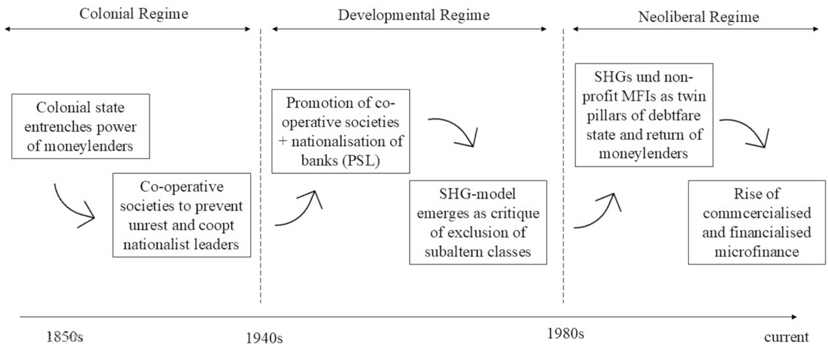
Chapter 12
Synopsis: A Systemic View on Re/Productive Finance

The previous chapters have outlined three distinct though interconnected regimes of re/productive finance. This synopsis discusses how this broader history helps us to comprehend the rapid rise of microfinance in recent decades and what this implies for the contemporary discourse on financial inclusion.

The analysis of the imperial regime of re/productive finance challenges the predominant understanding of financial exclusion as a given feature of countries in the global South. Instead, it reveals how exclusion from modern banking is a colonial legacy rooted in an imperial political economy of plunder, in which financial flows were consciously orchestrated to facilitate a drain of wealth. The rise of moneylenders and their unconstrained power during British rule was no coincidence. It was rooted in a class compromise in which the colonial administration extracted disproportionate land revenue from the peasantry without supporting their livelihoods, driving them into the hands of moneylenders (traders, landlords, wealthy farmers), who increasingly safeguarded their subsistence through chronic indebtedness, while simultaneously oppressing them. The colonial administration exacerbated the power of moneylenders not only by driving the agrarian inequality. It also refrained from regulating usurious moneylending and escalating land transfers (based on indebtedness), while the reformation of the judicial system along British lines, based on written contracts and debt records, generally guaranteed creditors the backing of state power. This constellation, which I have called the moneylender-state nexus, fundamentally questions the modern categories of formal/informal finance and inclusion/exclusion on which today's dominant development discourse rests.

Second, the history of India's unbanked is not only a matter of financial exclusion. Theirs is a shattered story of uneven capitalist development based on the fragmentation and segmentation of the subaltern classes and the dispossession, super-exploitation, and adverse incorporation into market-mediated social reproduction. Put differently, the demand for credit is rooted in a chronic subsistence crisis, fundamentally shaped by the broader political economy, including class-based, gendered and racialised stratification. As discussed in Part II, money's power as "second nature" (McNally 2011b, 147) is contingent upon the commodification of economic space. The subordination and integration of India into the British-centred world economy since the late eighteenth century significantly increased the demand for money through the enclosures of common land and forests, the commercialisation of agriculture, the payment of land taxes exclusively in cash, and a complete lack of government support, all of which were experienced unevenly amongst the subaltern population. Notably, chronic indebtedness was not only a result of this political economy of plunder but also a condition upon which the super-exploitation of indentured labourers on export-oriented plantations rested.

Figure 13: Overview of Regimes of Re/Productive Finance in Modern India



Source: own illustration.

The colonial political economy was not only based on plunder but also on the indirect racialised extinction in the form of devastating famines, which killed tens of millions of Indians during British rule. These and the entrenched subsistence crisis facilitated by the moneylender-state nexus called forth numerous powerful peasant insurgencies, which, towards the end of the nineteenth century, became increasingly organised by an emerging nationalist movement calling for independence. The introduction of credit cooperatives was a critical policy in pacifying unrest and coopting leaders of the nationalist movement. Still, despite impressive outreach within the early twentieth century, it never managed to replace the entrenched power of moneylenders and proved insufficient to contain the ascending anti-colonial mass movement. But, although the imperial regime of re/productive finance would be replaced in independent India, the new Congress-led government had to grapple with the colonial legacy.

The emergence of a developmental regime of re/productive finance paralleled the post-independence era. This era is significant for contemporary debates because it shows how the state has been the main driver for financial inclusion, substantially increasing the means for accessing credit in rural areas through the proliferation of credit cooperatives and, later, the nationalisation of banks, including quotas for lending to agriculture, small and medium enterprises. The state-directed political economy increased economic growth, built a diversified industrial base, and enhanced agricultural output and productivity, eventually achieving food self-sufficiency and overcoming the worst forms of famines that had marked the colonial era. Yet, from the perspective of subaltern classes, this era of social banking was highly ambiguous. It never challenged the roots of their subsistence crisis: the unequal land ownership and associated class inequalities, decent working conditions, employment opportunities beyond the agrarian economy, and a lack of social provisioning. Therefore, the significant extension of public rural credit through cooperatives and public banks largely benefitted the landlords, wealthy farmers and parts of the middle peasantry, leaving the mass of small and marginal peasants as well as landless labourers at the mercy of the landed classes, including moneylenders, and state bureaucrats.

The ambitious programmes for subsidised targeted credit for these excluded sections since the late 1970s already foreshadowed the critical contradiction of governing access to credit for subaltern classes. The scheme focussed almost exclusively on providing working capital for income-generating assets in the hope that the targeted populations could improve their livelihoods through business activities. As such, it resembled the logic of microfinance interventions and particularly the discourse of the entrepreneurial spirits of the poor. However, without permanent employment or social security, and within the context of entrenched class inequalities in the agrarian economy, subsidised public loans would simply add another source of reproductive debts to the household economy. Ultimately, these loans would fuse with the chronic indebtedness of subaltern classes with landlords, middlemen or other moneylenders, without providing the means for challenging their domination and exploitation. Meanwhile, numerous civil society organisations, backed by Western development agencies, proliferated and facilitated self-help groups of women, saving and borrowing small sums from each other. Notably, in contrast to the state-led approach to governing access to credit, these institutions recognised the relevance of reproductive debts for managing the subsistence crisis. However, rather than strategically organising and challenging the roots of this crisis, they focussed primarily on providing an alternative means for reproductive debt vis-à-vis the moneylenders, paving the way for the rise of microfinance.

The rise of commercialised and financialised microfinance in the neoliberal era since the 1990s has been the primary focus of most critical political economy literature. The regime analysis adds to this literature in many crucial ways. It demonstrates how this rise was contingent upon the state-backed infrastructure of the

SHG-BLP. The latter provided the organisation of millions of groups across the subcontinent and the public legitimacy on which the profit-driven model could rise. As a result, the NGO model of SHGs was incorporated by both the state and market, together producing the twin pillars of India's debtfare state. More importantly, corporate MFIs consciously emulated the SHG model's most tremendous success, providing reproductive debts for basic needs, education, health care or home improvement. In other words, they would financialise the subsistence gap by turning the problem-solving approach of NGOs into a vast market and attractive asset class. Significantly, the analysis of the neoliberal regime highlights how this strategy is not only a response to a pre-existing problem. Instead, the uneven jobless growth model of the neoliberal era and its focus on privatisation, liberalisation and financialisation creates the conditions in which reproductive debts emerge as a necessary survival mechanism for subaltern-working class households.

In contrast to the experiences of core capitalist countries, the financialisation of social reproduction in contemporary India is not linked to the retrenchment of the welfare state. The continuous rise of Naxalite peasant insurgencies, which challenged the power of land classes and the post-colonial state through guerrilla warfare and dominated a significant share of the Indian territory in the 2000s, has been a crucial background for the introduction of numerous welfare schemes on primary education, healthcare, public employment in rural areas, and food security. However, as shown in the case of health care, these welfare services perfectly integrate with market-based reproductive debt and fail to protect subaltern classes from chronic indebtedness.

This brings us to one of the most important findings of the regime analysis. The systemic view on re/productive finance puts into focus the persistence and entanglement of various debt relations in the same household economy (see Figure 13). The predatory nature of commercial microfinance in India does not primarily lie in substantially higher interest rates or fees for loan products. Instead, it is based on the chronic indebtedness of these populations throughout the life cycle without providing any means to challenge their domination and oppression as precarious labourers. Thus, to fully grasp the predatory aspects, one must broaden the view beyond the limited operations of MFIs. From the perspective of subaltern working-class households, microfinance debts provide yet another source which intersects with other debt relations (SHGs, moneylenders, etc.) and produces complex forms of dependency and exploitation. Operating at a rather high level of abstraction, Part III has primarily focussed on the general characteristics of subaltern indebtedness over the past two centuries. Yet, the following analysis of contemporary migrant workers in Bengaluru will further elaborate on these dynamics, by zooming into the contemporary neoliberal regime of re/productive finance.

Finally, the systemic view of re/productive finance highlights that India's subaltern working class is not only characterised by varying degrees of freedom and coercion concerning their labour and by combining various modes of work into the household economy (van der Linden 2014) but also how multiple debt relations are crucial in mediating and manifesting these fractured lives. In this sense, understanding money as "bonds of all bonds" and a "universal agent of separation" (Marx 1988, 138) remains a powerful metaphor for understanding the chasm between the benevolent rhetoric and structural violence of financial inclusion. The outlined history demonstrates how various forms of indebtedness are a critical mechanism of surplus appropriation and class oppression, which underpins and reinforces the exploitation of labour in the production process or the formal subsumption of small farmers and petty commodity producers under capital. In this process, the productivity of financial capital also rests on the accumulation of gendered and racialised fragmentations and segmentations that run through the social body and the working class.

Reversely, this systemic view of these three modern regimes also emphasises how reproductive debts are a crucial entry point for understanding class struggle in broader terms. The peasant insurgencies under colonial rule and in the post-colonial era are intimately related to the roots of the subsistence crisis of subaltern classes and the role oppressive debt relations play in managing the former. Moreover, these struggles have been central to institutional changes within each of these regimes, as is witnessed by the introduction of credit cooperatives under British rule in the early twentieth century, the IRDP as a publicly subsidised lending scheme in the 1980s, or the scaling of welfare programmes for subaltern classes in the 2000s. As such, thinking of class struggle systematically from the perspective of reproductive debt might offer exciting insights for vitalising contemporary struggles. This is an issue we will further discuss in the conclusion.