

**CAPITAL MARKET INSECURITY AND ECONOMIC GROWTH IN
NIGERIA**

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**A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF
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CERTIFICATION

We the undersigned hereby certify that this project title “**CAPITAL MARKET INSECURITY AND ECONOMIC GROWTH IN NIGERIA**” was carried out by **WILFRED BOLOU-EBI FREDA**, with Matric No. **SBS/2012051193**, under our supervision in the Department of Accountancy, Auchi Polytechnic. Auchi, Edo State.

We therefore certify that the project is adequate both in scope and quality and is submitted to the Department of Accountancy in requirements for the award of Higher National Diploma (HND) in Accountancy.

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DEDICATION

I dedicate this work to God almighty for his infinite mercy, love, protection towards me and wisdom bestowed upon me throughout my studies. And my wonderful family who has worked so hard to ensure I get the best.

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When kindness cannot be repaid, it should be acknowledged and appreciated. Many contributed in one way or the other to the process of this research study.

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Abstract

This research work focuses on capital market insecurity and economic growth in Nigeria. The broad objective was to examine the various dimensions of insecurity on capital market and as well as on the economic growth of Nigeria. The specific objective include to investigate if inflation has a negative influence on the capital market, to examine the extent which insecurity of capital market influences the growth of Nigeria economy, to evaluate the influence of insecurity on Nigeria Gross Domestic Product (GDP). In order to achieve these objectives, the study adopted a theoretical and literary research design. Secondary data were obtained from existing materials such as articles, newspapers, magazines, journals and textbooks. The findings from the research showed that; insecurity does not have significant influence on gross domestic product in Nigeria. It revealed that insecurity has a significant influence on capital market in Nigeria, and also that inflation does not have a significant influence on capital market. Based on the findings, amongst others the study concluded that to boost the value of transaction in the Nigerian capital market, there is need for availability of more investment instruments such as derivatives, convertibles, future and swaps options in the market. Encouraging more private limited liability companies and informal sector operations to access the market for fresh capital. Also it is recommended that trading impediments such as high transaction cost should be reviewed to encourage more active trading in the stocks market.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The return to civil rule in Nigeria was accompanied with fresh hopes and concealed optimism because it was predicated on the fact that democracy would guarantee freedom, liberty, equity and justice which will enhance security of lives and property, such that Nigeria will be repositioned for economic growth. Regrettably, this optimism seems to be a mirage. Nigeria is presently rated as one of the poorest nations in the world dilapidated by unemployment and insecurity. For instance, Aganga (2019) observed that over ten million Nigerians were unemployed by March 2009 and that unemployment is running at about 19.7 percent on the average. These figures geometrically increase yearly with less realistic efforts by the managers of the state to abate the rampaging menace. Nigeria, like many other developing countries, about 70% of the population lives in poverty Otto and Ukpere (2012) majority of the population seem to lack access to basic amenities such as pipe born water, health care facilities, electricity and affordable quality education.

The poor development status of Nigeria no doubt breeds atmosphere of frustrated expectations and foster wide-spread indignation on the part of those that are trapped in vortex circle of abject poverty. The condition of hopelessness is further aggravated by impotent poverty eradication programmes and conspiratorial neglect by the Nigeria state. In the face of this predicament, individuals and groups

respond differently depending on situational factors and capacity. These responses are crystallized and find expression in various shades of antisocial behaviours, resulting in security challenges. Amidst these challenges, the security situation in the country has drastically deteriorated, lives and properties has been wasted daily in an alarming rate, series of re-sources based conflicts (Niger Delta; political crisis; IPOB); Ethno-religious crisis (Jos), Herdsmen-Farmers conflict (Benue and other parts of the country), the climax of this is the insurgence of Boko-Haram in Northern Nigeria. According to Onime (2018) depleted businesses in comatose, investments are nose-diving, multi-nationals closing shops and vacating the country, unemployment soaring and the population in fear. Stewart (2004) has it that the economic cost of insecurity is enormous. People who joined the fighting forces, who are killed or flee, can no longer work productively; schools, power stations and roads that are destroyed reduced the productive capacity of the economy. Further displacement of people reduces the production for exports, thereby reducing foreign exchange earnings, import potentials and consequently further constraining output, lending to a decline in employment and earning. The menace of insecurity remains a threat to governance and economic growth in Nigeria.

It has been observed that capital markets in emerging economies prior to the late 1980's, international donors and governments in developing countries held the notion that entrepreneurial functions could be served better by the state through state ownership of the means of production, taxation, licensing and regulation.

Poor performance of the public sector, misallocation of resources, market distortion and negative economic growth influence a re-evaluation of the state development strategy. In the past 15 years, liberalization and privatization have become dominant themes in development strategies particularly in Africa.

Life has become unbearable to Nigerians due to the high level of insecurity in the country. Not only having individual effects, businesses and economic activities in general have drastically been affected. The level of foreign investment has all time low as most foreign investors are now afraid of investing in Nigeria. Over the years, studies showed that multinational companies such as HSBC, Woolworth, ShopRite, Etisalat and amongst others have left Nigeria to other countries.

1.2 Statement of Problem

Obviously, the fight against insecurity in Nigeria till date is still the greatest challenge as more groups continue to emerge, from Boko Haram to militants to herdsmen. This has dragged the Nigerian economy into mud, resulting to hyperinflation, knapping, as well as a decline in the National Gross Domestic Product. However, despite the several studies that have been conducted on economic growth and capital market, only few or none of these studies were conducted in Nigeria. The few that were carried out in Nigeria failed to arrive at a valid conclusion due to the statistical methods adopted.

In response, the federal government through its annual budgets, continue to vote huge allocation to the recurrent component of internal security, military

personnel and apparatus have been asked to relocate their bases to the troubled areas to quell crises, and some States have signed into law the Anti-kidnapping Act while the National assembly passed the Anti Terrorism Act in 2011. Despite these measures, economic indices have not improved and the level of insecurity in the country is still high. A confirmation of this is the low ranking of Nigeria in the Global Peace Index (GPI, 2012) and the current recession the country has been thrown into. Hence the research work will critically look at insecurity of capital market and economic growth of Nigeria.

1.3 Objectives of the study

In light of the above, this research work theoretically attempts to fill the above gap by examining the effect of insecurity on capital market and economic growth in Nigeria. Specifically, the study aim to:

- i. To investigate if inflation has a negative influence on the capital market.
- ii. To examine the extent which insecurity of capital market influence the growth of Nigeria.
- iii. Evaluate the influence of insecurity on Nigeria Gross Domestic Product (GDP).

1.4 Research Questions

In line with the above objectives, the study attempts to provide answers to the following questions:

- i. Does inflation have any negative influence on the capital market?

ii. To what extent does insecurity of capital market influence the growth of Nigeria?

iii. What influence does insecurity exert on Gross Domestic Product of Nigeria?

1.5 Research Hypotheses

Hypotheses stated in the null form, are formulated to further guide the study.

Ho1: Inflation does not have a negative influence on capital market

Ho2: Insecurity does not have a significant influence on capital market growth of Nigeria

Ho3: Insecurity does not have significant influence on Gross Domestic Product in Nigeria.

1.6 Significance of the Study

Insecurity in Nigeria has become so widespread and has taken so many lives on daily basis. It then follows that something is wrong with our security affairs and also with the state called Nigeria.

Practically, this work will help in re-emphasizing and fostering ways by which the problem of insecurity of capital market and economic growth can be addressed. Even with the regrettably number of lives and resources that have been lost.

Academically, the work will be useful to the academic environment. Post graduates and other researchers carrying out research in related area will find the work very useful.

Theoretically, the weakness and other lapses that will be identified in this research work will help the politicians and policy makers in the country to restructure our capital market.

1.7 Scope of the Study

Every research endeavor has its scope and limitation; our scope of study is the insecurity of capital market in Nigeria, the study covers a period of five years between 2016-2020.

1.8 Limitation of the Study

The research was faced with problems of getting current materials, textbooks, journals, seminar papers in relation with this research topic. In the final analysis most interviewed and investigated could not give some vital information that would have acted as ingredients in the work. Factors that may likely affect the work is the issue of investigating the stock exchange market, and all its agents in the country.

1.9 Operational Definition of Terms

Insecurity: It is a situation which is unsafe or inadequately guarded or protected.

Capital Market: Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. The buying/selling is undertaken by participants such as individuals and institutions.

Economic growth: can be defined as the increase or improvement in the inflation-adjusted [market value](#) of the goods and services produced by an [economy](#) over time. Statisticians conventionally measure such growth as the percent rate of increase in the real [gross domestic product](#), or real GDP

Gross Domestic Product: Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's

borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Insecurity

The possibility of insecurity is a crosscutting and multi-dimensional thought which has been subject to wrangle about. Insecurity is seen distinctively by various investors; and some link it with how it influences human lives and property. United Nations Development programme (1994) sees human security to incorporate constant dangers like appetite, sickness and constraint. The condition of dread or tension originating from an absolute or claimed absence of security or lacking opportunity from risk is viewed as insecurity. (Achumba, Ighomereho & Akpor-Robaro. 2013) opined that insecurity is a condition of being liable to threat, presented to hazard or tension. A man or item is said to be secured when not being presented to any peril or danger of real or bad animosity, misfortune, burglary or breakdown (Eme, & Anyadike, 2018). There is no accord meaning of insecurity since it is regularly drawn closer from alternate points of view. Researchers have analyzed diverse sources of Shortcoming. William and Thomas (2012), Brought up a few wellsprings of vulnerability. They include enthusiasm reaction to sudden outer danger from inside; consistent undermining outward circumstance; the risk from the inside; threat to convictions particularly religion. (Achumba, Ighomereho & Akpor-Robaro, 2013) Distinguished two noteworthy sources of different uncertainty components, prompt and proximate elements. The independent

variables include the absence of institutional limit bringing about government disappointment; inescapable material disparities and injustice, ethno-religious clashes, the struggle of discernment between the society and government, feeble security framework, loss of socio-social and public esteem encouragement. Then again, prompt and proximate variables include porous borders, local and urban area, political recklessness of organizations, terror mongering, joblessness and hardship.

2.1.2 Dimensions of Insecurity in Nigeria

In Nigeria, the achievement of desired level of internal security is elusive. Nigeria has witnessed the proliferation of different militia groups that posed serious security threat to the Nigerian government. Thus, such unwholesome behaviours has affected economic growth in Nigeria and resulted in loss of numerous lives and property of the Nigeria citizen. This pathetic situation is critically examined under five dimensions of insecurity in Nigeria.

i. Militant Dimension of Insecurity Challenge

Conflict in the Niger Delta arose due to tension between foreign oil corporation and some of Niger Delta's minority ethnic group who felt they were being exploited, particularly the Ogoni's and the Ijaw (Osungade, 2018). Thus, ethnic and political unrest continued in the region throughout the 1990's and persisted despite the enthronement of democracy in 1999. However, competition for oil wealth in the region gave rise to agitation, violence and subsequent extra-judicial killing of Ken Saro-Wiwa and nine Ogoni leaders by the Abacha regime (Ogbodo, 2010). This action by Abacha's administration was condemned not only

by many Nigerians, but also the international community. Thus, the inability of the Government to address the root causes of agitation (marginalization, poverty, unemployment, etc.), in the Niger Delta region, resulted in proliferation of ethnic groups causing the militarization of the entire region by ethnic militia groups. The agitation groups includes the Movement for the survival of the Ogoni people (MOSOP), founded by Ken Saro-Wiwa. Movement for the Emancipation of the Niger Delta (MEND), Niger Delta People Volunteer Force (NDPVF) led by Mujahid Dokubo-Asari and Niger Delta Vigilante (NDV) led by Ateke Tom (Amaizu, 2010).

ii. Terrorism Dimension of Insecurity Challenge

Another major insecurity challenging Nigeria which has adversely affected the Nigerian economy growth is the activities of Boko Haram group (Olugbode, 2010). The Boko Haram is considered the most dangerous Militant Islamic group in the northern part of Nigeria that seeks the imposition of Sharia Law in the Northern States. Ideologically, the group opposes western education, culture and modern science. Historically, the Boko Haram group was founded in 2002 in Maiduguri by Utaz Mohammed Yusuf. In 2004, it moved to Kanama in Yobe state, where it set up base called “Afghanistan” used to attack nearby Police stations and killing police officers (Awowole, 2010). And lots of its members that speak Arabic comes from neighbouring Chad, the group strongly believe in the Quranic phrase which says “anyone who is not governed by what Allah has revealed is among the transgressors”. The activities of the Boko Haram group constitute serious

insecurity challenges in the contemporary Nigeria state. The activities of members of this group which have raised critical questions among investors on the safety of their investment in Nigeria, this ranges from killing of innocent Nigerians, raping of women, to bombing of major cities and police stations in the northern part of Nigeria, particularly, Borno, Kano, Bauchi, Yobe, Adamawa, Abuja, among others.

iii. Kidnapping and Armed-Robbery Dimension of Insecurity Challenge

Kidnapping is the act of illegally taking somebody away and keeping him as a prisoner in order to get money or something in return before releasing him. This situation was pervasive shortly after 2007 general elections in Nigeria. This is partly because the youths that were used as political thugs by politicians during the 2007 general elections subsequently engaged in kidnapping as means of livelihood after the elections. Indeed, confession by those apprehended indicated that some politicians in these states supplied guns to youths for the purpose of rigging the 2007 general election. Unfortunately, these guns were not retrieved at the end of the elections. Subsequently, kidnapping later turned a profitable business mostly among youths in Abia, Imo, Ebonyi, Bayelsa, Rivers and other states (Nwogu, 2018), several prominent men in Aba and its environs were kidnaped for ransom. This adversely affected the economic growth in Nigeria as many business men and manufacturing companies relocated to other countries, this pathetic situation got to a crescendo, when school were closed for fear of kidnappers as several students and pupils were kidnaped in Aba in 2010.

iv. Ethno-Religious Dimension of Insecurity

According to Oladoyinbo (2017) the nature of the crises in Jos, Plateau State and North Central part of Nigeria is a very complex one. It is tribal, religious and social. It is discovered that politics is the major cause of some of this crisis that erupted in that part of the country. There is no need for some people to use all means to dominate others or use people to subjugate others. Thus, this ethnic religious crisis has claimed numerous lives of Nigerians and property worth billions of naira. This crisis has resulted to several attacks on Christians by Muslims which over 10,000 Christians were slaughtered during the Jos crisis in 2010 (Oladoyinbo, 2017). Precisely, the Jos crisis has resulted in unimaginable confrontation, killing, bombings and other forms of violence. Many observers have argued that the root cause of the crisis was the inordinate desire by Muslims to forcefully convert Christians in the area as Muslims Faithfull's. Others assert that the root causes of Jos crisis are culture and land disputes. A closely related cause of insecurity facing Nigeria currently is the activities of Fulani Herdsmen. Several attacks have been carried out by these herdsmen in all parts of the country. Killing people and rendering others homeless.

2.1.3 Economic Growth

Economic growth in most developing and underdeveloped societies especially in the Latin America and Africa do not provide corresponding social good. Evidently, economic growth could not significantly address the spate of unemployment, poverty, diseases, hunger, illiteracy and ever increasing crimes and

insecurity. Economic growth is the process of steady increase in the real gross national product (GNP) per head of population. However, when people talk about “growth” they think chiefly of different it makes to the standard of living rather than general welfare, while growth can start from a position of less than full employment, it usually refers to the rate at which output continues to expand in the long run after employment has been achieved. Growth is essentially a long run phenomenon. To Todaro and Stephen (2006), economic growth is the steady process by which the productive capacity of the economy is increased over time to bring about rising level of national income.

To Brooman (2014), economic growth is the process of steady increase in the quantity and quality of goods and services the economy can produce. Schumpeter (1996), defined growth as gradual and steady increase in the rate of saving and population growth. Friedman (2016), defined growth as “an expansion of the system in one or more dimensions without a change in its structure, Stanlake (1990) defined economic growth as the increase in national output which is due to greater utilization of existing resources.

From the foregoing, economic growth is viewed, in this study, as the increase in productive capital of goods and services produced by an economy over time which can be conveniently measured as the gross domestic product (GDP) sustainable within a period of time.

2.1.4 Foreign Direct Investment

Foreign direct investment (FDI) is portrayed as a unique occurrence in the current influx of globalization (Baltagi, 2016). There is an immense pool of writing on foreign trade and investment dating as far back as the Smithian time (1776). While the trade monetary structure caused development in an economy, the Smithian financial framework was known for its recommendation of the facilitated commerce and open market framework (Adelopo, Omoteso and Obalola, 2010). The contentions for foreign investment likewise become to a great extent out of the conventional neoclassical furthermore, new development hypothesis examination of the determinants of economic development. For example, the neoclassical holds the perspectives that facilitated commerce and investment improves the aggregation of capital stock gave that sufficient thought is given to factor costs and innovation. Foreign direct investment (FDI) is observed as a remarkable and fundamental piece of an open and global financial framework and a noteworthy impetus for improvement (OECD, 2002).

It alludes to investment made to obtain an enduring administration premium (for the most part no less than 10 % of voting stock) and procuring no less than 10% of value share in an endeavour working in a nation other than the nation of origin of the financial investors, it can appear as either "Greenfield" investment (additionally called "mortar and block" investment) or merger and acquisition, contingent upon whether the investment includes chiefly recently made resources or only an exchange from nearby to foreign firms (Mwilima, 2003). It includes the

assembly of investment reserves from foreign financial investors into the host economy. It might bring about an exchange of proprietorship from household to foreign investors or as an extension of profitable limit and capital arrangement in a nation (Adelopo, Omoteso and Obalola, 2010).

FDI is additionally an investment in genuine resources where genuine resources comprise of physical things such as manufacturing plants, land, capital products, enterprise and inventories (Adeleke, 2010) FDI is additionally observed as a motor of development as it gives the genuinely necessary funding to investment, expands competition in the host nation ventures, and helps neighbourhood firms to turn out to be more beneficial by receiving more product innovation or by putting resources into human as well as physical capital (Ajayi, 2006). The Organization for Economic Cooperation and Development (2002) characterizes Direct Investment undertaking as a consolidated or unincorporated venture in which a solitary foreign speculator either Controls 10 percent or a greater amount of the normal offers unless it can be built up this does not permit the financial investors a successful portrayal in the administration of the endeavour or controls under 10 percent (or more) of the customary offers or voting power of the endeavour yet has a successful depiction in the direction of the undertaking.

FDI may likewise be viewed as an investment that acquires the enthusiasm for big business which works outside the residential region of the speculator (Kamaraj, 2018). It requires a business connection between a parent organization and its foreign auxiliary. This foreign direct business relationship offers to ascend

to multinational enterprises, and for an investment to be viewed as an FDI, the parent firm needs no less than 10 per cent of the normal offers of its foreign members. The contributing firm may likewise meet all requirements for an FDI on the off chance that it claims voting power in business ventures working in a foreign nation. FDI fills in as a methods for incorporating immature nations into the worldwide market furthermore, rising capital accessibility for investment (Dinda, 2016).

2.1.5 Relationship between Insecurity and Economic Growth in Nigeria

The growing rate of insecurity in Nigeria has significantly affected the country's economic growth, oil production and the number of barrels produced per day has drastically declined. This was largely due to kidnapping of oil workers in the region. This singular problem adversely reduced government revenue from oil as well as implementation of government's policies and programme. Thus, most capital projects captured in the annual budgets were not effectively implemented largely due to shortage of financial resources occasioned by insecurity in the Niger Delta. This include the construction and rehabilitation of federal roads in the six geo-political zones; construction of dams in the North-West and North-Central zones; the immediate take-off of dredging of River Niger and construction of additional power plants in the six geo-political zones (Ezeobi, 2019).

Similarly, the spate of kidnapping in some parts of Nigeria ultimately resulted in serious economic problems. Thus, the continuous kidnap cases in commercial cities of Port Harcourt, Aba and Onitsha, obviously forced investors,

businessmen and manufacturing companies to relocate to other peaceful countries, and the high increase of kidnapping activities whose target group initially was businessmen who frequently paid millions of naira as ransom to kidnappers. Thus, one of the reasons why government has not addressed critical problems confronting the contemporary Nigerian economy could be traceable to high level of insecurity in the country. Hence, rather than concentrating attention on strategies to put the economy of the state in proper shape for the general wellbeing of Nigerians, government has dissipated more energy in curbing the proliferation of militias and criminal gangs all over the country.

Leon and Walt (2011) have pervasively argued that insecurity, in a given state, not only affects the economic growth but also leads to high level of poverty, unemployment, high rate of crime, poor standard of living, and high rate of illiteracy, poor infrastructural development and poor state of health facilities amongst others. Violent activities of Boko Haram attacks have brought a serious paralysis to businesses: In the banking sector; transportation systems; hospitality and tourism sectors and foreign investments.

According to Okereke (2012), due to attacks on banks, market, parks and government department in Northern Nigerian, Human capital investment collapsed and became a threat against the economy, causing economic backwardness in Nigeria. This necessitated the increase in poverty, unemployment and failure in sustainable human development that is not only prevalent in the Northern part but

the entire country as well as neighbouring countries like Chad, Cameroon, Niger and Benin.

Finally, insecurity impact on the productive aspect of most manufacturing businesses that depend largely on the availability and regular supply of raw materials for production has cut off the supply of such raw material. This has jeopardized production activities. Moreover, insecurity affects marketing of finished products giving the continuous exodus of people from areas of insecurity. There is also an increase in security spending as most business organizations operating in Nigeria spend a lot in maintaining private security outfits. The destruction of properties and equipment is tantamount to loss of capital which has ruined not a few businesses in Nigeria. Thus security is critical for the nation's economic growth and absence of security means that economic growth cannot be achieved (Achumba, et al., 2013).

2.2 Theoretical Review

2.2.1 The Behavioural Theory

For the purpose of this study, the behavioural theory is been anchored to examine the effect of insecurity on capital market and the economic growth. The behavioural theory awoke from the weaknesses of the market theory. The efficient market theory concept was later challenged by academicians although there is sufficient evidence of the relevance of the theory. Academicians and other practitioners recognize that emotions and other subjective factors play a role in investment decisions which has resulted in a significant research which is referred

to as behavioural finance. Behavioural finance hold the view that, in practice, markets are far from perfect and investors are not rational but are motivated by greed, fear and other emotions. According to the behavioralists, many investors let their emotions overrule rational analysis. They say even the most rational investor cannot totally eliminate emotion. Emotion is an important aspect of human condition and it can influence decision making. The emotional state of investors was no doubt the most important factors causing historical market dip in the NSE during the post election violence in 2008.

2.2.2 The Agency Theory

Agency theory has provided a useful tool for detailed analysis of the determinants of the complex contractual arrangement called the modern corporation. A survey of the application of this theory to conflicts of interest between corporate managers, stockholders, and creditors find that the analysis of these conflicts and their resolutions increases the understanding of the survival of many contractual practices that have been taken for granted or viewed with great suspicion. It also illustrates the often close relation between financial and organizational practices (Smith & Jensen, 2000). Under the theoretical model, the value of institutions to shareholders results from their regulation of transaction and agency costs. Government indicators are a reflection of the ability of institutions to effectively support the minimization of these costs, ultimately born by shareholders. These indicators compose measure of the stability of governments, the proper regulation of markets, and the degree of corruption. These factors shape

the ability of institutions to govern the financial markets. Better governance environments can increase returns to shareholders by reducing both transaction costs and agency costs (Hooper, Sim & Uppal. 2005)

2.2.3 The Capital Asset Pricing Model (CAPM)

This was a theory developed separately by Willam Sharpe (1964) and John Lintner (1965) and use to identify the adequate cost of capital in project valuation (Brounen, Conry, Halloran & Palacios, 2004). Ball (2001) defines it as a method of estimating expected returns which passive investors would otherwise have earned in the absence of information being tested. The CAPM equation looks like this: $E(R) = R_f + b(R_m - R_f)$. Stock's expected return E^{\otimes} is equal to a riskless rate (R_f) plus risk premium compound by b and the amount of a stock of average risk (R_m) is expected to earn above riskless rate (R_f). CAPM was developed to explain the behavior of security prices and provide a mechanism whereby investors could assess the impact of the proposed security investment on portfolio overall risk and return, CAPM provides a useful conceptual framework for evaluating and linking risk and return. An awareness of this trade-off and an attempt to consider risk as well as returns in financial decision making should help managers achieve their goals.

Over the past few decades the world stock market has surged and emerging markets have accounted for large amount of this boom. The spend extent of stock market development in developing countries have been unprecedented and have

led to fundamental shift both in financial structures of less developed countries and in the capital flows from developed nations.

Porter (1993) observes that over the past few years, investor interest in the world's emerging markets has expanded significantly. That has been fuelled by the relatively high return recorded by emerging market and by their perceived potential for large returns in the future. Barry and Lockwood, (1995) also noted that emerging capital markets recently have attracted the attention of global investors and scholars alike. The markets are characterized by high average returns, high volatility and excellent diversification prospect in combination with portfolios from developing markets.

2.3 Empirical Review

A few studies have demonstrated that terrorism and insecurity thwart the development and improvement of a country. (Nwanegbo, and Odigbo, 2013), Noticed that security profits the open door for the advancement of a country. (Ewetan, and Urhie, 2014) Noticed that insecurity obstructs business exercises and debilitates distant and close financial patrons. (Adegbami, 2013) In his investigation opined that insecurity is inconvenient to the general prosperity of the individuals, and prompts the obliteration of business, properties, and migration of projects.

Udeh, and Ihezue, (2013) Likewise noticed that insecurity challenges in Nigeria's exertion towards national economic improvement and effects its vision 2020, and alarms the fascination of outside venture and their commitments to

monetary improvement in Nigeria. (Gaibulloev, and Sandler, 2019) Noticed that terrorism (transnational fear based oppressor assaults) had a huge growth limiting impacts and that psychological militant episode per million people lessens GDP for each capita development by 1.5% in Asia. Then again, terrorism expands hazard and vulnerability that breaking points venture and impedes outside organize venture (Gaibulloev and Sandler, 2019; Abadie and Gardeazabal, 2018).

Terrorism influences businesses like aviation, tourism, industries and exports, which can decrease total national output and development (Sandler and Enders, 2018), completed an examination on 177 nations running from 1968 to 2000 (pooled cross segment information). The board measures demonstrated that insignificant terrorism effects per capita growth in income for all tests, and it decreases investment. (Tavares, 2014) Completed another investigation on the cost of terrorism, utilizing some variables going from 1987 to 2001. The outcome demonstrated that terrorism had a huge negative effect on Gross domestic product and development.

(Gupta, Clements, Bhattacharya, and Chakravarti, 2004), considered the effect of outfitted clash and terrorism on macroeconomic factors, utilizing a test size of 66 low and centre wage nations. It was noticed that contention in a roundabout way lessens monetary development by expanding the security spending offer of government consumption. (Eckstein, and Tsiddon, 2014) Researched the impact of terrorism on the large-scale economy of Israel, utilizing quarterly information from 1980 through 2003. Applying vector auto regression (VAR), the

outcome demonstrated that terrorism has a remarkable negative effect on per capita Gross domestic product, venture and fares. (Gaibulloev, and Sandler, 2019) In their investigation, the effect of terrorism and impact on development in Asia (1970-2004) watched that national terrorist attacks had a noteworthy impact on restricting development. It decreases development by crowding in government expenditures.

Achumba, et. al. (2013) In their investigation of insecurity in Nigeria and their suggestion for business investment and maintainable advancement showed that insecurity challenges in the nation are colossal and complex, which would keep on being a problem on development if the circumstance stays unabated. Godly and Wilfred, (2012), did an investigation on national security and advancement in Nigeria. They watched that there is a positive connection between security and economic progress while insecurity is crippling to the monetary advancement of many less developed economies.

Sandler, and Enders, (2018) Reasoned that given the low power of most terrorist, the financial outcomes of terrorism are for the most part exceptionally unobtrusive and brief. The financial impact of terrorism is expected to surface in particular segments that face an upgraded terrorism chance, for example, the vacationer business or FDI.

CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

3.1 Research Design

The research design adopted for the study is cross-sectional research design. It is sufficient and suitable for determining the relationship that exists between commercial banks and economic growth.

3.2 Population and sample of the study

The population of this study is from 2000 to 2016 and the sample of secondary data drawn from the Central Bank of Nigeria Bulletin, Securities and Exchange Commission (SEC) and Nigerian Stock Exchange were employed in the research from 1998 to 2021.

3.3 Source of Data Collection

The data used in this study were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and Stock Market and Nigeria Exchange Group (NGX).

3.4 Method of data analysis

The research employs the use of Ordinary Least Squares (OLS) regression to determine whether there exist a relationship between the debt ratios and the various determinants that are listed above. It was also used to test the effect of these explanatory variables on the debt ratios.

3.5 Model Specification

Kozhan, (2010) report that model specification is the determination of the endogenous and exogenous variables to be included in the model as well as the a priori expectation about the sign and the size of the parameters of the function. Excel software helped us to transform the variables into format suitable for analysis, after which the econometric view (E-view) was used for data analysis. The dependent variable is gross domestic product and independent variable is capital market. The ordinary least square was adopted for the purpose of hypothesis testing. The ordinary least square was guided by the following linear model:

$$Y = f (X_1, X_2, X_3, X_4, X_5, X_6) \dots\dots\dots 1$$

$$GDP = f (MCAP, TNI, VLS, LEGS, INF, EXC) \dots\dots\dots 2$$

$$GDP = \alpha + \beta_1 MCAP_1 + \beta_2 TNI_2 + \beta_3 VLS_3 + \beta_4 LEGS_4 + \beta_5 INF_5 + \varepsilon \dots\dots\dots 3$$

Where;

DP = Gross Domestic Product

MCAP = Market Capitalization

FI = Foreign investment

INF = Inflation using consumer price index as a control variable.

ε = Error term

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND HYPOTHESES TESTING

4.1 Data Presentation and Analysis

Table 4.1: shows the descriptive statistics of the dependent and independent variable where minimum, maximum, mean, standard deviation are reported.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max
GDP	23	27.19985	.3521092	26.51988	27.63454
MCAP	23	25.93175	2.805435	22.80189	30.48355
INF	23	.2720412	.1654854	.0555	.6109
VLS	23	-3.531538	3475581	2.8810	3.4755

Source: E-View output

Table 4.1 contains the descriptive statistic for all variables involved in the study there are 23 observation in the panel for the variable as this data contains strong balanced panel of Central Bank of Nigeria (CBN) for the period of 17 year for 2000-2020. Capital market to GDP ratio Std. Dev also showed inconsistent trend for the period under review. The value was .3521092 while the mean value was 27.19985 declines clearly reflects the weak capital market to Nigeria economy with no improvement on insecurity. The drop in 2013 and 2014, however, does not reflect a drop in the absolute value of Demand Deposits, but reflects the inadequacy of the value of the Demand Deposit as a ratio of the GDP following the recent GDP rebasing and expanding economy.

4.3 Correlation Analysis

Table 4.2 below contains the correlation values between the explanatory variables and the explained variable as well as the independent variables among themselves.

Variable	GDP	MCAP	INF	VLS
GDP	1.0000			
MCAP	0.5262	1.0000		
INF	0.2313	0.5081	0.5418	
VLS	0.1534	0.2315	0.6731	1.0000

Source: E-View output

Table 4.2 shows correlation between the dependent variable which is proxied by Gross Domestic product (GDP) and independent variable proxied by Market Capitalization (MCAP) and increase of inflation (INF) to Nigeria economy as well as the correlation among the independent variables. The table shows that GDP is negatively associated with capital market.

Table 4.3: Skewness and Kurtosis Tests for Normality

Variable	Obs	Pr (Skewness)	Pr (Kurtosis)	Adj chi (2)	Pro>Chi2
GDP	17	0.3052	0.5137	1.66	0.4363
MCAP	17	0.2610	0.0733	4.58	0.1011
INF	17	0.1710	0.5709	2.51	0.2849
VLS	17	0.7841	0.3193	3.61	0.3197

Source: E-View output

The above table contains the skewness and kurtosis tests for normality. The a priori for the vector error correction coefficient (alpha) is either positive or

negative. The alpha meets this expectation and this implies that skewness under GDP is 0.3052, and kurtosis is 0.5137 and the adj chi (2) is 1.66 percent of the GDP. While MCAPAdj Chi (2) which is 4.58 and skewness is 0.2610.

4.4 Presentation of Interpretation of Regression Results

Table 4.4

Variable	Coefficient	Std. Err.	T-statistic	Prob.
GDP	3.27544	2.256856	1.451330	0.1414
MCAP	0.285935	0.095662	2.989017	0.0033
INF	0.220526	0.104976	2.100727	0.0327
VLS	0.216547	0.102573	2.111150	0.0363
R-squared	0.318414	Mean dependent Var	12.99346	
Adj R-Squared	0.261218	S.D. dependent Var	3.098167	
S.E of regression	2.88766	Akaike info criterion	4.997962	
Sum squared resid	1226.711	schwarz criterion	5.116803	
Log likelihood	-376.3441	F-statistic	5.567008	
Durbin–Watson stat	2.16401	prob (F-statistic)	0.000100	

Source: E-View output

Table 4.4: shows the statistical tool used the stated hypothesis regression test procedure which uses the individual significance test (t-test) and the overall significance test (F-test). The goodness of fit on the model is tested using the coefficient of determination. The estimation of these statistics is done using the E-

Views computer soft ware. The main focus of testing in this study is to examine the significance of effects on the dependent variable by the explanatory variables.

4.5 Testing of Hypotheses

The level of significance adopted in this study in testing the stated hypothesis of this study is 5%. This level is usually considered adequate for studies in management and other behavioural sciences.

Decision Rule

The critical p-value used in these tests is 0.05. Thus, the research accepts a given alternative hypothesis that there is no significant effect. The test statistic is computed by E-Views soft ware and results are as show in table 4.4 below.

Hypothesis One

H₀: Insecurity does not have significant influence on capital market.

Table 4.4 Computed Values for Testing Hypothesis 1

Coefficient	3.27544
Probability	0.1414

Conclusion

A coefficient of 3.27544of GDP shows that on insecurity has a negative influence on GDP, a probability of 0.1414 shows that the influence is significant not at 5%. This means that the null hypothesis is rejected at 5% level of significance.

Hypothesis Two

H₀: Insecurity does not have a significant influence on capital market growth of Nigeria

Table 4.4 Computed Values for Testing Hypothesis 2

Coefficient	0.285935
Probability	0.0033

Conclusion

A coefficient of 0.285935 of capital market has a positive influence on Nigeria economy, a probability of 0.0033 shows that insecurity has a significant influence on capital market growth at 5% level of significance.

Hypothesis Three

H₀: Insecurity does not have significant influence on GDP in Nigeria.

Table 4.4 Computed Values for Testing Hypothesis 3

Coefficient	0.220526
Probability	0.0327

Conclusion

A coefficient of 0.220526 inflation has a positive influence on capital market; a probability of 0.0327 shows that insecurity has a negative influence on capital market is significant at 5%. This means that the alternative hypothesis is accepted at 5% level of significance.

4.5 Discussion of Findings

The result suggests that market capitalization, total number of issue, listed equities and government securities, value of transactions and inflation with p-values of 0.0033, 0.0206, 0.0363, 0.0400 and 0.0327 is less than the critical value of 0.05. Hence, we deduce that there is a significant relationship between capital

market and economic growth. The R² (coefficient of determination) of 0.318414 and adjusted R² of 0.285935 shows that the variables combined determines about 32% and 29% of capital market development. The F-statistics and its probability shows that the regression equation is well formulated explaining that the relationship between capital market development and economic growth (F-stat = 5.567008; F-pro. = 0.000100).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Findings emanating from this study are as follows:

- i. Insecurity has a significant influence on capital market in Nigeria.
- ii. Insecurity has a significant influence on capital market growth in Nigeria
- iii. Inflation does not have a significant influence on GDP

5.2 Conclusion

These findings agree with Ewah, et al (2009) who found that capital market in Nigeria has potentials for growth inducing but has not contributed meaningfully to the economic growth of Nigeria due to low market capitalization etc.

Hence the capital market remain one of the mainstream in every economy that has the power to influence or impact economic growth therefore the organized private sector is to invest in it. The market capitalization have not impact significantly on the GDP while volume of transaction and total listed equities and Government stock have significant impact on the GDP. The government is therefore advised to put up measures to stem up investors confidence and activities in the market and more foreign investors should be encouraged to participate in the market for improvement in the declining market capitalization so that it could contribute significantly to the Nigerian economic growth.

5.3 Recommendations

In order for the Nigeria capital market to be pivotal force in Nigeria economic growth and development, the following suggestion or recommendation are put forward.

1. First improvement in the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practice, electronic fund clearance and eliminate physical transfer of shares.
2. There is also need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transaction and dealing in the stock exchange. It must also address the reported case of abuse and sharp practices by some companies in the market.
3. To boost the value of transaction in the Nigerian capital market, there is need for availability of more investment instruments such as derivatives, convertibles, future and swaps options in the market.

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