Impact of Kidnapping and Political Instability on Investment in the Nigerian Economy

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

Original Research Article

ABSTRACT

This study investigated the impact of kidnapping and political instability on investment in Nigerian economy. To achieve this objective, relevant data used spanning from 2006-2022 were sourced from the World Bank Indicators, and Worldwide Governance Indicators for the period under review. Preliminary test were conducted and Ordinary Least Square (OLS) regression was the analytical tool for this study. Political stability and the Absence of Violence/Terrorism Estimate (PSAVTE) were utilized as the independent variables, and Foreign Direct Investment (FDI) as a percentage of GDP was employed as the dependent variable. Based on the analysis, there exist a negative relationship between FDI, and PSAVTE, the F-statistic of the regression output stood at 1.082523 this implies that the regression plane is not statistically significant. Also, the Prob. (F-Statistic) 0.314615 is greater than the 0.05 level of significance implies that there is no statistical significant relationship

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between the variables. $R^2 = 0.067311$ implies that about 6.73% of the total variation in the model specified was accounted for by the independent variables. FDI and PSAVTE are platykurtic. All the variables were stationary and significant at their respective values. No causality among the variables, thus, no existence of long-run relationship between the variables. In conclusion, kidnapping and political instability has adverse effect on investment, the fear of attack on business during conflict affects business decisions and the degree of investment. The study recommends that government must reduce the degree of unemployment in Nigeria, since a high level of unemployment promotes social vices, crime, and political instability.

Keywords: Foreign direct investment; kidnapping; political instability; unemployment and Nigerian Economy.

1. INTRODUCTION

"Nigeria is one of the countries that make up the NEKS, which stands for Nigeria, Egypt, Kenya, and South Africa. Researchers claim that there are substantial unexplored markets in these nations for foreign investment in Afric"a [1]. Both at the time of its independence and for a number of years later, the country was seen as a relatively secure nation in the West African sub-region due to its steady economic growth and leadership role in the Economic Community of African States (ECOWAS). But recent, ongoing insecurity—bombings, kidnappings, foreign hostage-taking, etc.—has put this in jeopardy. Kidnappings, bombings, assassinations, and terrorist deeds are examples of insecurity that affect all activities, including business ventures and foreign investment. According to Ngwama [2], everyone is impacted by Nigeria's growing level of insecurity, which is the reason for alarm. This threat can affect homes, churches, mosques, markets, schools, and the roadway. The experience of being abducted causes trauma to both the abductees and their relatives. Nigeria scares away foreign investors. The price of poor governance and incompetent leadership is being paid by Nigerians. In Nigeria's oil-rich Niger Delta, the government's and the oil companies' combined efforts have given rise to a number of armed groups that go by names like the Egbesu Boys, the Joint Revolutionary Council, the Movement for the Survival of the Ijaw Ethnic Nationality (MOSEIN), and MENBUTU.

"The Niger Delta Volunteer Force, the Arogbo Freedom Fighters, and the Movement for the Emancipation of the Niger Delta (MEND). The region is now generally insecure as a result of these groups' activities, which have included the kidnapping of foreign people employed by oil firms. The monolithic Nigerian economy has suffered as a result of its negative effects on

foreign direct investment, which is essential for economic growth and development" (Nwogwugwu, Alao, and Egwuonwu, 2012). Keeping its own citizens safe is the government's main responsibility. In Nigeria, this function has received little attention. The security of Nigerian citizens, let alone foreigners, is no longer supplied by the government. Nigerians have involuntarily converted to a strict religious lifestyle; entire families spend the night behind walls as high as prisons and beg for God's protection. However, abduction, which is a kind of armed robbery, is far more worrisome since it frequently takes place in public amid people going about their daily lives, with the exception of foreigners who are there for specialist jobs [2]. "The abduction of these foreigners hostage will have a big impact on the amount of foreign investment coming into the nation. Investments made with the intention of obtaining a long-term managerial stake (e.g., 10% of voting stock) and at least 10% of equity shares in a business that operates outside the investor's home nation are referred to as foreign direct investment (FDI). Policymakers think that foreign direct investment (FDI) boosts host economies. Externalities and the adoption of foreign technology are two examples of these benefits" (Alfaro et al., 2006, cited in [3]. Tang claims that technology and management expertise are shared by multinational corporations (MNEs) with domestic businesses. Economic rents are produced when FDI is invested in innovative or high-risk businesses, which benefits outdated technology and alternative management approaches [3].

Economic development is said to be hampered by political instability. This is predicated on the idea that it restricts policymakers to implementing short-term macroeconomic policies by acting as a barrier to long-term policies. Furthermore, frequent policy changes brought about by political unrest have anegative impact on the functioning of the economy's many sectors. This

study aim at evaluating the effect of political instability on investment and add to the literature on the nexus of kidnapping and political instability on investment in an economy.

1.1 Statement of the Problem

The essay on the security issues in Nigeria (2004) by former head of state Abdulsalami Abubakar, which was quoted by Adagba, Ugwu, and Eme [4], was taken from a talk made at NIPSS in 2004 and makes it abundantly evident that insecurity is the biggest threat to the current civilian regime. As he correctly points out, security concerns and challenges that have impacted the mindset, self-assurance, and collaboration of all the groups and sectors that comprise the Nigerian federation must be taken into account while addressing the threat to the survival of democracy in Nigeria. It appears that Oyebode (2011), in his essay on "the imperative of insecurity," shares Abubakar's viewpoint. It is obvious that almost nothing is feasible without security, he declares. As to Oyebode (2011), he advises that security should extend beyond law and order to include a meaningful existence for the majority of the population. To put it another way, security is defined as "a stable and continuous means of livelihood, predictability of relationships, and feeling safe and belonging to a social group" by Ezeoha (2011) in causes and effects of insecurity in Nigeria. According to Adagba et al.[4], he goes on to say that giving psychology a prominent position in the creation and execution of policies that support integration and national cohesion is one surefire method to address the insecurity issue in Nigeria.

It has been demonstrated that developing nations' ability to draw in foreign direct investment is closely correlated with their state of economic expansion. In contrast to other forms of foreign investment, foreign direct investment (FDI) comes with the following advantages: it opens up foreign markets and provides managerial expertise and skills, such as organizational competence; it offers residents of the recipient country a wide range of goods and services; and it facilitates the transfer of technology to developed economies [5]. The aforementioned goals are contingent upon the nation's security circumstances, particularly the lack of hostage-taking in the recipient nation. If foreign investors' security and that of their money are not assured, it is unlikely that they will stay in

that country. Based on the aforementioned, this study aims to investigate the impact of kidnapping or hostage-taking on both international and domestic investors in Nigeria. The objective is to offer an empirical account of how hostage-taking affected foreign investment in Nigeria from 2006 to 2022. This study's primary goal is to investigate how hostage-taking affects foreign investment (FI) in Nigeria. The specific goal is to determine how hostage-taking affects foreign investment in Nigeria and offer potential solutions for stopping hostage-taking there.

2. LITERATURE REVIEW

2.1 Concept of Hostage Taking in Nigeria

Insofar as it entails the unlawful detention of a person against their will by another person in a way that infringes on their right to be free from movement restrictions, kidnapping can be considered a form of false imprisonment. This is taking someone away from them against their will, usually to imprison them for a false charge or otherwise detain them without a court order. This is frequently done to promote another crime or in exchange for a ransom. Nobody is safe from abduction. Kidnappers frequently target both foreign and domestic victims in Nigeria, and our law enforcement officials never put up a great deal of a fight. In the face of this conflict, the Nigerian security apparatus has been undermined, and not much has been done to identify the socioeconomic and underlying causes of this crime. According to Amaize, 2006 cited in Nwogwugwu, Alao and Egwuonwu, 2012, Foreign nationals employed by oil corporations have been the main targets of militant groups' major tactics of kidnapping and hostage-taking. Oil workers in Bayelsa were taken hostage in January 2006 following MEND's declaration of "operation orido danger" and the abduction of four hostages. Although there have only been a few documented deaths from kidnappings by terrorists operating in the Niger delta—roughly fifteen. But there have been significant implications for Nigeria's economic development from the kidnappings, which primarily concerned foreign workers and development partners. It was successful in deterring possible development partners, depriving the government of Nigeria of the advantages and chances that come with such relationships. Capital and investment flows into the region have decreased due to the instability [6].

2.1.1 Incidents of kidnapping/hostage taking in nigeria

Hostage-taking incidents have occurred in Nigeria at different times in history, and these incidents have had a significant effect on foreign investment. According to the Minister of Police Affairs in December 2009, there were 512 documented cases of kidnapping between January 2008 and June 2009, compared to 353 occurrences in 2008. Based on statistical data, Abia State topped the list with 110 kidnapping events altogether. Imo had 58,109 arrests, 41 prosecutions, and one fatality; Delta had 44 kidnap cases, 43 releases, 27 arrests, 31 prosecutions, and one death; and Akwa Ibom had 40 kidnap cases, 418 arrests, and 11 prosecutions for its part. The report also claimed that between July/September 2008 and July 2009, kidnappers took over 600 million naira. Apart from easily available data, it is a well-known fact that most kidnapping cases remain unreported to authorities out of fear of the victims being killed; hence, most families would prefer to pay a ransom rather than lose one of their own. A multimillionaire businessman was kidnapped and released after he allegedly paid a ransom without going via the police; an industrialist in Nnewi paid N70 million to escape his captors [2]. An N80 million ransom was purportedly paid to kidnappers in Kano, for instance, in exchange for the release of a multimillionaire businessman who was based there.

2.1.2 Concept of foreign investment

Investment is among the main variable that determines a country's economic progress. An economy needs to shift some of its present resources from consumption to investment to be able to ensure capital growth. Most of the world's impoverished countries suffer from low savings and a deficiency of capital accumulation that may be invested. These countries can try to attract foreign investment to make up for the lack of savings or money at home. Foreign investments occur "when foreigners either wholly or jointly with local investors establish their physical presence in another country through the acquisition of physical assets such as factories, buildings, plants, machinery, etc." according to Nwogwugwu, Alao, and Egwuonwu [6].

Foreign investment involves capital flows from one country to another, granting the foreign investors extensive ownership stakes in domestic companies and assets. Foreign investment denotes that foreigners have an active role in management as a part of their investment or an equity stake large enough to enable the foreign investor to influence business strategy. A modern trend leans toward globalisation, where multinational firms have investments in a variety of countries. Foreign investment is largely seen as a catalyst for economic growth in the future.

"Foreign direct investment contributes to the growth and development of the host country in diverse ways, these include; (a) contributing to the growth of the real output direct investment in the production of tangible goods, (b) generation and expansion of business through stimulation of employment, raising of wages and replacement of declining market sector, (c) support of overseas affiliates by the parent company through provision of appropriate human and material resources, (d) reduction of the host countries propensity to import and efficient allocation of production resources, among others" (Bakare, 2010; Oke, 2007; [6]. "According to the IMF and OECD definitions, foreign investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. Direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated. It should be noted that capital transactions which do not give rise to any settlement, (e.g. an interchange of shares) does not amount to FI. Financial Times Magazine defines FI as an Investment from one country into another (normally by companies rather than governments) that involves establishing operations or acquiring tangible assets, including stakes in other businesses. It is the purchase or establishment of income-generating assets in a foreign country that entails the control of the operation or organization" [5].

2.1.3 Impact of insecurity/hostage taking on foreign investment

The Niger Delta is losing out on greater opportunities for investments that may strengthen the local economy and create jobs

because foreign investors in oil are moving their money to safer and more affordable places. Analysts have determined that the Niger Delta's instability and Africa's lax fiscal regulations are the main causes of investors' exodus in search of more secure economic prospects. Declining foreign investment is a bad indication for Nigerian output. A recent report by the United Nations states that foreign investment fell to $5.85 billion from $13.96 billion in 2006, primarily in the petroleum sector (Swartz and Connors, 2010; [6]. "SPDC retrenched 3,500 workers in September 2007" because to militant activity in the Niger delta region (*Punch Newspapers*, 2007). The closing of Indoroma Petrochemical Company resulted in the loss of employment for almost 3,000 young people, hence exacerbating the unemployment rate (*Sunday Trust Newspaper*, 2007). Restlessness has impeded corporate sector growth.

At its Bonny complex in the South of the Delta, Royal Dutch Shell's production has dropped from one million barrels per day to about 380,000 barrels per day as a result of militant activity. In its activities in Nigeria, Exxon has also seen a rise in militant activity. Nigeria's production is already slowing down due to militancy; the Niger Delta is currently only exporting 1.8 million barrels per day, compared to a targeted 2.2 million barrels per day. Due to expats leaving home or relocating to safer areas, more than 80% of the enterprises in Rivers State have closed. 43 MTN base stations were shut down as a result of militant actions making them inaccessible (*Punch Newspapers*, 2007).

2.1.4 Effects of kidnapping/hostage taking on Nigeria economy

According to recent studies, the long-term unemployment rate, escalating political unrest, domestic dissatisfaction, the "get rich quick" mentality, and the perception of a security lapse by the state have all contributed to the control of kidnapping [7,8].

2.1.5 Unemployment

Youth unemployment has been cited as one of the major obstacles to finding a solution to abduction behavior [9,10]. Based on research conducted by Adegoke [11], 88% of the teenagers involved in abduction operations cited unemployment as a contributing factor. Since many of the young people without jobs are university graduates and physically fit people

who are virtually dissatisfied by the lack of job options, creating jobs must be the first step in solving this issue. According to Inyang [9], a graduate without a job has no way to sustain themselves financially. A psychological developmental stage of negative behavior against the status quo and the socio-system results from such deprivation. Negative developmental behaviors become a strategy of resistance against social norms, which may need individual adherence to societal norms.

2.1.6 Curing this social ill

Treating this social disorder would break the negative cycle of social interactions that kidnappers are caught in [12]. The ability of the victims to pay is a factor used by those who commit kidnappings to choose their victims [13]. Nigeria's unemployment issue has grown to be a "thorn in the flesh." According to Ejimabo [14], "Nigeria needs problem-solving skills of leaders to help fight corruption and fraud in the country." If not, the country's attempts to lower crime and delinquencies would still be hampered by issues like job development and a worsening political crisis. The creation of jobs and other financial incentives could persuade young people to abandon the illegal human trafficking trade. Even the most respected priests and religious leaders have been abducted since it has become a profitable crime.

2.1.7 Worsening political instability

Prior to oil development, village rivalries and clans in Nigeria were the origin of kidnappings. The bitter rivalry among the native people was sufficient to seize an individual and drag them away for punishment and annihilation. Political undertone embraces the native hate-system of "capture and carry away" with the appearance of civilian democracy. An opponent might easily disappear from sight during election season. Politicians are associated with this kidnapping technique because unemployed youths are used as political thugs against their rivals in politics, and in certain cases, they are given the authority to kill them [15]. The target of abduction has shifted from the oil firms to include a wider range of economic endeavours, rivalry retaliations, political opponents, enmity, and ethnic conflicts everywhere in the country. Politicians' relatives are typically kidnapped for political purposes. Politicians have been known to violate the law, engage in "do or die" political games in their local communities, arm and ambush their political

goons, and ultimately abduct and murder their political rivals [16,15]. Political demands or concessions that call for government intervention are a part of political kidnapping (Uzorma and Nwanegbo-Ben, 2014).

In actuality, they arm and train political goons. When political thugs with guns are mobilized throughout the election process, weapons become accessible to be utilized in additional crimes after the election. According to Ikpang (2009), these guns are typically not removed from their political thugs following the election, making it harder to regulate abduction behavior. It is difficult to take sophisticated assault weapons away from the control of criminals who carry them in society.

2.1.8 Internal grievances

Nigerian communities are blessed with an abundance of natural resources, including quantities of crude oil, especially those in the Niger Delta regions. Local communities' protests against the federal government and the oil companies for seizing their mineral resources without paying them led to the gradual emergence of the contemporary crime of kidnapping foreign nationals and employees of oil companies. Generally speaking, the communities surrounding the locations of those mineral reserves have been neglected by oil firms like Agip, Shell Exploration Company, and Exxon Mobile, which have also depleted their resources and contaminated their surroundings. The locals found the visible degradation of the environment upsetting. This careless behavior sparked hostility toward foreigners and oil businesses. To bring attention to their demands for compensation on a national and international level, the young without jobs in these towns established militant groups within their communities. Consequently, groups advocating for their rights and robbing foreign workers at the oil wells included the Ijaw Youth Council (IYC), the Niger Delta Vigilante (NDV), the Bush Boys, the Dodan Barrack Group, the Ogoni Movement (MOSOP), and the Titanians, which established MEND. These groups were made up of young people who were impoverished, essentially jobless, and angry at the government for abusing their resources, damaging the environment, and leaving their communities underdeveloped. In exchange for the minerals that were taken from their communities, the indigenous people expected adequate compensation in the form of modern commercial trading centers, hospitals,

schools, good roads, clean drinking water, and even scholarships for their sons and daughters to pursue higher education. Internal complaints against the federal government and the oil companies were stoked and intensified by the inability to compensate those areas as well as the smell of unemployment. It is difficult to put an end to kidnapping without granting the kidnappers' demands. An annoying barrier to solving the kidnapping crime in the country is the government's and the oil corporations' incapacity to satisfy the demands of the kidnappers. Due to their ability to evaluate possible victims, kidnappers have virtually complete control over the criminal justice system, victim limitations, and the social domain of the crime [17,7].

Inadequately Developed Communication Networks: Tower communication devices are a common way to locate those who have been kidnapped. According to Idachaba (2011), "the inability of security agencies to quickly identify the location of the kidnapped persons fuels kidnapping in Nigeria" (p. 56). One major obstacle to controlling abduction activities is the law enforcement authorities' incapacity to comprehend the intricacies of the Global Positioning System (GPS). Idachaba (2011) claims that the GPS Module is set up as a data pusher, transmitting the tracked object's position data via a GSM Network. The nation's efforts to control abduction have made this transfer easier.

2.2 Theoretical Framework

The world-system theory developed by Wallerstein in 1974 functions as the theoretical foundation for our investigation. As stated by the theory, every component of the global system is dynamically related to every other component because of their interdependence. The most important contributors to the global system, which serves as a platform for world politics, are nation-states. Specific policies developed by various political entities (states) serve as the foundation for these relationships between states. Foreign policies are the names given to these programs. These are the purposes and goals that a state sets for itself to accomplish outside of its boundaries and are constructed internally in an international fashion with openness, dedication, and accountability. The state's national interest is typically given more consideration while making foreign policy decisions. As a consequence, nations work to sway other nations' actions in the desired direction. Such behavior must be predicated on

social and economic growth, respect for human rights, the application of the law, and peace and security [18].

Wallerstein claims that the international system is a key idea and has been viewed as a container that takes up the physical area of the global system. The remaining participants in the global economy will be impacted, in some way, by the problem that emerged in one of the components (a state or organization). The international system perspective, in contrast, in this case of Nigeria, proposes that viable relations occur in a state or entity where there is an ongoing division of labor and aims to empirically demonstrate whether or not that state or entity is politically, culturally, and economically integrated, as well as to theoretically identify the challenges associated with the existence or non-existence of this unity [19]. Nigeria is a varied country rich in mineral riches, but it also has unequal government, discrimination against some ethnic groups, inequality, a weak legal system, and a crooked economic and educational system. Transparency International's 2006 Corruption Perception Report ranks Nigeria 142nd out of 163 countries, despite the country's abundance of resources. In addition, the nation placed 146th out of 180 in the 2018 study; it also came in at number 151 for the world's highest unemployment rate and at number 55 for the world's poorest countries in 2020.

According to the theory, a lot of progress has been made in placing the state's Aanalysis in an international context, including social, political, and economic relations within a single community and territorial boundaries within a specific state, Although there has been less focus on the environmental vision in the way the state functions [20]. Therefore, since Nigeria gained its independence in 1960, the state's and its society's ties on the political, social, and economic fronts have become antagonistic. For a long time, the nation has been plagued by various crises such as coups, civil wars, political unrest, social vices, organized crime, terrorism, and horrific crimes. Nigeria's reputation abroad has suffered due to the kidnapping menace, which started in the Niger Delta with the kidnapping of foreign nationals and citizens employed by multinational cooperatives. In light of the US Department of Energy, it produced 2 thousand barrels in 2018 and 1346 barrels in 2020, compared to 27 thousand barrels in 2006. Nigeria is thus a participant in the Organization of the Petroleum Exporting Countries (OPEC) and

along with Egypt, Kenya, and South Africa (NEKS), Nigeria is one of the nations blessed with abundant mineral resources that has made a substantial input into the global economy. The production of these minerals, which due to kidnapping, affected its massive contribution to such organizations and the international community, as well as deterred foreign investors from investing in the country [18].

2.3 Empirical Review

Akinlo, Arowolo, and Zubair [21] looked at how political unrest affected Nigeria's economic expansion from 1984 to 2020. The study proved that political instability has a drawback short- and long-term consequences for economic expansion using the ARDL model. The study also discovered a negative association, over both the short and long terms, between gross capital formation and financial development and economic growth. The study concludes that government spending both directly and indirectly supports economic growth. Human capital and foreign direct investment support economic growth in the short term but hinder it over time. Dalyop [22] used data from 52 African countries to look into the relationship between political unrest and economic expansion during the years 1980 to 2013. The results of the panel research demonstrated a clear connection between political stability and economic expansion. The outcomes also showed that political unrest is a barrier to economic expansion. Furthermore, the research demonstrated that low economic growth exacerbates and fosters political instability in Africa. In Okafor's 2017 study, panel data from fifteen ECOWAS member states between 2005 and 2012 was used to analyze the association between political instability and economic growth. In addition to using several conflict types for analysis, the study included fixed effect and generalized method of moments methodologies. The findings showed that factors like terrorism and others have a detrimental effect on the countries' economies. Sweidan [23] looked into the connection between political unrest and economic expansion in Jordan using the ARDL model and Kalman filter econometric methods. The data included in the research were from 1967 to 2009. Throughout the study period, political instability was revealed to have a considerable negative impact on economic growth. The study also discovered that government spending is negatively impacted by political unrest. Additionally, Tabassam, Hashmi, and Rehman [24] used an annual time series

spanning 22 years to investigate the relationship between political upheaval and economic growth in Pakistan. The study substituted political instability for terrorism, elections, governments, and strikes. But rather than using the ARDL model, the authors employed the ARCH and GARCH models. The result of the GARCH (1, 1) model in the mean equation shows that the only variable that has an inverse relationship with the mean equation of GDP per capita is terrorism. However, the results of the GARCH (1, 1) model with explanatory variables in the variance equation show that elections and regimes are the only two explanatory factors that negatively affect GDP volatility. Gong and Rao (2016) concentrated on examining whether the protracted political unrest that Fiji has been experiencing would have a adverse effect on the country's economy. The Synthetic Control Method was employed, and the study's time frame was 1970–2011. During the study period, the study confirmed that extended political instability is a barrier to economic progress.

3. METHODOLOGY

3.1 Research Design

Ex-Post-Facto research design was used in this study. The study's primary emphasis is Nigeria, and its data ranges across a seventeen-year (17) period, from the years 2006 to 2022. Secondary data from the World Bank Indicators, and Worldwide Governance Indicators were used in this study.

Political Stability and Absence of Violence/Terrorism Estimate as the independent variable, Foreign Direct Investment as a percentage of GDP (FDI) was used as the dependent variable.

3.2 Methods of Analysis

Descriptive statistics, the Augmented Dickey Fuller (ADF) unit root test, Granger causality, Johansen co-integration test and the OLS method are all used to test hypotheses. E-Views 9.0 is the statistical programme used in this investigation.

3.3 Model Specification

The chosen investment indicator is the Foreign Direct Investment as a percentage of GDP (FDI) specified to depend on Political Stability and Absence of Violence/Terrorism Estimate.

The functional relationship between impact of kidnapping and political instability on investment in Nigerian economy is expressed as:

Foreign Direct Investment = f(Political Stability and Absence of Violence/Terrorism Estimate).

$$FDI = f(PSAVTE)\ldots\ldots\ldots\ldots\ldots\ldots\text{ Model 1}$$

$$FDI = \beta_0 + \beta_1 PSAVTE + U\ldots\text{Equation 1}$$

Where:

FDI = Foreign Direct Investment as a percentage of GDP

PSAVTE = Political Stability and Absence of Violence/Terrorism Estimate (+)

U = Stochastic disturbance term or error term.

β_0 denotes the constant term, β_1 is the slope of the coefficients representing Parameters to be estimated and U is the disturbance term assumed to be purely random.

According to apriori, a favorable association between the dependent and independent variables is anticipated.

4. DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

The data presented below are those considered essential as seen in the empirical review for the analyses of the objective specified in the study to corroborate the formulated hypotheses. Table 1 show the dependent and independent variables for the period under review.

4.2 Interpretation of Result

The descriptive statistics for the time series data for the dependent and independent variables are displayed in Table 2. This serves to illustrate how drastically the variables differ from one another.

The Table 2 displays the descriptive statistics for the variables that were taken into account throughout our analysis. The average foreign direct investment inflow as a percentage of GDP (FDI) and Political Stability and Absence of Violence/Terrorism: Estimate (PSAVTE) between 2006 and 2022 are 1.220000 and -1.976471, respectively. FDI is normally skewed since it

possessed a skewness of 0.431754 which is equal to zero, and its distribution is flat-peaked and had a kurtosis of 2.012970 which is less than 3, hence it is platykurtic. Also, PSAVTE is negatively skewed since it possessed a skewness of -0.182099 showing a longer tail to the left, and platykurtic since its distribution is flat-peaked and had a kurtosis of 2.483996 which is less than 3. The Jarque-Bera statistic (JB) for

FDI and PSAVTE provides enough evidence to accept the null hypotheses of normality since the p-values of the JB statistics of 0.543828 and 0.868249 respectively, are greater than 0.05.

According to the aforementioned table, the variables are stationary at first difference 1(1) for, FDI, and PSAVTE.

Table 1. Impact of kidnapping and Political Instability on Investment in Nigerian economy

Period	Foreign Direct Investment Inflow as a percentage of GDP (FDI) (%)	Political Stability and Absence of Violence/Terrorism: Estimate (PSAVTE)
2006	2.04	-2.0
2007	2.17	-2.0
2008	2.41	-1.9
2009	2.90	-2.0
2010	1.64	-2.2
2011	2.13	-2.0
2012	1.52	-2.0
2013	1.07	-2.1
2014	0.82	-2.1
2015	0.62	-1.9
2016	0.85	-1.9
2017	0.64	-2.0
2018	0.18	-2.1
2019	0.49	-1.9
2020	0.55	-1.9
2021	0.75	-1.8
2022	-0.04	-1.8

Source: World Bank Indicators, and world wide governance indicators for the period under review, 2006-2022

Table 2. Descriptive statistics result

	FDI	PSAVTE
Mean	1.220000	-1.976471
Median	0.850000	-2.000000
Maximum	2.900000	-1.800000
Minimum	-0.040000	-2.200000
Std. Dev.	0.858618	0.109141
Skewness	0.431754	-0.182099
Kurtosis	2.012970	2.483996
Jarque-Bera	1.218245	0.282554
Probability	0.543828	0.868249
Sum	20.74000	-33.60000
Sum Sq. Dev.	11.79560	0.190588
Observations	17	17

Table 3. Summary of adf unit root test

Variables	ADF Test Statistics	Mackinnon Critical Value @ 5%	P-Value	Oder of integration	Remark
FDI	-5.415069	-3.081002	0.0007	1(1)	STATIONARY
PSAVTE	-4.714292	-3.098896	0.0029	1(1)	STATIONARY

Table 4. Result of Johansen Co-integration test

Date: 10/25/23   Time: 05:24
Sample (adjusted): 2008 2022
Included observations: 15 after adjustments
Trend assumption: Linear deterministic trend
Series: FDI PSAVTE
Lags interval (in first differences): 1 to 1
Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.370558	6.995889	15.49471	0.5781
At most 1	0.003465	0.052069	3.841466	0.8195

Trace test indicates no cointegration at the 0.05 level
 * denotes rejection of the hypothesis at the 0.05 level
 **MacKinnon-Haug-Michelis (1999) p-values
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.370558	6.943819	14.26460	0.4958
At most 1	0.003465	0.052069	3.841466	0.8195

Max-eigenvalue test indicates no cointegration at the 0.05 level
 * denotes rejection of the hypothesis at the 0.05 level
 **MacKinnon-Haug-Michelis (1999) p-values

Table 5. Granger causality test

Pairwise Granger Causality Tests
Date: 10/25/23   Time: 05:25
Sample: 2006 2022
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
PSAVTE does not Granger Cause FDI	15	0.57343	0.5811
FDI does not Granger Cause PSAVTE		2.23572	0.1576

Table 6. OLS

Dependent Variable: FDI
Method: Least Squares
Date: 10/25/23   Time: 05:26
Sample: 2006 2022
Included observations: 17

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.814074	3.882822	-0.724750	0.4798
PSAVTE	-2.041049	1.961710	-1.040444	0.3146
R-squared	0.067311	Mean dependent var		1.220000
Adjusted R-squared	0.005131	S.D. dependent var		0.858618
S.E. of regression	0.856412	Akaike info criterion		2.638001
Sum squared resid	11.00163	Schwarz criterion		2.736027
Log likelihood	-20.42301	Hannan-Quinn criter.		2.647745
F-statistic	1.082523	Durbin-Watson stat		0.614783
Prob(F-statistic)	0.314615			

$$FDI = \beta_0 + \beta_1 PSAVTE + U$$
$$FDI = -2.814074 - 2.041049 + U$$

The result of the Johansen co-integration test presented above indicates no co-integration equation from both the trace test and the max-eigenvalue test. As a result, the outcome validates that there is no co-integration between the variables. As a result, we can determine that there is no long-term relationship between the impact of kidnapping and political instability on investment in the Nigerian economy.

PSAVTE does not granger cause FDI (0.5811 > 0.05), while FDI granger causes PSAVTE (0.1576 < 0.05); hence, there is no causality.

From the coefficient of regression, the estimated model shows that there is a negative relationship between FDI and PSAVTE, indicating that a unit change in PSAVTE will lead to a decrease in investment in the economy by 2.041049%. The coefficient of determination (R^2) is $R^2 = 0.067311$, which is 6.7311%. This implies that about 6.73% of the total variation was accounted for by the independent variables, while 93.27% was unexplained and was taken care of by the stochastic disturbance term or error term U during the period studied.

The Durbin-Watson statistic shows that there is a presence of autocorrelation or serial correlation in the residual as its value is 0.614783, approximately 0.61, which is less than the Durbin-Watson value of 2 (0.61 < 2). The F-statistic of the regression output stood at 1.082523. This implies that the regression plane is not statistically significant. Comparing the sign P-values with the chosen level of significance (0.05), it is observed that the P-value of 0.3146 for PSAVTE is greater than the chosen level of significance of 0.05. Also, the overall level of significance, Prob. (F-Statistic) 0.314615, is greater than the 0.05 level of significance, indicating that the independent variable cannot influence the dependent variable for the period under review; hence, kidnapping and political instability cannot induce investment in the Nigerian economy.

4.3 Discussion of Findings

This study's findings supported those of other related studies by Akinlo et al. [21], who looked at how political instability affected Nigeria's economic growth from 1984 to 2020 and concluded that it had a negative effect; and Dalyop [22], who looked at the relationship between political instability and economic growth in 52 African countries from 1980 to 2013, concluding that political instability is a barrier to economic growth in Africa; Sweidan [23] who examined political unrest and economic expansion in Jordan between 1967 to 2009 and found that government spending is negatively impacted by political unrest; Gong and Rao [25] examined the protracted political unrest experienced by Fiji between 1970 to 2011, and revealed that extended political instability is a barrier to economic progress.

The research also affirms the viability of Wallerstein's [26] world-system theory. According to the theory, the global system is a core idea that has been viewed as a container that resides in the geographical space of the global system. All of the elements that make up the global system are interrelated and, as a result, are in a dynamic interaction with one another. The remaining participants in the global economy will be impacted, to some extent, by the issue that arose within one of the units (an entity or states).

Abati [27], Village Square [28], Adebayo [29], Akpan [30], Anyanwu [31], Babington-Ashaye [32], Emmanuel [33], Nwachukwu [34], Okafor [35] and Soyombo [36].

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The descriptive analysis indicated that PSAVTE was negatively distributed and FDI was normally distributed, indicating that both variables are platykurtic. At each of their individual values, every variable was significant and steady. Moreover, there was no co-integration or causal relationship between any of the variables.

The projected result indicated that a unit change in PSAVTE will lower investment in Nigeria by 2.041049% since there is a negative link between FDI and PSAVTE, according to the estimated model's coefficient of regression. $R^2 = 0.067311$ is the coefficient of determination (R^2) that corresponds to the number 6.7311%. This indicates that the error term U, or stochastic disturbance component, handled the 93.27% of the unexplained variation in the model over the research period. Durbin-Watson value of the residual is 0.614783, or approximately 0.61, less than the Durbin-Watson value of 2 (0.61 < 2).

This suggests that serial correlation or autocorrelation is present. The F-statistic of the regression's output was 1.082523. This implies that the regression plane lacks statistical significance. It can be observed that the P-values for PSAVTE 0.3146 is higher than the selected level of significance (0.05) when sign P-values are compared to it. Prob. (F-Statistic) 0.314615, on the other hand, is higher than the significance level of 0.05 for the total level of significance, suggesting that political unrest and kidnapping impede investment, which in turn slows down economic growth.

6. CONCLUSION

This study's conclusions have some ramifications. The study's findings about the detrimental impacts of political unrest and kidnapping on investment demand that the government work to lessen such unrest nationwide. Because of a lack of confidence, political instability makes economic dealings between various ethnic groups challenging. The degree of investment and company decisions are impacted by the fear of business attack during conflict. The aftermath effect of a conflict has dire consequences on economic growth, as business cannot thrive in an unconducive environment, as no investors will be motivated to invest in an environment that is not safe for business. The economic climate gets worse as enterprises close their doors and unemployment rises. An unfavorable environment cannot support business since no investor will put money into a location where activities are risky.

The study therefore recommends that:

i. The government must reduce the level of unemployment in Nigeria. The high level of unemployment promotes political instability. Many graduates possess the necessary skills and education to contribute to economic growth but are unemployed. Most of these people can easily be manipulated into crime in an attempt to survive. People who are fully employed and busy can hardly be used as weapons of violence. The political leaders usually take advantage of the unemployed and use them as political thugs to cause destruction and promote violence during and after the election. Reducing the level of unemployment by the government will also reduce the level of poverty in the country. There is a high level of poverty in Nigeria today, more than in the past decades. People resorted to all kinds of crimes to evade poverty. The high level of unemployment, corruption, inconsistent policies of the government and bad leadership have increased the level of poverty geometrically in Nigeria. There is currently a high level of crime, such as kidnapping, fraudsters, banditry, and burglary, which are highly connected to the level of poverty.

ii. There is a need for the government to establish special organs or agencies that will maintain equal rights for all ethnic and religious groups and hold a constructive dialogue. Those agencies will serve as regulators, which can promote peace and be able to devise a solution for the resolution of differences based on the needs of different ethnic groups and religious groups. The agencies must also be saddled with the responsibility of ensuring that various ethnic and religious groups are treated equally and benefit from the sharing of national wealth.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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