

## Effects of Terrorism on the International Business in Nigeria

Najaf K and Najaf R\*

Department of Accounting and Finance, University of Lahore, Islamabad Campus, Pakistan

### Abstract

In this paper, we are exploring that terrorism has influenced on the international business. We are showing that day by day business is become vulnerable due to terrorist activates to carry out this research we have used the Random sampling method for checking the reliability of the test we have used the Pearson s product moment. The results is showing that 73% balance of payment, 0.69 foreign exchange rate, 67.13% foreign investors, 84% financial market. We have formulated the four hypotheses which are proving that there is significant relationship between terrorism and international business. We have provided the some recommendations that there must be very public enlightenment and opportunity of jobs. There should be proper laws against the terrorism activities.

**Keywords:** Terrorism; Pearson's product moment; Random sampling; Balance of payment; International business

### Introduction

From last few decades, many scholars have been investigated about the terrorism impact on the economy of Nigeria. Terror incidents have also impacted on the economy of Nigeria like other countries. Mostly, Northern Nigeria has been facing the problem of violence and terror incidents. The purpose of this research paper is to explore the impact of terrorism on the economy of Northern Nigeria. The above literature has shown that there is great intensity of terrorism attacks in Nigeria then other countries. In this paper, we have collected the data from face to face interviews of different business owners who are facing these types of issues. In this paper we are also exploring that how financial market and balance of payments are affected by the terrorism effect. This study is also trying to describe the on the general economic circumstances. Nonetheless, in this paper we have explored all types of terrorism behavior that may affect of the development of Nigeria economy.

### Conceptual clarifications

The term terrorism does not have a single definition it have many meaning like most of scholars' say that terrorism means human impose disaster. According to Czinkota (2005) terrorism is also known as the systematic threat and a way to give the political message through the fear. Terrorists' activities have influenced on the supply and demand of the buyer. Mostly, there are terrorism are types of effect1) direct effect 2) indirect effect. The direct effect has influenced on the business consequences and indirect effect has influenced on the government policies, laws and regulations. Due to these threats the international businesses have to face the potential threats. Here, there is a question needed to ask that terrors' are rational actors or not? The answer of this question is that yes they are because they always want their stable goal. Different empirical results have shown that terrorist mostly hit such types of business which are high profit ratio. From the last decades, it is seen that that terrorism has adopted the different patterns. Current terrorist attacks in the world has badly affected by national economy of Nigeria. The description of theoretical framework is presented in Figure 1.

### Literature Review

Abdulahi, in this paper, they had analyzed that impact of terrorism on the Nigeria entrepreneurs. For this purpose they were collected the primary data. They were taken the data from 360 listed entrepreneurs.

They had taken the variables namely, fdi in the in dependent variable and dependent variables are profit, unempolment, growth, Closure of plants. they had utilized the 5 linkert scale for this purpose. In this study they have utilized the single graph to show the relationship of these variables. Their results have proved that there exist the relationship between GDP and terrorist activites. The investigation also showing that there is no direct link of FDI on the GDP of Nigeria [1].

Adamu and Sanni, in this paper, they had analyzed that impact of terrorism on the France companies. For this purpose they were collected the primary data. They were taken the data from 260 listed entrepreneurs. They had taken the variables namely, fdi in the in dependent variable and dependent variables are BOP and foreign exchange rate. They have utilized the sampling method for this purpose. In this study they have utilized the single graph to show the relationship of these variables. Their results have proved that there exist the relationship between France GDP and terrorist activities. The

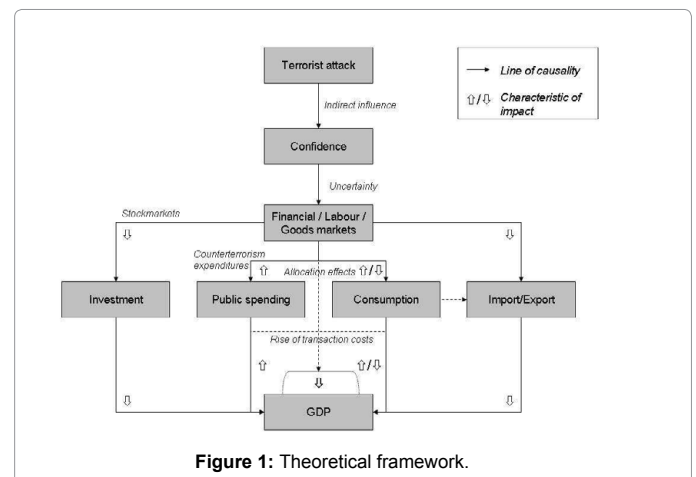


Figure 1: Theoretical framework.

\*Corresponding author: Najaf R, University of Lahore, Lahore, Pakistan, Tel: +92 (0)42 111-865-865; E-mail: [rabianajaf@hotmail.com](mailto:rabianajaf@hotmail.com)

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investigation also showing that there is no direct link of FDI on the GDP of France [2].

Agarwal in this paper, they had analyzed that impact of terrorism on the Pakistan companies. For this purpose they were collected the secondary data. They were taken the data from 1998 to 2008. They had taken the variables namely, fdi in the in dependent variable and dependent variables are growth, exchange rate, interest rate. They have utilized the Johansen Co integration test. For determine the level of relationship between these variables either they have long run or short. Their results have proved that there exists the relationship between Pakistan GDP and terrorist activities. The investigation shows that there is no direct link of FDI on the GDP of Pakistan [3].

Arshad Hasan and Dr. Zafar Mueen Nasir. In this paper, they had analyzed that impact of terrorism on the Iran companies. For this purpose they were collected the secondary data. They were taken the data from 1999 to 2009. They have taken the variables namely, fdi in the in dependent variable and dependent variables are stock market size, GDP and foreign exchange rate. They have utilized the VAR model their results have proved that there exist the relationship between Pakistan foreign exchange rate and terrorist activities. The investigation shows that there is no direct link of FDI on the foreign exchange rate of Iran [4].

Balasubramanyam, Salisu and Sapsford in this paper, they had analyzed that impact of terrorism on the Syria companies. For this purpose they were collected the secondary data. They were taken the data from 1996 to 2008 they were taken the variables namely, fdi in the in dependent variable and dependent variables are growth, unemployment, monetary policy. They have utilized the ECM model for determine the level of relationship between these variables either they have long run or short. Their results have proved that there exist the relationship between Syria GDP and terrorist activities [5].

In this paper, they had analyzed that impact of terrorism on the Kenya companies. For this purpose they were collected the secondary data. They were taken the data from 1986 to 1996. They have taken the variables namely, fdi in the in dependent variable and dependent variables are growth, facial policy, monetary policy. They have utilized the GARCH model. These have proved that there is negative relationship between these variables and terrorism.

Ben Porath in this paper, they had analyzed that impact of terrorism on the Russia companies. For this purpose they were collected the secondary data. They were taken the data from 1984 to 1994. They have taken the variables namely, fdi in the in dependent variable and dependent variables are growth, inflation rate, monetary policy. They have utilized the ARCH model. These have proved that there is negative relationship between these variables and terrorism [6].

Blomström, Robert E. Lipsey, and Zejan in this paper, they had analyzed that impact of terrorism on the Kenya companies. For this purpose they were collected the secondary data. They were taken the data from 1986 to 1996. They have taken the variables namely, fdi in the in dependent variable and dependent variables are growth, interest rate, unemoplment, monetary policy. They have utilized cointegration and proved that there is negative relationship between these variables and terrorism [7].

Borensztein, Gregorio and Lee in this paper, they had analyzed that impact of terrorism on the Spain entrepreneurs. For this purpose they were collected the primary data. They were taken the data from 160 listed entrepreneurs. They had taken the variables namely, fdi in

the in dependent variable and dependent variables are inflation rate, import, export. They have utilized the 5 linkert scale for this purpose. In this study they have utilized the single graph to show the relationship of these variables. Their results have proved that there exist the relationship between Spain GDP and terrorist activities. The investigation also showing that there is no direct link of FDI on the GDP of Spain [8].

Braun, Nelson and Sunier in this paper, they had analyzed that impact of terrorism on the Mali companies. For this purpose they were collected the secondary data. They were taken the data from 1997 to 2007 they have taken the variables namely, fdi in the in dependent variable and dependent variables are growth, unemployment, monetary policy. They have utilized the ECM model. For determine the level of relationship between these variables either they have long run or short. Their results have proved that there exist the relationship between Mali GDP and terrorist activities [9].

Brecher and Diaz-Alejandro in this paper they had analyzed the impact of impact of terrorism on the GDP and FDI of Malaysia. For this purpose data were collected from 1976 to 2005 [10]. Which was take from WDI. They had applied the linear regression. After Applying the test their results had shown that terrorism had impacted on the GDP and FDI of Malaysia. In this study relationship between dependent and independent were measured through the e views [11].

Cai, Cheung and Wong in this paper they had analyzed the impact of impact of terrorism on the GDP and FDI of malayia for this purpose data were collected from 1977 to 2004. Which was taking from WDI. They had applied the ECM after applying the test their results had shown that terrorism had impacted on the GDP and macroeconomic variables of India in this study relationship between dependent and independent were measured through the e views [12-16].

## Research questions

- 1) Is there positive relationship between terrorism and BOP of Nigeria?
- 2) Is there is positive relationship between terrorism and exchange rate of Nigeria.
- 3) Is there any positive relationship between financial market and terrorism?
- 4) Impact of terrorism on the foreign investors?

## Hypothesis

- H1: These are not positive relationship between BOP and terrorism.
- H2: there is not positive relationship between exchange rate and terrorism.
- H3: there is not positive relationship between financial market and terrorism.
- H4: there is no relationship between terrorism and foreign investors.

## Objectives

- 1) What are the relationship between bop and terrorism?
- 2) What are the relationship between exchange rate and terrorism?
- 3) What are the relationship between financial market and terrorism?

4) What are the relationship between terrorism and foreign investors?

**Research instrument**

In this paper, we have utilized both the primary and secondary data. In the primary data we did face to face interviews and surveys of the we have taken the interviews from the Nigeria s businessmen. For the proper results we used the 3 liker scale. The questionnaires are prepared according to nature of business in Nigeria. Questionnaires base on three main questions, 1) three questions relate to BOP and some are relate to foreign investor.

**Regression Analysis was done on the available data**

In this process we were conducted the 150 and questionnaires and received the 110 answers. We used the random sampling method. We have prepared the questionnaires on the basic of previous literature.

**Validity of the study**

The questionnaire was valued because the experts of this field filled the questionnaire. We have adopted the pilot study. The overall reliability has found 0.73 in the study we have utilized both parametric and non-parametric analyze.

**Interpretation**

In the Table 1 we are presentation the summary of relationship between both variables bop and terrorism. The results are showing

that there is positive relationship between terrorism and balance of payment of Nigeria. Table 1b is representation the impact of terrorism on the balance of payment. The value of -435 is showing that there is inverse relationship between terrorism and bop. This result is trying to show that if terrorism activities are controlled then balance of payment will be positive impact on the economy of Nigeria. The value of coefficient -434 is showing that when there will increase in terrorism then bop in Nigeria by 43.5%. The value of ANOVA table is showing that analysis of variance is 48.676 and 5% level of significant. Table 2 is showing the relationship between terrorism and foreign investors. The value of f-cal 25.746 is showing that there is not significant relationship between terrorism and foreign investors. Table 3a shows the relationship between terrorism and financial market of Nigeria. The Table 3b is showing that terrorism do have impact on the financial market. The result was further confirmed by using the t-statistics. This was showing the significant result at level 5%. Table 4a showing the results between terrorism activities and financial market o Nigeria. There is showing the positive relationship between them. Table 4b is showing the relationship between terrorism and foreign investors. Here is null hypothesis is rejected that there is no relationship between foreign investors and terrorism (Table 4c).

**Conclusion**

Different results are showing that terrorism have influenced in all types of business mostly international business. The question is that how can be solved this problem. Due to terrorism some different types of problem are arising like youth unemployment, poverty and foreign

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
1	0.558 <sup>a</sup>	0.312	0.305	0.88623	0.214

<sup>a</sup>Predictors: (Constant), Terrorism. Dependent Variable: BOP & TERR.

**Table 1a:** Model summary.

Model	Type	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.232	2	38.232	48.677	0.000 <sup>a</sup>
	Residual	84.825	107	0.786		
	Total	123.056	108			

<sup>a</sup>Dependent Variable: BOP and TERR. Predictors: (Constant), Terrorism.

**Table 1b:** ANOVA.

Type	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	19.997	3	9.998	10.453	0
Within Groups	102.367	108	0.958		
Total	122.365	108			

**Table 2:** ANOVA on foreign exchange earning and terrorism.

Model	R	R Square	Adjusted R square	Std. Error of the Estimate	R Square change	F change	df1	df2	Sig. F change	Durbin-Watson
1	0.629 <sup>a</sup>	0.38	0.373	2.04924	0.281	41.958	2	107	0	0.631

<sup>a</sup>Predictors: (Constant), Terrorism. Dependent Variable: Nig. Fin. Markt.

**Table 3a:** Terrorism and nigerian financial market.

Model Coefficients	Unstandardized Coefficients		Standardized	T	Sig.	Collinearity Statistics	
		Std. Error				Tolerance	VIF
B	1.828	0.365	Beta	5.025	0.000		
(Constant) Terrorism	0.627	0.098	528	6.479	0.000	1.000	0.000

**Table 3b:** Coefficient.

Model	Type	Sum of squares	Df	Mean Square	F	Sig.
1	Regression	46.194	2	46.194	41.96	0.000 <sup>a</sup>
	Residual	118.899	109	1.102		
	Total	165.092	108			

<sup>a</sup>Dependent Variable: Nig. Fin. Markt. Predictors: (Constant), Terrorism.

Table 3c: ANOVA.

Model	R	R Square	Adjusted R square	Std. Error of the estimate	Durbin-watson
1	0.571 <sup>a</sup>	0.326	0.318	0.87606	0.565

<sup>a</sup>Predictors: (Constant), Terro.

<sup>b</sup>Dependent Variable: Foreign Invest.

Table 4a: ANOVA table showing difference between Terrorism and Foreign Investors: Model Summary<sup>b</sup>.

Type	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	39.885	3	19.943	25.746	0
Within Groups	82.881	108	0.776		
Total	122.765	107			

Table 4b: ANOVA.

Model	Type	Unstandardized Coefficients		Standardized Coefficients (Beta)	T	Sig.
		B	Std. Error			
1	(Constant)	1.532	0.297	-	5.166	0.000
	Terro	0.487	0.068	0.571	7.209	0.000

Table 4c: Coefficients.

policy. The governments are giving the attention that foreign investors should invest in Nigeria. The results are showing that securities issues are very common in Nigeria. This study is also showing that terrorism is affecting all types of business like banking, and communication sectors etc.

## Recommendations

- 1) Government should focus on the youth unemployment because for the development of nation it is curial sector.
- 2) Government should make proper laws against the terrorism activities.
- 3) Government should aware the public against terrorism activities.
- 4) In nigera, there is need of development of human capital.
- 5) Government should show the incentives for foreign investors.

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