# Foreign Direct Investment, Security Unrest and Economic Growth in Nigeria

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**A b s t r a c t**

This study examines the effect of insecurity on Direct Foreign Investment and economic growth in Nigeria. Secondary method of data collection was employed to source data for the period of (1980-2014), which were analysed using Descriptive and inferential statistics, Augmented Dickey-Fuller test for unit root (ADF),Autoregressive Distributed Lag Estimate (ARDL) and Error Correction Representation Model (ECRM).The result of the findings reveals that, 0.30814 reduction in the level of insecurity will lead to a unit increase in economic growth in Nigeria, also a reduction in the level of insecurity by 3.32293 will yield 1 unit increase on Foreign Direct Investment in Nigeria on the same vein the finding of the study reveals that 1.1319756 reduction in insecurity will result to 1 unit increase on Gross Fixed Capital Formation in Nigeria. The result of the Error Correction Model indicates that insecurity has negative relationship on the economy. The result shows that the relationship between insecurity and economic growth is of short term. The result concludes that even if there is disequilibrium between insecurity and economic growth variables, in 1 year 5 month the variables will converge to equilibrium there by establishing a relationship.

**Background to the Study**
In today's world, it is well known that violence exerts a high cost on global development. In about 60 countries over the last ten years, violence has significantly and directly reduced economic growth (Skapedas, Soares, Willman& Miller 2009) it has hindered poverty reduction efforts and delayed efforts towards the achievement of Millennium Development Goals (MDGs). In Nigeria today, security and social unrest are the biggest obstacle to the peaceful coexistence of the country and investment growth. People now live in fear and anxiety as many innocent citizens are being killed every day that passes.

In the views of Oriakhi and Osemwengie (2012) the effect of unpleasant killings is the direct reduction in the active population essential for meaningful development of the economy especially where numbers count. The current wave of insecurity in most emerging economies like Nigeria has become very unprecedented.

**Objective of the Study**
This paper therefore is aimed at examining the consequences and or effects of security unrest on the economy of Nigeria with a view to proffering solutions to them.

**Literature Review**
Economic development theorists generally hold that security is a prerequisite for economic growth. The theoretical link between security and economic growth is not linear or direct. Security is not a physical input in the production function. There are different possible ways through which security impact on economic growth. First is through preservation of lives and properties. Where insecurity of lives and properties rises the economic performance is likely to be derailed. This is possible because workers embodied with knowledge (human capital) are lost in the process, capital per worker is likely to be reduced; innovations may not take place economic theories hold that population is critical to economic growth.

A country with a small population is constrained in terms of human capital production and productivity. However, if the country wishes to maintain the level of its innovation or R & D (Research and Development) activities or improve productivity it can do this at high cost. It may choose to hire expatriates at high cost. The expatriates may accept to work in a country with high security risk at a price that will cover the cost of the expected risk. The second channel is through its effect on investment or erosion of investors' confidence on the host country. As insecurity rises the proportion of GDP devoted to military spending or purchasing of arms increases. This diverts funds from productive activities to unproductive ones. This might be expected to depress a country's secular growth performance.

Other things being equal, a rise in military spending exerts a negative impact on the rate of investment in (public and private) productive fixed capital. This occurs because of well-known crowding-out effects: an increase in military spending must be financed either by raising current taxes or by borrowing (future taxes). In either case, it will lower

the expected after-tax return on productive fixed capital, while simultaneously reducing the flow of (domestic plus foreign) savings that is available to finance productive fixed capital formation in the domestic economy. This channel is likely to be particularly important in the case of net-debtor developing countries. Since such countries are faced with external financing constraints, a rise in military spending to the extent that it is not associated with larger net capital inflows to finance a higher external current account deficit can be expected to crowd out capital investment and/or private consumption.

In the context of developing countries Hewitt (2010) contends that the justification for military expenditures must be from national security grounds, since the economic benefits are limited. Apart from its effect on investment insecurity is capable of eroding investors' confidence and thus diminishes the per capita output and learning by doing or technology transfer. Military expenditures may affect the growth path of capacity output through their direct impact on the efficiency of resource allocation.

Since military spending is not governed by market processes, it tends to create distortions in relative prices that result in a dead-weight loss to total productive capacity. In addition, it may exert negative externalities on capacity output. There are several ways in which these inefficiencies directly affect the growth rate. First, a higher deadweight loss to domestic production results from either an increase in contemporaneous taxes or heavier borrowing to finance higher military spending; borrowing from the banking system often leads to higher inflation, which distorts resource allocation. Second, research and development activities may concentrate on military progress at the expense of technological advances in economically-productive areas. Third, policies implemented to support a military program are often detrimental to efficient resource allocation and market growth: examples are trade restrictions, nationalization of military equipment producers, military procurement preferences for certain firms and industries, and compulsory military service.

Finally, rent-seeking activities grow around the military because of its non-competitive allocation of resources. In this way, over and above their depressing effect on the level of investment, military expenditures may exert a direct adverse impact on the economy's productive efficiency.

**Origin and incidence of insecurity in Nigeria**
According to Ali (2013) the fear of insecurity in Nigeria is on the increase and this has been compounded by the rising waves of terrorism since the country returned to democratic rule in 1999. Violent crime has a root and history in Nigeria, and could be traced back to the period from 1960 to 1970. At independence in 1960 a federal structure was imposed on Nigeria by the British.

Whearas (1963) conceptualizes federalism as a constitutional division of power between two levels of government which are independent and coordinating in their respective spheres of influence. Unfortunately, the federal structure bequeathed to Nigeria at

independence did not conform to Professor K.C. Whearas tenets of federalism as a system of government where two levels of government exist each sovereign in its sphere of jurisdiction Awotayo*et al* (2013) The incursion of the military into governance, and the consequent imposition of military command structure in a federation set the tone for the distortion of Nigeria's federalism. Thus, the practice of federalism in Nigeria no doubt has been distorted by overwhelming dominance of the federal government that distributes national resources to lower-level government at its own whims and caprices.

Ewetan (2011) since independence, the demand for true federalism, fiscal and political restructuring by different ethnic nationalities in Nigeria has not abated. These agitations have contributed to violent rebellious reactions by aggrieved ethnic groups in the country, endangering the security, unity, and corporate existence of Nigeria as one country. Federalism that undermines the independence and autonomy of its federating units will only bring about conflict, threat to national cohesion and peace, and ultimate disintegration (Ali, 2013; Adamu, 2005). Insecurity challenges can be traced to the early years of military rule when large quantities of arms were imported into the country for the use of the military during and after the Nigerian civil war, some of which got into the hand of the civilians. Soon after the civil war these arms were used by civilians and ex-military men for mischievous purposes such as armed robbery, kidnapping, assassinations.

There was also the army of unemployed youths some of whom lost their job during the civil war. The level of insecurity assumed dangerous dimensions in the prolonged years of military rule beginning from 1970 during which people procure arms and light weapons for personal defence some of these arms and light weapons got into the hands of unemployed youths who used them for deviant purpose.

While some researchers attribute youth violence to peer group influence and other psychological factors associated with growing up, others emphasized the impact of political and economic factors such as ethnic agitation, political agitation, unemployment; Structural Adjustment Programme (SAP) has triggers of violent reaction among the youth. Many scholars have identified several causes of conflict and insecurity in Nigeria that are inimical to socio-economic and national development.

**The Aba Women's Riots of 1929s**
As it was named in British colonial records, is more aptly considered a strategically executed anti-colonial revolt organised by women to redress social, political, and economic grievances. The protest encompassed women from six ethnic groups (Ibibio, Andoni, Orgoni, Bonny, Opobo, and Igbo) It was organised and led by the rural women of Owerri and Calabar provinces. During the events, many Warrant Chiefs were forced to resign and sixteen Native Courts were attacked, most of which were destroyed. In actuality, the emergence of the Women's War was long in the making. In April 1927, the British colonial government in Nigeria took measures to enforce the Native Revenue (Amendment) Ordinance.

A colonial resident, W. E. Hunt was commissioned by the lieutenant governor of Nigeria to explain the provisions and objects of the new ordinance to the people throughout the five provinces in the Eastern Region. This was to prepare the ground for the introduction of direct taxation due to take effect in April 1928. Direct taxation on men was introduced in 1928 without major incidents, thanks to the careful propaganda during the preceding twelve months. In September 1929, Captain J. Cook, an assistant district officer, was sent to take over the Bende division temporarily from the district officer, Mr Weir, until the arrival of Captain Hill from leave in November.

Upon taking over, Cook found the original nominal rolls for taxation purposes inadequate because they did not include details of the number of wives, children, and livestock in each household. He set about to revise the nominal roll. This exercise was to bring the colonial authority in direct conflict with women in Eastern Nigeria and the catalyst for fundamental change in the local administration. The announcement of his intent to revise the nominal roll was made by Cook to a few chiefs in Oloko Native Court and the counting began about October 14, 1929.

The women of Olokoro suspected that the enumeration exercise was a prelude to the extension of direct taxation, which was imposed on the men the previous year. On December 2, 1929, more than ten thousand women demonstrated at Olokoro, Bende division against the enumeration of men, women, and livestock by colonial officials. This event at Olokoro spread to most parts of the Eastern Region within the next four weeks.

**Maitastine crisis of 1980**
Mohammed Marwa best known by his nickname Maitatsine (and less commonly, as Allah tastine), was a controversial Islamic preacher in Nigeria. Maitatsine is a Hausa word meaning "the one who damns" and refers to his curse-laden public speeches against the Nigerian state. He was originally from Marwa in northern Cameroon. After his education he moved to Kano, Nigeria in about 1945, where he became known for his controversial preaching's on the Qur'an. Maitatsine claimed to be a prophet, and saw himself as a mujaddid in the image of Sheikh Usmandan Fodio.

Although a Koranic scholar, he seemingly rejected the hadith and the sunnah and regarded the reading of any other book but the Koran as paganism. Maitatsine spoke against the use of radios, watches, bicycles, cars and the possession of more money than necessary. In 1979, he even rejected the prophet hood of Mohammed and portrayed himself as an annabi (Hausa for "prophet")

The British colonial authorities sent him into exile, but he returned to Kano shortly after independence. By 1972 he had a notable and increasingly militant following known as Yan tastine. In 1975 he was again arrested by Nigerian police for slander and public abuse of political authorities but in that period, he began to receive acceptance from religious authorities, especially after making hajj, the Muslim pilgrimage to Mecca. As his following increased in the 1970s, so did the number of confrontations between his adherents and the police.

His preaching attracted largely a following of youths, unemployed migrants, and those who felt that mainstream Muslim teachers were not doing enough for their communities. By December 1980, continued Yan Tatsine attacks on other religious figures and police forced the Nigerian army to become involved.

Subsequent armed clashes led to the deaths of around 5,000 people, including Maitatsine himself. Yan Tatsine riots continued into the early 1980s. In October 1982 riots erupted in Bulumkuttu, near Maiduguri, and in Kaduna, to where many Yan Tatsine adherents had moved after 1980. Over 3,000 people died. Some survivors of these altercations moved to Yola, and in early 1984 more violent uprisings occurred in that city. In this round of rioting, Musa Makaniki, a close disciple of Maitatsine, emerged as a leader and Marwa's successor. Ultimately more than 1,000 people died in Yola and roughly half of the city's 60,000 inhabitants were left homeless.

Makaniki fled to his hometown of Gombe, where more Yan Tatsine riots occurred in April 1985. After the deaths of several hundred people Makaniki retreated to Cameroon, where he remained until 2004 when he was arrested in Nigeria. Some analysts view the terrorist group Boko Haram as an extension of the Maitatsine riots.

**The Niger Delta Crisis**
Conflict in the Niger Delta arose in the early 1990s due to tensions between the foreign oil corporations and some Niger Delta's minority ethnic groups who felt they were being exploited, particularly the Ogonis and the Ijaws.

Osungade (2008) opine that, ethnic and political unrest continued in the region throughout the 1990s and persisted despite the enthronement of democracy in 1999. However, competition for oil wealth in the region gave rise to agitations, violence and subsequent extra-judicial killing of Ken Saro-Wiwa and nine Ogoni leaders by Abacha's regime. The agitating group includes the movement for the survival of the Ogoni people (MOSOP), founded by Ken Saro-Wiwa. As part of measures to address the root causes of agitation, violence and conflicts in the Niger Delta region, the government established some institutions or agencies to douse the tension in the area. This includes the Oil Mineral Producing Areas Development Commission (OMPADEC), Niger Delta Development Commission (NDDC) and Ministry of Niger Delta (MND).

In spite of these intervention regimes, the conflicts and insecurity in the Niger Delta region persisted. Rather, the region witnessed severe security threats and emergence of other agitating groups affiliated to the Movement for the Emancipation of the Niger Delta (MEND). The emergence of MEND and other agitating groups in the struggle to addressing the injustice by the Federal Government against the region exacerbated the security problems not only in the region, but also in the entire Nigerian state. These include Niger Delta People's Volunteer Force (NDPVF) led by Mujahid Dokubo-Asari, Niger Delta vigilante (NDV) led by Ateke Tom and (NDYM) Niger Delta youth movement led by Tomplolo.

**Kidnapping in the South-East Zone of Nigeria**

Kidnapping as a social problem, is the act of illegally abduction of someone away and keeping him as a prisoner in order to get money or something in return for releasing him. The history of kidnapping in the South-East zone of Nigeria could be traced to hostilities, conflicts and violence in the Niger Delta region. In the South-East zone, especially in Abia and Imo States, kidnapping activities were mainly targeted at prominent indigenes and residents of these states.

This situation was pervasive shortly after the 2007 general elections in Nigeria. This is partly because, the youths that were used as political thugs by politicians during the 2007 general elections in these states subsequently engaged in kidnapping as means of livelihood after the elections ended.

**Jos and Wukari crises**

These crises are another internal security threat to Nigeria which some observers have described as sectarian violence. This pathetic situation which took a radical dimension from 1999 has been a complex one.

Thus, whatever the argument over the remote causes of frequent crisis in Jos may be, the fact remains that it is one of the greatest internal security threats to corporate existence of Nigeria. The Jos crisis which has been Sporadic in places like Dogo - Nahawa, Zot and Rassat, has continued to witness the onslaught and massacre of large number of Nigerians. This ugly trend largely explains why Terror Master, (Late President Gaddafi of Libya), once suggested that Nigeria should be divided into two religious' lines - Muslim and Christian countries.

**Boko Haram Crisis**

Another major security challenge in Nigeria which has adversely affected the Nigerian economy is the activities of Boko Haram group. Etymologically, the term 'Boko Haram' is derived from Hausa word 'Boko' meaning 'Animist', western, otherwise non-Islamic education; and the Arabic word Haram figuratively meaning 'sin' or literally, 'forbidden'

The activities of members of this group have raised critical questions among investors on the safety of their investments in Nigeria. This ranges from killing of innocent Nigerians, raping of women, to bombing of major cities and police stations in the northern part of Nigeria, particularly, Borno, Kano, Bauchi, Niger, Yobe, Adamawa, Abuja, among others. Consequently, the criminal and unwholesome acts of the Boko Haram group have not only made Maiduguri, Abuja, Suleja, Damaturu, Minna, among others, cities of fear but also made Nigeria unsafe for investors and tourist.

**Foreign Direct Investment, Domestic investment and growth in Nigeria**

Basu and Srinivasan (2002) have explained that steady expanding privatization programmes, in many countries have paved way for foreign investment in Africa. A significant share of privatization related FDI in large part in the Telecom and mining

sectors, in the 1990s were channelled to selected countries including Angola, Ghana, Kenya, Mozambique, Nigeria, and South Africa, and there were significant differences across the region, attracting direct foreign investment is at the top of the agenda of most countries of the world. Nigeria is also not left out in this process. As a matter of fact, foreign direct investment appears to be the most crucial component of capital inflows to Nigeria. Generally, Foreign Direct Investment involves the transfer and packaging of resources including capital, technology, management, and marketing enterprise.

Such resources usually have the effect of extending the production capabilities of the recipient country. Nigeria being a developing economy is not any different from other developing economies in using Foreign Direct Investment (FDI) as a strategy for achieving economic growth and development. However, Nigeria, in spite of her huge deposit of human, natural, and material resources has failed to achieve rapid economic growth and development due to several factors such as unstable political environment, corruption and bad governance.

Okomoh (2004), as a matter of fact, Nigeria witnessed greater Foreign Direct Investment inflows between 1990 and 2001. According to the World Bank (2003) the net FDI inflows as percentage of GDP in Nigeria was 2.1 and 2.7 in 1990 and 2001 respectively. Unfortunately, the phenomenal growth in FDI during the period did not translate to development as other indicators, especially poverty remained as high as 75%.

Gaavson (2007), in Nigeria, FDI have been essentially in the oil sector of the economy and recently in the telecom sector through the liberalization policy of government that led to the licensing of firms in the Global System Mobile Telecommunications (GSM) operators in Nigeria. The volume of FDI according to the World Bank (2010) in 2006, 2007, and 2008 respectively was $8b, $5b and $3.64b respectively.

The effect of insecurity on Nigerian Economy is viewed in this research work with more emphasis on Foreign Direct Investment, Domestic investment and Growth, Human capital cost, Economic Growth inhabitation and loss of revenue, Increase Budgetary Expenditure. The issue of terrorism's(insecurity's) impact on investment specifically foreign direct investment (FDI) is picked up by Withdrawer of FDI by countries and companies may occurred due to the direct destruction of infrastructure, the rise of operating costs as a result of high demand for security (Alois, 2007; Enders and Sandler, 2006; Frey and Simon, 2008). In the field of stock market, insecurity and terrorism may negatively influence the prices of stock as well as the sales and purchase of stocks. Insecurity may also divert economic resources from highly productive sectors to less productive security measure thereby crowding out investment. No meaningful growth and development can take place in the continuous face of insecurity. This will not only reduce GDP and fuel inflation but also the flow of FDI.

According to the UNCTAD report (2010), FDI flows to Nigeria fell to $6.1 billion (N933.3 billion) in 2010, a decline of about 29 per cent from the $8.65 billion (N1.33 trillion)

realized in 2009 fiscal year. The report obtained by us further revealed that the sharp decline of FDI to the country was compounded in the aftermath of the global financial crisis. Also, statistics obtained from the 2010 annual report by the Central Bank of Nigeria (CBN) showed that the total foreign capital inflow into the Nigerian economy in 2010 was $5.99 billion. The record showed that FDI represented about 78.1 per cent drop from $3.31 billion in 2009.

Okereocha (2012), the fear caused by the 'Boko Haram' bombings in particular has made most foreign investors, who usually featured at the annual Lagos Trade Fair to show case their products to stay away, even as those who came, had heavy security network around them. It would be recalled that the decline in investment had been lately generally attributed to the increasing rate of insecurity in the country, as well as infrastructural decay.

## Methodology

Three basic techniques were employed in carrying out the analysis, the first was normality test conducted to ascertain the behaviour of the variable using descriptive and inferential statistics, second was unit root test conducted using Augmented Dickey-fuller test (ADF) to test for the presence of unit root and stationarity level of the variable the behaviour of the variable inform the selection of ARDL Model which was introduced by Pesaran*et al.* (2001) in order to incorporate I(0) and I(1) variables in same estimation and error correction estimate was carried out to test the relationship between insecurity and economic growth in Nigeria for the period under study between (1980-2014).

## Test of Stationarity

The Augmented Dickey-Fuller (ADF) unit root test is employed to test for the unit root as the disturbances or the error term in Dickey and fuller unit root test is unlikely to be white noise, the ADF unit root test includes extra lagged terms of the dependent variable in order to eliminate the problem of autocorrelation the decision to accept or to reject the null hypothesis of $\delta = 0$ is based on the Dickey –Fuller critical values. The test was then applied as follows:

$$\Delta Y_t = {}_\gamma Y_{t-1} + a_{2t} + \sum_{i=1}^{p} \beta \, \Delta Y_{t-1} + U_t \dotsc\dotsc\dotsc\dotsc\dotsc\dotsc\dotsc\dotsc\dotsc\dotsc (1)$$

Where;
$\Delta$ = difference operator, Yt = dependent Variable, Ut = white noise
Under the null hypothesis if $_\gamma$= 1 becomes a random walk, that is non-stationary process if $_\gamma$ < 1 this means that the series Yt is stationary. The stationarity test is stated as follows:

The model specifies Real Gross Domestic Product (RGDP) as proxy for economic growth in Nigerian economy, insecurity index as proxy for insecurity (INSDEX), flow of Foreign Direct Investment as proxy for (FDI) and the a priori expectation is that $\beta_0 \beta_1 > 0, \beta_2 < 0$

LOG (GDP)= F(LOG DEXP )+ INSDEX……………………………..……..……(i)

The explicit form is written as follows;

$$\Delta\text{In}FDI = \alpha_0 + \partial_i\text{In}FDI_{t-1} + \partial_2\text{In}DEXP_{t-1} + \partial_3\text{In}INSDEX_{t-1} + \sum_{i=0}^{q} \Omega\Delta\text{In}FDI_{t-1} + \sum_{m=0}^{q} \lambda\Delta\text{In}DEXP_{t-1} + \sum_{n=0}^{q} \phi\Delta\text{In}INSDEX_{t-1} + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Where;

FDI = Foreign Direct Investment, DEXP= Defence Expenditure

INSDEX= Insecurity Index, $\alpha_0$= intercept, $\gamma, \Omega, \phi$ = speed of adjustments

$\partial_i$=the long run multipliers, $\varepsilon_t$= error term. Unit root test (ADF)

**Table 1:** Unit root test (ADF) on RGDP, DEXP, INSDEX, FDI and GFGF

| VARIABLE | ADF TEST VALUE AT LEVEL | PROB. | ADF TEST VALUE AT FIRST DIFF. | PROB | STATIONARITY |
|----------|----------|-------|----------|------|--------------|
| RGDP | -2.513134 | 0.3202 | -5.309551* | 0.0007 | 1(I) |
| DEXP | -0.559342 | 0.8667 | -7.721447* | 0.0000 | I(I) |
| INSDEX | -3.967467* | 0.0216 | -5.210836** | 0.0012 | I(0) |
| FDI | -1.909618 | 0.6270 | -9.559042* | 0.0000 | I(I) |
| GFCF | -3.152209 | 0.1110 | -4.366939* | 0.0080 | I(I) |

* denote significant at 1 %

** denote significant at 5%

**Source:** Computed by Author Using Eviews 8.

Table 1 contain the result of the ADF test of RGDP, DEXP, INSDEX, FDI and GFCF the result indicates that the variable RGDP, DEXP, DEXP and GFCF are non- stationary series but become stationary at first difference I (I) after differencing and also significant at 1 percent level as revealed in Appendix II, IV, VI, VIII&X, while the variable INSDEX is a stationary series at level I (0) and significant at 1 percent. The ADF test value of RGDP in table IV of-5.309551 is less that the critical value -4.262732 as contain in Appendix II which denote rejection of the null hypothesis that RGDP has unit root, the probability of 0.0007 also confirms that RGDP is stationary and significant at 1 percent after first difference I (I).

Table 1 shows that the ADF test value of DEXP -7.721447 is less than the critical value of -3.640343, which denote rejection of the null hypothesis that DEXP has unit root after first differencing the probability of 0.0000 is less than 0.005 confirms that the variable is stationary at I (I) and significant at 1 percent level.

The result also indicates that the variable INSDEX is a stationary series from the test result shown in the table. the ADF test value of -3.309824 is less than the critical test value of -3.967467 at level I (0) which result to rejection of the null hypothesis that the series has

unit root. The probability value of 0.0012 confirms that the series is stationary at level and significant at 1 percent.

The ADF test value for (FDI ) and (GFCF) as obtained separately of -9.559042 and -4.273277 are both less than their critical test value of -4.273277 and -4.366939 respectively and their probability values of 0.0000 and 0.0080 are less than 0.005 confirms that both variable become stationary after first differencing I (I) and also significant at 1 percent.

**Table 2:** Autoregressive Distributed Lag Estimates (ARDL) on FDI, DEXP and INSDEX

Autoregressive Distributed Lag Estimates
ARDL (1,0,1) selected based on Schwarz Bayesian Criterion

Dependent variable is FDI
32 observations used for estimation from 1982 to 2013

| Regressor | Coefficient | Standard Error | T-Ratio[Prob] |
|---|---|---|---|
| FDI(-1) | .59703 | .15039 | 3.9698 [.001] |
| DEXP | .57644 | .23122 | 2.4931 [.019] |
| INSDEX | 2.4209 | 1.8170 | 1.3324 [.194] |
| INSDEX(-1) | -3.3293 | 1.8455 | 1.8040[.083] |
| C | 20.6258 | 6.4239 | 3.2108 [.004] |
| T | .19721 | .066874 | 2.9489[.007] |

**Source:** Computed by Author Using Eviews 8.

**Discussion of Findings**
The results indicate that 3.3293 unit decrease in the level of insecurity will lead to a unit increase in the real gross domestic product and 0.57 unit increase in defence expenditure will lead to a unit increase on the flow of direct foreign investment in to Nigeria, this result indicates that insecurity affect the flow of direct foreign investment negatively while expenditure on defence or defence spending have a significant impact on foreign direct investment.

The R-Square of 0.96436 expresses the fitness of the model it indicates that 96.4% of the variable captured in the model affects foreign direct investment (FDI) and 3.6% of other variable that were not captured in the model do also affect foreign direct investment (FDI). The result of the findings is in line with the theory of profit maximisation, that the country's GDP can be increased by the input of the foreign direct investment (FDI) inflows which enhances its productivity helps local firms to be more productive through the infusion of capital and more modern and efficient technologies, its concludes that the follow of foreign direct investment (FDI) depends of many factors which one of such factors is insecurity. it states that insecurity affect the follow of direct foreign investment

negatively. Olatunji (2001) argued that despite government efforts to provide incentives to many investors, many investors are still adamant to come to Nigeria. He noted that this might be connected with the lingering problems that still persist on ground. For example, poor infrastructure, general insecurity, sectarian violence, the arm revolt in the Delta region which exert negatively on the flow of direct foreign investment in to Nigeria.

**Conclusion**

In conclusion the result of the finding reveals that insecurity has adverse effect on economic growth which is in line with the Rentier State theory and the resource curse thesis and other empirical finding that were examine in the study. The study further provides answer to the following research questions as follows:

i. Insecurity portends great danger on the flow of direct foreign investment in Nigeria because it continues to scare investors of setting their investment in the country, while those already existing have disinvested to other countries of the world.

ii. The rising wave of insecurity pose a great threat to domestic investment in the country, this has caused many businesses to close down, premises burnt down, farming activities of the affected areas brought to a halt, government revenue continue to decline and many small-scale enterprises closed down, thereby increasing the rate of unemployment and poverty level in the country.

iii. The study found out that insecurity has a negative relationship with economic growth which is in line with other theories and empirical studies examined in the study.

iv. This study concluded that improved security would burst real gross domestic product, attract foreign direct investment into Nigeria and increase domestic investments, for Nigeria to achieve her vision of becoming one of the twenty top economies by the year 2020. The problem of insecurity must be tackled.

**Recommendation**

We therefore recommend that, government at all levels and key actors involve in policy formulation should be more realistic and holistic in adopting measures to tackle insecurity in the country; a culture of being accountable and transparent such that funds allocated for security are efficiently utilized would be a step in the right direction. Insecurity in Nigeria is caused by injustice, inequality poverty, hunger, disease, ignorance, unemployment, discrimination, corruption and crime. The government should do well to tackle these problems so that restiveness among the affected groups leading to differences that tends to affect FDI, Domestic Investment and Economic Growth would be eliminated.

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