

Agrarian Crisis & Microfinance-Self Help Group Policy in India: Exploring the Neoliberal Agenda

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Self-help group policy originated as a space that enabled the poor, especially women, to approach development through their own choices. The paper seeks to provide a historical background for the emergence of this policy in India. It further studies the role of each institution in consolidating the policy framework at various levels. An attempt is made to critically establish the interlinkages between self-help group policy and the agrarian crisis that India faced at different epochs of development. The policy is analysed at various levels including social, economic and political through conceptual frameworks such as social capital and class. An attempt is made to substantiate the arguments by discussing the case of microfinance crisis in South India- specifically in the states of Andhra Pradesh and Tamil Nadu. The final part of the paper seeks to conclude that SHG policy in India is largely a product of depoliticisation of development and disempowerment of the poor, which emerged as a consequence of neoliberalism.

Keywords: Self-help group, microcredit, microfinance, neoliberalism, social capital, agrarian crisis, depoliticisation

The strategy of neo-liberalisation has forced a divide between the micro and macro perspectives on economy and politics, leading to depoliticisation¹ of development at the micro-level. Withdrawal of state at the micro-level with simultaneous encouragement for participatory approaches and decentralisation through civil society has been proven a failing approach, specifically in dynamic post-globalisation policies like self-help group (SHG) programmes. The centrality of self-help group policy lies in the idea that it has become one of the most prominent means of delivering development to deprived sections. Microcredit² is metaphorically equated with emancipation and individual liberty, which are the major arguments put forth by those who fight for microcredit. Mohammed Yunus popularised this idea and its potential to free women from the bondages of patriarchy and dependence. The underlying market mechanism which runs the microcredit policies is captured by Yunus in his book, *Creating a World without Poverty*, when he proposes, “What if you could harness the power of the free market to solve the problems of poverty, hunger, and inequality?” (Guerin, 2017).

¹Wood, Fawcett & Hay (2017) in their work, *Antipolitics, Depoliticisation & Governance* argue that “Depoliticisation can be a highly effective strategy for governments seeking to displace responsibility for contentious decisions, and make those decisions appear non-political by manipulating the public’s ‘normal’ discourse around what is and isn’t a matter of ‘politics’.”

²The evolution of separate terms of microcredit and microfinance can be attributed to the shift from the objective the former sought to achieve, viz., income generating activity, to consumer loans. ‘The new term microfinance was introduced because it was no longer possible to argue that microcredit was disbursed mainly for business purposes’. For more see Bateman, 2010.

In India, these policies, with underlying dynamics of depoliticisation, were initiated without altering hierarchical structures of oppression such as caste, class and gender, which in some contexts were exploited by capitalism to extract surplus value.³ The paper attempts to place SHGs in this context of the intertwined relationship between neo-liberalisation, historical factors influencing Indian economy and the concept of decentralisation.⁴ The interest of this paper is to establish the idea of neoliberalism and decentralisation within a critical perspective. To develop this critique, the author adopts David Harvey's definition of neoliberalism as "a theory of political economic practices that proposes that human well-being can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free market and free trade". The paper henceforth also attempts to problematise this definition by borrowing from Harvey and analyse the challenges in applying such an idea within self-help group policy situated in the Indian context.

Agrarian Question: Neoliberal Solution of Microfinance

An understanding of the historicity of self-help groups in India calls attention to several phenomena that have taken place since the post-Independence. A significant factor is the agrarian crisis in India which created stark inequalities, among various social classes, in controlling capital and appropriating surplus. The push induced by the state during land reforms and later, the Green Revolution never turned radical; the hierarchical system of exploitation, in conjunction with the caste system, was preserved in all sense by the landlord class. This reinforced the character of semi-feudal capitalism or landlord capitalism in India (Patnaik, 1986; Harriss, 2013).

An unresolved agrarian question⁵ combined with the inception of globalisation complicated the Indian economic scenario. With the emergence of globalisation and international finance capital cutting across borders, deflation became an unavoidable characteristic of Third World Economies. There was a sharp fall in demand for goods which scaled down the production, thus leading to unemployment. Also, this period witnessed the withdrawal of government support from the agrarian sector leading to widespread suicides of farmers in the previously rich areas and drylands of Andhra Pradesh and Punjab. The rising cost of inputs, including electricity and irrigation, complemented with the falling price of food grains transformed agriculture into a nonviable activity. Heavy dependence of small scale

³The theory of surplus value put forth by Karl Marx is used here to further the argument. Surplus value is extracted by the capitalist class by paying less than the value of their labour. In Indian context, when the labourers are located at the end of hierarchy such as lower caste women, it becomes easier for the capitalist class to exploit them. This is also due to the historical consciousness of lower caste groups or women as being enslaved to the feudal patriarchal order.

⁴Microfinance is promoted as a developmental initiative to especially provide the poor women with financial services for poverty alleviation. In South Asia, specifically in India, this was initiated through the Self Help Group Model (Ahmad, Mohanty, Irani, Mavalankar & Niyonsenga, 2020).

⁵Agrarian question in India implies agrarian transition from a pre-capitalist mode such as feudalism to capitalist mode of production. Following the notes of Lenin, Bernstein establishes two ways of achieving this: capitalism from above and capitalism from below. Where the feudal class does not wither away organically, redistributive land reforms are required to achieve the transition through a peasant path (Bernstein, 2014).

farmers and labourers on non-institutional credit i.e. moneylenders, lead to indebtedness (Patnaik, 2006). The rural poor, earlier engaged in small-scale agriculture, especially men, as breadwinners, switched to casual labour whereas women continued to work in agricultural fields of the dominant class (Pattenden, 2010). Further dimensions of leading to this crisis are elaborated by Taylor (2011), through four overlapping processes. 1. The sudden expansion of small agricultural landholding farmers with less than two acres of land forced them to explore multiple livelihood strategies beyond agriculture. 2. There was also a shift from food crops to cash crop oriented agriculture which increased the dependence of people on volatile markets for inputs. 3. There was an increasing 'privatisation of risk' complemented by privatisation of public assets and common property resources. 4. The growing fragility of social ecology was reflected in deteriorating soil profile, water crisis and other related problems. All of these developments intertwined with oppressive social relations led to the expansion of debt and consolidation of relationships of dominance.

Contemporaneously, this was a period of consolidation of livelihood perspective, which later developed as the basis of the self-help group (SHG) agenda. The international institutions integrated with the academic sphere realised the need for people-oriented development with rural realities of people as its starting point (Scoones, 2009). The neo-liberal policy, resolved in the Post-Washington consensus, brought out people-induced development. Thus, self-help groups and microfinance originated as spaces that enable the poor to approach development through their own choices, by extensive access to credit systems and community-based organisation. In the 1990s, a declining trend in the rural female labour force posed the threat of 'missing gender' in the economy (World Bank, 2014). Thus, self-reliance and employment for women became the basis of SHG, as most of their activities were earlier located outside the realm of economic productivity.

To consolidate the rhetoric put forth by the livelihoods framework, the extensive correlation among factors such as caste, class, gender, and fundamental policies sought to be altered to a great extent. Thus it called for a strong intervention of various players ranging from the World Bank to local power holders. The World Bank perceived SHGs as an assurance to more accountability and participation, and the generation of social capital through participatory approaches (Scoones, 2009). According to Putnam, the generation of social capital required the strengthening of civil society comprising NGOs and local voluntary organisations (Harriss, 2001). Civil society as an open space ensures that class-based differences are obscured and powers are redistributed. Based on such developmental pretexts, microfinance began in India in the 1980s through SHG lending activities. The parastatal agency in South India, Myrada and NABARD organised, trained and expanded the SHGs through linking them to banks.

In this process, RBI mainstreamed the bank linkage policy⁶, targeting the expansion of credit especially to rural areas (Mader, 2013:48). These were guaranteed through the institutionalisation of credit. Within the broad neoliberal narratives of agrarian development, credit was embedded as the force to grease the

⁶There are two dominant models in Indian's Self Help Group policy- SHG Bank Linkage Policy where microcredit NGOs work in partnership with the SHGs and private microfinance institutions, mostly with the status of non-banking financial company. The difference between these two are in their funding (Guerin & Kumar, 2017).

capitalist transition, thereby solving the agrarian question (Taylor, 2011; Bernstein, 2004). The main objective being introduction of micro-credit, banks had an immense role in assuring that it was delivered to SHGs without demanding collateral, irrespective of class, caste, gender and individual differences. Access to credit was necessary for the poor to invest in assets and safeguard their integration into the market. Besides, women could ensure their collective action, financial autonomy and challenge structurally defined gender roles. They could harness market opportunities provided by international finance capital. While it began with NABARD and World Bank in the 1980s, the microfinance sector, in the wake of economic liberalisation in the 90s, experienced an influx of private players, involving private banks and international investors. NGOs such as BASIX who were promoted by RBI and NABARD, acted as financial intermediaries to lower transaction costs. Loans taken collectively could be monitored and repaid under the guidance of these NGOs. As a result, by the end of 2009, around US \$12 million flowed into the microfinance sector in India as cross border investments, thrice the inflow in 2007.

This phenomenon relates to the neoliberal argument that microfinance was a significant measure to pull people out of the cobwebs of poverty. It was a means through which the poorest of the population could be inducted with an entrepreneurial outlook, thereby, ensuring their financial inclusion. An expansion of the market encouraged the development of entrepreneurial spirits including an emphasis on competition as paths to better outcomes (Bernstein et al., 2015). The put forth argument indeed emerged from the neo-liberal conception that the households seek to maximise their potential employment and entrepreneurial opportunities provided by the market with their available physical, human and social capital. Therefore, a lack of access to credit would lead to non-realisation of their assets (Taylor, 2011). Empirical studies also show that most field workers and microcredit organisation managers expect qualities like availability, motivation, gratitude and loyalty among the members of self-help groups (Guerin & Kumar, 2017). Another logic employed by the Post-Washington Consensus was neoliberalisation of civil society, where community based organisations were encouraged which consequently would obscure class differentiation (Pattenden, 2010).

Agrarian Crisis: A Reiteration through Microfinance Crisis

On the contrary, the disturbing truth behind targeting the poor through SHGs is contentious. Reduced social spending by the state in the wake of agrarian crisis is a real paradox created by forces of neo-liberalisation. It is well known that any agrarian crisis would require an external push through technological inducement which in case of developing countries like India requires state intervention (Patnaik, 1986). Therefore, livelihood diversification in non-agricultural activities became viable for international organisations as well as state. Also, this ought to replace high transaction costs involved in rural credit policies under IRDP. The low-cost association-strengthening local initiatives became the slogan. Institutions such as RBI and NABARD claimed that “Freedom from poverty is no freer. The poor are willing and capable of paying the cost” (Taylor, 2011).

The argument put forth by Harriss against Putnam’s idea of social capital holds in the SHG policy which has social capital as one of its underlying factors. He says

that the whole idea of social capital and civil society fits into the neoliberal agenda of limited state and reduced state expenditure, henceforth, “Down with Social Capital” (Harriss, 2001). The interest of the state in initiating the policy can be counted under two logical explanations; firstly, the neoliberal logic of poverty reduction and secondly, the political logic of populism that need to be strengthened in the rural regions where welfare was retrenching (Taylor, 2011). Outsourcing this role to NGOs and their interests needed to be questioned. NGOs' real interests in converting SHG formation into business ventures were evident in the Andhra Pradesh microcredit crisis. These interests reflected the needs of local power holders. Being a community-based program, the landowning dominant caste appeared to be in danger. On the face of it, unexpectedly, they welcomed the policy. The power remained in the hands of the dominant caste through their hold in local politics. Within the structure of SHGs, the power holders were women from dominant castes thus bringing the question of class differentiation. Moreover, the state provided for self-selection in SHGs in which women tended to recruit those least likely to default from repayment of loans to the micro-finance institutions. This excluded the poor, hence enforcing the caste-class based differentiation. The case of Andhra Pradesh is central to the discussion of the microcredit crisis in India as the state has maximum penetration of self-help groups in India. In 2005-2006, one of the districts in Andhra Pradesh experienced a crisis when around 50 branches of four microfinance institutions (providing credit to the SHGs) were shut down as allegations of fraud, illegal operational finances, high interest rates and profiteering emerged against them. Some reports which were released in the wake of this crisis claimed the link between certain suicides in the region and the MFI crisis (CGAP, 2010).

Class differentiation, in sync with caste, impacted micro-credit implementation and its delivery, shows studies from South India (Guerin, 2013). Local hierarchies transcend into actions within SHGs. Dalit women, at the bottom of the hierarchy, are marginalised and uninformed of SHG policies. Internal loans, availed for the SHG, would be utilised by the dominant castes for investment in their fixed assets. Caste beliefs grounded among members were obvious in the division of labour within and across the SHG groups as historical association of caste system with division of labour were reconstructed. Trade on a large scale such as tailoring is carried out by *Mudaliars*⁷, small grocery stores by Vanniyars and illegal activities such as sand extraction by Dalits. Neo-liberal ideologies, developing from the capitalist framework, helped the dominant caste to appropriate means of production. This led to an aggravation of caste based relations in addition to class exploitation. Therefore empowerment did not materialise equally among all members. Apart from the group dynamics driven by caste, the NGOs to establish their legitimacy, seek the support of local communities by establishing multiple alliances with various unequally located caste groups, landlords, local elected bodies, shows studies from north and coastal Tamil Nadu. This patronage system is established through the organisation of several events for specific causes such as women's day, HIV-AIDS day and so on, while also helping these NGOs to project and publicise, which is essential to their survival in the microfinance market. Women often pay the price of these events, especially those belonging to the Dalit community, as most of them are mostly

⁷Mudaliyars were caste groups from Tamil Nadu who represented the Vaishya community in the caste hierarchy.

engaged in taking part in these mass events. Occasionally, participation in such events was made an explicit condition for the Dalit women to avail loans (Guerin & Kumar, 2017).

Not only did empowerment not materialise, a loop of agrarian crisis was created. There were widespread suicides among borrowers due to inability to repay the loans. Commencing with the transformation of NGOs into micro-financial institutions (MFI), they acted as intermediaries between commercial banks and SHGs (initially dominant caste groups). This relieved the commercial banks off their risks. MFIs doubled their interest while lending it to SHGs. As opposed to what the advocates of microcredit envisioned, viz., the creation of an income generating microenterprise, studies from India demonstrated that only between one fifth and one third of the microcredit was used for income generating activities, with a major part used for consumption purposes (Bateman, 2010). Multiple loans were taken by the members to repay against others. One of the major developments in this regard was an increasing number of people from the advantageous sections using the loans to begin money-lending activities.⁸ At the same time, there was a proliferation of debt among the borrowers which gave an impetus to the neobondage system.⁹ Geographically, demand for credit was dense in semi-arid regions where also the 1960s phenomenon of Green Revolution consolidated. These places had a long history of debt-bondage, reinforced by landlord capitalism, thereby enabling us to draw parallels between microfinance crisis and agrarian crisis. Thus, MFIs personified the usurious money lenders and strengthened the social reproduction of semi-feudal tendencies. Also, this applied to other regions such as Tamil Nadu, Gujarat and Maharashtra which experienced neo-bondage systems of oppression (Guerin, 2013). A recalling of the economic history also points to a similar argument that self-employment and microenterprises have gradually led to disempowerment of the poor.¹⁰ The immediate incentives or returns from these informal 'survivalist' individual activities and the consequent fatigue, lack of time and knowledge drive the poor away from any structural transformation. This is evident from the lack of popular movements against the oppressive structures of neobondage and debt farming or the establishment of strong institutions like trade unions or cooperatives. Marx recognised this phenomenon of disempowerment and coined the term, 'lumpenproletariat' for this class of 'desperately poor individuals'. He described them as 'docile and downtrodden' and sunken in the question of their immediate survival. Marx posits this class cannot be counted on to play a major role in overthrowing the capitalists through revolution.

⁸A survey by the Reserve Bank of India found that between 1995 and 2006, the number of registered traditional moneylenders increased by 56 per cent, from 12,601 to 19,627 (Taylor, 2011).

⁹Neobondage system, as explicated by Jan Breman (2010) in his empirical works, implies a new system of bondage where relationships between bosses and workers are less personalised, of shorter duration, more contractual and monetized.

¹⁰Karl Polanyi in his book, *The Great Transformation* (1944), shows that the institution of Poor Law Reform of 1834 in England, which was then driven by industrial capitalism, led to the introduction of the modern labour market as we see today. Prior to the introduction of reforms, the right to live was assured; even for those who could not find employment, this was ensured through charitable organisations. This minimal security was struck down which drove the people to adapt themselves to informal 'survivalist' individual activities.

In his 2006 book, 'A Brief History of Neoliberalism', Harvey sums up that, the same disempowerment of organised labour through the liberalisation of labour policies in the 1980s and 1990s was the central thrust of neoliberal initiatives of the UK and the US. Harvey argues that though the philosophy of neoliberalism proclaimed its end as redistribution of wealth (similar to the objectives of SHG policy) through free-market enterprise, it otherwise led to "solidification of class power and capital in the hands of the elite." An intersection of class and gender differentiations turned the policy environment worse. SHGs were established to create a space for women to exercise their agency in the form of increased decision making power, better spatial mobility, access to property and consumption (Guerin, 2013). SHGs have succeeded in some aspects, in gaining respect and dignity for women in their family. However, studies also show that microcredit has aggravated women's burden on the family. Loans taken are often controlled by men. A transition in women's beliefs about men's power and notions of them as breadwinners is negligible. The intricacies created by SHGs has made it difficult for women to pursue multiple livelihoods. Hence, women remain the worst affected recipients of SHGs. The organisation of SHGs was entirely based on concepts of decentralisation and micro-credit. Decentralisation could ensure the advancement of civil society. In the case of SHGs, policies and people work most effectively at the local level. NGOs, engendering capacity building, with high stocks of social capital led to enhanced participation and empowerment of communities (Harriss, 2001). Programmes such as Swarna Jayanti Gram Swarozgar Yojana aimed to bring rural poor, build on their skills and set up micro-enterprises. Nonetheless, the diversity within communities, divided by caste and mistrust, affected group solidarity. These identical differences among rural poor push their benefits out of these programmes towards powerful, dominant class and caste groups. This may end up in intragroup or intergroup conflicts, leaving no benefits as opposed to Putnam's idea of interpersonal trust leading to general societal trust. Supportingly, Bourdieu explicates, "Social capital leads to class differentiation."

Conclusion

All these factors point to the contradiction of top-bottom policy-making and bottom-top policy implementation. Ideas created by powerful institutions such as the World Bank creates a certain politics of knowledge that is accepted by policy and development practice. This knowledge production emerges from its values, powers and institutional histories. Often this knowledge produces plans with indifference towards micro perspectives on politics and power, leading to the paralysis of livelihood perspectives in discussions of globalisation and international finance capital. There are several criticisms against the policies of the World Bank for being biased towards economic activities, which are complementary to discussions on politics and civil society (Hout and Robinson). Reciprocally, SHGs have failed to engage their processes and implementation with economic globalisation. Initiatives are lacking in dealing with shifts in the state of global markets and politics.

Also with inherent contradictions within the neoliberal solution to poverty alleviation and development, policies like self-help group policy and microfinance consolidate the oppressive systems of class-caste-gender especially in developing countries like India. The real challenge lies in the inability to deal with these long-term changes and producing a rapport between diverse politics of livelihood

knowledge. Depoliticising development i.e. distinguishing civil society from political society is not a solution. The agency of state enforces legitimacy and authorises a framework for the marginalised to assert their rights. This calls for a redefinition of neo-liberalism because history differs across regions. The formulation in a capitalist context and adoption in a semi-feudal arena, where hierarchical structures are internalised, proves nothing but interests of dominant classes who are influenced by the conspicuous market provided by international finance capital. The SHG lesson proves this in the best way. Any redefinition of this discourse of development requires an alliance of states especially in the developing world. However, this would depend on alterations in the overall economic and political systems which expose the underlying exploitative mechanisms of capitalism. Or else, one state alone stepping out or raising against the neoliberal regime would confront unperceivable costs.

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