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Nevzat Tetik



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Muhasebe ve Finans Tarihi Arařtırmaları Dergisi'nin 26. Sayısı 29.01.2024 tarihinde kaybettiđimiz Prof. Dr. Mustafa Aydın Aysan hocamıza ithaf edilmiřtir.



Prof. Dr. Mustafa Aydın Aysan

(20.04.1933 – 29.01.2024)

STAGES OF ACCOUNTING HISTORY IN THE MIDDLE EAST

Emrah Aygöl¹

ABSTRACT

This study explores the historical progression of accounting practices in the Middle East, delineated into distinct stages. It commences with the early agricultural inventory records in ancient Egypt, spanning from 3050 BC to 30 BC. The next phase considers the earliest surviving accounting records, such as the cuneiform inscriptions on clay tablets, which document the trade interactions between the Assyrians of Mesopotamia and the Hittites of Anatolia around 2000 BC to 1700 BC. The subsequent stage examines the period encompassing the Abbasids (750 AD – 1258 AD), the Ilkhanate (1256 AD – 1353 AD), and the Ottoman Empire (1299 AD – 1922 AD). A notable shift occurred in the 1850s with the introduction of Western European accounting influences and the adoption of the double-entry bookkeeping system. The research indicates that the Mediterranean and Silk Road trade networks, coupled with Western interactions, played a pivotal role in shaping the accounting culture of the Middle East. However, the influence of Islam post-750 AD, combined with a statist perspective, tempered these external influences for several centuries.

Keywords: Accounting history, Middle East, accounting culture, merdiban method.

Jel Classification: M41, M49.

ORTA DOĐU MUHASEBE TARİHİNİN AŐAMALARI

ÖZ

Bu alıřma, OrtadoĐu'da muhasebe uygulamalarının tarihsel gelişimini belirgin aşamalara ayırarak incelemektedir. alıřma, eski Mısır'da MÖ 3050'den MÖ 30'a kadar uzanan erken tarımsal envanter kayıtlarıyla başlamaktadır. İkinci aşamada, Mezopotamya'daki Asurlular ile Anadolu'daki Hititler arasındaki ticari etkileşimleri belgeleyen, kil tabletlere işlenmiş çivi yazılı ilk muhasebe kayıtları, MÖ 2000 ile MÖ 1700 arasında ele alınmaktadır. Sonraki aşama, Abbasi HalifeliĐi (MS 750 – MS 1258), İlhanlı Devleti (MS 1256 – MS 1353) ve Osmanlı İmparatorluğu (MS 1299 – MS 1922) dönemini kapsamaktadır. 1850'lerde, Batı Avrupa'nın muhasebe düşüncesinin Osmanlı üzerinde etkileri

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ve çift taraflı defter tutma sisteminin benimsenmesiyle dikkate değer bir değişim yaşanmıştır. Araştırma, Akdeniz ve İpek Yolu ticaret ağlarının, Batı etkileşimleriyle birleşerek Ortadoğu muhasebe kültürünün şekillenmesinde belirleyici bir rol oynadığını göstermektedir. Ancak, MS 750 sonrası İslam'ın etkisi ve devletçi bir bakış açısı, bu dış etkileri birkaç yüzyıl boyunca dengelemiştir.

Anahtar Kelimeler: Muhasebe tarihi, Ortadoğu, muhasebe kültürü, merdiven yöntemi.

Jel Sınıflandırması: M41, M49.

1. INTRODUCTION

In tracing the origins of the term "Middle East," we find ourselves in the early 20th century, amidst British geopolitical maneuverings. The concept was articulated by Alfred Thayer Mahan, a renowned American naval strategist, in 1902, as noted by historian R. Davison (1960: 667). Initially, the term did not encompass the vast expanse of North Africa, nor did it stretch as far as Afghanistan. However, the aftermath of World War II saw a shift in its scope, largely influenced by American foreign policy, expanding the geographical boundaries of the Middle East. Yet, this expanded definition has been a subject of debate, criticized for further complicating the understanding of an already diverse region. Today, the Middle East is generally recognized to encompass Anatolia in the north, Iran in the east, the Arabian Peninsula in the south, and Egypt and Cyprus in the west – a region that is not only geographically strategic but also rich in religious and cultural history as the cradle of Judaism, Christianity, and Islam.

In the realm of accounting history, the traditions and systems of the Abbasids (750-1258), the Ilkhanate (1256-1353), and the Ottoman Empire (1299-1922) largely mirror these geographical confines, albeit with some variations. The reach of this accounting system during these periods extended to include today's Armenia, Azerbaijan, and Georgia, reaching as far as the Caucasus. The Ottoman era, in particular, saw this system expand into the Balkans, illustrating the dynamic nature of Middle Eastern accounting practices beyond its conventional geographic bounds.

A notable observation in our study is the apparent lack of interaction among distinct accounting cultures within the region. The record-keeping practices of ancient Egypt, for instance, show no signs of intertwining with those of Mesopotamia and Anatolia. Similarly, no tangible links are found between the accounting records of the Persians and those of the Assyrians and Hittites. Furthermore, the emergence of Islamic culture, which followed six centuries after the Persians, did not seem to influence or draw from the existing accounting traditions. In a contemporary context, the past century and a half have witnessed the Middle Eastern accounting practices gradually integrating with Western European systems (Güvemli, and Güvemli, 2013), marking a significant shift from their Islamic predecessors. This transition highlights the evolution of accounting practices in the region, moving through various languages and methodologies, thereby painting a picture of the Middle Eastern accounting recording culture as an ensemble of distinct yet overlapping narratives.

As we venture into the subsequent sections of this paper, our focus will shift to a more detailed exploration of these diverse accounting practices. We will scrutinize the myriad influences that have shaped and transformed accounting in the Middle East, placing it within the larger framework of global accounting history.

2. BRIEF INFORMATION ABOUT THE FOUR STAGES OF ACCOUNTING IN THE MIDDLE EAST

The accounting history of the Middle East, defined in a geographic area with the above brief description, can be categorized into stages according to ages as follows:

- I. Ancient Egypt - records on papyri – (3050 BC - 30 BC)*
- II. Settlement records on clay tablets related to the trade relations between the Assyrians within the frame of the Sumerian culture of Mesopotamia and the Hittites of Anatolia – (2000 BC - 1700 BC)*
- III. After Islam: State accounting system developed by the Abbasids, the Ilkhanate and the Ottomans – (750 AD - 1850 AD)*
- IV. Application of double-entry bookkeeping method in the Middle East – after 1850 AD.*

The characteristics of these four stages are as follows:

These are the dates valid for accounting history, in other words, the dates of the accounting information and findings that have reached our time. It is also appropriate to mention that important civilizations were established in the region during the time gaps between these periods. However, as they constituted no extant information or documents to contribute to the establishment of accounting history, they were not included in the order above.

The second period in the above list is the period providing documents and findings belonging to the bookkeeping culture between 2000 BC and 1700 BC developed within the frame of the Sumerian civilization. Actually, the civilizations between 2500 BC and the Gregorian years (300 BC) in the region definitely had bookkeeping systems the findings of which have not reached our time.

It is possible to specify the civilizations that dominated the region during this long period as follows:

The Sumerians: A tribe that lived in the Euphrates river valley in the southern Mesopotamia between 4000 BC and 2000 BC, to create the oldest and most major civilization in the history of humanity. The traces of their civilization based on the cuneiform have reached to today. The cuneiform existed in the region until the Gregorian years (300 BC). It is known that the Egyptians, who used hieroglyphic writing, also used cuneiform between 2500 BC and 1200 BC, but they used hieroglyphic writing in their own bookkeeping system. The important thing was that the Acadians and the Assyrians adapted the cuneiform. In addition, Assyrian merchants taught this writing culture to the Hittites who lived in the mentioned timeframe in

Anatolia. In other words, cuneiform and its numerals shaped the bookkeeping culture during this period in the Middle East. Though the Acadians extinguished the Sumerians from history in the 2000s BC, their culture persisted.

The Acadians: A tribe from the Sami people arrived Mesopotamia around 4000 BC. They settled in the north of Sumeria. They interacted with the Sumerians. They were the first state to dominate the entire region of Mesopotamia since the 2500s BC. They adopted and adapted cuneiform into their own language. They retreated from the scene of history after the 2000s BC

The Assyrians: A tribe that adopted the Sumerian cuneiform and was in commercial relations with Anatolia. The clay tablets of their trade settlements have survived until today, so the Assyrians are the ones who marked the accounting history of the date with the Hittites. They were a Sami community who founded a civilization on the banks of the Tigris River in the north of Mesopotamia between 2000 BC and 600 BC. They established colonies in Anatolia and brought writing there. They prospered, taking advantage of the trade between the East and the West in the first age and developed (<https://tr.wikipedia.org/wiki/Asurlular>). Their commercial relations will also be discussed in terms of bookkeeping system in the following sections.

The Hittites: An Indo-European tribe that moved to Anatolia from the Caucasus. They established a great civilization in Anatolia between 2500 BC - 1200 BC. They are the ones who developed trade with the Assyrians. The clay tablets recording their settlements in cuneiform with the Assyrian merchants have survived until today.

They were the representatives of the accounting culture of the period along with the Assyrians. The Hittite civilization will also be discussed in terms of accounting history in the following sections.

The Persians: Another tribe who established a civilization in the Middle East between 2500 BC and 300 BC and whose bookkeeping culture could not reach our present time. They reigned in today's Iran between 569 BC and 334 BC. They dominated Mesopotamia on the one side and Anatolia on the other. They brought their culture to Anatolia during their reign there and conducted trade relations via today's Cappadocia. They bought grain, woven products, animals and animal products from Anatolia (<https://tr.wikipedia.org/wiki/Persler> - accessed 12.10.2022). The records of the settlements belonging to these relationships have not survived until today. Therefore, it is not possible to reveal the bookkeeping culture related to the trade relations of the Persians who emerged after the Assyrians retreated from the scene of history and were seen as the dominant power in the region until the Gregorian years. It is observed that the first state organization and finance organization were established in the wide-reaching territory of the Persian Empire in the Middle East. It is known that accounting was attributed great importance, especially during the period of Emperor Darius (491 BC). Darius defined the employees working on accounts by this following statement "They are my eyes and ears". This statement is the first finding indicating that executives were closely interested in the state departments for spending and tax collecting in the Middle East (*Güvemli, 2000: 110-111*).

Failure to gain the bookkeeping documents pertaining to the said period is a major shortcoming for Middle East accounting history.

The end date of the accounting findings that ranked second in the above list is 1700 BC and the beginning of the following findings is 750 AD. The civilizations that dominated the region in the gap period between these dates, but without any extant accounting findings, have been mentioned above. Also it would be wrong not to mention the Lydians who lived in the Gediz valley in western Anatolia in the 500s BC, as they were the inventors of coin. This Anatolian culture that put an end to the weighed money era and started the era of coin in the history of money is important. As is well known, coin facilitated the exchange, paved the way for trade and created the need for a bookkeeping system. But the Lydian bookkeeping system for settlements does not exist today (*Yükçü and Gönen, 2014*).

The above explanations reveal that different cultures existed during the four stages in question. There was no interaction between them. The Middle East accounting history covers a five-thousand-year period. There is a period of five centuries between the Mesopotamian and the ancient Egyptian cultures. Both cultures were composed of people from different races. Their language, writing, social life, thus their cultures were different. Islam, which took the Middle East under its sovereignty by increasingly growing after 622 AD and developed with the Arab culture, was also different from the previous cultures.

The materials used in the accounting records were different, so were the writing and numbers.

In the era of the Pharaohs in ancient Egypt, the fibres taken from the body of the papyrus plant (water plant called papyrus), which was used as paper, were specially prepared for writing, and they were used for recording in hieroglyphic writing and numerals with the dyes derived from nature. The word 'paper' comes from papyrus. Hieroglyphic writing continued until the spread of Christianity in the 2nd and 3rd centuries.

As demonstrated by the above explanations, clay tablets were used for the records of trade relations of the Assyrians with the Hittites. The writing used was the cuneiform developed by the Sumerians, adopted and brought to Anatolia by the Assyrians. That means it was different from the recording materials of the Egyptian culture.

It is observed that paper and ink and Arabic letters were used in the scripts in the bookkeeping system during the Gregorian years beginning with Islam in 622 and that constituted the third stage in the Middle East accounting history, and the written language was mostly Persian. This period covering the Abbasids, the Ilkhanate and the Ottomans ended in 1850.

Constituting the last stage of the Middle East accounting history and widely accepted as of the second half of the 19th century, the double-entry bookkeeping method continues to develop within the frame of the cultures of the countries in the region.

The purposes of the records in the four stages listed above were different. There were grain-warehouse accounting records belonging to Egypt; the records related to trade settlements

between the Hittites and the Assyrians; also the state accounting records written in Arabic, Persian and Ottoman-Turkish using the stairs (*merdiban*) method and belonging to the Abbasids, the Ilkhanate and the Ottomans (*Güvemli, 2011*).

Before completing the stages of the Middle East accounting history, it is necessary to mention the commercial facts brought about by the Silk Road and the very few traces of its records (*Silk Road, Turkish Religion Foundation Islam Encyclopaedia, 2000*). It was the longest trade route in history that maintained its vitality for the longest period of time. It extended from China to Europe. It had a variety of routes. However, the main route involved Iran, Mesopotamia and Anatolia. It gradually lost its effectiveness during the 16th century when the eastbound sea route in the south of Africa started to be used. It was a 2,000 year-old trade route. Chinese silk and Indian spices dominated the trade there. Neither the records of the silk merchants who traded with the caravan on the Silk Road nor those of the caravanserais serving them like today's motels have survived until today. But these caravans absolutely had their trade records, including those related to the storehouses they used along their way. It is beyond doubt that the caravanserais also had records. These caravanserais were built outside towns throughout Anatolia with thirty- or forty-kilometres distance between them and their ruins have been found in Anatolia today. These caravanserais offering caravans food, shelter, health and veterinary services were a source of income for local people. Furthermore, the customs duties collected by the Seljuks and later by the Ottomans in return for providing security for caravans were an important source of income for the state. The bookkeeping culture of the Silk Road is, unfortunately, among the bookkeeping cultures that cannot be traced back. After this brief explanation on the elements of the Middle Eastern accounting history, the following section is devoted to the extant documents pertaining to the stages of accounting history.

3. BOOKKEEPING CULTURE IN ANCIENT EGYPT

Today, many accounting historians mention ancient Egyptian bookkeeping culture in the first sections of their books. This reveals that the ancient Egyptian bookkeeping culture is considered as one of the most important accounting cultures in the globe. This culture covers a period from 3000 BC to 30 BC. (<http://tr.wikipedia.org/wiki/antikmisir>). In this period, there were developments symbolized by grain production achieved through controlling the water of the Nile and the operation of the mines. The Pharaoh was the absolute ruler of the country and the head of state. There was a bureaucratic structure under his authority. *Vizier* was the top bureaucrat and was responsible for the treasury and granary. The title *Vizier* was used to refer to top managers in the Middle East even after the Egyptians.

It is understood that the barter system was used in the economy based on agricultural products. A standard volume of grain was used in the barter system, which is called *dehen* and one *dehen* unit was approximately 91 grams. According to the papyrus records that have survived, it is understood that in the reign of the VI Dynasty around 2500 BC, the person responsible for the management of the granary (inventory) recorded each input and output of the granary and added the orders related to these inputs and outputs under his own record. It is

also known that stock controls were made occasionally and inventories were recorded (Bochardt, 1987).

Below is the food norms table created for workers and presented in the book *Accounting: from its Beginnings to Our Day* by Professor Yaroslav Sokolov (1938-2010) from St. Petersburg University who took it from German sources (Gruffith, 1891). Here the aim is to demonstrate the planning of the payment of workers' wages with grain. The wages paid with grain to the employees working in a drilling job are shown below.

Table 1

<i>Employees</i>	<i>Number of Employees</i>	<i>Grain Amount (stud)</i>	
		<i>Type 1</i>	<i>Type 2</i>
<i>Foreman</i>	<i>1</i>	<i>2.00</i>	<i>5.50</i>
<i>Recorder (accountant)</i>	<i>1</i>	<i>2.00</i>	<i>5.50</i>
<i>Workers</i>	<i>17</i>	<i>1.50</i>	<i>4.00</i>
<i>Slave</i>	<i>2</i>	<i>0.50</i>	<i>1.50</i>
<i>Watchman</i>	<i>1</i>	<i>1.25</i>	<i>3.25</i>
<i>Maid</i>	<i>1</i>	<i>1.50</i>	<i>1.50</i>
<i>Male maid</i>	<i>1</i>	<i>0.50</i>	<i>1.00</i>
<i>Health worker</i>	<i>1</i>	<i>0.25</i>	<i>-</i>
Total	25	9.50	22.25

Note: 1 Stud refers to a 9.5 - litre volume.

It is understood that the above table was prepared to make a work schedule until the end of the job. Wages were paid either as Type 1 or Type 2 according to the request of the employees. The amount referred to the amount per person. The recorder (accountant) was responsible for the implementation of the payment rules.

The ancient Egyptian economy was certainly not based only on grain. There were also trade relations with Anatolia. Egypt also imported tin, copper and fabric from Anatolia as did the other neighbours there. The writings on wood, stone and especially papyri that survived from ancient Egypt originally consisted of symbols followed by the advent of hieroglyphic writing, which was written from right to left and survived until the Gregorian years. As for the numbers, it is known that there existed a decimal number system based on hieroglyphics. The ancient Egyptian hieroglyphic numbers are shown at the below figure.

Figure 1. Ancient Egyptian Numerals

1	10	100	1.000	10.000	100.000	1.000.000- veyá
	∩	∩	⌋	∩	∩ veya	∩

Ancient Egyptian documents and findings, which pioneered the Middle Eastern accounting history, are among the most important pieces of the world accounting history heritage. Ancient Egyptian culture began affecting the world culture from the 17th and 18th centuries onwards. The art world showed great interest in the Egyptian archaeological

monuments. It would be sufficient to indicate that Napoleon had a leading interest in this subject and he brought around a hundred and fifty scientists and artists to Egypt in the early 19th century and their works were published in *Description de L' Egypte*.

4. BOOKKEEPING CULTURE RELATED TO THE TRADE SETTLEMENTS BETWEEN THE ASSYRIANS AND HITTITES

As mentioned previously, the Assyrians were a tribe who lived in the territory of present-day Iraq between 2000 BC and 600 BC. They adopted the Sumerian cuneiform and took it into Anatolia through trade routes. The tribe trading with them in Anatolia was the Hittites who came to Anatolia from the North. The Hittites settled in Anatolia by the 2000s BC and founded a major civilization (*Alp, 2011: 45-46*). Though they dominated Anatolia until the 1000s BC, their records and bookkeeping documents date back to the period between 2000 BC and 1700 BC.

Historians studying the Hittite period focus on Assyrian trade colonies in Anatolia and examine the trade relations between Anatolia and Mesopotamia (*Kaya, 2014: 78-82*). These trade relations and the settlement records regarding these relations were recorded on clay tablets. Thousands of these tablets pertaining to the period between 2000 BC and 1700 BC have reached the present day. The clay tablets obtained during excavations in Kültepe and Kanis mounds in the northeast of Central Anatolia revealed that the Assyrians established trade centres called *Karum* to do trade. Historical evidence suggests that there were eleven *Karums*. However, only the remains of three of them have been found to date. This situation reveals that there were many trade centres and they were widespread in Anatolia. And most importantly, it demonstrates that only a certain part of the settlement records for trade transactions could be uncovered so far.

Buying and selling were done mostly by weighed money in the period in question which was indeed the era of weighed money that referred to silver and gold. As seen in the examples discussed in the present study, there was a monetary unit called *şeqel*. This *şeqel*, which is the currency used in today's Israel, was the equivalent of three grams of silver (*Güvemli, 2000: 112-119*). It is known that between 2000 BC and 1700 BC, Assyrian merchants achieved a significant accumulation of capital and paid 10% tax on the trade transactions with the Hittites. However, it is observed that these trade relations came to an end suddenly in the 1700s BC. The disputes and the wars that emerged in northern Mesopotamia are suggested to be the reason for this.

The present study discusses three examples of the settlement culture regarding the trade relations between the Assyrians and the Hittites. One of them is related to lending. The second is about a settlement record of a buying and selling process. The third one is about a management decision of a *Karum* (*E. Bilgiç et al. 1990*) (see Appendix 1,2,3).

The tablet at appendix 1 is a loan document. There are witnesses. It is understood that the interest limit having a legal validity in the trade relations of *Karum* was accepted.

The tablet in appendix 2 is about a trade settlement. It gives an explanation about the 15 *Mina* received. It says that the goods were sent from Central Anatolia to Mesopotamia with two riders and two donkeys. It reveals that the traditional export products of Anatolia consisted of metals such as tin and woven products. This is a clay tablet and the clay tablet is in an envelope again made of clay. Two copies were prepared. One was kept in *Karum*, while the other copy was sent to Mesopotamia.

The third tablet is about a trade decision of the *Karum* management. This tablet shows that the Hittites could make decisions about trade disputes. The decision is made by the management of the *Karum*. This decision was written on a clay tablet and sealed by management. Interestingly, the clay tablet was put into an envelope, which was made of clay - and is not presented here. The summary of the decision was written on the envelope. This situation attests to the existence of advanced-level trade rules in Anatolia between 2000 BC and 1700 BC.

It is understood that the trade relations between the Hittites and the Assyrians developed in Anatolia; the Hittites did not go to Mesopotamia, but the Assyrians traded by establishing trade colonies called *Karum* after coming to Anatolia using cuneiform based on the Sumerian culture.

The records on clay tablets regarding the settlement system that reached our day were not prepared according to an organized bookkeeping system. They were just about the money used in buying and selling and the expenditures. A continuous current account system was not established yet. Instead, the settlement system was used as the basic principle of accounting. There were goods, price and weighed money. These clay tablets were prepared in a time period (500 BC) over a thousand years earlier than the invention of coin.

The bookkeeping system of the trade relations between the Assyrians and the Hittites between 2000 BC and 1700 BC has not yet gained the status it deserves in world accounting history. Thousands of clay tablets regarding the records of trade relations await the attention of accounting historians. That this settlement system grounded on a developed trade culture further increases the importance of the period in question. It is exciting to talk about a bookkeeping culture that continued for three hundred years, four thousand years ago.

Consequently, it can be argued that the examination of the settlement system between the Assyrian-Hittite civilizations, can be considered as an important component of the bookkeeping culture in Anatolia, and will significantly contribute to the accounting history literature.

We have previously mentioned the existence of coins in the Gediz Valley in western Anatolia in the 500s BC after approximately a thousand and two hundred years from 1700s BC when the Assyrian-Hittite civilizations ended. The time gaps are long. Different tribes dominated the fertile lands of Anatolia in different time periods. The dominating tribe in western Anatolia in the 500s BC was the Lydians. They existed in the same time period together with the Persian culture. The leadership of the Persians in state administration and financial management led the prevalence of a statist approach in the region in the following periods

(Güvemli, 2015). Thus, the accounting culture developed within the framework of state accountancy in line with the spread of Islam.

5. STATE ACCOUNTING CULTURE DEVELOPED BY THE ABBASIDS, THE ILKHANATE AND THE OTTOMANS AFTER ISLAM (750 AD – 1850 AD)

The Romans dominated the Middle East in the Gregorian years followed by Byzantine rule. Though the traces of the Roman and Byzantine cultures are encountered in the region, these cultures cannot be considered as constituents of the Middle Eastern bookkeeping culture but an extension of western culture into the Middle East. Although no detailed study exists in the literature, it can be said that the Roman and the Byzantine culture did not leave many traces in the Middle East; after their withdrawal from the region their bookkeeping legacy was not effective in practice, which may be because of religious factors.

The birth of Islam (622 AD) after nearly six centuries of the advent of Christianity quickly led to the dominance of Islamic culture in the region. As is well known, Christianity developed in Europe while Islam developed in the Middle East. Consequently, the financial method and the bookkeeping culture emerged together with Islam and developed within the Islamic rules that dominated the region for over a thousand years from the 600s AD to the 1850s AD.

After Islam, the cultures of three nations developed in the region. The first one was the Arabic culture. The second was the Persian culture that was created by the Iranians, who accepted Islam. The third was the culture symbolized by the Seljuk and Ottoman Empires founded by the Turks in Anatolia who became Muslim on their route to Anatolia. The culture of these three nations replaced the cultures of the Sumerians, the Assyrians and the Hittites after approximately two thousand years and of the Persians within the framework of Islam in the Gregorian years.

From the aspect of accounting history, the Abbasids represented the Arab culture; the Ilkhanate represented the Iranians (1256-1353); and the Ottomans represented the Turks (1299-1922) in this (over a thousand year) period (750 AD - 1850 AD). The Mongols established the Ilkhanate state, but it was ruled by the Persians. The characteristics of this period can be listed as follows (O. Güvemli, C. Toraman, B. Güvemli, 2014: 21):

- *Development of accounting thought within the frame of state accountancy:*

Accounting culture developed within state accountancy in line with the statist structures of the Middle Eastern countries. A statist understanding after Islam dominated the region. When the social development started to be shaped on the basis of religion within a statist structure, financial management of the state underwent a fast development process within the frame of Islamic rules. In today's Arabian Peninsula i.e. in Mesopotamia, first the Umayyad Caliphate and then the Abbasids developed a statist bookkeeping system. Since the Mongols had a military approach, the Ilkhanate easily gained a statist structure within the frame of the Persian culture. The Ottomans on the other hand, already had a statist approach, without which

it would have been impossible for them to come to Anatolia from Central Asia and establish a state. Moreover, the Turkish culture in Central Asia was already statist.

Private sector businesses had always existed in the region in question. However, the environment was not ready for capital accumulation, which now requires an explanation about the settlement of the Turks in Anatolia. When the urban Turks came to Anatolia, Armenians and Rums were living in the cities. This forced the Turks to establish their own neighbourhoods in the suburban areas. The Turks established the *ahi-order* (Turkish-Islamic guild) for production in their neighbourhood within the frame of Turkish-Islamic synthesis. According to this method, production activities were carried out to meet the needs of the neighbourhood and one neighbourhood was not allowed to sell goods to another since the neighbourhoods near the Turkish neighbourhood belonged to the Armenians and the Rums. In due course, the Armenians and the Rums also adopted the practice of buying goods in wholesale and making production for the neighbourhood. The system turned into the *lonca* (guild) system after it was taken out of the *ahi-order*, which was a product of the Turkish-Islamic synthesis. In the following periods, the system continued as the *gedik* system. And this system, prevailing in the private sector, continued until the beginning of the 20th century. Obviously, this system did not allow capital accumulation, which resulted in the underdevelopment of the private sector in the Ottoman state. As a consequence, the private sector used a simple bookkeeping method in order to meet its bookkeeping needs.

- *Development of state accounting within the frame of the merdiban (stairs) method:*

The *merdiban* method is a state accounting method, which was born in the Abbasid state, developed in the Ilkhanate state and achieved perfection in the Ottoman Empire. The method was used for 1,100 years in the Middle East between 750 AD and 1879 AD. It was called as “stairs” since the principal amount was written at the top and the amounts constituting the principal amount were listed downwards in the form of stairs. The document in appendix 4 illustrates this method (*Prime Ministry Ottoman Archive, MAD 22249, 249-256*).

The annual income of the state for the year 1667 AD is 564,429,239 *Akçe*. The amounts constituting the amount are listed one under the other like a stair.

The stairs method was utilized for recording state incomes and expenditures and the records were kept in *siyakat* writing script.

The above example shows the extent of the application of the stairs method in the Ottomans. This is the advanced form of the method. Another example from the Abbasid era gives information about this method but its explanatory power is limited (*Güvemli, 2015: 158*). Yet it contains the traces of the then-operating bookkeeping culture. The documents remaining from the Ilkhanate can be considered as more sound and valid. These documents are the books about the stairs method. The teaching books about state accounting were written in the Persian language between the years 1309 and 1363. The most famous one is *Risale-i Felekiyye* written in 1363 and which explains the accounting and bookkeeping culture of the Middle East 130 years before the *Summa* of Pacioli. No introductory book was written on the method in the

Ottoman period but thousands of journals were written by the stairs method, and they have survived to the present day.

At this point, the last matter that needs to be mentioned is the usage of *siyakat* writing and numerals in the application of the stairs method in state accounting. *Siyakat* refers to writing without dots. Arabic, Persian and Ottoman languages also have *siyakat* writing. The Middle Eastern countries took advantage of this writing style. They used it for secrecy in state accountancy. They also used it in foreign correspondences, where it was used to make the writing unreadable.

The *merdiban* method emerged with Islam and became the symbol of Islamic culture in the accounting and bookkeeping system in the Middle East. As explained below, it retreated from the scene of history giving up its place to the double-entry bookkeeping method in the middle of the 19th century.

- *Interactions of a state accountancy system between the Abbasids, the Ilkhanate and the Ottomans*

The Abbasid Period (750 AD – 1258 AD): The state accounting system in the Middle East emerged with the birth of Islamic culture. As the administrative and financial management of the Islamic state started to be formed within the framework of Islamic rules, the bookkeeping culture was not neglected. The Abbasid state (750- 1258) determined the taxes to be collected according to the Islamic rules while it was organized within its political boundaries and felt the need for keeping the records of these taxes. During its five hundred-year rule, the Abbasids created a financial system and a bookkeeping system by means of a state accounting method called *merdiban*.

The principles of the state organization, central administration and financial management prevailing in the Middle East for centuries were firstly determined by the Emevis (650-750) and then by the Abbasids (750-1258) in line with Islamic rules. These principles were effective in the Middle East for centuries (*Elitaş, Aydemir, et al. 2008: 8-91*).

The Ilkhanate period (1256-1353): The Ilkhanate state was established by the Mongols in today's Iran. Since the state was ruled according to the Persian culture, it affected the regional culture. The state was founded by Hulagu Khan, the grandson of Genghis Khan. Hulagu Khan ended the Abbasid rule by attacking Baghdad in 1258. Returning to Tabriz from Iran, he took with him the senior administrative and financial executives and also the accountants of the Abbasids who applied the administrative and financial system they learned there in Iran by developing it in accordance with the Persian culture. They also enhanced state accounting to a considerable extent. As mentioned above, state accounting was developed through the stairs method. Although the Ilkhanate period was a short one, it contributed much to Middle East accounting history through the financial management of the state, state accounting applications and, most importantly, through the teaching books on accounting written in the middle of the 14th century.

The Ottoman period (1299-1922): the Ottoman state was established during Ilkhanate dominance in the Middle East. The Ilkhanate established relationships in Anatolia first with the Seljuks (1048-1308) and then with the Ottomans. Since the Ottoman state enlarged towards the Balkans in its early years, the Ottomans paid tax to the Ilkhanate until the 1340s to eliminate any potential problem along the eastern borders of the state. During the payment of the taxes, the Ottomans learnt about the administrative management of the Ilkhanate and adopted the stairs method to utilize in state accounting. However, no accounting document from the time period before the conquest of Istanbul (1453) has survived. Yet the information contained in Fatih the Conqueror's *Kanunname-i Ali Osmani* (Ottoman Code of Laws) indicates that financial management and an accounting system were in place in the Ottoman state between the late 14th century and the early 15th century.

The *merdiban* method was further developed and reached perfection in the 16th century (*Güvemli, Toraman, and Güvemli, 2015: 217-349*). The Ottomans utilized this method for ages by developing it according to changing conditions. In the Ilkhanate period, state accounting evolved and the stairs method was fully adopted. The method was also further improved in the Ottoman period according to the changing needs. It is understood that the stairs method was utilized in state accounting for five hundred years (1350-1850) in the Ottoman period.

- End of the merdiban method – the middle of the 19th century

The Ottoman Empire attempted to integrate into Western Europe with the Tanzimat Edict (1839) and initiated administrative and financial reforms. The Ottomans also aimed to create a financial management model similar to the models in western European countries and thus they were required to abandon the stairs method used in state accounting. This change was easily justified since the stairs method was not suitable for profit calculation and thus could not be effectively used in private sector businesses. When the need for the transition to the double-entry bookkeeping method was understood, *Kanunname-i Ticaret* (Code of Commerce), which had been prepared through the utilization of Napoleon's *Code de Commerce*, entered into force in 1850 (*Güvemli and Güvemli, 2015: 27*). Two issues are significant about this Code: it included the commercial law system of Western Europe on one hand and the book system of the double-entry bookkeeping method on the other. Though the Code could not be widely applied at first due to the dominance of the Islamic rules in trade, this legal regulation marked the beginning of the application of the double-entry bookkeeping method in Turkey.

The 1,100 year long application (750-1850) of the *merdiban* method constitutes a particular part of Middle East accounting history. The characteristics of the period can be listed as follows:

- a. In the Middle East, state accounting culture developed within the framework of a statist approach.
- b. The administrative and financial management system emerged with the birth of the Islamic culture that affected the bookkeeping system, and thus there was an accounting thought developed according to Islamic rules.

- c. Between 750 and 1850, the state accounting method called the stairs method had the chance to be applied in the region.
- d. First the Abbasids (750 – 1258), then the Ilkhanate (1256-1353) and the Ottomans (1299- 1922) ruled throughout this long period. After the Abbasids and the Ilkhanate, until the 20th century, there were only two states in the region: the Persians and the Ottomans. Iranian dynasties were ruling then in today's Iran, and the rest of the Middle East territory was under Ottoman rule. The Ottoman reign continued until the late 19th century for a six hundred-year- period, enabling the consistent practice of applications based on the stairs method.

The Middle East had a two-state period for six hundred years from the 14th century to 20th century. This was the reason for the fact that most of the historical findings and documents of the accounting history belonging to that period are in the archives in Turkey. In the region, Egypt first became a British colony before the end of the 19th century and then a sovereign state. In fact, the countries in the Arabian Peninsula i.e. Iraq (1919), Saudi Arabia (1926), Jordan (1946), Israel (1948), Syria (1961), Kuwait (1961), Qatar (1971), United Arab Emirates (1971), Oman (1970), Yemen (1990) became states in the 20th century (<https://tr.wikipedia.org>). It is observed that in the north, Azerbaijan and Armenia became states in the 20th century before they joined the Soviet Union. These dates reveal that there were two countries shaping the Middle East accounting history between the 14th and 20th centuries: The Persian and the Ottoman.

There was an advanced bookkeeping system during this long period. Accounting was a profession. There was an accounting system for treasury management and the annual settlement of incomes and expenditures of the state. Accrual accounting was applied. Turkish accounting historians have been conducting studies since 1984 to include this period in the world accounting history.

6. BRIEF INFORMATION ON THE PRACTICE OF THE DOUBLE-ENTRY BOOKKEEPING METHOD IN THE MIDDLE EAST AFTER 1850

The transition to the double-entry bookkeeping method in Middle Eastern accounting history begins with the attempt of the Ottoman Empire to integrate with western European culture in terms of administration and finance. Double-entry bookkeeping has a 150-year-old history in the Middle East. Today, the above-mentioned states established in the region after the dismemberment of the Ottoman Empire also apply the double-entry bookkeeping method. This reveals that the double-entry bookkeeping method is widespread today throughout the Middle East.

At that point, only the developments in the second half of the 19th century will be discussed since the attempt of the Middle Eastern accounting culture to integrate into the world culture was stronger then. In the second half of the 19th century, as mentioned above, there were Iran and the Ottoman State in the region. However, it was the Ottoman state that pursued and conducted the integration with the West.

As stated above, the Middle East was introduced to the double-entry bookkeeping method by the *Kanunname-i Ticaret* (Code of Commerce) published in 1850. No accountant knew, no establishment ever applied, this method before this date. Since Islamic rules were in force in the state, the western commercial law projected by this code could not get the opportunity to be applied for a while.

There were liberalization attempts between the years 1879 and 1883 within the framework of the westernization movements. These attempts were realized through a triple activity.

For the organization of the private sector, Istanbul Chamber of Commerce was established between the years 1879 and 1882 (*Hakkı Nezihi, 1932: 21*). This paved the way for interest-based business management.

Again between the years 1879 and 1880, with the Sultan's decree (*BOA Duit 37/7-2/6, Duit 37/2-2/2*) a transition was made to the double-entry bookkeeping method. In this legal arrangement, these expressions below are significant: *What the Ministry of Finance lacks is the application of the double-entry bookkeeping method... Books of account providing real and true information on incomes and expenditures should be kept.... In order to indicate the need it suffices to compare the records of the Ottoman Bank established according to the principles of the European countries and the records of the Ministry of Finance.....* Although these statements in the Sultan's decree predicted that state accounting records were to be kept by using the double-entry bookkeeping method in line with a statist understanding, the private sector also utilized the method to a considerable degree.

As mentioned above, with the establishment of the Chamber of Commerce, the private sector started to be organized and a transition was made to the double-entry bookkeeping method by the Sultan's decree. The liberalization attempt required these two activities to be supported by a third activity. This was the opening of a business management school to provide the private sector with employees with business management training and who possessed the required knowledge of the double-entry bookkeeping method. To achieve this, *Hamidiye Ticaret Mektebi* (Hamidiye School of Commerce) was established in 1883 taking *Les Ecoles de Haute Commerce* in France as a model. (*Osman Ergin: Türkiye Maarif Tarihi [Turkish Education History], 1977: 1131-1140*). This school is called as the Marmara University, one of the biggest universities in today's Turkey.

The private sector did not receive enough support and the activities that emphasized the private sector did not achieve any considerable success in a short period of time, which was expected. However, these could be realized in the Republican Era (1923 onwards).

The double-entry bookkeeping method was easily accepted in the region since the British colonialists were interested in the Middle East while the Turkish understanding of accounting tried to become integrated into the western European culture in the second half of the 19th century; as is well known, the rule of Cyprus was transferred to the British, who were also interested in Egypt, in 1878.

Since the Ottoman state institutions had not intervened in the Cyprus business world, the island's accountants started to keep the annual income–expenditure accounts, the accounts of the municipalities and most importantly the accounting records, using the double-entry bookkeeping method. As these activities of the Ottoman accountants coincided with the above mentioned liberalization attempt, these activities subsidized the applications of the double-entry bookkeeping method. It would be convenient also to mention that the first audit and the first financial statement arrangements were made in Cyprus during those dates.

7. CONCLUSION

5,000 years old Middle Eastern accounting history constitutes a special place in the accounting history of the world. Different tribes experienced four different accounting cultures; what is unique about this region is that the documents of these cultures survived to this day.

The papyri in ancient Egypt (3050 BC - 2000 BC), plus the clay tablets belonging to the settlements related to the trade relations between the Assyrians in Mesopotamia and the Hittites in Anatolia, along with the application of the bookkeeping culture that was brought in with Islam under the title *merdiban* by the Abbasids, the Ilkhanate and the Ottomans in the region for more than a thousand years (750 AD – 1850 AD), and finally the spread of the double-entry bookkeeping method in the region since the middle of the 19th century, are the factors and developments that reveal the diversity and the characteristics of the Middle East accounting history.

The first three of these four major bookkeeping cultures covering a 5,000-year period are the cultures created by the regional circumstances and they constitute separate chapters of the legacy of world accounting history. The double-entry bookkeeping method, as the fourth culture, can be considered as the product of the regional attempt to integrate with the world.

The first three cultures, born in line with regional circumstances, have not received the required scholarly attention to date. Partly, this stems from the fact that accounting history is a young discipline. We believe such further studies on the Middle East accounting history would pave the way for further interest in the accounting historians in the region.

The present study aims to contribute to this target as well. In other words, it aims at drawing attention to the significance of Middle East accounting history within world accounting history, and to the refined bookkeeping culture fostered in the region.

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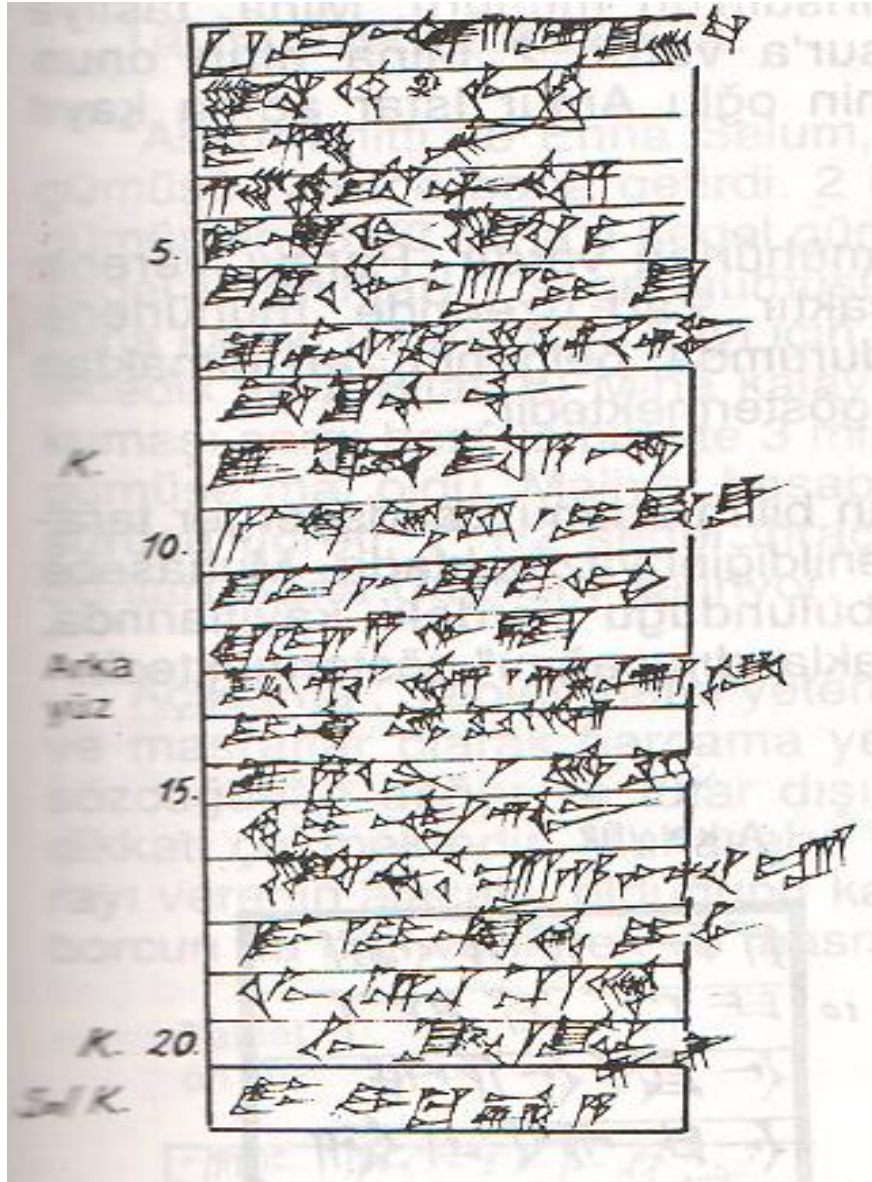
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APPENDICES

Appendix 1:
Front of the clay tablet



Transcription of the tablet is as follows:

Napolis's son Šilli Adad owes Su Kubum 1/3 Mina, 3 shekel² good quality silver... if he does not pay within one month, he will pay the interest determined in pursuant to the relevant provision of Karum on monthly basis. Teinatum month. In the presence of Inahillum's son Al-i Abum and Asi Ah, and by the testimony of İkupia's son Puzur İli...

² *Mina* and *shekel* are value measurement units. *Shekel* corresponds to 13 grams of silver.

Appendix 2

Front of the Tablet

Back of the Tablet

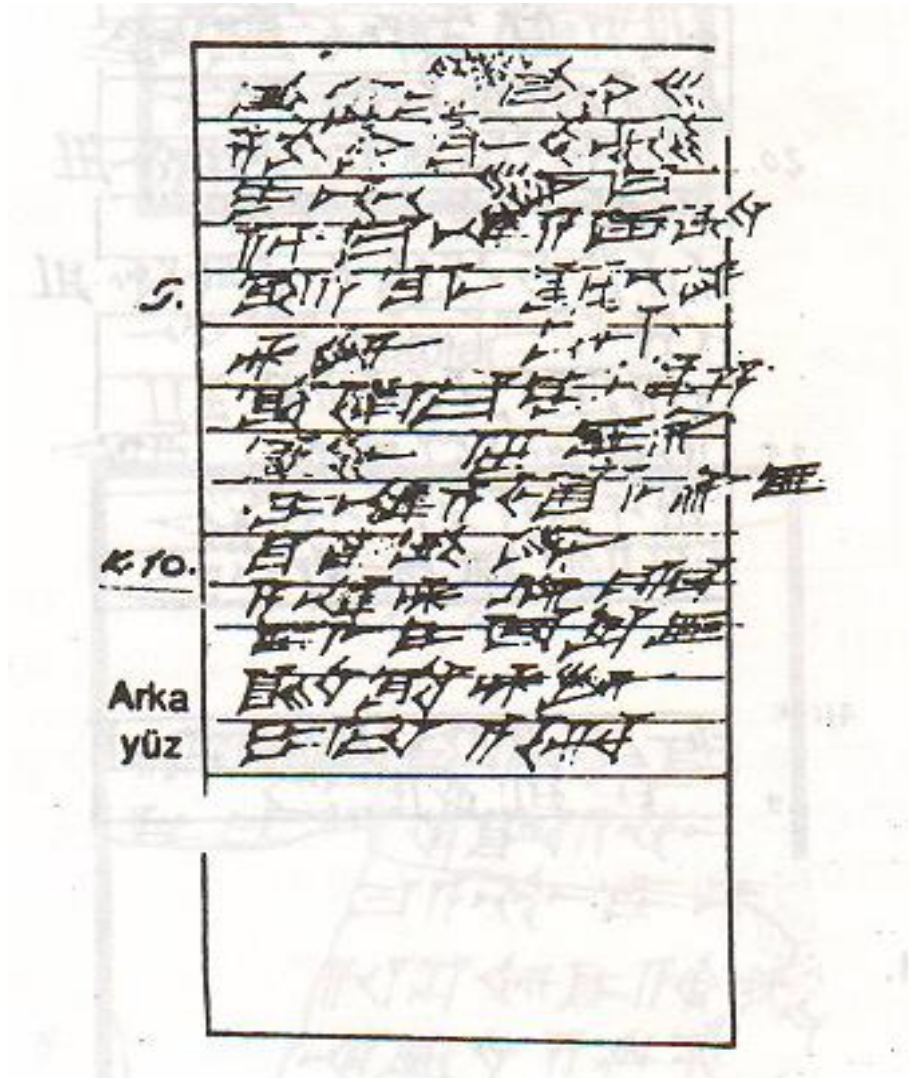


Transcription of the tablet is as follows:

Assur – İmitti and Enna Selum said to İmdi – İllum: Kurar brought us 15 Mina silver. 2 Bilat tin cost 8 ½ Mina, 4 shekel silver. Free tin cost 2 Mina silver... we gave a certain amount of tin as Usanum's share ... Then, we added the tin we received into the package... These tins were packaged under our responsibility ... They cost 3 Mina silver together with the bandage made of 32 Kutanum fabric.... 2 Black donkeys cost 2/3 Mina. Additional expenses cost 15 ½ shekel. 17 shekel was paid for riding. 7 ½ shekel export tax was paid. 6 shekel was paid for saddlery. Usanum is bringing them all to you.

Appendix 3

Front of the Tablet

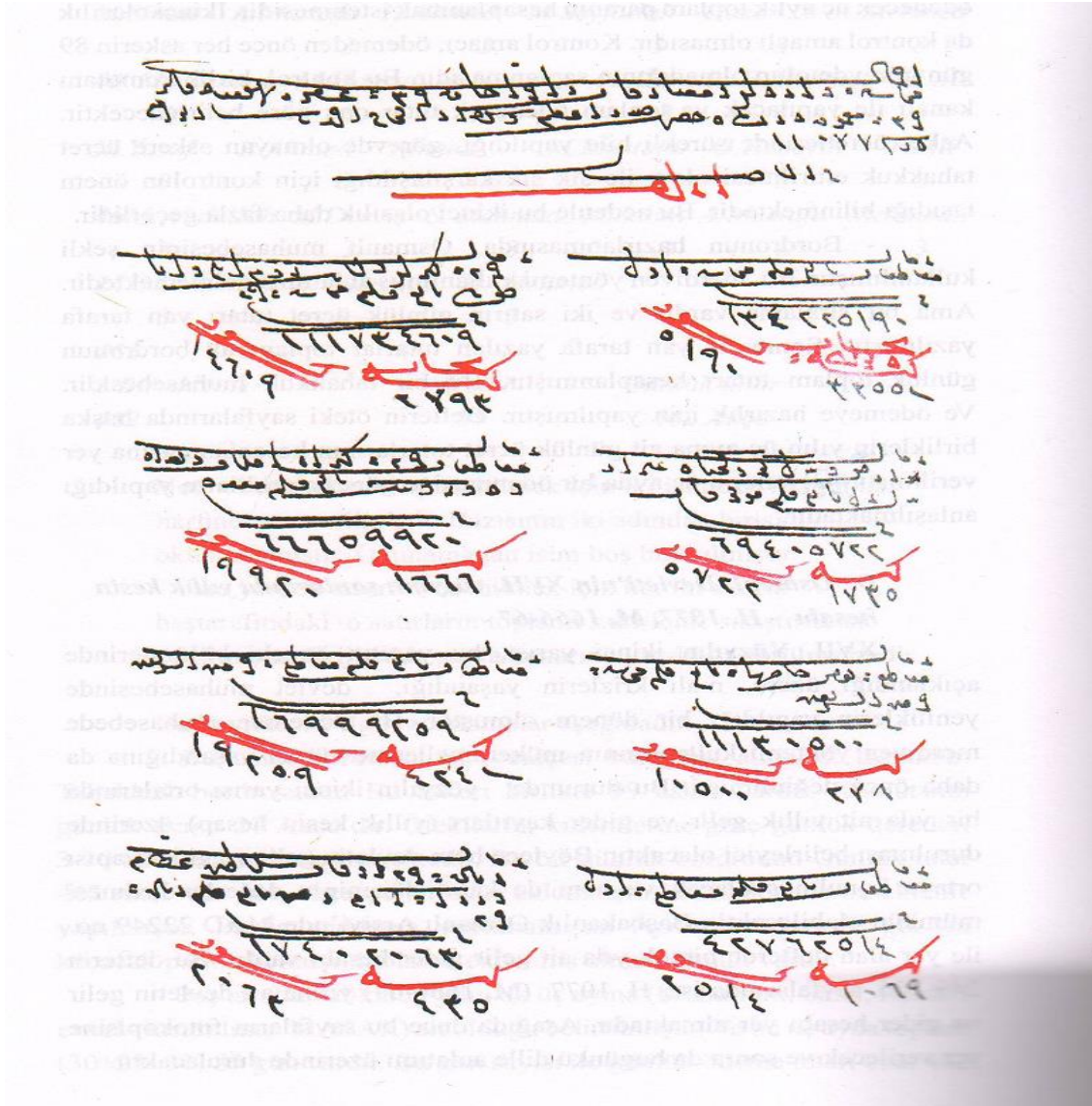


Transcription of the tablet is as follows:

Kaniş Karum made a decision with the stamp of Kaniş Karum. It is determined that Su – Kabum paid his 2 ½ Mina debt to Adad-duri through Adad – duri’s proxy İna. Adad – duri will not return to Su – Kabum’s sons (He will not ask for it from Su – Kabum’s sons). Adad – duri’s money will be paid to him (İna, who received the money, will return to Adad – duri) ...

Appendix 4

Photocopy of the first page of an income-expenditure account in the Ottoman Empire (Hegira 1077) (1667 AD)



The transcription of this page is as follows:

Total.....

In accordance with the treasury books, income and expenditure of Hazine-i Amire (imperial treasury) related to accounting, lay out of the grand vizier and ser asker (army commander) in Hadrat Pasha's time. H.1077 / 1667 AD.

Total Revenue.....

Revenue.....

In Muhasebe-i evvel section

mukataa⁴ revenues

annual

Akçe

134,225,190

Kise Akçe

3,355 5,190

Revenue.....

In Jizya³ accounting section

Rumeli and Anatolia provinces jizya revenues

annual

Akçe

111,734,609

Kise Akçe

2,793 4,609

Revenue.....

Oarsman who do not work

Paid avarız⁵ and nuzül tax

annual

Akçe

69,405,722

Kise⁶ Akçe

1,735 5,722

Revenue.....

In mine section, Dubrovnik, Eflak, Bogdan

jizya revenues

annual

Akçe

66,659,920

Kise Akçe

1,666 9,920

Revenue.....

In Haremeyn accounting section

Some revenues of mukataa

annual

Akçe

11,130,500

Kise Akçe

278 10,500

Revenue.....

In Haremeyn mukataa section

revenues

annual

Akçe

16,999,259

Kise Akçe

424,7 19,259

Revenue.....

In mukataa-i evvel section

Mukataa revenues

annual

Akçe

42,762,454

Kise Akçe

1,069 2,514

Revenue.....

In Jizya section collected from

Istanbul and other Jizya revenues

annual

Akçe

17,402,063

Kise Akçe

435 2,063

³ Jizya is a tax collected from non-Muslims in exchange for freeing them from military duties.

⁴ The Mukataa or Muqata'ah is a taxation method, a contract that was operated by collecting revenues of the central administration or taking operational rights of some monopolies (like a mine or minting coins) or being the only purchaser of some products. In other words, a person who is outside the organization collects the tax income of the State.

⁵ Avarız tax (extraordinary wartime tax) and nüzül tax (taxes for troop provisioning) were taxes collected in a state of emergency like wars or disasters.

⁶ Kise is a monetary unit used in the Ottoman Empire, 1 Kise equals to 40,000 Akçe.

THE REGULATIONS THAT INFLUENCED THE FORMATION OF THE CONCEPTION OF ACCOUNTING IN TURKEY DURING THE BEGINNING OF THE REPUBLIC ERA (1923 - 1930)

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ABSTRACT

After the declaration of the Turkish Republic in 1923, there was a need for reform in legislation in order to transform law and public structure from the effects of Sharia Law to the secular system. The new constitution and the Turkish Civil Code were among the basic laws enacted after the start of this new era. In addition, the Turkish Commerce Code was enacted in 1926. This included statements regarding the first book of accounts in Turkey: the book of first entry, inventory and balance books and the ledger book.

The second group of laws that influenced the formation of the conception of accounting in Turkey was related to taxation. Within the examined period three main tax laws were put into effect. The Profit Tax, Transaction Tax and Consumption Tax Codes called for the keeping of private books in addition to the book of accounts determined in the Commerce Code.

During the first years of the republic it was observed that the accounting system was determined by the definition of bookkeeping that was written in each different tax law. The reasons for this condition were the absence of a uniform system of accounts and the deficiency of a unique tax procedure code at the outset.

Keywords: Accounting, Tax Law, Republic Period.

Jel Classification: M40, M41, M48.

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CUMHURİYET DÖNEMİNİN BAŞLANGICINDA (1923 - 1930) TÜRKİYE'DE MUHASEBE ANLAYIŞINI ETKİLEYEN DÜZENLEMELER

ÖZ

1923 yılında Türkiye Cumhuriyeti'nin ilanından sonra, hukuk ve kamu yapısını Şeriat hukunun etkilerinden laik sisteme dönüştürmek için mevzuatta reform yapılmasına ihtiyaç duyulmuştur. Bu yeni dönemin başlangıcından sonra çıkarılan temel kanunlar arasında yeni Anayasa ve Türk Medeni Kanunu da yer almaktaydı. Ayrıca 1926 yılında Türk Ticaret Kanunu çıkarılmıştı. Bu yasa, Türkiye'deki ilk muhasebe defterine ilişkin ifadeleri içeriyordu: yevmiye defteri, envanter ve bilanço defterleri ve defteri kebir.

Türkiye'de muhasebe anlayışının oluşumunu etkileyen ikinci grup kanunlar vergilendirme ile ilgiliydi. İncelenen dönem içinde üç ana vergi kanunu yürürlüğe girmişti. Kazanç Vergisi, Muamele Vergisi ve Tüketim Vergisi Kanunları, Ticaret Kanunu'nda belirlenen muhasebe defterlerinin yanı sıra özel defterlerin de tutulmasını zorunlu kılıyordu.

Cumhuriyetin ilk yıllarında muhasebe sisteminin, her farklı vergi kanununda yazılı olan defter tutma tanımına göre belirlendiği görülmüştür. Bu durumun nedenleri, başlangıçta tekdüzen bir muhasebe sisteminin olmaması ve tek bir vergi usul kanununun bulunmamasıdır.

Anahtar Kelimeler: Muhasebe, Vergi Kanunu, Cumhuriyet Dönemi.

JEL Sınıflandırması: M40, M41, M48.

1. INTRODUCTION

In the second half of the 19th century, the double-entry method in accounting was introduced and began to be used in the Ottoman Empire. Since the State played an effective and leading role in the implementation of reforms, the state accounting system was developed. This progress in accounting was seen in both the central state and its subsidiaries. The Merdiban Method (Güvemli & Güvemli, 2007) (Stairs Method) was being used as an accounting method among the state institutions. The private sector was not developed and some foreign enterprises were applying the double-entry method in which they kept their book of accounts in their own language. With the acceptance of the transition to the double-entry bookkeeping method in 1897, the principles of this new system began to be taught in schools (Güvemli, 2000). After these developments, there wasn't any progress seen during the first twenty years of the 20th century in the accounting agenda since it was a period of war for the country.

One of the other reasons for the slow development of accounting in Turkey was the Latin alphabet in which words were written from left to right. Contrary to this system, the Arabic letters that were used by the Ottomans were written from right to left. This introduced difficulties in the implementation of the double-entry method. Some of those difficulties included keeping assets on the right side of the book or writing accounts from right to left.

After the declaration of the Republic of Turkey in 1923, a certain number of revolutionary laws were put into effect in order to restructure the public order. These new laws helped the preparation of the transition process to the modern accounting implementations in Turkey. This

new era started with the enactment of the new constitution. It also included the tax codes that had an influence on the establishment of the new accounting system. Moreover, one of the primary reasons for the expansion of the use of the double-entry method was the acceptance of the Latin alphabet in 1928. Since the method developed within a similar linguistic style, it was easier to understand and implement the rules.

With the issuance of the new laws at the beginning of the republic, a legal system was formed parallel to contemporary understanding. Besides that, the social and economic structure was modernized. This environment also contributed to the development of the modern accounting system within the country. Regulations that were issued during this period primarily shaped the modern conception of accounting that have progressed during the last 90 years of the republic.

In this paper we will explain the regulations that played an important role in the modernization of the accounting concept in Turkey at the beginning of the Republic Era. The analysis covers the period 1923- 1930 during which the basic legal arrangements were issued.

2. REGULATIONS THAT FORMED THE BASICS OF THE MODERN ACCOUNTING SYSTEM (1923 – 1926)

After the declaration of the republic, on 29 October 1923, the new assembly approved the new constitution on 22 April 1924. This new constitution led to the transformation of the legal structure that relied on Sharia Law. The modern understanding that had an influence on the preparation of new regulations also had an impact on the modernization of the accounting concept in Turkey. One of the primary reforms on this issue was the issuance of a law that eliminated Ashar Tax (Official Gazette, 1925). This regulation had a crucial impact on the accounting system which can be explained as follows: Ashar Tax was a 10% tax collected by the Ottomans on agricultural products. By removing Ashar Tax, not only did agricultural products start to be taxed at their market value but it also gave rise to the implementation of a new tax system. One mutual and important point about the new tax codes was the existence of provisions that determined the book of accounts which were necessary to calculate the tax base for the taxpayers. Although the young republic was in financial difficulties, the administration had the vision of transforming the tax system with a modern understanding even at the risk of losing revenue in the beginning.

It was not a coincidence that the formation of the modern accounting concept began with the enactment of new tax codes in Turkey. When we consider an environment with a strong centralist administration and weak private entrepreneurship, it is inevitable that the Ministry of Finance began the initiative to coordinate and supervise attempts to modernize the accounting system by enacting the necessary tax laws. It can be stated that the Ministry of Finance had a crucial influence on the development and existence of the accounting system, the organization of the profession and the determination of the standards.

According to the traditional centralist approach in Turkey, the modern accounting concept necessitated the realization of two issues. The first one was the need for the statutory

obligation of double-entry bookkeeping. The second one was the need for the state to consider financial statements in reaching the tax base.

Two regulations that were enacted in 1926, the Turkish Commerce Code and the Profit Tax Code, realized the obligation of using the double-entry method and the definition of financial statements in obtaining the tax base (Official Gazette 1926a, 1926b).

Some provisions of the above mentioned laws related to accounting are explained below.

2.1. Books of Account and Financial Statements in the Turkish Commerce Code (1926)

The Turkish Commerce Code, effective since 1850 and influenced by the Code de Commerce of France (Güvemli & Aslan, 2018), could not be applied generally because of the existing order of Sharia rules. After the enactment of the Civil Code (Official Gazette, 1926c) in 1926, a new Commerce Code was also enacted in 1926 according to the new social and economic order.

The provisions made in the Commerce Code for bookkeeping and related documents are summarized below:

Mandatory Book of Accounts (Art. 66 & 67): Book of first entry, inventory book, balance book and letter book. Other necessary books shall also be kept. The letter book acts as a reminder and aims to create documents for bookkeeping. Commercial letters are also kept in the letter book. A Ledger is not included among the mandatory books.

Accountants & the approval of the book of accounts (Art. 68 & 69): A book of accounts shall be kept either by the owner of the business or by an accountant. Books kept should be approved at the beginning of the year by a public notary. Moreover, the book of first entry should be approved after the last entry at the end of the year.

Inventory and Balance Books (Art. 70): The merchant shall enter, (a) the amount of cash he/she owns at the beginning, goods owned, fixed property, affiliates, notes and accounts receivables, (b) all liabilities, (c) owner's equity. This definition outlines the opening balance sheet. The provision also included that the merchant shall prepare the yearend balance sheet and the inventory.

Legal validity of the books (Art. 76-84): Books of accounts shall be examined by the related parties and the courts and shall be accepted as a legal document (evidence) in the case of a conflict. If only one party presents related documents to the court, these should be accepted as valid evidence.

When we consider the above mentioned articles of the Commerce Code, a ledger was not defined as a book of account, and invoices and receipts were not addressed, balance sheets were defined. However, taking the existing conditions of the republic in the early stage into consideration, the new commerce code declared a modern understanding of accounting by defining the book of accounts and the balance sheet as legal documents. It can be stated that, by

bringing new books and statements into consideration the Turkish Commerce Code of 1926 pioneered the formation of the modern accounting concept in Turkey.

2.2. Books of Account and Financial Statements in the Profit Tax Code (1926)

The Profit Tax Code not only regulated a taxation system based on profit, but also brought into focus the filing of tax returns and the auditing of accounts. This law stayed effective with necessary amendments until the big tax reform was put into effect in 1949. The provisions related to the subject of the paper are mentioned briefly below.

Necessity to file a tax return (Art. 3 & 4): Commercial firms, banking and insurance companies, agents, self-employed persons (e.g. doctors, dentists, lawyers) shall file their earnings before the end of the first half of the following year. A balance sheet and the statement of profit and loss should be attached to the tax return. After a while self-employed persons were exempt from filing returns.

Balance sheet (Art. 12): Inventories, fixed property, cash holdings and receivables must be placed on the assets side. Capital, retained earnings and debts are included on the liabilities side. If the asset side is greater than the liabilities, then it can be specified that a profit exists. On the contrary, if the amount of liabilities is greater than the amount of assets, it can be accepted that a loss exists.

Profit and Loss Account (Art. 13-15): A debit in the amount of the asset accounts would be considered a profit. A credit in the amount of the liability accounts and general expenditures, employee wages, rental fees, communication and insurance fees, interest payments and some other expenses would be considered a loss. The difference between the profit and loss accounts would be debited or credited. As a result the profit and loss accounts will be even. This amount of profit or loss should be equal to the amount of profit or loss attained from the balance sheet. The owner of the entity shall not write down the wage he/she earns from the company. The amount of depreciation shall not exceed 10% of the fixed assets. Reserve funds can only be set up in corporations.

Necessity for returns and statements to depend on the data valid in the books of accounts (Art. 16): Information on the tax returns and financial statements have to be consistent with the information in the approved books of accounts. Moreover, these books must be kept in Turkish and should be saved for three years.

Auditing of tax returns (Art. 18-23): Tax auditors have the authority to inspect the accuracy of the tax returns. Taxpayers have to submit all the necessary documents in the case of a tax audit.

Tax rate (Art. 24): The tax rate was set within the range 6% - 13%. When we consider the provisions of the Profit Tax Law, we can state that it included more direct regulations that had an influence on the formation of the accounting concept in Turkey compared to the Commerce Code. Some of the points related to the Profit Tax Code that had a crucial role in the development of modern accounting can be stated as follows:

- Since the profit tax was implemented widely among the taxpayers, there existed a proper environment for new accounting implementations to become prevalent.

- Balance sheet and profit-loss accounts included more detailed information than the financial statements defined in the Commerce Code. Since the tax was calculated on the business profit, the profit-loss account was explained in detail.
- The obligation of attaching financial statements to tax returns also favoured the importance of financial statements.
- The taxation system based on filing tax returns brought up the necessity for auditing of the financial statements, and the provisions regarding the tax audits existed in this law.
- The low tax rate had a positive influence on the taxpayers to comply with the new taxation system which also indirectly effected the adaptation of the new accounting implementations.

One important issue on accounting implementations was the language used in bookkeeping. During Ottoman rule, since commerce was generally under the control of minorities, merchants had the right to keep the books in their own languages. This was also changed by the new republican administration with a private law enacted in 1926.

2.3. Law Numbered 805 on Mandatory Use of Turkish Language by Economic Enterprises (1926)

While the republican administration was issuing laws in order to reshape the social, political and economic order, its nationalist approach played an important role in making the new laws. This law was enacted in 1926 under the influence of this situation (Official Gazette (1926d)).

Some of the noteworthy provisions related to the topic are stated below.

Art.1: All types of companies and enterprises of Turkish origin shall make all transactions, agreements, notifications, and keep records and ledgers within Turkey, in Turkish

Art.2: For foreign companies and enterprises, this requirement is for notifications, transactions, and correspondence with Turkish companies, and documents and ledgers that are to be presented before state agencies.

With this regulation, the administration aligned the official accounting implementation with the official language.

During the 1923-1926 period, some other regulations related to accounting implementations were issued. One of the main legal arrangements was the Turkish Code of Obligations (Official Gazette, 1926e). It included a few provisions related to accounting implementations which were mainly on the acceptance of books and documents as evidence in commercial disputes.

3. REGULATIONS THAT FORMED THE BASICS OF THE MODERN ACCOUNTING SYSTEM (1927 – 1930)

The legal arrangements that had an influence on the development of the accounting system during this period were mainly in taxation. Although these regulations include provisions for bookkeeping and financial statements mainly for taxation purposes, they had a pioneering role in the progress of the accounting discipline. The Transaction Tax Code and Consumption Tax Code were the two basic regulations that had a guiding role in the implementation of accounting.

3.1. Books of Account and Financial Statements in the Transaction Tax Code (1927)

The Transaction Tax Code determined the basis of taxation on the sales of industrial organizations, amount of imports and the transactions of banks and insurance companies (Official Gazette, 1927a). In a general way it was the pioneer for the value added tax application; it can be a so-called industrial product and service tax. After the law was issued in 1927, several necessary amendments were made according to varying social and economic conditions and stayed effective until the main tax reform in 1949. Provisions related to the subject are mentioned below.

Basis of taxation and tax rates (Art. 13): The basis of taxation is determined from the sales of industrial organizations and imports (10%) and the transactions of banks and insurance companies (5%).

Filing the tax return (Art. 23): Taxpayers shall file tax returns for a monthly period until the 15th of the following month. The type of the good and service delivered, and the quantity and amount are considered in the return.

Books and documents kept (Art. 29-32):

- a. *Book of manufacture:* It contained information on the purchasing date, quantity and amount of the raw materials, quantity and amount of the used materials, type and quantity of the manufactured goods, and type and quantity of goods purchased
- b. *Book of transactions:* The amount of goods sold to domestic or foreign customers was registered in this book.
- c. *Product purchase book:* It contained the type, quantity, and amount of the product purchased from a taxpayer who was in charge of transaction tax. Also the invoice date and number would be found.
- d. *Sales Book:* It contained information on the invoice, type, quantity and amount of the product sold to a taxpayer liable for transaction tax. These records allowed taxpayers to deduct the transaction tax paid when purchasing the product.
- e. *Invoice:* Taxpayers had to prepare invoices for the goods they sold. Invoices had to have serial numbers. While the original copy had to be given to the customer, the other copy was to be kept in the business.

Since a chart of accounts was not defined in general, Each tax code had the tendency to set the rules for making entries in terms of accounting. As is mentioned above, both the Profit Tax and the Transaction Tax

Codes included provisions regarding the bookkeeping procedure. This case also existed in the Consumption Tax Code explained below. Moreover, it could be stated that the accounting system proposed in the Transaction Tax Code was a primitive form of today's value added tax idea.

Finally, one other important issue related to the transaction tax was the implementation of auditing. The related provision was stated in Article 36 of the Tax Code. Since the Tax Procedures Code did not exist, there was no specific law regarding the duties and responsibilities of the tax auditors during the examined era. Each tax code included provisions related to the audit implementation which was basically an accounting audit.

3.2. Books of Account and Financial Statements in the Consumption Tax Code (1926 & 1930)

The last tax code that had an influence on the modern accounting conception in Turkey during the 1923-1930 era was the Consumption Tax Code. It introduced regulations on the fixed taxation of the sale of sugar produced, oil production and oil imports in 1926. It was calculated as a fixed amount on the quantity of sugar (kilogram) and oil (litre). Although this code was revoked with the issuance of the Transaction Tax Code that determined the basis of taxation on the sales of industrial organizations and imports and the transactions of banks and insurance companies in 1927 (Güvemli, 2001), it was put into effect again in 1930. According to the new regulation taxpayers within the scope of this tax were exempt from the transaction tax. Moreover, while the transaction tax was abolished with the issuance of the Tax Procedure Law in 1949, the consumption tax remained effective for a while.

The necessary accounting order and audit procedure was explained in the Consumption Tax Code (Official Gazette, 1930). Related provisions of the code are stated below.

Books kept to calculate the tax base (Art. 8): Industrial establishments (factories that produce sugar, and oil production plants) had to keep a warehouse book, sales book and invoice book for the raw materials they used and the product they manufactured. They also had to record the tax accrued within this book.

The warehouse book mentioned in this article contained information on the amount of raw materials and products that entered and exited the business. The contents of the sales book and invoice book were explained in detail in an additional legal arrangement (Ülkmen, 1939) mentioned below.

Sales book: While the increase in the amount of product (purchase) at the warehouse was debited, the decrease in the amount of product (sale) was credited to the account. Registers on the credit side regarding the sales included information on the date, document number, quantity of product sold, unit price and amount.

Invoice book: It included information related to the product sold. The name and address of the purchaser, quantity and unit price of the product sold were among this information.

Mainly, four legal arrangements that included provisions regarding accounting information were emphasized under the analysis above. These were:

- The Commerce Code (1926)
- The Profit Tax Code (1926)
- The Transaction Tax Code (1927)
- The Consumption Tax Code (1926 & 1930)

All of these four regulations had provision for explaining the bookkeeping procedures of the entities. The above mentioned tax codes remained effective until the wide-ranging tax reform in 1949. It can be concluded that in the first 25 years of the republic, the accounting perception of those laws played an important role in the foundation and development of the accounting conception.

In conclusion, this order and understanding of accounting was formed during the seven-year period following the foundation of the republic. This formation was structured as follows: the Commerce Code stated which legal books needed to be kept and introduced the balance sheet as a financial statement. These had to be kept and prepared by all businesses. In addition, tax laws tried to regulate the accounting implementation and bookkeeping procedure in order to satisfy their own tax oriented necessities.

According to the above arguments it is possible to identify businesses in three separate groups in terms of applying the related accounting rules determined in the above mentioned laws.

The first group was composed of taxpayers liable to both the Profit Tax Code and the Commerce Code regarding bookkeeping entries. Since the profit tax had a widespread field of application, all the taxpayers who were not liable to consumption tax or transaction tax were in this group.

The second group included profit taxpayers, who had to adopt the principles of the Commerce Code, and taxpayers liable to transaction tax and its rules regarding private accounting applications. Since transaction taxpayers were also liable to the profit tax, they had to keep double books according to separate legal arrangements.

The third group covered the profit taxpayers who adopted the accounting rules of the Commerce Code and who were liable to consumption tax. According to the regulation, businesses liable to consumption tax should not be subject to transaction tax. Taxpayers in this group also had to keep double books since both regulations demanded different types of bookkeeping.

The reason for this dual structure in bookkeeping was the formation of an accounting concept that took into account the necessary requirements of the new accounting order. In order to give a clear explanation, it should be noted that a taxpayer liable to transaction tax had to

keep three different books (book of manufacturing, book of transactions and product purchases book) to comply with the accounting regulations. It can be mentioned that these obligations had a negative influence on businesses by increasing the burden on them. One other crucial point about the transaction tax code was the provision explaining the documents (invoices) for the first time in accounting implementation. After the issuance of other related laws, the concept of accounting documents expanded and new forms were put into effect.

4. REGULATIONS THAT EXPANDED THE ACCOUNTING APPLICATIONS DURING THE 1927 - 1930 PERIOD

The four legal arrangements (commerce code, profit tax code, transaction tax code and consumption tax code) explained in detail above, constituted two basic issues. While one was the formation of a trade and tax order, the other was the establishment of the new accounting rules.

While these were considered to be the major regulations influencing the conception of accounting in Turkey, several sub-regulations also played a crucial role in the development process. Some of these arrangements included provisions that supported an increase in the number of businesses that had to keep the new books brought about by the new regulations. Others determined the rules of state accounting. One additional part adopted rules regarding the development of auditing. Apart from these, the changeover to the Latin alphabet was also crucial in the transition to the double-entry bookkeeping method.

The expansion of the new accounting rules and order, basically formed by the tax regulations, depended on the increase in the number of businesses in the country. These legal arrangements included provisions mainly related to private enterprises. In addition, there was a need for regulations to put the state accounting implementation in order. Two legal arrangements, which will be mentioned below, played a crucial role in both the expansion of private enterprises and the formation of state accounting. The first one was the Law on the Encouragement of Industrial Enterprises; the other one was the General Accounting Law.

4.1. The Incentives of Industry Law (Official Gazette, 1927b) (1927)

The encouragement of private enterprises by the republican administration caused an increase in the number of businesses that were liable to apply the new accounting rules. This also ensured the recognition of the accounting audit among businesses. It should be stated that the number of private enterprises was few at the time the new law was enacted. This law brought about several incentives that had a positive impact on the formation of new businesses. These incentives included an exemption for the newly formed enterprises from the above mentioned profit tax. Investment goods that were imported by those businesses founded according to this law also were excluded from the customs tax. Moreover, the state allocated land for these types of investments free of charge for a fifteen year period. The law included three main points regarding the accounting implementation.

The first related subject was on the nationality of the accounting managers and their associates. The law stated that while accounting managers and their assistant could be foreign nationals, other employees must be Turkish citizens. This provision showed the nationalistic characteristic of the new administration and the priority given to the employment of Turkish citizens. The reason for the allowance of foreign nationals to be an accountant was the lack of accountants who were qualified enough to manage business in new enterprises. This was one of the reasons that the republic did recognize accounting education.

The second issue was the need for projected financial information that had to be prepared for the necessary application before the investment started. Besides proforma invoices related to investments, calculations on the projected amount of an investment and a balance sheet that showed the projected financial sources had to be made and an income statement that showed estimated sales and profit amounts after a facility starts manufacturing had also to be prepared. All these implementations were crucial for the inclusion of projections in accounting literature in Turkey.

The third related point was the need to prepare the financial statements and accounting data as the investment is completed in order to benefit from the incentives granted by the state. This gave accounting another role besides that for being developed and implemented just for taxation reasons. The investment amount was calculated based on the financial documents and the amount of exclusion from the profit tax that was decided on the income statements, including proper information regarding the investment. The lawmakers also regulated the audit of projections and implementations in order to control the accuracy of the declarations.

Although The Industrial Encouragement Law stayed in effect for fifteen years, it was revoked as the Second World War started. However, it has had a positive influence on the introduction of investment projections and the expansion of accounting among private businesses.

4.2. The General Accounting Law (1927)

While the new republican administration enacted certain regulations that indirectly influenced the development of accounting implementation in private enterprises, it also took the necessary steps to regulate state accounting. For this purpose, the General Accounting Law (Official Gazette, 1927c) was enacted in 1927.

In this code, the definition of the state account and the related people who had a role in revenue collection and expenditures was presented in detail. While the registry of the state assets was clarified, the preparation, approval and control of the budgetary process were also discussed.

Although several amendments were made, this arrangement remained effective for more than 75 years and it influenced the modernization of the state accounting concept.

4.3. The Law on the Acceptance of the Latin Alphabet (1928)

As stated above, during the first years of the republican period, in terms of forming the roots of the modern concept of accounting, tax laws played a crucial role. It should also be stated that the revolution regarding the alphabet was vital to the implementation and expansion of the double-entry bookkeeping method that influenced accounting order (Official Gazette, 1928).

During the Ottoman era Arabic letters were used in the written language, which was written from right to left. This was causing difficulties in the registration of entries and preparation of financial statements. A certain number of books explaining the double-entry method were translated into Turkish during the second half of the 19th century and the first 25 year period of the 20th century. In those books, accounts were normally shown on the right side of the book. On the other hand, since in the case of daily entries the account name was written from right to left, the amount of the account could not be entered on the same row. This was the case both in the book of first entry and the ledger. When the account name shifted to the second row, the amount of the related account could not be shown on the same row.

During that time Turkish accounting intellectuals started to write their own books explaining the double-entry method. In order to eliminate difficulties that arose from the direction of writing, while authors of the books were shifting the columns to the left, they also changed the debit and credit sides on the accounts. According to this method, on the balance sheet assets were stated on the right side and liabilities were specified on the left side. This application in accounting caused complications and troubles in both education and the implementation of the double-entry method within the country.

Since people started to write from left to right with the acceptance of the Latin alphabet in 1928, it was seen that there was an abrupt and widespread increase in the use of the double-entry bookkeeping method. After the revolution, it was easier and faster to promote the education of the new method. Moreover, it can be stated that the ongoing spread of the new accounting system continued its influence within the country.

5. CONCLUSION

Even considering the modernization movement and legal arrangements that supported development during the first years of the republic, direct regulations regarding the accounting implementation did not exist. The uniform chart of accounts was not emphasized, there were no works on the preparation of sound financial statements and the application of the accounting standards were not taken into consideration. Legal arrangement that were made related to the accounting implementations in general were limited to the definition of the books kept and the formation of one financial statement (balance sheet) within the Turkish Commerce Code. Besides that, since each tax code had the tendency to set an accounting order among businesses by bringing specific provisions, coordination among regulations could not be attained.

When we consider the general situation, it can be determined that a crucial number of businesses established a dual accounting order to satisfy the legal arrangements made. Provisions related to the accounting order in the Commerce Code were also accepted in the application of the Profit Tax Code. On the other hand, since taxpayers liable to consumption and transaction taxes were subject to profit tax, each tax payer had to form a dual accounting system that complied with both profit tax, and consumption/transaction tax. The two main reasons for this dilemma were the absence of a uniform chart of accounts and the lack of a tax procedures code that included provisions regarding accounting procedure.

This issue was also valid for the audit practices being applied in Turkey. Since both profit and transaction taxes were formed on the accrual base, not only did this case increase the importance of the accounting order among businesses, but also it emphasized the significance of audit practices in accounting. Both profit tax and transaction tax codes included provisions defining their own method of audit implementation. By executing the above mentioned laws, the state started to collect taxes that were based on calculations made according to data available in financial statements and business records. This development increased the significance of documentation, bookkeeping, trial balance, balance sheets and income statements. The widespread application of taxes also had a positive impact on the importance of accounting perception. Although this was the case, a suitable number of accountants who had proper accounting knowledge did not exist. Because of this, the state had to take the necessary step of allowing foreign nationals to work as accountants in certain positions.

Private sector accounting applications became important for the first time in the republican reform period. When we evaluate this issue, it can be stated that this fact relied on both tax laws including provisions regarding the accounting implementations and the law regulating the incentives given to industrial production. Certainly, while the private sector was forming the necessary accounting system, it was also planning to structure the cost and management accounting systems for its own needs.

One other notable issue during the period subject to analysis was the excess number of books kept for accounting reasons. The Commerce Code defined the book of first entry, inventory book, balance book and letter book as mandatory. Even though the Profit Tax Code did not bring into play any new books, it included provisions that addressed the issue in the Commerce Code. The Transaction Tax Code necessitated that four extra books should be kept by the taxpayers in addition to the ones described above. Moreover, the Consumption Tax Code also imposed another three books on the taxpayers, to cover its needs. When we consider the books which were determined by the mentioned tax laws, it can be stated that each book had the characteristics of a ledger account. This was basically the result of the absence of both a defined ledger and a uniform chart of accounts in the Commerce Code. It should also be stated at this point that the culture of keeping books for each ledger account, which were considered to be crucial, was linked to the Ottoman accounting regulations. While a ledger was defined as necessary in the Ottoman state accounting system, general books carrying characteristic of ledger accounts also existed. An example of this case could be the keeping of separate books

for each region in which taxes were collected. One other issue that should be mentioned regarding the accounting order is the underdeveloped characteristic of the system that was defined in the legal arrangements that are subject to analysis in this paper. The asset and liability sides of the balance sheet were not divided into parts and explained in detail; a statement of profit and loss was not fully taken into consideration. Moreover, a trial balance was not considered and documents other than an invoice were not mentioned in these regulations.

Although these regulations did not fully cover all the accounting procedures, by starting the transition process they played a crucial role in the formation and development of the modern accounting concept in Turkey.

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UNDERSTANDING THE OTTOMAN EMPIRE'S FISCAL EVOLUTION: AN EXPLORATION OF THE 1912 PROVINCIAL ACCOUNTING INSTRUCTIONS

Cengiz Güney¹

ABSTRACT

The aim of this study is to understand the Ottoman Empire's fiscal evolution. With this aim, content analysis of the regulation (document) named “Instructions Prepared by the Ministry of Finance Concerning the Records and Account Books to be Kept in the Special Accounting of the Provinces”, which is required to be implemented in the lands under the administration of the Ottoman Empire, realized. The date of the regulation is Hijri 1330 (1912). The document consists of 14 leaf numbers in total. The document has been archived in the Ottoman State Archives under the name “Bařbakanlık Osmanlı Arřivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiř Talimatnamenin Gõnderildiđi. DH.İD.. / 10- 14”. As a result, in the Regulation dated Hijri 1330 (1912), a draft was created on how to organize the ordinary and extraordinary budgets and this draft was sent to the accounting departments of the provinces. It was obligatory to prepare the ordinary and extraordinary budgets within this draft and to send the prepared budgets to the center (Dersaadet-İstanbul). While preparing the budgets, it was requested to provide the representation of incomes and expenses with different schedules such as Elif, Be, Te etc.

Keywords: 1912 Ottoman State Finance, Ordinary Budget, Extraordinary Budget, Ottoman Empire’s Fiscal Evolution.

Jel Classification: H30, M40, N40.

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OSMANLI İMPARATORLUĞU'NUN MALİ EVRİMİNİ ANLAMAK: 1912 VİLAYET MUHASEBE TALİMATNAMESİ ÜZERİNE BİR İNCELEME

ÖZ

Bu çalışmanın amacı; Osmanlı İmparatorluğu'nun mali gelişimini anlamaktır. Bu amaçla, “Vilayet Muhasebe-i Hususilerde Tutulacak Kayıt ve Hesap Defterleri Hakkında Tertip Edilmiş Hicri 1330 Tarihli Talimatname” adlı yönetmelik (nizamname) içerik analizi yöntemiyle incelenmiştir. Nizamname tarihi Hicri 1330 (1912)'dir. Nizamname toplamda 14 varaktan oluşmakta ve Osmanlı Devlet Arşivi'nde “Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14” adıyla arşivlenmektedir. Sonuç olarak; Hicri 1330 (1912) tarihli Nizamname'de olağan ve olağanüstü bütçelerin nasıl düzenleneceğine dair bir taslak oluşturulmuş ve bu taslak vilayetlerin muhasebe dairelerine gönderilmiştir. Olağan ve olağanüstü bütçelerin bu taslak kapsamında hazırlanması ve hazırlanan bütçelerin merkeze (Dersaadet-İstanbul) gönderilmesi zorunlu tutulmuştur. Bütçeler hazırlanırken gelir ve giderlerin Elif, Be, Te vb. farklı çizelgelerle temsil edilmesi istenmiştir.

Anahtar Kelimeler: 1912 Osmanlı Devleti Maliyesi, Adi Bütçe, Fevkalade Bütçe, Osmanlı Devletinin Mali Evrimi.

JEL Sınıflandırması: H30, M40, N40.

1. INTRODUCTION

The onset of the 20th century marked a pivotal era of substantial economic transformation within the Ottoman Empire. In response to a pressing need for modernization of its administrative and fiscal systems, the empire enacted a series of pivotal reforms. One key reform enacted in 1909 was the transition to a decentralized budgeting framework. This reform shifted fiscal responsibility to the provinces, symbolizing a concerted drive towards modernization and systemic administrative reform (Quataert, 2005).

With the Tanzimat Edict (1839), the Ottoman Empire started the modernization process in every field (Aktel, 1998). By the process of modernization, “Divan-ı Hümayun” lost the influence and left its duty to the Ministries (Nakiboğlu, 2011). The Ministry of Finance, on the other hand, was divided into eight items in terms of its institutional structure and carried out its duties. These departments are Exhibition Accounting, Financial Accounting, Esham Accounting, Ceride Accounting, Mukataat Accounting, Haremeyn Accounting, Zecriye Accounting and Evkaf Accounting (Ağar, 2007). Among these items, Financial Accounting is divided into two parts as expenditure and revenue (Kaya, 2013); the revenue accounting part followed the revenues of the state and the expenditure accounting part followed its expenditures. (Öner, 2005). By 1860, the concept of budget came to the fore with the increasing external debt effect (Çakır, 2001). The budget, which was prepared considering the constitution and presented to the parliament during the Second Constitutional Monarchy period, is the first

modern budget of the state (Çataloluk, 2015). The Ottoman Empire, which wanted to carry the state budget practices to local governments (Kaya, 2013), established the “Provincial Special Administrations” with a legal personality and prepared the provincial budgets through this administrative unit, with the “İdâre-i Umûmiye-i Vilâyât Kanûn-ı Muvakkatı”, which was issued on 26 March 1913, has been implemented and the provinces have been restructured. The revenues (varidat) and expenditures (mesarifat) of the provinces were calculated through the provincial budgets (Nakiboğlu, 2019).

In the study, the regulation (document) named “Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatname”, which is required to be implemented in the lands under the administration of the Ottoman Empire is analyzed by content analysis method. Content analysis is defined by (Gökçe, 2006:7) as; “It is an empirical method that systematically and objectively describes the content and formal characteristics of statements. Content analysis familiarizes the researcher with the collected data and allows the data to be used for further analysis. (Coşkun et al., 2015: 324). In other way, content analysis defined by (Bilgin, 2006:2) as “It is a technique that enables the content of various texts to be examined methodically, systematically, objectively and quantitatively in order to classify and interpret the basic elements that do not allow itself to be read directly”. Words, sentences, paragraphs, themes, actions and examples are among the elements that can be analyzed by content analysis method (Coşkun et al., 2015:327-328).

The date of the regulation is Hijri 1330 (1912). The document consists of 14 leaf numbers in total. The document has been archived in the Ottoman State Archives under the name “Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14-”.

2. THE OTTOMAN EMPIRE IN 1912: ECONOMIC, POLITICAL, AND FISCAL REALITIES

The collapse of multinational empires and the emergence of nation states, which started with the French Revolution, made itself felt in the Ottoman Empire at the beginning of the 20th century. As a result of the nationalism movement that started and strengthened in the Balkan lands, independence rebellions broke out. The Ottoman Empire aimed to suppress the rebellions through various currents (Islamism, Ottomanism, Nationalism, Westernism and Decentralization) and tried to prevent the disintegration of the Empire. However, the economic situation of the Ottoman Empire, the political conflicts within the state, Russia's efforts to strengthen its current situation in the Balkans, and the wars that broke out (Tripoli War, Balkan Wars and World War I) made the current situation even more dire.

Simultaneously, the Ottoman Public Debt Administration (OPDA), established back in 1881, played an instrumental role in this era of economic metamorphosis. The OPDA's role transcended the simple management of the empire's foreign debt, as it also assumed critical fiscal responsibilities including tax collection and budget planning (Pamuk, 2000). In 1881, with the "Duyun-u Umumiye - the Ottoman Public Debt Administration (OPDA)" established

as a result of the negotiations between England, France, Italy, Austria, Germany and the Ottoman Empire, the Ottoman Empire, whose authority to collect and spend some taxes was taken away (Adiloğlu and Yücel, 2021), In 1912; seemed to have weakened financially. The epoch in question also saw a surge in foreign investment and the inauguration of novel fiscal instruments. A discernible trend towards enhanced budgetary transparency became evident with the initiation of public budget books in 1908. These publications offered comprehensive details on governmental revenue streams and expenditures, marking a shift in the empire's approach to fiscal management (Lewis, 1961).

From a chronological point of view, it is possible to create the following table to understand the economic, political and financial situation of the Ottoman Empire in 1912 (Wikipedia, 2023):

Sultan: Mehmet V. - **Grand Viziers:** Kamil Pasha (Until 23 January), Mahmud Şevket Pasha (23 January - 11 June), Said Halim Pasha (After 11 June)

Important Events (Monthly)

- | | |
|--|---|
| <ul style="list-style-type: none"> • 9 January - The Tobruk attack began under Major Mustafa Kemal in the Tripoli War. • 15 January - First declaration from the air (Turkish - Italian War) • 18 January – Parliament (Meclis-i Mebûsan) was closed. • 24 February - Battle of Beirut: The Italians won the naval battle between the Italian and Ottoman navy off the coast of Beirut. The Ottoman navy here was destroyed. • 25 March – “Turkish Hearths (Türk Ocakları)” was founded as an association defending the ideology of Turkism. • 26 April- For the first time, Fesa Bey (Evrensev), an Ottoman pilot, flew over Turkish territory in an Ottoman airplane. • 27 April- The rebuilt Galata Bridge was opened to traffic. • 16 May – Battle of Tripoli: Italian troops land on Rhodes. The Ottoman garrison there surrendered without a fight. The Italians will also take over the Dodecanese over the next two weeks. • 4 June- 1120 houses were destroyed in a big fire in Istanbul. • 8 June - Turkish resistance in the Battle of Tripoli is completely broken. The Italians dominated Tripoli. • 7 July - Yeşilköy Air Flight School opened in Istanbul. | <ul style="list-style-type: none"> • 9 August – 216 people died and 466 people were injured in the 7.3 magnitude earthquake that occurred in Mürefte town of Tekirdağ. 450 buildings were damaged. • 23 August - Peace talks started between Turkey and Italy in Caux, Switzerland. • 25 August - Bulgarian commissioner in the region revolted when the Ottoman Empire began to settle Muslim Albanians in Macedonia. • 12 September - Bulgaria gave a note stating that if Macedonia is not given specialties, it will declare war against the Ottoman Empire. • 22 September - 350 Greek rebels from Crete came to Samos and called on the islanders to rise up against the Ottoman Empire. • 3 October - Serbia, Montenegro, Greece and Bulgaria demanded autonomy from the Ottoman Empire to Albania and Macedonia within 3 days. • 4 October - The Ottoman Government rejected the note. • 8 October - Montenegro declared war on the Ottoman Empire. Thus began the First Balkan War. • 18 October - The Treaty of Uşi was signed between Italy and the Ottoman Empire. • 26 October - Thessaloniki unites with Greece. • 1 November- Former sultan, who was in exile in Thessaloniki, II. Abdülhamid was brought to Istanbul on a German ship. The first club of İzmir, Karşıyaka Muaresei Bedeniye Club, or Karşıyaka Sports Club, with its current name, was established. The right to bear the crescent |
|--|---|

- 16 July - The government of Mehmet Said Pasha, supported by the Unionists, resigned.
 - 22 July - The head of the Ayan Assembly, Gazi Ahmet Muhtar Pasha, was appointed as the grand vizier and established the new government.
 - 3 August- The Ottoman Empire granted Albania a limited autonomy. Albanian is considered the official and educational language in this country.
 - 15 November - The Peace of Ouchy is signed between Turkey and Italy. Tripoli and Benghazi were ceded to Italy.
 - 30 November - The Greek people of Samos declared that they were united with Greece.
 - 1 December – Mustafa Kemal went to Gallipoli.
-

As a result of the current economic situation of the Ottoman Empire, borrowing with high interest and being unable to collect the tax amounts it needed to collect caused the situation to become more difficult in terms of finance. In addition, the economy based on industrialization, which started in the West and became stronger by the beginning of the 20th century, could not develop at the desired pace in the Ottoman Empire. In the Ottoman Empire, an economic structure based on agriculture (based on the feudal system) and farming was still dominant.

Inflation and the declining value of the Ottoman Empire's currency were another problem that negatively affected the public. High budget expenditures in military fields, socio-cultural fields, infrastructure services and palace life necessitated an effective financial management. This situation made it necessary for the existing budget system to be improved and become more effective.

3. ANALYSIS OF THE ACCOUNTING INSTRUCTIONS

The regulation regarding the records and accounts to be kept in the accounting departments in the provinces of the Ottoman Empire, dated Hijri 1330 (1912), also includes the legislation related to the provincial budgets. In the regulation dated 1330, a draft was created on how to organize the ordinary and extraordinary budgets and this draft was sent to the accounting departments of the provinces, it was obligatory to prepare the ordinary and extraordinary budgets within this draft and to send the prepared budgets to the center. While preparing the budgets, it was requested to provide the representation of incomes and expenses with various tables. The statements in the Regulation on the preparation of the budgets are as follows:

111- Each province shall prepare two budgets as specified in the Provincial Administration Law, one regular and one extraordinary. The regular budget's revenue section will consist of the deposits described in Article 80, while the extraordinary budget's revenue section will consist of the items listed in Article 81. As for the expenditures, the regular budget's expenses will include the salaries and expenses stated in Article 82, while the extraordinary budget's expenses will include the expenditures listed in Article 83. Both regular and extraordinary budgets, which will be prepared and executed by the special administration of the province through the accounting department, will also be drawn up in a unified manner according to the rules and forms stated in this specification and the regulation.²

² Transcription to the latin alphabet of original document part shown as: "111- İdare-i vilayet kanununda suretinin beyan edildiği vech ile her vilayet biri adi, biri fevkalade olmak üzere iki bütçe tanzim edecektir. Adi bütçenin varidat kısmını teşkil

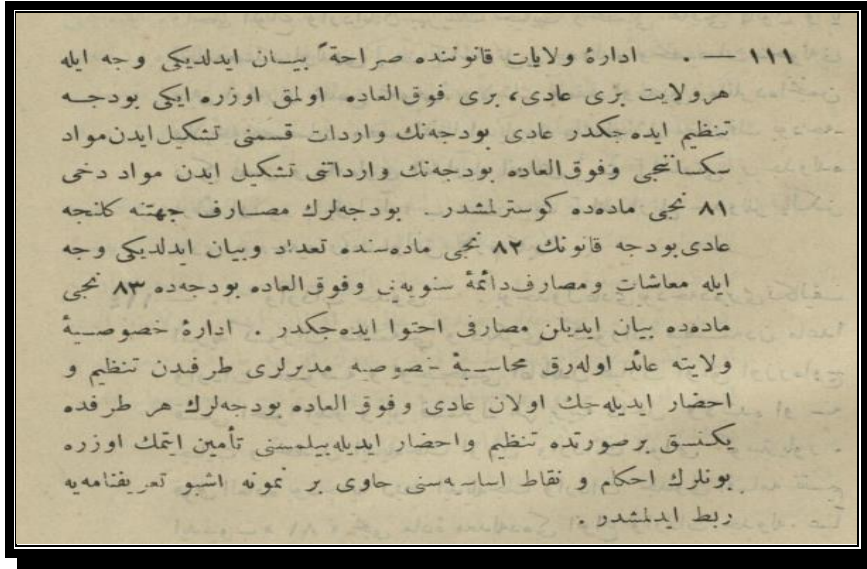


Fig. 1: Article 111- starts with “Each province shall prepare two budgets ...”

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD../ 10- 14 -.

112- Budget Comparison Table: This table shows the excess or shortfall of the amount of expenses proposed for the current year's regular budget compared to the amount in the previous year's budget, along with the reasons for the difference, based on the information to be obtained by the branch administrative officers.³

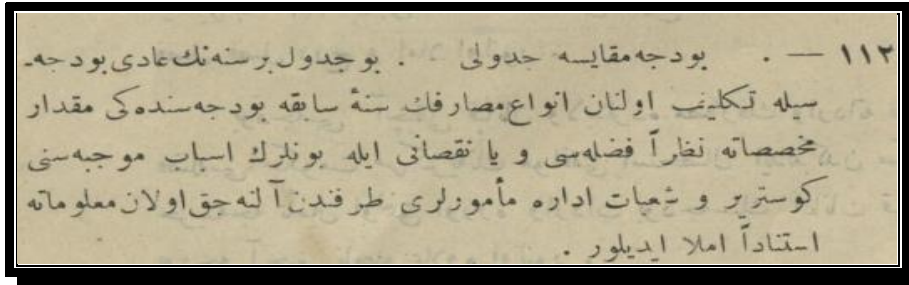


Fig.2: Article 112- Budget Comparison Table

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD../ 10- 14 -.

113- Budget Regulation: In this regulation, the total amounts of expenses and revenues are specified, and other expenses are also recorded each month in accordance with the regulation. The basic details of estimated revenues are shown in a table marked with (Elif),

eden mevduat sekseninci ve fevkalade bütçenin varidatını teşkil eden muvaddihi 81. maddede gösterilmiştir. Bütçelerin Masarif cihetine gelince, adi bütçe kanununun 82. Maddesinde tadat ve beyan edildiği maaşat ve masarifat fevkalade bütçede 83. maddede beyan edilen masarifat ihtiva edecektir. İdaret-i hususiye vilayete ait olarak muhasebe-i hususiye müdürleri tarafından tanzim ve ihzar edilecek olan adi ve fevkalade bütçenin her tarafı da yakınsak bir sureti de tanzim ve ihzar edilebilmesini temin etmek üzere bunların ahkam ve nikat esasinesine havi bir numune iş bu tarifnameye nizamnameye rabit edilmiştir.”

³ Transcription to the latin alphabet of original document part shown as: “112- Bütçe Mukayese Cetveli: Bu cetvel bir senenin adi bütçesiyle teklif olunan envai masrafın sene-i sabıka bütçesindeki miktar muhassasata nazaran fazlası veya noksanı ile esbabı-mucibesini gösterir ve şube idare memurları tarafından alınacak olan malumata istinaden amel edilir.”

while the total amounts of expenses, including various items to be included in the revenue section, are indicated in a table marked with (Be), along with their collection and payment. Details of appropriations are indicated by specifying the appropriation items by provincial committees when the General Assembly is not in session, and the expenses associated with the division and items of expenditure in the budget are explained in a table marked with (Se). [Elif, Be, Te, Se] marked tables are only related to the regular budget.⁴

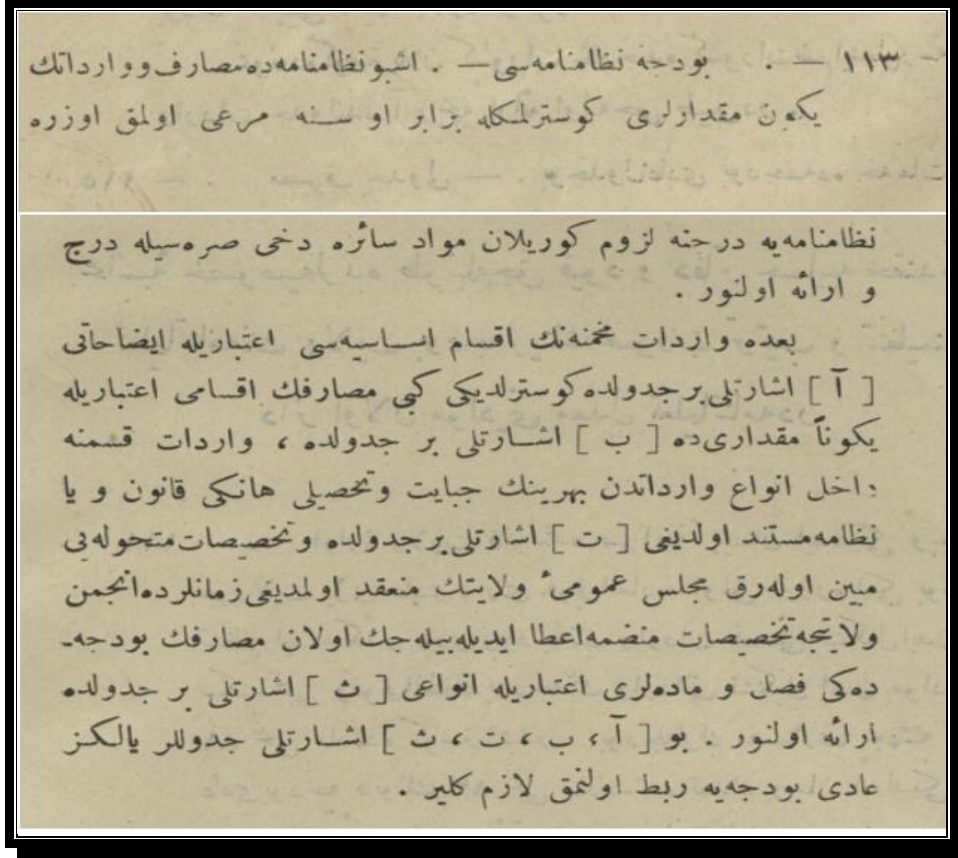


Fig.3: Article 113- Budget Regulation

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

114- Revenue Table: This table contains three sections for the ordinary budget, including one for the total amount of fractional amounts by order of appropriation, one for the special revenue from fractional amounts, and a third for grants. Each section shows the various types of revenue to be collected that year in the internal provinces. The revenue table for the extraordinary budget is not divided into sections, and the revenue types in Section 81 of the Main Table of Revenues and Expenses are listed separately and implemented. In provinces

⁴ Transcription to the latin alphabet of original document part shown as: "113-Bütçe Nizamnamesi: İş bu Nizamnamede Masarif ve varidatın yekün miktarları gösterilmekle birebir o sene her ay olmak üzere nizamnameye der-hane lazım görülen muvad saire dahi derç ve iare olunur. Ba'de varidat muhammenenin aksam-ı esasıyesi itibariyle izahatı (Elif) İşaretli bir cetvelde gösterildiği gibi Masarifin aksam-ı itibari ile yekünün miktarları da (Be) İşaretli bir cetvelde varidat kısmına dahil envai bahriyenin cibayet ve tahsili hangi kanunnamede olduğu (Te) işaretli bir cetvelde ve tahsizat mütehavviliyle mubeyyin olarak Meclis-i Umumiyenin munakid olmadığı zamanlarda encümen-i vilayetçe tahsizat manzume iata edilebilecek olan Masarifin bütçedeki fasıl ve maade itibari ile envai (Se) İşaretli bir cetvelde irae olunur. [Elif, Be, Te, Se] işaretli cedveller yalnız adi bütçeye rabit olunmak lazım gelir."

where expenditures exceed revenue, the budget deficit is added to the revenue budget as a separate item with the approval of the central government, to be provided by the treasury. If there is a fractional increase in the tax shown in the sample, it is understood that it will also be shown separately in the revenue table.⁵

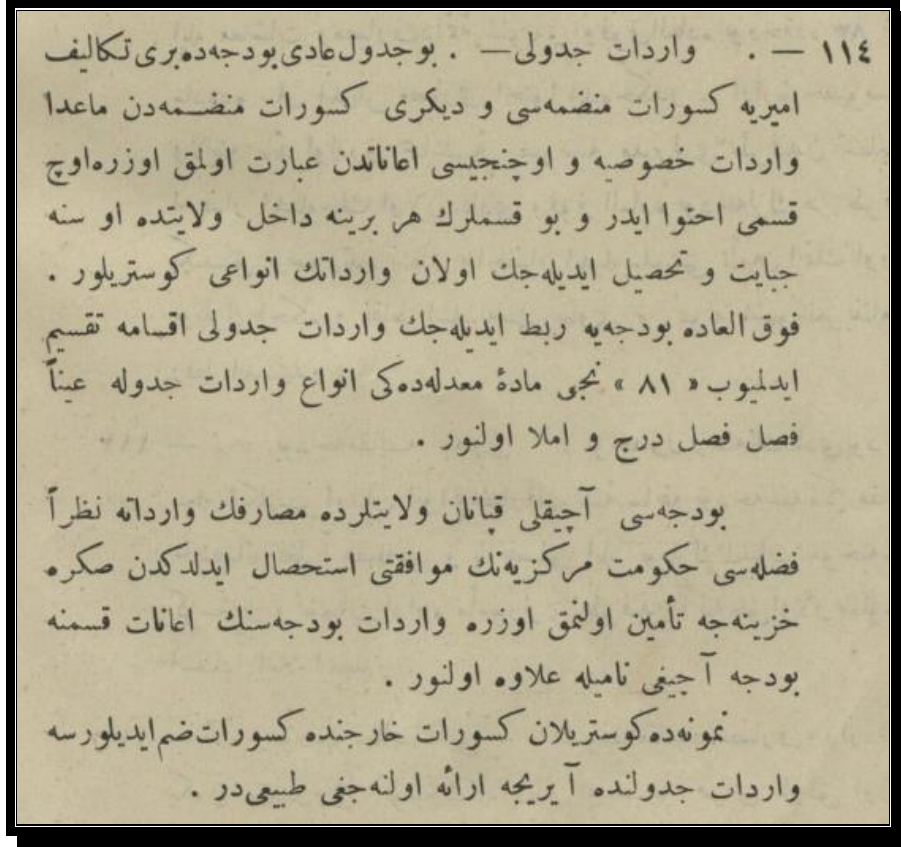


Fig.4: Article 114- Revenue Table

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

115- Expenditure Table: This table in the ordinary budget is divided into seven sections according to the main types of services of the province, including General Assembly and Provincial Officials, Roads and Bridges, Education Affairs, Agriculture, Veterinary and Industrial Affairs, Health and Charitable Affairs, and Miscellaneous Expenses. Each section shows the ongoing expenses of the services that will be provided in that province during the year. In the extraordinary budget, this table should include the necessary parts for the

⁵ Transcription to the latin alphabet of original document part shown as: "114- . Varidat Cedveli-. Bu cedvel adi bütçede biri tekaliif emiriyle kësورات manzumesi ve diğeri kësورات manzumeden maade varidat hususiyeh ve üçüncüsü ianattan ibaret olmak üzere üç kısım ihtiva eder ve bu kısımların her biri yine dahili vilayette o sene cibayet ve temsil edilecek olan varidatın envai gösterilir. Fevkalade bütçeye rabit edilecek varidat cetveli aksam a taksim edilmeyip 81. Maade-u madledeki envai varidat cetvele aynen fasıl fasıl derc ve amel olunur. Bütçesi açıklı kapanan vilayetlerde masarifin varidata nazaran fazlası hükümet merkezinin muvafakati istihsal edildikten sonra hazinece temin olunmak üzere varidat bütçesinin ağanet kısmına bütçe açığı namıyla ilave olunur. Numunede gösterilen kësورات harcında kësورات zammedilirse varidat cetvelinde ayrıca irae olunacağı tabidir."

construction of new facilities and services to be provided, according to the various types of extraordinary services required, and should be divided into sections and items.⁶

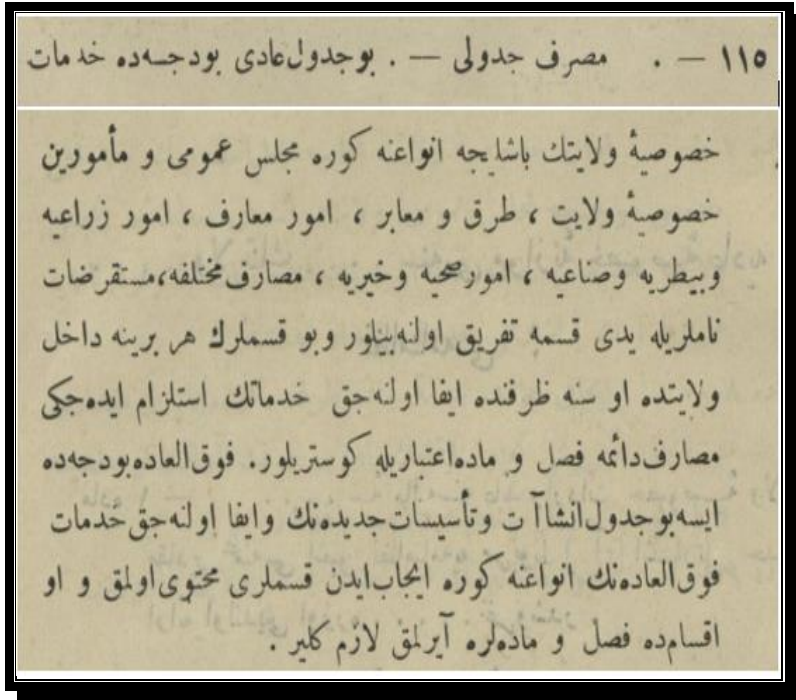


Fig.5: Article 115- Expenditure Table

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

116- Ordinary and extraordinary budget proposals prepared in this way are sent to the Ministry of Internal Affairs with one approved and two separate approved copies by the chairmanship of the parliament after they are approved by the General Assembly. When the budgets are approved, they will be returned to the provincial authorities with a notification of confirmation. If there are any necessary revisions, they will be made and the revised copies will be sent back to the ministry. In order to be put into effect that year, the copies of the approved budgets will be delivered to the officials and printed copies will be sent to the Ministry of Internal Affairs.⁷

⁶ Transcription to the latin alphabet of original document part shown as: "115-. Masarif cedveli-. Bu cedvel adi bütçede hidmet hususiy-u vilayetin başlıca envana göre meclisi umuminin ve memurin hususiy-u vilayet, Turuk ve Maabir, Umur-i Maarif, Umur-i Ziraatiye ve Baytariye ve Sinayiye, Umur-i Sıhhiye ve Hayriye, Masarifi muhtelif, Müstakrazat namlarıyla yedi kısma tefrik olunabilir ve bu kısımların her birine dahil vilayetde o sene zarfında ifa olunacak hizmetin istilzam edileceği Masarif-i daima malde itibar ile gösterilir. Fevkalade bütçede ise bu cetvel inşaat ve tesisat-ı cedidenin ve ifa olunacak hizmetin fevkaladenin envana göre icab eden kısımları muhteviye muhteva olmak ve aksamda fasıl ve maddelere ayırmak lazım gelir."

⁷ Transcription to the latin alphabet of original document part shown as: "116-. Bu suretle tanzim olunacak adi ve fevkalade bütçe layihaları Meclis-i Umumumice kabul edildikten sonra divanı riyyaset tarafından musdak bir ve ayrı musdak iki ayrı nüshası dahiliye nezaretine gönderilir. Bütçeler tasdik aliye aktaran edib vilayeti alada olundukda nesih kafiyesi tebağ ettirilerek o sene zarfında mamul bihi olmak üzere memurin iadesine tevziğ ve birkaç nüsha matbuası dahiliye nezaretine gönderilecektir."

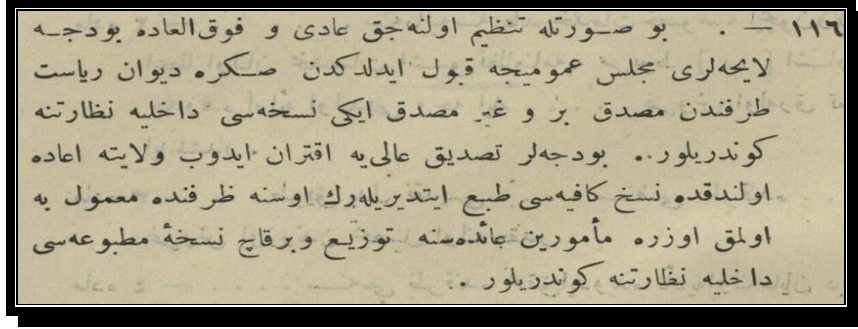


Fig.6: Article 116- starts with “Ordinary and extraordinary budget...”

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

Regulation on Special Revenue Offices of the Province for the Year⁸

Article 1: The province's special revenues for the year amount to kurus, calculated through the accounting specified in Table [Elif] prepared in accordance with this regulation.

Article 2: The appropriations for the province's special services for the year are determined as kurus, calculated through the accounting specified in Table [Be] prepared in accordance with this regulation.

Article 3: Cash payment transactions will be collected throughout the year at a rate of kurus.

Article 4: Unconfirmed debts during the year will be adjusted by increasing them if a provision exists in the relevant section and article of this budget.

⁸ Transcription to the latin alphabet of original document part shown as:

“..... Vilayeti Senesi.... Muvazene Hususiye Adiye Nizamnamesi

Madde 1: Sene-i maliyesine ait varidat hususiye vilayetin miktarı muhasebesi iş bu nizamnameye merbut [Elif] işaretli cetvelde irae olunduğu üzere guruşdur.

Madde 2: Seney maliyesine aid hizmeti hususiye için vilayete ait olunan muhassasat iş bu nizamnameye merbut [Be] işaretli cetvelde irae olunduğu veçhileguruş olarak tayin edilmiştir.

Madde 3: Turuk-i bedel nakdiyesi Senesi zarfında Guruş üzerinden tahsil olunacaktır.

Madde 4: Senesi zarfında tahkik edilip de tediye olunamayan düyun Senesi bütçesi tahsisatında, karşılığı mevkufl bulunmak şartıyla iş bu bütçenin ait olduğu fasıl ve maddelerine zam ile tesviye olunacaktır.

Madde 5: İdaret-i hususiye bütçesinin varidat kısmına dahil olunan ve iş bu nizamnameye merbut [Te] işaretli cetvelde gösterilen kefe rûsum ve tekalifin Senesi zarfında tahsiline devam olunacaktır.

Madde 6: İş bu nizam name ile muayyen olunan varidatın maade vilayet namı hesabına hiçbir teklifin tarh ve tevzi ve tahsili caiz olmayıp mezkur nizamname ile verilen mezuniyet haricinde her ne nam ve suretle vilayet hesabına tarh ve cibayet teklif hakkında emir ağta ve icra edenler muhasebe-i umumiye kanununun 17. Maddesi mucibince mesul olacaktır.

Madde 7: İdaret-i hususiye vilayet meclisi talimat namesinin onuncu maddesi mucibince meclisi umumi vilayetin isnaa tatilinde encümen vilayetçe tahsisat menzume ağta edilebilecek hizmet iş bu kararnamenin merbut [Se] işaretli cetvelde teâğdat edilmiştir.

Madde 8. icabı halinde seneyi maliye zarfında ödenmek ve miktarları guruştan az etmemek, guruşa tecavüz etmemek üzere muvakkat avanslar akdine veya hesap-ı cariler keşadına vilayet mezundur.

Madde 9: İş bu nizamnamenin icrasına Vilayeti mezundur.”

Article 5: The collection of taxes and fees included in the income section of the administrative special budget and specified in Table [Te] in accordance with this regulation will continue throughout the year.

Article 6: The revenues specified in this regulation cannot be collected or accrued through any other method or collection process on behalf of the province. Any accrual or collection in violation of this regulation will result in those responsible being held accountable for accounting procedures under Article 17.

Article 7: In accordance with Article 10 of the Provincial Council's instructions, services determined by the Provincial Council during its recess and specified in the decrees listed in Table [Se] will be budgeted for and provided by the Provincial Executive Committee.

Article 8: In case of need, temporary advances or current accounts may be opened for the province's account, not less than kurus for the year's cost.

Article 9: The Province is responsible for the implementation of this regulation.

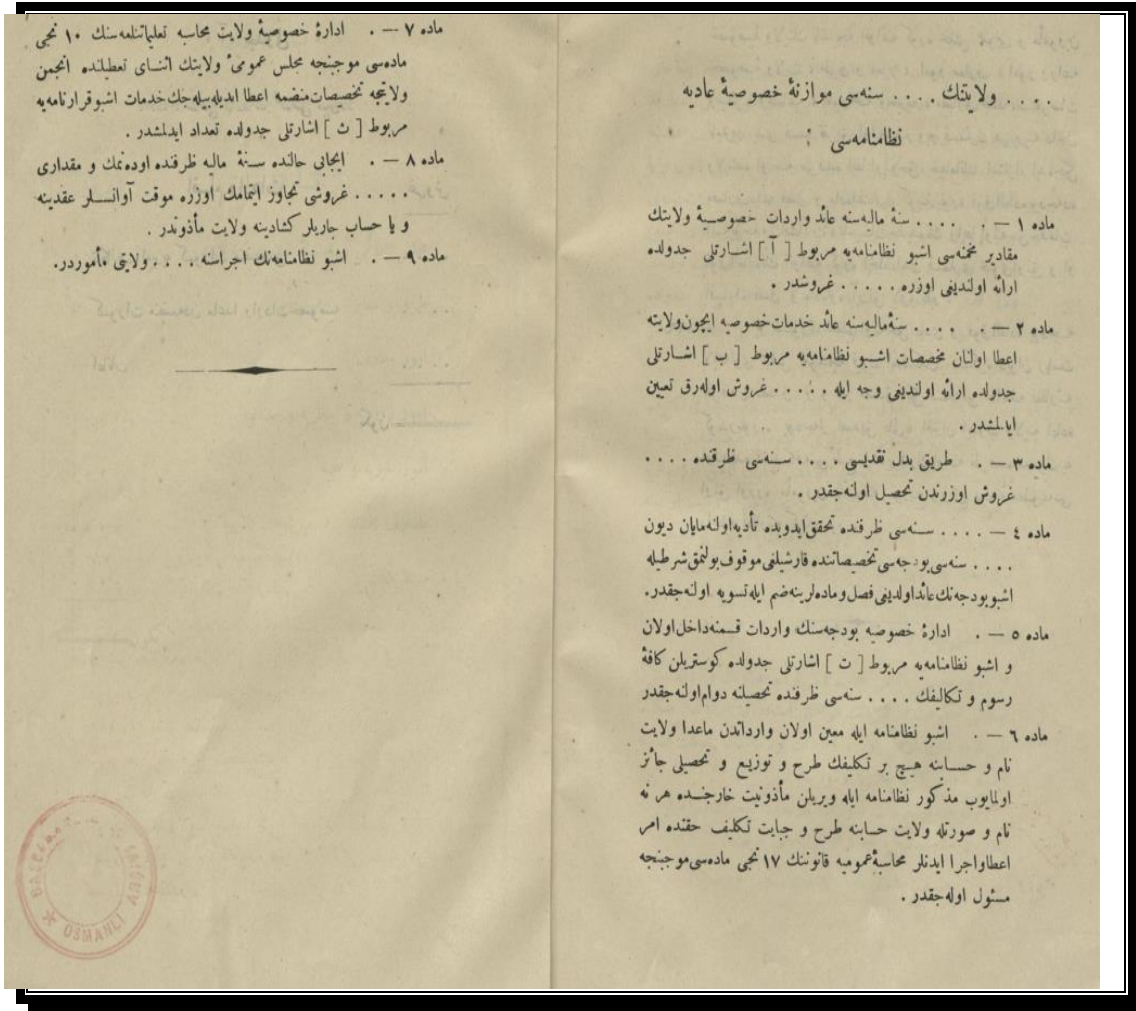


Fig.7: Regulation On Special Revenue Offices Of The Province For The Year ...

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

Table 1: (İ) Elif Schedule

(İ) Elif Schedule ((İ) Elif Cedveli)	
Specifies the Appropriation Given for the Year (... Senesi Varidat Muhammenesine mübeyyindir)	
<u>Gurush</u> (Guruş)	Revenue Items (Aksam-ı Varidat)
.....	Revenue from Government Levies Surplus from Levies after Deductions (Tekalif-i Emiriye Küsurat Munzaması)
.....	Special Revenues Except Surplus (Küsurat Munzamadan Maada Varidat Hususiye)
.....	Benevolence (İanet)
.....	Total (Yekün)

Table 1 indicates the types of income and the total income as of a certain year. Basic income types in the Elif table; Revenue from Government Levies Surplus from Levies after Deductions, Special Revenues Except Surplus and Benevolence items.

Fig.8: (İ) Elif Schedule

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

Table 2: (ب)Be Schedule

(ب)Be Schedule ((ب)Be Cedveli)	
Specifies the Appropriation Given for the Year (... Senesi İçin Verilen Tahsisatı Mübeyindir)	
<u>Gurush</u> (Guruş)	Appropriated Items (Aksam-ı Mubassesat)
.....	General Assembly and Special Accounting of the Province (Meclisi Umumiye ve Muhasebe-ü Hususiye Vilayet)
.....	Roads and Bridges (Turuk ve Maâbir)
.....	Education Affairs (Umur-i Maarif)
.....	Agricultural, Livestock and Industrial Affairs (Umur-i Ziraat ve Baytariye ve Sinaie)
.....	Charitable and Health Affairs (Umur-i Hayriye ve Sihiye)
.....	Miscellaneous Expenses (Masraf-i Muhtelif)
.....	Fixed Assets (Mustakir Zaat)
.....	Total (Yekün)

Table 2 specifies the allocation types and the total allocation as of a given year. The main income allocation types in table Be; General Assembly and Special Accounting of the Province, Roads and Bridges, Education Affairs, Agricultural, Livestock and Industrial Affairs, Charitable and Health Affairs, Miscellaneous Expenses, and Fixed Assets.

غروش	اقسام تخصیصات
.....	مجلس عمومی و محاسبه خصوصیه ولایت
.....	طرق و معابر
.....	امور معارف
.....	امور زراعیه و بیطریه و صناعیه
.....	امور خیریه و صحیه
.....	مصارف مختلفه
.....	مستقرضات
یکون	

Fig.9: (ب) Be Schedule

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-I Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH. İD. / 10- 14 -.

Table 3: (ت) Te Schedule

(ت) Te Schedule ((ت) Te Cedveli)				
Relevant rules and regulations regarding the characteristics of private property need to be clarified. (Vilayeti Varidatı Hususiyenin Müstenid İleyhi Olan Kavainin ve Nizam ve Mukarreratı Mübeyyindir.)				
Summary (Hulasa-I Meali)	Type (Nev-I)	The date of Kavain, Nizam and Mukarrerat (Kavain ve Nizam ve Mukarreratın Tarihi)	Sequence Number as of Chapter (Fasil İtibari ile Sıra Numarası)	Succession Number (Teselsül Numarası)

Table 3 shows the relevant rules and regulations regarding the characteristics of private property.

[ت] جدولی

ولایت واردات خصوصیتک مستند علیہی اولادہ قوانین و نظامات و مقرراتی میں در۔

خلاصہ مالی	نوعی	قوانین و نظامات و مقرراتک تاریخ	ممبران	ممبران

Fig.10: (ت) Te Schedule

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-I Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

Table 4: (ث) Se Schedule

(ث) Se Schedule ((ث) Se Cedveli)		
The allocation is specified to the trustee. (Tahsisat Mutehavviliye Mübeyyindir)		
Type of Account (Nev-i Muhassetat)	Article (Madde)	Chapter (Fasıl)
General Assembly Member Daily Allowance (Meclisi Umumi Azası Yevmiyesi)		
Ziraat Bank Share of Profits (Ziraat Bankası Menafı Hissesi)		
Ziraat Bank Membership Fee (Ziraat Bankası Aidatı)		
Collection of Provincial Personal Inheritance Expenses (Varidat Hususiye Vilayet Masraf Tahsilıyesi)		
Court Expenses (Masarif-I Muhakeme)		
Rejections/Disapprovals (Reddiyat)		

Table 4 shows the chapters and items to which the expenditures are subject. The items in the table are General Assembly Member Daily Allowance, Ziraat Bank Share of Profits, Ziraat Bank Membership Fee, Collection of Provincial Personal Inheritance Expenses, Court Expenses and Rejections.

Fig.11: (ث) Se Schedule

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

Table 5: Provincial Special Administration's Ordinary Revenue Budget

Provincial Special Administration's Ordinary Revenue Budget (İdaret-i Hususinin ve Vilayet-i Varidatın Adi Bütçesi)			
Provincial Revenue Transactions of the Year ... (... Senesi Varidat Muamenesi)	Type of Revenues (Nev-i Varidat)	Article (Madde)	Chapter (Fasıl)
	Land Tax Collection (Aşar Hisse İanesi)		1
	Treasury Grant for Equivalent of Revenue Share (Hisse Menafi Muadili Hazineden Alınacak Tahsisat)	1	
	Treasury Grant for Equivalent of Education Revenue Share (Hisse Maarif Muadili Hazineden Alınacak Tahsisat)	2	
	Education Revenue Share for Pension Tax (Müsakkafat Vergisi Maarif Hissesi)		2
	Provincial Share of Dividend Tax (Temettü Vergisine Munzam Vilayet Hissesi)		3
	Provincial Share of Livestock, Camel, and Monster Fees (Ağnam, Deve, Camus ve Canavar Rüsümuna Munzam Vilayet Hissesi)		4
	Provincial Share of Transfer and Conveyance Fees (Ferağ ve İntikal Harçlarına Munzam Vilayet Hissesi)		5
	Provincial Share of Military Cash Compensation (Bedel-i Nakdi Askeriye Munzam Vilayet Hissesi)		6
	Provincial Share of Road Shares (Tarik-i Vilayet Hisseleri)		7
	Road Share of Income Tax (Müsakkafat Vergisine Munzam Tarik-i Vilayet Hissesi)	1	
	Road Share of Dividend Tax (Temettü Vergisine Munzam Tarik-i Vilayet Hissesi)	2	

	Road Share with Additional Withholding Tax as Specified in Articles Three and Eight of War Tax Law (Harb Vergisi Kanununun Üçüncü ve Sekizinci Maddelerinde Muharrer Tevkifatı Zam Olunan Tarik-i Vilayeti Hissesi)	3	
	Total of First Part (Birinci Kısım Yekünü)		
	Second Part: Share of Revenues from Rounded Fractions (İkinci Kısım: Küsürat-ı Manzumeden Varidat Hissesi)		
	Cash Payment of Road Fee (Tarik-i Bedeled Nakdiyesi)		8
	Fees/Taxes (Rüsumat)		9
	Provincial Share of Slaughter Fees (Zebhiye Rüsumu Vilayet Hissesi)	1	
	Fees and Levies on Salt (Maruriye Rüsum ve Bedelet)	2	
	Revenue from Monopolies and Labor (Mavususat ve Amelenin Hasılatı)		10
	Revenue from Monopolies, Agriculture, Industry, and Commerce (Mavususat, Ziraiye, Sınaiye ve Ticariye Hasılatı)	1	
	School Revenues (Mekteb varidatı)	2	
	Revenue from Hospitals (Hasta-hane Hasılatı)	3	
	Revenue from Newspaper Printing (Matba rüsum-i gazete varidatı)	4	
	Revenue from Work and Fishing (Amalen ve Ağlarat Hasılatı)	5	
	Sale of Goods Price (Satılan Eşya bedeli)	6	
	Provincial Share of Profits (Vilayete Ait Hasse Temettüat)		11
	Profits Share of Ziraat Bank (Ziraat Bankası Hasse Temettüat)	1	
	Provincial Share of Company Revenues (Şirketler Hasılatından Vilayet Hissesi)	2	
	Distributed Revenues (Hasılat Mütfirki)		12
	Recoveries (İstirdadat)		13
	Total of Second Part (İkinci Kısım Yekünü)		
	Third Chapter (Üçüncü Fasıl)		
	Bonds and Donations (İlanet ve Teberruat)		14
	Support from Treasury for Budget Deficit (Bütçe Açığı İçin Hazineden Muavenet)		15
	Total of Third Chapter (Üçüncü Kısım Yekünü)		
	Grand Total (Cem'an Yekün)		
Except for the revenues mentioned as a separate item in the budget under the name of provincial revenues (Elif), which are specifically regulated by law according to the (Te) Schedule, other revenues that fall within the same jurisdiction will be recorded under a separate heading for limitation purposes. Transcription to the latin alphabet of original document part shown as: “(Elif) Bütçede ayrı bir madde olarak zikr olunmuş varidat haricinde kalan ve fakat cibilliyeti bir kanunda nizama müstenit olduğu (Te) Cedvelde gösterilen varidat bu nam tahditte ayrı ada kaydolunur.”			

Table 5 shows the provincial special administration's ordinary revenue budget. Ordinary Budget Revenue consists of 15 chapters. Among the chapters, Revenue from Monopolies and Labor draws attention with 6 sub-items.

سنة	نوع واردات	مبلغ
	مردود رسوم وبدلات	۲
	مؤسسات و املاك حائزاتی	۱۰
	مؤسسات زراعية ، صناعية و تجاربه حاصلاتی	۱
	مكاتب و اردات	۲
	خسته خانه حاصلاتی	۳
	مطبعة و رسمى غزیه و اردات	۴
	املاك و عقارات حاصلاتی	۵
	صايلان اشيا بدلی	۶
	ولایت عائد حصه منتع	۱۱
	زراعت باغیسی حصه منتی	۱
	شركتگر حاصلاتدن ولایت حصه منتی	۲
	حاصلات منفردة (۱)	۱۲
	استردادات	۱۳
	ایکجه قسمة بکونی	
	اوربهمی قسم : اعانات	
	اعانات و تبرعات	۱۴
	بودجه آجینی ایچون خزینة دن معاونت	۱۵
	اوچجی قسمة بکونی	
	عمله بکونی	
	(۱) بودجه آجینی بر ماده اوله رق ذکر اولمش واردات خارچنده قالان و فقط جانی بر قانون و یا نظامه مستد اولدینی (ت) جدولده کوستریلان واردات بونام مختده ابراد قید اولور	

سنة	نوع واردات	مبلغ
	برنجی قسم : نالیف امیر کورنات منفردی	
	اعشار حصه اعاناتی	۱
	حصه نافع معادلی خزینة دن آله حق تخصیصات	۱
	حصه معارف معادلی خزینة دن آله حق تخصیصات	۲
	مسفقات و برکوسی معارف حصه منتی	۲
	منتع و برکوسی منتع ولایت حصه منتی	۳
	انعام، دوه، جاموس و خجوار رسومه منتع ولایت حصه منتی	۴
	فراغ و انتقال خرچلیرینه منتع ولایت حصه منتی	۵
	بدل تقدی عسکری به منتع ولایت حصه منتی	۶
	طریق ولایت حصه منتی	۷
	مسفقات و برکوسی منتع طریق ولایت حصه منتی	۱
	منتع و برکوسی منتع طریق ولایت حصه منتی	۲
	حرب و برکوسی قانونک اوچجی و سکرنجی ماده اولده محرد توقیعا منتع اولتان طریق ولایت حصه منتی	۳
	برنجی قسمة بکونی	
	ایکجه قسم : کورنات منفردی داهر واردات منفردی	
	طریق بدلات تقدیسی	۸
	رسومات	۹
	ذبحه رسمی ولایت حصه منتی	۱

Fig.12: Provincial Special Administration's Ordinary Revenue Budget

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14-.

Table 6: Provincial Special Administration's Ordinary Expenses Budget

Provincial Special Administration's Ordinary Expenses Budget (İdaret-i Hususinin ve Vilayet Masarif Adi Bütçesi)			
...Account of	Type of Expenses (Nev-i Mesarif)	Article (Madde)	Chapter (Fasıl)
	First Part: General Assembly and Special Provincial Accounting Council (Birinci Kısım: Meclis-i Umum-i ve Muhasebe-i Hususi Vilayet)		
	General Assembly of Special Services (Meclis-i Umum-i Muhassasat)		1
.....	Daily Allowances of Members (Aza Yevmiyeleri)	1	
.....	Provincial Special Accounting Council (Encümen-i Vilayet Muhassasat)	2	
.....	Total of the First Part (Birinci Kısımın Yekünü)		
	Salaries of Special Accounting and Provincial and Council Offices (Muhasebe -i Hususiye ve Vilayet ve Encümen Kalemlerinin Maaşatı)		2
.....	Salaries of Special Accounting Director and Staff (Muhasebe-i Hususiye Müdür ve Memurları Maaşatı)	1	
.....	Salaries of Provincial Council Office (Encümeni Vilayet Kalemi Maaşatı)	2	
.....	Salary of the Clerk in Charge (Müstahdemin Müteferrika)	3	
.....	Total of the Second Part (İkinci Kısımın Yekünü)		
	Various Expenses (Masarif-i Mütenevviye)		3
.....	Travel Expenses (Harcırah)	1	
.....	Repairs (Tamirat)	2	
.....	Furniture and Equipment (Mefruşat)	3	
.....	Lighting and Heating (Tenvir ve Teshin)	4	
.....	Stationery and Printed Materials (Kırtasiye ve Evrak-i Matbua)	5	
.....	Various Expenses (Masarif-i Müteferrika)	6	
.....	Rental expenses (İcarat)	7	
.....	Communication Expenses for Special Services Adaret-i Hususiyeyse Ait Muhaberat Masarifi	8	
.....	Total of the Third Part (Üçüncü Fasılın Yekünü)		
.....	First Part Total (Birinci Kısımın Yekünü)		
	Second Part: Roads and Bridges (İkinci Kısım: Turuk ve Maâbir Vilayet)		
	Salaries of Technical Officials and Clerks (Memurları Fenniye ve Müstahdemin Maaşatı)		4
.....	Salaries of Technical Officials (Memurları Fenniye Maaşatı)	1	
.....	Clerks and Copyists (Katib ve Müstahdemin Müteferrika)	2	
.....	Permanent Workers' Wages (Tamirci Amele-ü Daimesi)	3	
.....	Chapter Four Total (Dördüncü Fasılın Yekünü)		
	Exploration and Repairs (Keşifat ve Tamirat)		5
	Expenses of Regular and Essential Repairs (Tamirat-ı Mütemediye ve Esasiye Masarifi)	1	
	Cost of Requested Explorations (İstenen Keşifat Masarifi)	2	
.....	Chapter Five Total (Beşinci Fasılın Yekünü)		
	Miscellaneous Expenses (Masarif-i Mütenevvia)		6
.....	Permanent Technical Officials' Expenses and Committee Requested Exploration Allowances (Memurları Daimi Fenniye ve Heyet İstenen Keşifat Harcırahı)	1	
.....	Cost of Warehouse Permits (Anbarlar Bedel İcaazi)	2	
.....	Cost of Cylinder (Silindir Masrafı)	3	
.....	Transportation and Repair Expenses of Tools and Equipment (Alet ve Edevatın Nakliye ve Tamiriyesi)	4	
.....	Expenses of Lighting, Heating, and Decoration of Goods and Others (Mefruşat Tenvir ve Teshin Vesaire Masraf Müteferrik)	5	

.....	Chapter Six Total (Altıncı Fasilın Yekünü)		
.....	Second Part Total (İkinci Kısımın Yekünü)		
	Third Part: Matters of Education (Üçüncü Kısım: Umur-i Maarif)		
	Education Inspectors (Maarif Müfettişleri)		7
.....	Inspectors' Salaries (Müfettişler Maaşatı)	1	
.....	Inspectors' Patrol Expenses (Müfettişler Masarif-i Devriyesi)	2	
.....	Chapter Seven Total (Yedinci Fasilın Yekünü)		
	Secondary Education (Tedrisat-i Taliye)		8
.....	School Management Salaries (Mekteb İdare-i Maaşatı)	1	
.....	School Management Expenses (Mekteb İdare-i Masraf-i)	2	
.....	Chapter Eight Total (Sekizinci Fasilın Yekünü)		
	Primary Education (Tedrisat-i İptidaiye)		9
.....	Primary School Teachers' Salaries (Mekteb-i İbtidaiye Maaşatı)	1	
.....	Primary School Expenses (Mekteb-i İbtidaiye Masarif-i Daimesi)	2	
.....	Chapter Nine Total (Dokuzuncu Fasilın Yekünü)		
	Teachers' Training School (Dar-ül Mualimin)		10
.....	Teachers' Training School Salaries (Dar-ül Mualimin Maaşatı)	1	
.....	Teachers' Training School Expenses (Dar-ül Mualimin Masarif-i Daimesi)	2	
.....	Chapter Ten Total (Onuncu Fasilın Yekünü)		
	Printing Expenses (Masarif-i Matbua)		11
.....	School Printing and Repair Expenses (Mekteb Masarif Tamiriyesi)	1	
.....	Travel Allowance (Harcırah)	2	
.....	Renting Out (İcaret)	3	
.....	Chapter Eleven (Onbirinci Fasilın Yekünü)		
.....	Total of Part Three (Üçüncü Kısımın Yekünü)		
	Part Four: Agricultural, Commercial, and Industrial Affairs (Dördüncü Kısım: Umur-ı Ziraatiye Ticariye ve Sınaiye)		
.....	Agricultural School (Çiftçilik Mektebi)		12
.....	Director, Officer, and Employee Salaries (Müdür Memurin ve Müstahdemin Maaşatı)	1	
.....	Current Expenses (Masarif-i Daimesi)	2	
.....	Total of Chapter Twelve (On İkinci Fasilın Yekünü)		
	Sample Field (Numune Tarlası)		13
.....	Officer and Employee Salaries (Memurin ve Müstahdemin Maaşatı)	1	
.....	Current Expenses (Masraf-i Daime)	2	
.....	Repair and Miscellaneous Equipment Expenses (Alet ve Edevat Tamirat ve Masraf Müteferrik)	3	
.....	Total of Chapter Thirteen (On Üçüncü Fasilın Yekünü)		
	Agricultural Equipment Depot (Aleti Ziraiye Deposu)		14
.....	Officer and Employee Salaries (Memurin ve Müstahdemin Maaşatı)	1	
.....	Current Expenses (Masraf-i Daime)	2	
.....	Agricultural Equipment Expenses and Transport (Alet Edevat Ziraat-E Masraf ve Nakliyesisi)	3	
.....	Total of Chapter Fourteen (On Dördüncü Fasilın Yekünü)		
	Breeding Animal Depot (Damızlık Hayvanat Deposu)		15
.....	Officer and Employee Salaries (Memurin ve Müstahdemin Maaşatı)	1	
.....	Current Expenses (Masraf-i Daime)	2	
.....	Total of Chapter Fifteen (On Besinci Fasilın Yekünü)		
	Industrial School (Sınaiye Mektebi)		16
.....	Director, Officer, and Employee Salaries (Müdür Memurin ve Müstahdemin Maaşatı)	1	
.....	Current Expenses (Masraf-i Daime)	2	
.....	Raw Materials Cost (Ham Eşya Bedeli)	3	
.....	Total of Chapter Sixteen (On Altıncı Fasilın Yekünü)		
	Part Five: Charitable and Health Affairs (Beşinci Kısım: Umur-i Hayriye ve Sıhhiye)		

.....	Hospital (Hasta-Hane)		17
.....	Salaries (Maaşat)	1	
.....	General Expenses (Sarf-i Umumiye)	2	
.....	Total of Chapter Seventeen (On Yedinci Fasılın Toplamı)		
	Orphanage (Dar-ül Yetim Muhassasatı)		18
.....	Total of Chapter Eighteen (On Sekizinci Fasılın Yekünü)		
.....	Total of Part Five (Beşinci Kısımın Yekünü)		
	Part Six: Miscellaneous Expenses (Altıncı Kısım: Masarif-i Muhtelif)		
	Vilayet Printing Press (Matbua Vilayet)		19
.....	Salaries of Vilayet Printing Press (Matbua Vilayet Maaşatı)	1	
.....	General Expenses of Vilayet Printing Press (Matbua Vilayet Masraf-i Umumiyesi)	2	
.....	Total of Chapter Nineteen (On Dokuzuncu Fasılın Yekünü)		
	Revenue from Tithes and Obligatory Payments to the Ziraat Bank (Ziraat Bankasına Ait Aşar-u Hasse Meblağı)		20
.....	Total of Chapter Twenty (Yirminci Fasılın Yekünü)		
.....	Collection Expenses (Masraf-i Tahsiliye)	1	
.....	Ziraat Bank Membership Fees (Ziraat Bankası Aidatı)	2	
	Personal Revenue Collection Expenses (Varıdat-i Hususiye Masraf Tahsiliyesi)		21
.....	Total of Chapter Twenty-One (Yirmi Birinci Fasılın Yekünü)		
	Expenses for the Administration's Daily Operations and Real Estate (İdaret- Hususiyeye Aiden Amel-i Gün ve Akarat Masraf-i)		22
	Total of Chapter Twenty-Two (Yirmi İkinci Fasılın Yekünü)		
	Court Expenses (Masarif-i Muhakeme)		23
.....	Total of Chapter Twenty-Three (Yirmi Üçüncü Fasılın Yekünü)		
	Rejection (Reddiye)		24
.....	Total of Chapter Twenty-Four (Yirmi Dördüncü Fasılın Yekünü)		
	Unauthorized Expenses (Masraf-i Gayr Mulhuza (Masraf-i Gayrı Melhuza))		25
.....	Total of Chapter Twenty-Five (Yirmi Beşinci Fasılın Yekünü)		
.....	Total of Part Six Altıncı Kısımın Yekünü)		
	Part Seven: Miscellaneous Expenses (Yedinci Kısım: Müstakfirzat)		
	... Year Interest and Repayment of Public Debt (... Senesi İstikraz Faizi ve Resül Mal Taksidi)		26
.....	Total of Chapter Twenty-Six (Yirmialtıncı Fasılın Yekünü)		
.....	Total of Part Seven (Yedinci Kısımın Yekünü)		
.....	Grand Total (Cem'an Yekün)		

Table 6 shows the provincial special administration's ordinary expenses budget. Ordinary expenses budget consists of 26 chapters. Among the chapters, various expenses labor draws attention with 8 sub-items and miscellaneous expenses with 5 sub-items.

سنه	نوع خصصات	رقم	سنه	نوع واردات	رقم
۸	ایکلی قسم : طرح و معابر ولایت			برنجی قسم : مجلس عمومی و کاتبه مخصوصه ولایت	
	مأمورین فیه و مستخدمین معاشاتی	۴		مجلس عمومی خصصاتی	۱
	۱ مأمورین فیه معاشاتی	۱		۱ اعضا یوبه لری	۱
	۲ کتبه و مستخدمین مترقه	۲		۲ انجمن ولایت خصصاتی	۲
	۳ تعمیراتی عمده دائمی	۳		برنجی فصلک بکونی	
	دردنخی فصلک بکونی			حسابه خصوصه ولایت و انجمن قلماری معاشاتی	۲
	کشفیات و تعمیرات	۵		۱ حسابه خصوصه مدیر و مأمورین معاشاتی	۱
	۱ تعمیرات نمادیه و اساسیه مصارف	۱		۲ انجمن ولایت نفس معاشاتی	۲
	۲ استکشافات مصارف	۲		۳ مستخدمین مترقه	۳
	بشنجی فصلک بکونی			ایکلی فصلک بکونی	
	مصارف متنوعه	۶		مصارف متنوعه	۳
	۱ مأمورین دائمه فیه و هیئت استکشافیه خرج راهی	۱		۱ خرج راه	۱
	۲ ایاب و آبرو بدل ابجاری	۲		۲ صرمت	۲
	۳ سیلندر مصارف	۳		۳ مفروشات	۳
	۴ آلات و ادوات نظیه و تعمیریه سی	۴		۴ تنویر و تسخین	۴
	۵ مفروشات سویر و تسخین و سایر مصارف مترقه	۵		۵ قرطابیه و اوراق مطبوعه	۵
	آلتنجی فصلک بکونی			۶ مصارف مترقه	۶
	ایکلی قسمک بکونی			۷ اجازات	۷
	اورجی قسم : امور معارف			۸ اداره خصوصیه عائد اخبارات مصارف	۸
	معارف مفتشلی	۷		اورجی فصلک بکونی	
	۱ مفتش معاشاتی	۱		برنجی قسمک بکونی	
	۲ مفتش مصارف دوریه سی	۲			
	بدنخی فصلک بکونی				

Fig.13. Provincial Special Administration's Ordinary Expense Budget

Continue of Fig.13

ردیف	نوع مخصصات	ردیف	نوع مخصصات	ردیف	نوع مخصصات
	در دروغی قسم : امور زراعت ریخته رصاعه		تدریسات ناله	۸	
۱۲	جفتجیلک مکتبی		مکتب اعدادی معاشانی	۱	
۱	مدیر و معلمین و مستخدمین معاشانی		مکتب اعدادی مصارف	۲	
۲	مصارف دائمی		سکوزنجی فصلک بکونی		
	اون اکتبی فصلک بکونی		تدریسات ابتدایی	۹	
۱۳	نمونه ناولاسی		مکتب ابتدایی معاشانی	۱	
۱	مأمورین و مستخدمین معاشانی		مکتب ابتدایی مصارف دائمی	۲	
۲	مصارف دائمی		طقوزنجی فصلک بکونی		
۳	آلات و ادوات تعمیراتی و مصارف متفرقه سی		دارالمعلمین	۱۰	
	اون اوچنجی فصلک بکونی		دارالمعلمین معاشانی	۱	
۱۴	آلات زراعتی دیوسی		دارالمعلمین مصارف دائمی	۲	
۱	مأمورین و مستخدمین معاشانی		اوچی فصلک بکونی		
۲	مصارف دائمی		مصارف متنوعه	۱۱	
۳	آلات و ادوات زراعتی مصارف و نقلی سی		مکتب مصارف تعمیراتی	۱	
	اون دردنچی فصلک بکونی		خرجه راه	۲	
۱۵	دامیزلق حیوانات دیوسی		مکتب اجاراتی	۳	
۱	مأمورین و مستخدمین معاشانی		اون رنجی فصلک بکونی		
۲	مصارف دائمی		اوچنجی فصلک بکونی		
	اون بشنجی فصلک بکونی				
۱۶	صنایع مکتبی				
۱	مدیر و معلمین و مستخدمین معاشانی				
۲	مصارف دائمی متنوعه				
۳	خام اشیاء بدلی				
	اون آلتنجی فصلک بکونی				

Continue of Fig.13

نوع مخصصات	رقم	نوع مخصصات	رقم
مصروف حاکمہ	۲۳	بشقی قسم : امور فہرہ درجہ	
بکرمی اونچی فصلک بکونی		خستہ خانہ	۱۷
ردبان	۲۴	معاشات	۱
بکرمی دردنجی فصلک بکونی		مصروف عمومیہ	۲
مصروف غیر ملحوظہ	۲۵	اون بدنجی فصلک بکونی	
بکرمی بشقی فصلک بکونی		دارالایتام مخصصاتی	۱۸
آلتنجی فصلک بکونی		اون سکرنجی فصلک بکونی	
برنجی قسم : مستقرضات		بشقی فصلک بکونی	
..... سہمی استقرض فائض ورأس المال تسبیطی	۲۶	آلتنجی قسم : مصروف فنڈ	
بکرمی آلتنجی فصلک بکونی		مطبوعہ ولایت	۱۹
بدنجی فصلک بکونی		مطبوعہ ولایت معاشاتی	۱
جملہ بلوہ		مطبوعہ ولایت مصروف عمومیہ	۲
		اون طفوزنجی فصلک بکونی	
		زراعت باقہ سہ عائد اعشار حصہ منافی	۲۰
		بکرمی فصلک بکونی	
		مصروف تحصیلہ	۲۱
		زراعت باقہ سہ عائداتی	۱
		واردان خصوصیہ مصروف تحصیلہ	۲
		بکرمی برنجی فصلک بکونی	
		ادارہ خصوصیہ عائدات کن و غفارات مصارف	۲۲
		بکرمی ایکنجی فصلک بکونی	

Fig.13. Provincial Special Administration's Ordinary Expense Budget

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14-.

Extraordinary Budget Regulation⁹

Article 1: An extraordinary allocation of ... guruş has been made for the financial year in accordance with the attached table.

Article 2: Corresponding to this extraordinary allocation, a revenue allocation of ... guruş has been made in accordance with the attached table.

Article 3: An additional fractional amount has been added to the ... tax at a rate of ... percent to cover the extraordinary expenses.

Article 4: The budget balances related to the new construction and facilities expenses that could not be settled and paid in the previous year will be included in this year's budget and added to this budget.

Article 5: The province is authorized to borrow, provided that it does not exceed the allocated ... guruş in the budget.

Article 6: The execution of this regulation is the responsibility of the ... province.

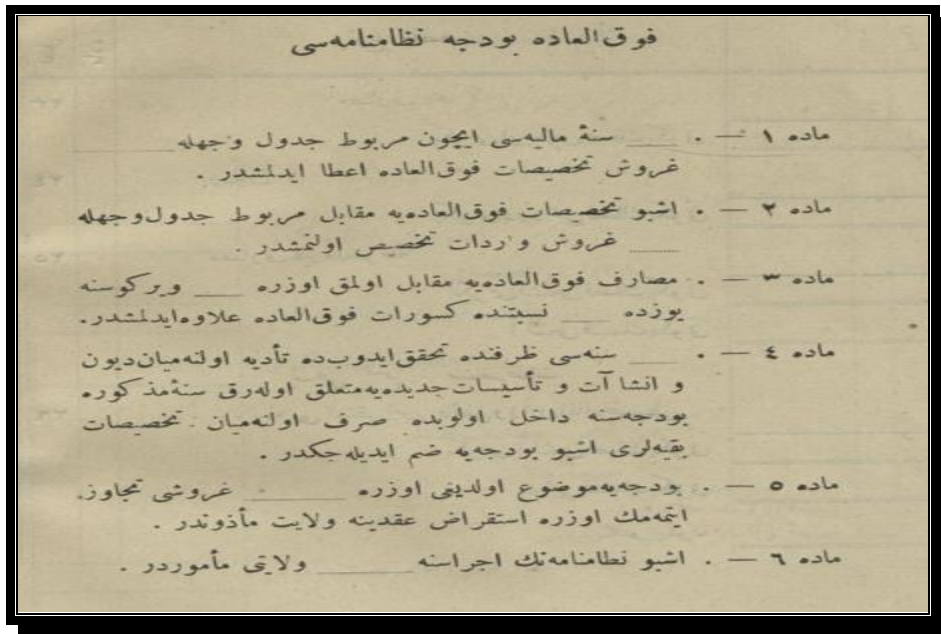


Fig.14. Extraordinary Budget Regulation

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

⁹ Transcription to the latin alphabet of original document part shown as:

Fevkalade Bütçe Nizamnamesi

Madde 1: Seneyi maliyesi için merbut cetvel veçhiyle gurus tahnisat fevkalade itaa edilmiştir.

Madde 2: is bu tahnisat-i fevkaladeye mukabil cetvel veçhiyle gurus varidat tahnisat olunmuştur.

Madde 3: Masarif-i fevkaladeye mukabil olmak üzere Vergisine yüzde nispetinde küsurat fevkalade ilave edilmiştir.

Madde 4: Senesi zarfında tahkik edilip de tediyeye olunamayan divan ve inşaat ve tesisat-i cedideye mütalik olunarak senemize göre bütçesine dahil olup da sarf olunamayan tahnisat bakiyeleri iş bu bütçeye zammedilecektir.

Madde 5: Bütçeye mevzu olduğu üzere ... gurusa tecavüz etmemek üzere istikraza vilayet mezundur.

Madde 6: İş bu nizamnamenin icrasına Vilayeti me'murdur.

Table 7: Extraordinary Budget Revenues of the Year

Extraordinary Budget Revenues of the Year ... (... Senesinin Fevkalade Bütçe Varidatı)		
Gurush (Guruş)	Type of Revenue (Nev-i Varidat)	Chapter (Fasıl)
.....	Excess Revenue of Ordinary Budget (Adi Bütçenin Fazla Varidatı)	1
.....	Revenue from Loans (İstikraz Hasılatı)	2
.....	Supplementary Fractional Taxes on ... (... Vergisine Munzam Küsürat-i Fevkalade)	3
.....	Supplementary Fractional Taxes on ... (... Vergisine Munzam Küsürat-i Fevkalade)	4
.....	Assistance from Treasury (Hazineden Muavenet)	5
.....	Total (Yekün)	

Table 7 shows the extraordinary budgeted revenue types and the total revenue for a given year. The extraordinary budgeted revenue consists of 5 chapters. The main types of budgeted income in the table; Excess Revenue of Ordinary Budget, Revenue from Loans, Supplementary Fractional Taxes, Assistance from Treasury items.

نوع واردات	غروش	رقم
عادی بودجه نك فضله وارداتی		۱
استقراض حاصلاتی		۲
... ویرکوسه منضم کسورات فوق العاده		۳
... ویرکوسه منضم کسورات فوق العاده		۴
خرینه دن معاونت		۵
مکون		

Fig.15. Extraordinary (Emergency) Budget Revenues of the Year

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD.. / 10- 14 -.

Table 8: Extraordinary Budget Expenditures of the Year ...

Extraordinary Budget Expenditures of the Year ... (... Senesinin Fevkalade Bütçe Mesarifatı)		
Gurush (Guruş)	Type of Expenditures ((Nev-i Mesarifat)	Chapter (Fasıl)
	First Section: Roads and Bridges (Birinci Kısım: Turuk ve Maâbir)	
.....	Expenditure for Construction of ...- ... Road 1(...- ... Yolunun Mesaraf-i İnşaiyesi)	1
.....	Expenditure for Construction of ...- ... Road 2 (...- ... Yolunun Mesaraf-i İnşaiyesi)	2
.....	Total of the First Section (Birinci Kısımın Yekünü)	
	Second Section: Educational Affairs (İkinci Kısım: Umur-i Maarif)	
.....	Expenditure for Construction of Primary Schools (Mektep-i İptidaiye Mesaraf-i İnşaiyesi)	3
.....	High Schools (İdadiye)	4
.....	Teachers' Training School (Dar-i Muallimin Mektebi)	5
.....	Total of the Second Section (İkinci Fasılın Yekünü)	
	Third Section: Agricultural, Industrial, and Commercial Affairs (Üçüncü Kısım: Umur-i Ziraat ve Sınaiye ve Ticaret)	
.....	Expenditure for Allocation of Sample Field (Numune Tarlası Masarif Tahsisiyesi)	6
.....	Expenditure for Construction of Livestock Breeding Station (Damızlık Hayvanat Deposu Masraf İnşaiyesi)	7
.....	Price of Livestock to be Purchased (Mubayaa Olunacak Damızlık Hayvanat Bedeli)	8
.....	Price of Agricultural Tools (Aleti-i Ziraatı Bedeli)	9
.....	Expenditure for Construction of Industrial (Sanayi Mektebi Masraf İnşaiyesi)	10
.....	Total of the Third Section (Üçüncü Fasılın Yekünü)	
	Fourth Section: Lakes and Swamps (Dördüncü Kısım: Göl ve Bataklıklar)	
.....	Expenditure for Improvement of ... Lake (... Gölünün İslâhiye Mesarafi)	11
.....	Expenditure for Reclamation (... Bataklığının Teybis Mesarafi)	12
.....	Total of the Fourth Section (Dördüncü Fasılın Yekünü)	
	Fifth Section: Charitable and Health Affairs (Beşinci Kısım: Umur-i Hayriye ve Sıhhiye)	
.....	Expenditure for Construction of Hospital (Hasta-Hane Masraf İnşaiyesi)	13
.....	Sanatorium (Bimar-Hane)	14
.....	Total of the Fifth Section (Beşinci Fasılın Yekünü)	
.....	Grand Total (Cem'an Yekün)	

Table 8 shows the extraordinary, budgeted types of expenses and the total expense for a given year. The extraordinary budgeted expenses consists of 14 chapters. The main types of budgeted expenses in the table; roads and bridges, educational affairs, agricultural, industrial, and commercial affairs, lakes and swamps and charitable and health affairs.

..... سنه سنك فوق العاده بودجه مصارفاتى		
ع	نوع مخصصات	غروش
	برنجى قسم طرق ومعارف	
١ -	يولك مصارف انشائيه
٢ -	يولك مصارف انشائيه
	برنجى قسمك يكونى	
	ايكنجى قسم - امور معارف	
٣	مكاتب ابتدائيه مصارف انشائيه	
٤	» اعداديه »	
٥	» دارالمعلمين مكتبي	
	ايكنجى قسمك يكونى	
	اوچنجى قسم - امور زراعت وصنایع وتجاره	
٦	نمونه تارلاسى مصارف تاسيسيه	
٧	داميزلق حيوانات دپوسى مصارف انشائيه	
٨	مبايعه اولته جق داميزلق حيوانات بدلى	
٩	الات زراعيه بدلى	
١٠	صنایع مكتبي مصارف انشائيه	
	اوچنجى قسمك يكونى	

Fig.16. Extraordinary Budget Expenditures of the Year ...

Continue of Fig.16.

غروش	نوع مخصصات	ح
	دردنجی قسم - کول و بظاقلقر	
	... کولنک اصلاحی مصارفی	۱۱
	... بظاقلنک تبیس مصارفی	۱۲
	دردنجی قسمک یکونی	
	بشنجی قسم - امور خیریه و صحیه	
	خسته خانه مصارف انشایی	۱۳
	بیمار خانه	۱۴
	بشنجی قسمک یکونی	
	عمله یکونی	

Fig.16. Extraordinary Budget Expenditures of the Year ...

Source: Screenshot from Başbakanlık Osmanlı Arşivleri (BOA), Vilayât Muhasebe-i Hususiyelerinde Tutulacak Kuyûd ve Hesab Defterleri Hakkında Maliye Nezareti'nce Tertip Edilmiş Talimatnamenin Gönderildiği. DH.İD../ 10- 14 -.

4. CONCLUSION

This research paper offers a comprehensive analysis of the financial development of the Ottoman Empire, with a specific focus on the regulation named "Instructions Prepared by the Ministry of Finance Concerning the Records and Account Books to be Kept in the Special Accounting of the Provinces". The study effectively underscores the significance of this regulation in structuring the ordinary and extraordinary budgets and its consequential impact on the accounting offices of the provinces. The obligatory nature of these budgets and the unique method of representing income and expenses using different charts, such as Elif, Be, Te, etc., add depth to the analysis.

However, like all research, this study is not without its limitations. The primary constraint is the reliance on a single archival source, which, while providing a rich and detailed account of the budgeting practices, may not capture the full complexity of the financial development of the Ottoman Empire. Additionally, the study could have delved deeper into the implications of these budgeting practices on the overall financial development of the Empire.

Future research could address these limitations by incorporating a broader range of archival sources to provide a more comprehensive understanding of the financial development of the Ottoman Empire. This could include examining other regulations, financial records, and correspondences that could shed light on the broader economic context within which these budgeting practices were implemented. Furthermore, future studies could also explore the broader implications of these budgeting practices, including their impact on economic policy, governance, and societal development.

The study of accounting history through archival sources, as demonstrated in this research, is of paramount importance. It not only provides insights into the financial practices and economic structures of the past but also helps us understand the evolution of accounting practices and their role in shaping economic and societal development. This research, therefore, contributes to the broader field of accounting history by shedding light on the unique budgeting practices of the Ottoman Empire, thereby enriching our understanding of its financial development.

While this research provides a thorough analysis of the regulation and its impact on budgeting practices in the Ottoman Empire, there is ample scope for future research to build upon these findings and further our understanding of the financial development of the Ottoman Empire.

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THE OTTOMAN BANK AND THE EVOLUTION OF DOUBLE-ENTRY BOOKKEEPING IN 19TH CENTURY TURKEY

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ABSTRACT

The aim of this paper is to examine the first application process of the double-entry bookkeeping method in the second half of the 19th century in Turkey and to demonstrate how the said application won recognition and became widespread. This paper also aims to determine how the double-entry bookkeeping method was adopted by the state and replaced the stairs method, which had been applied until then in state accounting. The study was conducted by examining the accounting records and financial statements of the Ottoman Bank in the 19th century, and the documents in the archive in Istanbul where the accounting records and the financial statements are stored, were used as well as research on the Ottoman Bank. The research covers the time period beginning with the establishment of the Bank and extending until the early 19th century during when the double-entry bookkeeping method began to become widespread in Turkey. The findings attest to the fact that the Ottoman Bank pioneered in the modernization of banking and contributed to the adoption of the double-entry bookkeeping method in Turkey in the said time period.

Keywords: Transition to the double-entry bookkeeping method in the Ottoman Empire, the Ottoman Bank, 19th century.

Jel Classification: G21, M49, N20.

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OSMANLI BANKASI VE 19. YÜZYIL TÜRKİYE'SİNDE ÇİFT YANLI DEFTER TUTMANIN GELİŞİMİ

ÖZ

Bu makalenin amacı, çift yanlı kayıt yönteminin Türkiye'de 19. yüzyılın ikinci yarısında ilk uygulanma sürecini incelemek ve söz konusu uygulamanın nasıl tanınıp yaygınlaştığını ortaya koymaktır. Bu makale aynı zamanda çift yanlı kayıt yönteminin devlet tarafından nasıl benimsendiğini ve devlet muhasebesinde o zamana kadar uygulanan merdiven yönteminin yerini nasıl aldığını ortaya koymayı amaçlamaktadır. Çalışma Osmanlı Bankası'nın 19. yüzyıla ait muhasebe kayıtları ve mali tabloları incelenerek yapılmış olup, Osmanlı Bankası ile ilgili araştırmaların yanı sıra muhasebe kayıtlarının ve mali tabloların saklandığı İstanbul arşivindeki belgelerden de yararlanılmıştır. Araştırma, Banka'nın kuruluşundan başlayarak, Türkiye'de çift yanlı kayıt yönteminin yaygınlaşmaya başladığı 19. yüzyılın başlarına kadar uzanan zaman dilimini kapsıyor. Bulgular, söz konusu dönemde Osmanlı Bankası'nın bankacılığın modernleşmesine öncülük ettiğini ve Türkiye'de çift yanlı kayıt yönteminin benimsenmesine katkıda bulunduğunu ortaya koyuyor.

Anahtar Sözcükler: Osmanlı'da çift yanlı kayıt yöntemine geçiş, Osmanlı Bankası, 19. Yüzyıl.

JEL Sınıflandırması: G21, M49, N20.

1. INTRODUCTION

The double-entry bookkeeping method was introduced into the Ottoman Empire with the Turkish Commercial Code which came into effect in 1850 (Güvemli, Aslan, 2018). Until then, the Ottomans had known the accounting method called the stairs method and applied it in state accounting. The small scaled private sector organizations, on the other hand, used to meet their own requirements by means of simple records, apart from primitive experimentations of the double-entry bookkeeping method (Güvemli, 2000:75-82; Özbirecikli, 2011). The Turkish Commercial Code drafted by means of the translating Book 1 and Book 3 of the French Commercial Code of 1807 was put into effect in such an environment. The said code required the use of the day book and the inventory book which were to be kept according to the double-entry bookkeeping method.

It is observed that the application of the said commercial code remained limited. This situation was the result of two reasons, one being commercial laws, and the other being the accounting culture. The reason concerning the commercial law was related to the fact that Sharia law governed commercial law in the Empire. In other words, contemporary commercial law was put into effect without changing the civil law. The second reason concerning the accounting culture was different from the first one in nature. The accounting culture of the Ottomans was not ready for the books to be kept according to the double-entry bookkeeping method required in the new code. For, the Ottoman accountants did not have any information about the double-entry method. Until that date, no book on the double-entry method had been translated and the method had not been taught in the schools.

In this situation, important tasks fell upon the foreign companies that were to be established by taking advantage of the new commercial code. The circumstances required the

foreign organizations that would enter the Ottoman Empire to be from the banking sector. The Ottoman Bank was a pioneering organization established in the said conjuncture and which contributed to the quick transformation of the understanding of accounting.

When modernization movements started following the proclamation of the Tanzimat in 1839, one of the first requirements was to support banking activities in order to realize economic development (Kazgan, 1997: 25). However, it is observed that the first banks started to be established towards the 1850s. The first bank established in the said period was the Istanbul Bank (Banque de Constantinople). The life of this bank, the purpose of which was to finance export, was of short duration and it was closed towards the mid-1850s, five years after its establishment. The second bank established after the closing of the Istanbul Bank was the Ottoman Bank. The Ottoman Bank was successful and paved the way for the establishment of new banks. However, the lives of *Banque de Turquie* and *Union Financiere*, which were established with the inspiration of the Ottoman Bank, were of short duration. In other words, the Ottoman Bank was the only bank that survived, grew and thus continued to be a pioneering and guiding institution.

The Ottoman Bank played a guiding role in the field of banking and pioneered in the accounting practices based on the double-entry bookkeeping method throughout the second half of the 19th century. The most important evidence of the said role is that the applications of the Ottoman Bank were cited in the Ottoman decree regulating the transition to the double-entry bookkeeping method. In the Report dated January 9, 1880 submitted to the Sultan for approval by the Financial Reform Commission which requested the application of the double-entry bookkeeping method in state accounts kept by the Ministry of Finance instead of the stairs method, there are references to the modern applications of the Ottoman Bank and the following statements are especially remarkable (BOA, DUIT37-2/7-214):

Even though there seems to be little difference between the Ottoman Bank and the Ministry of Finance... the need to modernize the applications of the Treasury is evident and it will be appropriate... to remedy certain deficiencies and, in the meantime, to keep the accounts according to the double-entry bookkeeping method.

There is also another reason that the Ottoman Bank was cited in the state's report regulating the transition to the double-entry bookkeeping method. For, in order to improve the monetary system of the Ottoman Empire and to facilitate borrowing activity, the name of the bank was changed to *Banque Impériale Ottomane* (Imperial Ottoman Bank) and thus emerged a credit institution that was in a close relation to the state. In such a situation, the success of an institution, which was in a close relation to the state, in applying the double-entry bookkeeping method, could be easily cited by the state officials.

In what follows, firstly the establishment process of the Ottoman Bank will be briefly explained and then the accounting books and the financial statements of the Bank will be presented and examined.

2. THE ESTABLISHMENT AND GROWTH OF THE OTTOMAN BANK

The Ottoman Bank was established in Istanbul in 1856 as a British bank and started operations on June 13, 1856 in its building on the Istanbul Banks Street, which is a museum today. It is obvious that if the establishment of the Bank had been further delayed, the transition to the double-entry bookkeeping method would also have been delayed. Therefore, there exists a connection between the establishment of the Bank and the modernization of the accounting system of the country. Thus it is necessary to briefly outline the establishment process of the Bank which is in a sense the process of the introduction of the double-entry bookkeeping method in Turkey. The factors leading to the establishment of the Bank can be listed as follows:

- After the Tanzimat Edict of 1839, the state's education, administrative and financial institutions underwent a rapid process of modernization (İhsanoğlu, 1998:195). It is known that the said process of modernization was felt in the Ministry of Finance most. The fact that the Ministry of Finance was implementing state accounting and had the responsibility of the execution of the financial services (including coining money) had accelerated ventures which would pave the way for the modernization of accounting. Among these was banking which would modernize accounting. For until then there was not a bank in Turkey in the modern sense.
- The Crimean War (1853-1856) was fought together with the British and French against the Russians. Firstly, this war resulted in the destruction of the financial balance of the Ottoman Empire and obliged the Empire to borrow (Velay, 1903; Al, 2007), and secondly the Ottomans began to establish close relations with the British and French. The second impact had facilitated both borrowing and the establishment of the Ottoman Bank.
- Ottoman borrowings continued for a long time and resulted in the establishment of the Administration of the Ottoman Public Debt (Duyun-ı Umumiye İdaresi), which was administered by the creditor countries. However, this organization, which was administered by the representatives of foreign countries, could not be as effective as the Ottoman Bank concerning the modernization of accounting applications and the development of accounting.

It is understood that the growth of the Ottoman Bank was also rapid in the beginning (Autheman, 2002: 24). This observation is also attested by the fact that the Bank opened branches in Izmir, Beirut and Moldavia during the same year.

The essential reason that the Ottoman Bank entered a successful process of growth was the financial developments that emerged in the Ottoman Empire in 1863. It is understood that during the period of Grand Vizier Fuad Pasha, when an emission bank was needed in the face of the financial difficulties caused by the state borrowings, this privilege was decided to be granted to the Ottoman Bank. It is known that the said decision was also affected by the fact that a considerable amount had been borrowed from Britain through the Ottoman Bank. The new form of the privilege of coining money and the joining of the French shareholders together with the British shareholders brought forward the establishment of a bank with capital to which

the Ottomans would also contribute and thus the name of the Bank was changed to *Banque Impériale Ottomane* (Imperial Ottoman Bank) (Eldem, 1999: 55-88; Ottoman Bank, 1988).

After the said change in 1863 the development process of the Bank can be briefly summarized as follows:

- When the Ottoman borrowing crisis resulted in the establishment of the Administration of the Ottoman Public Debt in 1881 which took over borrowing management, which was previously performed by the Ottoman Bank, the Ottoman Bank shifted its activities to the financing of trade and investments.
- It is understood that when the Ottoman Empire allied with Germany and started to fight against the British and French during the World War I, the Ottoman Bank was disqualified from coining money and the bank continued its activities in a limited scope. (www.obarsiv.com, 07.05.2023)
- After the establishment of the Republic of Turkey, the privilege of coining money was delegated to the Republic of Turkey in 1924. However it is understood that the Ottoman Bank continued to perform treasury transactions and preserved its status as a state bank until the establishment of the Central Bank of the Republic of Turkey in 1933. In this year the name of the Bank was also changed in line with national developments.
- The Ottoman Bank was structured as a private commercial bank with a convention signed in 1933 and this status of the bank was settled once and for all with another convention signed in 1952. The Bank continued its activities during the last sixty years of the 20th century (1933-2001) as a private commercial bank until the end of the year 2001 when it was incorporated into Garanti Bank and ceased its activities.
- It should be noted that throughout the second half of the 19th century and in the beginnings of the 20th century, the Ottoman Bank was the biggest bank in the Ottoman Empire in terms of the balance sheet size.³⁹ The Bank, with the said property, served as a model for modern accounting applications and other banks benefited from accountants who had been trained in the Bank. Moreover the Bank also significantly contributed to the development of Turkish banking and the training of Turkish bankers.

The explanations above show that the Ottoman Bank, which pioneered in the application of the double-entry bookkeeping method and thus opened a new period in Turkish accounting thought, was also a pioneer in Turkish banking and has a special place in the history of Turkish banking.

³ In the early 19th century, the balance sheet asset amount of the Banque Imperiale Ottomane was 35.0 million liras, that of the Banque de Selonique was 3.5 million liras, that of the National Bank of Turkey was 1.1 million liras and that of the Banque Commerciale Ottomane was 0.3 million liras (Ferid, 2008:43).

3. ACCOUNTING OF THE OTTOMAN BANK

When the Bank was established with British capital and with the name of "Ottoman Bank", the accounting books were kept in English. The books started to be kept in French when the name of the Bank was changed to La Banque Imperiale Ottomane in 1863 (Eldem, 1994). After the legal Regulation No 805 of 1926 (Official Gazette, 1926) which was put into effect after the establishment of the republic and required the enterprises to make their correspondences and keep their books in Turkish, the Bank started to keep its books in Turkish. On the other hand, as mentioned above, the Bank also kept the books (the day book and the inventory book) required by the Commercial Code of 1850.

The books kept after the year 1858 according to the documents in the Ottoman Bank archives are demonstrated below.

a. Livre de Caisse

Livre de Caisse was the book in which the daily entry and delivery of the cash of the head office of the Bank in Istanbul were kept. While the name of this book was "Cash Book" before 1863, it was called "Livre de Caisse", "Caisse", "Journal de Caisse" after this year. It is observed that as from the year 1875 "Grand Caisse" book was also started to be kept together with "Livre de Caisse". It is noteworthy that "Livre de

Caisse" was continuously kept and thus set an example for other banks as it was kept according to the principles of the double-entry bookkeeping method and was related to the daily book.

b. Journal

It is observed that this book was kept with the name of "Journal" since the beginning until it was started to be kept with the name of "Journal General" as from the year 1883. Interestingly, a separate system of daily bookkeeping was also in place in the agencies and branches. According to the information in hand, these books were kept with the name of "Journal des Agences" until 1884 and the name of the books was changed to "Journal des Succursales" after that year.

c. Grand Livre

It is understood that the book "Grand Livre" was kept separately in each branch.

d. Auxiliary Books

There were a great number of auxiliary books kept by the Ottoman Bank. Some of these are explained below.

- **Recette et Depenses:** It is observed that the incomes and expenses of the Bank were entered in a separate book in the form of an income statement in the period between 1887 and 1890.
- **Administration de la Dette Publique:** When the Ottoman Empire failed to pay its heavy foreign debts, it demanded the restructuring of its debts in 1881 and an institution was established with the name of the Administration of the Ottoman Public Debt in

response to this demand. And the Bank kept auxiliary books in the period between 1882 and 1923 in order to perform its debt follow-up.

- **Caisse des Depots des Titres:** It is understood that these books, in which the accounts of valuable documents were kept, were started to be drafted towards the end of the 19th century and continued to be kept until the 1930s.
- **Billets de LT Serie - Bilet de 5 Medj d'Or Serie:** The first one of these series was started to be kept in 1883 and the second one was kept in the period between 1869 and 1890.

4. FINANCIAL STATEMENTS OF THE OTTOMAN BANK

4.1. Formal Properties of the Financial Statements

Of the financial statements sent by the Bank to the UK, the ones pertaining to the years 1863, 1875, 1885, 1895 and 1910 were presented in the appendices (Appendix 1, 2, 3, 4 and 5). In what follows, firstly, the formal properties of the said financial statements will be explained and then the information in these financial statements will be evaluated.

Financial statements consisted of liabilities and assets (balance sheet) and a profit and loss account. Contrary to the books kept and the financial statements drafted in France, liabilities were written on the left side and assets were written on the right side in the balance sheets prepared in Turkey. In the profit and loss account, profit is written on the left side and loss is written on the right side.

Liabilities and assets ranking in the balance sheet:

- In the balance sheet, the assets were ranked from liquid assets towards non-liquid assets. The logic of the ranking of liabilities was different. Capital was ranked first and short-term resources were followed by long-term resources.
- It is noteworthy that capital not called up was demonstrated among assets.

This style of demonstration was abandoned in 1885 and capital not called up was started to be demonstrated in the passive by being written off the total capital.

Structure of profit and loss account:

- While profit was on the left side in the 1860s, it was started to be written on the right side of the account as from the 1870s.
- While the profit in the balance sheet was being taken as the basis for the profit and loss account until the 1880s, the principle of declaring profits was abandoned in the 1880s and the principle of dividend distribution to shareholders was adopted. In this way, the concept of a profit and loss account became the concept of a reserve and dividend account.

4.2. Contents of the Financial Statements

A. Content of the balance sheets

a. Structure of the assets

- While capital not called up was demonstrated among assets, it was started to be demonstrated in the passive by being written off the capital after the 1880s. While the capital was 2,700.000 pounds in the beginning, it was raised to 10,000.000 pounds in the 1980s.
- When the volume of the business the Bank did with the state increased and when the accounts such as giving advances to the state (statutory advance to the government), buying government bills (participations in advance to the government) and lending to the state in the form of current account (current account with the government) exceeded 40% among the total assets in the 1880s, these accounts started to be shown as a separate set under the assets. This application became rare in the 1890s and unimportant in the 1990s. In other words, the Bank lost its function as the creditor of the state.
- It is noteworthy that in the 1890s ranking was done on the basis of liquidity in the balance sheets of the Bank. For instance in the 1895 yearend balance sheet it is observed that cash assets and assets convertible to cash were brought together so as to constitute the first set; that long-term assets (securities, sundries and bank premises) constituted the second set; and that the debts to be collected from the Ottoman Empire (statutory advance to the government, participation in advances to the government, current account with the government) constituted the third set. It is understood that this understanding of set formation continued also into the 1900s.
- While the asset size of the Bank was 4.4 million pounds in 1863, it rose to 14.6 million pounds in 1875, to 15.1 million pounds in 1885, to 18.8 million pounds in 1895, and to 24.7 million pounds in 1910. It should be noted that of these sizes 1.35 million pounds of capital not called up was present in the assets of the year 1863, and this amount was 5.0 million pounds in the assets of the year 1875.

b. Structure of the liabilities

The passive side of the balance sheet was called liabilities. The content of the passive side of the balance sheet as per years will be briefly explained below.

- While the original capital of the Bank was 2.7 million pounds, the half of which was called up, it rose to 10.0 million pounds at the beginning of the 1870s but half of it remained not called up even in 1910. In other words, the Bank continued its activities with a called up capital of 5 million pounds.
- Due to the emissions implemented by the Bank, a Banknote in Circulation account was present in all balance sheets. The share of these remained always low among the liabilities.
- The total amount of liabilities was always constituted by the current account of sundries which was the equivalent of the current account of sundries included among the assets. While the said resource constituted 30% of total liabilities in the 1880s, it constituted

50% of total liabilities in the 1890s.

- In accordance with the structure of assets, the structure of liabilities was divided into sets in the 1880s. The first set consisted of called up capital and the second set consisted of short-term resources of the Bank. Among these resources were banknotes in circulation, bills payable, current account of sundries and deposits for fixed term. It is observed that statutory reserve, sundries reserve and profit and loss account were ranked as the fourth set. This categorization continued also in the early 20th century.

B. Content of the profit and loss account

- While the concept of income statement was absent, the concept of profit and loss account was dominant, and this understanding continued also in the 20th century. It is noteworthy that the concept of gross profit was included in the administrative board report which presented financial statements to the general board. This information was omitted from the reports as from the 1890s.
- The profit amount included in the balance sheet was always present in the said table as the main amount of the profit and loss account.
- Until the end of the 1870s, the profit amount included in the balance sheet was demonstrated on one side and the profit to be distributed and the amount to remain as capital reserve were demonstrated on the other side.
- From the 1880s, a small amount started to remain in the profit and loss account after the subtraction of reserve and dividend from the profit amount. This amount was started to be included in the next period profit and loss account with the name of "brought from last account." A small amount continued to remain after the subtraction of reserve and dividend in certain percentages from the period profit amount, also in later periods. These amounts continually increased the amount in the said account. It is understood that this amount, which was the result of the absence of reserve-dividend distinction apart from certain percentages, and which was left in the profit and loss account, continued to increase also in the 20th century. However, the said amount was always tried to be set apart from the period profit, and the period profit was taken as the basis in the profit and loss account.

It is observed that when the sundry reserve account included in the balance sheet reached to a high level, the Bank distributed the reserves that accumulated in this account in the 1880s and 1890s and included this distribution in the profit and loss account. Due to this profit distribution policy the profit and loss account was started to be prepared in a different structure. Accordingly, on the left side, firstly legal capital reserve was demonstrated with the name of "10 per cent of profit carried to statutory reserve fund" and share was allocated to the founders and managers with the name of "by the statutes to be appropriated to the founders of the bank" and "by the statutes to be appropriated to the administrators of the bank." Then the amounts received from the sundry reserve were added to the remaining amount of the period profit and thus it was stated that a high amount of dividend would be paid. This application transformed the profit and loss account to the profit, reserve and dividend account. In other words, the profit and loss account was no longer the resources created in that period and the use of those

resources. This application was abandoned when no sundry reserves were left at the end of the 20th century.

5. THE IMPORTANCE AND EFFECTS OF THE DOUBLE-ENTRY BOOKKEEPING APPLICATION ON THE OTTOMAN BANK IN TURKEY

The double-entry bookkeeping applications of the Ottoman Bank that started in 1856 constituted a first in Turkey. Other banks were also established in the second half of the 19th century and the early 20th century and these banks also implemented the double-entry bookkeeping method. However, the lives of these banks were of short duration and they could not sustain a long-term accounting experience. Therefore, the accounting applications of the Ottoman Bank that continued in the period between the years 1856 and 2001 are the most important and longest accounting applications in Turkey even today. These applications which lasted for approximately a hundred and fifty years have characteristics of being the documents of the longest experience in the double-entry bookkeeping method.

This experience concerns not only the accounting books but also the financial statements drafted at the end of the periods. The accounting books illustrate that the double-entry bookkeeping method was in continual progress.

The above-mentioned balance sheets and profit and loss accounts of the Ottoman Bank represented the cutting-edge accounting understanding of the period in question as major innovations. It should be underlined that when the accounting books were started to be kept and the said financial statements were started to be prepared according to the double-entry bookkeeping method in the 1860s, 1870s and 1880s, neither the double-entry bookkeeping method nor the concept of financial statement were in use in Turkey. These concepts existed neither in literature nor in practice. The double-entry bookkeeping method was newly started to be included in the curricula in schools (Akyüz, 1994)¹². The books on the discipline of accounting which were translated from French was newly started to be utilized (Güvemli, 2000).

These explanations suggest that the financial statements, which are presented in the appendices and explained above, were the first financial statements prepared according to the double-entry bookkeeping method. Although there were other financial statements which were prepared by other banks, the Ottoman Bank was the only institution that owned financial statements that had continuity and hence allowed us to observe the course of their development.

The accountants of the Ottoman Bank served as models for other banks. Thus both the accounting and the accountants of the Bank generated a school of thought. The accounting understanding of the Bank served as a model not only in the field of banking but also for the accounting system of commercial and industrial organizations.

6. CONCLUSION

The Bank was established under the name Ottoman Bank and was renamed Banque Imperiale Ottomane (Imperial Ottoman Bank) in 1863 and changed back again to Ottoman Bank in the Republican Era. These changes of name were the result of the Ottoman Empire's use of its right to issue, and the fact that French and Turkish owners of capital were among the sharers of the Bank. The partnership with French capital and the influence of the French culture in Turkey led to the keeping of financial records in French.

While applying the double-entry bookkeeping method, the Bank also introduced Turkey to the most developed accounting understanding of the time. It is observed that the Bank had a developed cash recording system in addition to the day book and the ledger and supported the financial system with many auxiliary books used in the detailed monitoring of the receivables and debts. Moreover, it is observed that throughout the second half of the 19th century, the accounting systems of the branches, the number of which had been increasing gradually, were recorded according to the modern double-entry bookkeeping method and that consolidated financial statements were prepared by gathering together the accounting record results of the activities of all the branches at yearend.

The Ottoman Bank did not only contribute to Turkish banking throughout the second half of the 19th century but also pioneered in accounting applications, and many credit institutions and commercial organizations followed the accounting applications of the Bank. During the said period, the accountants who worked in the branches and the central office of the Ottoman Bank did outstanding service in ensuring the double-entry bookkeeping method became widespread in Turkey.

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ANNEXES

Annex 1: Imperial Ottoman Bank - Journal - 1879

The image shows a page from a handwritten ledger with multiple columns. The text is written in Ottoman Turkish script. The columns are separated by vertical lines. The entries are organized into rows, with some rows having multiple columns of text. The handwriting is cursive and somewhat faded. The page is numbered '81' in the top left corner. The title 'ANNEXES' is printed above the page, and 'Annex 1: Imperial Ottoman Bank - Journal - 1879' is printed below it. The page is oriented vertically in the image, but the text is written horizontally.

Annex 2: Imperial Ottoman Bank - Main Book – 1888

The image shows a page from a handwritten ledger, oriented vertically. On the left side, the word "Hesap" is written vertically. The page is divided into several columns. The top right corner contains a header with the word "Hesap" and some numbers. The main body of the page is filled with handwritten entries in Ottoman Turkish script, organized into columns. The handwriting is in dark ink on aged paper.

Annex 3: Imperial Ottoman Bank - Directory of the Main Book - 1877



Annex 4: Ottoman Bank 31 December 1863 Balance Sheet and Profit and Loss Account

LIABILITIES AND ASSETS OF THE IMPERIAL OTTOMAN BANK.			
31st DECEMBER 1863.			
LIABILITIES		ASSETS	
To Capital	1,000,000	To Cash and Bank Balances	1,000,000
To Reserves	1,000,000	To Loans and Advances	1,000,000
To Deposits	1,000,000	To Government Securities	1,000,000
To Bonds	1,000,000	To Real Estate	1,000,000
To Other Liabilities	1,000,000	To Other Assets	1,000,000
Total	5,000,000	Total	5,000,000

PROFIT AND LOSS ACCOUNT.			
From 1st January 1863 to 31st December 1863.			
To Balance	1,000,000	To Profit	1,000,000
To Interest	1,000,000	To Dividends	1,000,000
To Other Income	1,000,000	To Reserves	1,000,000
To Expenses	1,000,000	To Other Liabilities	1,000,000
To Other Liabilities	1,000,000	To Other Assets	1,000,000
Total	5,000,000	Total	5,000,000

Annex 5: 31 December 1875 Balance Sheet and Profit and Loss Account

LIABILITIES AND ASSETS OF THE IMPERIAL OTTOMAN BANK.			
31st DECEMBER 1875.			
LIABILITIES		ASSETS	
To Capital	1,000,000	To Cash and Bank Balances	1,000,000
To Reserves	1,000,000	To Loans and Advances	1,000,000
To Deposits	1,000,000	To Government Securities	1,000,000
To Bonds	1,000,000	To Real Estate	1,000,000
To Other Liabilities	1,000,000	To Other Assets	1,000,000
Total	5,000,000	Total	5,000,000

PROFIT AND LOSS ACCOUNT.			
From 1st January 1875 to 31st December 1875.			
To Balance	1,000,000	To Profit	1,000,000
To Interest	1,000,000	To Dividends	1,000,000
To Other Income	1,000,000	To Reserves	1,000,000
To Expenses	1,000,000	To Other Liabilities	1,000,000
To Other Liabilities	1,000,000	To Other Assets	1,000,000
Total	5,000,000	Total	5,000,000

Annex 6: Bank Ottoman 31 December 1885 Balance Sheet and Profit and Loss Account

LIABILITIES AND ASSETS OF THE IMPERIAL OTTOMAN BANK			
For December, 1885.			
LIABILITIES		ASSETS	
	£	¢	¼
Capital	10,000,000	0	0
Reserve	1,000,000	0	0
Profit and Loss	100,000	0	0
Deposits	1,000,000	0	0
Government Bonds	1,000,000	0	0
Other Bonds	1,000,000	0	0
Real Estate	1,000,000	0	0
Loans	1,000,000	0	0
Other Assets	1,000,000	0	0
Total	15,000,000	0	0

PROFIT AND LOSS ACCOUNT			
For the year ending 31st December, 1885.			
	£	¢	¼
Income	100,000	0	0
Expenses	(50,000)	0	0
Profit	50,000	0	0
Dividend	(20,000)	0	0
Reserve	30,000	0	0
Total	50,000	0	0

Annex 7: Bank Ottoman 31 December 1895 Balance Sheet and Profit and Loss Account

Annex 8: Bank Ottoman 31 December 1910 Balance Sheet and Profit and Loss Account

THE FOUNDATION OF TURKISH CAPITAL MARKETS: THE PIVOTAL ROLE OF GALATA BANKERS

Nevzat Tetik ¹

ABSTRACT

The foundation and development of Turkish Capital Markets is mainly related to Galata Bankers, especially in the last period of The Ottoman Empire in the 19th century, because mainly foreign minorities carried out the commercial activities in The Ottoman Empire.

The development of capital markets doesn't go back to old times as far as the development of industry. In the last periods of The Ottoman Empire, Galata Bankers played important roles in the foundation of Turkish Capital Markets. In consequence, the owners of financial savings were these minorities. Among these minorities there were mainly Armenians, Greeks and Jews. Because of the place named "Galata" in Istanbul, where these minorities carried out their commercial and financial activities, they built a reputation as "Galata Bankers".

At the beginning of the 16th century the Jews, expatriated from Portugal and Spain, settled down in Ottoman Territory and they began to have a say on trade and financial matters. In the 17th century economic, industrial and commercial activities began to fall into the foreigners hands. At that time, among the Galata Bankers, the Greeks were especially dominant. Greek minorities, with the support of European States, demonstrated their predominance in commercial and economic life with their banker institutions, whose numbers reached to one hundred.

The topic of this research is to discuss the commercial, economic and financial activities of Galata Bankers in The Ottoman Empire and their pioneering activities in the development of Turkish Capital Markets.

Key words: Capital markets, Galata Bankers, Ottoman Empire.

Jel Classification: G21, N20.

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TÜRK SERMAYE PİYASASININ KURULUŞU: GALATA BANKERLERİNİN ÖNEMLİ ROLÜ

ÖZ

Türk Sermaye Piyasasının kuruluşu ve gelişimi, özellikle Osmanlı İmparatorluğu'nun son döneminde, 19. yüzyılda, esas olarak Galata Bankerleri ile ilgilidir. Çünkü Osmanlı İmparatorluğu'ndaki ticari faaliyetler, ağırlıklı olarak yabancı azınlıklar tarafından yürütülmekteydi.

Sermaye piyasalarının gelişimi, sanayinin gelişimi kadar eskilere dayanmamaktadır. Osmanlı İmparatorluğu'nun son dönemlerinde Galata Bankerleri Türk Sermaye Piyasasının kuruluşunda önemli roller oynamışlardır. Sonuç olarak finansal tasarrufların sahipleri bu azınlıklardı. Bu azınlıklar arasında çoğunlukla Ermeniler, Rumlar ve Yahudiler vardı. Bunlar ticari ve mali faaliyetlerini İstanbul'daki "Galata" da yürüttükleri için "Galata Bankerleri" olarak ün yapmışlardır.

16. yüzyılın başlarında Portekiz ve İspanya'dan sürülen Yahudiler, Osmanlı topraklarına yerleşerek ticari ve mali konularda söz sahibi olmaya başladılar. 17. yüzyılda ekonomik, endüstriyel ve ticari faaliyetler yabancıların eline geçmeye başladı. O dönemde Galata Bankerleri arasında özellikle Rumlar hakimdi. Yunan azınlıklar, Avrupalı devletlerin de desteğiyle sayıları yüze ulaşan bankerlik kurumlarıyla ticari ve ekonomik hayattaki hakimiyetlerini ortaya koydular.

Bu araştırmanın konusu Galata Bankerlerinin Osmanlı İmparatorluğu'ndaki ticari, ekonomik ve mali faaliyetlerini ve Türk Sermaye Piyasasının gelişimindeki öncü faaliyetlerini ele almaktır.

Anahtar Kelimeler: Sermaye Piyasaları, Galata Bankerleri, Osmanlı İmparatorluğu

JEL Sınıflandırması: G21, N20.

1. INTRODUCTION

The district "Galata" had a reputation as the centre of mercantile traders and bankers in the Byzantine Period as well. In the years after the conquering of Istanbul by The Ottoman Empire in 1453, the Greek, Venetian and Genovese tradesmen and bankers, who left the city previously, were encouraged to come back to their jobs and they were allowed to establish community organizations and to perform their economic activities as well as their customs and to practice their religious duties. This permission brought about their contributions to the financial resurgence of The Ottoman Empire in the following periods. In the rising time of the Empire, Galata Bankers supported the Ottoman Government in various fields such as collecting the taxes, meeting the deficits of the treasury, from giving short-term debts to issuing metallic currency and its circulation.

During the reign of Sultan Mahmut, Armenians began to come to the forefront. In this period, Armenians intensively rushed into cities for the commercial activities notably money changing. In this period, an Armenian called Kazaz Artin even rose to the directorship of the banknote-printing house. Before these years, bankers and moneychangers were under the

safeguard of the Janissary Army. With the proclamation of the political reforms made in the Ottoman State in 1839, because of the privileges granted to the minorities, Galata Bankers found the opportunity to expand their activities and got the financial matters of the Empire under control.

Foreign trade deficit and devaluation of banknotes, as gold reserve, in the first half of the 19th century caused importation difficulties. In this period, two bankers (French J. Alleon and Italian Teodor Baltazzi), who reached an agreement with the Ottoman Government, both eased importation with credit operations and on the other side won the confidence of Ruler (Khan) Abdülmecid. Moreover, these bankers established a bank called "Istanbul Bank" with the aim of fixing an exchange rate.

The golden period of Galata Bankers began with the first Ottoman external debt in 1854 and ended with the "Muharrem Decree" in 1881. This period is called "Consolidation Period". In those years, the increase of none-equity securities issued against debts of The Ottoman Empire, paved the way for stock exchange gambling, which is called "hava oyunları" (speculations). Stock Exchange gambling played on the increase and decrease of "consolidated values" was interesting to all Istanbul people, Muslim or non-Muslim. Even, it was seen that participants from the country joined in the speculations through letters and telegraphs or through moneychangers there.

After the 1877-78 Ottoman-Russian War, Europeans, who thought that their receivables were falling into risk, had an agreement imposed upon them by the Ottoman State, known as the "Muharrem Decree", and which took all state incomes under their own security. According to this agreement, all revenues of Ottoman State were taken under the management of "Düyun-u Umumiyye" (Ottoman Public Debt Administration) and some Galata Bankers left the country because their markets had been removed and some others went on with trade activities themselves.

2. ECONOMIC CONDITION OF THE OTTOMAN EMPIRE IN GENERAL DURING THE 19th CENTURY

The Ottoman economy was mainly based on agriculture. Foreign trade activities were predominantly carried out by non-Muslim minorities. As for industrialization, it is impossible to mention a modern western-like industrialization. In the service sector, which is another important sector, European investors are again in the foreground. It is possible to state the economic and financial condition of the Ottoman Empire as per below:

Because of an agriculture-based economy most of the production and employment was in the agricultural sectors. These sectors were also one of the most important sources of public revenue through the taxes they paid. With the developments of the 19th century, agricultural producers in the coastal areas and areas serviced by railways began venturing into new markets and even exporting. These developments accelerated the economic development of agricultural relationships (Pamuk, 2003: 234-235). Land legislation of 1858 attempted to regulate land ownership. During the same period attempts were made to increase productivity and an increase

in industrial agricultural products such as cotton and tobacco that were supplied to European industries as raw materials was achieved (Kazgan et al, 1999: 245).

Turkish citizens were interested in high ranking administrative and military positions rather than occupations in trading, banking and financing, so commerce in the Ottoman Empire has traditionally been the vocation of non-Muslims. By the 19th century the capitulations issued since the 17th and 18th centuries in the area of foreign trade were causing serious harm to the Ottoman economy (Kazgan et al, 1999: 238). Concessions that these capitulations provided to European merchants gave them a competitive advantage over the Muslim and non-Muslim merchants in the Ottoman Empire. The trade Agreement signed with Britain in this period provided for free trade and these non-Muslim merchants played a mediating role in this trade. Through these merchants agricultural products were exported, and finished and semi-finished industrial goods were imported. Through this trade these merchants prospered and in extension increased their economic and political influence (Pamuk, 2003: 241).

The Ottoman Empire never industrialized in the Western sense. The basic underlying factor preventing industrialization of the Ottoman Empire was inadequacy of capital stock. The underlying factors for this deficiency were the Timar system and its enforcement mechanism and tight regulation of economic activities by the state. Also limitations of technical knowledge and skills contributed. At the same time the concept of contentedness that was an extension of the religious culture, the single most prominent factor shaping the worldview of the Ottomans, prevented over consumption and, as an extension, mass production. The newly forming trades could not successfully fend off foreign competition and withered under pressure (Kazgan et al, 1999: 241-243). Although new state-sponsored corporations and industrial schools were established in the 19th century industrialization of the Ottoman Empire was not achieved (Tunçsiper et al, 2007: 48).

As far as the services sector is concerned during this period we find that foreign capital investment by far makes up the majority of the sector. European investors were concentrated in activities such as railways, seaports, lighthouses, water, natural gas, mining and electricity production and distribution (Tunçsiper et al, 2007: 48).

The groups that the European finance capital was directly related to were non-Muslim citizens of the Ottoman Empire. As a result of the Treaty of Küçük Kaynarca, (July 17, 1774) the governance of The Ottoman Empire over Black Sea trading switched to the Armenian middleman traders who were under the protection of the Russians in 1774, then in 1784 Austria, in 1799 Britain and in 1802 France (Köse, 2001: 229).

At the end of the century, there was not even one Muslim-Turk among the remarkable bankers of Istanbul. Of the forty biggest bankers, twelve of them were Greek, another twelve were Armenian, eight were Jewish and five of them were Levanter. Istanbul money market, which was concerned with capital stock, was also monopolized by minorities. Of the thirty four biggest brokers, eighteen were Greek, six were Jewish and five were Armenian. In the Balkan part of the empire, financial markets were in the dominance of the Greeks (Boztemür, 1998: 386). A serious industrialization movement took place during the 19th century in Europe which brought along new raw material search as well. Even though it was late when compared

to Western countries, The Ottoman Empire tried to make an industrial movement in the years coinciding with the reforms of 1839, but this move was not sufficient enough to transform The Ottoman Empire into an industrial society (Cezar, 1986). Thus she managed to survive thanks to the political, economic and social systems which were perfectly operated from the 13th century to the beginning of the 19th century. The success of these systems relied upon the power of the military in terms of politics; successful implementation of “Timar and Mukataa” in terms of finance and regular management of foundation system in terms of social aspect (Oğlakçı, 2006: 161).

The Ottoman Empire faced never-ending financial problems from the second half of the 17th Century. The collapse of the reforms, initiated in the very beginning of the 18th Century, which were perceived as the first indicators of an alteration and transformation period, made the deficits of the state treasury chronic. Since The Ottoman Empire could not keep up with the military advancements of Europe, wars resulted in defeats. This situation brought additional charges to the treasury and later on emerged as the forerunner of severe financial problems (Çakır, 1999: 362).

Additionally, the Timar system, which began to fail in the beginning of the 17th Century, the price revolution of Europe and mercantilist applications, triggered the breakdown of the Ottoman tax system. While inflation was rapidly rising, a decrease in the tax amounts appeared. The government took some steps in order to meet the tax shortages and rearrange the financial structure. (Beşirli, 2009: 186).

The Industrial Revolution of Europe resulted in rapid development of trading and industry. Serial and cheap production and the wide variety of products revealed the need for institutional organs that could carry out these functions. Within this construction, agriculture and commerce councils, chambers and exchange commodities entered the economic life of Europe in a short time, got organized, and rapidly improved themselves (Beşirli, 2009).

The Ottoman Empire turned into a source of raw material and a bazaar for European Industries in a short time, as the empire could not keep up with the industrial revolution. Countries such as Britain and France who had completed the industrial revolution put the serial and cost-effective goods, produced by machines, onto the Ottoman market easily thanks to the privileges granted by commercial treaties. Ottoman tradesmen who manufactured on handlooms widely suffered and began to fade from the economic scene as a result of noncompetition (Beşirli, 2009).

3. DOMINANCE OF FOREIGNERS IN COMMERCIAL AND ECONOMIC ACTIVITIES

In the Ottoman time, the minorities who were dealing with commerce and ship transportation, brokerage and similar professions notably got rich and they were constantly in connection with the West. Greek families, especially residents of Fener district, where the patriarchate was situated as well, took over some important positions in the government. Beginning from the reign of Fatih the conqueror, Armenian, Jewish and Greek rooted officers ranked as Pasha assigned to the Ottoman Palace.

These minorities, who had great stocks in the Ottoman economy, began to be essential for the palace and treasury in time. Thus they had a major role in the expenditures of the government as well as in the politics. After the autonomy of Greece that formed some parts of the minorities, the Jewish that came to Istanbul had a say in sectors such as money, banking, press, industry and motion pictures.

The wars during the final periods of the Ottoman era, impolicy and extravagance of the palace resulted in debts; the government even borrowed from minority tradesman especially Galata Bankers, and the Ottomans paid a heavy price for this. (Köse, 2001: 229). When it comes to the 1830s, in all the large cities of the Empire, trade was in the hands of the non-Muslim merchants (Boztemur, 1998: 386).

Fatih the Conqueror believed in the need for relationships in economics and politics with Europe after the conquest of Byzantine. In order to make the minorities loyal to himself he negotiated with their representatives and published a decree in which the minorities were allowed to continue their professions the same as before, as long as they obeyed the commands and laws together with paying tax debts. (Köse, 2001: 234).

Assigned to the various ranks of the government since the beginning of Fatih's reign, these people mostly dealt with commercial activities in order to meet the needs of society and as a result had a say in world trade. Especially during the 19th Century, by means of their relationships with European countries and wealth, they became influential in the governance of The Ottoman Empire. (Köse, 2001: 232).

Non-Muslims residing in The Ottoman Empire became effective primarily in domestic trade and later in foreign trade, owing to their relationships with foreign traders, foreign language knowledge, wise use of the privileges granted with the treaties, and commercial knowledge and experiences (Yerasimos, 1980: 325). This case influenced many of the non-Muslims and they carried out their commercial activities under the protection of foreign countries during the 19th Century. In this period many of the non-Muslim tradesmen were under the protection of France, Britain, Russia, and Austria (Oğlakçı, 2006: 45).

Originally Jewish, some Galata residents returned from Thessaloniki and settled in Istanbul after the capture of Thessaloniki by Greece towards the end of the 19th Century and they laid hands on monetary, banking, journalism, filmmaking, industry, trade and politics. They founded Thessaloniki Bank and got organized in other banks as well. Of these minorities

bearing Muslim-Turk names, İpekçiler, Kapaniler, and Tatariler were the famous families who returned to Istanbul (Öztuna, 1994: 253).

During the 1850s there were forty Greek chambers in the capital and they had about 350 members each. These numbers are meaningful in showing the importance of Greek tradesmen in Istanbul in terms of the economy. The commercial and financial opportunities of Galata, which was primarily a trade and residence centre for Europeans in the capital, drew Greeks and Armenians there. (Köse, 2001: 235).

It is stated that the biggest ethnic group, the Greeks, had 4,500 members in their chambers in Galata alone in the 1870s. Besides dealing with all commercial activities, Greeks especially had the upper hand in certain professions. The empire provided many opportunities to Greeks and minorities that were using the new trade conditions wisely. As a result, with the help of European powers and privileges they took advantage of the Muslims (Köse, 2001: 235).

The situation of the minorities living in The Ottoman Empire became better than the Muslims with the new rights granted with reforms, especially with the reform of 1856. The minorities even gradually gained political rights and became powerful thanks to European protection politics (Küçük, 1999: 214). Non-Muslim groups held trade, monetary and law institutions in their hand during the reform period.

4. ECONOMIC, COMMERCIAL AND FINANCIAL ACTIVITIES OF GALATA BANKERS IN THE OTTOMAN EMPIRE

Before discussing the Galata Bankers, giving information about Galata district, its history, socio-cultural and demographic structure may provide a good understanding of Galata Bankers' activities and their place in Ottoman economy. Galata became a trade centre with Europe and headquarters of banking not only in the Ottoman period but also in Byzantine times.

From ancient times at the conquest of Istanbul, owing to commercial relations with Europe, Galata district continued its activities. It had always been a district that changed in terms of not only commercial, but also cultural and social fields (Oğlakçı, 2006: 50).

Galata is an important settlement between Azap Kapı and Galata Tower and meeting place of Bosphorus and Golden Horn (Oğlakçı, 2006: 51). Since Galata had been an important settlement from the ancient times, it was called the 13th administrative district in Ancient Rome. It was also called Sykai or Sykaena in ancient times (Oğlakçı, 2006: 50). Why Galata was called a fig grove was the result of having a lot of fig trees in the district at those times. (Yelkenci, 1989. P. 25).

In terms of being a settlement, Galata stretches far back to ancient times. It has been an important settlement since the 5th Century, during the reign of Constantine in the Byzantine Empire. The Genoese, who began to settle in Constantinople during the reign of 1st Manuel Komnenus, had to give up their place to Venetians with the invasion in 1204. However, Genoese people began to return to the city when Constantinople was regained by the Byzantine Empire. The Byzantine government, however, let the Genoese settle only in the opposite bank

from Constantinople, namely Galata. Thus, Genoese people became the dominant population until the conquest of Istanbul by Fatih (Akın, 2002: 83-84).

Galata harbour became an important trade centre and Galata became a seaport that was visited by more than 500 ships per day. Galata Harbour, under the control of the Genoese people, was the centre of Black Sea and transit trade. Another reason lying behind Galata's being a trade centre was directly related with ship technology of those times. The ships then used to visit Galata harbour for repairs and ship-care as well as finding new crews – activities other than trade alone (Kazgan, 1991:152).

The 19th century economic and finance system of the Ottomans witnessed the strengthening of Galata Bankers. Under the protection of Janissaries previously, bankers were under the supervision of the Government. The Greeks became the representatives of mercantilism in Istanbul when they were leading the way during the 17th century. Besides having wholesale trade in hand, they also founded trade schools like the European ones. The Capitulations of 1740 paved the way for Black Sea, Aegean, Balkans and Adriatic trades. We see that Armenian bankers came to fore during the reign of II. Mahmut (Tabakoğlu, 2009:330-331).

Galata Bankers became more influential due to administrative reforms. They carried out the foreign trade relations of the Empire through Istanbul Bank operating between 1847 and 1852. They played an intervention role in domestic and foreign debts; searched domestic and foreign markets for the value of property that was exported by the Empire; and they loaned money to the government and later founded the Galata Stock Exchange in 1862. This stock exchange was the basis for today's stock market and its operations, and even became a place for European speculators during 1870s (Tabakoğlu, 2009: 331).

The transformation of private institutions such as Istanbul Troller Firm began to be operated in this Stock Exchange together with Government transformations. Istanbul Bank, re-founded in 1872, became strong enough to manage the foreign debts of Greece. During the war of 1877-78 with Russia, Galata Bankers provided loans for the Ottomans. The activity of these bankers and stock continued until the foundation of Düyün-u Umumiye in 1881 (Tabakoğlu, 2009: 331).

Gold selling and money changing were dominant Bankers' occupations which date back to olden times. This money changing and gold selling that the Levantines carried out was performed with usury in banking after the conquest of Istanbul. Big moneychangers had a word in the governance of the empire in time. These bankers and tradesmen, who were experts on monetary issues in all world trade, reaching even America, operating in Ottoman times, carried out their profession from the rise of The Ottoman Empire to the recent past when were lost. Almost all of these bankers were non-Muslims (Seyidoğlu, 1992: 206). Galata attracted a lot of attention as a result of being a trade centre and playing an important role in the management of all financial and economic issues of The Ottoman Empire. Galata Bankers put forward their financial and administrative activities by having some rank and authority (Kazgan, 1995: 28) and from time to time through consulting, and even some of them founded the first joint stock company called Şirket-i Hayriye (Köse, 1999: 49).

The tendency of the foreign residents coming to Ottoman lands and trading with local Greek, Armenian and Jewish traders, resulted in the capture of the domestic trade by minorities. (Tabakoğlu, 1985: 235- 237; Şeker, 2007: 118).

Moneychangers continued their financial activities especially in Galata during the first half of the 19th Century. Together with the Greek, Armenian and Jewish moneychangers, the Levanters coming from Europe, the financial powers of the moneychangers increased. After this period, moneychangers began to be called bankers and they had large capital shares in The Ottoman Empire (Pamuk, 1995:217). The Levant is defined as non-Muslim minorities that deal with trade and densely populated Istanbul and big harbour cities in Ottoman times especially after administrative reforms. (Ana Britannica, 2005: 428).

The word Banker is used for bank owners or bank employees in the West. However, for the Ottomans the word Banker is also used for the people who have great capital, but do not own a bank. All the bankers settled in Galata as a result of its being a trade centre beginning from the Byzantine times. Thus, they have been called Galata Bankers based on the reason that they all deal with monetary issues and gathered in this district (Üsdiken, 2000: 116).

4.1. How They Got Rich

Turkish citizens were interested in high ranking administrative and military positions rather than occupations in trading, banking and financing. Because of coping with the Industrial Revolution and having a closed economy system depending heavily on the artisan class, occupations in the fields of banking, financing and usury were filled mainly by non-Muslim Ottoman citizens (Takan, 2002: 5). During this period, the group called Galata Bankers was known to have close ties to the Ottoman Treasury had gained serious importance. The group of bankers was named after the Galata neighbourhood which had been a trade centre since the Byzantium Empire and was occupied mostly by Greek, Jewish and Armenian citizens of The Ottoman Empire (Üsdiken, 2000: 116).

The Industrial Revolution that started first in Great Britain in the second half of the 18th Century created expansions and improvements in mass production of merchandise throughout Europe, and as a result promoted financing/funding activities (Bayraktar, 2002: 71; Çabuk, 2008: 2120). Expansion into new markets for various products that became very affordable as a result of the Industrial Revolution made non-Muslim citizens of The Ottoman Empire earn high profits and possess enormous capital through their trading activities (Kazgan, 2005: 13).

Galata Bankers also started to deal in the stocks and bonds of publicly held companies founded as a result of the Industrial Revolution and colonial expansion of European countries. Because of loose controls on currency exchanging policies, and Capitulation granted by The Ottoman Empire, Galata Bankers were able to trade securities outside the empire (Karatepe, 2002: 1) and therefore, enabled the first fund flows from European securities markets towards The Ottoman Empire's financial System (Çabuk et al, 2008: 2120).

Galata Bankers were blamed for being imposters, deceitful and loan sharks especially because of their money lending activities with usury. However, it should be noted that they provided great help in overcoming various financial problems faced by The Ottoman Empire

(Kazgan et al, 1999: 361). Indeed interest and other revenues earned through these bankers used to stay in the Empire's financial system; therefore, they brought prosperity to the overall country. Besides, many people were happy and enjoying the benefits of an active and lively Galata securities market as a consequence of increases in imports and consumption of luxury goods and earnings through money lending activities (Çabuk et al, 2008: 2121).

The poverty and financial difficulties along with bribery and embezzlement systems first seen in those times, and lack of competent governors and officials worsened the situation and prevented the development of an effectively working financial system in The Ottoman Empire (Tanör, 1999: 19).

4.2. Important Events of the 19th Century

Important events that affected the economic and financial structure of The Ottoman Empire occurred in this century. The most important of them was the industrial revolution, Balta Harbour Treaty and the declaration of administrative reform.

Industrial Revolution: In the second half of the 18th Century a big industrialization movement took place in Britain. Thanks to this industrial revolution, rope began to be bent and woven; the steam power was used in machines; division of power in factories and production got widespread and these resulted in an increase in mass production rate and the production carried out just for marketing. Increases in production became the source of the change that occurred in Europe. This industrial movement occurred in Britain and in a short time spread out to France and Germany as well as other Western European countries. The deposit of capital accelerated, so commercial capitalism left its place to industrial capitalism (Dikmen, 2005: 141-142). Thus, cheap and adequate production in Europe changed the balance of world trade. In order to solve the market problem that occurred as a result of production increase, European countries searched for new markets for their products. Thus, European countries had a chance to use increasing production rate and money in The Ottoman Empire. The Ottoman Empire was in need of cash and Europe met its needs and they formed a new debt loan and borrowing period (Gürsoy, 1984: 26-27).

While the West was living these changes, the Ottomans did not show any industrialization movement and became a market for other European Countries. The Ottoman Empire could not protect its domestic products from cheap European products in the Ottoman market. (Dikmen, 2005:p.142).

Balta Harbour Commerce Treaty: The Ottoman Empire signed a treaty with Britain in 1838 (Açba, 1995: 21). With this treaty, the right of the Ottomans to assign any good to anyone to use especially in the foreign trade that was carried out before 1838 was abolished. In this way the transport of Ottoman raw materials to foreigners got easier (Pamuk, 2005: 205-206). This treaty increased the rate of export taxes to 12% while import taxes were 5%. While local tradesmen were paying domestic duty tax, foreign tradesmen were excused from this tax (Akgündüz and Öztürk, 1999: 490).

The treaties signed with many foreign countries beginning from 1838 to 1846, turned the Ottoman economy into an open market. Being almost a headquarters for foreign traders, all

the trade activities were carried out by foreigners on Ottoman land. Because of these treaties the government lost income, raw materials were transported to foreigners in a cheap way, and underdeveloped industry got affected in a negativeway (Açba, 1995: 27).

The declaration of Administrative Reforms and Innovations in the Ottoman Treasury: The Ottoman Empire entered into a new period with the declaration of administrative reforms. In this new period alot of reforms were made in law, politics and economic fields (Çakır, 2001:10). The Ottoman Empire had made a lot of reforms in the field of finance with the declaration of reforms. The Central Authority determined three main targets for these reforms. The first was bringingnew direct income taxation instead of the old tax system that disregards paying power. The second one was making everyone taxpayers. The third target was founding a systematic finance structure in the OttomanEmpire (Oğlakçı, 2006: 28). In order to fulfil these targets, alterations were carried out in the treasury and tax system and the budget of the government.

Owing to the reforms carried out, the Ottoman Treasury became stabilized in a short term. However, with the Crimean War of 1854, theOttoman Treasury received a blow. In this period expenditures were double the incomes (Oğlakçı, 2006: 33). The budget deficits dragged the government into the process of seeking foreign loans. With the beginning of this process The Ottoman Empire signed a lot of loan treaties. This process beginning in 1854 resulted with the bankruptcy of the Ottoman Treasury in 1875. European capital owners foundedthe Düyün-u Umumiye in order to take their money back after the bankruptcy. This institution took 2/5 of the Ottoman incomes and theycollected back their money (Oğlakçı, 2006: 33).

After the declaration of Administrative Reforms, the beginning of instability of income and expense led to domestic and foreign loans. After this period the source of domestic loans became Galata Bankers and the source of foreign loans became European countries. The Ottoman Empire continually tried to sustain the Treasury with domesticand foreign loans after the Administrative Reforms. However, leaving aside the returns of the sources dragged the government into bankruptcy (Oğlakçı, 2006: 33).

The decree issued in 1839 identified and guaranteed many new rights for all Ottoman citizens, especially the non-Muslims. The Tanzimat economy was a “Transition from classical Ottoman economic structureto a contemporary economic structure, a dissolving of stationary, internally focused, provisionist, fiscalist structure and the birth of a dynamic, open, monetary structure that was sensitive to market forces” (Kazgan et al, 1999: 239). The Tanzimat guaranteed the accumulation of large wealth that was prevented in the classical period through the Timar system and forfeitures. The views and concepts reflected in this decree were based on liberal economic thought and the desire to developan administration model based on this thought (Ortaylı, 1987: 239). Considering the economic policies of The Ottoman Empire in light of this transformation taking place in the 19th century we find that:

From a fiscal policy perspective: taxes, which make up the mostimportant source of State revenue was increased in response to the requirement for increased revenue. This, on the other hand, had the effect of further upsetting the state of agricultural producers who were most addressed by these taxes. As far as government spending was concerned we find that despite

decreasing incomes these expenditures were constantly increasing. Financing of long drawn out wars and luxury consumption resulting from increased trade with the West were the main factors increasing government spending.

From a monetary policy perspective: The Ottoman economy was not an interest-based economy; therefore interest rates could not be used as a policy tool. Other factors also limited the money supply. Discounting a very short period when it was issued, the treasury had no opportunity or authority to use fiat money. Because of this, the Ottoman treasury had to resort to borrowing. Also at this time there was no national financial institution to intermediate this borrowing.

As a result any examination of the Galata Bankers in the 19th century The Ottoman Empire has to take into consideration the financial institutions and their activities, the dilemma faced by the fiscal authority, the rise and fall of Galata Bankers, paper currency issue, development of banking, foreign debt, development of foreign capital investments and the first step toward developing a securities Exchange in the Ottoman Empire. All these developments needed to be addressed in a framework that takes into consideration the financial inadequacies faced by the Ottoman State during the 19th century and the solution developed by the western powers; in other words the Ottoman financial system of the 19th century has to be evaluated as one of the most important dimensions of the interdependence of the Ottoman State and the West (Kazgan et al, 1999: 251).

5. THE ROLE OF GALATA BANKERS IN THE DEVELOPMENT OF TURKISH CAPITAL MARKETS AND IN THE SECURITIES EXCHANGE

It is generally understood from the concept “market” on which sellers and buyers or their representatives come together to sell or buy goods, securities or such like fungible goods or other things that have similar values, and which are set up for a length of time, at some point, operate with definite rules and organized central markets (Beşirli, 2009: 188- 189).

The foundation and development of the securities exchange in The Ottoman Empire became a reality through the commercial activities of minorities which were active in “Galata” district. The Greek, Armenian and Jewish tradesmen in the Ottoman State determined the direction of money transactions by making brokerages in Galata, İstanbul (Beşirli, 2009: 190).

Long before an organized exchange activity started in the Ottoman Period foreign securities and following that the transactions between savers and speculators on stocks and bonds standing for Ottoman debts were mediated by moneychangers and bankers.

Among them were bankers who were later known as Galata Bankers; they dealt with commodity trade, agency business and later collecting taxes of the state and they had a lot of experience, they operated the securities trade without any legal regulation and without considering traditional codes of practice, such as commodity trade, and with a wide freedom as well. By doing this they benefited from privileges given to foreigners and minorities and in the process of time, through their personal banking relations, they penetrated the Ottoman Palace

and high state officials which they were financing and so they overcame the handicaps and prohibitions encountered in bonds and money trade easily. Since the influential bankers couldn't play their mediating role in a way so as to gain the trust of account owners in the process of free trade activities which constitute the first period of Ottoman securities markets, they didn't create any opportunity to become established in any professional custom (Fertekligil, 2000: 35-36). However, realising the dangers of reactions caused by their selfish behaviour, they began to get organized, to prepare regulations, and to establish a union in need of cooperation, and paved the way for establishing a securities exchange in Turkey (Fertekligil, 2000: 36).

Reaching to a level of establishing a security exchange of financial developments in The Ottoman Empire in Galata-İstanbul can be considered to be the result of fast developments of exchange markets in Europe indeed.

On the one hand, the circulation of securities issued by Western public companies in İstanbul and other provinces of the Ottoman State by minorities, buying and selling later by bankers; on the other hand entering into the process of trading in leading Western security markets of securities issued in consequence of borrowings beginning from the Crimean War in 1854, with some other stimulations and sub-factors, brought the idea of establishing a security exchange in the Ottoman State (Fertekligil, 2000: 1).

The first stock exchange activity in Europe started in the 14th century with a decree of the King of France on a Paris bridge (Pont – au – change). The transactions in the 16th century intensified in commercial papers and the intermediaries have been called “agents de change” (Fertekligil, 2000: 2). The first settled stock exchange in a specified building opened in Anvers. The London “Royal Exchange” operating in the 16th century in Britain, was renamed “Stock Exchange” in the 18th century. Stock exchanges were established at the end of the 17th century in Berlin, Bale; in the mid 18th century Vienna; in 1792 New York; in the 19th century Brussels, Milano, Rome, Madrid and Tokyo (1878) (Fertekligil, 2000: 2).

While various European countries founded stock exchanges, it was a big deficiency for the Ottoman Empire since it had no such institution in the market. At the times in which market activities were not sufficient, the bankers took over their role and carried out every finance and intervention role. Thus, the Ottoman Empire was left behind the industrial revolution; nevertheless, it was affected by different points as a result of the bourgeois economy system (Fertekligil, 2000:20).

One of the most important factors, which caused the establishment of stock exchanges in the Ottoman State, was the fast development in Western stock exchanges. The fast developing trade in Europe, after the industrial revolution, brought incorporation along. Let alone the circulation and trading of the securities issued by public companies established one after another in central and important cities of the Empire by moneychangers, quotation of the foreign borrowing bonds in leading European securities exchanges after the Crimean War, triggered the establishment of the Securities Exchange in the Ottoman State (Köse, 2001: 236).

Transactions having the characteristics of securities appeared after the reforms in 1839. Galata Bankers increased their impact in this period and they conducted the foreign trade

dealings in cooperation with İstanbul Bank which operated between 1847-1852. They intermediated in domestic and foreign borrowing, searched for markets for the securities issued by Ottomans, found credits for the state and later they established Galata Stocks Exchange (1862). This market was the field of securities transactions and stocks exchange gambling and even a place in which European stockbrokers were active (Tabakoğlu, 2009: 331). After the Crimean War, the terms and conditions necessary for founding a securities exchange market became rather easy to meet. After The Ottoman Empire started to issue treasury bonds and notes, a market for exchanging these securities evolved eventually. The dominant factor governing this securities exchange market was Galata bankers. They were the ones realizing the necessity of a formal securities exchange market and therefore, pioneered one through their union formed in 1864 (Çondur and Evlimoğlu, 2007). Thus, they initiated the formation of a formal securities exchange market in Havyar Han in Galata in 1864. In 1865, they prepared their first constitution and got recognition as a formal union (Kazgan, 2005: 27), which indeed increased the importance of Galata bankers in Ottoman financial systems.

Galata Bankers operated at first in Havyar Han and later in Komisyon Han (Konsolid Han). That is to say, Galata Stocks Exchange Market was organized as a trade guild called by Greek Bankers “Sefurya” in İstanbul and started to be managed and operated according to this regulation (Köse, 1999). The first securities exchange market called “Dersaadet Tahvilat Borsası” in İstanbul, and similar to the French securities market system, opened by government order in 1866. A commissar called Abidin Bey (later Pasha) was appointed to the management of this market and he formed a management committee of 20. The regulation, which was prepared and accepted unanimously by market subscribers, many of whom were Greek, determined market transactions and many basics related to the persons carrying out these transactions (Köse, 1999).

There are a number of different views on the official establishment date of the Stock Exchange. Since there was not concrete knowledge about assigning a stock officer by the government as a result of the decree known to be published on the 13th of April, 1866, it is better to admit that the Stock Exchange was established, in fact, in 1866. Later it was transformed to a public enterprise and was taken under the supervision of an officer assigned by the government in 1873 (Fertekliçil, 2000).

The industrial revolution that occurred in Europe in the 19th Century accelerated the foundation and development of joint-stock companies. Although Turkey had no news about this revolution, the minorities holding to Europe in terms of life style, an elite group of Muslim-Turks who formed under the influence of Western culture and the Levant, were interested in stocks and shares and formed the market owing to the intervention with Galata Bankers. There were no firms that could export share and exchange bills at those times in Turkey. The market and the stock exchange were made up of the exported stocks and shares of the foreign firms. This occurred since the bankers and businessmen who had one foot abroad, as well as with the help of newly built telegraph lines and convertible golden currency of Turkish Money (Karlı, 2005: 160). Upon the issuance of treasury bonds and notes by Ottoman officials, a secondary securities exchange market started to operate rather efficiently. Purchases and sales of these treasury certificates and rumours about them spread by Galata bankers created such a speculative

environment that officials decided to close that secondary securities exchange market. However, Galata bankers constituted an important pressure group on the Ottoman financial system (Kazgan et al, 1999: 370).

6. STOCK GAMBLING

The complaints of the public rose when an increase in the number of the stock papers occurred after the foundation of Şirket-i Hayriye, trolley, telegraph and telephone institutions together with some other mining and marketing firms, in addition to sequential bills of foreign loans of the Empire. Thus, the government searched for a solution, with a legal regulation, with the aim of taking the Galata Stock Exchange and its agents' behaviours and aims under control. Stocks made its way even in rural areas when it comes to the 1870s. Moneychangers and stockbrokers with their shareholders and representatives dragged local people and farmers into stock gambling. Local moneychangers enabled stock papers, as an alternative investment field, to be used for the funds in agriculture, which resulted in high interest debts for farmers. This situation was followed by bankruptcy on many farms, mortgage by moneychangers and as a result the fields were left without crops. The legislation of Galata Stock Exchange arose from the desire to prevent interest rates and money from value increases, and to stop brokers who were cheating the public (Köse, 2001: 237-238).

The Galata bankers acted in a very organized manner to attract citizens and helped them get used to dealing and exchange securities. They aimed at both groups, that is, ordinary citizens as well as people from Ottoman palaces. People got used to trading in Galata Exchange Market more than even expected by the bankers themselves. However, risk-oriented investors were not the main reason for high mobility in the Galata Securities Exchange market; being seen from time to time helping Ottoman bureaucrats to conceal and sometimes legitimize bribes they accepted was. Bribery was strictly forbidden and would be severely punished (Kazgan, 2005: 62). Galata bankers were able to earn speculative profits upon the issuance of banknotes since they got people involved in securities trading and ran the securities exchange market for every kind of financial instrument (Çabuk, 2008: 2124).

The Stock Exchange, with legislation confirmed in 1873-1874, founded with the name "Dersaadet Tahvilat Borsası" was later added to the Ministry of Finance. With this regulation the Galata Stock Exchange was kept under control. Especially, consolidated and made up games made the control of government on the stock inevitable since many people were being swindled (Beşirli, 2009: 191). In fact, the related law draft for the foundation of stocks was prepared in 1862 and sent to foreign agencies. However, it was asserted that the Galata Bankers, who were disturbed by government control since it could have made them unsettled, used their lobbying powers on high state officials and prevented the regulation from being put into effect for a decade (Fertekligil, 2000).

Known as the first Stock Legislation, "Dersaadet Tahvilat Borsası Legislation" may be belated; however, it is out of the question that the Galata Bankers had formal benefits in shaping the stock. With the development of stock activities, bankers would be more prestigious

and profitable thanks to rising work capacity and they would be able to spread the risk of loaning state agencies (Fertekligil, 2000: 26). Thus, they helped the legislation of the Stocks Code.

Domestic disturbances annoying the government, never ending financial nuisances and accompanied dramatic precautions, which came to the fore as delayed funds and repaying of interests, prevented the government from taking new precautions. In brief, although some regulations were made on the order and operation of this institution, Galata Stock Exchange assured its quality of being the most speculative market of funds in Europe. (Fertekligil, 2000: 29). The name of this Stock Exchange, with a regulation accepted in 1906 changed into "Esham and Tahvilat Stock Exchange" and continued until the Republic period. With a new regulation accepted in 1922, the conditions of the stock exchange reached its present situation. The existing stocks were regulated in accordance with Regulation No. 8172, and Stocks and Shares and Foreign Exchange Stocks Law No.1447 in 1929, and began to operate under the name of Istanbul Stock Exchange (Çondur and Evlimoğlu, 2007: 1-17).

7. CONCLUSIONS

In the financial history of The Ottoman Empire there is indisputable importance of the Galata Bankers. The post-industrial revolution developments in Europe increased the need to finance the Ottomans. Because of deterioration in financial structure of the State, the Galata Bankers gave many time credits to meet the financial needs of the State.

Galata Bankers dealing with commercial affairs for a long time have been specialized in trading and accumulated a large amount of money. The foundations of a needed securities exchange was laid by the Galata Bankers at that time and the first securities exchange was established to meet the financial needs of industry. No doubt, there were some wrong things that were done by the Galata Bankers. For example, speculation on the securities exchange, to entrap careless and inexperienced people to win money and causing them to lose their money, are some of them. However, especially in the 19th century, with their role played to meet the financial needs of the Ottoman State, by the first establishment of equity securities and bonds, the Galata Bankers laid the foundations of capital markets; and so the effect of their activities in Ottoman financial history is indisputably clear.

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