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

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CHAPTER 7: FIJI DEVELOPMENT BANK LENDING DIVISIONS: AN INSIGHT.

The Fiji Development Bank (FDB) in relation to its lending operations:

Our Vision: To be the leading development financing institution in Fiji and in the South Pacific

Corporate Objective: To be a profitable and self sustaining financial institution

Our Mission: We provide finance, financial and advisory services to assist in the economic development of agriculture, commerce and industry


7.1. INTRODUCTION.

The focus of this chapter is on the application of a theoretical framework. The historical development (lending) operations of the Bank are viewed from the Foucauldian concepts of archaeology and genealogy. These incorporate the complex power and knowledge intertwining forces that are important in relation to the overall lending operations of the Bank.

In Foucauldian terms, the FDB can be viewed as a lending disciplinary regime. It has further sub-disciplinary regimes within its operating (lending) structure which contain, for example, the various (lending) divisions of the Bank, i.e. agricultural and industrial. These are seen to provide a disciplinary surveillance within their own distinct lending portfolios.

This chapter also looks at the main lending divisions, which are the internal mechanisms by which disciplinary surveillance is established, to the unique development (lending) activities of the Bank.

The agricultural lending sector is the backbone of the entire lending operations of the Bank, and involves a great deal of complexity within the lending division’s operations. This only becomes apparent when the discursive historical formations, that have been placed on the Bank throughout its period of operation, are disclosed. Two prominent
issues are land leases and political pressures of government involvement. Agricultural lending has its own share of complexities. The Bank has to undertake a balancing act that involves development funds given to the sector that deserves it most, for example, root crop farming.

The industrial lending sector, was established to generate a profit element and to compensate for other development lending areas, such as agricultural lending and special loans for Fijians. The ‘Special Loans for Fijians Scheme’ was designed to introduce indigenous Fijians into the commercial field. This has produced a huge impact on the Bank’s resources. The Bank has undertaken to encourage the Fijians into the commercial lending sector by compromising security, usually demanded for these types of undertakings.

The chapter will also look at the need to acquire new lending areas within the Bank, while still maintaining the traditional values of agricultural development lending. There is also a need to take on new types of commercial lending, for example, the new products division, which has seen the Bank move into the commercial banking sector of the Fijian industry with such projects as leasing and working capital.

This chapter will also apply the theoretical framework to the overall internal operations of the FDB. There will be a particular emphasis on the Bank’s new corporate plan, which can be seen as part of a disciplinary surveillance mechanism within a disciplinary structure regime, the FDB. It is viewed as providing an intertwining relationship between the concepts of power and knowledge which, in turn, provide a foundation in which the organisation can operate.

The Bank began to move in line with other commercial banks, operating within the Fijian banking context, after the introduction of the corporate plan in 1994. The organisation underwent a huge change in its overall organisational structure to streamline its development (lending) operations. This allowed it to embrace the corporate plan, where motive was performance-based and long term profit-driven. Other disciplinary controls which were applied to reinforce this new corporate culture
were experienced in areas such as management control and budgeting. As a result a
greater discretionary authority was also given to branch managers to approve loans.
This allowed more consultancy between the managers of the lending divisions (now
called profit centres) with his or her staff, to ensure that targets were jointly set where,
through the process of consultation, those targets were attainable.

Discussions will follow on the inter-phase between the lending divisions and the
Accounting/EDP departments, by means of flow charts and explanations to outline the
various control mechanisms imposed to attain a disciplinary surveillance perspective
within the Bank.

The function of the auditing department, (a sub-disciplinary regime which provides an
independent disciplinary surveillance), is to impose further controls through the
checking functions in the organisation. These checks on the overall controls are
important since, without these, the likelihood of errors (either intentional or otherwise)
would be increased. This will, in fact, provide greater management costs to the Bank in
the long run, at the same time affecting the Bank’s profitability and long term
development lending growth.

Finally, this chapter will look at the role of the FDB within its regional role as part of a
disciplinary regime that looks at development banking within a particular regional area.
It is then shown that the Bank provides both training and financial support to other
development banks within the South Pacific.

Therefore, it can be viewed as one disciplinary regime providing support for other
disciplinary regimes of a similar nature, and with similar development lending motives,
within the South Pacific region.

The development (lending) operations, therefore, involve a high degree of power and
knowledge relationships that also provide the truth effects, to a development banking
regime, such as the FDB. The only way to make these visibilities clear is through its
filtering process to provide a path way through the long development banking road that
incorporates a thirty year journey (1967-1997); through the Bank's development (lending) operations undertaken within the Fijian context. The next section looks at the agricultural lending division.

7.2. AGRICULTURAL LENDING DIVISION.

Lending to viable agricultural projects has always been an important activity of the bank and will continue to receive priority to ensure we continue to fulfil our role as development financiers for the nation


The agricultural development lending division is the backbone of the entire lending portfolio within the FDB. From a Foucauldian perspective, it can be viewed as a sub-disciplinary regime, within the main regime (FDB), which provides disciplinary surveillance in relation to the Bank's agricultural (lending) operations. It was intended, from its inception in 1967, that the FDB's primary function was to cater for the needs of those farmers who had little, if any, tangible security to offer against a loan. The Bank's risks would be greater than private lending institutions would be prepared to take. It would also accept abnormal risks for agricultural lending.

The Bank did not intend to enter into competition in the market place for agricultural activities in the late 1960's. Commercial banks were already providing credit on reasonable terms. The FDB was only making credit available to those who were unable to obtain satisfactory terms elsewhere. The uniqueness of this lending policy was that the FDB was prepared to accept minimal security for a large proportion of its loans and willing to finance the agricultural sector, which was growing fast in the sugar-cane industry. One of the interviewees on this security issue commented as follows:

(l)ending in the past did not concentrate too much on the security and equity provided the loan had some development objective, however, this has changed considerably where currently the equity and security components are extremely important combined with the quality of the loan itself

(Interview Schedule, ARM-1, p. 28).

The ALIB was the lending body before the formation of the FDB, but its terms of reference were restricted to making loans to finance the development of agriculture,
crafts and industries. Through the incorporation of the new legislation, the FDB had very wide, in fact almost unlimited powers, to facilitate and stimulate the promotion of natural resources, transportation and other industries in Fiji.

The power, through this new legislation, can be seen as the power to be exercised in respect to the management of the Bank. It is also seen to bring out the knowledge established within the lending framework and to enhance the truth effects within the agricultural development (lending) operations.

The bank was also empowered to accept deposits and carry on the banking business, therefore the legislation gave the FDB the power, knowledge and the mandate to carry on the broad based activities of the Bank. This important change is highlighted when one of the interviewees commented on this issue as follows:

(t)he Development Banking Act provides the Bank with the mandate to undertake a wide range of activities. However, in the past we concentrated heavily on agricultural and industrial sector lending, but nowadays with strong competition we have introduced new products like leasing and working capital, together with a vision-orientated corporate plan that would lead to profitability in the long term. However we have not lost sight of the need for development in the agricultural sector

(Interview Schedule, GM-1, p. 43).

Therefore, the need to incorporate a wider range of functions within the FDB provided the Bank with a greater disciplinary surveillance which, when compared to the AILB, had only limited power and knowledge. This restricted its lending activities in some cases. The bank overcame this problem through new legislation, the FDB Act (1985). From a Foucauldian perspective, the Act is seen as the disciplinary surveillance tool given to the disciplinary regime (FDB).

However it was apparent that the Bank suffered operating losses during its first six years of lending operations (Table: 8 Appendix). To overcome these losses, the Bank first increased its lending surveillance through more onsite inspections undertaken to all farming loans approved: a disciplinary surveillance, where the FDB’s inspectors became
the disciplinary control over good farm management that would ultimately lead to better crops, better harvests and thus normal repayment in relation to the loan with the FDB.

Secondly, marketing co-operatives were established by the growers. The establishment of these co-operatives provided a constant surveillance or advice to the farmers on which crop to plant (multiple-cropping schemes) and farm management. Through this constant surveillance the farmers were able to improve their profitability and thus increase the productivity of their farms.

The FDB Act (1978) was modified to introduce new forms of security so as to protect the bank in its lending operations. This was created by the issue of a notification, specifying the land, crops and chattels to be charged. By taking such additional securities, the FDB could now minimise some of its risks. In the early 1970’s the Bank also diversified its agricultural lending operations to include other areas within its lending portfolio. These included beef, copra, cattle, fishing, poultry and general agriculture.

The FDB brought out a new equity policy towards agricultural loan applications. This was called ‘sweat equity’, which was very important to the agricultural lending operations. In this, the FDB provided finance and technical advice to the farmers, but the ultimate power to perform now shifted from the FDB to the farmers. They had to prove to the Bank that they had performed adequately in relation to their loan.

For example, a certain performance target had to be reached. This was worked out by the farmer in consultation with FDB’s lending officers. The farmer possesses the power and knowledge of the land, which crops to plant and which farm techniques to use that would ultimately pay off the loan with the Bank. This is seen as a shift of power and knowledge from the Bank’s personnel to the farmer and it increased the accountability of the farmer in relation to his or her farming loan.

The risk area in agricultural lending is higher than in other forms of lending, for example, industrial lending. There are a number of unforeseen factors that are beyond
the control of the farmer, for example, droughts, floods and cyclones. Because Fiji is in the tropical region, these are common occurrences. The FDB, therefore, has devised schemes such as the sugar-cane rehabilitation scheme which was designed to help farmers to recover from natural disasters. The profitability of the farmer is, therefore, to some extent, safeguarded.

On this issue, an interviewee highlighted the importance and implications on the Bank's operation and profitability when he commented that

(t)raditionally, the FDB focused heavily on agricultural lending, the risk was very high in this area, for example, during droughts, cyclones the Bank had to allow loan variations (for example, write back of arrears and payment of interest only), this had a huge impact on the Bank's profitability. The Bank has learnt from the past and with the future of government subsidies now in question, the Bank undertakes quality viable projects. The shift here is to more commercial lending (Interview Schedule, M-7, p. 61).

The above comments reinforce the view that any changes from the original loan agreements are normally undertaken when the Bank formally issues a loan offer and also outlines the terms and conditions of the loan. Variations in the loan conditions are set out in the acceptance letter. These changes will be reflected in the Bank's profit margins. Thus, the Bank's lending operations are completely different to other financial and non-financial institutions. Its variations of procedure make it unique.

It is seen that the FDB normally begins its lending where commercial banks leave off. The Bank seeks to obtain a reasonable degree of security but does not request specific margins. It is more concerned with the prospects of the project becoming and continuing to be successful “...it thus is entering the “risk” area where commercial banks are not normally ready to venture.” (Annual Report, 1974, p. 2). There is a heavy reliance on the government to provide additional funds, in the form of subsidies, to the FDB to off-set this high risk problem for the Bank.

The Bank, by means of its agricultural lending policy, has fostered the economic development of the Fijian people, encouraging them into farming areas that may lead to economic advancement. The 'Koronubu/Veisaru Resettlement Scheme' is one such
example and the ‘Seaqaqa Cane Scheme’ is another. Both these schemes are aimed at encouraging Fijian farmers to obtain additional loans from the FDB.

Encouragement has also come from farming education. This has come from the Fiji Sugar Corporation and the Ministry of Fijian Affairs which is responsible for management advice to the Fijians. The Bank’s lending role in these schemes was for the cost of clearing the land, cultivating it, and planting it with sugar-cane as directed by the farm management officers of the Fiji Sugar Corporation (FSC) to increase the Fijians’ participation in the sugar industry.

Other government ministries have reinforced these motives to encourage the Fijian farmers into sugar-cane production. The government’s involvement in the agricultural sector is visible in the development plan. This can be seen from a Foucauldian perspective as a macro-disciplinary regime concept. Further, the government is viewed as providing and promoting export development through market-oriented expansion and the intensification and diversification of agricultural production. By these means quality is enhanced and consistency of supply is assured through support for the industry. It also gives advice through special radio programs, known as extension services.

It gives strength to the full commitment for bilateral quarantine agreements, thus encouraging the transformation from subsistence to commercial farming. The government introduced rationalisation and focused on using extension services, supporting industry associations, nucleus processors (these are small groups of farmers who show similar problems) and exporters. There is an emphasis on farm demonstrations.

The extension services and the supporting industry associations assist the farmers as cooperative group to obtain further credit from the Bank. At the same time it revitalises agricultural research and improves access to technology. This provides critical infrastructure and support services. Support for the establishment of the industry’s organisations was through the creation of legislation that allowed the industry self-
management and continued to encourage the private sector to invest in agricultural development through the promotion of incentives available to the sector. Farming was also promoted as a business to local entrepreneurs, through the utilisation of distance programs and business training at the Fiji College of Agriculture.

Environmental sustainability is encouraged through educational programs on the enforcement of existing laws and regulations relating to environmental protection. Creating awareness of the adverse consequences of the excessive use of chemicals is also part of the Foucauldian disciplinary mechanism plan that the government of Fiji undertakes. The importance of lending for the sugar-cane industry became an important issue when the FDB opened its Seaqaqa branch in 1976. The main reason for the establishment of the branch was to ensure that the cane farmers had direct access to the Bank and its services. The farmers could receive both advice and help with the relevant documentation to speed the process of the farmer’s loan application. The bank could also monitor, through its branch (which was in the heart of the cane producing environment) the various loan advances made to it.

Therefore the power and knowledge process is seen here as two-way process, the Bank provides increased surveillance to the farmers and the Bank is under constant surveillance by the government’s involvement in the Fijians’ participation in the sugar industry. This process can be further expanded upon as an interviewee analyses that

(1)he power-knowledge are important factors in the lending process, where it can be seen as a process in the sense that if you have power like in my position then it is assumed that you have the necessary knowledge (education, experience) to do your job well, but if you have only one (either power or knowledge on its own) then you cannot make any variable decision towards the lending process

(Interview Schedule, AM-4, p. 55).

Land ownership played a vital role in agricultural lending. Most of the land is owned by the Fijians and leased to the Indians for farming under the ALTA agreement. The government had, in 1976, increased the agricultural leases under the ALTA agreement from ten to thirty years. However there were grave concerns over the uncertainty of the renewal of the ALTA leases to the Indian farmers whose leases began to expire under the agreement in 1997. By 2010 about 60% of all ALTA leases will have expired.
The expiration of the leases is again viewed in terms of power and knowledge. The FDB provided the necessary finance to the farmers, understanding that the leases would be renewed by the land owning units under the ALTA scheme. The Bank did not really have enough knowledge to read the hidden agenda or motives of the land owning units, and was not able to predict the future of the native leases. After the coup of 1987 these lease agreements, under the ALTA, became a potential problem to the Bank's agricultural lending portfolio. This was comprised of Fijian $43.7 million or 41% of the total agricultural loan. Sugar-cane farmers' loans amounted to 46.1% of the total loans of the entire agricultural lending portfolio of the Bank, within Fiji's total loan sector in 1997.

There would be a huge effect on the Bank's profitability if these agricultural leases were not renewed. The FDB's board, taking into account current knowledge about the leases, found two ways to overcome the potential problems. Firstly, it encouraged clients to approach the land-owning units to negotiate the renewal of their land leases. Secondly, reduced the loan term and increased the loan repayments before the expiry of the land lease.

If the land leases were not renewed before the expiry date, the farmer would be forced to sell his farm to the land-owning units at a substantially lower market price. This is disincentive for the farmer whose lease is about to expire and who is unable to obtain a renewal. It resulted in the farmer reducing crop production. In both these case the Indian farmer was in a difficult situation. This will also have implications for the Bank, because if a situation of this nature arose, and the farmer was unable to renew his lease, it would also affect the Bank. The Bank's security undertakings, in relation to the farm, would be valueless without the extension of the lease.

The other land issue problem encountered by the Bank related to the financing of agricultural lending projects under the 'Class J leases' which came under the reserve category of land. Under this category no land can be sold or leased to a non-Fijian. This type of lease, the Class J category, could only be leased to Fijians. The Bank had serious problems with this type of lease; for example, large amounts of unpaid rents on
leases and high arrears in relation to loans owing to the FDB. The locality of these agricultural leases meant there was much misuse of money by the farmers, since their farms were not easily assessable by the FDB’s lending officers.

There were high costs associated with field visits by the Bank’s lending officers. The Bank faced two extra problems. Firstly, a Class J lease in the form of a security to the Bank was useless in the sense that the Bank could not sell the land to a non-Fijian and no Fijian wanted to buy such unproductive land.

Secondly, if the land could be sold it would fetch a very low price, so in most cases the Bank had no option but to give the land back to its land-owning units. In 1996 the Bank changed its policy towards these types of leases. The Bank suspended all new loans associated with Class J lease land because “...the performance of borrowers on Class J leases did not match that of other clients” (FDB Annual Report, 1996, p. 11).

It is interesting to observe the establishment of the government machineries, such as the ALTA agreements, to the land issue and the Class J leases. The Bank provided loans to Fijians, assuming that they would fulfil their lending commitments. However the Fijian farmers knew the Bank could do nothing to the farmers if they did not honour their lending commitments.

The Bank tried to assist farmers by granting the loans to them under the Class J lease agreement in good faith, but the Fijian farmers took advantage of this. The total amount of loans outstanding on Class J leases was comprised of 750 accounts or 15% of total agricultural lending with a total value of Fijian $9.9 million at 31/10/1995.

Government machineries, in particular the NLTB, played a very significant role in agricultural lending. Most of the Fijian farmers applied to the NLTB because it provided them with assistance in the form of advice, the filling in and the lodgment of their loan applications. This was seen to streamline the lending procedures on behalf of the Fijian farmers. The Bank normally took into account the recommendations made to it by the NLTB, particularly with lending applications.
Once the loan was disbursed by the Bank, the farmer was accountable for his loan both to the FDB and the NLTB. The agricultural sector’s beef scheme, such as the ‘Yalavou Beef Development Scheme’, was another lending initiative. The FDB involved local Fijian land owners in cattle raising and beef production. This increased rural participation in the national economy. The FDB’s agricultural lending activities also support rural housing and the Bank has a commitment to improve the quality of rural living, increase domestic food production and check the rapid rate of urban migration with its associated problems. The social impact of the scheme was that it provided the farmer with a house in which to live on his farm, and thus increased his accessibility to the management of his farm.

Agricultural lending disclosed two important problems which the Bank needed to solve. Firstly, there was a lack of management skills and commitment by some agricultural farmers. Secondly was the impact of natural disasters on the agricultural farming sector. It was considered by the Bank however, that the sugar industry was reasonably safe. The industry was well organised and serviced. The sugar market outlets were not only guaranteed but were expanding. An industry such as cattle raising was in danger because it was essentially related to unimproved land.

The Bank also found that farms were largely inaccessible and the securities offered to the bank were not attractive. It was seen by the Bank that there was little permanent improvement on beef or dairy farms. There was also the question of the renewal of leases, since most farms were on unproductive agricultural land or Class J lease land. To overcome this potential problem, the Bank has a policy that it will not finance farm development on unleased land.

The Ra Cane Development Scheme is an example of this. The scheme had about 350 clients (Fijian $1.1 million or 43% of FDB’s Rakiraki Branch agricultural lending portfolio in 1986). The farmers were cane farming using ‘Mataqali’ land. The FSC cane contracts had been issued against the ‘Vakavanua Land Titles’, given by the provisional officers against witnessed agreements, for the clients to occupy and cultivate
the allotted area of the ‘Mataqali’ land. There was an underlying assumption that the NLTB would later demarcate the boundaries and issue individual leases.

This non-financing Class J lease is a dominant change as mentioned by one of the interviewees, as he comments on the changes the Bank has undertaken to its development banking (lending) operations

(i) have seen the role of the Bank changing in a number of areas. Firstly, the organisational structure of the Bank has changed that sees the post of three regional managers; secondly the “Class J” lease is no longer financed by the Bank due to its problems of high arrears; and finally, the staff numbers of the Bank have grown over the years and this allows for a greater control of the lending portfolios

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

However, in this case, there were problems with the grant of land leases that ultimately affected the entire lending scheme due to a lack of previous planning and coordination of production which left about 74 farmers no longer producing anything. The Bank was again in trouble, since its only security was a crop lien and a bill of sale over the working bullocks and farm implements. The average size of the loan was Fijian $3,001. This shows that the security backing of the Bank was insufficient in proportion to the loan approval amount.

Other areas of agricultural assistance, for example rice farming, was unproductive since it normally suffered from low yields and the income generated was insufficiently attractive to encourage commercial rice farming. Fishing, on the other hand, brought in an element of uncertainty, both in its operation which was dependent on the weather, and lack of fishing skills by the small groups of fishermen.

Copra farming highlighted another industry that suffered from low prices and hurricane damage to trees which ultimately led to failure. All of these factors had huge impacts on the long term profitability of the Bank. These industries were the traditional areas of agricultural finance which, in most cases, was just volume based development (lending), and it is seen that
Traditionally, we were looking at volume based lending especially in the agricultural sector. Nowadays we are looking at quality lending so as to increase our long term profitability

(Interview Schedule, M-4, p. 35).

In 1982 the Bank helped to establish the Fiji Farmers Co-operative Society Limited (FFC). From a Foucauldian perspective, the FFC was regarded as a structural body that provided a disciplinary surveillance to all its members who had small holdings in beef, pig and small agricultural farming. The overall aim of this was ultimately to provide retail marketing outlets. The Bank reinforced this surveillance principle, in the sense that it provided loans to both the farmers and the farmers’ Co-operative Societies, which were encouraged to purchase shares in the FFC. The dividends that the FFC paid were either reinvested, more shares bought or the money used to pay off the FDB loan.

The FFC was managed by a group of co-operatives: Farm Management Co-operative Limited (FMC). What is seen here is a collective group of farmers that formed the FMC and FFC; both these organisations provided assistance to farmers either financially by way of advice, to ensure that the FDB’s loan was paid off. The FDB provided assistance to these co-operatives so that they could provide disciplinary surveillance to their members. The co-operatives under constant surveillance would be able to prosper and discuss common problems of the farmers within the agricultural lending portfolio.

The agricultural lending policy highlights the traditional indigenous Fijian culture that is so very different from modern commercial bank lending which is based on individualism and profit. If a farmer applies for a loan in the Fijian traditional manner he or she would normally sit down with other members of the village including the chief, with a bowl of ‘grog’ or ‘yaqona’. He or she would then undertake a ‘sevu sevu’ function (offering of grog to the chief or to a guest of honour) and, with the blessing of the chief and the village, he or she would then either approach the NLTB or the FDB for help in filling out the loan application forms and the financing of the loan.

The Bank’s lending officer, who undertakes the task of visiting the proposed farming area in the village, will also be given the ‘sevu sevu’ as the guest of honour and in that function he or she has to drink ‘yaqona’ with the village chief before he or she is
allowed to pass through the village towards the proposed lending area. What can be seen here is that the ‘yaqona’ drink is a deeply rooted tradition that is part of the Fijian way of life. Any dispute, marriage or any activity of importance is normally solved at the consumption of ‘yaqona’ ceremony. From a Foucauldian perspective, the drinking of the ‘yaqona’, can be seen as part of the traditional culture, providing a means of power or authority with which there is an undertaking to perform actions (issues) that are discussed and resolved at that particular meeting. The knowledge was gained from the chief through his or her advice, as the paramount authority over the villagers of whom he or she has control.

Thus the village chief is regarded (through the panopticon eye) as the person who provides surveillance over all of his people (subjects). For example, the village is based on a community structure where members normally share the food and housing for the benefit of all. Therefore, if a person is welcomed into the village, he or she can live in the village for as long as he or she wishes to stay. The village structure has a long history as a vital role in the development of the Fijian economy.

The government influences the FDB’s activities. This was seen in the period 1985-86, when the government established a ‘Cane Rehabilitation Project’ (CRP). The government provided funds to the FDB so that it could pass on these government funds to those farmers in the sugar-cane industry (on a case by case basis) who had suffered as a result of cyclones or drought during the 1983-84 financial year.

The result of relying on the traditional agricultural base, through government sponsorship of rural development schemes such as sugar-cane and livestock farming, outlines the need for the Bank to fully diversify. This would allow many more individual farmers to achieve a solid and stable loan base. The Bank is seen to be the ultimate selector of the farmer and his potential ability as a farmer rather than a scheme that was selected by the farmers for help, for example, the Seaqaqa Cane Scheme and the Ra Cane Development Scheme. These schemes encouraged the introduction of Fijians into the cane farming area.
Agricultural lending also relies heavily on international markets as well as the domestic market to sell its produce. If, for example, the demands are low then the individual farmer's repayment will be affected. Climatic conditions also play an important role in the agricultural farming sectors. The fishing industry is also part of the agricultural lending scheme. A review of the conduct by the Bank took the position that, although it does not wish to obstruct those who wish to make a livelihood from fishing, it must keep a check on the level of risk it can accept in the process of promoting socio-economic development. On a long term basis, a "...temporary freeze will also allow defaulters to reassess their commitment to their future in fishing..." (FDB Annual Report, 1993, p. 6). However, in 1993 this temporary freeze placed on fishing loans was removed, and the policy guidelines included increased cash contributions in respect of the fishing loans.

The corporate plan was introduced in 1993 and its implementation began in 1994. From this point the Bank moved into a profit-orientated mode. However, the former managing director of the Bank reminded his managers of the basic function of the development bank

... we are a development bank, we should never lose sight of this, it is our special function to venture where others might be reluctant to go, to offer to help those who would not qualify and to take risks that would be unacceptable to the commercial banks. That is what development banking is about and any study of our clientele and the projects we support reveals a large majority are in the core category


It can be observed from the above comments that agricultural lending is still the backbone of the Fijian economy, even bearing in mind that the FDB is diversifying into the commercial lending sector. If the government guarantee is removed from its support of the agricultural sector this would affect the role of the FDB in its modern day agricultural lending policy. The new managing director provided a very comprehensive comment on this important lending policy where he had the following to say:
this depends on what is the definition of the development role. It seems people who have this point of view have a very narrow perception of development banking and see development banking as only agricultural lending. This is not correct. Our function is very wide. Development banking covers agriculture, commerce and industry. It is true that over the years the percentage of our agriculture portfolio has reduced. This is to me prudent banking because we have had to diversify our risk so as to manage our risk better. The trend is to go into other areas of lending, given that agriculture is one of the high risk areas in lending. By diversifying into commercial loans, we get a better return and we get to continue our role in agriculture by subsidising lending in this area. Also, what should not be overlooked is that we are not the only one to be involved in the agriculture development in this country. We are only a financier. There are other bodies who are supposed to play their role in the development of the agriculture sector in this country. If each one of us plays our part in terms of marketing, infrastructure, development research, extension services - that is takes a comprehensive, integrated approach - the agriculture industry should pick up

(Dev Bank Newsletter, 1997, p. 4).

What can be seen from this discussion is that agricultural lending is still important in today’s lending environment. The FDB’s market share was 46.1% or 43.3% of the total monetary value of its lending in 1997. This is related to agricultural lending, (Table 3 Appendix).

The number of agricultural loans both in terms of the total number of loans approved and the amount has substantially increased. In 1967-68, 355 loans were approved with a value of Fijian $118,000 and in 1996-97 the number of loans approved was 1065 with a value of Fijian $5 million. Agricultural lending peaked during 1990-91, where 3116 loans were approved with a value of Fijian $14.4 million.

In 1991-92 although the loans approved were only 2366, the total value of the loans approved was the highest ever, Fijian $15.6 million. The total amount of agricultural loans outstanding was Fijian $61.4 million, (1997). This shows that agricultural lending although in a commercial high risk environment, still provides the backbone of the FDB’s development (lending) framework.

In summing up, what can be seen in this section is that, although agricultural lending has been a risky venture for the Bank, it is willing and able to accept this risk in its future lending operations. It was also observed that agricultural loans were normally based on high volume quantity, which in the long term leads to high arrears and bad
debts to be faced by the Bank. However, with the introduction of the Bank’s new corporate plan which began operation in 1994, the Bank is now moving into a quality based development lending period which the next section will enlarge upon.

7.3. INDUSTRIAL LENDING DIVISION.

In keeping with its objectives, the FDB has continued to increase its exposure in viable and profit generating commercial and industrial projects (FDB Annual Report, 1993, p. 6).

The industrial lending division is another sub-disciplinary regime which was simultaneously set-up with the agricultural lending division. Its primary areas of operations are in engineering, saw milling, shipping, tourism and transport industries. Agriculture however is still the main thrust of the Bank’s lending portfolio. The industrial division was seen as a profit-generating component within the Bank’s structure.

The industrial division’s lending operations basic aims include the servicing of all medium and long term loans for investment in fixed assets, and to meet permanent working capital requirements in industrial enterprises. It also aims to deal with short-term advancements and loans to commercial enterprises considered only for the acquisition of fixed assets.

The manufacturing industry plays a vital role within the Fijian economy in relation to industrial development lending. In 1974 there was a high dependence on the three major exports of sugar, gold, and coconut oil which accounted for 84% of Fiji’s exports. There was also, at the same time, a rapid increase in the cost of labour. The advantages that Fiji could offer a prospective major exporter were fast diminishing. Fiji was also heavily dependent upon imported oil for its electricity supply, which was astronomically high in cost when compared to Australia and New Zealand. Industries, such as textiles, manufacturing, transportation and tourism were potential areas that could be developed and could utilise the huge labour force within Fiji.
The other compounding problem in the industrial sector, besides the rapidly increasing costs of labour, fuel and power, was the impact of the Prices and Incomes Board (PIB) which was set up to monitor items of basic consumption to ensure that they were not over-priced. This included items such as sugar, flour, tea and tinned fish. The establishment of a body like the PIB brought an increase in government surveillance. The PIB had the power, authority and surveillance mechanism to ensure that items under its regulations were not over-priced. However, it was more difficult to assist the tourist industry which faced problems due to the economic recession.

The Bank’s industrial lending sector is in close competition with the major commercial banks that are also operating within Fiji. There were also doubts as to the Bank’s expertise in handling industrial loan proposals but the industrial manufacturing sector became the largest recipient of the Bank’s assistance. It was favoured over other areas of lending, since it offered the best opportunities for employment creation, import substitution, development of opportunity for small emerging entrepreneurs and the introduction of new knowledge and technology.

Finance was needed for the transportation and the construction industries. The construction industry required more funding for working capital than for fixed assets, but funding of tourist orientated projects were limited to small loans, as the majority of such projects in Fiji were foreign-owned and financed from abroad. The recession also compounded the lack of demand for industrial loans of a developmental nature. The industrial sector was largely set up to promote import substitution industries. The intense competition within the industrial lending division has posed questions about this division’s ultimate operations and long term profitability. During one of the interviews it was stated that
(w)ell are of the changes that comes to mind is the fact that the focus of lending is changing dynamically to keep in line with the commercial banking where there is more focus on industrial and commercial lending, restructuring and rehabilitation of bad loans especially in the agricultural and special loans to the Fijian scheme. There also has been a great focus on profitability as a result of the Bank's new corporate plan. There is also a big emphasis on performance such as the performance appraisal report which makes the loans officers more accountable to their lending portfolios

(Interview Schedule, M-5, p. 39).

Future profitability is questionable as far as this division is concerned. In the industrial division the Bank promotes the industrial export industry undertaken by the Fijian government. This incorporates a number of joint manufacturing ventures between local and overseas shareholders carrying out production for both the local and export market.

This agreement was called the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). The Bank, through the SPARTECA agreement, provided assistance to the manufacturing projects under the FDB's industrial lending portfolio. Another important development was also established by the government in 1981; this was the Economic Development Board (EDB). The EDB played a very vital role in that it was expected to seek out and advise on investment opportunities in Fiji.

The EDB was a filtering process of sound investment proposals that could be passed on to the FDB to be financed under its industrial lending portfolio. From a Foucauldian perspective, power and knowledge here are seen as compensating factors in that the EDB is a powerful government machinery. It was further seen that the EDB had both power and knowledge in relation to the investment proposals. It then passed on this power and knowledge to the FDB which undertook the task of further screening the lending applications, which would ultimately lead to the approval or the decline of the industrial lending applications.

There was a steady increase in industrial lending approvals from 1967-1979. The period 1978-79 had the highest number of industrial loans approved (751), with a value of Fijian $9.8 million. The industrial lending portfolio 1979-80 had steadily declined by the number of loans but the total amount in value had increased. For example, in 1996-97 only 140 industrial loans were approved, however the total value of the loans was
worth Fijian $23.8 million. The period 1994-95 saw the highest amount of loans by dollar value approved, which was Fijian $50.5 million (Table: 3 Appendix, outlines the entire lending trend of the industrial lending practices 1967-1997).

After the military coup in 1987, there was an effort to encourage foreign investment within Fiji. To this end, the government introduced Tax Free Factories (TFF) and Tax Free Zones (TFZ), both the TFF and TFZ were concerned with boosting the manufacturing sector. These schemes provided generous tax incentives that included a thirteen year tax holiday, duty exemption on capital goods and raw materials and the freedom to repatriate capital and profits to their foreign home base.

It was seen, therefore, that the TFF could provide enormous gains by its operation in Fiji. The TFZ were marked zones where as the TFF were only permitted to operate by the government. They were given huge concessions on electricity, water and town rates. The TFF’s primary aim was to bring in raw material from foreign countries, use the local labour force and then sell or export the finished products to foreign countries, for example, Australia and New Zealand, under the SPARTECA agreement.

It was hoped that the TFF would provide massive employment for the local workforce. It was also aimed at attracting new foreign investments that Fiji hoped for after the events of 1987, which saw a massive withdrawal of foreign investments. Another government instrumentality that was used to enhance the attractiveness of the TFF and TFZ was the Fiji Trade and Investment Board (FTIB). What the FTIB did was to market the TFF and TFZ schemes abroad and provided a ‘one stop shop’ for all inquiries and to handle documentation such as the granting of licenses and dealing with government agencies. This made it possible for the TFF be established smoothly.

The Bank’s role was to finance the TFF proposals so that factories could begin to operate. There is a complicated power play between the FTIB and the FDB, which provides a disciplinary surveillance in relation to the loans that established the TFF. The TFF, through its concessionary agreement with the Government of Fiji, is a power and knowledge intertwining structural power base. It is based on the element of
profitability from the TFF viewpoint, with investment and growth on the government's part. The TFF is seen operating under a complex disciplinary regime. It is, for example, only allowed to export the finished products made to qualify for the tax concession. If it sells its products to the local market then it will have to pay tax. The disciplinary regime here is also seen to operate within a confined manufacturing framework, i.e. the TFZ.

The retail commercial industry also faced a trading problem after the coup in 1987 which completely banned commercial trading activities of any public enterprise on Sundays (Sunday Observance Decree). Sunday was regarded as a day of worship (church day). This decree was removed in early 1996 by the President of Fiji.

This is again seen from a Foucauldian perspective as the use of power to control certain trading activities within Fiji. The government is seen to impose power on the entire community through this decree. It can, however, be seen that the exercise of power for political gains has lead to an adverse effect on the economic activities of the country. The various trade agreements such as the SPARTECA and Lome Convention (LC) can again be seen as a power and knowledge exercise where the trade agreements can be viewed within a disciplinary regime framework, which requires both knowledge and power, to influence its operations.

These agreements on trade and investment also give the Fijian economy a comparative advantage because they are legally binding with other foreign countries where there is a commitment undertaken to ensure that there is compliance. Land here, in relation to industrial lending, also plays an important role since most of the industrial factories are built on long term (thirty years) lease contracts. The renewal, therefore, of leases such as those under the ALTA agreement, plays a vital role from the point of view of both the farmer and the Bank.

Industrial lending has also expanded to include the private housing sector market. Clients of the Bank can borrow on attractive financial housing package, to enable them to become owners of their own homes. There is however, competition for this trade
from other financial institutions, such as the major commercial banks and non bank financial institutions, such as the FNPF and HA which have traditionally dominated the housing and real estate markets. The Bank’s point of view is that lending to the housing market still remains an important contribution for the Bank, particularly when it is seen that real estate activity also includes finance for home ownership.

The housing market is becoming increasingly crowded with other financial institutions (FNPF and HA). Both these organisations promote packages, which in some instances, can better the FDB’s commercial lending (home loan) terms. Although the Bank has experienced some reduction in its market share “…the housing finance portfolio of $30.05 million is a good contributor to profitability, it is important for the Bank to retain this…” (FDB Annual Report, 1997, p. 14).

The total amount of loans outstanding in the industrial and commercial lending sector was Fijian $190.8 million as of 1997. The FDB’s share by a percentage of the Fiji total by the number of accounts was: lending to the manufacturing sector 22.9%; building and construction sector 11%; real estate development 58.2%, and private home loans of 11.3%.

Therefore, in summing up it can be seen that over the last thirty years of the FDB’s operations, industrial lending has been diversified enormously to meet the changing demands of the environment and the human component that influences it. The Bank has moved to meet the new demands on its lending activities. The next section will look at the special loans to Fijians lending scheme.

7.4. SPECIAL LOANS TO FIJIANS LENDING SCHEME.

The Bank plays a central role in the implementation of the Government’s policy of providing assistance to indigenous Fijians and Rotumans wishing to enter commerce and industry. It is also the Bank’s philosophy that clients in this category must be prepared to demonstrate a willingness to acquire business skills, show a return on their investments and work towards being able to compete on an equal footing with other communities.

This is another example of a sub-disciplinary regime which is brought about through development of historical discourses with in-built truth effects. These discursive formations can be seen throughout Fijian history where there has been an enormous push by the government to encourage Fijians into the commercial field that was largely Indian dominated. The government of Fiji (the macro-disciplinary regime) had the power and knowledge to influence lending institutions such as the FDB, FNPF and the NBF to attain Fijian participation.

The special loan scheme to indigenous Fijians was established by the FDB in 1975. Its implied objectives were to increase the number of Fijian entrepreneurs operating in all sectors of commerce, where the "...loans are available for almost any business purpose including small investments provided the projects can be shown to be viable..." (FDB Annual Report, 1976, p. 8). The main areas of its finance were linked with transportation (boats, taxis and trucks), small shops and investments.

This is a further influence of the government through its power structures, in this case, the FDB, to influence certain areas of the community. The loans, for example, that were made to Fijians under this scheme had concessional interest rates. The Bank also adopted a liberal attitude to both the security and the terms of repayments. Therefore, as long as the lending proposal was viable, the FDB would finance the project, for example, over 70% of all applications submitted during its first year of operation were approved by the Bank.

Other instrumentalities that the government used in conjunction with the FDB were the Ministry of Fijian Affairs, Rural Development and a division called the Business Opportunity and Management Advisory Service (BOMAS). The aim of BOMAS was to outline and search for commercial venture, and advise the Fijian clients on how to run their newly acquired commercial enterprises i.e. on accounting, taxation and office management so that their business would progress.

The problem however, from the FDB’s point of view in the late 1970’s, was the lack of staff resources from within the Bank to monitor the actual performance of the Fijian
clients. To overcome this problem, the Bank relied heavily on the cooperation of BOMAS, particularly in screening initial inquiries and advising potential borrowers on their lending proposals. There were concerns about this type of lending and this is commented upon in one of the interviews which emphasised the compliance of quality lending. There were a large number of bad debts encountered in the overall lending process where

(we have moved from a volume (quantity) lending to a lending that is now based on viable project that does not rely on the actual volume but the actual quality of the project. This change has been brought about because, based on past experience, the Bank suffered a lot of bad debts due to non-viable projects because we were looking at just lending to anyone who had a project that was to do with development lending, especially in the agricultural and special loans to Fijian lending projects. Also in the past the Bank did not consider taking a lot of security and this compounded the bad debts situation where we had very little mechanism of recovery available to the Bank. Into many areas when the demand was served to the borrower and when we went to see the security it had very little marketable value as compared to the actual loan in that lending portfolio

(Interview Schedule, RM-1, p. 51).

In looking at the trends of this particular lending division it can be seen that lending peaked in 1990-91, where 1530 loans were approved under the scheme, with a value of Fijian $22.1 million. It can be also seen that there was a continuous growth in this lending division from 1976-1990. However, from 1991-1997 there was a steady decline in the number of loans approved in this division. The value of the loans however increased in dollar amount in the 1994-95 period: 771 loans were approved with a value of Fijian $24.3 million and in 1996-97, 165 loans were approved with a value of Fijian $11.5 million (a summary of the entire lending trend of this lending division can be seen in Table 5 in the Appendix for 1976-1997).

Another loan scheme that ran parallel with the special loans to Fijians scheme was a joint venture which was introduced in 1984. This scheme was approved by the Bank's board to increase Fijian participation in business. It was also to assist joint ventures between Fijians and non-Fijians, with the hope that this approach would accelerate the establishment of industrial and commercial enterprises involving Fijians and in the long term, "...it will enable Fijians to combine their resources with those of non-Fijians who already have experience in business..." (FDB Annual Report, 1984, p. 9-10).
In terms of power and knowledge, the Fijians had the power (political power), to attain easy loans from the FDB through government influence whereas the Indians had the knowledge to run a commercial venture successfully. This can be seen as a discursive formation between power and knowledge which is ultimately based on truth effects. In this case the truth effects have led to the establishment of the joint venture scheme between the Fijians and non-Fijians.

The bank is viewed here as providing the necessary disciplinary surveillance through the establishment of extended policy guidelines to ensure that there is compliance in relation to this particular lending scheme. In most cases the loans are available for a much wider range of business opportunities than usual and the interest rate charged is substantially lower with overall financing available for up to 80% of the project cost. The overall equity finance to the Fijian partner could have been provided in addition to borrowings where the company and partnership had at least 25% Fijian shareholding, or interest quality. There are exceptions however to this for retail or wholesale businesses. Financial assistance could be provided for almost any other type of industrial or commercial venture.

Projects in most cases however needed to be economically and technically viable and financially profitable. Also particular attention was given to the quality and structure of management. This scheme provided the sub-disciplinary regime with the necessary surveillance mechanisms, which in the long run were formed to help promote the "...mutual development of the investors through active participation and contribution of their respective skills, a number of special conditions are imposed to guard against possible abuse of the scheme..." (FDB Annual Report, 1984, p. 10).

It can be seen, therefore, that these policy guidelines were broad enough to capture any viable projects that were identified under such a scheme. Lending to manufacturing, transportation and commercial (small loans) industries were the initial areas of concern. There was a steady increase of the number of loans during 1983-1986 which peaked in 1985-86 when the number in loans approved under this scheme was nine with a total value of Fijian $1.7 million.
There was a fall in the number of loans approved in the period 1986-87, when only four loans were approved with a total value Fijian $142,000. The highest number of loans approved was in the period 1988-89, when eleven loans were approved. The total value however of Fijian $964,000 was far less than the amount in the period 1985-86 (a summary of the entire lending operation under this scheme is outlined in Table 6 in the Appendix). This loan scheme slowly faded away during the early 1990's. One reason for its failure was a lack of management and financial skills.

As part of the Bank's loan monitoring and recovery process, it introduced within its organisational structure two important departments. These were established during the 1985-86 period, namely: the loan recovery department (LRD) and a management advisory services department (MASD). The establishment of these departments, from a Foucauldian perspective, is seen to result in increased surveillance by the Bank of the loan accounts that were in arrears. The disciplinary surveillance here has been seen by the Bank as a further way in which the accounts that were in arrears could be improved. For example, advise on proper financial management and rescheduling of repayments in relation to interest and principal, led to the rehabilitation of accounts so that the loan could be improved from its unproductive stage.

As part of its monitoring process, all accounts that were in arrears by three months or more and had account balances of more than Fijian $20,000 were automatically passed to the LRD for handling, and for management advice to the MASD. Once the MASD was satisfied with the progress of the account (project able to better service its debts) it was passed back to the relevant lending division that provided the loan. From the Foucauldian perspective, a disciplinary surveillance concept here looks at the exercise of power within particular boundaries (such as the LRD and the MASD) to ensure that there is compliance with the established norms and procedures that are part of a large and complex institution, such as the FDB.

The control of arrears is a major concern of any non bank or bank financial institution, since the provision of doubtful debts affects the bank's overall profitability and profitability leads to the ultimate survival of the bank. Another important feature of the
special loans to Fijians scheme, was that Fijians were also encouraged into equity investment schemes, for example, the Equity Investment Management Company Limited (EIMCOL) which was a joint venture scheme between the FDB and the Fijian government. Based on a Papua New Guinea model to provide both intensive theoretical and practical training to Fijians in a Fijian Store Scheme, it allowed Fijians to gain experience in retail and store keeping.

Thus it can be seen that the FDB, with the government’s influence, was trying to foster power and knowledge to a special sector of the population, viz the Fijian sector. It was hoped that it could gain experience in the commercial sector which was Indian dominated. A scheme such as the EIMCOL was a way of achieving this particular goal. The FDB, through its MASD division, provided advice and worked closely with its Fijian clients to ensure that the project would be a success. It was hoped that, at the end of the loan period, the Fijians would own the supermarkets under the EIMCOL scheme.

The need to enhance Fijian participation in commerce was vital. It has often been stated that there is no instant solution to this pressing national issue of Fijians involving themselves in business.

There were great concerns about the many pitfalls and obstacles in the way of achieving this. These included Fijian participation in commerce where there were unrealistically high expectations and a lack of familiarity with commercial thinking and the profit motive. There is a need for further dissemination of information and knowledge. In the lending process there was also a need for a better understanding of business ideas so as to be viable to attract loans. There is a risk element but the best results are obtained when a client has a personal stake to protect.

The surveillance mechanisms provided the necessary tools needed to ensure that a lending scheme of this nature had commercial focus where the lending exercise was to be performance based or comparative within the lending market and “...that business is based on performance and initiative and the ability to read a market and respond to it...” (FDB Annual Report, 1990, p.5). To encourage this sub-disciplinary regime further, a government funded Fijian cash grant scheme was also introduced (1991). This was to
ensure that funds were available to the Fijians provided they had a viable project. However this funding mechanism had a set-back due to the lack of government support for the scheme.

The bank under its EIMCOL ‘Fijian Store Scheme’ approved nine loans with a value of Fijian $1.03 million during 1991-92; however there are grave doubts as to the success of the EIMCOL scheme. Repayments were not forthcoming to the Bank. The Bank in 1996 froze interest on all EIMCOL accounts. Most of the supermarkets under the scheme were mismanaged and this led to financial difficulties. There was also a heavy emphasis placed on credit that ultimately led to bad debts.

To succeed in a business enterprise both power and knowledge are needed. Money, in this case, can provide the power to establish commercial enterprises, but the ultimate success of the business is based on the perceived knowledge that is acquired from culture and background. The Fijian traditional culture, which has been passed down, involves elements such as the notion of ‘kerekere’ where a Fijian can borrow on ‘credit’ with an intention to pay back at some later date. However, in some cases this credit (loan) is not paid at all, and through the ‘sevu sevu’ function, large debts within the Fijian culture are normally forgiven. However, in the commercial culture, debts are only written off once a person becomes bankrupt. Therefore there is a vast difference between the Fijian social structure and the European one which is profit-orientated.

In 1990 the Special Project Division was formed to look after projects that required special attention. Under its portfolio the division managed FDB Nominees Limited, which was a wholly owned subsidiary of the FDB and was incorporated to perform certain functions beyond the Bank’s normal range of activities. For example, it provided management services to the Unit Trust of Fiji (Management) Limited and was also a parent company of Prawns (Fiji) Ltd., which later transferred its assets to Coral Reef Prawns Limited (a joint venture agreement in 1989 between FDB Nominees Ltd. and Barrier Reef Fisheries Proprietary Ltd. of Australia).
The FDB also assumed management of the Fijian Property Trust Company Limited (FPTCL), which had Fijian property investments. A number of estates were also managed through the division. The Seaqaqa Cane Scheme originated when the estate was purchased from the Native Land Development Corporation under a management agreement with the Fiji Sugar Corporation Projects Limited, that presently oversees the operations of the estate. The Nasarawaqa Estate was purchased by the Bank from the Native Land Development Corporation. These are two examples of estate management of the FPTCL. It can be seen that most of these estates have large Fijian interests within their operations. The FDB is seen to safeguard the interests of the Fijian people, which in the long term, aims to encourage Fijian interests in the commercial world.

The equity window scheme is also a way in which the FDB fosters Fijian participation in key industries. This is achieved by the Bank investing in key industries for eventual sale to indigenous Fijians, in areas such as manufacturing, forestry, agro-industry and tourism which previously had only limited Fijian participation. There is also, from a Foucauldian perspective, a complicated intertwining web between power and knowledge where there is in-built political pressure from the government over the FDB.

Development lending goes towards the enhancement of Fijian participation the commercial area while discharging its responsibility to accelerate Fijian participation in business and commerce. The FDB understands that it is not enough to simply dispense subsidised loans and expect the Fijian recipients to become instant commercial achievers. The loan concepts, in most cases, were accompanied by client training, supervision and advice through the client advisory department. This had the prime role of focusing on specific tasks, business targets, record-keeping, debt collection, cash projections, costing and pricing, marketing, reading a balance sheet and the central function of profit.

The Bank had an implied responsibility of instilling into the Fijian clients attitudes that would lead them towards the profit element. The Bank, also through its training programme, attempted to overcome the huge barrier encountered in relation to traditional culture and the commercial ethic concepts and to act accordingly. The Bank
emphasised that concessions and subsidies could not be permanent and that at the end of the lending exercise, its Fijian clients would have to compete on their own "...which also meant they have to discipline themselves to follow the rules and precepts of business..." (FDB Annual Report, 1995, p. 6). This would ultimately provide the ground work in relation to the importance and application of the philosophy of profit as an important factor in relation to the Fijian enterprise, which has to be taken into account during the course of its lending operations.

The special project division had two subsidiaries, FDB Nominees Ltd., and The Suva Stock Exchange Limited (SSEL). The SSEL, which was formed in 1979 as a wholly owned subsidiary of the FDB, is sometimes regarded as the world’s smallest stock exchange. Its role was to have an active stock exchange as a contributor to improved efficiency in the capital market sector. Currently, Fiji is undertaking an exercise to develop a more active stock exchange through its capital market operations. The total loans outstanding to Fijians under the current management operation scheme was valued at Fijian $75 million in 1997.

To sum up this section, it is important to appreciate that the FDB provided all of the necessary infra-structure for the ground work for a sub-disciplinary regime such as Special Loans to Fijian Scheme. However, due to immense conflicts between Fijian traditional culture and the lack of financial management, the scheme suffered from bad debts that ultimately led to the main disciplinary regime (FDB) being adversely affected.

The next section will look at a new lending division that was established to foster greater economic growth and profitability in relation to the Bank’s development (lending) operations.
7.5. NEW PRODUCTS LENDING DIVISION.

The new products lending division is basically an extension of the commercial and industrial lending division, which the Bank incorporated as a result of the corporate plan (1994) into its development lending. There are great concerns about the viability of the agricultural project being financed by the Bank, due to the high risk factor attached to such projects. There was a move by the Bank to keep abreast of new changes in line with the commercial banking world. This division was again able to provide the necessary funding mechanisms for the disciplinary regime (FDB).

The new product division began operation during 1994-95. In that period 68 loans were approved in the leasing finance area, with a total approval value of Fijian $8.8 million. The areas of finance included commercial vehicles, heavy equipment, plant and machinery, office equipment and aircraft. This was successful because the Bank had competitive rates of interest. The focus was a need to incorporate other new products besides lease finance, the areas of working capital loans and letters of credit.

It was seen that, the result of the introduction of products such as working capital, in the long run, would attract many businesses towards the Bank’s commercial lending portfolios, where it would be able to capture some of the market share which was currently held by the major commercial banks.

The Bank would also be able to provide a better service under one roof to its huge client base, where it was also seen that the notion of these new products would also widen the scope of the Bank’s operational activities. This, in the long term, would produce greater profitability. This issue was also important in that it “…can attract business from all sectors of the economy thus allowing us to establish a good customer base where we can market our other packages.” (Dev Bank Newsletter, 1995, p. 1). The FDB is seen to be moving into the commercial banking market sector.

During 1995-96 the new products division approved 46 loans to the value Fijian $2.6 million and during 1996-97, 58 loans were approved to the value of Fijian $4.5 million
(a summary of the loans of the new products division is given in Table 7 in the Appendix). This particular division also brings forward the complicated conflicts between the concepts of advancement and profitability with those of the traditional development focus. This was how one interviewee outlined this

(t)he intentions of the new products are quite clear from the Bank's viewpoint because the Bank has to become more sustainable in the long term and the only way it can achieve this objective is to diversify its present development lending opportunities. Secondly there are great questions about the government subsidy in the long term therefore the developments of new products are paramount to bring into the Bank that added income that is needed to finance the Bank's operations in the long run

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

The new products division will, hopefully, provide the added income that is needed to finance the development lending operations of the FDB. To sum up: this section has shown that the lending division provided a new avenue for the FDB to attain its long term revised objectives, as outlined in the Bank's new corporate plan, which came into operation in 1994, and is profit or performance driven. The next section will provide discussions in relation to the Bank's corporate plan.

7.6. THE BANK'S CORPORATE PLAN.

The whole philosophy of the idea of development banking began to change with the introduction of the Bank's corporate plan in 1994. The plan was designed to look at the Bank's operational strategies and provide a five year rolling plan. Financial assistance, for the new corporate plan, came from the Asian Development Bank (ADB).

The actual corporate plan was written by a United Kingdom-based firm of consultants (Biotechnology Consultants Limited), who undertook the task in August 1993. The corporate plan was introduced in 1994. The bank moved to embrace the notion of profit, and the maintenance of profitability, with a profitability concept that was ultimately linked to the viability of the lending loans portfolio, undertaken by the Bank, in its lending operations.
Thus, there was a change in the disciplinary regime. The old FDB focused on the need to take additional risks in its development lending role. The new FDB however, was still undertaking a development role by a more cautious approach towards the types of loan it would finance. The notion of the quality of the loan now mattered after the corporate plan was in operation. The outline of the corporate plan was commented upon by one of the interviewees as

(y)es, since the corporate plan has brought about structural changes within the organisation, where it has focused on target setting and performance based. The plan also aims to make the Bank’s lending packages more competitive in relation to the harsh economic environment that exists within the Fijian banking context. Also the plan has forecast a five year rolling plan with implied strategies of how to attain those set targets within the plan, the implementation of new technology within the Bank will also help the Bank’s profitability in the long run

(Interview Schedule, AM-2, p. 9).

The concerns about this new profit concept, within the development banking (lending) framework, brought about a change in general operating conduct. This was further reinforced by the Bank’s mission (FDB’s Act) that ultimately provided financial assistance to enterprises within the Fijian economy and which also supported the realisation of the government’s national and economic planning goals.

It was paramount that, to attain the corporate objectives which were profit-based, the Bank needed to improve the quality of its loan portfolio substantially, thus improving its profitability in the long term. However, two problems arose. Firstly, what would happen to the agricultural lending sector, which had played a substantial role since the establishment of the FDB? Secondly, would the Bank now be regarded as just another commercial bank?

Both these issues would be compromised if the Bank’s primary aim was still in the development banking area with quality agricultural loans with corporate objectives. It was also believed that diversification would not detract from the FDB’s objective of promoting the growth of the economy for the benefit of all, and advancing the economic position of the indigenous communities. In fact, the aim was to further provide fresh directions which, when established, would bolster the Bank’s ability to perform the
functions of a development financier “...if we remain viable and profitable, then we are equipped to remain faithful to our original mandate, viability and profitability will come through the objectives, the targets and directions established for us in the Bank’s corporate plan...” (Dev Bank Newsletter, 1995, p. 2). With the introduction of the corporate plan, there was a change in the Bank’s organisational structures (further discussions will follow on this under the heading of the organisational structure: structural changes in section 7.7).

The corporate plan brought out an eight point strategy to be followed by the Bank in its operations. These were seen as power being imposed on the Bank’s organisational structure and the ultimate transformation of power that would lead to growth and profitability. Problems, such as loss of confidence in the Bank to raise money in the market, could be overcome. Liquidity problems, due to better control of the loan, would reduce the arrears amount and thus borrowings by the Bank would fall in the long term, and significant write-offs would be limited because loans would be paid on time.

The corporate plan also provided a new dimension in areas which included the re-organising of the Bank’s organisational structure. Its primary goal was to bring the overall management functions under three main groupings: operations, finance/EDP and corporate services which also included the appointment of three regional managers.

The new divisions of lending audit, training and new products were also created, thus implementing a comprehensive staff development and training programme. This was intended to provide a career path opportunity and linked training and promotions, for example, the introduction of performance-related remuneration to reward those who make profits for the Bank. The plan suggested a monetary incentive package for those staff who produced better results for the Bank, and thus improved staff morale. As a result of modifications of financial management practices, medium and long-term financial planning, improvement of loan operation procedures to ensure accountability and proactive supervision of the Bank’s loan portfolio were developed.
The Bank, through the corporate plan, would aim for closer relationships between the FDB officers and their clients. The concept of profit centre managers was also approved. This would provide for the authority of about 80 per cent of loans managed by the lending centres, thus enhancing the portfolio quality management procedures. The Bank's corporate plan also brought into operation short and medium term portfolio performance measures and targets. It provided for random checks to be made by the new lending audit division on issues relating to compliance with policies, procedures and justification for decisions taken on abnormal accounts, while at the same time establishing an internal loan work-out unit.

The overall aim of this new unit was responsibility for the supervision of major problem loans, thus freeing profit centre managers to concentrate on improving their overall lending portfolios, developing and introducing new products. The new products division was given a mandate to be primarily responsible for setting up new activities to gain new clients and additional business. During the 1995 financial year the Bank launched leasing and working capital finance services to secure a share of the growing market share in the commercial banking environment.

It can be noted that there was a new set of disciplinary regimes now imposed on the Bank by the new corporate plan. The corporate plan also included a five year rolling plan. The rolling plan was a target-setting exercise on an annual basis, to ensure that the growth of the Bank, over a five year period, would be attainable. In fact, the rolling plan, can be seen as a sub-disciplinary regime which had a yearly target to reach the ultimate objectives over a five year period.

When the rolling plan was viewed within the overall context of the corporate plan, its primary focus was seen to be on financial viability, profitability, targets, quality of lending and more products and services. This would be accomplished by monitoring its results against its goals and objectives. It became clear that to maintain the relevance and aims of the plan, adjustments would be necessary. The overall benefits of these rolling plans highlighted the flexibility of the Bank to accept change.
Overall, management was quite flexible in its decision making process, and was willing to modify financial targets, according to the actual business conditions (competition in the banking environment). It was also able to introduce additional strategies, as and when required, such as the training of its personnel and changes in its organisational structure. It also created new lines of authority, such as the three new regional managers' positions and formed a lending audit division which would ensure that the rolling plan became a crucial device for keeping the Bank on course, and consistent with the overall aims and objectives of the corporate plan.

The introduction of the corporate plan identified special goals. The Bank, for example, incorporated changes in line with the trends within the market in which it operated, by not only providing new products, but starting to compete with other lenders on interest rates. This was related to getting a better cost on borrowings, so that service and efficiency, due to the low cost of borrowing, was passed on through lower interest rates.

The implementation of the corporate plan brought about a number of structural changes. Staff deployment became a crucial issue. There was greater delegation of responsibilities to profit centres, better coordination and responsive support services and greater discretionary authority to branch managers to approve loans. Comprehensive training and staff development programmes provided staff with formal and systematic career development opportunities, promotion prospects, the up-grading of staff technical knowledge, practical application skills and the ability to adapt to changes, facilitating the introduction of new technology and products. The involvement of responsibilities gave more time for management to oversee the changes.

The corporate plan in relation to the lending operating procedures ensured greater accountability and identified new and better business opportunities. It also improved credit assessment procedures and insured proactive supervision of loans that ultimately decreased arrears, thus improving profitability and long term growth for the Bank. An internal loans work-out unit was introduced within the Bank, to ensure that major loan problem accounts were under the experienced guidance of the work-out management division. This allowed branch managers, and other officers, time to concentrate on
improvements to the remainder of their loan portfolios. These changes reinforced the

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clean-up exercise undertaken by the Bank to ensure that adequate loan provision
accounts (provision for doubtful debts) were made against those loans that were in a
deteriorating stage. This would ensure that profitability in the long term would not be
affected.

The concept of improved portfolio quality management procedures was also introduced
in the corporate plan. These ensured that the introduction of overall short and medium
term portfolio performance measures were taken into account to control exposures
within defined limits. The introduction and maintenance of more appropriately
delegated authorities was put into place to control the rescheduling of loan accounts, and
the end result of these measures was to ensure that firstly, non viable lending problem
areas were solved and secondly, that it ensured independent appraisal of all major
lending projects and finally it identified write-offs so that they were not unnecessarily
defered.

If all of these measures were put into place, the profit of the Bank would steadily
increase in the future. The introduction of the new products within the FDB’s lending
portfolio was aimed at adding additional profit to the Bank’s existing lending portfolio.
The measures put into place would attract new clients and expand the Bank’s business
with existing clients. The risk would be spread, and income sources, such as leasing
and working capital, would be diversified. It should also result in maintaining a
satisfactory market share in a developing capital market within the Fijian economy.

In summing up, therefore, it is seen that the corporate plan brought about huge changes
which were aimed at providing more profitability with long term growth in the Bank’s
development lending and structural operations. The next section will focus upon the
changes in the organisational structure with the incorporation of the Bank’s new
corporate plan.
7.7. ITS ORGANISATIONAL STRUCTURE: STRUCTURAL CHANGES.

The organisational structure can be regarded as a panopticon eye surveillance mechanism, where it is seen from a top down functional approach. There is increased surveillance by top management of its subordinates, using such concepts as budgets and performance appraisal reports of employees. The first organisational structure was in 1969 (Appendix 1) and its subsequent changes were in 1972 (Appendix 2); 1977 (Appendix 3); 1982 (Appendix 4); 1990 (Appendix 5) and 1993 (Appendix 6). Changes to the FDB's organisational structure by the introduction of the corporate plan in 1994 (Appendix 7) and the current organisational structure in 1997 (Appendix 8).

The changes to the organisational structure, after the introduction of the corporate plan, can be described briefly as follows: three new regional managers positions were created within the lending structure where lending was segregated by divisions; for example, the central eastern division had a regional manager who reported to the general manager of operations (lending) and looked after the Suva industrial, special loans, agriculture and Nausori branch. The regional manager of the northern division on the other hand had the control of lending for the Labasa, Savusavu and Seaqaqa branches. The western regional manager had under his jurisdiction Lautoka, Sigatoka, Ba, Rakiraki and Nadi branches. The general manager operations controlled the special projects, new products and legal divisions. The general manager of EDP and finance also controlled the planning, research and marketing division while the general manager of corporate services controlled the training, personnel and administration division. The audit division was divided into two parts (lending audit and audit and inspection) which reported directly to the managing director.

The hierarchical control increased the disciplinary surveillance because it provided a constant monitoring of activities within the disciplinary regime. It also provided legitimacy to the organisational structure so that it could fulfil the goals set-out in the corporate plan, which were based on truth effects of attaining profitability.
The lending divisions now operated as profit centres with the aim of attaining profit. There was a greater degree of coordination and consultation from the lending branch managers to provide guidance to his or her subordinates within his or her division. Therefore targets, budgets and other appraisal reports were closely monitored by the manager in consultation with his or her staff. A management by objectives (MBO) doctrine was used.

The implications of the Bank’s corporate plan as an instrument of power relations was described by one of the interviewees as

(y)es, the corporate plan the way I understand it is a very powerful documentation because it provides a future direction for the Bank in which to operate, what I can see here is that the Bank is trying to map out a particular course of action where the lending risks to some extent will be reduced in the long term, for example, the Bank taking on more commercial loans that are considered less riskier than agricultural loans. Also in my view technology is a powerful mechanism that is used by the Bank through its corporate plan. What I can see here is that the corporate plan can be seen in the context of a captain who takes his huge liner through the stormy waters to reach a safe heaven. The corporate plan in the long run will achieve a greater profitability and growth for the Bank and its development lending operations

(Interview Schedule, M-3, p. 25).

The effects of the new corporate culture were felt throughout the Bank. Even lending applications which were sent to the division were now more than ever closely scrutinised to ensure that the lending application would succeed. Failure would affect the department’s profitability and growth. There was a sense of competition also amongst the various lending divisions and branches to highlight the best performer. For management, for example, the introduction of a monetary award for best performance or the most improved branch competition scheme was introduced from 1995.

This competition with its rewards was useful for lending to areas such as agriculture and special loans to Fijians. It had been seen in the past that arrears were high. Now extra equity or security was required to offset the risk taken by the lending division. The cost of borrowing funds in an economy like Fiji’s is high, where there are limited lenders, such as the FNPF, the HA and commercial banks.
The Bank acknowledges that lending departments (profit centres) have to utilise the funds available to it in an efficient and effective manner. In the long term, this will improve the interest income of the Bank, in relation to its overall operations, with the use of good and sound lending projects. The full interest rate of 13.5% was charged on these commercial projects, which would be attained through the respective profit centres. In the long run, the Bank’s growth and profit would be increased. However actually finding these types of projects was not easy.

New projects would ease the burden of the Bank in seeking sources of funds for its long term lending operations because it could go off-shore and borrow development funds at a cheaper rate, “...but this is difficult to obtain because most of these off shore loans are project specific and they mostly favour value added projects, these projects are hard to come by given the current economic environment...” (Dev Bank Newsletter, 1997, p. 4). The match between the source of funds available to the Bank, and its long term lending portfolios is an on-going problem.

The lending officer’s performance in relation to his or her work was also closely monitored by his or her manager. There is a control mechanism placed over the lending officer’s performance. If the lending officer performs well, which was judged by a mechanism known as a performance appraisal report (PAR), then he or she would be rewarded accordingly.

The discretionary authority of the branch managers and assistant branch managers was increased in relation to their loan approval authority. This was done firstly to relieve top management from routine decision-making processes on operational (lending) issues, so that they could devote more time towards planning, discharging their other managerial functions and steering the organisation towards the achievement of organisational goals and objectives. Secondly, the discretionary authority was delegated by the profit centre manager in consultation with the general manager of operations and the personnel manager. The corporate plan required profit centre managers to have approval authority of some 80% of loans managed by their lending divisions. This
resulted in loan applications being approved quickly. At the same time, the quality of the loan was not compromised in any way.

From a Foucauldian perspective, this is an authority based on power and knowledge interaction, that is, the profit centres’ discretionary authority is based on the manager’s ability or knowledge to know the client and other factors that affect the client’s operation. The power is the manager’s ability to approve the account if it falls within his discretionary authority. For example, a branch manager’s recommending limit is $75,000, lending approval is $25,000 and control limit is $50,000.

Within the disciplinary structure, that is, an organisational structure, employees play an important role. The organisational structure acknowledges this where it is seen that employees, who have a good PAR report, are normally promoted quickly through the organisational hierarchical structure. Therefore, based on the profit element, the structure rewards those individuals who abide by its rules and regulations. Further, the disciplinary regime (FDB) normally rewards those individuals who provide little or no resistance to it. The role of the training department is to keep the staff informed on the latest developments in the lending sector.

Attitude surveys were used to address problems experienced by the staff. At the same time, the personnel in the training division brought forward the importance of training. There is a decentralised client (staff) training for branch operations. This is a cost effective measure of “...the future we would like to decentralise other works within the Corporate Services domain to the centres as a means of not only improving our services but also giving our managers the responsibility for the activities in their own centres...” (Dev Bank Newsletter, 1997, pp. 1-4). The training will not only result in better trained personnel but will also lead to a better quality of loans being approved by the profit centre.

Growth is also seen in the number of personnel from 33 in 1967, to 281 in 1997; There was a need for further surveillance over the Bank’s daily development (lending) operations and its increased loan portfolio. Each staff member is responsible for his or
her work as outlined in their job description. To ensure conformity, a staff member who does not follow his or her job description will lead to a dysfunctional discourse. This would lead finally to disciplinary action being taken by his or her superior officer. On the other hand, if the job is well done then he or she is rewarded through increased wages or promotion.

In summing up this section, it is seen that the organisational structure of the Bank has changed to incorporate a better disciplinary surveillance to capture the vast range of activities undertaken by the bank in its development (lending) operations. The next section will focus on the management control systems that also provide a control function to the Bank’s lending.

7.8. FIJI DEVELOPMENT BANK’S MANAGEMENT CONTROL.

All users need to be given information to be effective and efficient so that they can make decisions in a timely manner. The management accounting system that operates within the Bank achieves this through its service centres: Finance, EDP and Auditing. The early features of the mechanised accounting system can be traced back through the establishment of the Bank in 1967-68. The Bank recognised the need to purchase an IBM card punch machine which was integrated with the ledger machine (a card punching service system provided by the Bank’s data processing centre). The volume of postings to clients’ accounts was now approaching the optimum capacity of the mechanical equipment in use. A copy of the Bank’s first EDP statement design was in 1968 and is reproduced in Appendix 9.

The relative cost and advantages of alternative systems were assessed. The Bank decided to introduce a fully computerised accounting system which, in 1967-68, proved to be most satisfactory. Currently, the EDP centre is where all loan data is stored and continuous up-dates have been made to the system. For example, in 1986 a computerised fixed assets system, developed in-house, was implemented. This enabled the Bank to monitor its assets more accurately and provide depreciation schedules on a regular and timely basis.
In 1987 a new securities and insurance sub-system became operational which gave the bank accurate and up-to-date information regarding clients' security documents and insurance policies that are now more accessible to the Bank's officers. Similarly, the bank's main system, the loans debtor system, has undergone several enhancements which now include the automatic generation of commitment fees and more flexible methods of maintaining loan details. These changes in the EDP system were also highlighted by an interviewee when he provided the researcher with the following comments

(Well, in my section I have worked here for the past 11 years, we only had 3 stand-alone PC's we now have about 90 stand-alone PC's, the branches also have been linked to the head quarters network system, the core enhancement has been the loans debtor system

(Interview Schedule, AM-4, p. 54).

Further improvements were made to the management information system and the loan data system when the corporate plan was introduced. For example, the management report is generated by a system called Lending Management Information System (LMIS). This LMIS report is distributed to all managers within the Bank and highlights the centres' performances.

This report can be viewed as a disciplinary surveillance placed upon it by a disciplinary regime (the FDB). There is a large emphasis on using the report as a means of rewarding those who have performed well or questioning others for non or inadequate performance. This can be interpreted as both discipline and punishment by the disciplinary regime. The LMIS system, from the Bank's point of view, can be seen as a system that will reduce paper work, improve the overall work flow within the system, maximise the speed and efficiency of processing and thus increase the discussion making process for management within the lending system.

The lending operations division, in line with the Bank's corporate plan, established a loan work-out unit, with special management emphasis paid to major arrears accounts. This will ultimately ensure that the Bank's interest is adequate. The information system in this case helped to monitor repayments of those accounts that were inconsistent in
meeting their instalments. This information was passed on to the various lending divisions that provided a continuous monitoring of repayments, advice and ultimately rehabilitation of the account. As a result the Bank’s interest was protected adequately. In relation to the debt-security owing on the account, a further increase in the disciplinary surveillance was already provided by the system to ensure control.

Another noticeable development within the EDP department was the establishment of a dial-up connection to the internet, the global computer information network. From the Bank’s viewpoint, a home page on the internet gives the Bank exposure to 40 million users, worldwide. This was a further step in utilising rapidly evolving computer applications for the receipt and transmission of information crucial to the Bank’s diversification and its role as a promoter of investments. It was hoped that the scope for using the internet would be a means of marketing some of its clients’ and the Bank’s products and services.

The finance division also played an important role in attaining the cost of borrowing from institutions such as the FNPF, the ADB and the floating of FDB bonds. It used the borrowed money to finance its lending operations. This is particularly important if, in the future, the government’s financial subsidy is not forthcoming. Also, if a government subsidy was given, in the long run it would put immense pressure on the FDB’s financial status.

The removal of the government guarantee would affect borrowing in two ways. Firstly, there would be uncertainty as to whether the market would accept FDB bonds. For example, the FNPF is limited, by the Trustee Act, to lending funds only to bodies which have government guaranteed securities. The commercial banks, on the other hand, due to the imposed banking regulations by the central bank, are required to invest only a certain percentage of their deposits in government securities and/or government guaranteed securities. If the government guarantee were removed, other banks would not be obliged to buy the Bank’s (FDB’s) securities, because there would be a risk factor attached in case of bank failure.
Secondly, if the commercial banks did buy, it would definitely not be at the current interest rate but at a higher rate. This would mean that, with an interest margin which is already slim, any marked upward movement in cost would simply wipe off any margins of the Bank. It can be also seen that in the past, the Bank has relied on the ADB as a form of off-shore financing, especially in relation to the Bank’s long term agricultural finance, which requires a longer loan term and extended loan periods when compared to domestic finance, available within the Fijian banking sector. However, due to changes in the Fijian currency, these lines of credit from off-shore have now become too expensive for the Bank.

The Bank can float its own bonds in the market place; however these bonds have a maturity limit of five years. The Bank’s lending period to agriculture is far greater than that, and the Bank cannot vary its interest repayment on loan accounts to which it has already been committed. The Bank, therefore, has to be critically aware that if there is a mismatch between its cost of borrowings and its cost of lending, then this will have implications for the profitability of the Bank’s development (lending) operations. The managing director commented on this important issue as follows “... the staff in the Finance section are doing a tremendous job in obtaining funds at competitive interest rates and managing our surplus so that our cost of borrowing is kept down ...” (Dev Bank Newsletter, 1997, p. 1). However, the financing of the FDB, is an important issue that the Bank needs to further address in relation to its development banking (lending) operations.

Another issue that also should be closely monitored, because of its utmost importance, is the improvement of the overall credit assessment procedures to the lending operations. It can be seen that a closer research on the applicant’s background is needed during the initial interview. The client should be the focus of the proposed enterprise. Other information such as basic documentary evidence can be attained at the same time.

For example, rights to property and lease agreements are important issues. During enquires by the lending officer, it is hoped that in a small economy like Fiji’s the client’s creditworthiness and his or her dealings with other lending institutions will be
exposed to the Bank. If this is so, the risk of the loan is subsequently decreased, based on a background check of the client's financial affairs. Once the loan is approved the Bank can keep a watch on the loan by synergistic linkages with other lending institutions. This will give a greater proactive supervision of the account to ensure that arrears will be kept to a minimum. A more rigorous pursuit of arrears and defaults on loans, through the utilisation of social and peer pressure groups, will ensure the early repayment of the Bank's loan.

The Bank's manuals are also seen as part of the disciplinary surveillance. Each employee is seen to comply and conform to the instructions that are set-out in the manuals, which provide a framework in which the employees interpret their environment. Whether the manual has been up-dated or not needs to be taken into account. The environment is continuously changing and these changes need to be incorporated in the form of revisions to the working manuals. The finance and auditing departments need to be aware of the changes in both policy and procedures and needs to compare them with other non-bank financial institutions.

The FDB has huge pressures from the government, other banks and non-bank financial institutions. To cope with this pressure, the managing director commented that this organisation and especially this position has to face up to lot of pressures-political, commercial, pressures from individuals and so forth. But we have clear policies and procedures in place; as long as we are guided by these and stick to them we will be able to handle these sorts of pressures very well. It's when we deviate from policies and procedures, that we lend ourselves to problems. Political pressure is part of the job

(Dev Bank Newsletter, 1997, p. 4).

The overall corporate culture of the Bank has been changed through the implementation of the corporate plan. In this plan, the corporate culture such as the power of the staff to behave and be rewarded accordingly has seen changes. The organisation's performance is an output of its existing corporate culture. As the environment changes, as in the case of the Bank, the organisation's culture changes accordingly, so that the optimal performance is maintained. In the Bank this is maintained through consultation between the Bank and its staff.
The budget preparation exercise, within the financial division, from a Foucauldian perspective, is viewed as a consultative process in which targets are set between the profit centres and the finance division. This budget exercise process is undertaken on an annual basis. The finance department begins by asking all of the profit/service centres to submit a departmental budget for the following year. This is normally based on certain implied assumptions by the finance department. The financial planning and budgeting department, which is part of the finance division, reviews each of these submissions and then passes on the revised submissions to the respective profit/service centre managers.

The managers of the profit/service centres then review these revised submissions and then write to the finance department either agreeing or disagreeing with the changes in the prospective budget. The letter, together with the now-revised budget proposal, is then sent back to the finance division to be consolidated as the Bank’s overall budget. What can be seen here is that through a consultative process, more realistic budgets are set and attainable within the Bank’s financial year.

Therefore, this disciplinary surveillance framework (budget) within a disciplinary regime (bank) is ultimately set by the employees themselves and is thus achievable and accountable in the process. The finance manager described his work as

(w)ell, I am just a bookkeeper of the Bank, my task is to provide accurate bookkeeping on a timely basis to the Bank in relation to its operations

(Interview Schedule, M-6, p. 56).

It can be interpreted from the above comment that there are strong traditional notions, still practised in the Bank, so there is a compromise between the traditional role of development lending in relation to the new one. This can be analysed further when the Bank undertakes its review process to the overall provision for doubtful debts. The lending departments (profit centres) normally undertake this particular exercise by arriving at a provision for doubtful debts. This figure is then submitted as a lending total to the finance department.
The lending departments undertake this doubtful debt process when all loans and investments are constantly and systematically reviewed before the end of the financial year. Loans on demand and loans on default by four repayments or more are classified as non-performing. A specific provision is raised against such non-performing loans after taking into account the estimated realisable value of the security and with due regard to the economic sector (agriculture, industrial or special loans for Fijians) in which the loan is placed.

Interest on an account with bad debts is added to the provisions for doubtful debts account and is not recognised as income until it is received. Once a loan has been rehabilitated it is reclassified as performing and the doubtful debt provision is accordingly reduced. A general provision, based on a percentage of the portfolio, is also maintained against currently performing loans. Additionally, provision is made to cover shortfalls on non-performing investments which includes investments in difficulties or bankruptcy.

The purpose of this, from the perspective of disciplinary surveillance, from the Bank's viewpoint is to first, greatly enhance the long term security of the Bank so that adequate financial provisions have been made to cover risk areas of the lending portfolio; and secondly, due to its development (lending) nature, there is a higher incidence than normal of climatic and technical problems, particularly on agricultural and fishing loans, due to natural disasters such as flooding, drought and cyclones. Any of these natural disasters will have some bearing on the major agricultural projects undertaken by the Bank.

Other service departments such as the legal, tender and insurance divisions, are important service centres from the Bank's viewpoint. For example, the legal and insurance departments ensure that there is compliance and that the Bank's assets are adequately insured against risks. The tender department ensures that the assets are properly advertised and through the tendering process are sold off at a fair price, within a reasonable period of time.
The premises department, which is part of the personnel and administration department, ensures that all of the Bank’s properties as well as the Bank’s other assets, for example, motor vehicles and stock, are properly maintained. All these departments provide a disciplinary surveillance within a particular disciplinary boundary (department’s scope or framework), as determined by the Bank from its organisation structure. It can be said that these are all sub-systems of a disciplinary regime, that ensures power control and accountability, within a large disciplinary regime (the Bank), which is enforced by an internal structure, seen as a powerful panopticon eye i.e. the organisation structure.

To sum up this section, it has been shown that there is a need for sub-disciplinary regimes that are required to maintain the overall disciplinary regime. Each of these sub-disciplinary regimes provides surveillance, which is normally given by the main regime. The cost of maintaining the regime is also of importance, because without financial support, the existence of the regime, in the long term, is questionable. Therefore the human factors play vital roles with their power and knowledge to provide support within each sub-disciplinary regime so that the function or operation of the main regime is guaranteed. The next section will look further at the inter-phase of controls between the lending and accounting sub-disciplinary regimes.

7.9. INTER-PHASE BETWEEN THE LENDING (PROFIT CENTRES) AND THE ACCOUNTING (FINANCE) DEPARTMENT.

(A) LENDING CYCLE DOCUMENTATIONAL FLOW.

Development lending is at the heart of the Bank’s lending operations. Once a loan enquiry is received the Bank has two alternatives available to it. First, based on its preliminary investigations, it can either ask the client to lodge a formal application with the relevant fees or secondly, discourage the client from applying because the proposal is unsound in some way. The client, for example, may have only limited experience in the area of his or her project choice or similar projects in the past have failed.
The client, however, has the right to apply regardless of the Bank’s advice. Once the application is formally received by the Bank, a permanent variation advice (PVA) is raised. The PVA is primarily a source documentation that is sent by the lending division to the EDP. This document is very important because any changes to the status of the loan will made through the PVA.

In the loan appraisal stage the loans officer will look at the viability of the loan and, based on its appraisal, the loan can be either be rejected or approved. In either case a loan letter is sent to the client and a PVA documentation is sent to the EDP department that reflects the loan application status. Once the loan is approved, an accepting letter will be sent to the client, who has to pay normal establishment fees, to provide the necessary security documentation. Funds will then be disbursed by the Bank. The draw-down of funds is normally disbursed on a progress basis, which is usually on the various development stages of the loan’s progress.

The supervision of the loan, on completion of the project, is closely monitored by the loans officer as part of his or her loans portfolio. This includes reports to the manager of the division in relation to the loan and its incumbent securities. Again the documentation that reflects the various stages of the loan is through the PVA into the EDP division, for example, the freezing of interest, rescheduling of an account, a non-performing loan or a status for demand. If the client manages his loan repayment well, and pays-off the Bank on time, then his loan is discharged.

On the other hand, if a client cannot make his or her repayments, then the Bank has to review his or her lending portfolio which will result in either modifying the reschedule of interest or, if even after the rescheduling of interest has taken place and the client is unable to pay, then, depending on the situation, the Bank may decide either to completely freeze the interest or to instigate measures to recover its debts. It will do that by placing the loan on demand status, selling the property and security through a tendering process or, in extreme cases, take legal action to recover the debt. The whole lending process within the Bank is shown below by means of a socially constructed flow chart from the researcher’s interpretation of the entire process, (Figure 7).
LENDING CYCLE DOCUMENTATIONAL FLOW.

[Figure 7: Flow chart of the lending process within the FDB].
(B) THE CASH RECEIPTS CYCLE.

This system takes into account the cash receipts system. Cash collections made by the Bank are issued with cash receipts or received from the mail room (via the Bank’s cashier). These are normally sent to the headquarters of the Bank’s finance department which then cross-checks and a relevant cash deposit slip is raised.

For both cash and cheques, which are sent to the bank (commercial banks) for deposit, a bank reconciliation statement is prepared by the clerical officers both in the branch and at headquarters to reconcile the bank’s account. The deposit slip, which is prepared at headquarters, is then passed on to the EDP department, to be keyed into both the general ledger and the accounts receivable ledgers. The researcher’s interpretation of the entire cash receipts cycle is shown in Figure 8.
CASH RECEIPTS - FLOW CHART.

CASH COLLECTIONS
OVER THE COUNTER
BRANCHES & H/O

ISSUE OF RECEIPTS

CHECKING OF RECEIPTS

CASH

PREPARE CASH COUNT SHEETS & VERIFY CASH RECEIPTS TOTAL

PREPARE DAILY SUMMARY & DEPOSIT SLIP

DATE

DEPOSIT SLIP

BANK

ACCOUNTS RECEIVABLE

BANK RECONCILIATION BRANCH & H/O

GENERAL LEDGER

FROM MAIL ROOM

PRELIST OF CHEQUES

[Figure 8: Flow chart of the cash receipts cycle].
(C) THE CASH PAYMENTS CYCLE.

In this cycle the vendor sends an invoice to the bank for the services he or she has rendered. This is matched to the invoice with the requisition and purchase order, together with the receiving report, which is signed by the relevant profit or service centre manager. The cheque raised either by the branch or the finance division is then given to the vendor and a copy of the cheque and remittance advice is sent to the finance headquarters division. If the vendor is paid by the branch, one copy of the remittance advice is sent to the headquarters finance. Another division's copy is marked paid and filed in the branch.

Once the remittance advice is reached in the headquarters finance division, the cheque and remittance advice is batched, balanced and then keyed into the general ledger and to the accounts payable report. A creditor's reconciliation statement is also made to reconcile the creditor's account. An edit report is also generated by the EDP system. This will outline any variances that may result, due to errors such as data entry error. Any such errors are investigated by a general journal made to off-set any such errors within the system. The cash payment cycle within the Bank's accounting system, which is interpreted by the researcher, is shown below in Figure 9.
[Figure 9: Cash payments flow chart within the bank].
(D) THE JOURNAL CYCLE.

The general journal can be raised either within the branches or at headquarters level. It is authorised by the relevant departmental head and a copy is sent to headquarters the next day. It is batched in numerical order, checked by the finance department and given to the EDP department for processing into the general ledger accounts.

Two checks are made here. First, in the branch the journals are in sequential order and any journal entry cancelled is also recorded and filed accordingly. Secondly, the finance department at headquarters keeps a record of the journal in its general register before the actual processing in the EDP department. An edit report is then produced to off-set and identify any errors in the system. The interpretation of the journal cycle by the researcher is shown in Figure 10.
[Figure 10: Flow chart of the journal cycle within the bank].
7.10. THE FIJI DEVELOPMENT BANK’S AUDITING DEPARTMENT.

The auditing department is seen to provide a disciplinary surveillance over the activities of the entire Bank. In its internal audit charter, the internal audit function is to review the reliability and integrity of financial and operating information. It is also the means used to identify, measure, classify and report such information and review the systems established by management.

The compliance with these policies, plans, procedures, laws and regulations has a significant impact on the operations and reports. It determines whether the bank is compliant, reviews the means of safeguarding assets as appropriate and verifies the existence of those assets. It also reviews the economic and efficient use of resources to determine how the desired results are being achieved and reviews the accomplishment of established objectives and goals.

The auditing department manager reports to the managing director. This is viewed as providing the final checks to the Bank’s activities. However, when reporting to the managing director on the Bank’s internal affairs, there are concerns about the independence of the audit department and the entire audit function.

This can be perceived as part of the power conflicts and is reflected in the following comment:

(y)es, in my opinion power is a major driving force, for example, my division should be as independent as possible, but in the new organisational structure the audit division has moved under the jurisdiction of the managing director. Previously it was under the Bank’s board of directors, the power of the division I feel has been reduced considerably

(Interview Schedule, M-7, p. 61).

The audit division is divided into two parts, namely the audit general operations and the lending audit. The lending audit is part of the new corporate plan to provide a much needed in-depth disciplinary surveillance in the lending operations of the Bank which was not in the previous organisational structure. The risks identified within the Bank’s operations can be looked upon in three dimensions.
Firstly, there are internal control and financial systems where the risks are associated with accounting for, and reporting on, the results of operations to the Bank’s management and ultimately the Board. The general ledger is the focal point which records transactions and forms the basis of financial and management reporting systems. The risks impacting on this area include completeness and accuracy of information recorded in the general ledger and the way information is collated and presented to users.

Secondly, compliance risk that is related to compliance with both external legislation and regulations, as well as internal policies and procedures; and finally, the operational risk associated with the operations of the Bank’s business, where the key feature of these risks does not have a direct relationship to the financial reporting or traditional accounting control systems. Inadequate business controls over these risk areas would ultimately lead to a negative impact on the financial results of the Bank.

In the assessment of these risks, the risk areas can be included within the internal audit strategy (auditable risk) and those considered outside the intended scope of the internal audit function. For example, operational risks which are considered to fall outside the scope of the internal audit tend to be business risks that are of a policy nature or which do not have formalised systems of control in place. These can be covered by the internal audit programme, for example, management information system (MIS).

The philosophy used in the Bank’s internal audit includes three features: firstly, to ensure that the Bank’s internal audit function provides maximum value to the Bank; secondly, to ensure that senior management has ownership of the focus in relation to the internal audit activities; and finally, that the introduction of best practices in relation to the internal audit function is followed.

The audit function ensures compliance with the rules and regulations that exist within a particular (accounting) framework. In the FDB’s accounting functions, for example, the audit ensures the completeness and accuracy of financial information, timeliness of producing financial information, the authorising of payments, the safeguarding of cash
and financial documents and system failure, while the audit strategies in the planning of the Bank’s budget will focus on areas such as inability to raise short term funds, mismatch of cash flows, non adherence with budgets and extensive increases in loan portfolios and disbursements and raising of short term borrowings.

The compliance risk with staff is considered a high risk area, for example, inexperienced personnel and loss of key personnel. The audit risk here is in areas that include performance measurement difficulties, hidden costs associated with external training, non adherence with set policies and procedures in areas such as recruitment, promotions and placement of staff, ineffective appeals procedures and industrial actions.

The operation risk to the Bank’s lending, which is the main feature of its operations, will be in areas such as high staff turnover, lack of skills or experience of new staff, land tenure problems, collection problems and loss of good clients. The MIS looks at the major risks in its area in monthly reporting, which does not reflect accurately underlying portfolio status. The MIS incurs risks such as errors due to miscoding and system failure. Therefore, the filtering of the risk from the audit division’s point of view (disciplinary surveillance) is of the utmost importance because once the risk has been identified appropriate strategies can be implemented to overcome them.

For example in the lending area, a review of portfolio assessment monitoring procedures and assessment of effective allocation of human resources as a result of training could overcome some of the lending operational risks. The accounting and planning risks could implement adequate procedures and controls over various transaction cycles, cash flow monitoring and controls on disbursements.

The MIS strategy could include adequate internal controls, addressing the ongoing need for timely, complete, accurate and secure information that will reduce costs effectiveness. A commercial software application system also could reduce costs and thus gain long term profitability for the Bank.
To sum up this section, it can be seen that the audit division is one of the vital sub-disciplinary regimes because it ensures proper accountability within the Bank. The increase in independent surveillance means that the department is able to pin-point potential areas that need further control to reduce the possibility of potential errors and safe-guard the Bank in its lending operations. The next section will look at the role of the FDB within the South Pacific region.

7.11. THE FIJI DEVELOPMENT BANK'S REGIONAL ROLE.

The FDB provides a disciplinary surveillance within the South Pacific Region. It provides guidance, in the form of training, to personnel such as the Development Bank of the Solomon Islands (DBSI). A comment from one of the trainees, who was attached to the FDB from DBSI, was as follows, "... in comparison to DBSI, FDB's functions are quite well organised, especially with its clearly laid out operations manual and accounting instructions. I also appreciate the Bank's New Products Division, the staff have been helpful and we have established a future contact to share and learn from each other's experiences in Internal Auditing applications within our development banks ..." (Dev Bank Newsletter, 1998, p. 3). What can be seen here is that a disciplinary regime such as the FDB provides future guidance in relation to the development operations within a regional context.

The Bank also has major affiliations with the ADB and Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), and provides the secretariat and the administrative funding for the Association of Development Financing Institutions in the Pacific (ADFIP), which has a permanent office in the bank's headquarters.

The role of ADFIP is to conduct activities addressing social and economic concerns by providing resources, services, and technical and professional operations within the Pacific region. It was established in 1986 to promote the interests of all members to advance cooperation and to establish machinery for the systematic exchange of
information among its members, such as in areas of staff training, thereby improving the expertise and effectiveness of its members.

It is seen here that there is a close cooperation within the region to overcome common problems in the development banking area, and to foster growth and advancement within the South Pacific region. In summing up this section, it is important to note that there is willing cooperation and coordination amongst the different development banks that operate within the South Pacific region. The next section will provide the overall discussions on the conclusions of this chapter.

7.12. CONCLUSIONS.

In this chapter there were discussions relating to the need of the various lending divisions which were viewed as part of sub-disciplinary regimes within the main disciplinary regime (the FDB). The unique lending operations, or surveillance, provided by the Bank in relation to its overall lending operations provided the lending analysis that reveals the complicated nature of the power and knowledge argument with relation to the FDB.

It was also seen that there was immense political influence by the government in the Bank’s development financing (lending) operations. The Special Loans for Fijian scheme is one example which provided special encouragement for the indigenous Fijians so that they could be encouraged into the commercial sectors. The problems that arose were due to historical discursive formations. First, there was a conflict between the traditional Fijian culture and its ability to accept the new concepts that are part of a commercial profit driven environment.

Secondly, there were financial management problems that were very apparent within the Fijian commercial ventures, for example, the EIMCOL store schemes, in which the FDB invested (in the form of training and finance) were unsuccessful. The new products lending division provided new avenues for the Bank to increase its market share in the commercial banking environment, and through this process provide the
needed income to off-set some of the losses encountered in other lending sectors, such as that of the agricultural and special loans for Fijian lending schemes.

The chapter also addressed the role of the corporate plan as structural changes in the organisational structure. It has been shown that the new corporate plan instigated a new corporate culture where the concept of profit began to emerge. The traditional historical development banking notion began to take a new direction which relied heavily on lending, but quality lending, as opposed to quantity lending.

It was also seen that there was a tremendous impact on both the organisational structure and the human elements (staff) that were now assessed, based on performance and organisational structure. The new structure provided more deregulation of authority but a much tighter control and accountability within its domain. This disciplinary regime was seen to attain its truth effects, as profitability through effective monitoring of loans that lead to effective repayments and ultimately led to an increase in the Bank's profitability. The Bank underwent a clean-up exercise, to ensure that it had provided sufficient provision for doubtful debts in relation to its previous lending, for example, agriculture and special loans to Fijians.

This had to ensure that any future lending either had enough equity given to it by the lender or enough security pledged by the lender, for the Bank to cover the loan. Future lending was based on the concept that the Bank would limit loan write-offs and thus increase its profitability and market share within the Fijian context. The next chapter will provide the final conclusions of the thesis.