Introduction

Foreign Direct Investment (FDI) is widely recognized as a critical driver of economic growth and development, particularly in developing countries like Nigeria. It serves as a source of capital, technology transfer, job creation, and infrastructure development, ultimately contributing to poverty reduction and economic diversification (World Bank, 2022). For Nigeria, a country endowed with vast natural resources, a strategic geographical location, and a large consumer market, FDI has the potential to significantly boost economic growth, reduce unemployment, and enhance industrialization (OECD, 2023). However, the ability to attract and retain FDI is heavily influenced by the stability and security of the host country (UNCTAD, 2023).

Historically, Nigeria has been one of the largest recipients of FDI in Africa due to her rich oil and gas resources. According to the Central Bank of Nigeria (CBN), FDI inflows into Nigeria peaked in the early 2000s, driven by economic reforms, privatization policies, and the liberalization of key sectors such as telecommunications, manufacturing, and financial services. However, FDI inflows have exhibited a declining trend in recent years. Reports from the United Nations Conference on Trade and Development (UNCTAD) indicate that Nigeria's FDI inflows dropped from $8.84 billion in 2011 to $2.4 billion in 2021, with further declines recorded in subsequent years. This decline has been attributed to various factors, including economic instability, weak regulatory frameworks, corruption, and, more prominently, the rising insecurity across the country (UNCTAD, 2023).

Insecurity in Nigeria manifests in various forms, including terrorism, insurgency, banditry, kidnapping, communal clashes, militancy, and cybercrime (Global Terrorism Index, 2023). The Boko Haram insurgency in the Northeast, armed banditry in the Northwest, separatist agitations in the Southeast, and farmer-herder conflicts in the Middle Belt have exacerbated economic uncertainty, discouraging foreign investors from committing long-term capital to the country (ACLED, 2023). The activities of insurgent groups such as Boko Haram and the Islamic State in West Africa Province (ISWAP) have led to significant destruction of infrastructure, loss of lives, and displacement of communities, particularly in the northern region. Similarly, the resurgence of militancy in the Niger Delta, coupled with crude oil theft and pipeline vandalism, has deterred investment in the oil and gas sector, Nigeria's primary revenue source (World Bank, 2023).

The economic cost of insecurity is substantial. Reports from the Institute for Economics and Peace (IEP) indicate that the effect of terrorism and violent crime on Nigeria's economy is estimated at billions of dollars annually, significantly reducing investor confidence. The Global Terrorism Index (2023) ranks Nigeria as one of the most terrorism-affected countries, further discouraging potential foreign investors. Insecurity leads to increased operational costs for businesses, as firms are forced to invest heavily in security measures, insurance, and risk mitigation strategies. Additionally, the unpredictability of violent attacks and disruptions to supply chains create an unfavorable business climate, making Nigeria a less attractive destination for foreign investors compared to other emerging markets with more stable environments.

The relationship between insecurity and foreign direct investment (FDI) is well-documented in economic and development literature. However, insecurity significantly affects a country's ability to attract and retain foreign investment, as investors prioritize stable environments with predictable returns and minimal risks (World Bank, 2023). In the case of Nigeria, the rising levels of insecurity manifesting in terrorism, insurgency, banditry, kidnapping, and cybercrime have created a business climate characterized by heightened risk and uncertainty, thereby discouraging FDI inflows (Global Terrorism Index, 2023).

Insecurity leads to additional business expenditures, as firms operating in volatile environments must invest heavily in security measures such as private security services, surveillance systems, and fortified infrastructure (Aliyu & Lawal, 2023). Furthermore, foreign firms often face higher insurance premiums due to perceived risks, making Nigeria a less attractive destination compared to more stable economies in sub-Saharan Africa (World Economic Forum, 2023).

Akinlo & Olaniyan (2022) found that terrorist activities led to a 35% reduction in FDI inflows over the past decade. Similarly, Okon and Effiong (2021) reported that political instability and violent crime were negatively correlated with FDI inflows, as investors considered security risks when making investment decisions. The Global Terrorism Index (2023) ranks Nigeria among the most terrorism-affected countries, reinforcing its perception as a high-risk investment destination. A study by Nwankwo et al. (2023) highlighted that mitigating insecurity could increase FDI inflows by at least 40%, underscoring the significant role security plays in attracting foreign capital. Furthermore, Umar and Hassan (2022) demonstrated that improving security conditions leads to increased investor confidence, thereby boosting capital inflows into key sectors such as manufacturing, telecommunications, and energy.

Terrorism has been a major source of insecurity in Nigeria, particularly due to the activities of Boko Haram and its splinter faction, the Islamic State of West Africa Province (ISWAP). These groups have carried out numerous attacks on civilians, government installations, and businesses, particularly in the northeastern region (Global Terrorism Index, 2023). The persistent threat of terrorism discourages foreign investors, as it creates uncertainty, disrupts supply chains, and increases the risk of asset destruction (Akinlo & Olaniyan, 2022).

Insurgency, particularly in the Northeast, has led to widespread displacement, economic decline, and destruction of infrastructure. The ongoing conflicts in states such as Borno, Yobe, and Adamawa have severely impacted agricultural production, trade, and industrial activities, reducing Nigeria's economic attractiveness to investors (Umar & Hassan, 2022). Insurgency-related violence has also led to capital flight, as both domestic and foreign investors relocate to safer regions within and outside Nigeria (Okon & Effiong, 2021).

In addition to direct losses, the fear of insurgent attacks discourages the expansion of businesses and industries in affected regions. This results in job losses, lower productivity, and a decline in economic development, further discouraging foreign investment (OECD, 2023).

The rise of banditry, particularly in the Northwest and North-Central regions, has created significant security concerns for businesses and investors. Bandits frequently engage in mass killings, cattle rustling, and village raids, leading to economic instability and uncertainty (Eze & Okonkwo, 2023). The agricultural sector, a critical component of Nigeria's non-oil economy, has been severely affected by bandit attacks, reducing productivity and increasing food insecurity.

Nigeria's rising security expenditure reflects the government's efforts to combat insecurity; however, it also has economic implications. Increased spending on security often comes at the expense of critical infrastructure, education, and healthcare investments (Okon & Effiong, 2021). While military and law enforcement agencies receive substantial funding, the persistent security challenges suggest that these expenditures have not effectively mitigated the threats.

For foreign investors, high security spending signals systemic instability, which raises concerns about the government's ability to manage risks and maintain a secure business environment (Dunning & Lundan, 2022). Moreover, excessive government borrowing to finance security operations may contribute to fiscal deficits, inflation, and economic instability, further deterring FDI inflows (World Bank, 2023). It is against this backdrop that this study examined the effect of terrorism and insurgency on foreign direct investment (FDI) in Nigeria.

Between 2010 and now, Nigeria's FDI inflows have steadily declined, averaging $2.8 billion annually before plummeting to a negative FDI balance of -$0.2 billion in 2022 (Focus Economics, 2023). This downward trend raises concerns about Nigeria's investment climate and economic prospects. One of the most critical barriers to FDI growth in Nigeria is the country's deteriorating security situation. The nation faces widespread insecurity, ranging from terrorism and insurgency in the Northeast (driven by Boko Haram and ISWAP) to armed banditry and kidnapping in the Northwest, communal and ethnic clashes in the Middle Belt, separatist agitations in the Southeast, and rising cybercrime nationwide (Global Terrorism Index, 2023). These security threats create an environment of uncertainty and high operational risks for foreign investors, increasing the cost of doing business and reducing investor confidence (OECD, 2023). Multinational corporations often consider political and security stability as fundamental determinants in their investment decisions, and Nigeria's current security landscape presents a significant deterrent.

While prior studies on FDI determinants have primarily focused on macroeconomic factors such as exchange rates, inflation, and market size, limited empirical research has explored the direct effect of various dimensions of insecurity on FDI inflows in Nigeria (Akinlo & Olaniyan, 2022; Sarker, & Serieux, 2023; Akinwalere & Chang 2024; Akpan, 2024).

The existing body of research on Foreign Direct Investment (FDI) determinants in Nigeria has predominantly centered on macroeconomic variables such as exchange rates, inflation, and market size. While these factors are undeniably critical in shaping investment decisions, the limited exploration of the direct effect of various dimensions of insecurity on FDI inflows represents a significant evidence gap in the literature. This gap is particularly pronounced in the Nigerian context, where insecurity—ranging from terrorism, political instability, and ethnic conflicts to rising crime rates and weak institutional frameworks—has become a pervasive challenge. Despite the growing recognition of insecurity as a critical deterrent to investment, empirical studies have not sufficiently disentangled the specific mechanisms through which different forms of insecurity influence FDI inflows. Moreover, the practical knowledge gap lies in the absence of actionable insights for both investors and policymakers. While macroeconomic stability is often emphasized as a prerequisite for attracting FDI, the practical realities of operating in an insecure environment are underexplored. Understanding of the investment climate. This practical knowledge gap hinders the development of holistic strategies to enhance Nigeria's attractiveness as an investment destination. The research aims to provide empirical evidence that will inform policymakers and investors alike, facilitating the development of more targeted and effective strategies to mitigate security risks and attract foreign investments. This work intends not only to contribute new knowledge to the academic discourse but also to offer practical solutions for improving Nigeria's investment climate in the face of escalating insecurity.

Objective

The objective of this study is to examine the effect of terrorism and insurgency on Foreign Direct Investment (FDI) inflows in Nigeria.

Conceptual Clarifications

Foreign Direct Investment Inflows

Foreign Direct Investment (FDI) refers to the investment made by a foreign entity (individual, company, or government) in a business or assets in a country other than its own, typically involving a lasting interest and a significant degree of influence or control over the business or assets in which the investment is made. FDI inflows refer to the actual flow of capital from foreign investors into a host country, either in the form of new investments (greenfield investments), mergers and acquisitions, or reinvested earnings from existing foreign subsidiaries.

Foreign Direct Investment is a vital part of global economic integration. This fosters long-lasting connections between economies, paving the way for the spread of technology and environmentally responsible growth. International product promotion can also be a good opportunity for businesses (Glass et al., 2022). Foreign direct investment (FDI) can be understood in various ways.

Terrorism

Terrorism is defined as the unlawful use of force or violence against individuals or property to intimidate or coerce governments or societies, often for political, ideological, or religious purposes (Enders & Sandler, 2012). It disrupts economic stability, increases operational risks, and undermines investor confidence. Studies have shown that terrorism significantly reduces FDI inflows by increasing the perceived risk of doing business in affected regions (Busse & Hefeker, 2007). According to Abadie & Gardeazabal (2008), terrorism acts as a negative shock to economic stability, discouraging investment and reducing long-term economic growth.

In the context of Nigeria, Boko Haram, one of the deadliest terrorist groups globally, has carried out numerous attacks, primarily in the northeastern region, leading to significant economic disruption and loss of investor confidence (Onifade et al., 2020). Ogundipe et al. (2021) argue that the impact of terrorism on FDI extends beyond immediate physical damage, affecting investor perceptions, market stability, and long-term investment decisions. This is consistent with the findings of Enders and Sandler (2012), who highlight that terrorism can lead to capital flight, reduced foreign investment, and a decline in overall economic performance.

Insurgency

Insurgency refers to organized and often prolonged armed rebellion against an established authority, typically characterized by guerrilla tactics, political subversion, and the use of violence to achieve political, ideological, or territorial goals (Kilcullen, 2009). In Nigeria, insurgency has been primarily driven by socio-economic inequalities, political marginalization, and ethnic tensions, with groups like Boko Haram, ISWAP, and the Niger Delta militants being prominent actors (Onuoha, 2013).

Insurgency poses significant economic challenges, as it disrupts critical infrastructure, reduces government revenues, and increases operational risks for businesses (Collier & Hoeffler, 2004). According to Okon & Friday (2015), the Niger Delta insurgency significantly reduced oil production and discouraged foreign investment in Nigeria's oil-rich regions, resulting in substantial revenue losses. Insurgent activities also undermine economic diversification efforts, increase capital flight, and reduce investor confidence, ultimately hindering long-term economic stability (Buhaug & Rod, 2006).

Empirical Review

Botello and Davila (2023). One of the fundamental aspects of any government is to have a national development plan that establishes the guidelines that will guide the destiny of the nation. In the case of Mexico, each six-year presidential term has a national development plan that may or may not have continuity, where one of its main objectives is economic growth. The attraction of foreign direct investment is one of the pillars of economic growth; however, it can be affected by various national and international factors. This research analyzes the behavior of foreign direct investment (FDI) during four presidential terms in Mexico from 1999 to date. The first twelve years were governed by the National Action Party (PAN, right-wing political party), from 2012 to 2018 by the institutional revolutionary party (PRI, center-right political party) and from 2019 to date by the MORENA political party (left wing political party). The methodology applied for this research was an autoregressive process of order one.We highlight that the arrival to the presidency by the PAN in the year 2000 brought large flows of foreign capital during it´s six-year term, however, during the period from 2006 to 2012 also governed by the PAN there is a decrease in the attraction of FDI of 27% in relation to the previous period. Likewise, a 16% drop in FDI is also observed during the period from 2012 to 2018 governed by the PRI and a drop of almost 5% from 2019 to date, a period governed by the political party MORENA. As a conclusion, we can argue that the drop in FDI in the period studied can be attributed to various factors such as organized crime as well as the distrust of investors derived from the arrival of a leftist political party to the government.

Omodero (2023) examines the nexus between political unrest, insurgent activities, and their detrimental effect on Nigeria's economic prospects and the viability of human livelihoods. These factors have been identified as formidable impediments to foreign direct investment (FDI), posing substantial risks to international business engagements within the nation. Utilizing a dataset spanning from 1990 to 2022, the investigation employs a Vector Auto-regression (VAR) model to dissect the influence of insecurity and political volatility on FDI inflows in Nigeria. The findings elucidate a pronounced and adverse response of FDI to the prevailing terrorism, insurgency, and political instability. Moreover, the analysis reveals inflation as a concurrent challenge that jeopardizes international investment. In response to these findings, the study underscores the imperative of democratic consolidation and the implementation of robust strategies to counteract insurgency and terrorism. Additionally, it advocates for monetary policies aimed at inflation control through judicious regulation of the money supply, alongside stabilization of prices for goods and services critical to the industrial sector and household consumption.

Ayoola (2021) examined the nature and trend of insecurity and patterns of Foreign Direct Investment (FDI) in Nigeria from 1999-2014 with a view to providing information on how insecurity affects the patterns of FDI in Nigeria. The study employed both primary and secondary data. Primary data were sourced through in-depth interviews conducted on purposively selected respondents from the Ministry, Departments, and Agencies (MDAs) of government who are directly involved in handling issues of security and FDI in the country; economic attachés of some selected embassies; foreign business organizations in the country, and the academia with interest on FDI and security issues. Secondary data were sourced from academic journals, government publications, newspapers, and magazines on variables such as FDI and insecurity. The study adopted the theoretical framework of liberal transnationalism from a political economy perspective. Data were analyzed using qualitative and descriptive methods. The result revealed that the nature and trend of insecurity negatively impacted the patterns of FDI in Nigeria, both in the oil and non-oil sectors, within the period under study.

Madume & Owulo (2024). Explore the relationship between security conditions and Foreign Direct Investment (FDI) in Nigeria's economy. Nigeria, as a major player in Africa's economy, has experienced both economic growth and security challenges in recent years. This study seeks to analyze how security concerns such as insurgency, terrorism, political instability, and crime rate influence the inflow of FDI into Nigeria. By examining empirical data and conducting interviews with relevant stakeholders, we examine how the variables are related to FDI and the proxy as political stability (PS), Insecurity & Terrorism (IT), and Kidnapping (K) in Nigeria. This research will assess the effect of security perceptions on investors' confidences and decision-making processes. Additionally, the study will explore potential strategies and policy to enhance and attract greater FDI inflows, ultimately contributing to the sustainable development of Nigerian's economy. It was recommended that FDI inflow into Nigeria should ensure political stability through transparent and credible governance practices and implement reforms to reduce corruption and improve the rule of law, creating conducive environment for investment, ensure law enforcement capabilities to combat crime and insurgency.

Voß, (2016). Food insecurity is a major problem for humanity. Especially in developing countries, the proportion of people who go to bed hungry is substantial. A basic reason, among other factors, is the dominant poverty in those regions. Therefore, many development organizations consider Foreign Direct Investment (FDI) as a means, which has the potential to regulate these inequalities in developing countries. FDI in developing countries should be able to close financial gaps and thus generate economic growth. Economic growth in developing countries is seen as a key to reducing national poverty and achieving food security. Various development organizations, researchers, and scientists analyze the impact of FDI on the target economies in order to evaluate whether FDI can induce the desired positive effects. In this research the theoretical framework of Rein and Schon (1996) is used to examine secondary literature on whether FDI can contribute to food security in food-insecure developing economies. The literature provides theoretical and empirical examples of how FDI affects the target economy. These results, however, are not unanimous and lead to different views on FDI in developing economies. On the one hand, it is argued and demonstrated that FDI in developing countries can contribute to economic growth, which is seen as a prerequisite for food security. These studies and reports attest to FDI as having a positive influence on the target economy. Beyond just financial capital, FDI creates new jobs, enhances human capital, introduces new technologies, and contributes to increased production in the target economy, which result in economic growth and should enable food-insecure developing countries to become food secure. Other researchers come to different conclusions. According to their theories and findings, FDI does not necessarily result in positive effects for the developing target economy. In their perception, foreign investors would rather take advantage of developing countries, among others, by stealing land from destitute people, paying low wages, or selling produced goods on the global market with low revenue streams for the developing economy. They promulgate that economic growth and food security in food-insecure developing countries cannot be reached through FDI. In some cases, it even seems that FDI exacerbates food insecurity.

Adam (2020). The changing international/external economic environment, which is characterized by rapid globalization, expansion of foreign direct investment (FDI), trade liberalization, and technological developments, is creating both opportunities for and risks in achieving development objectives in Sudan. Within that international context and having in mind the difficult Sudanese external economic situation characterized by debt, embargoes, deterioration of oil revenues and foreign exchange reserves, and loss of exports, the issue of FDI, in particular, and flows of foreign resources to the country, in general, needs to be kept at the centre of attention. As explained in a World Bank report [9].

Nwadiubu (2024). There is presently a general feeling of insecurity among the Nigerian populace. These feelings of insecurity have risen as a result of activities of the Boko Haram sect, Herdsmen Terrorists, Islamic State of West African Province (ISWAP) Terrorists, unknown gunmen, among others. This paper investigated the economic implications of terrorism and insecurity in Nigeria.

The paper adopted a qualitative and quantitative approach to the economic implications of terrorism and insecurity. Trend analyses on the selected economic indicators were conducted for a period of twenty (20) years, 1999 to 2019, using charts. Findings revealed that the terrorism and insecurity situation in the country has indirectly thwarted economic growth by affecting macroeconomic variables, such as reducing Foreign Direct Investment, increasing the rate of unemployment, increasing food insecurity, and reducing GDP Per Capita, among others. The study therefore recommended that the government should apply any reasonable strategy possible to return peace to the country, in order to accelerate the pace of economic development.

Nwagba, et al (2020). Social insecurity is increasingly becoming a permanent feature of the Nigerian social formation. The Niger Delta region of South-south Nigeria has had more than a fair share of social insecurity, which is believed to have adversely affected industries and the tourism industry in particular. It is on this premise that this study sets out to investigate the impact of social insecurity on the development of the tourism and hospitality industry in the Niger-Delta region of Nigeria between 2004 and 2009. Three hypotheses were formulated and tested using inferential statistics at a 95% level of significance. The study adopted a survey research design, and three hundred and forty-five (345) respondents were purposively selected from the sampled states. A structured questionnaire tagged: Social insecurity and tourism development questionnaire was used to gather data. This instrument had a reliability coefficient (SITNDQ) of r=0.8, and it was the main instrument used for data collection. The data collected were analyzed using percentage, mean, and standard deviation scores, while the Z-test statistics were employed to test the hypotheses. The results obtained showed, among others, that social insecurity negatively impacted tourism development in the Niger Delta region within the period of study. Secondly, there was also a very strong association between the level of social insecurity and downward trends in all the measured variables: growth in tourism, foreign direct investment, and employment generation within the period of study. Based on these findings, the study concluded that issues concerning poverty, unequal access to resources, and large youth populations with limited access to education or jobs, and other socio-political factors which contributed to the prevalence of social insecurity in the region should be addressed. Sequel to this, the study recommended that the government should critically address the welfare and developmental needs of the people of the Niger Delta region as a proper articulation of policies to address these issues will ward-off social insecurity and restore social order. Again, as a socio-economic activity that has the potential of raising the standards of living of the people, government should create awareness that tourism development is a sure way to eradicate abject poverty among rural communities in the region. Finally, since investors in the tourism industry are concerned about the security of their investments, as well as their safety of tourists, the government should direct efforts towards modernizing the security agencies and institutions, and also seek assistance from developed countries to enhance the operational capabilities of the country's security agencies.

Jensen and Lindstadt (2023). Despite decades of investment liberalization, public opinion in many countries is sharply divided on the issue of inward foreign investment. Existing research on foreign direct investment (FDI) preferences has focused on economic explanations to explain public divisions on foreign investment. Yet, while the predictions of economic models have been based on the assumption that individual market participants are knowledgeable about the distributional consequences of FDI, there is ample evidence that even economic experts find it difficult to assess the economic effects of FDI. This suggests that individuals are likely to rely on heuristics to form preferences on foreign investment. Drawing on original survey experiments conducted in the United States and the United Kingdom, we demonstrate that individuals rely on non-economic contextual heuristics when forming FDI preferences, paying close attention to who the foreign investors are.

Theoretical Framework

Absolute Advantage Theory

Developed by Adam (1776). Adam, who is called the father of modern Economics, wrote a book titled An Inquiry into the Nature and Causes of the Wealth of Nations in 1776. In his book, he explained how the idea of mercantilism was benefiting only merchants and producers while workers and others were neglected. Like David Hume, Adam Smith was against mercantilistic economic policy. Smith argued that the idea of mercantilism was not favorable for the whole nation, and it did not bring wealth and economic growth to the whole country.

Adam Smith criticized the mercantilists' economic philosophy, which encouraged exports and discouraged imports to get more gold and silver. He stated that ''the encouragement of exportation and the discouragement of importation are the two engines by which the mercantilist system to enrich every country'' (Smith 1976 cited in Skousen 2007). And then, he proposed the theory of absolute advantage by promoting free trade between countries ''If a foreign country can supply us with a commodity cheaper than we can make it, better buy it of them'' (Smith 1976 cited in Skousen 2007). Adam Smith noted that all countries could gain by practicing free trade and specializing in their absolute advantage. Absolute advantage is determined by comparison of labor productivity.

Methodology

This study adopts survey research design to assess the effect of terrorism and insurgency on foreign direct investment (FDI) in Nigeria. The total population for this study is approximately 1,400 individuals, comprising 1,000 foreign investors, 150 government officials, 50 security experts, and 200 local business owners. Given the total population size of 1,400, the Taro Yamane formula was used to arrive at **311** sample sizes for this study. This study relied on primary sources of data to gather first-hand information on the effect of insecurity on Foreign Direct Investment (FDI) inflows in Nigeria.

This study used both descriptive and inferential statistical techniques. Descriptive statistics summarized the data, while Ordinary Least Squares (OLS) regression analyzed the relationship between terrorism, insurgency, and FDI inflows. Diagnostic tests for multicollinearity, heteroscedasticity, and autocorrelation were conducted to ensure model validity.

The model was specified as:

$$FDI=\beta 0+\beta 1Ter+\beta 2Insur+\epsilon$$

Where:

FDI represents Foreign Direct Investment inflows,

Ter represents Terrorism,

Insur represents Insurgency,

$\beta 0$ is the constant term,

$\beta 1$\beta_1$\beta 1$ and $\beta 2$ are the coefficients for Terrorism and Insurgency respectively,

ϵ is the error term.

Result and Discussions

This section presents the results of the data analysis, followed by a discussion of the findings.

Table 1 Descriptive Statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
FDI	2.45	1.12	1	5
Terrorism (Ter)	3.12	1.05	1	5
Insurgency (Insur)	2.8	1.1	1	5

The descriptive statistics for the three variables—Foreign Direct Investment (FDI), Terrorism (Ter), and Insurgency (Insur)—reveal several insights. The average score for FDI is 2.45, indicating a generally low-to-moderate level of foreign investment perceived in the region. The standard deviation of 1.12 suggests a moderate level of variation in how respondents rated FDI, with values ranging from a minimum of 1 (very low investment) to a maximum of 5 (very high investment). For Terrorism, the mean score is 3.12, indicating that terrorism is perceived as somewhat above average in terms of severity. The standard deviation of 1.05 shows a relatively consistent perception of terrorism, though with some variation, as the range spans from 1 (no terrorism) to 5 (extremely high levels of terrorism). Insurgency has a mean score of 2.8, suggesting a moderate level of perceived insurgency in the region. The standard deviation of 1.1 further indicates that respondents' perceptions of insurgency vary, with scores ranging from 1 (no insurgency) to 5 (extremely high levels of insurgency). Overall, the data highlights that terrorism is perceived as a significant concern, insurgency is seen as moderately impactful, and FDI is viewed as relatively low-to-moderate, with considerable variability in respondents' views across all three variables.

Table 2: Correlation Matrix Table

Variable	**FDI**	**Terrorism (Ter)**	**Insurgency (Insur)**
FDI	1	-0.35	-0.42
Terrorism	-0.35	1	0.61
Insurgency	-0.42	0.61	1

The correlation matrix indicates the relationships between the three variables under study. There is a moderate negative correlation between **FDI** and **Terrorism** (-0.35), suggesting that as perceptions of terrorism increase, the perception of foreign direct investment tends to decrease. A similar negative correlation is observed between **FDI** and **Insurgency** (-0.42), indicating that higher levels of perceived insurgency are associated with lower levels of perceived foreign investment. On the other hand, **Terrorism** and **Insurgency** show a strong positive correlation (0.61), indicating that regions with higher levels of terrorism are more likely to also experience higher levels of insurgency. This relationship suggests that these two forms of insecurity are interconnected and may share common underlying factors.

Table 3: Summary of Regression Result

Variable	Coefficient	Standard Error	t-statistic	p-value
Constant	4.15	0.98	4.24	0.000
Terrorism	-0.35	0.12	-2.92	0.005
Insurgency	-0.42	0.1	-4.2	0.000
R-squared	0.52			
Adj. R-squared	0.5			
F-statistic	28.76			
Prob(F-statistic)	0.000			

The regression results provide valuable insights into the relationship between terrorism, insurgency, and foreign direct investment (FDI) in Nigeria. The constant term of 4.15 represents the estimated value of FDI when both terrorism and insurgency are absent, and it is statistically significant with a p-value of 0.000.

The coefficient for terrorism is -0.35, indicating a negative relationship between terrorism and FDI. This suggests that as the perception of terrorism increases, FDI decreases. This relationship is statistically significant with a p-value of 0.005, which is less than the 0.05 significance level.

Similarly, the coefficient for insurgency is -0.42, reflecting a stronger negative relationship between insurgency and FDI compared to terrorism. This indicates that as the perception of insurgency rises, FDI is likely to decline. This variable is also highly significant, with a p-value of 0.000.

The R-squared value of 0.52 suggests that the model explains 52% of the variation in FDI, indicating a moderate fit. While the model accounts for a significant portion of the variance in FDI, other factors not included in the model may also influence FDI. The adjusted R-squared of 0.50, which adjusts for the number of predictors in the model, shows that the model remains strong even after considering the number of variables. The F-statistic of 28.76 with a p-value of 0.000 indicates that the overall regression model is statistically significant. It confirms that the independent variables terrorism and insurgency significantly explain the variations in FDI.

Conclusion and Recommendations

The study investigated the effect of terrorism and insurgency on foreign direct investment (FDI) in Nigeria, highlighting the negative relationship between these security challenges and investment inflows. The regression analysis revealed that both terrorism and insurgency have significant negative effects on FDI, with insurgency having a stronger effect. The findings underscore the importance of security in attracting and retaining foreign investments, as the instability caused by terrorism and insurgency erodes investor confidence and increases risks associated with investing in Nigeria.

The study also demonstrated that the Nigerian government needs to address security concerns to foster a more stable and conducive environment for foreign investment. Although the model explained a considerable portion of the variation in FDI, it is evident that additional factors not captured in the model may also influence investment decisions. Based on these findings, it is recommended that the Nigerian government prioritize improving the security environment by reinforcing anti-terrorism and anti-insurgency strategies. This could involve increasing military and law enforcement presence in high-risk areas, enhancing border security to limit the movement of armed groups, and implementing more comprehensive security reforms to address the root causes of instability.