

# **CHAPTER 13 COMMERCIAL ACTIVITIES IN NIGERIA**

## **Objectives**

After studying this chapter, students should be able to:

- identify major commercial activities in Nigeria
- describe the major commercial areas in Nigeria
- locate the major commercial zones on a map of Nigeria
- describe the importance of commercial activities
- list and explain the importance of the stock exchange and capital market

to the commercial activities in Nigeria.

Commercial activities in Nigeria can be classified into three namely: trade, transportation and communication. Transport and communication have been discussed in the previous chapter.

Trade is the buying and selling or exchange of goods and services. There are two types of trade namely:

- (i) Internal trade: This involves trade in goods within a country.
- (ii) International or external trade: This is trade between one country and another.

## **13.1 Internal Trade**

Forms of internal trade are local trade, rural-urban trade and regional trade.

- (a) **Local trade:** This involves the exchange of goods and services in the immediate market within a village, town or state. For example, yams and vegetables produced in Ibadan are sold in Bodija market in Ibadan.
- (b) **Rural-urban trade:** This is the buying and selling of goods between rural and urban areas. Food crops such as yams, tomatoes, vegetables produced in rural areas are sold in urban markets while manufactured goods such as soft drinks, textiles are transferred from urban to rural areas.
- (c) **Inter-regional trade:** This is the exchange of goods between one region and another in the country. Crops such as tomatoes, vegetables, pepper, millet, groundnut, beans, soya beans produced in the north are sold in the south while cassava, plantain, yams, kolanuts, palm oil and rice are transferred from the south to the north for sale. Products from local industries such as textiles, cement, leather works, assembled manufactured goods (cars, motorcycles, etc.) are exchanged across regions.

### **13.2 Factors that Encourage Internal Trade**

- 1. **Differences in product between regions:** The northern and southern regions in Nigeria produce different agricultural products due to difference in climate, vegetation and soil types. As a result, there is exchange of goods between the two regions.
- 2. **Good transportation network:** Roads and railways connect rural-rural, urban-urban, northern and southern parts of the country. This enhances the movement of goods across various parts of the country.

3.     **Demand for products:** Trade can only take place when there is demand for products. Demands for goods which are not produced in an area are satisfied through the transfer of such goods from where they are produced.
4.     **Common currency:** Use of common currency encourages internal trade within the country.
5.     **Presence of different minerals in different places:** Variation in the types of rocks in Nigeria leads to variation in types of mineral resources. This gives rise to demand for goods manufactured from minerals which are not produced in a particular area.
6.     **Differences in local technology:** Craft industries produce different commodities across the country which necessitate trade between states. For example, leatherwork is carried out in Kano, Sokoto and Maiduguri while Ikot Ekpene and Benin are noted for woodwork.

### **13.3 Factors Limiting Internal Trade**

1.     **Unfavourable climate:** This affects the production of agricultural products which are exchanged within the country.
2.     **Similarity of products:** Similar crops are produced by various states for example: maize, poultry, etc. As a result, such products limit internal trade.
3.     **High rate of rural-urban migration:** Movement of young men in particular from rural to urban centres reduces the work force in each rural area and output from farms.
4.     **Pests and diseases:** Pests and diseases destroy crops on the farm and store houses, thereby reducing crops available for exchange.
5.     **Poor transportation network in rural areas:** Road transportation in rural areas is characterized by earth wars which are washed off during high rainfall, bridges are built with wood, low vehicular

movement, winding and narrow roads and lack of public transport. These features affect the movement of crops from rural to urban areas. Hence, perishable crops become rotten in the absence of storage facilities.

6. **Inter communal strife/political instability:** Political instability makes an area usage for commercial activities.
7. **Long distance between point of production and point of sales:** Production and consumption centres are located far apart. Thus, transport cost is high.

### **13.4 External Trade**

This involves exchange of goods and services between Nigeria and other countries. Nigeria's major trading partners are United Kingdom, United States of America, Germany, France, China, Japan and ECOWAS member countries. Goods sold to other countries are called export while goods sold to Nigeria are called imports. Services rendered to foreigners such as tourism, educational services etc. are referred to as invisible exports. Goods traded with other countries are of two types:

- (i) **Consumer goods:** These are goods that are consumed or utilized directly. They do not require further processing before they are used. Examples include textiles, beverages, chemicals, soft drinks, soaps and detergents.
- (ii) **Capital goods:** These are goods used to produce new products such as machinery, vehicles, iron and steel.

### **Nigeria's Exports**

Goods exported out of Nigeria include

1. Minerals: Petroleum, tin ore
2. Agricultural produce: Cocoa, palm produce, kolanuts.

3. Manufactured goods: Plywood, textiles, plastics.

### **Nigeria's Imports**

1. Manufactured goods: Computers,
2. Heavy machines and spare parts
3. Educational and health services/equipment
4. Vehicles used for transport like cars, trailers, planes
5. Consumer goods: textiles, drugs, food items

### **13.5 Other Types Of Trade**

1. **Capital market:** This is a market for securities (debt or equity) where business enterprises, companies and government can raise long term funds.
  - It is defined as a market in which money is provided for periods longer than a year as the raising of short term funds takes place on other markets such as the money market.
  - The capital market includes the stock market (equity securities) and the bond market (debt). Financial regulators such as UK's Financial Services Authority (FSA) or the US Securities and Exchange Commission (SEC) oversee the capital markets in their designated jurisdictions to ensure that investors are protected against fraud among other duties.
  - Capital market may be classified as primary and secondary markets. In primary markets, new stock or bond issues are sold to investors via a mechanism known as underwriting. In secondary markets, existing securities are sold and brought among investors or traders, usually on a securities exchanged, over-the-counter or disservice.

2. **Forex:** is a short form for the Foreign Currencies Exchange Market. It is one of the most liquid markets in the world while being the largest financial market. Forex traders buy and sell various world currencies in order to gain profit on the currency's price change. The most traded currency pairs (major pairs) are EUR/USD (euro for U.S. dollar), GBP/USD (Great Britain pound for U.S. dollar), USD/JPY (US dollar for Japanese yen) and EUR/JPY (euro for Japanese yen). Forex trading is now accessible to everyone via online forex brokers which allow trading with almost any amount of money and on a very large variety of international currencies.
3. **Stock Exchange: (also called stock market or share market)** is one important constituent of capital market. Stock exchange is an organized market for the purchase and sale of industrial and financial security. It is a convenient place where trading in a securities is conducted in systematic manner, that is based on rules and regulations.

### **13.6 Major Commercial Areas in Nigeria**

Commercial activities take place mainly in the following cities:

1. **Lagos:** Lagos is the largest commercial area in Nigeria. The seaport is the point of distribution of goods produced in the country to other countries and where over 90% of all imports arrive before they are distributed to the hinterland. The city is highly populated and has many industries due to its access to the sea. There are many large markets in Oyingbo, Mushin, Jankara, Idumota, Oshodi which make Lagos one of the busiest commercial cities in tropical Africa.
2. **Ibadan:** This is one of the largest cities in tropical Africa. The location of Ibadan is close to Lagos which is a major seaport and commercial nerve centre of the country. Its accessibility to the north

and south of the country makes the town a break of bulk point. Goods from the forest region such as Ondo, Ekiti, Ogun, Oyo are assembled in Ibadan before they are transferred to other states in the East and North of the country. Similarly, goods from the north are distributed to the western and eastern states from Ibadan. Ibadan has many industries and markets like Bodija, Oritamerin, Gbagi where foodstuffs, textiles and manufactured goods are sold.

3. **Onitsha:** The position of Onitsha helps to make it a major commercial city. Onitsha is a local town connecting important towns in the north, west and east. It has a river port and a large daily market. It is a collecting centre for palm produce.
4. **Aba:** This is an important commercial centre in Eastern Nigeria. It has many industries and markets such as the Ariara market.
5. **Port Harcourt:** It is an important seaport. It has several industries such as oil refinery and petrochemical industry.
6. **Kano:** Commercial activities in Kano predates the colonial period. It was an important centre for trans-Saharan trade and crafts production. The city has a high population, markets and industries.

Other important commercial centres include Benin, Kaduna, Sokoto, Warri, Abeokuta and Yola.

### **13.7 Importance of Commercial Activities**

- Source of income to traders
- Source of revenue to the government
- It makes goods available where they are not produced
- It fosters regional integration
- Development of transport infrastructures
- Source of foreign exchange

- Provides employment to a large number of people

## **Summary**

- Commercial activities can be classified into three groups: trade, communication and transportation.
- Trade is the buying and selling or exchange of goods and services.
- There are two types of trade: internal and international trade.
- International trade consists of local trade, rural-urban trade and inter-regional trade.
- Factors that encourage internal trade in Nigeria include differences in products between regions, good transportation network, demand for product, common currency, presence of different minerals in different places, differences in local technology, etc.
- Factors limiting trade in Nigeria include unfavourable climate, similarity of products, high rate of rural-urban migration, pests and diseases, poor transportation network in rural areas, inter-community strife, political instability and long distance between points of production and points of sale.
- Goods trade between Nigeria and her foreign partners are consumer goods and capital goods.
- Other types of trade in Nigeria include: capital market, Foreign Currencies Exchange Market (FOREX) and the stock exchange.
- Major commercial areas in Nigeria include Lagos, Ibadan (Southwest), Onitsha, Aba, Owerri and Enugu (Southwest), Port Harcourt and Calabar (South-south), Kano, Kaduna, Jos and Markurdi (North Central).
- Commercial activities are important to Nigeria's economy as it constitutes a source of income to traders and government. It fosters



regional integration, sources of foreign exchange, provides employment to people and makes goods available for local consumption.

### **Objective Questions**

1. Which of these is not a form of trade?  
A. Local trade B. Regional trade C. Port trade D. Capital market
2. Trade between Nigeria and France is called  
A. local trade B. external trade C. country-country trade D. forex trade
3. Which of these factors encourage trade between Oyo and Kano State?  
A. Differences in products  
B. Rural-urban migration  
C. Presence of tsetse fly in Oyo State  
D. Presence of Markets
4. Commodities of internal trade include all the following except  
A. yams B. kolanut C. cars D. palm oil
5. Which of these is not a consumer good?  
A. Textiles B. Vehicles C. Soft drinks D. Detergents
6. Nigeria's imports consist mainly of  
A. detergents B. beverages C. chemicals D. machines
7. Nigeria sells oil to these countries except  
A. Saudi Arabia B. U.S.A C. Germany D. France
8. Companies can obtain long term funds from  
A. forex B. capital market C. gbagi market D. Ariara market
9. In which of these markets is currencies sold/bought?  
A. Stock market B. Capital market C. Forex D. Bureau de change
10. Which of these is not a major commercial town?

A. Onitsha B. Lagos C. Jalingo D. Kaduna

### **Essay Questions**

- 1a. What is internal trade?
- b. Name four commodities of internal trade
- 2a. Explain four factors that encourage internal trade.
- b. Highlight four problems of internal trade
3. State five benefits of trade to Nigeria.
4. List five trade partners of Nigeria and the commodities exchanged.
5. Briefly explain the following:  
(a) Capital market      (b) Forex