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


This paper is posted at Research Online.
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 6: MODERN FIJIAN HISTORY.

Foucault and his comments on the three Platonic modalities of history:

The historical sense gives rise to three uses that oppose and correspond to the three Platonic modalities of history. The first is parodic, directed against reality, and opposes the theme of history as reminiscence or recognition; the second is dissociative, directed against identity, and opposes history given as continuity or representative of a tradition; the third is sacrificial, directed against truth, and opposes history as knowledge. They imply a use of history that severs its connection to memory, its metaphysical and anthropological model, and constructs a countermemory-a transformation of history into a totally different form of time

(Foucault, 1984, p. 93).

6.1. INTRODUCTION.

The aim of this chapter is to apply the notions of archaeology and genealogy (that incorporate power and knowledge, and which further relate to the formation of truth effects) to the Fijian economy after independence. Through their application it will be possible to assess the impact on the growth of the Fijian economy of development (lending) banking schemes.

This chapter shows how the colonial administration was imposed on the Fijian political system. There will be a particular emphasis on the effect of changes on land issues. The chapter will also discuss the later role of the RBF, seen as a disciplinary infrastructure formed by the Fijian government, to ensure disciplinary surveillance within the Fijian state.

The role of the central bank is shown as part of the panopticon eye that ensures disciplinary surveillance. Similar discussions will follow on the role of the non-banks and government backed financial institutions. These include the FNPF and Credit Unions. The implications of their relationship to the FDB will be examined with particular emphasis on the development banking (lending) area.

The role of the commercial banks, particularly the government owned NBF, will also be discussed. This will give the background to the commercial banking environment that operated in the Fijian context. The various banking Acts, for example, the RBF Act
(1985) and the Banking Act (1995) play a vital role and will be discussed as part of a disciplinary surveillance process within the Fijian context. These Acts are seen as power instruments that administrators use as part of a surveillance process. Finally, the chapter will look at development banking and its lending image and the role the government plays in its development functions.

6.2. THE FIJIAN ECONOMY AFTER INDEPENDENCE.

Fiji gained its independence on 10th October 1970. This gave rise to a new disciplinary regime. The indigenous Fijians gained the power to make their own rules and regulations and to ensure adequate disciplinary surveillance of the economy, which was, in the view of some researchers, overdue. There was a need for "...the capitalist development of under development..." (Frank, 1978, pp. 148-149). The issue for Fiji was highlighted as "...the under developed wheel has now been reinvented in the islands of the central Pacific..." (Denoon, 1985, p. 119). These were typical of the commentaries about the Fijian economy.

Another researcher viewed these independent developments as an extension of yet another new disciplinary regime, one that already existed within the South Pacific region. He stated that it was the "...initiative and discretion of mainly Australian companies..." (Samy, 1978, p. 23). The focus of the infrastructure by the previous colonial government namely, the formation of the CSR, was seen as a dominant disciplinary regime within the sugar-cane industry and was now regarded as the involvement of the "...foreign dominance of the economy ... the sugar industry was the primary generator of surplus in Fiji ..." (Narsey, 1979, pp. 66-67); and finally, the historical discourse formations were seen as a fact of a "...perilous abyss..." (Narayan, 1984, p. 129). This can be further appreciated as historical discursive formations, in relation to the Fijian economy. In this process the powers which were held by the British Colonial Government passed to the new leaders of Fiji.

Therefore, there is a transfer of power and knowledge which can be seen from a macro-level where the panopticon eye is in the form of a disciplinary surveillance, (Foucault,
1977), or a disciplinary power within a regime (Knights and Collinson, 1987), in which the Colonial Government provided the basic infrastructures.

These infrastructures are still apparent through the existence of companies like the CSR which, even after independence, has the monopoly of power over the sugar industry, and is still the back-bone industry of the Fijian economy. The Foucauldian archaeology and genealogy, through a historical perspective, also sees the influence of the British Colonial Government even after independence. For example, the new Fijian flag that replaced the British one after independence still incorporates the British flag in its design. The Queen was still regarded as the head of state even though the Fijian people elected a House of Representatives. The Governor General was appointed as the Queen’s representative in the hierarchical structure.

This structure existed until the 1987 military coup. The existing disciplinary regime was then changed by the use of force and thus created a new disciplinary regime structure, which was military based, and not democratically elected. Fiji became a Republic and thus elected its own President as the head of state. It, however, remained within the British Commonwealth of Nations. This is a typical scenario when there are discourses in the power and relationship. It can be seen that little of this power remained with the colonial control after the military coup. Acts such as the Constitution of Fiji (1990), reinforce the power conflicts where it is seen that the total control of the Fijian economy is in the hands of the Fijian people.

The Constitution, through its power domination, strengthened the traditional administrative structures, which reinforced the Fijian control over the Indians (non-indigenous). The power and relationship through its discursive formations also divided into two major races (the Indians and the Fijians). This division caused a feeling of insecurity amongst the Indians in relation to the land issues and most of the farming land was leased to them. There were now questions raised as to whether these leases would be renewed after their expiration. The elected Indian parties had very limited power in the administrative decisions relating to the Fijian economy since it was dominated by the majority Fijian party.
The 1970 Constitution, amended in 1990, is seen as an Act which provides legitimacy to the disciplinary regime so that it can function or carry out its disciplinary surveillance operations. It is also seen to reflect an era in Fijian politics where race issues have become very sensitive. The Constitution is seen as providing a means of surveillance to ensure that there is control within the Fijian economy. The control is dominated by the indigenous Fijians.

The Fijian political framework of land, race and ethnicity, which were the major issues in the colonial era, once again through a historical transformation are seen to resurface into a new historical phase after independence. From a power and knowledge perspective it can also be seen in relation to political control in Fiji. After independence the 1970 Constitution allowed for a cross-voting system. This meant that the Indian-based party was voted into government. The indigenous Fijians were annoyed to see their political control shifting from what was traditionally their land to the immigrant Indians. Feelings were strong enough for the Fijians to support the 1987 military coup.

The establishment of the Constitution of 1990 granted political control to the indigenous Fijians. These are seen as power struggles. The Indians were relegated to the back-benches of the government. Fiji’s economy relied heavily on the sugar industry. It was the main economic support of the disciplinary regime and guaranteed it had enough funds to function. Sugar exports suffered during these turbulent times because most of the cane farmers were Indians who decreased the planting of sugar-cane on their farms (Naidu, 1980).

Fiji’s new Constitution of 1998 tries to balance some of the issues such as human rights, monetary interests, racial harmony and national unity, in an attempt to promote the economic and social advancement of all members of the Fijian community. This can be related to Foucault’s genealogical perspective (for example, Foucault (1977)(b) and Alagiah and Gaffikin (1997)). Further, from a historical perspective, brought about by changes in the Fijian political framework, this is a period of discontinuity from an interpretative historical perspective. It is seen here as a useful craft in its analysis (Stewart, 1992; McIntyre, 1990).
The results of the social struggles visibilities are part of human (subjective) political and social integration (Hopwood, 1987; Walsh and Stewart, 1991). Also this overall process can be thought of as that which is part of the political transformation that had influenced the shaping of the Constitutions (Loft, 1986). The whole process of achieving independence for Fiji incorporated a ‘Westminster’ type parliament (Lal, 1988). Also the country’s prosperity was viewed in this way.

There were no doubt that in comparison to many newly developed states, the Fijian Republic is a success with its parliamentary style democracy. The elections are generally free of corruption and other problems prevalent in other places. They are held every five years, as stipulated in the Constitution. The results of the ballot box are generally accepted. Voting on the choice of leader and the election of the preferred party is respected. In fact, there was little “...overt interference with the functioning of the civil service, the judiciary was independent, the trade unions were vigorous, and there was, more or less, freedom of press...” (Lal, 1989, p. 66). It is, therefore noted that discursive formations are seen to occur with specific boundaries within the Fijian context.

The concept of power and knowledge in relation to the Fijian traditional social structure were also apparent. The village traditional living styles, for example, that existed before independence changed slowly. People from the rural areas started to migrate to the cities to look for work. Farming, such as crop farming, was not able to give them economic advancement. To accommodate such a move the public service, which was government owned, had to provide the infrastructure.

Other government institutions provided limited assistance to accommodate the urban drift (Ravuvu, 1991). A conflict in the traditional Fijian social structure system also arose during the pre-colonial, colonial and independence periods when the orientalising of the ‘taukei’ occurred (taukei are the indigenous Fijians) (Hau’ofa, 1994; Nicole, 1996). This form of movement, seen from a Foucauldian perspective, shows the course of history as discursive formations, where there are potential challenges to the disciplinary regime by a group of people, who are dissatisfied with the operations of the
regime. There are also implications on the cultural significance that also operates within the Fijian social class system. This is part of the disciplinary structure mechanisms. The custom and traditions, for example, of the Fijians were to be preserved and they were not to be ‘tainted’ by modernity.

What was seen here, from the ‘taukei’ point of view, was a historical discourse between the traditional history that explained their existence and the present history that provided a way to foster the economic growth of the Fijians through a movement such as the ‘taukei’. Again, such a movement was the needed push to gain the Fijians supremacy of their land and ultimately led to military coups. One of the commentators, in relation to this issue of historical discourse with its further implications in relation to the military coup, outlined it as

the coups may have ended the legacy of colonialism, but they have also exposed Fijian society to divisive fissures and forces which had hitherto been kept carefully in check. A hundred years of living in a multicultural society and of exposure to modern influences will make it extremely hard to turn the Fijian clock back, and deep-rooted structural problems facing the taukei will not be solved easily by entrenching Fijian chiefly supremacy in the constitution

(Lal, 1988, p. 126).

The overall implications to development (lending) operations again brings out concerns about the discursive formations of history. It was seen that the Fijians, who were the owners of the land, leased their land to non-Fijians (Indians) who cultivated commercial crops such as sugar and rice.

Power and knowledge are also intertwined here. The political leaders were aware that the Fijians needed a greater involvement in the sugar-cane farming area. To this end they introduced government development plans (DP 7 and 8). There were two urgent priorities. Firstly, to reorganise and strengthen the sugar-cane industry, since it was the main export in the Fijian economy. Secondly, to involve the indigenous Fijian population into a fully commercial agricultural scheme (The Seaqaqa Settlement Scheme). This scheme will be discussed later in chapter 7. The FDB was to provide finance to the Fijian farmers under such a scheme at a low interest rate to promote the commercial welfare of the Fijians.
What is seen here is the promotion of the Fijian people by two forces: firstly, the government, through the development plan and ministries such as the ministry of agriculture and secondly, through a non-bank financial institution such as the FDB which is also government influenced. The government provides the FDB with a subsidy, and outlines the areas in which the FDB should use it to promote the welfare of the Fijian people. By this subsidy, for example, 448 Fijian settlers were selected for the scheme, as compared to 339 Indians and 13 others (Sovasova, 1980).

The issue of Native land leases has always been a source of risk and uncertainty for the farmers for development purposes. This uncertainty was further compounded after the 1987 coup, because the Indian farmers were at risk, and feared losing their leases or faced a high rental increase. In most cases the farmer faced a high rental charge for his or her lease, because the rent charged for the lease of farm land was based on the quality of the tenant’s dwellings and the ownership of capital goods such as tractors and other equipment.

From a Foucauldian perspective, it is apparent that the panopticon eye brings out a disciplinary surveillance. Structures, such as the ALTA, which was formed to safeguard Fijian interests in land issues, have been reinforced by officials of the NLTB who have the power to value the Indian farmers’ land. The scheme also provided a valuation price on which the rental lease was based. Any improvements on the land are taken into account in this particular valuation. What happened was that when the Indian farmers leased the land, they built large structures, such as houses and sheds and bought tractors and other equipment. The farmer was charged a higher rental because of these improvements.

The farmer was not able to foresee that, by improving the structures on his or her farm, there would come a time that, if the Fijian farmer did not want to renew the Indian farmer’s lease, the Indian farmer would be paid a much lower price for his or her land at the expiration of his or her lease than would normally have been paid the lease had continued. Another problem was that, if at the expiration of the lease, the Indian farmer wanted to sell his or her farm with its improvements, he or she could not sell the land to
anyone but the lease owner. In most cases the price paid would be determined by the lease owner. Once a lease expired, the price of the land was far less than the initial price (Prasad, 1995; Prasad and Tisdell, 1996). It is suggested that the way to overcome the land tenure problem is that all state land on lease be converted to freehold property. This would mean that the current lease holders will be given the chance to buy the land at the current market price. This should raise the level of agricultural productivity and, at the same time, provide revenue for the government.

Further, the sale could also include native land on lease but, considering the Fijian traditional culture and its way of political thinking, this will not be possible (Prasad, 1997; Ward, 1995). The regulations which applied to the land issue were established by the colonial government namely the NLTB. This was a result of its political purpose. This has now changed, as a result of power discourses, because the NLTB has lost some of its powers. Chiefs of the leased land continue to question the NLTB, and some have gone further, and collected the rent due from their leases thus exercising their land rights (Ward, 1995; Overton, 1989; Eaton, 1988; Prasad, 1984).

From a Foucauldian perspective, there is a question here of disciplinary power in a disciplinary regime (NLTB). This further challenges the implications on the framework of power by subordinates (chiefs), who now question the power relations of the institution. This could see a return to the colonial period where individual chiefs own the land and Indian indentured labour was brought in to work it at a price (wages). This is also seen in a draft report submitted on ALTA by the NLTB, that suggested sharecropping or fixed wages contracts in the sugar industry (NLTB, 1997). The Indian community has termed this as a possible return to the ‘girmit’ (indentured labour system) era.

A Foucauldian perspective can also be applied to the Fijian public sector which shows that its marginal productivity is lower than that of the private sector (Doessel, 1997). There is a government initiative to maximise sectional interests; to promote Fijians, for example, into the fields of commerce and create what the government calls a level playing field (Prasad, 1997; Niskanen, 1971). Power here is seen as governance “...the
institutions and processes that structure the exercise of state power framing the broad ‘who gets what and why’ of development policy” (Fox, 1995, p. 2). This power conflict, in promoting certain sections of the community, could lead to long term dissatisfaction in areas of economics, social management and ultimately, productivity in the government sector.

To sum up, it was seen that after independence there were many internal conflicts within the established Fijian government’s disciplinary regime what was brought out in powerful historical discourse formations. The Fijian economy had to tackle the implications of new structural formations that the government may use, while providing its disciplinary surveillance, within the Fijian context. The next section will look at one of these mechanisms, namely: the RBF.

6.3. THE RESERVE BANK OF FIJI (RBF).

The RBF is a disciplinary regime which provides a disciplinary surveillance to the banking environment in order to protect the bank’s clients. The bank can be viewed as a disciplinary mechanism (Foucault, 1977(a); Cousins and Hussain, 1984). The power of truth effects of such an institution as the RBF are intertwined in the RBF Act (1985), and the Banking Act (1995), which gives it the power to operate and supervise other institutions, such as commercial banks and non-bank financial institutions, such as the FDB.

Three years after independence Fiji had no central bank or monetary policy. The sole governmental agency responsible for managing Fiji’s monetary affairs was the Currency Board but in 1973, the government of Fiji established the Central Monetary Authority of Fiji (CMA). The policy makers recognised, at the out-set, that the CMA would be only a half way house, between the Currency Board and the Central Bank.

The Tomkins and Edgley report (1970) commissioned by the government outlined the need for a new monetary system for Fiji. The areas included the routine operations of the currency issue, withdrawal and exchange, provision of banking and advisory
functions to the central government, provision of banking and clearing facilities to the commercial banks, encouragement of the short-term money market through the issue of Treasury Bills, the management of the public debt, management of external accounts through exchange control, custody of external reserves and exchange rate management, monetary research and guidance in monetary and interest rate policies.

The powers given to the CMA were wide so that it could function as a central bank, and during its period of operation, from 1973-1983, it increased its statutory powers. What can be seen, through a Foucauldian perspective, is that there was a panopticon eye surveillance at a 'macro-level' to the whole banking industry in Fiji which was increased with the incorporation of the CMA. In 1983 the CMA became the RBF. Powers of surveillance are administrated by the RBF through firstly, the Banking Act of 1995. This provides the basis of operation of any bank within the Fijian context. Secondly, the RBF Act of 1985 further increases the disciplinary surveillance, through its prudential supervision, by quarterly, monthly and yearly reports submitted by all banks to the RBF. They must report on their operating performance and capital adequacy. The RBF exercises this authority over all banks and non-banks operating within the Fijian context.

This disciplinary surveillance by the RBF ensures that all banks and non-bank financial institutions are stable and able to meet the demands of their customers. The establishment of the RBF can also be linked to the Foucauldian archaeological and genealogical concepts, because it is seen that central bank development in Fiji was influenced by the colonial British government. This is apparent in the use of the Bank of England’s central banking framework as the model and that of the International Monetary Fund (IMF), which was modified to be incorporated within the Fijian context. The RBF was established when there were concerns about the political autonomy of the Central Bank. It was seen that it would be difficult to impose a British model based on British needs and apply it to a country like Fiji, where the culture is completely different. This is also a good example of discursive formations where class structure and struggles in banking have led to discursive discontinuities.
There were discussions, when the establishment of the central bank was proposed, about why the central bank should not be another government department where direct government power could be exercised over it. One reason given was that a bank would operate over a longer term, independent of government elections. There was also a problem that the government would be a large borrower and therefore had an interest in influencing the money market to suit its purposes rather than the country's at large. An independent body could be limited by money market influence.

The central bank has to be seen to be unbiased in its policy deliberations. The economic history of a nation shows that serious inflation is often associated with political control of the currency. This was also seen in the establishment of the RBF. The overall "...management of money as distinct from any other state agency is inherently more dangerous and more important because it pervades all spheres of economic activity" (Kish and Elkin, 1928, pp. 23 - 24). The central bank needed to be separate from the government although questions arose about how to achieve this.

The board of the RBF is normally appointed by a government representative, the Minister of Finance. The Governor of the RBF and the Board of Directors also report to the Minister. From a Foucauldian perspective, there are power and knowledge conflicts between the RBF and the Government. For example, conflicts between the RBF and the government can arise out of policy matters about the country's monetary policy issues with the Ministry of Finance, in relation to inflation issues.

The RBF must inform the Minister of Finance of any policy changes, even though they have been approved by the Board of Directors. The RBF's mission statement has two parts. Firstly, the commitment to build a strong economy and provide confidence and stability to Fiji's financial system. Secondly, the bank attains its commitment through its mission statement, to establish appropriate monetary conditions for price stability, establishing financial conditions and adopting policies that will ensure an adequate level of foreign reserves to meet Fiji's external obligations. It is expected that these conditions will promote stability, development and integrity in the financial system.
The RBF also regulates the issue of currency, formulating and implementing policies that will ensure that relevant and appropriate information is distributed quickly. The RBF also needs to develop these skills by retaining a highly trained and skilled workforce dedicated to the pursuit of quality practices. From a Foucauldian perspective, these are all mechanisms of disciplinary surveillance within a structure such as the disciplinary regime, i.e. the RBF.

The relationship of the RBF to the FDB is seen mainly as that of a banker and adviser or a banker and customer. The FDB is also responsible for making available any information regarding its affairs to the RBF. The RBF keeps in contact with the FDB on its borrowings and lending policies. It can be seen, therefore, that there is a constant surveillance by the RBF in relation to the FDB’s banking activities. Power struggles are evident in both cases. Both the RBF and the FDB report ultimately to the Minister of Finance. Further, the RBF and FDB Acts have been given special powers by the Minister of Finance in relation to policy directives. Therefore, what is seen here is a complex power and knowledge relationship between the FDB, the RBF and the Minister of Finance.

The lending and borrowing of credit under the FDB Act is seen as a power and knowledge structure, because the FDB is in close contact with its clients and therefore has both power and knowledge available to it from them. However, the RBF needs to be informed of any changes that may impinge on FDB’s long term lending objectives.

To sum up this section, it has been shown that the RBF is an important disciplinary regime mechanism that is vital to the banking industry. It not only ensures disciplinary surveillance of the banking industry, but is also a Central Bank, to finance the overall operations of the macro-Fijian government’s operations. The current organisational chart (1997) of the RBF can be seen in Appendix 10. The next section will look at another non-bank financial institution structure, that is also linked directly to the functions of the FDB, in its development (lending) operations.
6.4. THE FIJI NATIONAL PROVIDENT FUND (FNPF).

The FNPF was established in 1966 as a non bank financial institution. Its purpose was to provide a superannuation fund for all workers who were employed for wages or salaries. Further, the FNPF was regarded as the largest non bank financial institution in Fiji and played a central role in directing private savings to government, commercial banks, financial institutions and non bank financial institutions. It is significant to note that the FDB and the FNPF are both under the control of the Minister of Finance. Further, both institutions provide loans to their respective members; for example, low interest home loans. Both institutions, therefore, are competing for the same home loan market.

The FNPF is also a historical discursive formation established in the British colonial era, when there was a need for such an institution, which was government owned and provided some social security to the aging population. This was later to incorporate the Fiji Trade Union Congress, which was regarded as the voice of the workers and led the way to the incorporation of the FNPF. Therefore it can be seen that a collective movement led to the establishment of the FNPF. Further, these are stems of the Foucauldian archaeology (social relationships) and genealogy which have resulted in the Foucauldian truth effects (Foucault, 1977(b)) formations where the political power that existed in Fiji has brought out the truth of discourse. It is this truth of discourse, through the structural implications, that maintained the power relationships in which both the FNPF and the FDB played a development role, one which had the country’s development within its sights.

The FNPF also provided the necessary funds through its short-term borrowings to the FDB. The FDB can use these funds, which were obtained at a cheaper interest rate from the FNPF, and use them for financing its development banking operations. Therefore, it is seen that these two disciplinary sub-regimes, formed under a government umbrella, help each other to foster the overall goals and objectives of the government in relation to its development banking objectives.
To sum up, the FNPF is seen as an important sub-disciplinary regime that dovetails with the activities of the FDB in the form of providing the bank with short-term funds to finance its development banking activities. The next section will look at other non-bank financial institution players within the Fijian economy.

6.5. OTHER NON-BANKS.

Besides the FNPF and the FDB, there are other non-bank financial institutions operating in Fiji that affect the FDB's operations. They are seen to operate in the same lending market as the FDB. The credit union movement and the credit co-operatives were set-up during the British colonial period (1954) to promote Fijian villagers' interest in both lending and saving money.

The colonial influence is seen here again on Fijian history (the Foucauldian archaeology), and the implications of this influence as a collective action by a group of members (villagers) to form a particular discursive formation. In this way they provide the truth effects of its formation, through the use of a power and knowledge exercise (the Foucauldian genealogy). The source of funds for the credit union was small saving deposits of the villagers. The funds deposited were re-lent to other credit union members, for example, for housing, industrial or agricultural purposes. The aim was to provide assistance to its members, who were mostly agricultural farmers, so that they could borrow from the credit union and be charged a low interest rate for their agricultural farming activities.

This highlighted again the need for the establishment of a major agricultural bank to assist farmers in their borrowing needs. Credit unions can be seen to provide power and knowledge which can also provide a form of disciplinary surveillance to their members and individual farmers. This surveillance was also seen as a driving force for the development and establishment of AILB and ultimately the FDB.

Agricultural farming was the backbone of the economy during the colonial period and it had a huge impact on the establishment of the CSR. Currently, Fiji's main export is
sugar. The strength of the credit union was provided in the enactment of the Cooperative Societies Ordinance Act of 1947 that provided the power base (legitimacy) for the establishment of credit unions which would foster economic growth and encourage the Fijians into the major agricultural commercial sector, which was the sugar-cane area.

Again the power and knowledge effects of both the former colonial masters and the current Fijian government can be seen through the formation of institutions such as the credit union, the FNPF and the FDB, to promote the welfare and ultimate growth of the Fijian economy. The credit co-operatives were again viewed as a political movement, organised by the government for the purpose of consumer marketing, fishing and farm management. The aim can again be viewed as a power and knowledge inter-play, where the aim of the credit unions was not only to arrange for the loans from institutions like the FDB, but more importantly, to ultimately market the agricultural lending products as a collective exercise. The farmers in the credit co-operative would, therefore, receive a much higher price than they would have received individually.

The Ministry of Cooperatives, which was a part of the government administration, played a vital role in providing advice to farmers in the cooperative movement in areas such as how to cultivate their farms, which crops to plant, and how to maintain an effective farm management. It can be seen that, in the collective movement, there were enormous benefits to the members.

The other non-bank source of finance which was active in the 1960's was the money lenders who catered for lending to those whom other non-bank financial institutions were not willing to finance. The aim of a money lender is to use the client’s money and lend it out to others at ‘phenomenal interest rates’ (15% to 25% per week). However, the existence of the money lenders was short-lived in the village areas, since the village consisted of subsistence agricultural farmers who normally depended on the advice of the village as a whole in borrowing matters and, also, they could not afford to pay the high interest rate charged by the money lenders. Therefore, the money lenders began to shift from the rural to the urban areas and, since there were other banking and non
banking institutions in the city, the demand for loans from the money lenders quickly declined.

In this section the involvement of non-banks in the Fijian economy and their role towards development (lending), which was administrated by the FDB, has been illustrated. Further, it must be highlighted that the development of these sub-disciplinary regimes were established to foster their own needs (profitability), in relation to their overall operations. The next section will examine the commercial banks.

6.6. COMMERCIAL BANKS.

The first commercial bank in Fiji, the Fijian Banking and Commercial Company, commenced in 1873. However, due to its economic financial difficulties it was taken over by the Bank of New Zealand in 1876. During the period 1876-1986 there were eight commercial banks operating within Fiji. The only local commercial bank was the NBF. This was the only government-owned bank. It began its savings operation in 1976; before that it operated as a Government Savings Bank (1907) which was later converted to a Post Office Savings Bank (1973).

The NBF was a political move to involve the government within the commercial banking sector. It was designed to foster government development objectives in relation to commercial banking, since the government already had non-bank financial institutions, such as the FNPF and the FDB, under its control.

The aim of the NBF was to initiate policies that were directed towards the national interest. The mandate of the NBF therefore, in relation to its lending and investment activities, was in accordance with the development policies of the government and also to provide additional banking services and facilitates to the Fijian public. The complicated power and knowledge inter-play, which is seen from a disciplinary surveillance point of view, was how the government tried to encourage Fijian small depositors to bank with the NBF.
To further encourage this saving function, the government of Fiji provided guarantees of all deposits with the NBF. This is seen as two arms of influence from the British colonial era namely, the FDB and the FNPF as non-bank financial institutions promoting agricultural development growth, while the NBF concentrated on giving commercial loans; for example, the purchasing of cars and home loans that did not fall under the financial capabilities of the non-banks.

The NBF also encouraged Fijians and Fijian small enterprises to take loans where other commercial banks were not forthcoming. These loans were regarded as promoting the national interest agenda (Fijians into the commercial area). Therefore, there was a huge shift of rural farmers banking with the NBF. However, it was seen that due to mismanagement in the lending and financial operations, lead to the division of the NBF into two sections, the National Bank and the NBF Asset Management Bank.

The current structure includes two domestic banks and five foreign-owned banks. The five foreign banks operating in Fiji (1997) are the Australia and New Zealand Banking Group Limited (ANZ); the Bank of Baroda (BOB); the Bank of Hawaii, the Habib Bank Limited and the Westpac Banking Corporation. The four credit institutions currently operating in Fiji (1997) are the Merchant Bank of Fiji Limited; Credit Corporation (Fiji) Limited; Home Finance Company Limited and Pacific Finance Limited.

There are five other non-bank financial institutions the Fiji National Provident Fund (FNPF), the Fiji Development Bank (FDB), the Housing Authority (HA), the National MBf Finance (Fiji) Limited and the Unit Trust of Fiji (UTOF). These can all be regarded as sub-disciplinary regimes designed to provide disciplinary surveillance within their own line of operations or jurisdictions within Fiji.

Another non-bank financial institution includes the Housing Authority (HA), formed in 1955 to develop lands and build houses for sale and at the same time provide finance for these properties to middle and low income earners. The establishment of the HA was seen to be in direct competition both with the commercial banks as well as other non-bank financial institutions such as the FNPF and the FDB.
Another non-bank financial institution within the Fijian framework includes the National MBF Finance (Fiji) Ltd, which was formed to provide finance for leases, higher purchase credit cards, factoring and customer credit. The aims of the Unit Trust of Fiji (UTOF) were to promote the participation of local investors, and in particular, private individuals, in the ownership and earnings of profitable companies in Fiji, and overseas investment in shares, bonds, mortgages and other securities, for a satisfactory return to the unit holder.

The overall link between the FDB and its development lending functions with other major players, such as the Government, the CMA, the FNPF and the HA, is seen through their interconnection and integration within the overall Fijian economy which is shown in Figure 6 below:

![Figure 6: The link between the FDB and its environment within the Fijian context, CPO, p. 30.](image)

The competition amongst the non-bank financial institutions within the Fijian context is strong since all of the players, through power and knowledge relationships, are trying to undercut the market competition by acquiring additional knowledge that would ultimately help them to capture the market.
From the FDB's point of view, it was seen from its establishment that its focus was in the agricultural and industrial sectors. However, the long term growth and profitability of the FDB necessitates its needing to capture other markets, such as leasing and working capital. The FDB has already undertaken this by establishing a new products division.

This is highlighted in one of the interviews with the bank's personnel where it was stated that:

(t)he future of the bank's lending directions is to capture some of the commercial banking markets (e.g. working capital and leasing) and improve on the existing lending such as commercial (e.g. real estate and manufacturing)

(Interview Schedule, AM-1, p. 3).

The competition of the commercial banks is seen to provide the FDB with a need to further enhance its current development banking capabilities. These are unique. The bank undertakes lending in the development sector and captures the commercial banking market as a result of its operations.

From a Foucauldian perspective, many sub-disciplinary regimes are in operation. There is a power and knowledge capturing process which leads to competition within the banking environment. Normally only those disciplinary structures which are able to face this harsh and fierce competition are able to survive.

To sum up this section, it is seen that the Fijian environment has undergone a huge social and political transformation, where banks survive through intense competition. This is healthy for the environment and the general public, who are the users of the banks' services. The next section will examine the various acts of power that operate and provide legitimacy to the banking environment.
6.7. THE ACTS OF POWER: THE BANKING AND NON-BANK FINANCIAL INSTITUTIONS ACTS.

The Banking Act of 1995, FNPF Act 1985, NBF Act 1985, RBF Act 1985 and FDB Act 1985, can be viewed as a succession of changes as part of a disciplinary surveillance, within a disciplinary regime, which in turn provides the overall legitimacy to the various non-bank financial institutions. This can be further related to the Foucauldian regime of truth concepts (Armstrong, 1994; Foucault, 1977; Grey, 1994; Miller and O'Leary, 1987, 1990; Hoskin and Macve, 1986, 1988(a), 1988(b); Hopper and MacIntosh, 1992; Stewart, 1992; Walsh and Stewart, 1991). The Acts are seen to provide a form of surveillance to the banking and non-banking operations. There are elements of conformity and legitimacy within the banking framework.

The Acts are part of a regime that is seen to exercise power, while at the same time giving knowledge in the form of its interpretation through the consultation input from the farmers. The reality is that the various Acts are the means by which the farming policies are clarified. The Acts are the powers given by the regulators. There are penalties for non-compliance. The banks and non-banks must have adequate capital to safeguard their lending operations. This is regulated through the RBF Act (1985).

The RBF Act, in conjunction with the Banking Act, are two powerful tools. From a Foucauldian perspective, the panopticon eye sees all that happens within the entire Fijian economy. This goes beyond the big brother principle since there are complicated intertwining power relations that are a part of the structural machinery, that is enforced through the RBF Act. Other Acts, such as the FDB Act are at a lower level in the hierarchical structure than the RBF Act but, never the less, also have a disciplinary surveillance phase.

Firstly, the FDB Act is seen though its power and knowledge to guard the FDB in its development lending operations. Secondly, it provides a means of enforcing conformity on its users, normally the lenders. The Banking Act of 1995 sees the business of banking as the business of accepting deposits of money from the public. It has a
‘withdrawal or payable upon demand’ service after a fixed period or after notice, or any similar operation through the frequent sales or placement of bonds, certificates, notes or other securities, and the use of such funds, either in whole or in part, for loans or investments for the account.

Lending by the FDB can be seen as a risk. Therefore, the RBF imposes a customary banking practice device. It licenses the financial institution engaging in such activities, which it is authorised to do under the Fijian Banking Act of 1995. What is apparent is that a banking activity, according to the Banking Act, has to be recognised by the RBF. This implies that the RBF from the Foucauldian perspective, is a disciplinary surveillance authority to any bank and non-bank operation within the Fijian economy.

The FDB Act established the FDB as a development financing institution, with virtually unlimited scope in the development financing area, such as the development of natural resources, transportation, acquiring, exchange and leasing of industrial sites and any development lending services that will provide growth. Section 18 (1) of the FDB Act (1985) provides the powers of the Bank. The feature of interest here is that the Bank can promote any scheme that is approved by the Minister.

Power and knowledge are ultimately based on the Minister’s authority. It must however, also comply with the RBF Act and again surprisingly, the power in the RBF Act is also with the Minister of Finance. What can be viewed here, is that the complicated power dimension is cross referenced between the FDB Act, the RBF Act and the Banking Act of Fiji.

All are the result of legislation by the Fijian government. Therefore, the power relations are seen to be imposed by the government’s political leaders in relation to the objectives. For example, sector developments must be in line with the development goals. Throughout this Banking Act there is an implied power relation that ultimately gives the Acts the mandate to give legitimacy to the various disciplinary regimes, so that they can function and provide a disciplinary surveillance within their own framework or boundary of operations. This can be linked to the FDB Act. This Act allows the FDB
to undertake and function as a commercial bank if it wishes to do so. Therefore, there is a great deal of flexibility available to a disciplinary regime like the FDB and, through its disciplinary surveillance process, within the Fijian banking context.

To sum up this section, it has been shown that the various Acts are seen as providing the necessary power base to the operations of the various disciplinary regimes. The next section will look at development banking and its lending image in relation to the Fijian economy.

6.8. DEVELOPMENT BANKING AND ITS LENDING IMAGE.

The development bank's principal function is to conform to the provision of medium and long term capital to economic development projects in relation to Fiji's development plan. From a Foucauldian perspective, it is seen that the visions outlined through the country's development plan, are those of politicians who have the power and knowledge to govern the country, and to provide various government machineries such as the FDB with the finance needed to fulfil such development goals.

Fiji's economy is heavily agriculturally-based so the Foucauldian panopticon eye view is from a macro-level, but its actual fulfilment is at macro-level through the FDB, by a process of disciplinary surveillance. The FDB provides finance for the agricultural sector at substantially reduced interest rates and accepts less security in the undertaking when most commercial banks will not provide any financial support for the farmers. The FDB is seen to fulfil the government's ultimate development goals.

The development bank, when looking for viable projects needs to be careful. Firstly, the project since it is a development project, would be costly. Secondly, because the development bank may find itself in the awkward position of recommending a particular project and, in the long run, financing such a project itself. The tourism industry is a case in point. The development bank financed a number of hotels. However, after the military coup of 1987, the tourism industry declined and a number of hotel projects
faced financial difficulties. The bank had to provide assistance and in some cases this led to the selling of the hotels to recover the cost of the loan.

The development bank provides guidance from the time the loan application is received and the bank’s loans officers have an opportunity to work with the borrower. Even when the loan is declined, the bank outlines ways in which the borrower could improve his loan proposal which can than be resubmitted, after the appropriate amendments. Secondly, during the implementation of the loan, the bank provides, from a Foucauldian perspective, a disciplinary surveillance, through a progress report on the project to its completion. Even after completion there are regular visits by the lending officer to ensure that the loan is paid within the stipulated time period.

The development bank, in the Fijian case, takes into account the broad interests of the community. This is reflected in its lending policies to finance agricultural, industrial and even leasing loans. The bank also provides assistance for those projects that need either financial or technical expertise. Again, there is a disciplinary surveillance process to ensure that the bank attains its repayment of the loan within the agreed time.

The government’s participation in relation to the development bank’s functions sees that the government, because it provides subsidies, expects the bank to help certain sectors of the community. The establishment of the Seaqaqa Cane Scheme to help Fijians to venture into the cane-growing industry is one example of this. The government’s role in agricultural farming sees the FDB as a government arm and, with other government bodies such as the Ministry of Agriculture and the Ministry of Fisheries, expects a coordinated effort to assist the farmers’ loan application for obtaining permits and concessions. What is seen here, therefore, is the use of power and knowledge for the attainment of a particular outcome, as a result of truth effects, that itself was the result of a historical perspective. Government involvement leads to, and in some cases changes, the priorities that were initially set-up by the bank: the Special Loan Scheme for Fijians, for example, to encourage Fijians into commerce.
The failure of this particular scheme was due to a conflict between the Fijian traditional values and beliefs of giving loans or credit to customers to be paid on easy installments, (kererekere) and the commercialisation process which regards profit for survival. This led to contradictions of policies and ultimately the collapse of some Fijian shops under the store management scheme.

To sum up this section, it is important to appreciate the uniqueness of the development banking concept and its implications towards the development banking (lending) area. The FDB is unique in its operations in relation to agricultural loans. Commercial banks, for example, will not undertake a financial venture of this nature. Thus a disciplinary surveillance process of the FDB is extremely important, as far as the development (lending) operation is concerned. The next section will provide the conclusions reached during the course of discussions in this chapter.

6.9. CONCLUSIONS.

It can be concluded from the discussions in this chapter that a historical perspective brings out a "reality" from the various events that allows the researcher to be aware of, and appreciate, the complexity of the power and knowledge, and the truth effects, that are intertwined.

The role of the FDB was viewed from the perspective of the RBF: to provide lending surveillance to its clients. Other non-bank financial institutions also played important roles by influencing the FDB’s market and were also effected through the operation of the FDB. Most significantly the FDB’s policies are affected by the result of government influence.

The role of the development bank, as seen from the discussion in this chapter, is unique in the sense that it is willing to assist in risky ventures, for example, agricultural lending that other banks and non-bank financial institutions are not willing to accept. The next chapter will look at the lending operations of the FDB and the changes brought about by the bank’s new corporate plan.
Discussions will also follow on the inter-phase between the various lending divisions
and the Accounting / EDP departments, by means of flow charts. The chapter finally,
will look at the bank's regional role.