



CENTRAL BANK OF NIGERIA

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CIRCULAR TO ALL MICROFINANCE BANKS

REVIEW OF MINIMUM CAPITAL REQUIREMENT FOR MICROFINANCE BANKS IN NIGERIA

Given the role of microfinance banks in economic growth and development, the Central Bank of Nigeria (CBN) introduced the Microfinance Policy, Regulatory and Supervisory Framework on December 15, 2005 (revised in 2011). The key focus of the policy was, among others, to increase financial inclusion rate in the country; improve access to financial services for the active rural poor; and pursue poverty eradication.

The microfinance banking sub-sector, in pursuit of the above objectives, had been contending with such challenges as inadequate capital base, weak corporate governance, ineffective risk management practices, dearth of requisite capacity and mission drift. The CBN has reviewed the state of health of the sub-sector and is of the view that microfinance banks, as presently constituted, would be unable to meet the critical targets set out in the Microfinance Policy, hence the need for specific reforms to strengthen the sub-sector and reposition microfinance banks towards improved performance.

Consequently, the CBN, in exercise of the powers conferred on it by the Banks and Other Financial Institutions Act and in furtherance of its mandate to promote a sound financial system in Nigeria, hereby increases the minimum capital requirement of microfinance banks as follows:

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|-------------------------------|--|
| 1) Unit Microfinance Bank | ₦200,000,000 (Two hundred million Naira) |
| 2) State Microfinance Bank | ₦1,000,000,000 (One billion Naira) |
| 3) National Microfinance Bank | ₦5,000,000,000 (Five billion Naira) |

To meet these requirements, existing microfinance banks are expected to explore the possibility of mergers and acquisitions and/or direct injection of funds. The Revised Regulatory and Supervisory Guidelines for Microfinance Banks, Code of Corporate Governance for Microfinance Banks and sector-specific Prudential Guidelines for Microfinance Banks would be issued in due course.

Institutions that meet the capital requirements as well as demonstrate the existence of strong corporate governance in their operations would be allowed to open account at the CBN office within their state of operation. Such institutions would also be channels for micro funding activities of the CBN and the Development Bank of Nigeria.

The new minimum capital requirement takes immediate effect for new applications while existing microfinance banks shall be required to FULLY comply with effect from April 01, 2020.



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