
Focus

The Financialization of Micro-Credit**Rob Aitken**

ABSTRACT

The financial crisis which crested in 2008/2009 sparked much debate regarding the future of global financial governance. Echoing the ways in which that crisis entailed a particular intrusion of ‘high finance’ into everyday lives, the main contention of this article is that critical analyses of finance would benefit from training attention onto the intersections between global finance and the level of the everyday and the mundane. To explore this intersection, this article reviews the increasing ways in which micro-credit has been *financialized*. This process of micro/financialization, I argue, has been accomplished in very particular ways which have brought micro-credit networks and their borrowers more fully into the spaces of global capital markets. This development, however, confronts vulnerable populations of micro-borrowers with serious risks of various sorts. Most importantly, micro/financialization risks exporting — and globalizing — some of the riskiest parts of financial practices to the ‘poorest of the poor’. I conclude the article by noting the ways in which this involves a particularly dangerous extension of what some commentators have referred to as the ‘democratization of finance’.

INTRODUCTION

‘Economics treats the prospective and calculating disposition towards the world and time, which we know to be the product of a quite particular collective and individual history, as a universal “given”, a gift of nature. In doing so, it tacitly condemns in moral terms those who have already been condemned in reality to the fate of economic “misfits” by the economic system whose presuppositions it records’.

Pierre Bourdieu, ‘Making the Economic Habitus’ (2000: 28)

Research for this paper was supported by a Standard Research Grant from the Social Sciences and Humanities Research Council of Canada. I would like to thank two anonymous reviewers for *Development and Change* for constructive feedback. I would also like to recognize the generous advice and ongoing support of Jacquie Best, Randall Germain, Michael Chu and Dwight Hesse. Invaluable research assistance was provided by Monty Bal. As usual, any errors or omissions are solely my responsibility.

Development and Change 44(3): 473–499. DOI: 10.1111/dech.12027

© 2013 International Institute of Social Studies.

Published by John Wiley & Sons, 9600 Garsington Road, Oxford OX4 2DQ, UK and 350 Main St., Malden, MA 02148, USA

As merely the most recent crest of a seemingly intractable wave of global financial instability, the 2007–2008 subprime crisis generated seismic dislocations across the global political economy (Warwick Commission, 2009). At the heart of this crisis was a particular intrusion of ‘high finance’ into everyday lives as sub-prime mortgages became converted into increasingly complex financial instruments (see Langley, 2008). Echoing this process, the contention at the heart of this article is that we might gain a critically productive glimpse of the financial system by training attention onto the intersections between the powerful world of global finance and the space of the everyday and the mundane.

To develop this contention, this article tells the story of the financialization of micro-credit. Micro-credit is a form of credit offered to the ‘very poor’ as a way to generate income from micro-enterprises and, by extension, to reduce poverty among those most disenfranchised in the global political economy. Although initially tied to state subsidies or philanthropic funding, since the 1990s micro-credit has increasingly been delivered through commercialized vehicles. Although this shift to commercialized modes of operation has been an important preoccupation among micro-credit practitioners, there has been relatively little attention to the actual practices which have made this shift a reality. How has the move to commercialization been constituted? What specific techniques have helped reorganize micro-credit into a commercial and profitable set of practices? To address these questions this article adopts what Nikolas Rose (1999) refers to as a ‘minor’ level of analysis. This type of analysis — concerned with the ‘cramped spaces’ of the mundane — has been used effectively by a range of scholars to shed light on the techniques with which political-economic practices are lived and made possible (see Hobson and Seabrooke, 2007; Langley, 2008; Seabrooke, 2006).

Taking seriously the consequential importance of ‘minor’ analyses, the broad argument of this article is that the techniques which have enabled commercialized micro-credit are deeply related to processes of financialization. I use ‘financialization’ here to designate those practices, devices and techniques with which particular objects or categories of social life are converted into financial asset streams. This entails the conversion of objects into sources of financial value. In its fullest forms, the commercialization of micro-credit increasingly relies on techniques capable of converting micro-borrowers into sources of financial profit. As I argue in this article, recasting micro-borrowers as investable assets has been made possible through three particular sets of techniques: practices of *valuation* in which micro-credit is made legible in the metrics associated with financial markets; techniques of *intermediation* which facilitate flows of global capital into micro-credit networks; and processes of *securitization* which have provided a vehicle through which global investors can access micro-credit receivables as investable objects.

In making this argument, I want to suggest that directing attention to a minor level of analysis, to what Langley (2008: 15) has described as the

‘specific calculative tools . . . the devices and techniques through which the future uncertainties of saving and borrowing are measured’, has a broader importance in at least two sets of ways. First, this focus on the actual techniques of micro/financialization puts into sharp relief the risks associated with commercialized micro-credit in a very particular kind of way. As an attempt to capitalize, quite literally, on those living at the very edges of the global economy, commercialized micro-credit seeks to ‘serve’ poor populations by incorporating them into credit practices which are fully enmeshed within global financial markets. I argue that this micro/financialization, however, may well lead to a politically urgent repackaging of risk. In contrast to those who conceive of it as a source of stability or security for the ‘poorest of the poor’, I note that financialized micro-credit risks exporting many of the failures of finance as experienced in Anglo-American political economies to populations in the global South. Although it is still premature to determine the exact impact micro/financialization will have, there is now mounting evidence that the various experiments to expand finance as a source of everyday economic security can entail serious risks to the very people they seek to target.

Furthermore, as I note by way of conclusion, the type of ‘minor’ analysis offered at the core of this article also affords a unique glimpse of the global financial system writ large. Because micro/financialization is a process which seeks a particular relation between the centre and the edges of finance, it is a process that provides a useful insight into some of the practices which are most definitive of finance at its core. Most importantly, the story of micro/financialization offers a particular (and particularly troubling) view of finance in the wake of the 2008 financial crisis; a story which implies a kind of risky persistence. Converting the ‘poorest of the poor’ into financial assets implies that the post-crisis context continues to be characterized by ongoing experiments in the financialization of the ‘cramped spaces’ of everyday life. It is at the edge of this space that the dynamics characterizing finance writ large become visible in a very particular and revealing kind of way.

The article is divided into three sections. The first establishes the context by reviewing the ways in which the commercialization of micro-credit has been confronted by various lines of critique, including work that has usefully understood commercialized micro-credit as a particular form of neoliberal accumulation. It argues, however, that these critiques have directed less attention onto the mundane techniques with which processes of commercialization have been achieved. The second section turns to the core of the argument by suggesting that techniques of financialization have been particularly important to the commercial turn in micro-credit, and emphasizing three particular techniques that have been key to this process: valuation, intermediation and securitization. A third section situates processes of micro/financialization in the broader trends — and failings — of the ‘democratization of finance’ and argues that these processes may expose the poorest of the poor to serious risks of various kinds. The conclusion

reiterates the claim that the edge might offer a revealing image of the financial system writ large by noting the story of persistence encoded in the processes of micro/financialization.

MICRO-CREDIT: FROM POVERTY REDUCTION TO NEOLIBERALISM

Vail (2010) has made an eloquent case for a political economy organized around the possibilities of decommodification. He points to a dense web of practices which limit the market in important ways. Decommodified practices are the ‘processes that challenge and limit the scope of commodification by fencing off non-market spheres from market encroachments . . . [and] by creating non-commodified economic circuits’ (Vail, 2010: 313). For Vail, micro-credit programmes constitute one vector in the web of decommodified practices, a ‘non-commodified economic circuit’ apart from and outside of the profit logic which governs mainstream financial spaces. Micro-credit networks, notes Vail ‘have helped to alleviate poverty and to create alternative pathways for development’ (ibid.: 312). Although initially conceived in Vail’s terms — as a practice designed to unleash alternative development possibilities — the argument at the core of this article is that micro-credit no longer occupies that kind of political-economic territory, but has been repositioned into a space that is internal to, not any longer separate from, mainstream global markets.

In this shift toward markets, micro-credit has travelled some distance from its own modest origins dating from the work of Mohamed Yunus in the mid-1970s. Yunus’s work among women in Bangladeshi villages led to the Grameen Bank which was initially focused on the extension of small amounts of credit to the very poor to support micro-enterprises. In lieu of tangible collateral, micro-credit loans are ‘secured’ through a process of group solidarity rooted in the social capital that poor women generate amongst themselves. In this initial incarnation, micro-credit was envisioned as an alternative to local loan-sharks, to burdensome collection techniques and to deepening levels of indebtedness. By extension, micro-credit was also conceived as a source of job creation and income generation. In addition, because it has been particularly targeted at women, micro-credit was also initially committed to goals of gender equity and empowerment (see Bateman, 2010).

Although enormously successful, the orientation of micro-credit has changed dramatically over the past decade in a number of ways. There has been, for example, an important shift in the official discourses of micro-credit, especially those promoted by the World Bank. At the core of this shift has been a systematic emphasis not on income generation or gender equity but on a language of ‘financial inclusion’. This discourse has reshaped micro-credit as a practice most immediately committed to the inclusion of those currently outside of mainstream credit or financial institutions. This

new discourse was enabled by a growing body of policy research which has trained attention onto the large global populations which exist outside of mainstream financial practices. Although estimates are notoriously complicated, one recent study suggests that 2.4 billion adults (just over half of the world's adult population) do not use formal financial services. The vast majority of these populations (2.2 billion) live in Africa, Asia, Latin America and the Middle East (Chala et al., 2009: 2; Federal Deposit Insurance Corporation, 2009). This view has been echoed in the recently consolidated Global Findex database compiled by the World Bank. The Global Findex project reported that, globally, 50 per cent of adults have no relationship to any formalized financial account. When aggregated, at least 2.5 billion adults globally are without financial access of any meaningful kind (Demigruc-Kunt and Klapper, 2012: 2)

Deeply related to this discourse of 'financial inclusion' has been an all-encompassing embrace of the processes of 'commercialization'. Although it emerged from non-profit organizations as an anti-poverty device, micro-credit is now increasingly recast in terms of the language of the market and private competition (Bisen, 2009). This has resulted in a steadily consolidating layer of micro-finance institutions (MFIs) organized as private and profitable operations (Kasala, 2010: 2). This adoption of commercial modes of operation has been driven by both the widely reported reliability of micro-borrowers and the rapid growth of micro-credit over the first decade of the 2000s. By 2008, for example, there were 1,395 recognized MFIs, with 86 million borrowers and a gross loan portfolio of US\$ 45,000 million. These amounts were the result of a 21 per cent annual growth rate in 2008 in the number of micro-borrowers and 34 per cent growth in loan portfolios (Gonzalez, 2009). This commercial turn has been related to a broader set of market-oriented shifts in the management of micro-credit at all levels. For example, micro-credit has become increasingly organized in relation to long-term goals of financial self-sustenance, resulting in the gradual but systematic removal of subsidy programmes alongside the introduction of competitive markets (Economist Intelligence Unit, 2009; Mendoza and Vick, 2010: 564). The pivotal moment in this move to the market and the 'discovery' of micro-borrowers by private capital, may well have been the World Bank's intense promotion of micro-credit in the 1990s, a move which set micro-credit in relation to the World Bank's complicated enthusiasm for liberalized capital markets (Roy, 2010).

The introduction of forms of market governance has been intensely contested by many micro-credit activists concerned about 'profit empowerment' and 'mission drift'.¹ More broadly, many critics of commercialized

1. For advocates, only the market can mobilize the capital required to provide meaningful access to credit. In this regard, see Chu (2007: 139, 143); Cull et al. (2009a, 2009b); Hechler-Fayd'herbe (2009: 2); Rhyne and Christen (1999: 4); Schlein and Chu (2010: 2). For objections to the commercialization of micro-credit, see Augsburg and Fouillet (2010):

micro-credit have placed it in the larger context of neoliberalism, as one more development practice which has enabled market governance and the individualization of risk. Because micro-credit embraces privatized schemes of self-improvement, it can often seem consistent with a political economy which has emphasized the retrenchment of welfare programmes, processes of market restructuring and the erosion of state transfers to individuals. This can lead to a form of micro-credit which ‘empowers’ not by expanding opportunities for poor women but by shifting risk onto individuals directly. The “‘empowerment’ in microfinance”, notes Fernando (2006: 5), ‘may be viewed as a governmental strategy consistent with cuts in welfare spending and a market-led approach to development more generally’.

This privatization of risk seems increasingly at odds with the forms of solidarity which were foundational to the earliest conceptions of micro-credit. The social capital mobilized in solidarity group settings was critical to the generation of high rates of repayment. As commercialized micro-credit practices took hold throughout the 1990s, however, many critics began to note the fragmentation of forms of solidarity. Rankin, for example, has detailed the ways in which commercialized MFIs have tended to mobilize solidarity not as the basis of collective struggle, but as a practice which could be instrumentalized as a source of market value. In practice, Rankin notes, ‘solidarity’ in commercialized ‘microfinance models advocated by mainstream donors . . . respond[s] more to lenders’ concerns with financial sustainability and profit than to established traditions of . . . collective action’ (Rankin, 2002: 11). This emasculated notion of solidarity echoes the broader reformulation of risk and security envisioned by neoliberals; a shift away from forms of social security which emphasize the socialization of risk (Brodie, 2009). In contrast, neoliberals have espoused practices which seek an individualization of risk and a conception of self and citizen as ‘entrepreneurs of the self’ (Rose, 1999).

Micro-credit is often implicated in neoliberal reforms in other kinds of ways. Critics like Weber have consistently noted the ways in which micro-credit coincides with financial sector deregulation. Over the past decades, key advocates of commercialization became preoccupied with the kinds of ‘regulatory reforms’ that would allow MFIs to flourish as profitable enterprises, often stressing the need for a competitive financial services market. In these arguments, micro-credit has become a kind of ‘local’ variant of a much broader process of neoliberalism. Micro-credit, argues Weber, can be ‘conducive to efforts to advance financial sector liberalization . . . a “micro-level” strategy . . . [that] mirrors at the “local” level the wider trend of neoliberal restructuring’ (Weber, 2006: 360). Through these types of processes micro-credit becomes another site of intervention at which neoliberal modes of governance are constructed.

Generative of a 'local' neoliberalism, commercialized micro-credit is increasingly sketched by its critics as a practice which benefits not the very poor, but elite financial agents in particular. Critics have argued that commercialized micro-credit is preoccupied with the extension of credit as an end in-and-of-itself. As critics have consistently noted, this has led to a kind of 'perversion' of micro-credit in ways that situate financial calculations, and not issues of poverty reduction, at its core. This not only distances financialized micro-credit from its initial commitments but also from the conditions it actually fosters in practice. As Sinclair (2012: 12) observes, 'Poverty reduction has been marginal . . . Most investment funds, acting as the principal intermediaries between those with capital and the MFIs pumping out the loans to the poor, have little idea about microfinance in practice, and are motivated by a perverse set of incentives that benefits neither their own investors nor the poor'.

Bateman echoes this analysis by noting that much of the credit extended in the 'new wave' of commercialized micro-credit — in some cases, as much as 90 per cent — was used not to support income-generating micro-enterprises, but to fund consumption (Bateman, 2010: 136). This displacement of income generation has been fuelled, according to Bateman, by a network of interests (financial analysts, investors, fund managers and consultants) who have benefited from incentive-driven contracts with staggering incomes. Moreover, micro-credit orbits around a practice — entrepreneurialism — which is central to the symbolic language of neoliberalism. In this emphasis on individual self-reliance, micro-credit substitutes state-sanctioned (social) security for individual security and, by extension, helps create conditions for the continued removal of public services. In these various ways, commercialized micro-credit operates to legitimize neoliberalism and, notes Bateman (2010: 164–65), 'actually represents a quite fundamental schism with the various . . . community driven movements that supported microfinance in the past . . . the microfinance model [lies] within the most fundamentalist and anti-poor variant of capitalism: neoliberalism. Microfinance is "local neoliberalism"'

Taken together, these critiques imply that micro-credit constitutes a form of what Harvey (2004: 76) has referred to as 'accumulation by dispossession'. For Harvey, this concept is an attempt to upend Marx's analysis which places 'primitive' and 'capitalist' accumulation on either side of a stark divide. This divide situates contemporary capitalism as a form which, however exploitative, remains separate from the predation, fraud and violence which characterize 'primitive' accumulation. For Harvey, however, capitalism in all of its forms is deeply implicated in webs of violent accumulation. In making this claim, Harvey suggests an important link between sophisticated modes of capitalist practice, supposedly characterized by hyper-virtualized exchange, and processes built upon naked coercion and disenfranchisement. 'Accumulation by dispossession can occur in a variety of ways . . . Yet it is omnipresent in no matter what historical period' (ibid.). Dispossessing forms

of predation and violence are not only endemic to pre-capitalist moments, but are inherent to the long historical geography of capitalism.

For its most forceful critics, commercialized micro-credit operates precisely as a kind of accumulation by dispossession. As a device which targets the very poor, commercialized micro-credit enables accumulation for elite and powerful financial agents. Because it exposes disenfranchised populations to particular burdens, micro-credit constitutes a mode of accumulation which pivots on intensifying forms of economic insecurity. In these terms, commercialized micro-credit establishes circuits of accumulation through processes which erode basic social capital among the very poor and which convert that eroded social solidarity into profitability.

Although this analysis is an apt and striking depiction of micro-credit as a practice which places the burdens of neoliberal restructuring directly onto those least able to afford it, it remains a somewhat incomplete picture of commercialized micro-credit. It paints a somewhat abstract picture which places micro-credit within a much broader trend entailing the structural reorganization of the global economy along neoliberal lines. What is less visible in this type of analysis, however, are the *specific* mechanisms with which this shift to commercialized modes of operation have been made real. Through what specific modes of practice have commercialized forms of micro-credit been achieved? What particular kinds of mundane practices, devices or techniques have enabled micro-credit networks as commercial, profit-driven or 'self-sustaining' enterprises?

In neglecting such questions, this type of analysis neglects a recent wave of research in international political economy concerned precisely with the realm of the mundane and the everyday. This includes a renewed interest in the level of 'everyday' agency not as a function of some broader social relation, but as a dense and primary site of political-economic practice in its own right (Hobson and Seabrooke, 2007; Langley, 2008; Seabrooke, 2006). It also includes research on the mundane practices and techniques with which global political-economic practices are enabled: the work of financial economists in constituting the models which have enabled derivatives markets; the 'performative' role of actors of all sorts in framing markets; and the practices with which everyday investors are constituted (Best, 2009: 462; Langley, 2007, 2009; MacKenzie, 2006; MacKenzie et al., 2007).

In this article I want to draw on this work in order to frame the commercialization of micro-credit in terms of the actual techniques and practices with which it has been constituted. I do so by emphasizing what Rose (1999) referred to as a 'minor' level of analysis. By minor, I do not want to imply a level of analysis that is somehow unimportant. Rather, I draw on Rose's sense of the consequential importance of what are often dismissed as 'minor' levels of practice. According to Rose, minor forms of action refer not to dramatic episodes, but to mundane and messy surfaces in lieu of (or alongside) generalized explanations which paint large, and clean, structural explanations: '[these] minor engagements . . . are . . . pragmatic,

experimental, stuttering, tentative. They are concerned . . . with small concerns, petty details, the everyday and not the transcendental. They frequently arise in “cramped spaces” . . . [and] in relation to these little territories of the everyday’ (Rose, 1999: 279–80).

Extending this insight, the basic set of ‘minor’ techniques involved in micro-credit are *financial* practices. As Harvey (2004: 74) notes, the ‘credit system and finance capitalism have . . . been major levers of predation, fraud and thievery’. This implies that what lies at the core of ‘accumulation by dispossession’ is the process of financialization. As Leyshon and Thrift (1997) have noted, the question of speculation — a force often at the centre of debates regarding global financial governance — is, in important ways, secondary to a more mundane question of how asset streams are constituted in the first place. For Leyshon and Thrift, financial capitalism is unthinkable without the ongoing quest to convert objects into financialized asset streams. In this view, finance is not a set of spaces outside of everyday practices, but is constituted in particularly mundane kinds of ways. The ‘bedrock of financial capitalism’, they implore, ‘is not the spectacular system of speculation but something more mundane; that is financial capitalism is dependent on the constant searching out, or construction of, new asset streams . . . which then — and only then — allows speculation to take place’ (ibid.: 98). This type of analysis foregrounds the more mundane practices through which particular objects, even everyday objects, are redesigned as financialized asset streams; an analysis with persisting relevance to the quiet but still deeply significant financialization of micro-credit.

MICRO-CREDIT AS ‘FINANCIAL INCLUSION’: CONVERTING THE ‘POOREST OF THE POOR’ INTO ASSET STREAMS

At the heart of the financial crisis which crested in 2008 was a very particular type of technique — the practice of securitized credit. The securitized credit model entails the pooling of credit receivables into financial securities which can be exchanged by investors in financial markets. The value of these instruments is ultimately derived from the income generated by underlying streams of interest payments. Because it converts credit receivables into a financial asset stream, securitization separates the risk of credit from those who initially extend it and places that risk onto investors. The immediate forces which led to the 2008 crisis relate most importantly to the significant growth in this type of securitized credit in the subprime mortgage markets in the United States (Dymski, 2009; Gowan, 2009: 15; Helleiner, 2009a: 17; Jain, 2009; Juliusz and Machaj, 2009: 303; Turner, 2009: 28, 43). These types of practices, however, increasingly characterize the complex intersections between financial markets writ large and the vulnerable bodies which exist at the very edges of the financial system; a process key to the recent history of micro-credit.

Micro/Financialization

Over the past decade advocates have increasingly made the case for greater incorporation within private financial markets. This usually involves a shorthand in which MFIs are encouraged to ‘earn ample profits and expand as rapidly as profits allow. Commercialize. Attract private investors’ (Cull et al., 2009a: 171; United Nations Capital Development Fund, 2006: 88). In this narrative, the very poor are constituted as a source of financial profit. These processes have thus transformed micro-credit into a site of financialization, a site at which a series of ‘minor’ populations are incorporated into the formal spaces of the financial economy. As Leyshon and Thrift note, however, financialization is dependent on the mundane processes through which objects are converted into asset streams in the first place (Leyshon and Thrift, 1997, 2007). Micro/financialization — the conversion of micro-credit networks and the micro-borrowers who populate those networks into investable assets — has required three particular sets of techniques.

First, and most publicly visible, have been techniques of financial valuation. In order for objects to exist as financial assets, they must first be rendered subject to particular regimes of valuation. The financial value of assets must be calculated, verified and circulated in recognizable ways (Sinclair, 2003). A working group established with the assistance of global credit rating agency Standard & Poor’s has designed a nascent rating methodology in order to translate micro-credit investments into metrics of value recognized and used by standard financial institutions. Developing ratings for micro-credit investments, advocates argue, will allow investors to evaluate credit and investment quality, assess investment risk and make useful comparisons with alternative investment choices. The working group noted that ‘globally recognized metrics can enhance transparency within the micro-credit industry . . . within and across borders’ (Standard & Poor’s, 2009: 7). Ratings are also framed as a mechanism that will allow MFIs to ‘benchmark’ themselves against each other and develop appropriate management and investment strategies (Eddy and Kochubka, 2008: 3). These efforts at establishing ratings have culminated in the emergence of three major rating agencies (MicroRate, Planet Rating and Micro Credit Rating International) all committed to the systematic evaluation of micro-credit investment products.

The most striking technique of valuation, however, relates to a series of initial public offerings (IPOs). The most notable of these episodes is Compartamos, a Mexican MFI that sold a 30 per cent stake of its equity in the spring of 2007. Banco Compartamos was founded as a not-for-profit MFI enabled by initial investments from a group that included private ‘social investors’, the International Finance Corporation and Accion, an American NGO that had, in turn, secured its initial funding from USAID. By the early 2000s Compartamos began to transform itself into a private micro-credit bank open to forms of private investment. The IPO in 2007 was underpinned by an aggressive growth strategy (and escalating set of interest costs) that

saw Compartamos expand rapidly among poor and working poor Mexicans. The IPO, which attracted staggering interest among global investors, was thirteen times over-subscribed and netted the 'owners' of Compartamos, including Accion, a rate of return that has been estimated as the equivalent of roughly 100 per cent a year compounded over eight years (Aitken, 2010: 224; Danel and Lebarthe, 2008).

This audacious attempt to enter global capital markets fully-fledged has not been an isolated incident. The most prominent micro-credit operation in India, SKS Micro-credit, consummated an IPO in August 2010. Similar to Compartamos, SKS financed rapid growth by entering into sophisticated arrangements with key players in American and European financial markets. The IPO attracted enormous attention from institutional investors and was thirteen times over-subscribed which resulted in a company valuation of US\$ 1.5 billion. This valuation was more than seven times the company's post-issue book value and forty times the company's earnings for 2010 (Reille, 2010; Schlien and Chu, 2010: 3).

IPOs offer a very particular technique of valuation. As a method concerned with directly transferring ownership to private financial agents, IPOs facilitate collective judgement and immediate valuation. The reliability of these judgements, however, can be questioned. The SKS IPO, for example, was greeted with both a great deal of interest as well as concern about over-valuation. SKS experienced a decline in net profit of 38 per cent between October and November of 2010, prompting some to question the degree of confidence investors demonstrated in the August IPO auction. The timing of the SKS IPO, on the eve of a much broader Indian micro-credit crisis, punctuated a sense of unease regarding market valuations. This kind of enthusiasm, moreover, is particularly striking in the context of the 2008 sub-prime crisis. As many commentators have noted, global investors eventually became sceptical of the valuations and assessments of subprime securities partly because of the wide distance that existed between investors and the actual mortgage products and partly because of the exuberance with which financial institutions initially greeted those securities. Some evidence now suggests that credit rating agencies issued (or were pressured by banks to issue) over-enthusiastic assessments of subprime securities which proved difficult to sustain (Gowan, 2009: 15; Turner, 2009: 28).

A second technique of micro/financialization relates to the practices of intermediation. In order to fully constitute micro-credit as an investable asset, there need to be formalized and regularized routes opened through which it can be accessed by global capital. One important channel has been opened by micro-credit investment vehicles (MIVs). MIVs are specialized financial vehicles that link investors with investment opportunities in micro-credit through a relatively confined set of practices: fixed income mutual funds, commercial fixed income investment funds, blended value funds, holding companies and private equity funds (Unitus Capital, 2009: 7). Although there were over 100 recognized MIVs of various sizes by 2008, the bulk of assets

are managed by a handful of large institutions: Blue Orchard, Oikocredit, Omidyar Network, Profund and FinnFund. In 2008, in particular, rapid growth could be seen in both the volume of assets under management as well as the performance of the funds MIVs have established. It was estimated that assets under management by MIVs had grown from US\$ 1.8 billion in 2005 to US\$ 6.5 billion by 2008 (Unitus Capital, 2009: 19). In 2009 the annual growth in the volume of capital managed by MIVs slowed only marginally to 22 per cent from 28 per cent in 2008 but it dropped to 12 per cent growth in 2010 (CGAP, 2009; MicroRate, 2010: 3, 2011: 5).

The role of MIVs as a particularly important technique of intermediation is evident in the complexity of channels they have helped to open. Oikocredit, for example, the largest MIV in terms of total micro-credit assets under management, has developed increasingly dense forms of intermediation among a range of disparate actors (MicroRate, 2011: 9). In 2011, Oikocredit was able to disburse 90 per cent (US\$ 196.1 million) of lendable development funds available to it (Oikocredit, 2012: 4). It has accomplished this by assembling a unique network of investors and stakeholders. This network includes individual investors, social investment organizations, non-governmental development organizations (especially those connected to churches) as well as large private sector financial firms. Invoking a quasi-cooperative style of organization, Oikocredit channels investment from 45,000 investors and 595 'members'. The funds raised from both investors and members have been channelled into a range of loan capital instruments and investments which, in turn, have helped fund loans to 26 million micro-borrowers via 896 project partners (Oikocredit, 2012: 20). In linking these diverse actors, Oikocredit and MIVs like it are consolidating a unique channel which allows investors — for Oikocredit, mostly European investors (*ibid.*: 22) — to access micro-borrowers as an increasingly mainstream financial asset.

A third technique associated with micro/financialization is securitization. Like the securitized credit model it emulates, securitized micro-credit entails the separation of loan receivables from the originating MFI. The receivables are transferred to a special purpose vehicle and securities are issued which are linked to future profits associated with the receivables. Securitization allows MFIs to channel the risk associated with micro-loans into global capital markets (Bystrom, 2008: 2111). These kinds of securitization have facilitated, over the past decade, the conversion of micro-loans into a form which is immediately accessible to global investors (Chen, 2008). In 2003, for example, ICICI Bank (India's largest private bank) structured an ambitious securitization for SHARE Microfin Limited, India's largest MFI. Established in 1989 as a non-profit organization, SHARE transformed itself into a commercial entity in 1999. Five years after this transformation SHARE had extended almost US\$ 20 million to over 400,000 recipients, the vast majority of whom were women. The 2003 securitization was facilitated when ICIC bought 25 per cent of its loan portfolio for US\$ 4.3 million (Meehan, 2004: 13–14).

The most prominent securitizations, however, have been collateralized debt obligations (CDOs) issued by BlueOrchard. As early as 2004 BlueOrchard organized a CDO which was structured for a duration of nine years and a capital allocation of US\$ 40 million spread over five tranches of various risk levels. The CDO was made possible by both key public agencies (the Overseas Private Investment Corporation) and private financial agents including J.P. Morgan as well as a series of foundations, institutional investors and asset funds/managers (Meehan, 2004: 15–16). Although its basic benefit relates to the separation and diffusion of risk, MFIs have been intrigued by the prospect that securitization might assist in the expansion of pools of available micro-credit capital. The proceeds from securities allow MFIs to immediately re-invest funds into further micro-loans, allowing a kind of ‘churning of loans’ that would not be available if they simply waited to re-extend loan capital once it was repaid by borrowers. In this process, existing loan receivables serve as collateral against which ever-larger flows of private investment into micro-credit could be mobilized.

Even in the immediate aftermath of the 2008 subprime crisis, new experiments in securitization continue to be mounted. In 2009, for example, the Indian micro-credit context was energized by a series of securitizations managed by a large Indian investment firm, IMFR Capital. The most notable of these occurred when IMFR helped manage the first ever formally rated securitization of micro-credit in India. This arrangement involved the packaging of micro-credit loans issued by a large Indian private MFI, Equitas. The underlying assets for the Equitas offering was a bundle of 55,993 joint liability group loans, worth a principal amount of US\$ 10.4 million (Ananth, 2010). Unlike earlier securitizations organized by the large MIVs, the Equitas offering was partially collateralized by obligations extended by Equitas amounting to 11.4 per cent of the principal amount (*ibid.*). This partial collateralization was an innovation which specifically addresses some of the concerns arising from the use of securitized credit in the subprime debacle. Because securitization severed loan originators from the risk of those loans, many subprime mortgage lenders began to originate risky loans, or to neglect the quality of loans that were issued. By allowing Equitas to retain some degree of risk associated with the original loans, this securitization was designed to exert pressure on Equitas to manage its loan portfolio in a responsible and efficient manner. ‘The first-loss risk that Equitas bears is to ensure that the originating MFI maintains high quality of origination and servicing’ (IMFR, 2009: 4).

The unique innovations of the Equitas securitization have led to renewed interest in the financialized model of micro-credit in India. IMFR has extended these innovations by bundling loans from multiple (often small) MFIs from diverse geographical settings. In 2010, for example, IMFR organized a securitization that bundled receivables from 42,000 micro-borrowers issued by several MFIs. In contrast to the Equitas offering, which securitized risk issued by one institution rooted in one particular location, the 2010

securitization attempted a more sophisticated offering by aggregating (and then dispersing) risk from diverse geographical and institutional contexts. Similar to its earlier experiments, this offering required each originator to assume some risk. IMFR also took on some of the risk of the securitization by directly purchasing some of the offering itself. This approach — complex multi-originator securitizations organized around explicit risk management strategies accessible to relatively small MFIs — is beginning to constitute the most recent frontier in the financialization of micro-credit. IMFR has issued thirteen multi-originator micro-credit securitizations since 2010, which cumulatively have extended Rs 400 crore to thirteen MFIs across various geographical settings. These securitizations have, in turn, facilitated loans to 1.2 million micro-borrowers (Gada and Agarwal, 2011: 5; Ramnath, 2012).²

This recent surge in India offers a revealing glimpse into the broader logic at play in the technique of securitization. Although often welcomed as a device for dispersing risk, securitization is also often framed as a larger technique capable of instilling a kind of market discipline. Securitization, for its advocates, offers MFIs a device with which they can be disciplined by the modes of comparison which predominate in mainstream financial spaces. At its core, securitization operates as a technique which allows firms to be made visible in a particular way. This form of financial visibility orbits around conceptions of ‘transparency’ and comparability. In doing so, securitization allows MFIs to become governable as objects that are legible in terms of the ‘objectivity’ and ‘rigour’ enforced by financial accounting, auditing and investment analysis. As Trivedi (2011) puts it: ‘Microfinance securitisation is an important alternative for financing that has opened up to MFIs in India. This permits MFIs to . . . access the capital markets and avail of transparent, market-linked financing, as opposed to opaque, bilateral transactions. These transactions compel the MFI to adhere to the rigor of financial markets . . . to meet capital market standards’.

These kinds of securitizations are also often framed as the ultimate form of a strategy designed to locate micro-borrowers more directly into the space of global finance. Enthusiasm among global investors for micro-credit securities is generated, at least in part, by micro-borrowers themselves as a body of reliable and disciplined borrowers. As a signature expression of financialization, securitized credit models are premised on the possibilities associated with direct and unmediated access to micro-borrowers as objects directly accessible to investors in global capital markets. It is, Bystrom (2008: 2114) notes, ‘the (historically impressive) credit health of the pool of microloans that is important for the capital market. By bringing the actual

2. These trends have now made securitization a key source of working capital for MFIs in a context in which funding for micro-credit is increasingly scarce. The SKS experience is also instructive. Although the stock price of SKS has declined precipitously since its IPO in August 2010, it has received considerable market confidence in the wake of several recent securitizations (see Anonymus, 2012).

borrower closer to the global capital market, there . . . [are] gains to make'. This is, however, an ambition — direct insertion into the spaces of global finance — which has become more urgent in the context of instability in both micro-credit networks and in global finance more broadly.

THE RISKS OF 'DEMOCRATIZED FINANCE'

As the previous section noted, micro/financialization is enabled by three distinct sets of practices — valuation, intermediation and securitization — which draw poor borrowers more closely into the purview of global financial capital. These practices are all preoccupied with the distribution of risk. In some senses, the management and commodification of risk are at the core of what all techniques of financialization seek to accomplish. Perhaps the most important risks reorganized via these techniques, however, are those placed onto micro-borrowers themselves. Although micro/financialization has enabled a much greater circulation of capital to those without formal access to credit, it also entails certain risks. This section suggests one diagnosis of micro/financialization as a set of techniques which will likely continue to be implicated in particularly onerous risks for those on the very edges of the financial system. Most significantly, I will suggest that the techniques which have enabled financialized micro-credit risk detaching poor micro-borrowers from the social capital that was integral to the earliest experiments in micro-lending.

These detachments and risks have taken various forms. First, there is some risk that processes of micro/financialization will expose micro-borrowers to the inherent instabilities associated with securitized credit. Some commentators, for example, have noted that securitized credit rests on a fragile foundation in which end-investors are severed from underlying assets (Sinclair, 2003: 157). There is now something of a consensus that the securitization of subprime mortgages dramatically, and negatively, altered the ways in which investors were able to appreciate, understand and manage the risk associated with the assets that ultimately underpinned securities (Turner, 2009: 83). Securitized micro-credit risks exposure to these same kinds of instabilities associated with subprime mortgage assets.³ Although some of the recent securitizations innovated by IFMR Capital have attempted to address these problems by ensuring that loan originators continue to assume risk, it is

3. This exposure to risk has been evident over the course of the subprime crisis. On one hand, there is some research which suggests that there continues to be relatively low correlation between the performance of MIVs and the broader financial economy during the crisis (CGAP, 2009: 1; Deiana, 2009; Galema et al., 2009). On the other hand, although the global financial crisis did not displace processes of micro/financialization, it has exerted pressure in several ways (Gonzalez, 2010b: 1; Lascelles and Mendelson, 2009: 7; MicroRate, 2010: 5; O'Donohoe and Rozeria de Mariz, 2010: 3).

unclear if these measures can reverse the instability that can often accompany credit securitization.

A second risk relates to the distance that securitization opens between micro-borrowers and the credit that is extended on their behalf. Although micro-credit has always been deeply riddled with power relations, securitized micro-credit involves a novel reorganization of these ‘cramped spaces’ of everyday practice. Most experiments in securitization result 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. Although micro-credit is premised on the maximization of social capital, securitization can erode these social bonds in the face of the anonymous global relationships it often enacts. Some observers have complained that this financialization introduces an overly rigid space between borrowers and sources of credit, preventing greater flexibility and informality (Chen, 2008: 788–89).

A third risk associated with micro/financialization is the prospect of higher rates of interest imposed on those least able to afford it. Proponents claim that incorporation into global markets will generate greater levels of competition and will facilitate lower prices for credit. In practice, however, there has been a mixed set of experiences with interest rates. Investors keen to extend capital are almost always focused on MFIs with high rates of interest and profitability which compare favourably with other investment opportunities. In order to offer attractive terms to investors, MFIs have had to pass on high interest charges to their customers. Recent studies, for example, note that as many as 75 per cent of MFIs charge rates that exist in what Mohamed Yunus refers to as the ‘red zone’; interest costs focused on profit-maximization rather than poverty reduction (Gonzalez, 2010a: 1–6). In addition, as the discussion of IPOs above indicates, there is evidence accumulating that high interest rates are often pursued as an *explicit* strategy designed to attract global capital (Aitken, 2010: 232).⁴ Although some commercialized micro-credit initiatives do entail complex arrangements with a network of investors not fully committed to profit-maximization (such as the ‘social investors’ who have often partnered with MIVs), as the examples reviewed in this article indicate, once they become enfolded into a broader logic of financialization, these groups tend to become subjected to a financial logic of calculation which makes the incorporation of ‘social’ goals difficult to realize in practice.

A fourth risk associated with micro/financialization revolves around the possibility of greater classifications of different ‘qualities’ of MFIs. Although financialization is promoted as a process that will lead to greater availability of credit in widely standardized ways, it may actually lead to new forms of stratification in global credit markets. This is evident in the

4. Proponents suggest that high rates are necessary not only as a way to attract private capital but also to cover high operating costs (Gonzalez, 2010a: 1–6; Polgreen and Bajaj, 2010).

way in which only a small tier of relatively developed MFIs have been financialized. Some now estimate that less than 10 per cent of MFIs make up the 'top tier' of institutions capable of the kind of reach, profitability and managerial practices that financial markets require.⁵ What could result is a reclassification of micro-credit into one category capable of integration within global financial spaces, and a series of other institutions lacking the profitability or the 'culture' required of those spaces.

Because it is still too early to consolidate any systematic assessment of the long-term impact that micro/financialization will ultimately have, the actual outcomes that financialized micro-credit will generate in the face of these possible risks are unknown. Nonetheless, there are serious grounds to suggest that the risks outlined above are pressures that will continue to haunt micro-credit over the coming decades. Perhaps the most telling signs of these pressures to date have come in a series of recent micro-credit crises which offer a condensation of the various risks that financialized micro-credit seems to invite.

At the heart of recent crises has been generalized repayment difficulties following directly from commercialized (and financialized) growth. In the five years between 2004 and 2008, for example, several key markets for micro-credit experienced cycles of intense commercial growth followed by default crises: Bosnia-Herzegovina, Morocco, Nicaragua and Pakistan. In these markets, commercialized micro-credit offerings achieved annual growth rates well above the sector median that was largely fuelled by cross-border investment made possible through techniques of financialization.⁶ By 2009, however, there were worsening levels of portfolio at risk. Although each default crisis has its own irreducible differences, commentators point to the consequences of commercialization as a key link across these episodes. Evidence now suggests that in each of these markets, commercialization led to rapid credit expansion. The need to consolidate growth rates and, by extension, to attract foreign capital, created immense competitive pressures to place new loans. In this process, credit discipline was sacrificed in ways that often rewarded the generation of new loans. This competition–credit discipline pressure greatly increased the opportunities available for multiple-borrowing and, ultimately, over-indebtedness (Chen et al., 2010: 10; Wagner, 2012).

The risks associated with financialization have crystallized most recently in Indian micro-credit crises in the state of Andhra Pradesh (AP). Like most states in India, AP has experienced a dramatic shift away from a state-sanctioned model of 'self-help groups' (SHGs) which function in a vein

5. As one group of analysts notes, 'investors seeking pure profits would have little interest in most of the institutions that are now serving poor customers' (Cull et al., 2009b: 69).

6. The ratio of savings deposits to outstanding loans, an indicator of increasing reliance on debt financing instruments, 'in each country remained under 10 percent throughout the period' (Chen et al., 2010: 3).

roughly similar to the traditional Grameen approach.⁷ Over the past decade SHGs have been displaced by rapid growth in commercialized micro-credit. The most significant growth has come in the form of Non-Banking Finance Companies (NBFCs) which dominate the sector (Sane and Thomas, 2011: 7). New MFI ventures expanded at a rate of 80 per cent per year reaching 27 million borrowers by 2010 (CGAP, 2010: 2). This boom, fuelled by private and foreign investment, has led, however, to serious instability in micro-credit markets. The earliest signs of mounting pressure came in 2005 when the AP government closed fifty branches of two large MFIs accused of coercive lending and collection techniques (Sane and Thomas, 2011: 11). In October 2010 a much broader crisis erupted fuelled by costly loans, coercive collection and widening cycles of debt among borrowers.

The 2010 crisis was also closely associated with a pattern of suicides among borrowers plagued by escalating costs. By October, micro-credit practices were directly implicated in the suicides of fifty-four micro-borrowers in AP (Rai, 2010). Often stemming from oversold credit and the increasing tendency of borrowers to assume loans from multiple originators, levels of debt in AP have consistently measured as much as ten times the national average (CGAP, 2010: 3). This unsustainable level of personal debt has been accumulated in the context of widening competition among credit providers in a sector increasingly saturated with entrants attracted to high levels of profitability (*ibid.*).

In the wake of this crisis, the AP government issued a controversial ordinance which enacted constraints on the micro-credit sector in several key ways. Partly this was a reaction to an intense public discourse which increasingly framed the crisis as a product of predatory lending. As one critic has put it, ‘after events of 2010, they [MFIs] began to be viewed as profiteers, who accumulated wealth at the expense of the poor’ (Arunachalam, 2011: 7; see also Bateman, 2012). Explicitly framed as an attempt to address the ‘usurious interest rates and coercive means of recovery resulting in . . . impoverishment and in some cases leading to suicides’, the ordinance required all MFIs to register with the AP government. Moreover, it prohibited unregistered MFIs — essentially the bulk of private MFIs — from issuing loans or recovering outstanding balances (GAP, 2010: 42). The AP ordinance was widely interpreted by micro-borrowers as permission to default. By November 2010 the vast majority (over 90 per cent) of outstanding loans were no longer being recovered. In the first month alone, almost US\$ 2 billion in repayments virtually ceased (Chakraborty, 2012).⁸ This crisis also exerted pressure on the larger financial system. Because default probabilities increased dramatically, and because the banking sector was concerned

7. It is important to note that SHGs have a long and important history in AP (CGAP, 2010: 2). See also Sane and Thomas (2011).

8. These defaults have had a dramatic impact on the broader Indian financial sector which has taken an increasing stake in micro-credit over the past decade (Polgreen and Bajaj, 2010).

about its own exposure to micro-credit investments, MFI liquidity supplied by banks evaporated. This both exerted pressure on MFIs to cover existing financial commitments and made it difficult to extend additional credit. ‘This full-blown liquidity crisis’, two commentators noted, ‘has had far more damaging effects than the AP intervention itself’ (Sane and Thomas, 2011: 12).

Although complicated, the AP crisis has important implications for the broader project of micro/financialization. On the one hand, the collapse of bank liquidity has forced MFIs to turn more directly to global financial markets. Most importantly, this has created more enthusiasm for securitized financial instruments, including the recent wave of multi-originator securitizations discussed above. On the other hand, there is a real sense that the AP crisis could undermine the practices of financialization. The turmoil that the crisis unleashed provoked a series of dramatic interventions into the market — the AP ordinance was, ultimately, provoked by those seeking to manage politically the human costs associated with over-indebtedness. Fearful that micro-credit will continue to be vulnerable to state intervention, foreign investors in particular (the core constituency of all forms of financialization) remain skittish about investment in Indian MFIs. This reveals a certain tension for a sector intimately connected to forms of vulnerability, and hence often exposed to ‘regulatory risk’, and a set of investor practices methodically concerned with ‘certainty’ and long-term calculable stability. As one key foreign investor has noted:

Foreign investors will continue to pass up investment opportunities in India unless they can see . . . a clear and stable regulatory environment . . . As a significant investor in the Indian capital markets . . . the threat of regulatory risk to investors here cannot be understated. Above all, investors cannot tolerate the uncertainty, which plagues the microfinance sector, threatens its long-term viability, and ultimately diminishes the attractiveness of India as an investment destination. (Quoted in Chakraborty, 2012)

The contours of the AP crisis may well be a harbinger of the kinds of risks that financialized micro-credit will need to confront. The AP crisis is also a marker of the dramatic ways in which micro-credit increasingly resembles the broader reach of Anglo-American financial markets, especially the practices that some have referred to as the ‘democratization of finance’. The ‘democratization of finance’ refers to a repertoire of policies and practices in Anglo-American economies which have emphasized a kind of individual economic security along financialized lines. These experiments have been built primarily around wide access to credit and deeper participation of everyday actors in privatized investment and savings schemes (Aitken, 2007; Frank, 2000; Harmes, 2001a, 2001b). As Froud et al. note, the ‘democratization of finance’ is a process which installs financial market mechanisms as a regularized component of everyday economic security (Froud et al., 2010: 150). Although it emerges from a very different context, financialized micro-credit replicates many of the basic parameters of this ‘democratization of finance’. Financialized micro-credit seeks a kind of economic security fixed to global capital markets: an attempt to remake the most intimate questions of

daily economy — access to basic economic resources, long-term life-course planning — into matters deeply intertwined with the impersonal spaces of global finance. As the story of the AP crisis underscores, however, the processes of micro/financialization may be extending a system with important failings. As a kind of extension of — an attempted globalization of — the ‘democratization of finance’, micro/financialization is fully embracing a system which may ultimately substitute a programme of careful lending focused on the expansion of micro-enterprises (governed by norms associated with social capital) with a system in which the extension of (financialized) credit becomes an end in itself.

In doing so, the infrastructure established by financialized techniques detaches micro-borrowers from the webs of social connection that underpinned earlier conceptions of micro-credit. The recent IPOs, for example, subject MFIs to forms of external valuation rooted not in norms of poverty reduction, but in the logic of financial markets. Techniques of intermediation similarly rest on forms of visibility which render micro-credit calculable primarily in terms of financial outcomes. Finally, the practices of securitization seek to link micro-borrowers more directly to the spaces of global finance, but they do so by formally detaching micro-loan receivables from the originating MFIs, in the process severing the connections between micro-borrowers and the institutions with which they have had an immediate connection.

In establishing these detachments, the practices at the heart of micro/financialization are reworking micro-credit in ways that increasingly relocate it as an extension of Anglo-American finance. As the experience of those Anglo-American practices demonstrates, however, financialization has often been implicated in forms of insecurity. Most emphatically marked by the financial crisis itself, serious doubts now cloud the claims of the democratization of finance. As Froud et al. have noted, the democratization of finance invokes a formula which connects security not with earned income but with a certain fantasy about the possibilities of property realized through financial mechanisms. Low and even middle-income households, however, when encouraged to access (often high-priced) credit and to attach themselves more fully to financial markets, have tended to accumulate not assets but debt (Froud et al., 2010: 148; Langley, 2007; Schor, 1998). These pressures exerted on Anglo-American households have been exacerbated by the parallel decline in modes of social protection. This decline deepens the kinds of insecurities that can be generated in asset price declines in financial markets. Although the democratization of finance has often failed of its own accord to deliver promises to everyday populations, when combined with the decline in social protection, it has become a significant source of insecurity. As Froud et al. (2010: 163) observe, ‘an extension of cheap credit in rising asset markets is no substitute for growth in earned incomes and adequate social protection . . . state sponsored protection cannot be displaced by funded saving without leaving many low and middle income earners disadvantaged’.

The scepticism that Froud et al. note regarding the democratization of finance is, at the same time, a relevant warning of the risks that might be associated with the processes of micro/financialization. If financialization is centrally about the organization and commodification of risk, micro/financialization offers a particular version of that story in terms of the risks that are transferred to the most vulnerable as they become more deeply incorporated into the global financial system. This is a story, however, which has implications not only for the edges of the system, but also for its very centre.

CONCLUSION

As Pierre Bourdieu notes, classical economics ‘tacitly condemns in moral terms those who have already been condemned in reality to the fate of economic “misfits” by the economic system’ (Bourdieu, 2000: 28). At the heart of this article is a process, micro/financialization, which seeks both to extract value from a particular population of economic ‘misfits’ and to convert those populations into tradable financial assets. The techniques which have enabled this financialization may well be establishing the conditions for deepening economic insecurity that often ‘condemns’ these populations in ways that make them vulnerable to costly credit practices in the first place. By bringing micro-credit into close connection with global finance, the processes of micro/financialization will inevitably bring poor borrowers from the global South into contact with the most dubious risks associated with global finance: speculative instability, over-extended (and oversold) credit, unpredictable chains of financial fragility at both micro and macro levels.

At the heart of this argument is a bigger conceptual claim that it is critically useful to assess finance not only in relation to its centre, but as a body that is visible in a particular way at its edges. Analyses of finance, with some important exceptions, have focused on elite actors, without attention to the ways in which financialization is constituted at an everyday or ‘minor’ level. As this article has suggested, when viewed from these edges, finance does not appear as an unambiguous ‘solution’ to crippling poverty but as a source of serious risks of various kinds.

Although it places primary emphasis on the edges of finance, this argument nonetheless has relevance for the ways in which we might also critically understand finance at its centre. The processes reviewed in this article are not, strictly speaking, about the ‘edges’ of the financial system in abstract isolation, but more precisely about the relation that exists between the centre and the edge. What makes micro/financialization so profitable and so risky, what, in some senses, defines it as a distinctive credit practice, is the deeply intensifying relation it helps forge between those financial agents at the very centre of the system and the edges they so keenly seek to extract.

By way of conclusion, then, I want to suggest the striking ways in which this case — about the edges of the financial system — has important implications for how we might understand the core of the global financial system. This contrasts with conventional diagnoses which often sketch finance not in terms of its edges, or even of the field of relations which connect the edge and the centre, but in terms of the largest and most powerful actors in the system. There is, notes Peter Gowan, ‘a formidably centralized financial power operating at the heart of these markets’ (Gowan, 2009: 10). Echoing Gowan, the 2008 crisis has often been understood in terms of a set of claims regarding finance writ large; claims that emphasize a certain centralization of financial power or concentration of financial assets as a key source of instability.⁹

In contrast, this article suggests that the lines of force which characterize financial capitalism might be visible not by assessing finance in terms of its most centralized face, but in terms of the relations it seeks at its outer edges. Most importantly, the story of financialized micro-credit underscores the continuing significance of financialization as a set of techniques key to how the global political economy is governed. Although the financial crisis did generate political pressure for constraints on financial practices, the case of micro/financialization foregrounds the ways in which finance remains deeply characterized by its own expansive ambition — by its desire to insert itself into sets of activities and practices not previously subject to the institutional reach of financial agents. Viewed in the light of this still-expansive authority of finance, the financial crisis which crested in 2008 is less a singular event than an emblem of a certain kind of risky persistence.

This expansiveness, however, traces a distinctive line. The processes at play in financialization — its distinctiveness as a form of capitalist exchange — do not orbit around the development or production of novel goods or services but is preoccupied with the prospecting for activities (or bodies) that can be converted into investable assets. This implies, as Leyshon and Thrift (2007) have noted, that what typifies financial capitalism is the extraction of value through the conversion of objects into financial assets that can generate streams of income. As they argue, what remains primarily characteristic of financial capitalism is neither the production of new kinds of commodities or services nor even the dramatic forms of speculation which characterized much of the discussion of the financial crisis. Rather the distinctive, but mundane, practices at the heart of financial capitalism are those which

9. See Gowan (2009: 6). As Alan Greenspan (2010: 231–2) has noted, institutions that are ‘too big to fail’ have a strategically disproportionate impact on global financial stability (see also Financial Crisis Inquiry Commission, 2011). This tendency to focus on large actors or the system as a whole has been replicated in a range of other kinds of analyses of the crisis (Warwick Commission, 2009: 7). See also Crotty (2009: 564); Crotty and Epstein (2009); Gill (2010); Helleiner (2009a, 2009b); Panitch and Gindin (2009); Panitch et al. (2010: 21–23); Turner (2009: 83).

seek to convert economically inert activities into financial objects capable of generating financial wealth.¹⁰ This implies that what enables financial capitalism, and the largest financial agents, is the incessant prospecting for new asset streams out of activities and lives which are not yet instrumentalized.

In some important and characteristic ways, edges are the places where this kind of conversion is most frequently staged. Edges are the murky spaces where an object begins to encounter its margins, a kind of ‘in-between’ which defies any strict line between ‘inside’ and ‘outside’. Edges, notes Edward Casey, ‘lack the neatness and objective determinability of borders’ and exist not outside of the object in question but ‘are found at the limits of things and more particularly on their surfaces’ (Casey, 2008: 8). In concrete terms, edges are the places where the kinds of activities and practices not yet fully enmeshed in the formal financial world most frequently exist. In this context, processes which redesign activities at the edge into financial assets (processes like micro/financialization or the securitization of subprime mortgages) are, in their own distinctive way, actually *typical*, that is, characteristic, of the practices (and risks) which define the financial economy writ large and the largest agents that populate that economy. This implies, in turn, that edges are neither minor nor marginal, but the places where the most revealing and penetrating glimpses of the financial centre might be found.

REFERENCES

- Aitken, R. (2007) *Performing Capital: Toward a Cultural Economy of Popular and Global Finance*. New York: Palgrave.
- Aitken, R. (2010) ‘Ambiguous Incorporations: Micro-Credit and Global Governmentality’, *Global Networks* 10(2): 223–43.
- Ananth, B. (2010) *New Financial Instruments for Social Enterprises*. Delhi: IFMR Capital.
- Anonymous (2012) ‘SKS Microfinance Gains on Securitization Deal’, *Economic Times* 23 March.
- Arunachalam, R. (2011) *The Journey of Indian Micro-Finance: Lessons for the Future*. Chennai: Aapti Publications.
- Augsburg, B. and C. Fouillet (2010) ‘Profit Empowerment: The Micro-Credit Institution’s Mission Drift’, *Perspectives on Global Development and Technology* 9(3/4): 327–55.
- Bateman, M. (2010) *Why Doesn’t Microfinance Work? The Destructive Rise of Local Neoliberalism*. London: Zed Books.
- Bateman, M. (2012) ‘How Lending to the Poor Began, Grew and Almost Destroyed a Generation in India’, *Development and Change* 43(6): 1385–1402.
- Best, J. (2009) ‘How to Make a Bubble: Towards a Cultural Political Economy of the Financial Crisis’, *International Political Sociology* 3(4): 461–65.
- Bisen, A. (2009) ‘The Contemporary Social Construction of the Micro-Credit Industry: From Mission to Market’. B.Bus thesis, University of Technology, Sydney.
- Bourdieu, P. (2000) ‘Making the Economic Habitus: Algerian Workers Revisited’, *Ethnography* 1(1): 17–41.

10. I am indebted to Randall Germain for this discussion of ‘inert’ activities.

- Brodie, J. (2009) 'From Social Security to Public Safety: Security Discourses and Canadian Citizenship', *University of Toronto Quarterly* 78(3): 687–708.
- Bystrom, H.N.E. (2008) 'The Micro-Credit Collateralized Debt Obligation: A Modern Robin Hood?', *World Development* 36(11): 2109–26
- Casey, E.S. (2008) 'Edges and the In-Between', *PhaenEx* (Fall/Winter) 3(2): 1–13.
- Chakraborty, S. (2012) 'MFI Sector Will Take Years to Recover: Philip Vassiliou', *Business Standard* 27 March. http://www.business-standard.com/article/finance/mfi-sector-will-take-years-to-recover-philip-vassiliou-112032700042_1.html
- Chala, A. et al. (2009) 'Half the World is Underbanked'. New York: Financial Access Initiative New York University.
- Chen, G., S. Rasmussen and X. Reille (2010) 'Growth and Vulnerabilities in Microfinance'. Focus Note 61. Washington: Consultative Group to Assist the Poor.
- Chen, Z-S. (2008) 'Securitizing Microcredit: The Implications of Securitization for Microcredit Institutions' Human Rights Missions', *Columbia Human Rights Law Review* 39(3): 757–94.
- Chu, M. (2007) 'Commercial Returns at the Base of the Pyramid', *Innovations* (Winter/Spring): 115–46.
- Consultative Group to Assist the Poor (CGAP) (2009) 'MIV Performance and Prospects: Highlights From the CGAP 2009 MIV Benchmark Survey'. Washington, DC: CGAP.
- Consultative Group to Assist the Poor (CGAP) (2010) 'Andhra Pradesh 2010: Global Implications of the Crisis in Indian Microfinance'. Focus Note 67. Washington, DC: CGAP.
- Crotty, J.C. (2009) 'Structural Causes of the Global Financial Crisis: A Critical Assessment of the New Financial Architecture', *Cambridge Journal of Economics* 33: 563–80.
- Crotty, J.C. and G. Epstein (2009) 'Avoiding Another Meltdown', *Challenge* 52(1): 5–26.
- Cull, R., A. Demigruç-Kunt and J. Morduch (2009a) 'Micro-Credit Meets the Market', *Journal of Economic Perspectives* 23(1): 167–92.
- Cull, R., A. Demigruç-Kunt and J. Morduch (2009b) 'Micro-Credit Tradeoffs: Regulation, Competition, and Financing'. World Bank Policy Research Working Paper 5086. Washington, DC: World Bank.
- Danel, C. and C. Lebarthe (2008) 'A Letter to Our Peers'. Mexico: Banco Compartamos.
- Deiana, M. (2009) 'Ethical Investments and Micro-Credit Mutual Funds: An Empirical Analysis'. M.Sc. Thesis, Luxembourg School of Finance.
- Demigruç-Kunt, A. and L. Klapper (2012) 'Measuring Financial Inclusion: The Global Findex Database'. World Bank Policy Research Working Paper 6025. Washington, DC: World Bank.
- Dymski, G.A. (2009) 'Afterword: Mortgage Markets and the Urban Problematic in the Global Transition', *International Journal of Urban and Regional Research* 33(2): 427–42.
- Economist Intelligence Unit (2009) 'Global Microscope on the Micro-Credit Business Environment'. London: Economist Intelligence Unit.
- Eddy, J. and G. Kochubka (2008) 'Developing a Global Ratings Framework for Micro-Credit Institutions'. New York: Standard & Poor's.
- Federal Deposit Insurance Corporation (2009) 'FDIC National Survey of Unbanked and Underbanked Households'. Washington, DC: FDIC Unbanked/Underbanked Survey Study Group.
- Fernando, J.L. (ed.) (2006) *Microfinance: Perils and Prospects*. London: Sage.
- Financial Crisis Inquiry Commission (2011) 'Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States'. Washington, DC: US Financial Inquiry Commission.
- Frank, T. (2000) *One Market Under God: Extreme Capitalism, Market Populism and the End of Democracy*. New York: Anchor Books.
- Froud, J., J. Montgomerie and K. Williams (2010) 'Escaping the Tyranny of Earned Income? The Failure of Finance as Social Innovation', *New Political Economy* 15(1): 147–64.
- Gada, K. and R. Agarwal (2011) *Update on Indian Securitisation Market*. Delhi: IRCA.
- Galema, R., R. Lensink and L. Spierdijk (2009) 'International Diversification and Micro-Credit'. Discussion Paper 05/2009–023. Tilburg: Network for Studies on Pension, Aging and Retirement (NETSPAR).

- Gill, S. (2010) 'The Global Organic Crisis: Paradoxes, Dangers and Opportunities', *Monthly Review*. <http://mrzine.monthlyreview.org/2010/gill150210.html> (accessed 11 October 2010).
- Gonzalez, A. (2009) 'Micro-Credit at a Glance'. Washington, DC: Micro-Credit Information Exchange.
- Gonzalez, A. (2010a) 'Analyzing Microcredit Interest Rates'. Mix Data Brief No. 4. Washington, DC: Micro-Credit Information Exchange.
- Gonzalez, A. (2010b) 'Is Micro-Credit Growing Too Fast?'. Mix Data Brief No. 5. Washington, DC: Micro-Credit Information Exchange.
- Government of Andhra Pradesh (GAP) (2010) 'An Ordinance to Protect the Women Self Help Groups from Exploitation by the Micro Finance Institutions in the State of Andhra Pradesh and for the Matters Connected Therewith or Incidental Thereto'. Hyderabad: GAP.
- Gowan, P. (2009) 'Crisis in the Heartland: Consequences of the New Wall Street System', *New Left Review* 55: 5–29.
- Greenspan, A. (2010) 'The Crisis'. Unpublished paper. Washington, DC: Greenspan Associates LLC.
- Harmes, A. (2001a) 'Mass Investment Culture?', *New Left Review* 9 (May/June): 103–24.
- Harmes, A. (2001b) *Unseen Power: How Mutual Funds Threaten the Political and Economic Wealth of Nations*. Toronto: Stoddart.
- Harvey, D. (2004) 'The "New" Imperialism: Accumulation by Dispossession', *Socialist Register* 40: 63–87.
- Hechler-Fayd'herbe, N. (2009) 'Micro Finance: Three Perspectives on the Achievements, Challenges and Future of Microfinance'. Credit Suisse Research Quarterly (June).
- Helleiner, E. (2009a) 'Crisis and Response: Five Regulatory Agendas in Search of an Outcome', *International Politics and Society* 1: 11–6.
- Helleiner, E. (2009b) 'Crisis and the Future of Global Financial Governance, Special Forum', *Global Governance* 16(1): 1–28.
- Hobson, J. and L. Seabrooke (eds) (2007) *Everyday Politics of the World Economy*. Cambridge: Cambridge University Press.
- IMFR (2009) *Introduction to Securitisation for MFIs*. Delhi: IMFR Capital.
- Jain, A.K. (2009) 'Regulation and Subprime Turmoil', *Critical Perspectives on International Business* 5(1/2): 98–106.
- Juliusz, J. and M. Machaj (2009) 'The Regulated Meltdown of 2009', *Critical Review* 21(2/3): 301–28.
- Kasala, M. (2010) 'Labelling Micro-Credit as Socially Responsible Investing: What's the Risk?'. Working Paper. Minneapolis, MN: Capella University.
- Langley, P. (2007) 'The Uncertain Subjects of Anglo-American Financialization', *Cultural Critique* 65 (Winter): 66–91.
- Langley, P. (2008) *The Everyday Life of Global Finance*. Oxford: Oxford University Press.
- Langley, P. (2009) 'The Ethical Investor, Embodied Economies and International Political Economy', in A. Abdelal, M. Blyth and C. Parsons (eds) *Constructing the International Economy*, pp. 211–26. Ithaca, NY: Cornell University Press.
- Lascelles, D. (2008) 'Micro-Credit Banana Skins 2008: Risk in a Booming Industry'. New York: Center for the Study of Financial Innovation.
- Lascelles, D. and S. Mendelson (2009) 'Micro-Credit Banana Skins 2009: Confronting Crisis and Change'. New York: Centre for the Study of Financial Innovation.
- Leyshon, A. and N. Thrift (1997) *Money/Space: Geographies of Monetary Transformation*. London: Routledge.
- Leyshon, A. and N. Thrift (2007) 'The Capitalization of Almost Everything: The Future of Finance and Capitalism', *Theory, Culture and Society* 24(7/8): 97–115.
- MacKenzie, D. (2006) *An Engine, Not a Camera: How Financial Models Shape Markets*. Cambridge, MA: MIT Press.
- MacKenzie, D., F. Muniesa and L. Siu (2007) *Do Economists Make Markets? On the Performativity of Economics*. Princeton, NJ: Princeton University Press.

- Meehan, J. (2004) 'Tapping the Financial Markets for Micro-Credit: Grameen Foundation USA's Promotion of this Emerging Trend'. Working Paper. Washington, DC: Grameen Foundation USA.
- Mendoza, R.U. and B.C. Vick (2010) 'From Revolution to Evolution: Charting the Main Features of Micro-Credit 2.0', *Perspectives on Global Development and Technology* 9(3/4): 545–80.
- MicroRate (2010) 'State of Micro-Credit Investment: The MicroRate 2010 MIV Survey'. Arlington, VA: MicroRate Incorporated.
- MicroRate (2011) 'The State of Microfinance Investment 2011: MicroRate's 6th Annual Survey and Analysis of MIVs'. Arlington, VA: MicroRate Incorporated.
- O'Donohoe, N. and F. Rozeria de Mariz (2010) 'All Eyes on Micro-Credit Asset Quality: Micro-Credit Global Valuation Survey 2010'. New York: J.P. Morgan Global Research.
- Oikocredit (2012) 'Annual Report 2012: Investing With Cooperative Values'. Amersfoort: Oikocredit.
- Panitch, L. and S. Gindin (2009) 'The Current Crisis: A Socialist Perspective', *Studies in Political Economy* 83: 7–31.
- Panitch, L., S. Gindin and G. Albo (2010) *In and Out of Crisis: The Global Financial Meltdown and Left Alternatives*. Oakland, CA: PM Press.
- Polgreen, L. and V. Bajaj (2010) 'India Microcredit Faces Collapse from Defaults', *New York Times* 17 November. <http://www.nytimes.com/2010/11/18/world/asia/18micro.html> (accessed 17 November 2010).
- Rai, V. (2010) 'India's Microfinance Crisis is a Battle to Monopolize the Poor', *Harvard Business Review Blog* 2 November.
- Ramnath, N.S. (2012) 'Bridging the Gap in Microfinance', *Forbes India* 30 April.
- Rankin, K. (2002) 'Social Capital, Microfinance and the Politics of Development', *Feminist Economics* 8(1): 1–24.
- Reille, X. (2010) 'SKS IPO Success and Excess'. Washington, DC: CGAP. <http://www.cgap.org/blog/sks-ipo-success-and-excess> (accessed 21 February 2013).
- Rhyne, E. and R.P. Christen (1999) 'Micro-Credit Enters the Marketplace'. Washington, DC: United States Agency for International Development.
- Rose, N. (1999) *Powers of Freedom: Reframing Political Thought*. Cambridge: Cambridge University Press.
- Rosenberg, R., A. Gonzales and S. Narain (2009) 'The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates?'. Washington, DC: Consultative Group to Assist the Poor.
- Roy, A. (2010) *Poverty Capital: Microfinance and the Making of Development*. London: Routledge.
- Sane, R. and S. Thomas (2011) 'A Policy Response to the Indian Micro-Finance Crisis'. *Social Science Research Network*. <http://ssrn.com/abstract=1842926>
- Schlein, M. and M. Chu (2010) 'Micro-Credit Goes Public: How Capital Markets Can Help Fight Poverty', *Forbes* 30 April.
- Schmidt, R.H. (2010) 'Micro-Credit, Commercialization and Ethics', *Poverty & Public Policy* 2(1): 99–137.
- Schor, J. (1998) *The Overspent American: Upscaling, Downshifting and the New Consumer*. New York: Basic Books.
- Seabrooke, L. (2006) *The Social Sources of Financial Power*. Ithaca, NY: Cornell University Press.
- Sinclair, H. (2012) *Confessions of a Microfinance Heretic: How Microlending Lost Its Way and Betrayed the Poor*. New York: Berrett-Koehler Publishers.
- Sinclair, T.J. (2003) 'Global Monitor: Bond Rating Agencies', *New Political Economy* 8(1): 147–61.
- Standard & Poor's (2009) 'Micro-Credit: Taking Root in the Global Capital Markets, Part 2'. New York: Standard & Poor's.
- Trivedi, R. (2011) 'An Emerging Asset Class'. *Microcapital Brief* (25 September).

- Turner, A. (2009) 'The Turner Review: A Regulatory Response to the Global Banking Crisis'. London: Financial Services Authority.
- United Nations Capital Development Fund (2006) 'Building Inclusive Financial Sectors for Development'. New York: United Nations Capital Development Fund/United Nations Department of Economic and Social Affairs.
- Unitus Capital (2009) 'MIV Overview'. Bangalore: Unitus Capital.
- Vail, J. (2010) 'Decommodification and Egalitarian Political Economy', *Politics and Society* 38(3): 310–46.
- Wagner, C. (2012) 'From Boom to Bust: How Different has Microfinance Been from Traditional Banking?', *Development Policy Review* 30(2): 187–210.
- Warwick Commission (2009) 'The Warwick Commission on International Financial Reform: In Praise of Unlevel Playing Fields'. Coventry: University of Warwick.
- Weber, H. (2006) 'The "New Economy" and Social Risk: Banking on the Poor?', *Review of International Political Economy* 11(2): 356–86.
- Yunus, M. (2006) 'Poverty is a Threat to Peace'. Nobel Lecture, Oslo (10 December).
- Yunus, M. and M. Chu (2008) 'Is it Fair to do Business with the Poor? Report on a Debate between Muhammad Yunus and Michael Chu'. Geneva Papers on Inclusiveness. Geneva: World Microfinance Forum Geneva. <http://www.othercanon.org/uploads/Is%20it%20Fair%20to%20do%20business%20with%20the%20Poor.pdf>

Rob Aitken is an Associate Professor in the Department of Political Science, Tory Building, University of Alberta, Edmonton, AB, Canada T6G 2H4. His research interests lie at the intersection of cultural studies, international political economy and critical theory. His recent research has addressed the making of everyday financial spaces, the cultural histories of embedded liberalism and the globalization of 'fringe finance'.