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Accumulation by Microfinance?

Explaining The Microfinance Crises in Andhra Pradesh



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Abstract

The world of microfinance is changing. More and more people are turning to microfinance as neoliberal reforms shape the world, diminishing welfare across the globe. Microfinance has in turn been debased by the same process driving people to seek microfinance. Through privatization, state redistribution, and financialization, (three of the processes of accumulation by dispossession) microfinance, is becoming increasingly profitable. As the poor populations of the world are coming to rely on microfinance, they are opening themselves up to exploitation by global investors and microfinance institutions alike. Twice, microfinance crises have ravaged Andhra Pradesh, bringing with them coercive loan collection, rural distress and a diminished capacity for fulfilling consumption needs. These stem from neoliberal reforms undertaken by India in the 1980s and the increased accumulation by dispossession (David Harvey's take on Marx's primitive accumulation) that followed. Regulation of microfinance will do little to stop another crisis if the root causes of the crisis are not addressed. This paper presents the Andhra Pradesh crises as a method where by capitalist are exploiting the people of Andhra Pradesh for profitability at the expense of the poor through accumulation by dispossession.

Key Words: Andhra Pradesh microfinance, microfinance crisis, accumulation by dispossession, neoliberalism, Andhra Pradesh (India)

Word Count: 10,136

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List of Abbreviations

BRAC – formerly Bangladesh Rural Advancement Committee

GDP – Gross Domestic Product

GSDP – Gross State Domestic Product

IMF – International Monetary Fund

IPO – Initial Public Offering

MFI – Microfinance Institution

NGO – Non-Governmental Organization

RBI – Reserve Bank of India

SEZ – Special Economic Zone

SHG – Self Help Group

TDP – Teledugu Desam Party

US\$ – American Dollar

WB – World Bank

1. Introduction

“It was on the cover story of a national magazine laying on his desk- a woman sitting lifeless in front of a framed photo of her 20 year old daughter, Mounika, who had immolated herself. The cover of the magazine read “Death by Default- Microfinance Institutions grow at 80% plus by using borrowers’ lives as collateral”. The girl’s family had been in a debt trap. It had started off with a loan from a microfinance institution to buy a sewing machine to start a small tailoring enterprise. Unable to keep up with the weekly commitments of loan repayments, one loan had become four, each one taken to pay off the earlier one. But they only sank deeper. The story in the November issue read “On September 25, 2010, the collection agents told Mounika’s mother to sell her daughter to the flesh trade and repay. Mounika chose to die.”” (Mohan and Siddharth, 2011: 2).

This is a narrative starkly at odds with the view most have of microfinance, however it was at one point a common reality for millions of people placed in similar (although generally less extreme) positions in Andhra Pradesh, a coastal Indian state. Saddled with crippling debt and collection agents knocking at their doors, many clients felt they had no way to escape their debt burdens. Although microfinance had its humble beginnings as a philanthropic development tool designed to lift people out of poverty, that goal was quickly discarded when the profitability of microfinance was fully realized. Making profitability the primary goal of microfinance has translated into over indebtedness among impoverished populations. This over-indebtedness has in turn translated into debt crises localized within the microfinance sector. Twice, Andhra Pradesh has been the subject of microfinance crises. In the first instance, homes were seized, and a protest to reclaim the house deeds culminated in 50 microfinance institutions being shut down. In the second instance, emboldened microfinance institutions resorted to the above-mentioned, and other, coercive collection tactics, resulting in regulation, mass default, and the crippling of Andhra Pradesh’s microfinance sector. Andhra Pradesh is unique in India, having suffered through not one but two microfinance crises within the past decade. This thesis will strive to answer the question: what makes Andhra Pradesh so prone to microfinance crises?

Aims and Significance

By 2010 India possessed the largest microfinance industry in the world, and almost one-third of this industry was centered in the southern state of Andhra

Pradesh, which houses only 7% of India's population (Levin, 2012: 112). Aided by non-governmental organizations (NGOs), the World Bank (WB) and the state of Andhra Pradesh's neoliberal reforms, were seen as a beacon for what microfinance and neoliberal reform could accomplish, with the Economist hailing it as 'the state that would reform India' (2000). Due to this attention and interest, microfinance took off so successfully that by 2010, almost all households in Andhra Pradesh had a microfinance loan (Nair, 2011: 23). It was amidst this copious praise and international attention that the microfinance crises took place.

Microfinance in Andhra Pradesh is in a continual state of flux. The industry builds itself up to unsustainable levels, turns to coercive collection tactics, and then a crisis strikes, crippling the microfinance sector. However, almost immediately following the crises, demand for microfinance and other streams of credit make an immediate rebound. This has several causes, at the root of which lies neoliberalism¹ and the trappings which follow it. The people of Andhra Pradesh are inherently reliant on microfinance and other credit to meet consumption needs. It is this fact that microfinance institutions prey upon to make profits off the backs of the poor. The aim of this paper will be to study the process by which accumulation by dispossession² has spurred two microfinance crises in Andhra Pradesh. This is particularly urgent in light of the recent resurgence of microfinance in Andhra Pradesh, which if history serves as a lesson, will entail another microfinance crisis as well. The microfinance crises are merely a symptom and manifestation of the larger accumulation by dispossession crisis facing Andhra Pradesh currently, which will be elucidated below.

Outline of the Study

Chapter Two will provide a general background of development in India leading up to the introduction of microfinance, while paying specific attention to the microfinance crises. Chapter Three will introduce the theory used for this paper, a Marxist analytical tool developed by David Harvey and termed 'accumulation by dispossession'. Chapter Four will outline the methodology of the paper, including literature choices. Chapter Five will analyze a wide range of literature on the Andhra Pradesh microfinance crises to find catalysts for the crises that are unique

¹ Neoliberalism is the term used to describe the trend of economic liberalization that began in the 1980s, continuing to present day. Neoliberalism entails privatization, deregulation, free trade, diminished state capacity and spending. Neoliberalism believes in small governments and market led economies, which government has no place in. Capitalists, the World Bank, the International Monetary Fund, and most developed nations (the UK, the US, etc.) typically espouse neoliberal views. For an enthralling book outlining modern neoliberalism, see Harvey's *A Brief History of Neoliberalism*.

² Accumulation by dispossession is David Harvey's take on Marx's *primitive accumulation*. Harvey reframes primitive accumulation as an ongoing process of accumulation through predatory and often times fraudulent methods. It is discussed more fully in the theory chapter (page 11) but for the following chapter no in-depth knowledge on the notion is required.

to Andhra Pradesh, using Harvey's accumulation by dispossession. Chapter Six will provide concluding remarks as well as an under-view of the study.

Delimitations

The research into the causes of the 2010 Andhra Pradesh crisis is fairly limited. In fact, research on the 2010 Andhra Pradesh crisis is limited in general. For the background portion, three narratives were identified regarding causes of the microfinance crisis, and authors espousing each of these three narratives were combined to form an overarching narrative on the socio-political processes taking place prior to the 2010 crisis. These are peer-reviewed articles representing a very limited field of research, as such they make up almost the entire body of research. For the analysis portion, an inter-disciplinary approach was taken in finding research. Most of the research utilized in the analysis portion comes from well-respected critical authors writing on the evolution of the microfinance industry. Most of these scholars are critical political economist, and were chosen due to their renown within the field of critical microfinance research. The research regarding the neoliberal reforms in India comes mainly from Indian scholars and professors, mostly in the field of economics. This is, again, because research is fairly limited within the field, especially critical research. Most of the delimitations made are actually limitations on the research, but have served to narrow down the field to a manageable size.

2. Historical Background

Capitalist Development and Rural Credit Schemes in Andhra Pradesh

India's development regime has remained largely unchanged since colonial times. Therefore, to understand the current development framework, the history of development within India must first be reviewed.

Several scholars have posited that capitalism began in England. As India was a British colony for a substantial amount of time, it is no wonder that capitalism was introduced to India through colonialism. In this way, the beginnings of (what we now think of as) development and colonialism are inextricably linked. The idea of development was originally created as a way to institute capitalism without wreaking the social havoc it had wrought in early capitalist England (Allen & Thomas, 2000: 266). In this way, it formed the foundation for the ongoing paradigm of the developed North coming to the aid of the underdeveloped South. The main way that imperialist England believed it could help to improve colonial India (or any of their colonies) was through incorporation into the new capitalist world order, paired with development. As such, development has always been linked intrinsically with the liberal ideals of capitalism.

The British began their development agenda in India through providing rural credit to farmers. As agriculture has always been inherently risky in India (owing to high population density and variable weather), Indian farmers have very unstable income. As an answer to this problem, the British began providing credit to rural farmers during times of economic hardship (Mohan, 2004). This was the perfect solution for imperialist England: incorporating rural populations into a capitalist system, while at the same time aiding in development. These original providers of rural credit were known as 'nidhis', and by 1896 there were nearly 200 of them in rural India (Wolff, 1896: 191). However, by looking through '*People's Banks: A Record of Social and Economic Success*', written by H.W. Wolff in 1896, it becomes clear that these banks were not entirely philanthropic. According to Wolff, these provide a "happy hunting-ground for the dividend-hunter" with interests up to 37.5% on the loans provided (1896: 192). As will be illustrated below, this bears uncanny resemblance to modern day microfinance within India.

Moving ahead to more modern times, India has still retained its provision of rural credit as a leading means of development. Its central bank, the Reserve Bank of India (RBI)³, is one of the few of its kind with specific outlines for rural credit provision (Mohan, 2004). From its foundation through to the present day, the RBI continues to try to increase participation in cooperative banking and rural credit schemes as one of its main objectives (Mohan, 2004). The provision of rural credit has long been the corner stone of the development regime in India.

This brings us to the current iteration of government-run rural credit schemes in India: self-help groups. Self-help groups (SHGs) are loosely based on the Grameen Bank model of microfinance. A group of women will form a borrower group, pool their capital, and eventually take out a loan, which is then divided amongst the group. This group-lending model has many critiques, which will not be elaborated here (see: Karim, 2011; Maclean, 2013; Rankin, 2001; Weber, 2004 if interested in gendered critiques of microfinance). However, it also has some very powerful supporters, most notably the World Bank (WB). In 2003, the WB began the ‘Andhra Pradesh Rural Poverty Reduction Project’, which ran through 2011 (World Bank Website, 2012). The entire project was founded and carried out to incorporate more women into SHGs. Eight years, 276 million US\$, and two microfinance crises later, the project had reached an estimated 11.1 million women within Andhra Pradesh alone (World Bank Website, 2012), which equates to roughly one fourth of the female population. As the average Indian household size is 5-6 people, it’s no stretch to say that almost every household in Andhra Pradesh was incorporated into a SHG through this initiative.

However, despite the wide prevalence of the SHG lending model, many people were unhappy with the service they were receiving from the SHGs. They are bogged down by bureaucracy, meaning that loans can take months to procure through SHGs (Taylor, 2011). Bearing in mind the volatile nature of Indian agriculture and the reasons many families need credit (sudden funeral or marriage costs, medical costs, loss of job, agricultural crisis) many households in Andhra Pradesh began turning to other sources of credit, namely microfinance, which was expanding even more rapidly than SHGs.

Modern Microfinance

Microfinance has been a household concept for quite a few years. Most of the public, when thinking of microfinance, view it as a remarkable idea for empowering women to become strong, independent entrepreneurs, lifting themselves and their families out of poverty one loan at a time. However, in

³ The Reserve Bank of India was founded by a British act in 1934, while the British were still heavily reliant on rural credit schemes.

recent years, this discourse has been shifting, as have the institutions themselves. As will be expanded below, microfinance has slowly but surely been growing into a means of attaining profitability at the expense of the poor.

Modern microfinance began with Mohamed Yunus, who took to handing out small loans to enterprising Bangladeshi women. To his surprise, the women readily paid him back. After this, Mohamed Yunus would go on to found the Grameen Bank, win a Nobel Prize, and declare that “credit [is] a human right” (Roy, 2010: 24). Yunus placed emphasis on self-employment and self-reliance as means to end poverty (Roy, 2010: 24). This, along with the group-lending model would become the mainstays of microfinance as a whole. Microfinance was hailed as a novel way to achieve women’s empowerment, pro-poor growth, and an end to poverty.

From these beginnings, microfinance would morph into an almost unrecognizable form. In India particularly, these changes were shocking. Almost all microfinance institutions in Andhra Pradesh were for-profit, charging usurious interest rates. Towards the end of 2010, actual interest rates⁴ on microfinance loans reached an average of 50-84% due to various fine print, hidden fees and clauses (Priyadarshie & Ghalib, 2012). There has also been a trend of microfinance institutions partnering with consumer good producers, which allows microfinance agents to earn a commission and for consumer businesses to tap into new markets (Priyadarshie & Ghalib, 2012). In this scheme, buying a certain good or shopping at a certain supermarket becomes a condition of the loan. Desperate for credit, clients have little recourse other than to accept these disadvantageous terms (Priyadarshie & Ghalib, 2012). This increasing trend has lead Reuters (India) to posit the question ‘who should decide whether India’s poor need credit to acquire a livelihood generating asset or a color TV?’ (Chandra, 2010). It is not only Indian microfinance institutions that are deciding the answer to this question for their clients; large, renowned microfinance institutions such as BRAC and Grameen Bank, through partnerships with seed distributors, have taken to this scheme as well (Saifullah, 2001).

The first principle of any microfinance institution is that microfinance loans are non-collateralized, meaning that in the event of default, microfinance institutions have no legal recourse to seize assets as a means of repayment. Due to this, microfinance institutions use the group-lending model to exert peer pressure to ensure repayment, with fairly large success. Therefore, the biggest challenge, and expense, for microfinance institutions is finding, establishing and training borrower groups. In an area such as Andhra Pradesh, with almost every household already associated with a borrower group, the perfect breeding ground for MFIs was created. Through lending to SHGs, MFIs could be assured that the societal

⁴ Actual interest is calculated by adding up all of the fees not included in the stated interest rate. These include penalties, balloon payments, life insurance payments, etc. which are typically not calculated as interest.

aspects necessary for repayment were already in place⁵. As such, by 2010 over 100 MFIs had flooded into Andhra Pradesh, saturating the market. Given that until 2010 there were absolutely no microfinance consumer protection laws in India⁶, coupled with the low levels of financial literacy in Andhra Pradesh, these MFIs were essentially free to do whatever they liked with no oversight. Many MFIs took advantage of this situation to employ dubious lending and collection practices, including the incredulously high interest rates mentioned earlier. While these rates would be fraudulent in many Western nations, here they were run of the mill, and still vastly cheaper than traditional village moneylenders.

Microfinance and the Ensuing Crises in Andhra Pradesh

Now it should be noted that when referring to this or the subsequent crisis, the crisis itself refers to the crash within the microfinance sector. In this way it is like any other economic crash/crisis, where consumer confidence and lending skyrockets only to have something (e.g. stock prices, regulation, etc.) interrupt the growth and plummet consumer confidence and borrowing, triggering a crisis. What's discussed here is mainly the aspects that led to the crises, but the crisis itself starts the moment MFIs start to experience a massive decline in business over a short period of time. These are specifically called microfinance crises because even during both microfinance crises in Andhra Pradesh, the gross state domestic product (GSDP) growth remained constant at around 15% per year (Directorate of Economics and Statistics, 2014).

The first sign that something was going wrong with microfinance in Andhra Pradesh came in 2006 with the Krishna crisis. Preceding the Krishna crisis, microfinance institutions began seizing house deeds as a means of repayment on defaulted loans, leading to upwards of 200 suicides (Mader, 2013). In a plea to regain the illegally seized deeds, large demonstrations were held outside of government facilities (Mader, 2013). In the wake of the protest and mounting evidence of microfinance institutions direct role as a catalyst for the suicides, the Andhra Pradesh state government shut down 50 microfinance institutions while they were being investigated for misconduct (Taylor, 2011). All of the clients of the microfinance institutions that were shut down received automatic loan forgiveness. Despite the obviously predatory nature MFIs were exhibiting in Andhra Pradesh, the governments, state and national, were still slow to act in regulating microfinance institutions. One probable reason for this lack of preemptive regulation is that rural populations still had a demand for credit. With low levels of state welfare the rural populations were still heavily reliant on credit.

⁵ SHGs and group-lending microfinance both rely on peer pressure and shaming to insure repayment. This is largely successful as a means of repayment, but is also one of the most detrimental aspects of both types of organizations.

⁶ There is now *one* piece of microfinance regulation.

Even though it would appear that shutting down microfinance institutions would slow down growth within the sector, it had quite the opposite effect, and aided in spurring the second microfinance crisis in Andhra Pradesh, the 2010 microfinance crisis. Even though the number of microfinance institutions were decreased, the demand for credit continued to increase, driving more clients to the remaining microfinance institutions. Through foreign equity investments and priority sector⁷ investments from Indian banks, investment in microfinance institutions skyrocketed from US\$ 6 million to a staggering US\$ 646.9 million between 2006 and 2010 (Mader, 2013). However, with so much money now flowing into a microfinance sector with limited clientele, microfinance institutions had to find a way to remain profitable and continue to encourage investments.

Within the lending sector, it is typically the responsibility of banks to investigate and gauge whether their clients have the ability to make repayment on the loans provided to them. However, despite massive influxes of capital, microfinance institutions did little to invest in their own infrastructure or in finding new clients (the typical actions of an expanding business). As such, they began doubling down on their microfinance clients, allowing them to take out multiple loans with combined interests that far exceeded their ability to make repayments. Due to these irresponsible lending practices, repayment rates dwindled as default rates began to climb.

In order to combat the falling repayment rates, microfinance institutions began turning to coercive tactics to ensure repayment. These included, but were not limited to: seizing and pawning valuables, pinning communities against defaulters, forced prostitution of defaulters children, and pressuring clients into suicide as a means to be repaid through life insurance policies (Kinetz, 2012; Mader, 2013). Obviously, with tactics such as these being used, it is no wonder why so many clients of microfinance institutions felt that suicide was their only way out. What is even more baffling than the collection tactics being used was the response these allegations drew from microfinance institutions: flat denial. Even after two independent reports drew the same conclusion, that microfinance institutions coercive collection practices played a large role in pressuring clients into suicide, microfinance institutions still held their ground that they were not to blame (Kinetz, 2012; Mader, 2013; Priyadarshie & Ghalib, 2012). Facing these allegations, and with microfinance institutions taking no responsibility for their actions, the state government of Andhra Pradesh enacted the ‘Andhra Pradesh Ordinance no. 9 of 2010: An Ordinance to Protect the Women Self Help Groups from Exploitation by the Micro Finance Institutions in the State of Andhra Pradesh [etc.]’. This ordinance effectively halted microfinance within the area for five days, causing the 2010 microfinance crisis⁸. Beyond passing the ordinance,

⁷ To further facilitate investment in rural credit schemes, Indian banks are required to lend 40% of their lending portfolio to the ‘priority sector’, i.e. rural populations. Microfinance was a convenient way for Indian banks to fulfill this requirement.

⁸ Microfinance was only halted for five days because of a regulation requiring the immediate registration of MFIs before they could continue operating. After five days (cont. on next page)

the government of Andhra Pradesh also actively encouraged clients to default on loans taken from coercive microfinance institutions (Yerramilli, 2013).

As can be observed when the history of rural credit within Andhra Pradesh is viewed successively, the growth and crisis cycle of rural credit has been fairly volatile, and also shows no sign of slowing. The recurrent motif of misconduct by microfinance institutions coupled with the growing evidence that microfinance is ill equipped to combat poverty (Aitken, 2013; Schwittay, 2013) begs the question of why microfinance is still such a prevalent development tactic. One of the answers lies in the capitalist roots of development itself. Microfinance is the perfect capitalist tool for development: it incorporates the impoverished into the capitalist world order, removes the burden of welfare from the state, and provides opportunities for international investment with a “philanthropic” edge. With all of these boxes checked, it’s no surprise that microfinance is still such a prevalent development mechanism. Given that credit was already so relied upon in rural Andhra Pradesh, it’s even less surprising that microfinance took hold with such vigor in the area. However, as mentioned above, the microfinance which was found in Andhra Pradesh was vastly different from the microfinance which was originally envisioned: these microfinance institutions share more in common with the ‘dividend hunting’ of the ancient *nidhis* than modern non-profit microfinance institutions.

A Comparable Indian State: Karnataka

Karnataka, an Indian state neighboring Andhra Pradesh, and Andhra Pradesh share many common traits. The majority of both their populations live in rural areas (66% in Andhra Pradesh, 63% in Karnataka) (Census Data, 2011). They share a similar climactic zone, both states being very flood and drought prone, making agriculture equally volatile in both states. They have similar MFI penetration levels, while on a regional level within the states certain regions in Karnataka have much higher penetration levels than any region in Andhra Pradesh (Yerramilli, 2013). The growth rates of MFIs in both states between 2007-2010 were roughly the same, at 129% in Karnataka and 126% in Andhra Pradesh (Yerramilli, 2013). Despite all of these similarities, Andhra Pradesh has twice been ravaged by crises of microfinance, while Karnataka has been unaffected. It is interesting to note that another difference between the two states is the high level of International Monetary Fund (IMF) and WB involvement in Andhra Pradesh, while Karnataka remained largely untouched by the IMF and WB and their aggressively neoliberal policies (Yerramilli, 2013).

and numerous court petitions, the deadline was extended, giving MFIs a further three weeks before they had to be registered. Despite this, MFIs still blamed the ordinance for their abysmal financial performance.

3. Theory

Accumulation by Dispossession

The theory used for this thesis will be grounded in Marxism. However, as Marxism is a huge theory with an even bigger scholarly base, the focus will be on David Harvey's interpretation of Marx's *primitive accumulation*: accumulation by dispossession.

Marx's theory of primitive accumulation operates in two phases. The first of these phases is the accumulation and centralization of capital. This is the growth phase of early capitalism. As capitalism expands, larger, more powerful capitalists, centralizing capital among the elites, swallow up smaller, weaker capitalists. Accumulation takes place by expansion of the capitalist system, either spatially or temporally. Colonialism is a pertinent example of violent accumulation through expansion within early capitalism. The second phase could aptly be termed 'dispossession'. In this phase, labourers are 'dispossessed', often times violently, of their means of production and subsistence (Batou, 2015). This is done as a means of creating a labour force capable of selling their labour to capitalists. In this way, primitive accumulation can aptly be understood as a process of both accumulation and dispossession. For Marx, primitive accumulation was a deeply exploitative notion. It took place outside of the productive sphere, resting on "the exchange of unequal values, thus of swindling or usury, and definitely on various forms of parasitism at the expense of the productive economy" (Batou, 2015: 15). The weakness in Marx's theory of primitive accumulation is the temporal limit placed on the notion. Primitive accumulation takes place exclusively during the formation of capitalism, or 'pre-capitalism'. After capitalism is established, capitalist accumulation takes its place, which is still predatory but much less violent and fraudulent.

It was here that David Harvey broke with traditional Marxism and coined the term 'accumulation by dispossession', reframing primitive accumulation as an ongoing process. The weakness of viewing primitive accumulation as only occurring during a set time period in the evolution of capitalism "is that [it relegates] accumulation based upon predation, fraud, and violence to an 'original stage' that is considered no longer relevant" (Harvey, 2003: 144). According to David Harvey (2005), accumulation by dispossession is defined by four main features:

1. *Privatization and commodification.* Privatization entails the transferring of previously public goods to the hands of private interests, who then commodify that good and sell it for capital accumulation. This includes water and land rights, welfare, and public institutions, along with many other services and utilities the state previously provided. This feature necessarily entails a rolling back of the state, as the function of the state in social matters is diminished.
2. *State redistributions.* While the role of the neoliberal state is diminished in regards to the social sector, it still holds a monopoly on redistributive policies. In order to foster capital accumulation, the state privatizes many services, cutting back on their own state expenditure, but opening up a flourishing market based on the exploitation of necessary goods and services (housing, education, health care, etc.). This redistributes wealth, allowing the rich to have exclusive access to certain goods. The state also engages in corporate welfare, such as tax breaks or subsidies for large corporations or wealthy individuals, placing a disproportionately high tax burden on low-wage labourers. This again modifies the role of the state. “In developing countries, where opposition to accumulation by dispossession can be stronger, the role of the neoliberal state quickly assumes that of active repression even to the point of low-level warfare against oppositional movements” (165).
3. *Financialization.* Due to the diminished role of the state, more and more aspects of life are becoming financialized, in the sense that they now provide a new means of exploitation through capital accumulation. This deregulation and subsequent financialization “has allowed the financial system to become one of the main centers of redistributive activity through speculation, predation, fraud, and thievery” (161). In this sense, many aspects of life are now subject to the turbulence of the markets.
4. *The management and manipulation of crises.* Harvey posits that one of the primary means of accumulation by dispossession is found in the ‘debt trap’ and ensuing debt crises that arise once the debt burden has overwhelmed the afflicted population. In this way, “crisis creation, management, and manipulation on the world stage has evolved into the fine art of deliberative redistribution of wealth from poor countries to the rich” (162). These crisis situations further aid accumulation through the creation of unemployment, resulting in a labour surplus, which can then be further exploited. However, debt crises can be volatile, and if they spiral out of control they could potentially have detrimental effects to the capitalist system. In this paradigm, “one of the prime functions of state interventions and of international institutions is to control crises and devaluations in ways that permit accumulation by dispossession to occur without sparking a general collapse or popular revolt” (162).

David Harvey introduced accumulation by dispossession in his 2003 book *The New Imperialism*. In 2005 it was again reiterated in *A Brief History of*

Neoliberalism; but in both of these books, and several papers also including the term, Harvey has failed to fully define the term beyond the specific processes mentioned above. This had left the field open for several scholars to posit their own definition, or to use the term in analyzing various phenomena that wouldn't be possible if the definition had been fully laid out by Harvey.

Due to the recent neoliberalization in India, there are many studies taking place critiquing the neoliberal reforms, and much of it uses accumulation by dispossession, which has become somewhat of a mainstay in critical neoliberal studies. Swapna Banerjee-Guha, in a book and an article, has written about the rise of popular discontent in the face of increased accumulation by dispossession, how India's development is being measured more and more by how the public feel excluded in the new neoliberal India (2010; 2013). Michael Levien has used accumulation by dispossession to study the Indian government's use of eminent domain to grab farmers' land, transfer the ownership to corporations to form special economic zones (2011). Within the field of microfinance research, accumulation by dispossession has also been well received. Keating et. al. (2010) use Nancy Hartsock's (2006) gendered take on accumulation by dispossession to critique the 'empowerment' rhetoric that used to take center stage in microfinance discourse. Recently, a string of research on the financialization of microfinance has taken place, much of which is grounded within accumulation by dispossession (Aitken, 2013; Mader, 2014; Schwittay, 2013).

This thesis will draw from many of the above-mentioned sources, but the main theoretical framework used will be that laid out above. Additionally, inspiration will be drawn from Levien's definition of accumulation by dispossession as "the use of extra-economic coercion to expropriate means of subsistence, production or common social wealth for capital accumulation" (2011: 457), due to the pertinent nature of the definition in application to the microfinance crises.

4. Methodology

Analytical Narratives

The methodology used for this thesis largely flows from the theory used, and the framework set up by accumulation by dispossession, but it also takes the form of an analytical narrative guided by accumulation by dispossession rather than game or rational choice theory. Analytical narratives are “motivated by a desire to account for particular events and outcomes” (Bates et al., 1998: 3), and that is what this thesis seeks to do. Analytical narratives stress the importance of logic and (in a non-theoretical sense) rational choice in finding the most likely causes of a studied phenomenon. The term is composed of two parts: narrative and analysis. A narrative is a story, in this case a factual story, conveying a series of events from a particular theoretical standpoint, so that the causes and effects of that narrative are easily conveyed. The narrative becomes analytical because it is grounded in theory and data. Although analytical narratives were originally intended for use with game or rational choice theory, they are being applied to other theoretical frameworks as well, as a useful tool that blends the historical narrative tradition with analytical social science research (Bates et. al., 1998). This thesis strives to explain a complex series of events, many of which occurred in tandem. To build up the narrative, some topics are touched upon multiple times, building upon the previous instance it was mentioned, forming layers which produce a clearer view of the phenomenon described.

Harvey’s accumulation by dispossession is the main framework used to analyze the microfinance crises in Andhra Pradesh; its framework of four distinct processes that accumulation by dispossession follows dictated which sources and what type of information to use. Combined with the form of an analytical narrative, the historical progression of development in Andhra Pradesh will set the background for the later analysis of the crises in Andhra Pradesh through accumulation by dispossession.

Materials

This paper makes use of ‘theoretical sampling’ to conduct a qualitative study (Mason, 2002). This means that the theory guided the formation of a research

question, which then guided the selection of materials used. The theoretical framework established a guide for what type of information was needed, which influenced the sampling and the collection of data and material in order to fit within the theoretical framework. This served to limit the field of possible research that needed to be surveyed, as well as serving to focus the scope of the paper. This is also a form of what Bryman calls ‘purposive sampling’ in which data is collected to serve a specific purpose (2008).

Overall, the research regarding the causes of the 2010 Andhra Pradesh microfinance crisis is fairly limited to begin with. A lot of microfinance research briefly touches on the subject, but rarely goes in-depth when discussing the causes. As such, there are several papers that analyze the causes that are heavily drawn on to form the background portion of this thesis, Priyadarshiee & Ghalib, Mader, Taylor, and Yerramilli. These peer-reviewed papers represent the three main narratives presented to explain the causes of the 2010 microfinance crisis, and in this thesis they are combined to form an overarching narrative which explains the background of development and microfinance in Andhra Pradesh, and the events leading up to the microfinance crisis.

For the analysis portion, a wide interdisciplinary net is thrown to capture the changes currently taking place within the microfinance industry. This represents some of the most widely cited critical microfinance research, as well as economic and political economy research on microfinance, available. Authors like Schwittay, Roy, Aitken and Young are well-respected authors currently critically researching microfinance, and they add dimension to the analysis portion as well as credibility. The phenomena affecting microfinance are fairly well researched, but are often not applied specifically to Andhra Pradesh (with the exception of the Aitken article, which does so briefly). Indian scholars are fairly well represented in this paper, especially in regards to the neoliberalization process taking place in India. These are from professors who have dedicated much of their careers to researching the neoliberal reforms affecting India, and many of them have lived through these reforms themselves. This allows them to see nuances within the neoliberalization process that may be over looked within broader studies. These scholars are often from the economic discipline, but include political science as a means to understand the state processes taking place.

5. Analysis

As many papers have pointed out, microfinance cannot solely be to blame for the crises in Andhra Pradesh. After all, neighboring states had similarly high levels of microfinance saturation without suffering from the same crises. So what forces coalesced to cause the crises specifically in Andhra Pradesh? While several papers have hinted at reasons which are partly to blame, they are few and far between and do not convey the whole story.

Credit Addiction

Beginning with the history of development and century long emphasis on rural credit schemes, it is clear that credit has played an important part in the formation of the modern agrarian society in India. Beyond this, it could be argued that while India has long shown a reliance on credit schemes, Andhra Pradesh is facing a sort of ‘credit addiction’ as evidenced through the sort of ‘withdrawal symptoms’ they experience following microfinance crises. After a century of being reliant on credit for subsistence, it is no surprise that credit has come to play a large role in how rural households manage their homes/livelihoods. This can be demonstrated through the substantially higher rate of indebtedness in Andhra Pradesh preceding the crisis. By 2003, 82% of all rural households in Andhra Pradesh were indebted compared to a national average of 48% (Taylor, 2011). This is an even more striking statistic when considering that in 1981, only 26% of rural households in Andhra Pradesh were in debt (Taylor, 2011). This credit addiction, which has clearly increased in the wake of neoliberal reforms, can also be seen in the popular reaction to the microfinance ordinance Andhra Pradesh enacted, which decreed that borrowers were only able to have one outstanding microfinance loan at a time, during what can be viewed as the withdrawal period. Following the crisis, the Center for Microfinance and MicroSave⁹ conducted baseline studies on the spending habits of former microfinance clients in Andhra Pradesh, asking them to compare their ability to meet consumption and other spending requirements before and after the 2010 crisis. 85% of those surveyed said that they now had problems in financing household consumption, health and education spending (Gupta, 2013). A third of all respondents said that they had cut spending across the board, as they could no longer access credit through sources other than

⁹ This source isn’t ideal, but it is also one of the few studies done of this sort, and is by far the most comprehensive.

‘loan sharks’ (Gupta, 2013). Conversely, loan sharks, charging 60-120% interest have experienced a large up tick in business (Gupta, 2013). All of these findings were found roughly eight months after the microfinance crisis in 2010. This indicates that a population that was declaring microfinance as ‘death by default’ was starved for credit a mere eight months after microfinance was regulated and declined in the area. It also goes to remember the long history of credit-based subsistence that rural populations in Andhra Pradesh were accustomed to. As has been noted by Schwittay, “poor people had not just low but also fluctuating and unpredictable income, which forced them to develop sophisticated money management skills centering on borrowing and saving” (2013, 512). In other words, poor people know how to manage their debt. This implies that something else must have been going on for debt to spiral so far out of control, and one of the biggest, if not *the* biggest, changes in the recent history of Andhra Pradesh is neoliberalization and an ongoing cycle of accumulation by dispossession.

Privatization and Commodification

Between 1995 and 2004, Chandrababu Naidu served as ‘Chief Minister of the State’ in Andhra Pradesh, as well as being the head of the Telugu Desam Party (TDP), the congressional party holding power at the time in Andhra Pradesh. At the time Naidu took office, the IMF had recently extended a structural adjustment loan to Andhra Pradesh (Young, 2010), which carried with it highly liberal reforms as a condition of the loan, as was common practice at the time. “Naidu sought to further expand these reforms at the state level by introducing more fees for public services and further reducing subsidies for water, electricity, fertiliser, and credit” (Young, 2010: 615). The logic behind Naidu’s reasoning for these policies was that privatization of several services would spur job creation as well as cut state spending; however, these policies did little of either (Mader, 2013). While having a generally negative effect in Andhra Pradesh, these reforms increased investor confidence internationally, with Andhra Pradesh receiving international media attention. Due to this international response, the WB offered several loans on the condition that Andhra Pradesh made further cuts to the state budget (Young, 2010). This is precisely the type of privatization Harvey was referencing in regard to accumulation by dispossession. Privatization of these services did little for the public, but served to commodify essential services for the profit of the elites. Furthermore, the state was also profiting from these reforms. International attention meant more investments from the WB, IMF, and other international investors, padding their budget but also increasing investor confidence in the state.

As international investment and interest heightened, the agricultural sector was floundering. Prior to the neoliberalization of India, the agricultural community held large sway in politics. Given that over 60% of Indians living in Andhra Pradesh make their living through agriculture, this is no surprise. In the 1980’s, in

an effort to create a more modern India, technology and information sectors were stressed as the key area of growth, and “as an occupation, cultivation came to be looked down upon” (Rao & Suri, 2006: 1549). As such, the government has been slowly removing subsidies and safeguards for agriculture, without providing a viable alternative means of employment to the rural populations who increasingly feel they have no place in the new, technology-driven India. Nowhere were these reforms or belief in a new, neoliberal India at all costs more vehemently adhered to than in Andhra Pradesh.

In keeping with neoliberal ideology, government spending in the agricultural sector has steeply declined. During the 1980-1981 fiscal period, the Andhra Pradesh government spent 11.8% of state expenditure on sustainable agricultural infrastructure; by 2001-2002, agricultural spending was down to 1.8%, where as the Indian national average was 5% (Rao & Suri, 2006). This is a large catalyst for the severe water management issues currently facing rural Andhra Pradesh. Along with diminished government spending on agriculture, lack of government subsidies for agricultural input has made agriculture in Andhra Pradesh the most expensive of any state in India (Rao & Suri, 2006). This is the basis for the ongoing agrarian crisis currently taking place in Andhra Pradesh. Through neoliberal reforms, and the privatization of all types of government support for the agricultural community, many of the rural peoples of Andhra Pradesh are being left behind and ignored by their government. It was under these conditions of agricultural distress, owing to the wave of privatization, that Andhra Pradesh largely privatized their development policies by turning to microfinance and as a market-driven alternative for development.

State Redistributions

While stories of India’s massive growth in GDP, along with stories of India’s immense poverty are widely reported on, the public rarely connects the two. In India, massive GDP growth and steep increases in inequality have served as two sides of the same coin.

India is increasingly prioritizing GDP growth over the welfare of her own people. In a country with 97 billionaires, a number which is only topped by China and the US, it is almost shameful that three fourths of Indians subsist on a daily income less than US\$ 2 (Bhaduri, 2008). However, it is the rich that have money to spend. As such, their luxury needs are being increasingly prioritized over the needs of the many. As such, GDP growth is feeding inequality as more and more of India’s industries are catering to the luxury ‘*wants*’ of the few and ignoring the *needs* of the poor.

In order to realize a neoliberal India driven by a booming technology and outsourcing market, the rural populations have been left behind, or worse, preyed

upon. The predatory nature of state redistributions is rampant in many parts of India. More of India's public land is being seized through eminent domain, and then being sold or, more often, given to private corporations for mining, industrialization and special economic zones (SEZs) (Bhaduri, 2008; Levien, 2011) in a movement not dissimilar to the early acts of enclosure during the conception of capitalism. The SEZs are also non-taxed, so as to attract business, but it only serves to place an unfair tax burden on the poor while the largest income generators contribute nothing to society but menial job opportunities (for research on work conditions in SEZs in Andhra Pradesh see Cross, 2009). These private interests are not only inheriting the land rights, but also the rights to the ground water below these lands, siphoning water from an agrarian community already in a state of distress. All across India, water rights to industry are being increased. In Gujarat, water rights to industry increased five-fold, while decreasing water allocation to the distressed rural community (Walker, 2009). In 2009, the time of that statistic, the state of Gujarat had 8 functional SEZs and 48 formal approvals; Andhra Pradesh, by comparison, had 19 functional SEZs and 103 formal approvals (Ministry of Commerce, 2010). This is indicative of a wider trend of Andhra Pradesh pushing state redistributions more aggressively than other states, a trend which continues to present day. In 2013 (the last year the Ministry of Commerce published an annual report) Andhra Pradesh had 38 functional SEZs, the most of any state, compared to Tamil Nadu's 33 and Karnataka's 21 (second and third highest amounts of SEZs) (Ministry of Commerce, 2013).

In a further wave of neoliberalism, India not only deregulated the banking system, they also removed agriculture and small-scale industries from the priority lending sector, meaning that both of those sectors no longer have access to subsidized loans (Patnaik, 2004). In the state of Andhra Pradesh, this served as a final withdrawal of the last of the agricultural welfare programs, and a transition to almost total reliance on microfinance or informal means to meet credit demand.

Despite the obviously growing inequalities within India, the state is still unwilling to jeopardize their growing GDP to aid their impoverished people. In order to keep accumulating capital, concern for the market is placed above all others. For years the Indian government has been shaping their policies to encourage investment, particularly through the use of SEZs. There is growing popularity behind the idea that "the government should raise resources through privatization and so-called public-private partnership, but not through raising fiscal deficit or imposing a significant turn over tax on transactions of securities [...] these measures rattle the "sentiment" of the financial markets so governments remain wary of them" (Bhaduri, 2008: 12). It is this thinking that can be held accountable for the stagnation of economic reform in recent years. This trend shows a clear bias of state distribution in favor of the rich and wealthy, and of prioritizing a booming economy above all else, and the public are growing wary of this new emphasis placed on capital accumulation for the wealthy. Just as Harvey theorized that "the role of the neoliberal state quickly assumes that of [...] low-level warfare

against oppositional movements” (2005: 165), the Indian government has had to contend with surmounting discontent with the proliferation of SEZs and other forms of corporate welfare. SEZ opposition was so widespread that incentivization for new SEZs was all but abandoned in 2012,¹⁰ only to face recent resurrection under Prime Minister Modi (Potter, 2014).

Financialization

The process of financialization serves to bring the world order in line with a neoliberal, capitalist notion of a world order. With such rampant neoliberalism, almost everything is now open to be financialized and placed on the global market.

Poverty is increasingly being viewed in financialized terms. It is now commonplace to think of impoverished people as those living on less than one US dollar a day and it's no surprise that this concept is now so prevalent. The World Bank and other capitalist institutions that are driving the development agenda have financialized poverty so that it can be solved using capitalist means. By framing poverty simply as a lack of capital, an influx of capital can be a quick fix (Schwittay, 2013). If poverty was reframed as a socio-political problem, then it would be much more difficult to justify using neoliberal means to try to solve the problem. However, when poverty becomes financialized, important factors are left out. “[Real] incomes can be rather poor indicators of important components of well-being and quality of life that people have reason to value” (Sen, 1999, quoted in Schwittay, 2013). But other factors, such as quality of life, are hard to quantify, making them difficult to be understood, and thereafter solved, on neoliberal terms.

When poverty is financialized, so too must the mechanisms designed to address poverty, as such development is also being increasingly financialized. This can be seen in the trend of stressing ‘financial inclusion’ as a development ideology. The logic follows that the poor are not held back only by their lack of access to capital, but also by their lack of access to other financial services such as savings and insurance (Aitken, 2013); only through full incorporation into the global market and formal financial sector can poverty be ‘cured’. The World Bank and the United Nations alike have long espoused financial inclusion as a means to escape poverty, and that access to the formal financial sector is empowering in itself (Taylor, 2012). The United Nations holds the belief that access to the financial inclusion will “economically and socially empower individuals, in particular poor people, allowing them to better integrate into the economy of their countries, actively contribute to their development and protect themselves against economic shocks” (United Nations, 2006, quoted in Taylor, 2012). This thinking has been a large catalyst for the rise of financialized microfinance, allowing the

¹⁰ This only applied to new SEZs. Keep in mind that by 2010, Andhra Pradesh had 103 formal approvals for SEZs, and only 19 functioning SEZs.

very fact of having access to a loan to become the new means of empowerment attributed to the notion.

This narrative of financial inclusion can most keenly be observed in what Rob Aitken (2013) has dubbed ‘micro/financialization’. Microfinancialization entails the processes by which the poor are being placed at the mercy of the international markets through debt accumulated by microfinance. The financialization of microfinance can be demonstrated in several ways. The first being the emergence of credit scores for the poor. Increasingly, microfinance clients are being tracked to see if they’re liable to default or diligently make their payments (Schwittay, 2013). This has led to a ‘black list’ of sorts so microfinance institutions can avoid risky clients, increasingly placing profit-maximization above the alleged poverty alleviating goals of microfinance (Aitken, 2013). Another way that microfinance has financialized is a trend of microfinance institutions making initial public offerings (IPO)¹¹. One of the largest microfinance institutions in Andhra Pradesh, SKS Microfinance, made an IPO two months before the 2010 microfinance crisis in Andhra Pradesh (Aitken, 2013). One of the main reasons why SKS Microfinance had such a successful public offering was because of their almost-too-good-to-be-true repayment rates. Their IPO and high repayments rates are cast in a new light when considering the involvement of SKS Microfinance in coercing several over-indebted farmers in Andhra Pradesh into suicide.

Aitken points to another form of microfinancialization, the practice of intermediation, in which international investments in microfinance institutions are increasingly going through third party intermediaries (2013). These organizations are growing in number and popularity as the West is realizing the high profits to be had in microfinance. The third method of microfinancialization is securitizing¹² microfinance loans (Aitken, 2013). In this way, investors in microfinance can invest with little risk in the case of default or bankruptcy. The securitization of microfinance vastly increased the amount of investors willing to invest in potentially risky microfinance organizations. However, “securitization [resulted] in a dramatic shift in the ways in which micro-loans are held — extended and managed not by an institution with some presence in the communities in which they operate, but by distant foreign investors” (Aitken, 2013: 488). Microfinance clients are becoming increasingly answerable to foreign investors, and the whims of the international market.

In traditional economics, the belief is that as supply increases, the market will create competition to find the lowest price possible. Despite the general availability of microloans increasing, interest rates have remained at incredibly high levels. This can be explained by the nature of microfinancialization, and the

¹¹ Making an IPO is the act of offering stock in a company to the market, which is then sold off to the public.

¹² Securitization is the act of pooling debt and selling it off to a third party, who is then able to collect the interest of the loan. It is similar to a defunct loan being sold off to a collection agency, dispersing the risk associated with lending to potentially risky clients.

increased pressure to retain investment. “Investors keen to extend capital are almost always focused on MFIs with high rates of interest and profitability [...in] order to offer attractive terms to investors, MFIs have had to pass on high interest charges to their customers” (Aitken, 2013: 488). In this way, the financialization of microfinance has had directly detrimental impacts on the poor. As evidenced in Andhra Pradesh, the only ones who are benefiting from this new arrangement are the microfinance institutions raking in enormous profits. This sort of financialization allows capitalists to exert a new level of control over the poor. A poor population that is reliant upon markets rather than informal welfare is more open to predation and manipulation from capitalists and neoliberals alike. The coercive tactics used by microfinance institutions is another dimension of this new power dynamic. If a poor population is reliant on microfinance, they have no option but to agree to abuse and coercion at the hands of their creditors.

The Management and Manipulation of Crises

The above sections have illustrated how the rural populations of Andhra Pradesh became so wholly reliant on microfinance, and why they became so over-indebted. However, the crises themselves were also a means of accumulation by dispossession.

The securitization of microfinance has changed the ways that investors consider lending to microfinance organizations. When a loan is securitized, any monetary loss suffered through default on the loan no longer affects the investors. In this scenario, careful lending practices can be cast aside, opening the door for risky lending practices, as in the event of a debt crisis, they won't suffer any financial losses. “One recalls the statement attributed to Andrew Mellon: ‘in a depression assets return to their rightful owners’” (Harvey, 2005: 163), and a microfinance crisis is a depression on a micro-scale. In a way, microfinance institutions had become co-opted by their investors. Investors in microfinance didn't have to worry about default after their investments had been securitized, so they were free too keep pumping money into the sector with no thought to consequences; microfinance institutions were so busy trying to disperse more loans, they didn't take the time to realize that they were dangerously over burdening their clients with debt that even peer pressure couldn't make them pay back.

It is precisely this thinking that leads to over-investment, which in turn translates into over-lending. With the IPO of SKS Microfinance, investment in microfinance in Andhra Pradesh was at an all time high (other microfinance institutions in the area also had future IPOs planned). However, this means increasing investment with limited clientele available. In order to stay profitable and keep investments flooding in, microfinance institutions aggressively pushed multiple loans to clients that didn't have the ability to repay. Even if investors aren't affected in the case of default, microfinance institutions themselves are. As such, microfinance

organizations turned to coercive tactics (and to a smaller extent, creative bookkeeping) to try to recover losses and keep investments flowing in. In such a highly charged environment, especially with a population indebted enough to believe suicide was their only way out, a crisis was triggered. As Harvey says, “one of the prime functions of state interventions [...] is to control crises and devaluations in ways that permit accumulation by dispossession to occur without sparking a general collapse or popular revolt” (2005: 163). As such, the government enacted a microfinance ordinance to repress the growing unrest that preceded the crisis in 2010, and wiped out 90% of the outstanding loan portfolio of microfinance organizations overnight (Aitken, 2013). All of the capital accumulation possible had already taken place, so it was better to eat the losses of a crisis and begin the cycle of accumulation anew. The lack of microfinance default spreading like a contagion can also be explained through the management of crises. Simply put, the government was able to placate microfinance customers before default had a chance to spread to other states.

6. Conclusion

Beginning in colonial times, it is clear that India has had a long history of using credit to meet consumption needs. It is also clear, due to the nature of early credit schemes in India, that they've long been a source of predation through accumulation by dispossession. This long history has made rural Indian populations heavily reliant on credit, and it is this reliance that capitalists have managed to exploit for personal gain. Nowhere in India was this credit addiction, or the level exploitation, more extreme than in Andhra Pradesh. Until recently, it was clear that although rural populations were heavily reliant on credit and heavily indebted, they were still employing their own tactics to manage their debt burdens to avoid a crisis situation or accumulate a debt too large for them to repay. With the coming of neoliberal reforms, and an intensification of accumulation by dispossession, the rural populations of Andhra Pradesh were pushed too far. As capitalists began to see how much profit could be made, and how easily the people of Andhra Pradesh could be exploited, the intensification of microfinance in the area overwhelmed the entire population. In a round about manner, the WB helped to speed this flood of microfinance, through their heavy investment in SHGs in Andhra Pradesh, and through their disbursement of neoliberal ideology.

There were warning signs preceding the 2010 microfinance crisis, such as the 2006 Krishna crisis, that the populations of Andhra Pradesh were becoming burdened with far more debt than they could ever hope to pay off or manage. However, due to the various processes of accumulation by dispossession, and how they affected the microfinance institutions, there was more to be gained through allowing a crisis than disinvesting in Andhra Pradesh. In this way, the microfinance crises in Andhra Pradesh can be seen as a symptom of a larger rural crisis brought on by neoliberal reforms and the accumulation by dispossession that followed them. By replacing state-run welfare services with microfinance, it was asking an already indebted, distressed community to now pay for more services when they were already struggling to meet basic consumption needs. Given the nature of microfinance, along with the political climate, in Andhra Pradesh, the crises should come as no surprise. Compounded with the lack of microfinance crises in Karnataka, the neighboring state with a similar microfinance sector, this indicates that the increased accumulation by dispossession localized within Andhra Pradesh could be to blame for the microfinance crises.

Privatization, during the neoliberal reforms in the 1980s served to place more

financial burden on the peoples of Andhra Pradesh. Microfinance was offered as a way for the people to pay for services that had been cut or privatized, adding more debt onto already indebted people. State redistributions served to distribute valuable resources, such as land and water, away from rural impoverished populations, further upsetting an agrarian community that was already in distress. This distress in turn forced more and more to turn to microfinance to stay afloat. Commercialization can account for the impossibly high interest rates placed on microloans, and also for investors over enthusiasm in investing. This push for profitability to keep up with investments led microfinance institutions to abandon responsible lending practices and encourage multiple borrowing, and eventually coercive collection methods. Faced with all of this, and mounting debt-related (or instigated) suicides, the people revolted against microfinance institutions, leading the state to manage their population and regulate microfinance, in turn sparking the 2010 crisis. All of these processes, in essence, stem from the neoliberal reforms undertaken in the 1980s. Through neoliberalization, India was able to commit fully to capitalism, abandoning welfare and placing profit above other pursuits. This capitalist mindset created an environment that welcomed all of the processes of accumulation by dispossession which would eventually culminate in the microfinance crises. Without some sort of reform (this time away from neoliberal policies), the pattern of microfinance growth and crisis shows no sign of slowing. The microfinance crises stem from a type of accumulation by dispossession crisis, in which the rural populations of Andhra Pradesh are being exploited past the point of sustainability; the crises are just secondary symptoms.

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