How to Get a Microfinance Bank License in Nigeria: A Simple Step-by-Step Guide

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Description

Getting a Microfinance Bank (MFB) license in Nigeria means you can legally offer small-scale banking services, like savings, loans, and money transfers, to people who are often left out of traditional banks. To qualify, you must meet one of three paid-up capital thresholds: ₦20 million (Unit), ₦100 million (State), or ₦2 billion (National), and pay non-refundable application fees of ₦50,000, ₦100,000, or ₦250,000 respectively plus licensing fees of ₦250,000, ₦500,000, or ₦1,000,000. The full process, from submitting your first documents to getting your final operating license, typically takes about 6–9 months.

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1. What Is a Microfinance Bank and Why You Need a License

A **Microfinance Bank** is a financial institution licensed by the Central Bank of Nigeria to provide small-sum savings, micro-loans, and money-transfer services to people and small businesses who cannot access regular banks.
Holding a license ensures you operate under clear rules, protects your customers, and gives your business credibility.

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2. Types of MFBs & Minimum Paid-Up Capital

Category	Scope	Paid-Up Capital
Unit MFB	One location	₦20 million
State MFB	One State/FCT	₦100 million
National MFB	All Nigeria	₦2 billion

3. Fees & Stamp Duty

Fee Type	Unit	State	National	Notes
Application Fee	₦50,000	₦100,000	₦250,000	Non-refundable
Licensing Fee	₦250,000	₦500,000	₦1,000,000	Paid after Approval-in-Principle (AIP)
Stamp Duty on Shares	0.75% of capital	0.75% of capital	0.75% of capital	Payable to State Stamp Duty Office

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4. Step-by-Step Application Process

4.1 Pre-licensing Presentation

Before you apply, present your business idea to the CBN in a **short briefing** called a pre-licensing presentation.

4.2 Formal Application & Approval-in-Principle (AIP)

1. **Submit Application**
    - Write to the CBN Governor stating which MFB category you want.
    - Attach proof of payment of your application fee.

2. **Deposit Share Capital**
    - E-pay the full paid-up capital into the CBN's escrow account; you will get it back with interest once licensed.
3. **Document Checklist**
    - Detailed business plan & feasibility report
    - Draft Memorandum & Articles of Association
    - CAC name reservation
    - CVs and IDs for promoters, board, and key management
    - Certificate of Capital Importation (if using foreign funds)
4. **CBN Review**
    - The CBN checks completeness, reviews documents, may visit your office.
5. **AIP Issued**
    - If all is well, you get an Approval-in-Principle (AIP) document, allowing you to register with CAC.

4.3 Final License Application

1. **CAC Registration**

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- Incorporate your bank using the exact details on your AIP.

2. **Submit Final Docs**
   - Certified CAC certificate, share certificates, proof of licensing fee payment, office lease, etc.
3. **CBN Inspection**
   - CBN physically inspects your premises and IT systems.
4. **License Issued**
   - Upon satisfactory inspection, the CBN grants your final operating license.
   - If declined, CBN refunds your escrowed capital deposit.

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5. Typical Timeline

- **AIP Processing:** At least 90 days from complete application.
- **Final License:** 3–6 months after AIP, depending on inspection schedules .
- **Total:** Plan for **6–9 months** end-to-end.

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6. Common Misconceptions

Myth	Reality

“The application fee will be refunded.”	No, the application fee is non-refundable even if your application is rejected.
“I can borrow the capital from a bank.”	Capital must be fully paid-up from your own or investor funds, not loans from other banks.
“Foreign funds don’t need CBN approval.”	All foreign capital must be evidenced by a Certificate of Capital Importation.
“I start business immediately after CAC.”	You must pass CBN’s final inspection before opening for business.

7. FAQs (Curated from “People Also Ask”)

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1. **How much money do I need to start an MFB?**
   You need ₦20 million (Unit), ₦100 million (State), or ₦2 billion (National) as paid-up capital.

2. **What fees do I pay the CBN?**
   Pay a non-refundable application fee (₦50k/₦100k/₦250k), a licensing fee (₦250k/₦500k/₦1m), and stamp duty at 0.75% of capital.

3. **How long does approval take?**
   Expect 3 months for Approval-in-Principle and another 3–6 months for the final license.

4. **Can I use borrowed money as capital?**
   No. All paid-up capital must come from bona fide investor funds, not from loans.

5. **Do I need to incorporate with CAC first?**
   No. You get your AIP *before* final CAC registration. Use your AIP to register exactly with the CAC.

6. **Can non-Nigerians apply?**
   Yes, foreign investors must obtain a Certificate of Capital Importation and meet the

same capital thresholds.

8. Conclusion

By following these clear steps, meeting capital rules, paying the right fees, submitting the correct documents, and passing CBN inspections, you will have everything you need to secure your Microfinance Bank license in Nigeria. Keep this guide handy as your go-to roadmap to launch a trusted financial institution serving millions of underserved Nigerians.

Category

1. Industry Insights

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