

Formation of The State Bank of The Bukhara People's Soviet Republic (BPSR) and The National Currency Crisis in 1922-1924: An Institutional Analysis

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ABSTRACT

Objective: This article analyzes the creation, operation, and national currency crisis of the State Bank of the Bukhara People's Soviet Republic (BPSR) between 1922 and 1924 from an economic-institutional perspective. **Method:** The study is based on primary archival sources from the National Archives of Uzbekistan (NAU), detailing the emission volumes of the "Bukhara bon" and reports on the transfer of gold reserves. **Results:** The author challenges the Soviet historiographical thesis that "the devaluation of Bukhara currency was solely caused by internal economic sabotage," proving instead that the core reason for the crisis was artificial institutional and political pressure exerted by the RSFSR. **Novelty:** The study provides an economic-institutional reinterpretation of the national currency crisis of the State Bank of the Bukhara People's Soviet Republic (BPSR) by using primary archival sources from the National Archives of Uzbekistan (NAU).

INTRODUCTION

At the end of the nineteenth century and the beginning of the twentieth century, the Turkestan region, particularly the Emirate of Bukhara, was undergoing a period of profound geopolitical and economic transformation. As a result of the military and political overthrow of September 1920, the centuries-old emirate system was abolished, and the proclamation of the Bukhara People's Soviet Republic (BPSR) fundamentally transformed not only the administrative apparatus but also the financial and economic foundations of the region[1].

Although the leadership of the newly established republic was compelled to align ideologically and strategically with Soviet models, during its initial years it made serious efforts to preserve its independent state institutions, including an autonomous financial and banking-credit system, as well as to protect national capital[2].

The relevance of this topic lies in the fact that, in the history of Uzbek statehood, the formation of national financial institutions, the experiences of conducting an independent monetary policy under conditions of complex geopolitical crises, and the mechanisms of their destruction under external pressure have not yet been systematically and objectively studied[3]. In particular, the monetary and credit policy pursued by the State Bank of the Bukhara People's Soviet Republic (referred to as "Buxbank" in historical archival documents) during 1922-1924, its attempts to ensure the stability of the domestic

market and to support private investors and major trading houses, as well as the reasons behind the rapid inflation of the independently introduced currency known as the "Bukhara bon," constitute an urgent scholarly problem that requires a fundamentally new perspective[4].

The purpose of this study is to reveal, on the basis of primary archival documents preserved in the National Archive of Uzbekistan (NAU) and previously kept in closed Soviet-era collections, the evolution of the establishment of the State Bank of the Bukhara People's Soviet Republic, the fate of its gold reserves, and the underlying causes of the financial crisis[5].

For many years, the economic history of the Bukhara People's Soviet Republic (BPSR) was studied within the rigid and one-sided frameworks of Marxist-Leninist methodology. K. M. Vekselman, a prominent representative of Soviet-era historiography, also partially addressed the activities of the State Bank of the BPSR in his fundamental studies devoted to the history of banking capital in Turkestan. However, within his conception, the establishment of the bank is interpreted solely as a manifestation of the "fraternal and selfless economic assistance of the RSFSR"[6].

At the same time, the currency crisis and inflation are explained, in accordance with the Marxist principle of class struggle, exclusively through the economic sabotage of internal counterrevolutionary forces (the Basmachi movement) and the speculative practices of local merchants, while the expansionist policies of the central Soviet authorities are deliberately concealed[7].

After Uzbekistan gained independence, the opportunity emerged to objectively reassess Jadid studies and the history of the Bukhara People's Soviet Republic (BPSR). In their many years of scholarly research, Academician D. A. Alimova and historian Q. K. Rajabov thoroughly illuminated the political history of the BPSR and the courageous struggle of its leaders – including Fayzulla Khojaev, Usmonkhoja Polatkhojaev, Otaulla Khojaev, and others – for national independence and economic sovereignty[8]. Valuable information regarding the republic's initial financial and economic difficulties was also presented in Fayzulla Khojaev's own works, particularly in *Materials on the History of the Bukhara Revolution*[9].

However, from the perspective of economic history and modern institutional economics, the internal balances of the Bukhara State Bank, the confiscation of revenues derived from waqf properties, and the actual process of seizure carried out under the guise of evacuating gold reserves to Moscow have not yet been examined as a comprehensive and[10].

RESEARCH METHOD

The methodological foundation of this study is based on the principles of historical objectivity, systematic analysis, comparative-synchronous analysis, and institutionalism. Rejecting the traditional dry chronological narrative approach, the study examines the model of the influence of financial institutions on macroeconomic processes. In order to

strengthen the source base, documents from two major collections of the National Archive of Uzbekistan (NAU) were analyzed:

Fund F-46 (reports of the Ministry of Finance of the Bukhara People's Soviet Republic, state revenue records, and tax registers);

Fund F-48 (minutes of the meetings of the State Bank administration of the Bukhara People's Soviet Republic, currency emission tables, and confidential diplomatic correspondence).

In processing the data, the economic-statistical method was employed. A correlation analysis was conducted between the prices of basic consumer goods in the markets of Bukhara and its surrounding areas and the volume of paper money in circulation during the period from June 1922 to September 1924. Materials from periodicals of the era, including *Buxoro Axboroti* and *Ishtirokiyun*, were comparatively examined in order to verify the objectivity and reliability of the numerical data.

RESULT AND DISCUSSION

A detailed examination of archival documents (F-48, R-1, I-14) demonstrates that the State Bank of the Bukhara People's Soviet Republic officially began its operations in May 1922. The bank's initial authorized capital was intended to be formed from gold coins confiscated from the emirate treasury, precious stones, and funds frozen in foreign banks. However, in practice, a significant portion of this capital (valued at approximately 1.2 million gold rubles) was redirected during the very first months to banks in Tashkent and Moscow under the pretext of the "economic union agreement" between the RSFSR and the BPSR (NAU, F-48, R-1, I-14, folio 4)[11].

By the end of 1922, hyperinflation emerged in the region as a result of the unlimited emission of the Russian Soviet ruble ("sovznaki"). In order to protect its domestic market, the government of the BPSR introduced its own independent currency, the "Bukhara bon" (paper money), into circulation. Based on data from Fund 46 of the archive (inventory 2, file 89), we succeeded in reconstructing the real purchasing power of the "Bukhara bon" and the "Soviet ruble" (in relation to one misqal of pure placer gold) on a monthly basis. The results are presented in the following statistical table[12].

Table 1. Dynamics of Bukhara Bon Emission, Gold Value, and Inflationary Prices in the Bukhara People's Soviet Republic (1922–1924)

Analysis Period (1922–1924)	Total Volume of Bukhara Bon in Circulation (million bon)	Price of 1 Misqal of Gold in Bukhara Bon	Price of 1 Misqal of Gold in Soviet Rubles	Average Market Price of One Sack of Flour (bon)
June 1922	450	180	1,200	12
September 1922	820	290	3,400	18
December 1922	1,200	450	8,500	28
March 1923	2,100	900	19,000	45

Analysis Period (1922-1924)	Total Volume of Bukhara Bon in Circulation (million bon)	Price of 1 Misqal of Gold in Bukhara Bon	Price of 1 Misqal of Gold in Soviet Rubles	Average Market Price of One Sack of Flour (bon)
June 1923	4,800	2,100	62,000	95
September 1923	9,500	5,400	180,000	210
December 1923	18,500	14,000	410,000	580
March 1924	32,000	450,000	2,300,000	1,800
June 1924	56,000	1,200,000	8,500,000	4,200

Source: Compiled and recalculated by the author on the basis of documents from the National Archive of Uzbekistan (NAU), Fund F-46, Inventory 2, File 89, and Fund F-48, Inventory 1, File 32.

The analysis of this table demonstrates that until June 1923, the Bukhara bon remained considerably more stable than Soviet Russian currency and preserved its value relatively well within the domestic market. However, beginning in the second half of 1923, the Bukhara currency was also drawn into a spiral of sharp depreciation and hyperinflation. Confidential reports discovered in Fund 48 of the archive reveal the underlying causes of this turning point[13].

The economic and institutional analysis of the findings indicates that the catastrophic crisis of the Bukhara bon was not a purely economic process that emerged spontaneously. A confidential letter preserved in NAU, Fund F-48, Inventory 1, File 32, sent by the chairman of the "Central Asian Economic Council" (SREDAZ_EKOSO) to the Ministry of Finance of Bukhara, states the following: "The Republic of Bukhara must urgently unify its currency with the financial system of the RSFSR. The gold and karakul reserves stored in the State Bank must serve the all-Soviet export plan; otherwise, the supply of grain, flour, and kerosene from Russia will be completely suspended"[14].

This confidential document serves as clear evidence of the economic coercion and pressure exercised by the central government in Moscow. In August 1923, approximately 68 percent of the gold and silver reserves under the control of Buxbank were effectively removed "to Moscow for temporary safekeeping and as collateral in exchange for economic assistance." Once the real gold backing behind the currency disappeared, the market immediately sensed this institutional vacuum, and the pace of inflation accelerated dramatically.

Another important factor was the artificial destruction of traditional market sociology and customer-based economic relations. Since the period of the Emirate of Bukhara, domestic trade had largely relied on relationships based on lafz (oral trust capital) and suftaja (the Muslim bill of exchange system). Major local merchants regarded the Bukhara State Bank as their own national financial institution and, during the initial stage, placed considerable trust in it by depositing large amounts of capital. However, by the end of 1923, under strict orders from the Soviet administration, the inviolability of

private deposits in the bank was violated, and the accounts of Uzbek investors classified as "bourgeois elements" were confiscated. This situation completely destroyed the traditional chain of trust between clients and the bank. In order to protect themselves, market participants abandoned paper money and shifted toward the use of physical gold and livestock, which further deepened commodity shortages[15].

CONCLUSION

Fundamental Finding: The analysis of the activities of the State Bank of the Bukhara People's Soviet Republic (BPSR) and the currency crisis of 1922-1924 makes it possible to draw the following fundamental conclusions: The experience of an independent financial institution: In its essence, despite operating under Soviet ideological pressure, the State Bank of the BPSR represented the first institutional attempt in the history of Uzbek statehood to pursue an independent financial, credit, and monetary policy. **Implication:** Historical lesson: The liquidation of this autonomous financial system became a carefully prepared foundation for the complete destruction of the economic sovereignty of the Uzbek territories on the eve of the 1924 "National-State Delimitation" (the establishment of the Uzbek SSR) and for their total subordination to a unified centralized system of planned distribution. **Limitation:** External factors of the crisis: The crisis of the "Bukhara bon" was caused not so much by internal economic weakness as by external political intervention – particularly the confiscation of the bank's gold reserves by the central authorities and the forced establishment of the dominance of the Soviet ruble within the market. **Future Research:** Further research can examine the broader archival, comparative, and institutional dimensions of the State Bank of the Bukhara People's Soviet Republic (BPSR) and the currency crisis of 1922-1924 to deepen understanding of economic sovereignty, monetary policy, and external political intervention in Uzbek statehood.

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