

Qualitative Methods of Research on Banking Risks

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Abstract. Risk research is neither easy nor very precise in implementation. Observing, collecting data, accessing sources is difficult and puts the researcher into a number of specific problems. The main problem of research through a qualitative method is to cross the situation of “distant familiarity.” Addressing banking risk issues requires structuring research in the form of a collective process rather than an individual process. In this case, it is necessary to study the manifestation of undesirable events in a bank both from the epistemological and methodological point of view.

Key words: method, research, objective, risks, banks.

JEL Classification: E47, E58.

1. Motivation for choosing a qualitative method

Le Moenne (2007), Martin-Juchat (2007), Habhab (2007), Morillon (2007) and Devereux (1980) support the following supporting reasons for choosing a qualitative research method: setting the research objective; treating the research objective in relation to its context; facilitating access to land and to sources; supporting the researcher in promoting critical analyzes; the need to prolong the duration of investigation and to maintain position independence; selecting the research model.

Le Moenne (2007, pp. 22-23), in its construction regarding *the establishment of the research objective*, considers that the overall process of using a qualitative research method has a close relationship between the establishment of the research objective and the duration required for its implementation. This relationship involves multiplying investigations into micro-objectives based on partial and limited data and observations of the qualitative method. By multiplying the investigations, the researcher manages to articulate local assumptions and issues with overall perspectives. Also, from the perspective of multiplication of partial observations, the tests provide the elements that allow assessment of the observation conditions. In this way, the initial (starting) problems are compatible with the methods used in the investigation. On the other hand, we must note that research by a qualitative method is based on prior problems and methodological empiricism. This combination results in a dualist epistemology that favors the observation of research objectives and therefore a priori confers rational observation on an empirical logic.

As regards *the treatment of the research objective in relation to its context*, Le Moenne (2007, pp. 24-25) considers that a qualitative method makes an important contribution to the prior definition of the objective. The context of the objective research is described according to the conditions of observation, the construction of the facts and the researcher's conclusions. By defining the research objective in advance, the concept of establishing the general research framework, the specificity of the observation levels and the issues to be developed will be presented.

The treatment of the research objective in relation to its context presents an empirical basis, it has a hypothetical character and reveals a certain methodological instrument. Le Moenne (2007, p. 17), in close connection with the empirical foundation of the qualitative method, states that “through a prior work of all field research, a simplistic research is being created that creates the initial conditions without which it is

impossible to research". And he adds, from the perspective of "breaking the problem", that "empirical research must begin by segmenting and decapping for, then, to be able to build."

Access to the land and the bank's sources of information is very difficult. Research into socio-economic and technical systems, such as banks, is not easy because these systems show retention, even some resistance, to encourage the place of observation. Even more difficult is to make it possible to observe prolonged and independent goals set by the bank's management. Martin-Juchat (2007, pp. 140-141) notes that issues of access to physical places are always subject to the consent of the responsible. These difficulties require the researcher to accept the confidentiality of observation and data collection. Then specific investigation issues: What should be noticed first? What data, paths, documents should be investigated?, Which actors should be asked and what questions they can ask?. For much of the answers to these questions, research inevitably imposes the construction of a prior objective. This construction, access to land and sources can only be facilitated by the use of a qualitative method in research.

Le Moenne (2007, pp. 25-27) and Habhab (2007, pp. 53-55), in the approach to *supporting the researcher in promoting critical analyzes*, refers to the imminence of the occurrence of events: the development of critical literature in the managerial sphere, (the bank in our case) and the explosion of organizational communication.

In France, for example, after the Second World War, a new phenomenon has developed: critical literature in the managerial sphere. The emergence and development of this literature has propelled social sciences into business research research. In a relatively short time, the qualitative research method promoted by social sciences becomes a current tool of company management. As a result, social sciences will massively erode the concerns and demands of management. Qualitative research methods will be assimilated into the spontaneous epistemology of managerial methods as a scientific method. Critical business issues will be primarily investigated by external consultants through qualitative methods.

The social movements and the crisis of the 1970s of the twentieth century, through the politico-ideological conjuncture that has been generated, have become favourable events of meeting social sciences with the company. The main direction of research in social sciences will be to investigate the organization of work based on qualitative methods. Researching alternative workplace solutions has stimulated research and innovation research that has obviously pushed for organizational change. Against this background, the innovative capacity of consultants focused on minimal critical business strategies.

At the same time, the explosion of organizational communication will stimulate communicators to introduce into their priorities the construction of a structured professional field addressing critical discourses of previous management practices. Managerial command and professional pressure impose a very powerful epistemological volunteerism for the analysis of realities. In a relatively short time, researchers in social sciences are launching a number of criticisms of the epistemological foundations of their own assumptions, the different positions of actors involved in theoretical laboratories, criticism of social discourses and practices. The critical attitude of researchers in social sciences will eventually have a positive effect. Criticisms will be polarized around two major epistemological options: abstract and general theoretical approaches oriented towards the type of communication with a modelling line or general explanations and fragmented, descriptive and empirical approaches. Both approaches will support the need to conduct investigations through qualitative research methods.

Another justifiable reason for choosing a qualitative research method refers to the need to prolong the duration of investigation and maintain position independence (Le Moenne, 2007, pp. 19-21). As stated, firms of any kind can not objectively investigate their own activities, nor openly open their doors to be researched from the outside. For external researchers, the issue of documentation sources is not simple. Few businesses have organized and exploitable archives. Also, documents of internal functions, organizational charts, and documentation of successive organizational changes are less accessible. Companies learn the habit of preserving the experimental versions of the changes made. That is why external researchers must expect the investigation to be lasting and, at the same time, that it will need to maintain its independence.

The duration of the investigations is dependent on the researcher's difficulties in presenting the observation procedures and performing the proper tests. In fact, the researcher engaging in a long-standing investigation finds a difference between the ability of the interlocutors to provide answers and the normative requirements of the observation. This difference obliges the researcher to return to dialogue with the interlocutors. Resuming the dialogue involves additional time and extra funding. In this case, paradoxically, the researcher is thinking about reducing the length of the investigation. Naturally the researcher will choose this alternative. In order for the solution to reduce the duration to be viable, the researcher prefers on the research method: chooses the qualitative method knowing that it has flexibility in operationalization.

The independence of the position stems from the fact that in the field, the researcher decides to observe a firm as soon as it has been invested by various interlocutors with various socio-symbolic statuses, according to the positions within the firm. Devereux (1980) supports the idea of voluntarily investing the researcher by the employer, the manager of the firm, the other managers, the employees and his own expert status. The researcher gains a position of institutional legitimacy, that is, more than the position of a guest, a guest. From this position, first care (or first naivety) will consist in forgetting its position to be able to observe, investigate the firm. In fact, the researcher tries the empirical illusion that it will be possible to observe the firm independently of the position of institutional legitimacy. In order to resist, the researcher must adopt critical positions useful for the implementation of methodologies, he must act according to the concept of distant familiarity.

In research based on the use of qualitative methods, "patterns" whose understanding is confusing, sometimes contradictory, appear. The social sciences offer, according to Morillon (2007, pp. 47-51), two research models of a firm's field: the conceptual model (normalized) and the empirical (pragmatic) pattern.

The conceptual pattern evokes the Platonic perspective of the transcendence of truth and dogmatism in some approaches to scientific construction. The conceptual pattern structures reality and allows verification or invalidates verification by a text procedure. Based on conceptual clarifications, it is possible to develop conceptual devices that provide descriptions of reality.

The empirical pattern is based on a number of practice observations. This pattern is used as a procedure for evaluating theories and hypotheses. At the same time, based on a number of empirical observations, the model allows simulation of an action and the construction of hypotheses that serve reflections on future investigations.

In synthesis, any pattern has an essential dimension in the design of artificial, technical and organizational devices aimed at a particular purpose. It can also be appreciated that there is an intimate relationship between modelling, design and design, even a reason for which the theoretical and pragmatic approaches forcefully

impose the option of using the two models. Modelling should be seen both as a process of conceptualizing an action, and as a process of thinking about a practical situation.

2. Conceiving the research goal by the grounded theory method

In presenting the justifiable reasons for choosing qualitative methods for investigating bank risk management, it was mentioned that any qualitative method relates to the researcher's subjectivity, but within the limits of the scientific framework. Using a qualitative method, the researcher focuses on a "deductive" or "inductive" approach. Researchers, with a high frequency, opt for the combination of "deductive" – "inductive".

The approach of deductive research, which is largely specific to a qualitative method, consists in the elaboration of one or more assumptions that are then confronted with the reality. Certainly, in the deductive approach, the reasoning on which it is founded is "hypothetically-deductive". The purpose of the deductive reasoning is to make a judgment on the pertinence of the initially formulated hypothesis. Also, the deductive approach admits that reality has its own laws, immutable and almost totally invariable.

In terms of "induction", the specificity consists in a generalization backed by a reasoning that goes from the individual to the general, from facts to laws, from effects to causes and from consequences to principles. In other terms, Charriere and Durieux (1999) consider that induction is a logical reasoning on the basis of which a researcher creates his / her environment of thought and action continuously guided by the expected outcomes. In this case, the reality is non-deterministic, relativistic and contextualized.

The deductive and inductive judgments are different and reflect the difference between realism and constructivism, between explanation and understanding. Regarding the two types of reasoning, Charriere and Durieux (1999) consider that deductive and inductive judgments may be complementary to the approach of scientific knowledge. Indeed, deductive reasoning will support the shift from general to particular, while inductive reasoning is marked by the ability to move from the individual to the general. So a researcher can draw conclusions in a deductive or inductive manner. By deduction, the researcher advances an explanatory and / or predictive conclusion. When the researcher calls for induction, he draws a conclusion from observation or explanation. Its conclusions can be associated with a number of initial conditions that serve as prerequisites for designing a test.

As far as the qualitative method is concerned, the most distinctive characteristic of the qualitative investigation lies in the emphasis on interpretation. This means that the qualitative research method emanates more from an interpretative paradigm that consists in discovering or deepening a structure or function that has the objective of research to explain or to unleash the power of understanding. Naturally, by choosing a qualitative investigative method, "researchers position themselves as interpreters of the field of study even if their own interpretation can be more sustained than that of subjects" (Drucker-Godard, et al., 1999, p. 259) .

Grounded theory or *Root Theory* sets its roots in two major sociological methodological scholarships of the 1960s: Columbia University, through Professor Barney G. Glaser and the University of Chicago, through Professor Anselm L. Strauss. The two American professors investigate the risks in some health care settings. The research was conducted in 1964, 1965 and 1966. In 1967 he published the paper: *The Discovery of Grounded Theory: Strategies for Qualitative Research*.

The grounded theory method is an inductive approach that first starts from the idea of generating the data needed for research. This means that it is based on the following postulate: “researchers can and should develop the theory from land data.”

As a method of investigation, its purpose is to begin and complete a series of interviews. As it begins by collecting data, the key elements of the grounded theory method are identified by a series of codes extracted from the texts presented by the interviewees. Then the different codes are grouped into similar concepts in order to be easier to use. Concepts are constructions that form the basis for generating a theory. Since emergence, grounded theory contradicts traditional methods of qualitative research because the latter are interested, first of all, in choosing the place of application. For traditional research methods, the place is their application framework. Here are the phenomena to be studied. Of course, this particularity fed the contradictions between grounded theory and traditional research methods.

To use the grounded theory method, the investigator proceeds to investigate the field. The researcher collects empirical data, analyzes, compares, and codifies them in the end to conceive of a theory to be transferred to other research configurations. So, the purpose of land investigation is not to produce a detailed description of a particular situation. From the above it can be concluded that if, traditionally, the field researcher's activity is based on a complete description, in the grounded theory the field researcher's mission is to make an abstraction. In Chart 1 we draw the difference between the inductive approach specific to the grounded theory method and the deductive approach characteristic of the traditional qualitative research methods.

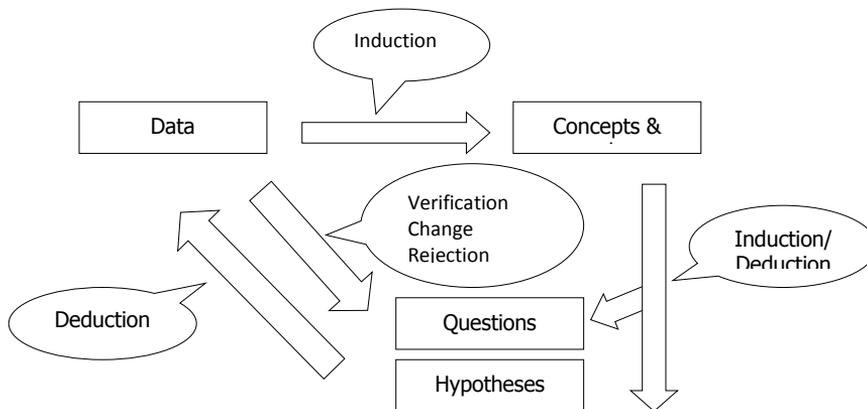


Chart. 1. Inductive approach versus deductive approach

Source: D. Constantinescu and L. Dincă (2016)

The process of applying the grounded theory method consists of three stages. In the first step, the goal of the researcher is to discover the categories using gross field data. In order to compose a *category*, the researcher proceeds to identify the *key elements*. Through an abstraction process, key items are grouped into distinct categories. Conception of categories is closely related to a *coding procedure*. At this stage an *open coding* is performed.

The process continues, in the second stage, with a refining of the categories. In this sense, it is used to identify the properties of each category and the relations between them. In the second stage, the researcher is at a higher level of abstraction,

that of conceptualization. Categories designed based on field data are gradually becoming abstract concepts. The composition of the categories and the identification of their relational system concludes the second stage. Practically the stage ends with axial coding.

In the last step, the third, the researcher moves from the conceptual stage to the theoretical stage. At this stage, the level of abstraction increases to saturation, ie the analysis and comparison of raw data only inspires the researcher to conceptualize. The researcher makes a comparison of the distinct categories and discovers a *central category* that is closely related to all the categories, concepts and relationships between them. The central category is a true "fine leader" because a *theory* will develop around the central category. In the last step *selective coding* is performed. In Chart 2 we synthesize the scientific approach of grounded theory.

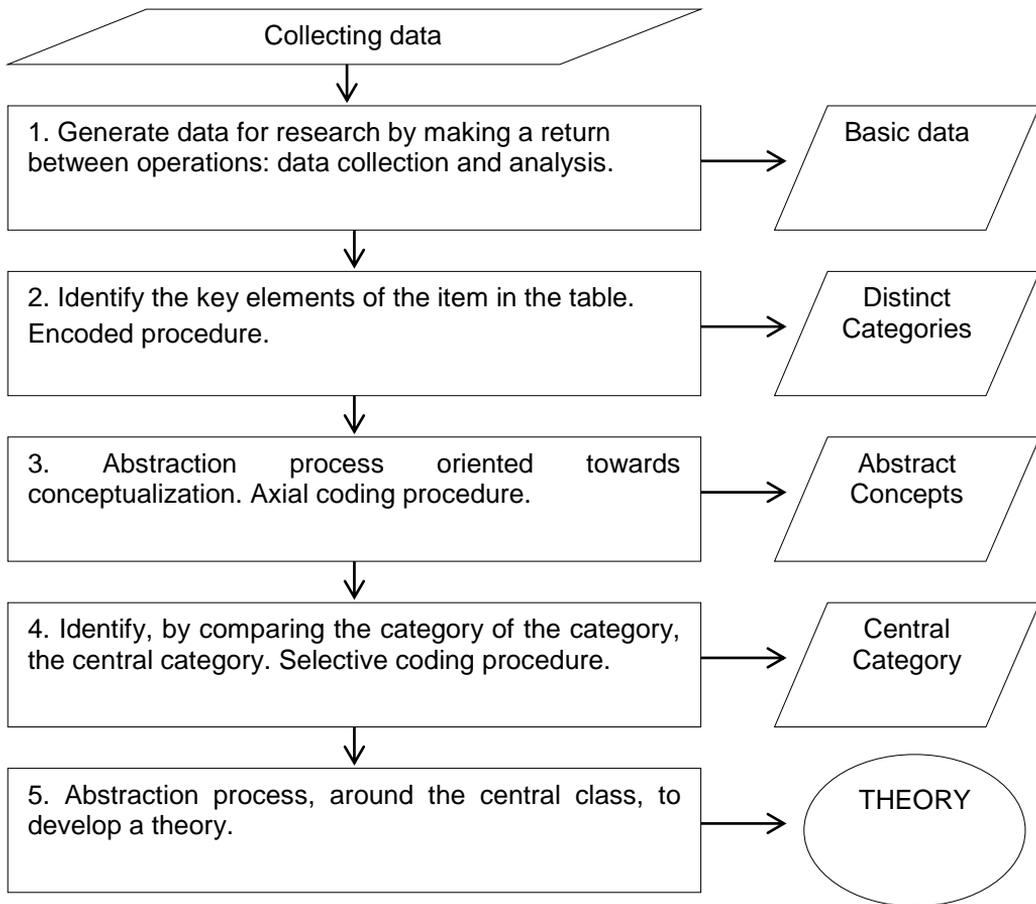


Chart 2. The scientific approach of grounded theory

Source: D. Constantinescu and L. Dincă (2016)

Application of grounded theory method with good results depends on the quality of field data collection and analysis operations. Also, the two researchers also appreciate that in order to run the grounded theory method, it is necessary to investigate the interpersonal and social context of the studied phenomenon. In this way, the basis for the in-depth understanding of the phenomenon is laid.

The collection of data is done through several means mainly: interviews, direct observation and researcher notes. It is also possible to use historical documents,

photos, video recordings, etc. Essentially, the best means of collecting data is that which enables the researcher to obtain relevant information.

Data analysis is carried out almost simultaneously with the data collection operation. Through the analysis, the researcher groups, under different codes, the information obtained through interviews and the development and verification of the data collected in the field.

The interviews are aimed at knowing the points of view and the perceptions of the actors directly involved in the studied phenomenon. A basic principle of this approach is that there is no interviewee who has expertise in the subject but is a good interviewee. The interview scheme changes as the data analysis provides for an increase in the researcher's abstraction process.

One of the distinctive features of the grounded theory method is indeed the continuous alternation between data collection and analysis. The selection of participants in interviews is determined by the results of previous analyzes. In order for the coding procedures to work with good results, the researcher will orientate himself to compose his sample according to the views obtained from the interviewed participants. When data collection and analysis is saturation, ie no new information is obtained, the most recent interviews complete data collection and analysis operations.

Within the grounded theory method, the circular interaction between data collection and analysis occupies an important place (Chart 3). This interaction is a device that provides a high level of innovation.

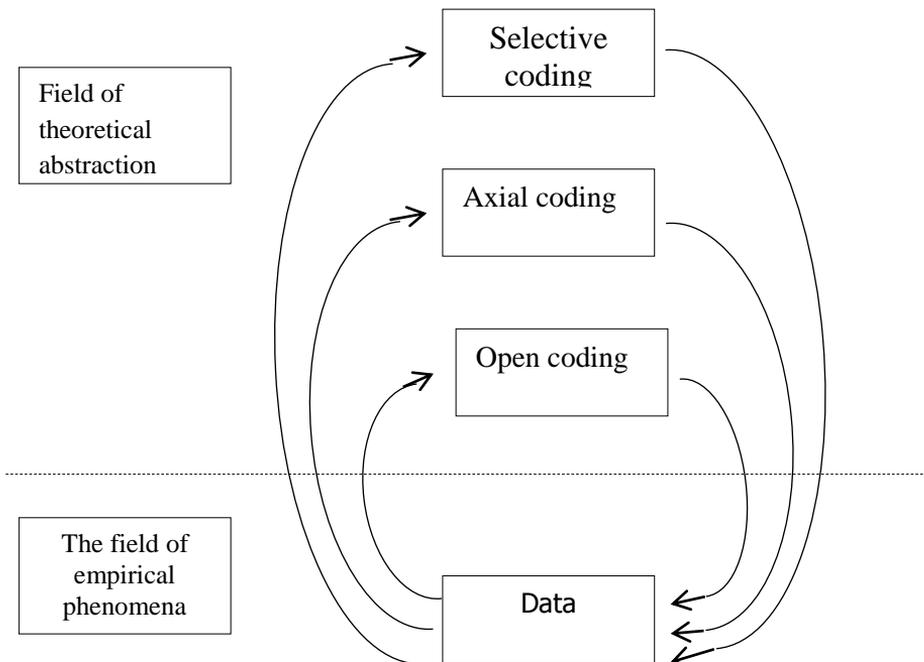


Chart 3. Circular interaction between data collection and analysis

Source: D. Constantinescu and L. Dincă (2016)

The three levels of coding allow for the identification of interesting elements in data, the subtraction of data between them and the selection of the elements necessary for conceiving a theory. On the other hand, the permanent data return facilitates the redirection of the collecting operation according to the intermediate

analyzes and the orientation of the data collection towards phenomena that seem more interesting from the practical and theoretical point of view.

In 1994, grounded theory is enriched with a work on *data analysis*. Data analysis is a succession of six operations: coding; categorization; putting into relationship; integration; modeling; theorizing.

Codification is the starting point of the whole anchor theorization and consists of releasing, revealing, denominating, summarizing and tematalizing almost the same way the answer formulated by the interviewee. Therefore, the researcher proceeds to a careful reading of the transcript of the interview, field notes, etc., and then tries to clarify by word or phrase the overall proposal. In the analysis by anchored theorization, the researcher uses the following questions: What is there, what is here? What is this, what? What is it about? What is the problem?

Categorization is to lead the analysis at a conceptual level of a richer and more global definition of phenomena, the events that come out of the data. Categorization involves, first of all, open coding that will be concretized into a list of categories designed by coding. Secondly, the categorization consists in making a new reading of an unordered transcript of the interview in order to put the categories in a margin, preferably the codes previously conceived. For the categorization operation, the researcher wonders: What is going on here? What is it about? What phenomenon do I have?

In the third operation, it is systematically to group the categories in order to discover the *links between the categories*. The approach to engaging in a relationship is based on the following questions: What is here is related to what is there?, What is this link about?

The uncovered links embrace various forms, mainly concerned with the links of similarity, dependence, function, and hierarchical links. Three approaches are recommended for making a relationship. A first approach relates to *putting the categories in their own right* starting from themselves and from the phenomena with which they are associated. A second approach is *speculative*, but as fertile as the previous one in releasing possible relationships between categories. This approach calls for logic or experience and guides after the questions: Which other category should be logically related to this category?, Which types of links normally unite the two categories?, There will be a category that precedes or that follow another category?. And a third *theoretical approach* used to discover the links between categories by resorting to scientific papers on the problem.

Integration is an operation whose essence consists in a more precise redefinition of the research objective. By integrating the multidimensional components of the analysis, the researcher traces the boundaries of the study. Then integration is "a capital operation because it allows a leap in understanding the research objective."

Similar to other anchor theorized analysis operations, integration uses questions and answers help the researcher to better perceive what is happening in the field. The main questions are: "What is the main problem? I am facing a general phenomenon, what is my study?" However, before answering these questions in an inductive way, the researcher must return to some previous questions, such as: "What is the problem? What is going on here? What is this link?"

Modeling consists in reproducing as precisely as possible the organization of structural relationships and the characteristic functions of a phenomenon, event or system. Therefore, modeling greatly facilitates the description of the phenomenon, event or system in order to formulate a prediction. For example, if we refer to credit risk, then modeling will keep an eye on the most important features of the borrowed-bank relationship.

Modeling occurs when the focus of the analysis was bounded by the integration effort. This is the central objective to be investigated through the following questions: What kind of phenomenon is it?, What are the properties of the phenomenon ?, What are the antecedents and consequences of the phenomenon ?, What processes occur in the phenomenon?

Based on these questions, the investigation aims to capture the type, properties, antecedents, consequences and processes specific to the phenomenon. Investigation continues with the exploration of each feature. For example, once the properties of the phenomenon have been explored, that is, the traces, components and constituents of the phenomenon - that is, the dimensions of the phenomenon - have been established by investigating each dimension. In this regard, the researcher relies on the following questions: Does the dimension have several shapes?, What dimensions do they have in the various manifestations?

Theorization is the operation that concludes the empirical data analysis. This operation is both a process and a result. Although, the theorization concludes, the analysis is not only a point, but also a reminder of the importance of the theoretical safety. Strengthening and developing the theory is progressively achieved by applying three strategies: theoretical sampling; verifying the theoretical implications; analytical induction.

Theoretical sampling is different from the statistical sampling of a population. Thus, instead of sampling a population (according to age, economic situation, etc.), various manifestations of a phenomenon (manifestations are represented by a category, model or theory) are sampled. Practically, theoretical sampling takes place throughout the entire analysis process by anchored theorizing.

The second strategy, which examines the theoretical implications of the proposed model, serves to distinguish the implications that logically derive from the theory. On this basis, it is possible to check the body of data collected or observed if the implications actually occur. The verification has two sequences. First, it is the decomposition of the model or theory into statements. Then it is required for each statement what is to happen or whether the statement is true.

Verifying the theoretical implications operates as a very simple procedure consisting of using the formula "if ... then." For example, if a statement of the theory shows that continuing training practitioners have a reversed trainer / trainee ratio, then practitioners will have to validate the training followed by the trainer rather than their experience or pragmatism. Constantinescu and Dincă (2016, pp. 255-269) propose a guide for the application of the grounded theory method. The guide is structured on two components: preparing the researcher for grounded theory use; conducting research using grounded theory.

3. Conclusions

The grounded theory method is a qualitative research method based on induction and deduction. Through these two terms, the researcher is encouraged to discover conceptual links between categories and rules to understand the phenomenon studied. The use of analytical induction and deduction contributes to the updating of creative research activity.

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