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Capital & Class 2011 35: 189

DOI: 10.1177/0309816811402646

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Capital & Class
35(2) 189–212
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DOI: 10.1177/0309816811402646
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Abstract

Our paper explores how poor rural households in India are increasingly accumulating debt through micro-finance initiatives channelled through local self-help groups (SHGs). The aim of micro-finance and SHGs is to provide a cheap source of capital for investment in self-sustaining economic practices – typified by the Velugu programme. However, the reality of micro-finance has been more complicated. It has created a class- and caste-related debt-dependency and vulnerability whilst also channelling poor households, and women in particular, into subordinate areas of the economy, which ultimately serve to maintain fundamental inequalities in Indian society. The initiatives may, in addition, be viewed as aspects of broader processes of financialisation.

Keywords

micro-finance, debt-dependence, financialisation, India, self-help groups

[O]ne can deduce the importance of the 'cultural aspect', even in practical (collective) activity. An historical act can only be performed by 'collective' man, and this presupposes the attainment of a 'cultural-social' unity through which a multiplicity of dispersed wills, with heterogeneous aims, are welded together with a single aim, on the basis of an equal and common conception of the

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world, both general and particular, operating in transitory bursts (in emotional ways) or permanently, where the intellectual base is so well rooted, assimilated, and experienced that it becomes passion. (Gramsci, 1971: 349)

Introduction

When one returns from abstraction to real-world contexts, one confronts a messy interconnection of causal processes. This is particularly so in periods and locations undergoing significant change. It is widely acknowledged that India, as one of the BRIC economies, is undergoing rapid urban transformations that are subject to global and local forces. There have also been a number of changes in the conditions of the rural poor. Bonded labour still occurs that ties the very poorest, often of Dalit or 'scheduled castes' (SC), to long-term farming servitude on another's land; but the traditional labour relations of the very poorest have diversified.¹ Poor rural households now undertake a range of activities (Harriss-White, 2003; Brass, 2008; Breman et al., 2009).² Migrant work, often in construction or regional industries and particularly amongst males, has grown. Remittances by migrants and new attitudes amongst landlords to how they might use their land and capital have begun to change local land and labour relations. The growing problem of periodic flood and drought in some regions has also produced change (Bosher et al., 2007). With change have come new issues of social and economic mobility. In keeping with many processes that weave global, national and local threads, new circumstances have created both positive and negative aspects: opportunity, but also insecurity. The combination of micro-finance implemented through forms of initiatives between the state and different kinds of banks – state-backed, commercial, cooperatives – and self-help groups (SHG), which administer local pools of capital for small loans, provides one such example (Morduch, 1999; Karmaker, 2005 & 2008; Srinivasan, 2009).

Rural women in particular have been prime movers and beneficiaries of SHGs. Though various problems have been highlighted, the SHGs are widely considered to be a source of solidarity and of empowerment (Meenai, 2005, 2006). Often it is the household that ultimately holds any debt, but the women who administer it. Debt has been used in a number of different ways (e.g. Collins et al., 2009). Its use often goes beyond the original intentions of micro-finance, ranging from short-term urgent medical needs (often related to injuries or illness suffered by migrant workers), to specific investments, either directly in (usually tenant) farming or in small business activities that can be undertaken from the home. The use of this debt by the poor *can* be conceived of as 'rational' in the pursuit of development and survival strategies that are responding to new circumstances and opportunities. In this context, micro-finance in general and SHGs in particular are a preferred alternative to the usury of traditional local money-lenders. The terms and conditions are better, the lending more flexible, and, if the borrower experiences difficulty, the SHG, of which the borrower is also a member, is also liable to be more patient and understanding as a collective. Importantly, however, our research indicates that the accumulation of debt is not just a straight decision regarding investment in development and survival strategies. It is not purely rational in the discredited sense of the term used by mainstream economists. It is rather a more complex rationale.

Poor households can be both channelled and seduced into taking on levels of debt that are dangerous. This danger occurs in a variety of ways. Often the debt is invested in small business or employment activities that can be undertaken from home by women as part of or in addition to farming and other domestic labour duties that they are increasingly undertaking as men engage in temporary migrant work. This is in many respects a self-limiting form of activity for women. It is a new response to old gender constraints. This is because it focuses women on a narrow range of investment possibilities. As such, the focus tends to be on mainly low-skilled work at the bottom end of supply chains. This can produce contradictory effects. Many projects focus on integrating women into economic decision-making in a market environment. This tends to be restricted to representatives from collectives. At the same time, the positioning of the majority of women working in informal ways reinforces rural women's restricted role in the public sphere and women's exclusion from employment in the formal economy. This in turn produces further contradictory effects in terms of empowerment initiatives. Disadvantaged women are formally encouraged into varieties of education and training, but also face a further resistance based on actual need within time constraints.

Ultimately, debt can produce a gender-initiated economic vulnerability for poor rural households, irrespective of whether the work is wage-based or a genuine small business (Johnson, 2005).³ Here, self-limiting is also a form of channelling. This is because the narrow experience pool of the SHG and available investment opportunities set out at higher levels in a micro-finance project can mean the use of debt by the rural poor is focused in common ways. The very success of SHGs then tends to individually replicate the same activities. This is especially a problem where the invested activity is itself not fully collectivised and risk remains with the individual (and their household). Individuation creates both competition and a fallacy of composition, where the many doing what the few had previously done undermines the viability of the activity. The net result is that the original debt becomes more difficult to service. This, in turn, is exacerbated by an additional dimension of the SHGs. In so far as SHGs are a form of empowerment, they are also a signal of status. The act of participation can also be a form of seduction, in which members take on levels of debt that seem highly risky irrespective of subsequently emerging issues of channelling. For the economically vulnerable, the 'hybridity of debt', i.e. the multiple sources and reasons for taking it on, including to meet unexpected events, can produce sudden adverse consequences.

We describe this complex of issues as aspiration problems. Their concrete expression exhibits numerous varying forms. In the following paper, we discuss ongoing field research from two villages in the western Chittoor District in the state of Andhra Pradesh, in south India,⁴ carried out by ourselves and by our colleagues. We set out the general rise in micro-finance, participation in SHGs, and the rise in debt levels. We then look specifically at the rise in cow ownership. Cow ownership provides an excellent example of aspiration problems. It is an important form of survival-strategy investment in the local rural context. But it is also subject to channelling pressures creating a fallacy of composition, and *can also* be linked to members' undertaking highly risky levels of debt based on status issues. We argue that investment in cow ownership within the context of a complex of aspiration problems has created new problems of economic vulnerability and downward mobility for some, even though it arises from poverty alleviation initiatives.

In a final section, we also argue that the form and limits of development policy have been oxygenated by neoliberalism. Development policy and micro-finance initiatives have become a narrow solution to problems produced and perpetuated by the broader system. Our research indicates that complexes of aspiration problems must be accounted for if locally focused poverty alleviation projects are to be fully effective. One cannot ignore the socio-economic hybridity of debt use. We present our own work as contributing to constructive critical understandings of micro-finance and SHGs within socio-cultural economics (e.g. Mahmud, 2003; Geurin, 2006; Bhukuth et al., 2007).⁵

Micro-finance and self-help groups

Micro-finance is most prominently associated with the 2005 Nobel Prize winner, Muhammad Yunus. Yunus set up the Grameen Bank in Bangladesh following the famine of 1974. Yunus's main innovation was to offer low-interest-rate loans to those with no collateral to meet the need for small investments in farm and business capital. On a standard banking model, the sums involved would be insignificant (but administratively costly) and those in receipt of the loans would be deemed a poor credit risk. Yunus's model, however, reconceptualised small-scale socially responsible lending as a 'win-win' scenario. It combined development goals and profit. It gave the poor access to renewable lines of credit and freed them from usury, enabling them to plan effectively for the future as well as respond to unforeseen circumstances. The model was adopted by the World Bank and supported by James Wolfensohn.⁶ It has become the basis for numerous local community-based development programmes in countries as different as the USA and Bolivia. As it has spread, the basic model of micro-finance has diversified. For example, some initiatives also offer other financial services such as forms of insurance; in some cases, collateral can be required; and the size of loans can vary significantly. However, core features remain. Most programmes involve a multi-party relationship between a designated bank, the state and a local community group, often augmented by a global organisation such as the World Bank. The state and the global organisation provide a broad development goal (a micro-finance project), oversight, additional capital and/or subsidies to the system. The local community group functions as an intermediary that provides a collective contract with the bank.

The contract has served three functions. First, the collective is deemed to provide local discipline to repay in the absence of collateral, e.g. through the collective risk of the loss of access to credit. Second, local knowledge weeds out potential borrowers who are genuine credit risks. Third, local experience provides a pool of expertise for investment advice (within the broad remit of the goals set in the project). These local community groups have become a more varied collection of self-help groups (SHGs). Often, because of issues of literacy and problems of record keeping, they are initiated and supported by NGOs. The purpose and remit of the NGO can, as with the form of the micro-finance project itself, then impact on the SHG. Many SHGs have also become conduits for savings programmes as well as lending. It was initially thought that the very poor who lacked collateral would also be unable to save. However, micro-finance organisations now cover a wider variety of degrees of poverty. It also emerged that even the very poor could sometimes save and would be motivated to do so if they had confidence in the system. A track record of small-scale saving has often become a measure for members in

SHGs in order to establish their credentials as recipients of micro-finance. It indicates reliability and commitment, and can then be a potential source of collateral, though the original model did not require this. Small-scale saving through SHGs is a typical practice in the villages in Andhra Pradesh discussed hereafter.⁷

Micro-finance and self-help groups in India

The most prominent SHG micro-finance project within rural India is part of the Indira Kranti Patham programme.⁸ Formerly called Velugu, this is a World Bank sponsored movement focusing specifically on the empowerment of women, initiated in 2000. Velugu, in turn, grew out of the Indian government programme Development for Women and Children in Rural Areas (DWCRA). DWCRA began in 1982-83 as a gendered offshoot of the National Integrated Rural Development Program of 1979 (Deshmukh-Ranadive, 2004). Under the Rural Development Program, the central bank, the Reserve Bank of India, initiated the creation of an 'apex bank' to facilitate the integration of rural investment and lending. This apex bank was called The National Apex Bank for Agriculture and Rural Development (NABARD). NABARD became a key institution for the orchestration of future diverse forms and origins of credit provision in rural India, and also a main source of data on lending levels. The 1979 programme was also the first attempt to use SHGs in India. The first SHGs in DWCRA stipulated that each should contain a minimum of 25 members from the same socioeconomic background who wanted to undertake a similar economic activity. Eligible SHGs received a grant of 15,000 rupees funded by UNICEF, the state and the national government. This formed the basis of smaller periodic loans to members. Repayments then created a 'revolving' lending facility.

Initial DWCRA group sizes were large for rural village contexts, whilst total loan funds were small. The requirement for a similar socioeconomic background and for a common economic activity to be focused on also proved problematic (for the range of problems, see Tripathi and Tiwari, 1999: 25-30). As a result, the criteria for DWCRA SHGs were altered through 1993-95, and their current form began to emerge. The changes were also in accordance with a shift in focus in the eighth national Five-Year Plan (1992-1997) from more narrowly defined economic development towards empowerment as a means to create sustainable development (Sreelakshamma, 2005: 284). Group sizes reduced, typically to 10-15 members; initial grant sizes increased to 25,000 rupees; socioeconomic backgrounds became more diverse (essentially meaning that a broader base of castes could be in the same SHG); and the stipulation of a common economic activity was dropped. Instead, the groups were organised on the basis of a common savings or thrift organisation focus that then became part of the basis for revolving lending. These changes were combined with a growing profile for DWCRA based on the role members played in the widely reported 1993 Total Literacy Campaign⁹ and the anti-arrack (anti-alcohol abuse) movement (Ramalakshmi, 2001).

In the eighth Five-Year Plan, NABARD identified SHG use of possible micro-finance sources as being 'underdeveloped', and from 1992 it began to specifically promote more extensive links between SHGs, and a more diverse set of formal credit sources based on access to mainstream bank institutions. SHG accounts were now also

placed in commercial banks. This became the SHG-Bank Linkage Program. An SHG demonstrates its credit worthiness through consistent saving and through its use of state-based revolving funds, and thereby becomes increasingly eligible for the extension of further credit from the bank. The total potential credit available to the SHG was thereby greatly increased. This potential, however, only began to be extensively utilised when the World Bank became involved through the Velugu/Indira Kranthi programme (Deshmukh-Ranadive, 2004: 9; Ghate, 2006).

World Bank lending is provided through its International Development Association (IDA). The state of Andhra Pradesh became a particular focus for Velugu, and has resulted in the state's containing more SHGs than any other. By the end of 2007, Andhra Pradesh had over 630,000 SHGs (Rao et al., 2007).¹⁰ In the same year, the total for the whole of India was 2.7 million (NABARD, 2008). Between 2000 and 2009, the IDA provided US\$350 million in lending to SHGs in Andhra Pradesh. SHGs have leveraged this lending up to four times from commercial banks, creating over US\$1 billion in additional credit availability. Not unexpectedly, therefore, the state has had the highest ratio of SHG loans to population in India (NABARD, 2008).

Under the broad empowerment aims of Velugu, affiliated SHGs are integrated into a specific organisational model. The model has two aspects. First, there is an institutional structure that combines credit creation and oversight functions with the targeted social goals of empowerment. Each local SHG of 10-15 members is federated into a group of SHGs at village level – the village organisation (VO). The VOs are in turn federated into sub-district or 'mandal' organisations. These usually have an office in the local town with a small staff providing services that require accountancy and literacy skills – administration, book-keeping/auditing. They also provide some training and education services. Through Velugu, these latter services can be broad, including health awareness, immunisation services, access to safe cooking fuels, etc. The mandal organisations also provide a link between the VO, the SHG and the formal banking sector in keeping with the SHG-Bank Linkage Program. Typically, specific banks develop relations with particular VOs and SHGs through the mandal organisation, and may 'adopt' a village, creating a micro-finance conduit. This conduit allows the IDA-derived lending to be further leveraged by the SHG. The mandal organisations are also federated into large district organisations, formalising the institutional structure of the SHGs at a scale where project strategy can be assessed and discussed with higher-level government officials and World Bank representatives.

Second, paralleling the institutional structure for credit creation and oversight is a supply-chain structure for poverty alleviation project investments undertaken by participating SHGs.¹¹ Through the mandal organisations, VOs and SHGs are encouraged to assess local conditions and create appropriate income-generating projects, whilst also identifying local infrastructure and convention problems, ranging from irrigation and water access to local transport to markets and market practices. SHGs provide a focus for low-interest-rate lending to women and their households. The credit is used to buy assets such as livestock, to lease additional land to cultivate marketable produce, or to invest in tools or start-up materials for small local craft businesses. In the ideal model, members aggregate their product, and representatives of these village enterprises drawn from the SHGs or mandal level representatives negotiate prices with buyers at market (ranging from actual markets to the next stage in a supply chain, such as a dairy). In principle,

participants are able to demand higher prices and immediate cash payment, and are able to avoid the added costs of middlemen, and avoid being individually cheated on weights, measures and scales for their produce (Rao et al., 2007). They are then, again, in principle, better able to repay initial loans to the SHG and avoid a cycle of recurring indebtedness to local moneylenders when requiring initial capital for investment and when waiting for payment for goods.

SHGs, then, have become a way by which greater access to credit has been extended into poor rural areas. They have been one way in which banks have extended their operations. They have been one way in which market forces and processes have been promulgated in rural India, based on the understanding that imperfect markets (distortions) are a prime way in which development is hampered. This has been done in accordance with the overall concept that there can be a convergence between market-based approaches to economy, sustainable development and broader socio-cultural goals of empowerment of the poor. This in turn has fitted both the vision of the Indian government set out in its periodic economic plans, and of global institutions such as the World Bank.¹²

Velugu and related development projects in Andhra Pradesh, for example, are specifically rooted in the Washington Consensus adjustment that sought to link different forms of capital (see Fine, 2001: Ch. 8). SHGs are understood to create social capital by constructing new networks and institutions that in turn enhance the human capital of participants, which in their turn can, through the expression of market relations, be translated into economic capital. The net effect is deemed to be a bottom-up transformation of socio-economic relations. The reality, however, is more complex. The actual practices, constraints and problems experienced by poor households, particularly focused around the key lever of debt, bring into question whether poverty alleviation initiatives as currently conceived are as good as they might be.

Survival and debt-dependence: Rising cow ownership

The following insights and analysis derives from ongoing research findings in two villages in the Chittoor district of Andhra Pradesh. Related research has been conducted in the area since 1985 (Olsen, 1996) and has been focused on the two villages since 1994. The research has been qualitatively based, comprising questionnaires completed by a representative sample from each village followed by semi-structured interviews. Interviews were conducted in Telegu with local interpreters, and were then translated and transcribed into English. Each is accompanied by a set of field notes. Fully anonymised versions of the material are deposited with the ESRC QualiData Archive.¹³ The main periods of data collection were 1994-5 and 2006-7. There have also been additional follow-up visits by colleagues.

DWCRA and then Velugu originated SHGs have operated in the two villages since 1995. However, each village also contains a range of SHGs linked to different micro-finance initiatives supported by different NGOs. For example, one of the villages has an SHG supported by a Christian-based NGO that parallels Velugu's aims and functions, but also has a faith aim. Both villages have also been adopted by banks. One has been adopted by the State Bank of India, and the other by a commercial bank. Each bank has

a field officer who liaises with SHGs at the village level. Debt can therefore be accessed from multiple sources: different SHGs, direct from banks, and through local moneylenders. Interest rates vary from as low as 1 per cent per month in micro-finance initiatives to 5 per cent per month from local moneylenders.¹⁴

Our first finding has been that the levels of debt have risen and the characteristics of that debt have altered over the period of research. From 1994 to 2007, total average debt per household increased from 13,000 rupees to 20,000 rupees. Within the increase, there was a significant increase in the use of formal debt, i.e. deriving from SHGs and banks.¹⁵ Higher social classes were taking on higher levels of formal debt, and lower social classes were increasingly able to access formal debt. The higher social classes consist of landlords who do not work any portion of their land, Ryot farmers who work land they own or lease sufficiently successfully to not engage in any casual labour, and some local salaried state employees. These classes tend to be of forward castes. By 2007, landlords averaged 89,000 rupees of debt, and Ryot households 30,000. Lower social classes include 'worker' farming households, usually leasing smallholdings, who also engage in local casual labour and migrant labour to produce a living income, and landless casual/migrant-labour households. These tend to be from scheduled castes (Dalits, etc.). By 2007, 'worker' farming households averaged 12,000 rupees in debt and workers 9,000.

We find that the introduction of SHGs and micro-finance has 'democratised' debt access. Moreover, it has meant that local moneylenders are no longer a first port of call for the poor. However, bearing in mind that SHGs have been in operation since the 1990s and formal bank adoption has been in operation for a decade, it is notable that the populous is not being weaned off debt dependence. Rather, the process is turning out quite differently. All social classes report multiple loans from a range of sources, and there is also a trend to continually renew debt. Even though the poor have smaller average debts than higher social classes, persistent and increasing debt are serious issues because lower social classes experience greater income insecurity and thus more immediate debt-servicing problems, despite now having access to lower-interest-rate sources. This has occurred despite development projects targeting the poor.

The local context is one of changes in farming opportunities. There has been an inter-generational fragmentation of land holdings, causing individual household acreages to fall from an average of 3.2 to 1.65.¹⁶ At the same time, longstanding declines in 'wetland' (land sustained by rainfall) and a recent run of seasonal droughts have affected the reliability of many local crops, and created problems of sustainable irrigation. These two factors have meant that cow ownership for milk production has become a common local solution by creating a new source for, or diversifying existing sources of, household income (as well as providing a subsistence food source). Lower yields and crop failure reduce the income generation from owned or leased land (that is already smaller in extent for all but the large landlords). Lower yields and crop failure also create unemployment for casualised rural labour, and thus directly affect lower social classes. Thus, although the DWCRA/Velugu SHGs actually reversed their organisational focus on a common economic activity in the early 1990s, the reality of local conditions and the existence of mechanisms to aggregate local production for market purposes effectively reproduce this commonality of activity. Local experience orients on cow ownership as a survival strategy, and as an aspirational aspect of development – asset-owning small business activity. Different SHGs support this solution, and when inquiries were made with

mandal-level organisations of different umbrella organisations, including Velugu, it was found that they too oriented on cow ownership strategies for this area of Chittoor. In this context, women have been encouraged to take on more debt and that debt has been channelled.

Cow ownership has increased across all households, but has notably increased among lower social classes. In visits between 1994 and 1996, only the most successful worker farming households could afford to own a cow. By 2007, 'worker' farming households, as a whole, averaged 2 cows and landless workers just under 1. A typical loan to purchase a single cow has been around 10,000 rupees (about £140), with the actual cow costing around 9,000 rupees. The debt and the form of investment have created a range of problems. Even if the milk product is later collectivised, the actual risk of cow ownership remains individualised.¹⁷ The woman within the household faces the opportunity cost of cow care, and the single household bears the financial burden. There is the possibility, realised in several cases we followed, that the cow(s) may not produce enough milk or may die. This possibility, as a variety of interviewees indicated, increases with the poverty of the family, since the capacity to provide grazing, additional fodder, adequate watering sites and any necessary medical care is reduced.

The opportunity cost and time burden on the woman is central. When engaged in cow care, a woman's time will tend to be split between that care and other obligations. The overall impact will be (even if an older child is given some of the care duties) greater calls on her time. A cow needs to be watered around three times a day, drinking around 50 litres of water in order to maximise its milk production. The cow needs to graze for most of the daylight hours, and is typically tethered, and periodically moved to avoid its straying into crops or other's land, dwellings, etc. Land nearest the various hamlets of the villages is heavily grazed. The flat commons near natural water sources are thus the main prized sites, particularly for the landless and land restricted. These are 1-2km away. Cow husbandry can consume around 8-12 hours a day, and grazing involves permissions that require perpetual complex negotiations.

Cow care means that casual paid labour is either reduced or foregone, depending on whether there are children old enough to take up some of the responsibility. The daily wage of poor Indian women is much lower than men's, but has been an extremely important element in total household earnings in Andhra Pradesh (Olsen and Mehta, 2006). In 2007, the maximum sum an adult woman could earn per day from local casual agricultural labour was 40 rupees, compared to 80 rupees for a man. Taking into account typical unemployment periods and days taken up with other necessary activities, a woman might work up to 15 days per month and a man 20. She might earn 600 rupees per month, and he 2000. A twenty-month, 10,000 rupee loan even at a low micro-finance interest rate of 1 per cent would require a repayment of 500 rupees per month or more. Given a local price for milk of 7 rupees per litre, a cow would have to consistently produce about 2.5 litres of milk a day during the period of repayment for the debt to be serviced. In actual fact, the period is more concentrated, since milk production only occurs during calving (though the calf is itself also an asset). The central point is that the risk is repeated for each cow, and is reliant on the safe term of pregnancy of the cow to facilitate milk production.

For a worker farming household with two cows, if both were bought simultaneously then debt servicing for the cow loan alone amounts to over a third of the possible combined

monthly income from casual labour, and far in excess of that of the woman of the household. The risk here, however, has clearly seemed one worth taking, since the longer-term effect of success is a greater net income when the loan is repaid, and a reduced reliance on casual labour. However, borrowing in order to invest in cow ownership is just one among a series of debts a household might accrue. Large loans for housing improvements and smaller loans for farming tools are also common. Our findings suggest that ongoing debt-dependence and the renewal of loans have become typical. Debt has become hybrid, and is used for multiple purposes from the short to the long term. This is being taken up from multiple sources.

Debt accrued for cow ownership, therefore, is part of a matrix of debt servicing obligations – a fine balancing act for those in the lowest social classes. New loans can be for the purpose of paying off uncompleted loans, and as such the positive benefits of cow ownership that might be realised when the debt is paid off can in many respects be consistently deferred. Furthermore, the income effect of cow ownership even if repayment is completed is not as clearly a positive effect for a landless worker household with one cow. And neither in the case of a worker farming household nor a landless worker household does the potential for success of the survival strategy fully capture the reality of the situation. The time burden of care remains a constraint. This is important for lower social class households, because they report a far greater incidence of illness and injury. When the man of the household is incapacitated (a frequently reported situation for casual manual labourers and migrant construction workers), cow care becomes less of a net gain to the household and more of a source of vulnerability, because it restricts the ability of those on marginal incomes to respond. New debts are often produced at this point: households either use SHG micro-finance access in ways for which it was not initially designed (healthcare or simple income subsidy), or turn to local moneylenders. One problem is that household choices are restricted by the ownership of the cow. Milk production cannot be increased. Milk income is potentially more stable and lucrative *under best possible conditions* than casual labour, but these conditions are least likely for the poorest, since they cannot rely on their own water and land resources. The existence of the cow prevents additional casual labour.

Moreover, the institutional basis of milk production remains extremely loose at the village level. This again raises the issue that risk remains individualised with the household, and that this is more burdensome for the poorest. Cow owners have a choice between two outlets for their milk. They can sell it locally to a series of wealthier families who will consume it, or they can transport it or arrange to have it transported to a central collection point. The central collection point is at the mandal headquarters several kilometres away. Local sales cut out transport costs, which would ultimately be borne by the household. Use of the central collection point ties the household into a guaranteed outlet for their product and the benefits of group representation via integration into a cooperative that acts on behalf of participants. This also has the benefit of guaranteed 'procurement prices'. Yet the risk of purchasing the cow and maintaining a viable production of milk, in order to be able to benefit from the cooperative that then functions from the mandal level, remains individual. From the point of view of the risk of the individual household, milk production is aggregated rather than genuinely collectivised.

A fallacy of composition: Market activity and environmental pressures

It is important to also account for the longer-term effects of a fallacy of composition in terms of dominant market relations. Early criticisms of DWCRA-based SHGs noted that a common economic focus could be counterproductive. Yet the limitations of local experience in choosing survival strategies and the limitations of the focus on forms of collectivised market activity through VOs and mandal-level organisations have recreated this common economic focus. Having an organised focus creates potential market power further up supply chains, and this is a potential benefit. But it is only so if production is locally sustainable and if the effects of a net increase in supply further up the supply chain do not offset any increase in market power from the bottom. Representatives of local milk producers may well be able to demand immediate payments, fair measures and higher prices. The latter, however, is the least certain in a long-term sense, since the system is *marketised*. As milk production increases, the long-term effect of greater production may well be relative falling prices. Even if over-supply does not become an issue, market relations may always allow that private oligopoly captures the retail end of markets, enabling the growth of procurement prices to be suppressed over time even when end prices rise. Notably, state measures of procurement prices indicate that they rose by 15 per cent between 2004 and 2006 (Rao et al., 2007: 5). Thereafter, however, procurement prices have been relatively stable despite sharp rises in urban retail prices for all dairy products, as basic food commodity inflation has occurred across India since 2007.

The fallacy of composition also has a more general sense in addition to its roots in marketised relations. One of the reasons for the turn to cow ownership has been the fragmentation of local landholdings and local environmental problems, particularly the increasing incidence of drought. These also affect cow husbandry. Furthermore, they do so in more intense ways as cow ownership increases because milk production is, in most instances, in addition to continued land use for arable farming. As such, the competition for resources for cow husbandry is increasing, and again this affects lower social classes (and castes) more. In a sub-study from 1994–2007, the research finds that households with less access to wetland and irrigated farmland have a far greater incidence of downward mobility in social class than those who begin in the higher social classes such as Ryot.¹⁸ Thus, the investment in cow ownership is not only an initial greater risk for lower social classes in terms of their own income generating potential related to ongoing debt servicing, but it is also one in which the risk is increasing precisely because this survival strategy has been spreading – not least because it falls under the remit of the development goals of micro-finance projects. The net effect is that the debt vulnerability of the poor then also increases. Household 90 from our research, a poor landless worker Dalit caste household (precisely the group most targeted by development policy aims) illustrates the worse-case scenario:

One time I received 4,000 rupees [from the SHG] and I used it for family expenditures. The second time I received 5,000 rupees, and in addition to that I borrowed 5,000 rupees from a private money lender. [I] bought one cow by expending a total of 10,000 rupees. We were repaying the amount by selling milk. We paid all the 5,000 rupees to the private money lender, but we are [still] repaying the DWCRA amount. [Because of illness] we sold our cow [but must still repay the loan].

Aspiration problems and debt dependence

Both the SHGs as collectives and the women as individuals are aware of the emerging problems. Two initial questions then arise. First, why do the women of the two villages continue to adopt a survival strategy and development strategy based on cow ownership? The simple answer is that in terms of the alternatives, the strategy seems rational. But that rationality is not a contextless optimisation procedure as understood in mainstream economic theory. The decision is circumscribed. It is a rationale rooted in the lived conditions of the area. The long-term trends of the area are towards land fragmentation and increased environmental vulnerability for farming. Cow ownership is the 'least worst' solution in the current circumstances and based on the local experience of SHG members. Moreover, as a solution it is not just a calculative form of pragmatics. Cow ownership can be viewed as both a survival strategy and a more seductive form of socio-cultural expression of aspiration.

This socio-cultural expression of aspiration has several dynamics. First, as several interviewees noted, successful cow ownership was an alternative to insecure casual labour. This is not just a potential income effect, but also a status effect.¹⁹ It allows the woman to refuse socially inferior *kuulie* activity, and in so doing take on some of the attributes and status of a higher capital owning element of the farming class. This is so even though the actual effect of cow ownership during the period in which loans must be repaid can be a relative fall in available income. Ownership in itself is a form of cultural capital, which leads to a second point: cow ownership is a quite specific form of cultural capital. The cow is sacred to Hindus: its meat is never eaten, its milk is revered, and its calf worshipped. The serving of sweetened, boiled colostrum curds (the first milk produced for the calf) to friends and family is a socially significant act. The capacity to engage in this practice is a source of prestige. This is particularly seductive for lower social classes and castes that have been mainly economically excluded from these practices in the past on the basis of ownership, and socially excluded on the basis of typical inter-class and caste relations. This issue of inter-class relations highlights a third dynamic of aspiration. DWCRA pioneered more socially extensive SHGs in which members of different social classes and castes could participate. For those of lower social classes and castes, therefore, SHGs are not just attractive on the basis of lower interest rates and more accommodating or flexible approaches to repayment. They are attractive as a means to gain status through association with higher social classes and castes. Higher social classes and castes, moreover, can find them attractive organisations on the basis that they do provide lower interest rate loans and accommodating terms and conditions (which in some SHGs has led to members representing themselves to mandal level representatives as less socially and economically successful than they actually are). For lower social class and caste members, participation in an SHG then creates status in various ways. It can be an opportunity to engage in interactions with forward castes, creating associations, for example, with individual Brahmin.²⁰ At the same time, the simple act of participation in an SHG for an economically and socially deprived woman creates a sense of empowerment and cultural capital through the act of participation.

The point we wish to draw here is that the answer to the question of why women take on what can be seen as highly vulnerable debt is that it is a highly constrained form of risk taking, a forced choice that is also a form of socio-cultural seduction. Here the debt

is both a means to an economic end and a means to a socio-cultural end. But the debt is also an end in itself, since the taking up of debt is a part of participation in the SHGs, which is also a desirable activity. This raises a second question: why do SHGs continue to extend loans to women and their households in ways that perpetuate debt dependence? This is more than an issue of the focus on cow ownership. It is a broader matter of the real mechanics of SHGs. Central to the micro-finance and SHG link is the idea of a group contract that ensures that debts are repaid – creating a revolving lending facility and also an incentive for the bank to continue and extend the arrangement with the SHG (and the state development project). The mechanics of the system do not directly promote the short-term use of debt to liberate the poor from debt. Rather, the system tacitly promotes debt dependence by allowing SHGs to renew credit to members. SHGs actually have a vested interest in extending debt to repay debt in order to reduce default rates.²¹ Thus the reported figures of SHGs, which typically claim repayment rates at over 95 per cent, may well be a signal of the astonishing success of micro-finance initiatives, but they can come at a cost.²² That cost is debt-dependence and, as the example of cow ownership indicates, a class- and caste-related debt vulnerability. This can be partly hidden since the hybridity of debt creation means that women and their households can access debt from a variety of SHGs and other sources, and do so in ways that deviate from the stated intention of any development goal defining the SHG. But this can only be hidden in so far as the total level of debt can be serviced. Since debt levels have risen, the question must surely be asked whether the broad commitment to ‘development’ and *sustainable* development that is at the core of the SHG ethos is being fully met here.

‘Development’ with contradictory progress

Development and development economics are about more than micro-finance. But micro-finance does illustrate something about current dominant development thinking. As Chang (2010), for example, has consistently argued, it tends to create a constrained focus on bottom-up approaches. Those approaches are limited in their critique of the socioeconomic whole and tend to lead to a reasoning that sees transformations as the result of market-based micro changes rather than of broad plans to change the nature of an economy. Micro-finance lends itself to this approach.

The assumption is that micro-finance lending is facilitating grassroots economic activity that would otherwise be prevented. As such, it is contributing to income growth that will eventually see the need for debt-dependence wither away. But this, of course, returns the focus to the form of local economic solutions: in this case, cow ownership. As we have set out, this is a highly constrained choice with a number of problems. One can think of those problems narrowly from the point of view of adjusting the overall nexus or range of institutions in which micro-finance is embedded. This approach recognises the relative successes of micro-finance and SHGs. It seeks to rationalise its gains. Velugu, for example, supports the Community Investment Fund, which promotes health insurance to the poor. Velugu has sought to specifically address the emergence of specific local problems by encouraging the formation of Livelihood Enhancement Action Plans (LEAPs), which identify those problems and provide local solutions.

One might, therefore, make the argument that all that is needed is to ensure that LEAPs are adequate and that there is greater coordination between different SHGs,

NGOs, state initiatives etc. to ensure that problems are met.²³ In terms of a focus on cow ownership, one might push for a variety of institutional improvements. One might argue for mandatory cow insurance as a condition of the micro-credit line to the SHG and from the SHG to the household. One might argue for full collectivisation of milk production: extending any cooperative down into the village and to the household level. The woman of the household might become a formal employee of a milk union, fodder could be provided at subsidised rates, collection could become more efficient, and so forth.²⁴ LEAPS might result in some form of action plan that drew up a fair and equitable approach to access to grazing and watering land. These are modifications that would not in themselves reduce debt-dependence, but they would change risk and thus alter debt vulnerability based on forms of insecurity that affect the poor to a greater degree.

Problems, however, would still remain, and these indicate something important about the current nature of the development focus that orients micro-finance and SHGs. Here, one can reasonably answer the question of the degree of success of micro-finance and SHGs within the context of debt and development by asking a different kind of question: what does the current focus defer or marginalise? The first point to make here is that many of the general initiatives are about ameliorating the effects of insecurity amongst the poor, not about removing the ultimate sources of insecurity. It is because of periodic unemployment in local casualised labour markets, which are in turn based on poor terms and conditions, that cow ownership (or any other small business operation by the household) becomes a form of alternative or additional subsidising income source. There is a limit to what the state can do about local environmental change, but it could do far more about promoting the organisation of effective union representation and fully implemented employment law in order to address the context that makes cow ownership the 'least worst' solution for the poor. Similarly, the state could do more to address land fragmentation and land concentrations that have left the poor either landless or trying to eke out a living on smaller plots (see Agarwal, 1994, 2003). Both these approaches, however, require the acknowledgement of the existence of a conflict of social class (and caste) interests, and a commitment to national policies that genuinely confront interest on a local level. Such an approach to development accepts that some aspects of development are zero sum power conflicts, in which representing the poor means challenging the privileged. It means having a class analysis of economic problems. It means having a collectivised approach to labour, and not just to alternative production by labour. It means taking a critical approach to property relations. This is anathema to the idea of consensus development through enhanced market relations that is at the heart of current approaches promoted by organisations such as the World Bank.

One might, of course, make the counter-argument that the development of local economic activities will eventually transform local economic conditions. Social capital becomes human capital becomes economic capital. However, it is important to bear in mind, following Chang's point (and work by Harris-White), that what is being collectivised locally is petty commodity production of one kind or another. The real situation of the poor household and of the woman in particular is as a labourer in an isolated activity at the bottom end of supply chains. Few of the participants are actually required to be active in the market as negotiators, etc. The very nature of the work restricts the degree to which individual participants can engage in and then use any training in business

activity in market environments. The work retains most of the hallmarks of an informal economy, and perpetuates women and poor household exclusion from the formal economy and from fuller use of training and education with more opportunities in the emerging market capitalism of India²⁵ Without denigrating the real progress made on health awareness, immunisation, literacy of the young, etc., one might still question quite what kind of empowerment this economic dynamic is in practical terms. The social capital or networks may be real, but it is not clear that they translate into genuine expansions in human capital, even in the narrow terms by which that is understood by the World Bank approach (see Fine's critique, 2001). The economic capital, meanwhile, remains currently uncertain based on local conditions in terms of debt hybridity and debt vulnerability, and seems likely to be questionable in the long term because it is part of a process that perpetuates economic inequality for women and the poor even where it is relatively successful. At its best, the current approach fosters a kind of development that can create more secure forms of income and provide alternatives and subsidies to other kinds of work. But even here it does so in ways that seem to produce people whose direct access to the rest of the changing Indian economy will remain limited. As such, it may well contribute to social division and restricted social and economic mobility. The aspirations of the poor may not be met.

The Indian development focus within neoliberal capitalist development and 'financialisation'

A final point worth considering here, and one that cannot be ignored in the wake of the global financial and economic crisis, is that the development focus itself has a context and a history with a class dynamic. That context is the emergence of neoliberal capitalist development and its subsequent extension through financialisation. The form and limits of development policy have been oxygenated by neoliberalism and its associated financialisation. Indeed, development policy and micro-finance initiatives have become a narrow solution to problems produced and perpetuated by the broader economic system.

According to Harvey, 'neo-liberalization was from the very beginning a project to achieve the restoration of class power' (Harvey, 2005: 16). It was in the first instance a political project to restore or create the conditions for profitable capital accumulation by domestic and foreign capital, and to restore or create the power of economic elites based on the construction of a state (and supra-state) apparatus that articulated particular concepts of freedom, human well-being, progress and growth:

Neo-liberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices... if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture... In so far as Neo-liberalism values market exchange as 'an ethic in itself, capable of acting as a guide to all human action, and substituting for all previously held ethical beliefs', it emphasizes the significance of

contractual relations in the marketplace. It holds that social good will be maximized by maximizing the reach and frequency of market transactions, and it seeks to bring all human action into the domain of the market. (Harvey, 2005: 2-3)

The general consequences of the spread of this political project from the 1970s onwards are well documented. In the 1970s, neoliberalism (in conjunction with the resurgence of neoclassical economics and its variants) entered, and then in the 1980s came to dominate, mainstream economics, providing a formalistic and scientific expression of neoliberalism as ideology (Mirowski and Plehwe, 2009). This expression had found concrete form at the state level in the USA and UK and in other nodal geographies from which it spread. At the global level, it found concrete form in the emerging Washington Consensus and the shift to structural adjustment lending (SAL) through the World Bank (Harrigan et al., 1995).²⁶ SALs was one way, in conjunction with IMF and GATT/WTO policy orientations, in which the consensus began to discipline states across the world into neoliberal practices and policies: fiscal discipline or reduced welfare spending and reduced progressive taxation, weakened collective labour, a focus on shareholder value and profit indicators, free movement of capital, and the extension of markets to all aspects of life. This in turn lent itself to the facilitation of mobile corporate entities utilising local labour and resources in global supply chains. Simultaneously, it lent itself to the growth of the financial sector, since the volumes and uses of capital flows were greatly increased in interconnected markets and across numerous floating exchange rates.

The dominance of variants on efficient market theories within economics provided another point of facilitation here. Financialisation grew as a product of neoliberal ways of thinking, but also as a means to extend the profitability of its form of capitalism (see Epstein, [ed.] 2005). Narrowly understood, financialisation is:

A process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and outcomes. Financialisation transforms the functioning economic systems at both the macro and micro levels. Its principal impacts are to 1) elevate the significance of the finance sector relative to the real sector, 2) transfer income from the real sector to the finance sector and 3) increase income inequality and contribute to wage stagnation. (Palley, 2007: 3)

In so far as there are social effects from these changes, financialisation has also been described more broadly as an extension of the commodification of the human and forms of life: the family unit and the individual have also become financial units locked into the logics and pressures of the extension of debt-dependence and debt vulnerability through credit and the significance of consumption for both identity and economy (e.g. Martin, 2002). As Sassen (e.g. 2006) has argued, the social, spatial and personal effects of finance are multiple and ongoing.

As a 'developing country', India's experience of neoliberalism and financialisation has itself been multi-faceted. More than 70 per cent of the population of India is still rural, and as such rural areas are still basic to India's economy. However, the situation of the countryside has been transformed by neoliberalism and then by financialisation (Walker, 2008; Chadrsekhar, 2002). In the early 1990s, India experienced a balance of payments problem, and undertook 'structural adjustment measures' following IMF and World Bank conditionalities: devaluation, fiscal discipline, trade liberalisation, bank sector

deregulation, and privatisation (particularly in key utilities such as power). As such, it increasingly became subject to neoliberal disciplines, practices and policies. In 1995, India joined the WTO and began a period of rapid economic growth focused particularly on the service sector and notably business outsourcing services for large multinationals (call centres, legal services etc.). By 2006, services were generating more than 60 per cent of GDP.

The consequences of this growth, however, have been the emergence of a small but highly influential group of high-net-worth individuals (India has more than 50 billionaires) and a relatively small urban middle class, both with a disproportionate claim on India's policy orientation and resources. The working population of India is approximately 400 million. Less than 1.5 million work in business services, and only around 35 million work in the formal economy (including 21 million working for the state). A great deal of the capacity for growth has been underpinned by the growth of the informal economy and the mixed population of migrant and partially rural labour that service economic elites (Harris-White, 2003). One reason why this reserve labour exists is because of the impoverishment of the countryside. For example, the shift from state subsidies for fertilisers and the marketisation of fertiliser distribution in the early 1990s greatly increased the input costs of farming. In accordance with WTO tenets, trade protection measures were also then removed from a range of key agricultural products, causing the prices of many cash crops to fall and then fall precipitously in the late-1990s, particularly cotton and sugar.²⁷ The net result was then not just an increase in income inequality as a small privileged proportion of the population working in the formal economy experienced rapidly improving conditions, but also an actual impoverishment of the rural population – itself disaggregated along class and caste lines, since wealthier peasant groups have greater potential to respond to adverse conditions (though this is not new in itself: see Chakravarti, 2001).

The trend of growing access to credit but prolonged debt-dependence and debt-vulnerability found in the countryside is imbricated in these broader tendencies. The deregulation of banking in the 1990s forms a backdrop to the extension of NABARD to promote more extensive links between SHGs, and a more diverse set of formal credit sources based on access to mainstream bank institutions in the SHG-Bank Linkage Program. Financialisation is also the broader logic of consumption and desire that define the status symbolism of the economic elite and the unachievable aspirations of the poor. One might argue that the acritical stance of development that fails to adequately confront the basic problems of property relations and fundamental labour relations resides in a neoliberal rationale that speaks of beneficial markets, but reduces to the credo: you are responsible for everything we do to you. In this sense, development policy and micro-finance initiatives have become a narrow solution to problems produced and perpetuated by the broader system.²⁸

Conclusion

What we've argued here is that the growth of micro-finance and of SHGs in India has coincided with the growth in the levels of debt and the characteristics of debt in rural areas. More formal debt is available. Although interest rates are lower for that debt, debt does not tend to be a short-term commitment that is then paid off. Debt tends to be

renewed, and possibly expanded. This debt can be for multiple purposes and from multiple sources. One important use, promoted by SHGs, NGOs, and micro-finance development projects has been investment in small business and farming activities. In our research, that investment focused on cow ownership. The general purpose of such investment has been to create an alternative to insecure casualised labour. However, the choice to invest in this way through borrowing is not simply a rationally optimising decision. It is a more complex socioeconomic and cultural rationale. Investment via debt is channelled, creating a fallacy of composition. The real effect of that investment can be to create a class- and caste-related debt vulnerability. Analysing the nature of that vulnerability raises questions about the overall concept of development that structures the forms of investment undertaken. Whilst some aspects of the debt vulnerability can be addressed by better institutional arrangements at a local level and by fuller implementation of some aspects of current projects, the broader issue of what kind of development is being promoted remains. Here, one might conclude that issues of debt dependence and growing debt need to be analysed and addressed more thoroughly in the future to make fuller sense of the problems of hybrid debt for sustainable development.

Acknowledgements

This paper was originally presented at the International Conference on Microfinance as a Tool to Eradicate Poverty, University of Pondicherry, January 2008. The support of the Economic and Social Research Council (UK) is gratefully acknowledged. The work was part of the programme of the ESRC Global Poverty Research Group, grant number M571255001. Field research managed by Daniel Neff plays a central role in this paper. We gratefully acknowledge Daniel Neff's inputs of fieldwork time, data preparation, and expert commentary. We are also grateful to J. Rangaswamy, Vincent Ortet, D. Aktawala, K. Tejokiran and K. Sasikumar for their help in producing the original data set. Pseudonyms are used in the paper to protect the identities of the respondents.

Endnotes

1. In 1947, all caste discrimination was made illegal in India. However, caste remains – despite anti-discrimination legislation in 1955, 1976 and 1989 – a highly contentious term in Indian society, culture and politics. Here, we use the term to refer to research participants' caste self-classification. The traditional caste classification involves the separation of lineages into endogamous social groups, each with a traditional occupation. These groups, according to traditional Hindu norms, were ranked into a (Varna) hierarchy based on ritual purity (an upper and lower grouping). The castes with less 'clean' occupations were assigned a lower status ranking. Priests (Brahmins) and vegetarian castes were at the top. A third group (Dalits or 'broken people') ranked below these two, and were historically barred from the Hindu castes. Thousands of specific castes and sub-castes are located within each of the three main groups. The three groups are now referred to as 'forward castes' (FC), 'backward castes' (BC) and 'scheduled castes'/'scheduled tribes' (SC/ST), respectively. Dalits (SC) typically find themselves occupying a disadvantaged position in Indian society, and this is indicated by data provided by the Indian Government Planning Commission. The most recent data after 2000 indicates that Dalits are disadvantaged in every indicator. For example, more than 35% lived below the poverty line, compared to a general average of 21%. Note also that the use of the standard designations of caste in this paper is not intended to sanction the reification of the status hierarchy it connotes. SCs and 'scheduled tribes' constitute a combined 24% of the total Indian population.

2. There is a now longstanding debate in development studies as to how this change should be understood. The core focus is on the development of new relations across a more complex form of capitalism. Brass refers to those new relations as 'deproletarianisation', whilst Breman refers to it as 'neo-bondage'.
3. For an excellent summary of the issues created by new forms of gendered economic vulnerabilities in the context of measures of autonomy, see Watson 2009.
4. The villages are in Ramasamudram and Punganur mandals in the Chittoor district of Andhra Pradesh. Andhra Pradesh is the third largest state in India, and borders the Bay of Bengal. A mandal is an administrative section of a district (a sub-district). There are 22 districts in the state, and 1104 mandals in Andhra Pradesh. The total population of the state at the last census (2001) was 76 million (of India's total population of 1086 million). Andhra Pradesh is by some measures a relatively wealthy state, ranking fourth in India by GDP per capita. It is, however, one of the poorest by other measures within the state-level surveys carried out for the national Indian Government Five-Year Plan. It is a state with a large rural poor, and has long been designated by the Indian government as being in need of targeted development assistance. The ninth Five-Year Plan (1997-2002) survey found that 30% of the population lived on less than US\$1 per day, infant mortality was around 30%, and female literacy was around 30%. Around 10% of rural households are landless, and one third own less than one acre of land. Andhra Pradesh is strongly agriculturally-oriented and prone to cyclones, flooding and seasonal drought (Bosher et al., 2007). The Chittoor district is in the extreme south of the state. The total population at the last census was 3.7 million, of which 2.9 million, or 78%, were rural and mainly farming residents. Telugu is the predominant language. Hinduism is the dominant religion. The district headquarters are at Tirupati. Traditional crops include rice, groundnut, sugar and lentils. Cotton is grown further north. Other products of the region's agriculture include tobacco, goat-meat, milk, tomato, mangos, chillies and turmeric. The predominance of farming activity makes water security an important factor in everyday life. Official normal rainfall for the Chittoor District is 28 inches per year. Average rainfall in 2001-2006 was 27.5 inches. However, there are strong seasonal and local variations and also, due to increasing demands, a growing groundwater problem. The study area lies in the upland of the Deccan peninsula and rainfall can be as low as 8 to 12 days per year. Access to watering grounds for livestock and for irrigation for crops and fodder are central concerns, and these are issues related to caste, class and land in the two villages within the study area. Some villages are dominated by a single caste, but the caste composition of both the study villages was mixed. However, the proportion of scheduled caste (SC) is high compared to the state as a whole: Malas (an SC) constituted 26% of the population of one village and 24% of the other village, compared to a total SC proportion of 16% for the state as a whole.
5. As such, this work forms part of a broader network of studies, some of it discussed through a series of invitation workshops in 2009-10, organised by Isabelle Guérin at the Institute of Research for Development, Paris-I Sorbonne. Guerin is the project leader of 'Rural microfinance and employment: Do processes matter?', online at <www.rume-rural-microfinance.org>.
6. This was following the Washington micro-credit summit of 1997, which set the target of improving the conditions for 100 million people by 2005. The micro-credit summits are annual affairs – see <www.microcreditsummit.org>.
7. As a Basix Bank report (2009) on Andhra Pradesh states, 'The members of a savings and credit group (SCG) are usually neighbours, friends and fellow workers. Women in these groups may not be from the same caste/ community but they have the same socio-economic background. These groups also provide an opportunity for social interaction. The regular obligation to save may be no more than a 'glue' which brings the group together and holds

it together providing a base for other important activities. In some groups, their opportunities for profitable investment are limited due to lack of skills, markets and opportunities.'

8. Note that one can distinguish two main models for micro-finance and development based on the delivery network of the lending/investment. The first is the use of SHGs linked through formal national development projects (like Velegu), and the second is through micro-finance institutions (MFIs) only – see Ghate, 2006. Here, we do not maintain the formal separation between the two since in reality, delivery in rural contexts tends to be blurred between the two through the mix of local participants.
9. Young, literate, village-based volunteers were identified and each assigned 10 illiterates to mentor.
10. Note that although the increase in micro-finance and in SHGs is a significant trend, there is always the danger of over-exaggerating its overall impact over the last decade. 2005 data from the 2003 National Survey of Farmers indicates that of 55,700 farming households sampled, only 4.8% had a member in an SHG for India as a whole, though the figure for Andhra Pradesh was 18%, second only to the state of Kerala (NSSO, 2005: 11). The sample of course is restrictive since it looks at farming households only, rather than at a specific series of categorisations of the poor.
11. Development projects in conjunction with Velegu have been rolled out under two organisational umbrellas: the Andhra Pradesh District Poverty Initiatives Project (APDPIP) and the Andhra Pradesh Rural Poverty Reduction Project (APRPRP). The former covers the six poorest districts (including Chittoor), and the latter the remaining 16 districts of the state.
12. This also conformed to the Eight Millennium Development Goals, particularly goal 8: 1) Eradicate extreme poverty and hunger. 2) Achieve universal primary education. 3) Promote gender equality and empower women. 4) Reduce child mortality. 5) Improve maternal health. 6) Combat major diseases. 7) Ensure environmental sustainability. 8) Develop a global partnership for development. As Chang (2010) notes, the nature of the 'fit' is ambiguous at best. See the final section of this article.
13. There are approximately 500 households in each village, each of which is then split into hamlets based on social class and caste. Sixty households per village were selected for the questionnaire, and 20 per village for the semi-structured interviews. The 2006 data is linked to the prior survey data by ID number (see ESRC Study Number 3927). Daniel Neff, a doctoral student working with Olsen has also conducted additional interviews with a focus on subjective well-being that form part of the findings. Just over 60% of households had an SHG member in 2007. Outlines of the ongoing research and a sense of the human geography of the area can be found at <www.ruralvisits.org>.
14. Note that a 1952 usury law renders interest rates of 3-5% and higher per month illegal. For an earlier study of issues focused on seasonal debt using class-based estimates, see Olsen 1996.
15. This is in line with general trends identified by studies available from the quasi NGO set up by the Andhra Pradesh state government to implement Velegu: the Society for the Elimination of Rural Poverty. See Sriram, 2005: 5.
16. Again, this is in line with general long-term trends identified for the state by SERP. See Sriram, 2005: 6.
17. For background on milk procurement initiatives in India, see Chandler & Kumar, 1998.
18. Neff's sub-sample finds downward mobility in 4 out of 36 households on this basis. See Olsen, 2009.
19. As, for example, highlighted in Neff's 2007 interviews, Household 8.
20. As highlighted, for example, in interviews with Household 16 of the main 2007 sample.

21. We also encountered instances where SHGs would actively recruit members and try to pressure them to take loans on the basis that they were credit worthy and would be assets to the SHG. For example, Neff's 2007 interviews, Household 6.
22. For example, the Swayam Krushi Sangam (SKS) micro-finance organisation, created in 1998 and with approximately 4 million participants borrowing a total of US\$491 million in 2009, reports repayment rates of over 97 per cent.
23. There are a whole variety of relevant initiatives designed at the upper ends of institutions like Velugu, and more directly through the state or national government, which are intended to be implemented at local level. For example, there is a longstanding rice credit line designed to create food security: households in need are provided with up to 100 kilos in rice, the cost of which is to be repaid over a period of up to six months. Some of the problem of employment insecurity and local water access issues are met through the state's Rural Employment Guarantee Scheme (REGS), which provides state paid work, often on local irrigation schemes that are timed to coincide with periods of low demand for casual labour.
24. Some of these modifications were suggested by SR Rajagopal, vice-chairman of the Tamil Nadu Milk Producers Federation, reported in *The Hindu* (2009).
25. Harris-White has made related points regarding the informal economy effects of Indian capitalism several times (e.g. Harris-White and Janakarajan, 2004). See also the forthcoming special edition on the informal economy and Indian capitalism of the *International Review of Sociology*, edited by Elisabetta Basile and Barbara Harris-White, to which we are contributing.
26. 'At the global level' does not, however, indicate that globalisation is a coherent form ('the global') or that globalisation is an explanatory concept per se. Both these confusions have been plausibly critiqued (Hirst and Thompson, 2009; Kiely, 2006).
27. This had brutal effects in the main cash crop states: the suicide rate amongst tenant farmers spiked sharply in 1998, and this received widespread media attention.
28. One might, for example, think of this as a particular example of Polanyi's 'double-movement', defined as the constant tension between the institutional spheres of the economic and political based on the untenable distinction between a separate market liberalism and a reactive social protection that seeks to address the deformations created by the market (Polanyi, 1945: 135). Quite how far one can think of it this way is debatable, however, since both the problem and the solution stem from market liberalism.

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