INSECURITY AND ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT
Insecurity is one of the key issues in Nigeria as it affects all sectors of the economy there by hindering the desired progress in the country. This paper sets out to investigate the effect of insecurity on economic development in Nigeria from 1996 to 2021 using structural vector autoregressive (SVAR) model. The properties of the time series data were first checked by conducting the unit root tests, namely the Augmented Dickey Fuller (ADF) and Phillips Perron (PP) tests with a view to avoiding spurious regression. The results of unit root tests with trend and intercept indicate that the series are stationary at first difference. The results of the impulse response functions from the SVAR model and variance decomposition reveal that the response of insecurity to a one-unit standard deviation shock to economic development is negative and hence, insignificant; the results from variance decomposition reveal that insecurity accounts for more than 50% variations of economic development in Nigeria. Based on these results, the paper recommends that appropriate measures should be taken by the government to tackle the level of insecurity in the country. This can be achieved by intensifying efforts towards beeping up security by providing the security operatives in the country adequately with the required logistics to curb the menace.

Key words: Insecurity, Economic Development, Structural Vector Autoregressive (SVAR) model

JEL Classification: F51, F52

1. INTRODUCTION

The issue of security challenges in Nigeria is of paramount importance for the past two decades or more. In the recent decades, Nigeria has frequently observed security challenges which were carried out mostly by Militants in the south-South region through bellicose killings of the non-Igbo people of Nigeria, massive abduction of the people, brutalization and horrendous massacres by the kidnappers and the Indigenous People of Biafra(IPOB) members in the South East, frequent attacks on travelers, displacement of village settlements, and incessant abductions by the Kidnappers in the North Central and North Western parts of Nigeria, the

heinous and belligerent killings of people by the Boko Haram in the North East and, violent and sanguinary armed robbery cases in almost every part of the country, political assassination, ritual killings among others. These security challenges have been increasing over time and presently, Nigeria has been labeled as one of the most terrorist countries in the world (Okoli and Iortyer, 2014). Many lives and properties have been lost and a large number of citizens were rendered homeless, a plethora of families have lost their loved ones, many women have become widows, children have become orphans with no hope of the future. This has severe implication for national development. The Government has made frantic efforts to tackle these challenges in the country and put an end to it but to no avail, as the rate of insecurity has every day increased. Insecurity is one of the topical issues for national concern as it affects every nook and cranny of the economy. Insecurity in Nigeria, has led to innumerable destruction of lives and properties; it has hindered and encumbered business activities, discouraged local and foreign investments, increased government expenditure on security and stifled the desired growth and development of the country (Ewetan and Urhie, 2014).
The effect of insecurity is very obviously apparent as it manifests in the destruction of the infrastructure much-needed for industrial growth and development of the nation. No country of the world can develop without peace which is a prerequisite for growth and development. The enormously huge outlay of government resources spent on curbing the menace/scourge of insecurity, and the attendant destruction of the few existing infrastructure, one can assume that the challenges insecurity poses to development in Nigeria is enormous.

Despite government counter-terrorism expenditure and efforts, insecurity proliferates to every part of the country. The prevalence of insecurity in Nigeria appears to be rising and fast evolving/snowballing into an existential crisis that is shaking the foundation of its nationhood. Hence, the country suffers serious economic depression. It is a knownand indisputable fact that protection of lives and properties against local and international dangers is critical for proper functioning of the markets, anda sine qua non for investment and innovation. This explains why countries around the world would not only invest heavily in their security but also ensure that it is adequately maintained within and beyond their borders.

A general assessment of Nigeria's security situation is indicative of the fact that the country has not been well managed. Almost every sector of its economy has suffered significant setbacks, more especially, in recent times. The agricultural sector perhaps has the largest share of the problem because many farmers have been forced to abandon their farmlands due to fear of being kidnapped! Moreover, the highways through which farm produce is conveyed or distributed to the various parts of the country are no longer considered safe due to several reported cases of kidnapped commuters. Therefore this paper aims to investigate and cogitate on the effect of insecurity on economic development of Nigeria from1996 to 2021 using structural vector autoregressive (SVAR) model.

2. LITERATURE REVIEW

2.1 Conceptual Literature

2.1.1. The concept of Insecurity

The concept of insecurity is not alien to societies, as it has existed even in the primitive societies of the world. To be able to give an all-encompassing definition of insecurity, it is important to take a brief look at what security is. The social contract in which the people willingly surrender their rights to the government who oversees the survival of all is necessitated by the need for security. According to Nwanegbo and Odigbo (2013), at the end of the cold war, there was an attempt to shift conceptualization of security from a static centric perspective to a broader view

that places premium on individuals in which human security that embodies elements of national security, human rights and national development remains major barometer for explaining the concept. At the heart of this debate was an attempt to deepen and widen the concept of security from the level of the states to societies, and, to individuals, and from military to non-military issues (Krahmann, 2003). In the opinion of McGrew, (1988), the security of a nation hangs on two important pillars. One, the maintenance and protection of the socioeconomic order in the case of internal and external threat and two, the promotion of a preferred international order, which minimizes the threat to core values and interests, as well as domestic order. Security is an all- encompassing condition which suggests that a territory must be secured by a network of armed forces; that the sovereignty of the state must be guaranteed by a democratic and patriotic government, which in turn must be protected by the military-police and the people themselves; that the people must not only be secured from external attacks but also from devastating consequences of internal upheavals such as unemployment, hunger, starvation, diseases, ignorance, homelessness/destitution, environmental degradation, pollution and all other forms of social injustice. Dike (2010) and Omede (2011) extended the view expressed above by asserting that, Nigeria's security should be based on a holistic view which sees the citizens as the primary beneficiaries of every security and development outcomes that the state can offer. In the view of Nwanegbo and Odigbo, (2013), Nigeria's security involves efforts to strengthen the capacity of the Federal Republic of Nigeria, so as to achieve the objectives of containing internal and external aggression, controlling crime, eliminating corruption, enhancing genuine development, ensuring the much-desired growth and improving the welfare and quality of life of the citizenry. The antithesis of security is insecurity, which can be construed as the absence of security as earlier discussed. The common description of insecurity is uncertainty, hazard, danger, want of safety, want of confidence, state of doubt, inadequately guarded and protected, lack of protection and being unsafe, instability among others. In the words of Achumba et al, (2013), the common descriptors outlined above, point to a condition where there exists a vulnerability to harm, loss of life, property or livelihood. According to them, insecurity is state of not knowing, a lack of control, and the inability to take defensive actions against forces that portend danger or harm to an individual or group, or that make them vulnerable.

2.1.2. The Concept of Economic Development

The concept of development seems to be in a state of flux since the end of the Second World War (World War II). In the early 1940s the ideological differences between the socialist east and the capitalist west appears to have influenced the meaning of, and, the conceptualization of the term. The challenge of economic development is very different. There is not disconnecting between theory and the observed facts. The prerequisites of growth and development are well known in the literature. Countries are poor because they lack resources or the willingness and ability to harness and bring them into use. The problems posed by underdevelopment cannot be solved without cost. It would be reassuring to think, however, that advances in the growth theory, coupled with more detailed knowledge of the source of growth and the refinements of techniques for resources allocation, have increased the possibility of more rapid economic progress. To Thirlwall (1999), development implies change, and this is one sense in which the term development is used, that is to describe the process of economic and social transformation within the countries. This process often follows a well ordered sequence and exhibits common characteristics across countries. A concept of development is required that embraces the major economic and social objectives and values that the societies strive for; this is not easy nonetheless. One of the best attempt at conceptualizing development is that of Goulet (1971), who distinguishes three basic

components or core values in this wider meaning of development, which he calls; life-sustenance, self-esteem and freedom. According to him, life-sustenance is concerned with the provision of basic needs, self-esteem is about feeling of self-respect and independence, as no country can be regarded as fully developed if it is exploited by others and does not have the power and influence to conduct relations on equal terms, and freedom which refers to freedom from the three evils of want, ignorance and squalor so that people are more able to determine their own destiny.

Rostow (1952) and Harrod (1959) and Domar (1957), among other theorists proposed models of development, generally identifying structural changes, savings and investments as the source of economic development. This was done because development is perceived as the outcome of economic growth. Ake (2001) posits that the ideology of development itself became a problem for development because of the conflict between its manifest and latent functions. The implicit assumption here is that, infrastructural development that guarantees better living condition of the people is an off-shoot of the fund generated by economic growth for investment infrastructure. International concern over extreme poverty has moved near the top of the world agenda for the first time since the 1970s. The reason for this move is because economic growth in most developing and underdeveloped societies especially in the Latin America and Africa do not provide corresponding social goods. As observed by Nwanegbo and Odigbo (2013), economic growth that could not significantly address the spate of unemployment, poverty, disease, hunger, illiteracy and ever increasing crimes and wars is not economic growth in the right perspective. This seems to have necessitated the new dimension of thought of redefining development from economic growth centred perspective to human centred approach. This position informs Rapley (2007), position that post development thought has called for a return to the stress on people as both measures and determinants of development. Development has been redefined, taking the emphasis away from traditional economic indicators of gross domestic product and trade and broadening the concept as to take into consideration the psychological and material factors related to the measurement of human well-being (Chandler, 2007). There are multifaceted approaches to defining and conceptualizing development and all this is centred on man as the ultimate beneficiary. The individual and the society interact with nature for the ultimate aim of transforming the environment for the betterment of the individual and the society at large, which in turn transform humanity in the process. The whole essence of development is to improve the potentials and capacities of man to be able to overcome the multi-faceted problems he faces like poverty, inequality, penury, unemployment and to generally enhance the conditions for human existence and self-reproduction.

2.2. Theoretical Literature

The social conflict theory serves as theoretical underpinning of this paper, as it draws attention toclass differentiation and the misery of the working class .It is a synthesis of the German philosophy, the English political economy and the French socialism, built on the idea of historical and dialectical materialism – class struggle and the classless proletarian society. According to the proponents of this theory, the theory provides theoretical explanation for competition among social classes, state actors and non-state actors in their attempt to protect their selfish interests. This class struggle leads to the acquisition of weapons and ammunitions for self-preservation thus leading to social conflicts and threats to the national security and sustainable economic development (Adebakin and Raimi, 2012). This juxtaposes with the findings of Marx and Engel (1848) who assert that the history of the hitherto existing society is the history of class struggle. The political elite are constantly in struggle to control both the political spheres and the economic resources of the state, while the poor remains in continuous struggle to earn a living. In addition to this is the clash of interest that exists between the police

and armed robbers, ruling party and the opposition, majority and minority ethnic groups, one religion versus others et cetera, which justifies the existence of social conflict in human societies. The emergence of political institutions, economic organs, legal institutions, traditional institutions et cetera as forms of social structure are products created as a result of conflicts between groups with conflicting ideological interest with the sole aim of controlling the resources of the society. The social conflict theory sees threat to security as motivated by the struggle among rival social classes or groups in their quest for group economic interests, relevance and political dominance. In the words of Adebakin and Raimi, (2012), the import of the two strands of social conflict theory is that, in a dysfunctional society where exploitation of one class / group by the other, termed asa dominant group the results manifest themselves as armed struggle and full scale warfare. This situation is capable of eroding the developmental effort of the people. In colloquial terms, peace is a panacea for economic development in any society.

2.3. Empirical Literature

Several empirical studies have shown that the duo of terrorism and insecurity hinders growth and development of a nation. Olasehinde (2022) empirically examines the impact of defence and security on foreign direct investment (FDI) in Nigeria using quarterly historical data covering the period of 1994q1-2019q4 and an ARDL and VAR econometric techniques were adopted as tools of data analysis. The results from both econometric approaches revealed that foreign direct investment responds negatively to the exogenous occurrence of security threats both in the short run and long run. Jelilov et al (2018), empirically investigate the effect of insecurity and investment on the economy of Nigeria from 2007 to 2017 and they found that terrorist activities have significant effect on economic growth in Nigeria. Obi (2015) has carried out an empirical investigation on the challenges of insecurity and terrorism on national development in Nigeria using the Ordinary Least Squares (OLS) method and data set from 1990 to 2012. The result showed that terrorism and insecurity have an indirect effect on economic development by making the government to incur the cost of diverting the scarce resources that were hitherto aimed at attaining rapid development to be committed to attaining security instead. He ascertained that expenditure on security matters and significantly and positively impacts on economic development.

Ewetan and Urhie (2014) established that insecurity hinders business activities and discourages foreign and local investors. Nwanegbo and Odigbo (2013) noted that security avails the opportunity for development of a nation. Adegbami (2013) in his study opine that insecurity is detrimental to general well-being of the people, and has led to destruction of business and properties, and relocation of industries. Udeh and Ihezie (2013) revealed that insecurity challenges Nigeria's effort towards national economic development. Achumba, et. al (2013) in their study titled "insecurity in Nigeria and its implication for business investment and sustainable development" indicated that insecurity challenges in the country are enormous and complex and would continue to be, if left unchecked.

Otto and Ukpere (2012) have carried out a study on national security and development in Nigeria. They observed that there is a positive relationship between security and development, as insecurity has been found to have a debilitating effect on economic development of many less developed economies. Gaibulloev and Sandler (2009) noted that terrorism (transnational terrorist attacks) had a significant growth- limiting effects and that terrorist incident per million persons reduced gross domestic product per capita growth by 1.5% in Asia. On the other hand, terrorism increases risk and uncertainty that limits investment and hinders foreign direct investment (Gaibulloev, 2009; Abadie, and Gardeazabal, 2008). Terrorism affects industries such as airlines, tourism, manufacturing companies, and the export sector, which can reduce gross domestic product and growth (Enders and Sandler, 2006.).

Blomberg, Hess and Orphanides (2004) carried out a study on 177 countries from 1968 to 2000 (pooled cross section data). The panel estimates showed that terrorism has a small effect on per capita income growth for all samples, and it reduces investment. Tavaries (2004) carried out another study on the cost of terrorism, using sample size from 1987 to 2001. The results showed that terrorism had a significant but negative impact on GDP growth. Gupta et al (2004) studied the impact of armed conflict and terrorism on macroeconomic variables, using a sample size of 66 low and middle income countries. It was observed that conflict indirectly reduces economic growth by increasing the defense spending share of government expenditure.

Eckstein and Tsiddon (2004) investigated the effect of terrorism on the macro economy of Israel, using quarterly data from 1980 to 2003, applying vector autoregression (VAR), the result showed that terrorism has a significant negative impact on per capita GDP, investment and exports. Sandler and Ender (2008) concluded that 'given the low intensity of most terrorist campaigns, the economic consequences of terrorism are generally very modest and short-lived. The economic influence of terrorism is anticipated to surface in specific sectors that face an enhanced terrorism risk, such as the tourist industry or FDI'.

From the literature so far reviewed, and to the best knowledge of the Authors, none of the studies used Structural Vector Autoregressive model in their analysis and the time frame/data frequency is not up to 2021 in the investigation of the link between insecurity and economic Development in Nigeria. This paper seeks to fill this gap by extending the data frequency and using a diametrically different econometric methodology from the techniques used by other empirical researches in investigating the relationship.

3. METHODOLOGY

3.1 Model Specification

The model can be written as:

$$ED = f(INS, CAS, LAB, GG) \qquad Equation\ (1)$$

Where;

ED= Economic Development proxy by GDP per capita (constant 2015 US$)

INS= Insecurity Proxy by Political Stability and Absence of Violence/Terrorism: Percentile Rank

CAS= Capital Stock proxy by Gross Capital Formation (constant 2015 US$)

LAB= Labour Force proxy by Labor force participation rate, total (% of total population ages 15-64) (modeled ILO estimate)

GG=Good Governance proxy by Rule of Law: Percentile Rank

F = Function

The linear econometric form of the model is given as:

$$ED_t = \delta_0 + \delta_1 ED_{t-1} + \delta_2 INS_t + \delta_3 CAS_t + \delta_4 LAB_t + \delta_5 GG_t + \varepsilon_t \qquad Equation\ (2)$$

3.2 Source of Data

This study uses the secondary data sourced from World Development Indicators (2021) and World Governance Indicators (2021)from 1996 to 2021.The data include Economic Development (ED) as proxy by GDP per capita (constant 2015 US$), Insecurity (INS) proxy by Political Stability and Absence of Violence/Terrorism: Percentile Rank, Capital Stock (CAS) proxy by Gross Capital Formation, Labour Force (LAB) proxy by Labor force participation rate, total (% of total population ages 15-64)as well as Good Governance (GG) proxy by the Rule of Law(Percentile Rank). The data of economic development and capital stock were converted to natural logarithm to minimize wider dispersions in the variables.

The paper has used Structural Vector Autoregressive (SVAR) model in analyzing the contemporaneous relationship among the variables under consideration. The main focus of the

SVAR framework is how an innovation in variable transmits to other variables in the system. In other words, the central thing in a VAR framework is impulse response analysis which measures and analyzes the consequences of as one-unit shock to one variable at time t on other variables in the system. To put it another way, a structural VAR analysis focuses on the direction of immediate dependencies / interactions between / among contemporaneous variables. The model is specified as:

$$AX_t = C + A_1 X_{t-1} + ... + A_p X_{t-p} + Be_t \qquad Equation\ (3)$$

using the lag operator, the above equation becomes thus:

$$AX_t = C + A(L)X_{t-1} + Be_t \qquad Equation\ (4)$$

where C is an n x1 vector of constants/intercepts, A is an n x n matrix representing the variables' current interrelationships, and A(L) is a matrix polynomial in the lag operator with lag length p. However, it is noteworthy that the estimation of the SVAR model cannot be carried out in its structural form given by equation (4) above because the structural errors and the explanatory variables would be correlated, hence a simultaneity problem arises. Therefore, to avoid this problem the structural VAR would be estimated using the Ordinary Least Squares (OLS) method in its reduced form (Enders, 2010). Hence, the reduced form of the VAR is expressed as:

$$x_t = c + \Gamma_1 x_{t-1} + u_t \qquad Equation\ (5)$$

where $\Gamma_i = A^{-1}A_i, c = A^{-1}C$, and $u_t = A^{-1}Be_t$ = the reduced form / composite shocks, e_t is the vector that denotes the structural shocks, and u_t *is* a vector of composite shocks to be recovered from the structural shocks. In the econometric literature, the structural shocks of an SVAR model are usually recovered from the composite shocks through identification (Enders, 2010; Asteriou and Hall, 2011).

Therefore to examine the impact of insecurity on economic development in Nigeria, the SVAR model with short run restriction is used. The model is estimated using five variables namely, Economic Development (ED), Insecurity (INS), Capital Stock (CAS), Labour Force (LAB) and Good Governance (GG) respectively:

$$Ay_t = C_0 + C(L)y_{t-i} + Z\varepsilon_t \qquad Equation\ (6)$$

where A is an invertible $(k \times k)$ matrix describing the contemporaneous relationship among the variables; y_t is a $(k \times 1)$vector of endogenous variables; $C_0$is a $(k \times 1)$ vector of constants; C is a $(k \times k)$ matrix of coefficients of lagged endogenous variables; Z is a $(k \times k)$ matrix whose non-zero off-diagonal elements allow for direct effects of some shocks on more than one endogenous variable in the system; and ε_t is an uncorrelated vector of error terms (white-noise structural disturbances).Hence, the structural shocks are identified in tandem with the theoretical proposition of Keynes where short run restrictions are imposed on the matrices of the model as opposed to long run restrictions as Keynes opines that short run matters much more than the long run because in the long run all people would have died!

$$\begin{bmatrix} e_t^{\Delta GG} \\ e_t^{LAB} \\ e_t^{\Delta LCAS} \\ e_t^{\Delta INS} \\ e_t^{\Delta LED} \end{bmatrix} = \begin{bmatrix} \mathbf{1} & 0 & 0 & 0 & 0 \\ \alpha_{21} & \mathbf{1} & 0 & 0 & 0 \\ \alpha_{31} & \alpha_{32} & \mathbf{1} & 0 & 0 \\ \alpha_{41} & \alpha_{42}\alpha_{43} & & \mathbf{1} & 0 \\ \alpha_{51} & \alpha_{52}\alpha_{53} & & \alpha_{54} & \mathbf{1} \end{bmatrix} \begin{pmatrix} \mu_t^1 \\ \mu_t^1 \\ \mu_t^1 \\ \mu_t^1 \\ \mu_t^1 \end{pmatrix} \qquad Equation\ (7)$$

Equation (7) is the SVAR model used in the study.

4. RESULTS AND DISCUSSION

4.1 Unit Root Tests

In order to avoid misspecification of the model, the time series properties of the data were evaluated to examine the stationarity or other wise of the variables. In this study, two different unit root tests were employed in order to have robust results. These are the Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) both with trend and intercept. The null hypothesis for each unit root test as formulated is that the variable in question has a unit root, as opposed to the alternative that it does not i.e. (H_0:ρ=0 ; H_1:ρ<1). The unit root tests are reported in Table 1.

Table 1: Unit Root Tests

	ADF Unit Root Test at Level		**ADF Unit Root Test at First Difference**	
Variables	**T statistic**	**Probability**	**T statistic**	**Probability**
LED	0.531634	0.9988	-4.049885	0.0002
INC	-1.739708	0.7125	-5.087494	0.0012*
UN	0.161553	0.9967	-5.441589	0.0004*
GG	-3.269854	0.0885	-4.312811	0.0110**
PS	-2.381324	0.3825	-5.466224	0.0004*

	PP Unit Root Test at Level		**PP Unit Root at First Difference)**	
	T statistic	**Probability**	**T statistic**	**Probability**
LED	-0.075068	0.9924	-5.049885	0.0002*
INC	-1.925484	0.6207	-5.183977	0.0009*
UN	0.135627	0.9965	-5.437938	0.0005*
GG	-1.707236	0.7273	-4.821652	0.0023*
PS	-2.50509	0.3240	-5.363049	0.0006*

*Note: * & ** show statistical at 1% and 5% level of significant*
Source: Researchers' computation 2023

Table 1 presents the results of unit root tests with trend and intercept for both ADF and PP unit root tests. The results imply that all the variables are 1(1) process.

4.2 VAR Lag Order Selection Criteria

In order to have a good result of the VAR model the lag order selection criteria were estimated in order to give us appropriate/optimal lag to be use in the model. Therefore table 2 presents the lag order selection criteria in which all them selected lag 3 as the appropriate lag to be use in estimating VAR model.

Table 2 Tests for Optimal Lag Order

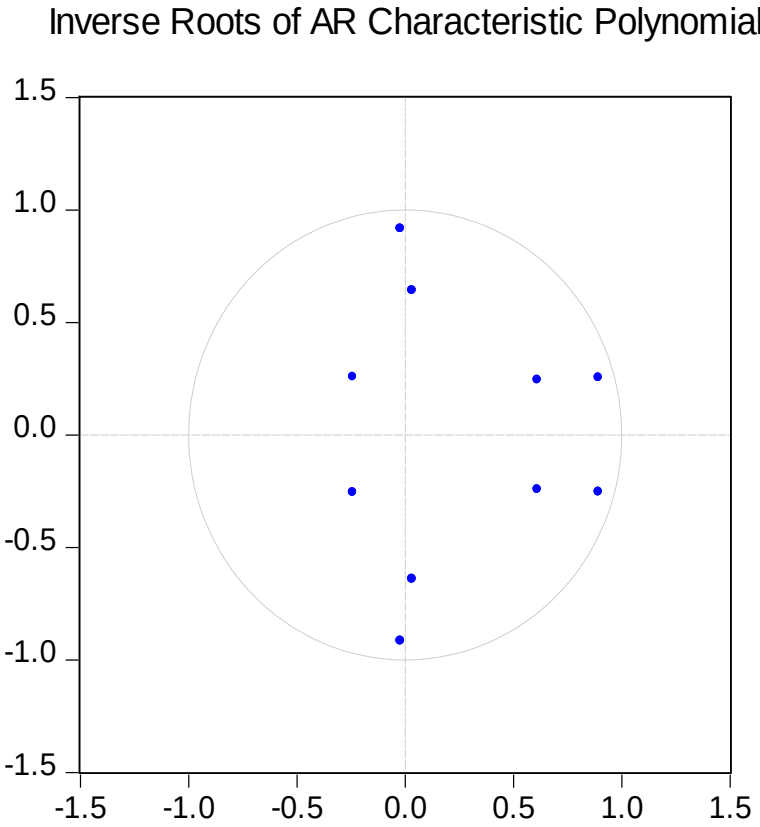
Lag	**LogL**	**LR**	**FPE**	**AIC**	**SC**	**HQ**
0	-115.0844	NA	0.023589	10.44212	10.68897	10.50420
1	-5.346922	162.2206	1.58e-05	3.073645	4.554725	3.446133
2	40.36400	47.69835	3.76e-06	1.272696	3.988008	1.955589
3	103.9300	38.69236*	4.39e-07*	-2.080870*	1.868675*	-1.087571*

Source: Researchers' computation 2023

4.3 Post-Estimation Statistical Diagnostic Tests

Since the VAR model was estimated at lag 3, the next thing is to conduct some statistical diagnostic tests which include stability test, serial correlation test, autocorrelations test and normality test to avoid biased and inconsistent estimates and hence, a misspecified model. Figure 1 shows the result of stability test where the VAR as can be observed satisfies the stability condition as no root lies outside the unit circle as shown in figure 1.

Figure 1 VAR stability Test



Source: Researchers' computation 2023

Table 3: Diagnostic Tests

VAR Residual Serial Correlation LM Tests					
LRE* stat	Df	Prob.	Rao F-stat	Df	Prob.
36.46715	25	0.0648	1.667302	(25, 34.9)	0.0806
VAR Residual Portmanteau Tests for Autocorrelations					
Q-Stat	Prob.*	Adj Q-Stat	Prob.*	Df	
32.98982	0.0703	44.12004	0.1260	25	

Table 4 Normality Test

Jarque-Bera	Df	Prob.
0.482114	3	0.7858

Source: Researchers' computation 2023

The results of serial correlation tests reported in table 3 revealed that the residuals of the model are not serially correlated at 5% level of significance as can be seen from the VAR residual serial correlation LM tests and also the errors are homoskedestic which corroborates the fact

that the VAR model used can be adjudged as statistically adequate. Moreover, the result of normality test in table 4revealsthat the errors are normally distributed, to this end, the SVAR model is estimated.

4.4 Structural VAR Model Estimation

It has been mentioned earlier that the estimation of the SVAR model is built on its reduced form, the structural shocks were also recovered from the composite shocks and the impulse response functions as well as variance decomposition can now be generated. Since the VAR has passed all the statistical diagnostic tests, the key thing is to estimate the Structural VAR model. Hence, we have estimated the SVAR model based on short run identification proposed by Bernanke (1986) and Amisano and Giannini (1997) and generated the Impulse Response functions and SVAR Forecast Error Variance Decomposition. The SVAR Impulse Response functions are depicted in figure 2.

Figure 2 SVAR Impulse Responses

Source: Researchers' computation 2023

Figure 2 shows the results of the SVAR Impulse Responses and our objective is to look into the response of Economic Development (LED) on itself and other variables. The response of LED to one-unit standard deviation shock to itself is positive and significant throughout the period horizons. Nevertheless, the response of LED to one unit standard deviation shock to Insecurity (INS) is negative. The response of LED to one-unit standard deviation to labour force is positive. More so, the response of LED to one-unit standard deviation shock to good governance is positive. while the response of LED to one-unit standard deviation shock

tocapital stock is negative in the first three period horizons then positive in the 4th period and negative in the 5th and 6th periods and positive for the remaining periods. Therefore, it is noteworthy from the foregoing that the impulse response functions trace out how the consequences of a one-unit shock to one variable at a particular period on other variables in the VAR system. Table 5 presents the SVAR Forecast Error Variance Decomposition with particular emphasis on the proportions the of forecast error in Economic Development as accounted for by other variables.

Table 5 Variance Decomposition of ED:

Period	S.E.	Shock1	Shock2	Shock3	Shock4	Shock5
1	0.020933	100.0000	0.000000	0.000000	0.000000	0.000000
2	0.038067	65.77495	26.22139	4.194803	3.800917	0.007940
3	0.058214	48.99445	45.45683	2.534127	2.983352	0.031236
4	0.075370	42.33797	54.11074	1.702165	1.830367	0.018755
5	0.090924	38.97376	56.40299	3.173201	1.417512	0.032538
6	0.104606	35.49684	57.81642	5.303280	1.290233	0.093226
7	0.117475	31.83971	59.43581	7.547902	1.026198	0.150379
8	0.128701	29.04372	60.11885	9.777604	0.858067	0.201755
9	0.137108	27.21403	60.37317	11.38528	0.761574	0.265945
10	0.143143	25.91236	60.87396	12.19868	0.698718	0.316283

Source: Researchers' computation 2022

The results of SVAR Forecast Error Variance Decomposition of economic development (ED) in table 5reveal that, in the first period, economic development i.e. (shock 1) accounts for 100% variation to itself and from there it fell sharply to 26% in the 10th period horizons. Insecurity (shock 2) accounts for the highest variation in economic development in Nigeria, as it accounts for more than 26% in the second period and nearly 61% in the 10th period. Labour force (shock 3) accounts for less than 4.5% in the second period and, more than 12% in the last period respectively of the variations in the LED. Capital stock (shock 4) accounts for less than 4% of the variations in LED in the 2nd period and less than1% in the 10th period respectively. However, good governance (shock 5) accounts for less than 1% of the variations in LED throughout the period horizons.

5. CONCLUSION AND RECOMMENDATIONS

The results obtained in this paper have revealed that Insecurity is the major factor that hinders economic development in Nigeria. It has been observed from the impulse response functions that the response of economic development to a unit innovation to insecurity in Nigeria is negative which implies that a higher rate of insecurity could hinder the progress of the nation as it retards development. However, the result of Forecast Error Variance Decomposition (FEVD) shows that more than 60% of the variations in economic development are accounted for by insecurity in Nigeria. Therefore, the paper concludes that insecurity is the key factor that hinders/encumbers economic development in Nigeria. Based on these results, the paper recommends that appropriate measures should be taken by the government to tackle the level of insecurity in the country. This can be achieved by intensifying efforts towards beeping up security by providing the security operatives in the country adequately with the required logistics such as sophisticated arms that are up to date this would greatly help in to curbing the menace.

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