# Introduction: Fractured Lives

> "Financial inclusion has got so many facets, but the basic facet is be counted, be included, be somebody, have the dignity of your identity"
> – *Ajay Banga (Ted 2021)*

> "Clients of microfinance institutions are poor city dwellers housed in slums or squatter settlements, often living in appalling overcrowded settings, lacking access to basic services such as health. […] Many of them are women, poorly trained and playing dual roles of provider and caregiver. These poor people are more exposed to the threats of contamination, bad sanitation, and disease than the rest of the population. When disaster strikes, in the form of inflation, earthquakes, or other outside forces, they are the most exposed."
> – *Maria Otero (2000)*

In early 2023, US president Joe Biden nominated Ajay Banga as World Bank Group president with much acclaim. The step was an attempt to preserve the institution's legitimacy amidst multiple crises. The Bank's overarching aim to eradicate poverty by 2030 is nowhere near reached, especially after the COVID-19 pandemic and escalating geopolitical tensions (World Bank 2024). Cumulating indebtedness and bankruptcy of governments, firms, and households worldwide are producing a vicious interlocking dynamic which may plunge the world economy into another great recession (World Bank 2022). Climate change is wreaking havoc in many parts of the world, even if the former World Bank president, David Malpass, publicly denied the existence of it (Markotoff 2023). And, the legitimacy of the US-dominated World Bank is increasingly challenged by alternative institutions, mainly promoted by the People's Republic of China.[1] What is more compelling is that the World Bank has received heavy criticism spanning decades for undemocratic governance, investing in large-scale projects fostering fossil fuels, forced displacements, and loss of biodiversity.[2] At such a "critical moment in history" (The White House 2023), a change of face at the top of the World Bank that signals change on the horizon seems urgent.

## The Identity of Financial Inclusion

What qualifies Ajay Banga, the Indo-American business tycoon, with a fortune of more than US$ 200 million, to lead the world's largest multilateral development bank? Of course, Banga has a track record of successfully managing large corporations, that is, profitably. He spent his entire career working for some of the largest transnational corporations in the world, including Nestlé, PepsiCo, Citigroup, and Mastercard. During his time as President and Chief Executive Offer (CEO) at Mastercard, from 2010 to 2020, the company's revenue tripled, net income increased six-fold, and the market cap sky-rocketed more than ten times from below US$ 30 billion to more than US$ 300 billion (Harvard Business Review 2021). Banga never tires of emphasising that this success was only possible through broad-based partnerships and alliances within the private sector and across the public-private-divide.[3] Such an approach is akin to the relatively recent paradigm shift in development finance, which the World Bank has heavily promoted.

At a time when reaching the Sustainable Development Goals (SDGs) is a long way off from being achieved, the World Bank must redefine its strategy to tackle both escalating global poverty and climate change. In recent years it has attempted to do so by surpassing the foreign aid model of development finance, where donor countries contributed Official Development Assistance (ODA), to embrace the role of business, venture capital, sovereign wealth funds and other non-state sources to finance the SDGs (World Bank 2017). This shift in development finance seeks to leverage billions of ODA to catalyse trillions of private funds through increased

1 For instance, the Chinese Development Bank (CDB) overtook the World Bank as largest development finance institution in the past decade, and the BRICS (Brazil, Russia, India, China and South Africa) have created the New Development Bank (NDB) to underline their positioning within contemporary global governance, challenging the Western hegemony that has characterised the Bretton Woods institutions since their creation in the 1940s.

2 For a detailed and critical assessment of the World Bank, see Toussaint (2023).

3 One of the key quotes in the mission statement of the Mastercard Center for Inclusive Growth is: "Remember this rule of thumb: If you want to go wide, go with government. If you want to go deep, go with NGOs and academic institutions. If you want to go fast, go with the private sector. And if you want to go far, you must go together" (Mastercard 2023).

blended finance, including debt and equity finance of public-private partnerships (PPPs) and de-risking of investments through state-backed guarantees and other incentives (Bayliss and Van Waeyenberge 2018; Mawdsley 2018; Perry 2021). Consequently, the new development finance paradigm is aligned with the dynamics and accumulation strategies of financial institutions to turn all areas of life (housing, transport, education, health care, pensions etc.) into investable and profitable assets (Bonizzi, Churchill, and Guevara 2021; Hunter and Murray 2019; Langley 2020; Musthaq 2021). The so-called (Post-)Washington Consensus has promoted and entrenched market-based development since the 1980s through disciplinary lending and other mechanisms. Yet, this has become increasingly redefined along the needs and opportunities of financial market actors in the 2010s. Daniela Gabor (2021) has coined the term "Wall Street Consensus" to highlight this shift and the centrality of financial markets for global governance and development.

Financial inclusion, broadly understood as widened access to credit and other financial services to previously unbanked populations, is critical to this agenda (Bateman, Blankenburg, and Kozul-Wright 2019; Mader 2018; Soederberg 2013).[4] After all, the World Bank strives for a world free from poverty, and banking the global poor is presented as the foremost strategy to achieve this ambitious goal (United Nations 2015a; World Bank 2014). During his time at Mastercard, Ajay Banga has pioneered public-private partnerships in financial inclusion, including the Mastercard Center for Inclusive Growth and many high-level international fora associated with the UN and G20. One of the flagship programmes to banking millions of unbanked was rolled out in South Africa. In this case, Mastercard collaborated with the South African government and the transnational corporation Net1, of whom World Bank's International Finance Corporation (IFC) was the single largest shareholder.[5] The aim was to digitise the operations of the South African Social Security Agency (SASSA), using Mastercard debit cards for welfare grant distribution to 10.5 million South Africans, ostensibly making the system cheaper for the state and safer for recipients (Bond et al. 2023; Torkelson 2021).

Mastercard and others portrayed the programme as a significant success in giving underbanked populations an identity. As Banga reasons in an interview during the COVID-19 pandemic, providing people with a (financial) identity is vital to the agenda of financial inclusion:

4 Financial inclusion is usually understood as delivering an array of commercial financial products, including credit, insurance, payments, and others, from mainstream financial players. The role of microloans is paramount to this agenda and throughout the book financial inclusion will be explored primarily through the lens of microcredit.

5 To be precise, Cash Payment Services (CPS), a subsidiary of Net1 UEPS Technologies, was responsible for digitising the grant systems. CPS was eventually liquidated in 2020, and the head company was renamed Lesaka Technologies.

> "Financial inclusion or exclusion is an underlying social problem that dates back to well before this [pandemic]. [..]. Of seven billion people in the world, close to two billion are either underbanked or unbanked in some way [...] Most of these people do not have a formal identity that they had received or got from their government [...] to show that they exist in the system. Their opinions don't count. They don't get counted in census very often, they don't get counted for their opinion of what government should be doing, they get left out, they are locked out" (TED 2021, 1:24-2:57).

Giving people an identity and including them in the digital (financial) economy might seem reasonable. In reality, however, the initiative is an example *par excellence* for the structural violence of financial inclusion (Ansari 2022; Gronbach 2023; Torkelson 2021). Not only did millions of low-income households receive an identity. The private service provider Net1 accessed this identity, that is, the personal and biometric information, including the complete history of income and spending patterns of more than 10 million South Africans, 85 per cent of whom are black and coloured women (Torkelson 2021, 68). While Mastercard issued millions of debit cards, Net1 used its positioning as a monopoly service provider to build a dense network of subsidiary companies that would offer customised financial inclusion products, including loans, insurance, airtime and electricity, and payments for grantees (Bond et al. 2023). Significantly, grantees typically used borrowed money for reproductive needs (food, clothing, rent) to make ends meet and not for entrepreneurial activities (Torkelson 2021, 68). The consequences were disastrous:

> "There was no possibility for grantees to default on their debts because repayments were deducted automatically, and no longer depended on consumer behavior. As repayments to Net1 whittled away the promised value of social entitlements, grantees turned to other formal and informal lenders, many of whom were also repaid automatically through Net1's same debit-order powers" (Bond et al. 2023)

Put differently, social security was collateralised for profit-oriented lending in the name of financial inclusion.[6] In this regard, critical scholars have long highlighted how "poverty finance" is essentially extending the frontiers of financialised capital accumulation to incorporate the masses in the global South, profiting from their misery, rather than providing any structural route to improve their livelihoods (Bernards 2022; Jafri 2019; Kar 2018; Mader 2015; Rankin 2013; Soederberg 2015).

What is striking about this case and the new president of the World Bank is the vast chasm between the rhetoric and practice of development finance, specifically

6 Similar dynamics are also visible in other contexts, like Brazil (Lavinas 2018), or India, as will be discussed in Part IV.

financial inclusion. Of course, buzzwords like empowerment, improvement, recognition, inclusion, and representation, to name but a few, have always been fundamental to gloss over the contradictions between Development (big "D"), understood as an institutional ensemble of interventionist initiatives, and capitalist development (small "d"), understood as a dynamic and highly uneven process of creation and destruction that underpin global capital accumulation (Hart 2010; Mawdsley and Taggart 2022). The span between the benevolent discourse of financial inclusion and the structural violence that respective populations experienced in the case described above is simply outrageous, but not exceptional. We must broaden our understanding of microfinance and financial inclusion to understand why it is not. And I suggest that the chasm between benevolent rhetoric and structural violence is an excellent place to start this. Despite much talk of identity and dignity, financial inclusion policies operate on binary accounts of banked/unbanked, served/underserved and formal/informal with little regard for living realities. It is based on the fantasy of finance as something devoid of power relations and systemic violence, something neutral that can be put to work to do good things in the world.

However, reducing the real-world constraints and challenges of a landless migrant labourer in an Indian metropolis, a subsistence farmer in rural Kenya, or a vegetable cart seller in peri-urban Mexico to the problem of accessing credit from commercial banks, microfinance institutions (MFIs) or fintechs, the discourse of financial inclusion flattens their histories, social embeddedness, and identities into a lucid but superficial binary. This flattening underpins the chasm between benevolent rhetoric and structural violence of financial inclusion. Essentially, the talk of a level-playing field through widening access to financial services primarily levels the lived realities into nothing more than a necessary customer. As Lamia Karim has shown, the development discourse creates specific forms in which people with low incomes are known and represented in particular ways, which make microfinance appear as the only appropriate policy to confront their problems, ultimately silencing the poor in the name of representing them (Karim 2011, 162).

Confronting the idealising and homogenising discourse of financial inclusion, this book investigates the fractured lives of the unbanked in modern India. Fractured lives must be understood as a metaphor highlighting the uneven nature of (financialised) capital accumulation, working through different segmentations and fragmentations that run through the social body, the working class, and individual lives. These fractures result from the structural violence of racial finance capitalism and simultaneously form the condition upon which financial accumulation rests. As such, fractured lives are the antidote to the flattening discourse of financial inclusion. Ultimately, by investigating the governance of access to credit through these fractures, we can comprehend the vast chasm between the benevolent rhetoric and the structural violence of financial inclusion. Before further specifying the research focus, objective and question, the following part will briefly map the academic literature on microfinance and financial inclusion to explain how this work fits into contemporary academic debates.

## Mapping Debates on Microfinance and Financial Inclusion

The literature on microfinance and financial inclusion is vast and includes contributions from numerous disciplines, focussing on various scales and aspects of the phenomenon. What this section seeks to do, is to map two opposite poles, outlining critical narratives that frame microfinance in fundamentally different ways. Mapping these debates is important in making sense of how this research's framing fits into the overall academic and public discussion.

### Decent Microfinance: From Entrepreneurial Spirits to Existential Safety Nets

Until the mid-2000s, affirmative literature endorsed the entrepreneurial spirits of poor households. The hopes that access to credit would allow those at the "bottom of the pyramid" (Prahalad 2005) to turn their "dead capital" (de Soto 2001) into a powerful lever to escape poverty and profit triggered the first wave of microfinance hype. Hulme and Mosley's (1996) assertion that, compared with other "potential weapons against poverty", like social safety nets, employment-generation programmes or investment in primary health and education, "credit is the only one which places a tangible capital asset in the hands of the poor" (Hulme and Mosley 1996, 203; see also Lopatta and Tchikov 2015) continues to underpin contemporary reasoning, at least in part.

The relevance of women in this regard can hardly be overemphasised. Ever since Muhammad Yunus' group-lending model has shown that poverty lending could be profitable even without demanding collateral if loans are given to women who vouch for one another and who, in case of default, are collectively disciplined (Yunus 2007; Yunus and Jolis 1998), microfinance research became absorbed by the linkages between income-generating microloans and women empowerment. It was argued that borrowing to women empowers them through a better role in household decision-making, independent access to financial resources, increase in freedom of mobility and more flexible household consumption (Ghosh and Vinod 2017; Pitt, Khandker, and Cartwright 2006; Pitt and Khandker 1998; Swamy 2014). The perspective of microfinance as a critical tool to empower poor women remains consensual amongst the international development community and reiterates in most official reports and publications.

However, the discourse on the entrepreneurial spirits of poor women has become fragile. The narrative of employment-generating microloans was debunked by several studies, showing that many microbusinesses were not viable in the medium run and often displaced others, thus not creating any net jobs (Banerjee and Duflo 2011, 343; Bateman 2019; for India see Guérin, Espallier, and Venkatasubramanian 2015). Moreover, a meta-analysis of 32 systematic reviews finds that "[t]he effects of financial services on core economic and social poverty indicators are small and inconsistent" (Duvendack and Mader 2020, 595). Although this review suggests financial inclusion might generally improve women's empowerment positively, it also acknowledges that definitions and measurements of empowerment remain ambiguous (see also Armendáriz and Roome 2006). Moreover, a rich body of studies from various disciplines and regions of the world has emerged in recent years. This has shown that even in cases of specific improvements in women's life, microloans often reinforce gender roles and hierarchies, undermine solidary relations by introducing competitive logic, create a novel form of gendered dependencies, and therefore contribute to deepening gender inequalities (Guérin, Kumar, and Agier 2013; Kabeer 2001; Keating, Rasmussen, and Rishi 2010; Wichterich 2017; Young 2010a; Zulfiqar 2017).

Despite the role of entrepreneurial spirits reappearing in academic contributions to date, the key rationale for financial inclusion has thus moved on to broaden the scope of the power of finance to a realm beyond entrepreneurship: to the world of basic needs.[7] Rupert Scofield, CEO and co-founder of FINCA International, a major impact investor, has argued that in contrast to how the sector envisioned entrepreneurial microfinance in the 1980s today "to adequately address the myriad of challenges the poor face, we need solutions in other sectors that more directly tackle the problems of energy, sanitation, education, health and agriculture" (Scofield 2018). This expansion is necessary to expand the market of poverty finance because a focus on vulnerability "will enable the impact of microfinance to stretch further down the income scale" (Mosley 2001, 130). After all, the livelihoods of poor households are characterised by low and irregular incomes, unpredictable expenses, higher vulnerability to external shocks, and fewer coping strategies (Morduch 1999; Otero 2000; Pitt and Khandker 2002). Both past income (savings) and future income (debt) are crucial to manage basic needs and to cope with existential risks. Since low-income households usually don't have notable savings, extending loans is understood as a purposeful business. The authors of the landmark study *Portfolios of the Poor* have summarised the shift from entrepreneurial to reproductive finance as follows:

7 The UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), Queen Máxima of the Netherlands, also advertises financial inclusion in a similar way: "A purpose of financial inclusion is to help people and communities meet basic needs such as nutritious food, clean water, housing, education, healthcare, and more" (UNSGSA n.d.).

> "A fundamental but easily overlooked lesson from the diaries is that the demand for microcredit extends well beyond the need for just microenterprise credit. The poor households in the study seek loans for a multitude of uses besides business investment: to cope with emergencies, acquire household assets, pay schooling and health fees, and, in general, to better manage complicated lives" (Collins et al. 2009, 25)

In economics jargon, this rationale is usually called "consumption smoothing" (Cull and Morduch 2018; Demirgüc-Kunt, Klapper, and Singer 2018). Additionally, there are also numerous other fancy catchphrases, including 'financial risk management', 'vulnerability management', 'mitigating unparticipating shocks', 'financial resilience', and 'financial wellness' (Islam and Maitra 2012; Kuri and Laha 2011; Scofield 2018). The World Bank's *New Microfinance Handbook* (2013) also recognises the fundamental uncertainty that poor households experience throughout different stages of their life:

> "Sons migrate in search of more income; young mothers manage child-birth expenses, health care, and nutrition; parents struggle to educate their children. Widows are threatened with loss of land and other assets to their husbands' relatives. Elderly clients face acute vulnerabilities, including loss of productivity due to deteriorating health, physical immobility, and the loss of family support as children become independent and develop their own financial commitments [...]. These changes result in the need for different financial services at different life-cycle stages." (Ledgerwood and Gibson, 2013, 16ff.)

Notably, endorsing this all-encompassing role of finance for a (poor) people's well-being diminishes any separation between working capital and consumption credit, which has dominated economics for decades (see e.g. Ray 1998, 531). From this perspective, *eliminating* poverty has taken a backseat. Since child-birth expenses, health care, nutrition and other purposes listed above are not income-generating, the broadened notion of financial inclusion does not have a strong vision of eradicating poverty. At best, it emphasises poverty *management* understood as providing further financial means to manage survival. Practically, the extension of commercial financial services is labelled as "democratisation of the financial system", understanding (micro-)credit as a "fundamental human right" (Meyer 2017; Ramesh 2007; Robinson 2001, 25; Yunus 2010). However, this new human right to credit, creepingly dominates or even replaces other human rights, such as the right to food, housing, or decent work. In this context, microfinance represents a "new mode of development intervention, one that displaced governments as central actors and turns to market-mechanisms to deliver services through a range of institutions that integrate social and financial goals" (Cull and Morduch 2018, 550).

In sum, the dominant literature has turned from focusing on entrepreneurial finance as a measure to eradicate poverty to a broadened understanding of financial services for basic (consumption) needs. This change acknowledges that a substantial part of the global population is exposed to a chronic subsistence crisis. Engaging with this problem, the affirmative literature generally suggests that widened access to credit and other financial services is a sensible development intervention. Inclusive finance thus primarily aims at creating and maintaining a "surrogate safety net" (Viola, Shi, and Murthy 2013) for poor households across the globe. However, when reviewing this rationale, many questions are begging for answers: Why exactly do these people need a *surrogate* safety net instead of a regular one? What hinders people from accessing essential services such as health care or education? Why should a loan that has to be continuously paid off, including interest and fees attached, be an adequate *emergency* relief tool?

In engaging with some of these questions, critiques of the decent finance narrative have suggested we must not only ask who gains access to financial services but also ask who accesses gain from expanding financial services into organising daily life (Martin 2002, 162).

## Predatory Microfinance: From Local Neoliberalism to the Financialisation of Poverty

The affirmative literature of decent finance takes the necessity of demand for credit for granted. Focusing on supply, it highlights the opportunities for extended financial services, particularly credit, for low-income households. In contrast, the critical literature emphasises the conditions upon which the demand for credit comes into being not because of household decision-making but due to dynamic shifts in the broader political economy. In this context, the overarching common ground of the latter emphasises the contradictory and predatory aspects of financial inclusion.

Milford Bateman's (2010) influential book *Why doesn't microfinance work?* suggests that the depoliticisation of Development occurs through what he dubs 'local neoliberalism'. Instead of discussing, implementing, and researching new avenues for state intervention, or collective organisations in unions, or social movements confronting the unevenness of capitalist development, microfinance maintains that individual entrepreneurship is poor people's only route out of poverty. In effect, microfinance renders policy proposals like land redistribution or tax reforms unintelligible. It promotes financial liberalisation and privatisation and re-organises government departments and other state institutions in line with private sector interests (Bateman 2010, 160ff.).

Likewise, feminist scholars have emphasised how microfinance renders poverty, gender hierarchies and other inequalities as problems that must be overcome *individually* rather than as structural and political issues (Kabeer 2001; Karim 2011; Wichterich 2017). In this process, the notion of women empowerment has become emptied of significance, essentially conflating the term with gender equity in *access* to finance, regardless of the consequences (Young 2010a; Zulfiqar 2017). Rather than a random by-product, this ignorance is promoted and entrenched by "financial literacy" programmes for unbanked populations, which obfuscate "the systemic and structural dimensions of debt, financial hardship, and the patterns of financialisation, thus reaffirming a neoliberal trend to privatise social problems" (Haiven 2017, 348). As such, microfinance may be understood as a political tool of depoliticisation, "dampening and undermining [of] resistance to neoliberal development policies" (see also Bateman and Chang 2012; Weber 2014, 545). Consequently, microfinance shifts collective costs and associated risks to those in need. The emphasis on household's rational behaviour promotes the individualisation of risk and responsibility but renders the irrationality of markets and the material interests of commercialised poverty finance invisible (Lazzarato 2009; Rankin 2013; Wichterich 2012).

Although it might not comprise of large chunks of the international development budget, as compared to infrastructure financing, for example, "microfinance is everywhere; it exists in the sub-terrain of almost everything in development" (Roy 2010, 22). In this regard, the democratisation of capital, as emphasised by microfinance proponents, is deeply entangled with the financialisation of development, as Ananya Roy (2010) elaborates in her widely acclaimed book *Poverty Capital*. Essentially, the globalisation of microfinance, heavily promoted by the World Bank, expresses the "Washington consensus on poverty", ultimately constructing poor households across the globe as a profitable asset class (Roy 2010, 50ff.). This is not meant to be metaphorical. The commercialisation and financialisation of poverty lending have accompanied the mainstreaming of microfinance. In this process, microfinance institutions (MFIs) have frequently transformed from non-profit organisations into powerful corporate entities, listed in major stock exchanges, acquiring capital through securitising their loan portfolios, i.e. turning the flows of microfinance into a tradable asset (Aitken 2015, 67ff.; Mader 2015; Soederberg 2013). For institutions at the centre of global finance, investments into the "fringes" through, for example, Microfinance Investment Vehicles (MIVs) is particularly interesting because repayments are less dependent on macroeconomic cycles and thus allow for risk diversification (Aitken 2015, 76; Kar 2018; Nair 2015).

In this context, the vision of debt-based provisioning of basic needs expresses a specific neoliberal form of governing poverty and the precarity of working-class households, one in which states play a vital role (Lazzarato 2015; Soederberg 2015). Moreover, neoliberal governance is not limited to the state in a narrow sense. As Lamia Karim has shown for the case of Bangladesh, one of the most vibrant regions for modern microfinance and home to the sector's guru Muhammad Yunus, non-government organisations (NGOs) have morphed into a "shadow state in the rural economy" (Karim 2011, 33) with the help of international organisations like the World Bank. In many regions, development NGOs facilitate access to so-called poverty markets by collaborating with transnational corporations, thereby opening a vast untapped consumer segment previously out of the reach of companies providing drinking water, sanitation, consumer items and many other goods and services (Mader 2011; Roberts 2015; Roy 2010, 114ff.).

More recently, the hype around digital financial inclusion, including e-payments (mobile money, remittances, etc.), has gained widespread attention (Guermond 2020; Natile 2020; Santos and Kvangraven 2017). A broad coalition between governments, international development organisations, fintech companies and philanthropic bodies actively promotes it. This "fintech-philanthropy–development complex" (Gabor and Brooks 2016) extends the reach of poverty finance rapidly by using digital (meta-) data to profile underbanked populations, create finance-based identities and customise profitable financial products. The previously discussed case of Mastercard, Net1 and the South African Social Security Agency (SASSA) teaming up to digitise South Africa's grant system demonstrated the predatory aspects of digital financial inclusion (Bond et al. 2023; Torkelson 2021).

Financial inclusion is thus understood as a concomitant of market-based finance at the household level. The privatisation, commodification, and financialisation of social infrastructure, including housing, education, health care, and many more, increases the need for money, which, in times of casualisation of wage work in many parts of the global economy, must be raised through indebtedness (Bayliss, Robertson, and Fine 2018; Jafri 2019; Soederberg 2015). Importantly, critiques have highlighted how the individualisation of risks and the constitution of financially responsible poor are systematically linked to "racialised and gendered forms of difference and the exercise of imperialism and dispossession by financial means" (see also Bernards 2022; Haiven 2020; Rankin 2013, 548). Rather than being neutral, the gendered and racialised accounts of creditworthiness, as defined by the financial service industry allow to siphon off profit through punitive interest rates and exorbitant fees for late payments (McNally 2011a, 123f.). In this sense, financial inclusion primarily legitimises, normalises, and consolidates the claims of powerful, transnational capital interests that benefit from finance-led capitalism by obscuring and concealing the exploitative relations of poverty finance (Soederberg 2013, 593).

Ultimately, microfinance offers a contradictory promise to hundreds of millions of peasants and labourers in the informal economy to improve their socio-economic positioning via indebtedness without providing any substantial argument for how decent finance, decent work and a decent life are connected (Bateman 2019; Bernards 2018; Natarajan et al. 2021). Particularly in agrarian settings, the rise of microfinance may trap farmers in low-productivity economic activities of petty production and trading, exacerbating agrarian distress, entrenching over-indebtedness vis-à-vis multiple creditors, and at times even catalysing suicides (Bateman 2010, 83ff.; Nagaraj et al. 2014; Taylor 2012; Vasavi 2014).

The affirmative literature has moved beyond the narrative of entrepreneurial microfinance, allowing poor women to lift themselves out of poverty. Instead, it has increasingly embraced the relevance of debt and other financial products in managing the chronic precarity of the global poor without any vision of how this management eradicates poverty. In this regard, microfinance fulfils primarily reproductive needs, including decent housing, sanitation, education, health care, etc. Consequently, financial services are understood as a market-based welfare safety net. This is where the critical literature on predatory microfinance comes in. It highlights how neoliberal austerity, privatisation, and commodification policies have downscaled risks and responsibilities to working-class households while corporate capital reaps hefty profits. The twin dynamics of financialisation and digitisation of the world economy have allowed poverty finance to rapidly broaden and deepen its hold over the global poor, operating along gendered and racialised lines. The broader shift towards market-based development finance intensifies this trend further, since the assetisation of public infrastructure is necessarily associated with (increased) fees for public-private services.

## The Relevance of Investigating Fractured Lives

The critical political economy literature has convincingly shown why microfinance does *not* work, at least not in the proclaimed way as a panacea for poverty eradication, and *how* it increasingly works through financialisation. Yet, it has engaged insufficiently with a sophisticated explanation of *why* microfinance remains successful in terms of growing clients and expanding portfolios. Focussing on the political economy dynamics that shape microfinance customer's demand for credit is a promising starting point. However, the bulk of critical microfinance and financial inclusion studies has focussed rather narrowly on the neoliberal era. Therefore, the main research question of this research is: why and how could commercial microfinance expand so rapidly in India in recent decades? Engaging with this question, my work expands the critical literature in three significant ways.

First, I propose to understand the recent rise of microfinance and financial inclusion by embedding these into a broader history of the modern world economy, including the formative phase of European colonialism. Doing so is essential because a narrow focus on the neoliberal era amongst critical scholars has produced its own silencing and blind spots, including the erasure of (post-)colonial histories of the unbanked.[8] The dominant financial inclusion discourse operates along a simple

8 For a rare exception focussing on Africa, see Bernards (2022).

formal/informal finance binary. While the former is understood to be decent, safe, and comparatively cheap, the latter, represented most prominently in the figure of the usurious moneylender, is inherently exploitative. The critical literature has convincingly shown how formal finance entails predatory aspects, too. However, it has rarely questioned the formal/informal divide and scrutinised the internal relations between these seemingly distinct spheres.

For instance, Philip Mader's widely acclaimed work *The Political Economy of Microfinance*, amongst few others, recognised the relevance of British colonial rule in creating credit cooperatives in the early twentieth century on the Indian subcontinent as debt-based welfare policy against the power of moneylenders in rural areas (Mader 2015, 44ff.). However, his genealogy of microfinance emphasises that "microfinance and the cooperative movement have very little in common" (Mader 2013, 268) since they differ categorically regarding property relations, governance and product. Ultimately, understanding microfinance in the lineages of credit cooperatives falls prey to a myth and presents a "false history" (Mader 2013). From a historical-institutionalist perspective, separating these indeed different creditor institutions might make sense. However, from the perspective of borrowers, this distinction may be irrelevant. Moreover, this account fails to acknowledge the intricate relationship between British colonial rule and the rise of moneylenders.

In tracing the governance of access to credit in India, I seek to debunk the superficial binary of formal/informal finance to show how from the perspective of subaltern working-class households' multiple creditors, including MFIs, moneylenders, and different types of banks, might not compete but complement one another. In this sense, I claim that microfinance is only the latest incarnation in a series of modern attempts to govern a chronic subsistence crisis of subaltern working-class households which date back to British colonial rule and an imperial political economy of plunder. In other words, the financialisation of daily life and debt-based welfare strategies may not be as novel as the literature suggests. This is not to deny the peculiarities of contemporary financial inclusion policies. Instead, it points to the multivalence of credit-debtor relationships that shape the real world of the global poor. In this context, engaging with the colonial past is necessary for understanding the present inequalities of financial inclusion/exclusion.

The second way I intend to stretch the critical literature is by taking some of the arguments from microfinance proponents more seriously. Specifically, I suggest the notion of microfinance as an existential safety net to access basic needs, like housing, education, health care and others, is a valid entry point to understanding the success of microfinance. For instance, María Otero, former president of ACCION International, one of the leading NGOs that spearheaded the globalisation of microfinance in the 1990s, acknowledged more than twenty years ago that "[c]lients of microfinance institutions are poor city dwellers housed in slums or squatter settlements, often living in appalling overcrowded settings, lacking access to basic services such as health" (Otero 2000, 10). However, if financial vulnerability is core to understanding why financial inclusion a timely development approach is, it would be necessary to scrutinise the political, economic, and social dynamics that shape households' highly irregular income and expenditure patterns. People with low incomes themselves hardly determine these volatilities. Yet, they are a given in parameters by most of the affirmative microfinance literature, as if labelling these households poor already explains the fundamental uncertainty and insecurity that mark their daily lives.

Engaging with their lives as a precarious class of labourers rather than as borrowers or (self-employed) entrepreneurs helps to understand the roots of their financial vulnerability. After all, only a tiny fraction of the global working poor are entrepreneurs, while the share of casual wage labourers is a significant and growing part, particularly in sprawling megacities in the global South (Davis 2006; Roy-Chowdhury 2021). Although some of the largest MFIs in India have emerged from the slums of megacities, banking on these precarious migrant workers, there are hardly any studies that centre the latter's livelihoods to investigate why and how commercial microfinance could expand so rapidly.[9] Researching rural-urban migrants in Bengaluru, one of the fastest growing cities in the world, and a buzzing centre for Indian microfinance, I intend to unearth some of the silenced histories and fractures that underpin the financial vulnerability of these populations, and thus the success of commercial microfinance.

Reframing the discussion on microfinance as one about labouring classes rather than customers also redefines the political implications that critical analysis has. On the one hand, it may highlight the disconnect and contradictions between the global agendas of decent work and financial inclusion (Natarajan et al. 2021). On the other hand, it can show that labour struggles for a living wage or incorporation into social security systems are intimately connected to questions of financial inclusion/exclusion and indebtedness. Inversely, studying precarious labour through the lens of creditor-debtor relationships might provoke important insights into how financial means beyond the workplace shape class formation and class struggle. Ultimately, this reframing may open new avenues to discuss political strategies that challenge predatory (micro-)finance and the financialisation of poverty effectively.

Finally, engaging with these two gaps, the historicisation of the rise of commercial microfinance and its entanglement with questions of class formation and class struggle requires a conceptual framework that allows us to investigate fractured lives empirically. Drawing on Marx's understanding of money and finance, social reproduction feminism, and the notion of racial capitalism, I intend to grasp the multiplicity of fragmentations and segmentations that generally underpin capitalist social formations and the workings of financial exclusion/inclusion more specif-

9 For exceptions, see Natarajan, Brickel and Parsons (2021) and Natarajan (2021).

ically . The ultimate expression of these fractures is the notion of re/productive finance. The term highlights the use of credit for social reproduction (housing, education, health care, etc.). But is also stresses the internal relations between seemingly separate spheres of the productive/reproductive and real/financial economy.

In a nutshell, this book investigates how access to credit produces fractured lives and how the latter is a suitable basis for expanding financial accumulation. The guiding assumption is that substantial parts of India's subaltern working class have historically experienced a chronic subsistence crisis which is managed through several different creditor-debtor relationships in specific contexts. Looking at these regimes of re/productive finance is important to understand how gendered and racialised class oppression, exploitation, and struggle have evolved in modern India. Moreover, such an investigation reframes our understanding of microfinance and financial inclusion. It highlights how financial inclusion is only the latest incarnation of debt regimes subordinating a cheap, fragmented labour force under capital. Furthermore, embedding the rapid rise of microfinance in the broader political economy also points to addressing the root causes rather than engaging with reformist calls to regulate microfinance.

This book consists of four major parts. The first part will explore how Development has become increasingly thought of through the logic and structures of financial markets, and how the transformation from microcredit to financial inclusion has been crucial for this change. Drawing on flagship reports from the UN, World Bank, and others, the chapter also specifies what financial inclusion is, who the unbanked are, and why the distinction between formal and informal lending is crucial for the dominant narrative. Moreover, it substantiates why India is critical for this international development agenda. In doing so, Part I deepens some aspects briefly introduced in this chapter, providing an essential context for the remainder of the book.

Part II will lay the methodological foundations for investigating fractured lives. It outlines the ontological and epistemological premises that have guided this research and develops a theoretical framework in three steps. First, a re-reading of Marx's understanding of money as societal relation of oppression and how borrowing to working-class households is a form of financial expropriation prepares the ground. Second, a shift in perspective through employing social reproduction feminism and particularly the notion of financialisation of social reproduction is necessary to understand the significance of reproductive debt in capitalist social formations. Third, by recognising the relevance of colonialism and racism in the making of the modern world economy, including the pivotal role of finance in this regard, I suggest framing the analysis as one informed by racial finance capitalism. Based on these foundations, the final chapter of this part introduces the notion of a regime analysis in critical political economy and the method of incorporated comparison. Both are combined into what I refer to as regimes of re/productive finance, a notion that helps to systematise and periodise how poverty finance has been governed in India over the past two centuries. Moreover, this chapter also outlines the process of accruing and processing original data through empirical field research in Bengaluru.

Part III applies the regime analysis to the history of modern India, identifying three regimes: First a colonial regime which incrementally emerged since the late eighteenth century and lasted until India's independence in the mid-twentieth century. Second, a developmental regime, following the four decades after independence. Third, a neoliberal regime, which emerged since the early 1990s and continues in the present. Each of these regimes is characterised by a specific political economy, social stratification, and positioning of subaltern classes, including their need for credit, and unique governance of access to credit. Yet, despite their relative coherence, there are important continuities which help understand the contemporary rise of commercialised and financialised microfinance.

Based on this deep history of microfinance in India, Part IV zooms in on the contemporary regime of re/productive finance to investigate how rural-urban migrant labourers in Bengaluru live through debts. It stretches the scope of empirical microfinance research to explore the labour-finance nexus through the perspective of migrant worker's social reproduction. This chapter suggests that the dynamics of expropriation, exploitation, and exclusion are crucial to sustaining the vicious debt distress cycle, in which the labouring classes resort to reproductive debts to manage a chronic subsistence crisis. As such, it engages empirically with the structural violence of financial inclusion and how migrant workers live through and respond to contemporary modes of financial expropriation.

Finally, the conclusion summarises key insights and answers the research question. It returns to the chasm between the benevolent rhetoric and the structural violence of financial inclusion. Moreover, it outlines some political implications that emerge from the analysis. Instead of regulating microfinance or reforming financial inclusion policies, the findings from this research call for the necessity to challenge the roots of regimes of re/productive finance by overcoming subaltern classes' dependency on reproductive debts.