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# Creating and reinforcing discrimination: The controversial role of accounting in bank lending

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ABSTRACT

This paper examines the controversial role played by accounting within the discriminatory bank-lending practices of a privately owned bank in Sri Lanka. It reports on an analytical auto-ethnography (during the period 1994–2004) coupled with follow-up interviews and reiterated analyses. Data were analysed using Pierre Bourdieu's concepts of field, capital, habitus and symbolic violence. The empirical findings of the paper illustrate how key capitals at macro levels (social, cultural and symbolic) are mobilised in the dominance structures within the banking lending field and how individuals with given habitus behave and follow given strategies to deploy rational accounting systems at a micro level to translate discriminatory bank lending policies into practice and, as a result, create and reinforce discrimination.



## 1. Introduction

This paper stems from a concern over accounting and discriminatory bank lending. There has been some interest amongst accounting researchers in exploring the controversial role of accounting in discriminatory practices. Thus, Boltanski and Chiapello (2005), Puxty (1986), and Tinker, Lehman, and Neimark (1991) explained the role of accounting in "discrimination" and clarified how class struggles have been practiced within the discourse of corporate social responsibility (CSR). Further, Neu (2000), Davie (2002), and Fleischman and Tyson (2004) provide observations on how accounting techniques used on the British West Indies (BWI) plantations provided examples of employment of racist policies in controlling labour, productivity and costs. What has been relatively ignored in this emerging research is how the accounting techniques help to translate "discriminatory banking lending policies" into practice. This paper contributes to filling this perceived gap.

Previous studies have highlighted that a nexus exists between accounting and discrimination. For instance, Fleischman and Tyson (2000) analysed the interface of race and accounting and concluded that race, rather than efficiency, served as the primary measuring calculus of plantation work. In a later study Fleischman and Tyson (2004) illustrated how accounting served slavery and its institutions through measurement, valuation and classification techniques that completely ignored the qualitative and human dimensions of slavery. Neu (2000) explained how accounting techniques helped to translate policies of conquest, annihilation, containment and assimilation into practice, with the resultant outcomes of reproductive

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genocide, cultural genocide and ecocide. Moreover, Davie (2002) highlighted accounting's involvement in race relations and revealed how the invention of new afforestation accounting practices helped to create and perpetuate differentiated, racialised identities of social and economic relations. The issue of discriminatory accounting becomes even more important when accounting became engaged in, and facilitated, discriminatory mobilisation of financial capital, particularly in the context of bank lending in emerging economies. Thus, this paper investigates the accounting–discrimination nexus in the context of the bank-lending practices of a privately owned bank in Sri Lanka. Thus, it explores the research issue: how accounting helps to translate discriminatory bank lending policies into practice and reinforce discrimination.

The theoretical perspective of this paper draws on the work of Bourdieu (1986). It uses the tools of Bourdieu and his distinction between the dominant and the dominated (symbolic violence) and how that influences habitus (and therefore practice) to understand the accounting and discrimination issues in bank lending that the current accounting literature does not address. It uses multiple sources of evidence, including an auto-ethnography of a close-held bank in Sri Lanka, built around participant observations and the life experiences of one of the authors (during the period 1994–2004); semi-structured interviews with the participants in those historical events; documents and archival records; open-ended questionnaires, internet conversations and exchanges of e-mails. The paper applies Bourdieu's (2007) "sketch for self-analysis" framework and his concepts such as symbolic violence, habitus and domination to analyse the auto-ethnographic data.

The remainder of this paper is organised as follows. Section 2 presents a literature review of accounting and discrimination, and combines it with the context of the bank lending developed from finance and banking literature. The theoretical framework is discussed in Section 3, while Section 4 provides a description of the research methods. In Section 5, the banking lending context of Sri Lanka is briefly presented. Section 6 presents the macro issue of mapping the field (as Bourdieu's methodology does) – what constitutes the dominant and what/who is the dominated in this field (what key capitals are mobilised in that dominance) – and how does this field relate to the key fields of power. Section 6 then progresses onto exploring the micro practices – how individuals with a given habitus behave and follow given strategies which have the effect of creating and reinforcing discrimination. Finally, Section 7 draws conclusions.

## 2. Related literature on accounting and discrimination

During recent decades, individuals, organizations and governments have become subject to more frequent calls for greater rationality and also for the adoption of more clearly defined lines of responsibility and accountability (Porter, 1992). As a consequence, accounting practices have assumed a status beyond levels previously recognised and have taken over the role of creating "financial" forms of visibility and rationality for abstract social and organizational lives (Hopwood, 1992; Miller & Napier, 1993). Moreover, accounting and financial relations are expected to make a domain of behaviour visible and amenable to people's intervention but also provide the information upon which subsequent interventions can be based (Preston, Chua, & Neu, 1997). For example, Preston et al. (1997) illustrated how accounting and financial relations were an invisible, but powerful, method of rationing the provision of healthcare services to the elderly in the United States. These studies and others (e.g., Neu & Taylor, 2000; Neu et al., 2006; Power, 1994) illustrate how accounting and financial relations, along with other administrative techniques such as the rule of law, have been used to translate abstract financial policies into practice. Neu et al. (2006) revealed how the "informing" technologies, including recommended accounting practices embedded within lending agreements of the World Bank and the IMF, make the objects of governance knowable in terms of accounting and financial expertise and enable, translate and regulate the behaviour of loan recipients.

Moreover, some accounting researchers (Boltanski & Chiapello, 2005; Puxty, 1986; Tinker et al., 1991) have focussed on accounting's role in "discrimination" and explained how the class struggles have been practiced within the discourse of CSR with the support of accounting language. They argued that the privileged/dominant groups generally succeed in legitimising their own agendas as superior to those of the lower classes through use of accounting language and communication. More critically, Fleischman and Tyson (2000) explored the interface of race and accounting by using a case study on Hawaiian sugar plantations during the 1835–1920 period. They reviewed the accounting techniques used on the plantations and provided examples of employment of racist policies in controlling labour, productivity and costs. However, they did not find records on individual-specific productivity performance and concluded that *race* rather than *efficiency* served as the primary measuring calculus of plantation work. In another study, Fleischman and Tyson (2004) adopted a more critical perspective of accounting's past and examined its particular role in the commodification, objectification and dehumanization of an entire class of people (slaves) for more than 200 years. The study illustrated how accounting served slavery and its institutions through measurement, valuation and classification techniques that completely ignored the qualitative and human dimensions of slavery. Based on a study regarding colonization and genocide of Canada's First Nations, Neu (2000) argued that the government employed accounting tactics to arrange things in such a way that certain ends could be achieved. His study focused on how accounting techniques functioned as a "software" of imperialism and technology serving the ruling government to change the relationship of indigenous people to their land. Their analyses highlight how accounting techniques helped to translate policies of conquest, annihilation, containment and assimilation into practice, with the resultant outcomes of reproductive genocide, cultural genocide and ecocide. With regard to accounting's involvement in race relations, Davie's (2002) case study of the Fijian pine industry demonstrates how "invention of new afforestation accounting practices help to create and perpetuate differentiatory, racialised identities of social and economic relations". The findings of this study suggest that affirmative action policies and initiatives constitute a form of racism.