

Fig. C: Paan leaves are counted several times in front of potential buyers (Schütte 2015)

Governing the *paan* leaf value chain

Keywords: Paan, Chaurasia, Economic geography, Value chains, Governance, Urban geography

1 Introduction - analysing regional value chains

The analysis of value chains and market governance continues to be an important issue within development research and is increasingly seen as a tool for poverty reduction (cf. Bolwig et al. 2010, 175). The value chain approach is mainly used in regard to global transactions and aims to analyse socio-economic advantages and disadvantages of actors' integration into international and liberal market spheres (cf. Sturgeon 2001, 9). However, India's trade landscape is much more dominated by the flow of agricultural goods between regional and domestic markets, rather than by economic transactions across national borders (cf. Mattoo, Mishra and Narain 2007, 3). To that effect, the basis for a significant number of livelihoods in India's State Uttar Pradesh is provided by spatially limited markets (cf. The International Bank for Reconstruction and Development/The World Bank 2014, 25-27). The *paan* (betel) leaf trade with its important nodes located in the city of Varanasi is an exemplary case for such a regional and spatially limited market and, as such, remains disregarded by value chain approaches with their international focus. Against this background the present paper takes a closer look at the *paan* leaf value chain and its governance established around the Varanasi district.

The paper begins with an introduction of the so-called *paan* or betel leaves, which are an indispensable ingredient of *paan*, “*the favourite pastime of 15-20 million Indians*” (Bera, Mahapatra, and Moyna 2011a), and contextualises the commodity within its socio-economic landscape. The paper then turns to a more detailed exploration of the *paan* leaf trade in its social and spatial dimensions. The subsequent section unravels the processes occurring along the value chain and explores the market's social organisation and governance. Unless otherwise indicated, all information provided in the paper is based on empirical fieldwork in Varanasi over two weeks in February 2015 that included open interviews and participatory mapping. Against the background of a development driven and increasingly liberalised Indian economy the findings of this study are discussed and possible impacts on the market related livelihoods of actors involved in the *paan* leaf trade exposed. Hence, as a contribution to the vast field of value chain analysis, this paper wishes to highlight the advantages of a micro perspective on value chains for development research.

2 Varanasi's *paan* leaf market

Residents of Varanasi consider the local *Paan Dariba* (*paan* market) (Fig. 1.1) to be “*the centre of the Indian paan leaf trade*“. The geographic scope of the value chain of *paan* operates within definable borders limiting the market's influence to North India. It is

noteworthy that the *paan* leaf trade is not only bound by limits in geographical terms, but is also inseparably linked to one specific actor group. Cultivation, processing and selling of the *paan* leaves seems to be performed exclusively by members of the *Chaurasia*, also referred to as the *Barai* caste.¹ Inevitably, the question arises of how the *Chaurasia* actors establish and maintain their monopoly on the *paan* leaf business on a social and geographical level. This paper seeks answers by following the commodity as such. So in the first instance it is necessary to have a closer look at the good itself.



Fig.1.1: Inside the Paan Dariba building - farmers and businessmen attending the paan leaf auctions (Dimakopoulos 2015)

2.1 Paan as a cultural commodity

Varanasi's cityscape is shaped by thousands of small *paan* stalls. *Paanvalas* (*paan* stall keepers) throughout the city serve freshly prepared *bidas*, the triangularly folded *paan* leaves, filled with pieces of stimulating betel nut and individually refined by the addition of further ingredients (Fig. 1.2). Following a *paan* stall employee to the venue of his daily purchase the way will definitely lead to *Paan Dariba*, the central *paan* market located in Varanasi's district Chaitganj. Within the *Paan Dariba* building the local



Fig. 1.2: One of Varanasi's most famous paan stalls near Godoulia Crossing (Dimakopoulos 2015)

betel leaf salesmen are sure: "*Banaras is famous for its paan*". Indeed, India's holy city is known nationwide for its deep association with *paan* and for generously supplying a huge variety of it to customers for ritual and daily consumption. Apparently, the *paan* leaf, picked from the betel vine, is offered as a gesture of hospitality as well as an expression of affection and beauty already since 400 BC (cf. Bera, Mahapatra and Moyna 2011a). Although there is some controversy surrounding the leaf as people who use it sometimes suffer from health problems and it contributes to environmental pollution (cf. Barnagarwala 2014), chewing Banarsi *paan* is still a symbol in itself. It has served Bollywood productions to characterise their acclaimed heroes as *paan* users,²

¹ The terms *Chaurasia* and *Barai* are used as synonyms. For more detailed information, see: Hasan A., Rizvi B. R. and Das, J. C. (ed.) (2005): *People of India: Uttar Pradesh*. Vol. XLII, Part I. New Delhi.

² E.g., in the films *Charulata* (1964) and *PK* (2014) the protagonists' habit of chewing *paan* is shown as an integral part of their personality.

and the championing of *paan* has helped politicians improve their reputations amongst voters (cf. Economic Times 2014 2014). As such, in order to cope with the city's extraordinary daily consumer demand for fresh *paan* leaves, an elaborate system of logistics and market management is entrenched.

2.2 The *paan* leaf business within its socio-economic landscape

This study looks at the *paan* leaf trade established around Varanasi's *Paan Dariba* and its area of influence defined by spatial, social and economic distinctions. The examination of this specific socio-economic landscape has been approached by viewing the value chain as constituted through the entanglement of actors and material resources (cf. Ouma 2012, 204). Within the socio-economic space, knowledge in the form of the actors' skilled handling of resources is put into economic practice on a daily basis, e.g. the cultivating, supplying, processing or trading of leaves. Thereby, actors are differentiated through work division into various actor groups all along the value chain. Cultivators, middle- or businessmen, differ from each other with respect to their access to knowledge and resources and in regard to their ability to exert power along the chain (cf. Gereffi, Humphrey and Sturgeon 2005, 89). Seeing it this way, the existing and specific power-knowledge relations link the several actor groups involved in the trade to their available resources and define their specific position within the economic landscape. As a result, power relations as expressed in performative actions organise the market and affirm the established social institutions in the day-to-day work (cf. Law 1994, 22). In this context institutions are understood as tools of governance. Thus a contingent socio-economic landscape is defined and limited by the value chain and its governance (Fig. 1.3).

Demand for *Banarsi Paan*

Residing at Varanasi and not recognising the popularity of *Banarsi paan* is hardly possible since the omnipresence of the commodity manifests not only in Varanasi's streets but also in daily news. On February 22, 2015 the Varanasi edition of Times of India reports:

„Not only Prime Minister Narendra Modi and Bollywood actor Amitabh Bachchan, but also the famous 'Banarasi paan' stole the show at the pre-wedding ceremony of SP supremo Mulayam Singh Yadav's grandnephew Tej Pratap in Saifai on Saturday. More than 60,000 'bidas' of Banarasi paan were delivered in the first round which fell short in a few hours only and an urgent order was placed for immediate supply of another round from Varanasi. "We received information that the stock of paan had finished by 2pm and more was demanded," said Rajendra Chaurasia, the owner of famous Keshav Tambool Bhandar, who had also supplied paan in the wedding ceremony of chief minister Akhilesh Yadav. [...] A team member Yatindra Charasia informed Rajendra that the entire stock of paan was consumed by the invitees, and additional quantity is required urgently. Rajendra diverted a consignment of 5000 bidas of pa[a]n [...]. The fresh stock of paan was carried to Saifai from Lucknow with some guests through a plane." (Singh 2015)

Rajendra Chaurasia's *paan* stall at Lanka Crossing is said to be the city's most successful shop, delivering the best quality. According to information provided by *Chaurasia* residents more than 100 workers were hired for a shift exceeding 20 hours to comply with the demand of freshly prepared *bidas* for the celebrities'

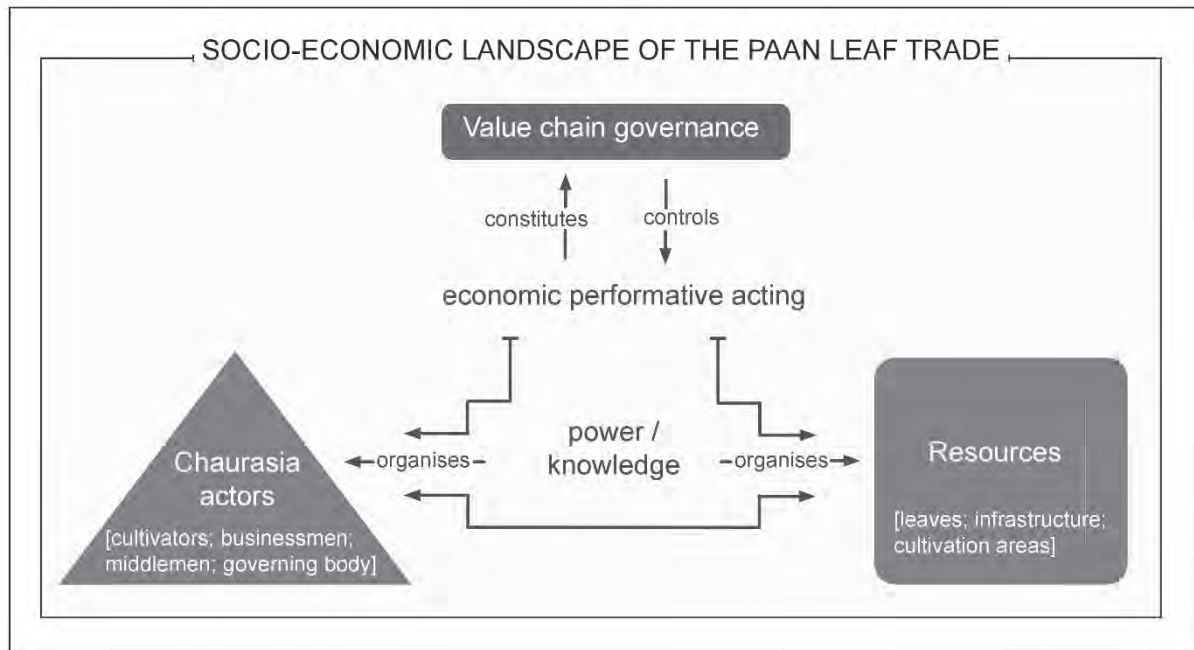


Fig. 1.3: The defined socio-economic landscape of the paan leaf business established by its value chain (Source: own design)

The socio-economic landscape of the *paan* leaf trade was approached and analysed by looking at the everyday economic practices. Processing and trading were recorded in participatory observation. All in all, 16 formal interviews were conducted at the respective workplace of respondents. For this purpose, four families were visited at their Varanasi residences and a group discussion with the twelve acting committee ministers was attended at *Paan Dariba*; two city warehouses as well as the cultivation area in a village close to the city of Varanasi were visited. The Secretary of the *Barai Sabha* acting committee, the President of the *Paan* Material Dealer Association (PMDA), two farmers, two *paanvalas*, two warehouse owners, four shopkeepers and four businessmen were interviewed as experts to extend the information acquired from numerous conversations held during the participatory observation. In addition, mappings were done within a participatory process.

The paper continues by looking at the material dimensions of the *paan* leaf value chain, focusing on a detailed exploration of the *paan* leaf market's geographical scope as well as the leaves' cultivation, supply, processing and trading techniques.

3 The *Paan Dariba* - framing the spatial landscape of trade

Because of the outstanding position of Varanasi inside the Indian *paan* business the *Paan Dariba* as the city's centre of *paan* leaf trade exhibits a substantial part of the socio-economic landscape. The landscape of *paan* leaf business is constituted by the geographical confines of the *paan* trade around the main market building of *Paan Dariba*, located in Varanasi's district Chaitganj. The central space of *paan* business in Varanasi is situated along a main road and several crossroads around the *Paan Dariba* as the space where most of the ingredients shops, *paan* stalls and warehouses can be found in a correlated conglomerate (Fig. 1.4).

The focus of fieldwork was on the *paan* leaf trade, which passes through various stages and is finally carried out inside the market building. The *Paan Dariba* building is only used by members of the *Chaurasia* community to trade leaves and is open for business and customers every day. The building is the very centre of trade and has two floors and an open inner courtyard (Fig. 1.5). The whole market space is covered by trees and roofs to protect the sensitive *paan* leaves. Different shops for *paan* ingredients and betel nuts are located at the ground floor, although the building is mainly used for the trade of fresh green leaves. These leaves are classified as unprocessed raw material, differing in quality depending on their origin and freshness. The first floor of the building is utilised by *Chaurasia* businessmen to offer and sell leaves, which have already been refined in their houses' private heating

chambers. These processed leaves are characterised by their lightly bleached exterior and hence have a higher value. Further, the office rooms of the management committee and a few storage chambers are situated on the upstairs level.

4 Following the leaves - the value chain of *paan* leaf business

The value chain of *paan* leaves (Fig. 1.6) shows the way the leaves take from their rural origin until they reach consumers at the *paan* stalls all around the city of Varanasi and beyond.

4.1 The *paan* leaves

In *Paan Dariba* more than ten different types of *paan* leaves originating from several regions of India are traded on daily basis (Tab. 1.1). They are cultivated and harvested in various parts all over North India by *Chaurasia* farmers. However, the major production takes place in the states of Orissa, West-Bengal, Bihar and Madhya Pradesh. Mainly, the *Jaganatthi paan* from Orissa is used while the *Magahi paan* leaves from Bihar are said to be the most valuable.

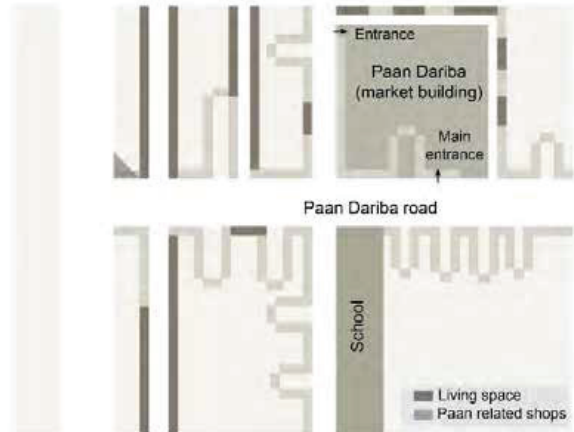


Fig. 1.4: The central *paan* market - *Paan Dariba* - located in Varanasi's district Chaitganj (Source: own design based on the survey by I. Dimakopoulos, February 2015)

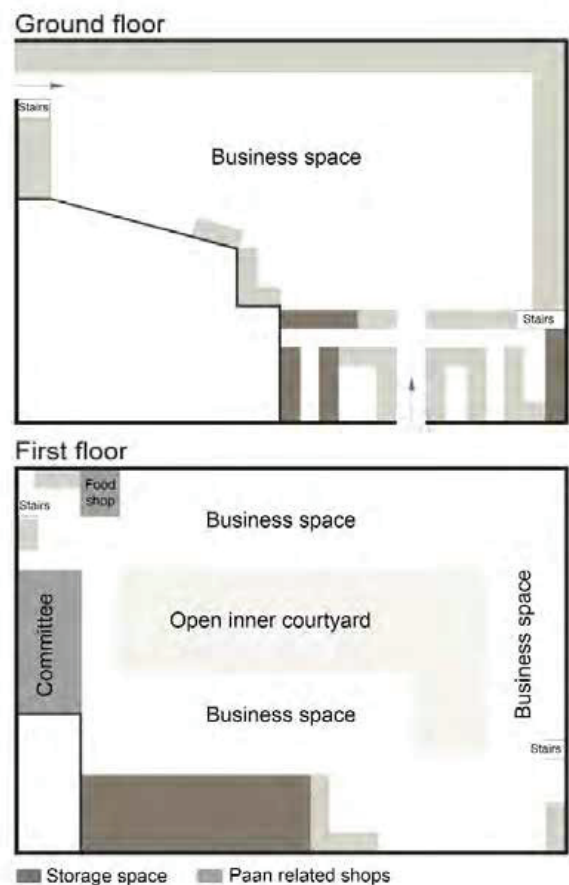


Fig. 1.5: The *Paan Dariba* building with its two floors (Source: own design based on the survey by I. Dimakopoulos, February 2015)

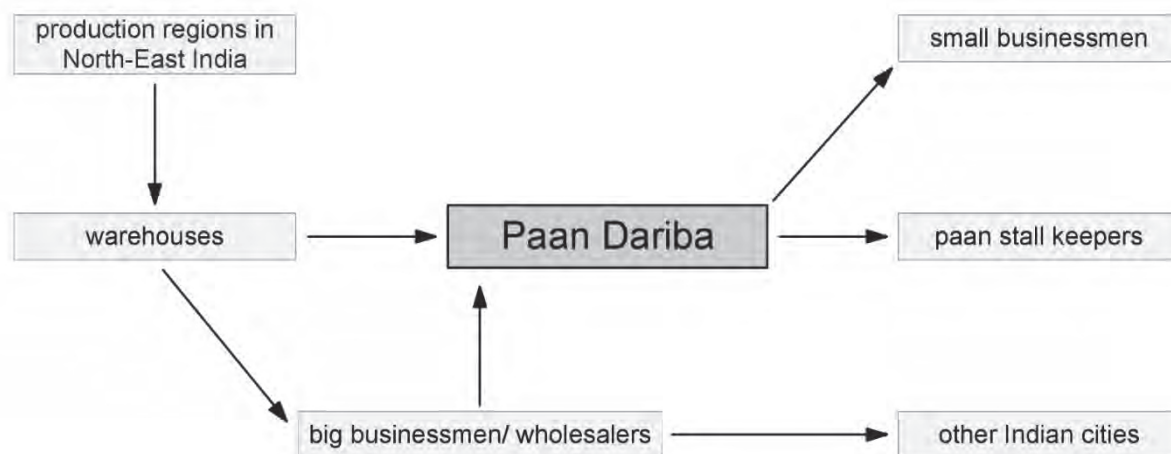


Fig. 1.6: The value chain of the paan leaf trade (Source: own design)

There are significant quality differences depending on the unprocessed leaves' characteristics. Taste, maturity, outer appearance and smoothness are important factors of sale and price building. The amount of leave-production increases during the peak season (February to April) and ceases significantly after that period. The fact that fresh leaves deteriorate quickly during the humid months (April to July) determines the necessity of storing large quantities of raw material. This, in turn, leads to rising prices during the season.

However, the peak season of the various producing areas differ. The leaves are very vulnerable and therefore safely packed in reed baskets padded with saris and rice straw. The *paan* leaves are transported from the countryside in baskets and sold in the same format. The price e.g. for a basket of *Jaganatthi paan* is calculated as follows: one basket contains 15 *dolhi* with the price in Indian Rupees (Rs) always attached to each single *dolhi*, which costs from 50 to 100 Rs. One *dolhi* is composed of four *muha* containing 50 leaves each. Accordingly, a basket of unprocessed *Jaganatthi paan* leaves is comprised of 3000 leaves and is traded for 750 to 1500 Rs depending on the season and quality.

Tab. 1.1: The main traded paan leaves and their region of origin (Source: own design)

Paan leaf type	Region of origin
Jaganatthi	Orissa
Bilkuli	Orissa
Chandrakala	West-Bengal
Jukki	West-Bengal
Sanchi	West-Bengal [Medinipur]
Magahi	Bihar [Gaya, Nawada, Nalanda]
Ketaki	Bihar [Gaya, Pipra]
Deshi	Uttar Pradesh [Jaunpur, Haidar Garh] Maihar
Chhapra	Chhapra
Hajipur	Hajipur
Agali	Agali

4.2 Agriculture and transport

The *paan* leaves traded at *Paan Dariba* are gained from betel plants cultivated in rural areas. According to the review of the early Moroccan explorer Ibn Battuta from the 14th century, “the betel is a tree which is cultivated in the same manner as the grape-vine. It

has no fruit and is grown only for the sake of its leaves” (cited in Gibb 1962, 387). In order to get an inside view into the *paan* leaf production a site visit was carried out to the farm of Kumar Chaurasia³ in the village of Baharipur (25 km from Varanasi). The farmers in this region grow the typical Uttar Pradeshi *paan* type called *Deshi* (Fig 1.7). The betel plants are cultivated in fields that are generally located on island-like arable land in the middle of ponds. The water has a dual function: to protect against animals and used for irrigation. The plants are very sensitive to climate factors and therefore are covered by straw roofs to prevent damages caused by fog and direct sunlight. The *Chaurasia* farmers’ plant new betel vine in the cold season between February and the beginning of March while they put cut branches of older plants into the soil. A vine is profitable for about five to eight years, during which time it is trimmed down several times. The most profitable cropping period in this region is between April and August. The visited farm enterprise produces 200 *dolhi* per month on average during this period. Because these months are also characterised by a very hot climate the betel plants need more intensive labour to manage the harvest and irrigation. In the example case it is necessary to involve the whole extended family of 51 members in the working process.



Fig. 1.7: Betel vine cultivation in shade provided by a straw cover in the village Baharipur, Varanasi district (Dimakopoulos 2015)

The main production of betel leaves takes place in the Indian states of Orissa and West-Bengal, where *Jaganatthi* and *Chandrakala paan* originates. The peak season for cropping is between January and April. The Varanasi businessmen order their needed amounts of *paan* leaves via middlemen, who stay directly in touch with the governing body of the *Chaurasia* in the respective region of production. During the main season trucks from the agricultural areas run twice a week to deliver the product at six warehouses inside the city of Varanasi located in the



Fig. 1.8: Paan leaf warehouse located in Lallapura, Varanasi (Dimakopoulos 2015)

³ In consultation with interviewees all personal names are changed.

areas of Pishach Mochan and Ishwargangi (each two warehouses) as well as Lallapura and Nati Imli. These locations are not next to *Paan Dariba* in Chaitganj but still well accessible for transport workers' cycle vans and three-wheeler-autos. To understand the transportation and logistics of *paan* leaves two warehouses were visited. The warehouse run by Kiran and Manu Chaurasia is situated in Lallapura at the yard of the Muslim Inter College (Fig. 1.8). In the nights before Tuesday and Saturday four trucks loaded each with 800 baskets of *Chandrakala* and *Jaganatthi paan* from West-Bengal and Orissa respectively (about 3200 to 3400 baskets in total) arrived at the place. The total quantity of the load to be delivered depends on the need of the businessmen and wholesalers who order the baskets according to the individual size of their business. The specific warehouse in Lallapura provides employment to 15 workers from rural areas around Varanasi who are not part of the *Chaurasia* caste. They assign the delivered baskets to the corresponding businessmen and transport the load to *Paan Dariba* by means of eight cycle vans and four three-wheeler-autos. In addition, using own means of transportation some businessmen individually bring great amounts of the delivered raw material directly to their private houses, where it is further processed and value added. A money collector is placed in the middle of the warehouse to collect the *chungi* (transportation costs) from the businessmen. The fee for a basket of *Chandrakala* leaves from West-Bengal amounts to 120 Rs, while the transport from the warehouse to the businessmen's houses costs a mere six Rs.

4.3 Leaf processing and distribution

From the warehouses the baskets are distributed directly to *Paan Dariba* where the *paan* leaves are sold on the ground floor by the businessmen to individual *paan* stall keepers or to smaller wholesalers. Parts of the commodity are brought to the businessmen's houses, where they have the space and facilities to store, sort and further process the raw material. To get an impression for the way these businessmen refine and further sell the *paan* leaves from their home a visit to Avan Chaurasia was carried out. At the family's estate several rooms are designated to the storage of raw materials. Further sorting of the leaves into different quality groups is done by members of the family from all generations. After sorting, the leaves are bleached in a specific way said to be known and used only in Varanasi. As Avan Chaurasia stresses: "*Wherever you find a processed leaf, it is from Varanasi.*" The leaves are put into a heating chamber of about six square meters heated by coal-ovens to roughly 70 degrees Celsius. For the purpose, the leaves are packed into particular baskets (2,500 leaves each) prepared with textiles and other kinds of plant materials to protect the leaves from the heat needed for the bleaching process. After about 20 hours the leaves are again sorted and those leaves that remained rather green go again into the heating chamber for a second session. The processed leaves differ from the raw material in colour, taste and, importantly, also in storage life (six months) and are considered to be more valuable. Accordingly they are sold for a higher price; for instance the value of a processed *Jaganatthi paan dolhi* is four times higher than that of an unprocessed and costs 200 to 400 Rs. A significant proportion of the raw leave material is individually processed in the described fashion and afterwards brought to *Paan Dariba* where it is sold on the first floor to smaller wholesalers or *paan* stall keepers. At the same time, an amount of probably 30 to 50% of the already processed leaves is exported by

Varanasi businessmen to other Indian cities, mainly to Gorakhpur, Delhi, Allahabad, Bengaluru and Deoria. Smaller wholesalers purchase quantities of processed leaves or unprocessed material at *Paan Dariba* to resell it to their own customers. In a few cases smaller businessmen also have a heating chamber at their house to process raw leaves and to retail it to private customers outside of *Paan Dariba* for slightly higher profit. However, most of the trading transactions take place inside the main market building in Chaitganj. Generally all types and qualities of leaves are offered on both floors inside *Paan Dariba* by Varanasi businessmen on daily basis. Twice a week auctions take place in the peak season (February to April) for *Magahi* leaves from Bihar. However, the Bihari farmers are not allowed to sell the leaves on their own and Varanasi middlemen from the group of *Chaurasia* called *arhtiya* lead the auctions.

5 Market organisation and governance

So far the paper has explained how the value chain is set up based on the cultivators' and traders' technical knowledge of the material resources. However, the question remains as to how the *Chaurasia* actors establish and maintain their monopoly on the *paan* leaf business within that limited economic landscape. Consequently, it must be asked whether and to what extent the social exclusivity is linked to the spatial borders of the market. The authors argue that analysing the value chain's specific governance is the key to understanding the relationship between the social and geographical dimensions of the market. With a binding set of regulations the value chain governance ensures the *Chaurasia* community's single dominance within the *paan* leaf cultivation, processing and trade. As described in more detail below this way of governing does not only protect the *Chaurasia*'s monopoly on the *paan* leaf business against non-*Chaurasia* competitors but it further organises the community itself in a highly differentiated manner. Certain parameters are set by an acting committee and its subcommittee all exclusively run by *Chaurasia* traders. Small-scale cultivators depend on businessmen who operate as dealers and middlemen between farmers and customers. Hence the *paan* leaf market is characterised by a high degree of trade control established through a setting of market access requirements in regard to social, spatial and economic criteria (Fig 1.11, p. 17).

5.1 The *Chaurasia* community as an economic interest group

The title *Chaurasia* is carried by citizens throughout India and can merely indicate the belonging of an actor to the *Chaurasia* caste also referred to as the *Barai caste*. The *Barai caste* is strongly associated with being involved into *paan* growing and trading (cf. Bera, Mahapatra and Moyna 2011b). By far not all Indian citizens carrying the title *Chaurasia* are concerned with the *paan* leaf business, but those *Barai* members who are actively involved in the *paan* leaf cultivation and trade deduce their professional success from that social affiliation. Thus in practice, social belonging to the *Chaurasia* community is an indispensable prerequisite for an actor's successful integration in the *paan* leaf business. To preserve their monopoly on the *paan* leaf business in several parts of India *Chaurasia* caste members are organised in exclusive economic interest groups (cf. *ibid* 2011b). Indeed, the various local *Chaurasia* associations are in touch with each other on a supra-regional level. However, each single local interest group must be viewed as a self-reliant corporation.

Responsible for the trade activities formed around the *Paan Dariba* Varanasi is the *Sri Barai Sabha, Kashi*⁴.

5.2 The *Sri Barai Sabha, Kashi*

According to the information provided by its current members, the *Sri Barai Sabha, Kashi* was founded in the early 1950ies. In those days the leaf market took place in the open air which provided little shelter for the vulnerable commodity.⁵ With the objective of strengthening the *paan* business the *Sabha's* establishment was accompanied by the construction of the *Paan Dariba* building in 1952. It is said that back then about 40 local *Chaurasia* businessmen involved in trading *paan* leaves in Varanasi joined together and provided financing for the building's construction. Until today the building is the shared property of these *Chaurasia* families considered to be “*highly important families*” (Shopkeeper in *Paan Dariba* on February 14, 2015) amongst the *Barai Sabha, Kashi* members.

Nowadays, from every *Chaurasia* family in the district of Varanasi involved in *paan* growing, processing and selling one man who is said to be “*the chief of the family*” (The Secretary of the *Barai Sabha* acting committee on February 18, 2015) is registered as a member in the *Barai Sabha*. According to the data collected in February 2015 the *Sabha* counted about 900 registered members. Consequently, not only the social membership but also spatial belonging is a relevant criteria for an actor's successful integration in the *paan* leaf value chain established around Varanasi (Fig. 1.11, p. 17). Only inhabitants of the Varanasi district can apply for a membership in the *Barai Sabha, Kashi* and hence benefit from market advantages, such as toll-free access to *Paan Dariba* or agricultural subsidies. The registration in the *Sabha* is free and not obligatory, but is regarded as a necessity by all members. As a grower from the Varanasi district points out: “*As farmer you must be part of the Barai Sabha if you want to sustain in the field.*” All members of the *Barai Sabha* make a clear distinction between two main actor groups within their community. There are the cultivators who are residents of the rural areas, and the city-based businessmen. That means even within the Varanasi community spatial belonging plays a prominent role in shaping the economic landscape.

Once a year, all 900 registered *Sabha* members get together in a public meeting to discuss about arrangements and requests. Each five years the *Sabha* meets at *Paan Dariba* to vote for an acting committee that at present contains 51 members. Even though the *Sabha* consists of both actor groups, businessmen and cultivators, the acting committee members are exclusively recruited from the group of the businessmen. The acting committee is not only the policy maker, but also responsible to support the various interests within the whole community. The *Barai Sabha* acts as an economic as well as a social organisation that aims to strengthen the *Chaurasia* community by supporting its needier members. For instance in 2014, 30 cultivators were assisted by the acting committee in applying for

⁴ *Sri Barai Sabha, Kashi* can probably be best translated as “Respected Barai Assembly, Varanasi”.

⁵ Today being a fallow area, the former market place can still be visited only a view minutes walking distance to the ‘Neya Paan Dariba’ (new paan market) in Varanasi, Chaitganj.

governmental agricultural subsidies. However, success is not guaranteed and only four out of these 30 cultivators were actually granted subsidies. To take responsibility for the fulfilment of all duties the acting committee meets at least three times a year in its main office located on the *Paan Dariba* building's second floor. From there issues relating to the *Sabha*, the cultivation, the supply, the trade activities, as well as the security and maintenance of the *Paan Dariba* building are monitored, discussed and decided. For financing their interests the acting committee uses funds from various sources: each basket which is brought to *Paan Dariba* from non-Varanasi districts is charged with a fee of 25 *paisa* (¼ Rs). Further, all shops in the building offering betel nuts, tobacco, spices and various other *paan* related goods are rented out. The committee's members act in an honorary function and hence draw no salary. Nevertheless being a committee member offers several social and economic advantages including a high reputation within the community and the possibility to have direct influence on the parameters set along the value chain. Therefore the committee announces twelve management board members by election who are specialized in various resorts (Fig. 1.9). Further, the acting committee votes for 21 men who form a subcommittee called the *Paan Byawasayi Samiti*⁶. This *Samiti* is not responsible for the issues of all 900 members but takes particular care of the businessmen's interests and needs. By forming a representation of interests exclusively supporting the Barai Sabha's businessmen, the actor group's predominant role inside *Paan Dariba* is protected against other actors' potential claims for greater say. Moreover the *Paan Byawasayi Samiti* enables its members to govern the value chain more efficiently by announcing seven specifically qualified management board members from its own side (Fig. 1.9)

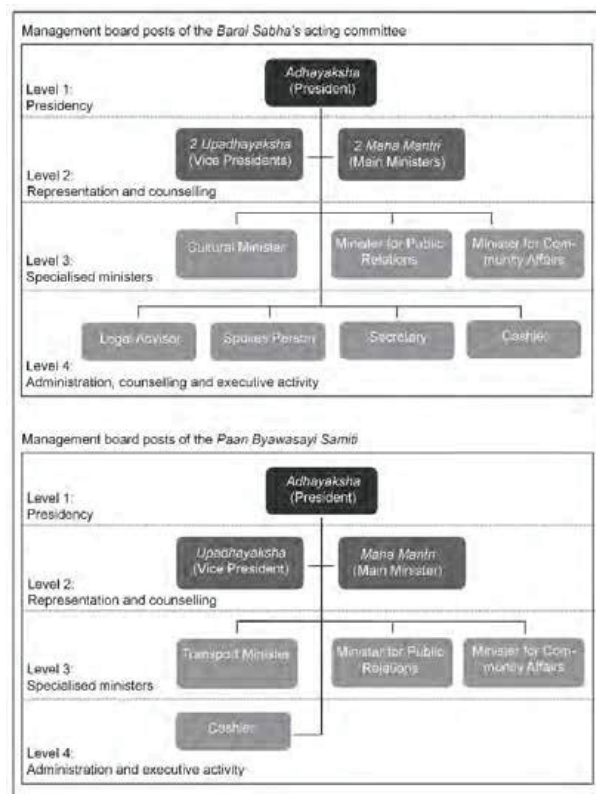


Fig. 1.9: Organigram of the Barai Sabha's acting committee and the Paan Byawasayi Samiti (Source: own design)

5.3 Inside *Paan Dariba*

The governance body comprising of the acting committee and the *Paan Byawasayi Samiti* consists exclusively of businessmen (Fig. 1.10). Although the acting committee is voted for by all *Sabha* members, conversely only the acting committee is in charge to approve the accession of the *Sabha* members. In this respect, all *Sabha* members' economic

⁶ "Paan Byawasayi Samiti" can be translated as „Paan Businessmen Association“.

participation is highly dependent on the governance body's policy. Especially the cultivators' interests are given a subordinated status within the value chain organisation as they are not allowed to sell their commodity personally. Thus cultivators are not only excluded from the administration and market management but also from the trading action itself. The businessmen's argument for their exclusive right to trade is that “*farmers have no experience in business*” affairs and therefore must be assisted by the *arhtiya*



Fig. 1.10: Members of the Barai Sabha's acting committee meeting in their office (Heyink 2015)

as middlemen. The title *arhtiya* refers to businessmen who conduct auctions within the *Paan Dariba* leaf market. On each market day there are about 40 *arhtiya* present. These include businessmen who perform the role of an *arhtiya* by offering their own goods as well as actors who function as representatives for certain cultivators. On the so called special market days, Fridays and Saturdays, Bihari farmers arrive at *Paan Dariba* bringing their highly demanded *Magahi paan* leaves. During these occasions seven additional and specifically authorised businessmen act as *arhtiyas* to conduct the *Magahi* auctions. These men are not chosen by election or by application but inherited their position from their fathers or grandfathers who were chosen by grace of their membership in Varanasi's “*highly important families*” (Shopkeeper in *Paan Dariba* on February 14, 2015). Among the actor group of businessmen further differentiation with regard to rank and reputation can be found. The economic benefit of being an *arhtiya* and to represent farmers within auctions pertains to the commission received. The height of the commission varies from eight to twelve percent of the negotiated price per basket, which in turn depends both on the specific value of the *paan* leaf type and on the seasonal supply and demand. At the end of the auction day the remaining amount is given to the farmers by a cashier. As such, when cultivators come to *Paan Dariba* to deliver their commodity personally they are obligated to completely entrust their leaf baskets to an *arhtiya*. According to the information provided by *Paan Dariba*'s businessmen, the cultivators choose the *arhtiya* on the basis of the auction leader's talent for sales. Simultaneously it was mentioned by several actors that a specific *arhtiya* is continuously responsible for the same group of cultivators. It might be reasonably assumed that the dependent relationship between a group of cultivators and a specific *arhtiya* is the result of former governing processes rather than to the cultivators' actual choice. The obvious fact that cultivators respect the ban on selling does not necessarily imply their unanimous approval of this regulation. However, according to a farmer cultivating in the Varanasi district they see “no other way” to otherwise participate profitably in the market.

6 Governing the *paan* leaf value chain - Findings and conclusions

This study has provided an overview of the *paan* leaf trade established around Varanasi's *Paan Dariba* and its area of influence defined by spatial, as well as social and economic distinctions.

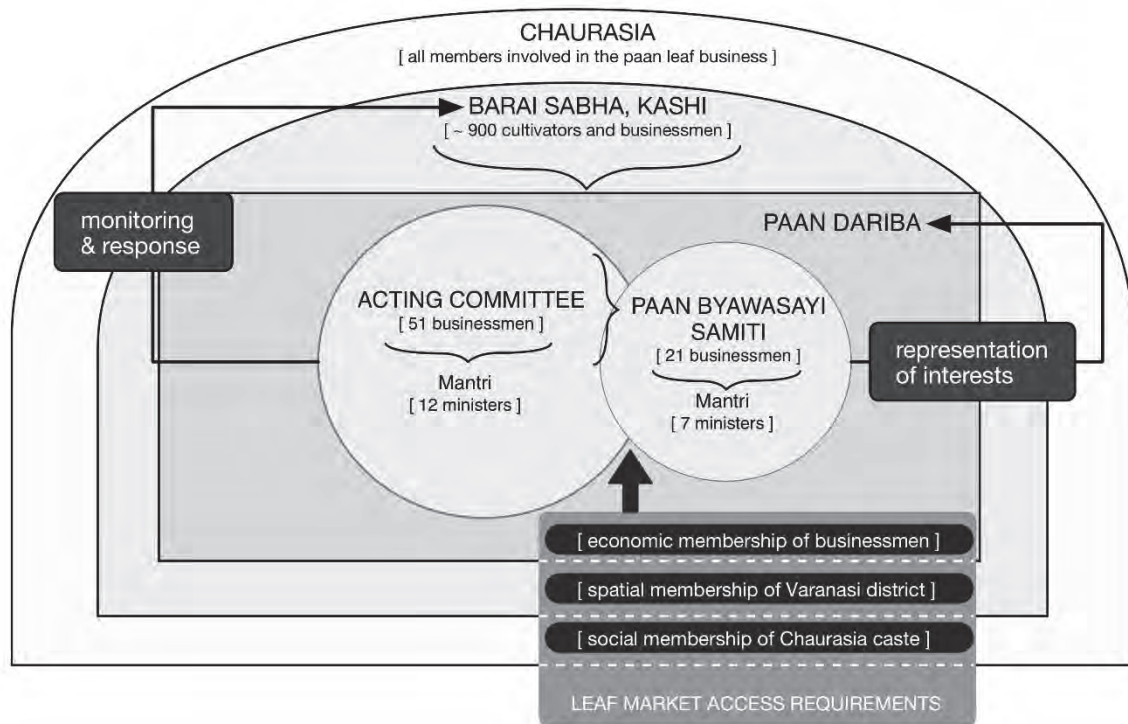


Fig. 1.11: The paan leaf market with its differentiated spheres of influence (Source: own design)

The examination of this socio-economic landscape has been approached by viewing the value chain as constituted through the entanglement of actors and material resources and its specific governance. The paper emphasised how the *paan* market is constituted by establishing access requirements that are directly linked to the social organisation of the actor groups involved. Actors organise themselves in a differentiated and highly exclusive manner which is also reflected in the spatial setting (Fig. 1.11). Market access is strictly limited by the criteria of social belonging and is dominated solely by members of the *Chaurasia* caste. To preserve their business and ensure their community members' livelihoods the *Chaurasia* governance establishes unsurmountable access barriers that make the market entry for non-community competitors virtually impossible. By organising themselves within the *Sri Baria Sabha, Kashi* as a body that is only concerned with strengthening the *paan* business within the borders of the Varanasi district the value chain remains spatially limited. At the same time the *Sabha* is differentiated within itself. Work division defined by the actors' geographical area of residence as well as by specific family membership divides the *Sabha* into two major actor groups; namely into the group of the cultivators residing in the rural areas and the inner-city businessmen. The latter actor group ensures its greater authority and influence by the institution of the *Paan Byawasayi Samiti* and the *arhtiya*-principle. As a result the highest value generated along the chain remains bound to the economic actor group of businessmen.

6.1 Implementing the value chain analysis of spatially limited markets in development research

While the findings presented so far clearly indicate that there is a huge interest in *paan* as a highly demanded good, simultaneously the Varanasi *paan* leaf traders, *paanvalas* and cultivators admit: “*The paan trade will go down within the next ten to fifteen years.*” (President of the acting committee on February 18, 2015). The latest available data presented in the literature is consistent with that statement. Uttar Pradesh’s acreage used for the *paan* leaf cultivation has declined from 2,850 ha in 2006, to 2,200 ha in 2011 and has since dropped steadily (cf. Bera, Mahapatra and Moyna 2011b). This downward trend can be traced to several developments within the economic sphere. Consumers’ demand for *paan* seems to gradually decrease as demand for more extensively traded alternatives like cigarettes, chewing tobacco and *gudka*⁷ increases. Also the Indian government’s attention and support turns more and more towards market participants whose businesses can be profitably integrated into an international market (cf. Bera, Mahapatra and Moyna 2011b). In contrary, the international integration of the Varanasi *paan* leaf market does not seem to be a practical possibility at all. Even though there is still a demand for *paan* throughout South and South-East Asia and ambitious *paan*-advocates see high business opportunities for the “*Neglected Green Gold of India*” (Guha 2006), the present analysis suggests that the Varanasi *Paan Dariba* will certainly remain a regional market. The reason for this lies within the specific organisation of the *paan* leaf trade itself. The socio-economic landscape of *paan* with its centre in Varanasi *Paan Dariba* is dominated exclusively by members of the *Chaurasia* caste and therefore is rather comparable with an exclusive cartel (cf. Varian 1996, 419). As a result the resources involved remain economically linked to the dominating actors and the trade landscape remains spatially limited. In that respect this paper aimed to provide insights into the regional circumstances, disparities and prospective challenges of value chain analysis. The most commonly applied macro-perspective value chain approach is usually viewed under a liberal or a critical perspective to identify possible strategies to either optimise it economically or to find ways that reduce social disparities and poverty relations linked to the chain. However, since the *paan* leaf trade is neither a liberal-, nor a state-regulated market these perspectives hardly apply. It is in fact more challenging to identify and address the causes of existing disparities in the *paan* leave trade and the situation of marginalised people. Findings of this study show that there is a huge social and economic difference between rural *Chaurasia* farmers and *Chaurasia* inner-city businessmen. The distribution of power, knowledge and market access is completely consolidated inside the *Chaurasia* community. The upcoming challenges of shifting demands for recreational drugs will likely even deepen the social asymmetry inside the community over the next decades. Expected difficulties in the near future will not affect those people who have adapted to perceived changes by engaging already in other professions or who have generated additional financial means of subsistence. This is reflected in the statements of most people involved in the *paan* leaf business: “*I want my sons to get education and to study so they can find another profession and work in governmental jobs*”. However, it is evident

⁷ Industrial produced and packaged variation of *paan*.

too that only the already economically privileged actors among the *Chaurasia* community have the opportunities to provide higher education to their children and to search for new strategies directed at improving their financial situation.

As a regional market the *paan* leaf trade still provides the economic basis for a significant number of livelihoods. The socio-economic landscape of *paan* in Varanasi can be considered exemplary for many among the inclusive economies in India that function very well without the integration into global markets. It is the responsibility of development research also to focus on such spatially limited markets.

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