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**The Problems of Wholesale Trade in
the Nigerian Economy**

**[A CASE STUDY OF C F A O IN GOMBE
GOMBE STATE**

BY

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TITLE PAGE

**THE PROBLEMS OF WHOLESALE TRADE IN THE NIGERIAN
ECONOMY (A CASE STUDY OF C.F.A.O IN GOMBE, GOMBE
STATE)**

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APPROVAL PAGE

This project has been read and approved as meeting the requirement to the School of Business Education, Federal College of Education (Technical) Gombe in partial fulfillment for the award of the Nigerian certificate in Education (N.C.E) in Business Education.

Project Supervisor

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External Moderator

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DEDICATION

This project is dedicated to Almighty Allah Subhanahu Wata'ala who in His infinite mercy made the completion of our school possible. May His Peace and Blessings upon His Messenger and servant Muhammad S. A. W.

TABLE OF CONTENT

Content	page
Title page	i
Approval page	ii
Dedication	iii
Acknowledgement	iv
Table of content	v-vi
 CHAPTER ONE	
Introduction	1 – 2
Statement of problem	2
Research question	2
Objective/significance of the study	3
Purpose of the study	3
Limitation/delimitations of the study	3 – 4
Definition of terms	4
 CHAPTER TWO	
Literature review	5
Definitions	5 – 6
The basic problems facing the distribution of goods by wholesalers	6 – 8
Courses of failure of wholesale trade	8 – 9
Possible solutions to wholesalers problems	9 – 10

CHAPTER THREE

Research methodology	11
Method of investigation	11 – 13
Observation	13
Procedure for data analysis	13

CHAPTER FOUR

Presentation and data analysis	14 – 19
Interview	
Questionnaire	

CHAPTER FIVE

Summary	20 – 21
Recommendation	21 – 22
Conclusion	22
References	23

CHAPTER ONE

INTRODUCTION

Trade generally involved as a result of people exchanging goods for goods and services for services which is known as "Barter system of trade". Today the system was replaced by monetary system of trade, where by money is used or given for the exchange of goods and services. Trade will only be possible when there are goods or articles manufactured or raw materials to turn into finished goods in large quantity from these factories. The manufacturers specialized in production they need people who will buy their products from them, this is where wholesalers came in.

A wholesaler is a trader who buys goods in large quantities from the manufacturers/producers and sale to the retailers in small quantities. The function of wholesaler can either be performed by a person or a firm. A wholesaler is also called a middle man because he connects the manufacturers and the retailers, he buys goods in large quantity from the manufacturers/producers and will in turn sell them to the final consumers for consumption. A wholesaler is also known as "Bulk Breaker".

AN OVER-VIEW OF C.F.A.O GOMBE

C.F.A.O is derived from French, meaning: company Française Africain de organisation which means in English organization of France company in Nigeria. C.F.A.O is a foreign company from France, it was established more than 100 years ago and it comes to Nigeria in 1900 i.e it has 107 years in Nigeria. C.F.A.O has 24 branches all over the country which comprises Sokoto, Kano, Maiduguri, Minna, Kaduna, Gombe, Yola, Jos, Illorin, Abuja, Makurdi, Gusau, Oshogbo, Ibadan, Akure, Enugu, Benin, Onitsha, Owerri, Warri, Aba, Port-

Harcourt, Calabar, and Lagos respectively. They buy and sell goods as wholesalers as well as producing some.

Their subsidiaries include:

General import of goods: this deals with provisions e.g Biscuits, Juice, Milk, Insecticide etc.

Automobile: this deals with cars e.g Peugeot, Toyota etc.

Dept. I: this deals with pomade e.g perfumes, creams lip stick etc. the goods that C.F.A.O producing include:

Dil maltex: this deals with drinks like maltex and

Stationeries: big pen, correcting fluid, shaver, books, staplers etc.

STATEMENT OF PROBLEM

This project is aimed at looking in to the problems encountered by the wholesalers in the Nigerian economy. Wholesale trade involves buying of goods in large quantities from the manufactures/producers and sell in small quantities to the retailers, it is also known as " Bulk Breaking" therefore the problem before this research work is to examine and provide corrective measures to problems of wholesale trade in the Nigerian economy with particular reference to C.F.A.O in Gombe state.

RESEARCH QUESTION

1. Does wholesalers contribute to high price of goods in the Nigerian economy?
2. Does hoarding create shortage of goods in the market?
3. Will middlemen be elimination in the Nigerian economy?

OBJECTIVE/SIGNIFICANCE OF THE STUDY

The objective/significance of the study is to highlight the problems that have been faced in the wholesale trade and to find a possible solution to the problems so that the wholesalers through this solution would benefit and realize how to tackle such problems.

The study will also enable traders to examine common problems that are being encountered and advance some possible solutions to them.

However, the study is aimed at helping further researchers on the same topic and add knowledge to the problems of wholesale trade and also the possible solutions to such problems.

PURPOSE OF THE STUDY

The purpose of the study is aimed at helping the researchers in partial fulfillment of N.C.E certificate and also to point out problems of the wholesale trade and the likely solutions of these problems in the Nigerian economy.

Also, this research work is aimed at making suggestions and recommendations for solving the problems encountered in the wholesale trade.

LIMITATIONS/DELIMITATIONS OF THE STUDY

This study is limited to C.F.A.O in Gombe from 2005 – 2007, due to the fact that it is not possible to go very far as a student while the school is in session and also due to the financial problems faced by many students. As it was stated earlier on, this study is limited to Gombe State: the limitations encountered in the course of this study are as follows:

- Time was one of the limiting factors which could ensure a proper research of this work.

- Another limiting factor encountered was inadequate finance whereby the researcher could not travel far. However, it was during the time when the school is in session.
- Finally, there are also lack of counseling in the field of research which is also a limiting factor.

DEFINATION OF TERMS

BULK BREAKING: This refer to the breaking down of goods by the wholesaler for the retailer to buy from him in small quantities

WHOLESALE: A wholesaler is a person who buy goods in large quantities from manufacturers or producers and sell it to the retailers in small quantities.

RETAILER; A retailer is a person who buy goods from the wholesalers and sell them in smaller quantities to the consumers for consumption.

MANUFACTURER/PRODUCER: A producer is a person who buy raw materials from the farmers and turn in to finished goods.

PURCHASE: Purchase simply means buying of goods or services.

DISTRIBUTION: Distribution simply means the dispatching of goods to there varicus destinations (places).

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION:

In this chapter, the researchers introduce the trader to the view of other authorities or literature concerning wholesale trade, basic problems encountered by wholesalers and possible solutions, and also the causes of failure of wholesale trade in Nigerian economy.

DEFINITIONS:

Geoffrey Whitehead (1988) define wholesaler as "a person who buys in very large quantities and sell in bulk to retailers performing in the intermediate period, the function of warehouse and transportation". Whoever handles the distribution of primary and secondary product it is very important to have an efficient distribution system as it is to have an efficient production.

In the researchers view according to the above definition of wholesale trade, they says that wholesaler is the bulk buyer that sells to retailer. Hence he is the intermediate man that help greatly in having efficient and effective production and distribution.

Also, G.O. Nwanlo and R.P Jhones (1981) defined wholesale trade in trade act as "a connecting link in the channel of distribution and production". The researchers view on this definition is that wholesaler is the link that connect both the manufacturer and the retailer, i.e without wholesaler in the system, there will be no distribution due to the fact that the chain is incomplete.

Similarly, S. Evenlin Thomas (1976) defined wholesale as "a person that purchase goods in large quantities from manufacturers and resell them in small

quantities to the retailers". Wholesaler can neither be a retailer but act merely as the link between the two.

In contrast to the above definitions, the researchers view in the prospective that the wholesaler performed reselling function to the retailers because they purchase in large quantities and sell in small quantities to the retailers. He also perform various functions to both the manufacturers and the retailers.

Further more, David Anderson (1980) defined wholesaler as "a link in the chain of production and distribution between the manufacturers and the retailers, he deal with bulk quantities or "whole" and do not sell to individual consumers".

The researchers view according to his definition is that wholesaler buy in bulk and do not sell to the final consumers. Hence he deals directly with the retailers who in turn deals with the final consumers, he is also said to be the link which connect the manufacturers and the retailers. Therefore, the researchers view here is that wholesalers are concern with the retailers but not ultimate consumers.

THE BASIC PROBLEMS FACING THE DISTRIBUTION OF GOODS BY WHOLESALER

POOR TRANSPORTATION: due to the fact that transportation is the major contributing factor to be considered in the success of wholesale trade, most of the rural areas or villages do not have good motorable roads, therefore this makes it difficult for the wholesaler to carry their goods in to such places whereby this become a great problem.

INADEQUATE STORAGE FACILITIES: warehouse is very vital to wholesalers therefore lack of it in the system cause great problems. Inadequate storage facilities has made many goods to get damage and destroyed or rotten before they are distributed to their various places and if the goods get damage, they could not be distributed since they are spoiled.

INADEQUATE INFORMATION: the producers, sellers and buyers do not get enough or adequate information concerning their goods and lack of enough information will become a problem to the wholesalers because if the retailers did not know about the goods that are available with the wholesaler the goods will not be distributed and it will become a problem.

ABSENCE OF LARGE MARKET: Lack of large market in the area cause problems to wholesaler especially in the rural areas, where there are no large gathering in which buying and selling of commodities is taking place and also there demands of produced goods is low. Most of markets located in the villages are very small and they contain very small population there by causing a problem to wholesalers.

TOO MANY MIDDLEMEN: too many middlemen cause a lot of problems in the distribution and marketing of product. they also cause higher raise in price of commodities and makes it difficult for the ultimate consumers to have the required commodities for their daily needs and consumption.

INADEQUATE CRDIT FACILITIES: due to lack of enough capital, sometimes wholesalers may require credit to purchase goods from manufactures and for one reason or the other may not get that credit that he requires. and if a

wholesaler did not purchase enough goods from the producers for distribution, there will be a lack of such commodity in the market which may cause a problem for the retailers and the final consumers.

PRICE CONTROL: when the price of goods are normally fixed without considering what it cost to produce these goods, then these commodities will soon disappear from the market.

NATURE OF SOME COMMODITIES: some of the commodities are perishable in nature therefore it is difficult to distribute such goods to some part of the country e.g tomatoes to be distributed from Kwadon in Gombe State to Lagos or Port-Harcourt, they will get damaged before reaching their destination due to lack of efficient means of transporting the goods to where they are needed by consumers.

CAUSES OF FAILURE OF WHOLESALE TRADE

WRONG PURCHASE: goods bought in this case may not relate to the demand of consumers. In order to avoid spending, great care should be taken to check the price of goods in the market and also check the demand of the consumers on that goods before purchasing.

LACK OF EXPERIENCE: due to lack of experience in the field of business, many wholesalers do not know how to go about their business because they have not acquired any skill to begin the business with and they do not know what to consider before they start up the business.

OVER SPENDING: most of our traders spend more money in the business not minding the state of their business and as a result of spending more than what they earn as their income may lead to the end of the business.

AVOIDANCE OF INSURANCE: most of the traders don't insure their goods until the insurance company i.e they always avoid to insure their product against some accidents and in this case when an accident happen, they loss totally because they can not get any compensation from insurance company and may hardly recovered what they loss.

LACK OF FORE-SIGHT: the degree of success in any business depend upon the ability that the trader has to see ahead or beyond the present i.e the trader should be able to focus what business opportunities are likely to be in the nearest future.

LACK OF BOOKS OF ACCOUNT: Due to the fact that many wholesalers don't keep proper record of their sales i.e they don't keep records of what they sell or purchase, most a times some wholesalers are facing problems because they don't know whether they are operating the business at a profit or loss, they are just running the business with common knowledge of buying and selling which leads to the mass failure of their business. So in this case, wholesalers should try to provide proper books of accounts to ensure the success of their business.

POSSIBLE SOLUTIONS TO WHOLESALERS PROBLEM

In the case of poor transportation, government should try as much as possible to provide good roads so that goods can be distributed easily without

getting any damage and not only for the benefit of wholesalers or distributors alone, but for the benefit of the society at large.

However, wholesalers should provide adequate storage facilities for themselves so that after production, they can keep their goods in warehouses for future use. Also adequate information should be provided for their customers about what is at hand i.e what is ready for their consumption.

In the case of middlemen, middlemen should be eliminated from the market or to say should be reduced from the market because too many of middlemen will cause the price of the goods to raise and it may affect the wholesalers and the chain of distribution at whole. Also, in the causes of failure of wholesale trade which may cause by wrong purchase, lack of experience, over spending, avoidance of insurance, lack of fore-sight and lack of proper books of account etc. Here wholesalers should take note of all these factors that may cause failure to their business and take necessary measures of correcting them. In the area of wrong purchase, wholesalers should take note of what type of good are they purchasing i.e to know the demand of their customers before purchasing.

Moreover, wholesalers should also take note about the money they are spending in purchasing of goods, they should not spend more money to buy few commodities also to insure their business against future accident, to focus the nature of the market before going in to the business deeply and also keep proper records of books of account in order to determine how their business is going i.e to know weather they are running their business at profit or loss.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter shows the various methods used in which informations were collected, that is the primary sources and the secondary sources.

PRIMARY SOURCES

Primary sources of data are the sources through which information collected from the wholesalers are in its original form which are first hand information collected.

Primary sources of data is the data which the researchers collected from the person who witness the event which the researchers is conducting the research on it, it is the first hand information collected.

SECONDARY SOURCES

These data include information that has been processed and applied by other individuals in the production of their work. It could also be written materials by professionals and experts or knowledgeable individuals in the field.

These sources include text books, magazines, newspapers, journals or periodicals and government publications e.g gazette and dissertation.

All these are reference materials which the school library has to produce to their graduate for easy research work.

METHOD OF INVESTIGATION

The various methods of investigation use in carrying out this research work include: oral interview, questionnaire and observation.

ORAL INTERVIEW

That was the simple method adopted in the course of carrying out the research, many wholesalers were involved in such interview. Because the researchers have personal contact with the C.F.A.O manager and some wholesalers and traders in the town. This method help the researchers to the greater extend in finding facts informations because in the course of oral interview, the researchers found more informations about C.F.A.O from the manager. In the course of oral interview that the researchers conducted with the C.F.A.O manager, they investigate the time that C.F.A.O was established, the time it comes to Nigeria and its branches and subsidiaries.

QUESTIONNAIRE

This was the main instrument used for collecting data. It is designed to know the nature and the problems faced in the wholesale trade, and also to investigate pricing techniques and to find out weather the investigation is related to the research question of the study.

However, the questionnaire is designed to identify effect of wholesale trade in the production and distribution of goods and services and also to identify the attitude of middlemen toward the production of goods and its distribution and also to investigate how the Nigerian economy is affected by the attitude of the wholesale trade.

In this case, unstructured or close ended questionnaire is going to be used by the researchers. Copies of questionnaire were personally distributed and collected from respondents by physical contact.

Atleast fifty (50) copies of questionnaires were typed and distributed to all these placed C.F.A.O, supermarkets in Gombe town, wholesalers in Gombe

main market etc and the responses to this questions will be shown in chapter four.

OBSERVATION

This is another method used in collecting information. Information collected through observation are actual and natural determination of the research. Wholesalers were observed directly where visitation was done in order to observe closely how they go about their business. The researchers observed the habit of the wholesalers during their visitation i.e both negative attitude and positive attitude toward their business operation that is to say how the wholesalers are carrying out their retailers, their customers and manufacturers respectively.

PROCEDURE FOR DATA ANALYSIS

All results obtained would be presented in a simple tables and percentages in chapter four. Simple table and average method of statistics would be used in chapter four also.

This implied that responds to the researchers questions would be tabulated and covered in to percentages. This method is easy to used and interpretation of the subject matter of the investigation and conclusion are drawn.

CHAPTER FOUR

PRESENTATION AND DATA ANALYSIS

INTRODUCTION

This chapter is design to investigate the extend to which data is collected and the responses of the wholesalers towards the research question formed in chapter one.

This part of the project forms an important aspect as well as the preceding data. The data that would be observed are the reflection of the instruments used in this project. All the primary datas collected during this research work are presented and analysed. Basically, the main instrument used in the study of this project is the questionnaire distributed to various wholesalers. The result obtained were analyse below.

The researchers interview the wholesalers orally about ten people, the questions of the researchers to wholesalers include, do you give credit to your customers? Do you have ware house that you keep your goods? Did lack of transportation affect your market? Did middlemen activities affect the distribution of your goods? And finally do you make enough profit in the cause of your business? And people responded to these questions in different ways.

In the first question were by ten people were interviewed whether they give credit to their customers or not. eight (8) of them answered positively yes that they give credit to their customers and two (2) of them answered negatively no that they do not offer credit to their customers due to lack of enough capital.

In the second interview of whether they have enough storage facilities for their goods, four (4) of them answered yes while 6 of them answered no and this response made it clear that storage facilities is lacking among the wholesalers.

In the third question of the researchers interview about lack of good roads whether it affect their business i.e the movement of the goods from one place to another seven (7) of them responded Yes were by three (3) responded No. In this case, one can see that lack of transportation has a great effect to the distribution of goods.

In the fourth question of the researchers about the issue of middlemen, eight (8) people responded that middlemen activities affect their business and two (2) responded No. From all indications we can see that middlemen activities has a great effect to wholesalers.

Finally in the last question of the researchers interview about the issue of enough profit, whether they made enough profit in the course of their business or not seven (7) of the wholesalers responded that they made enough profit while (3) of them responded No and from their responses toward the final question the researchers note that most of the wholesalers make high profit by imposing high price on their goods.

However the overleaf tables indicates the analysis of questionnaire distributed to wholesalers, and C.F.A.O Staff. Out of the 50 questionnaires that were distributed 45 were duly filled and refunded, the table below contains the analysis of questionnaires distributed and refunded.

Analysis of questionnaires distributed to C.F.A.O

Variable	Questionnaire	Percentage (%)
Return	45	90%
Not return	5	10%
Total	50	100%

The above table contains the analysis of questionnaires distributed to C.F.A.O while the following tables contains the responses of the wholesalers toward the questions of the researchers questionnaire.

WHOLESALEERS QUESTIONNAIRE

QUESTION 1 Do you produce goods your self?

Variable	Responses	Percentage (%)
Yes	4	9%
No	41	91%
Total	45	100%

QUESTION 2 Did lack of transportation affect your business?

Variable	Responses	Percentage (%)
Yes	40	90%
No	5	10%
Total	45	100%

QUESTION 3 Did lack of adequate storage facilities affect your market?

Variable	Responses	Percentage (%)
Yes	42	93.3%
No	3	6.3%
Total	45	100%

QUESTION 4 Do you keep proper books of account for your business?

Variable	Responses	Percentage (%)
Yes	35	77.7%
No	10	22.2%
Total	45	100%

QUESTION 5 Do you get enough information you need about the existing goods in the market?

Variable	Responses	Percentage (%)
Yes	10	22.2%
No	35	77.7%
Total	45	100%

QUESTION 6 Did hoarding cause problem to your business?

Variable	Responses	Percentage (%)
Yes	41	91%
No	4	9%
Total	45	100%

The above tables from 2 - 7 contains the wholesalers questionnaire and their responses. In the first question, 4 people responded that Yes they produce goods them selves while 41 people responded that they did not produce goods them selves.

In the second question, out of the 45 people that filled the questionnaire 41 people says that lack of transportation affect their business while only 4 people responded that lack of transportation did not affect their business and

from their responses we can see that good road are required for the movement of goods.

The third question of the wholesalers questionnaire that asked about storage facilities, 42 people answered that lack of storage facilities affect their market while 3 answered No. From here we can see that storage facilities is another problem faced by the wholesalers.

In the case of proper books of account, 35 people keeps the record of their business and 10 people did not and this will not be considered as a great issue that will affect the wholesalers.

The fifth question of the questionnaire that talk about information whether they are getting enough information about the existing goods in the market or not, 10 people answered Yes while 35 answered No and from their responses we can see that information is lacking among wholesalers.

Finally, the issue of hoarding, 41 people responded that hoarding is causing a lot of problem to them while only 4 people responded that No and this response made it clear that hoarding is a problem to wholesalers in the Nigerian economy at large.

However, the following questions were also asked by the researchers to the wholesalers.

1. What are the problems you have been encountering as wholesalers?

People answered differently to this question, some identify the problem of transportation i.e if they buy goods, before the goods reach its destination will be a problem because of lack of good roads and the customers are not getting the goods they want from them in time. While some identify the problem of credit they offer to their customers before they return it back to them sometimes will cause them problem.

2. What are the effect of wholesale trade in the Nigeria economy?

According to the responses of the people, wholesale trade has both negative and positive effect to the economic development of Nigeria.

However, the positive effect of the wholesalers is that wholesaler serve as a link between the producers and the retailers i.e wholesaler provide services to the retailers as well as the final consumers since the retailers obtain their goods from the wholesalers and the consumers obtain their goods from the retailers. While the negative effect of the wholesalers could not be over emphasize because wholesalers some times hoard goods that are produce for the benefit of the customers to create shortage of such goods in the market.

CHAPTER FIVE

SUMMARY

INTRODUCTION:

This chapter is concern with the summary of this research work from chapter one to four, and to answer the questions which was given in chapter one concerning the problems of wholesale trade in Nigerian economy which was given during this research exercise.

During this research work, it was established that wholesalers who are the persons that buy goods from the manufacturers and sells to the retailers and retailers who will in turn sells to final consumers play a vital role in the channel of distribution, therefore it should be noted that no market should exist without wholesaler and also their negative effect to the economic development should be tackled whereby they contribute to higher prices of goods and which may lead them to earn excessive profit. they also involve in hoarding of goods whereby creating shortage of those goods in the market.

Some literature were also reviewed to investigate what was written previously concerning wholesale trade, and the problems they have been encountered, also presented literature review was reviewed in order to investigate the causes of these problems and how they could be solved. However, research methodology was also presented and the following methods were used in gathering the information on data used for this research work, among the methods are: observation method, oral method of interview, and questionnaire. Wholesalers were given questionnaires to fill where by the researchers get vital information for the research work. Due to the finding of the research work, it is realized that problems which wholesalers faced varies such as:

Lack of adequate, storage facilities, too many middlemen which create a long chain of distribution, inadequate credit facilities and poor transportation system etc.

Furthermore, during the investigation of this research work, it was discovered that some of the things that cause these problems of wholesale trade are wrong purchase, lack of experience, over spending, avoidance of insurance, lack of fore-sight i.e inability to plan ahead of time and lastly the problems of not keeping proper records of books of account.

RECOMMENDATIONS

The following are some recommendations made by the researchers;

- (1) Government should provide ways in which they can help wholesalers by giving them loans through Commercial Banks.
- (2) Wholesalers should provide adequate storage facilities for their goods so that the good purchased should not be taken to the market at once.
- (3) Middlemen should be reduced in the market by the market board members, so as to shorten the distribution chain.
- (4) Manufacturers are to engage in offering credit to wholesalers especially those with inadequate capital.
- (5) Government should also provide good motorable roads especially in the cities and rural areas so that produced goods should be transported easily.
- (6) Improvement of communication in order to provide adequate information about the market situation and the existing goods in the market to both wholesalers buyers and sellers.
- (7) Wholesalers should purchase the right commodities needed by the customers in their locality whereby avoiding wrong purchase.

- (8) Marketers should be given little education so that they would have a little experience on the business they engaged in, and this can be done by gathering them in the market square and enlighten them about business.
- (9) Wholesalers should keep proper records of their business transaction.
- (10) Lastly, wholesalers should learn how to plan ahead of time, they should learn how to plan ahead of time and also to insure their business against theft or life accident.

CONCLUSION

Wholesalers in this locality have been found to be performing some important marketing function but the problem is that they have not been able to provide adequate services to the final consumers as they suppose to do.

Moreover, if manufacturers will provide goods at the right place and could satisfy the needs of the consumers and also offer such goods at the right time then their will be no need of eliminating middlemen i.e their activities will not be a great problem.

Finally, the researchers are looking forward to all these problems that are stated would be solved and the recommendations put into practice so that we can have a better economic development in the Nigerian economy.

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