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

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NOTE

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CHAPTER 2: SOCIAL FACTORS AND BANKING (LENDING) RESEARCH STUDY.

...is to pin our faith upon the crude results of observation, and hoodwink ourselves into the belief that in so doing we are following the path indicated by experience. Let us have the facts by all means, but unless we also possess the power to interpret their meaning - to evolve the hidden laws of which they are the rude exponents - we shall ... Turn them but to a very poor account

(Makeham, 1867, p. 346).

2.1. INTRODUCTION.

The aim of this chapter is to appreciate the importance of the social factors which have been continuously omitted in banking research studies within the traditional mainstream, positivist and functionalist focus. These mainstream research studies, in most cases, mapped out measures to attain certain goals and objectives, which were profit orientated, for example, Baye and Jansen (1995), Brown et al (1989), Chew (1995), Fraser et al (1995), Grabbe (1996), Hefferman (1996), Hadjimichalakis and Hadjimichalakis (1995), Hempel et al (1994), Hubbard (1997), Klausner and White (1993), Koch (1995), Moore et al (1997), Rose (1994), (1996), Rose and Kolari (1995), Saunders (1997), Shanmugam et al (1992) and Weaver (1994). Although the profit element is an important component of a bank’s long term growth and survival, this could also be attained from an approach that takes into account the social and environmental factors that influence a craft within the banking context (Armstrong, 1994; Stewart, 1992; Miller and O’Leary, 1987; Grey, 1994; Alagiah and Gaffikin, 1997; Clegg, 1997).

The complex intertwining nature of the Foucauldian methodologies of archaeology and genealogy bring out the disciplinary power effects, which are not commonly seen in other methodologies, such as those of Habermas and Giddens. However, there are some researchers who are opposed to the Foucauldian methodology and its application within the ‘real world’ interpretation (Neimark, 1990; Armstrong, 1994).

The Foucauldian perspective of this particular research brings out the disciplinary power concepts (Hopper and MacIntosh, (1992); Hoskin and Macve, 1986, 1988(a), (b);
Knights and Collinson, 1987; Preston, 1992; Preston et al., 1991; Rose, 1994; Hooper and Pratt, 1995). This also incorporates the Foucauldian archaeology and genealogy concepts (Foucault, 1974, 1984), which captures the reality of historical events. These research studies are seen as a result of various discontinuities of events, within a power and knowledge dimension. This is evident within the Fijian development banking (lending) context.

The Burrell and Morgan (1979) sociological framework is examined in this chapter because it can be used to provide an overview of the banking framework that is closely attached to development banking. There is a need for banking research to move away from the traditional functionalist paradigm towards an interpretive paradigm. Here, in this research process, it is seen as social construction of the world. This is linked to a Foucauldian approach which brings out the features of anti-positive, voluntarist, nominalist and ideographic, interpretations that look at the historical perspective of the social world as an emerging social process.

The chapter will also focus on the debate of scientific verses non-scientific methodology. Finally, the chapter incorporates discussions on the whole question of reality.

2.2. THE NEED FOR ALTERNATIVE (INTERPRETATIVE) RESEARCH.

Traditionally, the banking and accounting disciplines like most research, have been analysed from a mainstream, functionalist, positivist and scientific point of view. This is highlighted by a number of banking research studies (Baye and Jansen, 1995; Brown et al., 1989; Buckley, 1996; Chew, 1995; De Lucia and Peters, 1993; Fraser et al., 1995; Geisst, 1995; Grabbe, 1996; Hadjimichalakis and Hadjimichalakis, 1995; Hefferman, 1996; Hempel et al., 1994; Hubbard, 1997; Koch, 1995; Mayer et al., 1993; Miller and VanHoose, 1993; Moore et al., 1997; Rose, 1994, 1996; Rose and Kolari, 1995; Shanmugam et al., 1992; Saunders, 1997; Weaver, 1994). These research studies did not take into account the social element and without this there is doubt about their
effectiveness and their applicability to incorporate or capture the everyday world of banking.

The concepts of accounting and banking are used, for the purpose of this research study within the FDB, interchangeably. Accounting (banking) is seen both as affecting, and as a part of, the development banking (lending) operations. This subjective interpretation (social construction) of the reality 'out there' brings together the social factors which are also needed to appreciate the overall interaction of banking within it's environment. To capture the totality of any research study, there is a need to see the inter-connection or implications of the social factors. These have been the focus of a number of research studies over the last decade which demonstrated an extremely fertile ground for an alternative to so called mainstream accounting (banking) research. It is claimed here that, without the social factors, the outcomes that are attained in mainstream research do not reflect the organisation and its interaction with the environment in which a large organisation, such as the FDB, operates.

This banking research adopts a critical, interpretive approach in relation to development banking, thus challenging the overall underlying formations of mainstream assumptions of positivism, empiricism and realism. It is maintained here that the whole philosophical assumptions that underlie mainstream research can be questioned on two main fronts. Firstly, on the overall structure of the scientific (mainstream) theory. Secondly, its overall applications in relation to the real world situations which can be related to development banking social reforms. Not only does such understanding improve people’s welfare through its interaction with the environment, it also highlights the issue of “...how little we know about the actual functioning of accounting (banking) systems in organisations...” (Hopwood, 1979, p. 145).

An understanding of the insights into organisations and their interrelations with the real world is not feasible using conventional banking research (Brown et al., 1989; Buckley, 1996; Fraser et al., 1995; DeLucia and Peters, 1993; Geisst, 1995; Grabbe, 1996; Hefferman, 1996; Hempel et al., 1994; Hubbard, 1997; Koch, 1995; Moore et al., 1997; Rose, 1994,1996; Rose and Kolari, 1995; Shanmugam et al., 1992; Saunders, 1997; Weaver, 1994). The intertwined development banking (lending) relationships tend to be obstructed by the bank’s structural shortcomings, for example, in its values, norms, ideologies, mythologies and in its cultural idiosyncrasies (Baker and Bettner, 1997; Tomkins and Groves, 1983; Chua, 1986(a), 1986(b); Parker and Roffey, 1997; Laughlin, 1995; Broadbent and Laughlin, 1997; Lawrence et al., 1997). Further, the social, economic and political factors have greatly influenced development banking (lending) research. This is explained by one of the interviewees who commented on the relationship between history and development banking in respect of the FDB where

(h)istory for me takes into account social, economical factors in the operations of the bank as a whole, for example, in the past there was a heavy emphasis on agricultural lending, but now due to changes in the environment the focus is on more commercial lending in areas such as real estate and manufacturing history, therefore, has changed the bank’s objectives

(Interview Schedules, L-1, p. 5).

From these comments it can be seen that past events have influenced the future directions of organisations such as the FDB and that social, political and economic factors play an important role in their operations.
When the Burrell and Morgan (1979) sociological framework is applied to banking social research, it elicits further discussions that provide various methodological positions. A bank researcher, employing these methodological considerations, will appreciate the influences of their viewpoint. The research will also be affected by this particular paradigm’s assumptions, which encourages various new ways of seeing and can engender new concerns and insights, within a banking social research (Hopper and Powell, 1985; Laughlin and Lowe, 1990).

By contrast, the concept of positivism suffers from its conservatism and often masks reality in a problematic politico-ethical perspective. It also poses a huge risk to the banks’ users, who are influenced by this distant and narrow technicist expertise viewpoint, (Held, 1980; Laughlin, 1987; Lowe and Tinker, 1977; Laughlin and Lowe, 1990; Tinker et al., 1982; Tinker, 1988; Bailey, 1977; Moore, 1991), as seen in most development banking accounting (lending) systems.

There are a number of studies that have rejected the functionalist perspective in relation to the operations of banking and banking research. A growing number of research studies have propounded the merits of, for example, symbolic interactionism (Colville, 1981); the implications of ethnomethodology (Berry et al., 1985); structuration (Roberts and Scapens, 1985), and concerns about Marxian dialectics (Neimark and Tinker, 1986).

are more than functional and technical phenomena, in which both the designer and context have only a small part to play. Consequently, there is a growing body of opinion calling for an abandonment of functionalist thinking and a more direct adoption of alternative sets of meta-theoretical assumptions.

A growing number of studies maintain, that the technical aspects of development banking (lending) systems design are moulded by a wide range of societal, organisational and personal factors (Hopwood, 1978, 1983, 1985, 1989(b); Colville, 1981, 1982; Hines, 1988, 1989, 1991; Tomkins, 1982; Burchell et al., 1980, 1985; Roberts and Scapens, 1985, 1990; Laughlin, 1984, 1986, 1987, 1991, 1995; Miller and O'Leary, 1987, 1990; Loft, 1986; Robson and Cooper, 1990; Robson, 1991; Broadbent and Laughlin, 1997; Humphrey and Scapens, 1996; Shaw, 1975). The current knowledge of banking has failed to appreciate or uncover important social dynamic factors which both mould, and are moulded by, the more visible technical practices of banking. Few adopting this important social perspective would dispute the comments of Burchell, Clubb and Hopwood (1985) when they claim that

> little is known of how the technical practices of accounting (banking) are tethered to the social, of how wider social forces can impinge upon and change accounting (banking) itself functions in the realm of the social, influencing as well as merely reacting to it

(p. 382).

Banking, therefore, is a product of its social environment. The overall interdependency of banking (lending) operations and its environment, results in change which is brought about by a process of mutual adaptation. It will be shown that the environment demands lead to changes in development banking (lending) theory and practice. These changes ultimately lead to demands and expectations on the environment. The development banking framework is closely intertwined with elements of persuasiveness and mutual adaptation within the banking world.

Banking, therefore, in relation to the concept of social interest, can be regarded as a self-construction process. There is a need firstly to acknowledge the needs and desires of humans in an objective banking (lending) world. Secondly, there is an actual need and
desire by humans to recognise themselves as members of a community, which is sustained by a set of norms and values.

The FDB's (lending) operation is unique within the Fijian context. It is the only bank in Fiji that is established for development purposes. In most cases development banking has to take into account theoretical considerations and be able, through the use of critical social science theory, to explain fundamental relationships of "...how the current state of accounting (banking) has come about..." (Hopwood and Bromwich, 1984, p. 150; Cooper and Hopper, 1990, p. 2). For example, the Fijian development banking (lending) framework is the result of the discontinuity of events, such as the corporate plan, which was introduced in 1994.

Michel Foucault's work has inspired a number of methodological writings on the relations of disciplinary power within organisations (Armstrong, 1994; Grey, 1994; Hoskin and Macve, 1986, 1988(a), 1988(b); Hopper and MacIntosh 1992; Loft, 1986; Knights and Collinson, 1987; Miller and O'Leary, 1987; Hopwood, 1987; Ezzamel et al., 1990; Stewart, 1992; Walsh and Stewart, 1991). The implications of the concepts of discourse and rhetoric, in relation to the so-called accepted norms or regulations, are seen to exist within the structural boundaries of organisations (Hooper and Pratt, 1995; Shearer and Arrington, 1993; Arrington and Francis, 1993). This can be also be applied to banking (lending) studies and there are substantive historical studies that incorporate these notions of methodology (Foucault, 1974, 1984).

Foucault also demonstrated the power relationships through what he called disciplinary regimes. These are primarily attained through a process of surveillance, where a view of power is seen to control knowledge, or using "...power as a semiology tool..." (Foucault, 1977, p. 102). Both notions of archaeology and genealogy methodologies are seen as truth effects where the power relationships make it true for their existence, that is, power produces knowledge and both are directly linked to each other. It is held here that an element of power brings out the truth of discourse which sustains power itself.
To sum-up the discussions of this section, it is important to appreciate the need for an alternative approach to the banking discipline. This interpretive approach towards development banking (lending) brings out a wealth of knowledge that is otherwise omitted from the traditional banking research approach.

The next section will expand this point further, using the Burrell and Morgan framework that outlines its four distinct assumptions. It also shows a need to move away from the traditional (functionalist) dimension to that of an interpretive one, in order to capture the full implications in this development banking (lending) research study.

2.3. A SOCIOLOGICAL (BURRELL AND MORGAN) FRAMEWORK.

The Burrell and Morgan (1979) sociological framework is important, for this banking research study because it helps in the understanding of the underlying assumptions about the nature of social science that are embedded within the banking discipline. These are not often considered by those researchers working from a single approach (the functionalist paradigm).

The sociological framework was developed by Burrell and Morgan (1979) and looks into ways of seeing the banking culture. The implications, for banking thought and knowledge, in the analysis of social theory are considered here. This will relate the theories of organisations to their wider sociological and environmental contexts, which also incorporate the social elements. It is also outlined here, that this overall concept is a way of seeing, which is also noted in one of the interviews

(i)n my opinion history, which is in fact reality of the past, has seen a change of focus in development lending. Previously, there was a heavy emphasis on agricultural lending, nowadays to match the reality of the future we are focusing more on commercial lending

(Interview Schedules, M-2, p. 20).

To understand the Burrell and Morgan (1979) framework, and widen its scope to incorporate the banking environment, involves embracing many aspects of philosophy
and social theory. The main proposition that is analysed here, in relation to social theory, is that it can be conceived in terms of four key paradigms, based upon different sets of meta-theoretical assumptions, about the nature of social science and society. The four paradigms are founded upon mutually exclusive views of the social world. Each stands in its own right, and generates its own distinctive analysis of social life within the operations of organisations based on a distinct set of assumptions.

The Burrell and Morgan framework uses the basis of its implied assumptions and philosophical ideas to serve a number of important purposes. First, it forms a map that can be used to find one's way through the wealth of development banking (lending) research (multi-disciplinary in nature). Secondly, it can be appreciated that practical oriented subjects such as banking (finance), have often embraced theories from other areas such as philosophy or science with little concern for their own discipline's philosophical underpinnings by not making their basic assumptions explicit. It is also hoped that there will be a greater tolerance and awareness of banking research from alternative disciplines, for example, law or science and this perspective will be encouraged within the banking (lending) practice.

Thirdly, commonly held views about banking are taken for granted. Development banking (lending) facts are often based upon assumptions which are not recognised by lending officers and, therefore, often not assessed. Fourthly, the framework provides a map of research classification according to its underlying assumptions. It may not be useful as a way of organising previous banking literature, but it may point the way towards new areas of investigation and discovery of previously uncharted territory in development banking (lending). Finally, it also suggests that the individual values and philosophical assumptions about theoretical backing and research methods should all be related to each other and to the overall aims of development banking (lending) research (Hopper and Powell, 1985; Dyckman et al., 1978).

The nature of social science is made up of the four key variables of ontology, epistemology, human nature and methodology. This is shown in figure 2 below:
As seen from the above figure the four key variables can be further expanded. Ontology is concerned with the nature of 'reality'. It looks at the social world and its structures can be regarded as having an empirical, concrete existence, which structures external, independent to the cognition of any individual. At the other extreme, reality is depicted as existing only as a product of individual consciousness. The external social world consists simply of concepts and labels that are created by people to help them understand and negotiate the shared conception of its nature with others.

Epistemology is concerned with the nature of knowledge, the form it takes and how it can be obtained and transmitted. One end of a continuum assumes that knowledge can be acquired through observation. Knowledge therefore, is seen as a more subjective element and is essentially subjective in nature. Development banking can, therefore, be understood by first acquiring knowledge of the social world under investigation.

[Figure: 2 Burrell and Morgan, 1979, pp. 3-22].
The human nature assumptions refer to the relationship between humans and their social environment. Here, human behaviour and experiences can be regarded as completely determined and constrained by their external environment. Humans can also be viewed as being potentially autonomous, with free will and capable of creating their own social environment.

This concept of human social experience can be appreciated by one of the bank's interviewee who explains that

(from my experience I have seen a lot of social change in relation to the bank's operations. Some of these are that the bank is moving into a commercial direction, the suspension of the Class J lease finance, more critical lending assessments, more increases in staff training and increases in the technology area

(Interview Schedule, M-3, p. 23).

Human experience is, therefore, extremely important in the function of any organisation. It is seen to dovetail with the methodological implication. If the social world, for example, is treated the same as the physical or natural world, then methods employed from natural science can be utilised in development banking (lending) research. Further, the methodological assumptions are designed to locate, explain and predict any social regularities as well as patterns of statistical techniques. Often it is used to test hypotheses and to analyse data collected by standard banking research instruments, such as questionnaires and surveys.

Alternatively, the subjective experiences of individuals and the creation of a social world is stressed. There methods will allow insights into an individual's beliefs which are emphasised, for example, by participant observation and in-depth interviews (Hopper and Powell, 1985; Burrell and Morgan, 1979). What constitutes the interpretation of social knowledge can be further applied to both truth and knowledge, which are interrelated, and thus have direct implications to the development banking (lending) reality construction.

At one extreme, it is assumed that banking knowledge can be acquired by identifying an objective static rule; for example, a cause and effect relationship, where the established
universal laws and causal relationships about knowledge are defined. This identifies a constant relationship, where banking knowledge can be driven and acquired in a totally subjective way. This is also based on the individual's personal experience and beliefs about the social banking world. There is an element of value placed on inquiry which is based on social relationships (social elements that have an implicit bearing on the concept of reality construction).

Knowledge, it is claimed, is gained through interpretive understanding that requires inherent subjective rationality. This is further highlighted in an interview, when an interviewee comments

(y)es, knowledge is important to have and acquire so that it can guide us in future directions and if you have the correct guidance then your decision making process is substantially improved. You need to have a knowledge about the environment, the people and technology to see the implications of these factors in relation to the bank's overall lending operations

(Interview Schedules, M-3, p. 27).

This is further supported by another interviewee who stated that

(i)n my opinion the concept of knowledge is important since it depends on how one analyses a particular situation in relation to the lending process, for example, in lending one needs to understand the lending environment, the clients, the policy and procedures of the bank and finally, actual lending experience in the commercial banking world

(Interview Schedule, M-4, p. 37).

Knowledge, therefore, is a vital component in relation to the operations of any organisation. The Burrell and Morgan (1979) framework is divided into four distinct paradigms: functionalist, radical structuralist, radical humanist and interpretive. Each set of paradigms has its own ontology, epistemology, human nature and methodology assumptions. In a similar manner, the nature of society's assumptions needs to be seen in terms of a continuum, ranging from what Burrell and Morgan (1979) call a 'sociology of regulation' to a 'sociology of radical change', Figure 2.

The functionalist paradigm is seen to be dominant in academic study of sociology and within the study of banks and banking. The root of its focus is in the sociology of
regulation with an objectivist viewpoint. It is characterised by a concern for providing explanations of the status quo, social order, consensus, social integration, solidarity, needs satisfaction and actuality. It approaches these general sociological concerns from a standpoint which tends to be realist, positivist, determinist and nomothetic. The paradigm essentially provides rational explanations of social means; therefore, its orientation perspective is highly pragmatic. This also applies to the understanding of knowledge and society, which provides practical banking solutions to practical banking (lending) problems.

When its assumptions are looked at in detail, within the Burrell and Morgan framework, it is seen to work with an ontological assumption of realism which assumes that there is a real orderly world 'out there'. It is also assumed that there is a sequential pattern which is independent of any observational bias. This includes assumptions of determinism (human nature) which maintain that humans are simply part of an ordered rule-conforming reality. At the same time a societal assumption based on a sociology of regulation assumes a certain unity, cohesiveness and goodness in the banking social world.

The epistemological assumption of positivism assumes that knowledge equals patterns, regularities, general causal relations and universal laws. A methodological assumption of nomotheticism assumes that to understand the patterned universe requires a systematic, careful, sophisticated approach which further allows the observer to expose the underlying causal order that is needed to be discovered (Laughlin and Lowe, 1990, p. 33; Burrell and Morgan, 1979, pp. 26-28), within the development banking (lending) world.

The interpretive paradigm is the other extreme of the continuum. It is concerned with how to understand the world through the level of subjective experience which involves individual consciousness and subjectivity. Further, its approach to social science tends to be nominalist, anti-positivist, voluntarist and ideographic, where it views the social world as part of an emerging social process where everyday life is a miraculous
achievement and where the social world is seen in terms of an ongoing process of adaptation.

The radical humanist paradigm, on the other hand, is committed to a view of society which emphasis the importance of over-throwing or transcending the limitations of the existing social arrangements. The radical structuralist paradigm is also committed to radical change, emancipation and potentiality in an analysis which emphasis structural conflict, modes of domination, contradiction and deprivation. Radical humanists normally forge their prospectives by focusing upon consciousness as the basis for a radical critique of society, but radical structuralists concentrate upon structural relationships within a realistic social world.

Banking systems, viewed from the functionalist paradigm, are restricted because they do not take into account social interactions between people within the overall environment. Further, they operate, and are part of, our daily function in relation to the overall societal, organisational and personal perspective. The development of a banking system also needs to uncover important social dynamics, which both moulds, and is moulded by, the more visible technical practices of development banking (lending) knowledge and thought. This can be appreciated in the Fijian development banking (lending) case study.

A number of studies have questioned the use of the functionalist approach as not relating to or capturing the reality of the situation, in relation to the finance (banking) discipline. These have uncovered a complex and highly significant complex web of social factors which have influenced the functioning of development banking (lending) operations. Armstrong (1984), (1985), (1994), Berry et al (1985), Chua (1988)(a), Cooper (1981), (1983), Ferreira and Merchant (1992), Hopper and Armstrong (1991), Hopper and MacIntosh (1992), Hopper and Powell (1985) and Roslender (1996) argue for the importance of social factors in management control systems. The importance of political and social factors in accounting systems of social services are analysed by Colville (1982), Tomkins (1982). The dominant social beliefs are reflected, for
example, in the highly simplistic accounting systems in the Church of England (Laughlin, 1984, 1986).

Social themes can also be applied, in a similar fashion, to the FDB's case study. There is also a need to consider the social mechanisms in providing an important link between inter-organisational and social conflict, within the banking environment (Neimark and Tinker, 1986). The value added to the nature of development banking to further incorporate a number of important social factors in its operations cannot be ignored (Armstrong, 1991; Baker and Bettner, 1997; Burchell et al., 1980, 1985; Cooper and Hopper, 1987; Gaffikin, 1984, 1991; Hopper and Powell, 1985; Hopper et al., 1987; Hopwood, 1983; 1989(a); 1989(b); Laughlin, 1991; Lowe and Tinker, 1977; Lowe et al., 1983; MacIntosh, 1988; Miller and O'Leary, 1987; Morgan, 1988; Roberts and Scapens, 1990; Robson, 1991; Shearer and Arrington, 1993; Sikka and Willmott, 1997 and Tinker et al., 1982).

The conclusion reached in all of the above studies is that there is increasing awareness of the social factors within development banking (lending) studies. There is also the implication that a variety of social factors have a large part to play in relation to the banking (finance) discipline. All of this has been seriously under-researched by those who look at development banking (lending) research through functionalist eyes highlighting that

(f)unctionalist thinking has restricted the analysis of the social context and its interactions with the technical to elements which have readily observable qualities omitting relevant, often hidden, social factors which have a vital part to play in understanding and hence in designing accounting (banking) systems

(Laughlin and Lowe, 1990, p. 35).

To sum-up the arguments discussed above, it has been emphasised that it is important that banking research of this nature takes an interpretive stance. It should also be able to use the assumptions that are given to it by that particular boundary (paradigm). Therefore, banking should follow a path that will widen further to incorporate the social environmental factors, which make an immense contribution to the banking discipline and its interactions with the environment in which it operates.
The next section will, firstly, examine some of the methodological arguments to explain why there is a need to take account of non-scientific methodology while undertaking a Foucauldian research approach. Secondly, it will address the apparent confusion between non-scientific methodology and methods used in the Foucauldian school of thought.

2.4. THE DEBATE ABOUT SCIENTIFIC vs NON-SCIENTIFIC METHODOLOGY.

The debate about the scientific verses the non-scientific methodological stance is one that is based on the adaptation of a philosophical concept. Within a historical context the discussions during the period 1920-1950 were outlined as follows:

(i) it is little exaggeration to say that virtually every significant result obtained in the philosophy of science between the 1920’s and 1950’s either employed or tacitly assumed the received view; in the 1950’s, however, this analysis began to be the subject of critical attacks challenging its very conception of theories and scientific knowledge. These attacks were so successful that by the late 1960’s a general consensus had been reached among philosophers of science that the received view was inadequate as an analysis of scientific theories

(Suppe, 1977, pp. 3-4).

The arguments concerning the methodological debate have been under research for some time but have gathered momentum to reach its present stage. The positivism, scientific verses non-positivism, non-scientific debate about the social sciences is a controversy that has affected the banking discipline. The ultimate conclusion reached here is that social, economic and political factors play an important role in shaping this banking craft (Burrell and Morgan, 1979; Aitken and Gaffikin, 1986; Arrington and Puxty, 1991; Burchell et al., 1980; Blumer, 1978; Cooper and Hopper, 1987; Armstrong, 1985; Broadbent and Laughlin, 1997; Baker and Bettner, 1997; Chew and Greer, 1997; Lodh and Gaffikin, 1997; Laughlin, 1995; Mattessich, 1984; Moore and Cooper, 1993; Lawrence et al., 1997). All of which can be further linked to the overall development (lending) operations of the FDB.
These disputes about science and scientific methods have erupted in a range of social and political disciplines, but have not yet influenced banking research. It is seen that the theoretical position, which has been adopted by the scientific viewpoint, is one which assumes rationalism, realism and relativism where science consists of a systematic body of general causal relations. This explains the prediction and control of the development banking (lending) phenomena. The scientific methodology, therefore, comprises rigorous quantitative methods which can be further confronted by scientific data and hypotheses and empirical data that will ultimately filter out non-scientific experiences.

Foucault (1972), (1973), (1977)(a), (1977)(b), (1980), (1981), (1984), Habermas (1974), (1984), (1987)(a), (1987)(b) and Adorno and Horkheimer (1972) are prominent researchers who have argued that there is a dominance of discourses which forms a large part of the structural roots in any given society. It can, therefore, be seen that the real concept of the sense-making process includes wider, societal structures. Further, it can be seen as part of a subjective social process.

Positive banking theory on the other hand represents a radical paradigmatic shift inside neoclassical approaches to banking. Here, the concept of banking is seen as an economic good, a factor of production to be managed strategically and efficiently in self-interested pursuits of the bankers.


A political economy approach to banking on the other hand can be linked to development banking (lending) research, which relates the notion of banking to its
interest. This can be seen as quite different from the positive banking theory, where the overall framework is completely different, both in theory and in practice. However, this particular approach looks at reintegration of an economic sphere to broader socially contestable interests, such as the sociology of professions, social, moral and political philosophy in relation to development banking (lending) knowledge and thoughts (Tinker, 1980, 1984, 1988; Tinker, Merino and Neimark, 1982; Armstrong, 1984, 1985, 1987, 1991; Neimark, 1986; Arrington and Francis, 1988; Lovoie, 1987; Arrington and Puxty, 1991, Brown, 1974). This is shown to be within the FDB case study.

Critics of the work of the positive theorists have given varying degrees of attention to logical and methodological matters (Christenson, 1983; Schreuder, 1984; Whitley, 1988; Williams, 1989; Sterling, 1972, 1975(a), 1975(b), 1990; Chambers, 1993; Gaffikin, 1984, 1986, 1989; Lodh and Gaffikin, 1997; Laughlin, 1995, Lawrence et al., 1997; Lowe et al., 1983). The overall methodological development of this particular approach maintains that theory development can be unrefined, primitive, inaccurate and premature with little or no contribution towards the banking discipline.

From a social viewpoint it also becomes necessary to draw back from the obvious facts about reality as long as it is needed where "...objective reality and all the while to take account of the reality one denies all this is indispensably necessary..." (Orwell, 1955, p. 171). On the other hand methodology, as a term, is somewhat ambiguous in this context for it is sometimes applied more narrowly. An inquiry into how that discipline is organised as a knowledge-creating mission indicates a study of the description of the methods used as well as the overall aims of a particular discipline.

In a philosophy of science sense, it should be used to attain a general investigation of the aims, concepts and principles. Further, the reasoning of a discipline and its organisation, in terms of the relationships between its parts or sub-disciplines, is sometimes applied to science as a whole and scientific endeavour rather than its branches. The general argument is for the need of one unified methodology for all scientific endeavours. The methodology, for example, of science that was traditionally incorporated into banking research, might include attempts to analyse and criticise its
aims, and concepts such as explanations, causality, experimentation and the methods used to achieve these aims.

A methodological study approach in banking does not use techniques and methods, but studies the principles by which any discipline learns to accept or reject knowledge. This is the philosophy of science. Thus, it is seen that natural sciences have made spectacular advances towards the banking discipline. It is important, at this point, to distinguish between methodology and methods especially in a development banking study of this nature where the concept of

methodology in the sense which literate people use the word, is a branch of philosophy of logic...semiliterates adopt the word when they are concerned neither with philosophy nor with logic, but simply with methods. Instead of "statistical techniques" they would say "statistical methodology", and instead of "research methods" they love to say "research methodology"

(Machlup, 1963, p. 204).

A methodological study, in the sense which philosophers use the term, is not a study of techniques and methods, but a study of the principles by which adherents to any discipline learn to accept or reject knowledge (Aitken and Gaffikin, 1986, p. 208, Gaffikin, 1984, 1988, 1989, 1991). A knowledge of banking development can only be achieved through the social construction process, through human (subjective) interaction. The scientific method which is based on scientific methodology fails to achieve this particular process. Limitations are experienced in relation to its structure and overall interpretation process.

The debate about the confusion between methodology and method becomes clear when the

methodology sets out the procedures to be used in the generation and/or in the testing of propositions by those wishing to obtain valid knowledge. However, methodology is derived from epistemology which is in turn determined by ontology

(Gaffikin, 1988, p. 31).
A more philosophical application would highlight the fact that science is working from a hypothetico-deductivist (i.e. empiricist) methodology. These are implications on both the culture and the beliefs of the environment in which it is placed. Further, it also argued "...that science is just one set of beliefs and that we in the west venerate science, not because it is any more rational than its alternatives, but simply because we are products of a culture which has placed great store by science..." (Laudan, 1977, p. 3).

The term methodology is embedded in the notions of philosophy of science and the overall sociology of knowledge, and is further linked to the total processes by which a knowledge-gained process is achieved. There is a link between the knowledge attained and the issues which concern history where

(i) think that history can be seen as a process where one gains knowledge from the various experiences undertaken, for example, in the past we were financing large agricultural loans that were unproductive, therefore based on that experience we are now moving towards commercial loans and new products like leasing and working capital etc. Also, there is more reliance on security and equity contributions, since there is a greater concern on the profit element (Interview Schedule, SL-1, p. 14).

Methodology, on the other hand involves a process of thinking and formulating a particular research agenda. It further examines methods that are part of the process of attaining knowledge, as well as concepts of theorising the use, for example, of a Foucauldian theory to support this particular banking research work. Further, this in practice can differ between researchers, and also depends on the theoretical framework adopted by a particular researcher. In certain cases, methodology has been confused with research methods and tools.

In this section there were discussions about scientific verses non-scientific methodology. The conclusion, therefore, from a banking research point of view, is that it is important for a researcher to acquire research skills from the non-scientific dimension. This methodology uncovered an enormous amount of material from within the Fijian development banking (lending) context.

The next section, will dovetail discussions of the previous section with the concept of reality and its implications, in relation to its interpretation.
2.5. THE REALITY QUESTION ('OUT THERE').

The question of reality is important in studying development banking research. However, it is a difficult task to analyse the reality concept. There are different philosophical assumptions (ontology to societal), which have implications as to how this concept of reality is seen to exist by a researcher. A Foucauldian viewpoint of reality is a process where history is based on archaeological and genealogical concepts of reality. It is further influenced through power and knowledge relations, which lead to discursive practices that are often seen to exist within the concepts of reality.

Reality, therefore, is seen to be an objective phenomenon but at the same time there is a need of a huge subjective (human) element component attached to it. This attempts to interpret the social and societal factors, which play an important role in attempting to predict this so-called, reality 'out there' concept. For example, the 'duck-rabbit' (Figure 3) interpretation of the reality outcome (Wittgenstein, 1958, 1969, 1979; Triggs, 1985).


The reality interpretation, from the Burrell and Morgan (1979) framework, provides a very simplistic comparative typology that is dictated by two main dimensions (subjective and objective). This concept of reality could have a bearing on the scientific (objective) method in relation to the way it relies on facts (Hempel, 1966) and as the absolute truth (Douglas, 1976). The notion of scientific methodology to validate the truth is discussed by Chambers (1966), Sterling (1972), Kuhn (1970) and Popper.
(1972). The reality concept in relation to the FBD is measured through its performance in relation to its overall (lending) operations, which ultimately rely heavily on the profit component.

However, what needs to be answered is whether this incorporates the important social factors in relation to development banking (lending) research (Hopwood, 1978, 1979, 1983, 1985; Burchell et al., 1980, 1985; Laughlin, 1984, 1986, 1987, 1991, 1995; Laughlin and Lowe, 1990; Lowe and Tinker, 1977; Armstrong, 1991; Broadbent and Laughlin, 1997, Humphrey and Scapens, 1996; Lawrence et al., 1997, Neu and Simmons, 1996, MacIntosh, 1990). The question from the opposing scientific viewpoint relies heavily on the scientific testing of banking theories for validation. It provides a set of philosophical assumptions which are, in fact, mapped out as an approach to analyse the reality concept. Again, this whole question of reality needs to be revisited using scientific modeling with reality assumptions that are highly technocratic and have “...restricted what is deemed to be an accounting system to a generalisable, technical and observable craft produced by some universal human designer for the maintenance of a current social order...” (Laughlin and Lowe, 1990, p. 33).

If the social factors are excluded, the results are questioned. An academic development banking (lending) reality is based on the researcher’s perception which is locked in, from the researcher’s viewpoint, to the approach to this complicated element. This is seen through an interpretative research perspective. Reality is seen to be questionable, because the academic development banking fraternity is locked into a ‘myopic view’ of what is banking research.

Furthermore, it often seems to consider alternative quantitative techniques as the equivalent of the available range of research styles. This is seen to exist within the Fijian banking framework “…or at least it often seems content to adopt one single stereotype of research style…” (Tomkins and Groves, 1983, p. 361). Therefore, based on the above quotation, it can be seen that the so-called reality depends upon a number of important elements. One of these includes the research methods and methodology
that a particular researcher may incorporate into a research study. From the overall reflection of reality, based on the above stance, it is seen that environmental factors influence reality and are, in turn, influenced by it. This explains a particular relationship which is not only dialectic in nature but also has the elements of a duality of structure.

It can also be seen to impact on the large social phenomena that creates a paradox of the reality in the social reconstruction process where "...the properties of the elements of social phenomena obtain many of their characteristics from the larger phenomena of which they are part, while the larger entities obtain their characteristics mostly from the relations between the parts of which they are composed..." (Cohen, 1968, pp. 11-12), which, therefore, has a huge impact on the social construction of the so-called banking reality 'out there'. The interpretation of reality 'out there' through the medium of subject and object dimension, results in a better analysis of reality.

This can be attained through a more dynamic social construction process where "...the key to understanding social order...is...the shifting relations between the production and reproduction of social life by its constituent actors, all reproduction is necessarily production, however, and the seed of change is there in every act which contributes towards the reproduction of any "ordered" form of social life..." (Giddens, 1976, p. 102). This includes the re-construction of the banking framework.

The conventional scientific approach to the understanding of social behaviour is limited. When applied to banking data, it forces it to attain the relevant outcome of the research, which in fact "...enables the scholar to remain unconcerned that he has little direct familiarity with the sphere of life being studied. The research model also becomes a substitute for the field being studied..." (Tomkins and Groves, 1983, p. 363).

This is very common in the banking environment since traditionally there are strong links to the positivist view of thinking about the discipline. The interpretive approach, therefore, to the researching of the reality of development banking (lending) brings out the actual picture of banking reality. It includes enquiries based on both 'exploratory' and 'inspection' techniques of research within the development banking (lending)
environment (Tomkins and Groves, 1983, p. 363). These elements were not present in the scientific mode of banking research.

It also omitted the means of understanding social behaviour which the actual research captures in relation to scientific research where

this conventional protocol of scientific analysis is not suitable or satisfactory for the kind of analysis that is needed in direct examination of the empirical social world... (it) forces... data into an artificial framework that seriously limits and impairs general empirical analysis. Scientific analysis requires two things: clear discriminating analytical elements and the isolation of relations between these elements. The conventional protocol does not pin down in an exact way the nature of the analytical elements in the empirical social world nor does it ferret out in an exacting manner the relation between these analytical elements (Blumer, 1978, p. 41).

The issue here is that this concept of reality is based on different sets of ontological assumptions about the social development of the banking world. Also, the interpretation of these assumptions would have implications on how this particular reality is perceived. For example, the ontological assumptions are seen to analyse reality as follows: where the concept is that “(1) Reality as a concrete structure; (2) Reality as a concrete process; (3) Reality as a contextual field of information; (4) Reality as symbolic discourse; (5) Reality as social construction and (6). Reality as projection of human imagination” (Morgan and Smircich, 1980, p. 492).

Reality, therefore, based on the Morgan and Smircich (1980) model, assumes that the social world is viewed as a network of determined relationships, much like the world of physics and chemistry (as in category 1) compared to reality as it only exists in the consciousness of reality in the human imagination (category 6). Therefore, the overall difficulty that should be appreciated here is that reality in human imagination terms is very difficult to analyse and interpret as opposed to reality as a concrete structure where there is a set of procedures that would lead to the attainment of the reality.

The contradictions of trying to validate a general theory, for example, Abdual-Khalik and Ajinkya (1979), Ball and Foster (1982), Friedman (1953), Horngen (1977), Kam (1986), Kuhn (1970), Littleton and Zimmerman (1962), Watts and Zimmerman (1986),
(1978), (1979), (1990), Zeff (1981), Zimmerman (1983) and Zmijewski and Hagerman (1981) and yet work from the illusions of science is also questionable. The difficulty for the banking researcher is to incorporate value judgments that include the real environment and its social consequences, which are omitted from scientific methods that include empirical testing (laboratory based experiments). Its applicability to include social, economic and political factors within an organisational context may be difficult. This is overlooked by scientific research methods.

Supporters of scientific research, for example, Abdul-Khalik Ajinlya (1979), Friedman (1953), (1962), Popper (1972), Watts and Zimmerman (1986), (1978), (1979), (1990), Zeff (1981), Zimmerman (1983) and Zmijewski and Hagerman (1981) agree that the tyranny of positivism and empiricism lies in the notion of science resting on a seemingly firm foundation of sense data. Two questions are raised here. How the human element is to be considered in the interpretation of these results of this sense data, and what is the link with the social, economic and political factors with regard to the overall environment?

The focus of sense data is a central part of science. Therefore, scientific research tends to be an important feature in what can be termed social experience. There is a question about reality itself where the reality of the world depends on subjective observations. Reality is what happens to our senses when we change our interpretation of what we see. For example, Ludwig Wittgenstein (1958), (1969), (1979) and Trigg (1985) 'duck - rabbit', Figure 3, is a drawing that can be seen as a duck or as a rabbit. The beak of a duck can be seen in the same lines and also be interpreted as the ears of a rabbit (Figure 3 below):
The concept of reality provides both a mirror of gaze reflection of assumed reality i.e. what you want is opposed to what is actually out there in the real development banking lending framework. For example, for a person in a desert, the reality of water is seen as a mirage in the burning sands. An artist's painting tries to capture the vision of reality according to his or her inner thoughts (experiences) on canvas (Morgan, 1988, 1990). The same implications are there for the development banking (lending) research study.

A mirror is also seen as a perception of reality. The longer a person gazes into a mirror the more the reflection becomes objective reality. Using the Foucauldian spectacles, the banking researcher tries to use the intrinsic interpretation of the actions of reality (out there). The banking researcher's analysis of reality is coming to be seen as a social, rather than a purely technical phenomenon. The social contexts of the banking craft are beginning to be both recognised and made more problematic.

Scientific explanations were adopted to explain the banking reality. They were used as hypothetico-deductive methods which reduced banking research to a link between explanation, prediction and technical control, that is, laboratory-based testing of banking without including the social environment (Abdel-Khanlik, 1979; Mautz and Sharaf, 1961). This complicated concept of reality is better understood using the Foucauldian analysis, both in regard to its methodologies and its historical stance of archaeology and genealogy. It gives an understanding of the implications in respect to the overall power
and knowledge relationships that are normally incurred in trying to be an interpretative reality phenomenon.

The discussions in this section brought out the complicated nature of the interpretation of the concept of reality. It was seen that the reality phenomenon is an outcome based on a social construction process where the researcher has to interact with the organisation which is the research site and the environment and which is also a part of its operations.

2.6. CONCLUSIONS.

The arguments in this chapter are pivotal to this research, since they bring out the importance of a research undertaking of this nature, and to incorporate and appreciate the role of the social and subjective factors, that have been omitted, in most banking research. The Burrell and Morgan (1979) sociological paradigm, together with a Foucauldian methodological perspective was used by the researcher to map-out a course of action towards this banking research.

This chapter also highlighted the importance of the social construction process that is part of, and intertwines with, a research study of this nature. The next chapter, will describe a Foucauldian theoretical framework in the context of development banking (lending) research.