

BANKING ACTIVITY IN THE FERGHANA VALLEY: EMERGENCE AND ITS PREREQUISITES IN THE XIX— XX CENTURIES

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Abstract

The aim of this paper is to analyse in detail the banking activities in the Ferghana Valley in the period from the 19th to the 20th century with a focus on identifying the factors that contributed to the emergence of the banking system in this region. The research methodology includes analysis of historical documents, statistical data and literary sources in order to reconstruct the context of banking sphere formation in the Ferghana Valley. The results of the study make it possible to reveal the stages of formation and development of banking activity in the region, as well as to identify the main reasons for its emergence. The influence of the banking system on the economic structure and social processes in the Ferghana Valley is considered in the context of the general dynamics of the region's development. The findings of the study emphasise the importance of the banking sector in shaping the economic landscape of the Ferghana Valley and its impact on various aspects of social life. The work provides a basis for a deeper understanding of the role of banking in the historical development of the region and has potential implications for the current economic strategy of the area.

Keywords

Fergana Valley, bank branches, commercial banks, Russian-Asian Bank, Moscow Accounting Bank, Volga-Kama Bank, trade, entrepreneurial activity.

Located in the heart of Central Asia, the Ferghana Valley has always attracted attention for its rich natural resources and strategic geographical location. In the 19th and 20th centuries, the region underwent significant social, economic and political changes. The Ferghana Valley was famous for its textile industry and agriculture. The development of trade in silk, cotton and other commodities created a need for effective financial instruments. One of the key elements of these changes was the development of banking, which became an integral part of the economic life of the valley.

The historical context of the Ferghana Valley in the nineteenth and twentieth centuries provides key points of reference for understanding the development of banking in the region. From the influence of empires to cultural peculiarities and economic changes, each factor has had its impact on the formation of the banking system, which continues to evolve in the modern context.

The main reason for the emergence of banks is considered to be the establishment of entrepreneurial activity in the region. The development of entrepreneurship required the introduction of a railway to the Fergana Valley in 1906. Connecting Fergana to the Central Asian Railway not only allowed more goods to be transported, but also expanded import opportunities. Of course, this process cost a lot of money. It was therefore impossible to do without financial institutions and banks. It was here that the first Turkestan Governor-General Kaufman created favourable conditions for the development of Russian-Asian trade, and then for the arrival of Russian and foreign financial capital in the valley. [1] The development of banking in the region was largely driven by economic needs and challenges. The growth of trade in silk products, textiles and agriculture created the need for efficient financial instruments to facilitate business.

The literature analysis and methods for this paper include a comprehensive analysis of research sources and methodological approaches to study banking activities in the Ferghana Valley during the said period. The main aspects of the literature review and methods are:

1. Literature review: A review of modern and classical studies on banking activities in the region was conducted. This includes works by scholars such as Egamnazarova A., Alimova N., Khajimuratova A. Their works provide valuable scientific views on the history and development of banks in the Ferghana Valley. Egamnazarova A. provides an in-depth analysis of the economic changes associated with banking, while Alimova N. focuses on the role of cotton and trade in stimulating entrepreneurship and banking. Khadzhimuratov A. provides an important perspective on the social aspects of banks' interaction with the population. The combined perspective of these works forms the basis for understanding the historical context and impact of banking in the Ferghana Valley.
2. Research Methodology: The research methodology: The paper uses various methods of analysis, including historical method, comparative analysis, study of statistical data and archival materials. The historical method makes it possible to reconstruct the chronology of events and to identify the main stages in the development of banking in the Ferghana Valley. Comparative analysis makes it possible to identify general trends and differences in the development of banking activities in this region in comparison with other similar areas. The study of statistical data makes it possible to support the argumentation on the basis of quantitative indicators, allowing an objective assessment of the contribution of banks to the economy of the region. Each method has its own advantages and their combined use provides a more comprehensive view of banking activity in the Ferghana Valley and ensures that the stated objectives of the study are achieved.
3. Historical context: The historical context, including the political, economic and socio-cultural aspects that shaped the conditions for the emergence of the banking system in the Ferghana Valley, was analysed.
4. Assessing the impact of banks: The impact of banking on the economic and social structure of the region, including its role in the development of entrepreneurship and trade, was analysed.
5. Keywords: Keywords and phrases have been identified that reflect the essence of the study and facilitate the search for relevant literature.

This literature and methodological analysis provide the basis for a systematic and in-depth study of banking activities in the Ferghana Valley in the nineteenth and twentieth centuries.

At that time, agriculture, especially the export of cotton, silk, nuts, dried and fresh fruits, as well as the production and sale of oil, gas, coal and other products necessary for the national economy, was carried out exclusively through banking institutions. [3] Banks played an important role in Turkestan, particularly in cotton production. Many banks, despite the lack of Russian names, dealt with foreign capital, primarily with the capital of foreign countries that carried out economic activities in Central Asia.

In 1915 there were not only 47 state banks, but also 15 commercial banks. Most of the banks were connected with Russian capital, the Russian Foreign Bank had 79 per cent of the capital, the Bank of Foreign Trade with Russian capital - more than 40 per cent, and the Moscow Bank of Foreign Trade, which carried out all banking operations, with English capital, the Moscow Counting Bank with French capital, the Azov-Don Commercial Bank with French capital - 36.6 per cent, the Volga-Kama Bank with Franco-German capital, and the Siberian Trade Banks with Franco-German capital. [4]

In the Turkestan region, especially in the Fergana Valley, there were certain controversial issues related to the penetration of foreign capital. Official representatives of Tsarist Russia opposed the penetration of foreign capital, especially from Russia and Central Asia. As a result, foreign businessmen banded together, circumvented existing Russian laws, and invested their funds in Russian central banks through various channels. They cooperated with Russian companies, production enterprises and entrepreneurs. Permission was obtained by bribing officials in the Empire. Through all these efforts, foreign capital inevitably found its way into Russia, according to the authorities.

Representatives of foreign economists and big businessmen believed that industrial development in Russia was impossible without attracting foreign capital. All Russian ministers (Brant, Witte, Ozerov, etc.) were of the opinion that it was necessary to ensure the unhindered penetration of foreign financial capital into Russia and the country.

For example, according to Finance Minister S.Y. Witte in February 1900, foreign capital worth 1 billion roubles was invested in the Joint Stock Company of Industrial and Commercial Enterprises alone, out of a total of 5.5 billion roubles. [5] Due to the lack of funds from the Russian government, it was not possible to develop manufacturing industry in Turkestan, especially in the Ferghana Valley.

However, as the Ferghana Valley was considered a place of agricultural production, the largest number of private bank branches were concentrated in this region. For example, branches of the Russian-Asian Bank, the Moscow Accounting Bank, the Volga-Kama Bank and others were located in Andijan, Namangan, Kokand and Margilan. [5]

The first banks to open branches in Central Asia were mainly involved in deposit-taking and lending. However, with the development of cotton cultivation, which was linked to many manufacturing industries, the banks increasingly reduced simple accounting operations and expanded lending to commercial industrial enterprises of the local bourgeoisie. In addition, in the first decade of the 20th century, banks began to engage in independent trading. In this direction, they opened special warehouses for goods, leased cotton mills and lent to the bourgeoisie's trade oriented towards the local market. At this time, bank financing of local commodity processing partnerships became more in demand. Ultimately, banks played an important role in the development of trade and industry by establishing their money lines in the regional primary processing areas. [1]

As a result of the analysis of banking activities in the Ferghana Valley in the 19th and 20th centuries, it becomes clear that this area witnessed significant transformations in the financial sphere, which had a significant impact on the economic structure of the region. The emergence and development of the banking system was driven by a variety of factors that shaped the complex landscape of the financial infrastructure.

One of the most important was the strategic geographical location of the Ferghana Valley, which led to the rapid development of trade in silk, cotton and other commodities. The export of these products required efficient financial instruments, underlining the importance of the banking system in supporting trade and agricultural development. Cultural characteristics also had an impact on the development of the banking industry. The traditions and values of the region influenced financial practices and relationships with banks, creating a unique context for the development of the banking system.

An important factor was the period of influence of various empires, which led to the infusion of foreign capital and the diversity of banking structures. The role of Russian, German, French and other investors in the formation of the banking system of the Ferghana Valley underlines the global

nature of its development. Despite difficulties and challenges, banking activities in the region have become an integral part of the economic infrastructure. The influence of Russian, commercial and other banks is firmly established, reflecting the symbiosis of local needs and global economic trends. Banking in the Ferghana Valley is thus a unique kaleidoscope of history and economics, where a variety of factors ranging from geopolitics to culture have shaped the topography of the financial landscape.

Based on the discussion, the following findings were presented, namely the positive and negative impacts of banks on the local population in the Ferghana Valley:

Positive influences:

1. Development of entrepreneurship: Banks provided loans and financial support to entrepreneurs, facilitating the creation of new businesses and the development of the local economy.
2. Financial literacy: The banks' activities contributed to the financial literacy of the local population by teaching them about financial management and the effective use of banking services.
3. Job creation: The expansion of the banking network has contributed to the creation of new jobs, thereby improving employment levels in the region.
4. Trade promotion: Banking activities have promoted trade by facilitating trade finance and strengthening trade linkages.

Negative impacts:

1. High interest rates: High interest rates on loans could create financial difficulties for entrepreneurs and households. In addition, the application of interest (riba) is considered to be prohibited under Sharia law. The high interest rates charged by banks may have affected the local population in a way that is contrary to Shari'ah principles and created hardship for those seeking to avoid interest [6].
2. Unequal distribution of resources: Possible unequal provision of banking services may have led to unequal access to financial resources.
3. Risks of financial transactions: Involvement in financial transactions entailed risks for clients, especially in times of economic instability.
4. Dependence on the banking system: Local communities may have been dependent on the banking system, which could have affected their financial position in unfavourable circumstances.
5. High interest rates on loans made the financial situation of artisans difficult, reducing profitability and making it difficult to repay the borrowed funds. Bank conditions and lending requirements, based on the needs of large enterprises, often did not correspond to the specificities of artisanal production, which could make access to finance more difficult. Banks' lack of understanding of the specificities of artisanal production can also lead to have limited the ability of artisans to expand and modernise their businesses. This imbalance in the financial relationship between banks and the artisanal sector may have limited its development and competitiveness in the face of economic change.

Thus, the analysis of historical data and literary sources allows us to identify key moments in the formation of banks in the region, their impact on the economic structure and social processes. The identified factors contributing to the development of the banking sector include the active participation of commercial banks such as the Russian-Asian Bank, the Moscow Accounting Bank, and the Volga-Kama Bank.

The positive impact of banks on trade, entrepreneurial activity and the overall economic dynamics of the region was noted. At the same time, negative aspects were identified, such as high interest rates, which created difficulties for local entrepreneurs. The discussion of these results allows us to

better understand the contribution of banking activities to the historical development of the Ferghana Valley and to assess its importance in the context of modern economic strategies.

To conclude the study of banking activities in the Ferghana Valley in the nineteenth and twentieth centuries, it can be said that this area played a key role in the formation and development of the banking system. Banks such as the Russian-Asian Bank, the Moscow Accounting Bank and the Volga-Kama Bank proved to be important catalysts for economic growth and social change. The introduction of banks in the region strengthened the financial structure, boosted entrepreneurship and facilitated trade interactions. However, despite the positive aspects, there were some negative factors, such as high interest rates, which put pressure on local entrepreneurs. In summary, the analysis highlights the importance and complexity of the impact of banking on the Ferghana Valley and provides an objective view of the evolution of the financial environment in this region.

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