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THE CORPORATE AFFAIRS COMMISSION: REGULATORY OVERSIGHT AND BUSINESS GROWTH INCENTIVES

Onyeka Christiana Aduma[1]

Abstract

This study examines the effectiveness of Nigeria's Corporate Affairs Commission (CAC) in balancing regulatory oversight with the need to promote business growth and investment incentives. The core objective of the study is to evaluate whether the regulatory powers and administrative practices of the CAC adequately ensure corporate accountability, transparency, and compliance without creating undue barriers to business formation and expansion. The research is driven by the problem of increasing regulatory demands and compliance costs which, while intended to strengthen corporate governance, may discourage entrepreneurship, particularly among small and medium-sized enterprises. Using a doctrinal research methodology, the study critically analyses the provisions of the Companies and Allied Matters Act 2020 as the primary legal framework governing corporate regulation and business operations in Nigeria. The findings show that CAC reforms under CAMA 2020, particularly digital registration and simplified post-incorporation filings, have improved efficiency, transparency, and investor confidence in Nigeria's corporate system. However, regulatory rigidity, overlapping compliance requirements, and limited institutional capacity continue to restrict business growth and formalisation. The study recommends a more coordinated regulatory approach that combines enforcement with supportive measures. The CAC should strengthen public awareness programmes to help businesses, especially start-ups and small enterprises, understand their compliance obligations.

Keywords: Balancing, CAC, Effectiveness, Business Growth Incentives, Regulatory Oversight

1. Introduction

The connection between corporate regulation and economic development holds the centre stage in the governance of the contemporary market economies. The regulatory authorities, which are tasked with the regulation of companies, have to both maintain accountability and transparency standards and at the same time create an atmosphere that will allow business to thrive. This twin mandate is primarily imposed on the Corporate Affairs Commission,[2]a statutory body that regulates the establishment, registration and operation of companies, business names and incorporated trustees in Nigeria.[3] With these functions, the CAC will decide who is allowed to engage in the marketplace formally, on what terms and how transparent the process will be. There is tension inherent in this gatekeeping role: the need to have strong regulatory supervision and the equally strong need to lower barriers to entry, formalise informal businesses and spur economic growth. As noted by scholars, regulatory bodies like the CAC have to operate not only as

[1] **Onyeka Christiana Aduma**, LLB, BL, LLM, PhD, Head of Department of Commercial and Industrial Law, Faculty of Law, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria, Email: co.aduma@unizik.edu.ng. Phone No: 08038725994

[2] Hereinafter referred to as CAMA 2020

[3] ibid, s 8.

supervisory institutions, but also as facilitators of economic activity, by simplifying the process of registration, and fostering corporate transparency.[4]

Recent trends in the CAC indicate a strong attempt to balance these goals with a mix of technological innovation, enforcement activism and focused incentives to Micro, Small and Medium Enterprises (MSMEs). It is reported that the implementation of artificial intelligence and automated processes by the CAC has allowed registering up to 10,000 businesses per day, which significantly has reduced the time of processing and the level of human interventions in the registration process.[5] At the same time, CAC has shown a more than ever-before readiness to exercise its enforcement authority. As of 2025, the CAC deregistered more than 400,000 dormant and non-compliant businesses, in the process of a detailed cleaning up of the national corporate register to remove shell companies and have only active businesses listed on the database.[6] Another aspect that the CAC has operationalised is a beneficial ownership register which makes Nigeria a continental leader in the disclosure of ownership and therefore increase transparency in the war against money laundering and financial crimes.[7] In addition, enforcement has been moderated through the intentional interventions in favour of the formalisation of business. The CAC helped to register 250,000 entrepreneurs free of charge in partnership with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) with a specific aim of lowering the cost of formalisation and increasing the number of people taking part in the regulated economy.[8]
These advancements raise some fundamental questions as to whether the CAC has managed to strike the right balance between regulation and incentive by properly regulating its regulatory roles. Analysis is made on the assumption that regulatory performance cannot be gauged by the amount of enforcement efforts or the rate of registration, but rather by how much the regulatory system builds trust, predictability, and economic inclusion.

2. Historical Background of the Corporate Affairs Commission

The history of the CAC can be traced back to the evolution of Nigeria out of a colonial administrative system of company regulation into a more modern and independent company regulation system. Prior to its establishment, corporate regulation in Nigeria was regulated by the Companies Act 1968 which was largely influenced by English company law. Company registration and supervision under this regime was performed by the Registrar of companies,

[4] A Ibrahim, 'The Role of the Corporate Affairs Commission in Regulating Business Practices in Nigeria', *EBSU International Journal of Legal Studies and Practice*, (2025) 1(1),

[5] RegTech Africa, 'Nigeria: CAC Launches AI-Powered Business Registration Portal To Revolutionize Corporate Services' <http://regtechafrica.com/nigeria-cac-launches-ai-powered-business-registration-portal-to-revolutionize-corporate-services/> accessed 9 February 2026.

[6] A Nnamani 'CAC Wipes out 400,000 Firms as it Cleans up Company Register' https://thesun.ng/cac-wipes-out-400000-firms-as-it-cleans-up-company-register/> accessed 9 February 2026

[7] U Ugoji and others, 'The Beneficial Ownership Register: Implementing the Financial Action Task Force's Recommendations on Money Laundering and Terrorism Financing in Nigeria' (World Services Group, December 2023) <https://worldservicesgroup.com/publications.asp?action=article&artid=26774> accessed 9 February 2026

[8] Small and Medium Enterprises Development Agency of Nigeria, 'Free Business Registration: SMEDAN and CAC Partner to Provide Free Business Registration for 250,000 MSMEs' < https://smedan.gov.ng/smedan-cac-free-registration-for-msmes/> accessed 9 February 2026

which is part of the Federal Ministry of Trade.[9] This structure however was not sufficient to support a growing economy as it was marked by bureaucratic delays, lack of capacity to enforce and lack of record management. Studies have noted that the system in place before 1990 was not an institutionally independent and efficient system hence deterring investment and corporate responsibility.[10]

The shortcomings of the 1968 regime were further revealed in the economic reforms in Nigeria in the late 1980s as the government attempted to open up the economy and encourage foreign investment. Those reforms pointed to the necessity of more effective and transparent corporate regulation system.[11] As a result, the CAMA 1990 came into force, bringing a paradigm shift in the institutions. Section 1 of the Act made the CAC a statutory independent body while section 7 gave it far-reaching authority to control formation, incorporation, management and dissolution of companies and a central registry of corporate bodies. This reform introduced a shift in ministerial control to specialised regulatory agency model, which is in agreement with the international best practices in corporate governance. Formation of the CAC was thus not an administrative act but rather an intentional policy move to modernise the corporate legal framework in Nigeria. The Act sought to increase efficiency, improve transparency and investor confidence by centralising corporate registration and oversight in an independent body. The establishment of the Corporate Affairs Commission (CAC) is widely regarded as a key development in the reform of Nigeria's corporate legal and regulatory framework.[12]

In spite of these reforms, there were initial problems of operation. Empirical studies indicate that in its early years, the Corporate Affairs Commission (CAC) in Nigeria encountered major operational constraints, such as weak infrastructure, manual record-keeping systems, and limited technical expertise, all of which significantly reduced its efficiency.[13]These organizational shortcomings implied that as the CAC enhanced the formal aspects of corporate regulation, inefficient practices still plagued services delivery. The following significant step in the development of the CAC was achieved through the adoption of the CAMA 2020 that replaced the 1990 Act. The rationale behind this reform was to ensure that the corporate regulatory regime in Nigeria was aligned to the current international standards and improve the ease of doing business. CAMA 2020 kept the CAC as the core regulator, but also increased its authorities, especially those related to digital registration, corporate governance, and disclosure of beneficial ownerships. Section 8 of the Act re-affirmed the functions of CAC, with other provisions

[9] 1 D Nzarga and O Kingsley, 'Corporate Affairs Commission: The Past, Present And Future', International Journal of Business & Law Research, (2019) 7(4), 1

[10] A.A Olawoyin, 'Status and Functions of the Corporate Affairs Commission under Nigerian Law' *Journal of African Law* (1999) 43, 120

[11] OECD, 'Corporate Governance in Developing Economies: Nigeria Case Study' <https://www.oecd.org/corporate/corporate-governance-in-developing-economies-nigeria.pdf> accessed 12 February 2026.

[12] . M N Umenweke, 'The Role of the Corporate Affairs Commission in Investor Protection' Chukwuemeka Odumegwu Ojukwu Univeristy Journal of Commercial and Property Law (COOU -JCPL) (2025) 5(2), 2.

[13] O F Olayinka, 'The Corporate Affairs Commission and the Challenge of Economic Transformation in Nigeria', <https://www.researchgate.net/publication/339000406_The_Corporate_Affairs_Commission_and_the_Challenge_of_Economic_Transformation_in_Nigeria#:~:text=are%20investment%20friendly.-,th,Section%203%20analyses> accessed 12 March 2026

bringing about innovations like single-member companies and electronic filings.[14] Thus, CAMA 2020 reform is a significant expansion upon the previous law.[15]

Judicial decisions have also played a significant role in shaping the historical trajectory of the CAC. In *Magbagbeola v Sanni*, [16] the Supreme Court reiterated that a certificate of incorporation issued by the CAC is the best evidence of incorporation. Such case demonstrate that the development of the CAC has been influenced by the legislative changes as well as judicial interpretation.

3. *CAC's Core Functions

Under Section 8 of CAMA 2020 the CAC was assigned core functions: regulating the formation, incorporation, management, and dissolution of companies, business names and incorporated trustees; enforcing compliance with corporate regulations; and maintaining an accurate and publicly accessible registry of companies across the federation. These statutory functions place the CAC at the center of Nigeria's corporate governance system. It acts as both a registrar of business entities and a regulatory watchdog, tasked with safeguarding public interest while facilitating economic activity.

3.1 Company Registration

The function of company registration remains the foundational responsibility of the CAC within the Nigerian corporate legal system, as it provides the formal legal pathway through which business entities come into existence and acquire recognition under the law. This function is firmly grounded in the CAMA 2020, which expressly states in its explanatory memorandum that it is enacted 'to provide for the incorporation of companies and for related matters'. By this statutory design, incorporation is not incidental but constitutes the core mechanism through which corporate activity is legitimised in Nigeria.

In practice, the process of company registration involves a sequence of legally prescribed steps administered by the CAC, including name reservation, submission of incorporation documents, and verification of statutory compliance. Sections 36 to 41 of CAMA 2020 set out the procedural framework governing incorporation, requiring, among other things, the filing of the memorandum and articles of association, disclosure of directors and shareholders, and compliance with minimum share capital requirements. Upon satisfaction of these requirements, the CAC issues a certificate of incorporation pursuant to Section 41, which operates as definitive proof that the company has been validly formed under Nigerian law.

The legal significance of this certificate is far-reaching, as the Supreme Court in the case of *Ostankino Shipping Co. Ltd. v The Owners, The MT Bata* [17]emphasised that Section 41(6) of the CAMA, 2020 states that a certificate of incorporation shall be prima facie evidence that all the requirements of the Act in respect of registration and matters precedent and incidental to it have been complied with and that the association is a company authorized to be registered and duly

[14] CAMA 2020, s 18(2) & 860

[15]Onyeka C. Aduma, 'Analyzing the Impact of the Innovative Provisions of CAMA 2020 on the Growth and Development of Business in Nigeria', *Awka Capital Bar Journal (ACBJ)* (2024) 3(1) 20.

[16] (2005) 11 NWLR (Pt. 936) 239

[17] (2022) 3 NWLR (Pt. 1817) 367

registered under the Act. This judicial position reinforces the idea that registration is not merely procedural but is the legal act that brings the company into existence.

3.2 Monitoring Compliance with Statutory Obligations

Monitoring compliance with statutory obligations is one of the most significant ongoing responsibilities of CAC under Nigerian company law, because incorporation alone does not guarantee lawful corporate behaviour unless companies continue to meet their legal duties after registration. This continuing supervisory role is anchored in the CAMA 2020, which establishes a system of post-incorporation obligations designed to ensure that companies remain transparent, accountable, and properly regulated throughout their lifecycle. A key element of this system is the requirement for companies to submit annual returns, which serves as a formal update to the CAC on the company's operational status and internal structure. Section 417 of CAMA 2020 specifically requires every registered company to file annual returns with the CAC, while Section 425 provides for sanctions where a company fails to comply, including monetary penalties and potential regulatory action against the company and its officers.[18]

The importance of annual returns goes beyond procedural compliance, as it functions as a verification tool that enables the CAC to maintain an accurate and reliable corporate database. By requiring companies to periodically disclose information about their shareholding structure, directorship, and general status, the law reduces the risk of outdated, inactive, or fraudulent entities remaining on the official register.

The CAC's compliance monitoring function has also expanded into emerging sectors of the economy, particularly financial technology and digital assets. In the fintech space, the Commission has pursued formalisation of Point of Sale (POS) operators, many of whom previously operated outside the formal regulatory system despite handling significant financial transactions. Rather than adopting a purely punitive approach, the CAC has combined enforcement with regularisation strategies that allow operators to enter the formal economy while complying with statutory requirements.[19] This reflects a more adaptive regulatory model that seeks to balance enforcement with inclusion.

In the digital asset and cryptocurrency sector, the CAC has also emphasised the need for regulatory alignment with the Securities and Exchange Commission (SEC), particularly to ensure investor protection and maintain market integrity. This coordinated approach reflects a growing recognition that modern financial regulation requires cooperation between multiple regulatory institutions rather than isolated enforcement by a single agency.

Indeed, monitoring compliance with statutory obligations remains a central function of the CAC and plays a critical role in sustaining corporate accountability in Nigeria. Through mechanisms such as annual returns, continuous disclosure requirements, and integrated enforcement with financial institutions, the Commission seeks to ensure that companies operate transparently and in

[18] CAMA, s 425

[19] Nigeria's Corporate Affairs Commission (CAC) has ordered all point-of-sale (PoS) operators to register their businesses before January 1, 2026, or risk having their terminals seized. See **Techcabal, '**CAC to shut down unregistered PoS operators from January 2026'<https://techcabal.com/2025/12/06/cac-to-shut-down-unregistered-pos-operators/> accessed 20 February 2026

accordance with the law. Nevertheless, the effectiveness of this system ultimately depends on achieving a careful balance between strict enforcement and practical accessibility, particularly in a regulatory environment that continues to evolve alongside economic and technological developments.

3.2 Maintenance of Corporate Records

Maintenance of corporate records is a core and continuing responsibility of the CAC under Nigerian company law, because the effectiveness of corporate regulation depends not only on the act of incorporation but also on the continuous accuracy and reliability of information contained in the corporate register. This responsibility is firmly grounded in the CAMA 2020, which establishes a structured system for the creation, updating, and preservation of corporate data relating to registered entities. In particular, Sections 109 and 301 of CAMA 2020 require companies to keep register of members and register of directors' interests, while Section 417 obliges them to submit annual returns to the CAC, thereby enabling CAC to maintain an updated and verifiable registry of corporate entities.

The importance of maintaining accurate corporate records lies in its contribution to transparency and accountability within the business environment. When corporate information is properly recorded and regularly updated, it becomes easier for regulators, investors, financial institutions, and the public to confirm the legal status and internal structure of companies operating in Nigeria. This reduces uncertainty in commercial transactions and strengthens trust in formal business operations. Academic literature on corporate governance reform in developing economies supports this position, noting that reliable corporate registries are essential for reducing information gaps and limiting the misuse of corporate structures for illicit purposes.[20]

In recent years, the CAC has improved its records management function through digital transformation. The introduction of electronic filing systems and the Company Registration Portal has enabled faster updating and easier access to corporate information, reducing reliance on manual record-keeping processes. Studies on regulatory modernization confirm that digital registry systems improve efficiency and reduce administrative delays by allowing real-time updates and improve data verification.[21]

Despite these improvements, challenges still exist in maintaining fully accurate and consistent corporate records. Research, including findings from studies by Adegbite, shows that regulatory bodies in developing countries like Nigeria often struggle with infrastructural limitations such as frequent system outages which reduce their operational effectiveness.[22] These challenges can lead to gaps between actual corporate activity and what is reflected in official records, thereby reducing the effectiveness of regulatory oversight.

[20] S Fantoni and F Meunier, 'Why Economies should Invest in Transparency of Information on Company'<https://blogs.worldbank.org/en/developmenttalk/why-economies-should-invest-transparency-information-company data#:~:text=Transparent%20business%20registries%20reduce%20information,and%20corruption%2C%20and%20increases%20investment>. accessed 20 February 2026

[21] K G Mandiri, 'Company Registration System: 8 Features and Examples' <https://kejoragasbumi.com/company-registration-system/> accessed 20 February 2026

[22] E Adegbite, 'Corporate Governance Regulation in Nigeria' Corporate Governance: The International Journal of Business in Society, (2012) 12(2) 257.

3.3 Enforcement of Corporate Governance Standards

Enforcement of corporate governance standards is a key regulatory responsibility of the CAC under Nigerian company law, because it ensures that companies are not only properly incorporated but also continue to operate in accordance with legal requirements on transparency, accountability, and responsible management. This enforcement role is grounded in the CAMA 2020, which expands the CAC's mandate beyond company registration to include ongoing supervision of corporate conduct and compliance with statutory governance obligations. In particular, Sections 417, 425, and 692 of CAMA 2020 empower the Commission to require annual returns, impose sanctions for default, and remove companies that consistently fail to comply with regulatory requirements, thereby establishing a structured system for enforcing corporate discipline.

The enforcement of governance standards is important because it ensures that companies regularly provide updated information about their operations, ownership, and management structure. This continuous disclosure framework helps reduce opacity in corporate activity and strengthens trust among investors, creditors, regulators, and the wider public. It also discourages the existence of inactive or improperly managed companies within the corporate registry.

A major aspect of CAC enforcement involves monitoring compliance through annual return filings. Section 417 of CAMA 2020 requires every company to file annual returns to confirm its continued existence and compliance status. Where companies fail to meet this obligation, penalties may be imposed, and persistent default may lead to removal from the register.[23] This system allows the CAC to maintain an updated corporate database that reflects the actual status of registered entities. In addition to statutory filing requirements, the CAC has increasingly strengthened enforcement through cooperation with financial institutions. Under this approach, banks are required to restrict services to companies that fail to comply with basic corporate obligations, including inactive companies.[24] This creates a practical incentive structure where non-compliance affects not only legal status but also access to essential financial services.

The CAC's enforcement of governance standards has also expanded into emerging sectors of the economy, particularly financial technology and digital financial services. In this area, the CAC has adopted a regulatory approach that combines enforcement with formalisation, especially for Point of Sale (POS) operators and small-scale fintech businesses that previously operated outside the formal regulatory framework. Instead of relying solely on sanctions, the CAC has created pathways for these operators to register and comply with legal requirements, thereby encouraging inclusion within the formal economy.[25] The CAC has also encouraged alignment with the

[23] CAMA, s 425.

[24] Daily Trust, 'Stop Allowing Inactive Companies to Transact Business, CAC Warns Banks'https://web.facebook.com/100064638796212/posts/the-corporate-affairs-commission-cac-has-warned-commercial-banks-to-stop-permitt/1340793771418570/?_rdc=1&_rdr#> accessed 5 March 2026

[25] The Insightz, 'CAC Moves to Enforce Mandatory Registration for POS Operators Nationwide, Sanction FinTechs' <https://insights.leedgate.com/cac-moves-to-enforce-mandatory-registration-for-pos-operators-nationwide-sanction-fintechs/>accessed 18 April 2026

regulatory framework of the Securities and Exchange Commission (SEC), particularly in relation to investor protection and market stability in digital asset activities.[26]

Thus, the enforcement of corporate governance standards by the CAC is central to maintaining order, transparency, and accountability within Nigeria's corporate environment. Through mechanisms such as annual return requirements, sanctions for non-compliance, integration with financial institutions, and sector-specific regulatory engagement, the Commission seeks to ensure that companies operate in accordance with the law throughout their existence. However, the overall effectiveness of this enforcement framework depends on balancing strict regulatory control with fairness, while also strengthening institutional capacity and technological systems to support consistent and reliable implementation.

4. Business Growth Incentives Introduced by the CAC

The business growth incentives introduced by the CAC reflect a clear policy shift from treating company registration merely as a formal regulatory requirement to using it as a strategic mechanism for stimulating economic growth and promoting business formalisation in Nigeria. This approach is grounded in the reforms introduced by the CAMA 2020, which modernised Nigeria's corporate legal framework by incorporating flexible, technology-driven, and business-friendly provisions aimed at reducing entry barriers while maintaining regulatory control, particularly under section 18(2) which permits the formation of single-member companies. The underlying rationale for these reforms is the widely accepted principle that the ease of doing business is closely tied to the efficiency, cost, and accessibility of business registration processes, a position supported by Djankov *et al*., which demonstrates that simplified regulatory procedures significantly enhance entrepreneurial activity.[27] In practical terms, the CAC operationalised this objective through the introduction of the Company Registration Portal (CRP), which allows for fully digital incorporation without the need for physical documentation, thereby automating processes such as name reservation, document verification, and approval, and significantly reducing administrative bottlenecks.[28]

In addition to legislative reform, the CAC's adoption of digitalisation has played a crucial role in streamlining company registration procedures by enabling applicants to complete incorporation remotely, thus reducing face-to-face interactions and administrative delays. However, despite these improvements, practical challenges continue to affect the effectiveness of the system, as studies on regulatory reforms in emerging economies indicate that legal innovation often progresses faster than institutional capacity, leading to inefficiencies in implementation.[29]These challenges manifest in delays, technical glitches, and inconsistencies in processing, which ultimately reduce user confidence in the system. Furthermore, while formal registration provides benefits such as limited liability and access to formal finance, the indirect costs and procedural complexities associated with the process may discourage small and informal businesses from

26 FinTechNGR, 'Nigeria's ISA 2025: Key Takeaways from FinTechNGR's Stakeholder Engagement with the SEC> accessed 18 April 2026

[27]S Djankov and others., 'The Regulation of Entry' *Quarterly Journal of Economics* (2002) 117(1),1

[28] CAC, 'Company Registration'<https://cac.gov.ng/services/company-registration> accessed 18 April 2026

[29]L Klapper, L Laeven and R Rajan, 'Entry Regulation as a Barrier to Entrepreneurship' *Journal of Financial Economics* (2006) 82(3), 591

participating, thereby highlighting the CAC's dual responsibility as both regulator and facilitator of economic activity.

The integration of artificial intelligence into the CAC's registration system represents a further step toward enhancing efficiency and simplifying the procedure for business name reservations and registrations.[30] This technological advancement has contributed to measurable improvements in Nigeria's business environment, as reflected in its ranking of 131st out of 190 countries in the World Bank's 2020 Doing Business Index, representing a 15-place improvement from its 146th position in the previous year.[31]

Moreover, as a direct business incentive, the CAC has implemented targeted initiatives such as free business registration programmes in collaboration with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), specifically designed to lower the financial barriers to entry for micro and small-scale entrepreneurs, enhance participation in the formal economy, and promote inclusive economic growth.[32]These initiatives recognise that cost remains a significant deterrent to formalisation, particularly in a largely informal economy. Additionally, CAMA 2020 provides simplified compliance requirements for small companies, including exemptions from appointing company secretaries[33] and, in certain cases, from mandatory audits,[34] thereby reducing regulatory burdens.

Overall, while the CAC's reforms represent a significant improvement in Nigeria's corporate regulatory environment, their long-term success depends on strengthening institutional capacity, improving system reliability, and ensuring that regulatory measures remain accessible and supportive of business growth.

5. Regulatory Oversight of the Corporate Affairs Commission

The regulatory oversight exercised by CAC under the CAMA 2020 reveals a framework that is normatively strong but uneven in practical implementation, particularly with respect to the requirement for annual returns under section 417. While the statutory scheme clearly places compliance duties on companies and extends potential liability to directors and officers, enforcement has not always reflected this breadth; as noted in a regulatory briefing by Banwo and Ighodalo, although section 425 of CAMA 2020 provides that both the company and its officers may be sanctioned for late filing of annual returns, the CAC has traditionally focused enforcement primarily on corporate entities, thereby diminishing the intended deterrent impact of

[30] Guardian Nigeria, 'CAC unveils AI-powered portal for faster company registrations'<https://guardian.ng/news/nigeria/national/cac-unveils-ai-powered-portal-for-faster-company-registrations/> accessed 5 March 2026

[31] Oil & Gas Free Zones Nigeria, 'Nigeria Moves up 15 Places to 131 in World Bank Doing Business Ranking for 2020> https://ogfza.gov.ng/nigeria-moves-up-15-places-to-131-in-world-bank-doing-business-ranking-for-2020/> accessed 5 March 2026

[32] SMEDAN, 'Free Business Registration: SMEDAN and CAC Partner to Provide Free Business Registration for 250,000 MSME' <https://smedan.gov.ng/smedan-cac-free-registration-for-msmes/ s> accessed 5 March 2026

[33] CAMA, s 330

[34] Ibid, s 402.

personal liability.[35] This gap between the legislative design and its enforcement suggests that accountability mechanisms within corporate governance are not fully realised in practice, which in turn weakens compliance incentives.

A notable reform in the CAC's oversight structure is the creation of Nigeria's Open Central Register of Persons with Significant Control, launched on 25 May 2023,[36] alongside the Persons with Significant Control Regulations 2022.[37] This framework mandates companies to disclose their ultimate beneficial owners, thereby promoting greater transparency in corporate ownership. The regime is further reinforced by related statutes, including the Proceeds of Crime (Recovery and Management) Act 2022 and the Money Laundering (Prevention and Prohibition) Act 2022, which together establish a layered compliance system in which failure to disclose beneficial ownership information may attract both regulatory penalties and criminal consequences. In this context, the United Nations Office on Drugs and Crime has observed that Nigeria is increasingly taking a leadership role in advancing the use of beneficial ownership information to facilitate stolen asset recovery, reflecting a broader commitment to transparency and anti-corruption reforms.[3]

Notwithstanding these improvements, certain structural challenges remain evident within the beneficial ownership framework. The reliability of the register is largely contingent on self-reporting by companies, while the verification capacity of the CAC remains limited, thereby raising legitimate concerns about data accuracy. Civil Society Legislative Advocacy Centre has therefore urged regulators to embed beneficial ownership information more effectively within enforcement and compliance systems, particularly as a strategy for addressing corruption, illicit financial flows, tax evasion, and money laundering.[38]

In addition, the CAC's powers under sections 692(3) and (4) of CAMA 2020 to strike off dormant or non-compliant companies illustrate an enforcement approach that combines statutory authority with proactive administrative measures. Following the appointment of Hussaini Ishaq Magaji in October 2023, the CAC undertook an extensive deregistration exercise, removing over 400,000 inactive companies from the register in 2025 for failing to meet regulatory obligations.[5]

Finally, the investigative powers granted to the CAC under section 357 of CAMA 2020 further consolidate its position as the principal corporate regulator, enabling it to appoint inspectors to

[35] Banwo &Ighodalo, 'Corporate Affairs Commission Regulatory Update', <https://www.banwo-ighodalo.com/media-files/2024/01/b78b5bc164d0729ee819f17234d3698e.pdf> accessed 6 March 2026

[36] Pavestoneslegal, 'Anti-Money Laundering: Nigeria's Open Central Register of Persons with Significant Control' <https://pavestoneslegal.com/wp-content/uploads/2023/09/ANTI-MONEY-LAUNDERING-NIGERIAS-OPEN-CENTRAL-REGISTER-OF-PERSONS-WITH-SIGNIFICANT-CONTROL-1.pdf> accessed 6 March 2026

[37] 'Persons with Significant Control Regulations, 2022' <https://news.cac.gov.ng/wp-content/uploads/2023/01/PSC-Regulations-2022.pdf> accessed 10 March 2026

[38] A Azi, 'Civil Society Legislative Advocacy Centre (CISLAC) has called on regulators to integrate beneficial ownership data into their compliance and enforcement frameworks'<https://nannews.ng/integrate-beneficial-ownership-data-into-compliance-enforcement-frameworks-cislac-tells-regulators/#:~:text=Civil%20Society%20Legislative%20Advocacy%20Centre%20(CISLAC)%20has,beneficial%20ownership%20data%20into%20their%20compliance%20and> accessed 10 March 2026

investigate the affairs of companies where necessary. However, the deployment of these powers must remain aligned with constitutional guarantees and principles of administrative law, particularly those relating to due process and procedural fairness, so as to ensure that regulatory actions are both lawful and proportionate.

6. Balancing Oversight and Business Growth Incentives

A critical assessment of the CAC regulatory oversight in Nigeria highlights an enduring tension between its regulatory responsibilities and its role in fostering business growth. Although the enactment of the CAMA 2020 introduced substantial reforms to Nigeria's corporate legal framework, practical experience indicates that improvements in the ease of doing business do not necessarily result in broad-based formalisation or inclusive entrepreneurial expansion.

CAMA 2020 redefines the CAC as a regulator that is both technologically driven and more assertive in enforcement, with wider authority over company incorporation, compliance supervision, and corporate governance. Academic commentary suggests that these reforms were intended to promote transparency, accountability, and fairness in corporate operations while also minimising procedural obstacles associated with business registration.[39] In principle, this positions the CAC at a strategic intersection between regulatory control and economic development.

Both empirical studies and doctrinal analyses indicate that one of the most notable gains under CAMA 2020 is the digital transformation of company registration and reporting systems. This shift is consistent with broader global efforts aimed at improving the ease of doing business by lowering transaction costs and encouraging the transition of informal enterprises into the formal sector. The adoption of electronic filing systems and streamlined incorporation procedures has been widely acknowledged as a meaningful step toward reducing entry barriers, particularly for micro, small, and medium enterprises (MSMEs).[40] This development reflects a conscious movement away from a strictly punitive regulatory approach toward a more facilitative model that promotes voluntary compliance through simplification.

However, from a corporate governance standpoint, the expansion of the CAC's enforcement powers raises concerns regarding proportionality. Measures such as the deregistration of dormant companies are designed to enhance the credibility of the corporate registry, yet they may also produce unintended consequences. An overemphasis on strict compliance, especially in the absence of adequate regulatory guidance and education, could discourage emerging entrepreneurs from entering the formal economy. This concern is particularly relevant in Nigeria, where many informal businesses operate under vulnerable conditions and may perceive regulatory engagement as burdensome rather than supportive.

At the same time, the strengthening of the CAC's supervisory authority remains necessary to address persistent governance challenges, including inadequate disclosure practices and weak accountability structures. By reinforcing corporate transparency and responsibility, CAMA 2020 aligns Nigeria more closely with international corporate governance standards that prioritise

[39] T G Obagboye Tomi Grace and J S Tolulope. 'The Impact of the Companies and Allied Matters Act 2020 on Corporate Governance in Nigeria' African Journal of Law, Political Research and Administration (AJLPRA), (2024) 7(3), 1

[40] K A Muhammad, *Enhancing Corporate Governance in Nigeria: The Impact of CAMA 2020*, https://www.researchgate.net/publication/392626230_Enhancing_Corporate_Governance_in_Nigeria_The_Impact_of_CAMA_2020> accessed 10 March 2026

investor protection and market integrity. In this regard, stricter regulation can enhance investor confidence, which in turn supports sustainable economic growth.

Nonetheless, a fundamental policy question persists: how can the CAC maintain effective enforcement without discouraging participation in the formal sector? Existing literature suggests that regulatory frameworks in developing economies are most effective when they combine enforcement with trust-building strategies, including public education, simplified compliance mechanisms, and targeted incentives for new entrants.[41] Without this balance, reforms that are formally inclusive may, in practice, exclude those they are intended to support.

In essence, the CAC under CAMA 2020 functions as a hybrid institution, acting both as a regulator enforcing corporate discipline and as an agency expected to facilitate business development. While progress has been made in areas such as digitalisation, transparency, and legal reform, the broader impact of these changes on business growth remains limited by structural factors, including the persistence of informality, low levels of regulatory trust, and limited awareness of compliance obligations. The ongoing challenge for Nigeria's corporate regulatory system, therefore, lies not only in sustaining legal reforms but also in ensuring that enforcement strategies are aligned with broader developmental goals that genuinely promote inclusive participation in the formal economy.

7. Conclusion and Recommendations

The CAC has made notable progress in updating Nigeria's corporate regulatory system, particularly through the implementation of CAMA 2020, the introduction of digital registration platforms, and the strengthening of enforcement mechanisms aimed at improving transparency and accountability within corporate structures. These developments have enhanced the speed and convenience of business registration while also improving the reliability of the corporate registry, contributing to a more organised and predictable business environment.

Despite these achievements, the CAC's ability to effectively balance regulatory control with the promotion of business growth remains only partly realised. Although incorporation procedures have become more streamlined and compliance monitoring has improved, these advancements have not sufficiently encouraged the widespread transition of informal enterprises into the formal sector or significantly boosted entrepreneurial expansion. Many small and informal businesses continue to operate outside the regulatory framework due to ongoing challenges such as perceived compliance burdens, concerns about taxation, limited awareness of legal requirements, and low levels of trust in regulatory institutions. This suggests that reforms focused solely on legal frameworks and technology are not enough to achieve inclusive economic participation without addressing deeper structural and behavioural issues.

In addition, while the CAC's more assertive enforcement measures, including the removal of inactive companies from the register, are important for maintaining the credibility of the system, they also raise questions about balance. Where enforcement is prioritised without sufficient emphasis on guidance and support, it may discourage potential entrepreneurs from formalising their activities. This creates a situation in which the regulatory system is effective in maintaining control but less successful in encouraging sustained business development and inclusion.

[41] Obagboye and Tolulope.(n39)

To improve outcomes, a more integrated regulatory approach is required, one that combines enforcement with supportive measures. The CAC should place greater emphasis on public education and awareness initiatives to help businesses better understand their compliance responsibilities, particularly among start-ups and small-scale operators. Introducing a phased or flexible compliance structure for newly registered and micro-enterprises could also reduce initial regulatory pressure while still preserving oversight. Furthermore, strengthening post-registration support through partnerships with relevant institutions would help ensure that businesses are not only registered but are also guided toward long-term sustainability and compliance.

There is equally a need for stronger coordination among regulatory bodies to minimise overlapping obligations and create a more coherent compliance environment across corporate, tax, and sub-national systems. Enforcement strategies should be complemented by mechanisms such as grace periods, corrective compliance opportunities, and early notification systems to encourage voluntary participation rather than deter it. Additionally, evaluating the CAC's performance should go beyond counting the number of registered entities to include broader indicators such as business survival, job creation, access to finance, and sustained compliance over time.

In sum, while the CAC has achieved meaningful progress in reforming corporate regulation and improving administrative processes, its long-term impact will depend on its ability to evolve into a more balanced institution, one that not only enforces compliance but also actively supports and promotes business growth within a sustainable and inclusive economic framework.