



## **Savings Banks of the Soviet Union: A Specific Form of Soviet Credit Institutions (June 1941-May 1945)**

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### **ABSTRACT**

Until now the financial activity of the Soviet state, carried out during the war between Germany and the Soviet Union (USSR) (June 1941-May 1945) was studied only fragmentarily. Thus, attentions were drawn to the financial activities of the country as a whole, while the history of such an important instrument of financial policy as a savings bank, has not been studied. Meanwhile, namely the savings bank were a link between the Soviet government and population of the country. On the basis of numerous Russian archival documents (State archive of the Russian Federation, Russian state archive of the economy, the Central state archive of St. Petersburg) for the first time was analyzed the work of savings banks of collection of funds of Soviet citizens for fighting. At that the dynamics of personnel structure of savings Bank, as well as priority areas of their work were analyzed. Attention is drawn to changes in the activity of savings bank in military terms. It is emphasized that the savings Bank were not only aimed to maximize the collection of money from the public in the interest of the state financial policy, but also cared about the interest of its clients in the use of this credit institution.

**Keywords:** Great Patriotic War, Economy, Finance, Savings Bank

**JEL Classifications:** R51, O16

### **1. INTRODUCTION**

Before the invasion of the Wehrmacht on the territory of the Soviet Union in the USSR there were five banks and one specific credit institution - savings bank. Every bank served several industries of economy, which together enabled the Central state financial control in the entire country.

Savings banks had not cooperated with state-owned enterprises, and were represented as a financial bridge between the state and Soviet people. In savings banks the inhabitants of Soviet cities and villages had their own account and signed on government loans.

### **2. LITERATURE REVIEW**

Savings banks in the period from June 1941 to May 1945 played a big role in the life of the Soviet state and of each citizen. This fact was declared, but was not studied in historiography. Only two editions, published in Russia in 2002 and 2003, drew

attention to this important circumstance. But if in the monograph "History of the Ministry of Finance of Russia" (The history of the Ministry of Finance of Russia, 2003) was paid a lot of attention to the activities of savings banks in the Soviet Union, in the publication "Military financial-economic service of Russia. History and modernity" (Military Financial-economic Service of Russia, 2003) was emphasized the relation of savings banks to the military. For these reasons, the author used numerous documents from Russian archives (State archive of the Russian Federation, Russian state archive of the economy, the Central State archive of St. Petersburg), which allowed him in the modern way to look at aspects of economic development of the Soviet Union during the war.

### **3. MATERIALS AND RESEARCH METHODS**

The analysis of historiography gave the opportunity to compare its data with archival documents, which enabled to improve the reliability of the study. The basis of the research methodology

is based on general scientific methods: Analysis, generalization, synthesis and comparison. Also historical research methods were applied: Systematic, typological, comparative, retrospective and historical periodization method.

#### 4. RESULTS

In 1938-1941 in the system of savings banks began to see a transformation aimed at increasing the number of clients. This policy was carried out due to the fact that in the private use of the population there was a lot of free money which, due to low interest rates, the population was not interested to put on their accounts. But in 1939 savings banks announced the introduction of the so-called term-deposit. The gist of it was that individuals were required to deposit money in the savings banks not >6 months. The interest rate on deposits was set at 5% per annum, which significantly exceeded all other bank interest rates. This seemingly simple measure helped to provide a substantial increase in deposits. By 21 June 1941 these deposits amounted to 6.8 billion rubles (The History of the Ministry of Finance of Russia, 2003. p. 148).

In early 1941, in the USSR acted 42831 savings banks (The history of the Ministry of Finance of Russia, 2003. p. 147). The war with Germany, 1941-1945 broke the habitual way of life of the citizens of the Soviet Union. Without changing its primary essence, the savings banks at the same time could not ignore the conditions of the beginning war. In particular, with the fact that in the second half of 1941 in connection with the mobilization into the red army, mass evacuation, disease and death from savings banks dropped nearly 90% of employees that had a great experience.

The country's leadership understood that with the beginning of the war, many citizens wish to withdraw high finances from their accounts in savings banks. To prevent this and to create conditions for the continued participation of the funds in the financial turnover, the government has taken a number of measures. The people's Commissariat of Finance of the USSR on 23 June 1941 imposed temporary restrictions on the payment of contributions in the savings bank until 22 June, i.e., before the opening of hostilities. Depositors were entitled to receive monthly from their account no more than 200 rubles.

On 26 June 1941 by the decree of the Presidium of the Supreme Soviet of the USSR have been cancelled vacations to all workers in the country. The exception was the disabled, adolescents and women who received vacation on "maternity leave". Instead of holiday the citizens received compensation for the short period of time. But on April 9, 1942 the Presidium of the Supreme Soviet of the USSR canceled the payment of this monetary compensation. In savings banks special accounts for workers that have unpaid vacation pay funds and the accrued income in the amount of 3% per annum were opened. However, to get these funds the depositors can only after the war (Central State Archive of St. Petersburg [The Central State Archive of St. Petersburg] F. 9823, p. 2). These deposits were considered as "special." Considering that during the war, were opened nearly 32000000 of such special accounts, in practice they have become an important source of financing of

military expenditures. In addition to special deposits in savings banks the so-called "winning" contributions were introduced, that also had an impact on the inflow of funds into the state budget. If from 23 June to 31 December 1941, in savings banks of the USSR entered 244200000 rubles, in 1942 it was 1331300000, and in 1943 1732100000 rub. In 1945, the total amount of citizens that were in accounts in savings banks amounted to 9000000000 rubles (Finance of the USSR for XXX years, 1947, p. 310).

At the initial stage of hostilities, the savings banks have organized their policy so that in public revenue remained as much of depositors' funds as possible. To implement it was not easy, because many savings banks that were in the combat zone, were closed. By the beginning of 1942 on the territory of the USSR remained 21406 savings banks. In fact, over the 6 months of the war their number became twice smaller than the previous. If, in the course of 1942 their number in the country has not changed, then soon after the war, to July 1, 1945, the number of savings banks in the Soviet Union began to make 28488. In the 1<sup>st</sup> month of the war the leadership of the savings banks had to solve a completely new task: They had to extend services to refugees who left their homes and settled temporarily on unoccupied enemy territories. If now successor customers of savings banks - Sberbank - thanks to modern information technology can get their contribution in any branch of this credit institution on the territory of the Russian Federation, in 1940, this was not possible. Each individual savings bank had information only on the accounts that are stored directly at it. The availability of the passbook with data of the state of contribution did not give him the right to receive cash in another savings bank. For this reason, there was a need to organize work so that the savings banks have the ability to make payments on deposits made at other offices. This was only possible in the case of a transfer of funds of population before the evacuation from their savings banks to the savings bank in locality, where the Soviet citizen supposed to be evacuated. For this reason, from June 1941 began the mass sending of transfers of deposits from one area to another, which was far away from the fighting. If in 1940 the amount of transfers of funds of depositors from one region to another was 196400000 RUB, then a year later these translations were made for the total amount of RUB 542500000 (The History of the Ministry of Finance of Russia, 2003. p. 149).

The war dictated its own terms of the relationship of savings banks with customers. There was an urgent need to simplify these relationships. On the one hand the simplification could lead to deception of employees of savings banks, which would have implied the loss. But on the other hand, to the fore was the problem of creating maximally comfortable conditions for investors getting their funds from the accounts and to perform other operations. The management of savings banks ordered to accept the savings deposits of savings banks located outside of the front strip, even if by depositors only bank books were provided. However, employees of credit institutions had been carrying out thorough testing to avoid fakes. In late 1941, when the retreat of the Wehrmacht from Moscow began, there was a new task: To interact with clients in the areas liberated from the enemy. The management of the savings banks took a calculated risk: Clients had the right to discount funds from the accounts

only upon presentation of their savings books even if the card file of one or another savings banks has not yet been returned to the place of permanent residence after evacuation. Of course, as the liberation of the Soviet territories from the enemy, the number of newly opened savings banks grew rapidly. In 1944, i.e., in the year of total expulsion of the Wehrmacht from the Soviet Union in the liberated territory was restored 2788 savings banks (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710, p. 1).

A characteristic feature of operating of Soviet savings banks in 1941-1945 was the fact that government has assigned the work of conducting monetary and clothing lotteries on them. The lotteries were conducted by the people's Commissariat of Finance of the USSR. During the war there were four monetary clothing lotteries. Proceeds from the first and second monetary-ware lotteries in 1942 amounted to \$2953 million rubles (Russian State Archive of Economy (RSAE). F. 7733. List 28. D. 124, p. 2), although the state had expected to collect only 2400 million rubles (Russian State Archive of Economy (RSAE). F. 7733. List 27. D. 154, p. 10) (the increase amounted to 19.2%). Income to the defense fund amounted to \$5302 million rubles, whereas it was planned to get 3500 million rubles (the increase amounted to 51.7%). Income derived from state loans amounted 15276 million rubles. Altogether at the expense of the state loans, the monetary-ware lotteries and defense fund the state budget received 163975 million rubles, while the state was counting on 170200 million rubles. That is, the 1942 plan was not fulfilled by 3.6% (Russian State Archive of Economy (RSAE). F. 7733. List 27. D. 154, p. 4). The revenues of the USSR of all voluntary contributions of the population in 1942 were 14.4% (calculated by author on the basis of RSAE. F. 7733. List 28. D. 124). In 1943 income on monetary and clothing lotteries amounted to 2500 million rubles, to the defense fund - 6000 million., while the report on the state budget of the USSR in 1944 indicated the figure of 5,000 million rubles. Income derived from state loans amounted 25302 million rubles (calculated by author on the basis of RSAE. F. 7733. List 28. D. 124, p. 6). The total contribution to the revenue part of the budget for all the voluntary contributions amounted to 28377.3 million rubles, or 14.9% (calculated by Author on the Basis of RSAE. F. 7733. List 28. D. 124).

In the state budget of the USSR in 1944, it was planned to receive funds from the public on loans, deposits, and monetary and clothing lotteries in the amount of 34.6 billion rubles, 10 billion rubles, or 40% more revenue 1943. Having considered the budget for 1944, budget Commission of the Council of the Union submitted to the approval of the Supreme Soviet of the USSR a proposal to increase the budget revenues at 4010 million rubles, including the conduct of monetary clothing lotteries - 700 million rubles (State archive of the Russian Federation (SARF). F. 7523. List 15. D. 2, p. 10), since voluntary funds contributed by citizens of the Soviet Union, has always exceeded the planned figures.

Recent monetary and clothing lottery, held on 25 October 1944, culminated in the announcement of prizes on 15 March 1945. In the lottery were played 5 million winnings to the total amount of 1 billion rubles. Lottery participants could win one the lottery ticket from 100 ruble to 50 thousand ruble. In addition to cash

winnings, and there were clothing: Women's overcoat with the Astrakhan collar, gold and silver watches, wool suits for men and women, men's and women's shoes, pieces of woolen cloth for clothing and carpets. The peculiarity of the lottery tickets was that they were produced as with a face value of 25 rubles and of 50 rubles. 50 rubles lottery ticket essentially was consisted of two tickets with face value 25 ruble, and on each of them theoretically could drop the money. Although some of the lottery tickets were distributed through enterprises, institutions and even households, the main burden of distribution of tickets still fell on the shoulders of employees of savings banks. Realizing that the solvency of the population in wartime conditions was not high, the purchase of lottery tickets even in installments was assumed (Malinowskiy, Head of the Central Savings Bank of the Kirov area, 1944).

Thus, in 1944, were conducted the calculations for the third money and clothing lottery, and soon was conducted the fourth (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710, p. 9). Receipt of funds from realization of monetary-clothing lotteries were planned in 1944 in the amount of 5,000 million ruble, actually was managed to get 5024 million rubles. The total amount of funds under the fourth money and clothing lottery amounted to 5749 million ruble. The plan on deposits of the population in 1944 amounted to 827.7 million ruble or 138% (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710, p. 10). Special deposits, listed in the red army fund, amounted to 276677836 rubles 03 kop (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710. p. 22).

Savings banks have become essentially financial intermediary between the Soviet state and its citizens in the conduct of state loans. Only the first 2½ of war, i.e., as of 01 January 1944 the savings banks drew on state loans and lotteries 50300000000 rubles (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710. p. 1). According to some experts, the amount of the subscription to the state loans amounted to 89.7 billion rubles (Military Financial-Economic Service of Russia, 2003. p. 162). According to the revised data, the total subscription to government loans during the Great Patriotic war amounted to 95.2 billion rubles (The Author Calculated on the basis of RSAE. F. 7733. List 26. D. 1081; The Author Calculated on the basis of RSAE. F. 7733. List 27. D. 154; The Author Calculated on the basis of RSAE. F. 7733. List 29. D. 14; The Author Calculated on the basis of RSAE. F. 7733. List 30 b). The collection of public funds for the construction of tanks, squadrons of aircraft and other weapons for the red army, provided receipt of contributions in December 1942 in the amount of 3 billion rubles (Russian State Archive of Economy (RSAE). F. 7733. List 27. D. 154. p. 5). In 1941 the state authorities received from the public subscription, on the bonds of state loans, 7493 million rubles, representing 5% of the total revenues of the state budget of the USSR (The Author Calculated on the basis of RSAE. F. 7733. List 26. D. 1081).

An important role was played by savings banks also in the acceptance of voluntary contributions of citizens to the defense Fund. It was a separate page in the history of savings banks. Beginning in the early days of the war, this Fund by inertia continued running for some time even after May 1945. Its role



in providing financial support for the Red army and the Red fleet was huge. Interesting is information on the receipt of amounts in Fund of the Red army as of January 4, 1943 (Russian State Archive of Economy (RSAE). F.7733. List 29. D. 853. p. 1), i.e. for the period of the Fund's work - from the summer of 1941 to December of 1942. Basing from these data, we can conclude that by the beginning of 1943, the contribution of the RSFSR to the Fund amounted to 67% (Russian State Archive of Economy (RSAE). F.7733. List 29. D. 853. p. 1-2). In addition, the Fund received 90.8 kg of gold, 11.4 kg of platinum, 8301 kg of silver and other tangible assets (Russian State Archive of Economy (RSAE). F.7733. List 29. D. 853. p. 37). In April 1942, was made a certificate signed by the chief of sector of non-tax revenues Strelnikova on violations of voluntary contributions to the Fund of defense of SSSR. The document said that "despite the instructions of NKF-USSR and AII-Union Central Soviet of Trade Unions from 26.8-41, No. 669/84 about the order of deductions in Fund of defense of the USSR, the number of enterprises and organizations is violated the principle of voluntary deductions from salaries to the defense Fund" (Russian State Archive of Economy (RSAE). F.7733. List 29. D. 853. p. 118). Despite such statement, the authorities tightly controlled the heads of enterprises, organizations and institutions to subscribe to all loans and voluntary deposits held by at least 100% of the salary Fund of each worker. The competition was organized between enterprises, and the total subscriptions were published in the press. It was considered as right and honorable to subscribe to 200 and more percent of salary.

A kind of "double morality" was formed. If high-level judges heard about the violation of the principle of voluntariness in the allocation of funds to the state budget, this became the reason for criticism, and sometimes for some practical measures against the leaders of different levels. If the payout was below the set standards, the heads of the various branches were accused of ideological myopia, the inability to convey to the masses the requirements of the party providing assistance to the front. The second was much more dangerous than the first. It threatened, at a minimum, removal from office, expulsion from the party, and even criminal prosecution. So there was no doubt: The leaders preferred to "overdo" than "not do." The Soviet people were forced to give all their funds, including those that had not yet been earned. In such circumstances, the place of savings banks in the financial development of the Soviet system during the war years was even more significant.

During the war of 1941-1945 savings banks of the Soviet Union began to implement a number of cash transactions, which before, in peacetime, were not performed. They have been receiving tax payments from the population, paid various state benefits to lonely peoples and mothers who have many children, on the basis of presentation of cash certificates of family members of officers of the red army and red fleet ensures financial members of their families.

During the war significantly increased such payments, carried out by savings banks, as a monetary sum to the citizens awarded by awards and medals of the USSR (The history of the Ministry of Finance of Russia, 2003, p. 150).

The longer the war went on, the better the credit institution of the country has adapted to new conditions. Adaptation was manifested in various spheres, including the number of conducted financial operations. For example, in 1944 the savings banks of the Soviet Union have made 110,5 million operations, which was 26 million transactions more than in 1943. Of course, such development of activities of savings banks would not have been possible without continuous staff training. Although the employees of these lending institutions were called up to the front during the entire war, the level of customer service was reduced and allowed to cope with the tasks. This was largely due to a well-organized training system for savings banks. In all regions of the country there was permanent training of employees for credit institutions. Special emphasis was given on practical training of the future employees of savings banks. Only in 1944 6123 peoples graduated from such courses (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710. p. 1).

Despite numerous successes, the work of savings banks in wartime was also present in a number of disadvantages. In particular, the work on attraction of contributions of the inhabitants of villages, who unlike the urban population were reluctant to part with their savings, did not carried out effectively. Many of them kept the money at home, in secluded places. However, these places were well known to all: As a rule, the Russian people kept the money for hanging on the walls icons which with all the discontent of the Soviet government were almost all village houses.

An important weak point of savings banks was unsatisfactory accounting of funds received and spent. In many cases this was due to insufficient staff expertise, although often it was a deliberate "entanglement" of accounting. War, unfortunately, pushed the weak and morally untrained people to commit various illegal acts, including the theft of money. There were also cases of malpractice.

As you know, in the Soviet Union its work was carried out under conditions of continuous and comprehensive planning. Was planned not only the number of issued military equipment and weapons, but also the implementation of the plan of deposits of money resources of the population in savings banks. Calculating in advance how much money potential investors can place in the coming year in savings banks, various organs of the Soviet power did everything to ensure that their plans were not only done, but exceeded. The results were often very high. For example, the implementation of the plan of contributions of citizens in savings banks in 1944, in fact, was exceeded by 38% and amounted to RUB 827700000 (Russian State Archive of Economy (RSAE). F. 7733. List 29. D. 710. p. 10).

## 5. CONCLUSION

Savings banks, as one of the forms of credit institutions, were largely a purely Soviet phenomenon. They are conceived in the context of understanding that all the multi-million working population of the Soviet Union were not rich people, but were eager as anyone to have their own account in the bank, or in a reliable lending institution that guarantees the safety of funds and a small income from the interest rate. Having no competitors, savings

banks in pre-war USSR have become extremely popular among the population and in military terms were the only “people’s bank,” through which people could solve their financial problems. Being aware of the role of savings banks in the daily lives of people, the state in time of war did everything possible to ensure that the interests of citizens in opportunities coincided with the interests of the state machines running in the victory over the Wehrmacht. That victory was due in part to Soviet credit institutions - savings banks.

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