



The Inverse Relationship Between Political Violence and Economic Growth

Tarek Chenini *

MOFID Lab,

Faculty of Economics and Management of Sousse,

University of Sousse,

Tunisia.

Abstract: This study, political violence mainly refers to terrorism-related incidents and activities. Terrorism around the world is on the rise despite government efforts and spending on counter terrorism. The aim of this study is to examine the inverse relationship between terrorism and economic growth. This study is to examine the inverse relationship between terrorism and economic growth in 31 countries. To do this, a simultaneous equation model was applied to panel data for a sample of 31 countries (18 developing and 13 developed) during the period 2002 -2022. The results of this study show the following: For developed countries, economic growth has no significant impact on terrorism; Urban population, poverty rate and previous terrorist acts have positive and significant effects on terrorism in the case of developed countries; We also note that unemployment and the Gini index do not have a significant impact because in these countries the unemployment rate and the social inequality index are practically low in the case of developed countries; For the case of developing countries a negative effect of economic growth on terrorism; Unemployment, poverty and gini index significantly and positively effect terrorism in the case of developing countries. Applications of this study: This study can be useful for policymakers in designing effective security and economic strategies to mitigate the adverse effects of terrorism. They also help improve the investment climate and promote economic stability. Furthermore, researchers can use these results as a basis for future studies on terrorism and development. This study's main contribution lies in providing a more comprehensive analysis of terrorism by integrating economic, social, and political factors within a single framework. The research also identifies the most influential determinants of terrorism and highlights the interactions among these factors, offering valuable insights for policymakers and researchers.

Keywords: *Terrorism, economic growth, simultaneous equations, political violence, developed countries, developing countries*

Received: 23 January 2026; **Accepted:** 15 February 2026; **Published:** 20 March 2026

INTRODUCTION

According to Schmid (2011), terrorism is defined as the doctrine of “coercive political violence that generates fear” and as the practice of “calculated, demonstrative and direct violence” which targets “mainly non-combatants” in “propaganda and psychological goals”.

Kalyvas (2019) defined political violence as violence perpetrated by governmental and non-governmental actors to influence governance, encompassing war, military coups, and terrorism. The Global Terrorism Database (GTD), one of

*Correspondence concerning this article should be addressed to Tarek Chenini , MOFID Lab, Faculty of Economics and Management of Sousse, University of Sousse, Sousse 4000, Tunisia. E-mail: chenini.tarekk@gmail.com

the most comprehensive databases on terrorist attacks, defines terrorism as "the actual or threatened use of unlawful force and violence by an unwitting actor or state to achieve a political, economic, religious, or social objective."

A country experiencing high levels of violence loses the confidence of domestic and international investors, leading to a decrease in both domestic and foreign investment. Furthermore, human and financial resources flow abroad due to terrorist activities, harming economic growth. Countries affected by terrorism allocate significant financial and human resources to counter-terrorism efforts, reducing their spending on economic and social infrastructure, which are vital sources of human and material capital accumulation. Terrorism damages the economic growth of these countries (Zakaria, Jun, & Ahmed, 2019)

Political violence is of paramount importance because it directly impacts global peace and security. It destabilizes societies, undermines governance, and can lead to humanitarian crises. Addressing political violence is therefore essential for maintaining international stability and promoting development. Policymakers and international organizations must prioritize understanding and mitigating its root causes to foster sustainable peace.

Abadie and Gardeazabal (2008) studied the effects of terrorist incidents on economies around the world and highlighted the four main impacts of terrorism from an economic perspective. First, terrorist attacks could lead to a decrease in physical and human capital. Second, fear and violence create an uncertain environment for economic activities. Third, increased terrorist incidents could lead to increased security and defense spending.

Political violence is violence perpetrated by governmental or non-governmental actors to achieve political objectives. This type of violence manifests itself in various forms, including terrorism, civil wars, and state repression. It has a significant impact on global stability and international relations, affecting governance, security, and social structures worldwide. Understanding political violence is essential for developing effective strategies for conflict resolution and peace-building.

Violence stemming from terrorism and the fear of it causes significant economic disruption. Fear of terrorism influences economic behavior, particularly by altering investment and consumption patterns, as well as diverting public and private resources from productive activities to preventative measures.

Terrorism can affect international trade in different ways. For example, it can increase transportation costs by increasing insurance premiums for goods shipped to higher-risk countries. Thus, higher prices increase the costs of imported goods, which works effectively when import duties decrease trade.

International relations scholars view political violence as a crucial factor in shaping global power dynamics and state behavior. Often a reaction to perceived grievances or imbalances of power, it can escalate into wider conflicts. Therefore, understanding its roots and manifestations is essential for academics and policymakers to develop effective interventions. Terrorism is not legally defined in all legal systems; however, existing laws are generally similar in some respects. Terrorism involves the use or threat of violence and aims to instill fear, not only among direct victims but also among the general public. Its reliance on fear distinguishes it from conventional warfare and guerrilla warfare. While conventional military forces wage psychological warfare against the enemy, military force remains their primary means of achieving victory. Similarly, guerrilla forces, which often rely on acts of terrorism and other forms of propaganda, seek military victory and sometimes achieve it (for example, the Viet Cong in Vietnam and the Khmer Rouge in Cambodia).

These challenges have led some sociologists to adopt a definition of terrorism that is based not on criminality, but rather on the fact that the victims of terrorist violence are most often innocent civilians. However, this definition remains flexible and has sometimes been broadened to include various other factors, such as the clandestine nature of terrorist acts and their objective of spreading fear and terror.

This study aims to investigate the inverse relationship between terrorism and economic growth in 31 countries. To achieve this objective, a simultaneous equation model was applied to data from a sample panel of 31 countries (18 developing and 13 developed) during the period 2002–2018. The study addresses the following question: To what extent, and through what mechanisms, can terrorist attacks affect the economic growth of countries?

LITERATURE REVIEW

They find that terrorist brutality is positively associated with real GDP per capita. Based on a sample of 77 countries during the period 1980–2000, Elbakidze and Jin (2014) examined the impacts of socioeconomic conditions on the likelihood and frequency of participation in transnational terrorist events. An empirical result indicates that extreme poverty can be considered as determining for participation in acts of terrorism.

Gupta, Clements, Bhattacharya, and Chakravarti (2007) analyzed the impact of conflict and terrorism on low- and middle-income countries. The results indicated that high inflation and low economic growth aggravated the conflict and also had a negative impact on investments and tax revenues.

Testas (2004) studied the effect of macroeconomic variables on terrorism in Muslim countries. Empirical studies concluded that education had a positive relationship with terrorism. An increase in per capita income was linked to a decrease in terrorist attacks.

Piazza (2006) assessed the deprivation hypothesis according to which poverty, inequality, low economic development and unemployment are the main causes of terrorism. However, the results indicated no causality between economic growth and terrorism. Instead, political party structure was found to be the most significant predictor of terrorism. Mirza and Verdier (2008) and Nitsch and Schumacher (2004) documented the negative effect of terrorism on bilateral international trade. In the case of Pakistan, one potential cost is the loss of revenue that could be generated by serving as a trade route between India, China, Iran and other Middle Eastern states.

The study by Kis-Katos, Liebert, and Schulze (2011) used a large panel data set from 159 countries during the period 1970 to 2007 to investigate the origin of domestic and international terrorism. Empirical results show that the causes of domestic and international terror are similar. Furthermore, they find that terrorism increases with GDP per capita, with a higher political score measuring a more open and competitive political system and experiences of internal conflict, anarchy, and regime transitions. Rather, they show that weak or failing states are an incubator for terrorism.

Fatima, Latif, Chughtai, Hussain, and Aslam (2014) found a significant negative impact of terrorism on the GDP growth rate. They used 7 years of data on terrorism and GDP growth rate and applied regression analysis via SPSS. They concluded that in Pakistan, when terrorist activities increased, the growth rate decreased significantly.

Haider, de Pablos Heredero, Ahmed, and Dustgeer (2015) have similar perspectives as stated by them in the story, Pakistan is facing the danger of psychological conflict. Apart from confronting the results of the war in Afghanistan, Pakistan is also influenced by different tribal and religious clashes which have prolonged the psychological effects of the militants. These factors have extremely influenced the structure of Pakistan. Using information on psychological warfare from the Global Terrorism Database, the OLS for the period 1981-2012 was used. The study suggests that psychological warfare has strongly influenced financial growth in Pakistan. With the different factors that have been used, fear-based oppression is the most serious and important contributor to reducing monetary expansion.

Bezić, Galović, and Mišević (2016) analyze the effect of terrorism on foreign direct investments from certain countries of the European Union (EU) and the European Economic Area (EEA). They used dynamic panel data methods on 29 countries from 2000 to 2013. The results indicate that terrorist activities reduce the security and confidence of investors in countries exposed to terrorist activities by reducing the inflow of foreign direct investment. These results show a negative indirect relationship between terrorist activities and the economy.

Asongu and Nwachukwu (2017) studied the effect of terrorism on governance. To this end, they used a sample of 53 African countries observed during the period 1998-2012. The empirical results of the generalized method of moments show that there is a negative impact of terrorism on political governance. Overall, the results indicate that domestic terrorism and transnational terrorism negatively and significantly affect political, economic, and general governance. The impact of terrorism on economic losses has been attributed to direct economic destruction, increased uncertainty, impact on tourism, trade, FDI and insurance, political health of the state, increased nationalism, and resulting foreign skepticism (Ross, 2019).

Fareed, Meo, Zulfiqar, Shahzad, and Wang (2018) discussed a case study of Thailand and revealed that terrorism has a detrimental effect on growth. Zakaria et al. (2019) explored the same link for the Pakistani economy and highlighted that terrorism decreases economic growth.

US GDP, which grew much more slowly from 2001 to 2002 than from 2000 to 2001, demonstrated this impact. According to Silva, Duran, Freilich, and Chermak (2020), the United States' decision to tighten entry restrictions from other countries led to a significant loss of GDP, as immigration into the country slowed and the decline in the number of taxpayers led to a decline in public spending. In the aftermath of the violence in Paris, we can see similar results of terrorist attacks.

Elnahass, Marie, and Elgammal (2022) examined the impact of terrorism on banking stability, represented by bank risk and financial performance. We consider banks from 14 countries located in the Middle East and North Africa region for the period 2010-2018 using both the three-stage least squares method and the generalized method of moments. The results provide strong evidence that banks located in countries highly exposed to terrorist attacks have

low financial stability, due to high banking risk (i.e., high credit and insolvency risk)

Chenini, Hamida, and Lassoued (2024b) investigated the indirect impact of risk on economic growth. They applied a simultaneous equations model to panel data from 31 countries (18 developing and 13 developed) during the period 2002–2018. The results of this study showed that unemployment, investment, and public spending all negatively and significantly affect economic growth across the entire sample. Chenini, Hamida, and Lassoued (2024a) investigated the direct impact of terrorism on economic growth. They applied a simultaneous equation model to panel data from 31 countries (18 developing and 13 developed) during the period 2002–2018. The results of this study showed that investment and foreign direct investment have significant positive effects on economic growth across the entire sample. Chenini et al. (2024a) examined the direct effect of risk on economic growth. The results of this study show the following: Unemployment also has a significant negative effect on economic growth in the case of the entire sample.

THE SAMPLE AND DATA

Within the framework of this research, we are concerned with studying a global scourge, namely terrorism. Therefore, this research focuses on the following question: To what extent, and through what mechanisms, do terrorist attacks affect the economic growth of countries? To answer this question, we chose a simultaneous equation model applied to panel data from a sample of 31 countries (18 developing countries and 13 developed countries).

RESEARCH METHODOLOGY

Data description

In this part, we will carry out an estimation by taking terrorism as a dependent variable for two reasons:

- The first consists of determining the factors of terrorism.
- The second consists of analyzing the inverse effect of economic growth on terrorism.

The equation is described as follows:

$$\text{TERR}_{it} = \beta_{1it}\text{GDP} + \beta_{2it}\text{INF} + \beta_{3it}\text{FDI} + \beta_{4it}\text{INV} + \beta_{5it}\text{Unemp} + \beta_{6it}\text{Gini ind} + \beta_{7it}\text{Pov rate} + \beta_{8it}\text{Urpap} + \varepsilon_{it} \quad (1)$$

Designated:

TERR: Terrorism

GDP: Gross domestic product

INF: Inflation

Unemp: Unemployment rate

INV: Investment

Gini ind: Gini index

FDI: Foreign direct investment

Urpap: Urban population

Pov: Poverty rate

ε_{it} et μ_t : Number of errors

The hypotheses are as follows:

- H1: Terrorism does not affect economic growth
- H2: Terrorism affects economic growth

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1 *DESCRIPTIVE STATISTICS BY DEVELOPMENT CRITERION*

Variable	Developed countries	Developing countries	Complete panel
Terrorism	1.616797	3.1503	2.507218
GDP	1.566711	1.976995	1.800932
Inflation	1.942899	6.743852	4.730549

Variable	Developed countries	Developing countries	Complete panel
Unemployment	7.355928	9.396993	8.541063
Population	5.09e+07	5.06e+07	5.08e+07
FDI	4.312887	3.856254	4.047745
GINI index	31.82561	39.06611	36.02977
Poverty rate	0.3920662	9.828518	5.871297
Rural population	23.20453	38.05966	31.83009
Urban population	76.79547	61.90793	68.15109
Human capital	109.8584	73.13573	88.53558
Commercial openness	83.81894	97.3754	91.69043
Investment	23.30124	24.71504	24.12216
Public expenditures	20.35116	15.62576	17.60738

Source: Author calculation

In Table 1, we describe the model variables by classifying countries according to the mean criterion. The average terrorism index, calculated by the Global Terrorism Index, is 2.51; it is much higher in developing countries (3.15) than in developed countries (1.62).

The human capital index in developed countries exceeds 100; it is on average 109.8 compared to 73.14 in developing countries. These values are due in part to the level of schooling and professional training which are high in advanced countries. The volume of the population is very close for the two classes of countries; it is on average 50 million inhabitants per country distributed in urban population which is higher in developed countries (76.8% against 61.9%) and in rural population which is higher in developing countries (38.1% against 23.2%). The increase in the rate of rurality increases the literacy rate and subsequently a mentality of violence and possible terrorism in these countries, particularly when these countries do not devote spending to education, health and cultural activities sensitization. For this reason, we find that the value of public expenditure is higher in developed countries (20.4% GDP) than in developing countries (15.6% GDP).

Correlation Matrix

Table 2 CORRELATION MATRIX FOR DEVELOPED COUNTRIES

	Terr	GDP	Inf	Unemploy- ment	Pop	FDI	GINI Index	Poverty rate	R population	Ur population	Human capital	Copen- ness	Invest- ment	Pu Exp
TERR	1.0000													
GDP	0.0101	1.0000												
Inf	0.3232	-0.0488	1.0000											
Unemployment	-0.0458	0.0117	0.0260	1.0000										
Pop	0.4497	-0.0283	0.1248	-0.2596	1.0000									
FDI	-0.1655	0.1795	-0.0464	0.0886	-0.1831	1.0000								
GINI index	-0.0526	0.0390	0.1704	0.2869	0.2404	-0.0165	1.0000							
Poverty rate	0.3349	0.0815	0.3009	-0.0927	0.2142	-0.0741	0.4609	1.0000						
Rpopulation	0.3703	0.1174	0.3336	0.1373	0.0499	0.0105	0.3354	0.6323	1.0000					
Urppopulation	-0.3697	-0.1179	-0.3345	-0.1371	-0.0523	-0.0106	-0.3382	-0.6331	-0.9997	1.0000				
Human capital	-0.5468	-0.0867	-0.3834	-0.0770	-0.2263	0.1205	-0.2970	-0.5706	-0.6636	0.6643	1.0000			
Copenness	-0.4097	0.1031	-0.1781	0.1136	-0.5963	0.3464	-0.1596	-0.2062	-0.0833	0.0848	0.0733	1.0000		
Investment	-0.1143	0.0489	0.0945	0.1034	-0.1977	0.0996	-0.0764	-0.2147	-0.1231	0.1236	0.1338	0.0341	1.0000	
Public expenditures	-0.4285	0.0074	-0.4007	0.2424	-0.3642	0.0299	-0.1344	-0.3689	-0.4602	0.4606	0.4736	0.1275	-0.0165	1.0000

Source: Author calculation

From the results in Table 2, we note that terrorism, social inequality, the poverty rate, as well as the rural population rate, have negative correlations with the rate of urbanization, human capital, trade openness, investment, and public spending.

The urban population, commercial openness and FDI have blocks of positive correlation in particular with investment, human capital and public expenditure. These results are due to the programs and state expenditure devoted

to economic adjustments and social. In this case, we can say that the economic variables are positively correlated with each other.

Table 3 *CORRELATION MATRIX FOR DEVELOPED COUNTRIES*

	Terr	Inf	Unemploy- ment	Pop	FDI	GINI Index	Poverty rate	R population	Ur population	Human capital	Copen- ness	Invest- ment	Pu Exp
Terr	1.0000												
Inf	0.2873	1.0000											
Unemployment	-0.1679	-0.0763	1.0000										
Pop	0.4392	0.2470	-0.3666	1.0000									
FDI	-0.2741	-0.0510	0.0862	-0.1965	1.0000								
GINI index	-0.3761	-0.0061	0.2791	0.0886	0.0309	1.0000							
Poverty rate	0.2578	0.1736	-0.1926	0.2998	-0.0643	0.4015	1.0000						
Rpopulation	0.3899	0.2275	-0.1358	0.2359	-0.1302	0.1829	0.6168	1.0000					
Urppopulation	-0.3891	-0.2281	0.1371	-0.2408	0.1306	-0.1862	-0.6180	-0.9995	1.0000				
Human capital	-0.5024	-0.1431	0.1541	-0.2294	0.0971	-0.0741	-0.5946	-0.5121	0.5118	1.0000			
Copenness	-0.4644	-0.2717	0.0611	-0.5822	0.2752	-0.0005	-0.1258	-0.4212	0.4244	-0.0679	1.0000		
Investment	-0.1852	0.0324	0.1991	-0.2846	0.1049	-0.0552	-0.1995	-0.2613	0.2627	0.1133	0.2341	1.0000	
Public expenditures	-0.3809	-0.3127	0.5609	-0.4270	0.2059	0.2729	-0.2523	-0.2837	0.2834	0.1901	0.3146	0.1253	1.0000

Source: Author calculation

Table 3 summarizes the same findings for developed countries, also indicating that terrorism, social inequality, poverty rates, and rural population percentages are negatively correlated with urbanization rates, human capital, trade openness, investment, and public spending. Based on these results, we can generally confirm a negative correlation between social, economic, and demographic variables. In this context, poverty and social inequality are among the most strongly correlated variables, particularly with terrorism and human capital, which is measured by education levels or intellectual capabilities.

Model Estimation

- The inverse relationship between terrorism and economic growth

Table 4 *ESTIMATE OF THE FULL PANEL*

Independent variables	Dependent variable: Terrorism				
Terrorism _{t-1}	0.873*** (0.0422)	0.956*** (0.0257)	0.916*** (0.0329)	0.988*** (0.0173)	0.965*** (0.0396)
GDP	-0.0315*** (0.00374)	-0.0328*** (0.00349)	-0.0317*** (0.00299)	-0.0393*** (0.00232)	-0.0380*** (0.000829)
Inflation	0.000958 (0.00260)	0.00390*** (0.00133)	0.00890*** (0.00194)	0.00461** (0.00201)	0.00531*** (0.000744)
FDI	0.00524*** (0.00161)	0.00253 (0.00205)	0.00187 (0.00143)	0.00386** (0.00151)	0.00430*** (0.000885)
Investment	0.0137*** (0.00405)	0.0115*** (0.00371)			
Unemployment rate	0.0600*** (0.0148)				
Gini index			0.0110*** (0.00370)		
Poverty rate				0.0152*** (0.00353)	
Urban population					0.00530* (0.00319)
Observations	485	485	485	485	485
Number of id	31	31	31	31	31

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: Author calculation

For the case of the entire sample a negative effect of economic growth on terrorism. We also note that a low growth rate can increase terrorism by 3% (significant negative impact). This result is consistent with [Gassebner and Luechinger \(2011\)](#). In this framework, we can retain hypothesis 2 (H2) according to which economic growth affects terrorism. On the other hand, investment and FDI have a significant positive effect on terrorism. In other words, we can distinguish that unemployment, social inequality and the poverty rate significantly and positively affect terrorism and subsequently we can affirm that these variables are determining factors of terrorism.

Table 5 ESTIMATED PANEL OF CASES FROM DEVELOPED COUNTRIES

Independent variables		Dependent variable: Terrorism			
Terrorism _{t-1}	0.811*** (0.181)	0.768*** (0.155)	0.793*** (0.137)	0.776*** (0.0947)	0.707*** (0.0908)
GDP	0.00517 (0.00932)	0.00541 (0.00828)	0.00349 (0.00914)	0.00219 (0.00522)	0.00953 (0.00747)
Inflation	0.0271 (0.0215)	0.0263 (0.0301)	0.00608 (0.0231)	0.0184 (0.0281)	0.0190 (0.0163)
FDI	-0.00380 (0.00774)	-0.000556 (0.00962)	-0.00672 (0.00753)	-0.00821 (0.00675)	-0.0112* (0.00580)
Investment	-0.00597 (0.00663)	-0.0195 (0.0191)			
Unemployment rate	0.00722 (0.0298)				
Gini index			-0.0110 (0.0571)		
Poverty rate				0.343*** (0.118)	
Urban population					0.00632* (0.00370)
Observations	208	208	208	208	208
Number of id	13	13	13	13	13

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: Author calculation

In the case of developed countries, economic growth has no significant impact on terrorism. This result is consistent with [Choi \(2015\)](#). It has been found that countries with high industrial growth are less likely to experience internal and external terrorism. We can accept hypothesis 1 (H1) according to which economic growth does not affect terrorism.

We also note that unemployment and the Gini index do not have a significant impact because in these countries the unemployment rate and the social inequality index are practically low, for this reason their effect is not remarkable. Urban population, poverty rate and previous terrorist acts have positive and significant effects on terrorism.

Table 6 ESTIMATION OF THE PANEL OF CASES FROM DEVELOPING COUNTRIES

Independent variables		Dependent variable: Terrorism			
Terrorism _{t-1}	0.910*** (0.0861)	0.831*** (0.125)	0.840*** (0.133)	0.905*** (0.0633)	0.731*** (0.131)
GDP	-0.0385*** (0.00475)	-0.0386*** (0.00555)	-0.0380*** (0.00494)	-0.0405*** (0.00429)	-0.0358*** (0.00460)
Inflation	0.00742* (0.00437)	0.00972*** (0.00339)	0.0107*** (0.00296)	0.00651** (0.00321)	0.00516 (0.00421)
FDI	0.00707*** (0.00181)	0.00818*** (0.00244)	0.00747*** (0.00168)	0.00752** (0.00302)	0.00650*** (0.00202)
Investment	0.00371 (0.00729)	-0.00362 (0.00765)			
Unemployment rate	0.0643*** (0.0226)				
Gini index			0.0148*** (0.00131)		
Poverty rate				0.0184*** (0.00707)	
Urban population					0.0177*** (0.00659)
Observations	277	277	277	277	277
Number of id	18	18	18	18	18

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: Author calculation

The determinants of terrorism appear more in the case of developing countries than in developed countries. The table above shows that a negative effect of economic growth on terrorism in the case of developing countries. This result is consistent with [Lassoued, Hamida, and Hadhek \(2018\)](#). In this framework, we can retain hypothesis 2 (H2) according to which economic growth affects terrorism. Unemployment, poverty and the Gini index significantly and positively affect terrorism; unemployment has a significant and positive effect of 0.06 on terrorism, this means that a high unemployment rate can provoke terrorist acts. We also note that an increase in the poverty rate of 1% increases terrorism by 0.01%. The latter also increases with the presence of the gini index.

SUMMARY AND CONCLUSIONS

The study is conducted with the aim of determining the inverse relationship between terrorism and economic growth across the world. It is an attempt to analyze the most recent events in the world and attempt to know the consequences of terrorism, giving new dimensions to the dominant studies that explore the repercussion of terrorism on various social factors. The question of this research is as follows: To what extent and by what mechanisms can terrorist attacks affect the economic growth of countries? We chose a simultaneous equation model applied to panel data for a sample of 31 countries (18 developing and 13 developed). The results can be summarized as follows:

- A negative effect of economic growth on terrorism in the case of the entire sample. This result is consistent with [Gassebner and Luechinger \(2011\)](#).
- Investment and FDI have a significant positive effect on terrorism in the case of the whole sample.

- Unemployment, social inequality and the poverty rate significantly and positively affect terrorism in the case of the entire sample.
- For developed countries, economic growth has no significant impact on terrorism. This result is consistent with Choi (2015).
- Urban population, poverty rate and previous terrorist acts have positive and significant effects on terrorism in the case of developed countries.
- We also note that unemployment and the Gini index do not have a significant impact because in these countries the unemployment rate and the social inequality index are practically low in the case of developed countries.
- Unemployment, poverty and gini index significantly and positively effect terrorism in the case of developing countries.

Limitations and future directions of the study

Limitations

- Limited scope: the study focused on a specific sample and period, which may limit the generalizability of the findings.
- Data limitations: Reliance on secondary data may affect result accuracy.

Future Directions

- Expand the sample to more countries and longer periods
- Include additional political social and economic variables

REFERENCES

- Abadie, A., & Gardeazabal, J. (2008). Terrorism and the world economy. *European economic review*, 52(1), 1–27.
- Asongu, S. A., & Nwachukwu, J. C. (2017). The impact of terrorism on governance in african countries. *World Development*, 99, 253–270.
- Bezić, H., Galović, T., & Mišević, P. (2016). The impact of terrorism on the fdi of the eu and eea countries. *Zbornik radova Ekonomskog fakulteta u Rijeci: časopis za ekonomsku teoriju i praksu*, 34(2), 333–362.
- Chenini, T., Hamida, A., & Lassoued, T. (2024a). Direct effect of risk on economic growth. *Journal of Ecohumanism*, 3(3), 1867–1878.
- Chenini, T., Hamida, A., & Lassoued, T. (2024b). Indirect effect of terrorism on economic growth. *International Journal of Economics and Finance*, 16(5), 70–78.
- Choi, S.-W. (2015). Economic growth and terrorism: domestic, international, and suicide. *Oxford Economic Papers*, 67(1), 157–181.
- Elbakidze, L., & Jin, Y. (2014). Socio-economic antecedents of transnational terrorism: Exploring the correlation. *Research Gate*.
- Elnahass, M., Marie, M., & Elgammal, M. (2022). Terrorist attacks and bank financial stability: evidence from mena economies. *Review of quantitative finance and accounting*, 59(1), 383–427.
- Fareed, Z., Meo, M. S., Zulfiqar, B., Shahzad, F., & Wang, N. (2018). Nexus of tourism, terrorism, and economic growth in thailand: new evidence from asymmetric ardl cointegration approach. *Asia Pacific Journal of Tourism Research*, 23(12), 1129–1141.
- Fatima, M., Latif, M., Chugtai, S. F., Hussain, N., & Aslam, S. (2014). Terrorism and its impact on economic growth: Evidence from pakistan and india. *Middle-East Journal of Scientific Research*, 22(7), 1033–1043.
- Gassebner, M., & Luechinger, S. (2011). Lock, stock, and barrel: A comprehensive assessment of the determinants of terror. *Public Choice*, 149(3), 235.
- Gupta, S., Clements, B., Bhattacharya, R., & Chakravarti, S. (2007). Fiscal consequences of armed conflict and terrorism in low-and middle-income countries. In *The economic analysis of terrorism* (pp. 201–222). Routledge.

- Haider, S., de Pablos Heredero, C., Ahmed, M., & Dustgeer, S. (2015). Identifying causes of terrorism in pakistan. *Dialogue (Pakistan)*, 10(3).
- Kalyvas, S. N. (2019). *The landscape of political violence*. Oxford University Press Oxford.
- Kis-Katos, K., Liebert, H., & Schulze, G. G. (2011). On the origin of domestic and international terrorism. *European Journal of Political Economy*, 27, S17–S36.
- Lassoued, T., Hamida, A., & Hadhek, Z. (2018). Terrorism and economic growth. *International Journal of Economics and Financial Issues*, 8(1), 175.
- Mirza, D., & Verdier, T. (2008). International trade, security and transnational terrorism: Theory and a survey of empirics. *Journal of Comparative Economics*, 36(2), 179–194.
- Nitsch, V., & Schumacher, D. (2004). Terrorism and international trade: an empirical investigation. *European Journal of Political Economy*, 20(2), 423–433.
- Piazza, J. A. (2006). Rooted in poverty?: Terrorism, poor economic development, and social cleavages. *Terrorism and political Violence*, 18(1), 159–177.
- Ross, S. (2019). Top 5 ways terrorism impacts the economy. *Investopedia*. Retrieved December, 10, 2019.
- Schmid, A. P. (2011). The definition of terrorism. In *The routledge handbook of terrorism research* (pp. 39–157). Routledge.
- Silva, J. R., Duran, C., Freilich, J. D., & Chermak, S. M. (2020). Addressing the myths of terrorism in america. *International Criminal Justice Review*, 30(3), 302–324.
- Testas, A. (2004). Determinants of terrorism in the muslim world: An empirical cross-sectional analysis. *Terrorism and Political Violence*, 16(2), 253–273.
- Zakaria, M., Jun, W., & Ahmed, H. (2019). Effect of terrorism on economic growth in pakistan: an empirical analysis. *Economic research-Ekonomska istraživanja*, 32(1), 1794–1812.