



EAST AND WEST: CONTACTS AND CONTRADICTIONS ВОСТОК-ЗАПАД: КОНТАКТЫ И ПРОТИВОРЕЧИЯ

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Russian banking institutions and trade interests in Persia at the turn of 19th — 20th centuries

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Abstract. The author examines the history of the emergence of a network of banking institutions in Persia belonging to rival powers — the Russian Empire, Great Britain, and Germany. An analysis of documents on the project to open agencies of the Tiflis Commercial Bank in Persia by Russian entrepreneurs revealed the significant risks inherent in the Persian market, which deterred Transcaucasian merchants from implementing their plan. It is shown that the Discount and Loan Bank of Persia, operating under the control of the Russian government, had to face all of these risks. The author concludes that the Russian banking institution's work in Tehran was fruitful — thanks to its efforts, by the early 20th century, a third of the Tehran market was represented by Russian goods, whereas traditionally it was closed to Russian exporters. However, the bank's chosen strategy of competing with Russian entrepreneurs in Persia negatively impacted Russian trade in that country as a whole. The bank demonstrated insufficient effectiveness in supporting private merchants, and during the First World War, for objective reasons, this function ceased to exist altogether.

Keywords: banks of the Russian Empire, colonial banks, imperialism, Middle East, Iran, economic history, Russian foreign trade, economic infrastructure, Russian-Iranian borderland

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Российские банковские учреждения и торговые интересы в Персии на рубеже XIX–XX вв.

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Аннотация. Рассмотрена история возникновения в Персии сети банковских учреждений, принадлежавших соперничавшим между собой державам — Российской империи, Великобритании и Германии. Анализ документов по проекту открытия в Персии российскими предпринимателями агентств Тифлиского коммерческого банка помог выяснить наличие больших рисков, которые присутствовали на персидском рынке, что удержало закавказское купечество от реализации намеченного плана. Показано, что со всеми ними пришлось столкнуться действовавшему под контролем российского правительства Учетно-ссудному банку Персии. Автор приходит к выводу о плодотворности работы российского банковского учреждения в Тегеране — благодаря усилиям банковского руководства к началу XX в. треть тегеранского рынка была представлена российскими товарами, в то время как традиционно этот город был закрыт для российских экспортеров. Однако выбранная банком стратегия поведения, нацеленная на соперничество с российскими предпринимателями в Персии, негативно сказывалась на состоянии российской торговли в этой стране в целом. В деле поддержки частных коммерсантов банк продемонстрировал недостаточно большую эффективность, а в годы Первой мировой войны, по объективным причинам, данная функция и вовсе сошла на нет.

Ключевые слова: банки Российской империи, колониальные банки, империализм, Средний Восток, Иран, экономическая история, внешняя торговля России, экономическая инфраструктура, российско-иранское трансграничье

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Introduction

Applying for a bank loan is a natural and common practice in modern business. In the second half of the 19th century, the Russian Empire witnessed a proliferation of banking establishments, a development that obviously stimulated economic revitalization [1]. Gradually, credit institutions started to emerge along the southern frontier, a territory closely linked with neighboring Persia in terms of trade. Among the top ten financial institutions involved in lending operations were banks in Baku and Tiflis, with Central Asian banks also maintaining tangible presence [2. P. 85, 89].

In modern historiographical discourse, extensive research on the topic of operational dynamics of Russian financial institutions in Central Asia has been made by Uzbek scholar B.A. Alimjanov [3–5]. Inter alia, his analysis examines the Russian-Asian Bank — an entity that maintained a subsidiary in Ashgabat — whose merchant clientele engaged in extensive commercial exchanges with Persian northeastern Khorasan province. Notably, Alimjanov's research demonstrates that this banking institution ventured beyond traditional financial services by engaging in autonomous trade activities: evident in its 1916 exportation of 34 carloads of refined sugar and 23 carloads of granulated sugar to Persia, with merely 10 carloads of refined sugar distributed domestically [6. P. 19].

Much less attention is paid to the development of banking system in the South Caucasus [7], although the region itself and its economy attract considerable attention from contemporary researchers [8–10].

As for the analysis of Russian financial operations within Persia, this subject matter received comprehensive attention during the Soviet era, particularly in the seminal works of distinguished historian B.V. Ananich [11; 12]. His research reveals a pivotal role of banking institutions in establishing credit mechanisms and facilitating concession policies implemented by the imperial Russian administration in Persia in the late nineteenth — early twentieth centuries. Principally, his study focuses on Russia's geopolitical ascendancy in this adjacent territory amidst its competitive tensions with Britain, while the progression of Russo-Persian commercial relations constitutes a secondary theme.

In the similar spirit Russian-Persian relations are analyzed by researcher I.K. Pavlova in her publication [13].

Another approach is taken by S.A. Salomatina, who conducts an economic analysis of the Accounting and Loan Bank of Persia, meticulously evaluating its financial performance in comparison to other imperial financial institutions such as the Russo-Chinese and Russo-Asiatic banks. The research demonstrates that the bank asset volume aligned with that of a typical provincial joint-stock entity, falling short of the expansive, multi-branch universal banks headquartered in St. Petersburg and Moscow. This empirical evidence challenges the prevailing characterization of the Accounting and Loan Bank as a formidable instrument of Tsarist Russia's expansionist agenda in the Middle East [14. P. 576].

This paper aims to reconstruct the formation and operational dynamics of Russian banking institutions in Northern Persia while critically evaluating their efficacy in facilitating Russo-Persian commercial relations in the late 19th — early 20th centuries.

Credit Conditions in Persia and Attempts to Open Branches of the Tiflis Commercial Bank

Low solvency of Persian merchants posed a substantial impediment to the advancement of Russian-Persian trade. Concurrently, Russian merchants lost out to their British competitors in extending credits to Persian commercial entities. This disparity is underscored by an 1889 report from the governor of Nizhny Novgorod, reflecting the state of fair trade. Russian manufacturers extended credit to Persian buyers for a period of 7 to 12 months at an annual interest rate of 15%, whereas British goods in Persia were sold on credit terms of 24 months with a significantly lower rate of merely 4–5% per annum¹.

At the same time, Persia itself lacked credit institutions that would help Iranian entrepreneurs obtain financial support. Under these conditions, lending in Persia was usurious in nature. It was carried out against collateral whose value far exceeded the amount of the loan and at high interest rates.

The sale of goods on credit was usually carried out under promissory notes (*tamasuk*) with payment in installments within varying terms, totaling from 6 to 20 months or more. Money transfers were made using transfer letters (*berat*), valid for 15, 20, 30, or more days upon presentation. All transfers of money from one place to another were carried out through private individuals who belonged exclusively to the merchant class.

Russian-Persian trade was extremely active in the Transcaucasia. There, the efforts of local merchants helped open the Tiflis Commercial Bank in 1872 with the capital of 2 million rubles in silver. An information note stated that its significance lay in the fact that its founders planned to establish proper monetary relations with Persia and open agencies or offices of the bank in such Persian cities as Tabriz, Tehran, Resht as well as Mazandaran Province. Before proceedings started, the founders submitted a request to the Ministry of Foreign Affairs of the Russian Empire for a number of privileges from the Persian government. Those included:

- 1) Exemption of the bank, its offices, and agencies within Persia from all taxes and duties payable to the state and cities for a period of 25 years;
- 2) Granting the bank an exclusive privilege of opening banking offices in the cities of Persia for the same period;
- 3) Granting the bank the right to issue shares and bonds of industrial and other enterprises within Persia for the same period;

¹ Russian State Historical Archive (hereinafter referred to as RGIA). F. 20. Op. 7. D. 183. L. 118 ob.

4) The Persian government shall make all money transfers and payments to all places in Europe, as well as receive money through the bank;

5) Granting the bank an advantage in the construction of railways in Persia during the specified period².

After a period time, three Russian diplomatic representatives — from Gilan, Tabriz, and Zergende — responded to the request. None of them recommended opening banking institutions in the cities planned for that purpose. Even with regard to Tabriz, which was quite active in terms of trade, the report stated that “given the general shortage of money throughout Persia, it is hardly possible to hope that the bank could make any profitable turnover. Setting up an agency or office here would require significant annual fixed costs, and it is unlikely that the office turnover would cover them”³.

The capital city of Tehran was also described as having little value in terms of monetary turnover: “Trade with Europe here is limited to the import of insignificant quantities of goods exceptionally for the Shah and his harem. Transfers of money from Europe to Persia for foreign missions stationed here are usually made through two or three European trading houses operating in Persia. Both the latter and the missions are reluctant to give up these operations, which are mutually beneficial due to the discount on bills of exchange”⁴.

As for the other requests, the Russian Consulate General in Azerbaijan provided clear answers in the order they were presented. The first point of the note stated that “no complications whatsoever exist,” given that, in accordance with the Persian administrative framework, merchants — whether of European or Persian origin — were totally exempt from fiscal obligations and municipal duties.

However, with regard to granting exclusive privileges to open banking offices in Persia, the answer was negative. The consul general reported that this was “impossible” because all trade transfers and bill transactions were carried out here almost exclusively by European trading houses, and the government in Persia lacked jurisdictional authority to “compel private entities to cease their commercial undertakings”⁵.

With regard to issuing bonds, it was stated that this operation was impossible due to the absence of any industrial enterprises in Persia.

The fourth point received the following response: The Persian government would be glad to make its payments through the bank to a number of European locations. However, it is unlikely that such a transaction would be profitable for the bank. This was followed by an explanation that the amount of money sent by the Persian government to maintain its diplomatic and commercial agencies in Europe

² Archive of Foreign Policy of the Russian Empire (hereinafter referred to as AVPRI). F. 144. Op. 488. D. 1807. L. 1–1 ob.

³ Ibid. L. 6 — ob.7

⁴ Ibid. L. 10

⁵ Ibid. L. 5.

did not exceed 50,000 tumans. These funds were typically obtained by agents from the Tabriz customs office, often with significant delays, which the bank could not accept⁶.

A report from the Russian imperial mission in Zergend also confirmed that the volume of monetary transactions between Persia and Europe was very limited. Significant doubts were also raised regarding the proposed transfer of the railway concession to the Tiflis Bank⁷.

Finally, it was recommended that the bank “limit its activities to a narrow range of transactions, only undertaking those that are completely reliable” and not extend them to internal Persian trade. The warning painted a bleak picture in case the advice was ignored: “In light of the significant challenges posed by the lack of transparency among Persians, which has led to considerable difficulties in credit transactions with the local population, and considering the absence of effective judicial mechanisms to ensure immediate repayment by defaulting debtors, the bank will incur substantial losses. Consequently, the imperial mission will be obliged to engage continuously with the most challenging and intricate matters with the Persian government...”⁸

Thus, Russian diplomats stationed in Persia, prudently assessing the situation in the country, cautioned their fellow nationals against engaging in endeavors fraught with unjustified risks.

British Imperial Bank of Persia vs t Russian Loan Society of Persia and the Moscow International Trade Bank

Likewise, European attempts to establish banking in Persia were unsuccessful. The first of those was the British Oriental Bank which opened in 1845, but did not endure for long. In 1888, the New Oriental Bank opened its branches in Persia, but it also closed down a year later [15. P. 118].

In 1889, Julius Reuter, a British concessionaire, founded the Imperial Bank of Persia (also known as the Shahanshah Bank of Iran). While its board was headquartered in London, the institution maintained its primary administrative and operational presence within Persia itself, with a central office in Tehran and strategically established branches in key urban centers such as Tabriz, Mashhad, Resht, Yazd, Isfahan, Shiraz, and Bushehr. The bank principal function centered on facilitating both domestic and international monetary transfers, a critical service for Persian trade [15. P. 119, 123].

However, the arrival of the said bank did not fully satisfy Persia’s need for commercial credit for local entrepreneurs.

⁶AVPRI. F. 144. Op. 488. D. 1807. L. 6–6 об.

⁷Ibid. L. 8 об., 10 об.

⁸Ibid. L. 12–12 об.

Over time, it became increasingly evident to the Russian government that the absence of a robust credit institution in Persia was impeding the advancement of Russian-Persian trade relations. These conclusions were reached, among other things, as a result of communications between Finance Minister I.A. Vyshnegradsky and Persian merchants during his visit to the Nizhny Novgorod Fair in August 1890. The latter petitioned for permission for the Baku branch of the State Bank to issue loans in the form of credit notes secured by Persian silver coins (qiran and tuman). Upon his return to St Petersburg, the Minister of Finance referred to the State Bank's board the question of whether and on what grounds it would be permissible to issue loans from the bank secured by larger Persian coins (tuman)⁹.

The 1870s–1890s was a period of ascendant commercial influence for the Polyakov brothers. Notably, on April 21, 1890, Yakov Solomonovich Polyakov — the eldest sibling — secured a concession from the Shah of Persia to found the Loan Society of Persia, which commenced operations in Tehran the following year.

The bank was granted authorization to conduct lending operations secured by all types of interest-bearing collateral, bills of exchange, commodities, and other assets; conduct auctions and sales at market price; establish commodity warehouses; and perform accounting, revaluation, and all other types of operations under the charter approved by the Persian government on May 6, 1891¹⁰.

As stated in paragraph 7 of the concession agreement, the shah's treasury received 10% of net profits, while the founder or his heirs or successors received 25% of net profits. The remaining 65% was to be distributed among the shareholders. Besides, for the monopoly on auction sales granted to the bank, it had to pay 1,000 tumans to the Tehran treasury for each operating year¹¹.

Over three years of operation, the bank did not manage to develop its business. There were several reasons for that. Unlike the British Imperial Bank of Persia, the Russian Loan Society of Persia lacked branches in other cities across the country, which meant it could not engage in transfers, and the extension of credit for commodities found little demand in the capital, given Tehran's zero export activity. Compounding these challenges were substantial expenditures incurred in bestowing tribute upon Persian officials to secure their cooperation in obtaining the concession. During the bank inaugural years, such disbursements consumed a full half of its operating capital. Further financial setbacks ensued from the 1893 depreciation of silver, to which the Persian monetary system remained pegged [15. P. 125].

In 1892, the Moscow International Trade Bank, owned by Lazar Solomonovich Polyakov¹², also opened a branch in Tehran. However, despite its name, this institution did not engage in commercial operations. Its establishment

⁹ RGIA. F. 20. Op. 7. D. 183. L. 118 ob.

¹⁰ RGIA. F. 563. Op. 2. D. 331. L. 6–6 ob.

¹¹ Ibid. L. 8.

¹² RGIA. F. 20. Op. 7. D. 183. L. 118 ob.

was driven by the necessity to facilitate financial transfers to Polyakov's other Persian enterprises, including a trade and industry partnership and an insurance and transport company. Therefore, the Tehran branch of the Moscow International Trade Bank should be regarded as a supplementary business among other commercial ventures under the ownership of L.S. Polyakov [15. P. 125]. Gradually, the Persian division of the bank came under control of the state-owned Accounting and Credit Bank of Persia [14. P. 572].

Thus, the efforts of two Russian banks had no discernible effect on enhancing lending to those involved in the Russian-Persian trade.

Loan Bank of Persia

As Minister of Finance — a position he assumed on August 30, 1892 — S. Witte ordered that “consideration be given” to sending a “special envoy” to Persia to study the money market in order to decide “what would be best to do to promote Russian trade” and whether it would be possible to open a branch of the Russian State Bank in Persia¹³.

By April 1894, S.Y. Witte had formulated a clear strategy for further action. In the same year, Y.S. Polyakov submitted a proposal to the Minister of Finance for the State Bank to acquire the joint-stock company he had established in Tehran¹⁴. The proposal was met with an immediate positive response, prompting Witte to draft a memorandum on the necessity of the proposed action. On 4 April 1894, the document was reviewed and approved by the Finance Committee.

In his memo, S. Witte highlighted unsatisfactory performance of Russia's commercial endeavors in Persia, despite geographical adjacency between the two nations — even within Persia's northern most prosperous provinces bordering Russia: Azerbaijan, Gilan, Mazandaran, and Khorasan. The minister identified multiple factors contributing to this “abnormal state of affairs,” including inadequate transportation infrastructure, insufficient storage facilities, prohibitively high capital costs in both countries, and, crucially, “the lack of a robust Russian financial institution capable of extending credit”¹⁵.

S. Witte further explained in his memo that existing private joint-stock companies were unable to reverse the situation on their own due to “insufficient funds”, while Moscow trading firms, which possessed considerable resources, were reluctant “to raise the capital necessary to establish a strong Russian bank in Persia.” Furthermore, the State Bank could not open a branch in Tehran “without causing political difficulties”. According to S. Witte, the best way to establish a credit institution in Persia with substantial funds that would

¹³ RGIA. F. 20. Op. 7. D. 183. L. 118.

¹⁴ RGIA. F. 563. Op. 2. D. 331. L. 2.

¹⁵ Ibid. L. 2 ob., 3 ob.

be “powerful enough to serve the development of Russian trade in Persia and strengthen Russia’s rightful dominance” was for the State Bank to acquire Y.S. Polyakov’s loan company, which had by that time been renamed the “Loan Bank of Persia”¹⁶.

Speaking of the bank objectives, the Minister insisted that its primary task should be to promote Russian trade in Persia by advancing the export of “Russian manufactured goods.” To this end, the bank was to facilitate transfers from Russia to Persia and back, keep records of Russian merchants’ bills of exchange, and extend loans for domestic goods imported into Persia.

Having developed its operations in Tehran, the bank was subsequently to expand its presence by establishing branches in Tabriz and Mashhad, thereby “consolidating Russian commercial dominance throughout northern Persia and forcing English products out of the market”¹⁷.

The members of the Finance Committee supported S. Witte’s proposal, and on 1 May 1894, the State Bank took over the management of the Loan Bank of Persia [12. P. 17].

By this time, Russian trade in Tehran was in a very weak position. Back in the 1880s, Russian textile manufacturer N.N. Konshin attempted to turn the situation around in Russia’s favor on his own. In 1884, he opened a warehouse there and began importing cotton fabrics, which were sold by sample or as available goods. However, the trade was unprofitable and had to be shut down in 1890 [16]. Since then, little has changed on the Tehran market, but the arrival of such a powerful player as the Accounting and Loan Bank of Persia was expected to tip the balance in Russia’s favor. Indeed, figures for 1901 reveal a pronounced surge in the influx of Russian goods into Tehran facilitated by the Loan Bank of Persia. Whereas the bank expenditures in 1900 amounted to a modest 74,024 rubles, its acquisitions between May 1 and December 15, 1901 skyrocketed to an astonishing 1,183,140 rubles. The main types of goods purchased were manufactured goods (725,680 rubles) and sugar (243,600 rubles)¹⁸. The bank purchased goods from Russian manufacturers and transported them to Tehran, a city that had traditionally been overlooked by Russian entrepreneurs and which remained under British dominance.

Thanks to the bank’s efforts, Russian merchandise successfully penetrated the Tehran market and find its buyers. The names of specific Russian manufacturers and the types of fabrics purchased from them by the Persian Loan Bank are listed in the table below.

¹⁶ RGIA. F. 563. Op. 2. d. 331. L. 4.

¹⁷ Ibid. L. 9.

¹⁸ RGIA. F. 23. Op. 11. D. 303. L. 15.

Data on commodity transactions of the Tehran branch of the Loan Bank of Persia for the period May 1 — December 15, 1901

Manufacturers and Goods	Kip number	Kip price, ruble	Total, ruble
Ludwig Rabenek (red calico)	2383	130	309 790
Baranovich Bros. (red calico))	476	130	61 750
Savva Morozov (semi-velvet)	720	300	216 000
Zakhar Morozov (semi-velvet)	442	145	64 090
Shcherbakovs Bros. (swedish fabric))	273	140	38 220
Gübner (calico)	68	130	8 840
Konshin (calico)	9	130	1 170
Serebryanikov (calico)	69	110	7 690
Gandurin (calico)	22	110	2 420
Petrov (soldier cloth)	10	220	2 200
Mikhailov (woolen goods)	4	250	1 000
Belov (woolen goods)	1	250	250
Derevshchikov, Sapozhnikov, Brashnin Bros., Kuskov	206	60	12 360
Total bundles (kip)	4476	—	725 680
Total cuts	206		

Source: Russian State Historical Archive. F. 23. Op. 11. D. 303. L. 15 ob.

When purchasing goods imported to Persia by Russian manufacturers, the Loan Bank of Persia offered them considerable commercial advantages. The bank paid the full cost of the goods upon order placement and provided free warehousing facilities for the merchandise. In addition, it financed the transaction by accepting bills of exchange from Persian merchants who purchased Russian goods at a reduced interest rate of 8–10%, a notable reduction from the standard 12% rate¹⁹.

Despite all efforts, conquering the Tehran market was a slow process. By 1902, Russian textiles constituted a mere third of the total fabric trade within the Iranian capital, with British imports controlling the remaining two-thirds market share. There was no market at all for Russian cloth and woolen fabrics, with Austrian manufacturers dominating the sector²⁰.

¹⁹ Ibid. L. 15 ob.

²⁰ RGIA. F. 23. Op. 11. D. 303. L. 16.

Bank of Persia controller A.S. Ostrogradsky outlined his views on the reasons for the failure of Russian fabric trade in Tehran in his memorandum of 27 November 1902 to Deputy Minister of Finance V.I. Kovalevsky.

The first of these seemed rather strange — the higher quality of Russian fabrics, which significantly surpassed their English analogues. At the same time, this advantage of Russian goods was counterbalanced by their higher price. The Persian market was notable for the fact that buyers focused primarily on low prices rather than quality. A.S. Ostrogradsky pointed to cases where merchants refused to buy goods that were twice as good in terms of fabric quality, pattern beauty, and color fastness because of a difference of 1–2 kopecks per arshin.

Secondly, according to Ostrogradsky, Moscow firms did not distinguish enough between wholesale buyers, who took 500–1,000 kips, and smaller buyers, who bought 5–10 kips. As the Loan Bank paid the full order amount in cash in advance, it was placed at a disadvantage compared to a small Persian commission agent who took several kips directly from the Moscow warehouse. While the Loan Bank received the usual wholesale discount, the commission agent negotiated a 1% commission, as well as payment for the goods by cash on delivery with a 6–8 month interest-free term. In total, this amounted to a 3–4% difference in price between the Loan Bank and the commission agent.

A.S. Ostrogradsky emphasized that English manufacturers never sold their goods directly to merchants, nor did they put their mark on products intended for “exotic markets”, instead granting this right to the commission agent who took a certain batch from them. Merchants could not therefore contact the factory directly, but had to act through its representative in Persia. This representative could easily regulate the quantity and timing of the production and release of a batch onto the market, as well as set the price subject to local conditions²¹.

However, it was impossible to make such arrangements with Russian goods. Any small retailer could turn to S. Morozov or the Shcherbakovs, or others and frequently secure merchandise on terms more advantageous than those available to wholesalers who counted on those small retailers as buyers²².

In his memo, A.S. Ostrogradsky summarized that in order to develop Russian exports to Tehran, it was necessary to trade in cheaper cotton textiles, and to engage manufacturers from Łódź for the export of woolen fabrics, since Moscow did not produce competitive goods in this category. Russian manufacturers were also required to extend additional preferential terms to the Loan Bank of Persia and to cease small-scale sales from Moscow warehouses to Persian merchants²³.

²¹ RGIA. F. 23. Op. 11. D. 303. L. 16–16 ob.

²² Ibid. L. 16 ob.

²³ Ibid. L. 16 ob.

Accounting and Loan Bank of Persia

In 1902, the Loan Bank of Persia was renamed the Accounting and Loan Bank of Persia. In 1903, ownership was formally transferred to the state, wherein the State Bank received full reimbursement from the Treasury for both the initial capital expenditures incurred during the bank acquisition from its original proprietors, as well as supplementary investments totaling one million francs²⁴.

Having started its operations in Tehran, the bank subsequently opened branches and agencies in Resht, Tabriz, Mashhad, Enzeli, Qazvin, Sebzevar, Urmia, Hamadan, Meshedesser, Seistan, Kuchan, Barfursh, Sari, Ashraf, Astrabad, Bandar-e Gaz, Isfahan, Qom, Nain, Yazd, Kerman, Kashan, and Sultanabad. In Russia, it had branches in Moscow, Baku, Ashgabat, and Julfa²⁵.

Apparently, having decided to follow the course set out in A.S. Ostrogradsky's memorandum and positioning itself as an intermediary between Russian producers and Persian merchants, the Accounting and Loan Bank began methodically displacing independent Russian merchants who had ventured to establish autonomous trade representation in Tehran. This was the case with a group of large entrepreneurs — the partnerships of Emil Zindel, V. Morozov, S. Baranov, and the Yasyuninsky brothers²⁶. Back in 1901, they had collaboratively established commercial warehouses within the city, yet found themselves compelled to shutter these operations in 1903 due to coercive measures enacted by the bank. The bank not only revoked their access to preferential credits but also actively disseminated rumors among Persian merchants, falsely alleging their insolvency [11. P. 286].

Finance Minister S.Witte expressed profound dissatisfaction with the Accounting and Loan Bank of Persia conduct and ordered that the actual tasks of the bank be “strictly” explained to the agent of the Ministry of Finance in Persia, E.K. Grube [11. P. 287].

However, the bank did not change its strategic trajectory regarding further banking operations. This is evidenced, in particular, by the liquidation of Prokhorov Trekhgorny Manufactorycommercial endeavors in Isfahan, a direct consequence of the bank establishing its own warehousing facility in the region during mid-1905²⁷.

In 1907, the bank opened correspondent offices in Barfursh and Bandar-e Gaz in the Astrabad province. Here, the Accounting and Loan Bank of Persia set its sights on Armenian firms, traditional distributors of Russian goods in Persia. Over many years of commercial activity in the country, they had

²⁴ AVPRI. F. 144. Op. 488. D. 4546. L. 4.

²⁵ Central State Archives of Moscow (hereinafter referred to as the Moscow CSA). F. 341. Op. 1. D. 341. L. 249.

²⁶ Moscow CSA. F. 341. Op. 1. D. 185. L. 4.

²⁷ RGIA. F. 23. Op. 11. D. 303. L. 83.

monopolized all trade and banking operations in Mazandaran, Astrabad and Shahroud, so dealing with them proved to be no easy task. According to a report by B. Dolgoplov, manager of the Russian Imperial Consulate in Astrabad, within a year the bank “failed in the most unfortunate way.” After the bank unveiled its new branch in Giaz, there was an absence of depositors and a conspicuous lack of loan applications: “The bank opened every day, the money lay neatly under blankets in a warm place, and the staff received <...> their salaries and waited... There was no business. <...>. The correspondent office kept 50,000 qiran under felt blankets all winter, without putting them into circulation”²⁸.

This was due to a very low interest rate on deposits — 4%, while the Armenian firms of Karapetyants, Tumanyants, and Nasibyants offered 10–12%. On top of giving out loans for cotton, they also bought it themselves, paying money to the farmers who grew it a year or more in advance. They also controlled the export of barley, rice, fish, dried fruit, sesame seeds, goat and pig skins, fresh fruit, raw silk, cocoons, wool, etc. The import of kerosene, oil, iron and steel products, manufactured goods, haberdashery, sugar, tea, canned goods, etc. was also conducted with substantial involvement and dominant influence of Armenian business proprietors²⁹.

However, narrow scope of operations of the Russian bank did not allow it to compete with the Armenians, who had thoroughly studied local markets and concentrated trade in their hands.

B. Dolgoplov, the head of the Astrabad consulate, wrote bitterly on this subject: “Persistent inaction, unprofitability and recurrent shortcomings of these subsidiaries hardly align with the interests of the Accounting and Loan Bank. In their current state, they inflict severe reputational damage and undoubtedly undermine the entire Russian cause by fostering skepticism regarding our vigor and enterprise among the already distrustful Persians”³⁰.

It should be added that economic conditions in both Russia and Persia underwent a marked escalation in complexity during the early 20th century. The Russo-Japanese War and the First Russian Revolution destabilized Russia’s economy, while military and political events in Persia in 1905 also had a detrimental effect on the country’s commercial life. Given these circumstances, it was extremely challenging for the Accounting and Loan Bank of Persia to sell its goods. Large quantities of unused fabrics, some already out of fashion, remained in warehouses, while Russian commission agents owed the bank substantial sums of money and struggled to repay them³¹.

²⁸ AVPRI. F. 144. Op. 488. D. 4020. L. 294, 295.

²⁹ Ibid. L. 295 ob. — 296.

³⁰ Ibid. L. 296.

³¹ RGIA. F. 23. Op. 11. D. 303. L. 20.

Set against this geopolitical context, Imperial Germany intensified its strategic endeavors to penetrate the Persian market. On July 11, 1907, the Persian Majlis formally ratified the German Banking Convention. This agreement stipulated that the designated German bank would commence operations within three-year period following its ratification, with a minimum capital of 1 million tumans and a board of directors based in Tehran. Notably, the bank was bound to facilitate foreign currency transactions without commission fees at a rate of no more than 10%³².

At the same time, Germany initiated a series of vigorous measures in Persia aimed at expanding a commercial footprint of its industrial exports. Diplomatic consulates were staffed with specialized “trade experts” whose mandate included conducting comprehensive market analyses and promoting the distribution of German merchandise. Spacious warehousing facilities were established in Tabriz and Tehran, designed to store an extensive inventory ranging from sewing needles to automobiles³³.

By 1908, the situation had provoked significant concern within the Russian government, prompting the Ministry of Trade and Industry to convene extraordinary interdepartmental meetings on June 19th and 23rd to discuss “principal grounds for commercial activities of the Accounting and Loan Bank of Persia”. During the meetings, it was disclosed that the bank faced a dire liquidity crisis, necessitating an urgent revision of its former operational framework³⁴.

Attending the meetings, State Bank Deputy Manager A.V. Konshin suggested that the Accounting and Loan Bank of Persia should engage in importing Persian goods to Russia alongside export operations. He stated that the bank commercial activities had been somewhat one-sided up to that point: it had facilitated the export of Russian products to Persia while ignoring the export of Persian goods to Russia entirely. This limited scope of commercial activities had led to negative consequences. On the one hand, the bank was forced to incur significant financial losses because Russian goods were slow to sell under adverse political conditions, leaving the bank with a significant stockpile. Meanwhile, commission agents and merchants who distributed these goods throughout the country owed the bank substantial sums. On the other hand, the bank’s monetary reserves were denominated exclusively in qirans — a highly volatile and unstable currency — rather than rubles³⁵.

A.V. Konshin’s arguments were met with sympathy, and the meeting concluded that the bank should be allowed to conduct transactions related to shipments of Persian goods to Russia. The measure was meant to increase the bank political

³² AVPRI. F. 144. Op. 488. D. 4489. L. 348–349.

³³ Moscow CSA. F. 341. Op. 1. D. 185. L. 2.

³⁴ RGIA. F. 23. Op. 11. D. 303. L. 21.

³⁵ Ibid. L. 22 ob.

influence alongside its economic benefits, as it would help the bank win the loyalty of the local population. Without this, the activities of a foreign credit institution would be extremely difficult³⁶.

Expanded banking activities linked to the launch of Persian imports into Russia did not resolve all of the bank's issues, one of the most persistent being delinquent payments from private clientele. It should be noted that these were affluent Iranians whose property value could easily cover their loan debts³⁷. In other words, the dishonesty of Persian clients stemmed less from monetary constraints and more from a deliberate reluctance to honor their fiscal obligations. Having ascertained this circumstance, the bank began to submit bills of exchange and other documents to the Imperial Russian Mission in Tehran. Its representatives, acting via a Persian intermediary known as a *karguzar*, mandated that the debtors fulfill their financial obligations. However, these measures did not lead to the desired outcome, as either the Russian diplomats themselves acted ineffectively, or the claims remained unresolved by Persian officials, who postponed the consideration of the case indefinitely under various pretexts³⁸.

On May 23, 1909, Finance Minister V.N. Kokovtsov wrote to Foreign Minister A.P. Izvolsky on this matter: "Such an abnormal situation, which has continued for three years, is instilling the confidence in the bank's other clients that they might evade paying their debts. This circumstance poses a material threat to the bank fiscal stability while eroding its operational predictability and long-term viability. At the same time, it has precipitated a decline in the bank standing among Persian stakeholders — a critical asset within Eastern sociocultural contexts where reputation holds paramount importance"³⁹.

Viewing the situation as critical, V.N. Kokovtsov urged A.P. Izvolsky to use his influence to "notify the representatives of the imperial government in Persia" of the need to take effective measures to collect debts on claims formally submitted by the bank through the mission and consular offices⁴⁰.

However, as the documents of 1913 reveal, the issue remained unresolved. In his address to the newly appointed Minister of Foreign Affairs, S. Sazonov, V. Kokovtsov identified an additional impediment obstructing any chance to resolve the issue successfully. This was due to a lack of formal qualifications among the junior officials of the Russian Consulate General in Tehran. The responsibility entrusted to them was to defend the rights of the Accounting and Loan Bank of Persia in local courts. However, they evidently lacked legal expertise and were unacquainted with the local legal framework and customs.

³⁶ RGIA. F. 23. Op. 11. D. 303. L. 24.

³⁷ AVPRI. F.144. Op. 488. D. 4021. L. 100.

³⁸ Ibid. L. 114–114 ob.

³⁹ Ibid. L. 114 ob.

⁴⁰ Ibid. L. 114 ob.

Local Iranian advisers to the consulate, including the merchant leader (*tajir-bashi*) and his assistants, wielded considerable influence over them. The latter served as exclusive legal advisors to consulate personnel regarding local statutes, consequently rendering case adjudications contingent less upon juridical merit and more upon subjective perceptions derived from occasionally dubious personal intelligence. Consequently, the participation of Russian consular representatives in the court proceedings was reduced to their tacit approval. From V.N. Kokovtsov's perspective, this merely served to erode Russia's international standing⁴¹.

Convinced that going to court was pointless, in 1912 the bank turned to the Persian practice of "debt collection." It dispatched special agents, known as *ferrashi*, to follow debtors around and demand payment. This technique, once used with complete success by the Imperial Mission against the Persian Minister of Foreign Affairs to obtain payment of the former Shah's salary, proved to be very effective, and customers soon began to appear at the bank to settle their accounts. However, the mission unexpectedly demanded that the *ferrashi* practice be discontinued, and the debt collection business returned to its previous hopeless state⁴².

With the outbreak of World War I, the Bank of Persia found itself in an even more difficult situation. Due to the rapid decline in the circulation of silver coins within the country, compounded by widespread depositor panic withdrawals, the Russian bank began to experience a shortage of Persian currency, the *qiran*. As of March 1915, the bank had only 1 million 10.5 thousand *qirans* in cash at its disposal, while it needed 7 million 366.5 thousand *qirans* to cover its current accounts⁴³.

The shortage of coins had a negative impact on Russian-Persian trade. Merchants, reliant upon Persian currency to procure goods for export to Russia, sought acquisition through the Accounting and Loan Bank of Persia branches, only to encounter systematic refusal. For example, the Moscow firm *Stuken*, engaged in the purchase of wool in *Khorasan*, repeatedly applied to the bank with requests to exchange rubles, and ultimately was forced to announce that they were ceasing its purchasing operations in Persia. The proprietor of the substantial enterprise *Trading House Arzumanov Bros.* also made an urgent request to the bank to sell him several hundred thousand rubles worth of *qirans*, offering to pay the bank in gold bullion. However, the board was compelled to refuse due to a shortage of Persian currency. The Russian fishing company *Lianozov* made repeated appeals to the board for rubles

⁴¹ AVPRI. F. 144. Op. 488. D. 4022. L. 700–700 ob.

⁴² Ibid. L. 701 ob., L. 702.

⁴³ Ibid. L. 735.

to pay Persian workers. In the face of challenging financial circumstances, the bank board had no choice but to refuse⁴⁴.

Financial problems also affected Russia's main competitor, the British-owned Imperial Bank of Persia. On April 15, 1915, the English bank ceased to exchange banknotes for silver, and the British ambassador in Petrograd turned to the Russian government for assistance. The "competing firm" was provided with support in the form of 840 poods of silver, which were sourced from the Russian government's reserves. This gave the Imperial Bank of Persia coins worth over 3 million qirans at its disposal⁴⁵, which, naturally, could not meaningfully stabilize its financial situation.

Conclusion

Practical absence of banking institutions and commercial credit in Persia had a strong adverse effect on Russian-Persian trade relations in the second half of the 19th century. The existence of an unoccupied market niche was motivating Russian entrepreneurs to open agencies of the Tiflis Commercial Bank in this country. However, they were unwilling to take high level of risk associated with the enterprise. The Polyakov brothers' financial institutions exhibited insufficient engagement in advancing and expanding their suite of banking services. In these circumstances, the Russian government took on the burden by buying out Y. Polyakov's enterprise, which subsequently operated under the name "Accounting and Loan Bank of Persia."

The bank notable accomplishment was the enhancement of Russia's commercial presence in Tehran, a city that had previously been unreachable for Russian goods. However, the methods used to achieve its monopoly in this and other Persian cities, basically through the displacement of private Russian entrepreneurs, are the subject of debate. In the challenging environment of the Persian market with strong competition from British merchants and the Imperial Bank of Persia, as well as Germany, which initiated a systematic penetration into Persia and established its own bank, it would have been logical for the Loan and Accounting Bank of Persia and Russian merchants to collaborate in a common cause. However, the bank opted for an alternative strategy.

The research has underscored a profound fragility of the Accounting and Loan Bank of Persia, revealing systemic inefficiencies and operational deficiencies that persistently undermined its capacity to serve private merchants. Amidst the tumult of World War I, the bank's fiscal stability further deteriorated, precipitating such a marked diminution in support for Russian

⁴⁴ AVPRI. F. 144. Op. 488. D. 4022. L. 747–747 ob.

⁴⁵ Ibid. L. 748 ob.

commercial interests that even established firms were compelled to withdraw from Persian markets. However, the bank principal competitor, the Imperial Bank of Persia, concurrently encountered similar fiscal adversities.

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