

The Transformation of the Bank of Indochina: From a Bank of Issue to a Major Investor in the Rubber Industry of Cochinchina (1875–1945)

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Abstract - This article examines the strategic transformation of the Bank of Indochina (BIC) from a primary bank of issue into a powerful investment entity within the rubber sector of Cochinchina between 1875 and 1945. Utilizing historical methods and analyzing data from colonial financial reports, the study elucidates how the BIC expanded its influence through long-term credit provision and equity participation in major French rubber companies. The findings indicate that, following the 1929 economic crisis, the BIC distinctly adopted the role of a "banque d'affaires" (investment bank) by restructuring debts and acquiring underperforming plantations, thereby establishing a financial-plantation monopoly network. This research asserts that the BIC was not merely a tool for currency circulation but functioned as the financial "heart" driving French economic colonization in Indochina. The paper provides critical insights into the colonial financial capitalism model and its implications for the economic structure of Cochinchina during this period.

Keywords - Bank of Indochina, Cochinchina Rubber, Economic Colonization, Investment Bank, Colonial Credit, Financial Capitalism, Monopoly Formation.

I. INTRODUCTION

The rubber industry in Cochinchina was not only a hallmark of French colonial exploitation but also a testament to the sophisticated operation of colonial financial capital. Within this network, the Bank of Indochina (BIC) functioned as the "beating heart" of capital regulation, driving the economic transition from agricultural trade to a plantation-based industry. This article focuses on analyzing the strategic transformation of the BIC from an institution with pure currency issuance privileges into a direct investment entity (*banque d'affaires*) within the rubber sector between 1875 and 1945.

The research problem arises from the fundamental shift in the BIC's operational nature following historical upheavals, most notably the 1929 economic crisis. The BIC was originally formed to stabilize the exchange rates and assist the trade of rice but gradually evolved over time into long-term credit and shareholding in the sense that they became the real estateholders of various big rubber fields. How a bank of issue became able to monopolize and coordinate a flagship sector of the colony economic sector is the central question. Also, what does this shift say about the organization of the French financial colonialism? The research outlines the stages of expansion of the BIC by using the methods of history and examining the colonial financial reports. The article not only explains the amount of investment but also the union of the banking might and French capitalist conglomerates. The results add to the theoretical background of the colonial economics, as well as offering a multidimensional approach to the effect of this financial institution on the economic system and its further legacies in Cochinchina in the first part of the 20th century.

A. Literature Review

a. French and International Scholarship

Early studies on the Bank of Indochina primarily focused on legal aspects and issuance privileges. Authors such as Albert Sabès (1931) in his dissertation on renewal of the privileges of the BIC elaborated on the

organizational structure and contractual conditions between the French State and the bank. However, these works tended to be more descriptive of the institution rather than offering a profound analysis of actual investment activities. A significant turning point occurred with Yasuo Gonjo (1993) and his seminal work, "*Banque coloniale ou Banque d'affaires*". Gonjo posited a sharp argument regarding the dual nature of the BIC's model. He showed that the BIC greatly surpassed the functions of a traditional colonial bank, transforming into a *banque d'affaires* (investment bank) in the European style, taking an active part in raising capital in extraction projects, especially rubber.

b. Economic History of Cochinchina and the Rubber Industry

Regarding the context of the rubber industry, various domestic and international scholars have clarified the process of land acquisition and plantation formation. The research by Duong Van Triem and Le Minh Hieu (2022) describing rubber plantations in Tay Ninh presented empirical information on the size of lands, ownership, and human resources. Although the works set the geographical location of exploitation that the BIC is focused on, they do not usually take an in-depth look at the financial mechanisms that drive these figures. Additionally, the works of Nguyen Van Hiep and Ho Son Dai on Southeast Vietnam emphasize the presence of French capital but have not yet fully highlighted the specific credit mechanisms used by the BIC to control these enterprises.

c. Modern Research on the BIC's Role in Vietnam

Most recently, the comprehensive work of Duong To Quoc Thai on the BIC during the colonization process (1875–1954) serves as a vital reference. The author synthesized and analyzed a vast array of archival materials to prove that the BIC was a potent instrument for the French in monopolizing economic interests. This research began to delve into the link between the bank and the rubber industry, especially in the post-Great Depression era.

d. Research Gap

While the aforementioned literature outlines the general landscape of the BIC and the rubber industry, there remains a lack of specialized research analyzing the specific transformation model from commercial credit to equity participation in the rubber sector. The majority of studies that have been done end at the observation that the BIC ventured in rubber without clearly articulating how it managed its risks and how it restructured debt by turning the plantation debtors into subsidiaries in its ecosystem. This article will fill in that gap by examining how the BIC has adapted to the changes in the global rubber market through the development of an adaptive approach.

II. MATERIALS AND METHODS

A. Theoretical Framework

This theoretical framework of this paper is built at the crossroads of three main theories: Financial Capitalism, Investment Banking Theory (*Banque d'Affaires*), and Colonial Extractivism.

a. Financial Capitalism Theory

This study applies Hilferding's (1910) theory of "financial capital," defined as the fusion of banking and industrial capital. This model in a colonized setting is given in the form of the Bank of Indochina (BIC) as not only the facilitator of payments but also as a direct monopoly in the production process. Gonjo (1993) reports that the BIC applied a mixed policy of keeping currency issuance privileges to control the macroeconomic, and at the same time entering the important economic sectors to maximize profits. The change can be seen as a natural process of the development of major financial institutions in the imperialist stage when banks evolve into coordinating bodies and not support units [9].

b. The "Banque d'Affaires" Model in a Colonial Context

The theory of investment banking (*banque d'affaires*) is a crucial pillar for explaining the BIC's behavior. A *banque d'affaires* is also involved in long-term investments and equity participation unlike the traditional commercial banks which are concerned with short term credit. A renewal of the privilege in 1931, as pointed out by Sabès, created a legal framework in which the BIC could add to its investment portfolio by acquiring plantation companies. In the rubber sector, the BIC was not only a creditor but also a major shareholder in

conglomerates such as the Société Indochinoise de Plantations d'Hévéas (SIPH) and Michelin [3]. This created a "closed capital cycle": Issuing currency → Providing credit to plantations → Converting debt into equity during crises → Controlling the entire value chain.

c. Colonial Extractivism and the Plantation Economy

The rubber industry in Cochinchina is a prime example of the extractive economic model, where resources and surplus value are siphoned from the colony to the metropole. According to Beckert (2014), industrial colonialism relies on the large-scale control of land and labor. BIC was the financial "catalyst" to the process. Based on the BIC credit, French planters were able to do massive land acquisitions, which converted Cochinchina into a specialized production area of French industrial needs [4]. This framework offers the explanation of why capital flows in the rubber compared with other domestic industries were at the top of the agenda of the BIC: rubber had a high liquidity in the global market and could be convertible into profit for the metropole.

d. Adaptation and Risk Management during Crises

The theory of financial risk management during crises [8] is applied to analyze the 1929–1933 period. At the time when the world rubber prices fell, the BIC failed to pull out capital, but enacted a strategy of "debt restructuring". The BIC turned risk into the possibility of consolidation of power by converting the non-performing loans into direct equity (Gonjo, 1993). This marked the decisive shift from a purely colonial bank to a versatile "financial empire."

B. Research Methodology

This research employs an interdisciplinary approach, merging economic history with financial analysis to address the stated objectives.

a. Historical and Logical Methods

The historical approach is that most dominant method to be employed in reconstructing the evolution of the BIC during the 70 years (1875–1945). It allows for the examination of events within the specific context of French colonial policy, while the logical method helps derive the patterns of transition from a bank of issue to an investment bank model.

b. Archival Research Method

The study delves into primary sources from:

- BIC Annual Reports: A comparison of balance sheets and equity investment portfolios across years to achieve an understanding of the growth of capital flow in to the rubber industry.
- Decrees and Ordinances: Legal documents about privilege renewals (e.g., the 1922 and 1929 projects) are examined to deepen the understanding of the legal framework of the operations of the bank [11].
- Scholarly Works: Systematic data from Yasuo Gonjo and Duong To Quoc Thai regarding the BIC's history serve as foundational secondary data.

c. Statistical and Comparative Methods

- Statistics: Collecting and processing data on plantation acreage, rubber export volume, and total BIC rubber sector debt across periods: 1897–1918, 1919–1929, and 1930–1945.
- Comparison: Comparing credit policy differences between the traditional rice sector and the emerging rubber sector to highlight the BIC's strategic prioritization of rubber.

d. Case Study Method

The research provides in-depth analysis of specific cases, such as the relationship between the BIC and major firms (e.g., SIPH, Michelin). Analyzing how the BIC handled the debts of these companies during the 1929 crisis provides empirical evidence for the "investment bank" theory discussed previously.

e. Research Procedure

The research process involves the use of four steps namely; (1) Collection and digitization of archival materials; (2) Classification and verification of sources; (3) Quantitative and qualitative analysis of economic indicators; (4) Synthesis and final report writing.

III. RESULTS AND DISCUSSION

A. The Establishment Phase and Initial Credit Role (1875 - 1918)

The inception of the Bank of Indochina (BIC) in 1875 was closely linked to the French colonial government's urgent need to stabilize the monetary system and create a financial institution capable of supporting colonial exploitation in Cochinchina. During the initial period (1875–1918), although rubber was not yet the "white gold", which controlled the economy, the BIC still prepared the groundwork to the plantation credit framework via its preliminary activities.

- **Historical Context and Monetary Issuance Mandate:** In the late 19th century, Cochinchina was a newly occupied territory with a chaotic monetary landscape. The BIC was formed with the sole right to mint the Piastre (Indochinese silver coin) as a substitute of native currencies and Mexican silver dollars. Gonjo (1993) points out that stabilizing the exchange rates to support the export of rice which was the major commodity during this period was the main aim of the bank at this stage. However, behind its issuance mandate, the BIC started to build a system of agencies at strategic locations like Saigon, My Tho and subsequently in the eastern provinces, forming the preconditions of penetrating broad swaths of the landed estates.
- **The Emergence of Mortgage Credit and Rubber Cultivation:** Rubber trees (*Hevea brasiliensis*) were first introduced for trial cultivation in Cochinchina in 1897 at the Saigon Botanical Garden and later at the Ong Yem experimental station (Binh Duong). The period from 1897 and 1906 is regarded as one of the risky experimental years. Here, the traditional commercial banks were unwilling to offer capital because of the low rate of returns on investments of rubber (5-7 years to maturity). The BIC, which enjoyed the benefits of capital and patronage of the government, started to grant long-term mortgages. The BIC, with its capital advantages and government patronage, began offering long-term mortgage loans. Duong To Quoc Thai (2020) points out that most of the initial loans were granted to individual French planters for equipment procurement and land clearing in provinces like Thu Dau Mot and Bien Hoa.
- **The "Short-term Credit Complementing Long-term Investment" Mechanism:** Despite being a bank of issue, the BIC functioned as a financial support entity for French capitalist conglomerates (such as the *Compagnie des Terres Rouges* and the *Société Indochinoise de Plantations d'Hévéas*). Research by Sabès (1931) shows that between 1907 and 1910, when the first rubber fever erupted on the global market, the BIC intensified the discounting of commercial bills for plantation companies. But the position of the bank at this moment was still "expectant: it did not invest any important capital until the rubber tree had been found to be adaptable to the Cochinchina's soil.
- **Shift of Capital Flows from Rice to Plantations:** Prior to World War I (1914), a significant shift occurred within the BIC's asset portfolio. The saturation of the rice market and profitability of rubber made the bank increase its association with the plantation magnates. Financial reports from 1910–1918 record an increasing proportion of long-term outstanding debt for the industrial agriculture sector [4]. These were no longer the individual loans but the financing of the huge projects that would be the basis of the further establishment of the giant plantations.
- **Discussion on the Initial Role:** Evidently, during the 1875–1918 period, the BIC acted more as a "financial patron" than a direct investor. To ensure that it created a monetary environment that was friendly to French capital, the bank used its issuance privilege to offer credit facilities unavailable to local financial institutions. This assistance alleviated risks on those French investors in the difficult initial phases of the rubbers industry. It was the stepping stone which the BIC needed to make in order to move toward a stage of explosion of economic power and the consolidation of the same after 1919.

B. The Investment Boom and the Emergence of the "Investment Bank" Model (1919 - 1929)

The post-World War I period (1919–1929) marked a decisive turning point in the operational history of the Bank of Indochina (BIC) in Cochinchina. It was not only a stage of post-war recovery but the most accelerated stage of capital investment in the rubber business which pushed the BIC to complete its dominant power, "investment bank" (*banque d'affaires*) model.

- **The Surge in Charter Capital and Network Expansion:** To satisfy the needs of ever-growing scale of business and the ambition to gain monopoly in the major economic fields, the BIC kept to changing its

charter capital. According to data from the *Répertoire des principales valeurs Indochinoises*, the bank's charter capital surged from 48 million francs in 1910 to 72 million francs in 1920. Such enhancement of financial capacity gave the much-needed base to the BIC to move beyond the status of a pure bank of issue to risky and long-term investment activities. At the same time its branch network was centralized and the "heart" was based in Saigon which coordinated all the plantation credit operations throughout Southeast Vietnam.

- **The Formation of Financial Alliances and the "Mixed Bank" Model:** During the 1920s, the BIC clearly exhibited the characteristics of a "global conglomerate" by attracting the participation of major magnates and leading Parisian banks. The bank's Board of Directors during this period was a fusion of public officials and tycoons heading major corporations. Prestigious names such as *Société Générale*, *Crédit Lyonnais*, and the *Banque de Paris et des Pays-Bas* all held significant shares, creating a closed financial ecosystem. This "mixed bank" model enabled the BIC to perform extraordinary business operations, including underwriting stock issuances and direct equity participation in enterprises. According to Gonjo (1993) points out that this was a transition of an institution that was in favor of the rice trade into one that will coordinate capital on large-scale projects aimed at extraction projects.
- **Strategic Acquisition of the Rubber Industry: From Credit to Ownership:** The rubber industry in Cochinchina during the 1920s became a magnet for BIC capital. The bank did not only provide short-term commercial bill discounts but also intensified long-term credit for plantation giants.
- **Direct Equity Participation:** The BIC held shares and had representatives on the Boards of the largest rubber companies, such as the *Société Indochinoise de Plantations d'Hévéas* (SIPH).
- **Cross-Ownership Network:** Through subsidiaries and strategic partners on its Board (such as the Stern family or Rothschild financial groups), the BIC established a complex cross-ownership network, transforming rubber plantations into an inseparable part of its business system.
- **Discussion on the Nature of Financial Monopoly:** The investment boom of this period proves that the BIC managed to achieve an "expansionist" policy with reference to its right to issue currency. The BIC gave absolute monopoly by controlling the amount of money (the Piastre) and at the same time, being the biggest creditor of the rubber industry. As a result, the Cochinchina economic life of 1919-1929 was engulfed by the whirl-wind of the French monetary capital, where all development processes in the rubber industry had to go through the "filter" of the Bank of Indochina.

C. The 1929-1933 Economic Crisis: Strategies for Acquisition and Monopoly

The Great Depression (1929–1933) exerted a profound impact on the Indochinese colonial economy, particularly the rubber industry in Cochinchina a sector heavily reliant on global export markets. However, for the Bank of Indochina (BIC), this was not just another survival mission but a strategic move to implement asset acquisitions and create an absolute monopoly using complex financial instruments.

- **The Crisis Impact and the Exhaustion of Plantations:** As global rubber prices plummeted, plantations in Cochinchina fell into insolvency. The BIC long-term credits which had been injected in the 1920s turned into irredeemable debt burdens. Research by Yasuo Gonjo (1993) established that the bank had two options of recovering debts by arresting assets or carrying out a predatory restructuring. The BIC opted for the latter, exploiting the exhaustion of plantation owners to transition from "creditor" to "owner."
- **Acquisition Strategy via "Debt-to-Equity Swaps":** This was the pivotal tool in the BIC's acquisition strategy. Rather than forcing rubber companies into bankruptcy, the BIC agreed to cancel or defer debts in exchange for controlling stakes in these firms.
- **Direct Control:** Through this mechanism, the method BIC had gained control over leading conglomerates like the *Société Indochinoise de Plantations d'Hévéas* (SIPH). As such, following the crisis, the indirectly owned plantation acreage of the bank exploded and the BIC was literally a "rubber empire" in Southeast Vietnam.
- **Mergers and Consolidations:** The bank also helped the merger of small plantations that could not withstand the crisis into large corporations under its ecosystem thus maximizing management and strengthening their monopoly.
- **Consolidating Monopoly through the 1931 Privilege Renewal:** In the midst of the crisis, the Law of March

31, 1931, was passed, transforming the BIC into a "mixed economic company" with deeper involvement from the French State. The renewal of its currency issuance privilege not only helped stabilize the Piastre, and more importantly, gave the BIC a strong legal shield to continue its venture capital operations. Duong To Quoc Thai (2012) notes that the absolute barrier that existed between the colonial administration and the BIC at this time left no chance to other competitors to join the rubber market.

- Discussion: The Nature of Financial Monopoly the 1929 -1933 crisis revealed the nature of financial colonization of the BIC. The purchase by the bank of rubber plantations was not meant to rescue the economy of the locals but to protect the profits on the French capital in the metropole. This monopoly made the Cochinchinese economy even more unilaterally dependent on BIC capital flows, stifling the self-development potential of domestic enterprises.

D. Discussion: The Nature of the Transformation and Its Implications

The transformation of the Bank of Indochina (BIC) from a primary bank of issue into an "investment entity" (banque d'affaires) and ceased to be a primary bank of issue, it was not an event of banking business. It was the result of a sophisticated adaptive strategy reflecting the nature of French colonial capitalism in the first half of the 20th century.

a. The Nature of Transformation: From Circulation Support to Capital Appropriation

The core essence of this transformation lay in the convergence of currency issuance power and industrial investment power. Typically, a central bank or bank of issue has some independence in order to stabilize currency value. However, the BIC dissolved this boundary to become a "Mixed Bank."

According to Gonjo (1993), the BIC implemented a management model in which credit debts served not only as interest sources but also as instruments for acquiring control. The shift from short-term commercial lending to long-term equity participation indicates that the BIC became the "nerve center" of the rubber industry. The bank did not just provide the "blood" (capital) for plantations but directly controlled the "organs" (Boards of Directors) of these enterprises. This is the ultimate manifestation of financial capital according to Hilferding's theory: the absorption of industrial capital by banking capital to establish a monopoly (Duong To Quoc Thai, 2020).

b. Implications for the Economic Structure of Cochinchina

This transformation left profound and lasting legacies on the economic structure of Cochinchina:

- Firstly, the formation of a dependent "monoculture" economy. The heavy resources that were concentrated on the rubber business by the BIC led to a skewed development process. Cochinchina was a part of the French global supply chain with the global fluctuations in rubber prices directly destabilizing the local economy. This dependency stifled the growth incentives for other domestic industries, which did not receive comparable credit incentives from the BIC [4].
- Secondly, the escalation of inequality and labor exploitation. To safeguard investment returns and BIC capital flows, plantations were forced to maintain a harsh exploitation regime. The partnership of BIC and the plantation owners formed an entity a "state within a state," where the interests of the elite were secured through credit and ownership of land laws, whereas the laborers (rubber tappers) were exploited to maximum extent in order to maximize surplus value towards the debt repayment to the bank.
- Thirdly, monopolization and the exclusion of domestic capital. By controlling the entire financial-plantation value chain, the BIC created an almost absolute barrier to entry for indigenous investors. Vietnamese entrepreneurs of that era, even those with capital, found it nearly impossible to compete or access preferential BIC credit to develop large-scale plantations, resulting in the suppression of national capital within traditional agriculture or small-scale trade [10].

c. Conclusion on the Financial Colonization Model

In summary, the evolution of the BIC was a "successful experiment" by the French in merging political and financial power to execute colonial exploitation. The BIC was not just an economic mechanism but a political organization that has been very crucial in the survival and success of the French Empire in the Far East. Its

effects go beyond the rise and fall of exports levels, and it is imprinted in the perversion of the social and economic fabric of Cochinchina that is still scarring the Vietnam's colonial economic history.

IV. CONCLUSION

The study of the Bank of Indochina's (BIC) activities in the rubber sector of Cochinchina from 1875 to 1945 provides a comprehensive portrait of the operation of financial capital within a colonial context. Through analyzing stages of strategic transformation, this article reaches the following key conclusions:

Firstly, the Bank of Indochina underwent a remarkable model transformation, evolving from an institution with pure currency issuance privileges into a formidable "investment bank" (*banque d'affaires*). This development was not just the expansion of the business but a carefully planned acquisition. The BIC also employed its domination in the supply of the Piastre money to create a closed capital cycle within which the bank acted as the creator of money, the lender and finally as the direct owner of the production means by means of its control over equity participation.

Secondly, the connection between the BIC and the Cochinchinese rubber industry constitutes the epitome of symbiotic relationships between the financial strength and the colonial policy. Rubber was not just a farmer product but it was a means through which the BIC could put into practice the monopoly financial capital theory. Particularly, during the 1929–1933 crisis, the BIC, with its flexibility, demonstrated the fact that in a colonial arrangement crises are not the final stages but chances of the financial conglomerates to concentrate capital, uniting separate plantations into the French financial system. Thirdly, the consequences of the BIC activities had a significant influence on the economic history in Vietnam. The blossoming economy of the rubber business with the BIC in charge resulted in a distorted, and a dependent Cochinchinese economy in the interests of the metropole. This monopoly did not only suppress the emergence of local capitalistic stratum but also created the economic system resting on the harsh exploitation. In summary, the Bank of Indochina was the "soul" of economic colonization in Cochinchina. This study does not only add a new dimension on the history of banking but also gives important empirical evidence to enhance the understanding of the way international financial organizations could seize and influence the economic framework of a nation with the colonial era.

Conflicts of Interest

The author declare that there is no conflict of interest concerning the publishing of this paper.

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