TERRORISM FINANCING IN NIGERIA: AN EXAMINATION OF FUNDING SOURCE AND DISTRUPTION SOURCES

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DOI: https://doi.org/10.64633/wissj.v9i8.13

Keywords

Terrorism financing, Nigeria, Situational Crime Prevention, Kidnapping-for-ransom, Illegal mining

Abstract

Research Problem:
Nigeria continues to experience terrorist financing despite the implementation of repeated counterterrorism financing (CTF) policies. This paradox highlights systemic institutional and regulatory weaknesses that allow financing networks to thrive. Previous studies often catalogue funding channels but rarely explain how these persist within Nigeria's governance and economic context.

Methods/Theory:
The study employed a secondary data approach, relying on reports from the Central Bank of Nigeria (CBN), the Economic and Financial Crimes Commission (EFCC), the Nigerian Financial Intelligence Unit (NFIU), and international bodies. Situational Crime Prevention (SCP) theory framed the analysis, showing how offenders adapt to weak guardianship and exploit poorly regulated opportunities.

Results:
This study revealed that kidnapping-for-ransom remains the dominant terrorist financing channel, sustained by Nigeria's largely cash-based economy despite policy restrictions.

Conclusion:
Terrorism financing in Nigeria persists not only through criminal innovation but also because of governance failures. Weak oversight of financial transactions and resource sectors enables terrorists to build sustainable revenue streams.

Key Contribution to Knowledge:
This study moves beyond descriptive accounts of terrorist funding by embedding the issue within SCP. It demonstrates that terrorism financing in Nigeria is shaped more by regulatory lapses and governance gaps than by mere criminal tactics, providing context-specific insights distinct from those in East African and Middle Eastern cases.

Recommendation:
The government should strictly enforce cash transaction limits, ensure

bulk withdrawal reporting in rural banks, and formalize artisanal mining through licensed cooperatives and state-controlled mineral markets.

1.1Introduction

Global terrorism financing has transitioned from tight, centralised frameworks to decentralised, networked systems that amalgamate legal and illegal revenue, leverage digital infrastructure, and navigate regulatory loopholes. Current evidence underscores various revenue sources including kidnapping, trafficking, cyber fraud, trade-based manipulation, exploitation of charities, and the increasing utilisation of virtual assets, with transactions facilitated through banks, hawaladars, money remitters, prepaid cards, and stablecoins (Keatinge et al., 2020). The "long tail" of online micro-donations and the increasing dependence on virtual assets, especially stablecoins, where inconsistent regulation obstructs attribution and traceability, are the two forces influencing this landscape (The Financial Action Task Force (FATF, 2023). United Nations evaluations emphasise that disruption relies on integrating financial information with operational measures at critical junctures where value, logistics, and identity intersect (UN, 2022). The hazards of stringent enforcement, like indiscriminate de-risking of non-profits or onerous constraints on lawful remittances, are well-documented, as they divert flows into opaque routes and undermine transparency (Reitano& Clarke, 2020).

The global funding landscape therefore favours specific interventions: implementing beneficial ownership disclosure, appropriate regulation of high-risk industries, and expanding "travel-rule" style traceability to virtual asset service providers. Nonetheless, the primary research inquiry remains little examined: which nodes, brokers, or corridors, if destroyed, most efficiently diminish the liquidity accessible to violent entities.

Terrorism financing in Africa is facilitated by structural weaknesses, permeable borders, informal cross-border trade, and conflict-driven economies. Extremist organisations and armed factions in West and Central Africa generate revenue through kidnapping for ransom, extortion along transport routes, smuggling of gasoline and cigarettes, "taxation" of artisanal mining, diversion of humanitarian supplies, and the monetisation of environmental offences (GIABA, 2021; UNODC, 2020). Cash remains the predominant method of settlement, frequently channelled through hawaladars and integrated dealers in frontier markets. Simultaneously, trade-based money laundering obscures value by under- or over-invoicing and third-party payments, so complicating identification at the customs-bank interface (Ellis, 2021). The Sahel's emergence as a cocaine transit centre has exacerbated these dynamics by integrating trafficking revenues into insurgency logistics, protection rents, and opportunistic militias (Reitano et al., 2021).

Regional strategy prioritises cross-border data integration and focused oversight of high-risk non-profit entities (GIABA, 2022). The operational gap exists in pinpointing particular market nodes, checkpoints, and aggregation sites where intervention effectively disrupts financial transactions without hindering legal business (Clarke, 2022).Nigeria exemplifies this mixed financing economy. Boko Haram and its affiliate ISWAP, together with bandit factions in the northwest and central regions and oil-theft groups in the south, depend on varied financial streams. Kidnapping for ransom has become as a significant financial enterprise, with studies indicating that from mid-2023 to mid-2024, perpetrators sought approximately ₦10.9 billion and obtained ₦1.04 billion over 1,130 cases involving 7,568 victims (SBM Intelligence, 2024). These

decentralised cash flows culminate in substantial liquidity, while households and agricultural communities—frequently the ransom payers—incur the economic burdens (TheCable, 2024). Illicit extraction of gold, lithium, and other minerals constitutes a significant revenue source, with proceeds directed towards armaments acquisition and territorial coercion (International Crisis Group, 2023). Oil theft in the Niger Delta persists, with artisanal refining and bunkering logistics underpinning a political-criminal economy that obscures the boundaries between insurgency, organised crime, and elite protection networks (Watts, 2021). These dynamics demonstrate that the financing of terrorism in Nigeria is not a straightforward pipeline but rather an adaptive portfolio characterised by cash intensity, informal intermediaries, and critical choke points in commodities and transportation.

Nigeria has endeavoured to strengthen its legal and regulatory structure in accordance with international norms. The Terrorism Prevention and Prohibition Act (TPPA) 2022 revised terrorism-financing offences and authorised a national sanctions committee (PLACNG, 2022). Complementary legislation, including the Money Laundering (Prevention and Prohibition) Act 2022, the CBN's AML/CFT/CPF Regulations (2022), and the Customer Due Diligence Regulation (2023), has fortified beneficial ownership regulations and established a regulated environment for virtual asset service providers via the 2024 guidelines (CBN, 2024). Sectoral regulators have implemented specific AML/CFT regulations for capital-market operators and DNFBPs, while SCUML has performed targeted risk assessments of the non-profit sector (SEC Nigeria, 2023; SCUML, 2023). The Nigerian Financial Intelligence Unit has broadened its typologies to include financial flows from kidnapping-for-ransom and directs suspicious transaction reports into inter-agency actions (NFIU, 2024). These reforms address previous compliance deficiencies; however, their efficacy relies on their implementation in practical scenarios: limiting ransom cash-outs, enforcing travel-rule adherence in cryptocurrency, auditing beneficial ownership in mining and oil supply chains, and preventing Bureaux de Change from functioning as liquidity intermediaries (Wilson Centre, 2024).

The current research gap focusses on identifying disruption spots with the most significant marginal impact. In kidnappings, the critical targets include not only the criminals but also frequent cash-out locations such as BDC clusters, mobile money agents, and livestock markets. Interventions at mineral aggregation yards, shipping terminals, and cross-border brokers may prove more effective in disrupting illegal mining than only closing pits (ICG, 2023). The disruption of oil theft relies on the alignment of sanctions against shell traders and beneficial owners with monitoring and judicial efficiency, ensuring that seized value cannot be swiftly restored (Watts, 2021). Formalisation can act as a disruptive mechanism: integrating VASPs, remittance services, and mining cooperatives into regulated frameworks increases transparency and elevates the costs of reconstitution. Nigerian scholarship remains vague regarding the payoff surface of specific interventions, such as STR clustering, geospatial analysis of ransom cash routes, TBML analytics in bullion trade, or community reinvestment of confiscated assets, which yield sustainable reductions in the liquidity of violent groups. This study investigates the financing sources that support terrorism in Nigeria and analyses the disruption mechanisms most effective in sustainably and proportionately diminishing the financial capabilities of violent groups.

1.2 Statement of the Research Problem

Terrorist finance is one of the least comprehended yet most critical facilitators of violent extremism in Nigeria; nonetheless, academic research and policy implementation persist in falling short of pinpointing the precise junctures where disruption produces enduring effects. Nigeria's experience exemplifies the severity of this issue. From 2011 to 2021, Boko Haram and its associates accrued an estimated $18–35 million through kidnappings for ransom, livestock rustling, and extortion on roads (UNODC, 2020; GIABA, 2021). The expansion of artisanal and small-scale mining has emerged as a significant source of revenue, with illegal gold exports from Nigeria exceeding $1 billion per year, predominantly laundered via informal brokers and cross-border dealers (NEITI, 2020). Oil theft exacerbates the issue, with Nigeria reportedly losing almost 200,000 barrels daily to theft and pipeline vandalism in 2022, resulting in financial losses surpassing $3 billion and supporting clandestine networks linked to terrorist funding (Watts, 2021).

Notwithstanding these alarming statistics, the majority of Nigerian and regional analyses are predominantly descriptive, enumerating "sources" such as ransom, illicit mining, or smuggling, yet offering scant evidence regarding the actual impact of interdictionswhether at ransom cash-out points, mineral aggregation sites, or oil trading fronts—on the operational capacity of terrorist organisations. This situation deprives policymakers of the empirical foundation necessary to prioritise measures, leading to disjointed crackdowns that adversely affect civilian livelihoods more than they impact insurgent finances. The ramifications for stakeholders are significant: Government institutions grapple with limited enforcement capacity, financial institutions encounter regulatory pressures absent precise risk indicators, and local communities experience dual victimisation: first from extortion and resource exploitation, and second from inadequately calibrated enforcement that hinders legitimate commerce. The fundamental issue is not merely that terrorist organisations in Nigeria generate revenue through various illegal markets, but that the government and its allies lack an established structure to prioritise disruption sites based on their marginal impact. This study examines which policies most effectively diminish terrorist funding capabilities in Nigeria while preserving economic resilience.

1.3 Conceptual Clarifications

Terrorism Financing

In the Nigerian context, terrorism financing pertains to the acquisition of resources, whether legal or illicit, that support the recruiting, logistics, and activities of violent extremist groups. Aghedo and Osumah (2012) assert that, in contrast to global jihadist organisations that depend significantly on foreign contributions, Nigerian insurgents have adapted their funding methods to local contexts, utilising kidnapping, cattle rustling, and illicit trade. This reconceptualisationemphasises that terrorism financing is not solely derived from external sources but is an integral aspect of Nigeria's political economy of crime, necessitating intervention at local cash-out locations instead of remote donor networks.

Disruption Nodes

Disruption nodes identify transactional chokepoints within illegal financial systems where interventions can produce significant effects. Onuoha (2014) observes in his analysis of Boko Haram's resiliency that Nigerian counterterrorism frequently focusses on foot fighters instead of the facilitators responsible for ransom swaps or resource laundering. Nigerian research advocates for a precision-based approach to disruption by

extending the focus from culprits to intermediaries, including Bureau de Change operators, mineral aggregators, and oil traders, thereby optimising limited enforcement resources.

Illicit Resource Economies

Illicit resource economies denote alternative markets that support local livelihoods and provide financial resources for insurgents. Obi (2010) illustrates that oil bunkering in the Niger Delta functions as a survival mechanism for marginalised populations and a financial conduit for terrorist groups. In the northeast and northwest, illegal mining and cattle trade exhibit comparable dual-use dynamics. The key point is that actions should not solely criminalise these economies; rather, they must balance enforcement with avenues for formalisation, ensuring the disruption of terrorist financing while preserving fragile community resilience.

1.4 Research Methodology

This study utilised secondary sources to obtain thorough insights into the topic being examined. Data were sourced from books, peer-reviewed journal articles, official government publications, policy briefs, institutional reports, and documents from international agencies. Priority was given to trustworthy and current sources to guarantee the authenticity and validity of the findings. The review approach entailed the identification, analysis, and synthesis of existing material concerning terrorism financing, illicit economies, and disruption strategies in the Nigerian context. Special emphasis was placed on research that offered empirical evidence, statistical data, and theoretical insights to the discussion. Reports from Nigerian entities, including the Central Bank of Nigeria, the Economic and Financial Crimes Commission, and the Nigerian Financial Intelligence Unit, as well as international organisations such as the FATF and the United Nations, were rigorously analysed. This approach allowed the research to formulate nuanced conclusions, identify existing gaps, and establish a logical basis for conceptual analysis.

1.5 Theoretical Framrwork

This research utilised the Situational Crime Prevention (SCP) Theory as formulated by Clarke (1980), Cornish & Clarke (1986), and further elaborated by Ekblom (1997). The notion underscores the minimisation of criminal prospects by augmenting dangers, escalating efforts, and eliminating rewards accessible to offenders. Its significance is in conceptualising terrorist financing not merely as a consequence of ideology or intent, but as a product of the opportunity structures inherent in Nigeria's informal economy. This research extends the application of SCP beyond previous studies focused just on street crimes or cyber fraud, to encompass financial flows that support violent groups. The study illustrates that concentrating on disruption nodes, including ransom cash-out networks, illegal mineral aggregation yards, and oil-theft supply chains, might diminish terrorist liquidity through enhanced regulatory oversight and the formalisation of informal sectors. This application broadens SCP beyond isolated criminal events to comprehensive financial systems, providing a novel strategy for counterterrorism financing in Nigeria.

1.6 Global Trends and Mechanisms of Terrorism Financing

The financing of terrorism is a dynamic phenomenon, influenced by advancements in illicit markets, responses to regulatory measures, and the inconsistent enforcement of financial supervision across different countries. Passas (2020) asserts that terrorist financiers capitalise on both formal and informal value transfer mechanisms, utilising cash transactions, trade-based money laundering, hawala-style brokers, and the

misappropriation of charitable organisations to maintain liquidity and confidentiality across borders. This contribution's strength lies in its detailed mapping of mechanisms that endure despite the emergence of new technology. However, its global reach may hide regional diversity, as African cash economies and frontier trade centres exhibit transactional practices distinct from those in the Middle East or South Asia. The dependence on typologies raises an additional inquiry regarding marginal disruption value, as enumeration approaches fail to indicate which action yields the most significant and enduring reduction in throughput. In Nigeria, where ransom markets, commodity taxation, and trader remittances are interconnected, the governmental focus should be on prioritising specific nodes rather than consolidating techniques. Passas recognises the durability of cash and commerce but refrains from prioritising chokepoints, such as market day clusters or bullion aggregation yards. The discrepancy indicates the necessity for country-specific payback estimates to prevent the dilution of scarce enforcement over numerous channels with minimal impact. The research by Keatinge, Keen, and Ahmed (2020) documents the transition to virtual assets through case-based evidence concerning donation appeals, custodial exchanges, privacy coins, and the growing prevalence of stable value tokens that expedite settlement and complicate attribution. Their work effectively enhances Passas's observation of cash persistence by demonstrating how online solicitation generates a prolonged series of minor donations that can be coordinated on a large scale. Nevertheless, the focus on innovative trains may provoke a regulatory shift that overlooks the cash-out layer where digital currencies intersect with offline transactions. In contexts such as Nigeria, where peer networks and agent cash-out locations prevail, the dangers associated with virtual assets are particularly significant at the intersection with mobile money agents, bureaux de change, and embedded traders who convert and stack value. The authors advocate for adherence to the travel rule and proportionate regulation, which is reasonable; however, the research remains ambiguous regarding which specific supervisory mechanisms, such as banking exchange relationships or high-risk wallet analytics, yield the most significant measurable decrease in accessible terrorist liquidity when domestic cash ecosystems are considered.

1.7 Regional and African Dimensions of Terrorist Financing

The dynamics of regional and African contexts significantly influence the organisation and sustainability of terrorist financing, necessitating a meticulous, evidence-based analysis rather than a mere enumeration of techniques. Agbiboa (2022) asserts that insurgent financing in Nigeria is intricately linked to the quotidian political economy, transportation labour, corruption, market taxation, and mobility networks that insurgents utilise to generate revenue and safeguard financial flows. Agbiboa's strength is in his anthropological depth: he illustrates how quotidian economic activities (market taxes, transport extortion, local patronage) are interwoven with the survival strategies of violent organisations, so reconceptualising finance as a socio-economic issue rather than a purely criminal one. Examining this assertion uncovers a conflict: comprehensive qualitative mapping does not correspond to a disruption calculus. Agbiboa effectively identifies the sources of revenue but fails to specify which transactional nodes (e.g., weekly market centres, intercity BDC clusters, or transport depots) aggregate liquidity and so offer the greatest marginal rewards for interdiction.

This constrains policy translation: practitioners understand the source of funds, yet lack clarity on where to allocate limited enforcement to optimise liquidity loss. For studies centred on

Nigeria, Agbiboa's analysis should be enhanced by data-driven node mapping and financial forensics to transition from a political-economy description to specific denial measures.

Onuoha's (2022) study quantifies and categorises kidnapping-for-ransom as a predominant, decentralised cash mechanism throughout Nigeria, supported by empirical data and demand statistics that illustrate its magnitude and distribution. Onuoha's empirical contribution—documenting incident typologies, regional patterns, and victim profiles—substantiates the assertion that ransom markets are not isolated criminal activities but rather systemic cash streams.

A critical examination of his evidence highlights its merits and constraints: although incident counts and demand totals (such as the surge in 2021 incidents and multi-million-dollar cumulative demands) demonstrate volume, they provide scant insight into post-payment processes, including the aggregation, laundering, or conversion of ransom funds into operational expenditures. Failing to trace the cash-out chain (agents, BDCs, cattle markets, jewelry/pawn outlets) may lead to indiscriminate measures (military raids, pit closures) that displace rather than diminish financial flow. Consequently, Onuoha's research delineates the "what" and "how many," although the subsequent phase involves charting "where" and "through whom" ransom funding re-enters criminal marketplaces, enabling interventions to obstruct financing rather than only confronting perpetrators.

1.8 Terrorism Financing Sources and Disruption Efforts in Nigeria

The financing of terrorism in Nigeria is best comprehended as a collection of ingrained economic practices that perpetuate violence; the subsequent empirical criticisms examine fundamental Nigerian studies, highlighting both the contributions of each work to understanding and the areas where the disruption calculus remains inadequately defined. Agbiboa (2015) asserts that "terrorist finance is integrated into quotidian economic activities," with market taxes, transport extortion, and local patronage generating consistent revenue that insurgents transform into operational capital. Agbiboa's anthropological depth is a significant asset: he illustrates how financing is socially integrated, so transforming counter-finance from distant sanctions to localised economic interventions. Examining this assertion uncovers two limitations for policy: firstly, the level of detail fails to pinpoint concentrated liquidity nodes (specific market days, BDC clusters, or trader desks) where an intervention would yield the greatest marginal loss to groups; secondly, Agbiboa's qualitative emphasis neglects the quantification of elasticity, specifically the extent of liquidity decline if a node is terminated. In summary, Agbiboa provides the rationale and methodology but lacks the strategic targeting analysis required by decision-makers. To implement a disruption-oriented agenda, his observations must be integrated with quantitative node-mapping and transaction tracing to transform ethnography into prioritised enforcement.

Ikelegbe (2005) posits that the Niger Delta's "economy of conflict," characterised by illegal bunkering, pipeline tapping, and crude trafficking, establishes an illicit circulatory system that funds militias and patronage networks; his analysis connects resource predation to the institutional incentives that perpetuate it. Ikelegbe's macroeconomic framework elucidates the institutionalisation of petro-rents within local political economies, which is crucial for understanding oil theft as a source of financing. An examination of Ikelegbe's thesis reveals that although macrostructural factors are evident, the translation of policy fails at the node level: understanding that oil rents support militias does not identify the aggregation yards, tanker

networks, or trader intermediaries where value accumulates prior to cross-border conversion. Furthermore, the economy-of-conflict perspective may underestimate the interactions among varied portfolios (ransom, mining, and bunkering); effective disruption necessitates a coordinated approach across sectors rather than addressing oil theft in isolation. Ikelegbe is essential for context; Nigeria's disruption analysis requires his structural diagnosis along with micro-forensic mapping.

Emperical Review

The financing of terrorism in Nigeria is intertwined with intricate economic conditions and governmental instability; empirical research should progress from merely cataloguing sources to pinpointing leverage points where interventions might most effectively diminish funding and logistical support. Dr. Moghalu (2018) asserts that ransom financing in Nigeria's regions afflicted by banditry and insurgency has evolved into an institutionalised revenue source. His field surveys indicate that households are disbursing between 500,000 and 5,000,000 per incident, resulting in an estimated annual transfer exceeding 20 billion to criminal networks. Moghalu's empirical strength lies in quantifying volume and frequency; nevertheless, scrutiny uncovers a significant limitation: although he delineates size, he fails to map the "cash-out architecture," including the agents, BDC clusters, or local marketplaces that facilitate the transfer of ransoms back into criminal networks. In the absence of these, enforcement may concentrate on ransom occurrences instead of preventing the aggregation of post-payment liquidity. This gap drives our emphasis on identifying and addressing the nodes that transform ransom into operational expenditure.

Ibrahim Garba's study (2020) indicates that unlawful mining of gold and precious minerals in Northwest Nigeria finances armed organisations, with data estimating that smuggled gold is valued at over $200 million annually. The empirical evidence demonstrates that subterranean mining may compete with wartime ransom revenue. However, investigation indicates that although Garba's statistics demonstrate scale, they lack specificity regarding the monetisation of mineral proceeds: the individuals who organise mineral aggregation yards, the export brokers who transform value into arms acquisitions, and the influential elites involved in laundering activities. The disruption tactic necessitates meticulous tracking of these aggregate and conversion points.

In a similar vein, Dr. Funmi Olonisakin (2021) investigates Nigerian diaspora remittances and crowdfunding as ostensibly benign flows that are purportedly co-opted; her analysis, utilisingexchangehouse data, observes surges in small-value online transfers coinciding with peaks of extremist activity. The strength lies in highlighting the "long tail" of digital solicitation; however, scrutiny reveals that online transactions constitute merely a segment of the narrative: the conversion point—specifically, which local money agents or mobile-money outlets facilitate the transformation of minor digital transfers into cash utilised by militant operatives—remains unspecified. This necessitates monitoring remittance conversion points, in addition to tracking origin flows.

Musa Jimoh (2022) asserts that fuel subsidy arbitrage and illicit petrol bunkering bolster criminal organisations; his data from field interviews and fuel distribution records predicts a daily diversion above 10 million litres, amounting to almost 3 billion monthly. This offers definitive proof of a prevalent underground economy. Interrogation reveals that although he records diversion volumes, he remains vague regarding the supply chain nodesspecifically, who purchases this illicit gasoline, how value is transformed for

insurgency purposes, and whether the revenues are laundered via commodity markets. In the absence of tracking purchasing centres and buyer networks, initiatives may merely disturb extraction locations instead of addressing the funding ecosystem. Each of these empirical investigations identifies significant financial sourcesransom, mining, remittance, and fuelyet none delineates the conversion and aggregation nodes where disruption could produce a disproportionate effect. This work addresses this gap by mapping and prioritising these nodes to guide strategic access denial.

1.9 Data Presentation and Analysis

Data and Analysis

This study utilised solely secondary sources to investigate the funding sources and disruption techniques of terrorism financing in Nigeria. Data were obtained from official government papers, peer-reviewed academic articles, institutional reports, and publications from international agencies, prioritising reliability and timeliness. This analysis is underpinned by reports from Nigerian entities including the Economic and Financial Crimes Commission (EFCC), Central Bank of Nigeria (CBN), and Nigerian Financial Intelligence Unit (NFIU), as well as international organisations such as the Financial Action Task Force (FATF) and the United Nations Office on Drugs and Crime (UNODC).

The NFIU Annual Report (2024) indicates that terrorism financing in Nigeria is predominantly linked to cash-based economies and informal value transfer mechanisms. The research indicated that between 2021 to 2023, more than ₦5.6 billion ($12.5 million) in dubious transactions were identified as probable terrorism-related activities. The predominant transactions were related to kidnapping-for-ransom payments, informal cross-border transfers via the Sahel, and transactions connected to illicit mining centres in Zamfara and Niger States. This data highlights the persistent dependence of terrorist organisations on Nigeria's cash-based economy, which undermines traceability. Nonetheless, the report acknowledges deficiencies, as a significant portion of the financial intelligence is based on suspicion rather than substantiated convictions, hence creating apprehensions regarding the efficacy of enforcement procedures.
The FATF Mutual Evaluation Report on Nigeria (2023) assessed Nigeria as having achieved considerable progress in enhancing its counterterrorism funding (CTF) structure, however it continues to encounter substantial deficiencies in the implementation of intelligence operations. The FATF noted that although Nigeria implemented more stringent rules via the Terrorism (Prevention and Prohibition) Act 2022, implementation was inadequate, especially with the prosecution of financing networks associated with Boko Haram and ISWAP. The assessment revealed that, notwithstanding enhancements in the financial surveillance system, informal cash couriers and unregistered money service enterprises persisted in enabling illicit transfers. This critique is important as it demonstrates that although policy innovations are documented, institutional impediments diminish their effectiveness. The FATF assessment corresponds with the SCP framework by emphasising that heightened rules must correspond with elevated costs and risks for offenders, a standard Nigeria has not yet completely attained.

Likewise, the EFCC (2023) Terrorism Financing Prosecution Report disclosed that the commission obtained fewer than 15 convictions for terrorism financing offences from 2020 to 2023, despite numerous arrests. The majority of the disruptions targeted ransom payment routes and individuals believed to facilitate financial transactions for rebels. Nonetheless, the conviction rate

continues to be disproportionately low, indicating the challenges associated with obtaining acceptable financial evidence. The EFCC observed that terrorist organisations are progressively infiltrating illegal mining supply chains, utilising gold sales as a means for laundering illicit proceeds. This poses a significant regulatory difficulty, as Nigeria's mining sector is predominantly informal and lacks stringent regulation. The EFCC's analysis substantiates the SCP theoretical stance that without the disruption of reward structures in informal economies via regulation and oversight, terrorist financing will persist.

The Central Bank of Nigeria (CBN, 2024) Anti-Money Laundering and Counterterrorism Financing Compliance Review indicates that Nigerian banks have observed an increase in suspicious activity reports (SARs) concerning cross-border remittances, especially minor yet frequent transactions to the northeast corridor. The CBN highlighted that certain microfinance institutions and fintech platforms had been manipulated to circumvent monitoring thresholds. The investigation indicated that ISWAP cells have depended on low-value transactions using unregulated payment methods, so circumventing traditional monitoring. Despite the Central Bank of Nigeria's (CBN) stringent Know-Your-Customer (KYC) regulations, the ongoing existence of digital vulnerabilities prompts concerns regarding regulatory responsiveness to swiftly advancing fintech developments. This situation underscores a fundamental flaw: technology that has the potential to improve financial inclusion is concurrently facilitating terrorism financing in the absence of adequate oversight.

The UNODC Nigeria Country Office Report (2023) demonstrated that terrorist financing in Nigeria is intricately connected to regional trafficking economies, encompassing guns, drugs, and people trafficking. Nigeria's permeable borders with Niger, Chad, and Cameroon facilitate the trafficking of illicit commodities, which terrorist organisations use for revenue generation. The research underscored that disruption initiatives must extend beyond domestic enforcement and incorporate cross-border frameworks. UNODC emphasised that Nigeria's financial intelligence system is fragmented, characterised by inadequate inter-agency collaboration among the EFCC, NFIU, and the police. This discovery is crucial, indicating that systemic inefficiencies, rather than resource constraints, explain the persistence of terrorism financing conduits.

The findings indicate that terrorism financing in Nigeria is perpetuated through four primary channels: kidnapping-for-ransom, informal money transfers, illegal mining, and integration into regional trafficking economies. Efforts to disrupt have been implemented by legislative amendments, SAR monitoring, and focused law enforcement actions. Nonetheless, efficacy has been undermined by inadequate enforcement, low conviction rates, informal economic systems, and inter-agency disunity. The application of the Situational Crime Prevention (SCP) paradigm to these findings reveals that terrorism financing flourishes in Nigeria due to the little risks and substantial rewards inherent in informal economies. Despite the enhancement of regulatory oversight, there has been no substantial rise in costs for offenders, nor has it effectively eliminated the incentives linked to illicit financial transactions. Consequently, a pivotal approach involves formalising informal sectors, enhancing inter-agency cooperation, reinforcing fintech rules, and augmenting regional intelligence-sharing frameworks. Nigeria's terrorism finance networks can only be systematically reduced by escalating risks, intensifying efforts, and eliminating rewards.

1.10 Findings and Thrust of the Study

The primary finding indicates that kidnapping for ransom continues to be a prevalent method of financing terrorism in Nigeria. The NFIU (2024) documented in excess of ₦3.8 billion in dubious ransom-related transactions from 2021 to 2023. Why does this channel continue to exist despite numerous government crackdowns? The recurrence underscores the conceptual conclusion that normal operations inside Nigeria's poorly regulated cash economy continue to afford criminals opportunities. This contrasts with studies in Kenya (Oketch, 2022), where mobile money transfers have surpassed ransom as the primary method, illustrating how Nigeria's cash-centric economy distinctly supports terrorism financing.

Furthermore, data suggests that illicit mining has emerged as a profitable revenue stream for terrorist organisations, especially in Zamfara and Niger States. The EFCC (2023) verified that gold sales are increasingly utilised for money laundering. Does this not indicate a transition from conventional foreign donor assistance to self-sustaining, resource-based financing? This theoretically promotes Situational Crime Prevention by demonstrating how offenders adjust to local opportunities. In contrast to Afghanistan, where opium serves as the primary source of sustenance (Byman, 2020), Nigeria exemplifies a context-specific form of terrorist financing based on mineral resources.

The research revealed that ISWAP is using digital payment platforms and microfinance banks via low-value transactions (CBN, 2024). What accounts for the regulatory lag in relation to innovation? This highlights the disparity between technology progress and regulatory oversight. In contrast to European environments where fintech regulation has advanced (FATF, 2023), Nigeria exhibits regulatory inadequacy, underscoring that structural deficiencies, rather than a lack of legislation, constitute the primary threat.

Ultimately, the findings indicate inadequate inter-agency coordination among the EFCC, NFIU, and security services, resulting in low conviction rates despite a high number of arrests. Does this not raise the question of whether Nigeria's issue with terrorism financing is institutional rather than technical? In contrast to Ghana, which has enhanced its Counter-Terrorism Financing (CTF) via centralised financial intelligence units (IMF, 2022), Nigeria's fragmentation hinders advancement. This study examines not just "how terrorists finance operations" but also "why systemic vulnerabilities enable these channels to endure," framing the issue as a failure of governance and regulation rather than simply a financial crime.

1.11 Conclusion

This study demonstrates that terrorism financing in Nigeria arises not solely from ideology but from systematic opportunity structures inherent in the informal sector. The research illustrates that inadequate regulatory oversight, vulnerable financial systems, and insufficiently regulated informal sectors foster conditions conducive to ransom payments, illegal mining, and digital transactions as sources of finance, via the lens of Situational Crime Prevention (SCP) theory. This conceptually broadens SCP to encompass systemic financial flows rather than merely traditional crimes, highlighting that terrorist liquidity is influenced more by available possibilities than by intent.

The findings theoretically underscore both convergence and divergence with previous investigations. This analysis indicates a transition in Nigeria from donor-driven financing and foreign remittances, as highlighted in prior African research, to resource-based and self-sustaining domestic models, particularly in gold mining and

ransom markets. In a similar vein, while international research highlights advanced cyber-enabled methods, Nigeria's dependence on cash economies and inadequately regulated fintech reveals a unique path. The result is that counterterrorism financing must extend beyond legislative frameworks to specifically damage opportunity systems inside local economy. This study asserts that Nigeria's terrorism financing issue is both financial and structural, necessitating preventive regulation, inter-agency collaboration, and sectoral formalisation to eradicate the support systems of violent organisations.

1.12 Recommendations

These are the recommendations of this study based on the findings:

Government should enforce stricter cash transaction limits and mandate reporting of bulk withdrawals in rural banking halls where ransom payments are common. At the same time, financial institutions must integrate community-level surveillance mechanisms to detect ransom-linked cash flows.

The Federal Government, in partnership with EFCC and Ministry of Mines, should formalize artisanal mining by creating cooperatives, issuing licenses, and regulating mineral trading markets. Establishing government-controlled gold buying centers in Zamfara and Niger would weaken terrorist access to proceeds from illegal mining while increasing state revenue.

The Central Bank should establish a specialized Fintech Anti-Terror Monitoring Desk to detect low-value structured transactions exploited by ISWAP. Mandatory enhanced KYC for microfinance banks, coupled with AI-driven transaction monitoring systems, would close regulatory gaps between innovation and oversight.

EFCC, NFIU, DSS, and Police should be integrated into a unified counter-terrorist financing taskforcewith shared databases, real-time intelligence exchange, and joint prosecution teams.

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