EXPLORING THE ROLE OF INNOVATIONS IN THE COMPANIES AND ALLIED MATTERS ACT 2020, IN PROMOTING ENTREPRENEURSHIP AND START-UP ECOSYSTEMS IN NIGERIA

By

Umeji, Uzoamaka Njideka*

Abstract

This paper examines the role of legal and regulatory innovations in the context of the Companies and Allied Matters Act (CAMA) and other relevant laws in promoting entrepreneurship and startups in Nigeria. It explores recent reforms aimed at simplifying business registration, enhancing corporate governance, and providing a more supportive environment for new ventures. The chapter delves into how these legal changes have influenced the ease of doing business, access to financing, and the overall entrepreneurial ecosystem in the country. By analyzing key provisions such as the introduction of single-member companies, the impact of (CAMA) 2020 on entrepreneurship and startup, the promotion of corporate governance system, the reduction of bureaucratic hurdles, and the increased protection for minority investors, it assesses the effectiveness of these reforms in fostering a thriving startup culture. Furthermore, the paper discusses the challenges that still remain, including gaps in enforcement and the need for further legal innovation to ensure a sustainable and inclusive entrepreneurial landscape in Nigeria. Through this analysis, the paper aims to provide insights into the critical interplay between law, innovation, and entrepreneurship, offering policy recommendations to strengthen the legal framework in support of startup growth.

1.0 Introduction

The entrepreneurial landscape in Nigeria has undergone significant transformation in recent years, driven in part by key legal and regulatory reforms aimed at fostering business innovation and startup growth. A critical component of these reforms has been the Companies and Allied Matters Act (CAMA), which governs the formation, regulation, and dissolution of companies in Nigeria. In particular, the most recent amendments to CAMA, alongside other complementary legal frameworks, have introduced groundbreaking changes intended to create a more conducive environment for entrepreneurship. This paper focuses on analyzing the impact of these innovations on the development of startups and the broader entrepreneurial ecosystem in Nigeria.

Historically, one of the major barriers to entrepreneurship in Nigeria has been the complex and often cumbersome regulatory environment, which made it difficult for new businesses to get started and thrive. The process of company registration, access to finance, and corporate governance requirements were often seen as impediments to entrepreneurial activity.

* LLB (University of Nigeria Nsukka; B.L (Enugu), uzoamakaumeji@yahoo.com

However, recent amendments to CAMA, particularly the 2020 reforms, have introduced measures aimed at simplifying business registration processes, reducing bureaucratic inefficiencies, and encouraging greater

participation in the formal economy. In addition to CAMA, other legal innovations have also contributed to fostering entrepreneurship. The establishment of the Nigerian Startup Bill, which seeks to create a clear legal framework for startups, and initiatives aimed at improving access to funding, such as the Nigerian Innovation Fund and various government-backed schemes, have further bolstered the environment for new businesses. Despite these positive strides, challenges remain. While the legal reforms have made significant progress in addressing the regulatory bottlenecks that have historically stifled business growth, there are still concerns regarding the implementation and enforcement of these laws. Inconsistent regulatory practices, lack of awareness among entrepreneurs about their rights and obligations, and insufficient support for early-stage businesses continue to limit the potential impact of these innovations.

This paper provides a detailed analysis of how legal innovations, particularly within CAMA and other related laws have contributed to fostering entrepreneurship and supporting the growth of startups in Nigeria. It will explore the specific reforms introduced, evaluate their effectiveness, and identify the challenges and gaps that still need to be addressed. By doing so, the chapter aims to offer a comprehensive understanding of the relationship between law and entrepreneurship in Nigeria, providing valuable insights for policymakers, entrepreneurs, and other stakeholders invested in the growth of Nigeria's startup ecosystem. The ultimate goal is to assess whether these legal innovations have created a sustainable foundation for a thriving entrepreneurial culture in Nigeria and to offer recommendations for further legal improvements that could enhance the overall business climate.

2.0 Impact of CAMA 2020 on Entrepreneurship and Startups in Nigeria

Before now, CAMA 1990 regulated affairs of firms in Nigeria and as a result founded the Corporate Affairs Commission thereby making needed provision for the incorporation of companies, business name registration as well as trustees of specific communities and associations. Unfortunately, this became ineffective, creating avenue for some level of malpractices.[1] This resulted in agitation by shareholders for improvement in the legislation governing corporate affairs, then the CAMA 2020 was enacted.[2] Since the enactment of this regime it has been qualified to be a timely move in the right direction. Amongst, the reasons put forward is the fact that the repealed legislation lasted over 3 decades and was designed after the British laws, thereby making it obsolete to serve the peculiarities associated with the present circumstance. To this extent, upon its enactment, CAMA 2020 has received global recognition, as Nigeria was named one of the 20 places with ease of doing business alongside nations like India, China, Kuwait and Saudi Arabia. Specifically, the CAMA 2020 has impacted the entrepreneurship and startup ecosystem in Nigeria in the following ways:

3.0 Promotion of Corporate Governance System and Practice in Corporate Affairs

Section 265(6) of the CAMA 2020 provides guarantee of protection of shareholders' interest, as the Act restrict the Chief Executive Officer/Managing Director of a company from also occupying the position of Chairman of the same company. Similarly, the chairman is likewise restricted from the daily running of the

[1] O M Ayotebi, 'CAMA 2020: A Look at Nigeria's New Corporate Governance Regime' <Cama%202020_%20A%20Look%20at%20Nigeria's%20New%20Corporate%20Governance%20Regime.html> Accessed 1 October, 2024.
[2] *Ibid.*

company. By this provision the tenet of corporate governance system has been engendered into the administration of companies, thereby promoting the level of transparency and accountability within the system of each entity. This is expected to positively impact corporate governance practice in Nigeria by making sure no single individual dominate a company as the chairman as well as the CEO/MD because without this, there will be absence of proper checks and balances of the management team. This amendments and innovations in the CAMA 2020 demonstrate the right approach to showcasing Nigeria's seriousness in taking steps to codify the key principles of the Code of Corporate Governance which was issued by the Securities and Exchange Commission in 2011 dealing with public companies and publicly quoted companies. Especially for large organisations, the Board will be truly separated from the management team to bring about effective oversight functions by the board. Although, considering its impact on startups and small companies, it is yet unclear how this innovation will affect them, especially with the provision that now makes it possible to have a single shareholder as well as a single director running the day-to-day affairs of the company.

Additionally, in the light of ensuring corporate governance practices in corporate affairs, directors of publicly traded businesses are now obligated to reveal their age upon appointment as well as any prior directorships held by them in other publicly traded companies prior to accepting new appointments, as per the corporate governance law. Another provision of the CAMA[3] states that no individual may serve as a director of more than five publicly traded firms concurrently. Anyone who is nominated to serve on the board of a public company must first reveal any other director positions they may already have; those who served on the boards of more than five firms prior to the act's passage have two years to comply with this condition. Also, as of CAMA 2020[4], all publicly traded firms must have at least three (3) independent directors on staff. All of the above applies only to publicly traded firms, however even privately held businesses may now have one director. A private business is considered small if its yearly revenue is less than N120,000,000 and its net asset worth is less than N60,000,000. It must also have no foreign members, and the directors must possess 51% of the firm's shares. In addition, shareholders are required to propose three independent directors for every board candidate who would make up the majority of the board.

The limitation on several directorship role under Section of the CAMA 2020 is groundbreaking in the spheres of corporate governance, such that when effectively implemented will guarantee seamless operation of the company, and avoid conflict of interest, breach of confidentiality as well as mismanagement of opportunities. Directors cannot serve on the boards of more than five (5) publicly traded firms at any one time, and those who do must step down from their positions within two (2) years of the Act's enactment.

4.0 Ability to Enjoy the Benefits of Incorporating a Limited Liability Company even as a Sole Proprietor

According to Section 18(2) of CAMA 2020, "A private company shall be formed by one person or more and may be registered with one shareholder." By this provision the concept of a single-member company, enabling sole proprietors to incorporate a private company with one shareholder. The impact of this

[3] CAMA 2020, s 307(2).
[4] *Ibid,* s 275.

legislation is that entrepreneurs interested starting up a business would no longer have to pitch their business concept to a potential co-founder before having the permission to incorporate the business[5]. This has in the past regime posed a main limitation for small and medium scale firms operating as sole proprietorships and most times lead to the inclusion of passive owners just because of compliance.

Similarly, allowing individuals to operate their businesses as limited liability company enable them to enjoy other benefits such as (i) limited liability protection: this limits the personal liability of owners, thereby, limiting personal liability of the owners. With this, members' personal assets (cars, savings and homes) are generally protected from the company's debts and legal liabilities. (ii) A Startup as a Sole proprietor who incorporate its company as a limited liability benefit from pass-through taxation, where profits and losses are passed through to the members' personal income taxes, avoiding the double taxation that corporations often face (where income taxed at both the corporate and individual levels). (iii) Incorporating a startup as a limited liability company can enhance the credibility and legitimacy of a startup. Clients, investors and partners often view incorporated business more favourably than sole proprietorships or partnerships. (iv) An incorporated startup as a limited liability company can attract investors who prefer limited liability protection and flexibility. Notifying the firm in writing of a change in control or sale of shares is now required under the Act. This requirement was formerly exclusive to publicly traded corporations. The law has changed to require such disclosures from shareholders holding a majority interest in any kind of corporation, thus this is no longer an option.[6]

Additionally, the CAMA 2020 Act also excluded the requirement for a minimum of 2 directors for all companies. So small firms[7] can now have only a single director, which makes it easier for entrepreneurs to setup and manage their businesses[8]. These provisions are consistent with what is obtainable globally in today's corporate affairs and will position the Nigeria business ecosystem to attract needed foreign direct investment. This is supported with additional provisions regarding rules relating to sale of shares of private companies and the corporate existence of an existing organisation. The Act stipulates that, a member who chooses to sell his share in a privately own firm will firstly offer them to other members.[9] By this provision, the right of pre-emption has been observed, then in a case were neither of the member of the firm accepted the offer will the shares be offered to a third party. With this provision, the rules of existing shareholders of the company is being protected and their ownership stake is likewise prevented from dilution.

Similarly, the current CAMA 2020 has stipulated the rules governing the buying back of shares by companies. It was provided that companies may buy back their shares from shareholders through the open or the option market. Provided that the buyback is permitted in the company's Article of Association backup

[5] J O Orojo, *Company Law and Practice in Nigeria* (5th edn, Durban: LexisNexis, 2008) 33.
[6] A O Suleiman, 'Critical Analysis of Corporate Governance and Accountability under the Companies and Allied Matters Act 2020' < https://diverselaw.org.ng/critical-analysis-of-corporate-goverance-and-accountability-under-companies-and-allied-matters-act-2020/ > Accessed 1 September, 2024.
[7] CAMA, s 394 (3).
[8] CAMA, s 271 (1).
[9] *Ibid*, s 22 (2) (b).

by a special resolution.[10] Although, the caveat provided for only shares that were completely paid for can be repurchased which could only be funded by the company's distributable profits.

5.0 Least Issued Share Capital

Under the CAMA 2020 Act, firms no longer need to have authorized share capital. This was repealed and replaced with section 27 of CAMA 2020, which stipulates that firms should have minimum issued share capital that is dependent on the type of company. Prior to the current regime, companied require least authorized share capital, which in actual sense is the sum of share capital the company can issue to shareholders.[11] During this period, minimum of 25% of the authorized share capital must be issued as shares to shareholders. Notwithstanding, CAMA 2020 has jettisoned the idea, rather demanding that companies should have the least issued share capital, which is a minimum of N100,000 for private company and N2,000,000 for publicly quoted companies.

The benefit of this law to entrepreneurship and startup is that companies will not have unissued shares. Also, minimum issued share capital is essential for obtaining quick funding and outlining the existing ownership structure, which affects governance and decision-making. Similarly, since shareholders' equity is a reflection of a company's worth, the market valuation of the business is often correlated with the number of shares issued. A rise in the company's profile and involvement in the market may result from an increase in the number of shares issued. Lastly, To better manage day-to-day operations or fund large initiatives, a company's liquidity may be enhanced by the issuance of share capital.

6.0 Effect of government's innovation through legislative changes on small businesses in Nigeria

Numerous reforms to the law enacted by the Nigerian government to encourage innovation have had far-reaching effects on small firms. A climate that is more favourable to development and innovation has been created via important efforts such as tax incentives, regulatory changes, financing assistance, and a drive towards digital transformation. A summary of the ways in which these developments have impacted Nigerian small companies is as follows:

6.1 Access to Funding

The Nigerian Government backed initiatives like the Central Bank of Nigeria (CBN)'s creative industry financing initiative (CIFI), the Nigerian Youth Investment Fund (NYIF) to provide support for innovative startups, establishment of innovation hubs like; Co-Creation Hub which is back by the government partnerships, provides small businesses with funding opportunities and mentorship, Bank of Agriculture (BoI) loans also makeup the legislative backing for the BoI which has led to structured financial system that helps SMEs access low-interest loans to innovate and grow.

The Creative Industry Financing Initiative was a collaboration between Bankers' Committee and the CBN initiated in May 2019 with the aim to improving access to long-term low-cost funding by entrepreneurs and

[10] CAMA 2020, s 184 (1).
[11] CAMA 1990, s 27.

investors in the Nigerian creative and information technology industries[12]. This was followed with a guidelines released by the CBN stipulating the implementation modalities on 16 July 2020 and this was characterized as Non-Interest Financial Institutions.[13] The initiative has four vertical areas for financing under the eligible creative activities which include Fashion, Information Technology, Movies and Music. The CIFI is awash with opportunities for the following category of persons and businesses in the entertainment industry, which include; (i) existing enterprises in the creative industry; (ii) Start-ups engaged in the creative industry; and students of higher institutions engaged in software development. Eligible businesses can access loans of over one billion naira funded by the Agri-business, Small and Medium Enterprises Investment Scheme (AGSMEIS).

To this effect, the N1 billion Nollyfund, the Creative Industry Financing Initiative, and the African Development Bank fashion fund were all created to help Nigerian creatives get the funding they needed. However, filmmakers have not benefited much from these programs so far, mostly because the terms of the funding have not been tailored to the specifics of filmmaking. Rather, commercial banks lend these funds to creatives in the form of loans[14]. However, commercial banks often require collateral other than the films' intellectual property rights (IPRs) in order to meet their risk assessment criteria, even though the CBN has stated that film-related assets or non-IP receivables should be required as security. Because of the collateral shortfall, these monies have been mostly unused. It is only in recent times that commercial banks like; Zenith Bank, Sterling Bank, and Access Bank are all starting to create film industry-centric financial products, so Nigerian filmmakers will have easier access to funding[15]. This is all thanks to the rising profitability of Nigerian films, rather than the legislative policies.

6.2 Ease of Doing Business Reforms

The Presidential Enabling Business Environment Council (PEBEC) of the Nigerian government has worked to remove obstacles to establishing and operating a business: A more streamlined procedure for registering a company has been established as a result of legislative changes spearheaded by the Corporate Affairs Commission (CAC). A one-person company structure was created by the Companies and Allied Matters Act (CAMA) 2020, which made it easier for smaller firms to form without the requirement for several directors. financial Reforms: The Finance Act includes changes that allow small firms to concentrate on expanding their operations without immediate financial obligations, such as tax vacations and decreased corporate income tax rates.

Improving the ease of doing business and encouraging tax and fiscal discipline in Nigeria were significant goals of the Buhari government. In order to bring the Nigerian business climate up to par with international

[12] CIFI Implementation <https://www.cbn.gov.ng/Out/2019/CCD/Modalities%20for%20CIFI%20Implementation%20.pdf> accessed 27 November, 2024.

[13] Circular to All NIFI <https://www.cbn.gov.ng/Out/2020/CCD/Circular%20to%20All%20NIFIs%20-%20July-16-2020.pdf> accessed 27 November, 2024.

[14] O Ajayi, 'Nigeria Creative Industry' <www.olaniwunajayi.net/wp-content/uploads/2021/03/Nigeria-Creative-Industry-2021-Insights.pdf> accessed 10 October, 2024.

[15] O Ajayi, 'Nigeria Creative Industry' <www.olaniwunajayi.net/wp-content/uploads/2021/03/Nigeria-Creative-Industry-2021-Insights.pdf> accessed 10 October, 2024.

norms, the government has, over the last years, changed several tax and fiscal laws via the Finance Act 2019 and 2020. As an example of such changes, the Finance Act of 2019 classifies businesses as either small, medium, or big according to their yearly gross revenue. The following categories apply to businesses: small (with a yearly gross turnover of less than N25 million), medium (with a yearly gross turnover of 25 million and more but less than N100 million), and big (with a yearly gross turnover of N100 million or more). To better assist small and medium-sized businesses, the Finance Act 2020 amended many tax and fiscal laws and went into force on January 1, 2021.

For the sake of simplicity and compliance with CAMA 2020, audit appointments were not mandatory for small businesses. The preparation of audited financial statements, a need for submitting yearly corporation tax returns to the Federal Inland Revenue Service (FIRS), is essentially no longer necessary for small businesses. Subsequently, FA 2020 amended CITA Section 55 by adding Sub-Section 7, granting the FIRS the authority to announce the types of accounts that small businesses must include in their tax reports. It follows that SMEs no longer have to worry about the expense of hiring an auditor.

Additionally, under the new Industrial Development (Income Tax Relief) Act, small businesses involved in primary agricultural production are eligible for a 4-year tax-free period, with the possibility of an additional 2-year extension pending the successful completion of any given company's performance review. In contrast to previous laws in Nigeria, this one does not qualify small businesses for additional incentives of a similar kind. This is fantastic news since it will greatly improve the agriculture industry's ability to solicit investment.

A person whose annual salary is less than N30,000 is no longer subject to Pay As You Earn (PAYE) taxes, according to an amendment to Section 37 of the PITA. Because of this, their employers, who are mostly SMEs, will no longer have to worry about PAYE Tax compliance, which will make running their company easier for them.

Also, there is a new criterion for company categorization which was adopted in the FA 2019 to exclude small businesses from paying corporate income tax. Nevertheless, the Act did not expressly provide a comparable exemption from Tertiary Education Tax (TET). This has also brought about another kind of debate on whether TET is also excluded. A new subsection 2 in Section 1 of the Tertiary Education Trust Fund Act exempts small firms as described in the requirements of CITA from the payment of TET, which has been clarified by the Finance Act 2020. However, TET at 2% of assessable earnings is still due from medium-sized businesses as per CITA.

6.0 Intellectual Property Protection

A comprehensive legislative framework, including several legislation and international agreements, governs the protection of intellectual property rights (IPRs) in Nigeria. Protecting the rights of the nation's inventors and creators is the primary function of these legal documents. Innovation has also been encouraged by changes made to safeguard intellectual property (IP): With better intellectual property protection, small companies may freely experiment with new ideas without worrying about infringement. For instance, the Nigerian Copyright Commission has been making strides to raise awareness and strengthen enforcement measures, particularly for small and medium-sized enterprises (SMEs) in the

creative and technology industries. Foreign investors are drawn to these safeguards, which is great news for small and medium-sized enterprises (SMEs) that have ground-breaking goods and ideas.

By Decree No. 70 of 1979, the National Office of Industrial Property (NOIP) was transformed into the National Office for Technology Acquisition and Promotion (NOTAP), an entity that reports to the Federal Ministry of Science and Technology. The NOTAP Act's focus has changed from controlling and regulating to promoting and developing, in keeping with the liberalisation and globalisation of the global economy[16]. The development of domestic technology, as well as the attraction of investment and foreign technology, are the new areas of emphasis. Thus, the NOTAP Act was created as a primary tool for implementing the National Policy on Technology Development. In order to boost industrial growth and FDI in Nigeria, this strategy calls for an increase in the inflow of foreign technologies that are well-suited to the local environment, as well as an incentive of local firms to purchase such technologies.

Also, the Copyright Act 2022 serves as the foundation for Nigeria's IP protection system. Books, music, and films are all part of the protected creative works that fall under this umbrella[17]. The remedies for infringement and the rights of creators are laid forth in the Copyright Act 2022[18].

6.4 Digital Transformation and Tech Innovation

Several legislative measures have been enacted by the Nigerian government to prioritise digital transformation: Encouragement of tech companies and innovation in sectors like aggrotech, fintech, and e-commerce is a primary goal of the National Digital Economy Policy and Strategy. Also encouraging the use of ICT are government organisations such as the National Information Technology Development Agency (NITDA). Additionally, the business startup Act of 2022; a legislative framework for the establishment and development of startups has been established with the enactment of the Nigeria Startup Act. Small firms will find it simpler to develop in the digital sector because to incentives including tax breaks, subsidies, and financing assistance for tech entrepreneurs.

Nigeria's National Information Technology Development Agency (NITDA) was established to oversee the country's IT strategy and overall IT development in response to the widespread use of technology[19]. Section12(1) of the Act establishes the National Information Development Fund, which is a noteworthy element. According to subsection (2) of that section, businesses and organisations listed in the Third Schedule to the Act with an annual turnover of Third Schedule N 100,000,000 or more are required to pay a 1% profit-before-tax, which can be deducted by the companies. The First Inland Revenue Service is responsible for assessing and collecting the tax[20]. Contributions to the Fund and the Agency's accounts are tax-deductible, and neither the Fund nor the Agency's accounts are subject to income tax[21].

To keep up with the rapidly changing world of technology and new global trends, Mallam Kashifu Inuwa Abdullahi, the Director-General of the National Information Technology Development Agency (NITDA),

[16] NOTAP Act, 2020, s 1.
[17] Copyright Act 2022, Pt 1
[18] *Ibid*, Pt 15.
[19] NITDA Act, 2007, s 1.
[20] *Ibid*, s 16.
[21] *Ibid*, s 13.

proposed a new bill in March 2021[22]. This bill will bring Nigeria's digital economy in line with the internationally attainable goals of the fourth industrial revolution and the digital economy policy strategy.

As stated in Section 1 of the Bill, the objective is to establish a regulatory framework that is effective, impartial, and independent in order to foster the growth of Nigeria's IT industry and digital economy.[23]

The specific goals of the bill include, but are not limited to, the following: advancing and implementing the government's policies and plans for the national information technology and digital economy; fostering and supporting initiatives that increase the accessibility, inclusiveness, security, and affordability of digital services; encouraging the development of the digital economy through the deployment and use of goods, services, and platforms that are indigenously created; protecting national interests and the rights of citizens and foreigners to use information technology and digital services in a safe and secure manner; etc.

The preamble of the bill reveals its primary improvement, which is as follows: The purpose of this bill is to replace the National Information Technology Development Agency Act, no. 28, 2007, with a new law that will govern the digital economy in Nigeria, including the administration, implementation, and regulation of information technology systems and practices. The 2007 law only dealt with the creation of NITDA and related matters.
Section 5 of the bill expands the agency's functions to include promoting the establishment and maintenance of the necessary infrastructure and information technology systems to support the development of digital services application in Nigeria. This is the second way the agency's functions have been expanded. Establishing IT parks, promoting innovation, startup initiatives, digital entrepreneurship, digital commerce, digital government services, privacy, and trust are all ways that Section 5(7) of the Bill aims to encourage the widespread adoption of IT.

Furthermore, the third alteration is that the National Information Technology Development Agency Board's composition has been altered by the Bill. A part-time chairman rather than a full-time chairman as is the case under the present NITDA Act, 2007, would preside over the board under the proposed legislation. With the exception of the Director-General and Chairman, the bill also swapped out the six geopolitical zones' expert members for four individuals of integrity from each zone.

Therefore, the National Information Technology Fund is preserved under Section 13 of the Bill. But it continues by saying that the cash would be used to help the government achieve its digital economy goals and associated ones. Businesses with yearly revenues of N100,000,000 or more are required to contribute 1% of their pretax earnings to the fund.

Finally, the Bill grants the Agency the authority to regulate the issuance of licenses to operators in the information technology and digital economy sectors under Section 20. To encourage free-market operation and competition, among other things, this law would lay out licensing and authorisation requirements, such

[22] O M Atoyebi, Impact of the National Information Technology Development Act, 2007 and its Proposed Amendment on and Its Proposed Amendment on Nigeria's Tech Space." <https://omaplex.com.ng/impact-of-the-national-information-technology-development-act-2007-and-its-proposed-amendment-on-nigerias-tech-space/#post-2579-footnote-6> accessed 20 October, 2024.
[23] NITDA Amendment Bill, 2021, s 1.

as conditions for renewal, suspension, and revocation. The law makes accessible the following licenses: product, service, and platform provider.

On the other hand, young and bright entrepreneurs alike are beginning to reap the benefits of the Nigeria Start-up Act, (2022) efforts to boost innovation, science and technology[24]. This is due to the fact that the Act creates a favourable setting for startups to flourish in, free from red tape, insufficient capital, and a dearth of appropriate legal and regulatory frameworks; hence, it affords Nigerian startups a chance to fulfil their GDP contribution potential[25]. Near the end of 2022, the Guardian reported that 19,000 people were employed by 481 different start-ups in Nigeria[26]. Before the enactment of the NSA (2022) the Startup space in Nigeria was undeveloped. Overall, Nigeria's revenue was impacted by the ecosystem's underdevelopment. For instance, in 2021, the federal government spent N20.51 trillion while receiving N16.87 trillion.[27] In addition, the total deficit of N10.78 trillion was incurred by the Federal Government in its fiscal operations. To cover this gap, more borrowing would be undertaken, hence increasing the national debt to $42.84 trillion[28]. Also, prior to the passage of the Nigeria Start-up Act, access to capital was a key issue for the country's startup ecosystem. Funding opportunities for founders were limited, with venture capital and angel investors being the most common choices. However, these sources tended to favour technology start-ups, leaving out Agri-tech and other non-tech related services[29]. The availability of mentors and training opportunities was another problem that new businesses had to deal with at this time. Founders and entrepreneurs have very little need for this. The lack of mentoring and training opportunities for entrepreneurs in Nigeria's periphery non-tech related industries was a direct result of the country's abundance of business accelerators and incubators that mostly catered to tech start-ups[30].

7.0 Challenges Faced by Companies when Implementing Innovative Practices as per the Updated Regulations Under CAMA 2020

Nigerian firms have both possibilities and obstacles while implementing new practices under the Companies and Allied Matters Act (CAMA) 2020. Companies may have challenges in completely adjusting to and reaping the benefits of the changes brought about by CAMA 2020, which attempted to enhance the ease of doing business and encourage innovation. The main obstacles that businesses have while trying to adopt new procedures in accordance with the new rules are listed below:

[24] Nigerian Start-upsretained USD1.37 billion of Africa's USD 4 billion' The Guardian, 8 December2022 <https://guardian.ng/technology/nigerian-Start-upss-retain-1-37bn-of-africas-4b-funding-in-2021/> accessed 8 October, 2024.
[25] A Adeyemi, '481 Tech Start-upsemploy 1900, raise $2.1bn in seven years' The Guardian, 20September 2022 <https://guardian.ng/business-services/481-tech-Start-upss-employ-19000-raise-2-1b-in-seven-years/ on 11 October, 2024.
[26] Nigerian Start-upsretained, (n 26).
[27] Tunji S, 'Nigeria's debt hits N42.84tn amid revenue crisis' The Punch, 20 September 2022 <https://punchng.com/nigerias-debt-hits-n42-84tn-amid-revenue-crisis/> accessed 8 August, 2024
[28] *Ibid.*
[29] A Adeyemi, 'Nigerian Start-upsretain $1.37bn of Africa's $4b funding in 2021' The Guardian, 8December 2021 <https://guardian.ng/technology/nigerian-Start-upss-retain-1-37bn-of-africas-4b-funding-in-2021/> accessed 8 August, 2024.
[30] 'Nigeria should advance technologies in new decade' The Guardian, 30 September 2020 <https://guardian.ng/technology/nigeria-should-advance-technologies-in-new-decade/> accessed 8 October 2024; B Bunmi, 'Nigeria not among 10 most innovative sub-Saharan African economies' BusinessDay, 17 October 2022 < https://www.google.com/amp/s/businessday.ng/amp/business-economy/article/nigeria-not-among-10- most-innovative-sub-saharan-african-economies/> accessed 8 October 2024.

7.1 Compliance and Regulation Complexity

The stricter requirements for corporate governance and financial reporting were imposed by CAMA 2020, leading to new reporting requirements. More complex reporting and paperwork needs (such as yearly returns and financial disclosures) to be in compliance with the law, which may be a burden for businesses, particularly SMEs. Also, familiarity with reforms, lot of companies don't know what all the reforms in CAMA 2020 mean. New procedures relating to share capital, electronic filings, and general corporate governance are all part of the Act, but corporations may find it difficult to execute them without a thorough familiarity with the relevant rules. Innovative compliance techniques (such as digital file systems or real-time reporting) may incur additional expenses. Investment in legal and financial advice services may be necessary for smaller enterprises to adjust to these developments, which might put extra pressure on their resources.

7.2 Digital Transformation Challenge

Companies are able to have virtual meetings and submit papers online according to CAMA 2020, which encourages digital innovation. Nevertheless, a lot of businesses are having trouble implementing the digital infrastructure and technologies that are required. Businesses who are hesitant to embrace new technology or that are located in remote regions sometimes find themselves in this situation. In order to use cutting-edge digital solutions for communication, reporting, and governance, many companies do not have the necessary technical knowledge or training. Delays and compliance problems with CAMA 2020 implementation are possible if organisations do not have competent staff to oversee digital operations.

7.3 Increased Cost and Administration Burden

The expenses of adhering to new standards: Although CAMA 2020 aimed to loosen up the rules on company creation, some of the new requirements came with higher administrative fees. Operating expenses might rise if, for instance, share buybacks, articles of association revisions, or virtual meeting setups all need resources. Another cost related issue has to do with the importance of corporate openness: To comply with the new rules on beneficial ownership and the public disclosure of major shareholders, businesses will need to increase their spending on legal counsel and administrative procedures. Businesses may find it more difficult to meet the enhanced transparency requirements, particularly if doing so requires them to alter their procedures or reorganise their ownership.

7.4 Access to Legal and Financial Expertise

It might be challenging for small and medium-sized enterprises (SMEs) to have access to financial and legal consulting services that can assist them understand and comply with the new requirements of CAMA 2020. Many smaller businesses do not have the resources to employ full-time legal or finance departments. Consequently, businesses have a hard time putting new ideas into action, including electronic compliance procedures or alternative ownership arrangements. The legal complexity of issuing new types of shares or using modern financing instruments can be a challenge for some businesses, even though CAMA 2020 simplifies capital raising by reducing share capital requirements and introducing flexible corporate structures. Share buybacks and equity crowdfunding need robust financial and legal infrastructures, which they may not have.

7.5 Adapting to Flexible Shareholding Structure

CAMA 2020 permits the establishment of one-person corporations (OPCs), with the goal of encouraging innovative entrepreneurship. Companies changing from the previous system may find it difficult to use this structure due to a lack of clarity on the consequences of the changes in areas like financial management, governance, and taxes. To provide businesses more leeway in managing their share capital, CAMA 2020 mandates the adoption of no-par-value shares. Companies who aren't acquainted with equity valuation and share issuance may find this to be a difficult and challenging change to implement.

7.6 Risk of Cybersecurity and Data Privacy Issues

Companies face cybersecurity threats due to the growing use of digital technologies for CAMA 2020-mandated activities such as virtual meetings, corporate governance, and online filings. Cyberattacks and data breaches are real risks, and many businesses may not have proper measures to safeguard customer information. Organisations must now strike a compromise between the digital governance standards set forth by CAMA 2020 and those mandated by the Nigeria Data Protection Regulation (NDPR). Adherence to both corporate governance and data privacy requirements may be difficult for businesses that are not used to complying with data protection rules.

Despite the fact that CAMA 2020 offers chances for businesses to develop and innovate, there are substantial obstacles that enterprises, especially SMEs, must overcome in order to put these principles into action. Complicating matters further, there are obstacles to digital transformation, expenses to consider, a need to reorganise governance, and a lack of qualified legal counsel. Businesses may want more training, better facilities, and government assistance to make the changeover smoothly so they may reap the full benefits of the Act.

8.0 The Extent of Influence of the Innovative Provisions in CAMA 2020, and other Laws Contributed to Economic Growth and Job Creation within Nigerian

A large portion of Nigeria's economic development and job creation may be attributed to the innovative features of CAMA 2020 (Companies and Allied Matters Act 2020) and other enabling legislation. These laws have helped the Nigerian economy by streamlining corporate procedures, encouraging digital transformation, making it easier to conduct business, and bolstering the growth of SMEs. Nevertheless, there are still obstacles that restrict their efficacy. The following is a breakdown of how much they contributed:

8.1 Promoting Entrepreneurship and Formalizing Business

The one-person company option and other changes to the business registration procedure are among the most noteworthy advances in CAMA 2020. This has prompted a large number of formerly unofficial enterprises to become legally recognised, which has improved their access to capital, contracts, and possibilities in the market. Also, an increase in economic activity, particularly in fields like agriculture, technology, and manufacturing, is attributable, in large part, to the simplification of the incorporation procedure, which has allowed more ambitious individuals to launch their own firms. Similarly, compared to more informal enterprises, formalised ones often expand at a quicker rate, leading to the creation of new

jobs. More job prospects have arisen as a result of the formalisation of firms, which has led to more stable employment, more organised work, and the expansion of small businesses.

8.2 Facilitating Access to Capital

CAMA 2020's streamlined capital structures and no-par-value shares have simplified the capital-raising process for firms. Small and medium-sized enterprises (SMEs) have flourished as a result, and they are vital to Nigeria's economy and the country's ability to generate new jobs. Crowdfunding, venture capital, and private equity have all seen an uptick in investment due to the adaptability of business forms. The fast expansion of startups and small enterprises, made possible by this flood of finance, has boosted the economy and created new jobs. Additional legislation, such the Nigeria Startup Act 2022, supplements CAMA 2020 with a regulatory framework that promotes investment in startups, especially in areas driven by technology like as e-commerce, fintech, and aggrotech. Because of this, new jobs have been created in developing industries, and innovation and economic development have been stimulated.

8.3 Digital Transformation and Improved Efficiency

Electronic filings, virtual general meetings, and digitization of corporate governance procedures are all made possible by CAMA 2020. Businesses have found it far simpler to streamline their operations, save expenses, and concentrate on what really matters as a result. Businesses, particularly tech-driven startups, may streamline operations and expand their audience globally via digital transformation. Businesses are able to scale and expand more quickly as a result of this efficiency, which boosts economic production and generates new employment in the technology sector.

8.4 Growth of the SME Sector

The small and medium-sized enterprise (SME) sector in Nigeria has reaped several benefits from the reforms enacted under CAMA 2020 and other legislation. The hurdles to entry for small firms have been lowered thanks to the ability to form one-person organisations, greater access to funding, and streamlined regulatory processes. With a contribution of about 48% to the country's GDP, SMEs play an essential role in Nigeria's economy. Small and medium-sized enterprises (SMEs) benefit from CAMA 2020's changes in three ways: increased growth, access to new markets, and economic contribution. Jobs are created as these enterprises grow. There are a lot of jobs in Nigeria created by small and medium-sized enterprises. Small enterprises have been able to build up in response to improved access to capital and reduced regulatory restrictions, creating more job possibilities overall and disproportionately in underserved and rural regions.

9.0 Conclusion

In conclusion, the recent revisions that were made to CAMA 2020 have had a significant influence on the entrepreneurial and startup endeavours that are taking place in Nigeria. With the implementation of CAMA 2020, the difficulties that new and small companies have in establishing themselves and operating in a competitive manner have been reduced. These barriers include the introduction of more flexible company structures, quicker registration procedures, and better access to capital. A more inclusive business climate has been promoted as a result of innovations such as the relaxation of compliance requirements for small and medium-sized enterprises (SMEs), the permitting of single-member corporations, and the improvement of corporate governance norms. The implementation of these changes is essential to the development of a

vibrant and robust entrepreneurial environment, despite the fact that difficulties still exist, especially for smaller businesses that are adjusting to new compliance requirements. The changes that are included in CAMA 2020 depict Nigeria as a landscape that is becoming more attractive for both domestic and international investment, which in turn drives economic development and innovation in the area. There has been a favourable impact on the development and resilience of small enterprises as a result of the Nigerian government's emphasis on supporting innovation via legislative reforms. A more accessible and supportive environment for the growth of small enterprises has been established by the government via the implementation of legislation that simplify the process of registering a firm, decrease the expenses of complying with regulations, and give financing and taxpayer incentives. A number of pieces of legislation, such as CAMA 2020 and the Nigeria Startup Act, have provided entrepreneurs with the resources necessary to achieve growth, innovation, and increased competitiveness. The move to digital processes and the need for compliance knowledge, on the other hand, create problems that some firms may still be confronted with. The implementation of these changes is essential to the advancement of Nigeria's economic development because they make it possible for small enterprises to become more significant contributors to innovation, job creation, and overall national growth.

10.0 Recommendations

Based on the findings espoused in this study, the following recommendations are hereby presented:

1. For the purpose of further enhancing the beneficial effect that the recent revisions in CAMA 2020 have had on entrepreneurship and startups in Nigeria, it is suggested that the government and relevant agencies continue to establish support mechanisms that address the specific issues that small firms experience in relation to these new rules. Small and medium-sized enterprises (SMEs) may be assisted in adjusting to corporate governance, digital filing, and transparency standards by establishing resources that are easily available. These resources may include simplified compliance manuals, training programs, and digital support services. Furthermore, agreements with financial institutions that provide reasonably priced consulting, and legal services might serve to alleviate the burden of compliance for small and medium-sized enterprises (SMEs) and startups that have limited resources. If these activities were expanded, it would guarantee that the innovations in CAMA 2020 not only encourage the development of businesses but also increase the resilience of the entrepreneurial ecosystem. This would encourage more sustainable economic growth and the creation of jobs throughout the country of Nigeria.
2. Improving education and awareness, providing tailored financial support, building capacity, strengthening networks and collaborations, streamlining compliance processes to reduce bureaucratic hurdles, and establishing a system for ongoing feedback from small businesses regarding the effectiveness of legislative changes are all strategies that the government should employ if it wants small businesses in Nigeria to reap the benefits of its focus on innovation through legislative changes.
3. Government and industry groups should create individualised training programs for business leaders and employees to better comprehend the revised CAMA 2020 rules, as well as the innovative practices that must be implemented to comply with them. This will help alleviate some

of the difficulties that companies may encounter when putting these rules into action. Launch programs to help small and medium-sized businesses (SMEs) afford financial and legal advice; Projects to improve digital infrastructure should get funding from the government, especially in areas that are currently underserved; Companies should not have to deal with the administrative load that regulatory bodies create for them by working to streamline compliance processes.

4. Help fund the creation of centers for innovation, incubators, and accelerators to foster new companies and new ideas. These hubs have the potential to spur entrepreneurship and the creation of new employment by providing access to necessary resources, mentoring, and networking events.