

# From The History of Early Banks and Their Development

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**Abstract:** This article explores the history of the emergence and development of early Banks. The article analyzes the stages of formation of the banking system from ancient times to the present day, the initial banking operations, their economic and social role. The geographical distribution, main features and specific aspects of the activities of early banks are considered. Important historical events and processes that influenced the development of the banking system are also highlighted. The article is intended for the masses of researchers, students and a wide range of readers interested in the history of banking.

**Keywords:** History of Banks, Early Banks, Banking Operations, Lending, Money Circulation, Economic Development, Financial System, Historical Processes, Banking Law, Bank Control.



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## Introduction

Banks are considered today as an integral part of the global economy. They stimulate economic activity not only by storing and transferring funds, but also by providing loans, investing, making payments and many other financial services. However, today's complex and global banking system has traveled a long and unique historical development path. How did the first banks appear? What were their main tasks and what economic needs were aimed at meeting? What social and political factors influenced their development? In what geographical regions did the earliest banks operate most actively and what were their characteristics? How did the operations and financial instruments used by early banks differ from modern banking services? This article is aimed at answering the above questions, studying the formation, development and economic importance of early Banks.

We follow the evolution of the banking system from ancient civilizations to the Renaissance and beyond. The article also analyzes the legal framework of the initial banks, their financial stability, management systems and interaction with customers. Also highlighted are important historical events, economic crises and technological changes that have affected the development of the banking system.

Knowledge of the history of the Bank allows you to better understand the modern financial system, understand its structure and functions, predict future development trends.

This, in turn, serves to formulate economic policies, ensure financial stability and increase the economic well-being of society.

## Methodology

According to historical sources, the first banks appeared in Greece, and later, as a result of the development of international relations, banks appeared in European countries. Also, as a result of the dissolution of the natural farm, the development of commodity-money relations, the role of settlements and loans increased rapidly. These in turn led to the need to organize one - time accounting and money circulation. This process has had a positive effect on the organization and development of banks in its own right (O'zbekiston milliy ensiklopediyasi) (Omonov et al, 2019). In some economic literature, it is argued that the early synagogue (butkhouses) were established. The temples served as reserve funds of the government and religious organizations. They stored food supplies and other valuables. Later temples were directly involved in the processes of organizing monetary circulation, as well as the storage of gold, silver and other precious metals that performed the means of payment. An example of this is the discovery of large quantities of gold and other riches in one of India's temples in July 2011. The finding is equivalent to a very large amount, and it is not known when and by whom it was put (Omonov et al, 2019).

One of the main reasons why temples have in ancient times fulfilled the function of banks and their stability is the formation of a high level of trust of the state and religious in relation to those who served in temples for centuries. This in turn led others to believe in keeping money in synagogues. Originally this tradition originated in the Ancient East, it later spread to Ancient Greece, Rome and Europe. In ancient Greece, the state and its official staff, jewelers, merchants and other nobles gave confidence to individual individuals of temples (temples such as Delphius, Deloss, Samoss, Ephess) to store funds and carry out appropriate operations, allowing them to store funds and precious metals, as well as carry out calculations according to their assignments.

In parallel, the development of the division of Labor and economic relations in the country, an increase in the volume of mutual financial exchange, as a result of which individuals who were engaged in monetary work in these temples began to take the field as financial intermediaries. As a result of the transformation of large temples into small-small financial intermediary stores in the 7th century BC, as well as problems in the regulation of money circulation, the state began to take into its own hands the right to issue and regulate the circulation of metal coins as they came into circulation.

Nowadays, the first manifestations of financial institutions that we know as banks originated in England in the 16th century. It is noteworthy that early bankers used gold metals to trade in various ornaments of major jewelers or merchants who made also came out of Florence and in Venice in the 16th century. Ijrobanks came into being. Later, Banks began to form in large cities such as Amsterdam, Hamburg, Milan, Nuremberg. These banks were mainly concerned with storing the gold coins of large merchants and making their to calculations. The Ijrobanks were formed by those and merchants who constantly worked in connection with each other. They met in a certain period, for example, once a week, made

mutual calculations, the meeting was carried out around a round table. In this case, if one participant remained unworthy of payment, a chain of insolvency was formed, a situation that often led to the "round table" crashing, that is, bankruptcy. Similar to the current central bank, the bank was first established in Stockholm in 1650, and later in England in 1694, doing things such as money emission, regulation of commercial banking in the country. Banks, in addition to performing the calculations of large merchants, jewelers and other persons, on the basis of attracting temporary free money in society, a very large amount of funds on the loan is directed to various branches of the economy as a loan.

Thus, in a capitalist society, "enterprises" engaged in entrepreneurial activity, which are referred to as "banks", were formed. There are different approaches to the essence of banks in the economic literature. Focusing on the etymology of "Bank", we witness that the Word "bank" derives from the old French "banque" and the Italian "bansa", meaning "exchange table".

The Bank is said to be an institution that collects, maintains funds, performs credit-accounts and various other intermediary operations. The basis for the emergence of banks is the development of commodity-money relations. The occurrence of commodity-money relations and their development presupposes the presence of banks in all socio-economic arrangements. "Bank" is derived from the Italian word "banca" meaning "table", more specifically, "table with money". In the Middle Ages, Italian rich counted coins in their wallets, in pots, by placing them on the table (O'zbekiston milliy ensiklopediyasi).

A number of definitions have been formulated for the essence of banks, and it is considered important what aspect of the problem is being focused on when studying it. The first examples of banking institutions began to arise as a result of "serfdom work", that is, the exchange of money. Because there were very great difficulties in exchanging money from different cities and countries. The main reason for this was that, without the existence of a single form of coins in circulation during these periods, they were found in a state of different shapes and values. In such conditions, having equated with each other in the value of coins in circulation, it was felt that in a certain amount he needed individuals who could advise young to replace this coin.

At first, banks were mainly sarrophic offices, but they also carried out other monetary transactions. Gradually, at the expense of issuing various loans and attracting funds, the work of serfdom began to expand, and banks began to appear that provided loans, accepted deposits and carried out settlement operations. V.Zheng notes: "the earliest signs of Banking appeared in the society of slavery. They arose mainly in the form of girobanks (banks that carry out calculations between customers without cash), which performed the money - related accounting work of merchants. At the same time, in special sarrophages, sarrophs were engaged in the work of exchanging money and exchanging large sums of money for mining" (Ужен, 1996).

They sat in small shops (slaughterhouses) where the trade was taking place, subtracting the money of foreigners visiting the city to local money. They have retained certain percentages of the total value of money for this service. As a result of this, they gave funds as loans to subjects who needed funds, provided that they used their accumulated

money for a certain period of time. It was the occurrence of this condition that caused money-exchanger pullers to turn into bankers.

The first emerging bankers had the necessary funds to operate their business, but by narrowing deposits to themselves for a certain period of time, as well as guaranteeing themselves fixed-term debts from the side of full-fledged customers, these funds became an important source of bank investment (capital), and the possibility of lending to interest accounts was expanding. These debts were mainly provided for merchants and zamindors to receive a surcharge of up to 6% per annum, plus, in some cases, up to 48% per month of operations, following the conditions of risk.

### **Result and Discussion**

Development of banking institutions scientist E.Starodubseva notes that the following stages are distinguished:

1. The initial phase was the period from the Middle Ages to the emergence of the bank in Venice (1156-C.1156).
2. The second phase was the period from 1156 to 1694 (the emergence of early Italian practical banks).
3. The third phase was the period from 1694 to the end of the 18th century.
4. And the last stage-starting in the XIX century, includes the times to this day (Стародубцева, 2006).

Especially at the first stage, banks were noteworthy in the economy of countries to a certain extent, although they could not express the current meaning of this word. For example, 2,300 years ago in the hungars there were trading companies that were engaged in issuing loans and transferring money. In China, even check circulation was practiced 2,000 years ago. According to historians, banks of this period participated in the processes of buying and selling land plots and even carried out a number of other operations (Кленгель, 1979).

The development of banking was also observed in Ancient Greece, where the jrets were engaged in banking. The khrams generally received substantial income from their land property, monetary fines, gifts, etc. The function of the jrets was to increase the income of the khrams by factoring ownership of property, issuing loans and participating in profitable enterprises. The money was used to provide usury loans, and it generated income from a large interest account. The khrams entrusted and loaded the execution of monetary transactions with individuals. As a result of such organization of work and in the conditions of increasing complexity of operations, the position of individuals who became financial intermediaries was also strengthened (Долан, 1994).

The development of banking led to the emergence and widespread expansion of banks in Egypt, where "Royal banks" were established by Alexander The Great and controlled by the Greeks. Banking in Rome was organized on the example of banks operating in Greece in the 3rd century BC, and where banks were called argentaries, receiving, transferring transactions for the storage of money, and issuing loans. An important peculiarity of banking activities during this historical period was that the loan had a fee-bearing

appearance on its basis. On the basis of the information summarized above, it should be noted that until the 12th century, banking practice was mainly associated with sarroptic work, from this period, a relatively second period of development of banking began, and they gradually began to occur throughout a number of European cities.

Especially the emergence of Italy in large shopping centers, and then in France, the Netherlands, Hamburg and England, began to give birth to much greater facilities for the formation and development of International Monetary turnover. In such conditions, the opening of public banks, considered a much more advanced form of banking institutions, was greatly accelerated. Such banks were established in Venice under the name "Montenyev", which accepted taxes and carried out some basic banking operations.

In the early 15th century, in the process of consolidation of mass banks, which were too small, a bank named "Saint Georgius" was established, and this bank became the owner of large privileges. Because at the time of taking office, the Doji (ruler) of Genoa had taken the oath that he had taken the obligation to defend the independence of this bank. This is how the emergence of such a category of banks began to occur in other countries. For example, in the Netherlands, the Bank of Amsterdam was also established, taking into account the surety of the city governors, due to the abuses of local bankers.

Hamburg was founded in 1619 for exactly the same reason, taking into account the surety of the city's governors, and this bank remained in operation for nearly 200 years, until 1812. During this period, the process of occurrence of specialized banks also began. The formation processes of specialized banks such as the Royal Bank of Scotland in 1695, the British bank in 1706, the Bank of Vienna in 1703, the Prussian bank for the maritime trade in 1767, the Paris bookkeeper in 1776, The Bank of Petersburg in 1780 accelerated. As a result of this, the use of new methods of calculations in these banks arose, which established the widespread introduction of check circulation, and not only through transfer or transfers from an account sheet to an account sheet (Ташматов, 2006).

Since the 18th century, as a result of the development of capitalist production in Europe, attention began to be paid to the organization of banking activities in other countries. In the late 19th century, as a result of the increase in capitalist production in most countries of the world, a further expansion of banks occurred, which led to a reduction in the number of banks, as well as the emergence of bank monopolies, and a struggle of mutual competition arose between them, which intensified year after year. From an organizational point of view, the banking system can be divided into one-tier (one-tier) and two-tier (two-tier) upper and lower tiers. In many states in the 30s of the 20th century, an economic crisis arose, and as a result, the problem of maintaining the country's economy arose, and the use of central banks was carried out in accordance with the goal.

Notably, the Bank of Canada in 1936, the Bank of Japan in 1942, and the banks of England and France in 1946 were converted into state banks. But this process did not happen in all countries. Since the 15th century, the history of banks has gone through various stages of evolution, which have their own ups and downs. In the 19th and 20th centuries, banks are historically known to have developed.

The development of the banking system in European countries can be traced to the fact that their total number gradually decreased, and their number of branches grew. For example, Germany had 709 banks by 1933, while by 1965 there were 206 remaining in the GFR. By 1995, several large banks known as gross-bank operated in Germany[9]. In England, brogan operated in 1890 from more than 100 bankers' homes to only one by 1970. In the US, it can be seen that the banking system has developed in a unique style. While more than 14,000 banks operated in 1968, a quarter of all financial matters today were handled in 10 major banks.

Two types of banking system have decided in the world: these are: American banks (each city has its own bank) and European-type banks (several large banks with a wide network of banks)[9]. The basis of the Federal Reserve System (FRT) in America is 12 Federal Banks (12 districts of the United States). The directors of these 12 banks are members of the board of Directors of FRT. The chairman of the FRT is appointed by Congress for a term of 5 years. There are also cooperating banks, such banks include those whose investment is owned by shareholders, but whose certain share of shares is also owned by the state. These include the central banks of Austria, Japan and Switzerland.

It should be noted here that the active processes of development of banking activity were not characteristic of Muslim countries until a certain period. Such a situation is explained by the fact that any loan from which Islam is given using usury and interest has been condemned. As a result, in the conditions of Muslim countries, there were difficulties in the emergence of credit institutions inherent in the market economy. Therefore, for the most part, banking institutions belonged to believers in other religions. At the same time, funds were actively used by individuals at the expense of lending to others.

## Conclusion

Throughout the period from ancient times to the present day, banks have played an important role in the economic life of society. The article analyzed what operations the initial banks carried out, their economic and social tasks, as well as the factors that influenced the development of the banking system.

Early banks were not limited to storing and lending money, but also performed important functions such as financing trade, ensuring money circulation and encouraging investment. Their activities contributed significantly to economic growth, the development of trade and the well-being of society.

The study of banking history makes it possible to better understand the modern financial system, to understand its structure and functions. This, in turn, serves to formulate economic policies, ensure financial stability and increase the economic well-being of society. To predict the development of the banking system in the future, it is important to learn from past experience and take into account historical trends.

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