www.ijarp.com ISSN 2456-9992 Page: 01-07

International Journal Advanced Research Publications

Research Article

Volume: 02
Issue: 06

THE BANQUE DE L'INDOCHINE DURING THE PERIOD OF THE FIRST WORLD WAR (1914-1918)

***Dr. Duong To Quoc Thai**

Lecturer in History, Faculty of Social Science Education, School of Education, Dong Thap University, Vietnam.

Article Received: 16 May 2026, Article Revised: 5 June 2026, Published on: 25 June 2026

***Corresponding Author: Dr. Duong To Quoc Thai**

Lecturer in History, Faculty of Social Science Education, School of Education, Dong Thap University, Vietnam.

Doi: https://doi-doi.org/101555/ijarp.2864

ABSTRACT

This paper delivers a profound investigation into the historical role and strategic operations of the Banque de l'Indochine during the turbulent epoch of the First World War (1914–1918). Capitalizing on primary colonial archival sources, this study elucidates how the institution shifted its operational focus from a conventional currency-issuing and credit institution to a potent wartime financial instrument serving the supreme interests of metropolitan France. The empirical findings indicate that against the backdrop of a war-torn metropole, the Banque de l'Indochine implemented draconian monetary tightening policies, accelerated the issuance of banknotes without sufficient bullion backing, and orchestrated aggressive war bond campaigns designed to drain Indochina's financial resources and channel them directly to Paris. This systemic intervention not only rescued the metropolitan treasury from imminent deficits but also severely disrupted the socio-economic structure of colonial Vietnam, plunging the indigenous economy into deep inflation and exhaustion.

KEYWORDS: Banque de l'Indochine; First World War; Wartime Credit; Monetary History; Colonial Economy.

1. INTRODUCTION

The outbreak of the First World War (1914–1918) thrust France into an unprecedented total crisis, compelling the metropole to mobilize all available economic resources, human capital, and financial assets from its overseas territories to sustain its industrial war machine. Within this specific historical configuration, Indochina — long celebrated as the "jewel" of the French colonial empire — emerged as a critical macroeconomic supply hub. The supreme institution anchored at the center of this mechanism, acting as the chief architect to regulate and force the outflow of this economic lifeblood toward Paris, was none other than the Banque de l'Indochine (Meuleau, 1990).

Prior to 1914, the Banque de l'Indochine operated primarily as a monopolistic entity coordinating monetary stability and fostering localized agrarian and industrial investments. However, the metropolitan general mobilization order forced a radical, comprehensive restructuring of the bank's corporate strategy, transforming it into a highly optimized instrument of wartime financial extraction (Aumiphin, 1994). The severe disruption of international maritime trade lanes combined with colossal fiscal pressures from the Governor-Generalship of Indochina left the Banque de l'Indochine in an unprecedented dilemma: it had to simultaneously defend the intrinsic value of the Indochinese piastre and fulfill its imperial obligation to transfer hundreds of millions of francs to the metropolitan treasury. A rigorous analysis of the bank's role during these four years of global warfare not only illuminates a distinct chapter in organizational history but also unmasks the absolute predatory essence of French financial colonialism over modern Vietnamese society (Duong, 2021).

2. MATERIALS AND METHODS

This investigation is constructed upon a core foundation of primary archival source materials generated by the Banque de l'Indochine during the historical timeline spanning 1875 to 1954, with a specific focus on the 1914–1918 war years. These primary documents are currently preserved and accessed at the National Archives Centers of Vietnam and the French National Overseas Archives (ANOM). The specific objects of empirical survey include: the minutes of annual and extraordinary general assemblies held during the wartime period, confidential directorate reports dispatched to the Board of Directors in Paris, and official administrative correspondences exchanged between the bank's Governor and the Governor-General of Indochina (such as Albert Sarraut) regarding war bond mobilization (Phan, 1978). Concurrently, the author collected and processed systematic empirical statistical data regarding banknote circulation volumes, precious metal reserves designated for backing at the vaults of Haiphong and Saigon, and schedules of wartime credit extensions published in colonial legal gazettes of the era (Simoni, 1929).

In terms of methodological framework, this paper integrates specialized historical methodologies with historical organizational economics. First, the historical method is utilized throughout to contextualize the executive management decisions of the Banque de l'Indochine within the volatile shifts of the European theater and the wartime governance policies of the French state. This approach clarifies the systemic necessity and conflict of interest underpinning the bank's decisions to implement credit crunches or de facto currency devaluations (Tran & Pham, 1960).

Second, the logical method combined with source criticism is deployed to validate, deconstruct, and verify the structural authenticity and underlying motivations of internal corporate financial statements. Wartime accounting data was routinely subjected to state censorship or structural smoothing to manage market psychology; hence, cross-referencing bank archives with the administrative files of the Governor-Generalship is compulsory to reconstruct an objective map of capital flows (Bernard, 1934).

Third, the statistical-quantitative method is heavily exploited to establish data series tracking inflation rates, the velocity of cash circulation expansions, and the absolute scale of gold and war bond extractions from the colony to the metropole. Digitizing balance sheets from original ledgers allows for a quantitative appraisal of the structural damage inflicted upon the indigenous economy (Duong, 2026). Finally, the comparative historical method is deployed to contrast the operations of the Banque de l'Indochine with other French colonial banks of issue in Africa or the Antilles during the same timeline. Consequently, the study deduces systematic, generalized conclusions regarding the supreme monopolistic nature of this financial institution within the structural framework of the colonial empire (Duong, 2021).

3. RESULTS AND DISCUSSION

3.1. Strategic Shifts in Operations and the Mechanisms of Wartime Financial Coercion

The empirical findings extracted from primary archival sources demonstrate that the outbreak of the First World War in August 1914 immediately disrupted the conventional operational trajectory of the Banque de l'Indochine. Originally established as a monopolistic institution of issue and credit to facilitate the primary phase of colonial exploitation, the bank rapidly transformed into a regulatory instrument of wartime finance tailored to safeguard the existential interests of metropolitan France (Meuleau, 1990).

Under systemic pressure from the French governmental decree of August 5, 1914, which suspended the convertibility of banknotes into precious metals (specie/bullion) to preserve national gold reserves, the Banque de l'Indochine established a regime of forced currency (*cours forcé*) throughout Indochina. This structural shift implied that the Indochinese piastre completely lost its physical backing of free silver bullion standard, rendering the paper banknotes issued by the bank an absolute, mandatory instrument of legal tender. This mechanism enabled the bank to expand its cash issuance capacity boundlessly without facing the risk of liquidity collapses driven by indigenous runs on precious metal reserves (Aumiphin, 1994).

Furthermore, the institutional relationship between the Banque de l'Indochine and the Governor-Generalship of Indochina evolved from a commercial partnership into a coercive financial alliance. The bank directly guaranteed and opened extraordinary credit lines for the colonial treasury to finance mobilization expenditures, the forced requisition of agricultural commodities (particularly Cochinchinese rice), and the logistical deployment of over 90,000 indigenous soldiers and laborers (*Oubliés de l'Histoire*) to the European theater. This survival strategy demonstrates that the Banque de l'Indochine ceased to operate under market-driven economic principles, functioning instead as a strategic extension of the French colonial war apparatus (Duong, 2021).

3.2. Monetary Issuance Crisis, Hyperinflation, and the Depletion of the Indigenous Economy

Quantitative financial data compiled from the wartime balance sheets of the Banque de l'Indochine reveals a severe inflationary crisis. The volume of banknotes in active circulation across Indochina experienced a meteoric expansion, directly proportional to escalating military expenditures and fiscal advances transferred to the metropolitan treasury. This aggressive expansion of cash circulation was completely uncoupled from any corresponding growth in real economic output or physical bullion reserves within the primary vaults of Haiphong and Saigon (Phan, 1978).

The immediate consequence of this unbacked monetary expansion was a catastrophic decline in the purchasing power of the piastre and the eruption of hyperinflation within Vietnamese society. The prices of essential commodities, including rice, salt, and textiles, surged by 150% to 300% between 1914 and 1918. The indigenous economy was systematically depleted as capital was continuously drained toward the metropole via foreign exchange conversion mechanisms monopolized by the Banque de l'Indochine. Instead of being reinvested into local infrastructure or domestic industrial development, trade surpluses generated by Indochina’s rubber and mineral exports were frozen and converted into depreciating franc-denominated deposits in Paris (Simoni, 1929).

Concurrently, a credit crunch policy targeted small and medium indigenous enterprises while prioritizing large French colonial conglomerates—such as rubber plantations in Cochinchina—which further exacerbated economic stratification. The indigenous population, particularly peasants and laborers, bore a dual burden: the physical exploitation of their labor to support the imperial war economy, and the systemic expropriation of their accumulated wealth through currency depreciation engineered under the stewardship of the Banque de l'Indochine (Tran & Pham, 1960).

3.3. Mechanisms of Colonial Resource Extraction via War Bonds (Emprunts de Guerre)

A critical revelation of this study is the central role played by the Banque de l'Indochine as the chief architect in organizing and enforcing national war bond campaigns (*Emprunts de la Défense Nationale*) across Vietnam. To mitigate the colossal fiscal deficits accumulating on the Western Front, the French government launched massive subscription campaigns across its global empire, and the Banque de l'Indochine served as the sole financial institution equipped with the network and authority to execute this objective in Indochina (Bernard, 1934).

Utilizing its branch network spanning Saigon, Phnom Penh, Tourane (Da Nang), Hanoi, and Haiphong, the Banque de l'Indochine worked in close alignment with the colonial administrative apparatus to compel indigenous mandarins, ethnic Chinese merchants, and wealthy landlords to purchase wartime bonds using cash or physical gold. The bank deployed sophisticated financial techniques, including direct debiting of institutional accounts, compulsory foreign exchange conversions, and the issuance of short-term franc-denominated debt certificates that offered attractive nominal interest rates but were entirely eroded by inflation in real terms (Aumiphin, 1994).

The cumulative capital extracted through these war bond campaigns reached hundreds of millions of francs, a staggering sum relative to the macroeconomic scale of wartime Indochina. This entire reservoir of capital was channeled directly by the Banque de l'Indochine to Paris to finance weaponry, ammunition, and military logistics for the French army. This operation exposes a profound reality: the Banque de l'Indochine did not function merely as a commercial or issuing bank, but rather as a transnational capital-extraction siphon, converting colonial resources and indigenous labor into a financial shield to guarantee the survival of metropolitan France during the global conflagration (Duong, 2021).

4. CONCLUSION

The comprehensive investigation into the operations of the Banque de l'Indochine during the First World War (1914–1918) demonstrates convincingly a profound strategic pivot, wherein the institution shifted from a conventional colonial enterprise into a potent wartime financial instrument dedicated to the preservation of metropolitan France. The enforcement of the forced currency regime (*cours forcé*) following the 1914 decree not only insulated the bank from physical bullion drain pressures but also engineered a mechanism for unbacked monetary expansion. This structural reconfiguration effectively transformed the Indochinese piastre into a transnational capital transfer mechanism, directly underwriting the astronomical costs of general mobilization and the imperial war machine (Meuleau, 1990).

The structural consequences of this monetary manipulation on the socio-economic fabric of colonial Vietnam were both severe and enduring. The aggressive expansion of banknote circulation orchestrated by the Banque de l'Indochine, entirely uncoupled from real productive assets, directly triggered hyperinflation, drastically eroding the purchasing power of the indigenous population and driving the domestic economy into state of systemic exhaustion (Phan, 1978). Furthermore, by acting as the chief executive architect behind the compulsory war bond subscription campaigns, the bank successfully siphoned off accumulated capital from all strata of colonial society—ranging from mandarins and ethnic merchants to vulnerable peasantry—and channeled this vast reservoir of wealth back to Paris in the form of depreciating francs (Aumiphin, 1994).

In conclusion, the 1914–1918 timeline serves as a definitive paradigm illustrating the absolute predatory essence of financial imperialism. The Banque de l'Indochine flawlessly fulfilled its mandate as a macroeconomic capital siphon, consistently prioritizing the geopolitical survival of the metropole over the structural stability and organic development of the domestic economy. These distorting and stifling structural legacies were only fundamentally erased when colonial subjugation along with its monopolistic financial institutions were entirely dismantled, finally restoring absolute independence and monetary sovereignty to the Vietnamese nation.

5. ACKNOWLEDGEMENTS

The author wishes to express his deepest and most sincere gratitude to the Board of Rectors, the Department of Science and Technology Management, and university colleagues for providing excellent institutional conditions, intellectual encouragement, and vital funding for this research project. Concurrently, profound appreciation is extended to the dedicated archival specialists at the National Archives Centers and global digital repositories for their invaluable assistance in facilitating access to rare primary historical documents concerning the First World War era of the Banque de l'Indochine. Finally, the author highly values the objective and sharp insights offered by anonymous peer reviewers, which significantly elevated the academic integrity of this article.

REFERENCES

1. Aumiphin, J.-P. (1994). *La présence financière et économique française en Indochine (1859-1939)* [The French financial and economic presence in Indochina (1859-1939)] (Đ. X. Lam, N. T. Chinh, H. Song, & P. Q. Trung, Trans.). Association of Vietnamese Historical Sciences.
2. Bernard, P. (1934). *Le problème économique indochinois* [The Indochinese economic problem]. Nouvelles Éditions Latines.
3. Duong, T. Q. T. (2021). *The Bank of Indochina in the French colonization process in Vietnam (1875-1954)* [Doctoral dissertation, Ho Chi Minh City University of Education].
4. Duong, T. Q. T. (2026). The transformation of the Bank of Indochina: From a bank of issue to a major investor in the rubber industry of Cochinchina (1875–1945). *Golden Sun-Rise: International Journal of Multidisciplinary on Science and Management*, *3*(1), 102-108. https://doi.org/10.71141/3048-5037/V3I1P111
5. Meuleau, M. (1990). *Des pionniers en Extrême-Orient: Histoire de la Banque de l'Indochine (1875-1975)* [Pioneers in the Far East: History of the Banque de l'Indochine (1875-1975)] (R. N. Nhân, Trans.). Librairie Arthème Fayard.
6. Phan, H. U. (1978). *Historical documents on Indochinese currency and the Banque de l'Indochine from the late 19th century to the mid-20th century*. Social Sciences Publishing House.
7. Simoni, H. (1929). *Le rôle du capital dans la mise en valeur de l'Indochine* [The role of capital in the development of Indochina]. Helms, Libraire-Éditeur.
8. Tran, D., & Pham, T. (1960). *Monetary circulation in the Democratic Republic of Vietnam*. National Political Publishing House.