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Financial inclusion, a driver of state building in India and Mexico?

Cyril Fouillet and Solène Morvant-Roux

AUTHOR'S NOTE

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1. Introduction

1 Between 2007 and 2013, many microfinance institutions (MFIs)[1] experienced what are known as 'microcredit crises' (Guérin et al., 2015, 2). During this period, the sharp rise in unpaid bills highlighted the weaknesses of a supply of financial services heavily focused on credit. As a result, and following a period of very strong growth, the global supply of microcredit decreased from 2010 before picking up again in 2013 (Fouillet et al., 2016). Another notable fact is the decline in the number of poor clients, in absolute and relative terms. According to data from the 2014 Microcredit Summit Campaign Report, the number of very poor clients went from 138 to 114 million between the end of 2010 and the end of 2013, i.e. from 67 percent to 54 percent of all clients (Reed, 2015). In this context, the media aura of microcredit as an alleged tool for eradicating poverty has been diminished and a change of approach has ensued: arguments based on the need to tackle poverty have given way to a legitimization based on the need to financially include a large proportion of the populations concerned. New players have emerged: not only banks but also public financial institutions, technically and financially supported by private foundations, financial technology companies (Fintech)[2] and international alliances.[3] These players have supported programs to open bank accounts and have

encouraged the emergence and dissemination of new intermediaries such as banking correspondents (Fouillet and Morvant-Roux, 2015) able to reach those people who are geographically, socially and economically marginalised by a general financial system in which access to a formal bank account is a keystone (Kar, 2013). Since the mid-2000s, the deployment of policies involving retirement pensions, family allowances and/or public employment programs - as is the case in Mexico and India – has highlighted the inclusion of social transfers via the banking infrastructure in the official agenda of many so-called developing countries (Chopra, 2011).

2 This article aims to set these financial inclusion strategies[4] in the context of the growth of so-called 'development' policies focused on market inclusion (Berndt, 2015; Laville, 2015; Johnson and Williams, 2016). However, the process of financial inclusion - as it has featured on the international agenda since the commitment to improve people's banking access was made at the G20 summit in Pittsburgh in 2009 - has many other social and political dimensions. We do not seek to minimise them here: quite the opposite. While it is undeniable that these so-called universal financial inclusion programs (GPFI, 2016) are part of the process of the contemporary financialisation of domestic economies, other processes are also at work. Our hypothesis is that financial inclusion policies can be interpreted as contributing to the process of extending the legitimacy of the state to areas or populations that are marginalised and still poorly controlled.[5] Firstly, we shall examine the context of the emergence of the problematic of financial services for the poorer sections of the world population. Next, we shall describe the shift in posture from microfinance to universal financial inclusion. In the last part, we shall examine the role of financial inclusion in structuring relations between the welfare state and poor citizens, drawing on examples from Mexico and India.[6]

2. The context of the financialisation of contemporary societies

3 During the 1990s and 2000s, microfinance was presented as a palliative to the effects of the liberalisation policies of the banking sector - notably the drying up of credit for small and medium-sized entrepreneurs -,[7] and as a way of diminishing the effects of privatization and the decline of the state. Providing microcredit facilities to support self-employment, microfinance financial services were presented as a safety net (Weber, 2002). Noting that these measures weakened local resistance to neoliberal policies, Fernando believes that: 'The current popularity of microcredit demonstrates the remarkable capacity of capitalism to use the vocabulary and practices of its detractors and opponents to ensure the conditions for its own reproduction' (Fernando, 2006, 31, author's free translation).

4 This dynamic can be seen, in Weber's terms, as a 'global development architecture' (Weber, 2002, 537). It was therefore part of a development approach called the 'post-Washington' or 'new Washington' consensus (Stiglitz, 1998; Gore 2000). It was endorsed, as far as the financing of development was concerned, by the Monterrey Consensus in 2002. By playing a part in the dynamics of the economics of development at the end of the twentieth century, microfinance thus appears as one of '*the many manifestations of financialisation that has expanded and intensified in the last quarter century under the pressure of*

neoliberal ideologies that made finance and money a vector that was essential because it was apparently neutral' (Schümperli et al., 2007, 13).

5 Three main dynamics contribute to shaping this contemporary financialisation of domestic economies: the monetarization of expenditure, the growing financial intermediation of payments, savings and credit and, finally, the new modes of protection against the individual and collective risks affecting people or their property (Servet, 2006). However, while it is widely accepted that the most vulnerable segments of the population are at the heart of multiple economic, social and financial interdependencies, microfinance - or at least its alternative and supportive version - could prove useful for survival in the context of the financialisation of domestic economies. Moreover, following the work of Woller et al. (1999) and Morduch (2000), it is customary to split MFIs into two categories: those seeking to achieve a social impact through reduction of poverty and vulnerability to risks, and those pursuing objectives of self-sufficiency and financial profitability. However, in the early 2000s, fieldwork studies could observe the potentially anti-democratic and inegalitarian nature of the contemporary financial system, to which commercial microfinance[8] still adhered (Guérin et al., 2013). Therefore, access to formal financial services, especially microcredit, offered by regulated institutions focused on the search for financial profitability is not always synonymous with improved well-being.

6 The idea of microcredit as a solution that will eradicate poverty has persisted at the heart of the development agenda for three decades. The 2000s, however, marked a break: the new policies gradually started abandoning the fight against poverty in favour of a goal of financial inclusion and the fight against economic and social exclusion (Johnson, 2009; Johnson and Arnold, 2012). The programs run as part of the 'Finance for All' movement, aimed at facilitating the opening of bank accounts for households that do not as yet have them, will concern a much larger number of people than the number registered by microfinance. Indeed, any beneficiary of social benefits will systematically have to open a bank account. According to data from the Microcredit Campaign, as of 31 December 2014, the number of MFI clients was approximately 211 million (Reed, 2015). According to data collected by the World Bank as part of the Global Findex project, between 2011 and 2014, 700 million adults opened a bank account (Demirgüç-Kunt et al., 2015).

7 Apart from these developments, two trends are worth mentioning. The first concerns the emergence in more than 50 countries of public social transfer policies (social programs) that in recent years have been connected with financial inclusion policies (Langevin, 2016). The second concerns the acceleration of the spread of financial and monetary transactions digitised by commercial banks, in connection with FinTech or through mobile phone operators. According to the world's leading association of mobile phone operators, digital financial inclusion reached more than 500 million users in 2016 (GSMA, 2016). By overcoming the barriers linked in particular to geographical isolation, these new tools make it possible to reach the most vulnerable and give rise to the hope of pushing back even further the notorious border of 'formal' financial exclusion. Financialisation is thus accelerating, at all levels and in all strata of the world's population.

3. From microfinance to financial inclusion: new players and new alliances

8 On the basis that financial inclusion is still 'incomplete', from the point of view of the populations and the regions affected, the commitment to improve banking access for marginalised populations was made at the G20 summit in Pittsburgh in 2009 (Soederberg, 2013). This meeting was the starting point for several initiatives taken by national authorities, supported by different platforms and groups of experts such as the Financial Inclusion Experts Group (FIEG), the United Nations Capital Development Fund (UNCDF), the Better than Cash Alliance, foundations including the Bill & Melinda Gates Foundation, and other private players (MasterCard, Visa and Crédit Suisse). These players, especially the FIEG, are tasked with the mission of including the excluded, and have taken note of the failure of microfinance, pointing out that despite two decades of staggering growth, 80 percent of the world's poor are still excluded from access to financial services other than microcredit (Guérin et al., 2015). In early 2017, the Alliance for Financial Inclusion (AFI) brought together 94 developed and developing countries. In order to provide banking on a mass scale, the state is called upon to develop a national strategy for financial inclusion (Moya, 2017) encompassing basic financial transactions (bank accounts for deposits or transactions such as withdrawals, transfers, or payments) instead of focusing exclusively on lending. Microcredit is also part of the services offered but no longer occupies a central place, as it had during the 90s.

9 Far from demonstrating a decline in the prerogatives of the state, it is our hypothesis that this process of financial inclusion accompanies or even plays a part in the extension of its legitimacy in poorly controlled areas or to marginalised populations. This process also proceeds from the advent of embryonic forms of citizenship already mentioned by Molyneux et al. (2016) in connection with conditional cash transfer policies. Since banking for individuals facilitates access to certain social programs (health, care for the elderly, employment, etc.), the process of financial inclusion contributes to linking the state with its policies and its citizens. Nevertheless, far from forming a homogeneous movement, the contours of state action seem to be constantly redefined according to the processes of institutionalization of these policies and the contexts in which they emerge. Depending on the country, the financialisation of poverty[9] does not seem merely to compensate for the absence of social policies; in some cases, it carries these policies forward and thereby helps to extend the state's territorial sovereignty. Drawing on the case of Mexico and India, the following section provides examples of this renewed relationship between the state and its citizens.

4. Financial inclusion in Mexico and India: between access and control of citizens

10 While in developed countries the state has constituted and still constitutes an inevitable figure in the process of banking and its universalization (Gloukoviezoff, 2010), for the populations of the south, depending on the periods and the places, access to financial services was generally provided by private players. Commercial banks (public or private), networks of cooperatives and organizations following a commercial logic (MFIs for the

most part) are here deployed in a context of more or less narrow control of public policies (subsidies, supervisions, regulations). Since the 1990s, the democratization of credit by commercial banks has taken the place of policies of economic promotion and employment. At the same time, in some countries such as Mexico and India, for the poorer sections of the population, social policy has largely become a vector of integration and an 'overall mode of relationship between "the top" and "the bottom"' (Lautier, 2004, 177).

11 Recent developments in social policies (or social programs), which now include a financial inclusion objective via the digitization of transfers, allow us to put forward the idea that beneficiaries are a target for policies of mass banking, which is one factor linking the state with citizens. Banking intermediation does not just make sense in the realization of monetary practices and the commodification of financial needs but also provides better access to a group, to a community and, as part of the process of financial inclusion, to a state that uses payment infrastructures as a network to facilitate the distribution of social benefits.

4.1. Promoting financial inclusion through conditional cash transfers in Mexico

12 In the 1990s, as part of neoliberal policies, the supply of financial services was neglected to the benefit of private initiatives (financial, cooperative and commercial sectors); but in the early 2000s, the Mexican government took over the deployment of these services, targeting the most socially and economically marginalised sectors, particularly rural populations. The Technical Assistance Program for Rural Microfinance (Programa de Asistencia Técnica a las Microfinanzas Rurales, PATMIR) was the embodiment of this return of the state to rural areas; it lasted more than a decade (2003-2016). The aim of PATMIR was to channel both financial aid and technical assistance grants to MFIs active in rural areas. As part of the national strategy for financial inclusion, the end of the 2000s marked a new stage, with the return to a more direct commitment on the part of the Mexican government. This strategy was affirmed in the national development plan from 2012 onwards (Moya, 2017). Initially distributed in cash, conditional cash transfers[10] (Progresa, Oportunidades and Prospera) have become increasingly digitised, i.e. transferred to a bank account, in accordance with budget law, since 2010. Thus, both axes of action (financial inclusion and digitization of social aids) soon came to be seen as complementary, via the payment of subsidies into a bank account held with a financial institution and permitting the withdrawal of aid with a debit card.[11] The deployment of banking correspondents was also a component of this strategy, but these correspondents did not meet with the expected success (CNBV, 2010). The digitisation of payments through the use of a debit card to distribute social programs then rapidly expanded to include the possibility of accessing credit and savings services theoretically deployed by the Public Social Bank, Bansefi. To justify the state's takeover of the financial inclusion policy, the Mexican authorities referred to the existence of an uncovered 'demand'. In fact, in 2014, according to Global Findex data, 61 percent of the adult population still did not have access to a formal bank account; 72 percent of these were in in rural areas (Demirgüç-Kunt et al., 2015). However, the 6.5 million families benefiting from social programs were also largely excluded from formal financial services and therefore constituted a unique opportunity to improve financial inclusion quantitatively. Beyond

noting the exclusion of the majority of poor segments, the conditions of access to private banking institutions have also been denounced in an interview with the director of the Prospera operations,[12] including the exorbitant level of interest rates charged by commercial financial institutions to poor people who are often receiving public transfers. The interest rates of loans promoted by Bansefi are of the order of 11.58 percent fixed annual rate[13] while MFIs go beyond the 30 percent annual rate or even much more in some cases (the one that attracted most media attention was Compartamos).

13 This discourse on interest rates supports the idea that the state has a role to play not only in expanding the share of the 'covered' population, but also in reducing the costs of the debt that weigh on the most vulnerable regions of the Mexican population (Morvant-Roux et al., forthcoming). In practice, however, the strategy of linking financial inclusion to social transfers is problematic on several levels. First of all, in terms of access, these policies do not have a universalist vocation as they focus on certain segments of the 'precarious' population. Prospera targets poor families, mostly rural, young students and the elderly. The populations that are not beneficiaries of Prospera, i.e. those living in marginal areas covered by Prospera according to the assessment of CONEVAL (Consejo Nacional de Evaluación de la Política de Desarrollo Social) but not meeting the 'criteria of poverty' or, conversely, those populations living in zones not eligible areas for Prospera (peri-urban areas that do not meet the 'indicators' of marginality), are thus excluded from access to these financial services right from the start. In addition, beneficiary populations sometimes have difficult accessing services because of the weakness of the banking infrastructures, for example the absence of ATMs in rural areas. The clearest example is the state of Guerrero which has only two Bansefi branches for nearly 3.5 million inhabitants, mostly poor (interview with Prospera's director of operations, 2015). Beyond the physical capacity to perform basic operations (deposits-withdrawals), a number of barriers may persist in the use of financial services per se. For credit services, while many studies have shown that cash transfers are often used to deal with the repayment of a debt (grocer, loan shark or MFI) (Morvant, 2006), the sequence is different in the case of Prospera-Inclusión Financiera. In the first case, the account holder receives the money and decides on where to allocate it, while Prospera's operating rules stipulate that the money must not pass through the beneficiary because it is directly deducted from the amount of aid granted. Barriers that can be material (rigidity, temporality), symbolic (the symbolic role of the various monetary supports) or psychological (feelings of dispossession) can thus deflect the allocation of the monetary transfer back towards the repayment of a credit, even if the latter involves only a small amount (less than one hundred euros). The same is true of savings: the stated intention of promoting deposits from money received from social transfers involving financial intermediaries can in practice prove to be more complicated. Servet (2018) discusses these problems in connection with a bank savings incentive program in India. According to Servet, by advocating that money saved in a bank should be of 'better quality' than other forms and practices of savings (informal, monetary or in-kind), these policies become part of a quantitative and not qualitative approach to monetary supports, involving the neutrality of these supports, substitutability, the absence of any moral assessment of the flows of money, etc. However, numerous studies have shed light on the absence of any 'spontaneous' use of bank accounts opened in order to receive public aid; the sequence usually comes down to the withdrawal of the full amount of the aid (Servet, 2018). These observations underline how much the digitization of social transfer payments does not

systematically translate into total financial inclusion, which would be understood as the universalization of access to and use of a wide range of financial services.

14 Regardless of the selective nature of social programs (non-universality), the incentive to use the savings and credit services offered to Prospera beneficiaries/account holders may result in increased control over the management of the money received - by all those participating in the program. Control is effected via the principle of co-responsibility between the beneficiaries and Prospera (the Mexican federal state). The allocation of money is the subject of instructions that are regularly hammered home, together with a constant visual social control. In practice, trivial expenses (television, etc.) are excluded; only the costs of clothing, schooling and food for the family are tolerated. Control involves unannounced visits to beneficiaries, schools, etc. It is also effected by health centre staff.[14] However, much of this control is social, being carried out through 'objective' visual criteria (new 'modern' shoes for schoolchildren, cleanliness of uniforms, child health, etc.)[15] via volunteer promoters of the program or other beneficiaries. Women do not always respect these injunctions, some even admitting to saving 'on the quiet' (interviews with beneficiaries of Prospera, July 2015, Zongolica, Veracruz). In this context, financial inclusion risks reinforcing the dynamics of state interference in the lives of the poor by reinforcing its injunctions and controlling the management of their money. In fact, beneficiaries must now - in addition to various meetings on health, education, hygiene, sexuality, etc. - participate in financial education classes. The challenge is to instil in them a reasoned use of credit and make them aware of savings. More broadly, these trainings seek to make them aware of the difference between credit that must be reimbursed and subsidies that are a gift. It is a question of 'marking' the various monetary sources to avoid any confusion and ensure that credit is not seen as a donation, while insisting that this money comes from the state: 'algo del gobierno'.[16]

15 In this sense, financial inclusion can institute new power relations between citizens and the federal state or its representatives, and help to strengthen a neoliberal mode of government of populations as theorised by Foucault (1975). Our observations show, however, that for account holders, the digitization of payment to withdraw the subsidy improves reception and individual control on several levels. It ensures time control on the one hand, since the withdrawal takes place within five days of the money being made available in the name of the beneficiary whereas until then the beneficiaries (95 percent of them women) were publicly summoned on a particular day and had to resign themselves to long hours of queuing. And it ensures social control on the other hand, since the use of the account improves confidentiality vis-à-vis their close entourage (husbands in particular)[17] but also in relation to possible creditors who are no longer informed of the exact date of receipt money and can no longer exert the same pressure on women.

16 However, when it comes to non-beneficiaries, the deployment of financial inclusion via social policies risks accentuating a feeling of double-exclusion: exclusion from access to federal state aid on the one hand, and exclusion from access to financial services on more favourable terms on the other. With regard to the first generation of these targeted programs, Lautier had already noted that the focus on rural poverty produced a class of non-citizens among the unpaid and precarious but non-poor population (Lautier, 2004).

4.2. Promoting financial inclusion via the Banking Correspondents (BC) in India

17 If the intervention of the International Monetary Fund (IMF) in the early 1990s led the Indian government to turn away from the bank deployment policy (Copestake, 1988) initiated in the 1970s - a policy focused mainly on the extension of credit cooperatives and subsidised loans in rural areas (Burgess et al., 2005) - the end of the 2000s was marked by a revival of state interventionism in the development of the banking sector.

18 Since 2004 and the return to power of the Congress Party, the Reserve Bank of India (RBI), the Indian central bank, has been actively supporting a policy of financial inclusion that is much larger than that of the microfinance sector (Fouillet et al., 2016). This dynamic, pursued by the new government elected in 2014, makes financial inclusion one of the main pillars of the reforms for sustained growth and for the reduction of poverty and inequality in the country. The objective of the RBI is that each Indian village of more than two thousand inhabitants should have a bank branch in the form of a physical agency or the permanent presence of a banking correspondent (BC), and that every citizen should be less than fifteen minutes' walk from one of these entities (Viswanathan, 2014).

19 BCs are the main players in this new vision of banking intermediation. In addition to the opening of deposit accounts, these new intermediaries, recruited locally, make possible the withdrawal of the pensions of former state employees but also of money from a whole range of social programs, including pensions for the elderly who are not civil servants. These BCs also provide for the collection of low-value deposits, the collection and preliminary processing of loan applications, the remittance and transfer of funds, the sale of insurance products, the recovery of capital and the collection of interest. In 2010, 34,316 BCs accounted for 51 percent of all bank access points in rural areas (branches and BCs); in 2016, there were 537,609 BCs, which accounted for 91 percent of all access points (RBI, 2016).

20 In addition to the recruitment and deployment of BCs in India, commercial banks are also expanding their network of branches in areas hitherto abandoned by the private sector. Industrial and Investment Corporation of India Bank (ICICI), the first Indian private commercial bank, recognised in the 2000s as the bank of the new urban middle class (Parameswar et al., 2017), is now turning its attention to the countryside. In 2014, its network in Tamil Nadu had 363 branches, of which 127 were located in villages without other banking entities. In the fiscal year 2014, out of all the bank branches opened by the three largest commercial private banks (ICICI, Axis Bank and Housing Development Finance Corporation), more than half were in areas identified by the RBI as deficient in banking facilities.

21 The implementation of these financial inclusion policies has resulted in a sharp increase in access to banking services for the Indian population. According to Global Findex data, between 2011 and 2014, the percentage of the adult population with an account in a formal financial organization increased from 35 percent to 53 percent (Demirgüç-Kunt et al., 2015, 25). According to RBI data, between March 2010 and September 2016 the number of deposit accounts increased 6.7 times from 73.5 to 495.2 million accounts. Nevertheless, in addition to the quality of financial services, financial inclusion is not only about availability and access but also includes bank usage. Several studies indicate that many of

the accounts opened by BCs are not used and can be considered dormant (Jos et al., 2011). Between 2007 and 2009, 25.1 million current accounts were opened. A study commissioned by the Skoch Foundation indicates that only 11 percent of these accounts were active (Kochhar, 2009). While one of the priorities of these programs was to open bank accounts for the most vulnerable, several studies point out that they have only reinforced pre-existing economic and social inequalities. Majumdar and Gupta (2013), based on a survey of 20,752 households in Hooghly District, West Bengal State, conclude that the most excluded categories in terms of religion, caste, education or income were the same as those without access to these financial inclusion programs.[18]

22 Despite these shortcomings, the public authorities recognise this policy as having three main merits. First, the millions of bank accounts opened allow the government to deliver dramatic results in terms of financial inclusion, one of the stated goals of the Indian government eager to appear as a 'modern nation'. Moreover, after the liberalization period of the 1990s, this policy restored a close link with all Indian banks (public and private).[19] Finally, this policy enabled the establishment of an infrastructure to facilitate the dissemination of social programs implemented by both central and regional governments.

23 This last point makes it possible to measure the change in the Indian state's strategy vis-à-vis the banking sector, now considered as a channel for the welfare state (Bhatia and Bhabha, 2017). Since the country gained independence in 1947, many social transfer programs have been promoted by the Indian government. These programs cover a wide spectrum of interventions, ranging from support systems for former civil servants, persons with disabilities, widowed persons, and educational assistance programs for the most vulnerable households, to the grants frequently given to farmers.[20] The National Rural Employment Guarantee Act (NREGA), launched in 2006, is known to be the largest public employment program in the world. Affecting some 26 percent of Indian rural households (Maiorano, 2014), this public employment program is designed to provide one hundred days of fixed-wage work on infrastructure projects (Chopra, 2014). This program also guarantees a social transfer if a job is not offered. Yet very few bank accounts opened under NREGA are used. In a survey conducted in Gulbarga district, Karnataka state, Ramji reports that 85 percent of bank accounts opened under this program remained dormant (Ramji, 2009).

24 Despite the large number of public programs since 1947, many observers agree that not all potential recipients have received the money they could claim. Several factors explain this misallocation of social transfers: corruption and embezzlement, but also lack of information (Erb and Harriss-White, 2002; Deshingkar and Johnson, 2003; McCartney and Roy, 2016). Eligible households only become aware of these programs through intermediaries such as political representatives, traders, NGO agents, etc.[21] In return for compensation, these intermediaries help them obtain the correct documents, complete them (in India, the adult literacy rate was 63 percent in 2011), submit the application in the right place, and 'motivate' the administration to process the file. In an article on India's public food distribution system in the cities of Mumbai and Hyderabad, Landy and his co-authors describe all the stages of 'the hurdles that poor urban dwellers have to jump over to in order to obtain (a small portion of) the food aid to which the Indian state entitles them' (Landy et al., 2013, 4). Apart from financing political parties, this organised corruption also reinforces the power of the ruling classes and the process of accumulation (Pattenden, 2011).

25 It is in this context that the Direct Benefit Transfer (DBT) program emerged in January 2013. The Indian government wished to use bank accounts opened by BCs to electronically transfer social assistance payments (NREGA, subsidies for cooking with gas, aid to farmers, irrigation, drought aid, etc.). The deployment of these aid programs should thus be less dependent on local governments, whose often underpaid civil servants appear to be one of the main sources of inefficiency in the delivery of social transfers (Harriss et al., 1992; Nayak et al., 2002).

26 Electronic payment through a banking entity has several advantages over cash payment. For several observers, these techniques make it possible to reduce situations of corruption or misappropriation of transferred funds (Armey et al., 2014; Wright et al., 2014). They also help reduce travel and waiting times significantly (Maldonaldo and Tejerina, 2010; Pickens et al., 2009). Biometric techniques may suffer from certain limits (an electric current to recharge the batteries is sometimes lacking, the fingerprints of workers in the chemical industry are illegible, telephone coverage can be poor, etc.), but they improve the identification of beneficiaries and thus ensure that the transaction has a certain transparency. A beneficiary learns on the screen of a machine the amount of money paid during the realization of the social transfer and no longer depends on an intermediary who acts on his behalf in an administration sometimes difficult to access. It is in this perspective that the Indian government links social transfers with its financial inclusion strategies, the stated aim being to reduce the role of intermediaries and to facilitate access to some form of social protection for the most vulnerable populations.

27 The implementation of the first financial inclusion policies between 2004 and 2010 involved the opening of a bank account that was often not used by the populations concerned; today, a bank account has become an indispensable tool for gaining access to the state. The payment of pensions and access to public employment programs in particular now pass through this channel. Not having a bank account means, in many cases, that you cannot receive these benefits.

28 As in the case of Mexico, the accounts opened make it possible to directly deduct borrowings but also unpaid loans. There is also evidence of a desire for financial education supported by the RBI: in March 2016, there were 1,384 Financial Literacy Centres. Here too, as for Mexico, these training sessions firmly insist on the 'savings' dimension which also allows banks to have a deposit in case of unpaid or, most often, late payments. On the other hand, there is currently no official conditionality where, under the guise of access to a social benefit, the beneficiary is faced with a whole series of constraints. This does not mean, however, that there are no informal conditionalities related to local forms of patronage. It would be naïve to think that the opening of bank accounts and the digitization of social transfers could remove these power structures. As many authors have described, local patronage plays a determining role in the financing of political parties, in the reproduction of social hierarchies (Landy et al., 2013), but also and above all as forms of protection against risks (Picherit, 2009; Guérin, 2015). If these conditionalities have not disappeared, there remains the question of their transformation. How does financial inclusion, understood as a channel for delivering social benefits, influence local political economies, forms of patronage and modes of power reproduction?

5. Conclusion

29 The many subsidised credit programs introduced in the 1970s gave way to public or private initiatives to develop microfinance in the context of the liberalization policies of the 1990s and after the first Microcredit Summit in Washington in 1997. Boasting all the virtues, especially in terms of poverty reduction, these microfinance programs have failed to meet the expectations of the major multilateral organizations. The challenge then became to promote financial inclusion in the broad sense: the G20 in 2009 in Pittsburgh accelerated this movement and recognised that financial service providers for the most vulnerable come in many forms (NGOs, postal networks, joint-stock companies, remote banking, banking correspondents, etc.), but also that the proposed financial services must be diversified and not confined to microcredit, which often takes the form of consumer credit.

30 In this article, we have argued that financial inclusion policies could be interpreted as an instrument for expanding state legitimacy in marginalised and poorly controlled areas or populations. In questioning the role of financial inclusion in relations between the welfare state and poor citizens, our observations in India and Mexico have led us to conclude that access to a bank account has become an essential tool for benefiting from social programs.

31 These social protection programs help to bring marginal populations closer to the administration, and thus contribute to forging new forms of citizenship (Van de Walle and Scoot, 2011; De Haan, 2014). States tend to take over certain prerogatives in terms of financial inclusion via the digitization of social payments. Yet, at the same time, other changes in the financial landscape could have opposite effects, aiming at reducing or eliminating the use of cash in everyday practices. Behind the arguments against corruption and money laundering, there is reason to fear that governments, including those of Mexico and India, will become too authoritarian; this may result in the emergence of a certain neo-individualism, as Berndt and Boeckler (2016) call it: what is desired is an individual with no behavioural anomalies, created by the elimination of practices considered archaic and not modern. These instruments pave the way for development policies aimed at getting the most vulnerable to behave in what is considered the most effective way, transforming social issues into mere technical challenges and reducing individual choices and freedoms of action.

32 Might not the development of these digital financial services mean that everyone is placed under surveillance? Are not the most vulnerable likely to be those most subject to these new forms of exploitation and control? But this is a Manichean vision of financial inclusion contrasting those for whom it eliminates all forms of exclusion with those who, on the contrary, equate any program of financial inclusion with a new form of control. Against this simplistic vision, we argue, on the basis of our observations in Mexico and India, that it is crucial to understand these financial inclusion policies insofar as they produce and reconfigure state/citizen relations.

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NOTES

1. The term 'microcredit' is often confused with that of microfinance. Microcredit refers to the provision of credit to people who do not have a bank account. Microfinance, on the other hand, defines a broader set of financial services such as savings, credit, insurance, transfer of funds, and so on. Microfinance Institutions (MFIs) are for-profit or not-for-profit institutions that deliver these services to people excluded from the formal financial system, i.e. that system that is regulated by a central bank.

2. The term Fintech comes from the contraction of 'finance' and 'technology'. It identifies new economic players using the new information and communication technologies to solve some of the problems inherent in financial services, including financial exclusion. On this theme, see the article by Gabor and Brooks (2016).

3. The Alliance for Financial Inclusion (AFI), in particular, brings together central banks and other regulatory institutions from more than ninety countries.

4. Financial inclusion has several dimensions: (i) availability, often measured by the number of bank branches per 100,000 inhabitants; (ii) access, that is, the number of deposit accounts per 1,000 adults, for example, and; iii) usage, understood as the volume of savings or credit related to the gross domestic product. These three dimensions make it possible to understand only a part of the complexity of the financial inclusion process. Indeed, it is possible to have a bank branch near you without having access to it. Also, it is possible for an adult to have a bank account but not to use it at all, or very much. Moreover, these dimensions do not make it possible to evaluate the quality of the financial services and products on offer (Sarma and Pais, 2010; Amidžić et al., 2014) or to describe the social and emotional dimension of monetary and financial transactions (Zelizer, 1994; Guérin, 2008).

5. This is also the position defended by Rea and Nelms in their survey of electronic money (Rea and Nelms, 2017).

6. The data for Mexico are based on interviews conducted in 2015 in four regions of the country: Oaxaca, Puebla, Queretaro, and Veracruz. The surveys were conducted among beneficiaries, non-beneficiaries of the Prospera conditioned transfer program, and financial institutions. These interviews were complemented by numerous interviews with local leaders and local Prospera staff. This work is the result of a collaboration with researchers from Mexico (Mexican Association of Credit Unions of the Social Sector-AMUCSS and the Pedagogical University of Guadalajara-UPN), Belgium (University of Louvain), and Switzerland (University of Geneva). It is currently being published and is cited under Morvant-Roux et al., forthcoming. The data for India were collected in the framework of the project 'Spatial complementarity of mobile financial services, business correspondents, and banking infrastructures: Accounting for mobile financial services ecosystems in India', funded by the Institute for Money, Technology and Financial Inclusion (IMTFI) of the University of California.

7. In the case of India, for example, the period of financial liberalization that began in 1991 quickly led to the closure of many bank branches throughout the country, but especially in rural and semi-urban areas. These closures greatly reduced access to credit for many entrepreneurs. Between March 1992 and March 2001, the total number of loans granted by the Indian banking sector fell by 21 percent (Fouillet, 2009).

8. A term used in the literature to refer to MFIs whose primary objective is the economic - and not social - profitability of their operations. The emblematic case is the NGO Compartamos, which has been transformed into a Limited Company in Mexico.

9. Or financialization by debt, i.e. the increasingly pronounced position of market debts given the need to cope with daily necessities. See Mader (2015).

10. Usually mothers (various meetings, tasks to be accomplished, medical appointments for themselves and their children, etc.).

11. Langevin (2016) shows that the interweaving of social policies and financial services aims to familiarise people with, and 'educate' them in, the use of formal financial services.

12. '(...) second, we give them access to a credit line, but not with such a high rate of interest as those of other companies (credit organizations) (...) so that's what Bansefi does - the bank that has set up this series of products designed specifically for our population, to provide a whole series of products, because in the end, all these credit companies are supported thanks to the aid we pay in, every two months', interview conducted on 25 June 2015 in Mexico City by Paola Suarez as part of her masters dissertation in socioeconomics, University of Geneva.

13. Information obtained on the website (www.bansefi.gob.mx, accessed 17 January 2018) and mentioned in Morvant-Roux et al. (forthcoming).

14. We also encountered the case of a mailbox for suggestions and whistleblowing but its use for whistleblowing did not seem to really work.

15. See Foucault (1975).

16. 'Something [coming] from the government,' interviews, July-August 2015, AMUCSS-Unige-UPN.

17. It seems widely accepted (probably due to the constant plugging of the message by employees and members of local committees) that the money must be used by women and not by men. But the paternalism of the program leaves women with little room for manoeuvre.

18. While outcaste families, for example, have on average a lower level of banking than the general population, they were still excluded from these programs (Majumdar and Gupta, 2013). Reference may also be made to the articles by Cnaan et al. (2012) and Taylor (2012).

19. Some private commercial banks now have 'lead bank' status at the district level, giving them much more local political power.

20. The Indian agricultural sector contributes 18 percent of India's GDP and 50 percent of jobs.

21. On the role of intermediaries in the deployment of development policies in India, see notably De Wit and Berner (2009), Mosse (2005), Simon (2009) and, more recently, Picherit (2015) and Daftary (2016).

ABSTRACTS

Since the 1990s, microfinance has become a central element in international development policies, focusing in particular on market building, and mainly driven by private financial players. The end of the 2000s, however, was marked by a return of state legitimacy, through policies and strategies of financial inclusion. Government intervention is motivated by the persistence of social, gender or geographical inequalities. In this perspective, financial inclusion can be a tool for establishing, reforming and strengthening state institutions. In this article, we will situate these latest trends within the evolution of Indian and Mexican social policies. Our argument is that the deployment of financial inclusion policies in these two countries can lead to ambiguous effects. On the one hand, these financial inclusion policies allow vulnerable populations to access new rights, and promote embryonic forms of citizenship. On the other hand, these policies may encourage the emergence of new ways of controlling the behaviour of beneficiary populations.

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