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## FORMATION OF BANKING IN TURKESTAN. LATE 19TH - EARLY 20TH CENTURY.

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### **Abstract**

*The article deals with the process of formation of financial institutions of the metropolis, in particular banking in Turkestan, which allows to reveal more deeply the multifaceted feature of the formation of economic relations between Tsarist Russia and Turkestan. The paper also indicates the stages of banking development and the reasons for the development of banking in the region.*

### **Keywords**

*Turkestan, metropolis, banking, textile industry, Gosbank, central commercial bank, agrarian policy, Fergana Valley, cotton growing.*

At the end of the 19th century, one of the characteristic features of the economic development of Turkestan was the introduction of Russian banking and industrial capital into the area. The main reason for such drastic introduction of investments was the cultivation of cotton. As is known, the textile industry was the main branch of economic development in the whole developed world. Consequently, after the Russian conquest of Central Asia, the tsarist administration set itself the task of forming an agrarian, stable policy in the Central Asian possessions.

It should be noted that the introduction of Russian banking capital gave a tangible impetus to the development of cotton-growing and related industries, trade, construction of railroads, power plants, as well as in changing the social order in the region. Indeed, according to V. I. Masalskiy, who studied agrarian situation in Turkestan, it is mentioned that without bank financing cotton-growing could not be developed in such scale<sup>17</sup>. The development of financial institutions in the region led the tsarist administration to the economic development of Turkestan.

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<sup>17</sup> Масальский В.И. Хлопковое дело в Средней Азии и его будущее. СПб., 1898. Р. 75-98.

The beginning of banks' activity in the Turkestan region can be conditionally divided into two stages:

- The first stage – from the 70s of the 19th centuries to 1909
- The second stage – 1909-1914

During the first stage, the Tashkent branch of the State Bank was established, which was considered until the 90s of the 19th centuries the only bank in the Turkestan region<sup>18</sup>. The State Bank, by virtue of its statute, was a strictly commercial bank, operating primarily on the basis of bill of exchange, could satisfy the demands of the Turkestan money market only as long as this market had demands for commercial credit, mainly from Russian trade capital<sup>19</sup>. In the following years, in fact, its two subsidiaries appear – Russian-Chinese and Accounting and Loan Persian Banks<sup>20</sup>. The banks were primarily intended for lending to the textile industry.

In addition to the state banks, there appeared private commercial banks. The Volga-Kama Bank was the first to enter Central Asia, opening a branch in Tashkent in 1898<sup>21</sup>. This bank took quite a strong position lending to the cotton and manufactory trade, which concentrated its operations mainly in Kokand.

From 1909 to 1914, new branches of the central commercial banks were opened. A large number of banks were concentrated in the Fergana region, since this region was the center of cotton-growing.

This stage was characterized by the fact that the competition between Moscow and St. Petersburg commercial banks for the supremacy of their positions in Central Asia began. Nevertheless, both Moscow and Petersburg banks functioned in Central Asia: in the 1900s, 42 new branches of central commercial banks were opened in the region, of which 32 were establishments of five Petersburg banks and another 10 were four Moscow banks<sup>22</sup>. The main activity of these banks was related to cotton operations. It is known that Turkestan region was the main raw material base for the Russian Empire, which meant that the introduction of Russian capital

<sup>18</sup> Алимджанов Б. А. История банковского дела Центральной Азии. Т.: «Замон Полиграф», 2022. Р.3.

<sup>19</sup> Лаврентьев В. Капитализм в Туркестане (Буржуазная колонизация Средней Азии). Л.: Изд-во Коммунист. акад., 1930. Р. 74.

<sup>20</sup> Юшков К.М. Деятельность банковских кредитных учреждений Российской империи в Средней Азии с 90-х гг. XIX в.-по 1914 г. //Проблемы истории, филологии, культуры. – 2005. – №. 15. – Р. 123.

<sup>21</sup> Алимджанов Б. А. История банковского дела Центральной Азии. Т.: «Замон Полиграф», 2022. Р.3.

<sup>22</sup> Хотамов Н.Б. Роль банковского капитала в социально-экономическом развитии Средней Азии (начало 90-х гг. XIX в. – 1917 г.) Душанбе: Дониш, 1990. Р.30.

into the region was necessary: the construction of a railroad to supply raw materials, industrialization of the area, as it was more profitable to send finished goods.

It is also interesting that banking in Turkestan influenced the formation of the bourgeoisie among the local population. The first entrepreneurs and capitalists appeared, and a middle class was formed.

As stated above, the largest number of banks was located in the Fergana Valley. Fergana province was the center of cotton-growing, and Kokand was the main center of cotton and cotton-oil transactions. In contrast, the smallest number of banks was in the Khanate of Khiva. Based on L. Kostenko's report on his trip to Khiva, I conclude that cotton growing was not in demand in the khanate. Kostenko mentions that "cotton here... grows... much lower than in Bukhara and even in Tashkent; its ears are smaller and its fibers are shorter". The most profitable investment in Turkestan was cotton farming<sup>23</sup>.

Thus, it can be inferred that the most profitable investments in Turkestan were made in the cotton industry, which pushed the development of banking in the region, which was a major factor in establishing economic ties between the metropolis and the region.

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<sup>23</sup> Костенко Л. От Хивы до Казалинска. Путевые очерки // Военный сборник. 1873. Т. 94, № 11. Р. 152.