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### **MUNICIPAL PUBLIC BANK AS A COMPONENT OF LIFE OF THE UKRAINIAN CITY IN THE LATE 19th – EARLY 20th CENTURY**

The financial reform of the 1860s led to the creation of a developed credit and banking network in the cities of the Russian Empire. In view of this, the activity of the network of municipal public banks as the oldest non-state credit and financial institutions, which had a significant positive impact on the socio-economic development of the city/region at the micro level, is of considerable interest. In our opinion, their appearance was caused, firstly, by the active development of city and zemstvo self-governments bodies whose social initiatives needed additional funding to be implemented, and secondly, by the common need of the urban population for affordable short-term lending and mortgages. After all, municipal public banks had to specifically target the middle strata of the urban population. Accordingly, the question of interaction between the city and bank management, as well as the correlation between state regulation and independence of municipal public bank boards is interesting to study.

The study is based on the analysis of the then imperial legal framework, as well as on the materials of province (guberniya) and zemstvo statistical publications. The conditions for the development of the municipal public banks of the Dnieper Ukraine within the legal framework of the Russian Empire can be investigated on the example of the legislative acts collected in the „Complete Collection of Laws of the Russian Empire”. The legal framework for the formation and development of the network of municipal banking institutions is extremely rich and diverse. One of the most informative types of legislative acts is the approved statutes of banks, as well as amendments or additions to them. The next historical source with great information potential is the province and zemstvo statistics (Быстрицкий, 1889, с. 574; Голяховський, 1864, с. 234; Голяховський, 1865, с. 200; Іваненко, 1899, с. 12, 53, 16, 13, 26, 12 (page numbering starts for each chapter from the first page); Іванов, 1901, с. 250–251; Крамаревський, 1897,

с. 89; *Кредитные*, 1897, с. 26). Step-by-step processing of the documents found and clarification of their information potential allows tracing causal relations of events, recreating the processes that took place in the field of banking in a concrete city, and also restoring a network of existing municipal public banks.

The purpose of the study was to analyze the process of the creation and development of municipal public banks in the Ukrainian provinces of the Russian Empire, and to determine their impact on economic and social development of cities and urban infrastructure during the second half of the 19<sup>th</sup> – early 20th centuries.

Previous publications analyzed the „Complete Collection of Laws of the Russian Empire” (1850–1913) as a source of functioning of credit and banking institutions in Dnieper Ukraine (Радченко, 2013, с. 101–107). However, they did not highlight the specifics of the municipal public banks. The article of the Ukrainian researcher O. Khodchenko, on the contrary, analyzed the legal framework of the creation of municipal public banks in the Russian Empire, but without review and detailing of the banking sector’s activity in the Ukrainian realities (Ходченко, 2008, с. 136–144). The works of other researchers are mostly focused on revealing the history of a single banking institution of the city or municipal banking institutions of a particular region, in particular, in the Sumy region and Crimea (Сидорович, 2010, с. 112–120; Коломийцева, 2010, с. 113–130; Тихненко, 2013, с. 29–54). Similarly, Russian researcher A. Chumakova studied the activities of municipal public banks on the example of the cities of the Simbirsk province; however, we can note the similarity of the processes that took place in the Russian and Ukrainian cities of the empire (Чумакова, 2010).

The main feature of the credit and banking system of the Russian Empire had long been its state character. This trend in the mid-nineteenth century preserved the existence of the feudal system which hampered the development of manufacturing industry in the cities, and as a result led to a slow accumulation of money capital in the population (Новикова, 2009, с. 78). However, the growing need for lending forced city councils to apply to the provincial governments for permission to open banks in the cities, proceeding from the necessity of financing fairs and other trade transactions. Thus, in 1845 the Romny City Duma appealed to the Poltava governor and even proposed a ready-made draft of the future institution’s statute (Роменський, 2021). According to statistics, the population of Romny was 5,000 people, 650 of whom were engaged in trade. The city had a post office and 7 industrial enterprises (Richter agricultural machinery plant, linen manufactory, etc.). Every year Romny hosted three major fairs. The Ilyinsky and Maslyansky fairs were famous throughout the whole empire. The former was attended by up to 120 thousand people and its turnover reached 10 million rubles. Romny also hosted large tobacco markets. The city needed free money for the improvement, such as paving and street lighting. Thus, there was

urgent need for banking services. However, the establishment of a bank required authorized capital, and the city council proposed to use the money of the Public Charity Order. (These were special institutions established by Empress Catherine II in 1775 to manage the sphere of public education and shelters. Due to the constant lack of funding, they were allowed to accept deposits, give real estate loans and issue government securities. In fact, they could perform credit operations.) Because of this attempt to raise money from the local department of the Order, Poltava governor did not permit the city to open a bank.

This was not the last attempt of the cities to create their own banking network. However, the reforms in the country started only with the accession to the throne of Alexander II. In 1857 the first „Regulation on City Public Banks” was adopted (*Положение*, 1857, с. 524–527). The permission to establish city banks was accompanied by the government's desire to protect Public Charity Orders from competition. Therefore, the activities of newly established banks had a lot of strict restrictions from the beginning. First, the government established the control of Public Charity Order over municipal banks. Secondly, it set loan deadlines and amounts, and the terms of interest payment were unfavorable. If there was a branch of the State Bank in the city, the municipal banks were forbidden to duplicate its transactions. As a result, the process of creating municipal public banks was slow (*Предоставление*, 1861, с. 995–996).

However, only with the adoption of the new „Regulation on City Public Banks” in 1862 was the accountability of banks to the city community established. Henceforth, public banks had to be created under the city council or under the supervision and responsibility of local governments. According to the „Regulation”, the bank was headed by a director and two deputies (the position was called a „comrade”). These were elected positions. One of the deputy directors of the bank took over the functions of the cashier, and the position of an accountant was also considered obligatory. The amount of fixed capital should be at least 10,000 rubles. It was noted that if the funds donated by individuals or organizations for the establishment of a new bank did not reach this amount, they were transferred to other credit institutions until the interest accrued on them reached the required amount of 10,000 silver rubles. 10% to 20% of the bank's income had to be deducted to the amount of reserve capital. Other income was spent on the city improvement and charitable needs. City banks were allowed to conduct a wide range of financial transactions at that time: 1) accepting deposits; 2) promissory note accounting, although with some restrictions; 3) loans secured by securities, goods, jewelry and real estate. Regarding the permitted financial operations of newly established banks, the „Regulation” contained the following clause: *„During the establishment of each Bank, it is determined, based on its capacity and local needs, which of these operations it can perform and on which collateral loans can be provided”* (*Положение*, 1862, с. 115).

There were also restrictions on transactions with bank deposits. For example, deposits were allowed for a period of 3 to 12 years, as well as for an indefinite period, but the amount of the deposit should be at least 50 rubles. However, this limit did not apply if the funds were deposited and interest was credited to the bank's profits. Banks were allowed to provide a loan for one person in an amount not exceeding one tenth of the bank's equity. However, in special cases of „*undoubted reliability of the pledge*”, it was allowed to increase this amount to one-fifth of the equity, subject to the consent of the bank's board, the mayor and city council members.

The „Regulation” contained articles on the mandatory semi-annual and annual reporting, which banks were required to provide to the Ministry of Finance and the Ministry of the Interior, as well as to publish in local periodicals. Banks that had capital of more than one hundred thousand rubles, had to publish their reports in the metropolitan newspapers (Радченко, 2019, с. 93–94).

In accordance with the terms of the new „Regulation”, the process of creating municipal banks began. One of the first was the Public Bank in Sevastopol established in 1862. The reason for opening the new institution was explained in the order as follows: „*The Government Senate received a report from the Executive of the Finance Ministry dated September 29, 1862... that, with the consent of the Ministry of the Interior, he authorized the establishment of the Public Bank in Sevastopol*”. Interestingly, the bank itself started working only the following year (Дьяконова).

As of January 1, 1866, there were 106 municipal public banks in the empire, 16 of which were opened in the following Ukrainian cities: Sevastopol in 1862; Hlukhiv and Elisavetgrad in 1863, Pereiaslav, Cherkasy, Olviopol, Berdiansk, Mykolaiv and Romny in 1864; Chyhyryn, Krolevets, Starobilsk and Balaklava in 1865; Kharkiv, Bilopillya and Lubny in 1866. At the same time, 52.5% of the capital of Ukrainian banks fell on the southern provinces of Kherson and Taurida (Кайфман, 1866, с. 189–191). Over the next 6 years, 13 more municipal public banks were opened in the following cities: Ochakiv, Perekop and Mariupol in 1867; Pryluky, Sloviansk, Sumy, Novomyrhorod and Feodosia in 1868 (the year of opening is possibly 1867); Novhorod-Siverskyi in 1869; Zmiiv and Katerynoslav in 1871; Pavlohrad and Nizhyn in 1873.

The process of the establishment of municipal banks was mostly influenced by the financial factor, i.e. the requirement that authorized capital be 10,000 rubles, a considerable amount at that time. Cities came out of the situation in different ways allocating funds from the city budget, using the money of philanthropists, applying to the State Bank for a loan or looking elsewhere. Thus, speaking at a meeting of the Nizhyn City Duma in 1873, alderman G. Kyrylenko offered to sell part of the city property to get the amount necessary to establish a bank. The proposal was supported almost unanimously, and the same year all organizational procedures for the establishment of a public bank in Nizhyn were completed (Сидорович, 2010,

с. 113). This was the last municipal bank in the Ukrainian provinces created by a separate Senate decree. Later, this issue was regulated by ministerial decisions.

Sometimes raising funds appeared impossible and the issue of opening a bank remained unresolved. Thus, the inability to open a municipal public bank was explained by the small size of the city of Nogaïsk in 1861. The amount of 10,000 rubles was unattainable for the city budget. In addition, the vast majority of the city's residents were engaged in farming, not trade. The city administration cited this as the reason for its inaction in opening a city bank (Коломийцева, 2010, с. 122).

However, municipal credit institutions were eventually formed even in cities where banking did not move at the beginning. The Berdiansk-Nogaïsk City Public Bank was established in 1868. The path to opening a bank in Konotop was even longer, from the first application in 1879 to 1904, when the bank finally opened (Тихненко, 2013, с. 49–50).

A characteristic feature of the formation of municipal public banks was their subordination to city councils. First of all, city councils elected the bank management. The director and his deputies, an accountant, an appraiser and members of the supervisory board were all elected by the city council. In fact, the entire staff of municipal banks was formed by city councils. It became commonplace for senior city officials to hold senior positions in newly established banks or banking supervisory boards, although it was prohibited by law. At the time of taking office in a bank, a person would be typically dismissed from another public service, and the director and deputies would give a written commitment to „*act in all matters conscientiously and without partiality*” (Тихненко, 2013, с. 30). In 1899, Mykola Chernysh combined the positions of provincial secretary and director of the Lubny City Bank (Иваненко, 1899, с. 16). Former heads of city, county and provincial institutions often held the positions of bank directors. Among the heads of the Chernihiv City Public Bank was Oleksandr Karpynsky, provincial alderman, chairman of the Provincial Statistical Committee (1878). Oleksandr Tyshchynsky, county alderman, provincial secretary, and chairman of the county zemstvo was deputy director (Радченко, 2019, с. 555, 571). The first heads of the Simferopol City Bank (1910) were former officials: City Duma alderman Robert Lerich was the director, secretary of the provincial administration Semion Poznyak was a deputy director (Коломийцева, 2010, с. 127).

Beside former top city officials, merchants often acted as heads of city banks. In general, merchants were often founders of banks, especially in the case when the statutory fund of the bank was created on donations. Local merchants became such philanthropists donating money to the fixed capital of the bank so that part of its profits was a constant source of income for the institution (Чумакова, 2010). We can name quite a few directors of municipal public banks from the merchant class: P. Liutyi (director of Hlukhiv Bank in

1878–1892), I. Diatlov (director of Starodub Bank in 1889–1892), V. Kandyba (director of Bilopil Bank), V. Gutman (director of Chernihiv Bank in 1892), G. Belugin (deputy director of Novozybkov Bank in 1899), I. Dolgov (director of Klintsy Bank in 1899), V. Bakulenko (director of Lokhvytsia Bank in 1916) and others. In the 1870s, the Hlukhiv City Public Bank was called „Tereshchenko's Bank”, probably because the money for its establishment was given by the famous Hlukhiv merchant Mykola Tereshchenko, who was its first director (Тихненко, 2013, с. 41–42). The fixed capital at the creation of Hlukhiv bank made 50 000 rbl., Tereshchenko's charitable contribution made 41 599 rbl. (Тихненко, 2013, с. 41–42). Members of the audit and supervisory commissions were also elected from among the deputies of the City Duma, for example, the audit commission to inspect the activities of the Krolevets City Bank in 1915 included five members of the Krolevets City Duma and no outsiders (Тихненко, 2013, с. 30).

The main clients of the municipal banks were the local nobility, merchants, burghers who were engaged in trade and crafts, as well as city residents who worked in agriculture. In the second half of the twentieth century a significant part of the inhabitants of Ukrainian cities were still closely connected with agriculture. So gradually the municipal banks extended their work to the agricultural sector. They went beyond the city limits and worked in the counties. Irrespective of the size of the city, the bank became a universal credit institution that provided both short-term promissory notes or Lombard loans and long-term, mostly mortgage loans. The latter became especially common. In the area of commercial credit, municipal banks faced stiff competition from commercial banks, which had no such legal restrictions and acted more freely. However, mortgage was practically of no interest for commercial banks, therefore, municipal banks had few competitors in this sphere.

In 1870–1875 and the beginning of 1880, the government's policy changed with regard to banking and credit institutions. From that point on it was aimed both at streamlining the credit and banking sector and restricting the establishment of new banks. The first legal act was the „Regulation” adopted in late 1870. According to the „Regulation”, banks had to limit their liabilities to ten times the amount of equity and had to place in long-term loans only those deposits whose repayment period exceeded the term of loans provided by the bank itself (*Ограничение*, 1870, с. 537–538). It was stipulated that henceforth the insurance fund had to exceed the fixed and reserve bank capital. The city authorities were responsible for the actions of the banks accountable to them. These innovations significantly limited the activities of banks (Радченко, 2019, с. 96).

The new 1871 „Regulation” restricted the right of municipal banks to buy at their own expense shares, stocks, bonds and mortgages on which no contribution had been made and which for this reason were not traded on exchanges (*Главные*, 1871, 583–584). This restriction was envisaged by the

government to prevent the participation of banks in stock speculation and to protect bank deposits from risks. In fact, banks circumvented this ban and increasingly committed such violations.

On May 31, 1872, the State Council set general rules for the establishment of private and public credit institutions (*Учреждение*, 1872, с. 757–759). As to the latter, there was a wide list of bans (12 points) to include the following: opening new joint-stock commercial banks in cities where similar institutions already operated; accounting of solo promissory notes without real estate collateral; and for credit institutions – ban on the purchase of real estate except for office needs, etc.

The adoption of the „Resolution” of 1872 coincided with the general crisis of the entire financial system of the Russian Empire; however, this legal act could not prevent or stop the crisis in the credit and banking sector. The situation was further aggravated by the financial crisis of 1873 and the inflation of the ruble, which began to rise sharply against the background of the state budget deficit.

At the same time, the new rules did not clearly regulate the activities of banks leaving loopholes for conducting non-transparent operations. Researcher of the history of public banks of the Russian Empire G. Chumakova notes that this led to the fact that a number of banks began to evade their direct purpose, i.e. lending to urban industry and trade. Some of these banking institutions became involved in risky operations of a speculative nature in order to make a significant profit, while others, due to insufficient control, engaged in lending to influential city officials, on whom they depended for holding the positions in the bank. As a result, some municipal public banks were on the verge of bankruptcy (Чумакова, 2010). The process of government audits and gradual liquidation of banking institutions began: by 1890, 52 city banks had been closed throughout the empire (Ходченко, 2008, с. 139). Thus, audits of the Kerch-Yenikale City Public Bank in 1876–1877 show that the bank issued significant loans in large amounts. As a result of their non-return, the losses were attributed to the account of uncontested bills. The bank's loan portfolio had 450 thousand rubles, with the amount of loans of 40-50 thousand rubles “in one hand”, therefore the institution quickly depleted the credit stock. As a result, small traders or burghers were no longer able to obtain funds from the bank (Коломийцева, 2010, с. 119–120). This was not characteristic of one particular municipal bank, but rather a mainstream policy at that time.

At the end of 1879, in order to strengthen control over banking institutions, the city councils were allowed to create special accounting committees with the right to control the „reliability” of bills of exchange, as well as to organize the lists of borrowers (*Об учреждении*, 1879, с. 444). However, according to the researchers, these measures aimed at strengthening supervision did not have much effect. The reason was that the practice of mayors or city council members acting part-time as directors or board

members of banks and sometimes in a family relationship with the bank's management, continued on the ground (Чумакова, 2010).

During the period when the Ministry of Finance was headed by M. Bunge, banking policy became more favorable, even in spite of the events of 1883, when a wave of bank bankruptcies swept the empire and the government issued a decree on the responsibility of banks for the integrity of the funds entrusted to them. (No municipal bank located in the Ukrainian lands went bankrupt). M. Bunge contributed in every way to the adoption of the law „On Amendments to the Existing Rules for Opening New Joint-Stock Commercial Banks” dated April 5, 1883. He sought to modernize banking legislation believing that the banking crisis was declining and the banking sector needed better regulation, and changing the procedure for the establishment and liquidation of joint-stock banks (Нобікова, 2009, с. 146–147). In fact, this meant lifting the ban on the establishment of new banking institutions, which, in fact, lost their former independence. During the same year, two more acts regulating the establishment and operation of municipal public banks were adopted: first a resolution on amendments to the „Regulation on City Public Banks”, and later a new law „Normal Regulation on City Public Banks” (*Об изменении*, 1883, с. 207–211).

According to the articles of the new „Regulation”, municipal public banks were allowed to carry out the following operations: to accept deposits; to keep records of promissory notes; to issue loans (one loan should not exceed 10% of bank capital) and open special current accounts with government guaranteed securities; to transfer funds to the branches of the bank in other cities; to receive a commission to buy and sell interest bearing securities on behalf of third parties; to independently conduct purchase and sale of government interest bearing securities and state-guaranteed bonds, precious metals, coins and ingots; to pledge interest bearing securities owned by the bank in other credit institutions; to re-pledge in other credit institutions interest bearing securities which were pledged from other individuals with the prior consent of the latter. Article 41, which actually listed bank operations, contained an important clarification note stating that the volume of transactions would be determined individually for each particular bank. However, the most difficult condition was the limitation of the size of the loan in one hand, which made it impossible for the bank to work with the wealthiest customers. The new „Regulation” provided for an increase in the rights not only of banks, but also of the Ministry of Finance and the Ministry of the Interior, which were given the right to conduct audits of banks at any time and at their discretion. The Ministry of Finance had the right to request any information from the banks.

In general, the innovations led to an even closer convergence between city councils and banks, and the most important decisions were taken by the banks together with the city authorities. Neither the amount of interest nor the



term of repayment of loans was decided by the banks independently (Чумакова, 2010).

The new rules, on the one hand, stabilized the activities of municipal public banks interrupting the practice of unjustified risks; on the other hand, they slowed down the activities of the existing institutions and the establishment of new ones. For example, Vinnytsia City Duma had repeatedly applied for permission to establish a municipal public bank since 1881. However, there had been no positive response for a long time. In 1887 the governor of Podilsk province refused the request: „...seeing the unsatisfactory activity of the existing city public banks in the empire, Mr. Minister of Finance does not consider it necessary to allow opening of new banks, and therefore did not agree to satisfy a recent request of Kamianets City Duma. The same thing awaits Vinnytsia's petition, which makes this case hopeless” (Єсюнін, 2008, с. 215). Eventually, the first municipal public bank in the Podolia province did not open until 1904. It was Vinnytsia City Public Bank.

In 1890–1900 a number of new laws on the banking sector were adopted, which contributed to the resumption of the development of the banking system in the cities. The number of municipal public banks increased considerably in this period. In the Podolia province alone, Proskuriv, Bratslav and Balta municipal banks opened in addition to Vinnytsia bank. New institutions continued to be formed on a commercial basis. They focused mainly on the needs of small local entrepreneurs and dealt with short-term lending operations, issuing loans to local traders, manufacturers, homeowners and tenants (Новікова, 2009, с. 151). However, opening of new municipal public banks was still slow. First, high competition from commercial joint-stock banks and, second, legislative restrictions on the scope of city banks continued to stand in the way.

One example of a typical bank is Sumy City Public Bank. According to the public financial reports of the bank in 1899, the bank received interest for various operations in the amount of 87,945 rubles. The amount was distributed as follows: for accounting of bills – 41,275 rubles; for real estate collateral – 9,074 rubles. Total spent – 68,812 rubles, of which 31,862 rubles was payment of interest on deposits; 19 548 rubles – management costs; 10 269 rubles – written off to repay contested bills; 3 959 rubles – transferred to the current account. Thus, the net profit of Sumy Bank in 1899 amounted to 19,132 rubles. As a result, the bank's balance was 1,383,632 rubles by January 1, 1900. The liabilities were as follows: fixed capital – 260,500 rubles; reserve capital – 45,300 rubles; „eternal” deposits – 83,220 rubles; time deposits – 466,365 rubles; demand deposits – 167,481 rubles; on the current account – 306 654 rubles. Assets were as follows: cash – 79,844 rubles; on the current account – 73,311 rubles; interest bearing securities – 102,351 rubles; accounting of promissory notes – 676,605 rubles; promissory notes sent to the commission – 16,962 rubles; loans secured by interest bearing securities and valuables – 47,972 rubles; buildings in Sumy – 192,875 rubles; land in Sumy –

7,365 rubles; overdue loans – 14,346 rubles; special current accounts – 19,330 rubles, etc. (Іванов, 1901, с. 250–251).

At the same time, Sumy City Bank constantly allocated funds for charity. From the first year of its existence (1869) and in accordance with the wishes of the founders, the bank had transferred money to: 1) Charitable society and help to the poor residents of Sumy -10,250 rubles (250 rubles annually in 1869–1871, 385 rubles from 1872, and 450 rubles from 1873); 2) poor Sumy residents - 17,485 rubles; 3) the guardianship of the Nikolaev church – 7 621 rubles; 4) Sumy city shelter – 14,932 rubles. 5) Public Library of the city – 3,767 rubles. 6) by order of the City Duma for the needs of the community – 666,925 rubles.

There were other one-time actions. Thus, the bank organized fundraising for gymnasium students in 1910 (Тихненко, 2013, с. 46).

In 1914, the bank divided the win of 10,000 rubles which fell on a treasury bill, as follows: 5,000 rubles for the needs of the fleet; 2,000 to the Red Cross; 3,000 – in favor of the families of killed and wounded soldiers (Sumy) (Тихненко, 2013, с. 46).

In the history of the evolution of city banks, we see famous historical figures. Most municipal public banks emerged thanks to the support of political, public or financial figures. The Tereshchenko, the Kharitonenko families and others allocated their own funds to support the development of their hometowns, also specifying in the banking statutes what part of the annual profits of the newly established banks should go to the needs of the local community.

Charitable activities of city banks still need a separate thorough study, but the importance of this aspect for urban communities is already clear. Thus, the banks appear as unique financial institutions, the main purpose of which was to address the financial issues of the city.

In the second decade of the twentieth century there was an improvement of previously adopted laws in the banking sector. In 1912 the formation of the legal framework of municipal public banks was completed. They were given the right, with the permission of the Ministry of Finance, to conduct a number of operations that previously belonged to the scope of other credit institutions, for example, Lombard lending. In total, the new „Regulation” lifted the ban on five different types of banking operations, one of the most important being the permission to accept deposits up to ten times the ratio of the bank's liabilities to the amount of fixed and reserve capital. The second innovation was the permission to provide long-term loans secured by real estate: *„Loans are issued for short term and long term ... the first for a period of one to three years, with the right of deferment for up to nine years, and the latter for wooden buildings for not more than fifteen years, and for houses and plots of land up to thirty years”* (Об изданіи, 1912, с. 48–67).

Banking legislation was liberalized, but one cannot ignore the fact that, first, 1909–1913 was a period of industrial recovery, and at the same time

Russia was on the verge of the First World War. „It is impossible to ignore the somewhat belated nature of this important decision”, A. Chumakova states. *„Russia was on the verge of the First World War, which interrupted its rapid economic growth. During the years of industrial growth (1909–1913), the positions of public banks continued to strengthen”* (Чумакова, 2010).

At the beginning of the First World War, the following Ukrainian cities had municipal public banks:

Ekaterinoslav province: Pavlograd, Ekaterinoslav, Mariupol, Slovianoserbsk municipal public banks.

Kyiv province: Kyiv, Cherkasy, Chyhyryn municipal public banks.

Podolia province: Bratslav, Balta, Tulchyn, Vinnytsia, Haisyn, Zhmerynka, Kamianets-Podilskyi, Mohyliv-Podilskyi, Proskuriv municipal public banks.

Poltava province: Zolotonosha, Zinkiv, Kobeliaky, Kremenchuk, Lohvytsia, Pereiaslav, Lubny, Pryluky, Romny, Hlynsk, Khorol municipal public banks.

Taurida province: Evpatoria, Melitopol, Simferopol, Sevastopol, Balaklava, Karasubazar, Kerch, Kerch-Yenikale, Feodosia, Yalta, Saryi Krym, Berdiansk (Berdiansk-Nogai) municipal public banks.

Kharkiv province: Okhtyrka, Zmiiv, Izium, Sloviansk, Kupiansk, Starobilsk, Sumy, Kharkiv (renamed the Kharkiv City Merchant Bank in 1871), Bilopolsk municipal public banks.

Kherson province: Yelisavetgrad, Ananiv, Novomyrhorod, Olviopol, Oleksandrivka, Novogeorgievsk, Ochakiv, Mykolaiv, Kherson, Nova Praha municipal public banks.

Chernihiv province: Glukhiv, Konotop, Krolevets, Nizhyn, Novozybkov, Novhorod-Siverskyi, Chernihiv, Starodub, Klintsy, Dobrianka municipal public banks.

In total, we have found out that 68 Ukrainian cities had municipal public banks.

The beginning of the First World War gave rise to panic among the population, and thus banks faced the problem of mass withdrawal of funds. Solving the problem required consultation with the city authorities. Thus, in the summer of 1914, an extraordinary meeting of the Nizhyn City Duma was attended by representatives of all credit and financial institutions of the city. After lengthy discussions, it was decided to set a maximum amount of return of 100 rubles for all credit and banking institutions. In practice, only the Nizhyn City Public Bank was able to pay such sums to depositors (Сидорович, 2010, с. 117–118).

This was a fairly typical situation in 1914, which was the result of a prudent conservative financial policy of municipal public banks. The long evolution of the legislation on banks' activities and their subordination to the city authorities eventually led to the creation of stable financial and credit institutions that could not only withstand the hard times, but also provide the

city with the necessary assistance during the war. For example, the city councils were responsible for financing all mobilization activities on the ground. Therefore, in the summer of 1914, the city budgets required additional significant expenditures; however, the cities did not have such „free funds”. City banks became the first lenders in this situation. They provided better credit terms, and the proceeds from these loans returned to the city budget.

However, the escalation and protraction of the war had severe consequences for the entire banking system. Government loans, which began to be provided by the state with the beginning of the war, using public banks for this purpose, had a detrimental effect on the balance of municipal public banks. Also, several revolutions of 1917 led to the destruction of both the city self-government system and municipal banks.

Since their inception, municipal public banks had contributed to the city development in several areas, such as increasing the financial capacity of the local population and the capacity of the city government. City banks met the extremely acute need of the urban and gradually county population for affordable loans. The city bank became a universal credit institution that satisfied both short-term promissory notes or Lombard lending and long-term (mortgages). Such banking policy made it possible to obtain loans not only for the wealthy but also for the middle-class population of the city. Top city officials joined the ranks of bank management and supervisory boards that oversaw bank activities. Also, banks became an important source of funding for municipal and socio-cultural projects of city councils as well as of filling the city budget by deducting part of bank profits. At the same time, banks became the most active and, more importantly, regular annual city philanthropists.

The main problem in the development of city banks was to determine the correlation between government regulation and the independence of bank boards. This trend can be traced in the banking legislation of the last third of the 19<sup>th</sup> century. The first experience of municipal public banks (1860–1870s) showed the need to establish close control over the work of the banks. Bankruptcy of the city bank led to losses of the city budget, and impoverishment of all city community. Therefore, the need to develop strict rules for municipal banks was additionally conditioned by this factor. However, too strict restrictions on bank activities in accordance with the „Regulation” of 1883 led to the establishment of an uncompetitive position of municipal banks in the credit sphere making them inferior to commercial ones. As a result, the network of municipal banks in the Ukrainian provinces was not very large.

With each innovation in the legislation there was a gradual subordination of municipal banks to city councils, which eventually led to the establishment of strict control over banks by the city authorities. Top city officials joined the ranks of bank management and supervisory boards that oversaw bank activities.

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**Радченко Н. М. Міський громадський банк як складова частина українського міста кінця XIX – початку XX століття**

У статті досліджується вплив муніципальних державних банків на економічний і соціальний розвиток міст, а також на розвиток міської інфраструктури протягом кінця XIX – початку XX ст. В основу методології дослідження покладено принцип історизму, застосування загальнонаукових і спеціально-наукових методів, зокрема аналізу інформаційного потенціалу статистичних та інформаційних ресурсів Центрального статистичного комітету 1866–1918 рр., губернської та земської статистики. Висвітлено основні етапи державної політики щодо діяльності цих банків та її вплив на рівень розвитку останніх. Реконструйовано мережу міських громадських банків в українських губерніях другої половини XIX – початку XX ст. Визначено, що моменту свого заснування громадські муніципальні банки сприяли розвитку міст у кількох сферах, таких як підвищення фінансової спроможності місцевого населення та спроможності міської влади. Керівництво міської адміністрації увійшло до складу керівних та наглядових рад банків за їх діяльністю. Одними з найактивніших меценатів міста ставали банки. Основною проблемою розвитку муніципальних банків було визначення співвідношення між державним регулюванням і незалежністю банківських правлінь.

*Ключові слова:* місто, міська рада, міський громадський банк, банківське регулювання, банківське законодавство.

**Radchenko N. Municipal public bank as a component of life the Ukrainian city in the late 19<sup>th</sup> – early 20<sup>th</sup> century**

The emergence of financial institutions such as municipal public banks had a significant positive impact on the socio-economic development of cities. The purpose of the study is to analyze the impact of municipal public banks on economic and social development of cities, as well as on the development of urban infrastructure during the second half of 19<sup>th</sup> – early 20<sup>th</sup> century. The research methodology is based on the principle of historicism, application of general scientific and special scientific methods, in particular analysis of the information potential of statistical and information resources of the Central Statistical Committee of 1866–1918, provincial and zemstvo statistics. The main stages of the government's policy concerning the activities of these banks and its impact on the level of development of the latter are highlighted. The network of municipal public banks in the Ukrainian provinces of the late 19<sup>th</sup> – beginning of the 20<sup>th</sup> century was reconstructed. Since their inception, municipal public banks contributed to urban development in several areas, such as increasing the financial capacity of the local population and the capacity of the city government. The top of the city administration joined the ranks of bank management and supervisory boards for their activities. Banks were becoming one of the most active city patrons. The main problem in the development of municipal banks was to determine the relationship between government regulation and the independence of bank boards. This trend can be traced in the banking legislation of the last third of the 20<sup>th</sup> century.

*Key words:* city, city council, municipal public bank, bank regulation, banking legislation.

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