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**DISCOURSE ON THE OPERATIONALISATION OF
AND ACCOUNTING FOR DEVELOPMENT
IN A FIJIAN CONTEXT**

**A thesis submitted in fulfilment of the requirements
for the Degree of Doctor of Philosophy
at the University of Waikato**

by

NUR BANO ALI

University of Waikato

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ACKNOWLEDGEMENT

This is an important and integral part of this thesis and I urge you to read it, not only as an acknowledgement section but, to learn of the experiences one may encounter during the course of a doctorate study, particularly if one is a “novice” in the academic world like me, a practising accountant. I had always believed the academic world to be a place where affairs were conducted with notable standards of professionalism and this is what accorded this institution the `right’ to be the critic of society and indeed of people like me, the practising accountant. Quite to my astonishment and disgust, I experienced a feeling of and had to deal with a great deal of ostracism from many “Academics”. Explanations for this attitude whilst varied, are definitely related to a sense of competition. The world of academia thus, is not void of politics and power struggles, the attributes which the ‘world out there’ is usually criticised for. Such revelation only proves that both the worlds belong together and one is not any superior than the other. Further, there is need for even greater interaction; only with such interaction and togetherness, will there be hope for woking towards finding solutions for challenges facing the world.

Today, after having traversed the difficult path and anguish of a doctorate study, I feel a sense of humbleness. This relates to the discovery of my ignorance or rather, the increased awareness of that ignorance which is even greater now than it was at the outset of this study. Such is the intellectual development which the study has provided to me. Many people have contributed in different ways to this expansion and development of my intellectual bounds, and to acknowledge them is the only right thing to do, because without them the thesis would not have been possible. Moreover, all of these contributions are equally important to me and the ordering of them has no bearing absolutely, to their degrees of contributions, and it would be remiss of me, to not qualify in that manner.

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This thesis is dedicated to my son Faraz.

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LIST OF ACRONYMS

FDB	Fiji Development Bank
NBF	National Bank of Fiji
SPC	Strategic Planning Committee
PAF	Ports Authority of Fiji
NMA	National Marketing Authority
MPI	Ministry of Primary Industries
RBF	Reserve Bank of Fiji
FSC	Fiji Sugar Corporation
FHL	Fiji Holdings Limited
EIMCOL	Equity Investment Management Company Limited
GMO	General Manager Operations
UNESCO	United Nations Education, Scientific and Cultural Organisation
OECD	Organisation for Economic Co-operation and Development
BOMAS	Business Opportunity Management Advisory Services
MIS	Management Information System
NPM	New Products Manager
MC	Manager Corporate
AM	Assistant Manager
RM	Regional Manager
FNPF	Fiji National Provident Fund
MBF	Merchant Bank of Fiji
LMIS	Loan Management Information Systems
AILB	Agriculture and Industrial Loans Board
PPP	Purchasing Power Parities

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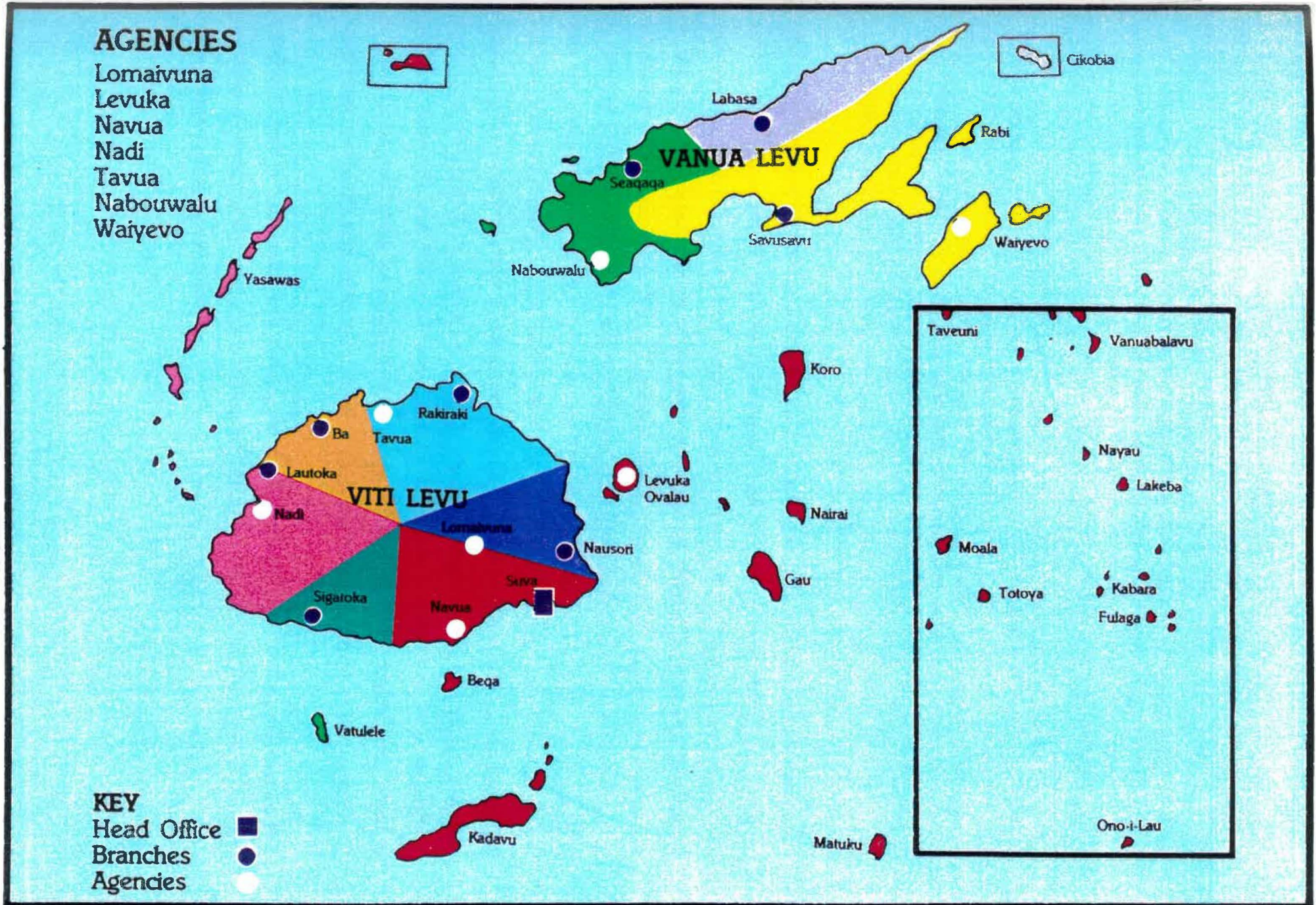
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FDB — NATIONAL REPRESENTATION



PREFACE

Once we cease to be misled by the mirage of fictional mental accounting and by the attempts to portray through very simple accounting aggregates the infinite variety in the value and preference systems of different societies with which we are confronted.... we will realize that the accounts [and accounting symbolism] of different societies are not comparable; that we cannot separate accounting aggregates for one society with those relating to another with a different social and economic framework, and hence a different system of accounting values. We cannot assume that what appears to be 'income' in one society can be compared with 'income' recorded in another, because since the 'income' which we grasp is an accounting relation and not a psychic entity what will be so recorded in two different societies will differ in its significance to the nature and ideals of the society itself (Frankel, 1949, cited in Wallace, 1990, p. 18).

The differentiation of social practices between societies, be it accounting or any other social science discipline, constitutes the foundation and premise upon which this thesis is constructed. With this as the initial motivating factor, and through an analysis and assessment of the Fiji Development Bank (FDB) as a development institution (the only institution committed to development in Fiji by its official charter), the study aspires to give prominence to the need to locate contextually, the workings of institutions such as these. A reflection upon the operationalisation of development in Fiji through the FDB will illuminate the comprehension of this concept, both in Fiji and globally. From this perspective then the omni-present nature of both development and accounting practices will be examined for contextual differences. A contextual analysis which is incorporative of a society's social, political, economic, and historical circumstances is necessary to understand in depth, its practices and institutions as opposed to some generalised universal application. Such a contextual sensitivity is integral to a critical analysis today and is central to this study.

Integral to, and in conformity with the concern to differentiate, is the need to problematise the exclusionary nature of accounting practices which are universally applied for the measurement of concepts such as development.

CHAPTER ONE

Rationale for the Study of the Practices of the Fiji Development Bank as a Fijian Development Enterprise

Like a towering lighthouse guiding sailors towards the coast, 'development' stood as the idea which oriented emerging nations in their journey through post-war history. No matter whether democracies or dictatorships, the countries of the south proclaimed development as their primary aspiration, after they had been freed from colonial subordination. Four decades later, governments and citizens alike still have their eyes fixed on this light flashing just as far away as ever; every sacrifice is justified in reaching the goal, but the light keeps on receding into the dark (Sachs, 1992; p 1)¹.

1.1 Introduction

Development in Fiji, particularly since its independence in 1970, is perceived to be a proclamation of the country's freedom from colonial subjugation (Esteva, 1992)². Such proclamation has been made visible through the formulation of detailed plans for development, referred to as Development Plans, which set goals in the form of attainment of certain levels of economic success. This thesis is concerned with the assessment of, and the conceptualisation of the development agenda in Fiji, including the global trends impacting upon this agenda, with a particular reference to a Fijian development institution. This first chapter is concerned with delineating the focus of, and providing a rationale for, the study of the FDB and its practices. The rationale, initially derives from an analytical application of my observations of the FDB's practices in my capacity, first, as a practising accountant, and later, as a graduate student. Insights from organisational studies, in particular, studies which apply a critical perspective to organisational practices appear to be in conformity with the objectives of the study and encourage further analysis. This study, whose critical perspective

is drawn from German Critical Theory (CT), focuses its analysis on the evaluation of FDB's performance as a development organisation. Legitimation of the study and its concerns are substantiated by the significance of FDB's position within the Fijian society as the only institution committed by its official charter to development. The rationale develops further with a concern to decipher the two roles of the FDB; a bank and a development agency. Such concern generates the need for an articulation of the meaning and definition of development, if at all possible, in a Fijian context. Finally the question of financial management (accounting) practices of the FDB and their conduciveness to the promulgation and reporting of its developmental role are highlighted as an integral part of the study.

1.2 Personal Experiences as a Practising Accountant/Graduate Student

My work as a practising accountant keeps me in constant contact with different types of organisations, experiencing their many and varied forms. The FDB aroused my curiosity especially because, whilst it was the only institution in the country committed to development officially (by charter), it appeared to me that a bank was the wrong structure to be housing such a commitment. How could a bank, in the western sense of the institution³ (which is a commercialised structure) perform a social function such as development? Was this deceptive?

Concomitantly, there appeared to be certain inconsistent practices, and even racially discriminatory and exclusionary practices, being conducted through the FDB's lending process. These observations developed and nurtured my interest further and raised numerous questions such as: 1) why were there inconsistencies?; 2) could they be overcome and, if so, how?, 3) was the FDB aware of these inconsistencies?; and 4) what was the impact of these inconsistencies on the developmental role of the FDB?

Attempts to answer these questions require an understanding of the background, and more importantly, the context and special circumstances of the FDB. A critical study will sensitise this context, including the historical factors and circumstances which have been responsible for moulding the institution in a certain way. Such an approach seems to be fitting and relevant for articulating the FDB's stance and its behaviour as a development organisation in the Fijian society (Alvesson, 1985, 1992). This will enable contextually relevant suggestions for the improvement of the FDB's practices.

My experience as a practising accountant, and exposure to organisational studies as a graduate student, combined to produce a useful disposition from which to proceed with the study. Insights obtained from a critical perspective to organisational analysis (Alvesson, 1985, 1992), as a graduate student which questioned the adoption of generalised versions or systems of organisations for differing societies appeared to be consistent with the undertakings of this study.

1.3 FDB and its Position/Objectives in the Fijian Society

FDB's significance in the Fijian society is because of its size and its prescribed and perceived function. Operating throughout the country with nine branches, the FDB is required by its charter to promote development by providing finance to the people of Fiji. The bank's ownership is vested in the State and its functions are also stipulated and guided as such by the Fiji Development Act, Chapter 214. This Act states the functions of the FDB:

The functions of the Bank shall be to facilitate and stimulate the promotion and development of natural resources, transportation and other industries and enterprises in Fiji and, in the discharge of these functions, the Bank shall give special consideration and priority to the economic development of the rural and agricultural sectors of the economy of Fiji (Fiji Development Act, 1967).

The substantial degree of significance accorded to the FDB because of its formally prescribed charter, for the promoting of development in Fiji, provides legitimation for its study. Focussing upon the analysis of this developmental role, FDB's appropriateness as a development organisation is scrutinised later on in this thesis, (see chapters three and eight) particularly in light of the preliminary exposition of a potential conflict inherent within the form of the organisation. The potentialities and possibilities of alternative forms of development organisations, is also pursued in terms of their viability in chapter three. FDB's origins, its historical formation and structuration is discussed in chapter six.

For the purposes of enhancing an understanding of the Fijian context, a brief socio-economic background of the Fijian society, including the population typologies is provided here. Fiji is a pre-dominantly bi-cultural society made up of two major ethnic groups; the indigenous Fijians and Indians⁴. Other smaller ethnic communities such as the Chinese, the Rotumans (considered to be indigenous in some respects as well), and various other expatriate populations are also resident in the country. It has a history of colonial rule until 1970. The Fijians are the native or indigenous population of the country, while the Indians (known more recently as Indo- Fijians) came to Fiji during the 1800's as indentured labourers to work the plantations under British rule which prevailed at the time. The Fijians are known to be not so commercially oriented and lacking in business skills, while the Indians are known to be equipped with an ability in business and commerce and, thus, more talented in this respect. Reasoned on this more talented ability of the Indians or conversely the lack of ability of the Fijians, the FDB is required by government policy to assist the Fijians especially. This is done through the facilitation of lending at a lower interest rates to projects with indigenous Fijian ownership, which will be subsidised by government.

The country's economy is characterised by a dominance of agricultural activities, in which the Indian population engage mostly. Political control of the country lies with the Fijian people. Public sector reforms through corporatisation and privatisation schemes is the current agenda of the country. FDB being a state owned corporation is undergoing similar considerations and is poised as a candidate for corporatisation in the not too distant future.

1.4 The Potential / Inherent Conflict in the Roles of the FDB

A conflicting element appears to be inherent within the FDB and resides in the bank's written objectives as presented in its Charter or Mission Statement. This reads:

We are committed to providing finance, financial services to develop agriculture, industry and commerce and to improve the quality of life of the people of Fiji.

In pursuit of this mission we will not compromise the Bank's profitability and viability and will strive constantly to improve our level of service to clients... (Annual Report- FDB).

The first half of the statement appears obviously committed to the improvement of the welfare of the people of Fiji through the provision of finance and financial services to develop industry, agriculture and commerce. In the performing of this commitment though, the bank promises not to compromise its profitability and/or viability, as is made explicit in the second half of the statement. A perplexed picture is thus presented and raises questions about how the aims of development are to be met by the FDB, and just what does the FDB see its developmental role as being? The mission statement is reflective indeed of a complicated objective; the promoting of development which, whilst perceived as a social function on the one hand, is to be operationalised through a highly commercialised institution such as a bank on the other. In other words, marginalising the primary objective of development at the expense of the commercial agenda. An interesting aspect to note is that the mission statement changed form in 1996; the change eliminated "improvement of the quality of life" from the statement, and included a breakdown of objectives of the statement into three components: one, "Our Vision", two, "Corporate Objective" and three, "Our Mission".

The new wording reads as follows:

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 advisory services to assist in the economic development of Fiji and in particular in the development of agriculture, commerce and industry (Annual Report,1997).

This change towards a more clearly discernible focus on profitability as its corporate objective presents a further challenge and confronts the study with even more difficult questions, for example: What constitutes development? More specifically, what does development mean to Fiji and to the FDB?, and how does the FDB account for this development task? Consideration and articulation of these questions assume the central concern of this thesis, necessitating the critical examination of concepts such as development and/or its accounting. It is indeed necessary to question their form and nature, in accordance with different situations and circumstances and their forms of existence and application in differing societies (Frankel, 1949, cited in Wallace,1990), and to challenge their generalised applications and oversimplified technical bias (Roxborough, 1979; Sachs,1992).

1.5 The Need to Understand Development from Different Perspectives and from the FDB's Perspective

The study recognises the many and varied possibilities of the development concept, and will explicate in particular, on the understanding of the concept by the FDB. Discourse on the many potentialities of the development concept is undertaken in chapter three. The traditionally accepted narrow view of development, that is, the Western application of the concept (Wilkinson,1965; Mair,1987; Roxoborough,1987; Perera,1980; and Chandler & Hozler,1984), has been increasingly questioned, for its relevance, particularly to the developing countries. A post-modern view of the concept, however, which is incorporative of the social elements, such as environmental impact and known as sustainable development, is now becoming a global trend and a necessary extension to its dimension (Schmidheiny,1992; Goulet,1995). This perspective is also discussed and elaborated upon in chapter three.

Literature on the meaning and measurement of development is inundated with mathematical calculations and formulae, such as the rise in GDP (Gross Domestic Product) or the level of income and inflation rates (Enthoven, 1973; Robinson, 1979; Sachs, 1992, 1995). Such adoption of measurement methods is also being increasingly questioned as to its generalised and technical application, notwithstanding its relevance in some form for the present time owing to a lack of availability of measuring tools for social elements.

To add to this already complex situation, the degrees of application or inappropriateness of the technical measurement will vary with situations (Scott, 1968; Briston, 1978; Samuels & Oliga, 1982; Perera, 1985; Hove, 1986; Perera, 1989). An inevitable current trend is towards a more contextual and localised view of the concept which again will produce varied forms of development depending upon differing societal values, culture and systems (Bailey et al, 1990; Manzo, 1991). However, the development agenda of the emerging economies appears to be adopted from the so called 'developed' (industrialised) world, in an effort to become like them. Accounting for development, borrowed in this manner thus, becomes associated with controversies concerning the relevance of the types of practices being adopted; both for development and accounting.

1.6 Accounting for Development in Fiji

Accounting for development in developing countries such as Fiji assumes forms inherited from the developed countries, rather than being allowed to evolve within their own circumstances (Perera, 1989, Wilkinson, 1965). Together with the industrialisation (development) process⁵, the forms of accounting for that industrialisation process are also adopted, with little or no regard for their compatibility or applicability to the differing contexts of different countries. Such mis-application is largely attributable to the generalised assumption of a technical bias towards processes such as development and accounting, and to the lack of involvement in the socio-economic areas related to these processes. Enthoven (1981) observes the reluctance of and lack of involvement of accounting into socio-economic areas, despite an integrated presence of social elements:

To date accountants have been reluctant to get involved in socio-economic areas, but logically this is an essential extension and function (Enthoven, 1981, p.6)

Samuels (1990) further justifies and acknowledges the role that accounting can play in serving the socio-economic needs of public and private users. Proponents such as Shaw (1986) support this notion and role of accounting, describing it as social accounting, which includes the measurement of economic activities and their effect on society; in essence it is the determination of social costs and benefits. This social approach, which is congruent and essential to both accounting and development and is adopted by this study, provides impetus to the need for a wider definition and function of accounting. A critical review of the adoption of accounting practices by the developing nations is undertaken within these social parameters (Tinker, 1985) in this study. Recurring incidences of the adoption of accounting practices by the developing countries from the developed countries (Perera, 1989; Briston, 1978; Wallace, 1990; Samuels, 1990) is noticeable in the literature. Accounting reports of developing countries and the institutions therein, including the FDB, tend to replicate those of industrially advanced countries (Samuels, 1990). The question then arises as to why accounting does not service the social needs of societal and institutional practices. A problematic answer lies in the traditional lack of involvement of accounting in the social aspect, and hence, its unquestioned acceptance in a technical sense only. Mirchani (1982), adds a further dimension and emphasises the vitality of social and contextual incorporation. He contends that issues concerning the relevance of accounting measurement tools and the appropriateness of the accounting models to a nation can only be resolved when the environmental factors impacting upon a nation's choice are investigated and the specific context is taken into account as well.

In advocating the importance of specific contexts, the need for an historical analysis is considered relevant and integral to the critical framework of analysis. Such an analysis will provide a better understanding of the extant situation, and will better enable the transformation of practices in a relevant and meaningful manner; being thoroughly informed of the factors contributing to the evolution of a society and the institutional practices operating therein.

Accounting practices of the FDB are also reflective of patterns of exclusion of the social elements and appear to favour a constrictive and predominantly technical reporting structure. A review of the historical background of the institution may offer possible explanations for the presence of these practices, which will be discussed later on in the thesis (refer chapter six). In the meantime, an awareness of the relevance and compatibility of these practices and how they relate to the performance of the developmental role of the FDB is necessary and will need to be assessed, in order that they can be revised for suitability. Chapters six and seven deal with this assessment.

1.7 Summary of Research Objectives

Deriving from the many questions raised throughout this chapter, the objectives of the thesis can be summarised as follows:

- to pursue a critical examination of the concepts and theories of the western models of development and its accounting in terms of its perceived relevance because of its universal application.

- to offer a critique on the adoption of the western models of development and accounting by developing countries.
- to question the adequacy and suitability of the FDB as a form of a development organisation in Fiji.
- to advocate the need for contextually relevant applications for concepts of development and accounting. This will be extracted through the application of German Critical Theory for challenging the relevance of extant structures.
- to challenge the meanings and interpretations accorded to social concepts such as development and accounting and hence encourage further critique.

1.8 Structure of the Thesis

The structure of the thesis is as follows: Chapter one elaborates upon and provides a rationale for the study, building upon the need for contextual studies and emphasizing the inapplicability of using generalised or universalistic notions of accounting and development. It establishes a rationale, encompassing the importance of understanding concepts such as accounting and development in action, as social as well as technical phenomena. In doing so, the chapter highlights the objectives and focus of the study. Chapter two explicates on and discusses German Critical Theory's concern for interpretation and transformation, and justifies the appropriateness of this theory as a framework for understanding and explaining the practices of the FDB. It also discusses the methods used for gathering and analysing empirical data, that is largely a form of critical ethnography, which utilises a combination of methods. The methods used include a combination of interviews and/or discussions, data

and document analysis, and observations. Some statistical analysis is also used, with due recognition of its limitations, as an aid to display the changing patterns of lending over a number of years. Chapter three explores the concept of development and discusses the potentiality of a development organization in terms of the various factors and influences prevalent within the concept. The evolution of the various theories of development is reviewed, creating an awareness of the many potentialities of development and the complications related to its measurement. The chapter concludes with an analysis of the FDB's developmental role and with a working definition of development for this study, that is socially constructed and recognises the constricted and irrelevant nature of a generalised application of the concept. Chapter four contains an appraisal and critique of the literature review in the area of organisations, accounting and development, aligned with the notions of interpretation and articulation as expressed by German Critical Theory, and brings out the need for more contextual type studies to enrich the literature in these areas. Chapter five is devoted to a discussion of the Fijian Societal context, outlining its particular history in the context of a British colonial influence in the 1800's. The chapter discusses the impact of this influence, including the peculiarities of the Fijian socio-economic and political environment. Also contained herein is a critical and interpretive account of the Fijian financial system and the prevalent influences surrounding the system: both local and international. Chapters six and seven contain an organisational and empirical analysis of the FDB respectively. Chapter six provides a descriptive and analytical account of the FDB's organisational / institutional characteristics, including the internal and external environment. This exposition then enables an analysis of the factors impacting upon the practices of the FDB, both endogenous

and exogenous. The accounting and financial management practices adopted by the FDB for the communicating of its objectives and performance are also reviewed to ascertain the complementarity and compatibility of these practices to the developmental role. Chapter seven focuses on an application of the lending criteria as an organisational practice of the FDB. In particular, the lending criteria of the FDB is discussed in terms of its applicability and compatibility for meeting the FDB's developmental role and the appropriateness of these criteria for the maintenance of sound management practices of the FDB. The chapter contains evidence gathered through empirical research which presents the many and varied practices of the FDB; it also provides a descriptive and an analytical account of the practices of the different divisions of the FDB. An attempt is made to offer explanations for the various practices which manifest themselves in the analysis. A statistical analysis of the loan applications is also undertaken in this chapter in order to further propagate and support contentions made in regard to the changing role of the FDB and the justification provided by the FDB for this change. This further elaborates upon and, thus, explicates on the complexities associated with the functioning of an institution such as the FDB which is charged with a social function such as development; which has many potential and interminable dispositions of the concept. Chapter eight traces the changing role of the FDB towards a more commercialised institution and attempts to articulate this change in an evaluation of its developmental role. It concludes with a presentation of a Fijian perspective on development, highlighting its inextricable linkage to global practices of development. In Chapter nine I used a critical theoretical approach to analyse the policy planning of the FDB. The practical application of this approach, using a critical methodology, is discussed so as to present an

assessment of its compatibility and usefulness for organizational studies. The insights obtained from the application of the critical theoretical approach are summarised in this chapter as well, including suggestions for transformation to the FDB's practices for its improved performance. Chapter ten is the concluding chapter and reflects upon the study's contribution to theoretical refinement and identifying future research areas and perspectives, including challenges confronting research. In this way, encouragement is given to further development in this area and towards sharpening the focus of the literature in the area of contextual studies through a critical analysis. This sort of analysis is concerned with interpretation and transformation for the enlightenment of individual self-fulfilment by way of a freer life through empowerment.

A diagrammatic representation of the thesis structure is shown in figure 1 on the following page.

A Diagrammatic Representation of the Thesis. The numbers in brackets denote Chapters.

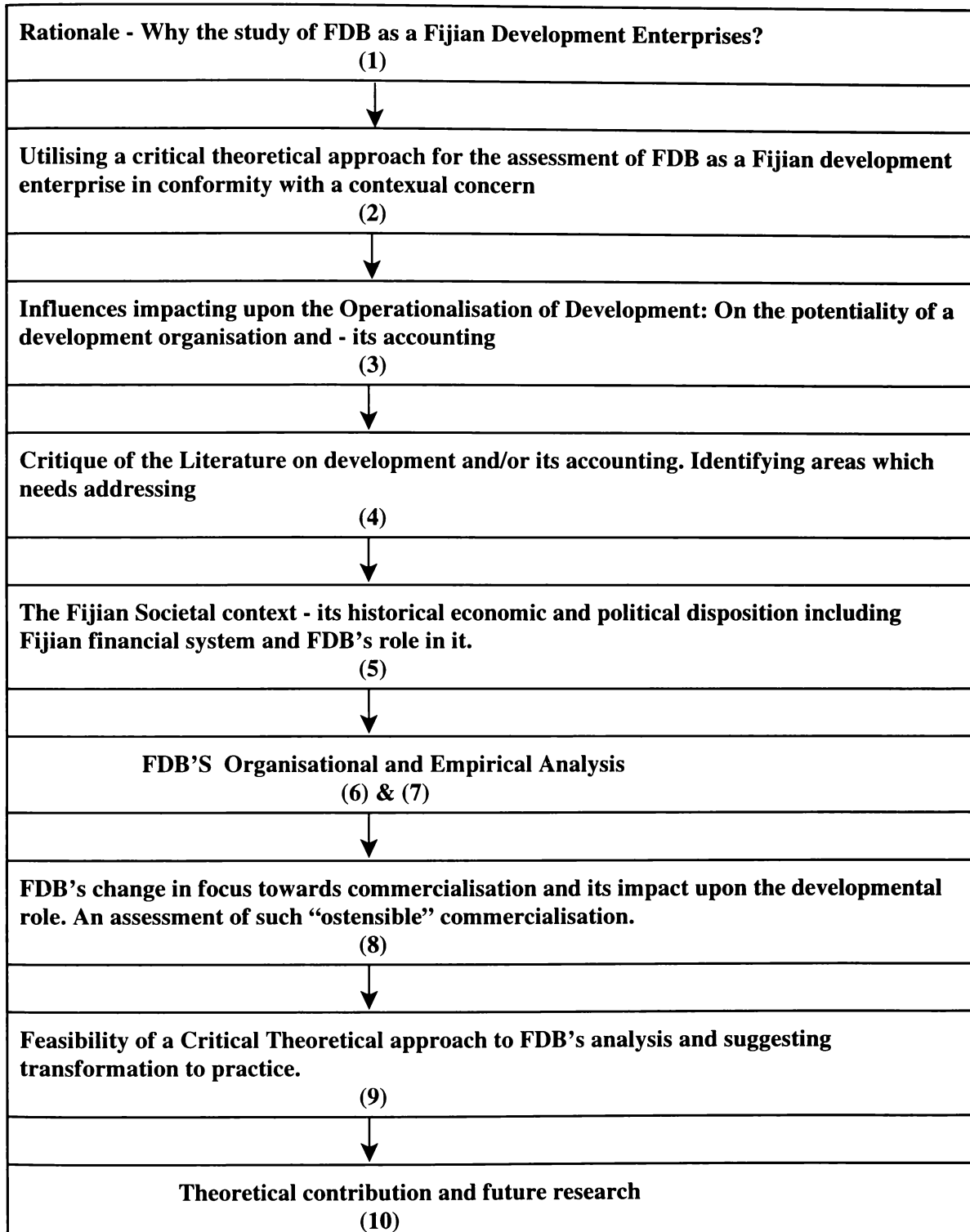


Figure 1

1.9 Chapter Summary

In very broad terms a rationale for this study has been provided in this chapter, essentially justifying the need to understand the functioning and practices of the FDB within its own historical background. This will realise a characterisation of FDB's own views and understanding of the concept of development in relation to the practices which it adopts for its operationalisation. The need for a wider, and concomitantly, more contextual definition of both accounting and development has been highlighted. The primary objective of the study is the comprehension and analysis of the apparently contradictory nature of the FDB's objectives as reflected in its charter, that is, as both a bank and a development institution and the seemingly complex disposition this poses in terms of the operationalisation of its developmental role.

It is important to point out that the study cannot, nor does it profess, to produce "all conclusive" results in terms of the suggested transformations to the FDB. What it does hope to achieve is a more comprehensive understanding of social and organisational practices generally, through a critique of the practices of the FDB and its developmental role in the Fijian society. By engaging the organisation's participants in a critical reflection of the organisational practices, the study hopes to enhance the prospects for changing the practices to become more conducive to FDB's developmental role. This will in turn bring about a change in the financial management practices of the FDB to better reflect and report its role as an institution for development in the Fijian society.

CHAPTER TWO

Methodology and Methods: A Critical Theory Approach

...Critical theory seeks to understand, analyse and enact in its very structure the subjective ground of society; society is not simply an object; it is a subject-object. It is both the subject of knowledge and the object (Held,1980, p.217).

Society is subjective because it refers back to human beings who create it, and its organizational principles too refer back to subjective consciousness and its most general form of abstraction - logic, something essentially subjective. Society is objective because, on account of its underlying structure, it cannot perceive its own subjectivity, because it does not possess a total subject and through its organisation it thwarts the installation of such a subject (Held, 1980, p.217).

2.1 Introduction

This chapter is concerned with developing a framework for the theoretical and methodological perspectives used in this thesis. The framework draws from German Critical Theory (referred to as Critical Theory throughout this thesis) which is concerned with interpretation and transformation on a contextual level. Firstly, the characteristics of Critical Theory (CT) are elaborated upon, illuminating its interpretive nature. This is followed by a discussion on the application of CT to various forms of organisations, focusing particularly on organizational practices such as accounting, thus, justifying the adoption of such an approach for analysing the practices of the FDB. Then the methods utilised for the study are discussed. They comprise a combination of qualitative and quantitative types, deriving from a critical ethnographic approach.

2.2 Methodological Choice

Philosophical Issues

The methodological choice which is adopted for any study or research project has its roots in the ontological and epistemological positions one adopts; there is an inherent philosophical element which is crucial to the determination of the methodological stance. Methodology is defined by Blaikie (1993) as:

The analysis of how research should or does proceed (Blaikie, 1993, p.7).

The philosophical base needs making explicit because of the controversial nature of the theoretical and methodological approaches within the social sciences. These controversies emanate from the emergence of new philosophies of science and social science, followed by a period of dispute between a variety of theoretical perspectives and approaches to research. The issues and dilemmas which have been exposed by these contemporary controversies are not new, although their nature may now be better understood. Whilst their roots can be traced back to earlier philosophical traditions, the new element therein is that both scientists and social scientists in particular, can no longer ignore the issues as being the domain of philosophers. Social enquiry and research is confronted with having to deal with a range of divergent, if not mutually exclusive, choices which lead to fundamentally different research strategies and which have the possibility of producing different outcomes.

There has been a lot written about the paradigmatic disputes within the philosophy of science, their relevance to social science, and the nature of and differences between theoretical perspectives. A wide diversity of methods of social enquiry is now recognised and accepted, and much has been written on these. This study is informed by the array of philosophical positions and arguments that will be encountered in the review of answers to the basic question concerning the extent to which social life can be studied in the same way as nature. There are indeed numerous alternative research strategies available to the social scientists. This study adopts a view similar to that of Kolakowski (1972), cited in Hammersley, 1993) in regards to the idea of positivism:

Defined in its most general terms positivism is a collection of prohibitions concerning human knowledge, intended to confine the name 'knowledge' or 'science' to the results of those operations that are observable in the evolution of the modern sciences of nature (Kolakowski (1972, p. 9-19, cited in Hammersley, 1993, p. 7).

Positivism's prohibitive nature, because of its confinement of knowledge to observable events, and its generalised and scientific emphasis renders it as an untenable approach to studying social science.¹ This study was hence led to embrace a critical and interpretive approach for the evaluation of the practices of the Fiji Development Bank, acknowledging and emphasizing the need for articulation of each situation through its location within its own specific historic, and cultural background.

2.3 The Critical Intent - Characteristics of Critical Theory

The approach adopted for this study has been derived from CT, which was developed in the 1930's by the Frankfurt School in Germany. It is founded on the idea that reason is the highest potentiality of human beings and that through the application of reason, it is possible to criticize and challenge the nature of existing societies. The early critical theorists, particularly Horkheimer and Marcuse, saw human beings as free, autonomous agents who are able to create and control their lives as long as their societies lack any form of alienation, the possibility of which appears remote. They regarded capitalist society as fundamentally irrational in that it failed to satisfy existing wants and needs. Hence, the writings of early Critical Theorists were largely directed towards presenting a particular view of human beings and offered a critique of capitalism.

At the same time, Critical Theorists were opposed to positivism, particularly logical positivism, mainly because it denied the intelligibility of the concept of reason. According to the logical positivists, as reason is not derived from experience it falls outside the realm of scientific knowledge, whilst for Critical Theories, positivism supports the status quo because it rules out the possibility of society based on this critical capacity of reason (Keat and Urry, 1975).

Critical Theory refers primarily to the work of members of the Institute of Social Research Foundation in Frankfurt which was founded in 1923. The most prominent figures are Max Horkheimer, Theodor Adorno, Herbert Marcuse and Jurgen Habermas. However, each of these individuals did not build upon the insights of each other, which makes Critical Theory

a diverse and even disparate set of ideas. Despite this diversity, it is still possible to highlight some general characteristics of Critical Theory itself.

Some of the key elements are summarised by Held (1980) as follows :

At a general level it may be said that the founders of critical theory preserved many of the concerns of the German idealist thought concerns, for example, with the nature of reason, truth and beauty but reformulated the way in which these had been previously understood. They placed history at the centre of their approach to philosophy and society. Yet the issues they addressed went beyond a focus on the past and embraced future possibilities. Following Marx, they were preoccupied, especially in their early work, with the forces which moved (and might be guided to move) society towards rational institutions - institutions which would ensure a true, free and just life. But they were aware of the many obstacles to radical change and sought to analyse and expose these. They were thus concerned both with interpretation and transformation (Held, 1980, p.15).

The primary concern of all critical theorists was, and still is, with an historically grounded social theory of the way societies, and the institutions which make them up, have emerged and can be understood. Interpretation is never for its own sake but forms part of the important understanding which can allow some desired “transformation” of societies and their institutions, so that a “true, free and just life” can be assured. This practical and critical concern with the change and development of societies and institutions indicates the role and significance of theory for these writers; theory becomes the vehicle for an historically grounded interpretation and transformation to occur.

The earlier critical theorists therefore, were focusing on a critique of capitalism, and over the years it has developed whilst maintaining its basic concern for interpreting situations and fostering the need for better and improved conditions; a concern for change. The objective of such an undertaking is to:

Lay a foundation for an exploration, in an interdisciplinary research context, of questions concerning the conditions which make possible the reproduction and transformation of society, the meaning of culture, and the relation between the individual, society and nature. While there are differences in the way they formulate questions, the critical theorists believe that through an examination of contemporary social and political issues they could contribute to a critique of ideology and to the development of a non authoritarian and non-bureaucratic politics (Held 1980, p.16).

It is this concern for interpretation and transformation which is considered as the appealing feature of the critical theoretical perspective for the purposes of this study. Such concern will enable a thorough and meaningful understanding of the FDB to be acquired for the consideration of relevant transformation of its practices.

2.3.1 Concern with Practical Application

The critical perspective is thus concerned with and has an interest in practicalities.

Bernstein(1976) explicates the practical concern of the theory as follows:

Critical Theory has a fundamental practical interest that guides it in radically improving human existence, of fostering the type of self-consciousness and understanding of existing social and political conditions so that mankind will for the first time be a conscious subject and actively determine its own way of life (Bernstein, 1976, p. 181).

The questioning of the existing order as not palatable, however, is not premised upon and not one which assumes the meaning of “better” and “useful” as given. A critical perspective, thus, does not seek improvement premised upon pre-given notions of existing conditions. On the contrary, it seeks to question the meaning of terms and concepts such as better and useful in their own context, and thus, involves a more in-depth philosophical inquiry, one whose objective is to achieve emancipation for all individuals. To explain, this in-depth philosophical character of CT, it is appropriate to adopt this expression from Horkheimer (1972) in Bernstein, 1976, p. 181:

There is a human activity which has society itself for its object. The aim of this activity is not simply to eliminate one or another abuse, for it regards such abuses as necessarily connected with the way in which the social structure is organised. Although it itself emerges from the social structure, its purpose is not, either in its conscious intention or in its objective significance, the better functioning of any element in the structure. On the contrary, it is suspicious of the very categories of better, useful, appropriate, productive, and valuable, as these are understood in the present order, and refuses to take them as nonscientific presuppositions about which one can do nothing (Horkheimer, 1972, pp. 206-207, cited in Bernstein, 1976, p. 181).

Horkheimer further emphasises that the critical theorist is not content to take a merely negative stand toward existing social conditions. According to him/her the “theoretician” and his/her specific object are seen as forming a dynamic unity with the oppressed class, so that his/her presentation of certain societal contradictions is not presentation merely of a concrete historical situation but also as a force within it to stimulate change (Bernstein, 1976).

Such a deep seated concern for change is the sort that this study seeks; one that treats the object of analysis to be both constitutive and reflective of the context, for instance, the articulation of FDB's notions of improved performance wherein "improved" will be defined from the FDB's perspective. Such a perspective will be analysed through engaging into discussions with the participants (people resident within and interacting with the FDB), in order to derive a contextual meaning of concepts such as "improved" or "better".

CT, therefore, is not one which is only externally related to the subjects that are affected or concerned by it. It does not constitute hypothesis and description of existing social reality which are to be verified or falsified by existing facts. It is not a theory which pretends to be disinterested and hence suppresses the interests that guide it, and not one that is divorced from action and which may or may not be implemented. On the contrary, it aspires to bring the subjects themselves to full self consciousness of the contradictions implicit in their material existence and seeks to penetrate the ideological mystifications and forms of self consciousness that distort the meaning of existing social conditions. The mobilising of these characteristics of critical theory, are clearly reflective of a concern to improve not only the micro but the macro environment of the FDB through an improved understanding at the various levels and arenas of interactions occurring and impacting upon the practices of the FDB.

Whilst, traditional theorists do not consider or question theory as an ideological reflection of society which serves to foster the status quo, critical theorists seek a genuine unity of theory and revolutionary praxis. Bernstein (1976) expresses this concern for unity of theory and practice as:

Where the theoretical understanding of the contradictions inherent in existing society, when appropriated by those who are exploited, becomes constitutive of their very activity to transform society (Bernstein, 1976, p. 182).

This concern with the application of theory to practice, combined with a concern for transformation of the Critical Theory approach to this study, gains favour and support over other traditional approaches which support the status quo and are of a normative nature. This approach has two primary objectives. First, it allows a greater level of comprehension of the practices of an organisation by locating the organisation within its own specific context. Second, it engages the participants of the organisation into a critical self-reflection to achieve a more desired status for themselves and thus, for the organisation.

Accordingly, with the utilisation of these two elements of the approach, the practices of the FDB can be better explained on the basis of, and in terms of its disposition as an institution resident within the Fijian society and the Fijian financial system. The influential factors emanating from the interactions and interfacing with other institutions operating within the Fijian society (banks, businesses etc,) become matters of relevance and consideration with this approach. Impact of the regulatory aspects and governing bodies of these institutions become an integral part of this approach, including also the historical circumstances which may have been instrumental in the setting up of them. Critical theory thus presents itself as not only desirable but an appropriate framework to adopt for organisational analysis.

Critical theory is a vehicle through which understanding about reality can be achieved and transformation of concrete institutions occur (Laughlin, 1987, p. 482).

Transformations, therefore, are considered to be desired on the basis that the extant is not satisfactory and reality can be better than it is, and that the methodological aspects of critical theory can create this improvement. This is what identifies this thinking as being “critical”. Desirable as it sounds though, the feasibility of a critical approach as an appropriate framework for analysis hinges upon the acceptability of such an approach by the participants, (whom Fay, 1975, refers to as social actors). Fay (1975) summarises the critical intentions of CT with their practical concerns for solving everyday problems, and emphasises the need for the participants to recognise their potential for problem solving in order to designate CT’s feasibility as appropriate and relevant for improving social practices.

[A] Critical Theory is clearly rooted in concrete social experience, for one which is explicitly conceived with the practical intention of overcoming felt dissatisfaction. Consequently, it names the people for whom it is directed; it analyses their suffering; it offers enlightenment to them about what their real needs and wants are; it demonstrates to them in what way their ideas about themselves are false, and at the same time extracts from these false ideas implicit truths about them; it points to those inherently contradictory social conditions which both engender specific needs and make it impossible for them to be satisfied; it reveals the mechanisms in terms of which this process of repression operates; and in the light of changing social conditions which it describes, it offers a mode of activity by which they can intervene in and change the social processes which are thwarting to them. A critical theory arises out of the problems of every day life, and is constructed with an eye towards solving them[T]he claims of such a theory can only be validated partially in terms of the responses that the social actors themselves have to the theory. This is to say that whether it indeed offers a way out of an untenable situation (and is therefore a true theory) is partially determined by whether those for whom it is written recognise it as a way out and on its principles (Fay, 1975, p.109-110).

Awareness of such limitations to a critical theoretical approach is indeed an integral part of the analysis and study which is being contemplated. Another inextricable feature of critical theory is the presence of immanent critique. Immanent critique refers to a disparate set of ideas existent amongst the different theorists (Adorno, Marcuse, Horkheimer, Habermas) emanating from their differing articulations of the theory. The different articulative aspects emanate from concepts such as philosophy and ideology, thus presenting a disparate set of possibilities for their theoretical applications ².

2.4 Applications of Critical Theory to Organisational Analysis

The predominant conceptions in the field of organisation theory have been subject to criticisms recently (Alvesson, 1985). Such criticisms have been based upon different critical viewpoints, Marxist aspects among them (see for instance Benson (1977) a; 1977b;), Burrell and Morgan(1979); Clegg and Dunkerley, (1980); Zey-Ferrell (1982)). The critics have objected to those perspectives which emanate from the assumption that consensus is characteristic of social relationships and norm systems. Research in which such a perspective is employed - that is contingency research, structuralist and modern human relation approaches, as well as certain variants of pluralistic organisation theory - is summarised by Burrell and Morgan (1979) under the collective heading of “sociology of regulation”. Alvesson (1985) contends that by far the largest part of all organisation theory can be said to belong to this category.

Up to now, the formulation of an independent critical organisation theory has not progressed

very far. As Alvesson (1985) contends that while traditional organisation theory and hence organisational practices, such as accounting, is sub-ordinated to the technological rationality, regarding it as a given. Critical organisation theory views the dominance of this rationality as a problem to be dealt with.

A critical theoretical approach to organisational analysis and related practices such as accounting is however, not as simple to deal with. Accounting as an organisational practice has also been viewed in a narrow way by traditional theorists, as a technical activity which does not incorporate the social structure within which it resides and is so much a part of.

Power and Laughlin (1992) write that traditionally, accounting is defined as a technique of quantification or calculation which is an important prerequisite for the smooth functioning of modern businesses. Accounting is therefore, understood largely as “work” rather than “interaction” in the Habermasian (1971) sense. Of those practices, such as accounting, that are commonly regarded as being merely technical we can say that they ‘work’ well or badly in a given context. Our criteria of appraisal are thereby limited to the instrumental success or otherwise of the technical attributes in achieving some pre-given end, for example, supplying relevant information. In other words, we can say that accounting is traditionally subsumed under a model of purposive rationality, *Zwechrationalitat* in Weber’s (1978; 24-6) sense.

Accounting’s functions therefore are viewed as a set of formal procedures whose techniques are neutral and uncontestable. According to this view, accounting may supply the guidance

on appropriate means and methods to achieve given informational ends, but it cannot determine those ends themselves. Accounting as technique herein supports a contention that accounting is an extension of common sense, and hence, it can be taken for granted without warranting a theoretical elaboration.

Regardless of the different forms of accounting, for example, internal/management and external/financial accounting, it is considered as something which provides information that is useful to the users of that information (American Accounting Association; 1966:8, FASB (1978), Accounting Standards Steering Committee (1975). This image of accounting is, however, being increasingly subject to critical scrutiny and re-definition of the common sense view that accounting represents economic reality. Such critical examination of accounting and its functions within an organisation is an integral part of critical organisational analysis which is being undertaken in this study as well. In other words, organisational practices such as accounting will be examined and scrutinised to assess their usefulness and applicability, and even their conduciveness to attaining organisational objectives, especially, in order to assess whether FDB's accountability of its developmental role in the Fijian society is communicated in a relevant manner. Consideration is also given as to whether the traditional approach to accounting practices in effect does a dis-service to FDB's role in the Fijian society. For instance, FDB's accounting and financial management and reporting procedures will be reviewed to ascertain their effectiveness in facilitating the accomplishment and communication of its developmental role. In particular, the relevance of traditional accounting procedures which tend to ignore the social element, will be questioned for their complementarity to the measurement and reporting of developmental practice. At a general

level, accounting is also in need of a broader understanding in terms of its social element, as it is an activity of human beings who are socially constructed and interact with each other within different forms of organisations which are designed to meet their needs and which are built for their purposes.

2.5 Themes of Critical Theory Mobilised for This Study

A critical theoretical approach to organisational analysis expects to produce a deeper insight into societal systems and institutions and the practices inherent and operational therein; this deeper involvement is what is appealing to researchers. For instance, Laughlin (1987) argues for a deeper involvement of theory and theoreticians if one is to understand the technical aspects of accounting systems, let alone the complex historical, organisational and societal meanings which explain these configurations. The three dimensions of CT which are considered as tenable and feasible for accounting research and for obtaining useful insights from the research are:

- (1) its proposition to dynamically link theory to practice and its insistence upon theory as having some set of effects on practical “real world” phenomena.
- (2) its recognition of critique, change and development as vitally necessary components of the practically based research endeavour. The concern for critique of the status quo and the need for transformation to achieve a “better” life provides an ethical dimension into accounting research. Such a dimension he argues has been missing from research but it may be relevant and important too.

- (3) its views on social organisation in an historical societal context with a concern to identify hidden meanings resident in these contexts. Critical Theory goes beyond the tangible to the unseen and unclear contextual elements with the objective of discovering the “real” meanings and factors which produce change (Laughlin,1987).

These are the characteristics which rationalise and accord Critical Theory its usefulness as a mechanism for understanding and changing organisational practices such as accounting systems in organisational contexts. Laughlin (1987) analyses Habermas’s methodological approach and attempts to articulate how this may be applied to understanding and changing accounting systems in their organisational contexts. This approach is discussed here, and its relevance for this study elucidated, whilst recognising the limitations as well.

The assumptions of such an approach are that accounting systems/social practices are part of and give shape to organisational reality and that at a given point in time an organisation will have more tangible and obvious elements (e.g. observable actions, buildings, money, organisational charts, accounting systems) which constitute the tangible systems. These are some (technical) elements of the organisation which are often assumed to be the entirety of the organisations. This is a constricted view of the organisation which is lacking in the representation of the entirety, as it excludes components which constitute the social and cultural elements. This cultural element may be implicit and even repressive, but comes to the surface whenever a change is suggested, either at a technical or social level. For instance, the imposition of a change in a new management accounting system in an organisation can often be used to discover some interesting cultural dimensions where the system may touch some

delicate nerve (Laughlin, 1987). This aspect is elaborated further in chapter nine. The process begins from a position where the researcher and the researched know nothing about the technical nature of the particular system (quasi-ignorance stage) and then moves through a reflective process of discovering by the researcher and researched as a group, about both the technical elements and social roots (critical theorems stage). The discoveries are then re-analysed and re-defined by a wider group including both the researchers and the researched (the “process of enlightenment” stage). Finally, in combination, both the researchers and the researched explore the possibilities for change in both, the technical aspects as well as the social context of the organisation. This process thus entails an agenda of discovering, from a critical perspective, the fundamental nature of the organisation’s systems which leads to changes in both the technical nature of this system, together with the social context which gives it meaning.

This approach from a point of ignorance about the technical aspect of an organisation enables the researcher and the researched (the people making up the organisation) to critically clarify these technical elements. For example, the formulation of the reporting system or the lending system as in the case of the FDB, (refer to chapters seven and eight for empirical evidence) are articulated in light of the background and circumstances within which they were formulated as practice. The Habermasian (critical) approach, whilst presenting itself as an appropriate methodology for the analysis of the FDB, is not void of limitations. These limitations have been identified by Laughlin(1987) and Broadbent and Laughlin (1997) and can be summarised on three levels:

First and foremost, there is a problem of obtaining access to any organisation to undertake this critical evaluation which is intended to lead to change in the technical and social context. Should access be denied then the process cannot proceed. This refers to even partial access, as was the case of the FDB where there was an initial reluctance to provide access to loan files. Secondly, there is the problem of defining precisely the researchers and the researched for the purpose of the investigation. There is a vital need for two groups who can undertake a useful discourse; they both have to be willing to adopt the discursive processes which are absolutely necessary. The defining of these groups again poses a slight complication in relation to who should constitute the groups in order to achieve the desired transformation. This can be related to Fay's (1975) observation on the necessity of acceptance of the critical approach by the participants of an organisation and their belief in the approach as being workable and its ability to address their problems and propose solutions. Thirdly, even with access secured and groupings formulated, other constraints such as cognitive ability, psychological or sociological resistance, etc, can render a consensus spurious and, thus, impossible and/or prevent the progression to a further stage. It is important to note that the progression is an "ideal" one and runs the risk of subversion. One is confronted, then, with the question of whether there is an ideal or, rather, is an "ideal" the appropriate way to be?

Limitations of the nature described in the preceding section, whilst not confined to Habermas' methodological approach are intrinsically associated with all ethnographic (ethnographic here, meaning dealing with people) or naturalistic approaches to research; because of the very complex nature of the phenomena being studied. The complexity or richness of such

researches emanates from the interfacing of the social and technical aspects of societal practices. These social, historical and structural roots will vary quite considerably with the organisation being investigated. Explicating and reflecting further on these issues, by extending to the dimension of policy planning and analysis through the application of Critical Theory, Forester, (1985) highlights an ambivalence, inherent in the characteristics of CT and policy planning. As a result of this ambivalence, he contends an unlikely fusion of the two, rendering CT as possibly untenable for planning policy in organisations.

Policy analysis and critical theory might seem to be unlikely marriage partners (Forester, 1985, p. 258).

The unlikely fusion (marriage) cannot be attributed solely to a lack of compatibility, but, rather, on a lack of contact between the two.

But that may be simply because they haven't met yet (Forester, 1985, p.258).

The work of Wildavsky (1979), contends that policy analysis seems "earthy" and pragmatic, proud of realism, boasting of relevance, utility and access to power while CT, in contrast, seems rarified, systematic and philosophical but not practical, doubting realism as naive, noting and emphasising that our common sentiments may be mere liberal ideology (Habermas (1970, 1973, 1975, 1979). The policy analyst and the critical theorist seem envious of the other; for each other's strength is their own weakness. Policy analysis seems strong on organisational and budgetary analysis, but rather blind to many of the systematic philosophical and ethical problems nested in the impressive sounding claims of their products. The Critical Theorist

is strong on philosophy and ethics; but weak in the analysis of concrete organisations and institutions that carry out policies in practice.

In the abstract, each needs the other, in the concrete, each has little patience with the other's style (Forester, 1985; p.259).

If the critical theorist can help policy analysts watch out for important problems, and obstacles related to implementation of policies, and for likely sources of inadequate information which can become the reason for the obstacles, the analyst may listen (see Forester, 1980, 1982a). CT works supposedly to inform the possibilities of emancipatory, freedom seeking political action; yet the analysis of institutional conditions that enhance or thwart such action, presents recurring and unavoidable problems to be faced. (See e.g. Cohen, 1979, Honneth, 1979). On the other hand, Lukes (1974) suggests some form of salvage is possible :

If the policy analyst can help the critical theorist understand the questions of the organisational dynamics of power and the strategic side of the inter-organisational conflict, the theorist may listen (Forester, 1985, p.259).

Regardless of the apparent antagonistic and incongenial relationship between CT and policy planning, there is merit in adopting a critical approach to the analysis of organisations such as the FDB, reasoned on CT's concern for understanding, interpreting and change. Such concern is incorporative of and includes both the social and technical worlds of organisation. The engaging of the participants of an organisation into the research process can be paralleled and thus aligned with the principles of ethnography (refer to chapter nine for a discussion of policy planning and critical theory).

Some proponents have argued that critical ethnography is sensitive to socially constructed meanings, looking beyond distribution of utilities to the construction of identities (Marcus, 1986; Giddens, 1984; Foucault, 1980). In other words, critical ethnography is concerned with in-depth exploration, looking beyond the surface to understand the construction of structures, reasoning and questioning their dispositions, that is, a thorough investigation of the circumstances surrounding them, integrative of the historical circumstances.

2.6 Need for an Integrated Historical and Critical Analysis

The knowledge of history provides one with an understanding of the present conditions. The conventional position of history is that it allows a learning from the past (Boron, 1986) and in this way offers an explanation of extant practices of organisations and societies. History allows us to better uncover the practices of current institutions; that is, it assists with the analysis and reinforcement of current practices as being irrelevant maybe, and hence, leads us into the direction of change. Institutions may have inherited certain forms of practice as a result of their predecessors and without due consideration being given to the appropriateness of those practices for the current form of the organisation within which they are carried on, which in turn creates possibilities of conflicts.

This sort of reasoning for a historical assessment is also founded in CT (Held, 1980) as discussed herein which legitimates it further as an appropriate framework for this study.

History, is then mobilised as critique of the present so as to better shape the future (Benjamin, 1969; Gramsci, 1971; Lerner, 1979; Montgomery, 1979; Anderson, 1980; Held, 1980; Hill, 1980; Rowse, 1963; Thompson, 1980; Schwarz, 1982; Neale, 1985; Callinicos, 1987; Tinker and Neimark, 1988).

Anders (1980) and Thompson (1980) argue that history can provide a better understanding of present experiences and in this way assist mobilisation of political strategy; by acquiring critical and informed knowledge of the past and impacting upon the present:

Historical analysis, to the critical theorist, supplies not only the insights into the past, but also the methodological tools for change in the future (Laughlin, 1987, p.482)

Laughlin (1987) further emphasizes the importance of historical analysis as not being some value-free activity, but rather a purposive one and, therefore, a useful methodology for gaining insights into the intrinsic values of a society which assists with proposing developments:

... it is undertaken with a particular purpose in mind; to analyse points of progress, to discern the mechanism leading to their emergence and to allow these to be used again to encourage societal development to a truer, freer and more just life for all (Laughlin, 1987, p. 482).

History thus constitutes an important element in the analysis of organisational practices; articulating the nature of such practices, providing explanations for their existence and avenues for transformation with a well informed base. Such an analysis, grounded in an historical and critical base, will assist the study in providing relevant suggestions for change.

The practices of the FDB can only be transformed in a meaningful and practically applicable manner if the participants of the organisation and the rule setters (the state) are thoroughly informed of the origins of the institutions and their rationale for existence. For instance, if the origins of the FDB are traced and articulated in that context, only then, will its form be questioned as to its applicability for the extant circumstances, enabling a useful endeavor to improve its present form and being (see chapter five for a historical account of the FDB and the Fijian society).

Having identified the essential attributes of CT as an appropriate methodology, and critical ethnography as an appropriate approach to adopt, the methods utilised for the study will now be discussed.

2.7 Determination of Methods

Blaikie (1993) defines methods as the actual techniques or procedures used to gather and analyse data related to some research question or hypothesis. These can be, but are not necessarily, determined by the methodological approach adopted by a particular research or study. In this case, the methodological approach adopted can be described as one incorporating an open critical theoretical perspective concerned with the need to understand and interpret in order to transform the practices of the FDB.

Ethnography or rather critical ethnography, has been proposed as a feasible choice for researching the FDB, bearing in mind the disagreement as to whether ethnography's distinctive feature is the, 1) elicitation of cultural knowledge (Spradley, 1980), 2) the detailed

investigation of patterns of social interaction (Gumperz, 1981), or 3) holistic analysis of societies (Lutz, 1981).

2.8 Methods Used for the Study and their Applications

Both qualitative and quantitative methods have problems associated with their use. Hammersley and Atkinson (1993) noted that nineteenth century investigators, such as Matthew (1861), and LePay (1879) regarded quantitative and qualitative techniques as being complementary. This is the approach that has been adopted by the researcher for this study as it is believed that the two approaches combined together provide an appropriate tool to conduct research with the FDB; capturing and analysing the practices of the bank together with an consideration of the human element in them.

2.8.1 Interviews / Discussions

An interview is defined simply and aptly by Dexter (1970) as :

A conversation with a purpose (Dexter (1970) in Lincoln and Guba, 1985, p.268).

Interviews were conducted with appropriate people or personnel in the FDB with the view to obtaining explanations for certain actions and practices and to seek suggestions for possible change in order to improve the organisation's practices to better meet its objectives.

These included management personnel, that is eight branch managers around the country, three regional managers at head office, two managing directors who changed over the duration of the study, and various other senior and general personnel in all divisions. The senior personnel included the General Manager Operations (GMO), the Management and Information Systems Manager (MIS), the New Products Manager (NPM), the Manager

Corporate (MC), the Audit Manager (AM) and the Research Manager (RM). The general personnel included six senior loan officers and various other administration people. With the general personnel the discussions were purely of an informal and unstructured nature, and without a formal list of questions being prepared.

Other people interviewed were senior personnel of other financial institutions which constitute the wider environment of the FDB. The regulatory offices such as the Ministry of Finance and the Reserve Bank of Fiji were also included on the list of interviewing sites. These included six commercial banks managers, two managers at the Reserve Bank of Fiji (international and marketing), four managers of other financing institutions(the Home Finance, the Fiji National Provident Fund(FNPF), the Merchant Bank of Fiji (MBF) and the Credit Corporation.

Discussions and interviews were intended to provide a focus and direction for the study being undertaken as they disclosed opportunities for a more comprehensive study to emerge; uncovering and exposing certain areas for further exploration or just providing a sense of direction. The success or usefulness of interviews/discussions can be dependent upon levels or rather degrees of familiarity between two parties (interviewer and interviewee). The relationship, however, can either assist and result in a more comprehensive session or it can even result in a restricted and limited session for the same reason of prior knowledge or acquaintance between both parties. In this case the researcher is known to many of the respondents of the bank and business community as a practising accountant. She is therefore, deemed to have prior knowledge of the institutions or practices of organisations and is

occasionally brushed aside on the assumption that she has knowledge. This became a difficult and complex situation to deal with in the initial stages of the research. Later on, at a second or even third session, the relationship improved, as a result, of some convincing on the researcher's part of the merits of the research and she ended up with a greater level of accessibility to what was previously considered to be "delicate" information. This became possible upon the adoption of a researcher's role more rather than that of an accountant's. The different roles of the researcher needed to be interchanged as deemed necessary for obtaining information.

For instance, the full extent of the 'Special Loans Scheme' of the FDB as a direct assistance to the indigenous Fijians and the subsidising of the loss in the area by Government was revealed and understood in a greater sense in her role as a researcher. This was not possible in her role as a practising accountant, despite her various interactions with the FDB in that capacity. This knowledge was gained through regular visits and discussions with the personnel of the FDB; ninety percent of the respondents were interviewed more than once. Often times the respondents would say "you know how it works". In order to fill the gaps in these situations, I had to be alert and thus, probe further in a more friendly manner. This complementary style of discussions and interviews was frequently utilised by the researcher to gain insights into FDB's practices.

The interviews can be further classified into structured and unstructured. The structured interviews were usually guided by pre-set or pre-conceived definitions of the research

problem or questions which the interviewee had to supply answers to. The unstructured or 'Elite' interview is defined by Guba and Lincoln (1985) as opposed to a structured one:

Is a concern with the unique: the idiosyncratic, and the wholly individual viewpoint (Guba and Lincoln, 1985; pp. 155-156).

In a structured interview the researcher has an idea of what she/he does not know and hence frames questions which are expected to provide answers for what he/she does not know. In an unstructured interview the researcher goes in with an open mind to explore, without prior conceptualisations or views and must, therefore, rely on the respondent to find out. Structured interviews can become restrictive and may not allow an adequate exploration into the events. However, the structured interview proved to be useful for the initial or ground breaking discussions, containing questions such as - "Do you think the FDB is carrying out its development role effectively? If not then why not? For this reason the researcher whilst using a greater degree of structured interviews also made substantial use of unstructured techniques or what can be termed as semi-structured interviews as these proved to be more superior in terms of gathering information by acting in a complementary manner to the structured style.

The list of questions for the different groups of people are enclosed herein (Appendix III) as an indication of the broad parameters of the research. Beginning with a broad scope, allowed the researcher to uncover further areas, identifying new and exciting themes to emerge. As a result, the research became more enriched in analysis. The exercise of overtness and covertness during an interview also impacts significantly upon the quality of research insights that can be acquired and developed.

Degrees of overtness and covertness during an interview are determined by the relationship between the interviewer and the respondent and also by the sensitivity of the information being sought, together with the level of authority of the levels of personnel within an organisation.

I found that because I was a practising accountant, the interviewees appeared to feel more at ease because they were already acquainted with me. This however, was achieved only after an initial feeling of general apprehension by the respondents because they lacked knowledge, of the objectives of the study. It took a certain amount of communication and convincing on my part to justify and legitimate the objective of the study as being a useful exercise from the FDB's point of view. These everyday realities are indeed very difficult to capture in a model for study and only serve to further emphasise the need for awareness of this fundamental concept as related to and a part of any study of this nature. Regardless of the numerous theories for guiding such conduct, one has to be mindful of the lack of applicability of such theories to the uniqueness of different organisations and their practices. Having addressed the uniqueness of the different situations one cannot overlook, on the other hand, the basic idea that the degree of familiarity or acquaintance with the respondent can make life easier for the researcher, as was for me. This is because the researcher has the opportunity of a repeat session either in a follow up discussion or in a further interview or in a telephone call. The telephone call follow up approach had been adopted by me frequently which often provided further and very useful information and clarification. For instance, the management particularly felt easy to discuss over a follow up telephone session and they regarded me as more or less a 'peer' or colleague (Lincoln and Guba, 1985) by that stage of

the discussion and felt more at ease to enter into a discourse, having met formally at least once in the researcher's capacity. Such recognition of the researcher as a peer was particularly noticeable towards the end of the study, when proposals for change were being discussed. For example, I was offered a further meeting, as the issues raised for consideration appeared complex and needed more time to discuss. This was offered at the management level of the FDB.

The steps usually followed in the interview process (Guba and Lincoln, 1985) and also by me included :-

1. Selection of respondents which involved a determination of various constituencies of the research and incorporated the reviewing of the wider and more immediate environment of the research site. The constituencies were identified on the basis of the various institutions impacting upon the FDB; either by way of providing competition or by way of expectation of service from it. They included the various financial institutions and other regulatory bodies impacting upon the FDB - the commercial banks, the Ministry of Finance and various existing and potential clients of the FDB.
2. Preparation for the interview involved the determination as to whether a structured or unstructured interview would be more appropriate, depending upon who the respondent was. The position of the respondent in the organisation was a vital consideration as well, sometimes more from the respondent's point of view in terms of timing of interviews. There were two sets of questions prepared; the first for the

initial phases of general discussions with various institutions including the FDB, and the second set of questions were prepared with a particular focus, and was directed more towards the participants of the FDB. It was noted that the more senior level officials requested a “list of questions” to be “asked” to be provided prior to the interview -”This will allow me to prepare.” However, once at the interview session itself, the list was not necessarily referred to in an orderly fashion. Instead, the discussion began with the first question as a matter of formality, or at times not even that, and even at times without reference to the questions ‘per se’. This does not imply an inferior session; to the contrary, it qualifies for a superior (elite) status as it was not restrictive and information that would otherwise be withheld was expressed without inhibitions. Such open-minded interview can be described as a participatory style; working as a team.

3. Initial moves which involved asking certain casual questions which set the respondent more at ease as he/she entered into a conversation/discussion also becomes a vital element to enable progression into empirical inquiry.
4. Pacing the interview which involved a recognition of the type of information that can be obtained from the respondent required a great deal of skill and exercise in judgement. This then directed the interview into the more specific issues and it became important for the interviewer to make and keep the discussion productive by encouraging a development of issues with extended conversations.

5. Terminating the interview which involved a recognition of when the interviewed ceased to be productive, and it is then the interviewer had to wrap up with the summary of the discussions. This was usually a useful way of closure and re-cap concerning the information transmitted during the session. This again warrants the deployment of judgement skills in the interest of the inquiry .

The foregoing discusses the complexities associated with the interview/discussion method of research, a method which demands skill, tact and much diplomacy. I handled this by initially preparing a questionnaire which generally and adequately covered the areas needing discussion. Having done this, I was then able to manoeuvre and engage into new areas of discussion as I discovered and determined their relevance for the objectives of this study. Often times it was found that the important questions had to be left out of the initial meeting. If presented earlier to the respondent it was noted to have a negative effect in some instances. For example, a respondent commented that some of the questions appeared theoretical and that he did not know how to comment. Later on at a social meeting outside the organisation which was informal he was able to discuss more freely and without inhibitions resulting in an advancement of the research through revelation of pertinent information relating to practice.

2.8.2 Participant Observation

Participant and even general observation from a more ethnographic standpoint proved to be very useful for gathering data and empirical evidence. Such observation placed the researcher both within (immediate environment) and outside (wider environment), the

organisation providing an inside and outside perspective of the FDB's operations. This sort of observation enabled discovery, enlightenment and education as I was participating in the organisation and selecting events and procedures of interest and relevance. For instance, I noted from observation at an interview session, the obsession with the completion of paperwork for weekly meetings of seniors. The insistence was upon the papers to be filled, and not so much on the quality of information. If this was not done then the file would get knocked back to ensure adherence to bureaucracy. With an objective of acquiring more in-depth knowledge of the FDB and its practices, I found a participatory and observatory approach very useful; both from my position as a practising accountant and a member of the Fijian community, and thus, a potential customer of the FDB. One could say though, that my position was somewhat biased, not necessarily in a negative way, but because of prior knowledge of the institutional practices of the FDB.

Observation did not only assume the form of a silent observation stance though, and whenever possible, it was developed built into a discussion situation as well. That is to say, I was able to be an observer even during interview sessions and used the session to observe the behavior of the respondent to his/her colleagues or towards differing work situations within the organisation. This took the form of probable interruptions by way of telephone or personal interferences during an interview. Such interferences or behavioural responses were able to strengthen the observations and allowed comprehension on issues identified for research. For example, the effectiveness of the reporting procedures and, hence, the capacity of the FDB to communicate its objectives to the general public.

With the FDB, I was able to observe the varying practices by selection of differing inquiry sites; these were the different branches of the bank throughout the country. As noted by Douglas (1976) observations can be likened to interviews which take different forms at different stages of inquiry. Early in the research the observation may be very unstructured, that is a stage of de-focusing or immersion as he terms it. This allows the observer to expand his/her tacit knowledge and to develop some sense of what is seminal or salient. Later on the observations may become more focused as insights and information grow. One must note at this point, that it is very important to interrelate and interface data at various stages of the observation process in order to expand upon it at subsequent observations. Together with observation (and even as an extension of this), the data collection from non-verbal clues or body language becomes pertinent and indeed enriches the analysis. One has to be particularly observant in order to capture these and relate them into the empirics in some meaningful way. Discussions herein have accorded a substantial degree of prominence to data collection through the application of observation techniques as a method. Again one notes that observation has to be combined with interviews/ discussions to achieve a satisfactory analysis of the empirics.

This sort of empirical analysis assumed a prominent role for the undertakings of this study as I was in a pre-given position of knowledge and awareness of the practices of the FDB and, hence, had certain prior convictions concerning these. Then upon assuming the role of a researcher, I was able to solidify or refute my claims and even gain further knowledge resulting in a more informed perspective for suggesting change.

2.8.3 Document Analysis

Document analysis is the collection and analysis of data from non human sources; in that one does not engage into a discussion necessarily, except for the initial request and pick up process. This included the collection of annual reports of the FDB, minutes of meetings, lending manuals, records on lending by sectors, and other related records. Here again whilst document analysis may seem like an easy method to collect data, it nevertheless is not void of problems and can become difficult to handle. For instance, the sorting out by divisions (departments by way of lending sectors/types - i.e. Agriculture, industrial, special loans etc) at the head office at the FDB is easier as there are distinct divisions, as opposed to sorting out in a similar way at branch offices because there are not clearly distinguished divisions at branch levels of the bank.

The same situation was noted for the application of the lending criteria at head office and at branch offices (refer chapters seven and eight for evidence relating to differences). The criteria may be more stringently applied at head office to assess lending proposals, mainly because of the more specific guidelines set down by the various industries and divisions such as Agriculture, and Industrial and Special Projects. At the branch offices all the divisions were dealt with together. This can imply a less rigid approach to the application of criteria at branch level and was investigated for validation (refer chapters seven and eight for analysis).

Problems associated with the classification and collating of information from document analysis did prohibit the conduct of certain historical analysis. This was because of a lack of historical information by different sectors for the years prior to 1989. To compensate for this lack of availability of information, a review of the general lending pattern was undertaken between the eight years from 1989 to 1996, for which period information was available. This review was able to reflect adequately on the changing pattern of lending by the FDB.

The document analysis was not able to stand on its own to achieve the research objectives and had to be used with other methods, such as discussions and observations, for support and to complement, so as to strengthen the analysis.

2.8.4 Experience and Knowledge as a Practising Accountant

The researcher's experience and knowledge as a practising accountant became an invaluable source of information about the FDB. Prior knowledge was used as a base to build upon and refine in order to comprehend the intricacies surrounding the practices of the organisation. In particular the researcher's observations of the inconsistent practices of the FDB became the motivating factors for the study and led to the appraisal of the objectives of the FDB as a development organisation. Complex issues such as the need to understand the meaning of the concept of development were considered which then brought about a greater level of understanding as to the nature of the activities of this bank, culminating in an enlightened position as to the diversity of the development concept itself.

This experience and knowledge combined with observations and discussions were the methods predominantly utilised for gathering and analysing data relating to the practices of the FDB in an attempt to assess its performance as a development organisation. The methods utilised for the study of the FDB are not void of problems and limitations, as are any other methods of analysis, and are best utilised with knowledge and awareness of those limitations. Some of these limitations are presented in the next section.

2.8.5 Limitations with Methods

Whilst limitations can be both external and internal, they have to be acknowledged as to their impact upon gathering empirical evidence. For instance Mckinnon (1983), points out that much criticism has been leveled at these methods in the form of their inability to attend to validity and reliability criteria. She further elaborates that reliability and validity threats have not been discussed or developed in field study research (Van Maanen, (1982); McCall, (1969).

However, the problems have been categorised into 1) observer-caused effects, 2) observer bias, 3) date-access limitations and 4) complexities and limitations of the human mind. (McCall and Simons (1969), p. 78 cited in Mckinnon, (1983)

Observer caused effects related to the researcher's presence which disturbs the natural setting of the participants and observer bias related to the researcher's particular way of viewing the situation. Data access limitations can be related to the limited time which the researcher spends on the site and, hence, cannot observe the before and after events. This will also mean the availability of a selection of documents only or rather the "setting of a

scene” for the researcher. The complexities of the human mind relates to element of deception which can be present in statements made by the respondents and, therefore, cannot be taken at face value. More so, there is a possibility of human fallibilities, such as forgetting or inadequate attention being paid at the time of discussion.

These types of limitations, whilst difficult to eliminate, can be countered through the 1) spending of more time on site, 2) use of multiple methods as has been done here, and 3) paying attention to behavior by the researcher.

...if handled sensitively and well, the researcher’s behavior can be the mechanism which not only combats many threats to validity and reliability, but also unlocks many “doors” today(Mckinnon, 1983, p. 44).

The techniques of combating research problems as discussed herein were found to be particularly useful and indeed practical for this study, especially where respondents became conscious of themselves and their position. This was found particularly useful with some senior personnel, in order to bring out information. In addition, to fieldwork limitations associated with data, there are others which are related to design and implementation.

2.9 Implementation Problems Associated with the Methods of Inquiry Adopted for the Study

Problems that are usually encountered in social science research relate to design and field. The design problems which had to be confronted by the research constituted those associated with providing a focus to the study and its timing can be appropriately summarised by the following:

It is difficult to find an appropriate balance between settling on an appropriate focus for a study while resisting on the one hand premature closure, and on the other hand changes that ought not to be made (Lincoln and Guba, 1985, p. 284).

This relates to the onerous task of deciding on the parameters or defining the boundaries of the study. Field problems are usually associated with sorting out and collating information and data gathered at interview sessions, both by hand written notes and tape recorders alike. These become difficult and cumbersome to sort and analyse, by concepts or areas. In addition, the anxiety and apprehension associated with a study of such a magnitude, requires one to be constantly reminding oneself of not being alone or apprehensive of one's ability to adequately fathom the depth of the research. Lincoln and Guba (1985) express quite succinctly and precisely this situation :

The feeling of loneliness, anxiety, fatigue, inadequacy...(Lincoln and Guba, 1985, p.286).

It is important to maintain an awareness of these problems and to accept that they will be present regardless of the intensity of the planning exercise. Moreover, the difficulties are in no way a reflection on the researcher's competence and to be aware is the best and only prudent way to deal with them. In other words, in order to gain an acceptable level of understanding of the institution's practices or the subject of one's research and to provide a transformation to the extant practices one should be prepared to be challenged by obstacles and limitations ahead of these anxious feelings.

2.10 Chapter Summary

This chapter was concerned with the need for developing a methodological framework for the study of the practices of the FDB and has sought to address the philosophical issues surrounding such debate. The positivist and naturalist approaches to research were discussed; culminating in the favour of an open critical theoretical approach as being appropriate for the purposes of this study. Critical ethnography, it was noted, had common concerns with the understanding of the society or organisation, as has CT.

The characteristics and themes of CT were also discussed as to their relevance and applications for this study, together with concurrent discussions as to the difficulties which are posed in the context of utilising CT approach to policy formulation. The chapter concluded with a brief discussion on the basis for selection of methods for social science studies and their particular relevance and application to this study, together with limitations associated with the different methods chosen for the study. A combination of methods utilised in a complementary style, manifested as an appropriate style for the conduct of social science research such as the assessment of the FDB as a development organisation. The next chapter considers the potentiality of a development organisation as a prelude for further analysis of the FDB to be undertaken in later chapters of the thesis.

CHAPTER THREE

On the Potentiality of a Development Organisation - Influences Impacting Upon the Operationalisation of Development

The idea of development stands like a ruin in the intellectual landscape. Its shadow obscures our vision. (Sachs, 1992, p.1)

Development thinking within the social sciences is largely a product of the West. It is as such an outsider's view of our development, specially by outsiders from countries who colonised us. (Goonatilake, S, 1984, p.23)

3.1 Introduction

Development studies can be conceived as a problem - oriented, applied and interdisciplinary field, analysing social change in a world context, but with due consideration to the specificity of different societies in terms of history, ecology, culture etc. (Hettne,1995). This chapter seeks to acknowledge and analyse the problems surrounding the concept of development. It begins with a discussion on the theories of development; from traditional to modernist, to post-modernist. Essentially , traditional refers to the Eurocentric period, the 'modernist' refers to post Eurocentric and the period of recognition of the problems associated with Eurocentrism and the 'post modern' to a more global concern; an extension of the modernist. As a result of this discussion, the need for a wider definition of development is emphasised and encouraged; that is, one which is incorporative of the social and environmental aspects, and is essentially an assessment of the factors impacting upon the development process. Finally this is followed by an appraisal of the FDB as an institution for the operationalisation of development activity in Fijian society. The chapter concludes with a definition for development which is incorporative of a social element together with the technical; a working definition for the study and one that is used for the analysis of the FDB.

3.2 Development Theory

3.2.1 Evolution of Development Theory

Development theory is a loose body of contending approaches which, in spite of contradicting each other, also presuppose each other; presenting many and varied forms of the concept which appear to have a commonality in terms of the one objective which is growth. Hettne (1995) emphasises that the conception of development theory is not a specific body of thought uniquely applicable to the Third World; rather it is a variety of third world situations representing a challenge for the social science in their treatment of change and transformation, making the theories ultimately universal and global.

Thus, development theory really took off after the discovery that the problems of development in the Third World were specific and qualitatively different from the 'original transition' from Eurocentrism. It is the contention herein that this 'discovery' (which was necessary for the rather trivial reason of excessive Eurocentrism) led to a gradual theoretical enrichment, and that to take a step further, development theory ultimately will prove to be of relevance also in the industrial countries, where automatic growth can no longer be taken for granted, and 'development' now presents itself as a problem to be tackled. Thus, in spite of the fact that development theory emerged from tentative attempts at understanding the problem of 'underdevelopment' from the point of view of the 'developed', it gradually acquired an increasingly universal quality, that is a perceived authentic universalism which characterised the Eurocentric phase of development thinking.

In the course of its evolution development theory has consequently become increasingly complex and 'non-disciplinary'. It is therefore necessary to elaborate further on the problem of definition, although the reader may feel reluctant to digest another definition of a clearly over defined phenomenon. My intention, however, is not to propose new definitions but merely to stress one important point:

There can be no fixed and final definition of development, only suggestions of what development should imply in particular contexts (Hettne,1995, p. 15).

Thus to a large extent development is contextually defined, and should be an open-ended concept, to be constantly redefined as our understanding of the process deepens, and as new problems to be solved by 'development' emerge. As Streeten (1979) has observed, there is a solution to every problem, but also a problem to every solution (Streeten 1979:34). Theorising about development is therefore, a never-ending task.

Under the concept of development theory are subsumed theories (there exists no single, generally accepted, development theory) of societal change, which attempt to integrate different social science approaches to the development problem. Development theory is more concerned with change than is typically the case with conventional social science disciplines, such as economics, sociology or political science which can be considered as still being trapped in functionalism and comparative statics as contended by developmentalists studies (Streeton, 1979; Hettne,1995). Development involves structural transformation which implies cultural, political, social and economic changes.

Development theory is therefore by definition interdisciplinary, drawing on, but also questioning, many theoretical and methodological assumptions in both Marxist and Non-Marxist social science.

Furthermore, development theory has from the start been closely related to development strategy, that is, changes of economic structures and social institutions, undertaken in order to find consistent and enduring solutions to problems facing decision makers in a society. Thus development between theory and strategy is due to the fact that development strategy implies an actor, usually the state. The closeness between theory and strategy is due to the fact that development problems were defined as national problems and that, consequently, development theorists - particularly the pioneers - addressed themselves to governments.

As development theory originally grew out of a concern with so-called underdeveloped countries on the implicit assumption that the conditions in these societies were unsatisfactory and ought to be changed, it is more explicitly normative than social sciences in general. In the case of normative theory, the distinction between theory and strategy easily gets blurred. In Positive theory on the other hand it is possible to make a clearer distinction, and to pose the question- What strategy implications various theories would have and what roles different actors can play.

The evolution of the development theory in terms of traditional, modern and post-modern will be reviewed in the next sections which will have the effect of taking us through the changes

in concept in a cyclical manner; from generalised to specific to generalised; in the sense that it is globalized.

The difference between the universality of the former and latter is that the application traditionally was a constricted one wherein the western world was hailed as a model for development and the universal application now is premised upon the wider definition of development, incorporating global issues such as environmentalism and/or sustainable development.

3.2.2 Traditional Development Theory

The traditional literature on development up until the 1960's severely compromises the measure and impact of development; because of the limited way in which it is measured through the levels of GDP and National Income. An important feature to remember at this point is that development in this way is restricted to economic growth and industrial development and the terms are used interchangeably to mean the one concept. Constriction in this manner clearly does a dis-service to the notion of betterment which is an approach to development that equates itself to striving for levels of GDP and income levels achieved by other countries. In other words the adoption of the western world model of development, regardless of its applicability to the context.

During the late 1940's, and early 1950's what Hettne (1995) refers to as the "European Model of development" was forced onto the many European colonies which were the Third World countries; who were never consulted about their needs or wants. This was the

"Eurocentric Period". Such irrelevant approach to development has taken its toll and is felt to have:

lost much of its attractiveness especially for the social scientists in the Third World (Sheth,1987,p.156) to be in a "state of crisis" (Smith, 1985, p.532) at an "impasse" (Vandergeest and Buttel, 1988) and in "ferment" (Wiarda, 1989).

The underlying premise of these critiques is that socio-economic problems continue to mount in Third World countries despite three decades of intense development efforts - problems of debt, famine, environmental devastation, ethnocide and civil war; to name but a few.

3.2.3 Modernist Discourse on Development

With the recognition of the problems associated with the development process as adopted during the Eurocentric period, the discourse on the subject took a more endogenous or inward looking approach; the modernist approach. Manzo (1991) notes that the contrasts between "traditional" and "modern Societies" became much of the work of early developmentalists, who generally agreed that the salient characteristics of "modern" social system were: (1) A degree of self sustaining growth in the economy, (2) A measure of public participation in the polity, (3) A diffusion of secular - national norms in the culture, (4) An increase in physical and social mobility and (5) a corresponding transformation in personality to equip individuals to function effectively in a "modern" social order (Lerner,1964). The desirability of Third World states acquiring such evidently Western attributes of growth, autonomy, political participation, rationality, secularism, upward mobility, and modern

attributes was taken as given, as was the means by which to effect the passage from tradition to modernity. According to Almond and Powell (1978):

American policy makers and scholars spelled out a policy of incremental modernisation in which the leaders of the new nations with foreign and particularly American aid, would begin investing in industrialisation, modern education, transportation and communication. This socio-economic modernisation would produce an ever-increasing standard of living for the population as a whole, and a democratic, stable nation building process would be initiated (Almond and Powell, 1978, p. 252).

An interesting extension to this relationship between the First and Third World Countries is likened to a parent/child metaphor. As Nandy (1987) points out in a critique of such "colonisation" that a child is not seen as a physically smaller version of the adult with a somewhat different set of qualities and skills but rather :

To the extent adulthood itself is valued as a symbol of completeness and as an end-product of growth or development, childhood is seen as an imperfect state on the way to adulthood, normality, full socialisation and humanness. This is the theory of progress as applied to the individual life-cycle. The result is the frequent use of childhood as a design of cultural and political immaturity or, it comes to the same thing, inferiority. Much of the pull of the ideology of colonisation and much of the power of the idea of modernity can be traced to the evolutionary implications of the concept of the child in the western world view (Nandy, 1987, p.57).

The concept of "development" hence posed itself as a problematic and presented the need for articulation of alternative possibilities (Wiarda,1989) for its assessment.

That the dominant paradigm of the era continued "to evaluate the progress of the nations like its nineteenth century forebearers, by their proximity to the institutions and values of western and particularly Anglo-American societies "(Tipps, 1973, p. 206 cited in Manzo, 1991).

Criticism of developmentalism were leveled on three fronts; one which perceived "stagnation" of countries unless they moved along the development trail of the West, (Wiarda,1989); Another was that the only way to participatory democracy was via the path of Western Style capitalism and any other way or approach was considered to lead a developmental dead-end. The third argument was that the superimposition of American values and choices on all other societies was a form of "cultural imperialism "whether the practitioners of development realised it or not (Tipps,1973, p.210; see also Tomlinson,1991). All of these critiques of developmentalism are of course, still valid, particularly the last (Manzo,1991). In addition to these, recent critiques of the 1990's; three groups of diverse nonetheless connected thinkers; liberation theologians; feminist ecologists; and Western development practitioners have also added to the literature in this area. To summarise the critique effectively is to recognise the need for social theory:

to take seriously the ideas of those who argue for grounding knowledge in local histories and experience, rather than building theory through the use of general conceptual categories and Western assumptions (Manzo,1991, p. 30).

Modernism hence is Eurocentric which whilst widespread may not necessarily be applicable to all developing countries, and development studies therefore, have to be approached in a

contextualised manner in order to achieve meaningful fulfilment of the objectives. Such localisation and contextualisation is what a critical theory approach to development is about. To add to this already complex task of providing different meanings of development for different countries, is the recent idea of "sustainable development", which stresses the importance of environmental impact and considerations whilst promoting development. This idea has been debated about intensively by a post-modern approach to development and is gaining momentum rapidly on a global level; notwithstanding that Eurocentrism is an integral element of the development phenomenon.

3.3 Eurocentrism in Development - A Critique

Eurocentrism has been defined by Joseph et. al., (1990) as:

The tendency to view one's own ethnic group and its social standards as the basis for evaluative judgements concerning the practices of others..... with the implication that one view's one's own standard as superior (Joseph,G.G. et.al.(1990, p.1, cited in Brohman, 1995, p. 127).

To varying degrees Eurocentrism has permeated all our major frameworks of development studies as well as their component parts within individual academic disciplines (Brohman,1995). It has been associated with the neglect of geographical diversity and the misreading of the social and historical experiences of individual countries and regions. One of the main reasons why post war development has so often produced disappointing results in developing countries is that it has attempted, for the most part, to replicate the West, rather than promote the process of indigenous change within the Third World itself. Inevitably, efforts to replace the traditional values, relationships and institutions of the Third World

societies within alien Western ones have created rising tensions, uncertainties and feelings of anomie (Brohman, 1995, p.129).

Western-based concepts and research methods are infused with a false universalism that serve to legitimate their application, without basic refinements or reconstructions -in diverse Third World societies (Brohman, 1995). Adoption of the development model from the Western World therefore, is not only inappropriate but also irrelevant, having been assumed regardless of its incompatibility to the requirements of different developing countries. A growing number of analysts now contend that much of the discontent with development in the Third World can be traced to the displacement of traditional values, institutions, and relationships by alien Western counterparts, for example Bruton,(1985), states:

...the basic difficulty (with development) arises from the imposition of Western mechanics and Western artifacts on a society whose traditions and values, whose routines and chores, whose cultural and social arrangements, whose concepts of economic activity are such that the absorption of such mechanics and artifacts is neither possible nor desired (Bruton, 1985, p. 1104, cited in Brohman,1995; pp. 129-130).

In large part, the new institutions created by modernisation have failed to find roots in the indigenous social and cultural traditions of Third World societies and have therefore remained tenuous. In many countries, imported institutions have created an artificial form of development that has heightened feelings of anomie and disillusionment and fuelled ethnically based social conflict. Contrary to the percepts of modernisation theory , the internalisation of Western ideas and values that has accompanied the spread of these institutions has often proven to be more of an obstacle than a vehicle of development.

Commonly it has been the powerful Third World elites who have internalised Western concepts and have used this specialised knowledge to defend their privileged position within the existing social order from alternative ideas about development, arising from indigenous sources of popular knowledge. Western concepts typically pay little attention to views and wishes of the popular majority or to the types of structural constraints (e.g. based in relations of class, gender and ethnicity) within which Third World inequalities are so frequently rooted.

Power has always been a central component of development :without it there is little that the popular majority can do to change their situation. Within Third World societies, the `professionalisation' of development studies under exclusionary Eurocentric frameworks , the control of this knowledge by elites in their own interests , and the devaluation of alternative sources of popular knowledge have all prevented the majority from participating in centres of decision-making power (Brohman ,1995, p.130).

Not only, do the elites control the development process , there is also an undermining of local self-confidence by way of blocking groups and organisations from acquiring the knowledge that they need to analyse and solve their own problems. Brohman argues that the transformation of people into agents of their own development, which ought to be the focal point of any broadly based democratic development strategy, has been retarded by exclusionary theories and elitist practices that block the sharing of knowledge and information. Because the thinking in development is dominated by the Western experts and modern scientific techniques, the mainstream development frameworks are designed on the assumptions that the development process is uni- directional and not capable of being moulded to suit individual requirements. Knowledge filters down from a select group of First

World academic institutions to the intellectual elite of developing countries (many of whom have been trained at those institutions) and is then dispersed to those generally upper-middle class elements with capacities to absorb it. Progress therefore, is always envisioned as a universal, unidirectional process, always to be led by elite groups and the richest countries.

A highly exclusionary, technical view of development becomes the norm, in which “the transmitter” and “receiver” are distanced from each other by a basic inequality in the amount of technical knowledge they each possess (Brohman, 1995, pp. 130-131).

As a result of the realisation of the inapplicability of Western based concepts of development there is appearing a demand for the indigenisation of theories and strategies of development from two interrelated concerns as noted by Brohman (1995): first, that the Western models contain too many false universals and Eurocentric biases to comprehend many crucial issues and problems of Third World development: and second that development programmes and policies based on the Western models have brought devastating results to most developing countries, particularly to the poorest, most vulnerable and disadvantaged classes and social groups. Recognition of the failings of a Eurocentric model of development in this manner poses challenges for the change in perspective and possibly a further dimension which is concerned with the need to encompass more wider global issues and this is, what some may argue is post-modern. This could well assume an extension of the modernist and arguably so, is concerned to avoid the pitfalls of modernism(eurocentrism)- but to what extent? And how? are key questions to be addressed in order to proceed.

3.3.1 Post-Modernist Approach to Development

Concerned to avoid the generalisation of Eurocentrism and to generate a contextually relevant development process a post-modern definition of development could be:

Development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free, and meaningful participation in development and in the fair distribution of benefits resulting therefrom (UNDP-1994).

Such a definition clearly supports a concern for the emancipation of individuals wherein they are free to participate in the development process. The concern hence is for a ‘democratic’ notion of organisation; a modern form as opposed to the traditional feudalistic type. A post modernist approach to development is complementary to the modernist and not in opposition to it and whilst critical of Eurocentrism , it may not necessarily be void from it and the Western based models and therefore, another dimension of Eurocentrism.

Such a view is supported by Chia (1995) and Lyotard (1992):

Postmodern thinking is, therefore, not confined to a particular epoch. It is an enduring style of thinking which resists and yet complements the modern (Chia, 1995, p.591).

A work can be modern only if it is first postmodern so that the postmodern is not something which comes ‘after’ the modern. Instead, the postmodern is that ‘nascent unrealised potentiality ‘ which gives rise to the modern (Lyotard, 1992; cited in Chia, 1995, p.591).

Chia (1995) problematises and explicates on the abstract nature of the post-modern thinking through a discussion of its characteristics as articulated by Whitehead (1985):

...it is quite unbelievable . This (modernist) conception of the universe is surely framed in terms of high abstraction, and the paradox only arises because we have mistaken our abstractions for concrete realities (Whitehead, 1985, p.69, cited in Chia,1995; p. 590).

Whitehead (1985), did recognise that we cannot think without abstraction though, but also maintained the need for our critical revising of our modes of abstraction. It is this vigilant thought-style which describes the intellectual state of post-modern writers. Whitehead (1985) was influenced by Heraclitus whom he considers as a “Postmodern Pre-Socratic (Waugh, 1991,p.605, cited in Chia, 1995, p.591) and that a postmodern thinking style like that of Derrida’s can be compared to that of ancient Chinese philosopher Chaung Tzu (Chien, 1990, Cheng, 1990) as well as to Zen Buddhism (Odin, 1990, Magliolia, 1990). The postmodern is an extension of the modern, which is a systematic ‘concealment’ and ‘forgetting’ of the primary nature of action, process and relationship as the raw material of reality and postmodern is not about the processes of entities, it is about the becoming of the entities and events (Chia , 1995, p.591)-to treat ‘individuals and ‘organisations’ as legitimate entities within ‘invisible walls’ (Elias, 1978, p. 15).

Post-modern thinking (following writers such as Foucault 1970,1979; Derrida, 1976) on the other hand, recognises that the ‘individuality’ of individuals, which contributes to their apparent concrete and isolatable appearances, is an effect or outcome of primary organising (that is, individuating) processes of actions, interactions and recursive patterning of relationships. This thinking thus, involves a critical revision in our ontological commitments from an ontology of being to an ontology of becoming. This implies that we may not take established social categories such as individuals and organisations as already given and ‘out there’. Instead these taken for granted categories need to be explored and explained. Consequently this means that our theoretical focus is no longer on organisational features such as “structure’, cultures, and ‘ethics’ but the idea of organisation becomes the

problematic. Questions such as how does the organisation come to acquire its apparently concrete status? And what primary organising process allows it to take on the semblance of an 'already' constituted entity?, thus become the central problematic of a post-modern analysis of organisation - a critical analysis (Best and Kellner, 1991) and which has a particular appeal and relevance for this study. The function of any form of social analysis is, therefore, to explore and describe local processes of patterning, social orchestration, ordering and resistance (Law, 1992, cited in Chia, 1995) in order to chart the ongoing struggles and contestations intrinsic to the organising process. These features are synonymous to a critical organisational analysis.

With the idea of becoming then, the post-modern thought supports an alternative form of development; one which is concerned with human life and its development impact upon it. (Hettne, 1995) articulates on how an inherent and necessary price for growth is existent while no development strategy explicitly aims for inegalitarian development, and considers how alternative strategies give a higher priority to redistribution than to growth.

Proponents of an alternative development question the assertion that 'creative destruction' is inextricably linked to the story of human life be examined on its own merits. If social and economic development means anything at all, it must mean a clear improvement in the conditions of life and livelihood of ordinary people (Friedmann, 1992,p.9).

The mindfulness of the inherent human element from this standpoint, emanates from the view that unlimited economic growth must be replaced with a sense of historical relativism; one which is for people rather than people for development. The UNDP's Human development Report 1992 articulates on the idea of development for people as :

Human development is thus a broad and comprehensive concept. It covers all human choices in all societies at all stages of development. It broadens the development dialogue from a discussion of mere means [GDP growth] to a discussion of the ultimate ends....The concept of human development does not start with any predetermined model. It draws its inspiration from the long-term goals of a society. It weaves development around people, not people around development (UNDP Human Development Report 1992, cited in Goulet,1995, p. 37).

Thus, development becomes wary of the environment and avoids threats to the ecological balance or one referred to as eco-development:

...ecodevelopment is a style of development that, in each ecoregion, calls for specific solutions to the particular problems of the region in light of cultural as well as ecological data and long-term as well as immediate needs. Accordingly, it operates with criteria of progress that are related to each particular case, and adaption to the environment plays an important role (Sachs, 1984, p.9).

Substainablity is a principle that has appeared in development theory as a consequence of environmental concerns since the early 1970's. The message it carries is that neither the old nor new ecological order would be visible unless the natural biological systems that underpin the global economy are preserved (Brown,1981,1991).

Sustainable development does mean the progressive bounding of economic activity by tight sustainability constraints, and the explicit direction of that activity by sustained movement toward positive human values: personal development and quality of life, participation in society, democracy, and justice: and the monitoring of economic performance according to these goals (Ekins et,al. 1992, p.182 cited in Bailey et al. p.52).

Moreover, a truly sustainable development model must not only be a forward-looking model of Western industrial development, it must also be a champion of both cultural and political sustainability (Brown,1989). This sort of development is the dream of every society, regardless of their levels of industrialisation, and proponents of this sort of development such as Korten (1992), a leader in post-modern, people-centred development, reminds us of the precarious future of sustainable development in relation to the coercive influences which exacerbates the negative effects of development :

[Sustainable development]...can be achieved only through a fundamental transformation of our values, behaviour, and institutions. Powerful institutional forces not only oppose the needed changes; they in fact counsel us to seek accelerated economic growth and the globalisation of the world economy, which can only hasten the destruction of our planet and by increasing our rate of destruction of ecological resources and diminishing our collective ability to take essential corrective action by shifting power to unaccountable market forces that take no notice of either ecology or community (Korten, 1992, p.3, cited in Bailey, p. 53).

The concerns for transformation of our values, behaviour and institutions is synonymous to the undertakings of a critical and interpretive approach to societal transformation, through the critical examination of the existing institutions of development together with the practices adopted by them for that purpose. This requires the engagement into a historical analysis of the origins of these institutions, the reviewing of the rationale for their establishment and the assessment of the stipulatory and regulatory factors impacting upon their functioning. A challenging, and clearly onerous task, and yet one which is expected to produce enlightenment and will guide the transformations of institutions through participation and self-reflection of the people involved.

Bailey, et al., (1993) in recognition of the dialogue and interdependence involved in the development process offers its achievement through a human interactory experience; a perspective requiring what he terms as “interdevelopment’ and “global interbeing” and defines them as:

Interdevelopment -A way of mutual action in the world, realised through genuine dialogue, where different people profoundly discover and cultivate their interdependence with all life (Bailey, et al., 1993, p.55).

Global Interbeing - A way of consciousness or being in the world where different people lovingly experience each other in a common dance that celebrates, heals and sustains all life (Bailey, et al., 1993, p.55).

Development is offered as an experience and a relationship between and amongst all human beings indiscriminately, presenting numerous possibilities and yet another, allencompassing definition is offered by Bailey,et.al., (1993):

we believe that development is not about having more but being who we are; experiencing a deeper awareness of ourselves in our every relationship. De-veloping starts right at home, in the way we relate to the world around us (Bailey, et al., 1993, p. 58).

Thus, numerous possibilities of development and of its operationalisation are presented. This wider concept of development poses apparently complex and difficult questions to the practitioner, whilst at the same time, it appears to be promising a more balanced and context specific growth for different societies, organisations and peoples in that society. Such specificity appears as more palatable; notwithstanding of course, the need for a harmonisation of concepts in this environmentally aware globe. Contextualisation and the

related opposition to traditional philosophies and forms of social domination and rationalisation or rather, a critique of modernity and universality are a shared feature of both a critical and a post-modern disposition for analysing social institutions (Best and Kellner,1991). Some versions of both seek to orient theory toward practice and discourse toward politics, and can draw from each other. However, they do differ quite distinctly, as well and post-modernists display a wish to go beyond critical theoretical and political perspectives. Whichever view one adopts, the limitations of the traditional philosophy of development, a technical and mathematical representation of the well being of a society through the gross national product (GNP) is nothing short of a gross oversimplification of the reporting of a complex process such as development. It is a constricted and inadequate attempt to determine and ascertain development as appropriately expressed by Kennedy (1968):

The gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our devotion to our country; it measures everything in short, except that which makes life worthwhile (Robert F Kennedy, 1968, cited in Steer and Lutz,1993, p.20).

Accordingly, development today is a phenomenon which is all pervasive and understood in a wider context, incorporating both technical and social elements and definitely concerned to expound the social more than the technical; a complex phenomenon, posing indiscriminate possibilities for its institutionalisation.

3.4 Challenge for Development Practitioners - the Operationalisation of Development

The persuasive influence of development as has been articulated thus far, presents an enormous task and challenge to development practitioners, giving rise to questions relating its forms of operationalisation and institutionalisation for the betterment of societies. The dilemma of the organisation and international development practitioner is expressed aptly by E. B. White as :

**If the world were merely seductive
That would be easy.
If the world were merely challenging
That would be no problem.
But I arise in the morning torn between
A desire to improve the world and
A desire to enjoy the world.
This makes it hard to plan the day.**

(E.B. White cited in Bailey et al., 1993, P.54)

Having articulated the much wider notion of development as explicated through the discourses herein; one is confronted with the daunting task which is facing the practitioners of development. A task which requires the relegation of the traditional practices of development which are measured in terms of national income and GDP levels as inappropriate and incapable of propagating the practices of sustainable development, one that is people oriented. The inability is explained by the unavailability of measurement units for a people oriented or people's development. The major obstacle and opposition faced by practitioners in terms of achieving the objectives of development is the devising of strategies and organisations which

will carry out such activity and the forms of measure of the activity, in order to report effectively, the achievements.

According to Schmidheiny (1992), the obstacles faced by development practitioners can be described on three levels : 1) the dealing with the presence of the universally accepted notion of Eurocentrism, 2) the problem of devising policies within such infrastructure as discussed in the earlier section, shaped by the generalised Eurocentric approach and 3) the problems faced because of people in power who control the development activity to suit their own interests; again a feature of the Eurocentric era or what has been referred to herein as modern. Hence on all three levels the obstacles emanate from the institutionalised patterns of the Eurocentric or modern influence, fostering and perpetuating an interdictory feature to become an integral part of the development process. Adding to this already difficult disposition is the recent and rapidly escalating concerns with the environmental issues; demanding and exerting pressures on the management of the development process. Addressing these issues appears to render the development process as a formidable task. However, propagators of a sustainable development (an environmentally aware development) argue that a harmonisation of the two elements is not only desirable, but also possible and vital and a requisite for the achievement of a 'true' development; one concerned with the human and environmental issues simultaneously, (see Schmidheiny, 1992 for a detailed discussion on these issues).

It has been argued that one cannot serve both the needs of the industry and of the environment. I believe that this is not an impossible task. Industry can no longer afford to ignore environmental needs. Profit becomes pointless without quality of life. Financial accounts tell many stories but not all, and measuring performance by profit alone will not suffice. However, a greener future will remain an idealistic dream unless industrialists and environmentalists meet to transform it into reality by talking and sharing problems (J.M.K.Laing, Chairman-John Laing plc, cited in Schmidheiny, 1992, P. 92). (Japanese Incorporation)

Similarly sustainable development stands at the centre of a global economic, technological, social, political and cultural transformation, that is, redefining the boundaries of what is possible, and what is desirable for business, this means profound change; change in the goals and assumptions that drive corporate activities, and change in daily practices and tools.

Continued development now depends on radical improvement in the interactions between business and the environment. This can only be achieved by a break with "business as usual" mentalities and conventional wisdom, which sideline environmental and human concerns (Schmidheiny,1992).

The challenge of managing corporate change to move forward simultaneously in both economic development and environmental protection is colossal; a bringing together of two seemingly opposites because economic development has an inevitable by-product , an impact upon the environment which is damaging constantly. In other words, it is often assumed that we can have either a healthy environment or a healthy business sector, and that

wise governance requires making suitable trade-offs so that these polar opposites are kept in proper balance. This calls for an intense re-thinking process as thinking needs to be dynamic and conducive to circumstances. As written by Einstein:

The world we have created today as a result of our thinking thus far has problems which cannot be solved by thinking the way we thought when we created them (Albert Einstein, cited in Schmidheiny,1992, p. 82).

What Einstein focuses upon is the vital need to keep abreast of the changes, not only in the institutional or corporate, but also in the physical environment and to review the practices adopted to guide the development process within those changing features. The management of this dynamism is the difficult and onerous task of development practitioners, who are confronted with a lack of tools available for the measurement of development. The development function is, thus, not void of influences and needs to be considered in the context of the different applications of development because of the factors impacting upon its practice.

3.5 Other Factors Impacting Upon Development

As highlighted earlier in this chapter, the comparing or measurement of development is a difficult if not an impossible task. A technical definition such as the rise in GDP levels cannot be effectively utilised as an indicator of development, regardless of and notwithstanding its current global application.

The inability to incorporate the social elements of development is reasoned on the basis of the lack of appropriate tools of measurement of the social elements of the concepts such as quality

of life, thus (Enthoven, 1985; Steer and Lutz,1993), rendering them as not visible.

As summarised by Steer and Lutz (1993):

Many of the aspects cannot be measured in any quantitative sense, of course which may tend to diminish their importance in the minds of policy makers (Steer and Lutz, 1993, p.20).

Such reasoning is not only inappropriate and poor, but marginalises seriously the meaning of development through the exclusion of a vital element from the measurement scale. How does one incorporate the social elements into a formula for the measurement though? In attempting to answer questions such as this, one is made aware of certain complications associated with the practicalities of measuring social elements. The complications with such measurement are associated with the lack of a common measure for different societies. For instance, the calculation or estimation of the purchasing power parities (PPP) for different societies and the technical difficulties associated with it are formidable (Sachs,1995).

How can equivalence be established between shopping baskets in countries with such different styles of consumption (Sachs,1995, p.2).

This observation was made in an attempt to compare China's and Japan's PPP which as a result of the use of the purchasing power parity method came out to be the same. This happened because of the use of exchange rates which failed to reflect the purchasing power parities of the currencies concerned. Steer and Lutz (1993) emphasise the point further:

One of the reasons there has been an excessive focus on the economic aspects of development is because it is easier to measure what is transacted in the marketplace than what is not (Steer and Lutz, 1993, p.21).

The oversimplification of the development measurement via technical calculations however, should not be allowed to render such methods of measurement as complete or presenting a full picture. Even these technical methods are confronted with limitations in the form of exclusionary practices; and do not include all information pertaining to development practices. For instance, the non-market economic activities including domestic production of own goods and services which constitute the hidden economy in most societies and particularly in the “so-called” developing societies are not recorded as part of the statistics. This poses an important and serious question which is ‘how can these activities be included in national accounts? Such exclusionary practice perpetuates the existence of the inadequate measurement tools of development; warranting exploration of methods whereby these hidden activities may be included in the measures to produce an assessment of development upon which more reliance can be placed as an indicator of progress.

Even with the so called ‘developed’ and ‘industrialised’ countries as they are commonly referred to, the question of the non-market economic and their inclusion into the national income calculations is a big issue. Yet another complication to this is the question of the accounting for free public services. Such questions present a need for the improvement and the devising of better methods to achieve more meaningful and credible results. Sachs (1995), debates further on this issue and presents the complexity through questioning as to how progress can be made in research on consumption patterns and more broadly, lifestyles with the help of budgets? Or rather regulation and how can we begin to advance towards the construction of a human economy (Sachs, 1995).

Can planners base their thinking directly on traditional values and reason in terms of needs rather than markets? If so, how do they make the switch from a weak and paternalistic version of essential needs to a stronger version that gives the decisive rate to those actually concerned whilst avoiding the trap of excessive interventionism (Wisner, 1988, cited in Sachs, 1995, p. 4).

In other words , this implies finding answers to questions such as - what development, for whom and within what sort of institutional structures?

3.6 What of a Development Organisation?

The matters raised and discussions engaged in so far, present a perplexed picture as to an appropriate form for a development organisation; one which is equipped with and has the ability to deal with issues of social and technical elements. Is such an organisation possible? An organisation which has the freedom to practice and convey its practices in an all inclusive manner of the social and technical elements and be free from intervention? Prior to considerations of an institution in this form there are other matters needing action, and thus, contemplating upon; the identification of the characteristics of a development organisation being some of these. For instance:

A broader understanding of development requires broader measures of development that encapsulate social, equity and environmental concern (Steer & Lutz, 1993, p. 20).

This broader understanding therefore, calls for a wider meaning and definition of development such as:

Beyond economic growth, which is an engine and not an end in itself, development is first and foremost social: it is also intimately linked to peace, human rights, democratic governance, environment, and last but not least, the culture and life styles of people (Sachs, 1995 - UNESCO Paper 1995).

and places a larger responsibility on the development organisation and raises doubt in the ability of commercialised institutions such as banks to satisfy the objectives of development and fulfill its expectations within this wider composition. The wider scope for development is referred to as social development in the UNESCO Paper of 1995 (adopted from Sachs, 1995). This report (UNESCO) offers a feasible assimilation of the goals of social development. It targets on the need for an awareness on the globality and complexity of the main challenges faced by development practitioners and fosters the need for promoting feelings of compassion; contending that it is only with compassion and the recognition of a commitment to bring about change which can ensure success of a development organisation. Suggestions made by the UNESCO Paper of 1995 presented by the Director General as the main targets towards social development include:

- (1) Endogenous capacity building through fostering human resources, a thorough renovation of educational contents and systems at all levels, knowledge transfer and sharing within and between countries;**
- 2) Combatting poverty and exclusion effectively by ensuring people's participation in social development, respect for human rights, tolerance, non-violence and**

- democratic attitudes, through education, from early childhood onward and support of citizens' organizations, as well as the pluralism and independence of the media;
- (3) Recognizing cultural factors as an integral part of balanced development strategies and paying due regard to the historical, social and cultural contexts of each society as essential for sustainable social development;
 - (4) The promotion of a new vision of employment and work within the broader concept of "active life", which includes production, as well as civic, social solidarity and leisure activities, as the basic principle of a "caring society";
 - (5) The improvement of the quality of life of rural populations through formal and non-formal education and training, as well as raising their income levels, by promoting productive activities in cultural tourism and eco-tourism, shelter-building (homes) by using local materials, development of local social and health services, as well as community media;
 - (6) The promotion of environmental awareness and people's participation in the equitable and rational use of resources for sustainable human development and the preservation of the environmental rights of future generations;
 - (7) Recognition of science and technology, as resources which should be better harnessed and more equitably shared for social development;
 - (8) Recognition of communication as an area deeply transformed by scientific and technological progress and that the opportunities offered by communications networks and informatics should be put at the service of social development;

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- (9) **The promotion of endogenous skills in social policy-making, evaluation and management, evolving “early warning” devices to enable governments to monitor the implementation of social development efforts and progress from social exclusion to social cohesion.**

(Adopted from the “Position Paper presented by the Director General of UNESCO towards the Preparation of the World Summit for Social Development (Copenhagen, Denmark, 6-12 March 1995)” Paris, 29 July 1994, pp3-4)

These suggestions or targets towards development definitely encompass a much wider perspective as opposed to the constrictive and inhibitive technical focus on the levels of GDP as appropriate measures and indicators. It is this sort of a wider realm of development that an organisation committed to development should incorporate and promote. A definition of development which is incorporative of social elements is also propagated by this study and will be referred to in that context throughout the study.

3.7 The FDB as a Development Organisation - its Conflicting Objectives

The title Fiji Development Bank is in itself a problematic conception of development as it depicts two seemingly opposite objectives present in the one institution. Such inherent conflict portrays a confused image of the bank- one of a development organisation which is not necessarily profit oriented but definitely people oriented, and the other of a bank which is clearly a profit making organisation. Perceptions of the bank are therefore, marred by similar confusion and perplexity and that too, not only by the general public but by the staff and management of the bank as well. Is there merit in this form of the organisation (FDB)? Is the FDB better able to serve effectively the development role as a bank?- questions of this

nature present themselves as a challenge to be overcome in the assessment of the FDB's developmental role and its presentation as a possible organisation for the operationalisation of development in Fiji.

The mission statement of the FDB (refer chapter one) presents a problematic character, in that, the bank intends to improve the quality of life of the people of Fiji and at the same time intends not to compromise on its profitability in doing so. From the point of view of development and its objectives as articulated in this chapter with its increasing commitment to working it for people, the FDB appears to have positioned itself precariously if it is to be seen to fulfill this commitment. Explanations for this precarious position can be the existence of biases in the lending process, although they may see this as necessary. Chapters seven and eight analyse this bias through empirical evidence.

A preliminary examination of the FDB and its charter, appears to relegate its form as unsuitable and mitigates its ability to perform as a development organisation. However, one needs to explore further the objectives of the FDB and its own larger environment within the Fijian Society in relation to the factors which are influencing its activity as an organisation.

Whilst this is extended further in later chapters (six, seven and eight), it will suffice to say here that the FDB is a state owned bank and had been set up approximately 30 years ago as a development institution and was titled differently then. Obviously then, the role of the institution has changed significantly over time and maybe is now in need for review for a better or rather more appropriate and relevant alternative (refer chapters six, seven and eight

for a detailed analysis). Other important considerations in attempting to understand the FDB as a development organization are the influences prevalent upon the state of developing countries such as Fiji. These countries who are dependent upon other more advanced societies and international organisations such as the World Bank for its funding and aid programmes; the international disposition. Questions concerning the relevance of these forms of aid to the recipient countries and whether they actually assist countries such as Fiji in the true sense or serve as dominant and exploitative measures of the resources of such countries need critical examination (see also Payer, 1991 for a detailed discussion). Many incidences of irrelevance in practices adopted for development programmes have been noted; such as observed by Bailey et al. (1993) in the case of Ghana where the aid from international sources and the World Bank did not help the country and instead aggravated their problems.

We need to tell people that there are other models of development....the model of the people. Their model worked for Ghana from 1960 to 1992. All of the World Bank and international aid has not helped this country. It rather, has created problems. It has created a debt crisis. This is the end result of the dominant [modern] development paradigm.
(cited in Bailey et al., 1993, p. 45).

A critical analysis through the questioning of the relevance of such practices, serves to offer solutions as to alternative models which are committed to development missions. The extant situation in Fiji can be described as one which is not atypical of developing countries with a visible and clearly discernible reliance on foreign aid from donor agencies such as the World Bank in the name of development (refer chapter five). Dominant donor agencies such as the World Bank create a dependency relationship which is difficult to eradicate because of the

related restrictions and stipulations imposed upon recipient countries in the form of conditions attached to the aid or assistance as it is commonly referred to (Payer,1991).

Thus far, the study has been informed in a cogent manner and through a rigorous analysis of the need by developing countries such as Fiji to be wary of adoption of irrelevant practices from the Western World. Even the FDB appears to be a form of organisation which has been adopted from the British influence, being set up on the model of the Australian Commonwealth Bank (see chapter six for a history of the FDB) which was not rationalised in the Fijian context of development. The imposition of models of institutions without modification is what has to be examined critically, articulated and questioned for relevance with an objective of bringing about a more contextually relevant form of organisation. The installation of such an organisation will be better abled and positioned for the carrying out, and encouraging, and coordinating the activities of development in the Fijian Society; a truly Fijian Development Organisation. Such establishment will then assume an exemplary and preventative effect, eradicating or at least mitigating exploitative practices by powerful externally controlled and dominant institutions to retard and cripple development activities in countries such as Fiji.

3.8 Chapter Summary

The chapter has traced the many complications associated with theories of development which appear to have held in high esteem the practices of the Western World (developed world), as is evident from the overwhelming acceptance of these practices by the 'developing world'. Such thinking is resident in the desire of this world (developing) to become "modern". With

the advent of post-modern thinking, much doubt has been raised as to the appropriateness of this universalistic application. Also on the rise, is a vigorously emerging need for a more human form of development ; one that is mindful of and focuses on the quality of life of people and that is concerned to share and relate to the characteristics of individual societies. The practicality of achieving such a form of development however, is confronted with a host of practical issues to be addressed, such as the devising of alternative measures of development. The traditional measures of GNP have been relegated as irrelevant and neither conducive to nor complementary to realising the objectives of development or progress of the developing countries. Consideration was also given to the possible form of institutions wherein which and through which development activities can be conducted and the goals achieved. Whilst the issues are clearly complex and pose seemingly formidable and unsurmountable situations, they are nevertheless existent and as yet, unanswered, hence present challenges of an onerous nature to the practitioners of development. On the one hand, they are not easy to deal with , but on the other, they cannot be shunned- a kind of impasse; particularly with the ever increasing and rampant environmental issues, which are not a privilege or peculiarity of the third (developing) world alone. The current thinking can be understood easily through the following expression by an Australian Aborigine woman in answer to donors of development:

If you have come to help me you can go home again. But if you see my struggle as part of your own survival then perhaps we can work together (Cited in Korten, 1992, P. 135 in Bailey et. al 1993, P.60)

The next chapter will review the literature to illuminate on the progress made on the accounting for development in this broader perspective.

CHAPTER FOUR

A Theoretical Perspective - Critique of Literature and Previous Studies on Development and its Accounting

All too apparently accounting is a phenomenon which is what it isn't and can become what it wasn't (Hopwood, 1983, p.289).

Per capita GNP constitutes a very incomplete and coarse measurement of the quality of life, a concept lying at the crossroads of a number of disciplines ranging from economics to philosophy via all the social sciences (Sachs, 1995, p.2).

4.1 Introduction

Accounting and development which are both socially constructed concepts, have been too technically oriented; though inappropriately and hence under criticism for some time (Hopwood, 1983, Sachs,1992). This chapter offers a review and appraisal of the literature in the area of development and its accounting, in developing countries such as Fiji. The appraisal is intended to delineate and sharpen further the central theme of the study; the recognition of the relevance of more contextual types of studies for gaining understanding of societies and institutional practices. The chapter begins with a brief analysis of the relationship between accounting and development, followed by a review of studies on accounting as a tool for measuring development. A critical examination of the evolution of accounting practices in developing countries is undertaken. This reveals the need to improve accounting systems of these countries, linking this to the inappropriate way in which these practices have been adopted or rather inherited from the 'developed' countries; regardless of

their application. Due recognition is given to the heterogeneous nature of the developing countries, eschewing the fallacy related to them as a homogeneous group; each one is recognised as distinct with its own circumstance. The chapter concludes with an awareness concerning the lack of studies on accounting for development; both generally and in Fiji particularly. The lack of studies provides justification and encouragement for the enhancement of literature in the area of contextual studies.

4.2 Accounting and Development- the Relationship and Disposition

Accounting has come to be seen as playing a key role in organisational functioning (Hopwood, 1983) assessing of costs and benefits of organisational actions, the setting of financial standards and norms, the representation and reporting of organisational performance and financial planning and control. Accounting has been used to cast important aspects of the functioning of modern organisation into economic terms (see Gallhofer and Haslam, 1991, 1995 for accounting as a depiction and reflection of modernity). The ubiquitous nature of accounting and its universal acceptance, installed for the achievement, or rather the fulfillment of objectives of organisations, clearly evidences the overwhelming acceptance of the phenomenon in its technical perspective. Such acceptance also presumes that accounting is there to facilitate organisational and social action (Burchell et al., 1980). It is this presumptuous nature of accounting which is being increasingly questioned and needs to be examined from a critical standpoint (Power and Laughlin, 1992). The critical concern will

work to illuminate the constrictive characteristic of accounting as the economic representation of the realities of organisational life.

Whilst there is recognition of accounting's lack of ability, in its present form, to represent or serve as a measurement tool for organisational performance and life, it continues to be mis-applied in this context because of both its widespread acceptance and the lack of suitable alternative forms of measurement systems. Some critics of this application (Sachs, 1992) argue that the devising of a system which is more incorporative of the social aspects may appear formidable, in the sense that social costs and benefits of economic activities can be cumbersome to measure, and hence, difficult to account for. Development practitioners and theorists argue that the gross national product (GNP) is still favoured as a sound indicator of the level of development that a country has achieved (Sachs, 1995).

Development in its simplest form (and as presented in chapter three) is usually referred to as progress made by a country or society in terms of the quality of life of people, notwithstanding that the concept means different thing to different societies, depending on their own plight and circumstance. As with the concept of accounting, the incorporation of the social elements generates and accords a very wide meaning to the concept of development, presenting many possibilities (see chapter three for the many views on development).

By now development has become an amoeba-like concept, shapeless but ineradicable. Its contours are so blurred that it denotes nothing - while it spreads everywhere because it connotes the best of intentions. The term is hailed by the IMF and the Vatican alike, by revolutionaries carrying their guns as well as field experts carrying their Samsonites (Sachs, 1992, p. 4).

With the numerous possibilities of development, as has been elaborated in the previous chapter as well, it is no wonder that the accounting for development appears inadequate, within the realms of existing measurement techniques (Robinson, 1979, Roxoborough, 1979; Samuels, 1990; Sachs, 1992; Tomlinson, 1991). According to these proponents, the accounting for development is being done in very inappropriate terms; mainly because of the types of accounting practices being adopted. This restrictive position is further frustrated by the understanding of the development process as a battle to be won, only when certain levels of GDP similar to the Western World have been achieved. There appears to be a widespread and universalistic perception of development which incorporates the attainment of certain levels of GDP and industrialisation; the discernible attributes of development (Robinson, 1979; Roxoborough, 1979). The acquisition of these attributes brings to bear upon the developing countries a constant pressure to become Westernised or rather ‘modernised’ with the creation of modern forms of institutions such as banks and financial corporations. The presence of such modern forms of institutions is reflective of a “superior” state of being, and the lack of thereof is an “inferior” status and even demeaning. Being developed is therefore, an achievement (see chapter three for a detailed discussion). Therefore, just as accounting as a measurement concept is depictive of a modern form of organising, so is development, a modern form of being (see Gallhofer and Haslam, 1995 for the linkages of accounting to ‘modernity’). Both these concepts however, suffer from an obviously restrictive disposition with a problematic trajectory, which is exclusionary of the social features of organisations and societies. The restrictiveness can be explained in relation to the linkages of “modernism” as

having more confidence in the technical or scientific approach; characterised by a dynamic, capitalistic “market system” (Polanyi, 1945 cited in Gallhofer and Haslam, 1995).

Both accounting and development therefore, are in need of further debate in order to expose their inability to reflect a modern form of existence.

4.3 Accounting as a Tool for the Measurement of Development

Accounting as a tool for measurement of social practices is questionable because of the lack of understanding of the social contexts within which it operates (cf. Hopwood; 1985, 1987, Robert and Scapens; 1985, Burchell, et al., 1985, Laughlin, 1987). According to Power and Laughlin (1992), the representation of an economic reality presents many possibilities.

The problem of representation suggests that there is no single way to account for economic reality, despite a continuing rhetoric to the contrary (Power & Laughlin, 1992, p.117).

The problem related to the inadequate representation, can be attributed to the way accounting practices have evolved in developing countries (Perera, 1989; Gray,1990); largely through the adoption of practices from the so called Western World, regardless of their relevance (Willkinson,1965; Radebaugh,1975 ; Perera,1980; Chandler and Holzer,1984) to that context.

....the primary accounting requirements of the developing nations appear to differ from those prevailing in the United States. Financial accounting itself- in the manner we practice it- in most developed countries does not appear to satisfy effectively the objectives of economic growth and development; also, management [cost] accountancy still lacks the required concepts and techniques needed in this process (Enthoven, 1967, p.107).

The subject of the role of accounting in economic development has attracted increased attention of accounting researchers since the beginning of the 1960's (Winjum,1971), due mainly to the growing concern among developing countries over the potentially useful role that accounting can play in achieving their economic development objectives. Such questioning of the usefulness of accounting's role in development objectives can be related to the disregard of the social elements of development. Why the disregard? - possibly because of the lack of ability to measure the social. According to Perera (1989), there is a great and urgent need for a wider definition of development and its accounting; one which promotes a harmonization of social, environmental and economic objectives (Sachs, 1995, Steer and Lutz, 1993). It is this increasing awareness related to the constricted nature of the traditionally quantitative measure of 'development' which is under attack as being limited and irrelevant and misleading. Having recognized such limitations, however, little has been done by way of moulding accounting practices to include a wider definition of the development concept; particularly in developing countries (Goulet, 1995; Samuels, 1990; Enthoven,1985) where the practices have been adopted, and literally borrowed and applied from the more developed countries of the Western World. This is elaborated upon further in the next section. Enthoven who has done so much to draw attention to the many aspects of accounting and to its potentially important role in the development process, wrote in 1981 that:

to date accountants have been reluctant to get involved in socio-economic areas, but logically this is an essential extension and function (Enthoven, 1981, cited in Samuels, 1990, p.69).

Indeed accounting does need to incorporate the social function and in this way serve the socio-economic needs of public and private users. According to Shaw (1986), accounting which is

incorporative of social elements (what he terms social accounting) will involve the measurement of social costs and benefits to society of economic activities. This is the type of quantitative information that developing countries need for more effective decision making. Samuels (1990) argues that this social incorporation into the measurement of economic activity may not necessarily be considered as accounting; perhaps not as narrowly defined. He contended further, that accounting has been confined to recording and measuring direct flows of goods and cash. To developing countries, however, the type of social information referred to by Samuels (1990) has more relevance, rather than vague guidance on matters such as accounting for leases and pensions. Power and Laughlin (1992) explicate on accounting's lack of ability to include social elements because of its emphasis on quantification (technical) for businesses and state that:

Accounting is defined as a technique of quantification or calculation which is an important prerequisite for the smooth functioning of modern businesses (Power and Laughlin, 1992 p. 114).

Accounting is therefore, understood largely as 'work', rather than 'interaction', in Habermas (1971, chapter six) sense. Of those practices such as accounting that are regarded as being merely technical, we can say that they 'work' well or badly in a given context. Our criteria of appraisal are thereby limited to the instrumental success, or otherwise of technical attributes in achieving some pre-given end, such as supplying relevant information. This sort of accounting does not address the real problems of developing countries which include poverty, unequal wealth distribution, regional imbalances, insufficient domestic savings, large foreign debts, low level of technology and the need to improve education. Such biased form of accounting however, need not be confined to the developing world. The developed world

is also experiencing the effects of such a constrictive application of accounting techniques to find solutions to their problems which are indeed not confined to 'technical requirements' by any means.

The financial reporting systems of developing countries are based upon models of international accounting standards which have been designed for situations wherein investment decisions are made by financial institutions and private investors in the market place, where there is a well organised and efficient capital market, or at least, that is what is perceived and expected. Such circumstances do not prevail in developing countries. The accounting systems in developing countries are conventional, and designed for a situation in which most of the crucial decisions regarding allocation of resources whilst supposedly made as a result of market forces, are mostly controlled by a few or an influential power group who are linked to state interventionism. In developing countries, even questions such as the evaluation of performance of private sector companies are complicated by the fact that prices may be settled as a result of administrative decisions. Consequently, the system of income measurement based on competitive prices cannot be used as a useful or relevant measure of performance. The process is complicated further if market and administrative factors work together in a mixed way, so that the market frequently makes mistakes as contended by Samuels (1990). Whilst the market makes mistakes, the government cannot hope to acquire sufficient information to do a 'better job' (Littlechild,1978, cited in Samuels,1990).

Then there is the argument of the left wing who complain that decisions in the market place are based only on private costs and benefits resulting in mis-allocation of resources. Tinker, (1985) refers to the expropriation of capital, of community wealth, of customer wealth, of employee wealth and of the wealth of nation states and thus argues for a greater level of disclosure and information on which decisions can be based. This argument will be developed further in later chapters with a specific reference to the FDB. According to this argument, accounting information becomes implicated as being not politically neutral and thus becomes aligned with exclusionary practices as a result of interventionism.

Such a system of reporting cannot serve the needs of developing countries. Instead, what needs to be encouraged is the processing of information that is useful in the economies and social climate of those countries, not information that is in the self interest of some only (Samuels,1990). What is needed is that, in addition to the present accounting system which may be useful for some sections of the economy, there is need for a more complete information system; one which is incorporative and reflective of the social problems of an economy such as poverty, education and the like; the constituents of development. For instance, Enthoven (1985) refers to mega accounting systems by which he means the extension of the accountancy system to cater for socio-economic changes that are taking place and will be taking place in the years to come. Accounting in this form, could be a possibility to consider for the measurement of development .

It is important to point out as well, that the national accountancy bodies of developing countries such as Fiji belong to international bodies such as IASC. Because of this association the interests of certain countries are protected, resulting in politically oriented policies which operate for the benefit of some groups in society (Enthoven, 1985, Tinker, 1985). Accounting professions in countries such as these then act to persuade their countries to adopt systems of industrialized nations which serve some small interest groups. An important consideration at this point is the question of what accounting as a subject has to offer.

Having reflected on the existing arrangements for accounting, one wonders as to whether there is some form of practical resolution towards an appropriate form of accounting.

Jensen (1977) in his study on accounting for economic, social and environmental impact of corporate business, argues, the impracticability of universal applications, one which is shared by this study. He argues that with the great diversity of problems faced in different communities and different parts of the world it seems unlikely that the search for universal applications or universal standards "will bear much fruit". On the other hand, he argues for more accountability on the part of business firms on the expression of the social implications of the businesses. There is a growing body of literature; one to which this study is hoping to contribute, covering attempts to improve accounting reporting and disclosures. This is referred to as social accounting, essentially an attempt to produce a more socially relevant system of accounting . Matthews (1984) divides the social accounting subject into four categories . Social accounting recognizes the potential conflicts between companies and other interest groups in society. These conflicts often arise from externalities and can include the negative effect of business activity on local communities and the environment, However, to

assess the total impact on the local community, the positive effects such as job creation have to be considered as well.

Such an analysis and assessment of the impact of the FDB upon community and society will be carried out in later chapters. The study now moves on to a review of accounting in developing countries generally, which will reflect on accounting practices in Fiji.

4.4 Accounting Practices of Developing Countries

Just as accounting is considered as an inappropriate tool for measuring development, there is an argument that such inappropriateness is because of the need to approach accounting in the so called 'Third World' (developing) countries differently to that of the developed and industrialised countries (Samuels, 1990). Not all countries follow the same development path as that of the industrialised countries, but the accounting systems seem to assume the role of achieving economic development all the same, regardless of their differences. Gambling (1974) argues that accounting information has the potential to play a very important role in debates on the issues affecting economic development and related societal problems :

It is the reform and further development of accounting which offers the most hopeful prospect of resolving the problems of our societies (Gambling, 1974, cited in Samuels, 1990, p.67).

However, it is important to understand that the type of reform and development of accounting that Gambling(1974) is suggesting, impinges upon the understanding of development in different locations; a localised approach. For the purposes of this thesis a definition of 'developing countries' has been adopted from Perera (1989) as countries that do not belong

to the Western World centered on the U.S. or the Eastern World with the USSR as a centre.

Note that these countries are referred to as the Third World and 'development' has now been defined as:

Progress which is visible not only in an economic sense but one which is socially desirable, environmentally aware and promotes the welfare of the society as a whole (Perera, 1989, p. 149).

It is this sort of development that all countries , regardless of their levels of development are seeking; a development which is sustainable. However, whilst this is a global concern; the predicament of both the developed and the developing world are confronting is an ambivalence of some sort which produces a thwarting effect on progress generally. The ambivalence can be described as firstly, for the developed world , a sustainable development may be in far reach because the stage for environmental destruction has set in, in the form of industrialisation. As a result, the problem they face now is how to reverse the process as stalling it may mean a retarding of advancement. Secondly, for the developing world , the ambivalence constitutes a strive towards reaching the level of industrialisation which will accord the status of a developed society. A strive which will mean consideration of the sacrifices to the environment which have to be made and this can result in the slowing down of the development process; a kind of an impasse. Because of this interdictory nature of the present development process, the predicament of the developing world can be considered as being somewhat better in comparison to the developed world. Better in the sense, that the developing world can curb the development degradation to some extent; notwithstanding, of course, that their development paths are influenced by and even designed by the developed world (Goulet, 1995, Hettne, 1995).

Similarly, the adoption of accounting practices from the Western World may be inappropriate for the developing nations. Perera (1989) notes that studies (American Accounting Association, 1977, p.106; Briston, 1978, p.117) have contended that it is not advisable for developing countries to adopt accounting principles from the West, because the environments of developing countries of the past, and the skills available were different from those of the present. Since those presently existing in Western capitalist countries are appropriate to a different kind of environment, they are not only irrelevant but also may be positively harmful to developing countries in the long run. They tend to become accepted norms and thereby pre-empt any possibility of changing the old, inappropriate systems and evolving new ones which are better suited to their specific needs. In other words, the environments for accounting and financial reporting are not the same, and the accounting functions of measurement and communication do not change, and what does change according to Gandhi (1976) is the context of the functions and the environment :

What does change , and change radically, is the content of those functions and the environment in which they are to be performed . The new content - the information to be measured and communicated - and the new environment are no longer responsive to the traditional accounting tools of measurement and communication. In sum this is the heart of the accounting crisis (Ghandi, 1976, P. 48).

The term 'developing countries' therefore, refers to a heterogenous group of countries mostly found in Africa, Asia, Latin America, the Middle East and Oceania. Most of these countries gained independence from the late 1950's when decolonization became a global phenomenon. A common characteristic of this group is poverty, but there are wider disparities in the levels and rate of development which each country has experienced and is experiencing. Whilst they tend to be referred to as a collective group with some common characteristics, such as an

agro based economy, they are definitely not a homogenous group; each one is different in terms of GNP, population culture, degree of literacy, economic and political systems- factors, which invariably have an impact on the nature and extent of financial reporting. More so, these countries are not static over time and it is difficult to evolve a suitable criteria for all countries . However, a commonality of these countries is that they seemed to have evolved inappropriately in terms of the acquisition of accounting practices, as discussed in the earlier section. As Perera (1989) describes quite aptly :

An examination of the accounting development patterns of most developing countries reveals that they had little chance to evolve accounting systems which truly reflect local needs and circumstances (Perera, 1989, p. 141).

On the contrary, their systems are reflective of extensions of the system of developed countries such as U.K and U.S imposed through colonial influence, or powerful investors, or multinational corporations. Wilkinson, (1965) and Perera, (1990) note that all factors that have been responsible for disseminating a Western Style accounting to developing countries share one common feature, that is the absence of any serious consideration for the needs of the recipient countries. This can be attributed to the adoption of international accounting practices promulgated by the IASC, and propagated by the multinationals for their own interest.

To this end, even the harmonization of accounting standards came from multinational corporations, because they saw the elimination of dissimilarities in local practices as a means to facilitate their operations (Faraz,1974; Needles,1976; Organization for Economic Corporation and Development (OECD),1980; Nair and Frank,1981). Hence, accounting

practices were never 'sold' to developing countries on the basis of arguments in support of their superiority to serve the local needs (Wilkinson,1965,pp.11-12 cited in Perera, 1989). The urgent need however, for a focus on the relevance of these practices, and the designing of strategies in light of the distinctive features of various developing countries cannot be over emphasised. Mirghani (1982), on the sensitising of these distinctive characteristics expresses that:

Developing countries cannot afford to wait for accounting to evolve as it has in developed countries because the influences that shaped accounting in the developed countries are unlikely to occur in developing countries by the same degree. Instead, a carefully designed strategy for the development of accounting as an effective tool for the economic development process must be adopted by each developing country in view of its own specific environment (Mirghani, 1982, p. 68).

Insistence on contextually relevant applications are congruent to the undertakings of a critical theoretical approach and thus, has a particular appeal and relevance for this study.

4.5 Issues of Relevance- Different Characteristics of Societies

Whilst there is indeed a legitimisation and rationalisation for contextual application, there are certain issues which are considered as relevant and those which must be considered when analysing and assessing accounting practices for development in developing countries. These relate to individualistic and collective characteristics of different societies; the types of social units for instance. According to Hofstede (1983), individualism stands for a preference for a loosely knit social framework in society wherein individuals are supposed to take care of themselves and their immediate families only, and collectivism stands for a preference for a tightly knit social unit framework or rather extended families in which individuals can expect

others in the group to look after them in exchange for unquestioning loyalty. Hofstede (1983) concludes that the degree of individualism in a country is statistically related to that country's wealth (cited in Perera, 1989, p.153). For instance, serious doubts have been raised about the relevance of Anglo-American accounting principles and practices to developing countries in many studies (e.g Scott, 1968; Briston, 1978; Samuels and Oliga, 1982; Perera, 1989; Hove, 1986). These doubts are generally based upon factors such as identifiable differences in business environment, business ownership structures, users of accounting information, attitudes towards disclosure and so on.

Perera (1989), noted identifiable differences between industrialised and developing countries in terms of their cultural orientations. For example, the former are highly individualistic (Hofstede, 1983). The cultural orientations of most developing countries are such that their societal values would seem to favour uniformity. However, to the extent that these societal values achieve uniformity have to be understood within the confines of a Western influence of elitist type of practices. Such practices generate and promote great disparities of wealth and hence, create powerful groups who control the society. In addition, further issues of relevance to accounting measurement tools can only be resolved if the environmental factors impacting upon a nation's choice are investigated as well. Whilst discussions of the impact of environmental variables are an age long feature, they have only recently begun to be exposed for consideration (Wallace, 1990; Gray, 1990), and that too as part of the social responsibility of accounting. It was not until mid to late 1970's that social accounting was recognised as having potential ecological impact at all (see Ullman, 1976, Dierkes and Preston, 1977; Perks and Gray, 1978; 1979, 1980; Gray, et al., 1987, 1983). It was

not until 1989 when (in Britain at least) suddenly “everything went green” ; an awareness of the environmental impact. This relatively low level of apparent interest in environmental matters in accounting before 1989, raises the question of whether the accounting research agenda is influenced too much by the current agenda of the political and business world. Such influence and bias may well explain the lack of research in the area of environmental issues (See Tinker , 1982; Gray, 1987). This then raises a further issue of how research matters are chosen and thus how knowledge is identified, established and legitimated. As Gray (1987) correctly points out such matters should be clearly of critical importance to the academic community. Thus, an awareness has to be created of this vital role of the academic community, so as to avoid bias in selection and a seriousness in their approach as ‘educators’ of community.

Some studies have been carried out in the Pacific Region as to the relevance of accounting practices adopted by countries, as they are reflective of those of their neighbouring and more developed countries. Wallace(1990) notes that in Fiji and Papua New Guinea , inadequate financial reporting and auditing standards together with a lack of shortage of qualified accountants in all operational areas of accounting created problems. Problems identified were: (1) untimely and/or incomplete information for decision making and (2) the lack of adequate accounting in government and government agencies. This was drawn from a study by Juchau (1978) on the relative importance of eleven problems of accounting practice to the developing countries of Fiji and Papua New Guinea. The study noted in particular the tremendous influence of Australia and New Zealand practices in these countries. Juchau (1978) identified three important programmes for alleviating the difficulties encountered in

these and other developing countries; 1) manpower development, 2) public relations and 3) professional development.

Similar context related studies such as this one will assist tremendously the transformation process of developing countries and is encouraged. The literature would be enriched further, and enlightened if accounting academics increased the rate of discovering and challenging of accounting practices relating to developing countries, so that concepts and beliefs relating to these practices can be better articulated within their different contexts.

4.6 Need to Improve Accounting in Developing Countries

That accounting systems of developing countries are in need for improvement has long been established as discussed herein (Perera, 1989). What has not been addressed are the issues relating to the devising of forms of improvement or even consideration of these. Accounting academics have turned their attention to the evolution of methods by which the developing countries can be assisted. Wallace (1990) notes that four approaches have been proposed; 1) that of transferring of accounting knowledge by designated transfer agents, (Engleman, 1962, Needles, 1976; and Briston, 1978), 2) that of adopting a user- oriented accounting framework (Scott, 1968), 3) that of using existing and potential accounting systems, techniques and procedures to enhance economic development within a nation; integrating all branches of accounting to serve micro and macro socio - economic decisions and 4) that of a two tier education system which combines a para- professional training for accountants in Third World countries. An illustration of such application is provided by Enthoven (1979), Briston and Wallace (1990).

Enthoven (1985) , adds another dimension and a probable solution to the problems of developing countries; one which is located in the necessity of utilising the developing world to provide assistance to the developed world. Such assistance as elaborated upon herein, does not assist and instead, aggravates the plight of the recipient countries. However, Enthoven's idea is based on the pre-sumption that no developing country can assist another developing country. This may not necessarily be the appropriate measure to adopt for assistance, and there is a definite need to review accounting profiles of developing countries as there are some who are more advanced and capable of offering assistance to the less privileged of their kind. The sentiment of the lesser privileged countries may even be better understood by the more advanced amongst the developing countries, as they can relate with more ease to the special problems of their 'own kind'. This sort of emotion was discovered and experienced by the writer at a recent encounter with the local town council. For instance, where the council displayed a definite bias to engage the services a local accounting firm with the local experience and knowledge rather than that of the international firms, whom they considered would represent the more advanced country and therefore draw resources from these more advanced countries to evaluate systems of the local body. This was thought of by them as demoralising because the systems of the local council would be compared to the more advanced countries who may designate the 'weak' systems as demeaning, besides not being able to understand the local culture and appreciating the stage of development which Fiji has reached. They even relegated the practices of the more advanced countries as being not conducive to the requirements of the council, and that it may even act antagonistically and become disabling to the objectives of the council.

Therefore, whilst the accounting systems of the developing countries are in need for improvement, such improvement has to be incorporative of a more critical and enabling form (Gallhofer and Haslam, 1997) and not as accounting as a form of modernism (Gallhofer and Haslam, 1991, 1995). The latter assumes a form of imposition and hence control, while the former allows the possibility of a contextually relevant application.

4.7 Unresolved Issues - Issues Needing to be Addressed

Concerned with the quest of closing the gap between the developing and developed countries, accounting literature has emphasized the importance of accounting in economic development. In terms of knowledge, the literature has only dealt with the superficial. It is assumed that financial accounting has an important role in economic development. There is a need to investigate whether there is a relationship between types of accounting measurement tools and disclosure practices on the one hand, and the development characteristics on the other. Wallace (1990) emphasizes that this basic question should assume precedence over other issues such as the professional development for developing countries.

It was noted that all writers on accounting systems in Third World countries gave prominence to accounting as having a vital role in the achievement of economic growth. Such recognition of the role of accounting then gives rise to the question of, whether developing countries should allow the evolution of its accounting practices to follow the path of the developed nations or should it allow its own environment to guide the development of its accounting. Such choice is necessitated, considering that circumstances which shaped accounting in developed countries are definitely and notably different between the two.

One word of caution is vital at this point; that to assume that all developing countries are homogeneous and hence to assume that they all possess inadequate and inappropriate accounting systems is to take the "generalization too far". A methodology needs to be evolved which will help in identifying those of them whose accounting systems can be described as developed in the context of their level of development (Wallace, 1990). On this premise some of the developing countries may well be operating accounting systems which can be described as developed in the context of their level of development, and in that way superior to some of those operating in some developed countries.

Overall, there is a need for universal attention, regardless of the levels of development to social accounting. Tinker (1985) accepts that all forms of social accounting are an improvement on 'conventional accounting' (meaning the traditional technical emphasis). If a social accounting system could be developed and implemented it would help reduce what is referred to as alienation. The alienation is effected through the control of businesses and economy by a few powerful interest group who exercise control over both businesses and the regulatory aspects related to them. The fostering of alienation in this manner presents accounting's conflict enhancing potential (see Gallhofer and Haslam, 1991) and its perceived neutral and independent role. Accounting's capacity to create and control social reality translates into empowerment of those who use it. Such power resides in organisations, where it is utilised to instill values, sustain legitimising myths, mask conflict and promote self-perpetuating social orders (Baker and Bettner, 1997). The influence of accounting permeates fundamental issues concerning wealth distribution, social justice, political ideology and environmental degradation throughout society. Contrary to public perception, then accounting is not a

static reflection of economic reality, but rather is a highly “partisan” activity. (Baker and Bettner, 1997; Tinker, 1985). Any accounting system that would help reduce alienation is therefore, seen as an ‘improvement’. Tinker (1985) goes further and proposes a system which is an improvement even on social accounting. This he refers to as ‘emancipatory accounting’ which is somewhat of a politically motivated expression (Samuels, 1990). Herein conventional accounting is considered as too profit motivated and not too concerned with how to distribute this profit (see Tinker,1985 for an elaboration).

Tinker (1985) refers to the various forms of alienation by dissecting them into two categories as 1) wealth mis-specification alienation and 2) intra-class expropriations and appropriation by externalisation such as expropriation of capital provider’s wealth, local community wealth, customer wealth, employee wealth and wealth from nation states. His discussions whilst providing a theoretical framework for this form of accounting do not elaborate on the practical side of concept which is rather unfortunate, as this sort of accounting does have promise of improvement for many societies and particularly from a developmental point of view.

Regrettably little has been done , so far, in this regard despite a pressing need for such study; a general lack of critical and interpretive approach to research in mainstream accounting. Baker and Bettner (1997) observe the lack of this type of research and relate this to a somewhat deliberate act by the academic fraternity. They rationalise their claims by a revelation that because of the presence of a social conflict in the higher levels of accounting research, such approach to research is excluded from appearing in mainstream journals.

Overall there has been little done in contextual terms or by way of a critical approach and Wallace (1990) notes for instance, that there have been few studies undertaken on accounting systems of African countries. Similarly there have been very few studies carried out on the Fijian accounting systems; either at a macro or micro level; that is societal or organizational level as to the appropriateness, relevance and competence of such systems, because of their adoption from the colonial influences. Further, there is a limited number of studies carried out in Fiji through the application of a critical ethnographical method of observation and analysis. Hence, this study aims to make a contribution to the literature on accounting and development. Confrontations which may be experienced in the form of the dynamism of development and its implications on accounting practices will be discussed in the next section to create an awareness of complexities associated with such processes.

4.8 A Further Complication - the Dynamism of Development

Whilst much has been said about the inability of accounting in its present form as a measurement tool for development activities, not much energy has been devoted towards the dynamism of development, which is rapidly assuming the form of an environmentally aware phenomenon (commonly referred to as sustainable development or ecodevelopment) (Schmideiny, 1992; Steer and Lutz, 1993). Sustainable development is a universal phenomenon; one which confronts all all countries across the globe, regardless of their development dispositions. The question of sustainable development poses complications in the form of various questions which have to incorporated into the development planning exercises. Questions such as the impact of industrial projects upon the environment are becoming an integral part of the planning process of development endeavours. This makes

sustainable development a more socially accountable form or an appealing form of development (Bailey et al., 1993; Sachs, 1992, 1995; Hettne, 1995; Goulet, 1995). This expectation of a more appealing form of development which once again directs our attention to the visualising of a form of accounting which is conducive to, and promotes this form of development through the enabling of measures of the social costs and benefits associated with its implementation. Is such an accounting possible? (see Gallhofer and Haslam, 1997 for discussions on such an enabling accounting).

The implications are therefore, that accounting's essence can be best understood through its impact on individuals, organisations and societies; thus rationalising more use of interpretive and critical perspective to accounting research. This approach to research may bring about the much needed improvement in the accounting systems of developing countries.

4.9 Chapter Summary

This chapter has sought to provide an appraisal on the literature on accounting for development, and of the relevance of accounting practices of developing countries towards achieving their development objectives. During the process, a significant discovery was made of the little advancement that has been made in this area. Another important feature of this chapter was the re-enforcement of the need for wider definitions for concepts such as accounting and development, to ensure the incorporation of socio-economic issues. The discussions herein noted a concern for creating a system of accounting that will be of greater use, and relevance to developing countries, than the so-called 'conventional accounting'. With the advent of the environmental issues and the ever changing conditions (dynamism), the

question of whether the accounting practices of all countries need re-looking at and revising becomes pertinent.

To reiterate and summarise the issues; there is the need to first of all, to define the form of development that a country is seeking, difficult as that may be and then examine the prevalent accounting practices in that country in order to assess its own requirements; “a soul searching exercise” or “critical appraisal”. This will then achieve relevant transformations, attuned to the country’s own specific circumstance and problems. Thus, it will work towards its own development programme. The next chapter provides an analytical background of the Fijian society and circumstances within which the FDB operates. This will set the stage for further analysis to be undertaken in subsequent chapters.

CHAPTER FIVE

The Fijian Societal Context

Society is not a mere sum of individuals. Rather, the system formed by their association represents a specific reality which has its own characteristics. Of course, nothing collective can be produced if individual consciousness are not assumed; but this necessary condition is by itself insufficient. These consciousness' must be combined in a certain way; social life results from this combination and is consequently explained by it. (Durkheim, 1978,p.113, cited in Pratt)

... the ultimate constituents of the social world are individual people who act more or less appropriately in the light of their dispositions and understanding of their situation. Every complex social situation or event is the result of a particular configuration of individuals, their dispositions, situations, beliefs, and physical environment (Lukes,1973,p.121 cited in Ryan)

5.1 Introduction

A descriptive and analytical account of the Fijian Society is provided in this chapter, one that is intended to offer, a historical overview of the social, political, and economic aspects, including the population typologies and characteristics of the major racial groups of people. These are the determining factors of the societal practices and the institutions residing therein. In conformity with the objectives of this study, an articulation of “development” within the Fijian context, derived from a critique of the Fijian Financial System is attempted. Finally FDB’s location within that system in relation to the expectations and/or public perception of the bank as a development institution is reviewed, thus setting the stage for a detailed analysis of the FDB to be undertaken in subsequent chapters.

5.2 Brief Background and History of Fiji

Until the latter part of the nineteenth century, when Fiji became a British colony, Fiji was not a nation in the modern political sense, but an archipelago of approximately three hundred islands inhabited by peoples of Melanesian stock with a Polynesian component who today are called Fijians. They had no written history but a rich oral tradition which attributed to them a common and divine ancestry and they had acquired a reputation as a fierce, warlike people hostile to outsiders. Their first contact with Europeans dates from the early years of the nineteenth century when traders came to the islands seeking sandalwood, and later beach-dermer, for lucrative trade with China. The British Government became interested in Fiji by the activities of its Australian colonists in the mid-nineteenth century. It was not until 1874, however, that Fiji was ceded to Britain, at the request of the dominant Fijian leaders of the day, after a period of unofficial European speculation in Fiji (Ali,1980).

After ninety six years of colonial rule, Fiji became an independent nation in October 1970. In this period there had been significant changes. Fiji had acquired new peoples and a broader resource base as commercial agriculture, mining and tourism were added to the subsistence economies of former days.

By December 1869 the European population in Fiji numbered 1250. By the end of 1872 it had more than doubled to 2670 (Ali, 1980). The attraction for these islands brought a considerable number of white settlers, looking for less competition and better commercial prospects in terms of profits. These newcomers were described as farmers, vine growers, diggers and merchants and hoped to secure a regular supply of cheap Fijian labour to assist their

commercial activities. The Fijians, however, resented such intrusion into their country and sought advice from the then Governor of the new colony, who had experience with Indian indentured labourers in Mauritius and Trinidad. He resorted to that same system for Fiji with the intention of providing Fiji with a regular labour supply for its economic needs and, at the same time he sought to protect the native population, the Fijians. Whilst the conditions in India were such that an offer for a steady income was attractive, the labourers were recruited through deceptive means with the offer of a superior form of life than their present circumstances. The first Indian settlers were brought into Fiji in 1879 to work on sugar cane fields and to promote economic development generally, as they were known to be hardworking people. However, the lives of these people on the plantations in Fiji were extremely difficult, amounting to exploitation of available labour (Ali,1980; Gravelle, 1979; Subramani, 1979).

It is these two groups of people, the Fijians and the Indians, who are the dominant population in Fiji. The other various ethnic groups comprise Chinese, Europeans, and some others, making it essentially a multi-racial country. For the purposes of this study, only the relationship between the Fijians and Indians will be elaborated upon as a necessary pre-condition for gaining a through understanding of certain practices of the FDB.

5.3 The Social Structure and Systems of the Indigenous Fijians

The indigenous Fijians are a unique community with a history which is not so long (nearly 300 years). It is important to understand the workings of their social system as these people

play the lead role in the development of Fiji. This lead role is, however, confined to politics mainly and does not extend to commerce.

5.3.1 Social Structure

The Fijian social structure is comprised of a chiefly system: a hierarchical and stratified system representing different levels of authority through which they administer their lives and organisations. A diagrammatic representation of the hierarchy, as adopted from Ravuvu (1983), is shown below:

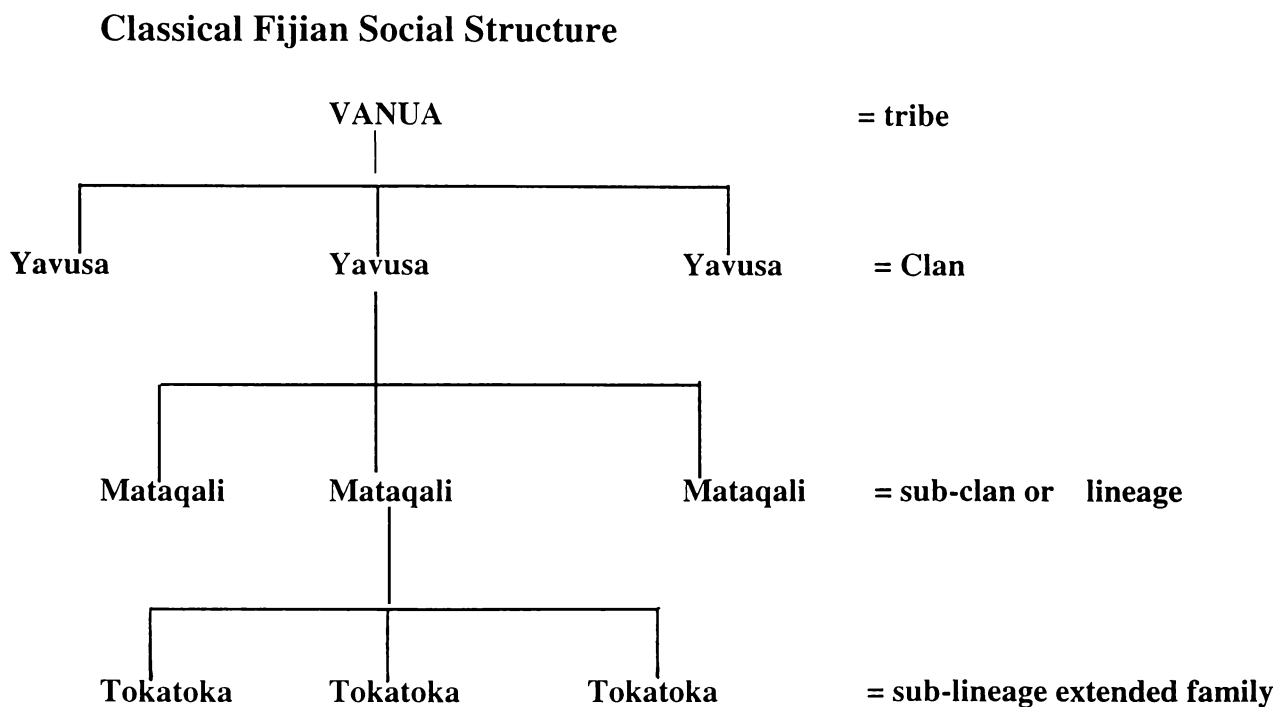


Figure 2

Vanua literally means land, but also refers to the social and cultural aspects of the physical environment identified with a social group. On the social plane, it includes people and how they are socially structured and related to one another. On the cultural plane, it embodies the values and beliefs and the common way of doing things.

The vanua, the largest grouping of kinsmen who are structured into a number of social units which are related to one another, is the living soul or human manifestation of the physical environment to which the members belong. The people are the “lewe ni Vanua” (flesh or members of the land) by which a particular vanua (land in both physical and social dimensions) is known to other outside social groups. They are the social identities of the land, and also the means by which the land resources are protected and exploited for the sake of the vanua, the people and their customs. For a vanua to be recognised, it must have people living on it and supporting and defending its rights and interests. A land without people is likened to a person without a soul. The people are the souls of the physical environment. Like the interdependence of the body and the soul, the people control and decide what happens to the land.

It is this belief in the deep-seated value of the land that is the driving force behind their thinking on their ownership of the land. An important dimension to this arduous value that is placed upon the land, is the current economic influence in terms of benefits arising from the sale or lease of this land. This economic dimension then places the Fijians in an advantageous position. The current economic activities are reflective of this economic element being utilised as a coercive by the Fijian people. For instance, currently there is a major contentious issue which is affecting the political sphere and, hence the economy in Fiji which is related to, the renewal of leases by the owners of the land who are the indigenous Fijian people. The land in question is largely agricultural on which there are sugar cane plantations, sugar being a major export of the country. These plantations have been developed by the Indian people who are the lessees of the land. The non-renewal of the leases means the killing of the

livelihood for a number of Indian people, and this decision vests with the land owners. This position gives to the land owners power in negotiating the renewal which can be used detrimentally towards the overall economic position of the country. The damaging effects of this situation have already been experienced by the country, in the form of a decrease in sugar exports and a general slow down of the economy as a result. Such negative forces between the two major population groups provide further avenues for resentment to develop, resulting in feelings of animosity between the two major racial groups becoming a characteristic of the Fijian society.

The next social unit down the scale representing the human manifestation of the land of any vanua is the yavusa, a group of people who trace their descendants on the male line to a common ancestor or ancestor god. It consists of a number of people who are sub-divided into various social groups according to blood and kinship ties, and who normally reside in a defined physical territory known as koro (village). Thus, the koro itself can be considered as a major sub-group of the vanua which has both a physical and a social entity. The koro may comprise one or more secondary social sub groups of the vanua, lately referred to as the yavusa, together with their primary sub-divisions, the mataqali and their tokatoka. Whilst the land on which the village stands may be registered under one or several mataqali, the secondary rights to occupy various sites within the village remain generally with the yavusa and those mataqali which have long occupied them. Residual rights, however, are still retained by the mataqali which has the primary legal right of control under land registration.

5.3.2 Cultural Aspects

The cultural aspects of the vanua are related to the belief and value systems of the people, and the various relationships which exist between man and man, and man and his physical environment. These determine how people think and do things. In an economy which is still very much subsistence based, the idea of caring for and sharing with others is an important aspect of the value system of the Fijian people. The members of the community often depend upon one another for their various needs for survival.

The Fijians inherited responsibility and obligation of caring for one's immediate blood relatives is extended to include all other blood kin irrespective of generation and group affiliation. Through marriage, this obligation is extended further to one's in-laws and their kin. The wider the social network of relationships, the more one feels secure and assured of being cared for (Ravuvu, 1983).

Another very important characteristic of the Fijian social system is the notion of reciprocity. A high proportion of significant social contact among Fijians is accompanied by gift-giving. Casual visits between friends may call for the offering of yaqona, tobacco or other gifts as the appropriate and proper way of behaving. It is considered as normal to reciprocate as this is an indication of hospitality, *honour*, respect and acceptance. The value and amount of the gifts being exchanged are symbolic of the social status of the giver and the recipient, and the attitude and feeling each has towards the other. The one who receives feels honoured and accepted, but will be rather embarrassed and ashamed if he cannot reciprocate with the same amount or more than he receives. The idea is not necessarily to match the gift, but to better it.

Cyril Belshaw provides a summary of Fijian reciprocity as follows:-

Reciprocity is an aspect of quality of social relations. It is sometimes considered on the analogy of ‘one good turn deserves another’, but it is more enduring and less casual than this, and may sometimes be accompanied by very strict accounting. Reciprocity implies that there are formulas which describe the patterns of expected cooperation between persons with defined relationships to one another. A man may borrow goods from his mother’s brother or cousin and may provide labour for his garden or house building. There will be visiting between the two families, accompanied by food-giving and exchange of artifacts. Such transactions are remembered and known and any defaults in duty will be the subject of recrimination. A man should not be so generous that he causes shame. A man may give a gift without its having been requested. To refuse to receive it would be insulting but it opens the way for a later demand or request which cannot be refused without insult or an implied rejection (Belshaw, 1965; p38, cited in Ravuvu, 1983).

One important note here is that the gift may take various forms of food usually, but for the larger negotiations the highest form of gift which is the whale’s tooth is used. The presentation of the whale’s tooth is very significant and the receiving party comes under obligation and is bound by custom to return the favour, or facilitate the giver’s wishes.

Such a practice manifests itself in the request for a loan from the FDB. This occurs where the manager and the applicant are of the same ethnicity, (Fijian) and are therefore bound by the same customs and traditions. This places the receiver, the manager, in a very awkward position; in that she/he is obliged to consider the loan favourably. This plight of the managers was discovered during discussions and manifested itself as a difficult to manage situation, and yet a definite influence upon the

decision making process. It was noted that the managers often times went out of their way to avoid meetings, when they expected such a practice of reciprocity for fear of being ostracised by their community if they were seen not to assist.

However, the situation can be described as one that is changing, but to what extent and degree is difficult to comprehend, but one which needs to be addressed.

5.3.3 Fijian Administration

As noted by Ravuvu (1983), the introduction of European principles of government of the Fijians faces considerable difficulty, particularly during the pre-cession government of Ratu Cakobau. After 1874, the British Colonial government, learning from the failures of the Ratu Cakobau and his European minister, adopted a system of indirect rule over the Fijian people. The system emphasised the need to administer Fijians according to their customary forms of government, and according to how Fijians hold rights to land. It was to be a “government within a government”, the idea of a central and a local government. The land and people were demarcated and grouped according to traditional, political, and social alignments. Each vanua, then, was placed into the responsibility of a person who commanded respect, who was a chief, and who was appointed from among the senior members of the principal landowning unit of the area.

To effect administration of the Fijians as a whole according to their customs, a number of ordinances were enacted, and a Native Regulation Board was created. The Board, later known as the Fijian Affairs Board, had the power to make regulations for the good government and

well-being of the Fijian people. Most of these regulations were created and were referred to the Governor in Council by a number of councils which met and decided matters relating to the Fijian way of life in general. The Council of Chiefs was the paramount council and acted as an advisory body to the Governor, in the then Legislative Council of the Colonial era, and has since continued to do so in the present Parliamentary System of the new Independent State.

The Council of Chiefs has since remained the highest body in the system of Fijian councils. It continues to be the voice of “Fijian public opinion” and makes recommendations to the Minister for Fijian Affairs and Rural Development. Today the existence of a Fijian Affairs Department is concerned with the execution and supervision of Government policy and objectives regarding rural development among Fijian communities. This department does not influence FDB policies directly but is in a position of making suggestions for areas for improvement.

The extant system is characterised by mixed attitudes, emphasising the need for building and establishing a strong multiracial society on the one hand, and a feeling of undermining strongly the Fijian values by fostering multi racialism. Fijian feelings are so strong in relation to social, economic and political attitudes, and reveal themselves in the emergence of new political parties which reflect their demands. Fijians have also accepted new values and acquired new skills and knowledge as a result of increasing contact with the outside world and the effects of modernisation. The traditional village way of life has been influenced by a desire to increase the standard of living, and there is a notable move from the villages to industrial

centres for employment. In these changes lie the elements of direct competition between the Fijian and the Indian populations, the latter being more commercialised in their outlook, and thus considered to be in an advantageous position.

5.4 Tensions Amongst the Racial Groups: Fijians and Indians

The indigenous Fijians were the first settlers whilst the Indians were brought into the country by Colonial rulers in 1879 as indentured labourers to work on the sugar cane fields and to promote economic development generally. In their role of labourers, the Indian community continued vigorously to develop agricultural activities from 1887 to the present time. However, the Indian Community's increased participation, together with their increasing numbers (which rose to 15,000 from the year 1879 to 1990; that is over twenty one years) became a cause of concern for the Fijians (A. Ravuvu, 1991). As early as 1888 the question of the continued introduction of the Indians was raised at the Great Council of Chiefs (Fijian System) meeting.

The following resolution of the Great Council of Chiefs was passed for the Governor's action:

A large number of coolies have been brought into this colony, and are still being imported. We notice that many of those who have served their term of indenture locate themselves amongst us; and though we do not wish to be inhospitable, yet we cannot help observing their number increasing, and that they are becoming a source of annoyance to us by their thieving propensities and by their customs, which are entirely different from ours and distasteful to us. Furthermore, some of us have been punished when deserters have been found in our villages.

We have therefore, weighed this matter carefully over in our minds and have unanimously agreed to respectfully ask Your excellency to explain to us the future position of those who are likely to settle to this colony. (Legislative Council Debates, 16 July 1946, p. 168).

In 1888 the Governor assured the Chiefs that the number of Coolies (Indians) was not likely to increase rapidly, and that it was unclear as to whether they would settle in large numbers. He further advised the chiefs that the Indians who settled in Fiji would be kept under control by the Government, and that the Fijians should neither allow them to live in their villages nor copy what he termed “their distasteful customs”.

Notwithstanding the assurance given by the Governor in 1888, by the end of the indenture system in 1916, there were about 60,000 Indians in Fiji as against 90,000 Fijians. By 1946 Indians numbered about 130,000 and Fijians only 119,000 (Ravavu, 1991).

In the legislative Council of 19 November 1947, in a speech on the Appropriation Bill, Ratu Sukuna said :

Fijians fear Indianisation and for this reason; Indians possess an ancient culture of which they are justly proud and from which they have no intention of departing Further, it is because we believe Indian Culture to be lacking in the qualities of cooperation, moderation and toleration ... (Scarr, 1983, p 442).

Similar emotions were brewing among the Indian population, who believe to this day that their role in the development of the economy was vital and far superior to that of the Fijians. During the early part of 1920, and again in 1921, the Indian population displayed demands of equality by staging strikes which came with the objective of demanding an increase in wages, and included disruption of communication and services. Indians further pressed for political rights and a social and economic position.

The Indians were seen as an immigrant race who were wishing to establish permanent roots in a foreign country. For the Indians, Fiji was their home as they were brought into the country as workers, and against their will. Sutherland (1992) somewhat explains the rising aspirations and concerns of the “Indian Community”.

The Colonial Government recruited indentured workers from India not for reasons of making Fiji a pluralist society but because labour was required by capitalists wishing to develop a sugar industry (Sutherland, 1992, p.54)

Having contributed in a significant way to the growth and development of the sugar industry, not for Fiji’s sake, but at the command of colonisation, the Indian population were justifiably proud not to dispense with this important position they held, and the feeling has not changed even today. On the other hand, Europeans dominated both the executive and legislative councils, despite the paramountance of Fijian interests. The colonial system skillfully managed to keep the two races divided by encouraging the tension to develop, so much so that this anti-feeling culminated in a military coup for fear of Indianisation.

5.4.1 The Military Coup and the Focus on Fijians

The increasing concern of the indigenous Fijian community towards the Indians as a threat to Fijian political and economic control led to a military coup in May 1987 against the new elected coalition government of Dr Timoci Bavadra. This coup saw the beginning of political upheaval and increasing racial tensions between the two major groups. It is since May 1987 that Governmental Economic Policies have been revised and changed to promote and foster

increased Fijian participation in virtually all facets of the economy and life generally. That is to say, policies have been changed to subsidise Fijian education and business; racially discriminatory practices. One such example is the subsidies provided to the ‘Special Loans’ division of the FDB which caters for provision of loan facilities for the indigenous Fijians only. (This will be further elaborated upon in chapter seven). The extant situation, hence, is a focus on assistance to Fijians as a part of state policy. The national budgets since 1987 have allocated certain funds for the enhancement of Fijianised activities, in both business and education. An example of such allocations can be drawn from the 1997 Budget :

**\$4.70 Million for scholarships under the Fijian Education Programme.
(an extract from the 1997 Budget)**

Such allocations have become of a recurring nature since the coup in 1987 and are still carrying on today. At this point it is important to understand the concept and organization of indigenous Fijian societies. They are organized on communalistic lines, but, were historically and even today to some extent composed of small and relatively autonomous social groups which are referred to as tribes, chiefdoms, kingdoms and states. Whilst there appears to be internal cohesion within Fijian societies, at the same time there is the contradictory reality of inter-tribal warfare. This warfare and contradiction can as Sutherland (1992), correctly pointed out, largely stem from the exploitation of commoners by chiefs. Because of internal conflicts of this nature, the struggles of post-coup Fiji can be explained as emanating from intra-Fijian struggles, in addition to the Indian-Fijian tensions. Tensions between chiefs, between tribes, between commoners and chiefs, eastern and western Fijians and also urban and rural Fijians (Sutherland, 1992) are existing even today.

Educated Fijian commoners are concerned that the post-coup events and the construction of a newly proposed constitution may erode their democratic rights by providing and securing more chiefly power. This articulation of the struggles between Fijians is not surfacing, although inherent within the society. Instead, the focus is diverted to the racial struggle between the Fijians and Indians. Sutherland (1992), points out the need for the uncovering of the reasons of the conflicts which lie within the race rather than between the races. This argument questions the 'real' objectives of the 1987 Military Coup. There is merit in understanding the objectives of the coup as being more than a Fijian – Indian conflict of race, and that it was a deliberate attempt by one class of people to ensure their security by oppressing the other.

There appears to be a thinking by the more 'common' (as contrast to the chiefly clans and those not in power) Fijians that the coup has aggravated their problems. They believe that the benefits of Fijian assistance programmes are designed by the 'elite' group for themselves rather than the common Fijians. However, because the military coup was reasoned on the basis of improving and securing Fijian 'rights', there are manifestations of such belief which assumes the form of expectations for assistance by the Fijians generally. For instance, the FDB is expected to provide the finance required for Fijian projects. The existence of the Special Loans Scheme confirms such a belief and encourages these expectations. Whether this is complementary or antagonistic to the FDB's developmental role is a factor worth considering and will be discussed in later chapters. Regardless of the conflict existing between and among the races, there has been a definite focus on the Fijian population since the coup in 1987, bringing with it further inter-racial tensions.

The next section provides a succinct background of Fiji's economic arena and climate which is necessary to articulate its developmental practises and direction in that area.

5.5 The Fijian Economy

The Fijian economy, is characterised today as a young aspiring nation with ever increasing industrial activities and a visible dependency on agricultural activities, and the Indian population are the main players in the economy. Indians are considered and characterised as commercially minded and dominate the economy. This economic domination dates back to the days of their indenture system; even when their numbers were significantly small compared to Fijians. This diversification into business enterprise by the Indians was resented by the Fijians who then saw them as a threat. Such sentiment stems from the proud, and at the same time, less commercial nature of the Fijian people who are protective of their ancestral rights on the one hand and lacking in commercial business sense on the other. In recognition of their inability to operate successfully in the business sector, the Government has formulated policies which are especially designed to assist and increase Fijian participation in commerce, through the provision of grants and the allocation of certain funds, education and training programmes. This kind of treatment for the Fijian people is considered as unfair by the Indian population who receive no special assistance with their commercial endeavours. There is also an inherent element concerning the inter-racial struggles encountered by the common Fijians though which effectively and systematically removes them from being recipient to such privileges and is a separate issue to that of the tensions between the races.

Characterised by a British colonial regime, Fiji has financial institutions which are similar in structure to that of its other colonial counterparts, Australia and New Zealand. These two countries, being closest in proximity, exude a strong influence on the types of practices conducted within the economic sphere of Fiji.

5.6 The Fijian Financial System and its Wider Environment –influences upon the system

Essential to the understanding of a Fijian socio-economic context is an analysis of its financial system, that is, the factors and forces driving and impacting upon the economy and the organizations residing therein. Reference will be made to FDB's role within the system and articulated in light of its responsibility for the socio-economic development of Fiji.

The Fijian Financial System can be divided into five broad categories :-

- The Reserve Bank of Fiji
- The Banking Industry
- Non-banking financial intermediaries
- The Insurance and superannuation industry
- The Securities Industry – (recent but being developed)

This has been represented diagrammatically in Figure 3.

Fijian Financial System

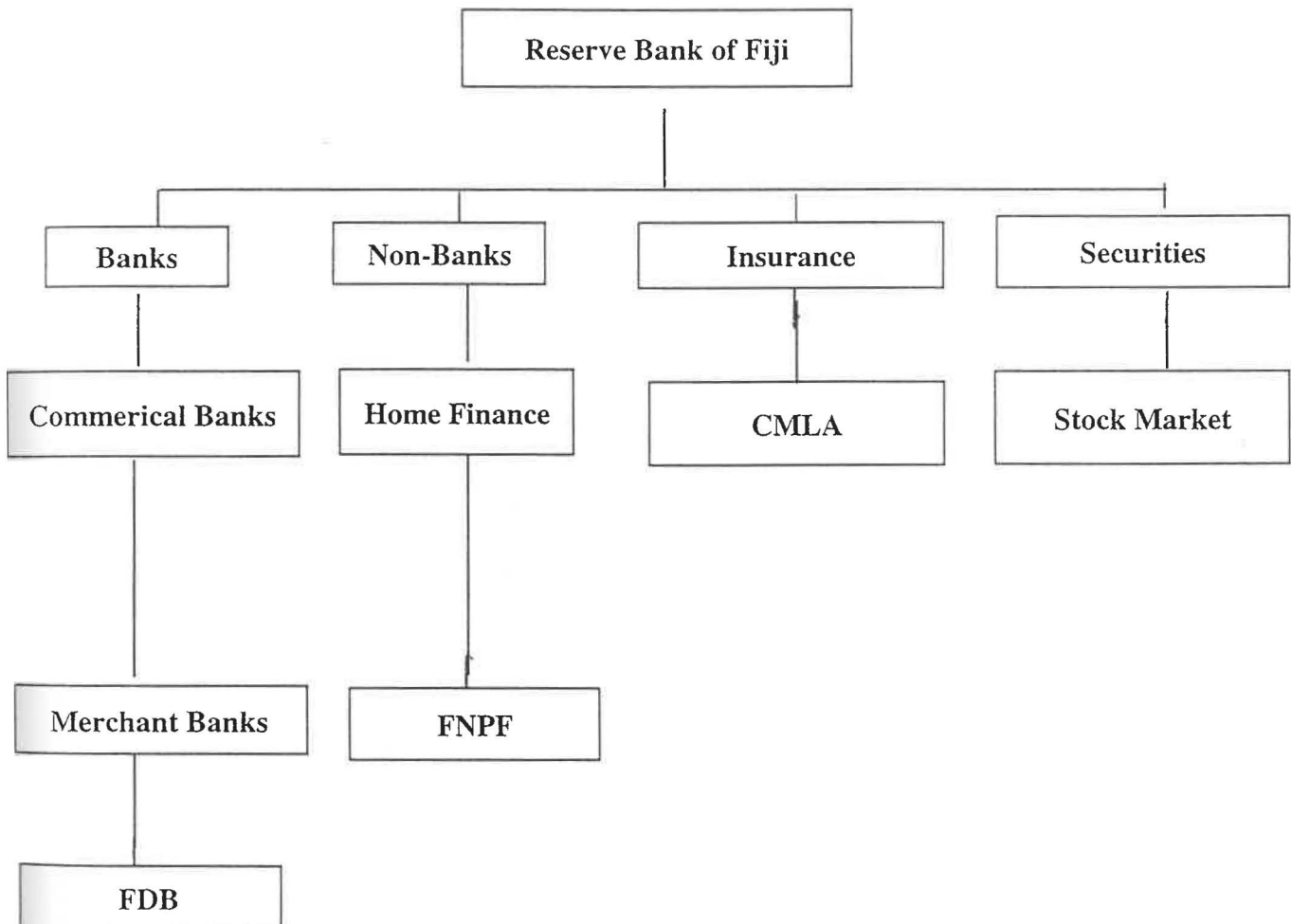


Figure 3

The Reserve Bank of Fiji (RBF) is the Central Bank which serves as the monitor for the financial institutions and hence the operations of the financial system. It is a regulatory body which has an impact on the economy by controlling the financial players in the market. This

regulatory aspect of the RBF determines the availability of finance facilities of various types to assist and encourage business activities. With a general global trend towards deregulation, the RBF has kept pace and is allowing a competitive finance industry to develop through the encouragement of new types of financing institutions.

As described by the Reserve Bank of Fiji Act (1985), the principal purposes of the RBF (as a key contributor and player in the economic success of the country) shall be to regulate the issue of currency and the supply, availability and international exchange of money. Its aims are:

- To promote monetary stability**
- To promote a sound financial structure**
- To foster credit and exchange conditions conducive to the orderly and balanced economic development of the country.**

The Banking Industry comprises commercial banks, merchant banks and the FDB. Other financial intermediaries existing within the Fijian Financial System include the superannuation and insurance industry, and other non-banking financial institutions, such as those providing house loans, etc.

Whilst the RBF has no direct control or influence on these organizations it does have an indirect influence, as a result of the market forces and subsequent competition which inevitably occur within the system. In addition to this development, the Reserve Bank,

promoted a market based system by encouraging more players in the market coupled with reduced interference with the operations of the institutions.

The stock exchange and capital markets have only recently been activated (two years ago), creating a sophistication in the character of the finance and economy of Fiji. This development was necessitated or rationalised by the government which incorporates privatisation and corporatisation of various state owned institutions; such a change is a feature of becoming a developed or a modern economy. In addition to the institutions depicted in the diagram (fig.3), other influences, mainly from a financial standpoint, are the presence of international financiers, such as the World Bank and the IMF. These institutions are represented through their various subsidiaries and associated organisations; one such organisation is the South Pacific Project Facility which offers various forms of finance to the local industries.

5.6.1 Critique of the Fijian Financial System

Along with international financial institutions such as the World Bank, IMF and ADB are also visible in various forms within the Fijian economy; (in line with most developing nations).

Such an association is questionable though, as more often than not, the assistance which is bestowed upon the developing nation is not without conditions which often disregard the requirements of the recipient country. What, therefore, is offered in the name of development essentially results in anti-development and hence has a thwarting effect on progress. Some of these so called donor agencies present in Fiji and ‘contributing’ to its economic development are the SPPF (South Pacific Project Facility), an arm of the World Bank, and

the CDC (Commonwealth Development Corporation) (Bauer et al.,1991; Siwatibau, 1991).

There are also indications of a move towards a more developed financial system such as the development of the capital market and the strengthening of the Suva Stock Exchange. Such developments it is believed will bring Fiji at par with international economies; a western-based model, The Reserve Bank of Fiji was instrumental in such developments in that it gave advice to the Ministry of Finance. The move towards a more developed financial system is further strengthened by the proposed development of the stock exchange and capital markets.

It is envisaged that over the next two years substantial progress will be made to the Suva Stock Exchange and participators will be lured into listing with the Exchange as a result of attractive interest rates and tax packages that are currently being offered.

The presence and influence of International Financial Institutions such as the IMF and World Bank in developing countries such as Fiji are a characteristic of the dependency concept of development. These extremely powerful and dominating institutions have as their debtors most of the developing countries and even some of the more developed countries such as Australia and Canada (Payer, 1991). Fiji is no exception to this characterisation with funding from institutions such as the ADB and World Bank already present in the country; and with the FDB itself.

Table 1 is reflective of a continuous presence of international debt within the Fijian economy (a summary of existing and expected government debt levels between the 1995-1999 years). The significant levels of the outside debt clearly depict an indirect control of the country's

economy. Funding from these institutions suggests that they can dictate, either directly or indirectly, the type of development policies to be undertaken in Fiji, which may or may not necessarily be conducive to Fiji's development plan. Such funding may well be directed into inappropriate areas, thus enhancing further the dependency situation. Such forms of assistance or funding emanating from the developed world, for the developing world comes in the form of foreign aid and remains a persistent feature because of its ability to procreate and hence perpetuate its presence (Tinker, 1985; Payer, 1991). Foreign aid thus, becomes the central component of world development (Chenery, H.B., 1981, cited in Bauer, 1991) and not only developing countries such as Fiji.

Outstanding Government Debt

Table 1	1995	1996 (est)	1996 (Rev)	1997 (est)	1998 (Est)	1999 (Est)
domestic	803	878.5	961.4	1179.7	1226.9	1185.9
external	188.3	205.7	205.7	207	192.8	172
total	991.9	1084.2	1167.1	1386.7	1419.7	1357.9

Table : 1

Source : 1995 Accounts and Finances.

1996 - 1999 Budget Estimates.

(Adopted from the 1997 Budget presented to the House of Representatives in November 1996.)

5.7 The Fiji Development Bank's Role in the Fijian Financial System

The defining of 'development' functions is a difficult task as has been displayed in this thesis so far and especially as discussed in chapter three. Such difficulty is also experienced by the

FDB in defining its objectives and functions as a development institution (see chapters seven and eight). For instance as Sachs (1992) explicates that the parameters of development may be too wide and even non-existent. An attempt however, can be made at a definition of the development objectives of the FDB deriving from its functions as described in its policies manual (Volume 1 April, 1994):

To facilitate and stimulate the promotion and development of natural resources, transportation and other industries and enterprises in Fiji and in the discharge of these functions, the bank shall give special consideration and priority to the economic development of the rural and agricultural sectors of the economy of Fiji.

Further, as an extension of its functions it emphasizes the need to provide the assistance required to applicants in the following areas:

- **preparation of project proposals and feasibilities**
- **provision of advice and assistance in the section and installation of accounting books and related operating controls.**
- **referral to exports and sources of information**

It appears therefore, that the FDB assumes a wide responsibility; incorporating and including the planning, implementing and monitoring of development projects. With such a wide ranging scope, the management of the FDB is a crucial factor, requiring continuous review in light of, of its developmental role.

The methods of financing summarized in the manual for the FDB are :

- **medium to long term loans**
- **short term finance for working capital requirement**
- **leasing**

-
- **guarantees to all classes of enterprise deemed financially sourced and an appropriate recipient of support**
 - **equity participation**
 - **underwriting equity issues**

Because the functions typify that of a traditional development bank (Basu, 1965), the accounting and reporting requirements are also traditional and do not present fairly the performance of the organisation. The measured performances of the FDB are, thus, prejudiced because of the financial statistics and calculations, the traditional tools for measuring performance (Power and Laughlin, 1992). That is to say, the term development appears as a mis-application to mean development measured in financial terms only. This ostensible mis-conception will be analyzed in greater depth to ascertain the validity of this claim and in an attempt to assess the developmental role of the FDB in later chapters. Such analysis will enable a better understanding of the contribution of the FDB towards the socio-economic development of Fiji.

5.8 Chapter Summary

This chapter has reviewed the colonial history of the Fijian society and the institutions present therein, revealing a eurocentric approach to its development policies and institutions. These observations typify Fiji as a developing country and cast doubt on the effectiveness of the development agenda of the FDB because of its borrowed nature. Hence, in order to ascertain FDB's ostensible claims to a commitment to Fiji's development and to comprehend more

fully, its practices, the organisational, functional and structural aspects of the FDB will be considered in terms of their conduciveness and compatibility to the operationalisation of Fiji's development in the next two chapters, including its accounting and reporting structures. Chapter six will focus on the institutional and organisational analysis and chapter seven will analyse the lending practices of the FDB, deriving from detailed accounts of empirical evidence gathered during this study.

CHAPTER SIX

The Fiji Development Bank's Organisational/Institutional Analysis

Our society is an organisational society. We are born in organisations, educated by organisations and most of us spend most of our lives working for organisations. We spend most of our leisure time paying, playing and praying in organisations. Most of us will die in a organisation and when time comes for burial, the largest organisation of all - the state - must grant official permission (Etzioni, 1970, p.1, cited in Morgan, 1990,p.1).

6.1 Introduction

A descriptive account of the FDB's organisational/institutional elements will be presented in this chapter. This will assume the form of an explanatory account of 1) the internal/organisational structure, for example, the levels of reporting, in both the Head Office and the branches, and the format and requirements for reporting and, 2) the external structure, that is the different organisations and groups that affect the FDB's operations in various ways. In addition to that, an analysis of the internal and external (immediate and wider) environment of the FDB is undertaken, outlining the parameters within which it operates. This includes the regulatory and reporting requirements impacting upon its practices. Deliberations upon the impact of the endogenous and exogenous factors will illuminate and enhance an understanding of the FDB's ability to perform as an institution for development. As a result, the Fijian concept of development is espoused and will be cultivated further with the support of empirical evidence in later chapters.

6.2 The Historical Formation of the FDB

The FDB, the only institution in Fiji committed through its charter to 'improving the quality of life of the people of Fiji' (an excerpt from its Mission Statement adopted from the Annual Report of 1994). This improvement theme remained in the charter/mission statement until 1996. Then in 1997, the mission statement was changed to exclude the "improvement of life" element from it. A discussion on the changing focus of the FDB is contained in chapter eight.

The operations of the Bank began in July 1967 through an Act of Parliament known as the Fiji Development Bank Act. The functions of the Bank, as stipulated in the Act, required it to contribute to the "economic development of the rural and agricultural sectors of the economy of Fiji". The ownership of the bank is vested totally with the government as prescribed by the FDB Act 1967:

The total ownership of the bank is vested with the Government and all capital stock of the bank as and when subscribed shall not be transferrable or subject to encumbrance. Any alteration in capital will be by a resolution of the House of Representatives" (Fiji Development Act, 1967).

The institution was established as a corporate body in the form of a bank and took over the activities of the Agriculture and Industrial Loans Board (AILB) which ceased to operate on 30 June 1967. The AILB was charged with the functions of the development activities prior to the establishment of the FDB which then took over from the AILB. The FDB's formation was necessitated in answer to the enlargement of the activities of the AILB and upon the advice of the Commonwealth Bank of Australia (CBA). Based on a report from the CBA, the idea of the FDB was promoted, derived from what were considered to be institutions of a similar nature existing in other countries (Legislative Council Debates, 1966).

The Bill has been based on the provisions of, firstly, the present Agriculture and Industrial Loans Board Ordinance, secondly, the Australian Commonwealth Bank Acts, the Kenya Loan and Agricultural Bank Ordinance, the Singapore Economic Development Board Ordinance and the Trinidad Agricultural Bank Ordinance (Legislative Council Debates, 1966).

During that time the British colonial rule was prevailing in Fiji, and the passing of the Bill had to be sanctioned by the Queen as Head of State. The conversion of the AILB to a bank was reasoned on the need for an institution in the form of a bank which had wider powers and thus requiring more board members and more reporting requirements. Very broadly the functions of the Bank were described:

...to facilitate and stimulate the promotion and development of natural resources, transport and other industries in Fiji (Legislative Council Debate, 7th December, 1966).

The functions of the bank were contemplative of an agriculturally oriented bank, that is a typical development bank of the 1960's. This change took place prior to Fiji's independence, when the economy was characterised by a large degree of subsistence agriculture. With eight branches throughout the country and the head office in the capital city of Suva, the FDB is a large organisation by Fijian standards. From a team of six in 1967, the FDB has a current staff level in excess of 300 people. It had only 366 accounts in 1967 valued at a meager \$370,488, and by 1995 there were approximately 16,000 accounts valued at around \$250 million.

6.3 The Internal Structure/Environment of the FDB - The Organisation Structure

The internal structure of the FDB is reflective of a highly stratified organisation, with its eight branches, and various divisions, and the various levels of authority and reporting (refer to Appendix I) for the organisation chart of the FDB). The chart depicts the organisation structure which details the levels of hierarchy within the organisation.

6.3.1 The Board and Managing Director

Being a state owned bank, the FDB is regulated through the Ministry of Finance (the representative of the state). The Ministry is responsible for appointing a board of directors which comprises six members from the Fijian society, together with the Managing Director of the FDB. The Managing Director has the responsibility of reporting to the Board of Directors and presenting to them at monthly meetings, the loan applications and policy matters which require decision making at board level.

6.3.2 General Managers

Below the managing director are four general managers who handle responsibilities for the 1)Corporate Services 2) Finance 3) Information Services and 4) Operations. Whilst the first three areas incorporate the operational elements relating to finance, management and administrative functions, they do not impact directly upon the activities conducted within the Operations. The Operations is the largest segment which handles and coordinates all lending functions of the bank. The General Manager Operations (GMO), therefore, features as one,

with a wide responsibility to all other divisions who must report to and are liaising with him constantly for the conduct of business. It is the GMO who reports to the Managing Director, who then reports to the board. Thus, a substantial degree of decision making is conducted at that level of the GMO and Managing Director.

6.3.3 Regional Managers

Under the General Manager Operations(GMO) are three Regional Managers; divided by geographic locations of the branches; (i) Western,(5 branches), (ii) Northern (3 branches), and (iii) Central/Eastern (Head Office). The Central / Eastern also assumes responsibility for lending in the Special Loans and Industrial Divisions for the head office, thus having made this a wider responsibility in terms of size and magnitude than others.

6.3.4 Branch Managers

The branch managers report to the GMO as well, but via the regional managers. They also meet monthly to report on progress to management and to keep updated on changes in policies and procedural matters.

6.4 Lending / Financing Types

The three divisions (by lending types) which are more developmentally oriented are the Industrial /Commercial, Agriculture and Special Loans. In addition to these, two other divisions New Products and Special Projects have been added over the past four years, both of which handle more commercialised types of lending such as leasing and housing loans. These divisions are confined to Head Office and are not represented at branch level as yet. Another area wherein the FDB provides funding is equity financing. This is done through the

acquisition of equity in various companies, which later becomes redeemable by the project initiators or is even offered to the general public. This, however, is not an area to be covered in great detail within this thesis. For informational purposes, it suffices to know that the equity funding together with FDB's investments are handled by the GMO.

The Head Office is the one with the most stratification. It has divisions for sectorial lending, finance, marketing, training and personnel, which is justified for the coordination of the magnitude of activity levels of the whole bank. The training and overall financial management policy, and administration lies with the head office. The Head Office in Suva has three separate lending divisions for Industrial, Special loans, and Agriculture, whereas the branch offices cater for these three distinct categories from and through the one office and hence not divisionalised '*per se*' at that level.

6.4.1 Industrial / Commercial Lending

The Industrial Division processes loan applications for commercial activities such as manufacturing, wholesale and retail, transport, mining, building and construction, and the hotel and tourism industry. Finances from this division are encouraged and offered to all people of the country regardless of ethnicity, though some extra assistance is made available to the Fijians and Rotumans. These two groups, have been identified by government policy as needing special assistance to allow their participation in commerce, and are catered for under the Special Loans Division.

6.4.2 Special Loans Division

Herein loans are processed for the two privileged (considered as underprivileged by state policies) groups of the country, the Fijians and Rotumans, who are considered to be the indigenous population of the country. These two groups are privileged in the sense that they are accorded special assistance by the government through various policies, so as to increase their participation in commerce. They are considered to be lagging behind in business in comparison to the other major ethnic group, the Indians. Government provides a form of subsidy to the FDB in order to facilitate the lending of monies to ventures initiated by and belonging to these two groups, at a lower interest rate than the usual. That is, these groups are entitled to an interest rate of 8% as opposed to the usual 13.5% for loans of up to \$200,000. After the first \$200,000 though the interest rate applicable, is the ruling rate (13.5%). All types of ventures fully owned (100% shareholding) by ethnic Fijians and /or Rotumans, be they agricultural or commercial, are processed through this division in order to distinguish them from all other lending. Thus, these two ethnic groups are given a preferential treatment.

6.4.3 The Agricultural Division

The agricultural division handles all loans constituting farming activities. These activities are often thought of as the ones contributing most to the developmental role of the bank. Empirical evidence suggests a thinking which promotes the view that assistance to agriculture is clearly developmental. For instance, an interview with the branch manager of a fairly remote town (Rakiraki Branch) indicated that the branch has given out agricultural loans into areas where accessibility was extremely poor, and, hence, monitoring of the loan

was virtually impossible (Rakiraki Branch). This township is mainly agriculture dependent.

Under normal circumstances the factors existent in this case would be considered as non conducive to bank lending criteria, as they do not make commercial sense, and will not generate profits. Regardless of the nature of risk, however, the lending was facilitated on the justification of its socio-economic contribution, that is, the perceived developmental agenda. "Loss", therefore, defined in terms of dollar values and rate of return, does not necessarily constitute loss in developmental terms. On the contrary, loss measured herein in technical terms equates to gain in a social sense. The social perspective measures losses and gains on their impact upon the lives of people. This measurement is a humanistic approach which is difficult to assess, owing to a lack of availability of tools or units of measure for such socialistic factors.

In this way, the bank is meeting the objectives of its charter which is to provide development finance to the people of Fiji. Interest rates for lending under this division are also applied at a reduced rate of 8% regardless of the ethnic composition. Examples of this high risk element then leads to a questioning of the ability of the FDB to adequately fulfill its development role (development equates more risk within its present form). For instance, the FDB, while focusing on its viability and profitability, appears to place itself in a conflicting situation in relation to its contribution towards the development objective. The technically based measurement concepts of profitability and viability elements are void of the social considerations and are hence unable to measure or include these for reporting purposes.

As a result, the developmental aspect is excluded or rather neglected in some sense. From the Bank's point of view, however, in order to play the development role effectively, the maintenance and preservation of a viable and profitable arm within the organisation appears to be essential. This profitable arm is the industrial arm, the division which provides the profits to support the more risky agricultural arm. The latter arm is where more bad debts arise, this arm also provides legitimacy to FDB's varying practices such as varying interest rates and special privileges within the divisions as described herein. There appears to be considerable merit in this argument, on the one hand, and on the other, the focus on the industrial, has an effect of neglecting the agricultural arm, either wittingly or unwittingly. Such practice is rationalised further, on the premise that agricultural activities or projects are not particularly appealing to the other commercial banks, as they are too risky and these banks are not designed to commit to losing projects - "it is simply not their culture" (Managing Director - FDB). So whose responsibility is agriculture then?

FDB's operationalisation and, therefore, its performance as a development organisation is also influenced by other institutions and organisations in the Fijian society. These groups have been separated into various categories: as those who provide competition, those who expect service (the public), those who liaise with them for business, and those who regulate. These groups form the wider environment of the FDB and, thus, are inextricably linked to it, contributing significantly towards and impacting upon its policy formulation and practice determination.

It is these three divisions, the Industrial, Agriculture and Special Loans and their lending practices which this thesis is concerned with, and lending practices within these divisions have been analysed in the operationalisation of development for the Fijian society.

6.5 Corporate Plan 1993

The FDB's activities are conducted on the recommendations drawn up in their Corporate Plan which became effective in 1994. This plan was devised with the assistance of a group of consultants from the Asian Development Bank (ADB) known as the 'Bio Technology' group. The Corporate Plan details procedures as to lending, including the production of voluminous lending manuals to guide the conduct of the lending process. Services and advice of the ADB were sought in the form of a review of the lending practices of the FDB in order to enhance its efficiency. The Corporate Plan also details the timing and nature of reports to be produced and also prescribes and describes the corporate objectives of the FDB.

6.5.1 The Corporate Objectives of the FDB

The Corporate Objective of the FDB reads:

To be a profitable and self-sustaining financial institution which provides finance, financial and advisory services to develop agriculture, industry and commerce and to improve the quality of life of the people of Fiji (Corporate Plan 1993).

The operational aspects derived from the corporate plan, were revised and organised with a focus on viability and profitability. Certain aspects of the operational procedures, including the lending criteria are provided in this chapter in later sections to enhance comprehension of the FDB's practices.

With these corporate objective and strategies as described herein, the bank appears to be focused on its corporate or profit making objectives. Whilst explanations for the more commercialised approach have been related to a desire for being more advanced and modern in general terms, it is important to study in a little more detail this concept; an attempt has been made in chapters seven and eight.

6.5.2 The Lending Criteria

The criteria used for making decisions by lending institutions generally requires the consideration of financial information, together with market and industry factors, political and human factors, and credit and risk analysis. All these factors whilst incorporated within the lending criteria are difficult to separate by the degrees of weighting placed upon each one. The lending criteria of the FDB, like other financial institutions are difficult to define within rigid parameters. The Lending Manuals of the FDB whilst voluminous in nature, are reflective of certain general criteria which are inclusive of but not limited to the following :

- 1. Financial Analysis - ratios such as assets to liabilities and debt/security.**
- 2. Financial Considerations - cash flows, feasibility etc.**
- 3. Financial Statements for determination of profitability.**
- 4. Market Factors - knowledge of industry.**
- 5. Management Structure and proposed manpower arrangements.**
- 6. Ethnicity of applicant.**
- 7. Regulatory aspects.**

To conclude, the lending criteria can be very broadly divided into 1) financial and 2) human factors.

Whilst the lending process of the FDB, in terms of credit analysis, risk and judgement, and assessment is akin in its basic form to other commercial lending, it differs markedly in the weighting that is placed upon the review of financials, market and industry, human variables and political factors. This distinction emanates from the ownership of the FDB by the Fijian State, and therefore, is charged with the responsibility for carrying out and assisting with the implementation of governmental policies which formulates national development objectives. FDB thus becomes the agent for effecting those objectives and performs its stipulatory role. Whilst there is an insistence of the viability of the project being funded, there is an equal, if not stronger, emphasis on the prioritizing of the projects falling in line with "Government Development Projects".

6.6 Lending Policies of the FDB

The lending manuals of the FDB stipulates priority in lending areas as: Priority is to be given "To those falling within Government Development Objectives and deemed to be technically viable and financially profitable"

Preference will be given to those which:

- **broaden the sectoral scope of local entrepreneurship**
- **contribute to diversification of the economy**
- **create opportunities for small emerging entrepreneurs**
- **utilise domestic raw material**
- **create viable employment opportunities**
- **reduce income disparities**

The policies also place emphasis on the provision of assistance to applicants in the following manner:

- **preparation of project appraisal and feasibilities**
- **provision of advice and assistance in the selection and installation of accounting books and related operating controls.**

(Lending Manual - FDB)

Ostensibly the FDB's policies are committed to development as prescribed by the Manuals, and this is the feature which distinguishes it from the usual commercial banks who focus on profitability only. The commercial banks will not become involved with the project appraisal and/or preparation as is the case with FDB. The intent of the FDB, therefore, is socially oriented, and apparently mindful of its developmental role. Whether such concern is reflected in its lending practices, or whether, to the contrary, it is unduly biased because of the stipulations placed upon it, is what will be considered in the next chapter where the application of the lending criteria by the different divisions will be discussed. The state, as the owner of the bank, assumes a directive position, and, as a result, becomes the major

contributory towards the varying practices existing within the bank's lending decisions. Incidences of these differing practices are existent within all of the three major divisions – the Industrial, the Agricultural and the Special Loans.

6.7 Operations

The operations of the bank can be explained generally on two levels; the head office and the branch level.

6.7.1 Head Office Operations

At the head office level, the divisions are distinct. The loan applications for the different divisions are received by the respective divisions and processed without much reference to another division, except where the applicant is an existing client of the bank. Designations for staff are also explicit and adhered to with rigidity without much interchange, unless directed. This is the administration centre of the bank, responsible for the generation of reports for guiding performance of the bank in terms of financial management, lending operations, training, research and development, and all related operational functions.

6.7.2 Branch Operations

The branch operations are conducted differently from the head office. Here all the loan applications, regardless of their categorisation, are received and processed by the same manager and the staff are the same as well. However, the difference is that some applications after being processed are sent to Head Office (to the Regional Manager or GMO) for

approval. The branch managers have a certain level of jurisdiction (see below) and cannot make decisions on their own regarding approval/disapproval of loan applications. The branch managers are responsible for the determination of levels of provision for bad debts to be made for their respective branches. These provisions are then reviewed at head office by senior management and even referred to the external auditors for a review and opinion. Senior management comprise the GMO, the regional managers and the corporate manager and this committee is referred to as the Strategic Planning Committee (SPC).

6.8 Loan Jurisdiction Levels

The levels of approval or jurisdiction available to different levels of managers differ with their positions in the hierarchy and descend in the following order. These levels were installed as part of the recommendations of the Corporate Plan document.

		<u>Level of Approval</u>
		F\$
The Board of Directors	-	above \$300,000.
The Managing Director	-	up to \$300,000
The General Manager Operations	-	\$150,000
The Branch Managers	-	\$25,000

Should the quantum of loan being sought exceed the respective manager's limit, he/she then refers it to the next higher level for approval, having attended to the processing with appropriate recommendations. This includes completing the formal requirements relating to

the assessment process, such as calculation of financial ratios and determination of feasibility and viability of the project, in accordance with the lending criteria guidelines.

6.9 Administrative / Policy Decisions

Certain policy decisions, such as the presentation of accounts, and deadlines relating to the FDB's management and operations, are taken by the (SPC). The SPC is made up of the Managing Director, the GMO, the Regional Managers, the Corporate and Finance Manager, the Research Manager and a branch Manager (essentially the top management). The SPC then assumes responsibility for reporting to the Board. Sub- committees are set up by management as required for carrying out certain tasks at policy level. The SPC is the highest level in the decision making process for policy review and implementation.

In addition to its own internal policy implementation, the FDB has to take into account the external factors which impact upon its policy formulation. These external factors constitute the wider environment of the FDB and are presented and considered in the next section.

6.10 External Structure / Wider Environment of the FDB

Apart from the internal organisation of the Bank, the conduct of its practices are profoundly influenced by the wider environment within which it operates. The wider environment incorporates the different forms of institutions, and the societal characteristics which impact upon it and hence, form an intrinsic part of any organisational study (Hines, 1988).

The six groups identified for the purposes of this study, that is those groups of people and institutions who constantly engage in negotiations with the FDB;

1. The commercial banks in the country, 2) The existing clients of the FDB, 3) The professional accountants, 4) The potential clients of the FDB, 5) The resident businesses, and 6) The Ministry of Finance (state).

1. Commercial Banks

The commercial banks can be described as sharing certain commonality with the FDB, in that they are banks/financial institutions as well, and are also in the business of lending monies to the people of Fiji. It is because of this commonality that this group presents the FDB with a strong sense of competition and requires it to continuously review and upgrade the types of services it is providing. Presently, the FDB has introduced various new products, such as leasing, and housing loans, in order to meet and challenge the competition it faces with the commercial banks. This introduction has represented a compelling force in the apparent change from a more developmental role to that of a more commercial nature.

2. The Existing Clients of the FDB

Another major influential group on the Bank's operational activities are its existing clients who create a demand on the Bank to continually improve their level of service, together with meeting their changing requirements. Such expectations require the bank to regularly review the processes to be carried out on the existing client's activities, in order to keep abreast with their developments and thus, try to curb the risk of losing clients to the other commercial banks. This review process is also intertwined with the competition faced from the commercial banks.

3. The Professional Accountants

Professional accountants and financial consultants are people who come into contact with the Bank regularly with the objective of negotiating finances on behalf of clients. This group therefore, has to be assured of sound levels of service as they could well become the marketing arm of the bank.

4. The Potential Clients

Identifying the potential clients becomes a marketing exercise for the Bank. This includes the requirements and needs of the potential clients in line with the dynamics of the economy, and requires the Bank to prepare for such needs and address them in order to build its clientele and market share. This means facing the challenges in a competitive market and projecting an image of soundness and viability.

5. The Resident Business

Resident businesses will drive the Bank, just as the potential and existing clients will, in the direction of a competitive market by placing demands upon it for various types of services. In other words, efforts have to be directed by the Bank towards creating new products and services in order to secure and maintain clients. For instance, through the creation of the lease financing product just over a year ago the Bank believes it is better able to serve its existing clients and also has secured certain new and substantial clients.

6. The Ministry of Finance (State)

Influences on the Bank from the Ministry of Finance, which is representative of the State, is largely in the form of stipulations incorporating government policies; a regulatory aspect. Being a state owned bank or corporation, the FDB is utilised by the State as a vehicle to carry out certain policies. For instance, the government policy of increasing Fijian participation in commerce is being implemented through the FDB via its Special Loans Scheme. Here, the government provides subsidy to supplement lending at a lower interest rate of 8%, compared to the ruling rate of, say, 13.5%.

Separate accounts are maintained for this subsidy account with reports going out to the Ministry of Finance each month for requisitions of the subsidy. The impact of such a practice, while appearing unfair to the community at large, is justified by the Bank as not being so, because this is not the only portfolio with a lower interest rate. Agricultural loans also attract a lower interest rate, but not in the same way as Special Loans. Hence, the bank legitimises its practices of a development agency whilst maintaining its allegiance both to its owners and to the community at large. A diagrammatic illustration of the various groups of wider influences impacting upon the FDB is presented in Figure 4 on the following page.

Environment Impact Upon FDB

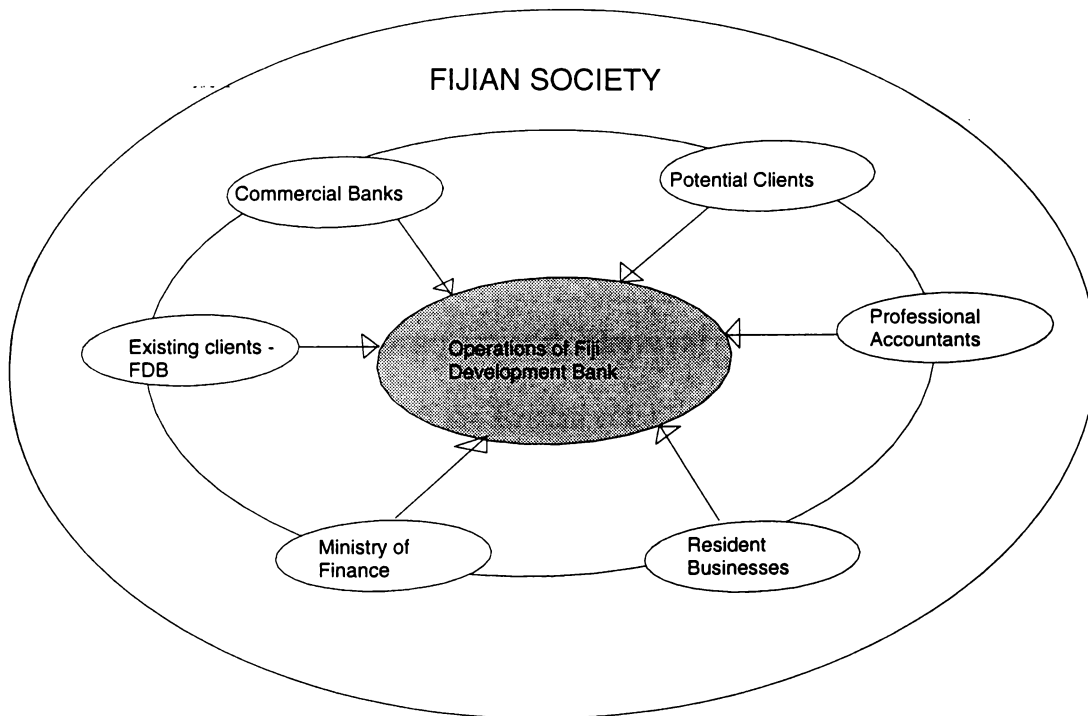


Figure 4

6.10.1 Environmental Impact

The environment within which the FDB is expected to perform is indeed complex as presented and considered herein. An understanding of these circumstances in which the FDB must function is indeed essential, if not vital from a critical perspective. The degrees of complexity that exist within the inter relationships between the various groups and their resultant influences upon the Bank are indeed very profound. An important point to raise at this stage is that all these groups which exert various forms of pressure and influence upon the Bank, all reside in the one society. This is the Fijian society with its various cultures / heritages and history (as described in chapter five) which have carved out and cultivated an overall culture, and have further characterised the British colonial based society that Fiji is.

Changes within and to the environment, (both internal and external) set in motion an inevitable change mechanism. The effects of such change have an impact upon organisational practice, for example in the form of new organisations emerging or old organisations failing.

As in the case of the FDB, a particular change, which has had a series of repercussions upon the organization, is the change in the role of another state owned but commercial bank; the National Bank of Fiji (NBF). The NBF failed over the past three years and the discovery of this failure has had a ripple effect in the finance market and in the availability of funding for Fijian enterprises. In particular, the Government is considering the transferring of certain loans from the NBF to the FDB in an attempt to save the failing organization. Managing environmental change is, therefore, vital to managing organizational practice, and a difficult

task because the practices are in a continual state of flux and interchange¹. Particularly important, are the accounting practises of an organization, in that they generate information about relative merits for markets. The accounting systems therefore, play a crucial role in terms of producing information for decision making and informing the public. The reporting structures of the FDB, thus, feature as a vital tool for the communicating of the complex task of the bank and also the fulfillment of its objective. A critical examination of these reporting structures is warranted, in order to ascertain their desirability and compatibility for serving the functions of development.

6.11 Reporting Structures of the Fiji Development Bank - A Critical View

Reporting structures of organizations generally are reflective (or expected to be) of their objectives. These objectives however, are usually formulated and influenced in a significant way by the governing bodies prevalent over the organisation. In the case of the FDB, it is the Fijian government. Consequentially, the activities of the organisation and the formatting of relevant reporting practices and accounting systems are usually representations of influence and mere adoptions as well (Wallace,1990; Samuels,1990; Perera,1989). The effect of adopting such structures is to render them as not necessarily complementary to the objectives of the organisation and as unsuitable for reporting and communicating. FDB's influence derives from its charter and stipulations from its regulators together with its colonially based historical circumstances. Upon close scrutiny, and together with discourse with the management and employees of the FDB, indications are that the form of the organisation, its practices and the expectations from it has been adopted from the Western

World; an organisational form which may not be fitting for the Fijian society *'per se'* but one which is pursued, regardless. For example, the establishment of the FDB on the principles of the Commonwealth Bank of Australia has to be examined to ascertain its relevance and compatibility to the needs of the Fijian society. Just as the form of institution has been adopted, so have its reporting mechanisms. For instance, the FDB is required to prepare an annual report constituting its Profit and Loss and the Balance Sheet. In addition to this, there is also the need to produce a technical report for the Ministry of Finance, in the form of the number of loans granted, is clearly void of its social objectives and indeed its achievements also. Furthermore, the monthly report for measuring performance, containing various performance indicators and targets; the Lending Management Information Systems (LMIS) is generated as well (refer Appendix II for the LMIS example). These reports are highly technical in nature and exclude social accountability aspects or considerations. Does such exclusionary reporting suit a development bank?; one that is committed to "improving the quality of life" of the Fijian people? Why is there absence of social considerations and social accountability? Could it be because no one thinks about it or could it be that they are not concerned by it? or is it because it is not part of traditional accounting techniques and therefore, difficult to adopt? The acceptance of a quantitative accounting practice is rooted in the traditional belief that:

accounting is defined as a technique of quantification or calculation which is an important pre-requisite for the smooth functioning of modern businesses (Power & Laughlin, 1992, p.114).

As a result, the process of accounting is appraised on its technical attributes to achieve some pre-given end, for example, to supply relevant information such as profit and loss statements

for the FDB. Its functions, therefore, are merely a formal set of procedures whose techniques are neutral and uncontested. Power & Laughlin (1992) argue that according to this view, accounting may supply guidance on appropriate means and methods to achieve given informational ends but cannot determine those ends themselves. Similarly, the accounting practices adopted by the FDB, which are in essence an inheritance from the Western World, have been done so without questioning their appropriateness and thus, viewed as common sense. Besides, all the other organisations are employing this concept, which provides further justification for the FDB to adopt the same; in order to be part of the modernised business society (Gallhofer and Haslam, 1991).

Studies, such as Miller and O'Leary, (1987) argue that, whether accounting serves the decision enabling process or not, it nevertheless has profound effects on human subjects who are construed as 'calculable' and 'calculating' individuals within the organisation. Accounting distorts to the extent that individuals are subsumed within accounting regimes with important behavioural consequences in local organisational contexts (Knights and Collinson, 1987; Robert and Scapens, 1990).

More radically oriented studies, such as those by Tinker and Neimark (1987); Armstrong (1987), and Cooper and Sherer (1984) articulate the sense in which accounting represents the interests of a small group in society, (the regulators) and hence, represents the image of that group². It is therefore, distorting in so far as is expected to encapsulate the whole society. However, whilst accounting viewed in this manner serves to become the steering force behind organisational practice, and colonises the organisation's life world (Habermas, 1978), there

is at this stage little progress made in the form of alternative models of accounting that can be advocated to report organisational practice. Is an alternate or an enabling accounting possible? (Gallhofer and Haslam, 1997). This is an agenda worth pursuing and is encouraged by this study.

What is possible though, in the case of the FDB is the production of a more comprehensive report; one which contains details of the number of families it has supported over the many years and also the number of projects which it has lost³. These 'lost' projects are at the present time understood as a reflection of a badly managed organisation. The FDB, then, is viewed as such a mis-managed organisation which undertakes, facilitates, and encourages losing projects, a stigma which has been initiated and propagated from a 'modern' view of the organisation. There needs to be an awareness of this stigma in order to negate the propaganda of a 'poorly managed' organisation, and to properly reflect the development that has been achieved regardless, of the 'lost' projects. 'Loss' therefore, has to be defined differently, probably requiring a change of mind-set (Sachs,1992). For instance, a quantification of the monies that have been ploughed into the country's growth over the past seven years, let alone its nearly thirty years of existence will serve to accord to the FDB the status of a leader in Fijian development as opposed to the loser. The lead role is from the standpoint of the funds expended, regardless of an accounting profit (a social perspective), and the latter from the standpoint of a purely technical profit. Is not a development bank a socially based institution? or should it adopt some other form? A thinking which embodies the social elements has to be initiated, bearing in mind the problems associated with the abstract nature of these elements, which may not be readily measurable, at least within the

existing framework. Both the information and decisions are socially constructed though, and cannot be ignored for much longer, on the lack of measurement basis.

For example, an examination of Appendix II titled Lending Management Information System (LMIS) exudes an “aura” (Gallhofer and Haslam, 1991) of exacting calculations of efficiency factors of the FDB’s lending process. Factors such as arrears, re-schedules, write offs, provisions, and increases /decreases in collections, are derived from the table which is supposed to “proficiently” set out the values and percentages of the different ‘performance’ indicators. At the bottom of the LMIS table are conclusions and analysis, a mixture of favourable and unfavourable reports. The LMIS is prepared monthly by extracting and collating the relevant information from the different branches. These reports are clearly indicative of performance and success measured through ‘economic representation’. Measurement in this manner has a constricting effect on performance analysis and can have a degenerative effect on FDB’s success as a development organisation. For instance, the increase in arrears and its impact upon profitability presents a ‘poor’ picture. On the other hand, if one were to consider the cause of the increase in arrears, for instance the benefits derived from it in a social sense may well be encouraging. Accordingly, the proper acknowledgement of the social dimension of the development agenda, will probably warrant an addendum to this report (LMIS), one which will represent the FDB’s achievements in a benevolent way. Benefits accruing from social reporting of this nature will result in the motivation of staff, (and a better image for further progress of the institution together with producing) and enable an advantageous transformation of the organisation.

Awareness of a social agenda (on the FDB's part) though, need not imply the encouragement of 'poor' lending practices though, and indeed such practices ought not to be deployed as they can lead to the promoting of an uneven distribution of resources. There does exist that danger however, of focusing on the social aspects too heavily; in that lending can be made for social reasons and result in unduly benefitting certain group(s) who are able to make a case based on social grounds. Yet another dimension to consider, is the whether 'truly' disadvantaged sections of the community are not only deprived of access to resources but also of the means to obtaining it. These people are neither in a position to approach the FDB directly for assistance nor are they able to produce a case for obtaining assistance. These are the people whom the FDB can serve as part of their development agenda by providing assistance with project feasibility and appraisal forms of assistance which are legitimate functions of the FDB as a development organisation. Is this not feasible for the FDB? The next chapter presents empirical evidence to address issues facing the FDB in the conduct of its lending practices and the performance of its development task.

6.12 Chapter Summary

Through a descriptive account of the FDB, since its inception in 1967, this chapter has endeavored to display the organisation's disposition as a development institution and a bank. The situation which existed at the FDB's inception was clearly an influence of its historically colonial based regime. The viability and appropriateness of its reporting procedures was also assessed in relation to the organisation's objectives. These reporting procedures were

observed as being too technically oriented and, hence, did not do justice to the social role of the institution because of such an orientation. The dilemmas faced by the FDB in trying to serve its developmental role is discussed, with the support of empirical evidence, in the next chapter.

CHAPTER SEVEN

The Lending Criteria of the FDB and its Applications -analysis of an organisational practice

... lending requires judgement more than it requires technical skills. An understanding of accounting, financial analysis of various types of loans may help a lender ask the 'right' questions. But the critical issues must be judged from the numerous variables under consideration. Judgement may also be required to verify those critical issues with objective sources (Eisenriech, 1990, p.3).

7.1 Introduction

The previous chapter presented an organisational / institutional analysis of the FDB, incorporating an articulation of the regulatory requirements within which the FDB is expected to operate. This chapter will review and analyse the lending practices of the FDB as an organisational practice. Such analysis is derived from empirical evidence gathered regarding the lending practices of the various divisions, both at the head office of the FDB and in the branches. Differences amongst the types of lending at the different locations will be highlighted. An attempt is also made at providing explanations for the differences which have been identified. The chapter concludes with observations and discussions relating to a perceived change in the focus of the FDB's practices towards a more commercialised approach for its operations.

7.2 Application of the Lending Criteria by Financial Institutions- General Overview

Application of any lending criteria for the assessment of loans can be just as diverse as the number of applications because the criteria can be applied differently by different people presiding over the decision making process. The lending process is a heuristic application

of technical (accounting) information combined in an integrative manner with the judgement of the lender (Shanmugan & Bourke, 1990). Such a process incorporates the granting and review of loans to ensure that adequate returns are realised by the lending institutions, be they development or commercial banks.

An integral part of the lending process involves the continuous assessment of the risks associated with lending. The types of risk include, (i) the risk of losing capital through poor initial assessment, (ii) the risk of the loan becoming bad through a failure of the project, and (iii) the risk of getting paid or debt serviceability. All forms of lending involve the taking of risks (Shanmugam, 1990). Management of risk, whilst an important feature for all lending institutions, is handled somewhat differently by the FDB which, because of its developmental role, is exposed to and assumes a greater degree of risk compared with commercial banks. The FDB is thus more concerned with achieving development than making profit. In addition to this, the FDB lends in more risk related areas such as agriculture, and places a lesser weighting on security or collateral aspects.

7.3 Application of Lending Criteria by the FDB

With this focus on its special developmental role, the FDB is in an unusual predicament in terms of the application of its lending criteria guidelines, within its various divisions. Application of the lending criteria was discussed with various levels of management and personnel of the FDB in order to determine its applicability and usability for achieving the Bank's development objective and to maintain its financial viability. During these discussions agricultural lending was portrayed as not being a necessary function of the FDB, a thinking

which warrants serious critical examination and investigation. There appeared to be a general preference for industrial lending and an overall apathy towards agricultural lending expressed during these discussions. Cases of lending and related discussions in all the three divisions at head office and branches are presented herein, to articulate distinctions between the divisions and their contributions towards fulfillment of the developmental role. I also discuss the practical problems and frustrations faced by the different levels of personnel involved with the processing in the various sectors and branches of the FDB.

7.4 Head Office Practices

As discussed in chapter six, the practices at head office are quite stratified. There are three distinct divisions, the industrial, the agricultural and the special loans which process different applications. This office is characterised by a commercialised approach, being resident in the business centre of Fiji, and hence, commercially oriented.

7.4.1 Industrial/Commercial Division Practices

Lending in the Industrial Division is clearly different from the Agricultural and Special Loans and can be compared to normal commercial lending with its concern with making profit rather than focusing on the development aspect. One can argue, though, that the provision of funding is a development function anyway. Hence, the focus on profit is not necessarily oblivious to the developmental agenda. The interest rate applied to lending in this division is 13.5%, which is the highest rate of interest applicable in the FDB and in line with other commercial banks. Application of the lending criteria in terms of assessments, equity contribution, security and collateral requirements are adhered to quite rigidly. This rigidity

is more applicable in this division in comparison to the agricultural lending criteria. The requirements for presentation of commercial loan proposals are also quite rigid and professional assistance is usually sought to construct these proposals.

Such presentation of proposals is usually insisted upon by the FDB at the preliminary enquiry stages. This is also warranted because industrial loans are usually high in value in comparison to others and require head office approval and, hence, a rigidity in the adherence to the formal assessment criteria is demanded. For example, a lending case of the researcher's client at the Sigatoka branch involved the funding of two restaurant operations with a loan level of \$250,000. Such an application demanded the submission of detailed financial information, including financial statements and cash flows. This was because the proposal "will be approved by head office" (Manager).

The Industrial Division is considered to be the arm of the FDB "that makes money for the non-profitable arms" (Manager – FDB). This rationale is upheld throughout the FDB and is considered as an integral principle upon which the lending practices are to be conducted; a concerted effort to justify this thinking is evident throughout the bank. For instance, the Managing Director in the 25th Anniversary Report, spoke in favour of a move away from agriculture, and towards industrial lending, as the only viable way for the bank to operate:

When I joined the bank about 60 percent of our loans were in agriculture. We have swung that around so that only about 33 percent are in the agricultural sector. I knew we could never make it in the long term if we continued to have so much emphasis on agriculture because there was a loss trend there. We have not neglected farming; it has grown all the way through. But we have pushed hard on industrial and commercial lending. Now we have a lending mix which makes the Bank viable. We lose money on a lot of lending for agriculture. The cream comes from commercial and industrial. (25th Anniversary Report, p.41)

Note the sentiment with the maintaining of an agro-portfolio – “*we haven’t neglected farming*” whilst at the same time the enhancing of the industrial “*we have pushed hard on industrial ...*”.

7.4.2 Agriculture Division Practices

The application of the criteria for lending within the agricultural division is considered to require special skill because of the nature of the risks involved. For instance, farming activities are more prone to attacks from natural disasters, especially so in a country such as Fiji where the tropical nature of the climate brings with it the possibility of hurricanes for a season each year. Agriculture is a very specialised form of business and financing this business really means being exposed to special types of risks (Shanmugam, 1990). However, the FDB believes that the fulfillment of its developmental role requires supporting agro-based industries as these are considered to be more of a ‘*development*’ nature than the industrial and commercial types. Besides, this is a formal function of the bank as prescribed by the FDB Act, (1967).

Discussions with commercial banks revealed a clear lack of interest in small and distinct farming projects:

We cannot cater for much small farming type activities because they are not attractive as they are risky and do not have collateral to support the lending (Manager- Westpac Banking Corporation).

The FDB managers also expressed such concern, but felt they had a responsibility as part of their developmental role to look after farming:

This is what makes it difficult for us because we have to lend to agriculture and they do not have security. We still lend, knowing that it is a marginal case (Branch Manager).

To elaborate upon the feeling towards agricultural activities it is appropriate once again to quote from the Managing Director's statement in the 25th Anniversary Report. He outlined the problems associated with lending in the agricultural sector:

Frankly, apart from sugar, ginger, dairy farming and yaqona, it is very hard to make money from farming. We've had failures with root crops, cattle, goats, fishing and other things. There are difficulties with markets, the weather and administrative costs. Our chaps are in the bush everyday with clients and that is costly. I think we need a total and urgent reappraisal at a Government Level of the commercial prospects for agriculture. I can speak from experience because I'm one of those people who love farming. I must be stupid because I keep losing money paying off loans from my own pocket and coming back for more punishment. I've applied for two loans from the FDB – one for ginger, one for rootcrops. There were three successively bad years for ginger with the price, so I lost out there.

It's hard to nominate any one reason for the failure. Take rootcrops – the market is a big factor. You can have beautiful dalo and beautiful cassava but when the stuff gets to the market the price is likely to be right down. Maybe we should be looking at overseas markets. Maybe farm holdings are not economical in size. Maybe it's to do with manual farming as against mechanical. Maybe it's location. Some people might paint a brighter picture, but I'm looking at this from my own experience – and I can tell you we have to look urgently at the situation from the national perspective.

The issues which were raised by the Managing Director for consideration by the Government were then discussed at regulatory levels, that is with the Prime Minister and with the Ministry responsible for the FDB. In answer to some of the considerations, such as the loss factor, the

Prime Minister commented:

Development costs, so one has to be prepared for it and expect a lower return (Prime Minister).

He acknowledged the need for the appraisal of the agricultural sectors of the country and for their encouragement through the development of the necessary infrastructure to support the marketing aspects of agriculture. Some measures which he proposed as possible solutions to salvage the failing agricultural sector were:- (1) by further strengthening the subsidy to the FDB; and (2) by separating the two roles of the FDB (which is considered in chapter nine in more detail), using the National Bank of Fiji (NBF – a state owned commercial bank) as a twin or complementary organisation:

The NBF could assume the commercial role maybe (Prime Minister).

Whether such a salvage is feasible is once again questionable, bearing in mind the recent downfall of the NBF , which is in need of Government support itself.

The Prime Minister offered probable macro- level solutions such as the identification of a suitable equity partner :

One who will be interested in and cooperate with our development needs; a partner rather than a donor (Prime Minister).

This is a clear expression of the awareness of the need to avoid becoming dependent upon a foreign aid donor. Such dependency is associated with conditions which instead of assisting, may antagonise the development path and objectives and in this way thwart progress rather than promote it (see chapters three and four). He exemplified the situation with the existing aid for road building projects. The FRUPP (Fiji Road Upgrading Projects) which originated from Australia, stipulate that the equipment required for the project has to be purchased from Australia.

The donors are thus helping themselves rather than us (Prime Minister).

From the discussions so far, there appears an emerging need for the re-dress of the objectives of development of Fiji as a country. Biases in practice, as have been noted, and “passing the buck” or blaming the industry are not answers or solutions to the problems which the industry faces. What seems to be required is clearly dialogue with the different institutions and the state, together with the different communities, that is, a participatory approach, for the devising of appropriate strategies to achieve objectives for the country as a whole and not encouraging exclusionary practices.

7.4.3 Special Loans Division Practices

The Special Loans division is indeed "special" in that it caters solely for projects which are 100% indigenous Fijian owned. This was the situation until 1993 when the privilege was extended to cover the general electors. The general electors include a wider group of people with certain Melanesian and Polynesian decent. This is in line with Government Policy to support Fijians in business in order to increase their participation in commerce. Being a state owned bank, the FDB has to work directly in line with Government policies which are prescribed in the lending manuals as giving priority to projects

Falling within Government Objectives (FDB lending manual).

Loans processed and granted under this division are required to possess certain special characteristics:

- they have to be 100% indigenous Fijian owned.
- they will be subject to a low interest rate of 8% for the first \$200,000
- they will be assisted by a Government Guarantee if a shortfall in security/collateral arises.

In order to provide the lower interest rate Government provides a subsidy to the bank which covers the difference between the interest rate of 8% and the ruling rate of say 13.5% applicable in the industrial division. Statistics of such shortfalls are required to be submitted to the Government for re-imburement each year, as an allocation is made for this on an annual basis.

Loans processed under this division are judged on the ethnicity of the shareholders predominantly, with the feasibility of the financial return being viewed on the periphery only. Lending in this division is guided by stipulation and not necessarily on viability and is the area where most provisions are made for bad debts. Review of the provisions is contained later on in Table 2.

For example, a loan application submitted by our office to the FDB on behalf of a client for the purchase of a furniture factory with the shareholding of the Company comprising 60% indigenous Fijians and 40% others, appeared as unfavourable upon a preliminary assessment of the application. Subsequently, the promoters of the project were advised to increase Fijian participation in order to qualify for the loan. After doing this, the application became successful. Emphasis on the ethnicity of the applicant was a criterion for the

assessment of the loan in this division. Application forms utilised for the processing of the Special Loans are exactly the same as those used by the other applicants for normal loans. There is no specific application form for this division (samples of these forms are appended herein - V). Is this a deceptive practice, designed ingeniously to appear normal? Why is this agenda of the FDB not carried out as a proclamation of its developmental role? If this is to assist a disadvantaged group of the Fijian population, should it not include a certain proportion of the Indian population who are below the poverty line? Does this not constitute clear discrimination?

Practices of this nature serve only to exacerbate the tensions between the Indians and Fijians as already explicated in chapter five. Surely the reasoning behind the promulgation of such practices needs careful re-examination on the grounds that not only is it unfair, but, it is also not viable, as illustrated in the figures extracted from the FDB and in related discussions as indicated below.

Fijian loans are not necessarily successful according to the FDB. Statistics extracted on loans made out to Fijians revealed a decline (refer figures 6 and 7) during the 1996 and 1997 years. Such a declining trend was also noted for the agriculture and industrial sectors as well. (Refer Tables 3 and 4). Regardless of that decline, special loans appear to have been supported by the FDB throughout the five years between 1993-1997. An interesting feature to note about special loans is that they remained steady and seemed to be unaffected by a recent downturn in the Fijian economy or the implementation of the Corporate Plan of

the FDB. Refer to Table 2 , for trends in lending in this division. This can be explained on the basis of government support provided to the special loans as a matter of policy. Thus, the question arises regarding the role played by the FDB through its lending behavior in this sector: is it that of a bank or is it that of a development agency? Clearly, it is neither, because this role is a stipulatory requirement and does not necessarily consider the developmental aspect; as it deals with certain groups of people only, as opposed to the total population. Probing further into the management of loans in this sector, one finds that this is the sector with the largest proportion of provisions for 'bad' loans. Attempts at providing explanations for such practice in both roles of the bank proves futile: first, these are simply an example of bad commercial practice, having lent without proper assessment of viability; and, second, they cannot be classified as development practice because of their biased and exclusionary nature.(Refer Table 3). Lending in this division is confined exclusively to the Fijians.

Provisions for Special Loans - 1993 - 1997

1993	1994	1995	1996	1997
3288606	4523921	4433544	4225672	3619004
% of Total Provisions				
12	15	18	21	17

Table : 2

The FDB's rationale for its establishment as a development institution becomes questionable from the preceding observations. A further dimension appears to have been added to its conflicting roles of a bank and a development institution, that is, that of a government agency which is carrying out the government's agenda in the name of development. This dimension is discussed further with the policy setters in chapter eight.

Commercial Loans to Fijians, Rotumans & General Electors Loan Approvals

	1992/1993		1993/1994		1994/1995		1995/1996		1996/1997	
	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)
Agro-Industry	11	626747	11	295105	12	856625	6	49290	5	38229
Financial Institutions	52	2710499	11	524480	116	1831664	8	435892	9	451818
Infrastructure										
Construction							-		1	56062
Manufacturing	26	310718	21	346402	20	884518	14	109320	4	31440
Mining & Quarrying							-		1	5916
Professional &										
Business Services	48	695626	38	4520209	38	914101	22	7673798	21	566767
Real Estate	44	3777063	70	6521152	65	14992259	48	14113958	28	8778877
Tourism	112	892976	100	652893	98	806342	10	105366	10	90877
Transport &	351	5608994	288	2919464	193	2232151	128	1112479	55	933661
Communications										
Wholesale, Retail	347	2684481	367	2011973	229	1839736	98	685552	31	564486
& Restaurants										
	991	17307104	906	17791678	771	24357396	334	24285655	165	11518133

Table : 3

Source : FDB Annual Report 1997- p.22

FDB's thinking on lending in the special loans area is somewhat mixed, but their overall attitude towards the Special Loans as an institution, is summarised in quoting from, the Managing Director's statement of the 25th Anniversary Report. He comments:

We have a number of Fijian clients –nearly 7,000. That is the biggest ethnic component of our clientele. But the value of loans to Fijians is relatively low about 33 percent of the total value. Non-Fijians still get the highest value of loans. Fijians are conspicuously absent from some sectors of the economy. Take manufacturing for instance, Fijians are hardly involved. We don't have capital, the know-how or the expertise. Fijian Holdings Ltd⁴, is one way to address this. It is the most effective way at the moment for ensuring Fijians get financial access to certain sectors.

The Managing Director draws from his experience of thirteen years with the bank and states that:

The Fijian people cannot manage money (Managing Director – Interview).

Such an inability is evidenced by the decline in the loans made out to the Fijian people (Table 3) reasoned on the basis of the high incidence of failing Fijian projects. Assisting one group of people for the sake of increasing their participation cannot necessarily compute as being beneficial to the whole country, especially if there is no equivalent provisions made for the other groups as well.

For instance, the Branch Manager (Rakiraki) expressed dismay in the attitude of the indigenous Fijians:

Problem are the Fijian Farmers...Mentality is the real problem here.
(Branch Manager- Rakiraki)

The 'mentality' he was referring to, it would appear is that the indigenous Fijians believe that the FDB was there to provide for them and to put them in business. Furthermore, the Fijians appear to believe that the loans once granted to them need not be paid back. This attitude has been nurtured and fostered because of the Government Policy of encouraging indigenous Fijian participation in commerce, and particularly through the "Special Loans" scheme of the FDB.

They think they own the Bank.(FDB Manager).

As noted earlier such policy is incorporated into the objectives of the FDB as an institution. What the Government considers as developmental projects may well be cases of serving a certain interest group only. Such projects become part of Government policy, and are therefore, considered viable because of their nature and need not meet the feasibility and viability criteria of funding.

The EIMCOL Project is one such example of this way of thinking. This project involved the setting up of five supermarkets throughout Suva for the purposes of putting indigenous Fijians in business. During 1992 and 1993 certain Fijians were recruited and they underwent "classroom" training at the FDB, before being assigned the management responsibility of the supermarkets. In 1995, only one of the five stores was still in business. The failure of the scheme can be attributed to the lack of follow up measures and monitoring activities by the Bank on the one hand, and the lack of recognition of the inability of the managers as businessmen on the other.

Reflective in the discussions so far is the notion that, as an organization, the FDB has to survive and maintain itself in the face of complexities which it has to deal with in everyday situations. These include the external demands and expectations which are placed upon it from its competitors and at the same time, as a state owned institution committed to the development of the country. This presents to the FDB a rather complicated predicament for its efficiency and image as an institution charged with the functions of development of Fiji and its people.

Certain differences have been identified thus far, from the review of the general application of lending criteria to practices between the three divisions, the industrial, the agriculture and the special loans. I will now discuss with empirical support, the practices at the branches, before proceeding to identify the differences and explaining them.

7.5 Lending Practice at Branches

Branch level practices are usually different for reasons of a lack of divisionalised practice and all the three types of lending are processed by the one branch. Moreover, the different branches have their own specific geographic locations, which determines the types of applications received and processed. Consideration must be given to the perspectives of the branches located in the more agriculturally based economies. These branches; Rakiraki, Ba, Lautoka, Labasa, Seqaqa and Sigatoka (six out of eight) neither receive nor process many, in terms of either values or numbers of industrial loan applications. They therefore, face their own particular problems and do not necessarily share the views of the Head Office. For instance, discussions at the Ba branch, a predominantly cane farming economy, reveal that

their problems were clearly not related to the processing of industrial loans as there were relatively few of these at this branch. For instance, the manager was more concerned with a faster processing of the loans, so that he can better serve his customers in the agricultural lending:

Since we are required to process more cane-based lending, we feel we need to be better organised to assist the farmers. Having to adhere to the long process of obtaining approval from Head Office is very frustrating at times (Ba Branch Manager).

He added further that the process to and from head office was notably slow, regardless of the type of lending. As to suggestions for areas where the lending criteria and policies could be developed and improved he commented:

The branch managers should be allowed more flexibility and jurisdiction for lending... we are the ones on site and know what going on. Head Office does not know because it deals with more commercial and only larger lendings.

The Rakiraki Manager expressed a further concern about increasing efficiency in lending and addressing practical problems; one related to the rigidity of application of criteria. For example, concerning the rigid application of criteria which require financial analysis and calculation of ratios as indicators of viability, he stated:

There is more reliance placed on our own judgement concerning the LE (loan eligibility) formula. Knowledge of the industry is important. Here there is not much apart from farming and some farms are not even accessible, so how does one assess and apply the lending criteria. The chances of being paid back are little and we still lend. This is how we serve our developmental role (Manager-Rakiraki).

When questioned about the reporting requirements to Head Office he stated:

All branch managers report to head office weekly. Even though we do not use much of financial analysis, we still have to report.

Note the concern for a financial analysis as being a vital element of the reporting mechanism.

This is a requirement for generating reports for management to assess performance. Similar or related concerns of accessibility were expressed by the Manager of the Seaqaqa Branch, located on the other island). He opined that:

There is need for an increase in government grant. This will enable our agencies and sub-offices to gain access to areas in need of agricultural development.

The Wainunu area which is 150km from here, is difficult to access. These things need to be improved.

At least our authority for the level of lending has been increased.

The increase in jurisdiction was effected during 1994; a recommendation emanating from the Corporate Plan. This allowed loans of up to \$25000 to be approved by branch managers without reference to Head Office. This increase however, was not to support agricultural lending at branches, but was reasoned on the need to curtail administrative procedures and thus promote efficiency within the organisation. The Corporate Plan was an outcome of a revision of procedures to increase efficiency within the bank.

As for the reliability and usability of the financial criteria for decision making the Seaqqa

Manager commented:

*The figures provided, even by the FSC are misleading, so we cannot rely on them and have to make our own assessment.
(FSC is the management body of the cane farmers.)*

Whilst we are required to rely on financials, most people do not keep records here... so we have to rely on our judgement. In these areas we need market facilities and infra-structure so that development can be enhanced.

My aim is to move from 90% in cane farming areas to 60% in agro and the rest into real estate etc., These areas will make money. Farming needs a lot more support and government should assist. It is not our fault.

Indicative from the preceding discussions, is that, the lessening of interest in the farming based lending by the FDB may not be necessarily because of an intentional move by them, but could rather be a trend of the times and a result of circumstances. In addition, the continuous lending into areas which they cannot see or access creates a sense of dissatisfaction. The inaccessibility and, thus, the lack of monitoring and support by the Bank leads a to failure of projects. Such a lack of monitoring complements the Fijian mentality of a lack of intent to pay back the loan granted to them. Fijian farmers expect the FDB to assist them, and do not feel obligated to honour the commitments of the funding.

The Fijians have no intentions of paying back the loan. They think it is a gift to them by government through the FDB which has been set up to help them. They have a land owners mentality and consider themselves as superior-they are arrogant.

When we try to advise the Fijian farmers, they refuse to listen and instead say that you have to help us - it is government policy (Branch manager).

This sort of thinking may have been instilled in them through the Special Loans provision of lending to indigenous Fijians. Thus, the creation of the Special Loans may encourage a "hand out" mentality; this may not be conducive to development. If development is for people, then is this not anti-development? - where a certain group of people are provided preferential treatment which allows an exclusionary form of practice to develop.

7.6 The Differences in the Application of Lending Criteria

From the discussions and the empirical evidence presented thus far, the differences in application of lending criteria within the FDB can be explained generally on three levels:

- (1) Differences in practice at branch and head office because of differences in circumstances at head office and branch levels as already discussed in the earlier sections.
- (2) Because of FDB's ownership as a Stated owned development agency which places a regulatory aspect to the lending decision. That is the special lending to ethnic Fijians.

- 3) For reasons of viability which requires the consideration of competitive and market factors for the lending decision.**

In addition to the three general levels of explanations offered, which can be considered as external influences mainly, there are certain other factors which form an integral part of the lending decision making process and can offer explanations for the differences in practice at the FDB . These are : 1) differences as a result of individuality of the decision maker, 2) differences in locality and, 3) FDB's own change in focus.

- 1. Differences as a result of the individual (manager) presiding on the decision. She/he had her/his own stature, ideals and belief systems which will impact upon the decision making process.**
- 2. Differences as a result of the locality, constituting the differences in practices resulting from the location of the various branches of the Bank with their own cultures and socio-economic differences. The different locations imply different economies and therefore, different requirements for lending. The less stratified nature of the lending process at branch level attributed to the lesser degree of 'bureaucracy' existing in a smaller bank in comparison to the head office or the larger organization also contributes to differences in practices.**
- 3. Differences as a result of the changing focus of the FDB towards a more commercialised approach. This will mean the attraction of more commercial proposals.**

Whilst the causes and explanations for differences in application are varied, they are interrelated and impinge upon one another. The explanations offered as reasons for the different practices in the preceding section will be investigated further in the next section.

7.6.1 Individuality of Managers

It is usually at the initial interview with the Manager that a loan decision is taken or is at least 90% formulated. The loan decision is determined by the requester's familiarity with the Manager, the presentation of the proposal and other prior knowledge of the industry and /or personnel related to the loan requester. Once the 'formulation' process is completed, or rather decision taken but not pronounced, the other financial criteria can be presented to support the decision in the manner appropriate. The writer's experience as a practicing accountant has provided support for this explanation of the lending process, regardless of whether the lending institution is a commercial or development bank.

For instance, in the case of XY Limited. The financial ratios were barely acceptable in terms of financial strength, but a loan was approved. It was the requester's acquaintance with the people of the organization and the management of the bank which became the 'push' factor for the loan approval. In order to support that decision the cash flows were revised by the bank and the focus was shifted to future plans and business rather than the history of poor performance. Other very similar cases come to mind because of the writer's experiences with the bank as a negotiator. Cases of lending which appear not necessarily viable on financial analysis have been passed through on future projections, and the managers presiding over

the decision were acquaintances of the loan seekers. Such a practice, whilst not deliberate, is a reality of a small society such as Fiji where the society is virtually structured according to acquaintanceships (refer chapter six) and can become disadvantageous to those who are unfamiliar to the decision makers.

However, studies such as Danos et. al (1989) have discovered that accounting information is a major factor in the decision making process and features very strongly indeed. This was evidenced in a study in a U.K. lending environment. In a financial environment such as the U.K. there is a marked difference in the formality and rigidity of adherence to financial criteria. The chances of being acquainted with the manager, are remote and, hence, may not impact upon the decision making process. This renders the familiarity aspect as more a feature of the smaller societies.

7.6.2 Differences Based on the Locality/Differing Applications - the Branches

Differences in the application of the lending criteria display a further distinctive feature with the different branches. At the branch level the bank is seen as one large division which encompasses the three usual divisions. This means that the criteria are usually applied more on a judgemental basis rather than formal assessment. In addition to this, the different branches are located in different parts of the country and are characterized by different sets of economic considerations. For instance, the branches on the Western side of the island such as Nadi, and Lautoka, carry loan portfolios which are indicative of a heavier reliance on the tourist industry and related activities such as hotel investment, while further to the

northwest, in the towns of Ba and Rakiraki, the portfolio is both agricultural and industrial. Interviews with managers of Ba and Rakiraki branches indicated a lesser application of the lending criteria in terms of financial analysis and a greater lean towards a subjective analysis.

The Ba Branch manager stated that:

The ratios are used for larger/medium industrial loans and not for small agricultural loans (Branch Manager).

This is indicative of differences in practices which are based on location, rather than on policy. To add to these variables a quotation from the Rakiraki manager (Rakiraki is almost six hours away from the head office in Suva), regarding the application of criteria supports the emphasis on subjective analysis and lesser sophistication at branches farther away from head office:

The criteria more usable is of own judgement.

For example, a farmer who was selling \$50,000 a year, but did not keep records or books of account. This cannot be used to penalise his livelihood. I went ahead and helped him prepare some financials.

The comment also reflects the characterisation of the economic circumstances at branches in comparison to head office. He added further that his area was one which was poorly supplied with proper roading and infrastructure. Moreover, being a predominantly agricultural type of economy, the problems faced by the bank at the branch in the granting of the loan were related to their inability to monitor the loans, once granted. There were instances noted of loans granted without even site inspection as the road accessibility did not permit such an endeavor. This situation was discussed with the Managing Director residing at head office.

He felt that the Government should be of greater assistance and upgrade infrastructure if they are to seriously promote development activity:

Government has to take an active part in the building process and assist with projects such as roading and this will help us to serve the people and improve their situations. The FDB alone cannot take on the big task of Fijian development (Managing Director).

Problems of accessibility were also expressed at other branches such as Seaqaqa on the island of Vanua Levu. Here it was noted, that whilst the FDB had contributed greatly towards the socio-economic development and was seen by its officers as responsible for the increase in living standards in the area, the government's short comings in constructing an infrastructure was thwarting such progress.

As to whether a lack of financial analysis can result in the rejection of certain much needed agricultural assistance in rural areas such as Rakiraki, Ba and Seaqaqa, the Managing Director commented:

Our branch managers are equipped to handle such propositions. We have increased their jurisdiction levels which allows them to approve loans of up to \$25000 without referral to head office. This takes care of these projects.

It is a difficult thing to manage the Bank- both in terms of accountability and to serve the people.

We are located throughout the country and it can become quite difficult to monitor all the managers performance. But our training and reporting requirements are good and keeps everyone on their toes. We have a weekly reporting system in place and meet regularly to keep pace.

However, when asked as to whether the agricultural lending at smaller branches faced an unusual predicament in terms of non-utilisation of the lending ratios and, hence, adherence to lending guidelines (prescribed by FDB's lending manuals) he explained:

Lending in agriculture is of a special type and requires serious commitment. The FDB is doing a very good job, but should be assisted to make it even better. We need to survive and lending purely in the agricultural sectors will not help that, so we are moving into more commercial types of lending. New products such as leasing and housing are being offered now.

The Managing Director emphasised the need for a complementary role by the government to support the FDB's commitment and efforts in the agricultural sectors of the country:

This is what I mean by complementary activities. Government should seriously consider the complementary institutions who maybe can be responsible for agriculture or if they leave it to us, then they should support.

Comments and observations of this nature are indicative of the need for the Government's involvement in the development process. It appears that expectations from an institution which, by its very nature, is confronted with an interdiction in its developmental role and which needs to survive as a commercial organisation at the same time is substantial. Hence, a critical examination to assess the effectiveness of the FDB 's developmental role in the Fijian society ought to be high on the agenda of Government reform policies . This study aspires to be a contributory to this agenda (see chapter nine).

7.6.3 Differences based on the Changing Focus of the FDB

In addition to these expectations the Bank is faced with a competitive environment and has to appear strong as an institution and with a commercial outlook (refer chapter six).

Consequently, in order to be seen as a modern and 'developed' institution the FDB has to emphasise more its industrial division and attract proposals of that nature and lessen its attention to agricultural loans whilst not necessarily neglecting it. Six out of its eight branches are located in agricultural areas and therefore, it also must maintain the 'development' edge to its form and hence continue to serve agricultural projects (refer to figure 5, for location of branches by sectors).

One of the regional managers expressed such concern and belief :

While the agricultural sector is a dead loss, the bank will continue to lend to the sector as part of our development role. The emphasis however, will be to try and get good proposals.

(Managers Conference, October 1994)

Characterisation of Branches of the FDB by Economic Sectors

	MAIN ISLAND	COMMERCIAL	AGRICULTURAL
NADI	X	X	
LAUTOKA	X	X	X
BA	X		X
RAKIRAKI	X		X
SEAQAQA			X
LABASA			X
SUVA	X	X	
NAUSORI	X	X	
SIGATOKA	X		X

Figure 5

Whilst the spread of agriculture and industrial loans appears in symmetry in terms of numbers, the values overall for industrial loans far outweigh the agriculture loans. In 1997, out of the \$75,120,261 worth of lending, agriculture was only \$13,523,904; 18% of total

lending (Annual Report 1997). All the branches do have a significant portfolio of industrial loans which are considered as the most profitable.

Justifications by the FDB for its changing focus were articulated in various ways. For example, the Sigatoka branch manager used the analogy of FDB as being used as a mother bank.

FDB is a mother – they give birth to kids and raise them, as soon as they are 21 years old the commercial banks takeover.

The Manager expressed concern at the FDB being used in this manner and argued that it should move away from its traditional developmental role, towards a more commercial role as has been provided in its corporate plan (1993) (see chapter six) in order to compete with the commercial banks and to survive.

The changing focus of the FDB, maybe needs ratification via a formal change in its role; that is in a revision of the FDB Act. A concern in that regard was noted by the Regional Manager Northern, and supported by others (Managing Director and Branch Managers):

*We need government to give us the opportunity to change the Act, it is too old.
Modern development banking system requires more commercialisation.
The commercial banks take away the cream of our effort.*

As an addition to the competition faced by commercial banks the following comment by the computer analyst who is currently engaged for the reviewing of an implementation of new

systems is worth considering as it re-enforces the dominance of an old colonial style.

He remarked:

The FDB has voluminous procedures and different interpretations. I was faced with management who were not confident and had lost faith. The biggest contributing factor FDB's inefficiency is the slowness. A colonial bureaucratic slow style of treating clients. The focus is on this bureaucratic structure and not on the client. Whereas the commercial bank's focus on the client.

The foregoing discussions present a complex situation where there are many and varied practices existing, practices which are encouraged by the circumstances prevailing at the FDB.

7.7 Review of Loan Applications from 1989 to 1996 - A Critical Analysis

The FDB has experienced a change in its image and its public perception since its inception in 1967, 30 years ago, but particularly over the past seven years (between 1989 - 1996). For the years prior to 1989, data by sectors was unavailable, and hence a comparative analysis was not possible. The statistics obtained comprised the number of applications received from different sectors by the FDB over the eight year period. The lending was classified into two categories; 1) industrial /commercial and 2) agricultural. More detailed information, such as ethnicity of the applicants was not available prior to 1989.

Trend in Loan Applications - Numbers

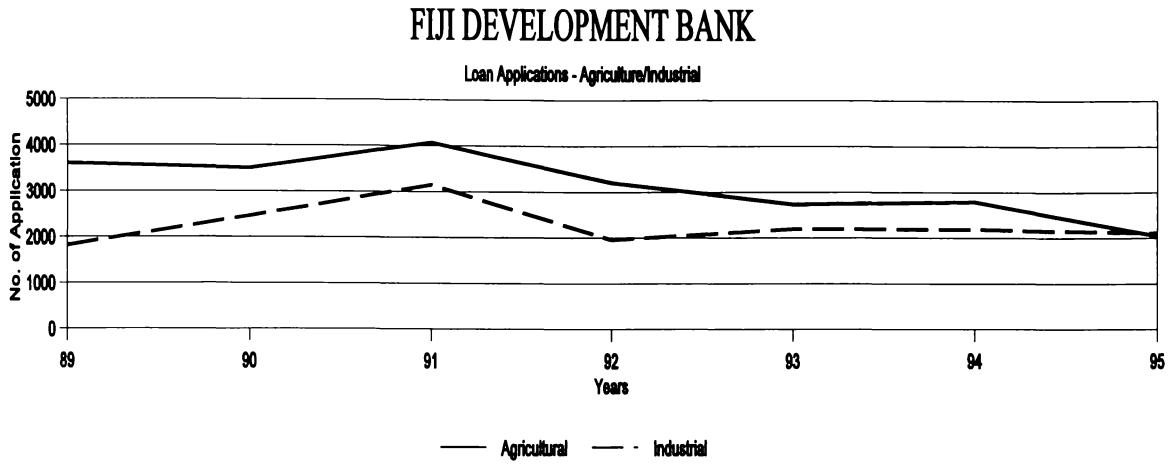


Figure 6

Trend in Loan Application - Values

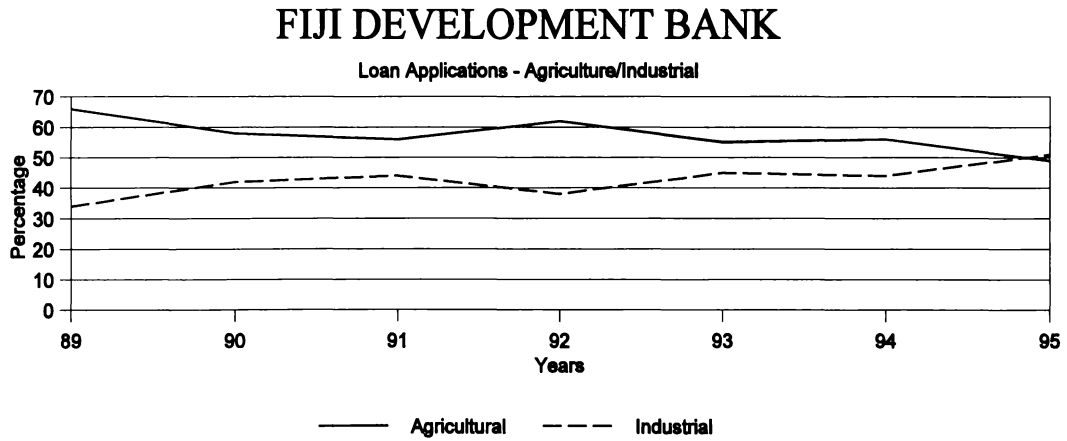


Figure 7

There was noted a clear decline in both categories of lending over the seven years being studied. Such declining trends do not support arguments for an increasing commercialised approach by the FDB. Quite to the contrary there was noted a higher number of applications in the agriculture in comparison to industrial. Such observations need investigation in order to challenge the thinking that FDB is becoming more commercialised by way of more commercial applications. It could be that increasingly commercialisation may mean the more rigid application of lending criteria and not necessarily a neglect of the agricultural lending. Accordingly, the next section will discuss the changing focus of the FDB and offer explanations for this change.

From the trend in figure 6 above the number of applications received are still higher in agriculture than that in the industrial lending which implies that the perception of the FDB has not necessarily changed..

7.7.1 Discussions on the Changing Focus

Discussions with various levels of personnel, the government, other financial institutions and the clients of the FDB are presented herein, in an attempt to explain the changing focus of the FDB.

The Regional Manager of the Industrial Division, for instance, supports the move towards more industrial lending and when asked. " Do you see the role of the FDB changing even more to a commercialised type of operation and neglecting its more traditional developmental role?", he answered:

Not neglecting but this is necessary as a means of survival.

The other two regional managers also supported the push towards a more commercial type lending:

so as to maintain viability, if we only concentrate on agriculture like before we will not progress (Regional Manager Northern).

The Regional Manager Northern further contended that FDB contributes to development not only agriculturally, but industrially too:

Development is not only agricultural, it is industrial too.

Such claims for the need for an emphasis on the industrial and a move away from agriculture do not appear to hold true after the 1992 year though, revealed by a review of the statistics between 1988 and 1992. There was a rising trend in both the major sectors (Refer fig.6 and 7). What does appear to hold in line with the managing director's statement on page 172, is the overall ratio between them; a 30%-70% for agriculture and industrial respectively. This is illustrated below in Table 4.

Loan Approvals - Agriculture and Industrial - 1987- 1991 (5 years)

	1986/87		1987/88		1988/89		1989/90		1990/91	
	No's	Value s \$	No's	Value s \$	No's	Value s \$	No's	Value s \$	No's	Value s \$
Agriculture	1244	9766		5228	2461	8499	2602	10101	3116	14432
Industrial	234	21257	103	13379	159	15775	106	22028	221	25422
Total		31023		18607		24274		32129		39854
Percentages (%)										
Agriculture	31		28		35		31		29	
Industrial	69		72		65		69		71	

Table : 4

For the five years until 1991, there was an overall increasing level of loans in both the industrial and agricultural lending. Then after 1992 there seems to be a decline in lending in both sectors.

Agriculture Loan Approvals - 1993 - 1997

Sub-sector	1992/1993		1993/1994		1994/1995		1995/1996		1996/1997	
	No.	Value(\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)
Fig	204	481742	122	320301	96	318910	885	332137	55	197888
Grain	9	18776	11	38571	5	16990	2	17000	20	77876
Horticulture	28	1836876	18	340602	18	123930	9	44859	8	56037
Livestock	68	645307	58	869451	34	395746	18	162928	16	282245
Poultry	6	659206	3	568227	2	752751	2	16774	1	7585
Rootcrops	128	1108272	150	1620952	119	1462562	76	708334	75	845451
Sugarcane	1617	8724461	1843	1175333 5	133 2	6519860	981	5228922	887	3488064
Tree Crops	2	3464	1	1500	2	8000	1	2000	-	-
Other Agrobased	6	45800	3	23707	-	-	4	34850	3	33703
Farm & Services										
	2068	1352390 4	2209	1553664 6	160 8	9598749	117 8	6547805	106 5	4988849

Table : 5

Source : FDB Annual Report 1997 - p.22

There is a notable decline in agriculture loan approvals over the five year period (1993 - 1997).

Industrial/Commercial Loan Approvals - 1993 - 1997

	1992/1993		1993/1994		1994/1995		1995/1996		1996/1997	
	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)	No.	Value (\$)
Agro-Industry	4	196645	4	136690	7	2340000	4	838935	4	398033
Financial Institution	-	-	-	-	-	-	1	250000	-	-
Infrastructure										
Construction	2	61139	4	299000	4	107400	1	11700	-	-
Manufacturing	49	12589818	42	4607059	34	10823622	11	3455540	10	3206835
Mining & Quarrying	4	282825	4	373429	3	136500	2	54700	1	9750
Professional & Business Services	62	2993525	32	3930794	36	4568296	11	909835	11	793637
Real Estate	158	1.6381039	264	21503470	262	23813069	183	16680870	73	7737573
Tourism	41	1650638	27	910758	23	3592707	6	4389305	4	138652
Transport & Communications	52	6108446	28	1439552	20	936525	16	509115	16	5699312
Wholesale, Retail & Restaurants	33	4025178	40	7889881	30	4204242	24	1561088	21	5821332
	405	44289253	445	41090633	419	50552361	259	28661088	140	23805124

Table : 6

Source : FDB Annual Report 1997 - p.22

Comparison by percentage(values) - Agriculture and Industrial

Agriculture	23	27	16	19	17
Industrial	77	73	84	81	83

Table : 7

Overall Average : 20-80 agriculture to industrial

The overall average indicates a shift in the percentages by 10% ; the industrial lending in value has gone up by a further 10 % during the five year period after 1992.

The declining trend in the overall lending in both sectors can be explained in terms of firstly, the delay in the resolution of land leases for Indian farmers, and secondly the introduction of more rigid lending criteria through the formulation and adoption of the bank's Corporate Plan in 1994.

7.7.2 Land Lease Issue

There is a pending matter with the indigenous land owning units- the 'mataqali' relating to the renewal of land leases. This issue is currently under debate and has been for at least five years now. Since that time there has been a cancellation of leases for a number of Indian farmers and there are others which are under negotiation or awaiting expiry. Given such circumstances of short term tenure, it becomes virtually impossible for the farmers to borrow, as they cannot provide a justifiable and viable proposition, from a bank's point of view. These are the sugar cane farmers and their difficulties explains the significant drop in lending in this sector particularly. To aggravate the situation further, the FDB cannot lend to farmers who are suffering the plight of possible termination of leases and has adopted a policy to put a stop to lending in the sugar cane sector pending resolution of the lease arrangements. Clarifying this policy the Managing Director stated:

We cannot lend to the farmers whose leases are about to be cancelled or under threat (Managing Director).

Farmers in this category do not have much incentive to borrow anyway. In light of the withdrawing or the possibility of terminating their livelihood because of the non-renewal of their leases they are placed in a dis-advantaged position. Should they not be assisted in the same way that certain 'privileged' groups are under the Special Loans scheme? Should

development not be a national objective with assistance available to everyone without bias? Is this a situation where the FDB can play its developmental role? - and in so doing extend funding facilities to continue serving the livelihood of people. Is the development function of FDB a profit making exercise? Will the FDB violate its rules according to its regulators? It does not appear so, because the FDB was set up to serve the agricultural sectors of the country. This situation can possibly be described as one of a control of the FDB by the ultimate autonomous body wherein there is a lack of freedom of expression. Habermas, (1974), expresses this as a form of domination by power structures, thus, mitigating the freedom of institutions and the individuals therein.

Whilst the FDB's position in refraining from lending to a marginal portfolio is understandable from a bank's point of view, it does not appear rational from a development agency stance. The FDB could facilitate the lending in these sectors and justify this as an act of development, in the same way it justifies the Special Loans lending. After all, sugar is a major export for Fiji. The FDB's reluctance and, worse still, its policy for withdrawal of support of a major industry such as sugar does not seem to compute from a developmental point of view. But does the FDB see itself in that way? Are the circumstances of the sugar industry a justification for the FDB's lack of interest in agriculture?

7.7.3 Introduction of the Rigid Lending Criteria - the FDB's Corporate Plan 1993

Recommendations of the Corporate Plan 1994 require the rigid application of lending criteria, so as to support more commercially viable propositions. In particular, the areas of poor or marginally accessible agricultural sectors will become designated as marginal areas for lending on the basis of a lack of viability of the project.

7.8 Justification for the Changing Focus

Discussions with the Regional Manager Industrial were reflective of claims that the FDB was not neglecting its development function because of its lack of involvement in agriculture. Instead, he argued that it was a change in emphasis rather than a lack of involvement and that this change was enabling the bank to perform the development function better through the creation of a subsidising arm. He highlighted that since its inception in 1967, and up until 1985 the FDB was a key contributory to agricultural development in Fiji.

For nearly 20 years the FDB was promoting agriculture and ever since it left it, it has been neglected.

No one else apart from FDB assists with farming activities. The neglect was because the FDB has too much to do- the training responsibility is too much to handle (Regional Manager).

The Regional Manager Eastern added further to FDB's lead role in agricultural development in Fiji.

You will notice that since around 1985, there has not been much agricultural activity around the country. We were the only ones supporting it (Regional Manager Central Eastern).

One wonders about the ‘leaving’ of agriculture, as evidence suggests that agriculture is still being funded by the FDB; albeit there is a decline in the applications received in this sector (refer figure 6). When questioned further as to whether there is still a definite need for agricultural development in Fiji, an agro-based economy, the Regional Manager Central Eastern remarked:-

Maybe a separate agency or institution can look after that.

There is a possible thinking emerging from the discussions, in that the FDB believes that it has adequately played an active role in the development of agriculture and now it is time to move on to an advanced stage of its institutional life. Another reason given for the declining interest in agriculture is that the FDB was burdened with the onerous task of training as well as providing the funding for it. The training functions entailed the provision of both administrative and technical assistance to clients, including supervision and monitoring of their operations. Moreover, suggestions were made for the need for complementary organisations, acting in conjunction with, but independent of, the FDB which could assist with a renewal of interest in the agricultural sector.

In support of the setting up of training institutions to complement the bank’s activities the Regional Manager Industrial (RMI) commented:

The setting up of a training institution will alleviate some administrative burden of the FDB. Whilst training is essential, it becomes too much for the FDB to handle. Once this is done then the FDB can focus on agriculture again (Regional Manager – Industrial).

He noted further, that the training function used to be conducted separately from the FDB. It was in the late 1980's, when it was passed back to FDB, that the responsibility and scope of FDB's functions suddenly enlarged:

An organisation styled BOMAS had the responsibility for training up until the late 1980's. This was then severed and the responsibility passed onto the FDB, the bank then became heavily burdened because this client training was in addition, to the bank's own staff training requirements.

The comments obtained so far, however, are from personnel at the Head Office (Suva), the business and commercial centre of Fiji. The comments are thus, more commercially oriented. This circumstance could possibly be presenting a biased image of the bank; notwithstanding that the activities of the bank are coordinated from the Head Office. Hence, the argument for a concerted effort towards commercialisation, premised upon an apathy to agricultural lending does not appear to hold. On the contrary, there seems to be a question emerging; one which challenges the proclamation of commercialisation by the FDB. Accordingly, further comments and discussions from other participants in the wider environment of the FDB and constituents (refer chapter six for these) are presented in the following sections for elaboration and for the enhancement of knowledge concerning the operationalisation of the development function in Fiji, through the FDB.

7.9 Is the FDB moving towards Commercialisation ?

The overall declining trend in applications of the agricultural type cannot be constituted as a neglect by the FDB towards this sector. It could be explained on the basis of farming itself, as an activity itself, which is maybe not viable in an economic sense, and thus, not considered as an attractive business to venture into. This appears to be a plausible

explanation, especially in light of the arguments put forward by the FDB, that farming generally is in need of support in the form of complementary infrastructure such as marketing and advisory facilities to promote its viability as a sector. Such assistance can be provided either by the government as argued by the FDB, or by the FDB itself. However, the FDB claim that they are not adequately equipped with the necessary tools for the provision of support services to the industry. That is, tools in the form of on / the / site training facilities, advisory services, provision of market facilities and related services. Does this situation justify the setting up of a separate institution for the management and development of the Fijian farming sector? If there is such a need as identified by the FDB, why have the institutions which were servicing these needs been shut down? Questions such as these, if answered adequately, provide a sense of direction for the boosting of the farming sector and of the Fijian economy as a whole.

In the meantime, the reasons for the decline in agricultural activities cannot be assigned solely as a responsibility of the FDB. The decline has to be addressed through a wider and more in depth analysis of the reasons such as Fijian government policies and support of the agricultural industry as a whole; albeit, there is a desire by the FDB to present itself as a commercialised institution. Such a commercialised institution does not include supporting agricultural activities. Whatever the explanation, though, there appears an evident lack of interest within the Fijian society for agricultural activity, which needs critical examination, considering the dependency of the economy on farming and agro-based industries. For example, my experience as a practising accountant brings me in contact with potential and existing farmers who are confronted with the issue of an overall lack of markets for

agricultural products. The lack of markets renders farming as a non-viable business. One of the farmers expressed:

*We can produce any amount but where do we sell.
(Existing Farmer)*

Why is there a lack of interest in the development and strengthening of markets for agricultural produce? Can the government not see that the country is very much agriculture dependent, especially as agricultural products constitute a substantial portion of the country's exports? (refer Table 8 for a breakdown for exports) . Whose responsibility is the development of farming ? Is it the government?, who believe that they have set up the FDB as its agent to cater for agricultural needs in the form of training, financing and related services? Or is it the FDB who feel that the expectations from the bank is too much and that the government should assist as it was doing in the past? These issues were raised with the FDB management and with Government representatives as well. The responses obtained are presented as follows:

The Managing Director of the FDB stressed the importance of complementary or networking arrangements to foster and encourage farming activities, a notion that has been a subject of discussion as integral to development activities.

We can provide the finance and the MPI (Ministry of Primary Industries) provides the technical services and marketing. This used to happen before, and the NMA(National Marketing Authority) was set up for that ; as the marketing arm. But they all shut down and discontinued; maybe because of mis-management. FDB cannot support agricultural activities on its own, it needs government support. This is hard to get. For instance, we do not even have a representative from the Ministry of Finance(the Ministry responsible for FDB) on the Board for the past twelve months. How can they monitor with this sort of attitude?

Export by Major Commodities :

Commodity	1991 (r)	1992 (r)	1993 (r)	1994 (r)	1995 (r)	1996 (p)	1997 (f)
Sugar :							
Value	220.4	221.3	230.7	252.2	276.1	301.7	255.1
Volume (000 tonnes)	357.1	364.9	439.1	472	444.3	500.3	395
Unit Value(F\$/tonne)	617.2	606.5	525.4	534.3	621.4	603	645.8
Molasses :							
Value	13.3	13.1	10	13.6	21.3	22	15
Volume (000 tonnes)	155.3	136.7	117.7	140.3	188.5	144	133
Unit Value(F\$/tonne)	85.6	95.8	85	101.5	113	152.8	112.8
Coconut Oil :							
Value	2.3	5.7	3.7	3.8	3.9	5.6	6
Volume (000 tonnes)	3.6	7.9	6	4.1	4	5.7	6.1
Unit Value(F\$/tonne)	638.9	721.5	616.7	926.8	975	982.5	983.6
Gold :							
Value	46.6	60.7	66.7	62.6	58.6	81.6	81.6
Volume (000 tonnes)	87	118.8	121.6	112.6	109.6	150.7	170
Unit Value(F\$/tonne)	535.6	510.9	548.5	556	534.7	541.5	480
Timber & Cork & Wood Manufactures	31.3	35.9	36.4	37.8	53.1	45.6	49.3
- Wood in Chips or Particles	18.7	22.9	18.2	15.8	32.2	26.8	29.5
Fish	49	41	48.3	63.8	69.8	60.4	61.9
Garments	131.1	116.8	128.8	141	185	189.9	195.6
Dalo	4.6	4.3	11.5	14	15.5	12.8	12
Yaqona	1.2	1.3	1.9	2.6	2.7	2.4	2.6
Other Domestic Exports	53.9	32.2	49.9	60.4	66.5	69.3	70.1
TOTAL DOMESTIC EXPORTS	556.7	556.5	593.5	665	770.4	821.1	789.2
RE-EXPORT	109.8	112.2	104	168.6	105.5	228.7	145
TOTAL EXPORT	666.5	668.7	697.5	833.6	875.9	1049.8	934.2

Table : 8

Notes : 1. Values in thousands of Fijian dollars

Source: Bureau of Statistics

This concern of the Managing Director, relating to the non-representation by the Ministry was discussed with the Prime Minister. He expressed surprise at the situation and shared the thoughts of the Managing Director concerning the usefulness of complementary organisations and their role in the promotion of agriculture. For example, he suggested that the reviving of a body such as the BOMAS (a training institution), would prove extremely beneficial and is worth considering seriously, as training services for the farming activities is an essential element for its success. He confirmed that the BOMAS shut down due to mismanagement. Whilst elaborating on the need for such organisations to be set up in an appropriate manner, he emphasised the need to suit local requirements when seeking consultations on the matter. Criticising the adoption of practices from other countries without appropriate modifications the Prime Minister commented:

Copying stages are now over. What we have been getting are prototypes with no cultural input. There is a lack of local cultural dimension and this is why it doesn't fit. What we need are strategic partners as it is very costly for a developing nation such as Fiji to have its own development bank. Taking a step further to globalising our development. This will go against the aid-donors because as partners they become co-operators rather than self-centered mechanisms which work against the objectives of developing countries generally (Prime Minister).

(Refer to chapter six for the inception of the FDB on the principles of the Commonwealth Bank of Australia)

As a suggestion for a possible form to be adopted for the FDB, the Prime Minister suggested:

A possible form to adopt for us could be through the utilisation of the NBF as a strategic partner; with the NBF as the commercial and the FDB as the development bank because we need development of both our agro and non-agro based industries.

He cautioned, however, as to the form or structure that these organisations should adopt:

There will be a need for some re-structure and re-enforcement where the organisations evolve rather than supercede.

Certain observations can be made from the foregoing discussions. These essentially identify the problems associated with a negative attitude towards agricultural activities in Fiji. In addition, a need for support services to this sector is also emerging as a prominent feature, whose lack is causing agricultural activity to degenerate. The revival of this sector is indeed an urgent task, especially when the country's economy is agriculturally oriented. For instance, the review of loan applications revealed that the overall decline in the agricultural sector was not necessarily true for every branch. Some branches, as discussed earlier and depicted in fig. 5, are 90% agriculturally oriented; a characterisation of the economy of their location. Indeed Fiji as a country is very much characterised by, and is reliant upon, agricultural activities. Hence, the encouragement of the agricultural sector is rationalised as a requisite for the development of Fiji. The sector therefore, warrants thoughtful consideration and action as expressed by the Prime Minister:

For example, the branch managers inability to service loan applications in rural and inaccessible areas, both in terms of loan monitoring and training and advisory services is an issue, worthy of thorough consideration. The managers empathy and frustration is expressed as follows:

The agricultural lending should be taken away from the FDB and handled by another form of institution (Branch Manager - FDB).

Such expressions derive from what they consider to be the colossal nature of responsibility placed upon them which they cannot fulfill adequately. This results in feelings of guilt and defense which can produce a degenerative effect upon the practices of the FDB.

We have a huge responsibility. We are expected to do too much with little assistance from government (Managing Director).

Some of the branches (anonymity preserved) became hopeful with discussions and indicated that maybe the researcher can communicate their awkward plight, both to head office and to the regulators:

Maybe you can discuss these issues with Head Office who can take it up with government (Branch).

Head Office in turn expressed similar concerns and saw promise in advancing discussions at State level through a research of this nature. The research was seen as a way to illuminate the problems encountered with the management of the institution (FDB).

Expressions by the FDB representatives of a lack of support from the government cannot be utilised as conclusive evidence that they themselves are supportive of agricultural activities. Statistical evidence is depictive of a decline in agricultural lending (refer figures 6 and 7). Furthermore, FDB's attitude and behaviour towards lending in the sugar cane sector provides evidence of a general lack of interest in these activities. This lack of interest can be explained on three possible levels; 1) as a result of influence from external sources such as the ADB through the installation of the Corporate Plan, 2) because of a lack of interest and

responsibility on the part of the government; the regulator of the institution and 3) a change in the public perception of the FDB. Consequently, there appears to be an urgent need to review the practices and role(s) of the FDB and possibly a revision of the Act, which governs its operations. In other words, FDB's focus as a development institution needs to be re-examined and possibly re-defined and even re-structured.

7.10 Chapter Summary

This chapter has observed that whilst the lending criteria of the FDB assumes a prescribed form, its application occurs in multifarious forms. Such variety is induced through reasons of individuality of managers presiding on the decisions, to environmental influences impacting upon the decision making process, from other competing institutions who influence the FDB and finally from expectations that the Fijian community has of the FDB. Regulatory and stipulatory aspects also manifested themselves as significant influential factors and explained the conduct of the FDB as an institution ostensibly committed to development. The different explanations which became noticeable through the analysis of field studies and from discussions, substantiated the complex task of the FDB. Complexity of the FDB's task derives from the need to remain viable as an organisation and to fulfill its developmental task, the former being a commercial and the latter, a social objective. The chapter also observed the FDB's change in focus towards becoming a more commercialised

institution. Such proclamation of commercialisation by the FDB is questionable on the basis of an inadvertent shift to this paradigm, rather than a deliberate attempt to do so; notwithstanding the underlying belief in the FDB which supports the notion that commercialisation is synonymous to modernisation.

CHAPTER EIGHT

The Changing Focus of the FDB - Impact Upon its Development Role and Policy Planning

You cannot step twice into the same river for other waters are continually flowing on.

Everything flows and nothing abides; everything gives way and nothing stays fixed....Cool things become warm, the warm grows cool....

It is in changing that things find repose (Heraclitus cited in Morgan, 1990).

8.1 Introduction

This chapter will examine the changing approach of the FDB's practices and the impact of such change upon the developmental role of the FDB, together with its repercussions on the Fijian society. Whilst there is a discernible shift by the FDB towards a more commercialised type of operation, there is still an underlying and distinct presence of its continued lending in the developmental (agricultural) sectors. This presence was identified and substantiated in chapter seven, which implies that the change may be procedural only, rather than a shift in the focus of the bank's lending activities. Regardless of the type of change though, there is concern in conformity with the objectives of this study to scrutinise the effect of this on the developmental agenda of both, the FDB and the Fijian society. In accordance with this concern, the chapter begins with general observations relating to the changing focus of the FDB. This is followed by an attempt at offering explanations for the commercialised approach, incorporating an assessment of the impact of such change upon the developmental role and policy planning aspects of the FDB. Global changes to the development concept discussed also, and consideration given to the relevance of such changes and their impact

upon the FDB's operations. The chapter concludes with an overview of the Fijian position or, rather predicament with respect to the development issue.

8.2 Observations on the Changing Focus of the FDB's Operations

The development function of the FDB was defined at its inception in 1967 as one which was incorporative of "economic development" of the rural sectors of the economy of Fiji. This function was adopted from the Commonwealth Bank of Australia; an Australian development bank, just as the concept of the FDB was derived from it. At that time the function could have been interpreted to mean promotion of agriculture; a thinking which typifies an underdeveloped (in a Western sense) country (Black,1991). Gradually over the years as the agricultural activities were confronted with difficulties relating to their viability, they became less attractive as banking proposals. Hence, the interest in these activities dwindled and they were neither encouraged, nor ostensibly discouraged - a kind of impasse. This predicament with the agricultural activities in Fiji coupled with the FDB's ever rising competition with other commercial banks in the country, and its struggle for viability in absence of continued government support, led it to create products which could stand up to the competition. FDB's role and charter thus became confused, and in trying to grapple with this confusion, in addition to managing the complexities of its environment, FDB developed a defense mechanism. This mechanism comprised of a strengthening of its commercial arm including the revision of its lending policies; the revision was conducted by a consultant group from the ADB.

Recommendations from this group constituted the stringent application of the lending criteria for assessment of loan applications, which was to be guided by voluminous manuals containing the procedures and policies relating to the conduct of the bank's activities. The implementation of these recommendations, had the effect of systematically reducing emphasis on agricultural lending; such lending being disqualified or rather, considered as not feasible because of lack of adequate financial information (a measure on technical criteria which excludes social considerations). Requirements for collateral or security factors were also areas where the agricultural lending scored weakly, as these were usually inadequate and thus designated them as poor loan propositions.

From the preceding considerations, there appears to be an urgent need for the reviewing of the FDB's role and function, articulated in the interest of the Fijian society as a whole. Such revision requires dialogue between the FDB and its regulators. Meanwhile, while the FDB may cast the blame and burden for the non-performance of the agricultural sector on the government, they cannot utilise this as a defense mechanism for creating a more difficult atmosphere for lending in that sector themselves. The installation of rigid criteria for assessment of loan proposals is a contributory to the failing agricultural sector and does place FDB in a vulnerable position, which is tantamount to a non-commitment, as a development institution for Fiji. Is the FDB aware of such exposition? or was it forced into this situation? Is the responsibility totally theirs? Does lending in the agricultural sector at certain branches such as Seaqaqa and Labasa, which are predominantly agricultural

communities, sufficiently justify FDB's commitment to its development role? How does one explain the substantial levels of provisions for bad debts in the Special Loans? (refer Table 2). Is the FDB free to make its own decisions without government intervention? Can service to a few selected communities constitute National Development? These questions need to be discussed in an attempt to create an FDB which is more development oriented ; a charter which it was set up for. In line with this concern for creating a more development oriented FDB then, the factors influencing FDB's commercialisation , both globally and locally are discussed in the following sections, to assess its performance as a development organisation, and to present an overall disposition of Fiji's development.

8.3 Explanations For The More Commercialized Approach of FDB

The discernible shift towards a more commercialized approach for the operations of the FDB, can be articulated by deciphering the deep seated thinking which characterises most developing countries; the thinking which views development as industrialisation (Black, 1991). That development means industrialisation and that reliance on an agro-based economy implies underdevelopment or a lesser state of being, is a thinking which has been constructed from the post-war days (Black, 1991; Sachs, 1992; Escobar, 1995). Black (1991) summarises this thinking as:

The Nations which are rich and powerful possess a technologically advanced industrial base, capable of turning out a large volume of manufactured goods. Nations which are poor and dependent have little or no industry and are primarily agricultural (Black, 1991, P.37).

Technological advancement therefore, equates to more prestige (Sachs,1992) and whilst it appears as a cast of the mind which is related to being modern (Tomlinson, 1991), it assumes a form of mesmerisation and indeed has a steadfast hold on people generally. Such fascination for development as modernisation is visible and relevant to countries on a global level, regardless of their levels of development or technological advancement (Escobar, 1995).

Pictures of tall buildings and infrastructure such as motor ways are usually used to represent development, in contrast to those of farming communities which typify developing or underdeveloped countries. As has been discussed in the earlier chapters, (refer three and four), ‘developing’ or ‘development’ is a state of being of poor countries which is not modern. In contrast, to the modern world which is equated to an industrialised world. Modern institutions therefore, are those which focus on industrial activities, and not those which are agriculturally oriented. Discussions with and observations at the FDB implied that this thinking was applicable with great pertinence, which explained the increasing commercialised approach. FDB seemed to even defend this position or way of doing things. For instance the General Manager Operations considered:

**Lending in the industrial sector is also development - “industrial development”, so what is wrong with that? After all, we need to grow.
(General Manager Operations)**

Indeed industrial development is a necessary pre-condition of development in any country, as this study argues also. It is industrialisation which is able to draw water from wells for its supply to various locations; the purification plants and generators enable this process. What

is maybe not so necessary is the want of becoming too industrialised, at the expense of generating an escalation of problems in countries where resources (mainly in the form of capital and infrastructure) are limited. In other words, it is the pressure of the desire of becoming like another country which may prove harmful, as this often times involves numerous costs and sacrifices which instead of assisting, thwart the development prospects of the countries who set out on this trajectory (Black, 1993, Hettne, 1995).

In the FDB's case for instance, the commercialisation has to be viewed in light of whether such a favouritism for industrial activity will neglect agriculture and thus, the development of Fiji, a function which the FDB has been set up to assist. The impact of such industrialisation on agriculture was discussed with the GMO who commented:

That the industrial will subsidise the losses in the agricultural sector and besides the agricultural sector should be taken care of by another institution. The FDB has to be viable and if we concentrate on agriculture we may be forced to close.

This expression by the GMO imparts a thinking which implies that the focus on commercial activities is not necessarily a deliberate attempt to neglect agriculture. Rather, it is a concerted effort to maintain the FDB's viability as an institution. Albeit, the shift to more commercialized type activities, such as leasing and export finance which the FDB is promoting currently, is viewed by the organization as the achievement of a more 'developed' state. For example, one of the respondents at managerial level remarked:

The FDB is in an advanced state and there is need for a Farmers Bank which will take care of agriculture and we need to move into other areas of lending which a bank normally does. (rural Branch Manager- FDB)

Whilst this thinking of advancement was expressed by a rural branch where it can be expected because of a lesser degree of commercialisation, the thinking nevertheless, is a pertinent feature of the institution as a whole.

Explanations for the FDB's concern with moving towards more industrial lending can be offered on three dimensions. Firstly, that industrial development is seen as being useful and required as part of improving the lives of the people. Secondly, a review of the losses incurred with the agriculture justifies the move, in the interest of viability (refer chapter seven), and thirdly, the problems associated with managing the agricultural loans as expressed by the branch managers of agro-based lending, further justifies a move to commercialisation, in absence of support from government. A justifiable argument is thus presented by the FDB to move towards more commercialised type of activities. Examples of the three reasons discussed herein are presented in the next section, which adds credence to the argument.

1) Industrial Development as Useful

A case of industrial development is that of a limited liability company which was a hotel project, with a level of borrowing in excess of \$2 million. The company had incurred a substantial capital development in the construction phase of the hotel, approximately \$1.5 million. It then came to the FDB for re-finance because the commercial bank became unsupportive on the basis that the debt load was too heavy. FDB funded the project up to \$2 million which included the capital costs together with some working capital for the operations.

Subsequently, the owners changed because of failure in a related business and the hotel business continued with new owners, despite it being designated as a marginal case. Can this be classified as development lending even though it is not agriculture? Did this not assist with the improvement of lives of people?

As for the FDB this was a substantial project and involved only one client. It would take at least 200 agricultural clients to make up the two million dollars lending to equate to one lending in industrial. Based on such rationale, the industrial lending is clearly more lucrative in comparison to agriculture from the banking perspective. On the other hand though, one such commercial failure is indeed a substantial failure.

2) Losses in Agriculture

Whilst there are numerous cases of losses in agriculture, one particular case is used to illustrate the loss aspect. A farmer (F) employing 10 people in the Sigatoka region, and engaging in vegetable farming received ongoing assistance from the FDB. This assistance continued over three years of reported losses in monetary terms. The FDB kept this going because of their commitment to agricultural development and to assisting peoples' livelihoods. "Losses" are hence defined differently to monetary values, with the focus shifted to the social gain. However, it is because of these losses, that lending in agriculture does not appear viable and thus is increasingly viewed as unjustifiable; a rather constricted and narrow view to be adopted by a development institution.

3) Problems of Managing Agricultural Loans

Problems related to management of agricultural loans, as have been evidenced in chapter seven, would render most, if not all of them, as reject cases. Despite those obstacles the funding is facilitated on the basis of its contribution to the country and people's development. For instance, the case in Rakiraki, where the manager of the FDB was unable to visit the site because of poor accessibility and had granted the loan regardless of this incomplete assessment. He justified it on the grounds of the bank's developmental role. The reasoning was the need for funding and to assist the lives of the people in the farmer's family and supporting their education and welfare; a clear case of FDB's commitment to social welfare.

Examples of such compromise of the profitability element in favour of the social is more discernable at the branches wherein the economic culture is more of agriculture and not so much of industrial type of activities. Despite these justifications, the thinking that development equals industrialisation is an issue which cannot be shunned, and is a feature not only of the Fijian society, but indeed prevalent globally (see chapter three for a discussion on development). Industrialisation is a necessary pre-condition to becoming developed and regardless of the problems associated with it, one must progress to development (see Tomlinson, 1991). The widespread nature of the problems associated with it in terms of engendering disparities, the increasing of debt loads of developing countries and the continuation of poverty in those countries which cannot be curtailed in a suitable manner (Robinson, 1979; Roxborough, 1979) are considered as a characterisation of the developing economy. These economies are constantly endeavouring to control and overcome these

problems and reach to the development stage which is acceptable enough to be labeled as developed. Will this ever come about, or will the “light keep on receding into the dark” (Sachs, 1992) as the face of the earth keeps changing, presenting new challenges for development. Challenges in the form of cyberspace (Escobar, 1995) and a concurrent interconnection of the globe (Thurow, 1996). The impact of increasing commercialisation whilst indeed a concern, so far as it affects the development agenda of emerging economies such as Fiji, seems to be an inevitable path to development. This seeming inevitability needs to be addressed so as to create awareness of its effects and hence to mould the path of commercialisation to suit individualities of different societies. The next section will discuss briefly the impact of the commercialised approach to the FDB on its developmental agenda, only to reiterate its pertinence.

8.4 Impact of the Commercialised Focus of the FDB upon its Developmental Role

FDB’S change in the emphasis of its role in terms of a lean towards a more commercialised type of institution, has to be considered in light of and as an integral part of the role it is expected to play with the development projects. Moreover, its capacity to do so has to be incorporated as well by considering factors such as whether they can serve their advisory and training role, given the existing poor infra-structure in the rural areas of Fiji. Another factor to be considered in Fiji and in particular with the FDB is the withdrawal of government support which existed in the form of ancillary activities which complemented the farming sector. The question then arises as to what the definition of development is in Fiji, or if there is a definition of development in Fiji? Such questions or rather perplexities are pertinent

features of developing countries who need to seriously consider their own development agendas. Hettne (1995) articulates on these perplexities as going beyond the domain of the state as the ultimate body for deciding on these agendas. Gurrieri (1987) takes it even further to question the reason for the apparent crises in development theory:

The crisis in development theory is to my mind not resulting from theorizing having reached a dead end, which the present fatigue shown by the professions seems to suggest, but rather than from the failure to seriously answer the old question : Whose development? From the very start development theorists - and development economists in particular - were addressing governments on the assumption that national development was to be given the highest political priority, and that their advice would be heeded. Furthermore, the state was seen as a homogenous unit, autonomous from other agents, in possession of political and economic power, in control over external economic relations, and with the necessary techno-administrative and managerial capacity to implement plans (Gurrieri 1987, p.31, cited in Hettne,1995).

Thus a basic weakness in development theory has been the erroneous assumption that development is a distinct national goal that can be distinguished from other political goals, and can be given an exceptional and unquestioned position among them. For some reason we have assumed that the poorer and more backward a country is, the more its government will emphasize the role of development policy in order to 'catch-up'. If development is defined as a general improvement in the standard of living such an assumption is evidently wrong, and in retrospect perhaps also rather naive. In fact this became clear already with the so-called 'crisis of planning' in the mid - 1960s (Faber and Seers 1972).

Another, somewhat controversial yet, cogent argument is that 'Development' has at best really meant a strengthening of the material base of the state, mainly through industrialization, adhering to a pattern that has been remarkably similar from one country to another (Hettne, 1995). This mainstream model has been enforced by the securing interests of the ruling elite, possibly. In the mainstream model there are consequently potential conflicts, primarily between competing states within the interstate system, and secondly between, on the one hand, state power, and on the other, sub-national groups challenging the legitimacy of the state. Thus, the concept of the nation-building project is a key to understanding what mainstream development has been all about. To add to this already complex situation is the recent idea of a sustainable or environmentally aware development which is a global attribute and indeed integral to the development agenda.

8.5 Sustainable Development- the Latest Influence

Whilst there have been intense debates about the generalised approach and applications of development, the advent of the sustainable development agenda is fast becoming a concern of the world, which is indeed a general application, though not in the same sense as 'conventional' development. It requires a harmonisation of the globe as much as of the socio-economic and environmental objectives of development (Sachs,1992,1995).

The agenda and requisites for such development are daunting and warrant articulation in terms of the vitality aspect for survival of the globe rather than for individual societies and institutions. That is, a universal concern, with a contextual awareness. Sustainable

development is also known as eco-development and Ekins et al., (1992) articulates the difficulties with achieving it in the face of institutional forces as:

(Sustainable development).....can be achieved only through a fundamental transformation of our values, behavior, and institutions. Powerful institutional forces not only oppose the needed changes; they in fact counsel us to seek accelerated economic growth and the globalization of the world economy, which can only hasten the destruction of our planet and by increasing our rate of destruction of ecological resources and diminishing our collective ability to take essential corrective action by shifting power to unaccountable market forces that take no notice of either ecology or community (Ekins, 1992, p. 53).

This latest advancement in the concept of sustainable development encapsulates values and emotions into its definition, and is becoming increasingly promoted in light of the imminent dangers facing the world. These dangers relate to the damaging effects upon the global environment through industrialisation. The awareness of the need to protect the globe brings together all the countries of the world regardless of their levels of development: a commonality that is shared universally and discussed by most writers on development. For instance, Siwatibau (1991) comments about factors affecting development in the Pacific Islands:

Accelerated development in Pacific island countries is often accompanied by extensive exploitation of natural resources that harms their fragile ecosystems. An integral component of sound economic growth (development) in the long term is careful management of the environment on a sustainable basis (Siwatibau, 1991, p.26).

However, an intrinsic element to this commonality is the definite distinction which exists among and between the many countries of the world, is related to their different levels and

types of economic, political and social structures and thus, has to be reviewed contextually. Issues on sustainable development or rather development that has a wider scope and is more aware of the socio and humane implications of such development have been discussed at length as of late, and particularly during the 1990's (Sachs, 1995; Bailey et al,1993; Kozolowski & Hill, 1993; Steer and Lutz,1993). These issues are indeed complex and appear insurmountable. They are summarized by Black,(1991) from the perspective of the work of development specialists:

Development specialists are surely no less committed to their professed missions than other categories of professionals. But along with the material and psychic rewards sometimes accrued, there are frustrations and obstacle courses that would try the patience of any saint.

An American who has spent more than twenty-five years trying to promote development in Latin America says that development work is rather like shoveling smoke. No mandates are unambiguous or irreversible; no precise boundaries can be drawn; no projects are ever concluded; no results are definitive: and no assessments are entirely reliable (Black, 1991, p.157).

Thus, sustainable development, whilst a very real phenomenon, and vital for the survival of the earth, may not be well understood by most people, particularly by the poorer countries who are suffering from starvation and poverty. The concept appears overwhelming and difficult to comprehend and hence equates to to mis-understanding as Kozlowski (1993) explicates on its mis-understanding:

Sustainable development has recently become one of those magic terms used by most everybody though not necessarily in proper way or in the right context. Some people believe the concept to be sort of a "philosopher's stone" which will solve all our problems. Others tend to be suspicious as to whether it really does mean anything (cited in Black, 1991, p.3).

For instance, sustainable development in developing countries is very much an adopted feature of the developed societies from where the models or prototypes are passed to developing countries and this also explains its lack of understanding or mis-application. Such adoption leaves much to be desired of the development agendas of the developing countries. In trying to grasp and come up to certain expectations which the developing countries consider as the necessary pre-conditions or criteria for classification into the more respectable or developed world, they often times become lost, both in monetary terms and socially (Payer, 1991; Siwatibau, 1991; Bauer et al., 1991). Sustainable development in these countries thus becomes an ordained agenda which is determined by outsiders. This influence is elaborated upon a little more in the next section.

8.6. The Question of Sustainable Development in Developing Countries

As has been discussed in the earlier chapters the methods used for accounting in developing countries have been inappropriately adopted from models of the developed world (Western World), (Perera, 1989. Chambers, 1973, Enthoven, 1967, Wilkinson, 1965, Radebaugh, 1975, Chandler and Hozler, 1984). Those more advanced countries then determine, through their donor position, the levels of development that are to be achieved by the developing countries. Furthermore, when development follows this path, then the question of sustainability does not assume 'centre stage'. On the contrary, it may become an inevitable circumstance on the road to development, resulting in degradation and degeneration of natural resources, the environment and other social conditions and is just accepted as a product of development.

The paradoxical situation, however, is that the various donor agencies of the development agenda, such as the IMF and ADB, assume responsibility for the correction of the after-effects as well. That is to say, for most developing countries the awareness of sustainability, environment protection, and issues such as these are controlled by these agencies, indirectly though. For instance, in Fiji the Bill on Fiji's sustainable development, which is currently in a draft form for discussion, had on its list of consultants representatives from the ADB, who is a major donor to Fiji. Whether the ADB can do justice to its consultation, being in this powerful position, is indeed questionable. They may act in the interest of Fiji, but cannot lose sight of their donor position. This is considered in more detail in the next section.

8.7 The Fijian Predicament - the State of Fiji's Development

Fiji is one of the many developing countries whose plight cannot be considered any less "glamorous" or "pathetic" than most others around the world, such as Africa, Ghana, India, China etc., in terms of development programmes which are virtually forms of dependency on the more developed world.

The extant situation in Fiji can be described as one which is still heavily reliant upon donor institutions, including the FDB which is consulting with these agencies on a regular basis for its advancement. A common characteristic of the developing countries, of which Fiji is one, is the receipt of and dependency upon foreign aid (Bauer et al., 1991). Regardless of the awareness of the issues of environmental repercussions and the impact upon them of the"

socially aware” development, even to the extent of the formulation of a “Draft Sustainable Development Bill” in Fiji, the situation is one which can be described as dubious, with the possibility of unexposed agendas of the donor nations who indirectly controlled them. On the other hand, there is indeed an increasing awareness of such indirect control, and of the political motives of people in power. Such awareness and increasing requirements for accountability will serve to disallow self - motivated and self-perpetuating damage to these developing countries.

As already discussed in chapter five, Fiji has been subjected to a colonial influence and, hence, the accounting systems and the development patterns have been imposed upon it by some multinational corporations, and hailed by them as idealistic and beneficial to the Fijian Society. These multinationals then promote the international accountancy firms as the ideal, or rather, strategic organisations to act in advisory capacities for the enhancement of development activities. These firms play a prominent role in the development of Fiji as they are consulted on a regular basis and invariably on virtually all aspects of transforming practices of institutions in the name of advancement or development.

For example, the latest development in Fiji in the area of commerce is that of the establishment of the capital market and the privatization and corporatisation of statutory bodies. All the ground study for such an undertaking has been carried out by international agencies and consultants. This, has resulted in inappropriate models of transformation being adopted by the Fijian corporations, owing to inadequate attention being paid to the specialised local needs and circumstances of the Fijian society. Instances of mis-advice have been

noted during discussions with the Ministry of Trade and Public Enterprises ; such as the Ports Authority of Fiji (PAF) which had engaged an Australian firm of international accountants to determine the structure for the corporatisation of its activities. The proposal submitted by this Australian firm had to be abandoned subsequently, and replaced with a contextually relevant proposal; one that was not merely copied but rather modified through localised input and incorporation of local elements. This not only cost the Ministry twice in consultancy fees, but further costs were incurred because of delayed implementation, resulting in frustration and a thwarting effect on the ancillary projects of the PAF.

With such circumstances prevailing, the “Development” of Fiji may end up costing much more than was budgeted for or expected; an undesirous state of affairs which warrants urgent attention.

8.8 Chapter Summary

The chapter has probed the much-debatable aspect of the FDB -its two seemingly antagonistic roles; the bank and the development agency. There were noted manifestations of anxious justification for the co-existence of the two roles by the staff and management of the FDB in the earlier chapter which was continued herein. Such justification was from the point of view of the continuity of the FDB as an organisation, that is, in the interest of viability and not necessarily as a neglect of the agricultural lending. However, an urgent need to address the encouragement of agricultural type activities was also identified which need not be the domain or responsibility of the FDB. The changing role of the FDB towards a more

commercialised character was articulated in relation to its impact upon its developmental role. The apparent neglect of the agriculture did not appear as an intentional agenda of the FDB, evidenced in the form of declining applications, but rather, a necessity to survive and become competitive with the other banks. The commercialised image was possibly explained to be emanating from influences from the more developed world who were instrumental in the determination of the development trajectories of developing countries such as Fiji. Adding to this influence is the desire by the Fijian people, including the participants of the FDB to become part of a modern society. The chapter concluded with an informed disposition of Fiji's regulated development; one which may not be locally relevant but is pursued regardless, because of Fiji's indebtedness to the developed world; a universal feature of which there is an awareness but, unfortunately not a solution yet.

CHAPTER NINE

Utilising Critical Theory for Planning Policy for the FDB- An assessment of Habermas' methodology for analysing practices at the FDB

In a world of intensely conflicting interests and great inequalities of status and resources, planning in the face of power is at once a daily necessity and a constant ethical challenge (Forester, 1989, p.3).

9.1 Introduction

This chapter will reflect on the experience of utilising a critical theoretical methodology for the analysis of the practices of the FDB; my experience with the application of the three stage Habermasian approach for the analysis of the FDB; limitations associated with the critical theoretical approach; and its overall success with obtaining insights into practices of the FDB and of the Fijian society. A summary of the insights gained from the study is presented, followed by suggestions for possible transformation of the FDB for its improved performance. An awareness is thus created of the intricacies involved with societal practices such as development and accounting, as a result of their embeddedness in a broader social and political sphere.

9.2 Critical Theory and Planning Organisational Practice

Characteristics of critical theory which give it a particular appeal as an approach for organisational analysis are: 1) its concern or claim for linking theory to practice; a practically based endeavour, 2) Its emphasis on critique and change as vital and necessary components of the practically based research and, 3) its concern for historically grounded

research to achieve change or transformation for the better (Laughlin, 1987; Broadbent & Laughlin, 1997). By mobilising these three properties through communication and dialogue, deriving from a participatory style of discourse, meaningful insights are obtained. Invariably however, whilst such participation is outwardly encouraged in a democratic system, it is at the same time subtly repressed within forms of governing existent in capitalistic societies; including Fiji and the FDB.

Habermas (1974) argues that democratic politics or planning requires the consent that grows from processes of collective criticism, not from silence or party line. Whilst the idea of collective criticism is appealing, it faces opposition in terms of practical applications as decisions have to be taken in a time frame that does not allow for fully democratic participation. In other words, the limitations of a critical theoretical approach, appear to legitimate a certain degree of bureaucracy as unavoidable (Bronner, 1994). Consequently, the institutionalised society is appealing because it proposes some form of order and stability (and requires some form of control over social problems such as crime and dishonest practices). Concomitantly, the institutionalisation encourages discriminatory practices and systematic exclusion of certain groups of people from the organising process of the regulatory aspects related to these forms of practice. As a result, social problems of poverty, unemployment and education are engendered and appear as a perceptual feature of these societies. The addressing of such social conflict is the business of a critical theoretical approach; the identification of the conflict enhancing potential of organisations such as the FDB. Relevance of the CT approach and the particular application of the three

stage discursive process of the Habermasian approach to the FDB for achieving a better form for the institution is discussed in the next section.

9.3 Application of the Habermasian Three Stage Process to FDB's Analysis

The three stages of research process identified by Habermas (1974) as adopted by Laughlin (1985) and utilised by this study of the FDB are 1) "Formulation of critical theorems", 2) "Process of enlightenment" and 3) "Selection of strategies".

Whilst each of these stages has different natures, purposes and intentions, they are all concerned with the exposition of the integrated social and technical aspects of any phenomena and with changing the composition of the two. This will be led through changes in the social; as was observed when applied with the analysis of organisational practices of the FDB. The identification of the need to recognize organizational practices as social as well as technical phenomenon will enable changes for the betterment of the organisation by allowing a freedom of expression of the participants in the organization.

The process began with my entering the FDB from what Habermas labels as "quasi-ignorant" position. At this stage I had some exposure and experience with the FDB as a practising accountant which provided me with a background and premise upon which to begin the inquiry process. This disposition combined with my knowledge of organizational studies acquired through graduate studies enabled a steady progression into a discourse with the participants of the organization. The initial inquiry included; 1) the building up of a

perspective for development as understood in a Fijian context, by the participants of the FDB and 2) the questioning of whether, as an institution, the FDB was able to perform this role effectively; given its emphasis on a highly technocratic form of reporting of its role in the Fijian society. Such questioning is reflective of the formulation of critical theorems; achieved through discourse with the participants of the FDB; mainly personnel at various levels. The discourse also included engaging the personnel of the wider environment of the FDB; the commercial banks, the regulators (state) and the public who had expectations from the FDB from differing perspectives. Having progressed into the elementary stages of the inquiry and having set in motion the critical theorems I progressed further with the researched; FDB personnel, regulators (government), other commercial banks, and clients of the FDB, obtaining enlightenment as I progressed. This stage was exciting and challenging, as this was the learning process wherein the varying practices existing within the lending functions of the FDB were exposed more fully through questioning their relevance and implications upon the development of Fiji. Thinking on a societal level, then generated a need to review and consider the historical background of the FDB, with its roots in British colonialism, thus enriching the analysis further. Related to the historical review, the rationale behind the setting up of the FDB was also examined and certain other discoveries were made as a result. Discoveries such as the setting up of the FDB on the basis of the Commonwealth Bank of Australia, almost thirty years ago, in 1967, confirmed the influence of the western societies and the developed world upon Fijian societal and institutional practice. By this stage of the research, I had just about teamed up in some respects with the researched and was learning from them about dealing with everyday

planning situations in terms of problems encountered by them and needing resolution for practical applications. Likewise, they (the researched) had also acquired a more informed position as to the need for more contextually relevant forms of practice for the FDB as they became increasingly aware of the outside influences impacting upon the organisation. Working in this way, as a team enabled a comfort level to be established which in turn allowed suggestions for improvement to the practices of the FDB to emerge from all levels of the organisation. These suggestions were proposed with apprehension though, and participants of the FDB expressed the need for caution when transforming policy. Policy transformation was seen to be the role of the policy makers and regulators only who were the dominating power structure over the institutions practices.

*we can suggest but they will stipulate
These stipulations can be frustrating as they cannot see
what we deal with (Managerial level interview)-refer
chapters seven and eight for detailed accounts.*

Propositions for changes or selection of strategies stage (Habermas,1974) when discussed with policy planners were received with much enthusiasm. However, they also expressed apprehension, not so much as to the need for change, but, as to the form of changes which the FDB had to adopt to uplift its image as a development institution. Especially in light of recent developments in Fiji which comprise of an effort by the government towards public sector reforms, promulgating the regulation of the corporatisation of government owned and statutory companies through its autonomous body, referred to as the Public Enterprise Unit. For instance, the consideration of the possible merger of the FDB with the National Bank of Fiji (NBF), in an effort to salvage the failing NBF, which will also uplift the image

of the FDB as a development institution. This strategy essentially proposes the division of the development role; between the more social and agro-based, commonly regarded as development, and the commercially oriented practices and will require detailed consideration and planning (Prime Minister - interview) as to the feasibility of both these institutions. Consultation on the feasibility of such projects is perceived as an overwhelming exercise for Fiji and because of this perception, the need for international level consultancy is justified. Consultancy from outside sources can be useful indeed, provided it is contextually sensitive.

The dependency on advice from the more developed world is justified on the assumption that they are more knowledgeable and experienced; elements which are believed to be lacking in Fiji. For example, one of the managers of FDB commented as follows regarding this belief in international expertise:

*We need to hire specialists and experienced people.
We do not have expertise in Fiji (Manager-FDB).*

Concomitant with the appeal and requirement for international expertise, there is also an underlying feeling of the need for the exercise of caution with the hiring of this expertise.

For example, a comment from a government representative states:

They may have the expertise, but not the local knowledge and we get caught. It is difficult situation to deal with (Government representative).

Expressions of this nature which are clearly reflective of feelings of apprehension are a common plight of developing countries (Hettne, 1995; Goulet,1993). It is through the

participatory approach and dialogue as a team that such insights into the practices of both the FDB and the Fijian society as a developing country were obtained. By engaging participants in a critical self-reflection upon the practices, either at a societal or institutional level, meaningful insights are obtained which can be utilised for contextually relevant transformation to be brought about. Obtaining contributions from various levels of practices at the FDB and interfacing them to generate further discussions with policy makers has allowed an awareness to develop, of the complexities associated with the transformation process. Such awareness, it is believed by this study, has laid down the necessary foundation and mechanism for the re-organisation process.

Planning and consideration in this manner appears overwhelming to the policy makers in Fiji as a whole; not only with the FDB, but also with many of the other public sector reform programmes which are currently being undertaken. Such anxiety with bringing about reforms in Fiji and indeed most developing countries, invariably results in the engagement of international advisory services and consultancy. Seeking advice from other countries who have experienced certain reform processes is not necessarily harmful, provided it can be moulded and changed for suitability in differing circumstances. Deliberations on the presumptuous plights of developing countries can be pursued with the critical theoretical approach; its contextual concern together with empowerment of individuals can be mobilised to achieve useful discoveries as has been enabled with the FDB and Fiji. In this way, an awareness has been created of the complexity associated with the reform process.

As with any other methodology the CT approach is also not void of limitations and this has to be borne in mind for the conduct of social science research, if desired societal and/or institutional transformations are to be acquired. The limitations of CT which were encountered with the FDB are summarised in the next section.

9.4 Limitations associated with a Critical Theoretical Approach

Limitations to the CT approach which became constraining factors for the study of the FDB need to be highlighted as they have profound implications for the research and the realisation of its objectives. These comprised of : Firstly, the design, in the form of determining the groups who will be the researched; that is, the constituents comprising the wider or external environment of the FDB - the commercial banks, the regulators, the clients. The difficulty was the onerous task of deciding on the number of clients or commercial banks to include in the interview /discussion session to achieve an adequate coverage of different perspectives and influences impacting upon the FDB (see chapter two for the determination process). Secondly, the amount of time required in order to gain an insight deep enough from the respondents may not always be feasible. This can be related to the problem of obtaining an adequate exposition of reactions in different settings. As often times at semi-structured interviews the researched is usually performing, that is, acting artificially, rather than, behaving naturally. (See Mckinnon(1983) for discussion on limitation of field work strategies.) As was noted with the respondents of the FDB, who were exercising caution so as not to express negative comments about the Bank, at least initially. Even if they did, they became conscious and saw a need to provide a defense to the

statement. Also for the length of time that one needs to spend for a deep enough insight of the FDB appeared overwhelming and somewhat not possible with the FDB. This constraint however is influenced by the timing of interviews/discussions and the ability to create different settings for them, both of which cannot be controlled by the researcher alone.

These problems can be related to those identified by Laughlin (1987) in the form of constraints which disallow steady progression of the three stage process. This was also discernible and clearly applicable to the FDB study where because of the timing of the interviews, owing to the unavailability of certain officials, compromises had to be made momentarily in certain areas of research, to be picked up later. Such complications added pressure and demanded much planning to an already difficult exercise. In addition to that, another dimension can be added to the inadequate progression of the three stages. This concerns the different levels of participants in the FDB. That is to say, that the lower ranking personnel; those below the managerial and even below the Managing Director to some extent, were found to be more defensive of the organization's existing practices. They appeared to emphasise a need to be regulated and controlled by the upper level management and policy makers, and displayed complacency as well. Such observation is consistent with and integral to Habermas' theory of the domination of individuals by the system through structures of power, and promises emancipation once these power structures are loosened up to provide freedom of expression.

The managing director and the regional level managers appeared to be more engaging into areas of discussions which involved the re-structuring the FDB. Other issues such as policy and structural changes in the form of (i) Changing interest rates, (ii) Changing the annual report format on the basis of making it more socially accountable, and (iii) Setting up of complementary organisations to complement the developmental role seemed to be received and discoursed with enthusiasm at the higher levels. Likewise, the policy setters and regulators appeared to engage into discussions in a more probing and interested way. These discussions entailed the practical implications of change strategies, aligning it to overall policies for achieving better standards; and concerned with a contextually applicable agenda to Fiji.

It is important to ensure that the critical thinking is instilled into all levels of the researched if change is to be achieved in a meaningful way. In this way all levels of the organization are involved in the discussion process and the resultant effect is the generation of a feeling of importance and “sense of worth” as a contributory amongst all participants . Through the creation of an awareness and ‘sense of worth’ amongst the lower ranks of an organisation a challenge will be presented to the policy makers as well. These people are usually hesitant to disturb their comfortable positions, or may simply be unaware of the nature of practicalities associated with change, and need to be informed. Hence, enabling a democratic process to be established; a participatory approach to the reform process which is encouraged by CT.

9.5 Success of a CT Analysis of FDB

A critical theoretical approach, derived from the Habermas methodology, evolving from the three stage process, as utilised by the study appears favourable because it promises a potential outcome of greater emancipation for the organizational participants through the discursive process (Laughlin, 1987; Broadbent & Laughlin, 1997). This was experienced with the FDB personnel who became encouraged with dialogue and communicated freely so as to achieve transformation in an applicable and relevant manner. (refer chapters seven and eight for evidence). With this encouragement, certain intrinsic features of the lending process such as differences in application of criteria and the judgemental element were exposed as integrated factors in determining the outcome of the applications. These features explained more comprehensively, the practices of the FDB as opposed to a superficial assessment derived from the ostensible view of its practices. It therefore, allows a learning on the part of both the researched and the researcher. The researched in this study were able to develop a questioning ability and obtain an understanding of the (ir)relevance of colonial based applications to Fiji. I, on the other hand, was able to enhance knowledge on the rationale for the establishment of the organisation; a historical analysis. I also was able to extend and enrich my understanding in the area of organisational problems encountered in a practical sense. (Forester, 1989). Together, the team was able to identify certain forms of change to the organization which will not only better the organizational practice, but also promises the enhancement of the socio-economic development of Fiji; a development which will be people oriented rather than money and power oriented.

For example, the change in the mission statement in 1996 which involved the elimination of “the quality of life of the people of Fiji” element was discussed with various managers in an attempt to gain insights into the change process. During these discussions in a team approach, the rationale behind the change of the statement was expounded and it appeared that inadequate thought was given to that change. Furthermore, the implications upon the perception that this created of the FDB as a development organisation seemed not to be considered seriously enough. There appeared to be a somewhat mixed conception of this change. One of the managers thought that this change was appropriate and reflected better the FDB’s image and that the ‘quality of life of people’ was present in the new version of the statement, but latently rather than ostensibly. Another manager was more keen to discuss as to what the change can imply and hence, was more willing to recognise the possible lack of people focus and thus development.

The critical theoretical framework is not unproblematic though, with the problems relating mainly to the impracticalities which surrounds the implementational issue. The impracticality relates to the many possibilities of change which become possible with this approach, thus, questioning the feasibility of implementation; notwithstanding CT’s concern for linking theory to practice. As highlighted herein, the discursive process appears to be utilized more effectively with higher levels of management. This critical process however, does not have the capacity to incorporate the manifold possibilities of comprehension which present themselves as options to be considered, thus imposing

restrictions on the emancipatory project. Expressions of this restrictive element were noted at the lower ranks of the FDB personnel, from comments such as:

We cannot do anything, it is up to government.

Moreover, the feasibility of some form of bureaucracy and regulation presents itself as an unavoidable circumstance (Bronner, 1994) and indeed necessary in the interest of order. The alternative to this form is a fragmented society. Such fragmentation then poses problems of conflict and impracticalities and justifies some form of organising. This order or organisational structure need not constitute an oversimplified and generalised application of Western-based models of governance for the achievement of goals of individual societies. Quite to the contrary it is the questioning of these applications which is the agenda of a critical theoretical approach and provides it with credence; justifying its adoption as a methodology for social science research.

9.6 Insights /Enlightenment obtained from a CT Perspective

Insights obtained from the study and the enlightenment experienced in relation to the Fijian society and its institutional practices with reference to the FDB can be summarised as :

- (i) The exposition of the inherent presence of Western-based practices for institutional functioning and its globalised nature; an influence of modernity (Habermas, 1974; Gallhofer and Haslam,1995). These were identified on a general level with the regulatory framework of the Fijian financial system. On a more particular level of the

-
- FDB, there was identified a strong presence and insistence upon a highly technical form of internal reporting mechanisms, such as the Loan Management Information System (appendix II) and financial management practices.
- (ii) The identification of a strong desire by participants of the FDB to become a more advanced form of institution, instigated by the effects of modernity, a part of which implies that development is integrated with industrialisation and commercialisation. This was reasoned on the trajectories of development banks around the world who have “advanced towards more commercial practices”, thus rendering FDB as being “undignified” because it was still underdeveloped in that sense (Esteva,1992).
 - (iii) The increase in awareness of the complexities associated with the establishment of an institution for development; its possible form, structural, regulatory and reporting requirements being some of the factors to consider (Sachs, 1992).
 - (iv) The increasing awareness of the very urgent need for the linking of theories of a more socially oriented accounting and development to practice. This is a long debated subject (Gray, et al., 1983), which suffers from the inadequacy of practical applications and hence a lack of progress.
 - (v) The awakening to the overwhelming nature of challenges confronting future research in the form of individualities of societies, their distinct characteristics and dispositions (Wallace,1990), together with the environmentally conscious globe (Goulet,1993; Schmidheiny, 1992). Such a vast challenge places upon the social science researcher an onerous task; one that is demanding of much patience and sensitivity to enable contextually relevant applications to be made possible. Deriving

from the insights obtained from this study and through the questioning of FDB's conflicting roles, the feasibility of possible forms of development organisation is discussed below to enable a deeper understanding of the considerations involved with such processes.

9.7 Feasibility of Possible forms of a Development Organisation

Certain characteristics have been identified in this thesis (refer chapter three) as desirable traits of a development organisation, which are:-

- 1. assisting with the development of resources, both technical and human**
- 2. reducing inequality and poverty**
- 3. accepting the differences between different groups within societies**
- 4. reporting on its achievements both technically and socially**
- 5. remaining financially and socially viable**
- 6. environmental awareness**
- 7. profit orientation**

These traits and their presence in two forms of development institutions derived from the FDB; a bank and a development agency is considered and presented in the figure 9 on the following page.

Forms of a Development Organisation

1. Bank (FDB) 2. Development Agency (DA)

	HIGH		LOW	
	Bank	DA	Bank	DA
1	X	X		
2		X	X	
3		X	X	
4			X	X
5		X	X	
6		X	X	
7	X			X

Figure 8

Whilst the bank appears high on the development of resources and low in the areas of socially accountability, the DA appears high on human and socially driven elements, but low on viability aspects. These two possible forms of development organisation are present within the FDB, consequently creating a sort of mixed attitude towards what the development function really is; making the fulfillment of the development agenda quite a complex task. To add to this complexity, the FDB as an institution is anxious to create a

modernised image of itself. The modern image however, appears to marginalise the development role, it does not necessarily incorporate a social role, at least not outwardly so, thus creating a perception of FDB as the wrong structure for housing the development function. However, the devising of an ideal structure for a development institution is not a simple task and has to consider aspects of viability, as integral to the continuity of the enterprise. As argued by the participants of the FDB, a purely development institution has to be funded and supported by government on a consistent basis. Such consistency was not maintained with the FDB and in an effort to survive, it created commercially viable products to increase profitability and to sustain its operations. Besides, a heavily subsidised organisation can also become too dependent and thus non-performing.

The complex predicament of the FDB, with its two primary roles and their ostensibly conflicting nature is presented diagrammatically in figure 9 . The accounting and financial management practices and their compatibility towards the fulfillment of both these roles is also analysed in the diagram.

The two roles of the FDB ; the bank and the developmental role within the extant structure are pulling in opposites directions and are loosely connected. Financial management and reporting arrangements are also encouraging the pull because of the technical bias in their form. The technical nature of the reporting practices are supportive of the bank's role and not necessarily of the development role, attending to this only on the periphery, if at all. Improvement in the image and performance of the FDB as a development organisation,

which is the FDB's prescribed charter and responsibility to the Fijian society, is vital for its continuity and for the fulfilment of the developmental role for Fiji. This can be effected through a convergence of the two roles as opposed to a divergent situation as is currently portrayed. The convergence can be achieved with the moulding of the accounting and financial management practices, to fairly represent its social agenda. In other words, to define development outside the confines of GDP levels and industrialisation as is universally done. A new image of the FDB ; one which is more visual of its development function, even within the existing commercialised structure is presented diagrammatically in figure 10 , essentially a modification of the earlier diagram of its extant structure.

Existing Operations - FDB Conflicting Elements

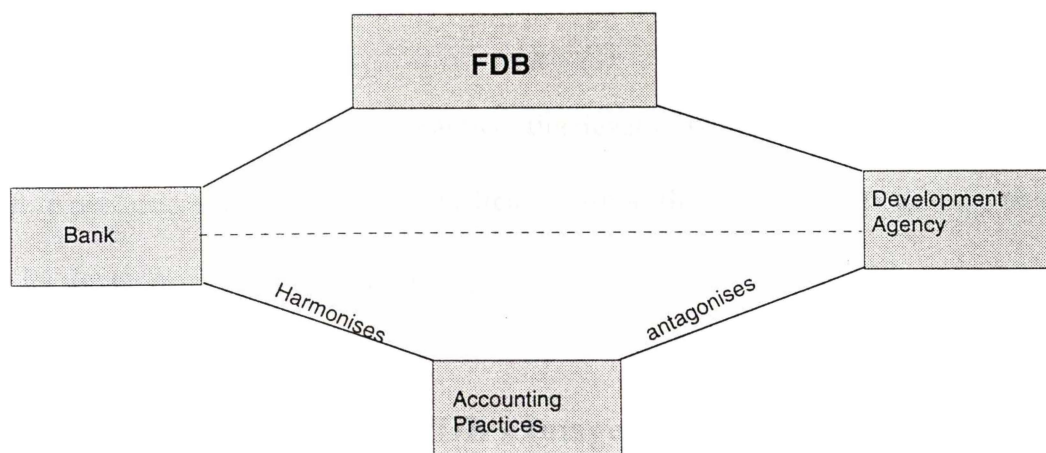


Figure 9

Proposed Operations - FDB Harmonises the two Roles

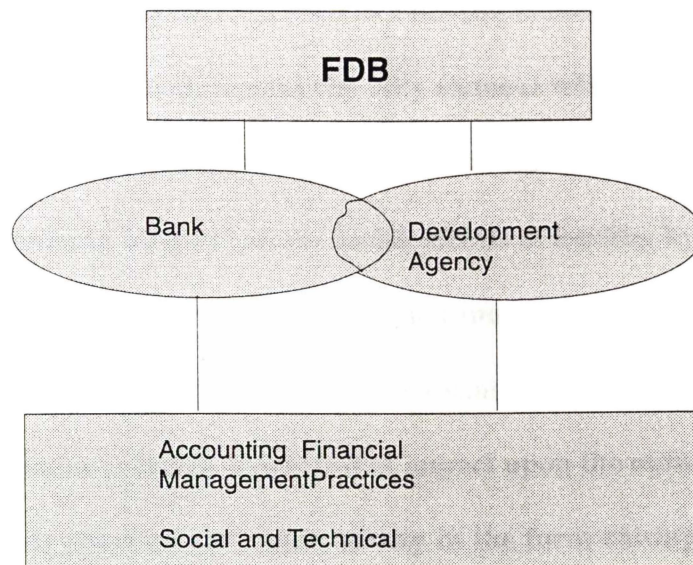


Figure 10

With more socially incorporative AFM practices the development role is enhanced and even encouraged to prosper, thus impacting significantly upon the Fijian society and, providing impetus to its development programmes.

9.8 Suggestions for Improving FDB's Image

As for the FDB, a way forward to presenting a more socially desirable image of itself, which is currently being undermined because of the two apparently antagonistic roles, can be to focus more upon its developmental role; one which is people oriented. Firstly, through the revising of its vision and mission statement once again to include the quality of life element.

By dropping this off its mission statement in 1997, it may have done a dis-service to itself. On the one hand, it vigorously defends itself as a development organisation and on the other it eliminates from its mission statement the very element which substantiates the bank's proclamation of its development function. Secondly, the inclusion of by way of an addendum to its financial statements, a report on the social effects of lending by the FDB which have failed commercially. This report will present the commercial corporate/project failure on the one hand, but on the other will focus on the social gains of such projects. Social gains such as the development achieved as a result of impact upon the number of people involved in the project and its effect on the Fijian society in the form raising living standards and contribution to education etc.

The conventional (technical) styles of reporting are definitely inappropriate to report on developmental aspects, albeit, they may have been sufficient at the time they were installed; in absence of alternative forms of reporting. Changing circumstances and the distinctive levels of dynamism in different countries warrants the recognition of these circumstances nuances. The contextual addressing of these nuances is the only prudent way forward for the achievement of relevant transformation.

Hence, the path to creating a more socially desirable form of accounting for development is indeed difficult. Nevertheless, one step in this direction each time brings us closer to the objective and needs to be applauded and encouraged. Such encouragement will assume the

form of further research in the different contexts of different societies and countries and is elaborated further in chapter ten. Every step taken and contribution made to such a socially oriented agenda will assist with the improvement of social practices such as development and accounting.

9.9 Chapter Summary

The chapter considered the application of the three stage discursive process developed by Habermas in a Critical Theoretical framework to the analysis of organisational practice of the FDB. Whilst its particular appeal for the enhancement of emancipatory elements within individuals of a society is justification for its adoption; it lacks the capacity to incorporate the multifarious possibilities in terms of practical applications. Its concern for contextually relevant applications though, has in it, a potential and promise for creating an awareness about mis-conceptions surrounding the universal adoption of Western based models by developing countries such as Fiji. In addition, its potential for freedom from oppression through expression contains in it a venture which is appealing and thus worth pursuing (Held,1980; Alvesson, 1992). It is this freedom of expression and dialogue which proved particularly useful with the FDB, and which provides the basis for CT's encouragement as a methodology for studying organisational practice. Insights obtained from the application of CT to FDB's analysis were also discussed as a means for suggesting transformation to FDB's practices.

CHAPTER TEN

Theoretical Contributions and Future Research

Heretofore the philosophers have only *interpreted* the world, in various ways; the point, however, is to change it (Karl Marx, cited in Dillard, 1991, p.8).

It would be foolish to maintain that there exists one universal theory that effectively explains and predicts all of social, cultural, and ethical differences observed in our natural and fabricated worlds (Baker and Bettner,1997, p.305).

10.1 Introduction

Critical research has yielded many insights into accounting's consequences in organisations and society and has contributed a great deal by way of consciousness raising (Broadbent, et.al, 1997). This thesis which was concerned with the operationalisation of development and its accounting in a Fijian context has also created an awareness of the many possibilities of concepts such as development, as an integral part of modernising and thus has added to consciousness raising. The insights obtained utilising a CT approach for the analysis of the FDB and the Fijian society have been summarised in chapter nine. This chapter is seeking to identify and point to future directions for research and for further theoretical refinement. Implications of the enlightenment obtained from this study upon future research and theoretical development are articulated, including challenges confronting research in the form of changing global trends such as sustainable development (Goulet, 1993; Sachs, 1995) on the one hand, and the individuality of societies on the other.

10.2 Conceptualisation of the Dilemmas of Developing Economies

Before moving onto suggestions for future research, it is important to reiterate upon a dilemma which is facing not only the developing countries, but the whole world and has been repeatedly debated within this study. This is the painful question - to develop or not to develop? In a large sense this is a rhetoric, as both choices are leading to the problems of the modern world. Despite the awareness of the problems associated with this phenomenon however, it is pursued with regardless, as if it were the only way forward. Or is it? In order to comprehend this intriguing question and adoption of the path to development, it is important to ponder upon the factor(s) which drive this urge. This urge is more than the desire to become like other countries and hence is not necessarily confined to the Western World. It is a desire in human beings; a challenge to become part of the modern society. Tomlinson (1991), expresses this challenge as a form of experience:

There is a mode of vital experience- experience of space and time, of self and others, of life's possibilities and perils- that is shared by men and women all over the world today. I will call this body of experience "modernity". To be modern is to find ourselves in an environment that promises us adventure, power, joy, growth, transformation of ourselves and the world- and at the same time, that threatens to destroy everything we have, everything we know everything we are. Modern environments and experiences cut across all boundaries of geography and ethnicity, of class and nationality, of religion and ideology: in this sense, modernity can be said to unite all mankind. But it is a paradoxical unity, a unity in disunity: it pours us all into a maelstrom of perpetual disintegration and renewal, of struggle and contradiction, of ambiguity and anguish. To be modern is to be part of a universe in which, as Marx said, "all that is solid melts into air"(Tomlinson,1991,p.147).

The issue of development hence, has the effect of trapping people within a viscous circle of modernity, illustrated in figure 11 below and appears not to allow a freedom from this trap. This circle is made up of three elements, constituting the steps or rather phases of modernisation and its consequences: i) the desire of modernity which is the driving element, (ii) development which is a result of modernity and (iii) the socio-economic problems which are an inevitable result of development. The cyclical process is illustrated in figure 11, called the viscous circle of modernity.

The Viscious Circle of Modernity and Development

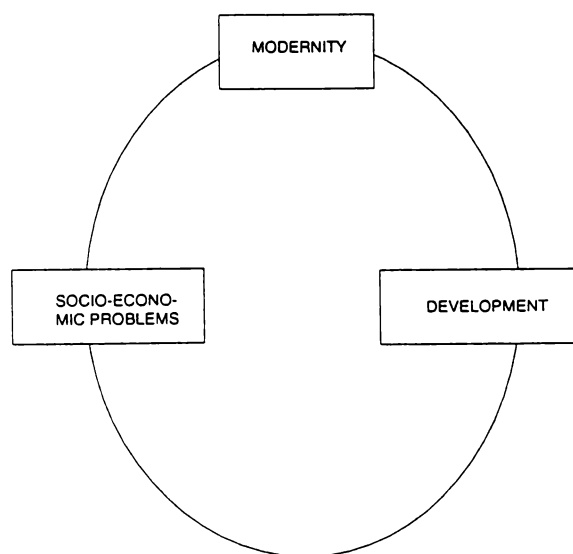


Figure 11

Such therefore, is the depth of the phenomenon of development, and has to be challenged at deeper levels than maybe has been done so far. The challenge thus presented to the social science researcher is substantial and has to go beyond the superficial meanings of development as a borrowed concept of the Western World.

10.3 Future Research and Theoretical Development

From a review of the various streams of literature on development and its relevance (Goulet, 1993; Sachs, 1995), and on the adoption of accounting practices for development in emerging economies (Perera, 1989; Wallace, 1990), there appears an inundation of problem identification and an obvious lack of attention to practical propositions for changing practices for suitability. This void in the practical propositions can be related to the many possibilities which manifest themselves with the challenging of the generalised views. Accordingly, studies such as this one, with a contextual concern needs to be progressed further, so that the practical and deeper concerns are addressed. Therefore, studies have to be critical, not only in the sense of emphasising the irrelevance, but such that they probe deeper and go beyond the superficial understanding of concepts and phenomena such as “modernism “ and “development” in different situations.

Whilst, concepts such as modernity and development are considered as derivatives of Western cultures and regarded as dominating forces which are imposed upon the emerging

economies, these need not be confined to the Western cultures. The Western models of development and their presence in the emerging economies, needs to be exposed not only as forms of domination, but challenged at a deeper level to explain the reason for their presence. For instance, Berman (1983) offers a provocative thought on the efforts by governments of emerging economies to eradicate the Western forms of domination. He renders their efforts as futile agendas, because of the deep seated feeling which lies in human beings themselves; a desire to become modern.

If this culture were really exclusively Western, and hence irrelevant to the Third World as most of its governments say, would these governments need to expend as much energy repressing it as they do? What they are projecting onto aliens, and prohibiting as “Western Decadence”, is in fact their own people’s energies, desires and critical spirit. When government spokesmen and propagandists proclaim their various countries to be free of this alien influence, what they really mean is merely that they have managed to keep a political and spiritual lid on their people so far. When the lid comes off, the modernist spirit is one of the first things to come out: it is the return of the repressed. (Cited in Tomlinson, 1991, p.149)

Thoughts of such provocative nature serve to caution one when proceeding with the modernisation debate, and in this way propagate further, the need for more critical research, with an emphasis on its interpretive element. That is, as an extension of the critical theoretical framework, essentially utilising more, the interpretive elements of the critical concern. With this approach the problems of societies are addressed meaningfully, because of the deeper sense of understanding of societal practices in their respective contexts. Such participatory discourse is encouraged by this study and shares a common element with recent currents of cultural theory, gender (feminism), critical theory and post-modernism. In this

way, this study contributes to further theoretical development and refinement as well. It was the concern to go beyond and challenge societal practices at a deeper level, which enabled the increasing of our understanding of how accounting has been implicated as a mechanism of control in organisations and society (Tinker 1985, 1986, 1988, Lehman, 1992). The influence of accounting permeates fundamental issues concerning the environment, social justice, wealth distribution and political ideology (Tinker, 1985, Merino and Neimark, 1982, Lehman, 1992). Critical researchers have argued convincingly and repeatedly that accounting does not produce an objective representation of economic “reality”, but rather provides a highly contested and partisan representation of the economic and social world. Given this disposition, accounting’s substance cannot be obtained through an ever more sophisticated elaboration of quantitative methods. Accounting’s essence can best be captured through an understanding of its impact on individuals, organisations and societies (Power and Laughlin, 1992, 1996; Baker and Bettner, 1997). Lawrence, et al. (1994) elaborate further upon accounting as an activity which is part of a complex social process and state:

Increasingly there is an acceptance that accounting cannot be understood as an autonomous sphere of activity, but needs to be seen as part of a complex series of political, economic and organisational contexts in which it operates (Lawrence, et al. 1994, p.68-95).

Having established, the lack in accounting’s ability to measure social elements, over and over again, is it not time to proceed with some action in the direction of propositions? However, the dynamism which surrounds such concepts, presents enormous challenges to social science research, some of which are considered herein.

10.4 Challenges Confronting Research

Research is constantly encountered with challenges in the form of dynamism of both, the technical and social practices of the world. The ever changing nature of the world generates a complicated picture, especially when this change is occurring in different degrees within different societies. These circumstantial differences and the concomitant interfacing and inter-exchange between the different societies of the world, demands individual rather than common generalised solutions and poses a complex situation to be dealt with. Some of the more discernible characteristics of today's world, which impact upon the direction of future research, derive from the interconnectiveness of the globe; a feature which was not so relevant before, as societies were more demarcated and trading links were not so established as today (Thurow, 1996). This interconnectiveness of the globe whilst presenting a bigger picture for consideration, also introduces a complex dimension, when sensitivity to contextual or local issues is high on the agenda. An integral element of this complex picture is the idea of sustainable or environmentally aware development, for instance. The issues of sustainable development are at once, a global "scare" and yet, have to be dealt with delicately because of circumstantial differences. Different economies experience different degrees of environmental degradation for instance, and therefore the issue, has to be dealt with distinctly in each situation, without of course, ignoring the eventual global ramifications of such concerns.

On the one hand, there is the developed world, which is more advanced and therefore, more concerned with environmental issues; having experienced damage to its own environment

it is concerned to protect the globe. On the other, is the developing world, which in the want of becoming industrialised and hence modern, is willing to sacrifice the environmental issues somewhat. Developing economies like Fiji, are desirous of being developed and express this quite vehemently; without considering seriously the marginalisation of their own ecological environment, let alone the globe. There are regulations in place though which require the awareness of the environmental impact of development, such as the Sustainable Development Act, 1997 of Fiji. Awareness however, is insufficient in itself to bring about change and to ensure a practical applications of this concern to institutions such as the FDB.

Thus the challenge for the social science researcher is to go beyond the superficial and to expose the mind-set which has been adopted for issues such as development and accounting as forms of modernity. A challenge which will supercede the complacency associated with being driven by the attractions of modernism and will thus cultivate a questioning approach. The torrents of modernism however, act more like a coercive force and are often imposed upon societies such as Fiji. Tomlinson (1991) refers to this as a form of “cultural imperialism” and adopts from Schiller’s definition of the process as:

the sum of the processes by which a society is brought into modern world system and how its dominating stratum is attracted, pressured, forced, and sometimes bribed into shaping social institutions to correspond to, or even promote, the values and structures of the dominating center of the system (Tomlinson, 1991, p.103)

This may be the opportune time to address such issues in light of the recent Asian economic crises, using Korea, Malaysia and Indonesia as examples. These emerging economies were

proceeding with the torrents of the development in a rapid manner and following the path of their “Euro” predecessors. Certain common characteristics of these economies were increasing debt loads (international), unemployment and environmental degradation. Another discernible and typical feature was identified when the economic crises set in, the dependency on foreign debt (IMF) increased even more in the salvage exercise. Hence, the solution offered to them by the dominant and powerful financial experts can be equated to a further plunge into debt before a rise to better times (Payer, 1991). Consequentially, an atmosphere is created of anguish and frustration and even a period of thwarting progress, but alas there is a promise of success in the form of development, on this path. Is this a mere deception? Is it not time then to go beyond talking and taking action towards changing these circumstances?

10.5 Chapter Summary

In conclusion, it is hoped, this thesis has exposed and encouraged areas for future research in the direction of contextual applications. The many theories of development and/or its accounting have also been challenged as a narrow form or rather mis-nomer because of their lack of ability to explain different situations . This thesis was intended as a discourse on the operationalisation of development and its accounting with a particular Fijian application. By no means is it an all conclusive research and is intended as an encouragement for future research deriving from different applications and perspectives so as to enrich the focus further.

NOTES

Notes- Chapter one

- (1) Refer to Sachs (1992), “The Development Dictionary” for different perspectives on development; as a particular cast of the mind rather than as technical performance or class conflict. A view which is adopted by this thesis as well.**
- (2) Esteva, G. (1992) p 7-25 offers an explanation in the Brazilian context. He warns of the danger of using this word uncritically.**
- (3) The bank as an institution is viewed as a commercialised structure, from a Western (Eurocentric) sense of the application which is not necessarily concerned with its social impact or role.**
- (4) The indigenous Fijians and the Indo -Fijians will be referred to as Fijians and Indians throughout the thesis.**
- (5) Development and industrialisation have been used interchangeably to mean the same thing in this thesis.**
- (6) Note that development is generally considered as ‘economic’ development which is measured in terms of GDP levels. See Chapters 3 and 4 for a detailed discussion.**

Notes - Chapter two

(1) For a detailed discussion on the prohibitive nature of positivism refer Blaikie, (1992) and Lowe, et al., (1983), Hammersley (1993).

(2) Immanent Critique

Adorno wrote :

Theory ... must transform the concepts which it brings as it were, from the outside into these which the object has of itself, into that which the object would left to itself, like to be, and confront it with what it is.

It must dissolve the rigidity of the temporarily and spatially fixed object into a field of tension of the possible and the real; each one, in order to exist, is dependent upon the other [in this sense] theory is indisputably critical. [Held, pp 218]

As Horkheimer wrote :

There can be no formula which lays down once and for all the relationship between the individual, society and nature. Though history cannot be seen as a uniform unfolding of human, the opposite fatalistic formula that the course of events is dominated by and necessarily independent of Main is equally naive. (Held, 1980; p. 24)

For instance, Horkheimer argues that there is an inherent contradiction between the capitalist society's ideas and the reality between its claims and actions. Whilst it claims to create a just and free environment for exchange and an efficient and fair mode of satisfying individual needs and wants, an opposite effect is created in practice resulting in a deepening of social injustice; a free economy into the domination of monopolies (Held, 1980; p. 184).

Critique from within then has the effect of transcending the object and brings it into flux, thus making it problematic. The activities of a social institution can be investigated in light of its avowed aims and ends without the acceptance of these aims and ends as valid:

Through immanent criticism they become alive and enter an indictment of society (Marcuse cited in Held, 1980; p187)

For Adorno, the task was an immanent critique of philosophy; a systematic critique of philosophy:

Only an essentially undialectical philosophy, one which aims at historical truth, could maintain that the old problems could simply be removed by forgetting them and starting fresh from the beginning. Only in the strictest dialectical communication with the most recentphilosophy..... can a real change of philosophical consciousness prevail. (Cited in Held; p. 200)

He sought to develop a philosophy and style which could contribute to the establishment of a “critical social consciousness” through the re-examination of the concept of truth. Most philosophies, he contended, fail to provide an account of the relation between subject and object; giving too much emphasis to the subject in bourgeois philosophy. Such bourgeois idealism placed too much emphasis on the individual subject, giving prominence and credence to identity thinking; generalising particular objects as a unitary system of concepts.

Influenced by Nietzsche and in particular his profound skepticism of all values and ideas which are taken for granted and thought to be legitimate, and his commitment to a revaluation and transformation of all values and concepts. Adorno’s critique of philosophy, sociology and culture shares many aspects of Nietzsche’s radical perspective (Held, p 208).

Adorno’s Negative Dialectics

The struggle for emancipation depends upon particular material and historical conditions which Adorno believes are less and less favourable to its success. He offers hope in the form of negative dialectics which he defines is :

**A critique of the fact the critique itself, contrary to its own tendency, must remain within the medium of the concept It lies in the definition of negative dialectics that will not come to rest in itself, as if it were total. This is its form of hope.
(Held, 1980 p213)**

The historical circumstances within which all metaphysical and belief systems are anchored may change, thus rendering history incapable of providing a stable foundation for any thought system. Critical thinking is therefore, vital and receptive to transcendence to a level which allows the mobility of the object which would otherwise be frozen in a system. It is this changing configuration of objects, aimed at demonstrating the priority of the object on the one hand while confirming the mediation of the subject and object which Adorno was concerned to explicate:

An object can be conceived only by a subject but always remains something other than the subject, whereas a subject by its very nature is from the outset an object as well. Not even as an idea can we conceive a subject that is not an object, but we can conceive an object that is not a subject. To be an object also is part of the meaning of subjectivity; but it is not equally part of the meaning of objectivity to be a subject. (Held, p. 213)

Marcuse shares Adorno's concern with the critique of transcendence of reification and fetishism. Similar to Horkheimer he stresses the uncompleted nature of the dialectic, a potential in man that is yet to be realised; the centrality of human practice in the institution and assessment of knowledge, and the importance of interdisciplinary approaches to the comprehension of the social totality. Marcuse's writing though contain politics as a central tenet; his critical approach to society are the emancipation of consciousness, nurturing of a decentralised political movement and the reconciliation of humanity and nature.

Immanent Critique by Habermas

Immanent critique of the German Critical Theory by Habermas can be considered as being the most advanced (cf. Held, 1980). Habermas contends that the degeneration of society into technocratic social management resulting in its governing by unaccountable and elitist scientific and bureaucratic forces; threatening public sphere at the expense of democracy. (Habermas, 1970; p 63-4, 1906-7, cited in Held, 1980). By the late 1960's he moved from his criticism of the departure from democracy to highlight that societal forces were working towards a greater restriction on thought and action.

He was criticised as being too theoretical and uniting theory and practice into theory only, paying little attention to practical political aspects. Unlike most of the members of the Institute of Social Research, Habermas has not been much concerned with aesthetics and with the study of for example contemporary culture. But he stresses the importance of psychology for explication of the links between the institutional framework of society and individual identity formation.

Habermas does not share the views of Horkheimer, Adorno and Marcuse on philosophy. For instance whilst Adorno maintained that there are no ultimate foundations for knowledge and values, Habermas defends a position which suggests the opposite. He rejects Adorno's [and Horkheimer's] antipathy for systematic thought. The whole emphasis in his work on engaging and appropriating competing traditions of philosophy and social thought, reformulating the foundations of social theory and demonstrating the superiority of his stance over others-contrasts markedly with the main interests of the Frankfurt theorists. His work is marked by a general eclecticism (Held, pp. 253).

His views have changed over time and are indeed still in the process of development - part of an ongoing process. His conception of the logical structure of critical theory has altered with his view of the nature of social science.

In a detailed historical study he traces the emergence of public opinion to the eighteenth century; pointing to the development of public forums such as clubs, newspapers and journals in Europe to mediate the growing division between the state and civil society, a division which followed from the development of market economies. A number of 'private individual' merchants and related groups excluded from dominant political institutions, became concerned about government and its authority [Held, 1980, pp.261]. Until the establishment of a more open and accountable authority structure, large numbers of papers and journals joined the struggle for freedom, public opinion and the principle of the public sphere.

The public sphere was thought to represent general interest, although those who represented it were generally of high standing (people with education and property). This members of the "bourgeoisie" were the "reasoning public" armed with what they took to be knowledge of the general interest they sought to change society into a sphere of private autonomy free of political interference and to transform the state into any authority restricted to a limited member of functions supervised by the 'Public'.

The press gradually became less and less involved in political struggles; journalism altered from an occupation motivated by conviction to one stimulated primarily by commerce. The general commercialization of the media eventually excluded political and practical questions from large areas of the public sphere.

As a result of these processes, the original notion of 'public opinion' was undermined. The creating and probing of public opinion through 'publicity', public relations work and 'public opinion restrike; replaced discursive will formation. The critical functions of the public sphere were thoroughly weakened.

Habermas notes a number of counter tendencies to these developments. For instance, the weakening of the public sphere as a principle is opposed by the extension of fundamental rights in the social welfare state. The demand that information be accessible to the public is extended from organs of the state to all organisations dealing with the state. To the extent that this actualised aspects of the public sphere can be upheld. But the public sphere could only be fully realised today on an altered basis - 'as a rational organisation of social and political power under the mutual control of organisations committed to the public sphere in their internal structure as well as in their relations with state'. The rise of 'technocratic consciousness' and the institutions that support it, make this, Habermas concluded in his early work, an unlikely possibility.

The base and superstructure of society could only be analysed separately while the polity and civil society were distinct spheres. As civil society is no longer 'autonomously' regulated through the market, the relationship between base and superstructure must be reassessed. To do this it is no longer sufficient to restrict attention to economic analysis; for the burgeoning of state intervention has altered both economic and political life.

The immanent development of the capitalist economy produces ‘objectives exigencies’ which must be met if social and political stability is to be maintained. Accordingly, policies take on a peculiarly ‘negative character’. It becomes oriented towards the avoidance of risks and the eradication of dangers to the system ‘not, in other words, towards the realisation of practical goals but towards the solution of technical problems. The tasks governments face appear as if they can be solved only by science and technology.

Propaganda can be referred to the necessary role of the expert and the important position of science in the economy in order to explain why in modern societies the process of democratic decision making about practical problems loses its function and “must” be replaced by plebiscitary decisions about alternative sets of leaders of administrative personnel. The legitimation system of advanced capitalism, thus, tends to become a technocratic one, based upon the ability of groups of administrators, technicians and politicians to guarantee a minimum level of welfare, manage the economy successfully and sustain economic growth.

Technocratic consciousness is both more and less ideological than all previous ideologies. It is ‘less ideological’ because it does not have the opaque force of a delusion that only transfigures the implementation of interests. It does not express, in any straightforward sense, an interpretation of interaction grounded in an idealised view of life. On the other, it is ‘more ideological’ than its processors for it is ‘more irresistible and farther-reaching’. In veiling practical problems it ‘serves the criteria for justifying the organisation of social life from any normative regulation of interaction. By apparently eliminating the distinction between the practical and the technical it regresses ‘ethics’ as such as category of life and blocks reflection on the many factors and practical orientations which determine social processes. Technocratic consciousness fulfills the ideological function of legitimating the pursuit of particular interests. It conceals behind a facade of objective necessity the interests of classes and groups that actually determine the function, direction and pace of technological and social development.

Notes - Chapter Six

- (1) Another dimension to organizational behavior and characterisation is the influence of power and interorganizational networks which are impacting upon the organization. These factors are a definite concern of the critical theorists. Morgan (1990) also offers explanations for change in organizations as a result of these interorganisational networks and he calls it personal linkages.

Such personnel linkages refers to the same people holding positions in more than one organization or interlocking directorships. (Stockman et al, 1985; Scott and Griff, 1985, Mizruchi, 1982, Orstein, 1984; Mizruchi and Schwartz, 1988).

Most countries, particularly the developing ones, and Fiji is no exception, seem to possess a group of people who, because of their previous/present positions in Government, Civil Service or industry, are sought after by companies and institutions to be directors on their boards and who thus hold multiple directorships. In this way they influence the organizational practices of various organizations. For instance, the regulator of the FDB and the NBF is the one and same body, the Ministry of Finance, who then is able to make decisions such as the merging of the two enterprises and the pooling of resources. Whether such mergers are feasible, favourable to society or beneficial to the country are factors which must be considered prior to such actions being implemented (see chapter nine for detailed discussions).

The network of linkages as discussed herein is connected to power which is the hidden agenda and the driving of force behind such interorganizational networks. These linkages that arise between organizations try to control for the possible uncertainties in the environment. In particular, more powerful organizations (and within them more powerful people) seek to ensure the reproduction of their environments (Pfeiffer and Salancile, 1978) and recognize linkages. Others, such as Allen, 1974; Pennings, 1980, 1981; Pennings at al, 1984; Dastamalechian, 1984, and Burt, 1983 argue that modern organizations increasingly make links to each other for the specific purpose of obtaining information about aspects of the environment which are of direct importance to their operations.

All organizations enter into exchange with their environment. This is partly a necessity but it is also to do with choice and strategy. By reaching agreements with other organizations, by gaining knowledge of the organizations, organizations are able to reduce their 'vulnerability' to environmental changes (Pennings, 1981).

- (2) **Power and Laughlin(1992) extend this thinking as oversimplification in that the objectives of the organisation are constructed as an economic reality only and do not incorporate the social which is an integral part of it. Also, see Tinker(1985) for discussion on the absence of the social element, despite its intrinsic presence.**

- (3) **Loss is defined and adopted herein as a technical calculation purely, including those elements which are visible and can be assigned a value. For example farming expenses, such as maintenance and sales in dollar value from the produce and excluding the effect upon the environment for instance.**

- (4) **The FDB Act 1967 defines the bank's charter and function.**

Notes - Chapter Seven

- (1) **"Development" defined in this way means a more risky project and one which cannot be associated with industrialisation. Rather, development equates agriculture and developed state is an industrialised state in this instance.**
- (2) **Financial institution and organization has been used interchangeably to emphasise the particular form of the organization.**
- (3) **Indigenous Fijians are not traditional businessmen/women and do not display a sense with commercial practices as such. It is this lack of participation in commerce which is a concern for the Government and policies such as the "Special Loans" scheme of the FDB have been designed to combat this plight of the indigenous population.**
- (4) **Fijian Holdings Limited(FHL) is a public company which has 100% indigenous Fijian shareholding. The company has been set up as an investment vehicle for the Fijian people and holds shares in some of the more substantial and successful companies in Fiji. It is very heavily supported by the government, including the grant of loans to the company for the purchase of its investment.**

However, whilst it is ostensibly committed to the welfare of and has been set up for the Fijian people, there exists much doubt as to whether it serves a particular interest group (elite Fijians) as opposed to the common Fijian.

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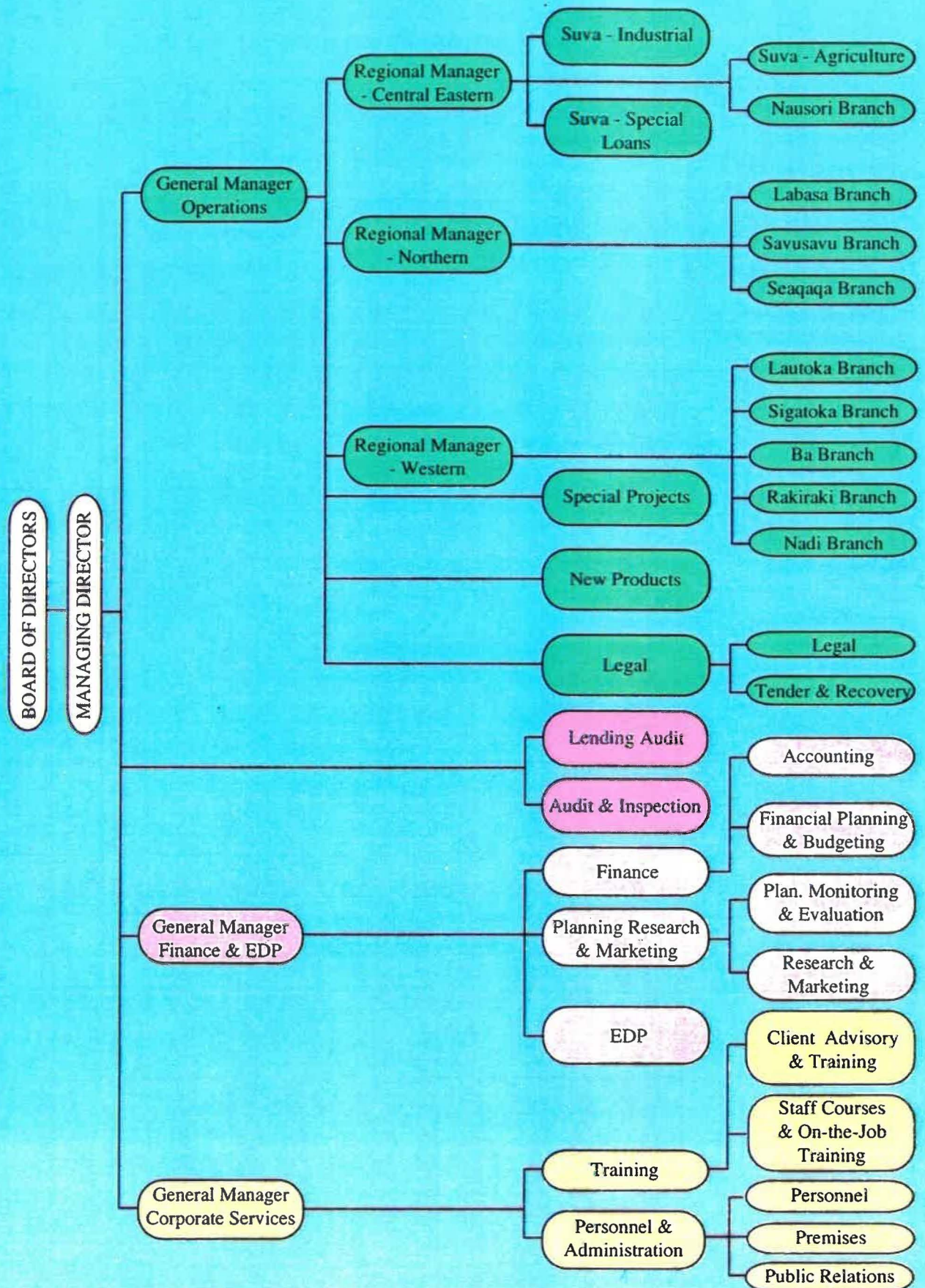
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FIJI DEVELOPMENT BANK
ORGANISATION STRUCTURE



FIJI DEVELOPMENT BANK

\$0.56M was written off in the month compared to \$1.5M the previous month.

Non-earning decreased by \$0.56M from last month. FAVOURABLE

Non-performing increased by 0.21% or \$1.3M cf. \$3M increase last month. FAVOURABLE.

There was a positive growth of 1% (\$2.8M) cf 1.18% (\$3.4M) last month.

(All values are in '000, unless otherwise stated)

CREDIT RISK

	Portfolio	Write-offs			Total Provision			Period Provision			Non-Earning			Non-Performing			Growth rate		
		Actual	% to Portfolio	Target Var	% to Portfolio	Target Var	% to Portfolio	Target Var	% to Portfolio	Target Var	% to Portfolio	Target Var	% to Portfolio	Target Var	%	Target	Var		
Bank																			
PDB	306,785	2.34%	5.00% F	8.26%	7.39% A	1.47%	1.85% F	18.97%	20.72% F	24.31%	28.91% F	5.22%	2.74% A						
Profi Centres																			
CENTRAL/EASTERN	143,655	2.77%	4.89% F	7.00%	7.74% F	2.13%	2.04% A	12.71%	24.29% F	22.74%	30.54% F	4.49%	-6.23% A						
Suva-Agriculture	10,103	9.06%	13.48% F	31.05%	23.30% A	8.11%	0.68% A	41.48%	49.63% F	40.07%	42.77% F	-8.34%	13.10% A						
Suva-Industrial	77,431	1.62%	2.63% F	0.88%	3.30% F	5.51%	3.30% A	1.62%	11.43% F	5.77%	7.09% F	2.89%	-12.80% A						
Suva - Special Loans	43,866	1.91%	3.26% F	10.24%	5.55% A	-0.99%	0.93% F	22.24%	19.23% A	46.29%	40.49% A	5.95%	11.44% F						
Nausori	12,255	8.24%	32.16% F	14.30%	1.00% A	0.05%	0.08% F	25.00%	40.75% F	31.32%	50.81% F	25.09%	-15.64% A						
WESTERN	75,664	2.30%	6.34% F	7.14%	7.36% F	1.53%	1.33% A	11.48%	15.21% F	18.05%	30.50% F	4.60%	-9.77% A						
Sigatoka	15,146	3.56%	5.79% F	10.88%	14.93% F	1.89%	1.30% A	16.22%	22.98% F	16.01%	25.96% F	3.71%	4.06% F						
Lautoka	24,555	2.51%	6.17% F	4.66%	4.63% A	2.11%	0.89% A	6.07%	10.70% F	21.38%	30.16% F	6.75%	-12.27% A						
Nadi	16,585	1.61%	3.45% F	6.59%	6.76% F	1.62%	0.97% A	12.17%	14.91% F	11.43%	33.72% F	10.36%	24.75% F						
Ba	8,100	1.50%	20.29% F	9.25%	2.71% A	0.25%	3.14% F	19.72%	20.91% F	30.42%	21.85% A	3.87%	-2.11% A						
Rakiraki	11,278	1.56%	1.40% A	6.81%	8.19% F	0.57%	1.43% F	9.93%	10.62% F	14.41%	37.89% F	4.65%	9.30% F						
NORTHERN	58,769	2.28%	3.37% F	5.04%	6.35% F	1.16%	2.05% F	12.84%	17.95% F	11.65%	21.60% F	15.91%	6.79% A						
Labasa	33,752	0.75%	1.18% F	4.41%	6.45% F	0.05%	1.49% F	8.27%	12.69% F	10.31%	24.05% F	30.31%	16.26% A						
Savusavu	9,752	4.46%	4.54% F	3.91%	5.06% F	3.43%	2.43% A	28.61%	30.23% F	13.57%	13.09% A	4.12%	0.82% F						
Seqaqa	15,265	3.50%	6.15% F	7.15%	7.19% F	2.18%	2.71% F	12.87%	17.29% F	13.38%	24.07% F	4.32%	-2.11% A						
LOAN WORK OUT	28,698	56.00%	0.00% A	24.14%	20.53% A	-1.34%	1.83% F	82.56%	55.70% A	74.60%	70.70% A	-7.57%	0.00% F						
Special Projects	28,698	56.00%	0.00% A	24.14%	20.53% A	-1.34%	1.83% F	82.56%	55.70% A	74.60%	70.70% A	-7.57%	0.00% F						

Non-Performing > Non-Earning

Special Loans
Lautoka
Ba

These branches are being credited with earnings that they may not actually collect.

SLSD's low non-earnings may be due to Govt. Guarantee securities.

WARNING!!

PORTFOLIO DEPLETION CAUSED BY HIGH COLLECTION & W/OFF

Agriculture - by Coll & Write Offs
Industrial - by Collection
Sigatoka - by Collection
Savusavu - by Coll & Write Offs

The rate of replenishing (disburse) is slower than depletion (coll & writeoffs). They need to increase approvals and disbursements.

HIGHER DEGREE RESEARCH

TOPIC : AN ANALYSIS OF THE FIJIAN FINANCIAL SYSTEM

QUESTIONNAIRE PREPARED AS A GUIDE FOR DISCUSSIONS WITH RESPONDENTS
OF FINANCIAL INTERMEDIARIES

1. What do you consider your organisation's role is in the development of the Fijian Financial System and to the socio-economic development of the country ?

2. How do you expect to see the future development of the Fijian Financial System progress ?

3. How would you like to see the Fijian Financial System develop ?

4. What do you see the role of other financial intermediaries as being in the development of the Fijian Financial System ?

5. What do you see their role as being in the socio-economic development of the country ?

2.

6. What are your future growth policies ?
/

7. What are the indicators which influence your formulation of growth policies and how often are they reviewed ?

8. How often are you required to report to the Reserve Bank of Fiji ?

9. What is the purpose of these reports and how do they contribute towards the development of your organization and of Fijian Financial System ?

10. How adequate do you consider the capital market to be in promoting development of the economy ?

11. Is the long term capital supply adequate for the existing and future demand ?

3.

12. Do you consider the development of the Stock Exchange and Capital Markets as appropriate or should the Stock Exchange rather close down completely ?

13. What effect would this have on the Fijian Financial System and on the Economy ?

14. What do you consider as persistent socio-political influences on the workings of the Fijian Financial System as a whole ?

"THE ANONYMITY OF THE RESPONDENTS AND THE INFORMATION OBTAINED THEREIN WILL BE RESPECTED AND MAINTAINED BY THE RESEARCHER AND THE SUPERVISOR"

Date of Interview/Discussion :-

Prepared by : N. Ali
Supervisor : Prof Tony Lowe
UNIVERSITY OF WAIKATO
HAMILTON, NEW ZEALAND.

1. Do you feel that FDB is carrying out its development role effectively ? If not than why not?

2.How would you define development ; both generally and in terms of Fiji as a country?

3.Do you see a problem with the type of an organisation which the FDB is in terms of carrying out its developmental role-i.e. a bank? Do you see that there could be a problem with the two images of the FDB - one of a bank and the other of a development institution?

4.In light of the two images as noted in 3 do you consider that the two roles will be more effectively carried out by way of two institutions rather than one?

5.Do you see the role of the FDB changing even more towards a commercialised type of operation and in the process neglecting its more traditional developmental role ?

6. Are there any plans in place for the separation of the two roles of the FDB into two organisations possibly?

1

7. What do you see as an urgent need of the FDB as an institution for development?

8. Have you identified any areas of the FDB as needing improvement? - either generally or in terms of meeting its developmental role? What are they?

9. If the development role were to be passed onto another institution what form should it take? Do you see this to take the form of a private enterprise at all ?

10. How do you see FDB sit with the current trend towards privatisation in the country?

11. What would you like my study to cover that will assist a favourable change within the FDB?

**QUESTIONNAIRE PREPARED AS A GUIDE FOR DISCUSSIONS WITH
THE BRANCH MANAGERS OF THE FIJI DEVELOPMENT BANK**

1. How do you view the Fiji development Bank's role in the socio-economic development of the country ?

2. What would you consider as an area of improvement in the organisation that will better meet the objective of "improving the quality of life of the people of Fiji" per your mission statement ?

3. What complications or difficulties (if any) do you consider are inherent in the organisation of the lending criteria ?

4. Is there any particular criteria or criterion which is more usable or reliable than others ?

5. How much reliance do you place on financial statements supplied to you with loan proposals or proposals for funding ?

6. Do you place importance on the applicant's credentials before the financial calculations ?

7. Do you consider your decision making as being influenced by certain stipulations laid down by the bank's policies ?

8. How do you like the lending policies and lending criteria to develop in the future ?

Questionnaire Prepared As A Guide For Discussions With The Managing Director of The Fiji Development Bank

1. How do you view FDB's role in the Socio-economic development of the country ?

2. What do you consider as the most profound impact on the organisation of the bank's (FDB) changing role from a somewhat less towards a more competitive financial institution ?

3. How do you see the more disadvantaged community's financial needs being catered for with the changing role of the bank ?

4. Do you see the changing role of the bank as being incompatible with the mission statement ?

5. How do you view the development of the capital market's activities impact on the FDB as a financial institution ?

6. How would you like to see the future of the FDB to develop ?

7. What do you consider as persistent socio-economic influences on the working of the Fijian Financial System as a whole ?

8. What do you consider as persistent socio-political influences on the FDB in particular ?

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 30 JUNE 1994

	Note	CONSOLIDATED		THE BANK	
		1994 \$	1993 \$	1994 \$	1993 \$
Capital	2	51,058,958	50,808,958	51,058,958	50,808,958
Reserves	3	6,030,002	6,030,002	6,030,002	6,030,002
Retained profits		9,575,230	7,988,576	9,571,286	8,003,117
Capital & Reserves		66,664,190	64,827,536	66,660,246	64,842,077
Borrowings	4	214,495,122	182,620,010	214,495,122	182,620,010
Current Liabilities					
Provision for employee benefits		835,853	663,869	835,853	663,869
Accounts payable & accrued charges		4,875,977	4,539,062	4,875,122	4,533,311
		5,711,830	5,202,931	5,710,975	5,197,180
TOTAL FUNDS		286,871,142	252,650,477	286,866,343	252,659,267
Commitments and Contingent liabilities	5				

On behalf of the Board


 Director

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 20 to 26.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARIES

	Note	CONSOLIDATED		THE BANK	
		1994	1993	1994	1993
		\$	\$	\$	\$
Property, plant & equipment	6	8,105,982	7,803,049	8,105,982	7,803,049
Loans	7	264,645,417	230,103,070	264,645,417	230,103,070
Investments in subsidiaries	8	-	-	20,000	40,000
Investment in other companies	9	6,704,231	8,126,050	6,704,231	7,796,050
Land held for subdivision and resale	10	373,113	358,425	373,113	358,425
Hotel development project	11	1,738,200	1,610,000	1,738,200	1,610,000
Cane estate	12	1,019,734	1,019,734	1,019,734	1,019,734
Current Assets					
Cash on hand and at bank		1,157,701	1,018,218	1,138,658	978,252
Amounts due from subsidiaries		-	-	48,182	402,252
Short term deposits		53,808	60,533		
Accounts receivable	13	3,072,956	2,551,398	3,072,826	2,548,435
		4,284,465	3,630,149	4,259,666	3,928,939
		286,871,142	252,650,477	286,866,343	252,659,267



Director

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 20 to 26.

FIJI DEVELOPMENT BANK AND ITS SUBSIDIARIES

PROFIT AND LOSS STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1994

	Note	CONSOLIDATED		THE BANK	
		1994 \$	1993 \$	1994 \$	1993 \$
INCOME					
Income from loans:					
Interest	14	28,885,294	26,060,746	28,881,258	26,054,960
Fees		1,301,490	1,138,241	1,301,490	1,136,278
Income from investments		1,150,670	83,261	1,150,670	83,261
Other income		566,922	736,485	568,394	744,885
		<u>31,904,376</u>	<u>28,018,733</u>	<u>31,901,812</u>	<u>28,019,384</u>
EXPENSES					
Interest & other borrowing expenses					
		14,715,999	14,060,310	14,715,999	14,060,310
Administrative expenses	15	8,648,603	7,975,531	8,664,524	7,970,680
		<u>23,364,602</u>	<u>22,035,841</u>	<u>23,380,523</u>	<u>22,030,990</u>
TOTAL EXPENSES					
SURPLUS OF INCOME OVER EXPENSES					
		8,539,774	5,982,892	8,521,289	5,988,394
Net increases in provisions for doubtful loans and investments					
		6,953,120	4,769,644	6,953,120	4,769,644
OPERATING INCOME					
		<u>1,586,654</u>	<u>1,213,248</u>	<u>1,568,169</u>	<u>1,218,750</u>
Income tax expense					
		-	-	-	-
NET INCOME APPLICABLE TO THE FIJI DEVELOPMENT BANK					
		1,586,654	1,213,248	1,568,169	1,218,750
Retained profits as at 1st July					
		7,988,576	6,775,328	8,003,117	6,784,367
RETAINED PROFITS AS AT 30TH JUNE					
		<u>9,575,230</u>	<u>7,988,576</u>	<u>9,571,286</u>	<u>8,003,117</u>

The profit and loss statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 20 to 26



APPLICATION FOR LOAN — AGRICULTURAL

Note:

1. Applicants are to complete this form with a Bank Officer.
2. Applicants are to bring with them the following information:
 - a) Evidence of Production for last 3 (three) years, or Ministry of Primary Industry appraisal report on property potential.
 - b) Copy of Land Lease document.
 - c) For loans exceeding \$8000, Financial Statements or Tax Returns for the last 3 years.
3. The Applicant's attention is drawn to *Section 38 of the Fiji Development Bank Ordinance 1966* which reads:-

"Any person who wilfully fails to disclose any material information within his knowledge, or who wilfully makes any statement which he knows to be false or does not believe to be true, for the purposes of securing a loan from, or any investment in any form by, or assistance in any form or any facility from, the Bank shall be guilty of an offence and on conviction shall be liable to a fine not exceeding one thousand dollars or to imprisonment for a term not exceeding two years, or to both such fine and imprisonment."

1. For Office Use			
File No.	Account No.	Receipt No.	PVA No.
Date Received	Fee Payable \$	Date App'n Acknowledged	
Amount Received \$		Business Numeracy Proficiency (Y/N)	

2. Personal Details:	Contact Telephone No.:
2.1 Full Names:	2.5 Age:
2.2 Occupation:	2.6 Married — Yes/No
2.3 Postal Address:	2.7 Dependents and Ages — Male Female
2.4 Residential Address:	2.8 Farm No:

3. Loan Details:

Amount of Loan Sought: \$ _____

For the following purpose (full detail please and attach separate sheet if insufficient space)

	Sub-Total \$	_____
Less Amount applicant will provide:	\$	_____
From what Source?	Loan Requirement \$	_____

4. DETAILS OF EXISTING ACCOUNTS	No. 1	No. 2	No. 3
Amount Approved:			
Date Approved:			
Purpose:			
Debt Balance:			
Undrawn balance:			
Arrears:			
Provision:			
Repayment:			
Interest rate:			
Term:			
Security:			

I/We certify that the information contained in this application and in all continuation sheets attached is true, accurate and complete in every particular.

You are authorised herewith to request any information you may require regarding my/our accounts and financial arrangements with my/our Bankers or other Financial Institution or my/our Creditors.

5. Describe Locality of Farm:

6. Crops on the Ground:

Crop	Acreage	Age	Expected Harvest		
			Month	Yield	\$ Value

7. Production Record For the Last Three Years (Actual):

Year	Yield (tonnes)	Yield (Tonnes/Acre)	Income \$	Comment on any Shortfall Between Expected and Actual
------	----------------	---------------------	-----------	--

- 1.
- 2.
- 3.

8. Describe farm programme for next 12 months to 3 years (if appropriate)

Crops	Acres	1.	2.	3.	OTHER YEARS

9. Farming Experience:

The offer of a guarantee from another party may strengthen prospects of the proposal being approved. Please state name, address and occupation of any proposed guarantor:

In Case of firms and partnerships, enclose statements of private assets and liabilities (including contingent liabilities) not included in above figures.

If applicant is a company or co-operative please attach:—

Memorandum and Articles of Association or By-Laws.

Financial Statements for last 3 years.

A list showing:—

- (a) Directors and major shareholders (show shareholding against each)
- (b) Secretary
- (c) Accountants
- (d) Auditor
- (e) Details of any holding, subsidiary and associated companies (detail activities, show relationship; enclose financial figures)
- (f) Situation of Registered Office

FIELD APPRAISAL REPORT

General description of the farm:

Attach sketch plans showing how to locate property, (should show approx. portion of farm on which loan funds being used), distance from nearest main road and any difficulty of access.

How was the property identified?

Lease rental has been paid to:

Has the land been surveyed and fee paid?

Arrears of lease rental are \$

If not, what is the position?

Valuations:

Land: (including fencing, drainage, water supply and pastures)

Buildings:

Crops: (including tree crops)

Acres	Type of Crop	Age — If tree crop
-------	--------------	--------------------

Other Improvements:

<u>Livestock owned:</u>	Breed	Dairy No.	Beef No.
-------------------------	-------	-----------	----------

- Cows
- Heifers
- Steers
- Calves
- Bulls

Other livestock details:

Working bullocks, goats, pigs, horses, poultry, etc.)

Value of Fishing Resources:

- i) Vessel and punt
- ii) Machinery
- iii) Fishing Gear

Other Asset Valuations: (Please detail)

VALUATION	%SM	SV
TOTAL		

This report is to highlight any material discrepancy with information provided by applicant.

Management Competence:

Market Conditions:

CANE FARMER, FISHERMEN, OTHER AGRICULTURAL LOANS

APPRAISING OFFICER'S COMMENTS

	<u>Valuation</u>	<u>Security Value</u>
Repayment offered:	_____	_____
Security offered:	_____	_____

Is applicant an undischarged bankrupt, under an Official Receiving Order or has he assigned his total estate for the benefit of creditors? Yes/No (If yes, give details)

Has the applicant given any guarantees to secure payment of other persons' debts? Yes/No (If yes, give details)

Has any application for any loan to any bank ever been declined? Yes/No (If yes, give details)

Personal Appraisal

(a) Character:

(b) Financial Reputation:

(e) Sugar Cane Farmer:

Current Forecast Cane Price	P	\$	_____
Average Cane Production:	ACP	\$	_____

(c) Banker's:

1.75 x P x ACP	\$	_____	
plus LEAP	\$	_____	
Total Loan Eligibility	LE	\$	_____

(d) Income Gearing*

Total Gross Income	÷	_____
Total Fixed Expenditure		_____

Rent/Mortgage payments	\$	_____
------------------------	----	-------

Other Loan Payments	\$	_____
This Loan Repayments	\$	_____

Income Gearing to 1.	_____
----------------------	-------

Total Fixed Expenditure	\$	_____
-------------------------	----	-------

* Not required if FSC certified production record is provided.

In general terms what do you think are applicant's prospects of success?

Recommendation: (Cover such items as repayment basis, interest rate, additional security, percentage of sugar-corporation payments to be retained)

MANAGER'S COMMENTS

DECISION: Loan of \$ _____ is APPROVED/DECLINED

Interest rate : _____
 Repayment : _____
 Term : _____
 Security/Special Conditions: _____

Signature _____ Date _____

Signature _____

Title _____

Branch _____

AGRICULTURAL INCOME AND EXPENDITURE STATEMENT as at _____ / _____ / _____

INCOME	LAST 12 MONTHS	ESTIMATE FOR NEXT 12 MONTHS*	EXPENDITURE	LAST 12 MONTHS	ESTIMATE FOR NEXT, 12 MONTHS
<u>FARM INCOME</u>			<u>FARM COSTS</u>		
Dairy Copra Sale of Rice " " Dalo " " Tapioca " " Kumala " " Ginger " " Vegetables " " Cattle " " Fish " " Poultry " " Eggs " " Pigs			Rent F.S.C. Harvesting Fertilizer Labour cost, if any, Tractor expenses Cartage Other Farm Costs		
Rents Salary Other Farm Income			<u>LIVING COSTS</u> Food Costs School Fees etc. Travelling Clothing Medical Traditional obligations Others Housing Other FDB repayments Loan repayments to other lenders		
			Sub Total \$		
			Surplus \$		
Total \$			Total \$		
			This FDB Loan Repayment		
			Uncommitted Surplus		

* If there is no income realisable for the next 12 months then show projections for second and third years on a separate sheet of paper.

BALANCE SHEET (as at date of application)

Date: _____/_____/_____

<u>Liabilities</u>	<u>\$</u>	<u>Assets</u>	<u>\$</u>
Land rent owing		Cash at Bank	
Survey fee owing		Land & Building (Valuation)	
Bank		Livestock	
Storekeeper		Equipment	
F.S.C.		Others (List in Detail)	
Taxation			
Money Lender			
Crop Production Loan		Furniture	
Housing Authority		Cars and Trucks, Vessels	
Co-operative Society		Life Insurance — Maturity	
Car Loan		Surrender Value	\$
Other Liabilities			
Total Liabilities	\$ _____		
Surplus	\$ _____		
Total	\$ _____		\$ _____

Description of assets:—

(a) Land now owned or occupied by applicant(s):

Title No.	Name of Land	District	Area	Lease Rental	Lease Expiry

NOTE: Attach Crown Lease and/or N.L.T.B. Approval Notice if held; also current rent receipts on leasehold.
 N.B. Consideration of application cannot proceed until rents are paid up to date. Have survey fees been paid? Yes/No.

Livestock owned:

(b)	Breed	Dairy No.	Beef No.
Cows			
Heifers			
Steers			
Calves			
Bulls			

Other livestock details:
 (Working bullocks, goats, pigs, horses, poultry, etc.)

(c) Crops (including tree crops):

Acres	Type of Crop	Age — if tree crop
-------	--------------	--------------------

(d) Vessels

Vessel Type:

Length:	Registration No.
Draft:	Breadth:
Condition:	Age:

Engine:	Inboard/Outboard:	Make:
Model:	Age:	Serial No.

FIJI DEVELOPMENT BANK APPLICATION FOR LOAN-COMMERCIAL .

- Note: 1. Applicants are to complete this form with a Bank Officer;
 2. Applicants are to bring with them the following information:
 a) Financial Statements or Tax Returns, including Profit and Loss accounts, for the last 3 (three) years;
 b) Details of land owned, land lease documents, receipts;
 c) Details of items to be purchased.
 d) Housing loan applicants to provide letter from employer confirming income and period of employment.
 3. The applicant's attention is drawn to Section 38 of the Fiji Development Bank Ordinance 1966 which reads:-
 "Any person who wilfully fails to disclose any material information within his knowledge, or who wilfully makes any statement which he knows to be false or does not believe to be true, for the purposes of securing a loan from, or any investment in any form by, or assistance in any form or any facility from, the Bank shall be guilty of an offence and on conviction shall be liable to a fine not exceeding one thousand dollars or to imprisonment for a term not exceeding two years, or to both such fine and imprisonment."

1. For Office Use			
File No.	Account No	Receipt No	PVA No.
Date Received	Fee Payable \$	Date App'n Acknowledged	
Amount Received \$		Business Numeracy Proficiency (Y/N)	

2. Company Name: (a) _____ Resident Yes/No
 Trust Name if Trustee Co. _____

OR Co-operative Name: _____

OR Personal, Joint, Partnership(b)	Age (s)	Occupation(s)	Employer	
_____	_____	_____	_____	Yes/No
_____	_____	_____	_____	Yes/No
_____	_____	_____	_____	Yes/No
_____	_____	_____	_____	Yes/No
_____	_____	_____	_____	Yes/No

Trading as : _____

Postal address : _____ Telephone: _____

Business Address: _____ Solicitors: _____

Bankers: _____ Accountants: _____

- (a) Give details on separate sheet of all related companies
 (b) Names of principals when company, partnership, or cooperative is applying

3. Purpose for which loan is required - Give details of items to be purchased and list individual costs.

Purchase price of land		Loan sought from F.D.B.	
Purchase price of existing land and buildings		Applicant's contribution	
Cost of buildings to be constructed		Increase in bank overdraft	
Contingency 10%-15% of cost of construction		Government Grant	
Cost of Machinery		Other (give details)	
- Outboard			
- Motor Vehicles			
- Motor Vessels			
Cost of Plant & Equipment - Fixed			
- Mobile			
Installation cost of machinery			
Working capital needs			
Purchase of stock			
Stamp duty, legal fees, etc.			
Other (give details)			
Total Cost of Project		Total Cost of Project	

4. Details of Existing Accounts	No. 1	No. 2	No. 3
Amount Approved: Date Approved: Purpose: Debt Balance: Undrawn Balance: Arrears: Provision: Repayment: Interest Rate: Term:			

5. Details of Other Commitments and Principal Creditors

<u>Name of Creditor</u>	<u>Monthly Repayments</u>	<u>Amount Owing</u>	<u>Int. Rate</u>	<u>Security Held</u>

Is applicant behind or has he ever been behind in payments? Yes/No
(If yes, give details)

6. Guarantees Available

<u>Guarantor's Name (f/n)</u>	<u>Occupation</u>	<u>Address</u>	<u>Name of Banker</u>

Name of Wife or Husband

<u>Employer</u>	<u>Position</u>	<u>Monthly Wages</u>	<u>Name of Banker</u>

Is applicant an undischarged bankrupt, under an Official Receiving Order or has he assigned his total estate for the benefit of creditors? Yes/No. (If yes, give details)

Has the applicant given any guarantees to secure payment of other persons' debts? Yes/No
(If yes, give details)

Has any application for any loan to any bank ever been declined? Yes/No
(If yes, give details)

In case of firms and partnerships, enclose statements of private assets and liabilities (including contingent liabilities) not included in above figures.

If any applicant is a company or co-operative please attach:-

- Memorandum and Articles of Association or By-Laws;
- Financial Statements for last 3 years;
- A list showing:-
 - (a) Directors and major shareholders (show shareholdings against each)
 - (b) Secretary
 - (c) Accountants
 - (d) Auditor
 - (e) Details of any holding, subsidiary and associated companies (detail activities, show relationship, enclose financial figures)
 - (f) Situation of Registered Office

You are authorised herewith to request any information you may require regarding my/our accounts and financial arrangements with my/our Bankers or other Financial Institution or my/our creditors.

I/We certify that the information contained in this application and in all continuation sheets attached is true, accurate and complete in every particular.

Signed

Signed

Signed

Signed

COMMERCIAL APPRAISING OFFICER'S COMMENTS

Security offered (e.g. bill of sale, mortgage, lien, assignment, guarantees, etc)

VALUATION

SV

1

Repayment offered on loan sought.....
to commence

Total FDB Debt to
Security Value %

Summary of financial position and trading results
as shown in application form.

(i) Cash Flow/CL = %
(ii) OL/TTA = %
(iii) Repayments = %
Gross Income

Surplus Business Income \$
Surplus Personal Income \$
Surplus Uncommitted Income \$
after these loan repayments.

Inflow Per Annum

\$

Outflow Per Annum

\$

Business <u>Net</u> Profit last year	_____	Repayments this loan	_____
Other Co. <u>Net</u> Profit last year	_____	Repayments all other loans	_____
Personal income from other sources last year (e.g. wages)	_____	Family expenses	_____
add back all Interest Payments above	_____	Taxation owing/expected	_____
add back all depreciation Provisions above	_____	Total Outflow	_____
INCOME TOTAL: _____		SURPLUS INCOME: _____	

In general terms what do you think are applicant's prospects of success, management competence.

Recommendation: (Cover such items as repayment basis, interest rate, additional security.)

.....
Signature/Date

MANAGERS COMMENTS

DECISION: Loan of \$

is APPROVED/DECLINED

Interest rate

Repayment :

Term :

Security/Special Conditions:

Signature

Title

Branch

Date

APPENDIX V

INCOME AND EXPENDITURE for last year and projection for next year when Financial Accounts are not provided

	Last Year	Next Year
A. Gross Sales (Income from Business)	(a) <u> </u>	<u> </u>
<u>B. Business Expenses</u>		
Interest on Loans	_____	_____
Purchase of Stock less stock held at end of year	_____	_____
Salaries/Wages	_____	_____
Rent - Land	_____	_____
Building	_____	_____
Insurance (Comprehensive)	_____	_____
Repairs & Maintenance	_____	_____
Light, Power, Water, Phone	_____	_____
Business Travelling Expenses	_____	_____
Freight	_____	_____
Rates	_____	_____
Accounting fees	_____	_____
Other Business Expenses	_____	_____
<u>Motor Vehicle/Marine Expenses</u>	_____	_____
Repairs	_____	_____
Fuel & Oil	_____	_____
Tyres & Tubes	_____	_____
Registration	_____	_____
Licence	_____	_____
Third Party	_____	_____
Wages/Salaries	_____	_____
Insurance	_____	_____
<u>Other expenses (List)</u>	_____	_____
	_____	_____
<u>Sub Total</u>	(b) <u> </u>	<u> </u>
C. Personal income/wages	(c) _____	_____
<u>D. Family, Personal Expenses:</u>		
Loan Repayments	_____	_____
Travelling	_____	_____
Clothing/footwear	_____	_____
Food/beverages	_____	_____
Housing & household (repairs, maintenance, rent, furnishing, power etc.)	_____	_____
School fees	_____	_____
Other	_____	_____
Sub-Total Family, Personal Expenses	(d) <u> </u>	<u> </u>
E. Surplus Business Income (a) — (b)	(e) _____	_____
F. Surplus Personal Income/wages (c) — (d)	(f) _____	_____
G. Repayments offered this loan	(g) _____	_____
H. Surplus uncommitted income	(e) + (f) - (g) = (h) <u> </u>	<u> </u>
Taxation due/expected.	_____	_____

PERSONAL STATEMENT OF POSITION AS AT 19.....

FULL NAME

ADDRESS

<p>LIABILITIES:</p> <p>Money owing on land (Show full details)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Secured Liabilities (Other than land)</p> <p>(a) Bank Branch.....</p> <p style="padding-left: 20px;">Overdraft Limit \$</p> <p style="padding-left: 20px;">Term Loans \$</p> <p>(b) Bills of Sale</p> <p>(c) Other Loans (show details)</p> <p>.....</p> <p>Unsecured bank overdraft</p> <p>Bank Branch.....</p> <p>Income Tax</p> <p>Sundry Creditors</p> <p>Borrowing against life</p> <p>assurance policy</p> <p>Other moneys owing (Show details)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p style="text-align: right;">Surplus</p> <p style="text-align: right;">TOTAL \$</p>		<p>ASSETS:</p> <p>Land and Buildings (Show full details)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Vehicles.....</p> <p>Plant & Machinery</p> <p>Stock</p> <p>Debtors</p> <p>Cash on hand</p> <p>.....</p> <p>Credit Bank balance at</p> <p>Bank Branch.....</p> <p>Investments (show details)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Life Assurance (show details)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Other Assets (show full details - including those outside Fiji)</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p style="text-align: right;">TOTAL \$</p>	
--	--	--	--

CONTINGENT LIABILITIES (Show full details of guarantees given and other contingent liabilities outstanding. If nil, please indicate)

..... \$

..... \$

..... \$

..... \$

Signed

Signed

If more than one principal use separate sheets for each person.

TRADE PARTICULARS

Main Customers' Particulars: (To whom you sell)

NAME	ADDRESS	CONTACT PERSON	TEL

Main Suppliers' Particulars: (From whom you buy)

NAME	ADDRESS	CONTACT PERSON	TEL

ITEMS YOU NEED

EQUIPMENT DESCRIPTION	COST	SUPPLIER	Please tick			PROPOSED TERM OF LEASE
			N	R	S	

N NEW R Reconditioned S Second-hand

Purpose for which you need these items:

GUARANTORS PROPOSED

FULL NAME	RESIDENTIAL ADDRESS	OCCUPATION

PARTICULARS OF PERSONAL PROPERTY OF DIRECTOR/PROPRIETOR

LOCATION	TYPE (FREEHOLD, LEASE, ETC)	ESTIMATED VALUE

DOCUMENTS TO BE SUBMITTED WITH APPLICATION FORM

We enclose herewith the following documents for your review and record

- Memorandum & Articles of Association
- Copy of Certificate of business registration/incorporation
- Audited financial statements for the last 3 years
- Draft Accounts upto the last available month-end
- Bank statements for the last 6 months
- Letter of offer for existing bank facilities together with latest statement of account
- Pro Forma invoice/quotation from supplier
- Statement of personal position of Directors/Guarantors

FOR A SPEEDY DECISION PLEASE FILL ALL COLUMNS AND PROVIDE INFORMATION CALLED FOR;

AUTHORISATION/DECLARATION

We hereby declare that the above information is true and correct and that this application remains your property regardless of whether the lease is made or not, and you reserve the right to reject the application at your sole discretion without stating any reason therefore. The Bank is hereby authorised to prepare formal documents as per the terms and conditions set forth and to insert serial and other identification numbers of the equipment as and when available.

Authorised signatory and company rubber stamp/common seal

Name _____ Date _____

Signature _____

PLEASE RETAIN THIS PAGE OF THE APPLICATION FOR YOUR REFERENCE

GUIDE TO CUSTOMERS

We wish to thank you for the interest shown in the Bank and trust that we could offer you a lease facility to suit your requirements. For your information and guidance we give below the general procedure the Bank adopts in processing an application for a lease facility.

Sections 1,2,3, & 4 below are in respect of all types of leases. In addition, Section 5 is in respect of the lease of Motor Vehicles Section 6 in respect of the lease of imported plant or equipment and Section 7 in respect of second-hand equipment.

1. APPLYING FOR A LEASE FACILITY

- a) Initially you are requested to complete our form, "Application for a Lease Facility" and submit it to us with a basic set of documents.
While generally, a correctly filled application, along with the required documents would contain sufficient information to process the application, depending on the nature of the facility, our Marketing Staff may request additional information or documents.
Your cooperation in submitting these documents fast will ensure speedy processing of the application.
- b) Please feel free at this stage to obtain a quotation and discuss the terms and conditions of the lease such as the monthly rental, number of down payments, period of lease, security, etc. These items and conditions could, however, be varied by the Management at the time of formal approval of your application.

2. PROCESSING AND TIME TAKEN FOR APPROVAL

Once the application is submitted along with all required documents it will be processed and submitted to the Management for approval.

The maximum processing time will be

Nature of Facility	Maximum Time Period
If the total rentals due from the lessee is less than \$20,000	One (1) Week
If the total rentals due from the lessee is more than \$20,000 but less than \$40,000	Two (2) Weeks
If the total rentals due from the lessee is more than \$40,000	Three (3) Weeks

If you do not receive the results of your application within the time periods stipulated above please inform the Higher Management.

3. PROCEDURES AFTER APPROVAL

- a) Upon approval, our Marketing Staff will inform you of the terms and conditions on which the facility has been approved. Please convey your acceptance of the facility to the Marketing Executive promptly to enable finalisation of the documentation.
Please note that the Bank will not enter into a new lease until all amounts due on any previous leases of the lessee and of association companies and subsidiaries are settled.
- b) Prepaid rentals and/or deposits are required to be paid thereafter so as to enable us to issue confirmed Purchase Orders to the supplier of the Equipment.
Prepaid rentals and deposits should be paid either in Cash or by bank draft.
The date on which the Down Payment is made would determine the due date of the monthly rentals in the following manner...

Period in which the Down Payment is made	Date of payment of Monthly Payment
Between the 1st and 9th of the month	1st
Between 10th and 19th of the month	10th
Between 20th and the end of the month	20th

- c) On receipt of the prepaid rentals we issue a Confirmed Purchase Order to the Supplier. You can then take delivery of the leased equipment from the Supplier direct.
- d) After delivery of the equipment the Supplier is required to submit to us the Confirmed Purchase Order giving the Model and Serial Numbers of the items leased.
In the case of equipment or machinery which is available locally the payment will be made direct to the supplier on fulfillment of the above conditions.
Note: If the item leased is a vehicle or is to be imported, please refer Sections 4,2,5 and 6 overleaf.

4. INSURANCE

4.1 Leased Equipment and Machinery other than vehicles

Most types of plant, machinery and equipment will be insured by us for the full term of the lease and the lease rental includes the insurance premium as well.

This policy is an Open Cover with the Insurers and covers an "all risk" basis which includes burglary, fire, strike, riot and civil commotion.

This insurance is for the values stated under "Stipulated Loss Value" in Item (9) of the Lease Agreement and reduces each year of the lease term. It is in your interest to enter into a separate insurance agreement with your Insurer for the balance value as well as to cover any other special eventualities considered necessary.

4.2 Motor Vehicles

In the case of vehicles, you are required to obtain a comprehensive insurance cover and assign it in favour of the Bank. The cover should include strike, riot and civil commotion. This cover must be obtained before the Bank releases the purchase order to the supplier.

It is your duty to ensure that renewal is effected at the end of each year.

5. LEASING OF MOTOR VEHICLES

You should ensure that the vehicle is registered by the Department of Road Transport in your name as the Registered Owner. The charges incurred in respect of registration will be met by the Customer.

6. LEASING OF EQUIPMENT TO BE IMPORTED

If you intend leasing any equipment to be imported, it is advisable that you obtain the approval of the Bank for a leasing facility prior to opening Letters of Credit.

After the facility is approved you may open L/Cs on your own to import the equipment by utilizing your own margins with your Bankers. On receipt of Shipping Documents or Certified Copies, we will pay the value of the equipment up to the amount approved, direct to your Bank.

However, under special circumstances, we may consider opening Letters of Credit and importing the equipment on your behalf. In such instances you will be required to sign documents indemnifying the Bank against any loss or damage, in addition to the usual documents, prior to establishing the Letter of Credit.

Please note that under no circumstances, will the Bank agree to provide a guarantee to a Bank or any other third party agreeing to purchase the equipment on arrival.

Serial Numbers of the items imported should be conveyed in writing to the Bank as soon as the consignment is cleared and installed.

7. LEASING SECOND-HAND EQUIPMENT

Full particulars about the machine should be submitted including original Invoices and Shipping Documents.

A valuation report by a valuer designated by the Bank is required giving particulars of year of manufacture, condition, make and value of machine. Valuation Fee should be met by you.

We will not usually finance the full cost of such machinery. Payment will be made for such equipment only after installation and commissioning.

The Managing Director
Fiji Development Bank
2nd Floor, Development Bank Centre
360 Victoria Parade, Suva.
Telephone: 314866, Fax: 314886

TRADE PARTICULARS

Main Customers' Particulars : (To whom you sell)

NAME	ADDRESS	CONTACT PERSON	TELEPHONE

Main Suppliers' Particulars : (From whom you buy)

NAME	ADDRESS	CONTACT PERSON	TELEPHONE

WORKING CAPITAL NEEDS

FINANCE

TYPE	AMOUNT	PURCHASERS NAME	PERIOD
Working Capital *			
Bill Discounting **			
Payment of Imports *			

* Purpose for which you need this facility : _____

SECURITY PROPOSED

NATURE OF PROPERTY	MARKET VALUE	LOCATION	DETAILS OF ENCUMBRANCES

DOCUMENTS TO BE SUBMITTED WITH APPLICATION FORM

I/We enclose herewith the following documents for your review and record

- Memorandum & Articles of Association
- Copy of Certificate of Business Registration/ Incorporation
- Copy of latest Tax Returns
- Audited Financial Statements for the last 3 years
- Draft Accounts upto the last available month-end
- Details of purchases for the last 12 months
- Bank Statements for the last six months
- Letter of Offer for Bank Facilities
- Inland Trade Bills signed by Purchasers
- Photocopies of Income Tax assessments of Guarantors
- Photocopies of Income Tax assessments of Proprietors/Partners/Directors

AUTHORIZATION / DECLARATION

I/We hereby declare that the above information is true and correct and that this application remains your property regardless of whether the loan is made or not, and you reserve the right to reject the application at your sole discretion without stating any reason therefore the Bank is hereby authorized to prepare formal documents as per the terms and conditions set forth.

Authorized signatory and company rubber stamp

Name : _____

Date : _____