

ABSTRACT

The consequences of insecurity and terrorist activities are not limited to physical injuries, loss of lives and destruction of assets, it also affect the economy directly and indirectly and via second round effect. Insecurity raises tension, it creates confidence crisis and generally retards safety assurances of lives and properties. Experiences in countries like Pakistan and Liberia shows that terrorism did not only discourage FDI inflows but also encourages FDI outflows. Nigeria in the last decade has been fighting an increasing ceaseless war especially against militants in the Niger Delta and boko haram terrorist group in the northern part of the country. This was at a time when the country has become one of the most preferred investment destinations on the African continent. This study primarily investigates the impact of insecurity on foreign direct investment outflow in Nigeria over the period 2005-2015, by employing time series analysis. Our major variables of choice include FDI outflows (dependent variable) and Defense and Security Vote (DSV) as independent variable. Economic growth (GDP), exchange rate (ER) and trade openness were incorporated into our model as control variables. Our result revealed that there exist a long-run relationship between FDI outflow (FDI-O) and DSV – the proxy for insecurity. The study also revealed that causality run from DSV to FDI-O.

Keywords: *Insecurity, Foreign Direct Investment Outflow*