

BB approves closure of nine troubled NBFIs

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Online Desk : In a decisive step toward restoring stability in Bangladesh’s financial sector, the central bank has granted final approval to wind down nine non-bank financial institutions (NBFIs) mired in insolvency and mismanagement. The move, formalised under the newly enacted Bank Resolution Ordinance-2025, marks the first application of a comprehensive legal framework designed to restructure, merge, or liquidate failed financial entities. The decision was taken during a board meeting chaired by Bangladesh Bank Governor Ahsan H Mansur on Sunday, November 30.

The institutions slated for closure – Fast Finance, Bangladesh Industrial Finance, Premier Leasing, Fairest Finance, GSP Finance, Prime Finance, Aviva Finance, People’s Leasing, and International Leasing – collectively account for 52 per cent of the sector’s non-performing loans, which stood at Tk 25,089 crore by the end of 2023. Governor Mansur emphasised that protecting depositors’ interests remains the central bank’s top priority. “Our foremost objective is to return funds to affected depositors,” he stated, noting that the government has provided verbal approval for an initial Tk 5,000 crore in support.

According to central bank data, Tk 15,370 crore in deposits are currently trapped across the nine institutions – of which Tk 3,525 crore belong to individual savers and Tk 11,845 crore to banks and corporate entities. People’s Leasing holds the largest share of personal deposits at Tk 1,405 crore, followed by Aviva Finance (Tk 809 crore) and International Leasing (Tk 645 crore). Alarmingly, seven of the nine NBFIs report a negative net asset value of minus Tk 95 per share – indicating that even the full liquidation of assets would leave shareholders with nothing.

Financial experts attribute the sector’s collapse to chronic issues including weak regulatory oversight, loans to connected parties, systemic recovery failures, and inflated balance sheets masking insolvency. Earlier this year, Bangladesh Bank had classified 20 NBFIs as “red category” institutions posing significant systemic risk. Of these, nine have now been selected for closure. The fate of the remaining 11 – including CVC Finance, Bay Leasing, Islamic Finance, Meridian Finance, Hajj Finance, National Finance, IIDFC, Uttara Finance, Phoenix Finance, First Finance, and Union Capital – remains uncertain, pending the submission and evaluation of credible recovery plans.

In a related development, Bangladesh Bank has granted a licence to United Islami Bank, formed through the merger of five financially distressed Shariah-compliant banks. The consolidation, the largest of its kind in the country’s Islamic banking history, aims to strengthen governance and restore public confidence in the sector. Analysts view both actions – the NBFI closures and the Islamic bank merger – as critical components of a broader financial sector rehabilitation strategy, signalling the regulator’s shift from forbearance to decisive intervention in the face of systemic fragility.