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For the women of the world who take on exploitative debt in order to survive

CONTENTS

ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor (World Bank)
CSR	Corporate Social Responsibility
MFI	Microfinance institution
MFIN	Microfinance Institutions Network
NBFC	nonbankiing financial companies
NGO	Nongovernmental Organization
RBI	Reserve Bank of India
SHG	Self-help group
SKS	Swayam Krushi Sangh, a prominent MFI

ACKNOWLEDGMENTS

When I embarked on this project in 2011, I wanted it to be small and contained and focused on microfinance training programs. I wanted to get it out into the world as quickly as possible so that my research could engage with the exploding literature on microfinance that I saw growing around me. But that did not come to pass. This project took nine years. Because as with any interesting project, the more I learned, the less I felt I knew, and the context of the project—what I thought it was—kept expanding. By the time I finished this book, I had not just researched training programs or a more obvious expansion to commercial microfinance in urban India. I had also examined self-help group (SHG) programs, the Indian rural banking infrastructure, Reserve Bank of India policies around financial inclusion, Kiva.org data, and a complex burgeoning literature on financialization. The kind of time and commitment required to get the project to feel like it was approaching "done" far exceeded anything I could have imagined, and thus required far more support than I would have expected. I have been extremely privileged to have gotten all that I needed and then some.

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INTRODUCTION

On a temperate spring day in Bengaluru, India, twenty women ascended the stairs of a dark but airy concrete building in a dense working-class neighborhood. They were filled with anticipation and they chatted excitedly among themselves. On this day, they would each receive ten thousand rupees (about two hundred dollars at the time) from a commercial microfinance institution (MFI) called Samudra.[1] I had learned from my interviews with other borrowers like them that they were likely to pay school fees, pay off more expensive loans, and meet medical expenses with these funds. They had promised Samudra that they would repay this loan monthly at an annual interest rate of 22 percent, and that they would show up in person every month at a center meeting in their neighborhood to repay the required amount. This group consisted of migrant women, who spoke Urdu and Tamil, not the local Kannada language of the region. Many were garment workers and most were mothers.

Two Samudra staff members, a woman and a man, both in their twenties, oversaw the disbursement that followed. Sandhya, the young woman, cheerfully helped seat the women in rows on the polished concrete floor as they awaited their disbursement. She had recruited and organized this group, and this was her moment of triumph, when her customers would receive their funds. When the customers were settled, she leaned casually against a wall, smiling. Her work was, for the moment, complete. Her bright yellow salwar kameez,[2] printed with florescent blue boats, remained bright in the dim room. In the festive atmosphere, Sanjay, the young man, began reviewing the rules and regulations regarding the loans. Wearing a button-down shirt with slacks, he looked like an office worker with some authority, but like Sandhya, he smiled broadly at the women gathered, even as he read out rules that sounded boring and routine, as protocols required. "Will everyone come to meetings on time?" "Does everyone understand that for each rupee we lend you, you will pay back one rupee and twenty-two paisa? Plus our service fees?" Everyone agreed, again, nodding and smiling. After a few minutes of announcements, Sanjay called their names, one by one, and each woman rose to accept their ten thousand rupees in cash from Sanjay, which they quickly whisked away into purses, blouses, cloaks, and envelopes. Each woman thanked Sanjay, nodded thank-you and goodbye to Sandhya, and departed to their homes, some in groups and some alone. As I witnessed the scene, I noticed a palpable collective joy.

This typical disbursement scene in the world of commercial microfinance in India appears to confirm a prevailing understanding of small loans for vulnerable women in India and other parts of the global South: that women happily receive loans from generous lenders and can be counted on to reliably repay. It is easy to believe that the joy of disbursement signals real opportunity for the women borrowers I witnessed receiving funds. But the optics of this scene are deceiving. By disbursing the funds, Samudra initiated loans that will profit their company on terms that the women gathered can ill afford. The cash is expensive—at least two to three times more expensive than the prevailing rate of interest at public and private banks, despite the fact that these borrowers are likely to repay at a near-perfect rate. Like payday lenders in the US, Samudra specifically targeted this group of working-class women, most of whom regularly experience economic distress, and would profit substantially.[3] Sandhya and Sanjay felt pleased to be disbursing ten thousand rupees each to this group of customers because they believed it would serve their customers well. But they also knew that the group's timely repayment would be required for their own salaries and promotions.

India constitutes the world's largest market for financial services. There, 465 million adults still lack access to basic services for credit and savings.[4] In the last two decades, however, commercial microfinance has come to saturate the everyday lives of women in both rural and urban contexts in India in the name of state-led efforts to promote "financial inclusion" and "women's empowerment." I argue in this book that these efforts appear to help women borrowers, but in fact extract value from them through exploitative relationships that benefit more privileged groups. Commercial microfinance in India thus relies upon and strengthens gendered and class inequalities, undermining working-class women's entitlements while shoring up the positions of especially class-privileged men, who appear to be helping them by providing financial services.

The Bengaluru disbursement scene reveals that microfinance involves women borrowers receiving money. But it also shows that loan officers, branch staff, and corporate leaders together facilitate the group formation, the timing of the loan, and the terms on which customers receive and repay loans. Sandhya did the work of recruiting this group and getting them all to the branch office at the right time with all the proper approvals in place. To accomplish this, she had developed a personal bond with each client that now also connected them to Samudra. Sanjay, in contrast, a member of the staff at the local branch office, did his job at arm's length from the customers. He followed proper protocols around disbursement put in place by regulators and enforced by corporate leadership. Many other players indirectly influenced the mood and script of the disbursement event. Outside the Samudra branch office, dozens of other MFIs competed for the same borrowers in an increasingly crowded financial ecosystem targeting working-class women. Every day, all these actors, along with many others outside the frame of this scene, make Indian microfinance work.

This book explores the inner workings of India's profit-oriented microfinance sector during a period of relative stability after a phase of rapid growth and crisis. I examine the chain of actors, institutions, interests, and policies that continue to make the high-interest loans offered by Indian MFIs appealing to millions of vulnerable borrowers. I investigate how such loan programs actually work, who benefits, and what the long-term effects are on women borrowers and the MFI employees who serve them. Studying this chain of interconnected actors, I argue that commercial microfinance is best understood as an extractive industry. Instead of serving poor women, commercial microfinance exploits social inequalities to extract value away from those women, in service of more privileged groups who believe that they are helping the marginalized.

The Structural Context of Microfinance in Millennial India

The gendered value extraction of microfinance occurs within the context of economic liberalization, an increased concentration of wealth among India's most privileged, and a profound lack of basic services for most Indian citizens. Within this broad context, those who engage with the microfinance industry, whether as borrowers, employees, policy makers, or remote actors, all occupy divergent social locations, constrained by class and livelihood, gender identities, and state-driven regulatory environments.

Microfinance can be considered a hallmark of neoliberal India; its rise to prominence has emerged in lockstep with liberalization policies since the 1990s, which have dramatically privatized India's economy and brought unprecedented levels of wealth to India's most privileged citizens.[5] Liberalization in the Indian economy took place over two decades and in many sectors, from industry to banking to infrastructure. In all these areas, policies pivoted the nation away from a partly socialistic economy oriented toward poverty reduction, which had been conceived of in the postwar era of the 1940s and 1950s, and toward a globalized economy oriented toward economic growth. This pivot has served the purpose of accelerating economic growth and, by some measures, has reduced absolute levels of poverty. But it has greatly accelerated both urbanization and inequality.

According to a 2016 report, India is the second-most unequal country in the world, after South Africa, with millionaires controlling 54 percent of the country's wealth.[6] Economic indicators suggest that these staggering levels of inequality have been accompanied by rising unemployment since the early 2000s, with a spike in 2018, especially among urban women.[7] The turn to liberalization has done little to provide the majority of India's citizens access to basic health care, education, housing, or sanitation. In this context, it should come as no surprise that small loans are often used to meet expenses that most Indian citizens require, but they receive no public subsidy to access.

Although the Indian government started rolling out large programs of small loans targeting women in the early 1980s, the new millennium brought an influx of billions of dollars in foreign equity capital that helped Indian MFIs "scale up."[8] Venture capitalists from the US especially started viewing Indian microfinance as a promising investment opportunity and sought to funnel dollars toward profitable business models in the global South that would also serve development aims. I initially believed that this influx signaled just how much power foreign investors wielded in the Indian microfinance industry. But later I discovered that the Indian government's regulatory frameworks had consistently limited that influence in order to prioritize the expansion of domestic banks and investors. Banking regulations did not allow Indian companies receiving investments to include those funds for the purposes of lending. Funds from outside India could only be used to expand infrastructure, improve technology, build branches, or buy equipment. As a result, the huge influx of equity capital into the Indian financial sector did not directly translate into increased funds for MFI lending. Instead, it was a 2005 policy change incentivizing Indian banks to channel funding toward MFIs that profoundly changed India's financial ecosystem for the poor.[9] Almost overnight, Indian MFIs became beholden to Indian banks, many of them public. Flush with funding for the first time, from 2005 onward, Indian MFIs started aggressively finding new clients, expanding to new neighborhoods and regions, and improving their organizational capacities.

The new regulatory environment reflected nationwide plans to promote "financial inclusion," a policy package also launched in 2005. These policies allocated responsibility to private financial companies for the financial aspects of "women's empowerment" programs. In parallel, the state curtailed substantive "empowerment" projects for women. They instead shored up "thrift and microcredit" programs that were lean and required little oversight or accountability.[10] As a result of these poverty policies, shaped by new logics and fewer regulations, a new financial ecosystem crystallized in millennial India, one in which women in both rural and urban areas were encouraged to acquire loans, brought literally to their doorsteps, with high economic and social costs.

Class and gender inequalities structure the everyday functioning of this new financial ecosystem. Most microfinance borrowers are women (96 percent in India), but the industry is controlled and financed almost exclusively by men. These organizational dynamics unfold in a context governed by state mandates for financial inclusion and women's empowerment. In this new financial ecosystem, the state is able to mandate multiple competing financial institutions to serve the poor, while also incentivizing them to disburse expensive debt with little regard to whether those loans serve their borrowers' own interests.

Beyond Treatment or Consequence

The existing fulsome body of research on microfinance has tended to approach the practice as either an apolitical treatment that must be assessed according to its "impact" on the borrower or as an inevitable consequence of neoliberalism. The most sophisticated studies combine these approaches, addressing borrower impact and political economic context. But I argue that both paradigms miss how microfinance exploits structures of gender and class to facilitate the extraction of value from those at the bottom in service of those at the top. Understanding microfinance as an industry not only highlights and offers a framework through which to understand the extraction of value, it also highlights the importance of the regulatory environment and competition in constraining and incentivizing the actions of financial institutions in the context of market-oriented development.

Impact has been arguably the primary optic through which microfinance has been studied and evaluated.[11] Despite divergent conclusions, early studies overwhelmingly focused on whether or not a small group loan would be good or bad for women, an economistic framing that avoided political and social context. When scholars did emphasize context, institutions, and interactions, the purpose was to understand and improve implementation.[12]

Responding to this framing, scholars from multiple disciplines and methodologies have put forth compelling research about microfinance's positive or negative impacts on borrowers. This approach has produced invaluable insights about the everyday workings of microfinance in the lives of borrowers. Lamia Karim's path-breaking work in rural Bangladesh, for example, showed that, for many women, loans from the Grameen Bank and BRAC caused financial and social ruin, collateralizing the social ties that have kept rural women afloat in the past.[13] In contrast, Paromita Sanyal's research in West Bengal, India, showed that, in the context of state-run self-help groups (SHGs) linking groups of rural women to bank loans, there were important positive impacts on women's empowerment due to the collective character of meetings and increased physical mobility among women. Incentivized to emerge from the domestic sphere by the promise of cash, women forged ties with one another that carried over to other contexts of collective action.[14] Other scholars, including development economist Naila Kabeer, have been more circumspect about both microfinance's potential and its pitfalls.[15]

These studies exposed the limitations of microfinance while also discovering its successes. Along the way, these same studies provided clues about the broader political economy from which the logic and everyday practice of microfinance emerged. Karim's ethnography, for example, highlighted the dilemmas of loan officers in rural Bangladesh who had to force vulnerable families to repay. She revealed the high-level political deals that made the widespread rollout of microfinance appear to be a good rural development strategy for the state from the 1990s onward, when neoliberal reforms were underway around the world.[16] Expanding upon these insights, Ananya Roy identified new, elite actors who saw microfinance as an opportunity for a double bottom line that could enrich their coffers while also enhancing their reputation. Examining microfinance as an apparatus of neoliberal development, Roy's work revealed that the focus on impact was misguided. Roy showed that, through neoliberal discourses, banking elites had constructed racialized women in the global South as saviors, while promoting the notion of self-sufficiency.[17]

Melding treatment and consequence approaches, recent work on microfinance has argued that the global expansion of microfinance is exemplary of a broader political economic phenomenon: the *financialization of poverty*. As global financial markets for credit have become saturated, excess financial capital has sought out new markets for investment, increasingly turning to subprime markets outside the financial system. Commercial microfinance is the consequence of this global transformation; even poverty has become a financial product that can be bought and sold. The financialization of poverty, a phenomenon spearheaded by bankers but supported by policy makers and even nonprofit organizations, helps construct poverty as a condition that can be addressed through cash loans, even though studies show that poverty is rooted in relations of power.[18]

Women borrowers in particular experience the financialization of poverty as an everyday, embodied experience of marginalization. Sohini Kar has shown that in India, the poor become "enfolded" in finance through commercial MFIs. Women borrowers come to construct their lives so that they may abide by the strict rules and requirements of loans, even as they demonstrate resourcefulness that maneuvers outside official rules. Kar reveals also that loan officers, an understudied group in the existing literature, expend significant emotional and physical labor to extract debt from vulnerable borrowers.[19] Understanding microfinance as the financialization of poverty, then, helps advance us beyond the too-narrow framing of "impact" and the too-expansive framing of "consequence" by illuminating political economic dynamics.

MICROFINANCE AS AN INDUSTRY OF GENDERED EXTRACTION

As microfinance continues to expand and become further entrenched around the world, I build upon these perspectives to further specify the core ingredients that are needed to conceptualize microfinance in a way that takes seriously structures of social inequality and the discourses that legitimate and naturalize those structures. I engage the situated perspectives and motivations of actors and institutions who are interconnected with one another, including women borrowers, loan officers, program managers, branch staff, corporate staff, and C-suite executives. Centering unpaid and underpaid gendered labor as the primary source of value in extractive microfinancial chains, I find that in the Indian microfinance industry, men in finance, privileged in their existing social positions and endowed with political and economic power, extract value from women in debt.[20]

An "extractive industry" paradigm helps us understand exactly how microfinance allows privileged men in finance to profit from vulnerable women in debt while appearing to help them. In the current literature, the term *extractive* refers descriptively to industries that extract natural resources from the earth and turn them into valuable commodities in local and global markets.

Without the value-adding process of "extraction," natural resources would remain "untapped," and thus, valueless.[21] I turn this descriptive usage into an analytical usage by building upon existing constructions of women's labor, time, and intellect as "untapped resources," a framing advanced in global development discourses.[22] Microfinance extracts the unpaid labor of women to organize themselves and their neighbors in order to repay expensive, restrictive debt in a timely manner. In addition to their unpaid labor, women's images, stories, and experiences with education lend symbolic value to more powerful actors in the microfinance industry, almost exclusively men. Once connected to financial institutions through relationships of trust, and later, through credit scores, the labor and symbols of women borrowers bring value to local and global financial markets, but not necessarily to women borrowers themselves. Instead, the extracted value gets funneled toward more privileged groups, who experienced enhanced financial and reputational gains. Within MFIs, class-privileged men (and a few women) ride an escalator to the upper echelons of the industry, leaving working-class and poor men and women behind on a "sticky floor." When we understand microfinance as an extractive industry, we turn on its head the notion that microfinance is an intervention aiming to empower and enrich poor women. Instead, we begin to see how microfinance extracts labor and honor from poor women for the benefit of primarily men employed by financial companies and their allies.

To unpack the paradigm of extractive industry in detail, I rely upon three theoretical traditions: feminist commodity chains, actor-oriented sociology, and relational work. When synthesized, these perspectives help clarify and illuminate the structure and form of microfinance as it operates in India and likely in other parts of the world as well.

Drawing on ethnographic observation and interviews in southern India, I triangulate the perspectives of clients, trainers, and frontline loan officers, as well as other MFI staff, leaders, and investors. I situate my analysis within the history of Indian banking policy, the changing regulatory state, and the broader context of financialization. I also situate key actors in the global North who engage with commercial microfinance in India and elsewhere: online lenders on peer-to-peer platforms such as Kiva.org and employees of global companies engaged in repayment and marketing. These actors provide ideological cover for the commercial microfinance industry, allowing the situated practices and effects of MFIs to escape scrutiny. Together, these actors in diverse social locations help MFIs and similar financial institutions efficiently extract value and wealth from poor and working-class women,

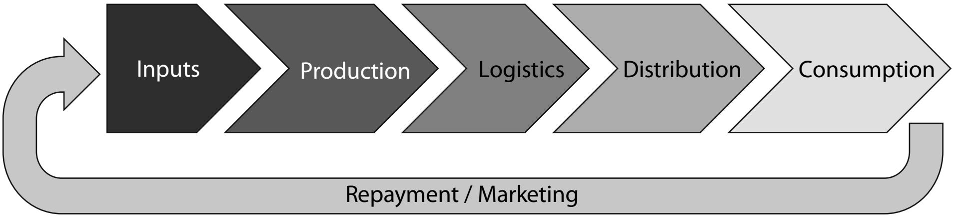

FIGURE I.1. Michael Porter's (1985) classic value chain.

supported by state and global institutions, and organized by gender and class inequality.

FEMINIST COMMODITY CHAINS

This critical theory emphasizes women's unpaid labor within a macro-structural context of inequality and provides the foundation for the extractive paradigm for microfinance I propose.[23] Commodity chains analysis, emerging from world-systems theory, posits that the various steps involved in the production of a commodity, whether a T-shirt or a television, reveal geopolitical, social, and institutional inequalities. Each step along the formal points of production in the life cycle of a commodity adds value to commodities that circulate within a global political economy.[24] Feminist commodity chains research uncovers the informal forms of labor—paid and unpaid—through which women produce commodities and reproduce the labor force. Once we see Indian microfinance driven by women's work, and situated within a broader chain, we start to recognize how women's labor enhances profits enjoyed by those higher up the chain.

What might feminist commodity chains look like for microfinance? Michael Porter's classic chain examines sequential processes through which commodities in a capitalist system gain value.[25] Specifying these processes to improve efficiency and enhance profits, Porter's model has informed myriad adaptations, one of which appears in figure I.1. Represented horizontally, this model depicts a cyclical process, with each step adding value to previous links in the chain. Marketing and repayment fuel its continuation, although in practice, commodity chains also depend on people and places, which are geographically dispersed and organized according to historical patterns of inequality.[26]

The processes associated with microfinance are carried out by individuals with gender and class identities that are geographically defined and constrained. Figure I.2, therefore, presents my adaptation of Porter's model, depicting a hierarchical commodity chain organized through class, gender, and geography. This chain is immersed in a financial ecosystem structured by a state-driven regulatory environment that constrains the practices of actors, and it is flooded by competing products targeting working-class and poor women.[27] Organized hierarchically, with mostly men at the top and mostly women at the bottom, figure I.2 includes the social actors, institutions, and environments that constitute India's microfinance industry. The hierarchies in this model more or less mirror global social and economic structures, but with local actors and the financial ecosystem setting boundaries for capital inputs moving through the system. While power within this system is exerted top-down, value is extracted from the bottom-up, fueled by a feminine base of labor and the consumption of financial products that are used to make ends meet within households.[28] This conceptualization of microfinance as an industry helps expose the regulatory

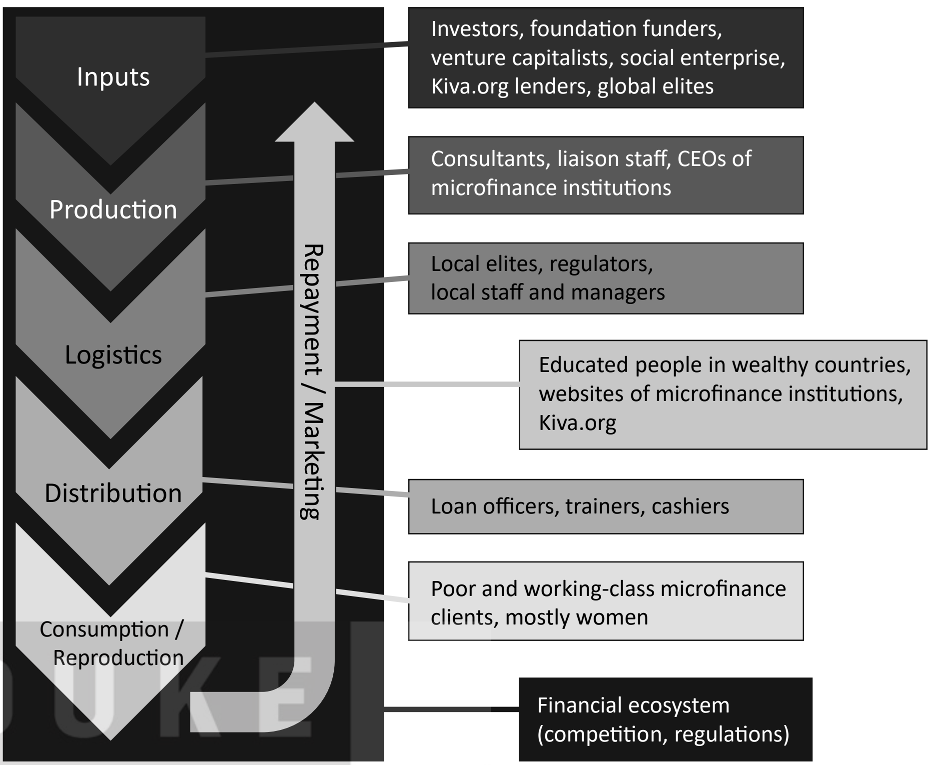

FIGURE I.2. A microfinancial value chain.

environment and real conditions of production in order to push for transparency and accountability.

ACTOR-ORIENTED SOCIOLOGY

While a feminist commodity chains perspective reveals hidden dynamics of gendered labor, hierarchy, and organization, we must probe further to examine the situated interests of the individuals whose work extracts financial profits. Actor-oriented sociology has been used to great advantage in studies of global development organizations, aid, and the implementation of global development programs in local contexts to study human agency in context.[29] Actor-oriented sociology "locates individuals in the specific life-worlds in which they manage their daily affairs"[30] and recognizes that individuals and social groups are capable and knowledgeable within their given context, actively solving the problems most relevant to their lives. Furthermore, this approach acknowledges that, often, the motivations of actors in a similar social location conflict with those in another location, and may also conflict with the goals of the organization that employs them. By highlighting human agency, an actor-oriented approach helps us see how the financialization of poverty is produced on the ground, while explaining the huge gap between formal mandates and on-the-ground practices.

Several recent studies have adopted actor-oriented approaches to understand how women borrowers navigate microfinance and make it useful in their own lives.[31] These scholars emphasize the details of how women borrowers use microfinance within the particular economic, social, and political constraints of their lives. Erin Beck argues, in fact, that microfinance has persisted not because it is helping, but because of women's creative usage and transformation of the possibilities that microfinance presents, especially in impoverished contexts where there are few alternatives for pursuing a livelihood. Extending these insights, I show in this book that women borrowers in southern India come from more diverse class backgrounds than we might expect and take out loans for a surprising variety of economic, social, and political purposes.

Microfinance workers also juggle multiple identities and goals in addition to their professional and organizational mandates. The work of frontline MFI workers is pressing and immediate, and often sits uneasily alongside industry mandates for financial inclusivity or women's empowerment imposed by the government. Microfinance workers try to meet client needs, secure promotions, support their families, and meet quotas for customer outreach. Apart from frontline MFI workers, leaders and regulators also juggle multiple goals and identities; they must address the needs of diverse stakeholders with divergent priorities while also attending to their own personal reputation, career goals, and family priorities.

An actor-oriented perspective invites us not only into the experiences of many interconnected actors within the industry but also into organizational dynamics, incentive structures within the industry, and the interface between the financial industry and state policies.

RELATIONAL WORK

Feminist commodity chains and actor-oriented perspectives help balance macrostructural understandings with agency. But in order to conceptualize how the different parts of the extractive industry work together, we require an understanding of relationships, particularly those between women borrowers and the MFIs. How and why do women borrowers, often stratified within their own communities along lines of caste and class, come to trust one another, their loan officers, and the MFI? These relationships cannot be taken for granted. Between borrowers and loan officers, these relationships are forged by sharing intimate information about assets, housing, occupation, health, childbearing, and family. When borrowers share information with one another and with MFI staff, they establish relationships of trust that are reinforced through the rituals of loan-taking. This mutual trust forms the basis of the gendered financial ecosystem that has emerged from financial inclusion initiatives and the expansion of microfinance in India, and pushes MFIs to create creditworthy women through loan officers, who must cover up default when it happens and help produce high repayment rates for MFIs operating in vulnerable neighborhoods. Through relationality, women and loan officers, trainers, and other frontline MFI staff establish both social and economic ties.

Drawing upon Viviana Zelizer's concept of *relational work*, I suggest that, to understand the financialization of poverty, we must recognize the relationships—simultaneously economic and social—that make profitable finance for the poor possible.[32] India's MFIs and the policies that support them rely upon relational work, particularly at the bottom of the chain, where working-class women join a lending group and forge relationships with each other as well as with their loan officers, usually men. These ties of trust, intimacy, and mutual reciprocity help bring MFIs legitimacy in a context where communities are often suspicious of financial companies that are not formal banks.

This book explores two distinct realms of relational work. First, I explore the essential but invisible relational work between loan officers and women borrowers and between women within neighborhoods. These relationships are labor intensive, often fraught, and constitute the foundation upon which the financialization of poverty rests. Without women organized into specific kinds of groups that comply with particular risk-adverse regulatory frameworks who also trust one another enough to repeatedly take loans together, commercial microfinance cannot continue to expand. And if those women do not develop reliable relationships with MFI staff who can work with them to produce near-perfect repayment rates, even when times are tough, MFIs cannot function at all, much less with the financial and reputational success they currently enjoy.

I contrast this type of relational work with a highly visible but artificial and nonessential relational work between women borrowers and remote global North actors who appear to be engaged in microfinance, whether through employment in a large international MFI or by lending on Kiva.org. I show that while many of these remote microfinancial actors express commitment to the values of self-sufficiency and empowerment upon which microfinance is ideally based, the connection that they experience in relation to borrowers, when experienced, is almost entirely fictional. Based on anecdotes, personal experiences in a particular region of the world, or presumptions about virtuous and less virtuous businesses for poor women to be engaged in, the relational work of remote microfinance actors disguises the more complex and troubling variety of financial products in the world dubbed as "microfinance." The high visibility of remote actors in microfinance misleads publics around the world and distracts from the extractive character of the commercial microfinance industry.

The Gendered Chain of Value Extraction from Bottom to Top

A) WOMEN BORROWERS AND THE SATURATED LOAN ENVIRONMENT

Microfinance targets women successfully in urban India because women borrowers are both needy and exceedingly resourceful. They navigate complex social and economic environments from constrained positions and manage to get by and often thrive despite overwhelming constraints. In urban neighborhoods, the gendered financial ecosystem consists of loans that vary in their level of predation. Informal moneylenders, commercial MFIs, self-help groups, chit funds, and family loans together make up a complex web of obligations and labor that increasingly rely upon women for repayment. The MFI clients I met used their loans for a variety of expenses that they could not meet through other means: school fees or college fees for their children, medical bills for necessary procedures, improvements on their homes, wedding expenses, or paying off more expensive debt obtained from pawnbrokers or neighborhood moneylenders. Although microfinance thus offers borrowers access to financial products at lower costs than those of neighborhood money lenders, these loans have simply not addressed the vulnerability of working-class families, who are in a constant struggle to meet the immediate health, educational, and social needs of their families.

Women borrowers, who are almost always married to men, are overwhelmingly engaged in informal work, which by some estimates makes up as much as 90 percent of all employment in India.[33] They face a combination of class, caste, and gender disadvantage that largely prevents them from moving out of slum neighborhoods. Many have husbands or sons earning stable incomes, but others struggle to make ends meet monthly. Borrowers living in urban areas are most often domestic workers or stay-at-home mothers who run temporary businesses that bring in a supplementary income. Many are factory workers, earning paltry, unstable wages. A few are true micro-entrepreneuers. There are, indeed, success stories of entrepreneurial women who have grown their own small businesses that sustain a livelihood for their families. I met one Bengaluru woman from the neighborhood of Kadugondanahalli, for example, who ran a flour mill out of a rented shop space. She employed other women from her neighborhood in her small shop. This was a rare success because the capital needed to come up with a flour mill costs at least twenty times the amount of a typical microfinance loan. Most women could never access the kind of capital needed to start a sustainable business. Indeed, the MFIs I studied did not expect their borrowers to have their own businesses. Instead, they wished to lend to "working women," who were employed, usually as domestic workers. The approach that MFIs had to borrowers reveals the vulnerable structural position of women borrowers within the context of India's economy as a whole and the inability for MFI loans to improve that structural position for most customers.

Most women I met were fully engaged in what Sohini Kar has termed credit-work: "the everyday set of practices that women engage in to access, maintain, and repay loans." Kar argues, "[Credit-work] highlights the multiplying demands on women's time, while—as with much of women's unpaid work—[it] goes unrecognized as labor."[34] To meet monthly consumption and medical expenses, many borrowers I met required a constant influx of loans to compensate for their lack of access to basic social supports. Women participate in lending groups to come up with a lump sum in order to pay school fees for their children, to repair their homes, or pay off more expensive debts. But there are significant inequalities between women borrowers living in slum neighborhoods that the presence of MFIs exacerbates. Better-off women living in slum neighborhoods leverage their class stature and their connections to organizations and political parties to organize other women into loan groups and lead those lending groups, even if they do not need the loans themselves. They may then loan the money out to other women in the neighborhood that do not qualify for loans from MFIs at a profit (a practice that is not permitted by official rules). Other powerful women partake in expensive loans simply to accrue prestige and goodwill among women in their communities, which can be used for political or social purposes when needed.

For all women borrowers, regardless of relative privilege, MFI loans are just one source of credit in a complex financial ecosystem crowded with competing financial products and services from both governmental, non-governmental, and private sources. I delve into the origins and development of the financial ecosystem in which microfinance exists in chapter 1, while I focus on the pressures, strategies, and responses of indebted women in chapters 4, 5, and 7.

B) MFI WORKERS AND THE PRESSURE OF TARGETS AND MOBILITY

MFI loan officers and trainers often come from working-class backgrounds similar to the women they lend to and view their MFI jobs as valued pathways toward upward mobility in the context of widespread unemployment for young workers with modest levels of education. Those from rural areas may have degrees from small or less prestigious institutions. Most speak little or no English, and many I met had migrated from small towns or rural areas in Karnataka, Tamil Nadu, or Andhra Pradesh. Others came from working-class urban neighborhoods. At least two out of the eighteen customer-facing staff I interviewed came from families in which their own mothers had taken microfinance loans, which had introduced them to the microfinance industry and later led to employment.[35] Most were referred by relatives or recruited at college employment fairs.

Sohini Kar regards MFI workers as the primary agents of microfinance, carrying out the physical and emotional labor of bringing the poor into financial systems.[36] In this study, I primarily focus on two kinds of MFI field-workers:

loan officers, who work directly with customers in the work of organizing groups, verifying them, and then collecting loans, and trainers, who offer optional, supplementary programming to MFI clients. Some of these workers are women, but most are men. Loan officers I met had to serve large customer bases of five hundred to six hundred customers in dense, vulnerable neighborhoods. Trainers occupy a slightly more prestigious role within the MFIs I studied. Like loan officers, they must meet quotas for training women on topics such as entrepreneurship or financial literacy. Organizations demand that trainers and loan officers alike extract good attendance numbers and inspiring success stories from their work, even when those outcomes can feel almost impossible to attain. Whether in loan officer or training roles, frontline MFI work is grueling and emotionally demanding. As a result, the turnover within these positions is high. Those MFI workers who stay within the industry are motivated by the financial rewards and the chance for true upward mobility, which some of them achieve. Very often, however, the outcomes their organization demands are at odds with workers' intentions to help their clients.

Company cultures within MFIs perpetuate gender and class inequalities, while relying on them to do their work. Within these organizations, privileged men sit at the top and less privileged men at the bottom as loan officers. Women may gain employment in corporations, but they encounter a sticky floor and far fewer opportunities to advance careers within the industry. Nonetheless, these masculinist companies—oriented toward scale, profit, and efficiency—go to great lengths to maintain their legitimacy in the face of serious challenges to the high moral ground they seek to occupy. Sustained by macroeconomic policies, their practices eclipse social concerns and instead support the goals of private finance.[37] I focus on the experiences and context of MFI workers in chapters 2, 3, and 7.

C) MFI LEADERS AND THE PRESSURES OF PROFIT AND SOCIAL GOOD

MFI leaders and banking regulators come from privileged class and caste backgrounds and are almost all men. This layer of the industry strategizes about how to make their companies profitable while also considering how they can maintain the high moral standing of their companies in the face of public challenges to their credibility. These leaders interact very little with borrowers, but local and global publics, as well as borrowers themselves, hold leaders in high esteem because they are seen as helping the poor. MFI leaders and regulators are motivated by what has been termed the double bottom line. They endeavor to build profitable organizations that serve shareholders and grow in value every year, but they also want the public to view that growth in a virtuous light. In order to do that, they must comply with regulations, foster positive work environments within their organizations, minimize the risk of scandal, and emphasize the benefits they provide to borrowers and workers. They must carefully document stories of customer success, ensure that their customers are sufficiently poor to meet the target criteria for their segment of the industry, and produce a near-perfect repayment rate. Together, these outcomes generate legitimacy and an ethos of charitability toward MFI leaders and the government policies that support them, even as MFIs expand in scale and profitability. Analyses of MFI leaders and their roles appear in chapters 1 and 2.

D) ARCHITECTS OF THE FINANCIALIZED GLOBAL ORDER

I did not directly study financial executives, venture capitalists, managers of social impact index funds, or national-level policy makers, but they do play influential roles in the microfinancial chain, sitting right at the top. These architects establish the global rules by which financial markets abide and the global supply of money in which Indian banks and financial institutions are situated. I went into this project believing that this group would have the most influence in the Indian financial sphere. I discovered instead that government policies and banking regulations laid down by the Indian state and corporate sectors control the dynamics of extraction that structure Indian microfinance. Global financial actors indeed benefit from the industry and undeniably help set up the environment in which the other actors I identify do their work. But these actors do not necessarily establish the terms upon which gendered and class-based extraction processes actually take place. My research thus suggests that, even though the financialized global economy indeed sets the context within which extraction through financial companies takes place, many of the most exploitative aspects of microfinance are carried out by state, local, and corporate actors. I touch upon the roles of these actors in chapter 1.

E) REMOTE MICROFINANCE ACTORS AND THE WORK OF LEGITIMIZATION

Just outside the chain, contributing to what I call "reproduction/marketing" are employees of major global microfinance companies, and everyday people, mostly located in the global North, who lend through peer-to-peer lending platforms such as Kiva.org. These actors are removed from the actual dynamics of gendered value extraction within the industry and serve the valuable role of funding and representing microfinance as benevolent to the rest of the world. In particular, remote microfinance actors help sustain the link between microfinance and women's empowerment. Like other global financial actors, these actors are also instrumental in providing funding, albeit to a far lesser extent. They are more important, however, in helping project a favorable reputation for microfinance companies that help those companies avoid scrutiny from the international arena. While other extractive industries have "greenwashing" campaigns that make oil companies look like they care for the environment, remote microfinance actors produce a rosy image of microfinance that conceals its real work. This is not only because of the marketing, as in the case of oil companies, but also because of the knowledge they rely on.

Kiva lenders and international MFI employees experience lives that are far removed from the real interactions and products through which value is extracted from women borrowers. As a result, they have relatively abstract understandings of the everyday lives of borrowers, and they tend to generalize the experiences of women, of poverty, and of what it means to be self-sufficient. Whether lending on Kiva or actively working in the global MFI industry, remote microfinancial actors circulate simplistic understandings about the direct relationships between women, loans, and economic self-sufficiency and empowerment. In interviews and ethnographic observation, I found that that these remote MFI actors ignore or obscure information that conflicts with work they are doing in order to protect the perceived integrity of their own jobs and actions. Chapter 6 focuses on this remote set of actors.

Uncovering the Invisible Labor of Financialization

As the opening anecdote of this book makes clear, observing commercial microfinance, even in detail, does not reveal the dynamics that lie beneath the surface. I quickly learned direct observation and interview data provided a limited, and sometimes misleading, understanding of industry dynamics and of the financialization of poverty as a whole. I addressed this challenge by triangulating individual accounts, reports created by MFIs and other relevant organizations, and historical research. My research centered the non-elite actors who constitute the financialization of poverty in India, but I also engaged deeply with the many elite actors who create and sustain the front-facing dynamics I observed.

This study draws from eight months of ethnographic research in New York City and south India, most of it in 2012, and from 138 interviews conducted between 2011 and 2016. My interviews include fifty-five microfinance clients from two competing for-profit MFIs in the south Indian states of Tamil Nadu and Karnataka, sixty-nine interviews with MFI professionals from all levels of the industry, and fifteen interviews with lenders who supported entrepreneurs on the microlending platform Kiva.org. As I had no previous contacts with microfinance companies in India, I began by reaching out to a large MFI that I call Prosperity International (henceforth, Prosperity), a major multinational corporation based in New York.

Through Prosperity, I learned about entrepreneurial training for MFI clients in south India and especially about its Shaktisri program, one of the company's prime client education offerings. I thus began to research the relationships between Prosperity and its Indian partners. I spent two months attending meetings on Indian programming at Prosperity's head offices in New York City. There, I observed discussions and spoke with staff directly involved in the program's strategic planning and implementation. Through Prosperity's New York office, I gained an introduction to the company's office in Bengaluru, and through employees there, I connected with MFI clients and staff at multiple levels of the organization.

In Bengaluru, Chennai, and Coimbatore's outlying towns, I closely observed the everyday operations of the Shaktisri program, conducted in partnership with a relatively small, up-and-coming MFI that I call Kanchan (see figure I.3). Shaktisri's entrepreneurial training for clients was part of Kanchan's corporate social responsibility (CSR) initiative. I attended Shaktisri trainings, interviewed clients afterward when possible, and interacted with trainers and other staff multiple times before asking for interviews with them. I also attended several internal Prosperity events and gatherings, including a six-day annual training for trainers. These sessions illuminated the tensions between Prosperity and Kanchan, together with the various divisions between their respective staffs.

Because my position within Kanchan did not permit a full view of lending operations, I reached out to a competing MFI working in the same neighborhoods and lending to the same clients. This large, nationally reputed MFI, which I call Sowbagya, offered a logical comparison. I approached Sowbagya's managing director, and he invited me to observe home visits, training sessions, center meetings, and events at local branches. I thus witnessed many different types of urban neighborhoods, varying dynamics among borrower groups, and varied interpersonal dynamics within branch offices. I also witnessed the launch of a new financial literacy program, Vriddhi, just rolled out for Sowbagya clients. I attended pilot trainings with clients

FIGURE I.3. Author with Bagya (research assistant and sister-in-law) and Nandini, a Kanchan trainer during Coimbatore fieldwork in 2012.

and staff trainings with managers in charge of implementing the program in their respective regions. When appropriate, I used these opportunities to recruit clients and MFI workers, including staff involved in Vriddhi, for interviews.

In the years following my fieldwork in India, I recruited US-based microfinance professionals who had worked in India, as well as Kiva lenders. These busy professionals could be interviewed only remotely, by phone or online. I was unable to conduct ethnographic observation of daily life at investor firms or even at large MFIs with global operations. Through continued conversations with MFI professionals, however, my understanding of the industry deepened, and in 2016 I returned to Chennai and Bengaluru for interviews with high-level MFI leaders. Expanding beyond Kanchan and Sowbagya, I interviewed founding directors and corporate-level staff at several more MFIs. I also followed up with Sowbagya leadership to update my knowledge of the Vriddhi financial literacy program, which was by then four years old and had reached tens of thousands of Sowbagya clients.

Ethnographic access is always difficult to secure, but I found the MFI landscape particularly sensitive. Because the industry is often in the public spotlight, companies and interlocutors expressed wariness of long-term research. The MFIs I approached were happy to host me for a day or two, but when I asked to attend training sessions or branch events regularly, over a long period, access became unreliable. As my research continued, therefore, I relied more heavily on private interviews rather than ethnography. One-on-one interviews were more easily facilitated through contacts, and less subject to organizational surveillance. The methodological appendix recounts these interpersonal challenges and opportunities.

As a sociologist, I always have to ask, "What is this a case of?" As I dove more deeply into this project, I realized that it was inadequate to assume that India's microfinance industry was a local case of the global phenomenon of financialization. I also realized that it was not necessarily just the latest in a line of gender and development programs coming out of the Indian state. It was, I learned, a case of banking policy being used as a development tool at a time when that tool conveniently benefitted financial elites and gender and development agendas. I dove into the history of financial inclusion in India and found startling parallels between current microfinance policies and efforts by the British to expand banking to rural populations in the nineteenth century. The minutiae of Reserve Bank of India circulars since 2000 were also crucial for understanding how MFIs became so powerful in the contemporary financial landscape for the poor.

Triangulating data from all these sources provides a detailed, but nonetheless partial, view of the everyday workings of India's microfinance industry as well as its embeddedness in local and global institutions and financial networks. My ethnographic observations early in the timeline of this project revealed the everyday work of microfinance unfolding between MFI borrowers and workers, as well as within lending groups. My interview data in the later years of my research revealed institutional dynamics that molded those everyday interactions and ongoing relationships. I thus sought not only to identify everyday processes at multiple sites within India's microfinance industry but also to contextualize those processes within practices, institutions, and the broader ideologies through which microfinance continues to maintain its legitimacy.

Outline of the Book

The book explores the extractive industry of microfinance from multiple angles. Chapter 1 constructs a history of gendered finance in India, from colonial times to the current era of financial inclusion, to illuminate the workings of state policies that the commercial microfinance industry obscures. I explain why and how national policies helped constitute the current gendered financial ecosystem in which poor and working-class women became responsible for restrictive debt. Chapter 2 examines MFIs as gendered organizations. Jobs with MFIs are prized and offer social mobility where unemployment is extremely high, but working-class men have greater access to these opportunities. Women, in contrast, tend to experience a sticky floor. Men who do move up within organizations, however, often hit a class ceiling, as MFI leaders come directly from the most privileged classes in Indian society.

The next three chapters examine the everyday work of microfinance that unfolds between MFI workers and their clients, drawing together attention to relational work, value extraction, and the importance of symbols of women's success. Chapter 3 examines how relational work between MFI workers and clients generates creditworthiness for working-class women. Through a combination of scripted and ad hoc interactions, MFIs lead clients through processes of loan verification, training, and repayment, all the while creating social ties that sustain repayment, even in difficult times. Working-class women can thus acquire a digital credit identity and access to larger loans, while loan officers, mostly men, receive promotions. Turning to relational work between women, chapter 4 focuses on the unpaid work of women volunteers who organize groups for loans. Within these groups, more powerful women can deepen vulnerability for needier, less powerful women, while drawing others who may not wish to take loans reluctantly into gendered finance. Chapter 5 examines microfinance's conjoined twin: training, to which working-class women often respond with polite indifference. The disconnect again exposes the divide between women's everyday lives and the social programs meant to empower them. Training programs allow for the extraction of success stories and the production of goodwill toward MFIs.

Chapter 6 continues with an analysis of relational work by turning to microfinance in the global North, the part of the microfinancial chain that offers reproduction/marketing to fuel the extractive chain. Although highly visible, I show that these remote actors undertake artificial relational work that distorts the on-the-ground relationships of inequality that make microfinance run in India. Drawing from research with lenders on Kiva.org and MFI professionals designing programs for clients in the global South, I reveal a decontextualized understanding of Third World women's poverty through which development actors in the global North help provide effective ideological cover for commercial microfinance in India and around the world. In my last empirical chapter, I review key links of the extractive microfinancial chain in class perspective: MFI clients, mid-level MFI workers, MFI leaders, and remote global actors. Taking on the impact literature from a new angle, I examine the biographies of individuals to show how the microfinance industry disproportionately benefits the most privileged in the chain. In my conclusion, I synthesize my arguments throughout the book to explain how an invisibilized state facilitates the continued reliance of MFIs on class and gender inequalities. I suggest policy changes within the industry and within MFIs that may lead to a more equitable future for the financialization of poverty in India. Specifically, I argue for more women as workers and industry leaders, an elimination of the class ceiling, and increased attention to programming that promotes the physical and social mobility of clients. Finally, I explore the generalizability of the extractive paradigm of microfinance I set up here to other parts of the world.

NOTES

INTRODUCTION

1 All names in this study are pseudonyms. In some cases, identifying details about companies and individuals have been altered to preserve confidentiality. This incident took place on June 6, 2012.

2 A common outfit in India, worn by women, consisting of a long, fitted tunic and pants.

3 See Graves, "Landscapes of Predation, Landscapes of Neglect"; Gallmeyer and Roberts, "Payday Lenders and Economically Distressed Communities."

4 See the World Bank's Universal Financial Access portal: https://ufa.worldbank.org/en/country-progress/india, accessed November 5, 2019.

5 Anand and Thampi, "Recent Trends in Wealth Inequality in India," 59; Jayadev, Motiram, and Vakulabharanam, "Patterns of Wealth Disparities in India during the Liberalisation Era."

6 Agrawal, "Inequality in India."

7 Detailed in-country analysis suggests that, although poverty has been reduced, inequality has increased since liberalization, and signs of rising unemployment have been visible since the early 2000s. See Mazumdar and Sarkar, *Globalization, Labor Markets, and Inequality in India*. Since that time, the spike in Indian unemployment may have been due in part to new economic indicators. See *Economic Times*, "Is the Job Scene in India Bad?" Unemployment for urban women, at 10.8 percent, is the highest. Scholarship from the early 2000s suggests that, for young urban men, unemployment has been a huge issue for decades, despite a lack of data from official statistical sources. See Jeffrey, *Timepass*.

8 Arunachalam, *The Journey of Indian Micro-Finance*; Wichterich, "The Other Financial Crisis"; Mader, "Rise and Fall of Microfinance in India," *Strategic Change* 22, nos. 1–2: 47–66.

9 This change was about the priority sector lending rule and occurred in 2005. I explain these transformations in detail in chapter 1.

10 Rao, "Reforms with a Female Face."

11 Early studies by economists forged a connection between microfinance, women's empowerment, and poverty alleviation in South Asia that subsequent research sought to support or reject. Drawing from surveys and case studies of the state-

sponsored Grameen Bank and Bangladesh Rural Advancement Committee (BRAC), a few key studies suggested that when small loans were offered to groups of women, these borrowers could leverage their social ties to one another to guarantee the loan. Not only were women borrowers likely to repay, but small loans could elevate their economic and social positions. See Hashemi, Schuler, and Riley, "Rural Credit Programs and Women's Empowerment in Bangladesh"; Kamal, "Poverty Alleviation and Women Empowerment in South Asia." These findings have since been discredited. See Roodman, *Due Diligence*. Other early studies of microfinance in Bangladesh found the impact to be negative or mixed. See Kabeer, "Conflicts over Credit"; Goetz and Gupta, "Who Takes the Credit?"

12 For an early study in Bangladesh on women microfinance workers, see Goetz, *Women Development Workers*.

13 Karim, *Microfinance and Its Discontents*; Paprocki, "'Selling Our Own Skin'"; Brett, "'We Sacrifice and Eat Less'"; Ganle, Afriyie, and Segbefia, "Microcredit."

14 Sanyal, *Credit to Capabilities*.

15 Kabeer, "Is Microfinance a 'Magic Bullet' for Women's Empowerment?"; Moodie, "Enter Microcredit"; Goodman, "Borrowing Money, Exchanging Relationships."

16 Karim, *Microfinance and Its Discontents*.

17 Roy, *Poverty Capital*.

18 Misturelli and Heffernan, "What Is Poverty?" For a more complete discussion on the distinction between the two scales at which the financialization of poverty operates, see Mader, *The Political Economy of Microfinance*, 78–120.

19 Kar, *Financializing Poverty*.

20 I thank one of the anonymous reviewers of this manuscript for this phrase.

21 In sociology, the first occurrence of this term that I found was Bulmer, "Sociological Models of the Mining Community." More recent studies in various parts of the world corroborate Bulmer's early usage. Used more as a descriptive, rather than as an analytical category, the term has been used to analyze rural/urban interdependence, labor exploitation, and the disadvantage that resource-rich countries and areas within countries face. See, for example, Davidson and Haan, "Gender, Political Ideology, and Climate Change Beliefs in an Extractive Industry Community"; Weber, "Extractive Industries and Rural-Urban Economic Interdependence"; Freudenburg, "Addictive Economies: Extractive Industries and Vulnerable Localities in a Changing World Economy."

22 For an overview of the essentialized understandings of women that foster the "untapped resource" perspective, particularly in the 2012 World Development Report, see Chant, "Women, Girls and World Poverty." For further exploration of this and other similar constructions in development discourses, see Calkin, "'Tapping' Women for Post-Crisis Capitalism"; Andersson and Hatakka, "Victim, Mother, or Untapped Resource?"

23 Dunaway, *Gendered Commodity Chains*.

24 Bair, *Frontiers of Commodity Chain Research*; Gereffi and Korzeniewicz, *Commodity Chains and Global Capitalism*; Bair, "Global Capitalism and Commodity Chains."

25 Porter, *Competitive Advantage*.

26 Porter's model comes from a more recent variant of commodity chains analysis, known as the global value chain (GVC) model. Unlike the earlier version of commodity chains theorizing, which emphasized structural global inequalities, Porter and others in this tradition tend to pivot away from the macrocontext, focusing on intermediate actors and improvements in efficiency. For more details about this distinction, see Bair, "Global Capitalism and Commodity Chains." Here, I meld both approaches to examine microfinance, acknowledging the dominance of efficiency-focused GVC models like Porter's and making an effort to "bring back" the structural grounding of earlier approaches.

27 Figure I.2 is based on an earlier conception of microfinancial chains, which I developed with Erin Beck. See Beck and Radhakrishnan, "Tracing Microfinancial Value Chains."

28 This perspective is backed by significant research in feminist studies of political economy. See, for example, Girón, "Women and Financialization"; Weber, "Global Politics of Microfinancing Poverty in Asia"; Roberts, "Gender, Financial Deepening and the Production of Embodied Finance."

29 Mosse and Lewis, "Encountering Order and Disjuncture"; Mosse and Lewis, "Theoretical Approaches to Brokerage and Translation in Development"; Swidler and Watkins, "'Teach a Man to Fish.'"

30 Long, "From Paradigm Lost to Paradigm Regained?," 14.

31 Goodman, "Borrowing Money, Exchanging Relationships"; Sen and Majumder, "Narratives of Risk and Poor Rural Women's (Dis)-Engagements with Microcredit-Based Developments in Eastern India"; Kar, "Relative Indemnity."

32 See Zelizer, *The Purchase of Intimacy*, 154–55.

33 Agarwala, "An Economic Sociology of Informal Work."

34 Kar, *Financializing Poverty*, 122–23.

35 The data probably underestimate the number of workers who come into the industry because a family member received a loan. A managing director of another large MFI stated in an interview that 40 percent of the field staff in his organization had mothers who were customers.

36 Kar, "Recovering Debts."

37 Roberts, "Gender, Financial Deepening and the Production of Embodied Finance."

CHAPTER 1. THE INVISIBLE STATE OF GENDER AND CREDIT

1 In my follow-up research in 2016, financial literacy programs were pushing banking more strongly and so covered the use of ATMs, which are often confusing for MFI clients. From MFI officials and trainers, I heard stories of problems for clients. Some women would pay the ATM guard to carry out transactions, believing a fee was required. Forgetting or misplacing the PIN was another frequent problem. Some clients would write the PIN on the card cover and then find their cards and bank accounts stolen. For all these reasons, banking appeared still to be on the far end of the spectrum of convenience.