

How to Obtain a License for Development Finance Institutions (DFIs) in Nigeria (2026 Complete Guide)

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Description

Introduction

Development Finance Institutions (DFIs) play a pivotal role in driving economic growth by providing long-term financing to critical sectors such as agriculture, infrastructure, MSMEs, and industrial development. In Nigeria, the licensing and regulation of DFIs is strictly governed by the Central Bank of Nigeria (CBN), under the **Regulatory and Supervisory Guidelines for Development Finance Institutions**.

If you are looking to establish or advise on obtaining a DFI license in Nigeria, this comprehensive, guide provides **everything you need,** from eligibility and capital requirements to application procedures, costs, timelines, and common pitfalls.

This article is built strictly from official regulatory frameworks issued by the CBN.

What is a Development Finance Institution (DFI)?

A Development Finance Institution (DFI) is a specialised financial institution created to provide **long-term funding for economic development projects** that traditional banks

may consider too risky or long-term.

According to the CBN framework:

- DFIs are licensed and supervised by the apex bank
- They operate under strict prudential guidelines
- They are designed to **bridge financing gaps in key sectors**

Types of DFIs in Nigeria

The CBN categorises DFIs into two major types:

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Type	Description
Wholesale DFI (WDFI)	Provides funding to other financial institutions (PFIs)
Retail DFI (RDFI)	Provides financing directly to end-users

These categories are expressly recognised under the CBN regulatory framework .

Minimum Capital Requirements for DFI License

One of the most critical requirements is capital.

DFI Type	Minimum Paid-up Capital
Wholesale DFI	₦100 Billion
Retail DFI	₦5 Billion

These thresholds were established by the CBN to ensure only serious and well-capitalised institutions operate in the sector .

Legal Framework Governing DFI Licensing

To obtain a DFI license, applicants must comply with:

- **CBN Regulatory and Supervisory Guidelines for DFIs**
- **Banks and Other Financial Institutions Act (BOFIA)**
- **CBN Prudential Guidelines**

The CBN has the statutory authority to:

- License DFIs
- Determine capital requirements
- Regulate and supervise operations

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Requirements for Obtaining a DFI License in Nigeria

Below is a **comprehensive list of requirements** derived from the CBN guidelines.

1. Corporate Documentation

Applicants must submit:

- Certificate of Incorporation
- Memorandum & Articles of Association (MEMART)
- CAC Forms or Status Report (shareholding structure)

2. Ownership & Governance Structure

- Detailed ownership structure
- Board composition and profiles
- Evidence of “fit and proper” directors

3. Capital Requirements

- Evidence of minimum capital (as applicable)
- Bank statements or proof of funds

4. Business Plan

A robust business plan must include:

- Target sectors
- Risk management strategy
- Financial projections
- Development impact strategy

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5. Financial Records

- Audited financial statements (where applicable)
- Source of funds declaration

6. Operational Framework

- Internal control systems
- Corporate governance framework
- IT systems and infrastructure

7. Additional Regulatory Documents

- Feasibility study
- Compliance with AML/CFT regulations
- Evidence of tax compliance

CBN explicitly requires documents such as MEMART, audited financials, and capital compliance evidence before granting approval .

Step-by-Step Process to Obtain a DFI License

The licensing process typically follows **three major stages**:

Stage 1: Pre-Application Engagement

- Engage with the CBN
- Conduct feasibility study
- Prepare business plan

Outcome: Readiness for formal application

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Stage 2: Application for Approval-in-Principle (AIP)

Submit a formal application to the CBN including:

- All required documents
- Business plan
- Evidence of capital

The CBN will:

- Review application
- Conduct due diligence
- Assess promoters' credibility

Stage 3: Grant of Approval-in-Principle

If successful:

- CBN issues AIP
- Applicant proceeds to set up operational structure

Stage 4: Pre-Operational Requirements

Before final license:

- Office setup inspection
- Staff recruitment
- System installation
- Final capital verification

Stage 5: Final License Grant

After compliance:

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- CBN issues **Final Operating License**
- Institution can commence operations

Licensing Timeline

Stage	Estimated Duration
Pre-application	1–3 months
AIP processing	3–6 months
Final licensing	3–6 months

Total Estimated Timeline: 6–12 months

Costs of Obtaining a DFI License in Nigeria

While the CBN guidelines emphasise capital requirements, the total cost includes:

1. Statutory Costs

- Application fee (varies)
- Licensing fee
- Regulatory compliance costs

2. Capital Cost

- ₦5 Billion – ₦100 Billion (depending on type)

3. Professional Costs

- Legal fees
- Financial advisory
- Compliance consulting

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4. Operational Setup

- Office infrastructure
- IT systems
- Staff recruitment

Key Regulatory Conditions After Licensing

Once licensed, DFIs must comply with:

- Capital adequacy ratios
- Reporting obligations
- Risk management standards
- Corporate governance codes

The CBN continuously supervises DFIs to ensure compliance and financial stability .

Common Mistakes Applicants Make

1. Underestimating Capital Requirements

Many promoters fail to meet the ₦5B/₦100B threshold.

2. Weak Business Plan

CBN places strong emphasis on development impact.

3. Poor Governance Structure

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Unqualified directors can lead to rejection.

4. Incomplete Documentation

Missing regulatory documents delays approval.

Frequently Asked Questions (FAQs)

1. Who issues DFI licenses in Nigeria?

The Central Bank of Nigeria is the sole licensing authority.

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2. Can individuals apply for a DFI license?

No. Applications must be made through a **registered corporate entity**.

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3. What is the minimum capital for a DFI?

- ₦5 Billion (Retail DFI)

- ₦100 Billion (Wholesale DFI)

4. How long does it take to get a DFI license?

Typically **6–12 months**, depending on compliance.

5. Can foreign investors own a DFI?

Yes, subject to Nigerian corporate and CBN regulations.

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6. Is a DFI the same as a bank?

No. DFIs focus on **development financing**, not retail banking.

Common Misconceptions About DFI Licensing

“DFIs are just like commercial banks”

Not true. DFIs have **development mandates**, not profit-first models.

“You only need CAC registration”

Wrong. CBN licensing is mandatory.

“Capital can be raised after approval”

Incorrect. Proof of capital is required **before licensing**.

Strategic Tips to Secure Approval Faster

- Engage regulatory experts early
- Ensure capital is verifiable and clean
- Build a strong governance team
- Align your model with national development priorities

Conclusion

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Obtaining a DFI license in Nigeria is a **highly regulated but rewarding process**. With the right capital, structure, and compliance strategy, promoters can position themselves at the centre of Nigeria's economic transformation.

The Central Bank of Nigeria ensures that only credible institutions operate in this space, making preparation and compliance non-negotiable.

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