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Exclusionary, precarious and generative infrastructures

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Exclusionary, precarious and generative infrastructures: Financial inclusion, informal finance and Covid-19 in Tamil Nadu

ABSTRACT

This article discusses the impact of the Covid-19 lockdown on microfinance borrowers in Tamil Nadu, India. Understanding financial inclusion as political, social, relational and material infrastructures, it demonstrates how the crisis, and the response to it, has further exposed the limits and exclusionary tendencies of the for-profit financial inclusion industry, with the capacity to extract revenues from/in the futures taking precedence over the interest of debtors. It also shows how the uneven breakdown of financial inclusion infrastructures during Covid-19 has reinforced existing circuits of debt/exchange and forms of solidarity. While these social and relational infrastructures of finance can certainly be generative, they are also imbued with power asymmetries, with caste, class and gender all (re)shaping ties between debtors and creditors. Our analysis stops in March 2021, as the pandemic continues and new lockdowns are likely to be implemented.

INTRODUCTION

> *The anxiety about my debt has made me sick. My heartbeat has risen but I didn't go to the hospital yet. If I go to the nuns here, I will have to spend 100 rupees for the treatment.*

Veena Mary, a Dalit Christian widow, has been highly stressed about her five microfinance loans and numerous ceremonial obligations (*moi*) in recent months, as we write in March 2021.[1] On 24th March 2020, the Indian Prime Minister, Narendra Modi, announced a national lockdown with four hours' notice for the country. Like hundreds of millions of internal migrant workers, Veena Mary's sons returned home as their jobs ceased, leaving Veena Mary with a significant reduction in household income. Two days later, the Reserve Bank of India announced a three-month moratorium on loan repayments, including microfinance loans, later extended for another two months. This was both a relief, allowing Veena Mary and

[1] Dalit is the term now used to describe former so-called "untouchable" communities.

many others not to worry about these repayments, as well as a cause of concern, as the moratorium also had the effect of blocking any further provision of liquidity.

Yet many microfinance providers have not respected the moratorium. From mid-May 2020, loan officers returned and began to pressurize Veena Mary to repay, reminding her that interest continued to accrue, though delays had been permitted. She ended up having to pay much more on each loan. Once the moratorium ended, repayments became mandatory, leaving her no choice but to hide from loan officers, sitting still for hours on collection days to give the impression that no one was at home.

At the same time, the central government's promised pandemic relief cash transfers, supposed to be distributed efficiently through banks, have largely missed their target, precisely because of the dysfunctional banking infrastructure. Although Veena Mary has a bank account, opened specifically to access social welfare programs, she has received nothing. Like other villagers, food distribution and social transfers from the state of Tamil Nadu given in cash are the only help she has secured. In contrast, some of her neighbours have even seen their meagre revenues captured by the automatic deduction of payments.

Veena Mary is served through infrastructures of financial inclusion and these have been hailed as a key means of support for India's working poor both during the crisis and afterwards (Rawat, 2020). Yet as the reality on the ground shows, during the lockdown and in the months that followed, microfinance – through the continued presence of loan officers during moratorium, and the digitalization of payments – was primarily a tool for capturing income through repayments, not distributing liquidity.

As is often the case in times of crisis, social and relational infrastructures have been resilient where formal structures have failed. Veena Mary has used a number of informal avenues to access liquidity during the lockdown. She has borrowed from neighbours, her supervisor (also Dalit but much wealthier) at the government school where she works as a cook, and pledged jewels loaned back to her by her son-in-law. This was primarily to repay other debt, including to microfinance institutions. The rigid system of ceremonial gifts and counter gifts, that builds on and feeds relationships of mutual support and solidarity, has also played a role in deepening her financial distress at this time. While the gifts she received for her daughter's marriage had greatly helped at the time, she is now obliged to return them despite the crisis. Although Veena Mary started skipping meals and using wood instead of gas in order to save money, she also

had to regularly borrowed to pay her ceremonial debts. She also tried to approach many people she knows, asking for a large, lower-interest loan that she could use to repay her microfinance and other loans. She has however not had any success yet, having exhausted all her social network.

Contrary then to claims of financial support and resilience, Veena Mary's case offers a glimpse into how infrastructures of financial inclusion, promoted by the Indian state (Mader, 2014) and globally (Roy, 2010) can extract and impoverish. Financial inclusion as a poverty alleviation strategy is on the ascent, promising to democratize access to forms of credit for the poorest (Erturk et al., 2007). Yet in March 2020, in a moment of profound reproductive crisis as the incomes of working poor Indians were abruptly curtailed by the national lockdown, the infrastructure of inclusion suffered a clear breakdown, as moratorium prevented access to liquidity for those in need. In focusing on this moment of breakdown, we aim in this article to 'excavate' the hidden politics behind financial inclusion processes which usually remain invisible (Graham, 2010: 3).

Understanding the devastating effects of the pandemic on livelihoods requires exploring the gap between the promises of financial infrastructures and the way they are implemented and experienced, as well as how they resist or break down in the face of crisis, how they "include" but also "exclude" certain segments of the population, and how they are both shaped by and constitutive of social and power relations. Financial "inclusion" is manifested across banking, small-scale credit, and even state relief rolled out through women's' savings groups, all of which constitute the overlapping of state and commercial entities providing liquidity to the poor and are undergirded by complex, everyday social relations of informal lending.

Exploring financial infrastructure in a period of breakdown, we complicate the portrayal of financial inclusion as a form of crisis alleviation, setting out two arguments. Firstly, in investigating the politics behind financial inclusion infrastructure, we suggest that the breakdown of inclusion in India during the crisis constitutes an uneven and ultimately exclusionary phenomenon, with access to liquidity running dry for the most severely impacted whilst demands for repayment remain significant. In conceptualizing financial inclusion infrastructure as a means by which capital is able to capture future labour among the working poor, we ask: what happens when there is an increase in uncertainty over that future labour? We find that forms of relief that are rolled out through financial inclusion channels, both Self-

Help-Group loans and cash transfers, are only accessible by those, predominantly from the upper classes and castes, who have better access to infrastructure and are considered to be creditworthy. Furthermore, we find that the moratorium has been short-lived, with the sustained pressure of microfinance loan officers deepening rather than ameliorating income insecurity for poor women like Veena Mary, and new loan instruments being rolled out to capture even more income.

Secondly, in exploring what happens in lieu of access to liquidity, we show that infrastructures of formal finance are deeply entangled with and sustained by informal finance relations, including social infrastructures like ceremonial reciprocal debt. In many instances, such informal lending channels allow for greater control over repayment schedules for the working poor, thus offering more flexible avenues for relief. Yet we remain ambivalent about the emancipatory potential of these so-called ‘informal’ financial relations as they are in turn riven by hierarchies of caste, class and gender, again resulting in a deeper crisis for the poorest. Failure to repay carries a high price, risking exclusion from social groups and relations of support. In particular, we find that caste and class-based hierarchies are strengthened as a result of the pandemic. This occurs in two ways; while new forms of inter-caste lending create new channels of caste-based exploitation by forward caste groups, those from lower caste and scheduled caste communities continue to face the greatest levels of debt, job insecurity and harassment from lenders as a result of their structural marginalisation (Mosse, 2018). Whilst we do not focus explicitly on gender dynamics, the majority of Indian microfinance debtors – 99 per cent in 2019 (Sa-Dhan, 2019: xv) – are women. Thus, our analysis is implicitly gendered, given our overwhelming focus on female respondents.

Our argument is primarily based upon qualitative research in three villages in central east Tamil Nadu, an area where two of the authors of this article have been working for two decades. Pre-existing social relationships with respondents have enabled us to follow the crisis through repeated telephone interviews and then face to face interactions. From June to November, phone interviews were conducted monthly, with sixty households. Additional face-to-face interviews, including group discussions and interactions with some loan officers, took place until March 2021. As with all qualitative surveys, the objective was not to achieve a representative sample but to ensure a diversity of situations in terms of caste, gender, occupation, asset holding and debt sources. Overall, 140 interviews were conducted with 75 people, with between one and seven interviews per person. Given the situation - loss of income for most of the respondents, cost of recharging the phone - the respondents received a

financial compensation of INR 1,000 (US$ 14). Interviews were supplemented by document analysis of key blogs, policy briefs, reports and newspaper articles relating to the current state of the microfinance industry and its response to the Covid-19 pandemic, both globally and in India.

We proceed by engaging with the literature on infrastructure and inclusion which, we argue, allows us to investigate the breakdown of financial inclusion during the Covid pandemic in India and beyond. We then go on to explore how the microfinance industry reacted to the pandemic at the international level, before moving to our case study. We first examine the history and complexity of financial inclusion infrastructure in Tamil Nadu, before looking at how this infrastructure proved exclusionary and enabled increased capture of revenues in times of Covid-19. Finally, we turn to the social infrastructures that undergird these formal financial arrangements and explore their ambivalence as a form of poverty alleviation.

FINANCIAL INCLUSION: INTERROGATING INFRASTRUCTURE

Research on everyday debt relations have highlighted how broader financial systems are reproduced in varied, even contrary ways, through the 'sticky materiality of practical encounters' (Tsing, 2005:1), complicating the representation of a seemingly monolithic and powerful debt infrastructure of financial inclusion. Concerning microcredit and over-indebtedness, the ethnographic evidence highlights the multiplicity of processes constituting the infrastructure of loan disbursement and collection, which in turn depends on the diversity of local political and moral economies, including the social and moral meaning of debt (Guérin 2014; Kar 2018).

The seeming infallibility of structures of inclusion is therefore punctured in ways that reveal the need for greater attention to the materialities and social relations which constitute inclusion. For example, as Green (2019) highlights, valuing land as collateral for microfinance in Cambodia is a process of construction*,* rooted in the social relations of the valuing officer, and of the family in question. Guermond (2020: 235) shows how the creation of remittance markets and the incorporation of remittance flows and households into microfinance circuits constitute contested and contingent projects that require 'extensive financial, material, technological, legal and discursive constructions and, importantly, behavioural engineering'. James' (2015) focus on the social relations underpinning financial

inclusion in South Africa highlights that the explosion of over-indebtedness is an ambivalent process, with many debtors also being creditors and managing to earn money 'from nothing'.

These accounts contribute to an understanding of the infrastructures of financial inclusion as always in the making, precarious and fragile – especially in times of crises. The problematization of infrastructures as a 'terrain and object of political contestation' (Elyachar, 2017:50) enables us to interrogate financial inclusion through a lens that takes politics and social relations more seriously. Such work builds on and complicates Foucault's thesis on infrastructure as a technology of rational state governance (1998), to elucidate the multiple politics shaping infrastructures, the ways in which they are (re)produced through social relations, as well as how they lead to varied and uneven effects. We draw out two key areas of thinking in developing our arguments in this article.

Infrastructure, the capture of time and space, and the devolving of risk

One of the most significant characteristics of credit/debt is 'its ability to link the present to the past and the future' (Peebles 2010:226). The ambivalence of this dyad relies upon the fact that while credit may constitute a promise about the future, it also poses the risk of capturing the debtor's present time if the repayment of the debt becomes problematic. As demonstrated in the above vignette, debt for Veena Mary and many other Tamil villagers is no longer an instrument of 'future-making' (Green et al, 2012:1641), rather, it has become precisely what prevents her from projecting herself into the future.

The critical literature on financial inclusion, and particularly on rising debt-led development, offers a robust account of how the expansion of so-called 'inclusive' financial infrastructures have enabled the capture of time and space, through the advertising and expansion of credit and other financial products (Roy, 2010), the increasing of bank account access, as well as the digitisation of (re)payments (James, 2015). Such studies also demonstrate how the risks of financial instruments have been devolved onto debtors themselves (e.g. Mader, 2014). For lenders and investors, risk management involves complex financial intermediation chains (ibid). On the side of precarious populations, relying on and building social infrastructures is crucial to manage the risks of their own financial inclusion (Kar 2018).

The ceaseless requirements of finance however are often at odds with the insecurity and precarity that characterize income streams for the poor. As Saiag (2020) has shown in Argentina, the time demands of finance in the form of credit repayments are not always

reconcilable with the time patterns of work, particularly in instances where people are precariously employed. This resulted in a feeling of losing control over one's time due to credit-taking – where finance, and not the individual, 'dominates the time of labour' (Saiag, 2020:24).

Reflecting on the impact of the pandemic, we therefore ask: what happens when the infrastructure's command over time and space is rendered more uncertain through the increased precarity of work? What does this mean for the financial infrastructure, and for the reshaping of risk for those served by it?

Beyond physical infrastructure: the centrality of social relations

As Berlant (2016: 393) argues, 'Infrastructure is not identical to system or structure, as we currently see them, because infrastructure is defined by the movement or patterning of social form. It is the living mediation of what organizes life: the lifeworld of structure.' In a similar vein, Anand's analysis of water infrastructure in Mumbai takes us beyond material infrastructure, which he argues 'entangles liberal rule in lifeworlds that its administrators have long sought to transform and transcend', to think about how 'water infrastructures are generative of a multiple, entangled, nonconstitutive outside to the form and performance of the liberal city' (2017: 6–7). Anand explores how Mumbaiites undertake everyday engagements with the politics and infrastructure of water to materially and ideologically coax water through pipes, which in turn transforms them, forging 'hydraulic citizenship' – the 'social relations through which everyday political claims are recognized' (2017: 10).

Exploring further these 'lifeworlds', we look to adopt a nuanced lens in understanding the role of informal social infrastructures of finance. McFarlane and Vasudevan (2014) highlight how such informal infrastructures are often deemed undesirable and even criminalized, yet they are essential in (re)making urban life day to day. This is certainly evident in the justifications used to expand access to financial inclusion in India. Formal lending is juxtaposed by the maligned alternative: 'usurious money lenders' who are 'continuing to exploit the poor' (Department of Financial Services, 2014: 3). In addition, expenditures during ceremonies are often portrayed in the mainstream economic and policy-oriented literatures as wasteful and ostentatious practices (e.g., Banerjee and Duflo, 2011).

Yet, as Guérin (2014) has shown in the context of South India, formal and informal lending overlap, with forms of informal lending even seen as favourable in certain instances as they

allow more flexibility in terms of repayment schedules. Formal loans are linked in multiple ways to informal loans. They are repaid through debt relations structured along caste, class and gender lines, and shaped by patronage, employment, kinship, and reciprocity. Furthermore, informal practices of ritualized exchange, such as ceremonial gifts, produce relational value and have therefore the potential of being highly 'productive' in the future (Elyachar, 2005). These relationships are not just 'out there', ready to be used as a resource. Rather, they are 'situationally produced and performed' (Elyachar, 2005:145) and require huge amounts of time, labour and resources to be maintained. In rural Tamil Nadu, ceremonial exchanges represent the main form of accumulated and circulating wealth, while savings bank accounts remain empty (Guérin et al. 2019). This arguably more flexible and malleable relational infrastructure is much more attractive than the rigidity of formal financial infrastructure. With the crisis, however, this relational infrastructure is being put to the test, as we shall see below. In taking forward the potentially 'generative' capacities of such informality, we shed light on its darker side (Meagher 2010) and explore the hierarchies imbued in and constitutive of the new social relations emerging as a result of the crisis. We also show how 'inclusion' created new dynamics of exclusion (Meagher 2015).

MICROFINANCE INFRASTRUCTURE AND THE COVID-19 PANDEMIC

In exploring the infrastructure of financial inclusion as a political entity, we first look to the global industry's response during the Covid-19 pandemic. The Covid-19 pandemic and the resulting global recession have put the current microfinance model in jeopardy by simultaneously endangering both the regular flows of microfinance institutions (MFIs) and their access to capital (Ogden, 2020). In this context of uncertainty in global labour markets and systemic crises, microfinance institutions dramatically curtailed their lending. The World Bank's Consultative Group to Assist the Poor (CGAP) Global Pulse Survey showed that two-thirds of the surveyed microfinance institutions had 'slashed lending by more than half compared to normal levels' (Zetterli, 2020). While micro-loans have long been portrayed as a tool of resilience by financial inclusion advocates (Bernards, 2020), vulnerable households have lost access to this apparent 'crisis remedy' at a point of material crisis, further exacerbating the complexities of household reproduction in this period. Whilst a briefing from CGAP (2020) to microfinance regulators suggests that remaining 'pro-poor' should be the first guiding principle for crisis measures, with 'Preserve the safety and soundness of microfinance providers' only the fourth, the current breakdown in lending and concurrent

access to liquidity for the poorest suggests that lenders are adopting more inward-looking rationale. Breakdown at a global level is thus revealed to be uneven, as it is instigated by the industry for institutional security, at the behest of liquidity access for debtors.

Furthermore, breakdown threatens to deepen livelihood insecurity for many. Ignoring numerous calls for loan waivers, a significant portion of micro-loans have been rescheduled and restructured globally, including in regions where moratoriums have been placed on loan disbursement and collection (Sotiriou, 2020). Concerns about how these restructured loans will perform once the moratoria are lifted are high among the microfinance community (Meagher, 2020; Sotiriou, 2020). As a result, much of the focus to deal with the current crisis has been on how to maintain 'credit discipline' (Tarazi, 2020) and 'the repayment culture among microfinance borrowers' (Sotiriou, 2020). According to the World Bank (Dijkman and Salomão Garcia, 2020), relief policies should only be targeting those borrowers with strong payment records, and not what they call 'wilful defaulters' - those who can repay but refuse to do so - and 'zombie borrowers' - those who struggled to repay before Covid-19 and are unlikely to repay at the end of the moratoria.

What the crisis and concurrent breakdown has thrown into sharp relief is the almost impossible trade-off between providing meaningful relief to borrowers and maintaining the security of the microfinance industry. As the World Bank guidance on Covid-19-related borrowers relief measure signals, regulators are strongly advised to have a thorough understanding of the financial impact of relief measures prior to adoption (Dijkman and Salomão Garcia, 2020). Relief to borrowers is pitted against the sustainability of the sector, therefore recasting the most precarious borrowers, arguably those that are most in need, as too high-risk. In a CGAP Covid-19 briefing, it was noted that 'beneficial as borrower relief measures may be, they risk weakening repayment discipline and masking the true financial position of MFIs portfolios' (Meagher, 2020: 6). As a result, while forms of loan rescheduling - such as moratoria, often with interest accrual[2] or even interest capitalisation[3] - and loan restructuring have constituted the policy norm (Bernards, 2020; Rhyne and Dias,

[2] Interest accrual is a practice that consists of accumulating interest based on principal outstanding, even when payments are not made.

[3] Interest capitalization, or interest on interest, refers to the charging of interest on top of the amount of accrued interest.

2020), expanded relief mechanisms such as for instance debt forgiveness have not seemed to be part of many discussions.

The burden of the financial inclusion infrastructure breakdown is therefore mostly borne by precarious debtors. In many cases, breakdown in access to liquidity is a direct result of MFIs trying to minimize their total non-performing assets in the long run in order to limit reductions in profit. Ultimately, what seems to be at stake is to ensure the continuous mortgaging of borrowers' future incomes to meet the present needs of lenders and investors, leading to a temporal disconnect between the functioning of the financial infrastructure and the needs of debtors.

DEBT INFRASTRUCTURES IN TAMIL NADU

India has a long history of pro-poor lending in its development trajectory. State, commercial, and social debt/credit infrastructures in Tamil Nadu consist of a web of complex and entangled socio-economic relations, both comprised of numerous actors with varied political and economic interests, power, and incentives, and imbued with a mix of solidarity, power and hierarchies.

Instigated during the colonial era, institutional lending to the rural poor expanded from the 1960s until the late 1980s, with rural branches rising from 17.6 per cent of all banks nationally in 1969, to a peak of 58.2 per cent in 1990 (Shah et al., 2007). Yet by the late 1980s, due in large part to a combination of political capture and structural poverty, millions of rural Indians had defaulted on their loans, and state banks were left with significant losses. This contributed to an upending of the logic of prior public financial inclusion schemes from the early 1990s, following the deregulation and privatization promoted by the Narasimaham Committee in 1991 (Shah et al., 2007). The subsequent rise of informal credit - which had been steadily decreasing in the decades following independence - prompted policymakers to implement various measures, which today result in a complex financial infrastructure present in the most remote villages.

Key amongst those were the creation of Self-Help-Groups (SHG), the first microcredit model in India supported by international donors, NGOs and national banks, which saw groups of people, mostly women, saving and borrowing money among themselves. These groups enabled women to borrow at rates lower than most other informal loans, and to profit from lending to each other. The standard rate of 2 per cent per month (24 per cent per year) though

high is considered acceptable since the interest returns to group members. Importantly, well-functioning groups could borrow from banks at even lower rates, usually under 12 per cent per year. While only state banks could initially lend to SHGs, commercial banks also became interested in this new market niche over time. Granting these groups access to forms of credit that would normally be inaccessible, SHG constituted a social infrastructure of financial inclusion that became legible to formal finance.

SHGs enjoyed a golden age in the 2000s, then began to decline in favour of commercial microfinance granted by for-profit organizations (Nair, 2010). Since then, the microfinance sector's loan portfolio witnessed rapid and sustained growth, valued at INR 1,080,750 million (approximately US$ 15 billion) as of March 2020 (Sa-Dhan, 2020), rising from INR 225,440 in 2010 (US$ 5 billion at the March 2010 exchange rate) (Sa-Dhan, 2010). By 2019, for-profit microfinance institutions accounted for 87 per cent of microfinance clients and 84 per cent of the outstanding microfinance portfolio in India (Sa-Dhan, 2019: xv). Moreover, the focus on financial services (savings, credit) was also expanded toward the broader concept of "financial inclusion", which notably includes the distribution of government cash transfers through bank accounts. 80 per cent of Indians had a bank account in 2017, rising from 53 per cent in 2014 (Ravi, 2019). While direct deposits of cash transfers through bank accounts are supposed to improve transparency and eliminate malpractices, these programs, as we argue below, continue to follow political logics and rivalries between national and state programs that are source of permanent confusion and, above all, dysfunction. Other measures allegedly put in place to protect debtors and facilitate transactions and transparency, including the creation of a credit bureau and the automatic deduction of repayments, also tend to work mostly in favour of creditors. Crucially, this multi-layered and complex infrastructure of financial inclusion – constituted of state banks, commercial banks, MFIs and different types of SHGs – is also deeply enmeshed with and supported by a heterogeneous range of informal credit relations. It is then necessary to look at the micro-scale to grasp the specificity of local financial landscapes and the way they shape, and are shaped by, uneven social and power relations.

Like elsewhere in rural India, central-east Tamil villages remain deeply segmented according to caste; while the 'colony' is reserved for Dalits, the *Ur* is for non-Dalits and is internally segmented by *jati*, mainly Vanniyars, who can be considered as middle caste, and Naidu and Reddiyars, who are part of the upper castes. However, the region has undergone profound

changes over the last decades, due to the combined effects of economic growth, decline of agriculture, migration and debt. Class distinctions are expressed through not only the differentiated ownership of assets (land, tractors, livestock, etc) but also the uneven access to regular or permanent non-agricultural jobs. The poorest have to settle for daily agricultural (*coolie*) work and increasingly, for men, non-agricultural work outside the village. For the landless, the main employment opportunities constitute a permanent trade-off between regular but seasonal jobs (e.g. sugar cane harvesting and brick moulding) based on a wage advance system and involving dire working conditions, and casual jobs (e.g. manual labour in construction, transport and markets). For some young people however, who are increasingly qualified, including Dalits, slightly better jobs in manufacturing and services are now accessible. These class distinctions overlap partly but not completely with caste. While some, although not many, casual workers are among the upper castes, a number of Dalits have experienced relative upward mobility, often as labour intermediaries. Among the Vanniyar middle castes, class positions are very mixed. And, as elsewhere in India, female employment has been declining steadily over the last few decades in all social categories. The available occupations remain very limited: land cultivation for those whose family owns land, and agricultural day labour and NREGA (a state-run public works programme) for the others.

While employment has diversified, it has remained volatile and precarious. At the same time, needs have constantly increased, due to both the commodification of social reproduction (e.g. health and education) and growing aspirations (e.g. housing, ceremonies). Crucially, debt has been, and continues to be, a response to this discrepancy. Constituting a historical component of rural livelihoods, debt has dramatically expanded in recent decades in Tamil Nadu, albeit with unequal conditions of access (Guérin et al. 2020).

Almost all households in the surveyed villages now have a bank account, now a precondition to access cash transfers. However, only asset owners and high wage earners are eligible for bank loans, which remain the cheapest credit option (between 8 and 12 per cent interest/annum). Some non-farm wage earners without a formal contract now have access to these bank loans, with automatic deduction from their bank account for repayment acting as a guarantee. While SHGs represent another channel for bank loans, especially for women, the size of loans tends to be much smaller and a regular savings capacity – uneven along class lines – is required. In our three villages, 29 state-run SHGs are active and 25 are non-Dalit, located in the *Ur*. Finally, because they do not require collateral and prior savings, and are often

cheaper than most (not all) informal loans, microfinance loans, with a 2 per cent average monthly rate, are very attractive, even if the rigidity of repayments does not sit well with income volatility. Most households, through women, now use them (around 80 per cent in our sample), and often combine several providers (up to 7, with an average of 2.6 per household). Incorporation in microfinance networks is thus highly differentiated along gender, class and caste belonging. Before the pandemic, women from the upper castes/classes were more likely to be members of well-functioning SHGs and not to borrow from MFIs, while Dalit women were more likely to borrow from for-profit MFIs and not to be SHG members. In addition to these 'formal' financial options, men and women juggle many other sources of credit, including loans from pawnshops and local elites (most often from middle and higher castes), labour recruiters (most often from low and middle caste) as well as family, friends, and neighbours (Guérin 2014). Oscillating between exploitation and solidarity, the terms of these informal options vary widely with regards to cost, repayment terms and penalties for default. Regardless of these conditions, they remain unavoidable not only to meet needs and compensate for the rigidity of formal loans but also to maintain and cultivate social ties. In other words, they fill the gaps in the formal financial inclusion infrastructure, allowing precarious populations to build viable engagements with these formal systems. As we demonstrate below, ceremonial debts play a central role in the intermingling of finance and social relations.

FINANCIAL INFRASTRUCTURES IN TIMES OF PANDEMIC: SELECTION, EXCLUSION AND CAPTURE

By tightening their borrowing selection criteria and focusing on the capture of (very meager) incomes through (sometimes automated) collection of loan repayments as a response to the pandemic, both the state and for-profit MFIs to the pandemic have reinforced the exclusionary nature of financial inclusions infrastructures. Such processes significantly aggravated stress for borrowers and compelled precarious women to literally hide from loan officers. Meanwhile, the de-facto replacement infrastructure in the form of public programs offering emergency loans and digital social benefits proved to be selective and exclusive. Political competition between federal and state programs and strict assessments of creditworthiness contributed to further exclude the most vulnerable.

Covid-relief measures and Cash transfers

On March 26th, two days after the announcement of the national lockdown, the Central government issued a Covid-relief package, many components of which relied on financial inclusion infrastructures. A cash transfer of INR 500 (US$ 7) per month was to be made for three months to all women's bank accounts created through the Pradhan Mantri Jan-Dhan Yojana (PMJDY) financial inclusion scheme initiated under Modi's premiership in 2014. Senior citizens, people with disabilities, and widows were promised two instalments of INR 1,000 to these same accounts. Amongst our respondents, no one had received, or knew anyone who received, these cash transfers in their bank accounts. A key reason was that their bank account had not been opened through this specific PMJDY scheme, but prior to 2014 to receive payments from the NREGA employment program. Participants did not know where to go to claim this transfer either, as it came from the central government with no local body as intermediary. At the national level, it is estimated that 38 per cent of poor households and 46 per cent of rural households have been excluded from the transfer program as they did not have a female member holding a PMJDY account (Somanchi 2020). These accounts are a key part of the flagship PMJDY (translating as the Prime Minister's Scheme for People's Financial Welfare) under Narendra Modi. This shows the lack of coordination between federal and state programs that is typical of Indian social policies. This prioritization of political interests is a major source of exclusion. In addition to the PMJDY scheme provided by the Central government, the Tamil Nadu state government offered a one-time cash payment of INR 1,000 through the Public Distribution System which provides food grains in the village on a monthly basis. All study respondents received this sum as well as food assistance for five months, making this distributive infrastructure more reliable.

During the pandemic, already-existing digital transfers also became more difficult to access. Several participants did not receive their pensions, NREGA wages, and farmer subsidies. While they said that this was a regular occurrence, they were not even permitted entry to the administrative offices to make a complaint. Even for those who received their transfers, money still had to be converted into cash. Yet both ATMs and bank branches are difficult to access. This is especially true for women who very rarely have access to motorized two wheelers or bicycles. In two of our surveyed villages, they had to travel five and sixteen kilometers by foot while avoiding police checks. Going to a bank branch did not even

guarantee a withdrawal, as observed in other parts of India (Khera, 2020), since banks only permitted a few dozen customers entries each day.

While distribution of social benefits through the banking system proved rather ineffective, the same cannot be said about the digital ‘capture’ of debt repayments. Prior to the crisis, several educated young men amongst our respondents, including Dalits, were receiving wages directly in their bank accounts and had therefore been eligible for bank loans, with repayments being automatically deducted. While many of them lost their jobs during the lockdown, the automated deduction continued, hence curtailing their access to liquidity dramatically. Direct deduction from bank accounts also took place when people were issued fines. This extension of digital infrastructures of extraction during the pandemic contributed to worsen the precarious situations of many households.

Credit through Self Help Groups

As part of the relief package, the Finance Minister also announced the doubling in value of collateral free loans to SHGs – from INR 1 million to 2 million (from US$ 13,800 to 27,600) per SHG, claiming this would benefit 70 million households through 6 million SHGs. In our study region, the potential of any measure targeting SHGs remains very limited due to the disappearance of most NGO-driven SHGs on the one hand, and the uneven spread of state-run groups that do exist between and within villages on the other. Crucially, only one SHG qualified for loans of the value of the previous credit limit (INR 1 million), with the average value of bank loans to SHGs in India amounting to INR 0.25 million (US$ 3,450). At the national level, the proposed change would only benefit a very few groups which already qualified for much higher credit.

In the village with the well-functioning state SHGs however, the Panchayat[4] was allocated INR 4,00,000 (US$ 5,500) by the state government. This sum was to be shared between all 23 groups with over 300 members, yet loans ended up being issued to 12 women only, nine of whom were from the upper caste and middle castes. The three Dalit women chosen to receive the loans, amongst the 30 women of their caste who were SHG members, were those with assets. Other Dalit women were told that they were not eligible because they did *coolie*

[4] The village-level governing body.

(wage) work and did not have a *tholiyal* (enterprise), thus reinforcing the uneven provision of this very limited Covid-relief measure along class and caste lines.

Microfinance and moratorium

As mentioned earlier, the Reserve Bank of India (RBI) allowed a three-month moratorium on principal and interest payments for all pre-existing term loans, which was then extended for five-months, until the end of August 2020. MFIs were mandated to allow repayments to be delayed, without any impact on ratings by the Credit Information Bureau (RBI, 2020). This offered significant relief, albeit only temporarily.

Before the pandemic, women reported running helter-skelter on the day fixed for the monthly repayment of their MFI loan on a regular basis, as they struggled to borrow the sum they needed to pay the instalment due. They were used to loan officers sitting outside their house for hours. Before the pandemic, a common saying among women we spoke to was that loan officers would insist on repayment even in case of a death in the family: 'They collect their money over the corpse, saying 'first you pay this and then you cry'. When MFI activities in the villages completely ceased, women were relieved as they no longer had to face this constant pressure to repay. However, the disappearance of MFIs from the village also meant that they stopped issuing new loans, including emergency loans. This was partly in order to avert a liquidity crisis and was consistent with national and international accounts of the microfinance sector's response to the crisis. Between March and June, lending activity in India decreased by 96 per cent compared to the same quarter of the previous year. Activity then picked up again; between June and September, lending activity represented 43 per cent of the previous year's activity (Times of India, 2020).

Availing of the moratorium had serious long-term financial implications. MFIs were permitted to allow interest to accrue during this period and so the total interest they would pay could increase by 10 per cent of the loan value. While the collection of compound interest on the outstanding payments was permitted at first, it was then revoked but not until November 2020 (The Hindu, 2020). As a result, when loan officers returned to the villages in June 2020, they could legitimately threaten borrowers by suggesting they would be charged 'interest on the interest' if they did not repay. As borrowers could not easily know how much this would amount to, they became increasingly worried. The systematic attempts at coercing borrowers to make repayments despite the moratorium, and the charging of interest during the moratorium

period if payments were not made, are indicative of MFIs privileging their institutional interests over that of borrowers. The microfinance providers were in dire need of liquidity to remain solvent and maintain legitimacy to investors.

In addition to these coercive practices used by loan officers, some women reported facing pressure from other borrowing group members who sustained an income and were able to make payments during the moratorium. These co-borrowers were concerned that they would have to bear the cost of the delays and possible defaults of those who had been unable to make payments. The joint liability mechanism used by MFIs that devolves the work of extracting payments to women themselves thus continues to be effective even during a time of crisis.

Some borrowers organized collectively to refuse to repay and asserted their rights during the moratorium. Others decided to repay to avoid interest accrual and capitalization. Based on interviews with borrowers and loan officers as well as group discussions, a clear distinction between Dalit and non-Dalit borrowers emerged. Many non-Dalits decided to pay back, often by borrowing from other sources. As for Dalits, most were unable to secure additional credit without having to agree to excessively high interest. Consequently, they decided to wait and hope that the MFI interest would be lower than the alternatives.[5]

When microfinance providers started to lend again, borrowing conditions had tightened, even for customers who had previously proved their creditworthiness. Coming back to the case of Veena Mary, one of her microfinance providers now required a bi-weekly repayment for any new loans, which she could not afford. According to her, this technique was used to better manage risk and discourage borrowers whom they anticipated were likely to face difficulties due to rising income insecurity. At the same time, even those eligible for new loans were wary of borrowing from MFIs when income in the immediate future remained uncertain.

This uneven breakdown of microfinance stretched well beyond the moratorium as the economy remained stalled. Anticipating, and perhaps already responding to, aggressive debt collection practices by some of its members, the Microfinance Institutions Network (MFIN) reiterated the importance of 'fair interactions with borrowers' as part of its post-moratorium guidelines (Economic Times, 2020). Yet, as stated previously, when the moratorium ended many loan officers demanded repayments en masse and intensified their use of the pre-pandemic coercive

[5] In our interviews, data on microcredit repayment are available for 31 households: almost all non-Dalits have repaid at least part of their microcredit (10 out of 11) while most Dalits have not (17 out of 21).

practices to enforce the non-negotiability of delays. Most women either pawned their own gold ornaments or borrowed elsewhere to repay. Among the few privileged who were able to repay without pledging property were mainly non-Dalits as well as a few wealthy Dalits. One-third of borrowers we spoke to continued to default on at least some monthly payments after the moratorium. They borrowed to make payments some months and missed others saying they simply could not pay. For instance, Parvati, a Dalit woman from the colony in Pudur who had missed one instalment, said, 'I told them to charge as much interest on this as they wanted, and I will pay it later. I have no money at all now.'

Those who defaulted consistently reported 'torture' from loan officers, with instances of officers going to women's worksites and shouting at them in the presence of their employers. One woman said that a loan officer threatened to call everyone in the village and humiliate her in front of them. Another woman reported having received a call from a loan officer telling her that her house would be seized if she did not repay. The strategy that proved most effective in securing returns, however, turned out to be the linking of loans to the credit bureau. For example, one loan officer told one of our participants: 'Fine, don't pay us, but remember you won't be able to get a loan from a single other source.' In India, all formal lenders – including MFIs but also banks and gold loan companies – use biometric details to check credit histories and would not issue new loans to people with a listed overdue payment. Women are very much aware of this. Vanitha from the small middle caste hamlet in Pudur said : 'If we want to organize a protest in our village we only need five minutes, but if we don't repay this then we'll never be eligible for any loans in the future.'

Over time, MFIs found new ways of ensuring loan recovery and resuming lending by introducing a refinancing option. They started issuing small top-up loans, most of which would be used to clear past outstanding payments to be then repaid in full on a new schedule. For borrowers, this meant that their negative credit ratings could be reversed, allowing them to access credit from other sources. This further pledging of future incomes constituted one of their only options to 'buy time'.

SOCIAL AND RELATIONAL INFRASTRUCTURE AS GENERATIVE?

The uneven breakdown of financial inclusion infrastructure during Covid-19 revealed the relative resilience of social infrastructures underlying them. While almost all informal borrowing and lending, including ceremonial debt, also came to a standstill immediately at the

start of the lockdown, these other circuits re-activated much more quickly. We contend that such informal social relations can certainly be 'generative', and so too can the debts which arise from them. Yet the crisis also conjured up the unevenness of debt relations and the asymmetry of positions between creditors and debtors. Among the most vulnerable were not only those with few or no assets or streams of income, but also those with limited or exhausted social networks, as well as those who had just married-off their children, especially their daughters. We argue that the generative nature of the social infrastructure remains, therefore, ambivalent and in constant need of (re)negotiation.

Informal lending

In the early days of the lockdown the breakdown of reciprocal exchanges for low or no interest was most pronounced for the marginalized. As peer solidarity drastically tightened within ever smaller circles, hierarchical solidarity was often the only option. We heard repeatedly that 'corona closes the doors', not only to preserve social distancing but also because circuits of mutual aid and credit - the cement of local sociability and economy - were seriously weakened. While an extension of networks could be observed during demonetization, the Covid-19 crisis led to the opposite reaction.[6] For those who relied on daily wage to meet their subsistence needs, the lack of employment meant that they sometimes simply had nothing in-hand to lend. As the brick kiln migrant worker, Elangovan, told us: 'It is not even possible to see money with our eyes'. Anxiety about the future also constricted relationships; lending to those with no assets and whose ability to sell their future labour had become very uncertain proved too risky. Most villagers recounted a climate of permanent suspicion, especially at the beginning of the lockdown. Even good friends avoided each other, so as not to be solicited and embarrassed to refuse. Those who had the reputation of being rich 'quarantined themselves' to avoid the virus and unwanted solicitations.

This narrowing down of relationships was expressed in numerous ways. Some women confessed to immediately eating what they had cooked because, as one participant said, 'it's harder to refuse to share a meal than it is to refuse unprepared food'. Some people stopped going out altogether. Although mutual help between distant relatives and friends broke down, it is worth nothing that reciprocal exchanges via strong ties (among close kins, friends or even co-workers) continued. This was for instance the case for Arun, a young Dalit man,

[6] Demonetization refers to the government's attempt to formalise the economy by banning the 500- and 1,000-rupee banknotes, the two highest value in circulation.

whose sister pawned her gold so that he could look after his baby. Among young men and women sharing a workplace, interest-free loans were also frequent. Sarada for instance lent to her co-worker at school, borrowing from her mother who lives in Bangalore. Conversely, the intensity of need and desperation also led to attempts to capture and steal from loved ones. This was the case of Sudha who admitted having taken her niece's anklets during a visit in order to pawn them.

As cash became scarce, the cost of collateral-free borrowing from local moneylenders, most often from middle and high caste local elite, sometimes from wealthy Dalits, increased drastically in all the studied villages. While monthly interest rates for informal sources rarely exceeded 5 per cent prior to the pandemic, they reached 10 or even 15 per cent at times during the crisis. For many households without assets, survival was only possible through these very expensive informal credit channels, which continued to be available when microfinance was absent. More than half of the households we met had to pledge assets or sell them directly. Gold, which normally plays the role of a quasi-currency, was often what people pledged first, before title deeds, vehicles, or even insurance savings account. Families who had nothing to pledge sold trees, livestock as well as household equipment.

The scale of the crisis led some to accept unprecedented arrangements. For instance, Baladasan, a young Dalit, had to pledge his motorbike for a few days to a Reddiyar (high caste) trader for a credit of INR 1,000 (around US$ 14) in order to buy food. Virtually strangled by funeral expenses which occurred during the lockdown, he successively had to pawn his motorized vehicle, then sold part of his livestock to recover his vehicle, which he eventually lost. Importantly, while a number of villagers were gradually losing all their assets, others could still leave theirs untouched. For example, one Naidu (high caste) woman continued to receive her salary (INR 4,000 or US$ 55 monthly) as a kindergarten assistant in a government school. She also knew that, if needed, she could count on her brothers who are engineers in Bangalore. When asked in June if she had pledged her gold, she asked: ‘Who would pledge gold when there are no agricultural expenses?’ The idea that others might need to pawn their gold for food did not seem to cross her mind.

Ceremonial exchanges

Beyond informal debts, the resumption of ceremonies, combined with the insistence on compliance with a structured and rigid gifting system, had contrasting effects. While it allowed

some to access liquidity on favourable terms during the pandemic, it also reinforced the precariousness of others. Alongside their social and symbolic significance, ceremonies constitute significant financial matters. Ceremonial gifts are accurately accounted for; hosts of ceremonies keep notebooks in which they list gifts received whereas guests check their own books before they attend celebrations in order to determine the value of the gift they need to give. Gifts made to others constitute savings while gifts that are received represent debts that have to be repaid in the future. Depending on their position in the life cycle and their number of daughters (the dowry represents an important part of ceremonial expenses), households are either creditors or debtors within the ceremonial chains of reciprocity (Guérin et al. 2019). As Elyachar (2005) argues, such social systems constitute key relational infrastructures which are reliant upon extensive and continued maintenance. Significant time is spent on organizing and attending events, consolidating the sum that needs to be gifted by the required date (including through debt), and determining the appropriateness of gifts one receives relative to what was owed by the giver.

Microfinance loans are deeply connected with ceremonial expenses. More than half of our survey respondents reported having taken the loans that they were repaying during the pandemic to finance their own ceremonies or to contribute to those of close relatives. During the early stages of lockdown, most ceremonies were cancelled, resulting in significant budget relief for many. As time passed and ceremonies could resume, people were left with complex calculations and trade-offs to make. Postponing a life-cycle ceremony meant delaying the recovery of capital disseminated in the form of gifts and carried the risk that the accumulated gifts in the past may never be returned. At the same time, organizing a ceremony soon after the lockdown could result in receiving relatively little compared to what had been gifted in the past. Those who decided to organize ceremonies did not hesitate to knock on doors to claim their due. This social infrastructure offered them a form of financial security that enabled them to control the temporal aspects of (lack of) credit access by calling back their savings. Conversely, ceremonies for those with large sums to repay worsened their precarious situations, forcing them to sell assets (especially gold) or go into further debt. Households who had recently held the marriage of their daughter, especially those that required assistance to contribute gold ornaments to dowries, were put in particularly difficult situations as they owed large debts to their kin. Yet, for many, stopping the chain of gifts and counter gifts, thus rupturing social relationships even temporarily, was inconceivable.

The obligation to gift also became an important reason for taking microfinance loans post-moratorium. For instance, two Dalit women – who, for months, reported being overwhelmed by loans they were unable to repay, stating they would not take any new ones – both applied for new loans in January 2021. Both had borrowed expensively – at 4 per cent per month and 0.5 per cent per day – and had already made gifts they owed. They were now struggling to secure cheaper credit to minimise interest payments to their current lenders. MFIs therefore became the best option.

The crisis further exposed the extent to which both the position in the life cycle and the quality of the social network constituted crucial factors determining participants' ability to navigate financial challenges (see also Guérin et al. 2019). In the context of a breakdown of access to formal finance, the social ties ingrained in ceremonial credit represented an undergirding infrastructure to remain part of, at all costs.

CONCLUSION

This article has explored the uneven impacts of the Covid-19 lockdown on microfinance borrowers in Tamil Nadu, India. We argue that understanding financial inclusion as political, social, relational and material *infrastructures* which are characterized and reproduced by everyday social relations allows us to demonstrate how the crisis has further exposed the limits of for-profit financial inclusion interventions. Despite massive efforts to build a financial inclusion infrastructure, the relational infrastructure - the myriad of informal exchanges, from daily debt to long-term ceremonial exchanges - remains the primary albeit uneven form of security and protection for informal workers. By prioritizing lending restrictions and loan repayments, the response of the microfinance industry to the crisis in the three study villages, and in India more broadly, revealed the exclusionary dimensions of such infrastructures. The drive to both reduce the impacts of the breakdown for microfinance institutions and maintain their capacity to extract revenues from/in the future came at the expense of debtors' livelihoods and survival strategies. What's more, relief schemes and programmes underpinning the financial inclusion infrastructures did not live up to their promises, with the distribution of emergency loans and digital social benefits proving to be highly selective, oriented by political concerns, demarcated along caste and class lines as well as, in some cases, sources of capture.

Our evidence also suggests that the uneven breakdown of financial inclusion infrastructures during Covid-19 has reinforced the significance of already-existing and circuits of exchange and forms of solidarity. The pawning of gold as well as reciprocal payments through life cycle events became particularly significant during and after the lockdown period, providing rare opportunities to access liquidity and repay microfinance loans. However, we have shed light on how the fragility of a debt-ridden economy is further exposed in times of crisis. Whether it is microcredit, informal debt or gifts/counter gifts, households are drowning in debt. While, in 'normal' times, some of these debts may represent a way to project oneself into the future, the crisis has brought to light the other side of debt, namely the imperatives of repayment. Ceremonial debts can cement social relations and generate relational value, yet the generative aspect of the latter is truly put to the test in times of crisis. Some social relations are strengthened, others fall apart. More importantly, such social and relational infrastructures of finance are also imbued with power asymmetries, with caste, class and gender all (re)shaping ties between debtors and creditors. The breakdown of existing support systems and sources of income can re/produce social hierarchies through informal lending and gift exchange.

At the time of writing, the possibility of a massive payment default cannot be excluded. Whether the Indian microfinance industry has withstood the crisis, and the extent to which the cost of it will be borne by borrowers, remains to be seen. Above all, the Covid-19 crisis and the subsequent lockdown have highlighted the extent to which not more financial inclusion but rather more social protection is urgently required for the working poor in India.

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ABOUT THE AUTHORS

Isabelle Guérin, PhD, is a socioeconomist, Senior Research Fellow at the French Institute of Research for Sustainable Development (IRD), associate at the French Institute of Pondicherry. Her current work looks at how financialization engenders new forms of inequalities and domination, but also alternative and solidarity-based initiatives. Financialization is analyzed through the perspective of debt, which is a powerful prism for analysing all of the social interdependencies that enable the social reproduction of a given society. Her work draws most often from her own field-based original data, combines ethnography and statistical analyses and is interdisciplinary and comparative in nature. isabelle.guerin@ird.fr

Vincent Guermond is a postdoctoral researcher at Royal Holloway, University of London. His research and teaching interests are in the areas of the geographies of debt and finance, migration and development, social reproduction, and the economic geographies of marketisation. He has published in a range of journals including Geoforum, Environment and Planning A, World

Development, and Development and Change. His new book Remittances and Financial Inclusion: Contested Geographies of Marketisation in Senegal and Ghana is forthcoming with Routledge. vincent.guermond@rhul.ac.uk

Dr Nithya Natarajan is a Lecturer in International Development at King's College, London. Her work explores processes of rural transition in south India and Cambodia, with a focus on the impacts of climate and environmental change among precarious populations, gendered dynamics of precarity, and the role of debt-taking. Dr Natarajan has published widely in the fields of development studies and geography. Her most recent work is a co-edited book entitled Climate Change in the Global Workplace: Labour, Adaptation, Resistance (Routledge, 2021). nithya.natarajan@kcl.ac.uk

Nithya Joseph holds a PhD in the Socioeconomics of Development from EHESS, Paris. She is currently a postdoctoral researcher at the French Institute Pondicherry, working on the GCRF-funded project 'Depleted by debt? Focusing a gendered lens on climate, credit, and nutrition in trans-local Cambodia and South India'. In this role, she carried out longitudinal phone-based and in-person interviews on the impact of the Covid-19 pandemic, studying debt transactions of households in rural Tamil Nadu over the year following its onset. She hopes this research will inform discussion on transforming financial inclusion infrastructures to protect vulnerable households in times of crisis. nithya.joseph@ifpindia.org

Venkatasubramanian GOVINDAN holds a PhD in Sociology from the University of Pondicherry, India. He works as a sociologist in the Department of Social Sciences at the French Institute of Pondicherry (India). Over the last 25 years, he has been working on a large range of issues in the fields of rural geography, rural–urban linkages, migration, livelihood, labour, finance, environment, gender and caste relations. He has published numerous articles and book chapters and plays a key role as an interface between the research world, civil society and decision-makers. venkat@ifpindia.org