

# KHATUNGANJ

## The fading glory of a trading hub

Once the country's largest trading hotspot, the wholesale market is now losing its old rhythm amid cash crises, loan scams and crumbling infrastructure



MD MEHEDI HASAN, back from Chattogram, and MOHAMMAD SUMAN

If you were opening a bank in Bangladesh, Khatunganj in the port city of Chattogram would be at the top of your list for new branches. This alone shows how vital this wholesale hub is to the country's essential commodity supply chain and overall trading activities.

For generations, traders and importers have been bringing in goods, storing them in Khatunganj and supplying them across the country. The daily value of its transactions is often compared to that of the country's premier bourse Dhaka Stock Exchange.

To grasp its influence, just look into your kitchen. Chances are, at least one item there -- lentils, spices, oil or onions -- has passed through Khatunganj.

Sitting on the banks of Chaktai canal, this centuries old trading heart has been pumping lifeblood to the country's food supply chain. It also sits at the centre of numerous loan scams and a flashpoint of money allegedly laundered by the Chattogram-based S Alam Group.

Now struggling to stay afloat after the lending anomalies and amid an increasing cash crisis, the market is somewhat a shadow of its former self. Traders speak of glory days gone by.

They blame worsening traffic congestion, a lack of business diversification, poor roads and decaying infrastructure. Many also say the trading community has failed to adapt to a changing business climate. The S Alam saga has only added to the turmoil.

Even so, each afternoon, sunlight still glints off the Karnaphuli river as trucks and vans squeeze through the narrow, crowded lanes, loading and unloading goods.

On the surface, it might look like business as usual. But traders and bankers say all is not well. Loans are scarce, and banks have lost much of their lending power.

**LOSING THE TRADE RHYTHM**  
The political changeover last year and large loan defaults by Chattogram-based borrowers have dealt another blow to the already struggling businesses in Khatunganj, according to traders.

Abul Bashar Chowdhury, chairman of the BSM Group, said, "The glory of Khatunganj is gone. In terms of business and trade, what used to be a bustling, vibrant marketplace is now only about 25 percent of what it once was."

He pointed to infrastructural problems, such as narrow roads, poor electricity supply, and recurring natural disasters. Besides, waterlogging occurs several times almost every year, damaging goods and commodities.

"Due to multiple factors, such as unhealthy competition, economic downturn, and structural challenges,



the business community in the port city has been hit harder than others."

Chowdhury believes many of the traditional businessmen have failed to adapt.

"They did not shift toward value-added activities such as retail packaging or product diversification in line with changing market demands. They should have moved in that direction, but they did not."

Before 2024, Khatunganj underwent its first major shake-up in 2007 during the army-backed caretaker government.

The decline began after the 1/1 period, when the government pressured traders to sell essentials at lower prices under the pretext of market control, said Mosharrif Hossain Mintu, chairman of MH Group.

He added that many leading traders vanished from the market during that time.

Before 2007, Khatunganj had around 1,500 importers and 3,000 to 3,500

wholesalers.

Over the years, those numbers have fallen to 80-100 importers and 500-700 wholesalers, while daily transactions have dropped from Tk 700-Tk 800 crore to just Tk 150-Tk 200 crore now, Mintu said.

According to the businessman, many traders have also moved operations from the congested, waterlogged market to areas such as Agrabad and Chawkbazar.

From 2009 to 2024, access to bank loans became nearly impossible for anyone without strong political connections, he said. "Even when loans were issued from local branches in Khatunganj, Asadganj, or Chaktai, the



PHOTO: RAJIB RAIHAN

funds were often diverted elsewhere instead of being reinvested in trade."

The situation worsened as interest rates rose and new investments dwindled.

Abdur Sabur, managing director of Jahan & Brothers, said Khatunganj once supplied goods to Noakhali, Feni, and Cumilla via waterways. But the construction of sluice gates in Chaktai and nearby canals to tackle urban flooding has disrupted those routes and left the market area persistently waterlogged, he said.

He added that while 25-tonne trucks run freely from Dhaka's wholesale hubs, goods-laden trucks from Khatunganj cannot carry more than 12 tonnes due to weight restrictions at the Mirsarai weigh station since mid-2018.

This limitation has sharply increased transport costs.

### CASH CRISIS CHOKING THE MARKET

Inside Khatunganj's narrow streets, the sound of trucks and shouting workers still fills the air. But behind the bustle, there is a deep liquidity crunch.

Banks see their loan repayments stalled, and many debts unpaid. Bankers say their lending has slowed sharply.

"Our business situation is very bad. On top of the political uncertainty, the looters have emptied everything," said Syed Sabbir Ahmed, owner of Sabbir Trading, a spice importer.

"We cannot get money from banks anymore. S Alam has taken all the loans," he added. "We small and medium entrepreneurs are in real trouble."

Mohammad Abdus Salam, president of the Khatunganj Trade and Industries Association, said, "Many traders here are now on the run. Loans are no longer as easily available from banks as before."

Salam said those with strong financial records can still manage, but banking has become painfully slow. "Banks now require too much paperwork. The pace of business is gone," he added.

Some small and medium traders have already left Khatunganj, shifting elsewhere or closing down entirely.

The confidence is gone, one trader said. "Earlier, you could walk into a bank and get a loan based on your reputation. Now even the bankers are afraid."

### S ALAM SAGA AND BROKEN BANKS

Almost all the loans from Khatunganj

branches of Islami Bank Bangladesh, Social Islami Bank, Bangladesh Commerce Bank, Global Islami Bank, Union Bank and First Security Islami Bank were reportedly taken by S Alam Group and its affiliates, bypassing proper banking procedures.

An investigation by the Bangladesh Financial Intelligence Unit (BFIU) found the group and its associates withdrew around Tk 2.25 lakh crore in loans from eleven banks and one non-bank financial institution. The majority of these loans came from Khatunganj branches.

At Social Islami Bank's Khatunganj branch, Tk 4,821 crore out of Tk 5,335 crore in loans went to S Alam companies.

At Islami Bank, they took Tk 80,000 crore, including Tk 66,000 crore from the Khatunganj branch.

Other branches followed a similar pattern -- Tk 1,448 crore from Jubilee Road and Tk 666 crore from Dewanhat -- leaving massive defaults.

Now those branches are half-dead.

At the Social Islami Bank Khatunganj branch, a depositor recently asked to withdraw Tk 5,000 but was told he could only take Tk 2,000 due to a cash shortage. After repeated pleas, the manager finally approved the withdrawal of the full amount.

"There has been continuous pressure from depositors since the merger news," said branch manager Mohammad Salim Ullah. "This branch has lost its capacity to lend, and we are struggling to manage withdrawals."

At Global Islami Bank's Khatunganj branch, the ATM booth was found closed, and the counters were nearly empty. "There is no money in the branch. Banking activities are almost at a standstill," said branch manager SK Rasel Uddin.

Bankers say many S Alam companies have almost stopped operations since early this year, while those still open are barely producing anything.

Syed Mahbubur Rahman, CEO of Mutual Trust Bank, said there is no business left in Chattogram now. "Most of the loans have turned default. No bank feels comfortable lending anymore."

However, Mohammad Ali, managing director and CEO of Pubali Bank, said their business in Chattogram, particularly at Khatunganj, is doing well.

"We have not lent to any controversial businessmen," he said, adding that banks that gave money to controversial businesses are now suffering.

Except for one or two clients, Ali said they are continuing to do good business in the port city as before.

Bangladesh Bank officials in Chattogram also said several branches are under pressure because of excessive loan concentration among a few borrowers. Some investigations into those irregularities were never acted upon.

"We reported the risks, but decisions were taken at the top level," said a central bank official, preferring anonymity.

However, Areif Hossain Khan, executive director and spokesperson of the central bank, who once oversaw the central bank's Chattogram office told The Daily Star that any investigation report submitted by divisional offices, including Chattogram, is treated with due importance.

Among the large defaulters in Chattogram are Saad Musa Group, Western Marine Shipyard, Rising Steel, Quantum Power, SA Group, Ratanpur Group, Ehsan Steel Re-Rolling Mill, and Siddique Traders, according to central bank documents.

**A LOOMING SHADOW**  
Apart from lending anomalies, Khatunganj's decline as a trading hub points to a wider trading shift.

Most new trade and credit now flow towards Dhaka. A study by local think tank Policy Research Institute found that around 78 percent of all loans in the country go to Dhaka and Chattogram combined, but Dhaka now claims nearly 63 percent, leaving only 15 percent for the port city.

This imbalance has drained vitality from the port city's economy. Warehouses still open at dawn, and trucks still jam the narrow alleys, but the energy is not the same. The wholesale market now runs on habit, not momentum.

"Authorities need to pay attention to Khatunganj, a business hub with 400-500 years of history," said BSM Group Chairman Bashar. "If they do not, it will soon become just a story people tell about the past."