NIGERIA'S RECEIVABLES FINANCING BILL: WHAT IT MEANS FOR SMES

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Introduction

For many Nigerian businesses, the constraint on growth is not demand. It is timing. A company can win a strong contract, deliver on it, issue a valid invoice and still wait 30, 60 or 90 days to be paid. In that window, salaries fall due, suppliers must be settled and new orders still need financing. The business is profitable on paper and illiquid in practice.

On June 10, 2026, the Senate concurred with the House of Representatives on the Factoring, Assignments and Receivables Financing Bill, 2026 (the "**Bill**"), clearing the Bill for transmission to the President for assent. Two months on, the Bill has not yet become law. The more useful question, therefore, is not only what the Bill proposes, but what it could mean for businesses and what Small and Medium-Sized Enterprises (**SMEs**) can do while they wait.

The Problem: Revenue Is Not the Same as Liquidity

For businesses that sell on credit, the period between completing a transaction and receiving payment can create a significant working-capital gap.

An SME may have a reputable corporate customer, a confirmed purchase order and a substantial invoice, yet still struggle to finance its operations because payment is not due for several months. Conventional lending does not always solve that problem efficiently. A lender may focus heavily on the borrower's balance sheet, fixed assets and available security, even where the underlying receivable is owed by a financially stronger customer.

Receivables financing approaches the problem from a different direction: what the business is owed can itself support access to working capital.

What Is Receivables Financing?

Receivables financing covers arrangements under which a business obtains funding against amounts owed, or expected to be owed, to it. Factoring is one form of receivables financing. In a typical factoring arrangement, a business assigns or transfers eligible receivables to a factor and receives funding before the underlying invoices fall due. The precise allocation of collection and credit risk depends on the structure of the transaction.

The quality of the receivable, however, matters. Who owes the money? Is the underlying transaction genuine? Have the goods or services been delivered and accepted? Is the invoice disputed? Are there set-off rights or other claims against the supplier? Has the receivable already been assigned or pledged elsewhere?

An invoice is evidence of money being claimed. It is not, by itself, a financing asset.

What Does the Bill Seek to Change?

The Bill's significance lies in seeking to provide a clearer legal framework for factoring and receivables financing in Nigeria.

Assignment

One of the practical obstacles in receivables financing is whether a receivable can be transferred where the underlying contract contains a restriction on assignment. The Bill seeks to address this by providing a statutory framework for the assignment of receivables notwithstanding a contractual restriction on assignment. This does not, however, extinguish the debtor's other rights under the underlying contract. Set-off rights, disputes concerning performance, warranties and the validity of the underlying debt can still affect the value and enforceability of a receivable.

Notice and payment

Assignment also raises a practical question: once a receivable has been transferred, who is entitled to receive payment? The Bill provides a framework for notice of an assignment to the debtor and the effect of that notice. This matters because the financier ultimately needs confidence that payment can be directed to it and that it can enforce the assigned receivable against the debtor.

For businesses, the mechanics of notification therefore matter. A financing transaction is only as useful as the financier's ability to realise the receivable.

Registration and priority

The same receivable cannot sensibly be assigned or financed in favour of multiple financiers without creating a priority problem. The Bill contains provisions directed at the treatment of competing interests in assigned receivables. This is particularly important where a receivable has previously been assigned, pledged or otherwise made subject to another claim.

The Bill's approach also sits within an existing Nigerian secured-transactions infrastructure. The National Collateral Registry ("**NCR**"), established under the Secured Transactions in Movable Assets Act 2017 (the "**Act**"), provides an electronic system for registering security interests in movable assets and facilitating searches. The Central Bank of Nigeria identifies accounts receivable among the short-term assets whose liquidity the Registry is intended to improve.

The significance, therefore, is not simply whether receivables can be financed, but whether financiers can establish and protect their rights in those receivables with sufficient certainty.

Who Stands to Benefit?

The clearest beneficiaries are businesses that routinely sell on credit and carry meaningful trade receivables: manufacturers, distributors, agricultural businesses, logistics operators, technology companies and contractors supplying larger corporates or institutional buyers on deferred payment terms.

The opportunity is not limited to SMEs. Larger businesses with substantial receivables portfolios may also use receivables financing as part of their working-capital strategy, while banks, fintechs and other financial institutions may develop products around the market.

During consideration of the Bill, the African factoring market was cited at more than US$50 billion, with Nigeria accounting for less than one per cent.

What Does It Mean for SMEs?

The practical significance of the Bill is not that receivables financing is new to Nigeria. Banks and other financiers already provide forms of working-capital and receivables-based financing. Rather, the Bill seeks to provide a clearer legal framework for assigning, financing and enforcing receivables, potentially making them easier to finance at scale. That matters particularly for SMEs with strong customers but limited fixed assets.

That can change commercial decisions. An SME that previously had to turn down a large order because it could not survive the customer's payment cycle may have another financing option. In that sense, receivables financing is not merely about getting paid earlier. It can determine whether a business is able to take on the next contract.

But financing will not make a weak receivable strong. A disputed invoice, an unproven delivery, an unclear payment obligation or an existing competing claim can all reduce its value. Good receivables financing starts with a sound underlying transaction and a clean documentary trail.

SMEs should also understand the risk allocation in any financing arrangement. Receiving cash upfront does not necessarily mean that the risk of a debtor's non-payment has transferred entirely to the financier.

What SMEs Need to Do Now

Businesses do not need to wait for Presidential assent before preparing. Three things matter now:

1. build a clean documentary trail. It is important to keep the contract, purchase order, delivery evidence, acceptance records, invoice and relevant correspondence together. These documents help establish that the receivable is genuine, enforceable and collectible;

2. keep the receivables ledger clean. The business should know exactly what is owed, by whom, when it is due and whether it has been disputed, assigned or pledged. A receivable should not be offered to more than one financier; and

3. understand the economics. Receivables financing is not free money. SMEs should understand the advance rate, fees, discount or financing charges, repayment obligations and who bears the risk if the debtor does not pay.

The right question is not simply whether financing is available. It is whether the cost of obtaining the money now makes commercial sense.

Two Months On: What Happens Next?

The Bill has passed both chambers of the National Assembly and, following the June 2026 concurrence, was transmitted to the President for assent. As at the date of publication of this article, it remains a Bill, not an enacted statute. Businesses and financiers should therefore not structure transactions on the assumption that the proposed regime is already in force.

But businesses do not need to wait passively. Passing the Bill is only the beginning. A law can recognise an asset; it cannot, by itself, create a market for it. Banks, fintechs, specialist factors and other financiers will need reliable processes for verifying debtors, assessing receivables, documenting assignments, managing notifications and dealing with competing claims.

The existing NCR provides an important foundation. How effectively that infrastructure, together with any mechanisms introduced under the new regime, operates at scale will be critical to the Bill's eventual impact.

The market can also begin preparing. Financing documentation, debtor-verification procedures, receivables audits and internal controls can be developed before the legislation takes effect. For SMEs, the same preparation means getting their contracts and records into a form that a financier can trust.

Conclusion

Nigeria's receivables financing framework has the potential to change how businesses think about working capital, giving greater financing significnce to what a company is owed alongside what it owns. But two months after passage, the Bill remains before the President for assent, the NCR's capacity to support it is untested, and the market response is only beginning to take shape.

The legislative foundation has been laid, but the real test will be implementation. The success of the framework will ultimately depend on whether businesses, financiers and the relevant infrastructure can turn an unpaid invoice from a balance-sheet entry into reliable, accessible working capital.