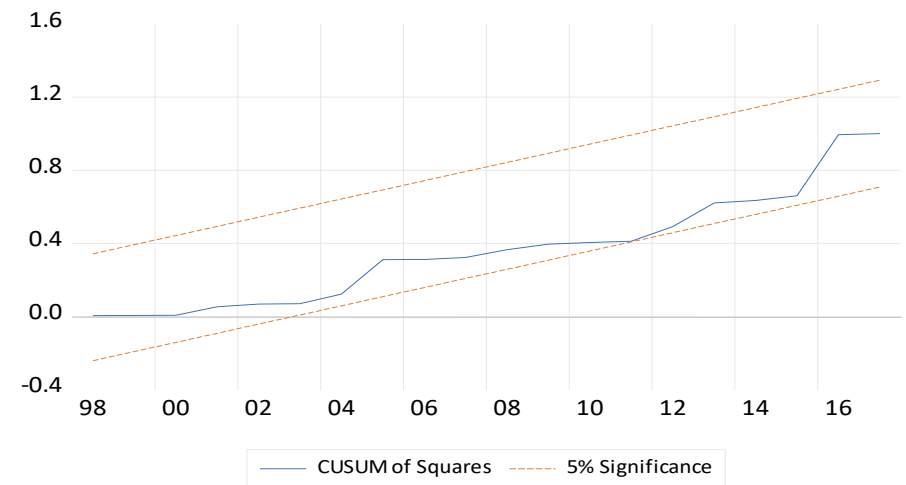
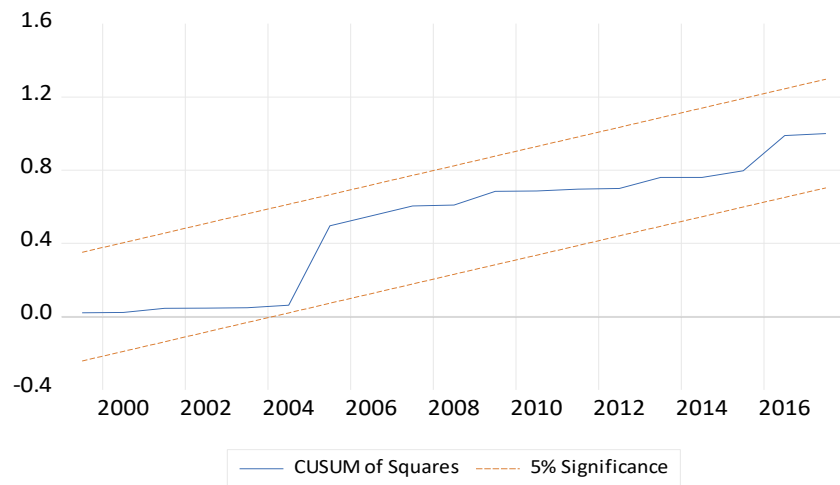


Figure 5.10 Stability analysis Model 5



5.6. Summary

This chapter presented the findings of quantitative data analysis targeted at addressing the quantitative based research questions of this study. The chapter commenced with the specification of a suitable model informed from literature and adapted to the research in order to answer research questions. Consequently, both dependent and independent variables employed in the research were elaborated upon and their probable outcome highlighted. Statistical techniques were used to analyse the data, which encompassed both descriptive and inferential methods. Descriptive statistics such as mean and standard deviation were used to assess the overall outlook of the data set. This stage, which served as the preliminary stage to data analysis, allowed for the treating of cases of missing data to allow for a more robust analysis.

Using other descriptive methods, the chapter tested to ensure that the dataset met all diagnostic tests before the acceptance of the results. Visual assessments such as histograms and other statistical tests were used to test for normality, linearity, homoscedasticity and absence of multicollinearity. The results of these tests led to the transformation of the inflation and terrorism variables to allow for a more normal distribution. Similarly, in order to meet the absence of multicollinearity assumption, the total population variable was excluded as it was highly correlated with other independent variables in the model.

In line with the research questions, the developed hypotheses were tested. The result confirmed that total terrorism in Nigeria has a negative relationship with inward FDI both in the short and long run however, this relationship is statistically significant only in the short run. In addition, terrorism by the Boko Haram and the Fulani Herdsmen were also found to have a non-statistically significant but negative relationship with FDI in the short and long run while Niger Delta Militants with the highest negative impact revealed a statistically significant relationship with inward FDI in short- and long-run Nigeria. However, findings revealed that all forms of terrorism had negative effects on inward FDI in Nigeria. The results also revealed statistically significant relationships between FDI and market size, trade openness and infrastructure across all models. All other control variables employed revealed either a positive or negative relationship but not statistically significant relations with inward FDI. Finally, the impact of

natural resources on all regression models was tested. The results revealed a statistical significant relationship between COP and the inflow of FDI in the short run but not in the long run. As predicted, COP revealed a positive relationship in Nigeria. Table 5.34 presents the summary of results for the research hypotheses stating the whether or not hypothesis was proven.

Table 5.34 Summary of Results

No.	Description	Short Run Results		Long Run Results		Significance
		Direction	Sig (0.05)	Direction	Sig (0.05)	
H1	Relationship between total terrorism and inward FDI in Nigeria	-	0.0508*	-	0.0367*	Statistically significant
H2	Relationship between Boko Haram terrorism and inward FDI in Nigeria	-	0.1326	-	0.7873	Not statistically significant
H3	Relationship between terrorism by Niger Delta Militants and inward FDI in Nigeria	-	0.0015*	-	0.0018*	Statistically significant
H4	Relationship between other unknown terrorism and inward FDI in Nigeria	-	0.6781	-	0.6743	Not statistically significant
H5	Relationship between natural resources and inward FDI in Nigeria given the presence of total Terrorism	+	0.4098	-	0.9010	Not statistically significant
* indicates statistically significant results						

6. QUALITATIVE DATA ANALYSIS

6.1. Introduction

Given the nature of qualitative research evidenced on its excessive reliance on data interpretation, it is often difficult to separate data collection from data analysis. As a matter of fact, Miles, Huberman, and Saldana (2014), advocate for the analysis of data simultaneously with the collection of qualitative data for example via interviews. This according to their study allows for the analysis of present data in light of the issues under study and the collection of improved and rich data from which even more extensive data analysis can be undertaken sequel to data collection stage. This chapter puts forward the analysis of the qualitative strand of this research. A thematic method of analysis was used for analysing the fifteen semi-structured interviews conducted. This was done by extracting relevant themes from interviews that addressed the objectives of this study.

6.2. Data Transcription

Despite the minimal analysis of data during the data collection stage, the main and initial stage to qualitative data analysis began with the transcription of data. Transcription involves the conversion of data from one format to the other mostly from audio to written whilst still maintaining the exact information obtained from the interview participants. Given the format in which raw data was obtained, interviews were converted from the original audio format to a written format in preparation for data analysis. The major advantage of this stage was the opportunity it offered the researcher to delve into and be engrossed in the data (Bryman & Bell, 2015). Given the flexibility of the analytical method, as there are no explicit guidelines for the transcription of data, the researcher adopted a detailed/verbatim reporting of data ensuring that meanings as represented by participants were not lost (Braun & Clarke, 2014; Clarke & Braun, 2013). To achieve this, the researcher devoted ample time to data transcription by constantly referring to the interview recordings to ensure the breadth and depth of the information were captured in the transcripts. Interview recordings were carefully listened to a number of times during the process of transcribing to capture maximum detail and once after the completion of transcription to verify the information captured in the transcripts. Subsequently, the research employed a thematic analysis which has been disclosed as the fundamental approach (Saunders

et al., 2016), the acclaimed and widely used method (Braun & Clarke, 2006, 2014) and debatably the most dominant approach to qualitative analysis utilised in social science research (Maguire & Delahunt, 2017).

6.3. Thematic Analysis

The onus of thematic analysis lies in the search for themes or patterns that exist in the qualitative dataset (Maguire & Delahunt, 2017). The choice of this analysis stemmed from the comprehensive representation of the data in a manner that addressed emerging themes based on data interpretation. Similarly, the applicability of the analysis to a variety of research questions, discourses and epistemological or theoretical perspectives made the thematic analysis advantageous in terms of flexibility and interpretation (Castleberry & Nolen, 2018; Vaismoradi, Turunen, & Bondas, 2013). The investigation of themes and patterns across several disciplines is not one that requires rigid confinement to theoretical, methodological and disciplinary perspectives. Therefore, based on its relevance in tackling a variety of research problems, appropriateness to different sizes of datasets and data types and its suitability to both theory-driven and data-driven analysis, the thematic analysis was chosen for this study (Clarke & Braun, 2013)

Qualitative analysis was done by selecting themes following the six-phase approach identified by Braun and Clarke (2006) as shown in Figure 6.1. This was done through a coding system that identified relevant themes depending on their frequency of occurrence within the qualitative primary data and the aptness in answering research questions (Guest, MacQueen, & Namey, 2012).

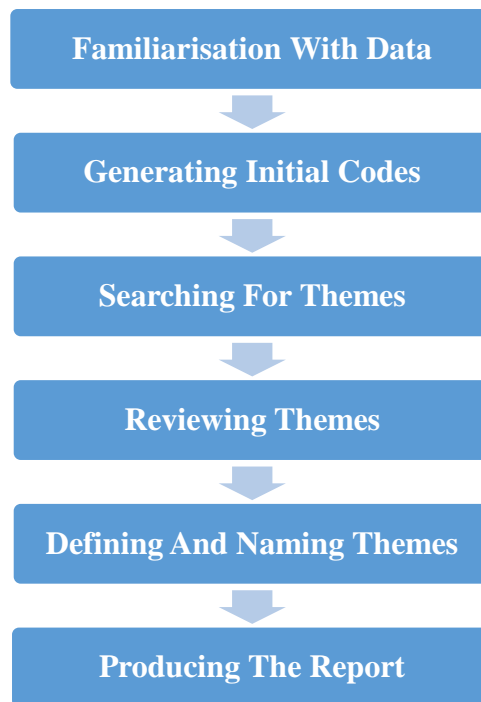


Figure 6.1 Phases of Thematic Analysis by Braun and Clarke (2006)

6.3.1. Familiarisation with Data

This initial stage served as the foundational phase to the rest of the other phases (Braun & Clarke, 2006). This phase involved the immersion or engrossing of the researcher in the data, despite having possessed some prior information about dataset from data collection and transcription stages. Qualitative data was repeatedly reread to allow for the exhaustive exploration of the data in an active and investigative manner. The transcription process constituted one of the ways of data familiarisation. Though time consuming, it served as an interpretative act of constructing meanings which allowed for the reliving of the interview and the highlighting of themes that hitherto were not apparent during the interview stage (Brinkmann, 2014; King, Horrocks, & Brooks, 2018).

6.3.2. Generating Initial Codes

Codes are labels that are used to identify interesting points about key aspects of the data that can be employed in the analysis of the social phenomena under discourse. This stage began with the analytical process geared towards the understanding and exposition of data (Miles et al., 2014). To begin, it was pertinent to clarify between codes and themes. While codes represented labels attached to phrases or other data extracts that were of importance to the

analysis, themes represented broader levels of categorisation that identify principal aspects of the qualitative data in line with the research questions (Vaismoradi et al., 2013).

The coding phase was achieved manually utilising a hybrid approach to data analysis that is, both data-driven and theory-driven analysis. While the former entailed generating themes based on the data, the latter allowed for data coding from already developed research questions emanating from past literature. This hybrid approach balanced out the inherent challenges present in the distinct kinds of analysis and harnessed their individual strengths. The effective description of relationships within sociocultural systems required the fusion of a wide range of analytic methods that allowed for a rich representation of complex social constructs (Sliva, 2017).

All codes were generated based on three factors comprising; knowledge obtained from the theoretical perspectives/previous literature, results obtained from the quantitative analysis of data and based on the research questions of the study. The data set was thoroughly dissected in search of interesting findings and repeated patterns. This stage, which was initially done manually using coloured pens to highlight data sections of interest and then by writing notes on texts produced a total of forty-four codes presented in the Table 6.1.

Table 6.1 Initial Coded Generated

No.	Initial Codes	No.	Initial Codes
1.	Market Size	23.	Law enforcement
2.	Trade Relations	24.	Investment relocation
3.	Natural Resources	25.	Non- oil sector
4.	Corruption	26.	Direct/indirect impact
5.	Business Expansion	27.	Terrorist Groups
6.	Enabling Environment	28.	Diversification
7.	Agitation	29.	Policies/legislation
8.	Infrastructure	30.	Economic deprivation
9.	Environmental Degradation	31.	Counterterrorism
10.	Transaction Cost	32.	Foreign aid
11.	Mono-Economy	33.	Local/domestic market
12.	Insecurity	34.	Population
13.	Development	35.	Stability
14.	Location/Region/Geopolitical Zones	36.	Political regime
15.	Sector	37.	Foreign exchange
16.	Oil	38.	Technology
17.	Skilled /Cheap Labour	39.	Reduced Productivity
18.	Global Image	40.	Religious
19.	Potential Investment	41.	Agriculture
20.	Motivation/Ideology	42.	CSR
21.	Resource Control	43.	Government
22.	Macroeconomic	44.	Profit Repatriation

Source: Author

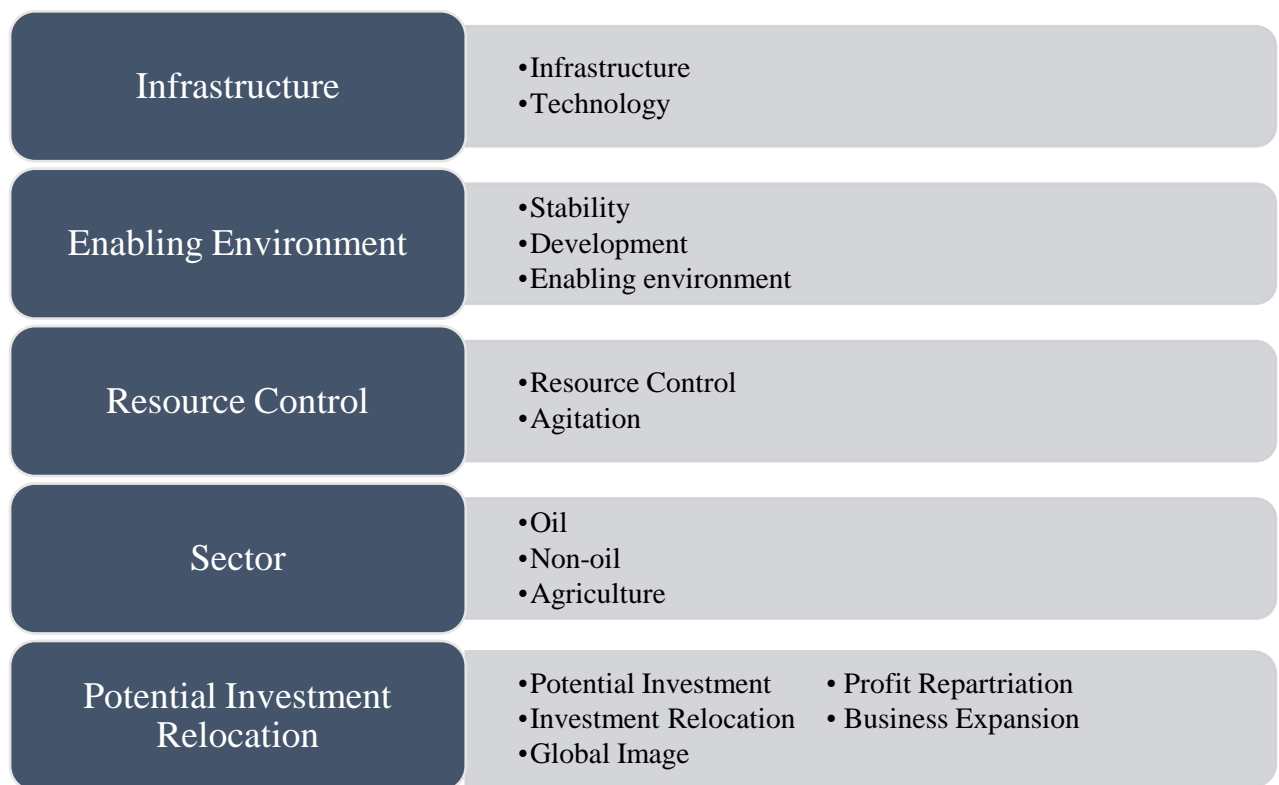
All highlighted data extracts were carefully matched against each code that evidenced the codes and thereafter collated.

6.3.3. Searching For Themes

This third phase drew upon the generated codes refocusing the analysis towards the development of themes. The themes represented a broader categorisation of data that drew

upon similarities present in collated codes that were of great significance and revealed something interesting about either the data and/or research question (Vaismoradi et al., 2013). The choice of a theme was influenced by its significance in relation to the research questions. Because of this, there could be an overlay between the codes and themes generated given a small data set (Maguire & Delahunt, 2017).

The generated codes were organised into different potential themes to allow for the researcher to draw possible relationships between generated codes and group constructed themes into different levels such as main themes and sub-themes. Among the generated codes, a few were combined to form principal themes for the study as shown in Figure 6.2. All codes were organised into themes that revealed significant information about the research questions.



Source: Author

Figure 6.2 Combined Codes

Table 6.2 Categorisation of Codes into Themes

CODES	SUB-THEMES	THEMES
Market Size	Economic	MNES Motivation
Trade Relations		
Macroeconomic		
Natural Resources	Environmental	
Enabling Environment		
Infrastructure	Social	
Skilled /Cheap Labour		
Population		
Policies/Legislation	Political	
Political Regime/Insecurity		
Environmental Degradation	Environmental	Terrorism Motivations
Resource Control		
CSR	Socio-political	
Religious		
Corruption		
Economic Deprivation	Economic	
Terrorist Groups	Groupings	Impact on FDI
Location/Region		
Sector		
Transaction Cost	Economic Impact	
Potential investment relocation		
Reduced Productivity		
Insecurity	Terrorism Consequences	
Direct/Indirect Impact		
Mono-Economy	Economy	Growth
Diversification		
Local/Domestic Market		
Policies/Legislation		
Foreign Aid	Counterterrorism	
Law Enforcement		
Counterterrorism		

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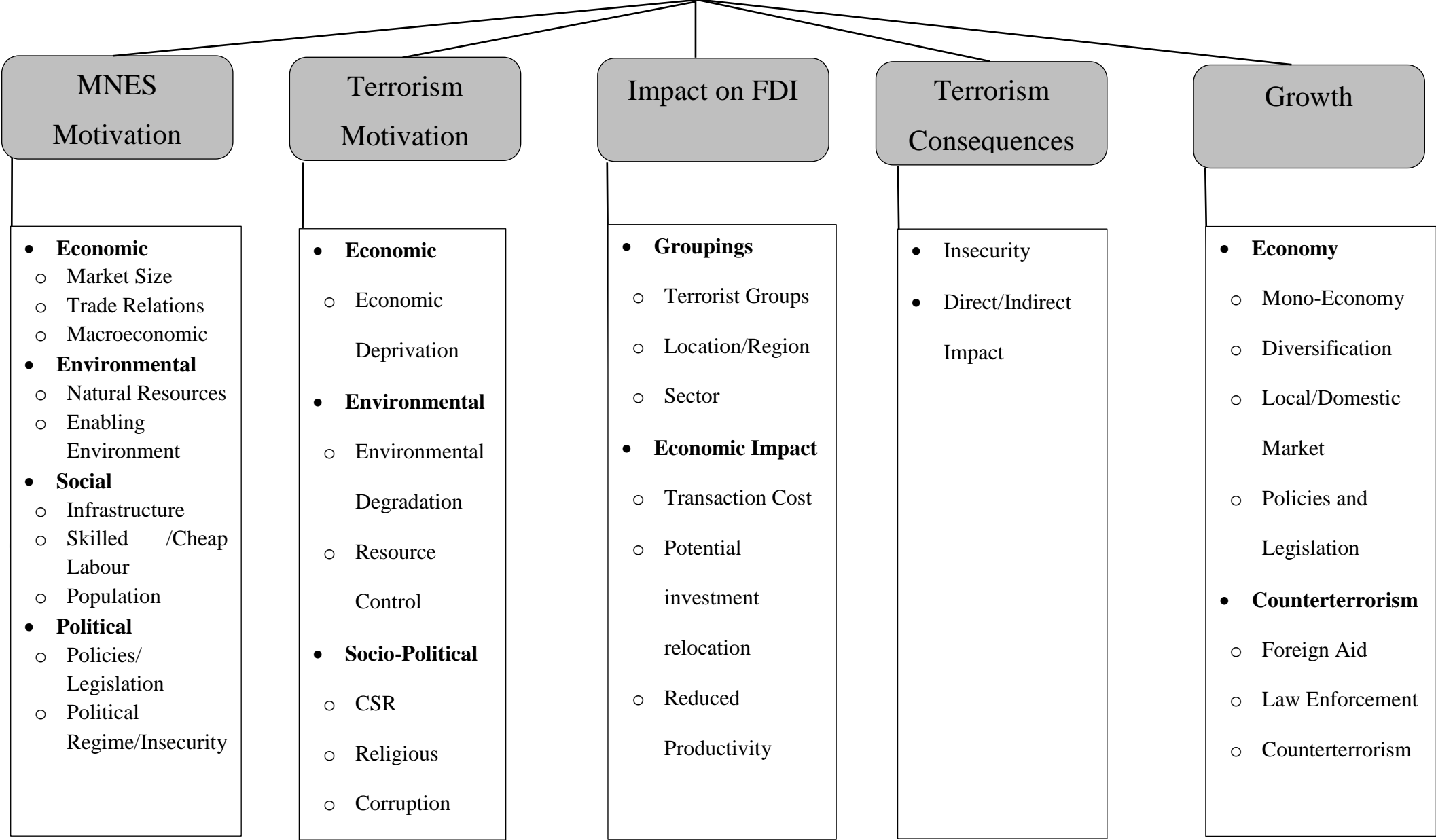


Figure 6.3 Themes, Sub-themes and Codes

The organisation of codes into themes allowed for the generation of five main themes for the study as well as other sub-themes. Great emphasis was placed on the allocation of codes to appropriate theme. Table 6.2 and Figure 6.3 give visual representations of the organisation of codes into sub-themes and themes.

6.3.4. Reviewing Themes

This stage involved the revising of initial constructed themes. It involved a reflective process that entailed the modification of preliminary themes and measured the relevance and practicability of themes in line with codes, data excerpts and the entire dataset. A useful strategy employed was to collate all data relevant to the themes generated and assess the appropriateness of the associated data extracts (Maguire & Delahunt, 2017). This strategy resulted in the exposition of the validity of themes and revealed whether or not some themes should be independent, separated, combined or excluded. In cases of excluded themes, this would be on grounds of limited data to support themes or incongruence of the data extracts; however, this did not apply to the study. The stage ensured that all data within individual themes beautifully fit together and themes maintained an apparent distinction (Castleberry & Nolen, 2018; Clarke & Braun, 2013).

None of the initially generated themes was excluded in the analysis of qualitative data. The reviewing of themes may sometimes involve recoding data to ensure the generation of all possible themes that will make for a credible description of the data set. However, it was important to know when to draw the line in the coding and review process. Despite lack of a clear guidelines for the thematic analysis process, Braun and Clarke (2006, p. 92) stated that when the review process no longer adds anything significant, that is an indication to stop otherwise “*coding data and generating themes could go on ad infinitum*”. This research undertook the coding of data and generation of themes on three occasions all of which yielded no new themes due to the thorough coding and search for themes undertaken initially.

6.3.5. Defining and Naming Themes

Themes were defined based on the research discourse. Here the essence of each theme was explored in relation to the overall data set bearing in mind the data extract represented by the

theme. For subthemes, this stage helped define the idea behind these themes in relation to the overarching theme whilst also defining the relationship and interrelationships between principal themes. The ideas encapsulated within each theme was highlighted and named in such a way that the crux of the theme was reflected (Braun & Clarke, 2014).

This stage allowed for the clear description of the themes whilst clearly outlining the information represented by each theme thus minimising excessive overlay between themes. Theme names were carefully defined based on the qualitative data, relevant literature and the variables employed in the quantitative analysis.

6.3.6. Producing the Report

The writing up stage constituted a vital stage not just of the thematic analysis process but also of the qualitative research method. The onus of this stage laid on the ability to express complicated information embedded within themes and data extracts in a simplified yet persuasive manner that convinces research users. It further involved the expression of data analysis in a “*concise, coherent, logical, non-repetitive and interesting*” way that illustrated the intended narrative and proffered a strong argument as it related to the research questions (Braun & Clarke, 2006, p. 93). This stage though time consuming, involved the presentation of findings in such a way that research participants could not be identified from any of the information disclosed. Given the importance of this stage as it served as a major point for the measurement of validity, criticality was essential in the description of data and the choice of relevant data extracts to support findings. The structure of the work was also imperative to allow for readability of the qualitative analysis in relation to the entire theses.

6.4. Qualitative Research Objectives

This section focused on the generated themes in light of the qualitative research objectives. It drew upon the different views extended by the participants to provide a balanced insight into the subject matter. The selection of data extracts or quotes to support themes and research objectives were decided both on objective and subjective basis. Objectively, the frequency of certain terms or words and subjectively the relevance to the discourse were used as selection

criteria for the responses. See Table 4.3 in the method section for details of interview participants and MNE sectors.

6.4.1. Objective 1

- 1) To discover the motivations of MNEs in engaging in inward FDI in Nigeria.

The generated theme to answer this objective was MNEs Motivations. This comprised sub-themes with codes including:

1. Economic
 - i. Market Size
 - ii. Trade Relations
 - iii. Macroeconomic
2. Environmental
 - i. Natural Resources
 - ii. Enabling Environment
3. Social
 - i. Infrastructure
 - ii. Skilled /Cheap Labour
 - iii. Population
4. Political
 - i. Policies/Legislation
 - ii. Political Regime/Insecurity

6.4.1.1. Economic Motivations

To obtain the motives of MNEs investing in Nigeria, the researcher posed the questions, “why invest in Nigeria?” and asked “what makes for a favourable and unfavourable investment environment for FDI?” Overall, the economic sub-theme emerged as the greatest motivation for the decisions of the MNEs to invest in Nigeria. While this theme encompassed codes such as market size, trade relations or openness and macroeconomic variables in general, all of the non-oil MNEs disclosed the size of the market as the major factor that influenced FDI in Nigeria. According to P13:

“Well, it is no news that Nigeria has the largest market in the African continent and that unarguably extends a business and investment opportunity to investors”

This was a common motive from MNEs with further examples from P5 and P11.

“Nigeria remains one of the investment destinations in Africa. Now, considering the size of the country; the number of people; there are over 170million people in this country, a mass market.....A key motivation was the size of the market and there was also a projection of the country being a fast growing economy so we leveraged on and took advantage of that”

“The first primary thing was the market. The market was good and they were making good profits as well.”

Furthermore, P4 disclosed that trade openness was another factor that influenced FDI decision to Nigeria.

“Another thing is that Company 1(coded) aims to penetrate Africa and Nigeria has become a hub for us. So, from Nigeria we can easily access other neighbouring counties like Ghana, Togo, Benin Republic, Cameroon, Angola, South Africa, Liberia and the rest of Africa. So Nigeria is strategically positioned as a means to accessing the markets of these other countries”.

This was similar to the opinion of P10 who disclosed that:

“Another thing we considered was the trade relations. Now through FDI Nigeria has been able to have some level of interaction with the outside world, which has enhanced international trade and general businesses. So in a nutshell we have been able to reach other parts of the continents by establishing subsidiaries”

Furthermore, many of the participants revealed that an assessment of several macroeconomic variables such as GDPPC, inflation and exchange rate were evaluated in the decision to invest in Nigeria. For example, P5 disclosed that:

“Given the sector we are in; first and foremost, we considered the macro-economic variables; the level of inflation, interest rates and all other things that make up macro-

economic variables. When investing, we did not just wake up one day to say we want to venture into the market; we had to go through the trend of the various policies of government towards the macro-economic make up. We have seen over the years that; I think sometime during Okonjo Iweala's time that the GDP was rebased and projected as the largest economy in Africa; when you look at all those things it's a major; major attraction".

Furthermore, P15 explained that:

"Just like many other businesses, the macroeconomic factors particularly the GDP and the exchange rate also played a key part in our decision. GDP in terms of providing a general outlook regarding the economy and exchange rate in terms of both capital importation and profit repatriation"

6.4.1.2. Environmental Motivations

When asked the question of why invest in Nigeria, this constituted the major motivation for MNEs in the oil and gas sector. Participants revealed that the abundance of natural resource deposits in the country, which serves as raw materials for business stands as the major reason for FDI. According to them, given that they are oil exploration and production companies, the abundance of crude oil deposit in the country serves as their motive for investing. In his words, P12 emphatically responded when asked if the sole motive of the MNE investing in Nigeria was because of natural resources. He responded:

"Of course, exploration and production of oil"

Upon clarification, if that was the only reason or motive and he disclosed:

"Of course, its business. That's what brought us. Why did you go to UK? Is it not to go to school?"

Similarly, P6 stated that:

"These IOCs (International Oil Companies) are just here because there is oil here, it's not as if they like your face, it is because of the oil; that's why they are here. That's it".

Speaking on behalf of the government, P14 elaborated as his third reason why MNEs invest in Nigeria that:

“Another thing is raw material. They consider raw materials too. Like a company that came to do cement; when they finished their prospect in natural resources they realised that limestone availability in one of the local government areas runs into trillions of tons and these are things we do not know so this state and country is blessed with vast natural resources. So that is one thing they put into consideration”

Although not the primary reason for investing in Nigeria, P13 expressed the opinion that:

“Personally, I think multinational companies come to Nigeria either for resource reasons or because of the large market by reason of the population”

6.4.1.3. Social Motivations

Despite the disclosure of economic and environmental factors as some of the motives for engaging in FDI in Nigeria, some of the participants revealed that the decision to invest in Nigeria did not just rely on one factor or motive even though some motives were superior to others. For example, P3 disclosed that MNEs consider the infrastructural development of the areas wherein investment is to be made.

“...one of the things they consider most is security then other infrastructural amenities like the road network. Those are the things they consider and of course they have always given credit to previous administration who got this place established with good road network...”

To support this, P8 disclosed the quality infrastructure as a determinant of inward FDI and the absence of it as a deterrent to economic growth.

“Secondly, we also considered the quality of infrastructure of the economy. The nation still has a long way to go in terms of providing basic and adequate infrastructure. A major drawback to the economy has been the issue of electricity supply”

However, for P2, the absence of quality infrastructure promotes more FDI activities as this is viewed as an opening for more business opportunities given their economic sector.

“The same goes for infrastructure such as the transportation facilities and internet access. Nigeria cannot boast of world-class infrastructural systems but we also saw this as a business opportunity being from a more developed and advanced country”

With the contrasting opinions of infrastructure as a determinant for engaging in FDI, there seemed to be a consensus across a number of the participants on the vital role of population in their decision to invest in the country. Especially for MNEs in non-oil sectors, the population of the country, which translates to larger market, was stated as an essential motive for FDI activities. Some of these notions as eluded by P1 and P7 respectively are presented below:

“With a current population of over 180 million, the nation is fast becoming a major frontier to the international investment community....I think multinational companies come to Nigeria.....because of the large market by reason of the population”

“There are over 170 million people in this country; a mass market”

Another social factor that bordered on a different angle of population of the country though not extensively was the availability of human resources in terms of labour both cheap and skilled. The participants from the consumer goods, industrial goods and construction and real estate sectors, respectively disclosed that:

“We thought of a country that will not just give us a large market for sales of goods but also a place that could offer skilled and affordable labour. Nigeria as a whole has a very large workforce as well as a large job market filled with highly skilled people. We needed people that will be able to man our production and manufacturing sites, technology and our machineries” (P11)

“We can get access to relatively cheap labour” (P9)

*“Also considered were the untapped resources available...human and material resource”
(P10)*

6.4.1.4. Political Motivations

The policies and legislations set by the host country government was disclosed as one of the factors that could either serve as a motive for investing or not. For the MNEs currently operating in Nigeria, the P5 stated that:

“Here in Nigeria, you don’t really have stringent legislations as to the entry of businesses and the government tends to encourage foreign business through favourable legislations and other things. So for example if you look at the taxes, you have tax holidays for some companies so legislation alone is relaxed and then you can actually enter the market and opt out. So there are no barriers or restrictions in terms of operating in the country”.

From the industrial goods sector, P9 alluded that:

“The government policies regulating foreign investment and the industry played a major role in the decision to invest in Nigeria. We needed to know what incentives were available to us in terms of tax rate cuts as well as other policies”

Another point of consideration identified as a motive for FDI engagement was political stability. Of particular interest was the idea of political regime. P10 pointed out that:

“Now we looked at the political aspect of it; Nigeria has remained stable despite the crisis; despite the change of government from the military to democracy; Nigeria has remained stable”

Similarly, P13 revealed that:

“We came into the country at a time when the country had only in a short while transitioned from colonial rule to independence and a lot of reforms were going on at that period. So this revealed to us great possibilities of a bright future for our business and investment”

The political stability of the nation in terms of absence of insecurity was an issue frequent in several of the interviews though viewed on different levels depending on the sector. Some of the responses regarding this factor are presented thus:

“We sought for a country that had a conducive environment in terms of low levels of crime and insecurity. While this was the case decades ago, I’m afraid the case is not the same anymore” (P11).

“Insecurity is one of the things that has affected and affects most businesses in Nigeria. So far as you operate in a given environment, you have to be proactive to take some decisions where necessary. So this was considered” (P15).

“The major thing they consider is security because it has been a serious issue. As a matter of fact, the insecurity has been so much noised abroad that people get scared and when they come one of the things they consider most is security”(P7).

6.4.2. Objective 2

2) To determine the relationship between terrorism and inward FDI in Nigeria.

The key theme that addressed this objective was Impact on FDI. This theme revealed all participants agreeing to a negative relationship between terrorism and FDI. P14 condensed this notion in the following statement:

“All over Nigeria, terrorism is an issue and it discourages foreign investment anywhere”

Similarly, P5 revealed that

“Terrorism is one of the things that has affected and affects most businesses in Nigeria...nobody wants to invest and then tomorrow hear some funny story so security is very paramount while investing”

While P4 relayed a similar statement that:

“The peace of a nation plays a paramount role in the level and quality of investment that comes into that country. In the course of doing business, we have had to bring in expatriates for several reasons and we have seen that the issue of insecurity has in recent times become a major concern to them especially since the recent rise of the insurgency in the country”

More specifically, P9 detailed that:

“There is nothing positive about terrorism especially when it relates with foreign investment, it definitely has a negative impact no matter how minimal. Investors want a conducive environment where they can do business and make profit and I don’t see how terrorism helps that; for our company, absolutely not”

This negative relationship according to participants translates to several consequences both for the existing and potential MNEs. These consequences form the basis of the Economic Impact sub-theme embedded within this overarching theme. These sub-theme covered issues that emphasised on:

- i. Transaction also Cost
- ii. Potential investment relocation
- iii. Reduced Productivity

6.4.2.1. Transaction Cost

A number of MNEs disclosed some of the transaction or extra costs they incur in the course of operational activities due to terrorist activities. According to P10 from the finance sector:

“We tend to pay for insurance so this amounts to higher premiums which is like an economic cost of terrorism majorly in areas that have a higher susceptibility or that are prone to being hit by terrorist for example the amount of premium paid for some branches based on their location are very high compared to other branches”

Similarly, P5 from the finance sector hinted that they actively seek for ways of reducing transactions costs that arise because of terrorist activities. He stated that:

“The bottom line is that we know that security is paramount and that’s why it is embedded in our mantra and we hope that with the technology we have deployed that to some extent it will help reduce transaction costs and other security related issues we encounter”

With reference to the oil MNEs interviewed, P6 disclosed that the company has to make allowance for cost of ensuring the safety of expatriates that are outsourced for the business:

“They get paid risk allowance; the foreigners that work in these MNCs get paid risk allowance, which sometimes exceeds their actual salary so it’s all about the money”

Similarly, P12 disclosed that due to terrorist activities, extra cost are incurred by way of ransom payment to terrorist perpetrators for the release of their workers. As relayed by him:

“Our personnel when they are kidnapped; we spend money to pay ransom”

Furthermore, P2 detailed the additional cost they face as a result of inviting foreign experts and employing the services of military personnel for the safeguard of experts when they arrive.

“As I mentioned earlier, some of our foreign experts have become unwilling to come to the country and even those that decide to come have had to be paid really well with additional “danger pay” besides several allowances for example the costs associated with hiring security personnel for these expatriates. This is a classic example of the notion that higher risks bring about higher returns”

Overall, many of the participants revealed that they incur several additional costs that otherwise could have been avoided given the absence of terrorist activities. However, because this is not the case they need to incorporate all of these transaction costs to carry on with the daily functioning of the business.

6.4.2.2. Potential Investment Relocation

Another offshoot of the negative relationship between terrorism and FDI that was frequently mentioned by participants was the relocation of potential and existing investment. This sub-theme was developed by merging other codes including potential investment, profit repatriation, investment relocation, business expansion and global image. As a member of the Investment Board, P7 commented that:

“People can therefore develop a notion about the country that may not seemingly be true especially concerning potential investors that may have been considering investing in the nation. They may decide to either take their investment somewhere else or not invest at all”

Similarly, P8 disclosed when analysing the terrorist activities in Nigeria in relation to the global world that:

“The ongoing terrorism has affected the economy in several ways. On one hand, the media representation and accentuation of the terrorist activities within the country has created a bias in the minds of the outside world including potential investors. On the other hand, existing MNEs can decide not to reinvest in the country. Profit can therefore be sent back to their home country or even another country where it’s a lot more peaceful for possible investment”

The FDI committee government official further emphasised the ripple effect of terrorists in the country stating that:

“Terrorism has caused a lot of hindrances to FDI in Nigeria and one of such things is contaminating the mindset of investors who are willing. They have the money, they have the technical knowhow but they are very conscious of their safety and security and most of them you know, you have to do a lot of reorientation before they will think of considering Nigeria for investment. It has caused a lot of quagmire in the area of investment. These are the effects of terrorism” (P14).

Drawing from the travel advice given to citizens of certain countries when travelling abroad whether for business or leisure, P15, answered regarding the effect of terrorism that:

“Now, a potential investor wants to invest in Nigeria and you know that at some point in time some countries raise and extend concerns to their citizens regarding places or countries not to visit. So the perception is key; in this case it sends a negative signal that there are issues in your country so as an investor I will tend to push myself out of it”

6.4.2.3. Reduced Productivity

The majority of the participants disclosed that the presence of terrorism reduces the productive ability of MNEs. The findings revealed that the fear of terrorist occurrences slows down production process and overall productivity, which in turn affects the economic output reflected

by the nation's GDP. This was supported by P10, P4 and P6. For example, discussing terrorist attacks in the region, P6 made known that when Niger Delta Militants:

“Attack company assets, this slows down production and affects the economy”

This notion was equally reinforced by P10 who stated that:

“Now when people live in fear they tend to contribute less to productive activities...so generally the effect of this is that productive activities will be hampered and then livelihood will be lost”.

Giving a detailed evaluation, P4, explained that:

“Of course needless to say that there is a reduction in the level of business and production in the areas affected as people will be afraid for their lives and a reduction in production leads to a decline in GDP which does not put the country on a positive standpoint in terms of foreign investment”

From the findings presented, we see that an increase in terrorist incidents will reduce the level of output not just for MNEs but also for domestic firms. ,

6.4.3. Objectives 3 and 4

- 3) To evaluate the relationship between disaggregated terrorism and inward FDI in Nigeria.
- 4) To analyse both the regionalised and sectorial effects of terrorism on FDI.

The research disaggregated the terrorism variable and sought to analyse specifically the effects of the Boko Haram terrorist group and the Niger Delta Militants on inward FDI. Similar to objective 2, these objectives were achieved using the Impact on FDI theme and the Terrorism Consequences theme. For the former, a different sub-theme called Groupings, which comprised discourses focused on; Terrorist Groups, Location/Region and Sector were employed while the latter centred on the sub-theme; Direct/Indirect Impact to achieve these objectives.

6.4.3.1. Terrorist Groups

The participants disclosed that there are several operative terrorist groups within the country. These include the Boko Haram Sect, Niger Delta Militants, Fulani Herdsmen and others. In his words, the Member of Investment Board (P7) stated that:

“It is imperative that we look at total terrorism in Nigeria however, it is even more important that we look at the different terrorist groups in Nigeria. This will allow us understand their motivations and seek for better ways to tackle the terrorism issue. I also feel this is important because these different groups affect the economy, investment inclusive in different ways”

Drawing from the findings obtained, there exists a consensus of the Boko Haram sect and the Fulani Herdsmen as terrorist groups. All of the participants interviewed for example P1, P2, P9, P11, P13 and P14, strongly confirmed the Boko Haram sect as a terrorist group. When asked about the terrorist groups in Nigeria P1 stated:

“When you hear terrorism in Nigeria, the first thing that comes to your mind is Boko Haram. They are definitely the most popular terrorist group however; this does not make them the only operative group”

For the Niger Delta Militants, this does not seem to be the case as there exists differing views among the participants about the group as a terrorist group. When asked about the terrorist groups in the country P6, mentioned the Boko Haram sect and the Herdsmen but however pointed out that Niger Delta Militants is not a terrorist group. According to him,

“The Niger Delta Militants are not terrorists. They are not a terrorist organisation. They are just people who are agitating and the reason for the agitation is simple. If you see these oil producing communities; its...its bad. You will not believe that this is where the money is coming from. That is the main reason for this agitation. The areas that are producing this oil are not being developed. Despite the fact that the Nigerian government has tried to set up NDDC to help develop but because of corruption and politics, these communities are being side-lined; they are being ignored. That is the truth and that is what has brought about the agitation. They are not terrorists”.

In contrast, P13 acknowledged the Niger Delta Militants as a terrorist group.

“It seems like the tackling of one terrorist group leads to the rise of another. From the rise of The Niger Delta militants to the Boko Haram insurgency and now the Fulani Herdsmen”

Similarly, P12 highlighted that despite the ideology behind the activities of the militants it is terrorist a group given that their actions have now escalated to activities that can be classed as terrorist activities.

“It is sad though, it is sad that we ended up creating a monster. Because, the people that started up these militant groups had a good cause to get the attention of the Nigerian government to come and develop their communities. But there are still some groups that will take advantage of that loophole to steal, to extort from these companies by kidnapping their personnel, by bunkering; stealing or tapping crude oil from pipes; they sell it to the illegal refineries and all that. So they have gradually graduated into becoming a terrorist group”.

6.4.3.2. Location/Region

The same way there are a number of terrorist groups in Nigeria, these groups are not just all concentrated in one region neither are they widespread across the entire nation. The participants revealed this finding as they clearly highlighted that contrary to global perception the different terrorist groups in Nigeria are located in different regions of the country and therefore have different impacts on FDI and the economy as a whole. Participant 13 from the Healthcare sector elaborated that:

“Rarely is it explained that the killings by the Boko Haram sect is majorly in the North East or the agitation of the Niger Delta Militants is just within that region or the recent attacks by the Fulani Herdsmen is in the Middle Belt region. No, that is not the case; what we see is that Nigeria is under attack again with tons of people violently killed. Now don't get me wrong, I am not saying that facts should be covered or twisted but that they should be told the way they are. The truth of the Nigerian insurgency is that these terrorist acts are carried out in different parts or regions of the country. They happen in different geo-political zones of the country most of which are away from the investment hubs of the country. So generally they

affect FDI but I will say insignificantly as the majority of foreign investments are located in the south west specifically in Lagos state”.

Similarly, P4 expounded on the security situation in the country explaining that;

“Security is paramount; security risk. Now you know that in different parts of Nigeria there are some agitations; from the Niger Delta in the South-South down to South-East down to the North-Central where you have the Fulani Herdsmen down to the far North-East where you have the Boko Haram. These groups all affect investment negatively however some more than others”

Looking at it from the government’s perspective, participant 3 explicitly disclosed that

“You know, Nigeria is grouped into six geopolitical zones and ofcourse when considering these six zones you look at what they contribute to the national economy because different regions contribute differently. You also look at the forces backing the terrorist groups. Terrorism is regionalised in Nigeria and they all affect investment and the economy however they are split within the different zones with the Niger Delta Militants being in the South-South and the Boko Haram in the far North-East however I don’t think there is any major impact of Boko Haram terrorism for example on the inflow of FDI”

6.4.3.3. Sector

Looking at the sectorial effects of terrorism, participants disclosed that some of the terrorist groups target specific sectors while others are more generic. Regarding the Niger Delta Militants, a number of participants agreed that the oil and gas sector are prone to the activities of this group and this has a great impact on total FDI into the country given that this sector greatly feeds the amount of FDI into the country. Participant 5 explained the sectorial effects of terrorist groups on doing business in the country as well as on their investment. From his perspective, the finance industry is prone to terrorist activities and this reduces their return on investment (ROI).

“I think our sector is one of the... we are prone to this. We deal with people and you know that most of these activities of terrorist are centred around bombings and all that. They tend

to target public buildings. We deal with members of the public; different classes of people so we are susceptible to their attacks and activities...we have had to shut down some branches and invariably you are aware that that will translate to the number of staffs being reduced...So basically, our ROI during the period of crises reduced. However, given government intervention we have made a lot more profit marginally...Other sectors; look at the telecoms industry they are not really affected. Although the oil and gas sector is affected but not as much as we are affected”

Many participants were of the views that the effects of these terrorist groups are different for oil and non-oil MNEs (P4, P8, P9, P10, P13 and P14).

“Let me restate that the mainstay of the Nigerian economy is oil and gas. Now anything that affects this sector affects Nigeria; in fact, it affects the presidency; it affects everybody. Whereas you know prior to the discovery of oil, agriculture was the mainstay. Now if the activities of boko haram were experienced before now; i think we would have said that the agricultural sector would have been badly affected or the activities of the herdsmen would have had great impact. But technology has made it possible for us not to really feel the impact of these other groups” (P13).

“The activities of the Niger Delta militants are geared towards MNEs in the oil and gas sector, which has the greatest influx of FDI and this implies that the effect of the militants on FDI is high because that is the main stay of the economy. For non-oil sectors, we do not really feel the impact as much except maybe in terms of the stock market. The cost of terrorism translates to uncertainty in the financial markets. You know that the market is driven by information and positive information has a way of playing into your returns and negative has a way of bringing down your returns” (P10).

The head of security further disclosed that the Niger Delta Militants have a great impact on the investment on oil companies within the region.

“Yes, ofcourse it has had and has impact because these are not portfolio companies; these are companies that have assets here in the Niger Delta so, it does affect because there are some locations where a company’s asset may be situated that might be existing and there is an unrest in that location. Every operation there will be shut down until the issue has been

resolved, okay? And if it is being shut down, that will affect production which will in turn reduce the number of barrels being produced a day which will in turn affect the economy”

(P12).

The majority of the respondents; P3, P6, P8, P9, P12, P13 and P14 agreed to the terrorist activities of the Niger Delta Militants as being of more impact to investment and to the economy. Others however; P1, P2, P5, and P7 put forward that Boko Haram activities have a more direct impact in terms of loss of lives and properties but not a huge impact on investment. The words of the member of the investment board summarised the views of these participants when he responded to the nation-wide or regionalised effects of terrorism on FDI in Nigeria.

“With most of the inflow of FDI swarming the oil and gas sector, any incident of violence in that sector has a great impact on the economy. On a general level, all terrorism is bad but in the case of Nigeria, the Niger Delta militants are the ones with the most direct impact on the economy. A hit from the militants on the oil pipelines or through bunkering reduces the number of barrels that are produced or the quota that such companies ought to be producing. So basically what affects the oil and gas sector affects the whole economy. Whereas the Boko Haram on the other hand has a more direct impact in terms of the loss of lives and destruction of property but an indirect impact on the economy because government will have to invest more into security and in the rehabilitation and reconstruction of people and property respectively. Same applies for the Fulani Herdsmen. So terrorism is sectorial; the Niger Delta militants are only concerned with the petroleum sector and the government while the Fulani Herdsmen fall under the agricultural sector as they are only interested in their cattle grazing. As for the Boko Haram group and their fight against western education, I can't really say a specific sector is their main hit rather it's more of a region. So it will only affect a foreign company that is situated in that region but their effects are felt more by the local economy. In a nutshell, the impact of terrorism is both general and regionalised. The regionalised effect feeds the general impact and the main group responsible for this is the Niger Delta militants because of their impact on the petroleum sector, which is the number one propeller of the Nigerian economy” (P7).

6.4.3.4. Direct/Indirect Impact

The direct and indirect impact on the host country and domestic economy also featured as a sub-theme in attempting to understand the relationship between disaggregated terrorism and inward FDI in Nigeria. The findings obtained from the majority of the interviews of participants highlighted that in terms of the investment and the economy, the Boko Haram sect does not seem to have a direct impact. Conversely, the Niger Delta Militants directly affect the economy and FDI within the region, which transcends to the economy (P3, P6, P7, P9, P11, P14 and P15).

“With regards to the oil and gas sector it seems like the Niger Delta Militants and Avengers are the ones that have a direct impact on the activities of MNEs. They are the ones that have direct impact, direct impact because this is their community. Company’s assets are located here so if they want to cripple you, if they want to hit they know where to hit hard, so they have a direct impact. Boko Haram doesn’t really have that impact; it doesn’t” (P6).

“Boko Haram activities don’t affect; no matter what happens in the north the security threat level here (south west) will not escalate. Because that is a different region and companies do not have assets in those areas so it does not affect investment in any way” (P9)

“Niger Delta activities affect people in the north because over 90% of our revenue comes from oil and gas so if oil and gas production is being affected or slowed down it will in turn affect the economy. That is what happened last year; it affected the economy and because the price of oil dropped last year. The Niger Delta Avengers activities also affected the quantity of oil being produced and this affected the economy and if it affects the economy the allocation to states will also change; it will reduce. So that can affect the north because this has direct impact on the economy but the activities of Boko Haram and the Fulani Herdsmen; it does have impact on the economy well maybe security-wise because the government will spend more money on security but that is the only impact. You can’t compare it to if the oil sector is impacted negatively” (P14)

However, participant 2, argued that all terrorism have direct impact on FDI and on the economy as a whole, though these consequences are either short term or long term.

“I think all types of terrorism in Nigeria have a direct impact on investment and therefore on the economy. The only difference is some are short-term effects while others are long-term effects but there is definitely a direct impact. I see the activities of the Niger Delta Militants as short term because their actions immediately slows down oil production and all but with Boko Haram, it is different. First, the direct impact in terms of fear of insecurity, loss of lives and property will reduce production and consequently affect GDP. Now we all know how GDP is an important factor MNEs consider when deciding to invest in a country; so this will affect in the long run. Secondly, government will have to divert funds that could have been used to develop the economy say for example in the area of infrastructure or any other sector to investment into counter terrorism measures. This again may discourage potential investors when quality infrastructural facilities are not in place. So that of the Niger delta may not be as severe as what is tenable in the north east in terms of fatalities but I will say both have direct impacts”

6.4.4. Objective 5

- 5) To assess the role of natural resources in the relationship between overall terrorism and inward FDI.

This objective drew from two main themes in order to achieve this objective comprising Terrorist Consequences and Growth. For the first theme, the research evaluated the Agitation and Insecurity codes while for Growth the sub-theme Growth including codes: Mono-economy and diversification were analysed. Some of the participant explained that though terrorist activities deter inward FDI, some MNEs however still come in to invest due to the presence of natural resources and while the existing MNEs still remain even with the presence of terrorist incidents. According to P13,

“The companies situated in these danger areas have still not relocated for one reason or the other possibly due to the proximity to resources. They only would have to invest more than they would normally have in additional security and in insurance policies”

Additionally, participant 12 referred to the interrelationship between natural resources, terrorism and FDI as the risk to incentive ratio and expounded that:

“Personally I think multinational companies come to Nigeria either for resource reasons or because of the large market by reason of the population. I believe the natural endowments in the country especially the natural resources moderate whatever negatives the country has associated with it. I like to call it the risk to incentive ratio and in the case of Nigeria, the incentive seems to be higher. So no matter the insurgency, the violence or terrorism that the country seems to be facing at the moment; as long as there are still human beings living in the country and all these resources still abound, investment will still more than likely take place”

Discussing the agitation and the insecurity experienced in the South-South region, participant 6 disclosed about existing and potential MNEs within the oil sector that:

“Like I said before, these are businessmen so they are concerned about their investment. So even with the unrest they are still here including those that have been badly affected by the insecurity. That is because their aim is to make money so despite the insecurity or unrest they are still coming”.

Similarly, P3 stated that:

“The thing with Nigeria is that it is a mono-economy and therefore majority of the influx of FDI is into the oil and gas sector. Given the presence of these raw materials in terms of both access and cost, investment will still continue. It may be disrupted or reduce but I am of the opinion that the presence of natural resources in the country and this does not only relate to crude oil but also land, population which translates to increased sales, cheap labour and so on will cushion the effect of terrorism on FDI. The only thing is the companies will have to invest more in terms of security or insurance whilst still soliciting for government intervention”.

Overall participants revealed that given the fact that Nigeria is a resource rich nation; the effect of terrorism on FDI is not as drastic as would have been expected. Particularly, P1 gives a different insight stating that:

“I think another reason why the impact of terrorism is not felt as much on FDI is because the economy is becoming more diversified and MNEs are becoming more market focused. Now

we know when it comes to market you can't help but mention Lagos which is why you see the majority of the MNEs are swarming that state. Even the oil companies many of them have their headquarters in Lagos state. So the availability of a large market size if not the biggest in Africa is enough reason for an MNE to invest in the country coupled with other positive things about the nation”.

6.5. Summary

This chapter explained the qualitative analysis of data using the six-phase approach identified by Braun and Clarke (2006) for thematic analysis as shown in Figure 6-1. From the data transcription to the generating of codes and the development of themes, the chapter provided a detailed explanation of every step involved in arriving at the final themes employed for the qualitative analysis of data. Using manual analysis of data, five themes comprising sub-themes were generated that corresponded with the objectives of this study. The extensive insight into the main aim of the study as well as research objectives allowed the researcher not just to achieve research objectives using the qualitative research method but to emerge with more comprehensive and robust findings that support the findings obtained from the quantitative analysis of data.

Drawing from the findings obtained, most of the participants revealed that the main motivations for MNEs investment in Nigeria were either market driven or resource driven. However, the importance of other factors such as other macroeconomic variables, infrastructure and political motivation were equally mentioned and explained within the chapter. Overall, participants disclosed that a negative relationship exists between terrorism of all kinds in Nigeria and inward FDI. This was evaluated in terms of the transaction costs incurred, potential investment relocation and reduced productivity. Nevertheless, the terrorist activities of the Niger Delta Militants were disclosed to have a more direct impact on FDI and thus the economy when compared to the Boko Haram sect and other terrorist groups. For the Boko Haram group, the impact was seen to be more of one that affects potential investment on the long run and not existing MNEs except for those situated in the region.

The chapter further assessed the regionalised and sectorial effects of terrorist incidents by the different groups on FDI. The findings revealed that majority of the participants agreed on the

oil and gas sector as the main driver of the mono-economic nature of the country's economy. With this in mind, they stated that any attack on that sector has the potential of crippling the economy which is why the Niger Delta Militants are presumed to have greater effect not just on the flow of FDI into the country but also on existing MNEs and the economy at large. This therefore indicated that all sectors are affected by terrorist activities particularly from the Niger Delta Militants because their activities ultimately affect the Nigerian economy. However, given the new wave of diversification in the country the participants further disclosed the minimal effect of this group on FDI inflow and activities. With the majority of non-oil MNEs located in the South West region of the country, mainly in Lagos state where neither of these terrorist groups is operative, the effects of terrorism on other sectors are reduced.

Finally, the chapter elaborated on the role of natural resources in the relationship between overall terrorism and inward FDI. Several participants identified that the presence of natural resources in the country does not eliminate the effect of terrorism on inward FDI however it reduces it which is why there are still existing MNEs in the country. Therefore as said by one of the participants, it is about finding the "risk to incentive ratio" in the strategic management of business and investment opportunities. Also, given the diversification of the economy the gradual shift from natural resources to market seeking may also influence the interrelationship between natural resources, terrorism and FDI.

7. DISCUSSION OF FINDINGS

7.1. Introduction

This chapter discusses the findings of both quantitative and qualitative methods of this research with the aim of evaluating the key objectives and hypotheses and comparing with findings of previous studies. Primarily, it focused on evaluating the relationship between terrorism (total and disaggregated) and inward FDI in Nigeria over the period of 1970 to 2017 as well as exploring the role of natural resources in the terrorism/FDI discourse. The study employed an explanatory sequential mixed methods design where the qualitative research method was used to evaluate more extensively the results obtained from quantitative analysis of data. At the initial phase, secondary data was collected and analysed through the testing of research hypotheses using an ARDL estimation. The results of this phase revealed a negative statistically significant relationship for total terrorism and terrorism by the Niger Delta Militants on inward FDI but a non-statistically significant relationship between terrorism by Boko haram and other terrorist groups and inward FDI both in the short and long run. This further informed the design of the interview schedule for the second phase of the research. Based on the results of the quantitative phase, the results of the qualitative phase provides added value to the overall result of the research. The qualitative phase involved the conducting and analysis of data gathered from fifteen semi-structured interviews, which were then analysed using thematic analysis. Overall, the qualitative findings similar to the quantitative results pointed towards a negative relationship for all types of terrorism operating within the country and the inflow of FDI whilst offering an in-depth evaluation of these findings. While the first stage of mixing occurred at the design of the interview schedule for collecting qualitative data, this chapter puts forward the second stage of the mixed methods. The results obtained from both the quantitative and the qualitative research methods helped in achieving research objectives and providing insights that are more comprehensive.

7.2. Motivations of MNEs in Engaging in Inward FDI in Nigeria

This section discusses the results of findings regarding the motivations of inward FDI in Nigeria, which represents the first objective of this research. In line with the theoretical framework underpinning this study, MNEs undertake FDI activities based on several motives

including market, resource, efficiency and strategic asset/capabilities seeking motives (Dunning, 1993, 2000, 2001). Similar to the results of Rodríguez-Pose and Cols (2017) who found natural resources and market size to be the primary drivers of FDI in sub-Saharan Africa, the findings of this research also confirms both market and resource seeking motives as the main drivers of FDI in Nigeria.

7.2.1. Market Seeking Motive

The GDPPC measure was used to capture market size and as a proxy for population given that, both variables were highly correlated when testing for the presence of multicollinearity among IVs. Results of the quantitative analysis revealed GDPPC as the most statistically significant predictor in determining the inflow of FDI in Nigeria with a consistent p value of <0.05. The results revealed a positive relationship between market size and inward FDI in Nigeria across all models. What this therefore disclosed was that an increase in the market size of the country would lead to a statistically significant increase in the inward flow of FDI. Findings from the interviews showed that MNEs especially those from non-oil sectors consider the size of the market when making investment decisions. They disclosed that Nigeria has remained one of the major investment hubs in Africa owing to a number of reasons but majorly due to its large market size. While these findings suggest the importance of market size as a key determining factor for market seeking FDI, the results also point to the fact that the large size of the Nigerian market increases the demand for goods and services, which translate to greater sales, turnover and profit realisation for MNEs (Okpara, 2012). The existing empirical literature largely supports the positive and significant relationship between market size and FDI. Similarly, this research agrees with a number of studies that found a statistically significant positive relationship between market size measured by GDPPC and FDI (Enisan, 2017; Okpara, 2012; Shah & Faiz, 2015; Shan, Lin, Li, & Zeng, 2018; Wafure & Nurudeen, 2010; Yohanna, 2013).

While some scholars disagree with the use of absolute GDP as a measure of market size because it serves as a reflection of population size rather than income power (Ebiringa & Emeh, 2013), the existing MNEs in Nigeria drew upon the size of the population as a predictor of market potential. The participants interviewed in the present study explained that the significance of market size takes into account not just the population but hints into market potential, consumption ability and profit realisation capabilities. Therefore, given a continuous increase

in the size of the market, FDI is assumed to increase to a point where MNEs begin to consider strategic ideas of diversification and expansion. This supports the work of Shah (2014) who alludes to the fact that a larger market will also allow for higher consumption and the attainment of economies of scale amongst other things. Furthermore, the findings of Shah and Faiz (2015) showed that a larger market size would lead to higher opportunities for trade and access to other markets for the realisation of several FDI advantages. Based on this notion put forward from previous empirical studies, the results of the quantitative research revealed a positive and statistically significant relationship with inward FDI in Nigeria and supports previous empirical findings.

Therefore, a continuous increase in market size will lead to an increase in the flow of FDI into the Nigerian market from which MNEs can access other markets. This ability to service the demand and tap into the market of other neighbouring countries was elaborated upon by MNEs during the interview sessions as a major reason for their decision to invest in Nigeria as the country offers them that opportunity. The qualitative results showed that the successful penetration into the Nigerian market gives the MNE the strategic positioning to access the markets of other African countries and therefore the openness to trade by Nigeria serves as another factor that promotes the market seeking motives of MNEs. This finding agrees with the works of Adefoso and Agoola (2012); Arawomo and Apanisile (2018); Ndem et al. (2014); Shah and Faiz (2015) that also reported significant and positive relationships between trade openness and FDI in Nigeria.

7.2.2. Resource Seeking Motive

Nigeria is greatly endowed with an abundance of natural resources especially the abundance of crude oil. Therefore, given a resource rich country like Nigeria, the research anticipated that a positive relationship would exist between the presence of natural resources and the inflow of FDI into the country. This was based on the views that the presence of natural resources in a nation influences the level and kind of FDI that comes into that nation (Hayat, 2014, 2018). Employing crude oil productions as a measure of natural resources the quantitative findings revealed a statistically significant positive relationship between COP and FDI in the short run but not in the long run. The qualitative findings in the present study alongside several other empirical studies indicated that MNEs in the oil sector are motivated predominantly by the

abundance of resource deposits in the country. This is supported by a number of previous literature that postulate the presence of natural resources as a major determinant of FDI (Anyanwu, 2012; Asiedu, 2002, 2006; Asif & Majid, 2018; Dinda, 2010; Okpara, 2012).

The interview respondents in this research alongside several past studies have disclosed the Nigerian economy as a mono-economy. With the abundance of crude oil deposits in the country, the focus and great reliance on this resource has led to an increase in the inflow of FDI into oil and gas sector, which supports the positive relationship between COP and FDI. However, this could have an adverse impact on the economy where investment in other sectors are crowded out due to the country's heavy reliance on crude oil production. The consequence of this therefore could lead to a reduction in total FDI given the unequal weighting of inward FDI between non-resource sectors and the oil and gas sector with the latter being more dominant. This negative spillover effect to non-resource sectors and therefore the economy forms the basis of and supports the "resource curse" and "Dutch disease" literature. These ideologies postulate that the presence of oil is seen to exert adverse effects on the economy in the long run. It proffers an illusion of a utopian economy or a paradox of plenty however inhibits economic growth and leads to worse development outcomes. This supports the results of the quantitative analysis where a negative non-statistical significant relationships was observed between COP and FDI in the long run (Kurecic & Seba, 2016; Mähler, 2010; Watts, 2004).

Another possible reason for the negative direction of COP in the long run could be attributed to the exchange rate volatility experienced by the local currency given the booms and busts associated with crude oil prices. This is supported by the quantitative result where a negative relationship between exchange rate and FDI was similarly observed. Empirical research has it that the volatility of exchange rates deters the inflow of FDI (Dal Bianco & Loan, 2017; Omorokunwa & Ikponmwosa, 2014; Ullah, Haider, & Azim, 2012; Yohanna, 2013). Hence, with the contribution of oil price fluctuations to the volatility of exchange rate, the inflow of FDI into the country is stalled. This was seen when a drop in the prices of crude oil in a previous year led to severe weakening of the Nigerian economy as disclosed by the account officer when interviewed. Therefore, it is pertinent to say that anything that affects the oil and gas sector affects the economy, which on its own stands as an adverse effect to FDI. Given the mono-economic nature of the country's economy with the minimal diversification, the country

becomes greatly susceptible to external shocks which could possibly lead to macroeconomic instability and thus reduce inward FDI into the country (Asiedu, 2013; Hayat, 2018).

With the capital-intensive nature of investments in resource sector, the economy experiences a huge inflow of FDI at the initial stage of investment, however, future inward FDI may experience a slowed down increase or an outright decrease since continuing operations in the MNEs will not require as much cash flow as the initial stage (Asiedu, 2013; Poelhekke & van der Ploeg, 2013). This slowed down increase agrees with findings of the quantitative results which revealed a positive statistically significant relationship between COP and FDI in the short run but a non-statistically significant negative relationship in the long run. However, this may also have a negative effect given an outright decrease in aggregate FDI inflows which seems to be the case as seen in the long run model in Table 5:17 especially because the existing MNEs in the oil and gas sector have been in operation since the late 1950s. Despite these results, it however still holds that certain types of MNEs in Nigeria are driven by resource seeking motives in engaging in FDI. This type of FDI is usually vertical in nature because these MNEs are able to access raw materials otherwise not available in their home countries to aid production process. This access to raw materials in the long run enhances the profitability of the MNE as they are able to overcome the high cost associated with obtaining raw materials in resource scarce countries.

7.3. Relationship between Terrorism and Inward FDI in Nigeria.

The findings of the qualitative phase of this study more deeply explained the results obtained from the analysis of quantitative data. The results of both phases revealed a negative relationship between aggregate terrorism and FDI inflow. Under the quantitative phase, this relationship was shown to be statistically significant in the short run but not in the long run. This finding supported the vast majority of other studies in the terrorism/ FDI discourse (Bandyopadhyay & Younas, 2014; Lee, 2016; Najaf & Najaf, 2016; Powers & Choi, 2012; Shah & Faiz, 2015). The negative finding shows that an increase in number of terrorist incidents has led to a decrease in inward FDI into Nigeria over the period under study. The decrease in inward FDI was explained by the findings of the qualitative phase, which revealed a number of ways the terrorist incidents in the country have negatively affected inward FDI.

Firstly, the findings showed that the occurrence of terrorist incidents in the country has a direct impact on the MNE and creates additional costs for them for example; cost associated with increased insurance premiums, extra security processes to guarantee the welfare of both employees and customers, risk allowances for company staffs and ransom payments for kidnapped staff. These adverse effects, which have been highlighted by other empirical studies, increase the economic cost associated with having to do business in Nigeria given the presence of terrorism. (Bandyopadhyay, Sandler, & Younas, 2015; Enders & Sandler, 2012). With the insurance premiums, Magnus and Joseph (2015) and Mazzarella (2005) elaborate on how underwriters assert terrorism as an uncertainty rather than a quantifiable risk which makes it difficult for the pricing of terrorism insurance. This implies that insurance companies because of this pricing challenge decide either not to cover terrorist incidents on MNEs or charge outrageously high premiums to hedge their exposure to covering such claims. This consequently translates to transactions costs for MNEs who are prone to terrorist risk especially those with long-term investments in terrorist regions in Nigeria.

The putting in place of security measures to safeguard the wellbeing of both staff and customers of MNEs can have a huge economic impact on the company. It can further alter pre-set strategic plans as this might involve capital investment to improve physical security within company premises. These may include, introducing metal detectors at building entrances, hiring of security personnel and the installation of surveillance cameras all of which will translate to huge costs for the MNE (Magnus & Joseph, 2015). The same applies for MNEs having to cover the cost of ensuring the safety of their personnel for instance through including risk allowances for those who work in terrorist prone areas of the company. For example, the head of maintenance of an oil and gas company disclosed during the interview session that militants sometimes launch attacks on companies that have oil wells on land in South-South region of the country especially creek areas that are easily assessable. Although no specific incidents of attack was disclosed he stated that incidents of this nature sometimes involve the kidnapping of workers, which cause MNEs to spend greatly on ransom pay amongst other costs, which negatively affects company financial planning, and decisions. This agrees with findings of other studies (Enders & Olson, 2012; Enders & Sandler, 2012).

Secondly, the negative effects of total terrorism in Nigeria was reported by some of those interviewed to translate to reduced productivity of these MNEs. Especially with MNEs in the

oil and gas sector that stated that the activities of the Niger Delta Militants reduce the number of barrels of oil they are able to produce. Similarly, one of the participants from the finance industry made reference to the closure of a number of branches in regions that were experiencing high incidents of terrorism attacks. This finding was supported by Najaf and Najaf (2016) who made mention of the banking industry as a particular sector affected by terrorism. This could possibly be due to terrorists seeking out funds to finance their terrorist activities and may therefore launch attacks on the banks within the region. Therefore, to avoid this, these MNEs either shut down activities in these regions completely or reduce the number of working hours, which affect their overall productive capacity. Since the economy has no effective counterterrorism measure in place and is less diversified to allow for an absorption of terrorism shocks into other sectors, MNEs have to bear the brunt of whatever impact they experience from terrorist activities. Managing situations like this as well as trying to keep up with operational activities in other unaffected locations where terrorism is minimal or absent slows down overall productivity and may hinder the actualisation of internationalisation agenda (Bandyopadhyay et al., 2015; Mancuso et al., 2010).

Thirdly, while the economic cost of terrorism seem to be more apparent on FDI and the economy at large, Vorsina, Manning, Fleming, Ambrey, and Smith (2017) in their study titled the “*welfare cost of terrorism*” find that hypothetically, the social costs of terrorism are greater than the economic costs. Therefore, discussing just the economic costs of terrorism on FDI and on the economy undermines the total cost of terrorism. An offshoot of the negative effect of terrorism on FDI as discussed earlier is the additional cost associated with hiring of security personnel. With the presence of additional security personnel within the premises of the MNEs, Mazarella (2005) and Magnus and Joseph (2015) extend that employees as well as customers may wrongly interpret this to mean the imminence of a terrorist attack and may not just be comfortable with this but this may have a psychological impact on them in terms of job performance and overall productivity. Similarly, expatriates and/or foreign investors may equally hold this same wrong notion which may translate to relocation of either existing or potential investment (Eme & Ibietan, 2012; Innocent & Onyishi, 2014). As explained by research participants from the findings of the qualitative analysis of the present study, the negative effects of terrorism on FDI may potentially drive potential MNEs interested in investing in the country not necessarily because of actual terrorist incidents but because of

terrorism perception. This ties in with the notion of the misrepresentation and the reputational risk associated with the incidents of terrorism projected about Nigeria on a global scale (Bezić, Galović, & Mišević, 2016; Eme & Ibietan, 2012; Oladimeji & Oresanwo, 2014).

Despite the negative relationship reported between overall terrorism and FDI, both phases of the research critically disaggregated and evaluated the terrorism variable into the different types based on terrorist groups operating in the country and analysed them distinctly as they affect FDI. This research drew upon the work of Ikpe and Nteegah (2014) to formulate models and testable hypotheses to be able to achieve the third objective which evaluates the relationship between disaggregated terrorism and inward FDI in Nigeria.

7.4. Disaggregated Terrorism and Inward FDI in Nigeria

The literature presents three major terrorist groups operating in Nigeria including, Boko Haram, Niger Delta Militants and the Fulani Herdsmen. While the terrorism/FDI discourse is not a novel area as a number of studies have discussed this, the disaggregation of terrorism is rather important to understand the peculiarities of each group and better assess their economic impact and impact on FDI. In line with the literature, the findings confirmed the operation of these groups in Nigeria. The results of both quantitative and qualitative analysis are discussed in the sections below.

7.4.1. Boko Haram Terrorism and Inward FDI in Nigeria

The impact of this terrorist group on the inflow of FDI was found to be negative but not statistically significant both in the short run and long run. What this translates to is that Boko Haram terrorist incidents have a minimal effect on the flow of FDI into the country. While the quantitative results revealed the non-statistical significant relationship between TI_BK and inward FDI, the qualitative findings provided more explanations to the insignificance of this variable. From the interview sessions, the vast majority of MNEs disclosed regional and sectorial reasons as possible explanations for this insignificance. Regionally, Nigeria is divided into six geopolitical zones (see Appendix 8) with the majority of investments located in the South-West and South-South regions. Therefore, the operations of the Boko Haram sect, which are predominantly localised in the North Eastern region of the country, do not seem to have a

direct impact on aggregate foreign investment in the nation. This is because these areas only have very minimal FDI presence (Edesiri et al., 2016). This however does not denote that the negative effect of the terrorist group on FDI should be disregarded whether insignificant or not.

Furthermore, another reason for the insignificant effect as seen by the results and findings of the quantitative and qualitative analysis is that the Boko Haram group takes on a more indirect approach in its effect on the economy and FDI rather than a direct one. For example, in the qualitative analysis a number of respondents disclosed that due to the media exaggeration of terrorist incidents in the country especially by the Boko Haram insurgents, potential investors might be scared away from Nigeria in their FDI location decision. This is because the activities of this group are more lethal in terms of the scale of the terrorist attacks, the number of fatalities and the destruction to properties. When portrayed by the media houses, these gruesome sights are put forward and given the globalised and highly digitalised world we live in, this news can travel to the far ends of the world in a matter of seconds thereby discouraging potential investors (Adebayo, 2014; Oriakhi & Osemwengie, 2012).

Similarly, the aftermath of terrorist attacks leaves trails of renovation of destroyed infrastructure, rehabilitation and compensation of terrorist victims and increased counterterrorism measures that need to be made by the government. These things cost a lot of money and given the unplanned nature of terrorist attacks, these unforeseen events may not be budgeted for. Monies that could have been used to provide more quality infrastructure or pumped into other less productive sectors of the economy would now have to be channelled to the security and defence industry and for the fight against terrorism. These both in the short and long run will have an impact on the amount of FDI that will come into the economy because infrastructure for example based on the regression results emerged as a statistically significant positive determinant of inward FDI in Nigeria. This was similar to the findings of past empirical studies (Adebayo, 2014; Ndem et al., 2014; Okpara, 2012; Shah & Faiz, 2015). This is why Bandyopadhyay et al. (2015) emphasise the ability of rich and more diversified economy to withstand and recover quicker from terrorist attacks than developing and less diversified economies. Other studies consistent with the negative relationship between Boko Harm and FDI include (Adebayo, 2014; Chukwurah et al., 2015; Eme & Ibieta, 2012; Iyekekpolo, 2016; Njoku & Nwachukwu, 2015; Okpaga, Chijioke, & Eme, 2012; Solomon, 2015).

7.4.2. Niger Delta Militants and Inward FDI in Nigeria

The activities of the Niger Delta Militants revealed the greatest impact on inward FDI in both quantitative and qualitative analysis. The results of the quantitative analysis showed that an increase in the activities of the group leads to a decrease in the inflow of FDI into the country. This result which was statistically significant both in the long and short run, agreed with the findings of the qualitative analysis, which took into consideration the peculiarities of the terrorist group including their ideology, target victims and operating methods. Drawing from the findings obtained from the qualitative analysis, many of the MNEs refute to the categorising of the militants as a terrorist group. This is because the ideology behind their activities is based on agitations for resource control, revenue allocation and environmental sustainability. As such, their activities are not sporadic but planned and deliberate and most of the times they issue out warnings to the government. With an understanding between the militants and the government, MNEs may be able to operate peacefully as long as the needs of the host communities are met. Otherwise, given the significant impact of this terrorism type, the inflow of FDI to that region and the country at large will be deterred. Contrary to the finding of Efobi et al. (2018); Ikpe and Nteegah (2014); Wafure and Nurudeen (2010); Witte et al. (2017) who found a positive effect of either terrorism or a subset of terrorism, the findings of this research show that the activities of the militants discourage the flow of FDI into the country.

The quantitative results show that among the three terrorism dynamics, Niger Delta Militants have the greatest negative impact on inward FDI. This as explained by one of the interview respondents is because of the dominance of the sector in the Nigerian economy in terms of revenue generation. That is to say, anything that affects the oil and gas sector affects the entire economy. Thus, although MNEs may continue to operate in the region due probably to confidence that the government will be able to protect their interest and overcome the present security challenges, any attack by the militants will deter production and subsequent inflow of FDI.

Evaluating the variables employed in the model, the analysis showed that crude oil production is positively associated with inward FDI. The correlation results also show a significant relationship between the production of crude oil and the incidents perpetrated by Niger Delta Militants. This correlation, which moves in a positive direction, illustrates that the activities of

the militants are associated with periods of increased crude oil production. The works of Ikein (2016); Mähler (2010); Nwogwugwu et al. (2012) who discuss the gains and pains of crude oil in Nigeria support this finding. Due to the environmental hazards caused by oil production such as oil spills, the militants are unable to engage in their previous occupations such as farming or fishing. This leaves them without a source of livelihood and causes them to engage more in violent activities such as kidnapping, destruction of pipelines and properties which sometimes leads to shutting down of production by the MNEs, which drops COP and negatively affects FDI. These findings support the concept of resource curse and Dutch disease because although crude oil positively influences the inflow of FDI as emphasised by past empirical studies such as Asiedu (2006); Dinda (2010); Melo and Quinn (2015); Okon (2016), it also has a negative impact on the economy by destroying the environment and leading to agitations.

Although there exists a statistical relationship between the Niger Delta Militants and FDI, some MNEs have been able to develop strategies to manage the impact on their business. This is based on the notion of MNEs wanting to gain monopoly of the sector or industry as a first mover. Research has it that first mover companies enjoy more competitive advantages from being the first to access opportunities and enter local markets whereas later entrants may be confronted with more challenges and competition than early movers (Dykes & Kolev, 2018; Frynas, Beck, & Mellahi, 2000; Frynas & Paulo, 2006). Therefore, concerning some of the MNEs in the Niger Delta region, they have been in operation since the time of oil exploration and because of their timing of entry have been able to understand the motivations of these militants and make necessary contingency plans to abate terrorist activities whilst continuing business operations. This was supported by Idemudia (2009) who disclosed that long standing oil MNEs have increasingly reacted to the agitation of the militants by entering partnerships and agreements that benefit host communities and allows them operate. Because of these partnerships and agreements with the host communities, the militants reduce their attacks against MNEs which translates to a reduced negative effect on FDI.

Furthermore, Omeje (2017) discourses the opportunities that the insecurity challenges in the Niger Delta region has availed several first mover oil companies. According to him, MNEs have embarked on expansion activities through offshore production, gas development and offshore businesses, which are less susceptible to attacks than onshore production. These expansion activities have consequently created external linkages in terms of local and external

markets for gas that moderate the effect of militant activities onshore. Therefore, as one of the respondents stated, the relationship between terrorism and investment in Nigeria is a matter of weighing the risk and benefits, which she referred to as the “risk to incentive ratio” which in the case of Nigeria the incentive seems to be higher. However, there is need for government to address the demands of the militants. This is because if the agitations and activities of the militant groups continue to escalate it will have a continued significant negative impact on the flow of FDI into the country as activities such as kidnapping may deter expatriates and potential investors as seen in the long run results.

7.4.3. Other Terrorist Groups and Inward FDI in Nigeria

This grouping encompasses other perpetrating groups essentially the Fulani Herdsmen and other smaller groups. Similar to the Boko Haram group, terrorism by all other groups encompassed within this grouping revealed a non- statistically significant but negative impact on inward FDI. Focusing on the dominant group encompassed within this heading, the Fulanis represent an ethnic group located in the core northern states of Nigeria. For them their essential means of livelihood centred on cattle rearing prior to the advent of globalisation and the discovery of crude oil in the country. Owing to the recent move away from agriculture as the major economic sector of the Nigerian economy, their effects on FDI is rather insignificant given not just the minimal investment derived from the sector but also the location where their attacks are prominent. So for example, if the activities of the herdsmen were occurring say in the South West; Lagos especially, the impact this would have had on FDI would remain negative but would likely be greatly significant.

However, just like the Boko Haram group, these negligible impacts does not translate to no impact. It is pertinent to mention that though not the main stay of the economy, the Fulani ethnic group are accountable for over 90% of the country’s livestock population, which according to Bello (2013) translate to 33.3% GDP from the agricultural sector and 3.2% of aggregate GDP. Therefore, when incidents of terrorism occur, sometimes the victims fight back in defence killing some of these livestock thereby reducing the quota contributed by this sector to overall GDP. As seen from the quantitative result, market size is the major determinant of FDI into the country, so anything that affects it negatively ultimately affects economic

productivity and the level of FDI inflow into the country. Thus, the incidents of terrorism indirectly reduce the flow of FDI into Nigeria.

Another indirect effect that can be drawn out of the activities of other terrorist groups especially the Fulani herdsmen is the impact on inflation. The literature explains that the majority of attacks by this group have been in Benue State. The State, which is referred to the “food basket of the nation”, is well acclaimed because of the abundance of rich and diverse agricultural produce. With the attacks that have been perpetrated in this State, this has led to the creation of an artificial scarcity of goods and services because farmers are not able to engage in agricultural activities for fear of being attacked (Ndubuisi, 2018; Nwagboso, 2018; Uroko, 2018). As a result of this scarcity, there is an increase in the demand of goods and a limited supply which then forces the prices of products to increase. This leads to a state of inflation in the economy and from the quantitative results similar to previous empirical studies, it is observed that there is a negative relationship between inflation and inward FDI into Nigeria (Arawomo & Apanisile, 2018; Demirhan & Masca, 2008; Ebiringa & Emeh, 2013; Hayat, 2014; Maghori, 2014; Okon, 2016).

Taking into consideration that the qualitative findings put forward the size of the market and the population of the nation as a major motive for investing in Nigeria and given the incessant attacks of these other groups characterised by loss of lives and several injuries it is pertinent to conclude that this will reduce the population and therefore the size of the market. Similarly, with victims who unfortunately are injured or even maimed due to these attacks, it impedes their productive ability and further reduces the number of either cheap or skilled labour available in the country. The respondents disclosed the access to cheap and skilled labour as a business driver and another reason (though not primary) for engaging in FDI in Nigeria of which a number of previous studies support (Asiedu, 2006; Bairagi, 2017; Su & Liu, 2016; Zhuang, 2017).

Incorporating all of these ripple effects of the terrorist activities, it can be observed how both existing and potential foreign investors can be scared off from the country. However, though the possibilities of these effects exist, the results reveal that the negative effect is rather insignificant and therefore has a minimal impact on the inflow of FDI into Nigeria. This result is supported by other studies that found a negative effect between terrorism by other group

especially the Fulani Herdsmen and the impact on FDI and the Nigerian economy (Ajibefun, 2018; Bello, 2013; Ijirshar, Ker, & Yange, 2015; Ndubuisi, 2018; Uroko, 2018).

7.5. Regionalised and Sectorial Effects of Terrorism on FDI

The findings of this research disclosed that terrorism in Nigeria is regional and sectorial in nature. This finding in line with several empirical studies reveal that the operating regions of the terrorist groups under study greatly influences the level of impact each of these groups have on FDI and the Nigerian economy (D. E. Agbibo, 2013; Chuku et al., 2017; Eme & Ibietan, 2012; Joshua & Chidozie, 2014; Magnus & Joseph, 2015; Okon, 2016; Okunola & Johnson, 2017). From the findings of the qualitative analysis of data, participants stated that the majority of the FDI areas are located far away from terrorist activities with exception of the Niger Delta region that is home to a number of MNEs in the oil and gas sector. This finding is supported by the release made in Nigeria by the National Bureau of Statistics on capital importation for the second quarter of 2018, which revealed the top five States excluding the Federal Capital Territory (Abuja) as being from the South-East (Abia and Enugu States), South-South (Akwa Ibom State) and South-West (Lagos and Ogun States) regions (NBS, 2018). While this does not negate the fact that there may be some FDI presence in the northern region of the country, the findings emphasise that there are not substantial investments present in these areas enough to affect aggregate FDI into the country. Likewise, Onapajo and Uzodike (2012) in their study on the Boko Haram terrorism in Nigeria noted that the plague of the terrorist group only thrives in the northern region of the country. Therefore, given that there are no significant numbers of MNEs in that region, the quantitative results validate the insignificant association observed between terrorism (which is made up majorly of activities by the Boko Haram sect) and inward FDI in Nigeria.

The Niger Delta Militants as well as other terrorist groups for example the Fulani Herdsmen, are however located in regions that host several MNEs, which can therefore affect the inflow of FDI. From the quantitative results, it was observed that terrorism by the Niger Delta Militants followed by that of other unknown groups and the Boko Haram group had the largest impact on inward FDI. This further emphasises the minimal influence of Boko Haram group on FDI given their region and greater impacts of the other terrorism subsets. As explained in

previous sections, apart from the direct effects of the Niger Delta Militants and other terrorist groups on key sectors like the oil and gas and the agricultural sectors, total terrorism as well as terrorism by the Boko Haram group seem to affect the activities of MNEs in the services and banking/finance sector as well. This assessment, which was put forward, by one of the interviewees is supported by Najaf and Najaf (2016) who showed that terrorism affects businesses such as those in the banking industry.

This can be linked to the fact that in finance and banking sector information is key and so any negative news about terrorist attacks may cause uncertainty in the financial markets and instability of financial indicators such as interest rates or even exchange rates thereby negatively affecting the inflow of FDI (Arawomo & Apanisile, 2018; Ebiringa & Emeh, 2013; Maghori, 2014). The ripple effects of this spiral down to every other sector. For example, MNEs that may want to finance certain capital-intensive projects through borrowing may be confronted with higher interest rates. Similarly, MNEs that are subsidiaries of parent companies overseas and have to send back their profit may be faced with lower profits after converting profits from local currency to foreign currency. Thus with the negative effects on these key sectors though minimal, this translates to negative effects on total FDI as these sectors rank among the top three recipient sectors in terms of capital importation and have a way of affecting other sectors of the economy (NBS, 2018).

7.6. The Role of Natural Resources in the Terrorism/FDI Relationship.

The terrorism/FDI discourse has it that the presence of natural resources can moderate the impact of terrorism on inward FDI due to the positive influence of natural resources on the flow of FDI (Asiedu, 2006; Dinda, 2010, 2012; Melo & Quinn, 2015; Poelhekke & van der Ploeg, 2010). While high incidents of terrorism may discourage the inflow of FDI, the results from the quantitative analysis show that the impact of terrorism on FDI is reduced given the presence of crude oil production. The results suggest a moderating effect of oil deposits on the negative impact of terrorism on FDI. The quantitative results predicted that for a one incident increase in terrorism, the inflow of FDI will decrease by an amount lower than what was obtained in models where the natural resource variables were excluded.

From the quantitative analysis without the presence of natural resources measures, an increase in total terrorism by one incident would lead to a US\$1,990,157m decrease in inward FDI. However, given the presence of natural resources in Nigeria, FDI experiences a US\$297,792m decrease which is about 85.% decrease compared to the amount of FDI inflow without COP. The qualitative results correspondingly reveal that the endowment of the natural resources mitigate the influence of terrorism on FDI especially for resource seeking MNEs who are more prone to terrorist activities of the militants. This finding supports several past empirical studies that opine on the importance of the crude oil in attracting FDI and its importance to the Nigerian economy (Agbiboa, 2013; Idemudia, 2009; Kimberly, 2012; Mähler, 2010; Nwogwugwu et al., 2012; Orogun, 2010).

7.7. Summary

In this chapter, the findings from the quantitative and the qualitative research analyses were discussed. It was shown that the finding supports most of the previous studies regarding the cost of terrorism on inward FDI in Nigeria. However, findings of the current study also indicate that the Nigerian economy is quite peculiar and different from others and reveal several interesting facts about the terrorism/FDI discourse.

The chapter put forward that MNEs in Nigeria are either market seeking driven or resource seeking driven with the former being mainly associated with non-resource MNEs and the latter with resource MNEs. The chapter tied in the results of the regression analysis that revealed market size as the major statistically significant predictor of FDI in Nigeria among other variables including trade openness and infrastructure. It also disclosed access to economies of scale as an offshoot of market seeking motives and the reason for FDI engagement in the Nigerian economy because it avails MNEs the opportunity of access to other African countries from the Nigerian market.

The chapter discussed at length the main research focus of the study, which was to evaluate the relationship between terrorism and FDI. The findings just as expected and in line with a number of empirical studies showed a statistically negative relationship between total terrorism in Nigeria and the inflow of FDI which exerted several impact on MNEs, potential FDI and the

economy at large. An explanation was given on how the presence of terrorist activities increase transaction cost, reduce productivity and lead to possible relocation of potential investment.

On the effects of disaggregated terrorism on inward FDI, the chapter supported with evidence and extensively discussed the negative effects of the Boko Haram sect, Niger Delta Militants and other terrorist groups on inward FDI as established by both the quantitative and qualitative results. The Niger Delta Militants particularly showed the greatest negative impact on the inflow of FDI. Drawing from the works of previous studies, the discourse among other explanations showed that the extent of this observed negative association could be linked to the coinciding of the activities of militants with increased crude oil production. This crude oil production leads to the pollution of the environment because of oil spills and the consequent agitations of the militants.

The chapter also expounded on the details of the regional and sectorial impact of the terrorist groups understudy on inward FDI and the Nigerian economy. It was explained that the relationships observed between the different terrorist groups and FDI across the ARDL models could be explained by the region and target sector associated with the distinct terrorist groups. It was discussed that the majority of Nigeria's FDI occur in areas that are away from terrorist attacks with the exclusion of MNEs in the oil and gas sector located in the Niger Delta Region. The chapter further discussed that the banking/finance, servicing, agricultural and oil and gas sectors are the main affected sectors of terrorist activities in the country given that these are the top recipient sectors of Nigeria's total capital importation. Therefore, anything that affects these sectors affects the rest of the sectors within the nation. Finally the chapter explained the role of natural resources in Nigeria in mitigating the negative effects of terrorism on FDI showing it to cause a reduction in the negative effect of all types of terrorism on FDI.

8. STUDY CONTRIBUTIONS, RECOMMENDATIONS AND CONCLUSION

8.1. Introduction

This chapter provides a summary of the thesis re-emphasising the research problem and the key findings of the study. It further proffers some recommendations and provides insight into the contributions of the research to existing literature. The chapter is structured into six sections beginning with Section 8.1, which provides the scope and gives an outline of the chapter. Section 8.2 reiterates the research aims, objectives and questions. Section 8.3 summarises the contributions of the research. In the Section 8.4, some recommendations drawn from the findings of the research are made while Section 8.5 discusses the limitations of the thesis from which potential opportunities for future research are extended. Finally, in Section 8.6 the section concludes the thesis highlighting the main research findings.

8.2. Research Aims, Objectives and Questions

This study sought to analyse the cost of terrorism on inward FDI in Nigeria and evaluate the role of natural resources on the relationship between terrorism and inward FDI in Nigeria. To achieve this the following research objectives were set forth:

- i. To examine the motivations of MNEs in engaging in FDI in Nigeria.
- ii. To understand the causes of terrorism in Nigeria and determine the relationship between terrorism and inward FDI in Nigeria.
- iii. To evaluate the relationship between disaggregated terrorism and inward FDI in Nigeria.
- iv. To analyse both the regionalised and sectorial effects of terrorism on FDI.
- v. To assess the role of natural resources in the relationship between overall terrorism and inward FDI.

Based on the research objectives, the following research questions were proposed towards achieving the research objectives:

- i. Why are MNEs motivated to engage in FDI in Nigeria?

- ii. What are the causes of terrorism in Nigeria and the relationship between total terrorism and inward FDI in Nigeria?
- iii. What are the relationships between disaggregated terrorism and inward FDI in Nigeria?
 - a. What is the relationship between Boko Haram terrorism and inward FDI in Nigeria?
 - b. What is the relationship between Niger Delta Militants terrorism and inward FDI in Nigeria?
 - c. What is the relationship between terrorism by other unknown groups and inward FDI in Nigeria?
- iv. How do the different geographical regions and economic sectors affect the impact of terrorism on inward FDI?
- v. What is the role of natural resources in the relationship between overall terrorism and inward FDI?

8.3. Study Contributions

This section summarises the research contributions under four subcategories: theoretical, empirical, methodological and contribution to practice.

8.3.1. Theoretical Contribution

Over the years, countries, scholars as well as world organisations have continued to inquire why firms invest abroad. This has led to the development of several theories to justify the engagement of firms in foreign investment activities. This study employed one of the major theories in the international business and FDI field of study in the context of FDI in Nigeria. This research built upon the OLI framework and tested its practicability in the Nigerian economy. The findings of the research allowed for the verification of the reliability and practicability of the theory as MNEs operating in Nigeria possessed all advantages extended by Dunning (2000, 2001) to allow for the engagement of FDI. Similarly, this research contributed theoretically by ascertaining that MNEs are motivated by specific motives in their decision to engage with a host country. This research extended that in Nigeria, MNEs were either market or resource seeking motivated.

8.3.2. Empirical Contribution

This study adds to the existing body of literature on the FDI/Terrorism discourse. Previous studies have analysed the effect of terrorism on FDI in Nigeria; looking at terrorism as a composite variable mostly based on the activities of Boko Haram. No single study has looked at both the composite and the disaggregated forms of terrorism in the same study for a deeper analysis of their effects on FDI in Nigeria. Drawing from the unexpected results and recommendations of Ikpe and Nteegah (2014) this study bridged that gap and served as a pioneering work in the Nigerian context by disaggregating the major forms of terrorism in order to explore and gain an in-depth understanding of their effects on inward FDI.

8.3.3. Methodological Contribution

Based on the review of previous literature, this study attempted to challenge the existing assumption using mixed methods research and presented a novel approach to the analysis of the relationship of terrorism on inward FDI in Nigeria. This was done through drawing upon quantitative secondary data and qualitative primary data gathered from semi-structured interviews. Unlike previous empirical studies within this subject area employing either quantitative or qualitative research design, this research used a mixed method approach to ensure comprehensiveness in the findings. This served as an innovative step and a methodological contribution to this research area.

8.3.4. Contribution to Practice

This study has shown that beyond the analysis of total terrorism in Nigeria, an understanding of the subsets of terrorism in Nigeria is key. Therefore, the disaggregating of terrorism in the country offered definite policy implications to government and other state actors tailored towards the distinct terrorist groups and their effects on inward FDI and the Nigerian economy. Furthermore, it provided an insight to key determinants of FDI in Nigeria highlighting macroeconomic, social and political variables that require continuous development that can on the long-run lead to an increase in economic growth and other positive consequences.

Concerning the MNEs, the study revealed ways in which MNEs can be more sensitive to the host economies wherein they operate and engage them more through fulfilment of their

corporate social responsibilities. It further enlightens potential MNEs about the terrorism situation in Nigeria, the key drivers of FDI, top productive geographical regions and sectors allowing them make more informed FDI locational decisions.

8.4. Recommendations of the Study

The following recommendations were drawn from the findings of the study, which encompassed both quantitative and qualitative findings and were particular to the Nigerian economy and government.

- i. **Counterterrorism Measures:** Given the negative effect of terrorism on FDI as reported in this research, government needs to be more proactive in handling the terrorism situation in the country. Although the measured negative effect was minimal which was because many of the locations currently affected by terrorism are not located in the major economic hubs, government alongside other stakeholders should invest more in counterterrorism measures. This is because if terrorism spreads to those key locations it is likely to have a more drastic effect on FDI. In addition, more investment needs to be made into internal security and the welfare of law enforcement officials. This may include for example, investment into more sophisticated weapons and a compensation scheme for security personnel to boost their motivation to combat terrorism. Funding for the paramilitary and all other antiterrorism apparatus should be increased and this would need to come from increased provisions for the defence sector in the national budget.
- ii. **Foreign Aid:** The government should actively seek foreign aid in combating terrorism within the country being part of a global village. There are several organisations of which Nigeria is a member country such as the African Union, the United Nations, Economic Community of West African States (ECOWAS), the Commonwealth of Nations, International Monetary Fund (IMF), Organization of Petroleum Exporting Countries (OPEC), World Health Organisation and many others.
- iii. **Improving the Niger Delta Region:** Government needs to actively pay more attention to the agitation and the acute poverty situation in the Niger Delta region (despite the location being the major source of the nation's revenue). From the discourse with the interview

participants, the militants want better lives for themselves and the region, which is the main ideology behind the agitation. The Nigerian government needs to focus more on giving more power to the local governments and the communities within the region. This could be done by taking up the issues of environmental degradation and increasing effort to clean up these communities suffering from oil spills and build new towns for the communities located close to oil wells. This will allow for more inflow of FDI into the region. There is need to also create employment opportunities and other forms of empowerment for them including educational opportunities and scholarships, which will give them a source of livelihood.

- iv. **Diversification of the Economy:** More effort should be put into the diversification of Nigeria's economy. With the country's reliance on the oil and gas sector, if anything goes wrong within the sector the economy will be greatly affected. Other sectors such as agriculture, health, tourism, manufacturing including textiles, weaving and other areas should be developed. This will open up the economy even more and create job employments for the youth thereby deterring them from engaging in acts of violence and terrorism. The country should also seek to develop its local or domestic market by becoming self-sufficient in terms of revenue generation, which together with the inflow of FDI the nation may be able to realise several macroeconomic goals especially the reduction in unemployment. This can be done through government implementing policies that allow each State or even region generate its revenue and use it for the development of that State or region aside from the allocation they receive from the federal government. This is of particular importance because money is currently being taken from oil producing States to develop other States, which though still acceptable is making other regions and States to be neglected.
- v. **Improved Institutional Frameworks:** All institutions concerned with investment in the country should be restructured and a key step towards that restructuring involves combating corruption. Government needs to close every loophole that aids corruption and all other avenues from which money that ought to be invested in resource-producing communities are being diverted to other regions. Investment parastatals should develop improved principles and guidelines for doing business in the country. This should include

developing and implementing watertight policies that guide the way MNEs operations are done especially regarding the local content policy that would avail indigenes of host communities' job opportunities in MNEs.

- vi. **International Representation:** Government through country ambassadors should do a lot of sensitization about the political and economic climate of the country to counter the negative perception projected on a global scale. This will increase the inflow of FDI and redirect potential FDI that could have been lost to other countries to the Nigerian economy.

8.5. Research Limitations and Future Research

This research emerged with several study contributions. However, the following are considered to be areas that future research can explore.

- iv. **Scope of the Study:** Given that the fieldwork was carried out in Nigeria, the uniqueness of the research context impedes the generalisability of findings to other parts of the world. This could be because of the economic, social, environmental and cultural peculiarities possessed by Nigeria which make it different from other countries. This however, does not in any way question the validity and reliability of the findings as rigorous methodological processes were observed in the conducting of the research. Future research can incorporate countries from different regions of the world so that the findings can be more generalisable globally.
- v. **Data Availability:** Due to a lack of sector specific data on the inflow of FDI into Nigeria, this study was unable to statistically analyse the effect of terrorism on the different sectors of the economy. Although this was achieved qualitatively, this paves way for future research to explore the influence of terrorism on inward FDI in different sectors of the Nigerian economy or oil and non-oil sectors.
- vi. **Accessibility of study participants:** Another limitation encountered was the difficulty in accessing more interview participants than those utilised in the qualitative analysis due to the unavailability of some of the initially contacted respondents. Although the

number of interviews were sufficient for this research given the extensiveness of the interviews, the research may have benefitted from the extra contributions of more participants that could potentially have yielded more insightful findings.

- vii. **FDI Determinants:** The scope of this study did not permit the analysis of all potential variables that could affect the inflow of FDI into the country. Some of those variables which were mentioned during the interview of participants include corruption and human resources (cheap, skilled and unskilled labour). This research extends the opportunity for the analysis of these variables in the Nigeria context exploring other data collection techniques such as questionnaires and focus groups.

8.6. Concluding Discourse

The majority of past empirical studies draw upon the OLI framework and the motivations of FDI as proposed by Dunning (2001) as a theoretical framework for FDI discourses. Understanding the motivations of MNEs decision to invest abroad has led to the development of a number of factors extended to either encourage or deter FDI locational decisions. The mainstream assumption as well as empirical evidences from previous studies generally point to the negative association and effect of terrorism on the inflow of FDI into a country. However, a small number of studies have surprisingly found a positive direction of association between terrorism and FDI in different context including Nigeria. Drawing upon one of such studies (Ikpe & Nteegah, 2014), this research employed a mixed methods approach to unravel this surprising result and analyse the relationship between all forms of terrorism in Nigeria and inward FDI. To achieve this, the study developed five research objectives and the associating hypotheses.

The findings of the study showed that regarding the motivations of MNEs in engaging in FDI in Nigeria, MNEs are motivated either by market or by resource seeking motives. On the one hand, the market seeking motivation of FDI activities were based on the large market size availed by the Nigerian economy to MNEs offering them opportunities of economies of scale and access to other neighbouring countries. This motive mainly applied to MNEs in the non-oil sectors of the Nigerian economy and stood out as the most statistically significant variable

from the quantitative analysis of data. On the other hand, the resource seeking motives was found to be the major motivation for the engagement of MNEs in the oil and gas sector in FDI operations in Nigeria. Given the country's huge deposits of crude oil amongst other natural resources, the findings of the study disclosed that MNEs invest huge amount of capital in the exploration and production of crude oil in the country.

The findings of the research extended in line with existing literature that terrorism incidents are motivated based on economic, socio-political and/or environmental. This encompassed underlying causes such as economic deprivation, environmental degradation, resource control, CSR, religious beliefs and corruption. Despite the prevalence of these causes, the overall result of this research revealed a non-statistically significant negative relationship between total terrorism and inward FDI in Nigeria. This negative relationship as revealed both by the quantitative and qualitative research analysis showed that an increase in the incidents of terrorism in Nigeria led to a decrease in the inflow of FDI into the country. Similar to the findings of several studies, the effects of this negative associations translated to several costs to MNEs such as transaction costs in terms of higher insurance premiums, investment in additional security personnel and measures, extra cost for staff and expatriates working in terrorist prone areas such as risk or danger pay. They also led to reduced productivity in the operations of the MNEs and potential relocation of investment to other countries. The research also found that the publicising of the terrorist activities by media houses has led to the creation of a negative notion about Nigeria on a global scale, which could possibly cause a detour of potential investment to other seemingly safer countries.

The research established that terrorism in the Nigerian context calls for the disaggregating of the concept of terrorism given the different operational groups in the country to understand their influence on FDI better. In line with the literature, the research put forward that there are several terrorist groups operating in Nigeria but given the scope of this research, the Boko Haram group and the Niger Delta Militants were the focus while all other groups were categorised under the heading called "Others" (championed by the Fulani Herdsmen). The quantitative and qualitative analyses revealed a negative association between all forms of terrorism and the inflow of FDI. The Niger Delta Militants particularly, showed the greatest negative association with inward FDI. While this was not surprising, a deeper analysis into this outcome revealed that periods of increased oil production may lead to more militant activities

due to the ensuing environmental hazards such as oil spills, gas flaring and so on. The research also discussed the long run relationships between all forms of terrorism with inward FDI. It also alluded to the fact that the relationships between terrorism by the Boko Haram group and the Fulani Herdsmen and FDI were insignificant pointing to a marginal influence of these groups on the operations of MNEs and the inflow of FDI in Nigeria.

Exploring the non-statistically significant relationships revealed by some of the terrorism variables, the research findings showed that this may be due to regional and sectorial effects these groups have on the economy and on FDI as well. Drawing from the literature review of these terrorist groups and the findings from interview participants, the different terrorist groups are localized in different geographical regions in the country. With the activities of the Boko Haram sect in the North East and the Fulani Herdsmen in the North Central of the country, the impact of these groups on FDI and the economy takes on an indirect approach because the majority of MNEs in Nigeria are located in different regions (South West and South South) far away from terrorist operations. The Niger Delta Militants on the hand are situated in the heart of the nation's oil production and exploration centre and so have a direct impact on the activities of MNEs in that region. Despite the country's substantial reliance on crude oil making it for a long time a mono-economy, recent years have seen an attempt at diversification. As a result, this has led to the emergence of other sectors such as banking and finance, agriculture and services with a lot of FDI flowing to them. Drawing from the research findings, while the direct influence of terrorist activities on the above mentioned sectors are minimal, they all suffer some indirect impacts of the activities of the different terrorist groups with the topmost three sectors mostly affected comprising: banking and finance, agriculture and oil and gas sectors.

The thesis also assessed the role of natural resources in the relationship between overall terrorism and inward FDI. While there abound mixed results of the effects of natural resources on the flow of FDI into a country, the literature also has it that the presence of natural resources in a terrorist affected country can mitigate the adverse effect of terrorism on inward FDI. Using Crude oil production as a measure of natural resources, the research showed a statistically significant positive relationship between crude oil production and FDI in the short run but a negative relationship between COP and FDI in the long run. Overall, the research revealed that the presence of natural resources mitigated the effects of terrorism on FDI as shown by a

reduced amount of decrease in the inflow of FDI when compared to analysis without the presence of natural resources.

In conclusion, the thesis supported a wide number of studies that found a statistically significant negative relationship between total terrorism and FDI. Though not statistically significant across some terrorism subsets, the research found that this could be due to the regional and sectorial nature of terrorist groups and activities in Nigeria. Finally, the country's endowment with an abundance of natural resources serves as a moderator to the negative impact of terrorism on the inflow of FDI in Nigeria.

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APPENDICES

Appendix 1: Global FDI, 1970–2017, billions of USD

YEAR	GLOBAL FDI INFLOWS (\$)
1970	10,172,428,390
1971	11,812,145,215
1972	12,203,758,691
1973	16,983,559,109
1974	20,149,155,514
1975	23,152,942,623
1976	18,450,820,896
1977	25,242,154,692
1978	31,742,604,142
1979	40,476,999,675
1980	51,463,516,296
1981	66,261,443,673
1982	53,790,951,192
1983	47,540,791,812
1984	57,513,140,649
1985	55,831,322,506
1986	84,562,500,138
1987	128,227,304,830
1988	153,269,840,471
1989	189,101,407,233
1990	196,314,842,873
1991	147,008,507,019
1992	153,248,189,091
1993	211,747,657,262
1994	241,856,489,979
1995	319,900,395,114
1996	363,575,574,037
1997	461,268,353,809
1998	679,307,688,135
1999	961,898,356,357
2000	1,460,994,460,549
2001	796,273,520,164
2002	744,140,741,823
2003	716,480,022,039
2004	1,014,959,735,953
2005	1,546,421,228,615
2006	2,160,466,665,141
2007	3,110,979,875,733
2008	2,459,981,808,891
2009	1,373,102,517,525
2010	1,863,649,376,751
2011	2,290,269,942,232
2012	2,118,656,657,529
2013	2,136,899,968,216
2014	1,860,631,944,208
2015	2,411,357,560,715
2016	2,458,331,170,111
2017	1,949,573,009,215

Source: *World Development Indicators; World Databank*

Appendix 2: Global FDI by group of economies, 1970–2017, millions of USD

YEAR	DEVELOPING ECONOMIES	TRANSITION ECONOMIES	DEVELOPED ECONOMIES
1970	3,766	..	9,491
1971	3,591	..	10,651
1972	3,252	..	11,508
1973	4,898	..	15,468
1974	2,213	..	21,658
1975	9,538	..	16,854
1976	6,400	..	15,531
1977	6,906	..	20,138
1978	8,876	..	25,368
1979	8,116	..	33,779
1980	7,396	-	46,976
1981	23,834	-	45,734
1982	26,468	-	31,750
1983	17,683	-	32,692
1984	16,972	-	39,194
1985	14,070	-	41,744
1986	15,832	-	70,897
1987	21,763	-	115,108
1988	30,558	-	133,641
1989	30,388	18	166,543
1990	34,649	75	170,195
1991	39,310	204	114,480
1992	53,457	1,651	107,868
1993	75,689	3,025	141,404
1994	102,387	1,935	150,599
1995	117,753	3,999	219,764
1996	147,136	5,338	236,343
1997	185,392	9,807	286,294
1998	174,995	7,169	508,532
1999	216,250	7,132	852,939
2000	231,581	5,924	1,121,110
2001	215,953	8,258	548,452
2002	166,178	10,046	413,612
2003	194,862	17,833	337,939
2004	261,830	28,997	401,770
2005	331,468	30,666	586,804
2006	403,306	58,829	941,413
2007	522,411	87,233	1,284,171
2008	577,702	117,733	789,770
2009	461,004	61,779	656,281
2010	628,480	63,675	679,764
2011	663,856	79,430	824,391
2012	651,500	64,948	858,263
2013	648,539	83,684	693,154
2014	685,292	56,541	596,699
2015	744,032	36,022	1,141,251
2016	670,158	64,129	1,133,245
2017	670,658	46,767	712,383

Source: UNCTAD

Appendix 3: Multicollinearity: Correlation Matrix

MODEL 1										
	FDI	GDPG	GDPPC	OPEN	INF	INFRAS	COP	EXRTE	POPG	TI
FDI	1									
GDPG	0.146281	1								
GDPPC	0.758152	-0.11715	1							
OPEN	0.277474	0.247843	-0.03207	1						
INF	-0.18439	-0.24189	-0.32403	-0.03164	1					
INFRAS	0.593528	0.14319	0.241756	0.258527	-0.06445	1				
COP	0.258853	0.224847	-0.02075	0.776188	-0.0868	0.383482	1			
EXRTE	0.720845	0.104444	0.669596	0.227866	-0.21509	0.405167	0.194862	1		
POPG	0.092881	-0.23308	0.261326	0.304271	-0.06348	-0.1419	0.285297	-0.03623	1	
TI	0.494474	-0.02769	0.754742	-0.06011	-0.19324	-0.14957	-0.08571	0.697312	0.113727	1

MODEL 2										
	FDI	GDPPC	GDPG	OPEN	INF	INFRAS	COP	EXRTE	POPG	TI_BK
FDI	1									
GDPPC	0.758152	1								
GDPG	0.146281	-0.11715	1							
OPEN	0.277474	-0.03207	0.247843	1						
INF	-0.18439	-0.32403	-0.24189	-0.03164	1					
INFRAS	0.593528	0.241756	0.14319	0.258527	-0.06445	1				
COP	0.258853	-0.02075	0.224847	0.776188	-0.0868	0.383482	1			
EXRTE	0.720845	0.669596	0.104444	0.227866	-0.21509	0.405167	0.194862	1		
POPG	0.092881	0.261326	-0.23308	0.304271	-0.06348	-0.1419	0.285297	-0.03623	1	
TI_BK	0.424112	0.721456	-0.02809	-0.08222	-0.17841	-0.21375	-0.09999	0.639591	0.112554	1

MODEL 3

	FDI	GDPPC	GDPG	OPEN	INF	INFRAS	COP	EXRTE	POPG	TI_NDM
FDI	1									
GDPPC	0.758152	1								
GDPG	0.146281	-0.11715	1							
OPEN	0.277474	-0.03207	0.247843	1						
INF	-0.18439	-0.32403	-0.24189	-0.03164	1					
INFRAS	0.593528	0.241756	0.14319	0.258527	-0.06445	1				
COP	0.258853	-0.02075	0.224847	0.776188	-0.0868	0.383482	1			
EXRTE	0.720845	0.669596	0.104444	0.227866	-0.21509	0.405167	0.194862	1		
POPG	0.092881	0.261326	-0.23308	0.304271	-0.06348	-0.1419	0.285297	-0.03623	1	
TI_NDM	0.488383	0.427735	-0.03535	-0.03793	-0.1123	0.210077	-0.05773	0.555421	0.059087	1

MODEL 4

	FDI	GDPPC	GDPG	OPEN	INF	INFRAS	COP	EXRTE	POPG	TI_OTHERS
FDI	1									
GDPPC	0.758152	1								
GDPG	0.146281	-0.11715	1							
OPEN	0.277474	-0.03207	0.247843	1						
INF	-0.18439	-0.32403	-0.24189	-0.03164	1					
INFRAS	0.593528	0.241756	0.14319	0.258527	-0.06445	1				
COP	0.258853	-0.02075	0.224847	0.776188	-0.0868	0.383482	1			
EXRTE	0.720845	0.669596	0.104444	0.227866	-0.21509	0.405167	0.194862	1		
POPG	0.092881	0.261326	-0.23308	0.304271	-0.06348	-0.1419	0.285297	-0.03623	1	
TI_OTHERS	0.603079	0.773502	-0.0182	0.020409	-0.2185	-0.01039	-0.02618	0.754879	0.105243	1

Appendix 4: Letter to the Corporate Affairs Commission for List of MNEs

University of
HUDDERSFIELD
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2013
THE AWARDS
AWARD WINNER
UNIVERSITY OF THE YEAR

To:

Corporate Affairs Commission
Corporate Headquarters
Off Aguyi Ironsi Street
Maitama
Abuja
Nigeria

1st June 2017

Letter of Request for Elizabeth Johnson

Dear Sir,

I would like to introduce Elizabeth Johnson, a post-graduate student with the University of Huddersfield in the United Kingdom. She is currently enrolled for a PhD programme in International Business with the Business School. Research in the Business School is one the most vital activities that students embark upon to enhance their understanding of local, national and international economics. In view of this, they are required to field work and collect both current and accurate data for analysis of their research work.

Consequently, it will help if you could avail her with data on the names of companies registered as foreign firms engaged in international businesses with Corporate Affairs Commission. It is pertinent to state that data are purely for academic purposes and confidentiality of data is assured.

Thank you very much for your help.

Yours' faithfully



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Chancellor: HRH The Duke of York, KG

Vice-Chancellor: Professor Bob Cryan CBE DL FREng MBA DSc CEng FIET FHEA



Appendix 5: Participant Information Sheet

TITLE OF PROJECT

The Cost of Terrorism on Foreign Direct Investment in Nigeria

INFORMATION SHEET

You are being invited to take part in a study about the cost of terrorism on inward foreign direct investment in Nigeria. Before you decide to take part it is important that you understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with me if you wish. Please do not hesitate to ask if there is anything that is not clear or if you would like more information.

What is the study about?

This study is aimed at contributing to the growing FDI literature by exploring the cost of terrorism on the inflow of FDI in Nigeria. The research is structured in such a way that will reveal the motivations of Multinational Enterprises (MNEs) in engaging in FDI in Nigeria. The study also seeks to understand the major forms of terrorism in Nigeria and their causes and further determine the relationship between terrorism and FDI in Nigeria. Considering the numerous deposits of natural resources in the country, the study is also concerned about assessing the role of natural resources in the terrorism/FDI relationship. Finally, this research is carried out in order to analyse both the regionalised and sectorial effects of terrorism on FDI. The data collected will enable informed policy recommendations to be made that will in the long run increase economic growth and make the country an investment hub for Africa and the world at large.

Why I have been approached?

After a rigorous selection process, you have been selected and asked to participate because you are in possession of quality information on which the success of this research is hinged upon. Furthermore, your participation will not only aid in achieving the objectives of this study but will allow for future recommendations to be made based on real life experiences.

Do I have to take part?

It is your decision whether or not you take part. If you decide to take part you will be asked to sign a consent form, and you will be free to withdraw at any time and without giving a reason. A decision to withdraw at any time, or a decision not to take part, will not affect your professional image and will strictly abide by the tenets of participant confidentiality.

What will I need to do?

If you agree to take part in the research you will be asked to respond to interview questions regarding the topic under consideration. Your participation may last up to 45 minutes.

Will my identity be disclosed?

It is important to state that all information is purely for academic purpose and the confidentiality of the participant is assured. That is to say, all information disclosed within the interview will be kept confidential, unless you indicate otherwise.

What will happen to the information?

All information collected from you during this research will be kept secure and any identifying material, such as names will be removed in order to ensure anonymity. It is anticipated that the research may, at some point, be published in a journal or report. However, should this happen, your anonymity will be ensured, although it may be necessary to use your words in the presentation of the findings and your permission for this is included in the consent form.

Who can I contact for further information?

If you require any further information about the research, please contact me on:

Name: Elizabeth Johnson
E-mail: e.e.johnson@hud.ac.uk

Appendix 6: Participant Consent Form



CONSENT FORM

Title of Research Project: The Cost of Terrorism on Foreign Direct Investment in Nigeria

It is important that you read, understand and sign the consent form. Your contribution to this research is entirely voluntary and you are not obliged in any way to participate, if you require any further details please contact the researcher.

I have been fully informed of the nature and aims of this study as outlined in the information sheet Version 1: date 10:04:17	<input type="checkbox"/>
I consent to taking part in this the study	<input type="checkbox"/>
I understand that I have the right to withdraw from the research	<input type="checkbox"/>
I give permission for my words to be quoted (by use of pseudonym)	<input type="checkbox"/>
I understand that the information collected will be in kept secure conditions for a period of time at the University of Huddersfield	<input type="checkbox"/>
I understand that no person other than the researcher will have access to the information provided	<input type="checkbox"/>
I understand that my identity will be protected by the use of pseudonym in the report and that no written information that could lead to my being identified will be included in any report	<input type="checkbox"/>

If you are satisfied that you understand the information and are happy to take part in this project please put a tick in the box aligned to each sentence and print and sign below.

Signature of Participant: <hr/> Print: <hr/> Date: <hr/>	Signature of Researcher: <hr/> Print: <hr/> Date: <hr/>
---	--

(One copy to be retained by Participant / one copy to be retained by Researcher)

Appendix 7: Interview Questions

THE COST OF TERRORISM ON FOREIGN DIRECT INVESTMENT IN NIGERIA

RESEARCH OBJECTIVES

- vi. To discover the motivations of MNEs in engaging in FDI in Nigeria.
- vii. To understand the major forms of terrorism in Nigeria and their causes.
- viii. To determine the relationship between terrorism and FDI in Nigeria.
- ix. To assess the role natural resources in the relationship between terrorism and FDI.
- x. To analyse both the regionalised and sectorial effects of terrorism on FDI.

LIST OF INTERVIEW QUESTIONS

Section One: Firm's Profile

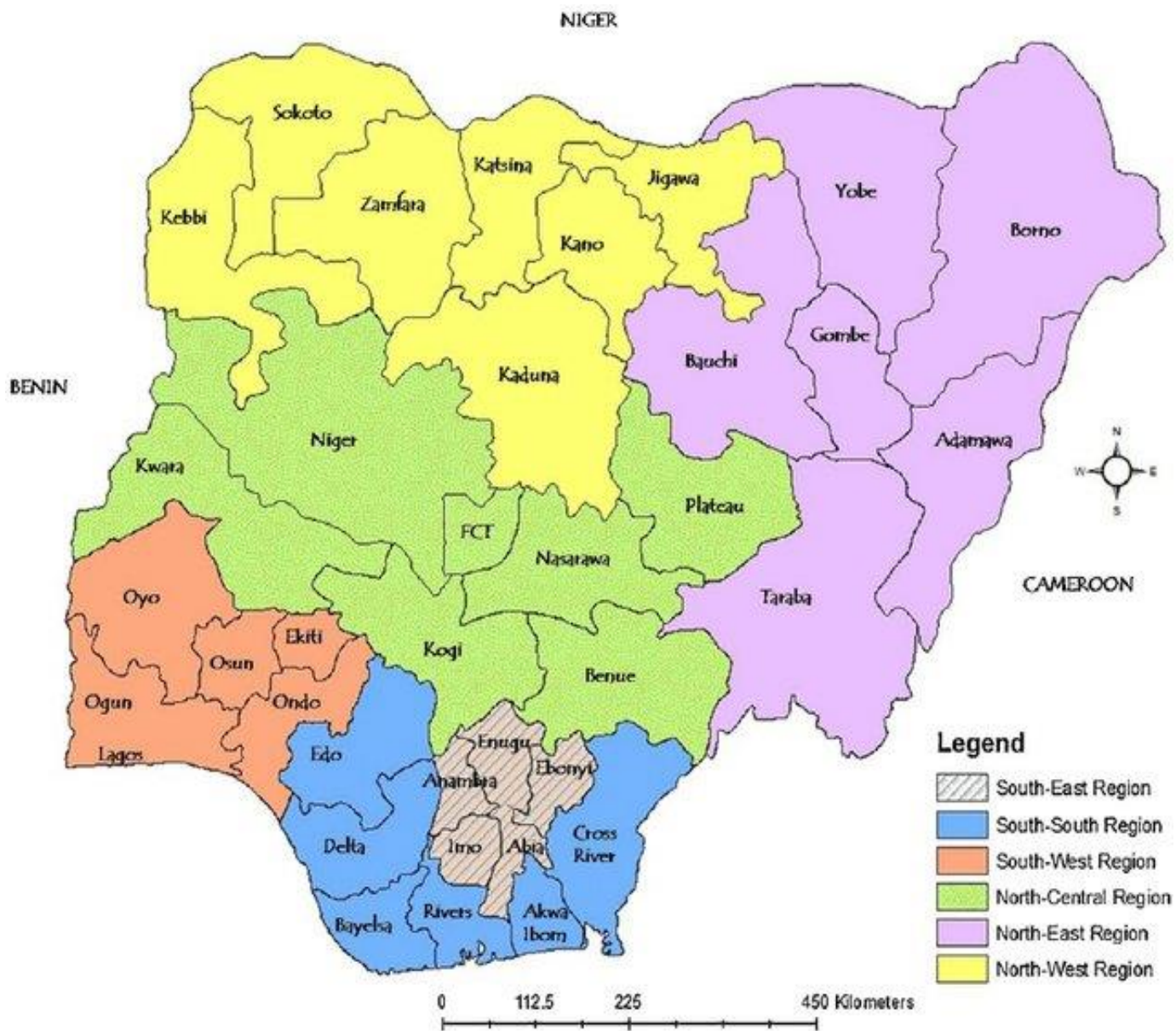
1. Which geo-political zone is your firm located?
North-Central States, North-Eastern States, North-Western States, South-Eastern States, South-Southern States, South-Western States.
2. What sector/industry is your firm engaged in?
Agriculture, Solid Materials, Petroleum and gas, Manufacturing, Telecommunication, Finance and business services, Wholesale & retail trade, Hotel and restaurants, Construction, Defence, Others (please specify).....
3. What form of Foreign Direct Investment is your firm engaged in?
Owning a Subsidiary, Branch Office/Affiliates, Joint Venture, Strategic Alliance, Licensing/Franchise Agreement, Manufacturing/Management Contract, Others (please specify).....
4. What year did your firm start operations in Nigeria?
5. How many years has your firm been involved in Foreign Direct Investment in Nigeria?

Section Two: Semi Structured Interview

1. Why invest in Nigeria?
 - What was/were your motivation(s) for FDI in Nigeria?
2. What makes for a favourable and unfavourable investment environment for FDI?
 - Were there certain factors you considered during your FDI decision making process?
3. What are your long term (say 5-10 years) investment plans in Nigeria?
 - Do you think terrorism would impact your company's long term decisions?
4. Which sector is mostly targeted by foreign investors coming into Nigeria?
5. How can FDI contribute in making the country an investment hub for Africa?
6. How can you explain terrorism?
7. Terrorist groups come in many faces globally, how has this unravelled itself in Nigeria?

8. Is there a particular ideology behind terrorist activities?
9. Why do you think terrorist activities occur?
 - Are there different motivations for the different terrorist groups in Nigeria?
 - Who are terrorist activities targeted at?
10. How does terrorism affect the Nigerian economy and your business specifically?
11. Are the effects of terrorism nation-wide or regionalised? Does this have any impact on FDI?
12. In what ways do you think terrorism affects FDI?
13. What is the cost of terrorism
 - Security, losses, pay-offs and staff attrition etc. (Financial cost in terms of profit)
14. Do you think terrorism in Nigeria is sectorial?
 - How does terrorism affect the different sectors of the economy?
15. As a country with a wide variety of natural resources, what are the possible influences of these natural resources on the relationship between terrorism and inward FDI?
16. The Global Terrorism Database (GTD) has disentangled terrorism in terms of Motivation, Presence, Scale, Efficacy and Prevention. Which measure do you think affects existing and potential foreign investors?
17. In all of this, what is your opinion of the role of government and other institutions in combating terrorism?

Appendix 8: Geopolitical Zones in Nigeria



Appendix 9: Terrorism in Nigeria

