

Global Terror and Revenue Mobilisation in West Africa: Impact of Boko-Haram Activities on Taxation Systems in North-eastern Nigeria

By

Julius Adavize Adinoyi, Ouma Martin Odhiambo, Mumo Nzau & Kiamba

Abstract

This study investigates the profound effects of Boko-Haram terrorism on government revenue generation in Nigeria's north-eastern region. The primary objective is to understand how terrorism influences tax collection systems and taxable sectors. Key research questions revolve around how terrorist activities have impeded the government's ability to garner revenue effectively in the region. Utilising a mixed-methods approach, the research integrates systems theory with qualitative and quantitative data to address the research objective.

Primary data were drawn from 47 stakeholder interviews spanning government, civil society, academia, and the private sector, while secondary data were extracted from the Global Terrorism Index and various governmental and non-governmental organization databases.

Findings from the interviewee's response on the Likert scale reveal a lack of transparency in the tax collection system arising from inadequacies in taxing different income brackets, and a declining tax contribution to overall government revenue. In addition, the taxable sectors face significant challenges in regular taxation, especially within the informal sectors. Regression analysis indicates a 10.8% decline in revenue mobilisation directly linked to Boko-Haram's activities.

The results emphasize the urgency for the Federal government to increase funding for terror affected states in the north-eastern region, revamp the tax system to support small-scale businesses, and ensure regular training for tax officials. This research lays a foundation for further inquiries into revenue challenges in terrorism-affected zones and the formulation of effective counter-strategies.

Keywords: *Terrorism, Boko-Haram, Nigeria, Tax, Revenue*

Introduction

Globally, terrorism continues to precipitate high frequencies of humanitarian crises, statistically evident in the rise of displaced persons, refugees, gender violence, and food insecurity. The most affected countries include Iraq, Syria, Mali, the Central African Republic, Nigeria and Somalia. Boko-Haram has created a direct human, economic and physical loss, resulting in mass migration and has forced refugees/displaced persons to engage in illegal means of survival. The government in the north-eastern region of Nigeria have been consistently funded from the national budgetary allocations due to insufficient revenue mobilisation due to regional insecurity.

Studies shows that the terror-affected region of north-eastern Nigeria has seen a rise in terrorism leading to a massive disruption of economic activities (Okoli & Lortyer, 2014; Sjoberg & Gentry, 2011; The Economist, 2014; The source, 2014; Zenn & Pearson, 2014). This lack of control seems not to stop at limiting economic activities but also affects the government's revenue mobilisation systems. This research seeks to build on existing literature and employ a new theoretical lens using a systemic view (Kooiman, 2003, p. 206; Pierre & Peters, 2005, pp. 2–48) to investigate the effects of terrorism on revenue mobilisation. Specifically the study focuses on how Boko-Haram affects tax collection systems and the taxable sectors in north-eastern Nigeria.

Literature Review

Growing religious fundamentalism and heated political spaces in Northern Nigeria have facilitated Boko-Haram's spread in West Africa. In addition, long-term insecurity in the East African region has created an opportunity for terrorism to thrive in DRC, Rwanda, Somalia, and Uganda (Daley, 2006). Resource-based conflict in Sub-Saharan Africa (SSA) can be attributed to the presence of natural resources and solid minerals in the region. This conflict has generated an increased interest in illegal mining, drug and arms trafficking and kidnapping, resulting in a surge in insecurity and terrorism (Daley, 2006; Montague, 2002).

Among the terror groups in West Africa, Boko-Haram accounted for 42% of the terror attacks across the region. Boko-Haram and Islamic States West Africa Province (ISWAP)¹ engage in extortion by 'taxing' the locals, illegal trades, abducting people for ransom and the release of their

arrested members. Their activities significantly undermine the governance and economy of the areas in the Lake Chad region. (Denisova, 2013) As part of terror financing, ISWAP taxes fishers and locals to protect their trade and animals. At the same time, Boko-Haram prefers to collect animals, food, fuel and additional payments as taxes that sometimes destroy the locals' businesses when they disagree (Paul & Ahmed, 2018). Furthermore, security forces on the roads extort and tax road users.

Terrorism and tax collection Systems

One of the reasons for the low performance of public expenditure is that budget expenditure is lower than realised revenue. Therefore, for countries in Africa to foster effective economic governance, there is a need to adopt good public expenditure practices (International Monetary Fund, 2000) by mobilising revenues, among other factors.

Africa is faced with daunting challenges in efficient revenue mobilisation systems (Vito Tanzi & Zee, 2001). Some of them include but are not limited to tax collection from workers employed in informal sectors like the agricultural sector, which is largely composed of subsistence production. Poor statistics on tax records result from the large size of the informal sector, as is the capacity in the tax collection system.

Income disparity in most African countries has made it difficult to institute an effective taxing and accounting system. The existing political system in Africa makes it easier for rich taxpayers to use their influence to obstruct policies that will efficiently tax the rich. Rich taxpayers evade personal income and property tax. A study (Hardoon, 2017) reveals inequality in the taxing system and argues a significant gap between the rich and the poor. The logic of high revenue mobilisation demands that the rich be taxed more than the poor. In reality, this gap is yet to be fully utilised by economic policymakers.

To ensure efficient revenue mobilisation for public financial management, a policy is needed to protect tax administration legally from political interference, its leadership independent of political interference, and transparency in the tax collection and accounting process.

By and large, Nigeria has witnessed tremendous growth in revenue from oil sales and tax revenues (Ikechi et al., 2021). Even though the taxing system is legally protected, the insecurity and activities of Boko-Haram have occasioned lax adherence to those laws (Interview with Abubakar

Tafawa, Balewa University, 20.09.2021, Bauchi, Nigeria). This trend means there is a reduction in non-oil revenue-mobilisation sources. The total revenue of Governments in Nigeria consists of the Internally Generated Revenue (IGR)² of Governments and the statutory allocation from the Federal Accounts Allocation Committee (FAAC) of the Federal government. In addition, it may include grants and gifts, and local and foreign loans.

Terrorism and taxable sectors

Taxable sectors include all trade in the formal and informal economy. Terror financing is part of the informal sector. This means involves transnational smuggling of natural resources like petroleum products which have declined recently. However, trade deals in other products have continued. For example, ISIS managed to smuggle oil from Iraq through the Kurdish region into the international market. The second chief source of terror financing in Iraq and Syria is the illegal trade in antiquities. The third is illegal trade in endangered species, amounting to about 10 billion USD in revenue.(Abid & Sekrafi, 2020) Hence, the income sources of terrorists continue to increase as they also evade adequate taxing.

Sub-Saharan Africa (SSA) has a high rate of informal trading of gold, diamonds, arms, drugs, and human trafficking (Ouédraogo, 2017). Most informal trading is conducted by terrorist organisations and their networks. A clandestine network is engaged in those activities, especially with terror groups and mercenaries. Terrorism is financed not only through illegal means mentioned above, but in addition through tax evasion. Scholars have linked the relationship between unlawful and legal financing of terrorism (Chatain et al., 2008, 2009; De Koker, 2006). For example, the Al-Shabab group in East Africa is known for its dealings in the ivory trade. In 2012 alone, the group earned about 400,000 USD monthly (Jones, 2015). The Lords Resistance Army (LRA) has also made fortunes from elephant poaching to fund its terror activities in Central Africa. Additionally, they tax individuals, farmers, and traders and take over banking assets and public and private properties in the areas they control.

In West Africa, the operations of markets, enterprises, and commerce have all been considerably hampered by Boko-Haram's actions in the impacted areas (Denisova, 2013). Investments have been discouraged, and economic output has decreased as a result of the ongoing fear of violence

and assaults (The Institute for Economics and Peace, 2020). Governments have seen a decrease in taxable income as a result, which has an effect on their capacity to produce tax revenue (Abid & Sekrafi, 2020).

Critical infrastructure has been destroyed (Mohammed, 2014), preventing the delivery of necessary services and also interfering with the State government's ability to generate income. In addition, government income is diverted from capital expenditure to recurrent expenditures like fighting terrorism. The population displacement as a result of Boko-Haram's actions (OCHA, 2019) have impacted the displaced populations' ability to contribute to the tax since they lose their sources of income and become dependent on humanitarian relief. Trade and cross-border operations have reduced (Bandyopadhyay et al., 2021) due to the targeted impact of Boko-Haram on markets, border crossings, and transportation hubs. This interruption lessens the possibility for tax income from import and export levies as well as other trade-related taxes, which negatively impacts local firms.

Nigeria has been significantly impacted by Boko-Haram's operations and the State government's taxation systems have been affected because terrorist activity has reduced the government's ability to generate income (Oladimeji & Oresanwo, 2014). The consequences of Boko-Haram's operations has also interfered with economic activity in Cameroon (OCHA, 2018). Since companies find it difficult to function in an environment of uncertainty and volatility, this disruption has directly impacted the Cameroonian government's taxation systems.

Niger, a neighbouring nation of Nigeria, has also experienced severe difficulties in raising money. There has been high population displacement, agricultural production interruptions, and cross-border commerce decreases (International Crisis Group, 2017). These elements have made it difficult for the Nigerian government to collect taxes and mobilise income properly. The Chad region has seen its fair share of difficulties as a result of Boko-Haram. The terrorist group's actions has impacted business operations and commerce in Chad (Terwase et al., 2022) and the government has generated less revenue as a result of this instability (Idika-Kalu, 2020).

Theoretical framework

This study adopts systems theory to explain the critical elements of tax collection and existing taxable sectors. The theory explains how the revenue mobilisation systems of States are affected by the activities of Boko-Haram. Systems theory (Von Bertalanffy, 1968) demonstrates the

relationship between Boko-Haram's terror activities and its unitary implications on revenue mobilisation systems. It explains how the consequences of terror groups like Boko-haram and other terror groups in Africa affect continental peace and security which consequently affects revenue mobilisation of governments. Furthermore, the theory suggests the preparedness for situational change and the flexibility of elements of taxing systems to accommodate the impact of terrorism.

Systems theory posits that issues of international security and insecurity often affect the national system of governance. This has made it imperative to elaborate further on the system of governance (Oran, 2006, p. 27). This elaboration deemed it significant to select a specific aspect of insecurity which for this case is the impact of Boko-Haram on economic governance. The theory outlines the need for preparedness for situational changes, which is in line with the objectives of this study. The organisation of the key elements of revenue mobilisation determines whether the impact of terror will be absorbed or create a change in the revenue mobilisation system (Peters et al., 2004). The irreversible change caused by the impact of terrorism has the capacity to disrupt or halt the functioning of the State's tax systems.

Methodology

This study adopted mixed method and pragmatic approaches with the study population being drawn from north-eastern Nigeria. Both qualitative and quantitative research designs were adopted. The interviewees' sample size was 47 persons drawn from a population comprising of state government legislators, financial experts from non-governmental organizations, public finance and economics scholars from tertiary institutions, Open-Governance activists from civil society organisations, officials from North-East Development Commission, Nigeria Stock Exchange in Bauchi state, State Ministries of Finance and Budget, representatives of banks and State revenue commissions.

Purposive Sampling was used to identify not only the States with terror hotspots in northeast Nigeria but also suitable interviewees. The justification for this method based on the identified terror hotspot from the literature review. In addition, the researcher is best knowledgeable on how to collect data from selected interviewees due to security concerns in north-eastern Nigeria (Given, 2008, pp. 944–948).

The primary objective of this study is to understand how terrorism, specifically the activities of Boko-Haram, influences tax collection systems and taxable sectors in northeast Nigeria. The key research questions guiding this investigation are: How have terrorist activities impacted the efficiency of tax collection systems? How have these activities hindered the government's capacity to mobilise revenue, particularly in the north-eastern region of Nigeria?

To address these questions and the major objective, a combination of primary and secondary data sources were utilized. Secondary data regarding terrorism was retrieved from the Global Terrorism Index, while data on revenue mobilisation systems were collected from the official websites of Governments in northeast Nigeria. Qualitative data underwent thematic analysis, pinpointing crucial themes for in-depth exploration regarding their implications and interrelations. Quantitative data, in contrast, were interpreted using statistical methods, primarily employing linear regression analysis for model estimation. The study was underpinned by the hypothesis that Boko-Haram's terrorist activities exert a significant detrimental effect on revenue mobilisation systems in northeast Nigeria. All procedures adhered strictly to ethical research standards. The study tested the hypothesis that terrorist activities of Boko-Haram had a significant effect on revenue mobilisation systems in northeast Nigeria.

The interview guides were structured and distributed to 47 individuals in northeast Nigeria. The data was collected, entered, cleaned, coded and analysed for statistical inferences. The descriptive analysis incorporated descriptive statistics, which included the mean of the Likert scale regarding the interviewee's view about the question asked on a scale from 1 to 5 (1 -strongly disagree and 5- strongly agree). The standard deviations were also determined and interpreted accordingly. Standard deviation was obtained to reflect the variability of responses from the mean, while the mean was used to determine the degree and rating of the responses. On the other hand, the inferential analysis incorporated regression, which aimed at establishing the direction, degree, and strength of the linear association between revenue mobilisation and terrorism.

The study period covered the years 2005 to 2019. The sensitivity of this topic influences the purposeful research methods used and limits the robust participation of some interviewees. Hence interviewees were promised complete anonymity as an individual before their acceptance to participate in the research. Some earlier proposed diagnostics tests were unattainable due to few observations or missing qualitative responses and quantitative data.

Findings and Discussions

Most of the interviewees (93.2%) indicates that terrorism affects the revenue mobilisation capacity of the State government. Even though there are laws put in place to guide tax collection, they are hardly followed due to high handedness in terror affected locations. Another interviewee affirms that a State that is ravaged by terrorism is challenged by revenue mobilisation because the economic output level drops significantly with resulting high unemployment. In addition, many markets have been closed due to insecurity, resulting in reduced revenue mobilisation.

According to a lecturer in Jalingo, Nigeria, the implication of terrorism on the state's revenue is significant. The issue of protecting and ensuring the security of tax collectors becomes a challenge, leading to the liquidation of many businesses. In times of terrorism, revenue mobilization suffers due to decreased patronage of goods and services, with some companies increasingly involved in tax avoidance. Furthermore, terrorism usually results in the massive destruction of businesses and property, which are the main source of mobilising revenue. As a result of this, major cattle markets, which are among the key IGRs are ultimately shut down due to insecurity.

Information from the representative of the Nigerian Stock Exchange representative highlights that tax officials' role is affected by terrorism because insecurity created by Boko-Haram restricts the movements and protection of people. Thus, tax follow-up processes are limited, especially for taxing sectors that are yet to be electronically automated. A Taraba State House of Assembly member states that on-job training (like seminars and symposiums) is less frequently conducted since there is a security challenge. Additionally, as stated by an interviewee, tax officers are sometimes targeted by Boko-Haram terrorists. One of the bank officials states that the terrorists view the tax officials as rivals to their source of revenue from the community since the terror group also taxes the community members. According to a member of the Bauchi State House of Assembly, during times of terrorism, educational capacity-building institutions are often closed, depriving students, trainees, including tax officials, of access to them. Additionally, tax officials face an uncomfortable environment for carrying out tax-related activities. An academic scholar from Gombe State University states that despite the effort of the State government to digitise the tax collection system, the tax officials within the State are challenged with ICT.

Terrorism and Tax Collection System

On whether the tax collection systems are legally protected, independent, transparent and able to tax high-income earners properly, the average response shows that the interviewees were neutral on all statements of tax collection systems (Mean=2.99, Std=1.1). Specifically, the response reveals that interviewees were neutral on the statements that the tax collection is legally protected (Mean =3.30, Std=1.26) and independent (Mean =3.30, Std =1.07). However, the interviewees disagree with the statements that the tax collection is transparent (Mean =2.72, Std =0.958). They also disagree that the State is able to tax high-income earners properly (Mean =2.80, Std =1.10), and is able to tax low-income properly (Mean =2.844, Std =1.14). A government official from the Stock Exchange states that the northeast region tax collection system is legally protected and independent.

Assessment of various budget documents from north-eastern government shows that Adamawa State significantly increased tax collection from NGN 3 billion in 2005-2009 to NGN 12 billion in 2015-2019. This giant stride is affirmed in an interview stating that the Adamawa State government have continually made a concerted effort to ensure that the tax collection system is effective in all sectors despite the activities of Boko-haram (Interview with Adamawa State Office of the Accountant-General, 12.10.2021, Yola, Nigeria). In 2015-2019, Gombe State (NGN 6 billion) outperformed Yobe (NGN 4 billion) and Borno State (NGN 4 billion), which were at-per (within NGN 2 billion range) with Gombe in 2005-2009. Taraba State, which was the least in 2005-2009, was able to topple Borno and Yobe in 2015-2019.

However, a different trend was observed when measuring the impact of the tax collected by the government on their respective internally generated revenue within the region. In 2015-2019, the taxing system in Borno had more impact (78%) on the Borno IGR than in other States. The same applies to Yobe when compared to the other States other than Borno. Taraba State was the least performed in 2015-2019.

The salient trend in tax contribution to State's IGR was observed. Apart from Taraba State, the rest of the north-eastern States progressively increased tax contributions to their State's IGR. Taraba, on the other hand, in 2015-2019, witnessed a 12% declined tax contribution to the State's IGR. While other States increased their tax collection in 2010-2014, Borno saw a slight decline of NGN 0.2 billion.

Influence of Terrorism on Taxable sectors

On average, interviewees disagreed that the taxable sectors are regularly taxed with adequate data management or record their sales and keep adequate inventory (Mean =2.13 and Standard =0.89). Specifically, the response indicates that interviewees disagreed that the taxable sectors carry out regular and proper taxing (Mean =2.20, Std =0.910). Similarly, they disagreed with the fact that they record their sales and keep adequate inventory, especially in agricultural sectors (Mean =2.07, Std =0.879). While probing further, the interviewees argued that the safety of tax collectors is not assured, thus making it difficult to discharge their duties. Another interviewee argued that tax payments are weak due to terrorism.

According to an official at the Adamawa State Ministry of Finance, Budget, and Economic Planning, areas heavily impacted by terrorist activities may experience reduced productivity, which has a negative impact on the tax system compared to less affected regions. In times of terrorism, there is a significant decrease in tax collection, partly because tax collectors also require protection.

Terrorism affects proper taxing due to inadequate and poor record keeping especially in small scale businesses and farmers that practise subsistence agriculture. Moreover, areas affected by terrorism cannot be assessed by the collectors. Hence the tax system cannot be operationalised. Also, the inaccessibility of areas affected by terrorism will affect tax collection. In some of the interviewees' opinions, they argued that it is difficult to determine the tax value for taxation in an area badly affected by terrorism.

A government official from the Taraba State Office of the Auditor General states that terrorism has a detrimental impact on tax enforcement as it leads to the closure of markets and reduced income, which tax collectors attribute to the effects of terrorism. In summary, terrorism results in inequality within the tax system. Between 2007 and 2015, Nigeria lost about 16% of its total GDP to terrorism. The informal sector accounts for about 43% of Nigeria's economy and 34% of the GDP in Africa.(The Institute for Economics and Peace, 2020) With such a sector considered a critical employer and income source for most of the population, its contribution to the economy, as the largest, cannot be over-emphasised. While the sector has been declining globally, in Africa and a country like Nigeria, terrorism has significantly contributed to the decline of informal

economic activities in terror affected areas. For example, the an official from Borno State Internal Revenue Service states that many businesses have liquidated as a result of terrorism.

Thus, the capacity to tax this sector is undermined as taxes collected are intangible. Likewise, the formal sector is not exonerated from this significant impact. However, the informal sector suffers more than the formal sector(United Nations, 2019). For example, Borno State has not maximised production from the over 5 million hectares of farmland at its disposal.(BudgIT, 2015) This incapacity can be mainly attributed to the prevailing insecurity caused by Boko-haram. As a result of terrorism, significant cattle markets in Yobe State, which has a potential of NGN 1 billion IGR(Musa, 2021) were shut down. Thus, terrorism reduces the informal sector's huge IGR and tax potential in Yobe State. A financial expert in Bauchi affirmed that the formal sector, especially the public service workers, are mainly the employees that pay tax.

In contrast, other sectors, especially the informal sector, cannot fulfil their tax obligations. According to a financial scholar from Gombe, most of the taxes collected in the informal sector are often not remitted to the government account due to the lack of formalised process. This confirms the tax inequalities between the two sectors due to the significant impact of terrorism on the informal sector than the formal sector. Another scholar in Bauchi opined that the massive part of this untaxed informal sector consists of the agricultural sector, which is significantly affected by the activities of Boko-Haram.

The IGR of the governments in the north-eastern region is affected by the activities of Boko-haram because the taxable sectors are not adequately taxed, thus creating inequality in the taxing system. For example, a government official from Adamawa, Bauchi and Yobe, states that taxing in areas affected by the activities of Boko-haram is ineffective, and this creates inequality in taxable sectors in the State. Hence, the government need to compensate for the gap in their budget funds by collecting funds from the federal government or through borrowing of loans.

From the compiled State budget documents obtained from government websites, the average IGR of States in north-eastern Nigeria shows that between 2005 and 2009, Taraba State generated an IGR of NGN 1.45 billion, which is the least among the other State within the same period. Adamawa State generated the highest IGR in 2005-2009 and 2010-2014 at a value of NGN 3.52 billion and NGN 4.72 billion, respectively. Bauchi State had the highest IGR of NGN 7.15 billion in 2015-2019. Borno performed lowest at NGN 4.15 billion in 2015-2019. An interview (Interview

with Nigeria Erosion and Watershed Management Project, 12.09.2021, Maiduguri, Nigeria) in Borno stated that many markets and businesses had been closed down for an extended period; thus, low revenue mobilisation is not surprising.

A government official affirmed the Bauchi State government's impressive increase in internally generated revenue (IGR) despite Boko Haram activities in the north-eastern region. The IGR has seen substantial growth, now reaching NGN 700 million per month, compared to the previous collection of NGN 400 million.

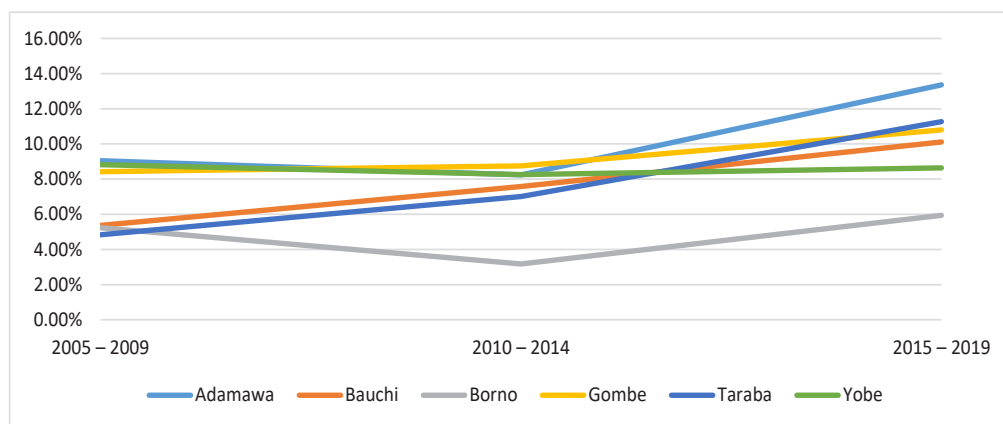


Figure 1: Percentage Share of Actual IGR in Total Revenue

Source: Compiled from Budget Documents of North-eastern State Government Websites, 2022

From Figure 1, Bauchi (5%), Gombe (8%) and Taraba (5%) State increased IGR percentage contribution to their revenue in 2008-2009 to 8%, 9% and 7% respectively in 2010-2014. These figures further increased to 10%, 11% and 11% for each State in 2015-2019. On the other hand, Adamawa (9%), Borno (5%) and Yobe (9%) States reduced IGR contribution to their respective revenue to 8%, 3% and 8% in 2010-2014. However, they made a subsequent increase to 13%, 6%, and 9% in 2015-2019, respectively. The trend shows that in the two categories of State, one set is steadily increasing while the other was interrupted in 2010-2014.

The trend shows that Borno State falls below its counterpart States in their respective contribution to their revenues. Also, the figures clearly show that the government in north-eastern Nigeria cannot increase their IGR sufficiently. Thus, the State depends on the statutory allocations and

dividends from the FAAC of the Federal government, which forms a more significant percentage of their revenues.

Combining the IGR from the State government and the statutory allocations and dividends from the FAAC of the Federal government as total revenue, most governments are not able to fund their actual budget expenditures with their total revenue. This gap means that they resort to taking loans to cover the deficit. Assessment of various budget documents shows that Taraba State outperformed other States since it could fund all its actual expenditures in 2008-2009 and 2010-2014. However, Taraba could not fund 22% of its actual expenditure in 2015-2019 without a loan. Bauchi increased its ability to fund the actual expenditure from 67% in 2010-2014 to 81% in 2015-2019. Between 2010-2014 and 2015-2019, Adamawa, Borno, and Yobe decreased their actual expenditure funding capacity by 14%, 2%, and 6%, respectively. This figure means that the Federal Government's support to the State government is not enough for State's expenditure. Thus, it is evident that the government's expenditure patterns in the north-east are way above what they get as income. Furthermore, Ikechi *et al.*(2021) affirmed that this deficit financing had increased the State government's borrowing from local and foreign sources.

To identify the impact of terrorism on revenue mobilisation systems, this paper first generated the composite index for terrorism and revenue mobilisation systems (tax collection, taxable sector, and inequality in tax system) and then conducted a simple regression analysis to establish the significance level. The hypothesis that there was no significant relationship between terrorism and revenue systems was tested. The outcome of the results is depicted in Table 1.

Table 1: Regression Results between Terrorism and Revenue mobilisation systems in West Africa

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		0.325 ^a	0.106	0.086	1.138	
a. Predictors: (Constant), Terrorism						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.898	1	6.898	5.325	0.026 ^b
	Residual	58.297	45	1.295		
	Total	65.195	46			
a. Dependent Variable: Revenue mobilisation system						
b. Predictors: (Constant), Terrorism						
Coefficients ^a						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	3.771	0.496		7.602	0.000
	Terrorism	-0.419	0.181	-0.325	-2.308	0.026
a. Dependent Variable: Revenue mobilisation system						

Source: Author's own creation, 2022

The results in Table 1 indicate a relatively moderate association between terrorism and revenue mobilisation systems ($R = 0.325$). The coefficient of determination ($R^2 = 0.108$) shows that terrorism explains a 10.8% variation in the revenue mobilisation systems of States. Additionally, the results reveal that this model is significant, as evidenced by the ANOVA statistics (F statistic = 5.325, p -value = 0.026). The standard beta coefficient shows that terrorism has a negative but statistically significant effect on revenue mobilisation systems (Beta = -0.325, $t = -2.308$, $p < 0.05$), thus depicting terrorism as key in the reduction of revenue mobilisation capacity of states in north-eastern Nigeria. Thus, the study rejected the null hypothesis.

Conclusion

According to systems theory, a system consists of various interdependent components, and any change in one component can affect the entire system. With respect to revenue mobilisation and taxes, and from the statistics and arguments presented earlier, the government in the north-eastern region cannot fund their budgets without loans. They depend on the Federal government's Statutory funding and the State's IGR to form the State's total revenue. The percentage funding of the State's total revenue from their IGR is below 10% in the majority of the States in northeast region. Between 2004 and 2019, Adamawa State had the highest IGR percentage (10%) contribution to their total revenue while Borno State recorded a 5%, as the least. The statistics indicate the over-dependency of States in the north-eastern region on the Federal government's Statutory financial allocation. This low percentage of IGR contribution is attributed to an insufficient taxing system caused by terrorism. Tax, the significant IGR source, is challenged by the inadequacies in its collection and the shortfall in the taxing sectors.

The study has established that Boko-haram activities have reduced the size of the taxable sector. Many businesses are liquidated due to terrorism (Interview with Borno State Internal Revenue Service, 15.09.2021, Maiduguri, Nigeria), thus, a reduced tax size is inevitable. Also, the informal sector, which contributes a significant percentage (43%) (The Institute for Economics and Peace, 2020) to the State's economy, is not well structured for taxing. Cattle markets across the north-eastern States with the potential to generate about NGN 1 billion have witnessed closure because of the activities of Boko-haram. Additionally, the tax officials cannot perform their tax collection duties due to inaccessibility and victimisation by the Boko-haram terrorists. Thus, the taxable

sector has not provided sufficient revenue for the government, and the taxing system cannot maximise its potential. The data analysis revealed that a unit increase in terrorism led to a 10.8% decrease in revenue mobilisation systems.

Businesses and IGR contribution to actual expenditure across the States in the region progressively declined from 2005 to 2019 due to inadequate taxing systems occasioned by Boko-haram activities. The region is likely on a huge debt projection because the State runs a deficit budgeting and financing system. Therefore, this article argues that the activities of Boko-haram significantly and negatively affect revenue mobilisation in northeast Nigeria. There is low revenue mobilisation and generation in the State because terrorism impacts the taxable sectors. Also, insecurity has made it impossible for tax officials to carry out their tax enforcement responsibility and regularise the informal taxable sector like agriculture. The Internally generated revenue of regions affected by terrorism is significantly low compared to other stable regions. Terrorism can lead to governance issues especially revenue mobilisation, since taxing activities are significantly reduced. This position affirms the hypothesis that terrorism negatively impacts revenue mobilisation in areas affected by terrorism.

Recommendation

The policy suggestions from this research call on the Federal government of Nigeria to increase the amount of statutory funds provided to the north-eastern government in order to reduce the impact of terrorism arising from poor taxing systems. The north-eastern government need to create a tax system that is well-organised and successful in raising money from both the formal and unofficial taxing sectors. In addition, they need to create a security plan that guarantees government tax officers to perform their responsibilities without being concerned about being targeted by terrorists. Lastly, they should promote the expansion and IGR contribution of small and medium-sized (SMEs) businesses impacted by terrorism by providing the SMEs with financial and institutional support.

The practical recommendations of this research to government's security and development agencies suggests that regular training and capacity development programmes for tax officers in tax collection are important to improving the officer's competence and effectiveness. The State government agencies need to work towards improving the security of the region and partner with

key economic stakeholders to create and adopt technological innovations aimed at boosting revenue mobilisation through a better tax collection system.

For academics, this research recognises the need to identify the unique obstacles to income mobilisation and generation in terrorism-affected areas by conducting more studies. Specifically, new studies should examine the efficacy of recent initiatives and policies intended to increase the region's ability to mobilise and generate money. Furthermore, studies should be conducted to determine the best methods for generating and mobilising money and compare the north-eastern area to other parts of the nation.

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