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## Financial Geography in Xikang Region During the Late Qing and the Republic of China Era

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### Abstract

After a series of economic and social changes in the late Qing era, a new scene emerged in Xikang-Tibetan region with Kangding (Dajianlu) as the commercial and trade center. The commercial and trade foundation was more solidified when Kangding became the regional financial center. Since the Republican era, with the radiation and drive of the new financial center in Sichuan-Chongqing region, partial modernization of financial instruments appeared in Xikang region, followed by gradual replacement of old currency by new currency. Through the establishment and expansion of Xikang provincial bank and the promotion and maturity of rural cooperative finance during the anti-Japanese war period, Kham's finance when Kangding served as the regional financial center was fully incorporated into the new financial geographic landscape in Sichuan-Chongqing region.

**Key words:** Xikang; Financial geography; Late Qing and the Republic of China era

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### 1. ECONOMIC AND SOCIAL CHANGES AND ADJUSTMENT OF REGIONAL FINANCIAL STRUCTURE IN XIKANG REGION IN THE LATE QING ERA

#### 1.1 Embryo of Dajianlu Financial Center

Talking about the geographical environment of Xikang, the topography, climate and rural situations in six counties in Ya'an district were generally the same as places around Sichuan; Ba county in Xichang district was surrounded by mountains, which has inconvenient traffic, and was almost inaccessible to the outside world, forming a mountain country, moreover, the county was densely inhabited by Yi people, while the residence of Han people was only limited to both sides of traffic lines and major rural towns, the advantages of Xichang district were mild climate and abundant natural resources; as to the nineteen counties in Kangding district, their average topographic heights were all above four thousand meters, so climate was cold and not suitable for farming, population was thus not prosperous as well. With regard to inhabitants in Kangding district, except Han people were relatively populous in Luding and Kangding counties and Yi tribal people lived in borders of counties such as Jiulong, the rest were Tibetan language life, economic organizations and so forth, all of which were different from Han people. So Han, Tibetan and Yi three ethnic groups inhabited together within one province (Guo, 1940, p.62). Aiming at such a unique national geographic landscape, out of political considerations and economic interests, the Qing government established cities in the tea-producing areas and collected four types of fees, namely Ke, Xian, Jie and Feng. These four types of fees were uniformly levied by the county governments as regular taxes, and then sent to the Ministry of Revenue by the Governor of Sichuan. But over time, as the duty was not specifically designated, various objectionable

practices occurred, tea traders were unable to pay the fees, and arrears were heavy. Down to the mid-Qing era, arrears had ever increased, the central and local governments engaged in endless haggling and shifts of responsibility, and the dispute was unable to be clarified.

Dajianlu did not produce tea, but belonged to the Tibetan general association. Tibetan people's tea drinking relied wholly on merchants of Ya'an, Mingshan, Xingjing, Tianquan and Qiongzhou prefectures and counties in Yazhoufu, who transported tea to Dajianlu, Tibetan people then went to Dajianlu to buy tea and transport them to Tibet for sale. The tea distribution license was categorized into border distribution and inland distribution types, which were all transported to Dajianlu for sale, tea prices were not fixed and varied. Tea-horse trade of ancient times has a long history. During the emperor Hongwu period, Tibetan merchants traded a horse with forty jin of tea, and China reaped quite considerable profits. Afterwards, tea was smuggled and price of horse rose gradually, so the government assigned errands and appointed officials for patrol, with the passing of time, although the imperial court banned the smuggling, the right was abused for private interests, causing customs filled with travelling merchants and tea ships all over the rivers, private tax on every hundred jin of tea was 2 qian of silver or 5 fen of gold, corrupt practices were unspeakable (Guangxu, p.7).

Therefore, although Dajianlu had unique geographical advantages at that time,

Dajianlu was a crucial area linking Tibet and Xihai ....., from Dajianlu to Tibet and various Xihai countries, people fed on beef, mutton and fried noodles chiefly, who were in profound need of tea, the sale of tea was undertaken by tea-producing prefectures and counties inland, as the general export route, Dajianlu was gathered by tea merchants from all directions (Yongzheng, pp.74-75).

However, such advantage was unable to naturally transform it into a financial center. In other words, Dajianlu's geographical advantages and commercial and trade foundation also needed external support, in order to make it possible as a regional financial center.

During Ding Wencheng's governance over Sichuan, in consideration of hardships in Tibetan-Xikang merchants' tea buying, as well as over a hundred years of accumulation of arrears, most of which were hard to be recovered:

New regulations were finalized, plans were developed to attract investment, levies were collected according to the types of distribution licenses by officials who were appointed and stationed in Dajianlu, instead of being collected locally by each county. Merchants were obligated to pay silver only, every one hundred jin of tea in a total of five packages, was considered as 1 yin, and 1 tael of Kuping silver was levied for each yin. In addition, all of the objectionable practices were abolished. Since the day tea tax was imposed by Dajianlu, each county's payable arrears were all remitted in a resolute and effective manner, which was greeted by merchants. Hence tea industry was rejuvenated, and taxes were not owed. Later, tea customs supervision was established in the east gate of Dajianlu, and Yazhou, Xingjing, Qiongzhou, Mingshan and Tianquan were set up as the tea ports, annual licensed distribution amount was set as 108,000 zhang. (Lu, 1988, p.346)

That way, driven by the external government forces, Dajianlu, whose economic status was particularly prominent due to the tea trade, possessed the status of governmental financial regulation center for the firstly time. Meanwhile, the Qing government also gave official financial support to Dajianlu's commercial and trade basis.

Tea was sold very well at that time, in addition to the annual licensed distribution amount, twenty thousand zhang of additional notes were issued, which were claimed by merchants as needed rather than compulsorily. Preferential ordinances were developed, anyone who was recognized as a tea merchant of a certain port, who distributes tea and pays levies according to the license seasonally must be protected at all times. Such tea merchants would be registered, and their descendants would inherit the business, and others may not invade, other merchants would not take over the business unless in case of critical incidents or decease. If the operations were unable to be continued due to losses from incidents, facts should be stated and capital would be borrowed from the government, which should be paid back duly. There was no statute as to the rate of interest as well, the profits of tea traders were considerable. (Lu, 1988, p.346)

## 1.2 Zhao Erfeng's Management and Planning of Xikang-Tibetan Region and Economic and Social Changes

Before the bureaucratization of native officers, political power in Xikang was exercised by Tusi, chieftains and Khutukhtus, who extorted illegal taxes without fixed rules. In the late Qing period, Zhao Erfeng supervised and handled border affairs in Sichuan-Yunnan region, through the bureaucratization of native officers and painstaking management, public economy began to have systems to follow.

Zhao took charge of Sichuan-Yunnan region's border affairs, he led his troops to first operate north and south trunk roads in Guanwai, accordingly, marking his territory to the Luding Bridge in the east, Leiwuqi, Basu, Shuobanduo, Luolongzong and Bianba in the east, Chunke and Zaquka in the north and Sangang and Zayu in the south, which stretched four to five thousand li. Officials were nominated for separate ruling, tax of grain on land were set, and livestock tax was identified. Sequentially, he expelled the Jiangka clan and Tibetan officials in Zhandui, and retrieved official seal of each Tusi, forming almost the scale of a medium-sized province at a gallop. (Zha, p.49)

Xikang's taxation provisions were developed when Zhao Erfeng pacified the entire Xikang.

At that time, the revenue in the entire border included grain tax, livestock tax, salt tax, mining tax, as well as revenue of native and tea customs, in Xuantong 3rd year, over four hundred thousand yuan of silver was collected. While the revenue of Dajianlu's tea customs was delivered to the government repository of Sichuan Province, and the tariff of native customs was handed over to Tongzhi, a fifth class official, of Dajianlu. (Yang, pp136-137.)

As to the Xikang's tax of grain on land, since the approval of taxation regulations by the former Minister of Border Affairs of Sichuan-Yunnan in Qing dynasty, a total of 27,000-28,000 shi of grain had been received in the entire Xikang. Xikang's

regulations on livestock tax were also established by Zhao Erfeng. According to the private statistics of former Qing official who travelled Xikang, in Xuantong 3rd year, the annual livestock tax collected was about 300,000 Zangyang yuan in the entire Xikang, which was equivalent to about 150,000 yuan in silver currency. Yang, Z. H. Records of Xikang. (*Xikang Economy*, pp.138-143).

When Zhao Erfeng petitioned the bureaucratization of native officers, the “organization of border tea company was instigated by multiple parties”, which “failed to pass due to many obstacles, majority of merchants went to Sichuan to call for abolition.” (Lu, 1988, p.346). It was obvious that what Zhao Erfeng intended was controlled trade under state monopoly, such controlled trade has economic and political double meanings. In economic terms, Zhao Erfeng apparently wanted monopoly of border tea trade, increase in government revenue, and achievement of regional integration in the economic sense. In the political sense, Zhao Erfeng still pursued the Jimi policy of harnessing the borders with tea, but such loose rein was mainly targeted at the people in Tibetan region.

Tibetan people came all the way to Guannei to buy tea without hesitating to spend heavily, the trade was done only once per year, but the Tibetans were willing; the medicinal materials produced in counties of Guanwai were transported to Xikang for sale, there was no traffic except the tea route (*Xikang overview*, pp.230-232).

After a series of economic and social changes in the late Qing era, a new scene emerged in Xikang-Tibetan region with Dajianlu as the commercial and trade center, the commercial and trade foundation for forming regional financial center was more solidified.

The volume of trade between Tibet and mainland China can be roughly estimated to be an annual value of 4,500,000 tael of silver, which was mostly in the hands of merchants who hold exclusive rights for tea supply. Sichuan's tea-producing areas were in the western part of the province, and doubtlessly, due to onerous transportation fees, provinces in lower Yangtze region would not participate in the competition of supply of tea to Tibet; peregrinators' estimates of Tibet's demands for tea varied: Rockhill believed that the quantity of tea imported to Tibet from Dajianlu was about 10,000,000-13,000,000 pounds; Pere Desgodins estimated the quantity via the same route to be about 2,666,640 pounds; Hosie estimated the volume of trade to be worth 800,000 tael of silver; while Litton estimated it to be 1,100,000 tael of silver. Through site investigations, I have proved that the last figure in the above lists, although slightly lower, was very close to the actual trade volume; it was said that the volume of tea trade via Songpan was also roughly equal to that via Dajianlu. (Watson, 1901)

### 1.3 Money and Finance in Xikang-Tibetan Region

Xikang's trade maintained a variety of forms such as inter-tribal trade; it also maintained the forms of barter trade, barter trade plus monetary trade, as well as total monetary trade. In the remote tribes, the first means was mostly practiced, the second means was adopted between the cities and relatively remote tribes, while the third means was adopted solely between inter-cities or

between cities and evolved tribes. Xikang began to have a currency system since the early Yongzheng period, the bureaucratization of native officers in Sichuan border in the Yongzheng 1st year enabled increasing closeness of economic relations between the Han and Tibetan people. The silver used by Han people was an ingot called Dabao weighing 50 liang, which was also called Yiping, such Dabao was the most credible currency in the minds of people in Xikang. The exchange rate between Dabao and Zangyang was about 156 Zangyang yuan to 1 Dabao.

British “Victoria” Indian currency, named rupees, also flowed massively into Xikang once with the expansion of British forces in Tibet. At that time, in view of the advantages and disadvantages of foreign currency invasion, Zhao Erfeng decided to reject the use of rupee, and prepared to cast coins independently, yet considering old habits die hard for border people, he entrusted Chengdu Mint to mint coins imitating the form and weight of rupee, the only difference was that the picture of British Queen was changed to Guangxu Emperor's. The coinage was initially implemented in Guotang, locals refused it, it was not until the execution of two chiefs that the currency prevailed, like that, the expulsion of British currency was achieved. From a broader perspective, for the Qing government, financial control over Xikang region was not only for financial convenience, but more importantly, for the objective construction of financial frontier which could prevent the northward procession of British financial power. Hence, Xikang's currency system was gradually stabilized; such silver coin was called Zangbi.

With regard to the quantity of such Zangbi coins, according to the report of Chengdu Mint: from Guangxu 28th year to Xuantong 3rd year, a total of 10,000,000 pieces of one yuan Zangbi, 120,000 pieces of half yuan Zangbi, and 100,000 pieces of one ju (a quarter of one yuan) Zangbi were minted. The composition was 90 percent silver and 10 percent copper at that time, which was altered to 75 percent silver and 25 percent copper in the first year of the Republic of China. About 7,000,000 pieces of one yuan coins, and 3,000,000 pieces of half yuan and one ju coins were minted each, because the composition was too low, the mint had a considerable surplus, but the market was also turned down due to the poor purity, where 10 tael of silver was exchanged for 40 yuan at lowest. Meanwhile, the former 90 percent silver 10 percent copper coins were melted away, Chengdu Mint, sensing the unprofitability, stopped the minting. Thus demand outstripped supply, and the price of silver rose again where 10 tael of silver was exchanged for 24 or 25 yuan. Due to the accustomed habits in Xikang, the circulation of inland Dayang was inconvenient, so when exiting the pass (going west of Kangding), the currency must be exchanged to Zangyang in Kangding, in fact, such Zangyang was also the major currency of Xikang (Development of Northwest, 1943, p.3).<sup>1</sup> Monopoly

right over currency exchange, plus the advantages of commercial and trade foundation enabled the initial establishment of financial center of Xikang economic circle in Kangding, i.e., Dajianlu of the late Qing era.

In Xikang, major currency was such Zangyang, and Dabao, Shengyin, Dayang, copper coins, and Yunnan Gangdayang were all fractional currencies. Every Zangyang yuan was converted to 3 inland Dayang jiao, and the mint price was equivalent to 4 jiao 4 xian 8 xing Dayang; every 10 liang of Shengyin silver was equivalent to 13 yuan 2 jiao to 3 jiao Dayang; every 24 strings of copper coins were equivalent to 1 Dayang yuan; every liang of pure gold was equivalent to 210-219 Zangyang yuan; and Yunnan Gangdayang was only worth 75 percent of Zangyang, most of which were hard to be implemented. But tea trade still used cheng as the unit, that was, every cheng was weighed to be 50 liang of Dabao (large ingots) (Development of Northwest, 1943, p.4).

## 2. CHANGES IN FINANCIAL STRUCTURE OF XIKANG REGION FROM THE EARLY REPUBLICAN PERIOD UNTIL THE FOUNDING OF XIKANG PROVINCE

Since the first year of the Republic of China, along with changes in the surrounding political and economic situations, Kangding's finance was rendered with new features:

### 2.1 Decline of Old Currency

Before the establishment of the Republic of China, owing to geographical and transportation advantages, coupled with the financial support of local government, Kangding was the hub of commerce for Kham, Tibet, Qinghai, Sichuan and Yunnan, which possessed about several million tael of silver. Later, as Tibetan merchants shifted their trade destination to Ningbo, the scale of Kangding's banks went down in terms of active capital. Coupled with frequent regional wars, trade between Xikang and Tibet was greatly affected. As a result, the trade and business in Kangding collapsed. To 1934, the overall quantity of silver in Kangding was only about 100,000 tael (*Xikang-Tibetan pioneer*, 1934, p.29). The use of Dayang also declined sharply due to the commercial depression.

Dayang was also used in Kangding, but less commonly when trading with Tibetan merchants. Because merchants in Kangding were mostly Han people, out of habits, Han people deemed Dayang as one of major trading currencies. There were a wide variety of Dayang, the ones minted in Sichuan province were relatively common; the Guangxu Dayang minted in Hubei and Guangdong provinces were also used in Kangding, which were called "hybrid version". The active Dayang around the entire Kangding city was estimated to be merely 200,000 tael in 1934, which was no match to a million to several million tael in the past. This was the result of commercial recession. (*Xikang-Tibetan pioneer*, 1934, p.30).

Zangyang was the main currency used in Kangding's trade, so its quantity was larger than silver and Dayang. When the Qing government minted Zangbi, its quantity reached several millions; later, when Yin Changheng came to govern Xikang, he brought 100,000 to 1,000,000 Zangyang from Chengdu with him to Xikang; when Zhang Pengshan stayed in Xikang, 200,000 yuan of Zangyang was transported to Xikang monthly, the transportation of Zangyang from Sichuan to Xikang was stopped during the reign of Chen Xialing upon rebellion of Chen Busan. In summary, about ten million yuan of Zangyang was transported from Sichuan to Xikang in succession, but the problem of Zangyang was that they were completely transported out of Guanwai region via the hands of Tibetan merchants and never returned. Such characteristics of currency loss of Kangding's trade resulted in trade crisis. Coupled with the close of Kangding Mint, commodities were hoarded to corner the market, plus the manipulation by profiteers, the price fluctuated constantly, and a great number of Zangyang was partitioned, Zangyang activities became ever difficult in Kangding (*Xikang-Tibetan pioneer*, 1934, p.30). Copper coins in Kangding's market referred to Yunnan's Wujiao Dayang. They were carried by Dingchang merchants who came to Xikang for trade, their quantity was not large, which was only about one hundred thousand yuan (*Xikang-Tibetan pioneer*, 1934, p.30). The copper coins, which served as fractional currency, were categorized into two hundred, one hundred, twenty and ten wen types, however, the Xiaoerbai (which was worth approximately dang ten wen of the past) circulated in Sichuan had also been circulated in the entire Xikang, its value equaled the Daerbai used in the past. Due to the governmental absorption and businessmen's concealing, Daerbai was hardly seen in the market. "According to the experts, the quantity of copper coins in Kangding was also merely 150,000-200,000 diao (strings)" (*Xikang-Tibetan pioneer*, 1934, p.31).

### 2.2 Drive of Regional Finance and Rise of New Currency

Since the source of silver tael was cut off and the minting of Zangyang was also stopped, Kangding's commercial circle issued promissory notes in order to seek its own turnover and market activities.

Promissory notes were representative economic products maintained by credit. As to their sources, they were issued by the most credible businessman in Kangding who possessed larger capital. Their values varied like 100 yuan, 100 tael, but as they were pieces of paper, their prices were discounted by 20-30 percent per month, most of which were issued in Kangding and withdrawn in places like Chengdu and Chongqing. Promissory notes were only used for transaction with Han people, and were generally not used by Tibetan merchants. (*Xikang-Tibetan pioneer*, 1934, p.30)

However, the emergence of promissory notes, this new form of monetary financing, was not initiated

spontaneously by Kangding's finance, but by the radiation of two first-class financial centers in Sichuan-Chongqing region, namely Chengdu and Chongqing. The notes were issued primarily by Jinxiang, Yunnan and Chengdu factions, tea merchants were not involved in note issuance, issuing firms such as Jiwensheng, Shichanglong, Fengji, Tianzengong and Jiqinglong each issued about 100,000 yuan of promissory notes per year, and the annual note activities were worth 2,000,000 yuan (*Xikang-Tibetan pioneer*, 1934, p.31). For Kham region's finance which took Kangding as the regional center, under the drive and radiation of higher-level financial centers, its financial forms and concepts showed the rudiment of modern finance, such a high-to-low regional promotion of modern finance was also the prerequisite for the achievement of connection and unification of financial network in Sichuan-Chongqing region. In other words, the gradual promotion of modern finance prepared the financial foundation for subsequent political unification in Sichuan.

### 3. MATURITY AND EXPANSION OF FINANCE IN KHAM REGION DURING THE FOUNDING OF XIKANG PROVINCE AND THE ANTI-JAPANESE WAR PERIOD

After the founding of Xikang Province, especially the establishment of provincial bank during the anti-Japanese war period enabled gradual maturity and expansion of Kham's finance with Kangding as the regional financial center, which was gradually incorporated into the new financial geographic landscape in Sichuan-Chongqing region with Chongqing as the financial center.

#### 3.1 Implementation of Central Legal Currency and Transition and Recovery of Local Currencies

There were three types currencies circulated in Xikang province: the first type was legal currency, i.e., the paper money of Central Bank of China, Bank of China, Bank of Communications and Farmers Bank of China issued by the central government; the second type was Zangyang, i.e., the silver coins issued by Xikang provincial governmental mint; and the third type was Tongyang, i.e., the copper coins issued by Yunnan province. The legal currency, which was strongly implemented under national laws, was categorized into limited and unlimited legal currencies. Limited legal currency referred to the copper and nickel fractional coins stipulated in the new fractional currency regulations, such as Xintongyang and fractional currency notes, the acceptance of such copper fractional coins was limited to 5 yuan per transaction in national currency, and the acceptance of nickel fractional coins to 20 yuan per transaction in national currency, as there was a limit in the amount of acceptance, they were called limited legal currencies. Unlimited legal currency referred to the paper money of Central Bank of China, Bank of

China, Bank of Communications and Farmers Bank of China that were worth over 1 yuan, as there was no limit in the amount of acceptance of such bills, they were called unlimited legal currencies. After the political unification in Sichuan, the legal currency whose circulation had been unimpeded nationwide also extended its circulation scope to the Sichuan-Chongqing region. But in Xikang, the economy, society and people's customs were very different from the mainland, so the implementation of legal currency faced quite a lot of obstacles, to 1940, the legal currency circulated in Xikang was still confined in Ningshu, Yashu, as well as the vicinities of Luding and Kangding, the circulation was extremely difficult in the seventeen counties in Guanwai, even the trade between Han and Tibetan people within Kangding city followed the old routine of using Zangyang.

Zangyang was a kind of coins minted by Xikang province, which was created during Zhao Erfeng's governance of the border, at that time, in consideration of the surrounding environment and in order to cope with the actual needs, Zhao proposed the minting of Zangyang to the Qing government, the initial intention was to reject the dumping of British Victoria silver coins, remedy the outflow of silver, adjust measures to local conditions, and facilitate the trade between merchants. Since the first year of the Republic of China, governor Yin Changheng, officials Zhangyi, Chen Xialing and Liu Chengxun all entrusted Sichuan provincial mint for minting of coins, which were then transported to the border and circulated in Guanwai. In the 19th Republican year, the stationary brigade commander began to purchase and transport machines from Chengdu and established mint in Dajianlu for minting of coins with the portrait of Guangxu Emperor and Tibetan language at the reverse side, in order to suit the Xikang-Tibet border situation. In addition to the Kang and Lu counties which used both Zangyang and legal currency, the entire trades in other Guanwai counties were done in Zangyang solely, yet Guanwai did not have any fractional currency, so after the outflow of Zangyang, Kham people used the legal currency as the fractional currency, such habit still existed. Moreover, people in Xikang-Tibet border had a long habit of hoarding, so although Zangyang was minted every year, the supply seemed short of demand. (*Economic Weekly*, 1940, p.1258)

The copper coins minted in Yunnan were also called Tongbanyang, each yuan of which was approximately 3 jiao 3 xian 6 xing in legal currency. In Xikang, in addition to the counties in Ningshu, the copper coins were also circulated quite well in Derong, Jiulong and other counties in Kangshu. Such copper coins flooded in places around Huili in Xichang, which not only impeded the implementation of legal currency, but also hugely impacted the society and people's livelihood.

In order to clear away obstacles to the implementation of legal currency, after the establishment of the Xikang provincial government, measures were taken to recover Tongyang and Zangyang separately: as to the Tongyang,

In the 28th Republican year, new provincial government was established, Xingyuan office banned the private use of Tongyang, and set the exchange rate between Tongyang and legal currency, in order to gather

Tongyang and vanish them from the market to facilitate the implementation of legal currency (*Economic Weekly*, 1940, p.1258).

As to the Zangyang which was popular in Kham region, transitional measures were taken where Zangyang notes were issued:

In recent years, silver had been nationalized, and Zangyang materials were especially lacking. Xikang provincial government was established this year, with the aim of relieving such difficulties, changing the habits of Kham people and gradually implementing the legal currency, the government proposed the issuance of Zangbi notes totaling two million yuan to the central and provincial banks, in order to facilitate the circulation. (*Economic Weekly*, 1940, p.1259).

The circulating Zangbi was recovered and converted to legal currency as per the exchange rate (4 jiao 4 fen 8 li legal currency to 1 yuan Zangbi) in a three-year period, then Zangbi notes were gradually recovered with legal currency and cancelled, and legal currency was implemented uniformly upon their expiry (*Economic Weekly*, 1940, p.1259). Through the exchange of Tongyang, especially the issuance of transitional Zangbi notes, Kham people gradually developed the habit of using paper money, like that, Kham's finance took the first step in being incorporated into the new financial landscape in Sichuan-Chongqing region through, firstly, the unification of currency system.

### 3.2 Establishment of Provincial Bank and Layout of Finance in Kham Region

Before the establishment of Xikang provincial bank, Xikang did not set up records of money shops, and general financial activities relied totally on commercial loans and exchange, however, the efficiency of turnaround was limited, and the borrowing and exchange rates were both very high, which were manipulated by lamas, headman and the like, causing great pain to the general public. In the 25th Republican year, after the establishment of Xikang provincial committee, provincial bank was planned, which was opened in August of 26th Republican year. The provincial bank was chartered with an authorized capital of national currency 500,000 yuan, and paid-in capital of national currency 250,000 yuan, which was headquartered in Kangding, and had offices or agencies in Yidong, Fulin, Ya'an, Xichang, Huili, Ganzi and Lihua within the province, offices in Luding, Hanyuan and Ba'an that were under construction, and existing offices in Chengdu and Chongqing outside the province (*Economic Weekly*, 1940, p.1259).

One year after the establishment of the provincial bank, Bank of Sichuan and Bank of Chongqing successively opened branches in Xikang, and set up offices in various places. Ya'an and Xichang counties had branches or offices of Central Bank of China, Farmers Bank of China, Bank of Sichuan-Xikang and Bank of Chongqing, gradually improving the depletion of finance in the entire

Xikang province, meanwhile, the usury by lamas and headman gradually extinguished (*Economic Weekly*, 1940, p.1259). Through top-down planning and guidance, modern financial instruments gradually occupied a major position in Kham's financial markets. The provincial bank loaned mainly on real credit, collaterals include tea, mountain products, medicinal materials and so on. Credit loan was mainly lent to the government, followed by the merchants, private credit loan also existed, but very few, total gross loans over the years were recorded as follows:

Approximately 400,000 yuan in 26th Republican year, and approximately 3,000,000 yuan in 27th Republican year, the term of loan was one to three months which did not exceed six months at longest. As to the lending rate, monthly interest was usually 1 fen 3 li, and the highest monthly interest was 1 fen 5 li, other banks also mostly loaned on real credit. Deposit was categorized into fixed and current deposits, total amount of deposits was about 300,000 yuan in 26th Republican year, and about 5,000,000 yuan in 27th Republican year, in addition to private deposits, the source of deposits was mainly organizations and schools, while commercial deposits were rare. (*Economic Weekly*, 1940, p.1260)

The main reason for scarce commercial deposits was the thick yield of commercial profits, which was all used in business aspects, so idle capital was minimal. This further shows that it was the modern transformation of Kham's finance that had led the development of regional economy. Such transformation was not the spontaneous act of Kham's finance, but more precisely, the radiation and drive of higher-level financial centers to lower level financial areas after the formation of new financial geographic landscape in Sichuan-Chongqing region:

Offices or branches all practiced direct remittance, while the remittance outside the province was transferred through the Bank of Juxingcheng, remittance fee was normally 10 yuan per thousand yuan, and 20 yuan per thousand yuan at highest, Xikang province always had an export surplus and remittance selling exceeding demand, stabilization of money mobilization was quite difficult, so remittance fee was higher than the mainland. In recent years, due to the rise of military as a result of the anti-Japanese war, foreign market shrank, export declined, and commercial exchange was gradually reduced. (*Economic Weekly*, 1940, p.1260)

### 3.3 Ethnic and Regional Distribution of Rural Loan Finance

The territory of Xikang was inhabited by Han, Zang and Yi three ethnic groups, each having respective long economic organizations. Rural lending situations also varied. Han people's rural lending was similar to mainland.

In the Han people inhabited areas, calculation was usually done in silver and every 100 tael of silver was worth 140 yuan in legal currency. Farmers used houses and other real estate as collateral to borrow loans from rich urban families. In autumn, three dan of maize (every dun was worth approximately 18 yuan) which was worth approximately 54 yuan was deemed as the interest for each borrowing of 100 tael of silver. The principal must be paid off at the same time as well. There were also lenders who required more than five dan of maize for each borrowing of 100

tael of silver, which was the act of high interest exploitation. The above was the general situation of loaning in rural areas of various counties in Xichang. In Xichang county, agricultural products were also sometimes deemed as the collaterals for borrowing at half amount and repaying in full price. As to the situation of rural loaning in villages of various counties in Ya'an, real property was also deemed as collaterals; similarly, the term of borrowing was approximately one year, the monthly interest was 4-5 fen, nevertheless, money was not easy to borrow. (*Chinese Agriculture Monthly*, 1940, p.58)

The debtor-creditor relationship of Tibetans' rural finance was influenced by religions, which was manipulated at the hands of temple lamas,

In Tibetan inhabited areas, Tibetans believed in Buddhism. People were mostly proud of being a lama. Lamaseries in various places had a long history with great authority, so the economic power of Tibetans was almost managed by lamaseries of various places. Lamaseries made profits mainly by lending grain, followed by lending money and other collaterals. For example, if 1 dou of grain was borrowed, 1 dou 5 sheng should be repaid in next year's autumn. If 5 yuan of Zangyang (equivalent to 2 yuan 5 jiao in legal currency) was borrowed, 6 yuan should be repaid in autumn. Collateral loan was also similar: if the debtor was unable to make repayments by the autumn harvest of the present year, the principal and interest would double by next year's autumn harvest; if repayments were still not made by next year's autumn harvest, principal and interest would again double, 1 dou of grain; if paid back after three years, the principal and interest would total 6 dou. Loaning of Zangyang was also the same. The calculation of interest was seasonal based regardless of the length of loan period. Generally, interest was calculated based on autumn harvest, so even if the loan was borrowed in June, interest would be calculated as a whole year by autumn harvest. Furthermore, villagers could only borrow loans from lamaseries within the village, and were never allowed to borrow loans from lamaseries in other villages. (*Chinese Agriculture Monthly*, 1940, p.59)

As the social relations of Yi people in Kham region were still in a backward state, their rural financial forms also retained simple and primitive traits:

As Yi people mostly lived in the mountains in Xichang district, and seldom contacted with Han people, their economic organization was quite simple. Among them, Heiyi people claimed themselves as the aristocracy of Hei people, who had servants for ploughing and managing their vast farmlands and gardens, they were economically well off, and had no need to borrow money from others. The living situation of Baiyi people, on the contrary, was very difficult. They borrowed loans from Heiyi people mostly on mortgage, monthly interest was above 3-4 fen, some Han people who lived near Yi inhabited areas also borrowed loans from or lent loans to Yi people, the loaning procedures also required mortgage, and the headman of Yi people must be act as the guarantor in order to effect the loans, interest was calculated at a monthly rate of above 3 fen, in addition, if the Han people were unable to pay back loans at maturity, Yi people would come to the debtor's house to take everything valuable till the principal and interest were paid off. (*Chinese Agriculture Monthly*, 1940, p.59)

The societies of money in Kham's rural finance organized by Han people were relatively standardized,

As to the situation of societies of money, there were Siji Society, Sanzhuang Society, Wuzhuang Society and Qixian Society

which were organized by Han people. In the Siji Society, the head of society would appoint 20-30 people to form a session, the term of each session would be 3 months, loans were stipulated to be paid back periodically, and interest was usually calculated at a monthly rate of 3 fen, the head of society would not offer interest, due to his responsibility for the maintenance of the society. In Sanzhuang Society and Wuzhuang Society, heads of three or five villages would invite several people to form a large session, money was paid and sessions were resumed periodically, which were not different from the ordinary societies of money, except that the heads of villages bore responsibility for the supervision and guidance of the members, and the interest was usually calculated at a monthly rate of 2 fen. Qixian Society was organized and formed by seven members, where sessions were resumed periodically, and interest was calculated on a monthly basis, it was similar to the Siji Society. (*Chinese Agriculture Monthly*, 1940, p.59)

As to the characteristics of various societies of money, the head of society was the inviter, who would borrow in lump sum and pay back in installment to avoid the oppression of usury; members were the participants, who would deposit by installments and withdraw in lump sum to save expenditure and prepare for the unexpected, so they possessed the characteristics of cooperative organizations. Such form of cooperative finance which was spontaneously initiated by rural people also laid the foundation for the subsequent rural cooperative finance in Xikang that was led by the government.

### 3.4 Promotion of Cooperative Finance in Xikang

Planning and establishment of cooperative treasury began in September of 28th Republican year in Xikang, at that time, Liu Wenhui of Xikang provincial government, being fully informed of the suffering of people after visiting various places in Kangding, Ya'an and Xichang, decided to establish provincial- and county-level cooperative treasuries to relieve such situation, and stipulated the following four principles (*Chinese Agriculture Monthly*, 1940, p.61):

a. Staff should be recruited to make preparations for provincial cooperative treasury, preparatory office should be established for the provincial cooperative treasury, and matters concerning the establishment of cooperative treasuries in each county should be planned uniformly.

b. Capital of the provincial cooperative treasury, which totals two million yuan, should be raised jointly by provincial government and the Farmers Bank of China, of which 1.2 million yuan should be invested by the Farmers Bank of China, and 0.8 million yuan by the provincial government. The portion to be invested by the provincial government, which is 0.8 million yuan, should be borrowed separately from the Farmers Bank of China by provincial government.

c. Capital of each county cooperative treasury is set to be 100,000 yuan, in addition to the cooperatives, the share capital should also be invested by the provincial cooperative treasury and the bank according to a proportion of 40:60, in case 100,000 yuan is not sufficient

due to the expansion of business of the cooperatives at all levels, the treasury concerned should separately arrange for the transition of loans to mortgage loans to the Farmers Bank of China.

d. Preparatory office for provincial cooperative treasury should be established in Xichang, after completion of preparatory works, the office should be moved to Kangding and formally established, in order to contact and work with the cooperating administrative organizations.

Under the management of Xikang provincial government and with the support of the Farmers Bank of China, the cooperative financial network of Xikang province, which was temporarily centered by Xichang (later moved to Kangding), was gradually established:

The provincial government appointed Hua Wu and rural cooperation committee member Li Songgao as the staff for preparation of Xikang provincial treasury, and established preparatory office for provincial treasury in Cang street of Xichang to begin work, while assigning staff to Xichang, Yuejuan, Mianning, Huili, Ya'an, Lushan, Tianquan, Xingjing and Hanyuan counties for preparation of county-level cooperative treasuries, since its inception, the central tasks of provincial cooperative treasury included firstly, making preparations for the provincial treasury, such as drafting of various rules and regulations, planning and application of capital, drafting of accounting system and cash registration procedures; and secondly, planning and guiding the establishment of county-level treasuries, such as dispatching of staff, construction of treasury sites, approval of budget expenses and instruction of work progress, although the tenure was not long, the scale of work was almost there. (*Chinese Agriculture Monthly*, 1940, p.61)

With regard to the list of counties in which cooperative treasuries were established as well as the respective date of establishment, Ya'an county treasury preparatory office was established on September 20, 28th Republican year; Lushan county treasury on October 12, 28th Republican year; Tianquan county treasury on October 16, 28th Republican year; Xingjing county treasury on November 1, 28th Republican year; Hanyuan county treasury on November 1, 28th Republican year; Xichang county treasury preparatory office was established on September 21, 28th Republican year; Mianning county treasury on November 1, 28th Republican year; Yuejuan county treasury on October 18, 28th Republican year; and Huili county treasury on October 18, 28th Republican year. (*Chinese Agriculture Monthly*, 1940, p.59)

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## CONCLUSION

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The development of Xikang's rural financial industry played a certain positive role in alleviating the oppression of usury suffered by farmers and relieving the lack of rural finance. In the meanwhile, it also helped achieving national financial organizations' control and guidance over Kham's agriculture, enabling the agricultural production in Kham region to serve the needs of the new financial center in Sichuan-Chongqing region centered by Chongqing.

"After obtaining loans from the Farmers Bank of China and supplementary rural cooperative treasuries,

rural areas had been thriving, and farmers' gratitude towards government and the Farmers Bank of China was also growing day by day" (*Chinese Agriculture Monthly*, 1940, p.62). It should be noted that the development of Kham's rural finance was a part of the KMT government's rural financial network in southwestern region, by the end of 1942, southwestern agricultural financial network was set up in the southwestern rear area with the Farmers Bank of China and the central cooperative treasury as the axis, the branch banks and treasuries of various provinces as the trunk, the branch and sub-branch banks and treasuries of various districts and counties as the executive branches, and the rural cooperatives as the rural grassroots financial organizations (Wang, 2011, p.116). In this financial network, the state banks are the main provider of agricultural loans, and the cooperative treasuries the intermediary linking state banks with rural cooperatives. The state banks lent loans to the cooperative treasuries, the cooperative treasuries granted the loans to the rural cooperatives, and the cooperatives then lent the loans to farmers, thereby forming an interlocking financial network. In this financial network, the role of Sichuan and Xikang was particularly prominent, in February 1940, Chiang Kai-shek issued a personal order to the Headquarter of Four-Joint-Banks stating

Agricultural loans should be implemented with a central area rather than universally, Sichuan shall be served as the center, all personnel and organizations should give first priority to Sichuan and Xikang to effect good results within this year, other places include Shaanxi, Gansu, Yunnan and Guizhou....., then the loans can be expanded to other provinces (Financial Research Institute of the People's Bank of China, 1980, p.127).

"This year's agricultural loans should temporarily give first priority to the southwestern provinces and shall take Sichuan and Xikang as the focus" (Official Letter from Headquarter of Four-Joint-Banks ..., 1940). The expansion of agricultural loans was achieved mainly through the mobilization of national financial power by the KMT government, in other words, through the guidance and support of wartime KMT government with Chongqing as the financial center, Xikang's new rural finance had become an important link of the wartime rural financial network. Like that, after a series of economic and social changes in the late Qing and the Republic of China era, a new scene of financial geographic landscape emerged in Xikang-Tibetan region with Kangding (Dajianlu) as the commercial and trade center, the commercial and trade foundation was more solidified where Kangding became the regional financial center. Since the Republican era, with the radiation and drive of the new financial center in Sichuan-Chongqing region, partial modernization of financial instruments appeared in Xikang region, followed by gradual replacement of old currency by new currency. Through the establishment and expansion of Xikang provincial bank and the promotion and maturity of rural cooperative finance during the anti-Japanese



war period, Kham's finance where Kangding served as the regional financial center was fully incorporated into the new financial geographic landscape in Sichuan-Chongqing region.

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