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## **THE IMPACT OF TERRORISM AND VIOLENCE ON ENTREPRENEURS IN NIGERIA**

**ABSTRACT** The word 'terrorism' is not new. It has become an issue of concern all over the world and Nigeria in particular. This brief paper examines the impact of terrorism and violence on Nigeria entrepreneurs. Both primary and secondary data were sourced for this work. The primary data were sourced from the list of 320 registered entrepreneurs in the south-south and south-west region of Nigeria, specializing in service delivery and manufacturing. 120 of them were randomly selected for the study. The secondary data were sourced from records on Gross Domestic Product (GDP) for the period of 1980-2012 and that of Foreign Domestic Investment (FDI) in Nigeria over the period of 1970- 2011. The responses of the 120 entrepreneurs to items of a well structured and validated questionnaire were analysed using the Likert 5- Point Scale and the results used in answering the research questions. The method of trend analysis via the use of simple graph is used to see if there is any effect of terrorism and violence on GDP and FDI. The study revealed that there is a relationship between terrorist activities and entrepreneurial development in Nigeria. The investigations also revealed that terrorism has not got a direct implication on FDI and GDP but on internal entrepreneurial activities which may on the long run affect the national GDP. It was concluded that terrorism has got great impact on entrepreneurs' activities in Nigeria.

*Key words:* Terrorism, Threat, National Security, Violence and Entrepreneur

### **Introduction**

Terrorist activities recently have been on the upswing in the Nigeria Nation, a country that has suffered attacks from suicide bombers. The Nige-

rian economy is becoming unstable as the weight of terrorism has threatened every aspect of the economy and this has damaged investors' confidence and sent the economy on a downward slide (Emeka, 2011). The impact of terrorist activities on economic development has increased tremendously in Nigeria. Therefore, it becomes an issue of concern to all individual, government and corporate organisations. (Patrick & Akpan, 2012). The economic implications of violence and terrorism in Nigeria can be seen from different perspectives. The cost of destruction of lives of property and national productivity are directly affected while there are longer term indirect cost of reducing and curbing the menace, the human cost, the amount of lives wasted in the process. The cost of controlling and managing violent crimes and terrorism in Nigeria has really been very expensive (Institute for security studies, 2013).

Terrorism is caused by a combination of political, economic and institutional factors (Sonubi, 1973; Otobo, 1983; Owoye, 1991); according to Akpan, et al., (2012), terrorism reduces Foreign Direct Investment and hinders greater productivity. Terrorism in Nigeria is a latent function of prolonged failure of the Nigerian State to deliver purposeful good governance. When the Federal, state and Local Governments steal all the money allocated for building schools, hospitals, industries, etc, the greater percentage of the citizenry especially the youths are denied good education, employment and good health. These youths are therefore affected socially, psychologically and economically. Frustrations, dejection and hopelessness remain a day to day occurrence in their lives (Adeyemi, 2012). They can easily be brainwashed and indoctrinated with false doctrines and co-opted into illegal societies.

Generally, analysts agree that terrorism has a suppressive effect on an economy and study shows that it has actually never done any good in any part of the world. In Nigeria for instance, it is inadequate to mention terrorism in Nigeria without reference to the activities of Boko Haram, a terrorist group which has taken responsibility for most of attacks in some parts of the country. The increase in terrorist activities has, by most analysts' ratings, complicated the Nigerian business climate and made it investor-unfriendly. The impact of these nefarious activities on Nigerian economy has been intense so much so that the Minister and Deputy Chairman of National Planning Commission (NPC) Dr. Shamsuddeen Usman, says in a

remark that terrorist activities of the group have created a lot of distortions in the economic activities in the northern region.

The World Bank Investment Climate Assessment Report for the 2011 fiscal period indicates that the Nigerian business environment in spite of the ongoing reforms, remain hostile. According to the report, investors are losing 10 per cent of their revenue as a result of the hostile investment climate, poor quality infrastructure, crime, insecurity and corruption.

### **Scope and Definition of Terrorism**

Different definitions have been given by different people, scholars and even organisations based on the way they perceived or experienced terrorism. For instance, the US Department of Defence defined it as the calculated use of unlawful violence or threat of unlawful violence to inculcate fear intended to coerce or to intimidate either citizens, societies, or even the government in the pursuit of goals that are generally political, religious or ideological. The Federal Bureau of Investigation (FBI) defined terrorism 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. The US Department of State defined it to be a premeditated politically motivated violence perpetrated against non-combatant targets by sub-national groups or clandestine agents usually intended to influence an audience. In 1992, the United Nations defined terrorism as anxiety-inspiring methods of repeated violent action employed by (semi) clandestine individual, group or state actors, for idiosyncratic, criminal, or political reasons, and where-in contrast to assassination where the direct targets of the violence are not the main target. The United Kingdom (UK) in 1974 defined terrorism as the use of violence for political ends and includes any use of violence for the purpose of putting the public, or any section of the public in fear. Adeyemo (2012) opined that the situation can be likened to genocide and defined it as the deliberate and systematic destruction in whole or in part, of an ethnic, racial, religious or national group. Arvind (2009) opined that terrorism may range from socio-economic and political theories based on the personality and environment. It could be motivated from inner drives to revenge or for financial gains. It also could be from fundamentalism to deprivation, political frustration, religious disparities, and resentment against the existing regime, or

intervention into personal freedom, oppression, and inequality as well as weak government. The essential elements of terrorism from the foregoing definitions involves the calculated (intentional) use of unlawful violence to put or produce fear in the public and these acts could be committed by a person, group, and does not exclude the state. It is an adversary acts that influences an audience beyond the immediate victim. The reason and strategy of the terrorists is to draw attention from the populace, organisation and states either local or international. They want to obtain the greatest publicity, and most times choose targets that symbolises what they opposed.

### **Terrorism and violence on Entrepreneurship: Evidence from Nigeria**

Entrepreneurship is a major force that drives the economy of many nations; it is also an engine which new ideas are introduced continually into businesses and the market place. Entrepreneurs convert ideas into products and services and ultimately create wealth and reduce unemployment (Schumpeter, 2005). The strength of any nation depends on its ability to create wealth (Smith, 1776). The wealth creation process lies in the hands of individuals who are innovative. The Nigerian society is getting more and more insecure, more people are getting into crimes and they are getting more ruthless, desperate and sophisticated (Godly and Wilfred, 2012). Since the advent of the present democratic dispensation, new forms of violent crimes have become common; these include kidnapping (actually adult or privileged people's napping) for ransom, pipeline vandalization, Boko Haram bombings, rape, political violence and more (Eme, 2011). In some instances, whole villages are sacked because of minor political differences (Godly and Wilfred, 2012).

Like many developing nations of the world, Nigeria is significantly in dire need of uninterrupted development, sustained democratic governance, investment-friendly environment as well as ultimate macroeconomic stability (Patrick, 2012). Development therefore is multifaceted and multidimensional capturing structural, institutional, political, social and all round transformation process. Thus, there can be no meaningful growth without development and development becomes an illusion without growth. The achievement of growth and development therefore has been challenged by

the astronomical incidence of terrorist activities in Nigeria in recent times (Patrick et al, 2012). The pattern and trend of terrorism, revolution, different forms of strike actions, premeditated application or threats of violence against religious groups and politically motivated expressions of violence in the present democratic era have threatened development, democratic governance and economic activities in the land. According to Czinkota and Ronkainen (2009), the impact of terrorist activities on economic development, management and international business has increased tremendously in Nigeria. Odeselu in Shadare (2011) added that insecurity in Nigeria has affected all aspect of businesses negatively and that it scars away entrepreneurs as it drains the resources that could have been used to improve the economy. These resources according to him include finance and time.

Otto (2008) has shown that insecurity took a great toll on oil production in Nigeria between 1999 and 2008; Nigeria was producing at about 10% of its potentials of 3.4 million barrels of crude oil per day in 2007. This shows that insecurity has increased the unit cost of doing business in Nigeria. Apart from the fall in output and the increase in unit cost of production, many firms in different industries relocated away from the Niger Delta in particular while some left the country completely. Examples include; Michelin, Dunlop, among others. Tagba in Gbenga and Augoye (2011) argued that an insecure environment impinges directly on development; it disenfranchises communities, contributes to poverty, distorts economies, creates instability and stunts political development. In Nigeria, apart from the millions of people who had been killed in the course of one security breach or the other, sources of livelihood were destroyed, families got disintegrated and social infrastructure were disrupted.

As opined by Sonubi (1973), Otobo (1983) and Owoye (1991), terrorism is often caused by a combination of political, economic and institutional factors such as bad leadership, unemployment and corruption. The volume of corruption in Nigeria triggered the poverty profile of Nigeria to 69% (National Bureau of Statistics (NBS)). The NBS report further reveals that 112.47 million Nigerians live below US\$1.00 per day and as a result could barely afford the minimal standards of food, clothing, health care and shelter. According to Patrick et al. (2012), it reduces the chances of Foreign Direct Investment and hinders greater productivity. The indexes associated with this include lost in man-hours of productivity, wastages, high incidence of poverty, poor capacity utilization, breakdown in industrial pro-

duction, decline in economic growth, high incidence of unemployment, as well as prevalence of an unfriendly investment climate. Management experts say the terror unleashed by the militant sect, Boko Haram, has adversely affected businesses nationwide and that businesses and foreign investment activities inflow into Nigeria are being negatively affected by the activities of this sect in the northern parts of the country (Awoyemi, 2012).

According to Adebakin and Raimi (2003), it is appropriate to note that three explanatory variables, viz: security, education, agriculture are positively significant in economic development. This implies that these three variables have considerable impact on the gross domestic product of any nation. This work therefore, seeks to identify the impact of terrorism and violence on entrepreneurship in Nigeria.

### **Methodology**

The research variables (dependent and independent), research questions as well as the method of data analysis are presented in this section.

### **Research Variables**

Below are the dependent and independent researches variables identified and used in this work. Independent variables: Insecurity and Terrorism

*Dependent Variables:*

1. Profit: Net profit before terrorist activities and the incident of terrorism
2. Growth: Business growth pre terrorist activities and during their activities
3. Employment of New Employees: Has level of employment increase recently or decrease since the insecurity and terrorist activities. What is the number employed comparatively:
4. Loss of jobs/contracts- Rate of job loss as a result of insecurity and terrorism, Rate of labour turnover before terrorist activities and during their activities. Number of contracts signed before terrorist activities and during their activities
5. Closure of plants, locations and offices: Number of plants and offices closed before the terrorist acts and during their operation
6. GDP: GDP before terrorist activities and during their activities<sup>1</sup>.

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1. (<http://www.indexmundi.com/nigeria/>)

7. Poverty: What is the poverty level before and after terrorist
8. Capacity utilization: Capacity utilisation before terrorist activities and during their activities
9. FDI: Comparing Foreign Direct Investment before and during terrorist activities<sup>2</sup>.
10. Waste Caused By Insecurity And Terrorist Activities: This is the waste in terms of human and material resources during the terrorist activities compare to pre terrorist era.

### **Research Questions**

The following are the research questions: i) as an entrepreneur, to what extent do you think terrorism hinders the development of your organisation? ii) does terrorism and insecurity cause your business to operate under capacity and reduce production? iii) does insecurity and terrorism hinder your ability to hire qualified staff and professionals? iv) what is the effect of terrorism and insecurity on your motivation? v) does terrorism affect your planning and ability to plan? vi) have you suffered any job loss as a result of violence and insecurity? vii) has violence and insecurity cause you to waste resources? viii) has terrorists activities affected your profitability directly or indirectly?

### **Method of data collection and analysis**

The primary data for this work were sourced from the list of 320 registered entrepreneurs in the south-south and south-west region of Nigeria, specializing in service delivery and manufacturing (Nigerian Business Directory, 2014). 120 of them were randomly selected for the study. The sample size is considered appropriate for the study because, beside the random selection, it represents about 38% of the study population of 320. The reason for choosing the south-south and south-west regions is that insecurity and violence has characterized them over time due to the fact that the nation's oil production which is chiefly in the area has been a major contributor to violence and insecurity in this region. The reason being that, the Niger-Delta people have not felt the impact of Government in alleviating the en-

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2. (<http://www.indexmundi.com/facts/nigeria/foreign-direct-investment>).

vironmental and agricultural problems caused by the activities of oil companies.

The secondary data were sourced from the records on Gross Domestic Product (GDP) for the period of 1980-2012 and that of Foreign Domestic Investment (FDI) in Nigeria over the period of 1970-2011. As earlier mentioned, Otto (2008) stated that the period of insecurity in Nigeria is between 1999 and 2008. Observe that the periods of the GDP and FDI records include the periods before and after the insecurity period. These periods were found relevant to the study because if the GDP and FDI are found to drop significantly over the period of insecurity, then insecurity would be seen to have effect. The responses of the 120 entrepreneurs to items of a well structured and validated questionnaire were analysed using the Likert 5- Point Scale and the results used in answering the research questions. The method of trend analysis via the use of simple graph is used to see if there is any effect of terrorism and violence on GDP and FDI.

### **Result and Discussion**

The results of the questionnaire data analysis using the Likert 5-Point Scale are discussed in the following paragraphs. Further more, the trend of GDP and FDI over the periods is presented in the appendix on page 147. The discussion on each item on table 1 and the trend of GDP and FDI over the period of study is presented in this section.

When asked the question: ‘As an entrepreneur, do you think terrorism hinders the development of your Organisation?’ 101 respondent representing 84.16% strongly agreed that terrorism hinders the development of their organisation, 9 agreed representing 7.50% while 8 (6.67%) disagreed and 1 (0.85%) strongly disagreed. This gives a Likert 5-Point Scale average of 4.68 affirming a positive response of the respondents to this item.



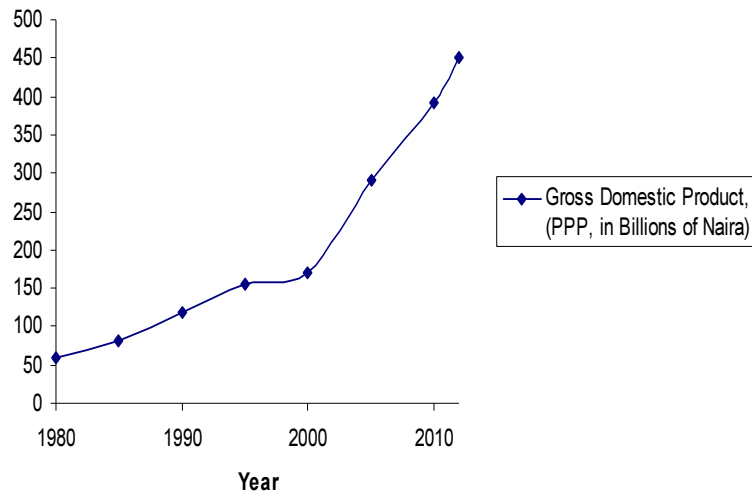


Figure 1: GDP trend over the period  
Source: International Monetary Fund - 2012 World Economic Outlook

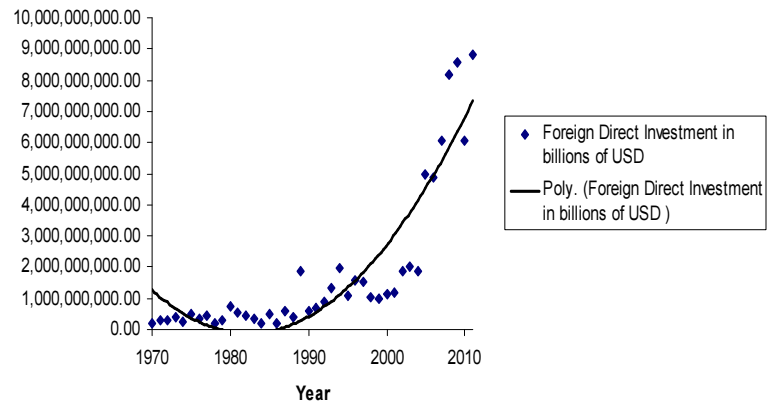


Figure 2: FDI trend over the period. **Source:** International Monetary Fund, Balance of Payments Statistics Yearbook and data files

Figure 1 on (above) displays the trend of GDP while figure 2 presents the trend of FDI over the period. Considering the years 1980, 1990, 2000 and 2010 respectively, GDP has been on the increase which connote that the terrorism has not made a serious impact on it, as opposed to Akpan et al (2012) that increase in terrorist activities leads to decrease in level of economic development. This in our opinion calls for further empirical investigation. We agree with Akpan et al (2012) that terrorism is bad for the economy of Nigeria as it leads to political, economic and regional instability.

As shown in figure 2 (page 148), FDI is also on the increase reason for this may be that most of the states in Nigeria are not threatened by insecurity and terrorism. It is true that there is movement of people from the trouble areas to more secured states but the investments continued to thrive in the country.

Insecurity also increases the unit cost of doing business in Nigeria. Apart from the fall in output and the increase in unit cost of production, many firms in different industries relocated away from the Niger Delta in particular. And some left the country completely. Example, include Michelin, Dunlop, among several others. Tagba (2011, cited in Gbenga and Augoye, 2011) argued that an insecure environment impinges directly on development; it disenfranchises communities, contributes to poverty, distorts economies, creates instability and stunts political development. In Nigeria, apart from the millions of people who had been killed in course of one security breach or another, sources of livelihood were destroyed, families got disintegrated and social infrastructure were disrupted.

### **Conclusion and Recommendations**

This study has revealed that there is a relationship between terrorist activities and entrepreneurial development. This was revealed in the analysis of the questionnaire items as the view of majority of the respondents is that it has a negative impact on entrepreneurship in Nigeria. Our investigations revealed that terrorism has not got a short run direct implication on FDI and GDP but on internal entrepreneurial activities which may on the long run affect the national GDP. Therefore, the Nigerian Government and other interest groups should have the political will to implement the recommendations of several panels and committees set-up to investigate immediate and remote causes of violence and other crises in Nigeria.

There is the need for the creation of a community preventive policing rather than curative policing in order to ensure an enduring national security. This requires constant interaction by the security agencies (police, army, customs officers, and immigration officers) and members of the communities.

Federal Government of Nigeria should work assiduously at providing direct and indirect employment opportunities for unemployed, restive and hopeless youth in the six geo-political zones in Nigeria in order to dissuade them from being recruited as militants, armed robbers and terrorists.

The use of military action to confront militants appears to be very expensive and most often military confrontational approach escalates violence rather than douse tension. Principles of mediation, negotiation, arbitration, reconciliation and general amnesty are contemporary strategies for contemporary conflict resolution. All militants who accept reconciliation should be rehabilitated.

The Nigerian Government and other interest groups should develop sincere political will to implement the recommendations of several panels and committees set-up to investigate immediate and remote causes of violent socio political and ethnic-oriented crisis in Nigeria. The widespread environmental degradation and abuse of the ecosystem in the Niger-Delta should be redressed through adequate compensation to host communities in order to empower many frustrated and unemployed able-bodied men who took up arms against the state and multinational oil companies.

There is need for a clear and coherent national policy on terrorism. Akin to this, a well trained antiterrorism squad must be created from the Nigerian Army, Air Force, Navy, Police and State Security Service. The role of these security organizations must be clearly stated in order to prevent duplicity and conflict of functions. This is necessary and critical to Nigeria's preparedness to contain the development and spread of terror acts to other zones (more especially the Northern states where cases of terrorism have been reported in the recent time) that are prone to terrorism as Ogundiya (2009) observed.

The implication of the findings indicates that the ongoing terror and violence in the region for long time have damaging impact on the entrepreneurs and the future economic growth of the country. Future research should investigate why FDI and GDP have not responded so much to the

insecurity in some region and the effect of violence and terror on different sectors of the economy.

### **Limitation of the study**

Research of this sensitivity and magnitude cannot be without limitations. Cost of logistics to gather relevant data was a major setback, data availability was also a challenge. Time constraint to get the work done was also not enough. The period under review for the GDP and FDI would have yielded a different result if the period was longer or if a different period was under consideration.

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