A Foucauldian analysis of development banking lending practices: a case study of the Fiji development Bank (FDB) 1967-1997

Hemant Narayan Deo
University of Wollongong
NOTE
This online version of the thesis may have different page formatting and pagination from the paper copy held in the University of Wollongong Library.

UNIVERSITY OF WOLLONGONG

COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.
CHAPTER 1: INTRODUCTION.

There is a need for human (subjective) observations to capture the so called 'reality' concept:
Many may object to a picture of the world in which reality is made to depend logically on the possibility of human observation

(Trigg, 1985, p. 5).

1.1 AN INTRODUCTION TO THE THESIS.

This research study applies the Foucauldian theoretical framework to the Fijian development banking context. The Fiji Development Bank (FDB) is used as a case study. Its development (lending) practices within a thirty year period (1967-1997) are examined, and the lending process reviewed through Foucauldian spectacles. A key motivation for this research is a need to analyse traditional development banking from a non-mainstream approach.

The Foucauldian methodology provides a unique approach to the study of history with its reliance upon discursive formations and discontinuities of historical events. It also intertwines the Foucauldian archaeological and genealogical concepts that are interrelated. The web of historical epistemology thus formed is therefore a result of the complex power play arising out of interactions between power and knowledge issues. This uniqueness of the Foucauldian framework can be further elaborated as part of disciplinary regimes. The Foucauldian framework takes an overview (the panopticon eye, the eye that sees all), which ultimately provides a disciplinary surveillance over the entire Foucauldian theoretical framework.

The terms, accounting and banking, in this research study will be used interchangeably. The development lending activities of the FDB are seen as a part of its banking function and, therefore, will be treated accordingly. Development banking in Fiji is a process that involves financial support from the FDB for the development sectors of the country, for example: agriculture; industrial (manufacturing); small project financing; fishing, and special loans to encourage the indigenous Fijians into the commercial and industrial sectors. Although these development banking projects would normally have a very high
risk component attached to them, in most cases the security accepted by FDB is minimal. The FDB is willing, and able, to accept risks that commercial banks are not. For example, the FDB provides development finance to establish sugar-cane or root crop farming.


A number of research studies have outlined the need to incorporate the interaction of the environment and its social factors to bring out the concepts of self-reflectiveness between organisations and the banking discipline. To gain a comprehensive understanding of these studies, it is necessary to utilise non-scientific, anti-positivist and interpretive approaches towards the banking discipline. Some researchers call this an alternative to mainstream development banking (lending) research, and claim that it brings out the social factors that are too often omitted in mainstream research of


It is also important that researchers inter-connect or inter-relate with the environment within the overall banking system, to view the complex functions of social factors and the environment they describe. The need to adopt a broader perspective has been encouraged by Burchell et al (1980), (1985) and Hopwood (1978), (1979), (1983),
the new methods of the history of accounting (banking) methodology. This banking
research, which incorporates an interpretive approach, is vital from an organisational
standpoint. This suggests the need to look at, and appreciate, the effects of the social
factors that are part of banking operations.

The sociological framework of Burrell and Morgan (1979) provides a way of looking at
the environment from within the assumptions of four distinct paradigms, namely:
radical humanist, radical structuralist, functionalist and interpretive. These are further
analysed by being based on the assumptions on the nature of social science which
themselves are based on ‘ontology’, ‘epistemology’, ‘human nature’ and ‘methodology’.
A researcher, therefore, working from within these boundaries and incorporating the
implied assumptions, can be seen to be moving from the traditionally, or commonly
used objective (functionalist) dimension, to one that has a social component which is
subjective (or interpretive).

The Foucauldian perspective is important because the framework not only provides a
‘way of seeing’ the outside world and its implications for banking thought and
knowledge, but also widens the scope of banking research into its entirety, thus
incorporating social factors within it. This allows important social and dynamic factors
that are often ignored to be made visible through an alternative way of thinking about
banking knowledge and thought, such as ‘societal’, ‘organisational’ and ‘personal’
factors (Aitken and Gaffikin, 1986; Arrington and Puxty, 1991; Booth, 1991; Burchell
et al., 1980, 1985; Chua, 1986(a), 1986(b); Cooper 1981; Gaffikin, 1984, 1988, 1991;
Hopper and Powell, 1985; Hopper et al., 1987; Humphrey and Scapens, 1996; Laughlin
and Lowe, 1990; Loft, 1986; Lowe and Tinker, 1977; Miller, 1986, 1990; Granovetter,
1985; MacIntosh, 1988, 1990; Roberts and Scapens, 1985, 1990; Robson, 1991;
Hopwood, 1983, 1985; Parker and Roffey, 1997; Willmott, 1986, 1990). All of these
factors form a vital part of the operations of any development banking (lending)
systems.
In addition to the social considerations, there is a need to further explore the question ‘what is reality’? The ‘duck-rabbit’ diagram, Figure 3, (Wittgenstein, 1979; Triggs, 1985) for example, may be interpreted as either a duck or a rabbit, depending upon the observer’s perception. This exemplifies the ambiguity of perception. Such ambiguity should be taken into account as the researcher is constantly trying to capture the environment being studied using primary sources such as interviews and documentary evidence. To enable such ambiguities to be considered, to explore, and give visibility to multiple perceptions within the FDB history, this researcher uses the Foucauldian methodology.

A number of Foucauldian historical research studies have been undertaken to analyse Foucault’s historical writings, incorporating a paradigm change (Mackay, 1997). Hillier (1997), explored the question of reality as a disciplinary gaze. The implications of history for governmentality studies were examined by Kendall (1997), Henman (1997) and Rose and Miller (1992). Anthropologies of truth concepts (Holmes, 1997), and the concept of genealogy, taken from a Foucauldian historical perspective applied to income determination, were evaluated by Alagiah and Gaffikin (1997). The implications of colonialism were examined by Sukoharsono and Gaffikin (1993) and finally, the effects of power, social theory and organisations were explored by Clegg (1997). All of these studies have some application to the FDB (lending) case study.

What is seen in this case study here, therefore, is not that the Foucauldian archaeology concept is a sequential historical development, but that it provides the basis or platform that incorporates an adaptation of Foucauldian genealogy. This allows for a new way of thinking about banking research. Its discursive power relations are demonstrated and captured through the panopticon eye perspective. There are additional features within the Foucauldian theoretical boundary or framework, such as disciplinary surveillance within a disciplinary regime which adds to its methodological analysis of power. This framework of the FDB’s (lending) operations, within the Fijian banking environment, have been overlooked in the past.
1.2 THE RESEARCH LOCATION.

Fiji is part of the South Pacific Region and consists of two main islands (Viti Levu - 10,429 square kilometres, Vanua Levu - 5,556 square kilometres). The geographical position is 15-22 degrees South Latitude, 177 degrees West-174 degrees East Longitude. Fiji has 332 islands but only approximately one third are inhabited. The land-ownership consists of 153,884 hectares of Crown Land of which 122,468 is under lease. Native Land, which is reserved for the use of the indigenous Fijians consists of 1,519,956 hectares, of which 430,186 hectares is under lease and 149,081 hectares is freehold land.

The population of Fiji was 783,322 in 1997; the annual growth rate estimated at the end of 1996 was -2.9%. The total labour force, as of 1996, was 301,500 and its foreign assets stood at Fijian 557.9 million dollars as of 1997 (The Reserve Bank of Fiji (RBF), Annual Report, 1997, pp. 48-49). The locations of the two main islands can be seen in Figure: 1.
The enormity of the FDB's development lending task is shown by the spread of the Fiji Islands in the above map. The FDB also encounters a number of special problems, for example, access to lending fields and problems that arise from natural disasters such as cyclones, floods and droughts, all of which are common in Fiji.

The FDB operations network is situated on both the main islands of Fiji. On the main island of Viti Levu the FDB has it's head-quarters in Suva, the capital of Fiji. In its Suva operations there are a number of divisions that concentrate on its development lending operations, for example, agricultural, industrial, special loans to Fijians, special projects and a new products division. The other branch, that is also a part of its central eastern operation, is in Nausori.

In its western operations the bank has branches in Lautoka, Nadi, Sigatoka, Ba and Rakiraki. On the island of Vanua Levu, the bank coordinates it's northern operations from its branches in Labasa, Savusavu and Seaqaqa. The bank also has a number of agencies on the island of Viti Levu. There are agencies in Navua and Tavua and on Vanua Levu, as well as in Lomaivuna, Levuka and Waiyevo. The locations of all the FDB's operations can be seen in Figure 1 and also in Appendix 11.

1.3. A BRIEF DESCRIPTION OF THE THESIS CHAPTERS.

This research is organised into eight chapters. It incorporates the Foucauldian methodology of viewing the developing banking (lending) framework. Chapter one is an introduction to the thesis.

Chapter two provides the foundation of the research. It is seen as part of a building block process that concentrates on the need to use an alternative research strategy which may bring about new ways of looking at the development (lending) banking area. Interpretive, non-scientific and alternative research methods provide ways of incorporating the social factors that have been traditionally omitted in banking research.
Burrell and Morgan (1979) in their research provided a sociological dimension to their framework which this researcher has used. Their assumptions are based from within the boundaries of an interpretive paradigm. This allowed the researcher to look at the complex development banking factors within the FDB case study and the various questions arising out of this interpretation of the FDB’s (lending) reality. The Burrell and Morgan framework provides a firm ground on which to launch the Foucauldian methodological (theoretical) framework. This will be discussed in detail in chapter three.

Chapter three is introduced with discussions in relation to the Foucauldian theoretical framework, in four dimensions. This includes looking at a historical stance that is based on the Foucauldian concepts of archaeology and genealogy and the built-in effects of power and knowledge relationships that are intertwined within the Foucauldian theoretical framework. The first section of this chapter looks at the historical concept and the need to compare the views of history from within the boundaries of the old and the new history, based on Foucauldian archaeology and genealogy discussions. History is not viewed here as a sequence or chain of events, but rather as discursive formations or discontinuities that arise within the Foucauldian methodological boundaries.

The overall implications of the social, political and ideological context also raises huge questions on research strategies in relation to development banking history (Hoskin and Macve, 1986; Flesher and Somson, 1990; Rorty, 1986, 1989) and finally, there is a need to question the historiographic stance (Hopwood and Johnson, 1986; Napier, 1989, Gordon, 1981). It can be stated that the Foucauldian methodology has provided a huge impact on the researching of the overall development banking (lending) disputes within the Fijian context.

To further enhance the Foucauldian theoretical framework, the chapter looks at the various research studies undertaken by Foucault in his writings. For example *Madness and Civilisation*, *The Birth of the Clinic*, *The Order of Things*, *Archaeology of Knowledge*, *Discipline and Punish*, and *The History of Sexuality*. These are some of his
writings which provide a basic theme that focuses on using a historical emphasis in relation to the development of the Foucauldian historical methodological concepts.

The chapter, as it progresses, discusses the Foucauldian historical methodology that is based on its concepts of archaeology and genealogy. It must be emphasized that the archaeological concept, taken from a historical underpinning, views history as a form of discontinuities, where its writings, as well the analysis of history, is seen as purely discursive. Historical reality, in the Foucauldian methodology, may be called the lens of discontinuities and brings out the genealogy concept. This is interrelated to the doctrine of power and knowledge, which further results in the concept of truth, to justify the Foucauldian historical standpoint.


Chapter four focuses on the researcher’s reasons for choosing the Foucauldian theoretical framework and its methodology applied to banking lending research. The main motivation for the researcher to undertake a non-mainstream approach, instead of a traditional mainstream research, was that development banking provided the researcher with an alternative way of looking at thirty years of development banking data.

The thirty years development banking data, which includes documentary evidence and interviews, are filtered and analysed through a Foucauldian theoretical framework. This provides a new way of viewing development lending ‘out there’ and captures the reality as the researcher sees it. The methodology will provide challenges that are faced by a new research study of this kind. Data, collected by the researcher, included one to
one, informal, group and telephone interviews. The techniques for the solving of problems encountered from this kind of data had to be found. Finally, the important issue of capturing the development (lending) process from within the bounds of the Foucauldian analysis is discussed.

Chapter five applies the Foucauldian analysis to the development banking environment in Fiji and looks at early Fijian history before (1874) and the subsequent periods from 1874 to 1969. The issue of major concern during all these periods was that of ‘land’. The majority of the land was owned by the indigenous Fijians, the non-Fijians (Indians) were brought in to work the land by the British colonial powers. The Colonial Sugar Refining Company (CSR) was encouraged to develop the sugar-cane industry which lead to sugar being the main export commodity for the Fijian Islands. Most land was leased to the Indians by the indigenous Fijians under long term agreements such as the Agriculture Landlord and Tenant Act 1966 (ALTA). This provided thirty year leases to the Indian farmers to cultivate the land. After the expiry of the lease it was the prerogative of the Fijian owners to either renew, or take back the land with all the added infrastructure, at no cost to the owner.

Land issues within the Fijian context have been examined by many researchers with their implications on agricultural farming and development (Overton, 1986, 1987; Watters, 1969(a); Chandra, 1981, 1983; Ward, 1987). Fijian history and the implications of the colonial era in relation to the struggles and development of land, have also played an important role in Fiji’s overall development (Ali, 1980; Naidu, 1980; Overton, 1987; Routledge, 1985). In this chapter other issues of concern will focus on the Fijian social structure system, which is seen as unique.

The structural intention of the Constitution of Fiji in 1966 was to revamp the entire Fijian social, political and economical environment. This reinforced, with immense implications, the land accountability concept. The chapter will also look at the Colonial Government’s Development Plans in the period 1874-1969, and the establishment of the first structural mechanism, which came in the form of the Agriculture and Industrial Loans Board (AILB). This was the first move to foster the need for a development bank
concept which emerged during the period (1952-1966). Finally, the chapter will look at the need for the establishment of the FDB which began operations on 1st July 1967. What is seen in this chapter is that the early periods within the Fijian economy relied very heavily on the concept of land and its overall accountability.

Chapter six carries on the Foucauldian theoretical framework and applies it to the FDB’s lending context by determining the historical colonial transition, which is discussed in chapter five. Its overall effect on the environment that existed after Fiji gained its independence in 1970 was a transfer of power from the British, who were the colonial power, to the Fijian people. The development banking environment also underwent a huge change at that time. The FDB, which had then already been in operation for three years, was put under enormous political pressure by the government to foster economic development, especially in relation to the indigenous Fijians.

This chapter also looks at the various market players. These include the central bank, commercial banks and other non-banking financial institutions. Again, what is seen here is that there was stiff competition for the market share and the FDB was caught in the middle of it. The Reserve Bank of Fiji (RBF), which is the central bank, provided panopticon disciplinary surveillance on the operations of the FDB in relation to the banking rules and regulations that operated within the Fijian context from a macro-level.

The other major player, the Fiji National Fund (FNPF), which is seen as the source of providing short term funding to the FDB, is considered to be important. During the course of its operations the FNPF began to provide its members, who can borrow from it, their housing loans. This led to direct competition with the FDB. Institutions, for example, the FDB, RBF and FNPF, have government influence or control over their operations, since all of these institutions must report on their activities to the Minister of Finance.

This chapter continues discussions on other non-bank financial institutions for example, the credit unions and commercial banks which have become important hallmarks. The government also has a direct interest in Fiji’s commercial bank, namely the National
Bank of Fiji (NBF). The various Acts that are incorporated within the Fijian context are seen as part of a disciplinary surveillance concept that provides the effects of truth regimes within the Fijian economy. Finally, the chapter focuses on development banking and its lending image which is seen from Foucauldian analysis as power and knowledge with a discursive formation.

Chapter seven provides the core discussions that are taken from the Foucauldian analysis in chapter three. It further looks at the FDB’s (lending) operations in the major lending divisions to evaluate the changes and effects of lending from a development bank perspective within the thirty year period under examination. The chapter begins by first looking at the bank’s three major lending divisions namely: agricultural; industrial lending and special loans to Fijians. What is seen here, in all of these lending divisions (now called ‘profit centres’), are the changes or transformations that the bank has undergone to incorporate the philosophy concept of profitability, as opposed to development, within its lending operations.

Chapter seven also incorporates the various structural changes from within the bank’s lending operations that were brought about by sweeping changes in the operations of the FDB. The introduction of the corporate plan (1994) brought a number of changes to the bank.

This chapter also looks at and evaluates the bank’s accounting systems and the interface between the lending profit centres in order to examine the effect and flow of document procedures that operate within the rim of the FDB’s lending operations. The research, in addressing this document pathway, provides a flow chart to capture the reality of these interfaced flows within the FDB’s finance and EDP operations.

There are four areas of concentration. Firstly, there is the lending cycle document flow that looks at the lending process from the time the client lodges his or her lending application with the bank. This is followed by the process the bank undertakes, including areas such as lending assessment and the raising of various security documentation, until the loan is finally approved.
Secondly, the research looks at the three important cycles from within the finance area namely: cash receipts, cash payments and journal cycles. It is expected that by obtaining knowledge or insights into these cycles, the researcher will be able to reinforce the Foucauldian theoretical stance that brings out the Foucauldian concepts of disciplinary surveillance or gaze from within a power and knowledge relationship that is seen to exist between the bank’s finance and lending divisions.

The chapter also provides discussions in the form of a disciplinary concept in relation to the internal auditing department that exists within the bank’s lending operations. This department is important because it provides and administers what may be called a disciplinary regime. It keeps track of the bank’s entire activities to ensure that there is compliance with the norms that exist within a development banking environment of this nature.

The chapter finally looks at the FDB’s regional role within the South Pacific context. It is seen here that the FDB co-operates and co-ordinates its efforts with other development banks that operate within the South Pacific Region. Chapter eight provides the overall conclusions to the thesis.