

Impact of the Bank of Indochina's Credit System on the Structural Transformation of Agricultural Economy in Colonial Cochinchina

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Abstract:

This article analyzes the impact of the Bank of Indochina's (BIC) credit system on the structural transformation of the agricultural economy in colonial Cochinchina. Drawing on BIC's annual reports and archival sources, the study demonstrates that credit flows not only accelerated large-scale land reclamation but also served as a pivotal factor in the emergence of the plantation economy and the great landlord class. The paper elucidates the operational mechanisms of direct credit provided to rubber plantations in Eastern Cochinchina and indirect credit channeled through Mutual Agricultural Credit Societies in the West. The findings confirm that the BIC's credit system successfully transitioned Cochinchina's agriculture from traditional subsistence to an export-oriented commodity economy, while simultaneously establishing a profound dependence of indigenous agriculture on French finance capital.

Keywords: *Bank of Indochina, Agricultural credit, Cochinchinese economy, Rubber plantations, Structural transformation.*

I. INTRODUCTION

During the colonial period, Cochinchina underwent a profound transformation from a traditional agricultural economy to a large-scale commodity production model, marked by the emergence of rubber plantation systems and export-oriented rice regions. At the heart of this process was the regulatory and capital-supplying role of the Bank of Indochina (BIC), the most powerful financial institution in the Indochinese Union. The BIC functioned not only as an issuing bank but also as a "financial instrument to fund, regulate, and manipulate key economic sectors". Specifically, through its credit system, the BIC established close ties with French plantation capitalists, contributing to the restructuring of colonial space to serve the interests of the metropole. The penetration of finance capital deeply altered the structure of the agricultural economy, as enterprises such as the Dat Do Company or Michelin received immense financial support to expand their scale. However, previous studies have often focused only on administrative functions or described the expansion of plantations without delving into these complex financial linkage mechanisms. This article aims to clarify the impact of BIC credit in reshaping the agricultural

economic landscape of Cochinchina, thereby providing a new perspective on the relationship between banking institutions and colonial exploitation practices.

II. LITERATURE REVIEW

The role of the Bank of Indochina (BIC) and the economic transformation of colonial Cochinchina have been subjects of sustained interest among generations of scholars. Classic studies by Jean Pierre Aumiphin (1994) and Marc Meuleau (1990) have provided a comprehensive overview of the French financial presence in Indochina, emphasizing that the BIC was not merely an issuing bank but a pivotal institution regulating capital flows for colonial exploitation. Within Vietnam, works by Phan Ha Uyen (1987) and the State Bank of Vietnam (1976) have offered valuable statistical data on the monetary system and the BIC's early credit activities.

Regarding the agricultural economy, the emergence of rubber plantations and the shift in crop structures in Cochinchina have been profoundly analyzed by Nguyen Dinh Tu (2016) and Nguyen Thi Phuong (2007) from the perspectives of economic geography and the history of land reclamation. However, recent research by Duong

To Quoc Thai (2021) indicates that most previous studies remain descriptive of administrative systems or limited to production statistics, failing to elucidate the complex mechanisms of financialization through the BIC's credit instruments. Specifically, the organic link between the BIC's preferential interest rate policies and the expansion of capitalist conglomerates such as Michelin or the Dat Do Company remains a gap that requires empirical investigation. Consequently, this study aims to delve deeper into how the BIC's credit system directly intervened in land ownership structures and agricultural production orientations, thereby fundamentally shifting the economic landscape of Cochinchina toward a colonial commodity economy.

III. THEORETICAL FRAMEWORK

The study on the impact of the Bank of Indochina's (BIC) credit system on the structural transformation of the agricultural economy in Cochinchina is grounded in three primary theoretical frameworks: Finance Capital Theory, Structural Transformation Theory, and Colonial Economic Theory.

Firstly, Rudolf Hilferding's Finance Capital Theory serves as the basis for explaining the fusion of banking capital with industrial and agricultural capital. In the context of Cochinchina, the BIC functioned not merely as a currency-issuing bank but as a "financial instrument to fund, regulate, and manipulate key economic sectors". Through the provision of long-term credit and shareholding, the BIC established a financial ecosystem where agricultural production decisions depended directly on bank capital flows.

Secondly, Structural Transformation Theory focuses on the shift from subsistence agriculture to a commodity production model. The BIC's intervention accelerated the "financialization" of extractive activities, transforming wild lands in Cochinchina into large-scale rubber and rice plantations. This process involved not only changes in farming techniques but also a comprehensive restructuring of land ownership relations and market orientations.

Thirdly, Colonial Economic Theory elucidates the nature of agricultural development under French rule. The BIC's credit policies often prioritized metropolitan enterprises such as Michelin or French plantation conglomerates, creating a sophisticated exploitation mechanism to maximize profits repatriated to the metropole. This system established a "financial dependence" of the indigenous economy on the colonial banking institution.

Furthermore, the application of Douglass North's Institutional Theory helps analyze how the BIC established new operational standards for the agricultural credit system through Mutual Credit Societies. Finally, the Diffusion of Innovations Theory explains how modern financial management methods were imposed by the BIC on the rural economic life of Cochinchina, forcing the indigenous population to adapt to the rules of a monetary economy.

IV. METHODOLOGY

This study employs an interdisciplinary approach, integrating documentary historiography with quantitative economic analysis to assess the impact of the Bank of Indochina's (BIC) credit system on Cochinchinese agriculture.

Firstly, the historical and logical methods are utilized to examine primary archival sources, including the BIC's Annual Reports (*Rapports annuels*) from 1875 to 1930, decrees by the Governor-General of Indochina, and records from the French National Overseas Archives (ANOM). Processing these sources allows for the reconstruction of credit flows and the BIC's agricultural lending policies (Duong To Quoc Thai, 2021).

Secondly, the research applies statistical and comparative methods to analyze financial indicators. Data regarding credit balances for rubber plantations versus rice farming are synthesized and compared across different periods. This clarifies the BIC's credit priority trends toward French capitalist conglomerates over indigenous landlords (Aumiphin, 1994).

Finally, the paper utilizes systems analysis based on theories of finance capital and structural transformation. This approach helps explain the reciprocal relationship between the banking institution and changes in production relations in rural Cochinchina. Integrating the theoretical models of North (1990) on institutions and Rogers (2003) on the diffusion of innovation allows the study to move beyond descriptive narration toward a deeper understanding of the nature of economic structural transformation under the influence of colonial credit.

V. FINDINGS & DISCUSSION

5.1. The Structure of BIC's Agricultural Credit System in Cochinchina

The agricultural credit system of the Bank of Indochina (BIC) in Cochinchina did not operate as a neutral financial entity but as a deliberately stratified system designed to facilitate colonial exploitation. According to Aumiphin (1994), this structure was a combination of metropolitan finance capital and the

colonial administrative apparatus, aimed at controlling the inputs of the commodity agricultural economy.

The core of the BIC's credit structure consisted of long-term loans for large French rubber companies and plantations in Eastern Cochinchina. Duong To Quoc Thai (2021) points out that the BIC maintained an organic relationship with conglomerates such as the *Compagnie des Caoutchoucs de l'Indochine* (SIPH) and *Michelin*. These enterprises enjoyed special preferential interest rates, significantly lower than the prevailing rates in the indigenous market, thanks to guarantees from the Governor-General's government. Direct credit functioned as a "capital pump" that helped these plantations expand cultivation areas, invest in rubber processing technology, and build worker housing. This mechanism accurately reflects the nature of "finance capital" as described by Hilferding (1910): the direct penetration of banks into production sectors to control value chains.

For the rice production sector in Western Cochinchina, the BIC operated through the system of *Crédit Agricole Mutuel* (CAM). Theoretically, these societies were established to help smallholders access low-interest capital and escape exploitation by local and Chinese moneylenders. However, in reality, this mechanism only served the large landlord class. Duong To Quoc Thai (2018) argues that the BIC only provided capital to the CAMs when secured by real estate assets or land titles (*bằng khoán*). Consequently, small farmers without legal ownership documents were excluded from the system. This aligns with North's (1990) view that colonial institutions often create administrative barriers to protect the interests of the economic elite.

The asymmetry in credit access was the most prominent feature of this structure. While French plantations received capital in the form of long-term investments with risks shared by the bank, Vietnamese landlords primarily accessed short-term loans for rice purchasing. Duong To Quoc Thai (2021) asserts that the BIC applied harsh mortgage conditions to the indigenous people, forcing them to use their entire land titles as collateral. During crop failures or price fluctuations, the BIC, through the CAM system, would proceed with debt foreclosures, leading to the concentration of land in the hands of pro-French landlords or the bank itself. This constitutes a form of "financial violence" in the colonial economy (Aumiphin, 1994).

By controlling the flow of capital, the BIC regulated the entire agricultural structure of Cochinchina. Prioritizing capital for rubber and export rice forced

the agricultural economy to abandon the diversity of the subsistence model. Rogers (2003) explains this as a process of "forced diffusion of innovation," where modern financial rules were imposed to alter traditional production behaviors. According to reports from the Gouverneur Général de l'Indochine (1920), collecting taxes in cash instead of kind also served as a lever forcing farmers to seek BIC credit, consolidating the bank's monopoly. In summary, the BIC's agricultural credit structure in Cochinchina was a tight network that transformed indigenous land and labor into a link in the global supply chain of the French empire (Duong To Quoc Thai, 2021).

5.2. Transformation of Crop Structures and Production Scale

The intervention of the Bank of Indochina's (BIC) credit system catalyzed a structural turning point for Cochinchinese agriculture. BIC's capital flows were not merely financial instruments but "catalysts" that altered the nature of production relations and the region's economic geography.

Before the vigorous intervention of BIC credit, rubber was only experimentally grown on a small scale. However, starting in the early 20th century, particularly following the global rubber price boom, the BIC shifted its credit focus to Eastern Cochinchina. Duong To Quoc Thai (2021) argues that this shift resulted from a strategic alliance between French finance capital and plantation capital. Long-term credits, sometimes reaching millions of Francs with terms of 10–20 years, allowed conglomerates such as the *Compagnie des Caoutchoucs de l'Indochine* and *Michelin* to execute massive land reclamation projects.

Production scale expanded from scattered garden plots into centralized plantations spanning thousands of hectares. According to Aumiphin (1994), crop structures in provinces like Thu Dau Mot, Bien Hoa, and Gia Dinh were almost entirely "rubberized." BIC credit funded labor costs (recruiting coolies from Tonkin), processing machinery, and internal infrastructure. This process exemplifies Finance Capital theory (Hilferding, 1910), where the bank no longer stands outside production but directly coordinates the formation of colonial monopoly economic units.

In Western Cochinchina, the impact of BIC credit was evident through the expansion of rice acreage. BIC credit, channeled through the Mutual Agricultural Credit Societies (CAM), facilitated large-scale reclamation and canal dredging. Duong To Quoc Thai (2018) points out that this capital flow enabled indigenous landlords to accumulate land. BIC's

requirement for land titles as collateral inadvertently (or intentionally) accelerated the proletarianization of smallholders, forcing them to sell or mortgage land, leading to the emergence of *grands propriétaires* owning thousands of acres.

This transformation was not just about scale but the nature of production. Cochinchinese agriculture shifted from local food security to serving global markets. Scott (1976) emphasizes that the penetration of a money economy and bank credit shattered the "moral economy" of traditional peasants, forcing them to adapt to the volatility of international rice prices. Crop structures narrowed, focusing on high-export-value rice varieties as demanded by French millers and banks (Duong To Quoc Thai, 2021).

Credit flows established a new social order in rural Cochinchina. The "planter-coolie" model (in the East) and the "landlord-tenant" model (in the West) were direct consequences of unequal capital distribution. North (1990) explains that colonial financial institutions established "rules of the game" where indigenous people could only access capital through intermediaries allied with the administration. This created a dual dependence: peasants depended on landlords for land, and landlords depended on the BIC for working capital.

Furthermore, BIC's control over exchange rates and currency made Cochinchinese agriculture entirely dependent on the economic cycles of the French metropole. When the 1929 Great Depression struck, tightened credit caused a wave of bankruptcies among Cochinchinese landlords, with land seized by the BIC for debt recovery (Duong To Quoc Thai, 2020). This proves that the transformation of crop structures and production scale under colonial rule was essentially a process of "dependent modernization," where modern technical and financial elements were applied to optimize profit repatriation to the metropole (Aumiphin, 1994; Zelizer, 1994). This diffusion of innovation, according to Rogers' (2003) theory, was highly coercive, stifling the diverse livelihoods of indigenous inhabitants to replace them with a vulnerable monocultural agricultural system.

5.3. Discussion

5.3.1. Consequences of the Transformation: Dependence on Foreign Capital

The structural transformation of Cochinchina's agriculture under the influence of the Bank of Indochina (BIC) credit created a commodity economy that was outwardly flourishing but internally plagued by deep structural flaws. The most significant

consequence was the emergence of a "dependent agriculture," wherein all factors from inputs (capital, technology) to outputs (export markets) were controlled by French finance capital.

Prior to the establishment of BIC's monopoly, Cochinchinese agriculture, though primitive, was highly diversified and self-sufficient. However, the imposition of a specialized credit system forced indigenous farmers and landlords to abandon traditional models in favor of export rice and rubber. Duong To Quoc Thai (2021) points out that as agriculture became "financialized," capital ceased to be a support tool and became a prerequisite for survival. BIC's tightening of loan conditions through land titles kept the Cochinchinese landlord class in a state of perpetual "capital thirst." They could not resume production without short-term loans for seeds, labor, and taxes. This corroborates Aumiphin's (1994) observation that the BIC transformed indigenous agriculture into a link serving the interests of the metropole rather than local sustainable development.

Dependence on foreign capital stripped Cochinchina's agriculture of its ability to defend itself against global crises. Because the BIC controlled the exchange rate between the Piastre and the French Franc, any financial fluctuation in Paris immediately impacted the pockets of Cochinchinese farmers. Duong To Quoc Thai (2020) analyzes that during the Great Depression (1929-1933), when the BIC tightened credit to preserve capital for the metropole, the entire system of Cochinchinese plantations and landlords collapsed in a chain reaction. Relying on a single institution left the economy without counter-capital to absorb the shock. According to Finance Capital theory (Hilferding, 1910), the dominance of banks in agriculture turned producers into "debtors" stripped of their autonomy regarding cultivation plans.

The social consequence of this financial dependence was the severe impoverishment of tenant farmers. When indigenous landlords were pressured by BIC debt, they were forced to increase exploitation of their tenants to compensate for the deficit. Scott (1976) argues that the penetration of finance capital shattered the minimum security of the peasantry, replacing traditional reciprocal relationships with harsh debt contracts. BIC credit, marketed as a way to help farmers escape local usury, in fact became a form of "institutional usury" with a much larger scale and destructive force (Duong To Quoc Thai, 2021).

Conclusion, the transformation of crop structures and production scales, viewed from a financial perspective, was a lopsided modernization. Productivity and

acreage might have increased, but the surplus value primarily flowed back to France through interest payments and the profits of plantation companies. North (1990) emphasizes that inefficient institutions increase transaction costs for the indigenous population and protect the interests of privileged groups. In Cochinchina, the BIC established an order where agricultural growth was proportional to the debt levels of the native society (Aumiphin, 1994). Dependence on foreign capital was not merely an economic issue but a political tool to maintain long-term French colonial dominance in Indochina (Duong To Quoc Thai, 2021; Zelizer, 1994).

5.3.2. *Tool of Exploitation or Engine of Modernization?*

Assessing the role of the Bank of Indochina's (BIC) credit system in Cochinchina's agriculture is a complex task that requires a clear distinction between technical reforms and the inherent nature of a colonial institution. The question remains: was the BIC the "engine" driving the development of a modern agricultural sector, or merely a sophisticated "tool" for optimizing the exploitation of indigenous resources and labor?

From the perspective of productive force development, it is undeniable that BIC credit introduced elements of a modern economy to Cochinchina. The provision of long-term capital facilitated the formation of large-scale rubber plantations that applied global industrial standards for cultivation and latex processing. Duong To Quoc Thai (2021) notes that thanks to this capital flow, agricultural infrastructure in Cochinchina particularly the irrigation systems in the West was significantly expanded to serve intensive rice farming. The transition from metallic currency to paper money and payment instruments such as checks also marked a step forward in modernizing the financial behavior of native society. Rogers (2003) regards this as a structural diffusion of innovation, helping the Cochinchinese economy escape the stagnation of traditional smallholder models to join the trajectory of global trade.

However, this modernization was "alien" and did not prioritize the welfare of the indigenous inhabitants. According to Aumiphin (1994), modernization was merely the method, while exploitation was the ultimate goal of the BIC. The BIC utilized its privileges to establish a discriminatory interest rate system. While French plantations received preferential credit, native landlords and farmers faced harsh loan conditions, leading to the concentration of land in the hands of interest groups allied with the colonial administration.

North (1990) argues that when an institution is designed to protect the property rights of a minority (in this case, the French colonizers), it causes an imbalance in economic opportunities and increases transaction costs for the majority.

This credit system also served as a sophisticated debt-trap. Duong To Quoc Thai (2020) analyzes that by forcing land titles as collateral, the BIC executed a coercive restructuring of land ownership. When farmers could not repay debts due to price fluctuations or natural disasters, the land became the property of the bank. This is a manifestation of "silent exploitation" through financial figures rather than traditional physical coercion.

Furthermore, the modernization of Cochinchina's agriculture was a crippled and dependent modernization. This agricultural sector was built not to serve local needs but to act as a raw material "warehouse" for the metropole. Scott (1976) points out that the forced transition to commodity agriculture shattered the stability of the rural economy, causing peasants to lose their traditional safety nets and leaving them vulnerable to the volatilities of capitalism.

The BIC, in its role as capital coordinator, turned Cochinchina into a "production workshop" where all surplus value was transferred back to Paris through the exchange system and dividends. Duong To Quoc Thai (2021) asserts that the BIC did not create a self-reliant economy; instead, it built a dependent structure where agricultural growth was proportional to the level of capital appropriation by the metropole. Consequently, after 1930, Cochinchinese agriculture faced a chain reaction collapse when the BIC "capital pump" was tightened due to the crisis in France. In summary, the BIC credit system was a combination of technical modernization and inherent exploitation, where modernization only served as a shell to optimize the efficiency of appropriation (Aumiphin, 1994; Zelizer, 1994; Duong To Quoc Thai, 2021).

VI. CONCLUSION

The study of the Bank of Indochina's (BIC) credit system reveals a comprehensive picture of the structural transformation of the agricultural economy in colonial Cochinchina. BIC's intervention was not merely a commercial financial activity but a deliberate strategy to reshape the territory's production foundation to serve the interests of French capital.

Firstly, this credit system catalyzed a vigorous shift from a self-sufficient, diversified agricultural model to a large-scale commodity-specialized agriculture, focusing on two key products: rice and rubber. Capital flows from the BIC

modernized agricultural infrastructure by financing irrigation projects, canal dredging, and land reclamation, while simultaneously fostering the emergence of capitalist plantations in the Eastern region. However, this development was asymmetrical, as preferential capital primarily flowed into French conglomerates, while the indigenous population faced harsh credit conditions through the system of Mutual Agricultural Credit Societies (SICAM).

The most profound consequence of this transformation was the absolute dependence of Cochinchinese agriculture on foreign capital. The "financialization" of agriculture accelerated land concentration into the hands of the great landlord class and banking corporations, leading to the proletarianization of smallholders and the loss of their traditional safety nets. The BIC established a "state within a state," where any fluctuation in the Paris financial markets directly caused seismic shifts in the rural economic life of Cochinchina.

In summary, the credit system of the Bank of Indochina served as both a technical modernization engine and a sophisticated tool of exploitation. It laid the foundation for a rudimentary commodity economy while simultaneously sowing the seeds of acute social conflicts, providing the impetus for subsequent national independence movements.

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