

Stanford University
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Trust, Social Capital, Caste: The Forces Shaping the Gujarati Diamond Trade

Understanding Angadia Movement between Gujarat and Bombay

A Master's Thesis presented to the Department of Anthropology
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Policemen outside Scindia House, the Income Tax Department's Investigative Wing, Bombay after a raid on Angadias in 2013. Angadia bosses and merchants were present to help their employees and ensure their goods were not tampered with. Source: [Livemint](#)

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INTRODUCTION

THE INDIAN ECONOMY: PARADOXICAL & PROMISING

The Indian economy is paradoxical: it is one of the largest in the world, with a recorded GDP of over \$2.59 trillion. The country also has the largest proportion of its workforce in the informal economy.¹ This means that over half of its work force are employed in sectors without contracts and course for redressal, beyond the scope of the legal system.² Researchers such as Barbara Harris-White have shown that despite the rise of ‘formalisation,’ in the economy, its reach and impact is limited and selectively chosen. For example, it maybe common for a firm to have a GSTIN (Goods and Service Taxpayer Identification Number), but not comply with labour laws and environmental standards because of lax enforcement from the requisite government departments. India has one of the highest number of cash transactions in the world, estimated to be around 17 percent of GDP, 4 years after demonetisation.³ The proliferation of payment applications and smartphones⁴ and bank accounts,⁵ may make one think that India is headed towards a digital revolution, but trends seem to show otherwise. The informal economy in India is ever present, and appears to be growing stronger, based on increased cash-based transactions, despite demonetisation.⁶

Informality manifests itself in various ways. Most wealthy elites across the country have domestic staff, who either live-in, or come as part-timers. Domestic help, unless

¹ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN>, accessed 11 April 2021.

² Barbara Harriss-White, ‘The Modi Sarkar’s Project for India’s Informal Economy’, *The Wire*, 20 May 2020, <https://thewire.in/political-economy/the-modi-sarkars-project-for-indias-informal-economy>.

³ On November 8 2016, overnight, the Government of India scrapped 86% percent of its currency, a term called demonetisation. The government’s rationale for this plan was to remove black money from the Indian economy, but many argue that it was a ploy to remove sources of funding for opposition parties in the upcoming state elections in Uttar Pradesh, India’s largest state.

⁴ ‘Over 500 Million Indians Now Use Smartphones, Report Claims’, *NDTV Gadgets 360*, 30 January 2020, <https://gadgets.ndtv.com/mobiles/news/over-500-million-indians-now-use-smartphones-77-percent-of-who-are-online-techarc-2172219>.

⁵ Neha Abraham, ‘Over 80% Indians Now Have Bank Accounts. How Many Are Actually Using Them?’, *Scroll.In*, 18 May 2019, <https://scroll.in/article/923798/over-80-now-indians-have-bank-accounts-how-many-are-actually-using-them>.

⁶ Rustom Irani, ‘Cash Transactions Continue to Grow in India – Here’s Why’, *The Financial Express*, 22 October 2020, <https://www.financialexpress.com/money/cash-transactions-continue-to-grow-in-india-heres-how/2111515/>

employed through an agency, have no formal contract with their employer that can be enforced by a court of law. It is common for households to have personalised relationships with their newspaper and vegetable vendors, and have a running tab with them, built solely on trust. Between both parties, there is an expectation that they will uphold their end of the deal, without resorting to external forces. While this may not always be the case, since a disproportionate amount of power rests with a client, who tends to be wealthier than the provider, such systems of trust and connection still function and persist.

Every sector of the economy has a formal and informal side. In education, the ubiquity of private schools and testing centres to prep students for end of school examinations is juxtaposed with a parallel market in tuitions, only paid for by cash.⁷ In construction, airports, ports, and bridges are built through the auctioning of government tenders, but the constant subcontracting of labour results in construction workers with limited to no rights. In squalid conditions, they build infrastructure to sustain the tastes of the wealthy, with limited entitlements from their employers or government.⁸ No matter how advanced or developed a sector is, it has a strong informal side, which acts as an essential underbelly to that sector's functioning.

The formal economy sustains itself through a range of methods of command and control, from the use of contracts, and the courts, to brute power by garnering support of the bureaucracy and police forces, to relying on other agents of the state to enforce the letter of the law, or a combination of all. The case of sprawling conglomerates such as Reliance and

⁷ 'DNA Special: How Is Coaching Industry Growing Rapidly in India?', *DNA India*, 8 April 2021, sec. Education, <https://www.dnaindia.com/education/report-dna-special-how-is-coaching-industry-growing-rapidly-in-india-2885293>.

⁸ Jonathan Ananda, '1.5 Crore Unregistered Construction Workers in the Lurch sans Relief', *The New Indian Express*, 27 March 2020, <https://www.newindianexpress.com/business/2020/mar/27/15-crore-unregistered-construction-workers-in-the-lurch-sans-relief-2122056.html>.

Roli Srivastava Nagaraj Anuradha, 'Workers' Rights at Risk as Indian Labour Laws Face Post-Lockdown Challenge', *Reuters*, 13 May 2020, <https://www.reuters.com/article/us-health-coronavirus-india-workers-trfn-idUSKBN22P00H>.

Adani Enterprises leveraging formal institutions like the judiciary, and government departments to legally obtain permits to expand their activity across the economy,⁹ from telecoms, to ports, to the relying on the Supreme Court to manage power struggles in businesses.¹⁰ In such cases, these formal methods of enforcement and dispute resolution act as ways to deal with issues that cannot be solved through direct negotiation, and tend to mark a breakdown in trust. This is how formal and impersonal methods of dispute resolution manifest itself in the economy. The examples above show however that mainly wealthier individuals have the resources to access such avenues if needed.¹¹

These phenomena are also observed in the diamond industry, estimated to account for 7.5% of the country's GDP. As of 2020, India imported rough diamonds worth \$16 billion and exported polished diamonds worth around \$21 billion, around 15 percent of all exports.¹² The sector is estimated to employ around 5 million, and is estimated to rise to 8.23 million. Most activity is managed by the Bombay Bourse Headquarters, Despite its sprawling size in the heart of the Bandra-Kurla Complex, Bombay's second financial centre, the industry, depending on its audience, is one of the most informally run sectors in the world, through its employment of rough diamond polishers, brokers, and finally couriers, also known as angadias. While Indian diamond firms have export contracts with some of the largest mines in the world and diligently do their accounts and live upto the terms of such contracts, when it comes to the polishing and preparation of rough diamonds for export, an informal and

⁹ Daniel Block, 'How Reliance Jio Is Monopolising the Telecom Sector', *The Caravan*, 1 February 2019, <https://caravanmagazine.in/reportage/government-helping-reliance-jio-monopolise-telecom>.

¹⁰ Meghna Sen, "'Justice Displayed": Ratan Tata after SC Backs Removal of Cyrus Mistry', *Livemint*, 26 March 2021, sec. News, <https://www.livemint.com/news/india/justice-displayed-rata-tata-after-supreme-court-backs-removal-of-cyrus-mistry-11616742887874.html>.

¹¹ Choodie Shivram, 'Criminal Justice System in India Skewed against the Poor; Judiciary Losing Credibility Due to Repeated Legal Oversights - India News , Firstpost', *Firstpost*, 23 March 2018, sec. India, <https://www.firstpost.com/india/criminal-justice-system-in-india-skewed-against-the-poor-judiciary-losing-credibility-due-to-repeated-legal-oversights-4402129.html>.

¹² Press Information Bureau (PIB), 15 April 2020, 'India's Foreign Trade: March 2020,' <https://pib.gov.in/PressReleasePage.aspx?PRID=1614754>. However, there was an overall decline in the export of precious stones due to COVID-19 restrictions on movement.

multi-layered parallel system that runs on limited information and is contained within a certain community has historically emerged in India. This system ensures the success of India's diamond industry.

The question here is, in the absence of formal methods of accountability, and a lack of legal and formal oversight, what is the mechanism that holds the industry together? What replaces the courts and government to ensuring the integrity of business practices? If not formal methods of control and accountability, what keeps the informal sector beating? The answer it seems, lies in the concept of trust, and a delicate balancing act between adhering to legal accountability, and an informal maintenance of reputation and good standing among the key players in the industry. This paper is an investigation into the modalities of diamond trade, and how the sector functions through a blend of formal and informal. Given the scope of this thesis, it is a limited ethnography combining threads of sociology, social and economic history, politics, and economics.

To explore the inner workings of angadias, this paper is structured in the following manner. It first sets out the key characters of the diamond and explores their role in it. It moves into providing an in-depth backstory about the angadias and their background, from which the methodology of this thesis is described. After explaining the benefits and limitations of the methodology, the thesis moves into an analysis of the concept of trust and reviewing other work in the topic, from Michael Herzfeld to Francis Fukuyama and an anthology on markets in modern India, among others, after which I delve into an overview of the history of the diamond trade. This broad context then helps explain the role that Angadias play in the diamond trade, and their significance in ensuring confidence in one of the most secretive industries in India, and analysing with their daily operations and modalities. Finally, this paper looks ahead to their future and inquires how changes in the Indian economy, from the implementation of GST, to falling prospects for Angadias can potentially undermine this

fragile and lucrative trade that was established in the 1970s. In this work, I argue that a combination of social control and culture ensure accountability in the transport of diamonds, while also realising the importance of reputation and business pragmatism in ensuring that trade secrets between merchant and courier are not broken, ensuring the system's integrity.

CHAPTER 1

INVISIBLE & INTEGRAL: THE MOVERS OF DIAMONDS

The year is 2013, right before India's general election for its lower house of Parliament, and a raid is taking place at Bombay Central Station, one of the country's busiest train stations. A team of police officers, intelligence agents from the National Investigative Agency (NIA), and members of the Income Tax (IT) department, acting on a tip-off, intercepted 4 trucks outside the station allegedly containing hundreds of thousands of dollars' worth of cash and jewellery. 200 or so angadias, along with a horde of lawyers, journalists, and diamond traders, were waiting outside Scindia House, the main office for the IT departments' investigative branch.¹³ The IT officials allege that the value of the goods were around \$24 million, but most of it was not accounted for and not smuggled. However, the issue is not just keeping tabs of what was being transported, but also whom the intended recipients were, questions to which most of the angadias did not have the information to provide. The shipment was eventually released, and the source of the tip-off is unknown. It seems if anything that the raid was a political ploy right before India's general elections to collect black money and intimidate potential opposition.

A question that one might ask is why all this cash and other valuables were reported at the same location. This is a factor of how the Angadia trade works. Angadias usually travel together for safety reasons. It is an 'open secret' that angadias take a particular carriage on the 8:30 pm Gujarat mail train from Bombay Central station.¹⁴ Since this is well known and is an industry practice, it is unsurprising for the police and NIA to have found so much cash and jewellery at one location. Angadias were eventually released after their bosses, and their

¹³ Khushboo Narayan and Makarand Gadgil, 'Hauling Cash: The Secret World of Angadias', *Livemint*, 4 July 2013, sec. politics, <https://www.livemint.com/Politics/PuMeIfmJcaSodRGx20A0BP/Hauling-cash-the-secret-world-of-angadias.html>.

¹⁴ Ibid.

Interviews with multiple diamond merchants and brokers.

clients spoke to contacts in the state's bureaucracy and political class, with no one being arrested, indicating that this raid seemed likely to be a political move.

A diamond merchant at this scene reported to *Livemint*, a newspaper, that relying on people to transport goods and cash was a far safer option than relying on digital accounts and transactions because of privacy concerns, and the ease with which people can be traced. Contrary to thinking today, where the anonymisation of data and money transfers is positively viewed by many firms and individuals, the example of this IT raid indicates otherwise. The fact that angadias, who act as couriers for one of the largest and most lucrative industries in the world, are trusted with high value goods, but limited information on their clients, acts as a way of ensuring individual privacy, while facilitating the movement of high-value goods. This trade is extremely hierarchical, and relies on sharing just enough of information but not an overwhelming amount to ensure that goods move without any issues. A diamond merchant knows the exact quantity of an order that needs to be sent to Surat for processing, and shares a pickup and drop off location with his contact at an Angadia firm. The owner of the firm then delegates the task of picking up and dropping off to one of his subordinates, who usually would have a good relationship with the merchant. The amount of information shared between merchant, head Angadia and the transporting Angadia, depends on the quality of the bond between the merchant and the Angadia firm.

The Angadia then either picks up the shipment from the merchant, or receives it from the head Angadia and then physically goes to the station to catch the Gujarat mail. Usually, if the Angadia is new and inexperienced, he is provided with limited information on the transaction. In the event he is caught, as seen above, he will not be able to reveal any information about the firm's client. Once the Angadia arrives at the processing unit, he shares the shipment with the manager there, who, upon checking and verifying the goods, lets his employer in Bombay know.

The scene introduces to the main players in this project and the people that this thesis revolves around. The most important character in this story is the Angadia. As mentioned before, an Angadia is a type of courier who specialises in the transport of jewellery, money, clothes and other goods. However, this thesis focuses on angadias who specialise in transporting jewellery and money between Bombay and Gujarat, along the west coast of India, for diamond merchants. Secondly, diamond merchants are critical to this investigation because they run one of the most lucrative and secretive industries in India.¹⁵ They developed this system of using angadias as couriers and in establishing India as a diamond processing market for big miners such as DeBeers. Merchants typically originate from the region of Palanpur in Gujarat and are practitioners of Jainism, and employ diamond polishers from Kathiawar, a peninsula in Gujarat.¹⁶ The third character are brokers, who act as intermediaries between diamond merchants and between merchants and others they contract with such as Angadias and retail jewellers. Brokers have more information about both sides of a transaction, but also act as an intermediary, reducing chances of tensions. Their perspective on actors is valued by merchants, as long as they have a good reputation themselves. Briefly, reputations are built and maintained through a web of referrals, word of mouth, and family background. To have someone senior in a community vouch for another carries a lot of weight, and more often than not, more than the profits of a firm. While building a reputation takes years, it can easily be broken through a wrong transaction, or a bad client experience.¹⁷ In turn, brokers act as mediators and negotiators of this industry. The final character takes shape as agents of the state, from police inspectors, the tax department and NIA agents, who constantly scrutinise the diamond industry, but also receive kickbacks

¹⁵ Barak D Richman, 'An Autopsy of Cooperation: Diamond Dealers and the Limits of Trust-Based Exchange', *Journal of Legal Analysis* 9, no. 2 (1 December 2017): 267, <https://doi.org/10.1093/jla/lax003>.

¹⁶ However this trend is changing with more Kathiawaris entering the diamond trade as well because of an inflow of diamonds.

¹⁷ This concept will be discussed later on in the paper in more detail

from the industry to let it function. Despite leading such raids, they also are aware of how the system runs, and usually have to follow orders from political bosses.

With this broad understanding of these couriers, it is important to investigate the reasons for their importance to the diamond trade, and why, in the case of the NIA raid, did their bosses bail them out so quickly. Specifically, what was it about the case of the couriers that resulted in their usefulness to diamond traders? The angadias' position in this complex trade and hierarchy is unique because they weave together disparate pieces of information while also remaining on the periphery, if not invisible to the rest of the industry. While raids occur and arrests take place, their presence and invisibility helps connect several informal and formal spheres of economic activity. They are, in essence, part of a supply chain and a transportation sector, but they are 'invisible' not just to the untrained eye but also to the state and statisticians, unless it suits them. It also seems that traders rely on angadias "in these days of technology only because of trust, convenience and promptness of their service. [Unlike], online transactions, there is no possibility of someone hacking your account and misusing it," said one merchant at Scindia House.¹⁸

The answer to this conversation about informality versus formality, and why informal methods of business persist and continue to be embraced in an ever digital, anonymised and formal economy, lies in the comment made by the merchant at Scindia House: the concept trust. Such mechanisms have existed long before modern technologies, to the origins of mercantile trade in the Indian Ocean and the presence of large empires, like the Mughals. The use of informal couriers has been a key component to facilitating trade across geographies that were not closely linked or connected, whether it was the British Empire and the advent of Mercantilism, or the Mughal Empire asserting its dominance over the Indian subcontinent.¹⁹

¹⁸ Ibid.

¹⁹ Nuala Zahedieh, 'Making Mercantilism Work: London Merchants and Atlantic Trade in the Seventeenth Century', *Transactions of the Royal Historical Society* 9 (1999): 143–58, <https://doi.org/10.2307/3679396>.

The use of trusted agents to carry commercial documents and manage money is a centuries old practice, and forms the basis of modern-day Hawala, a money transfer system that will be discussed later in this paper. Trust and convenience seem to keep informal business activity going, and ensures that the economy continues to run. In the absence of formal methods of control, trust acts as a way to hold people accountable, which is what this thesis explores.

This then raises a larger question about business activity itself? How is business conducted? How do intangible concepts such as culture, trust, interaction, and conversation shape the way business moves? More importantly, what is the role trust plays in ensuring economic transactions? The answers to these questions are open-ended and are subject to debate. There are innumerable intangible factors that shape business, because business activity is not distinct from cultural activity, or life, in general, especially in the context of business that are family-oriented and involve multi-generational relations to ensure their success.²⁰ The case of Angadias in facilitating the diamond trade, is just one such example.

In this piece, I explore how the concepts of trust, cultural familiarity, family and kinship, and hierarchy, shape the diamond trade between Bombay and Gujarat and international diamond hubs such as Antwerp, and specifically the movement of diamonds within India. The movement of diamonds, which are imported from overseas into Bombay, and then sent to Surat and other parts of Gujarat to be processed and polished, after which they are sent back to Bombay, is facilitated by a group of people called ‘Angadias.’ Angadias are a sub-caste within the Patel caste, a land-owning caste in Gujarat, primarily in a region called Kathiawar.²¹ They act as informal couriers and depending on who you talk to, are

²⁰ Anonymous interview, 7 January 2021.

²¹ Sugata Ghosh and Ram Sahgal, ‘Angadia News: Diamond Traders and Jewellers Panic as Top “Angadia” Vanishes - The Economic Times’, *Economic Times*, 19 June 2020, <https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/diamond-traders-and-jewellers-panic-as-top-angadia-vanishes/articleshow/76452324.cms?from=mdr>.
 TN Raghunatha, ‘Welcome to Little Known World of Angadias’, *The Pioneer*, 3 July 2013, <https://www.dailypioneer.com/2013/india/welcome-to-little-known-world-of-angadias.html>.

integral to ensuring the smooth functioning of the diamond trade and in turn, preventing its collapse. But who are the angadias? Where did they come from, and why are they so integral to the current system of diamond trade?

Angadias & their Origins

Angadias are a broad umbrella term used to describe couriers who facilitate informal business transactions. They are primarily known to transport jewellery, cash, and other valuables, with the intention of being anonymous, and hard to trace through formal channels. A consequence of their peripheral existence in the economy is that they are used to even transact illegal goods and avoid scrutiny of tax authorities, primarily through the Hawala system, a money transfer system of sorts.

The origins of the word Angadia are debated, but two theories tend to dominate conversations. One is that the word comes from “angadi,” in Gujarati, which means a vest with a special pocket. It is in this vest with hidden pockets that the angadias secreted valuables which they had to carry from one place to another. Another theory is that angadi means courier in Hindi, and therefore an Angadia is someone who works as a courier. On the face of it, they are comparable to modern-day courier services but are highly customisable and only participate in particular industries, such as money transfer, also known as hawala, diamonds, and cloth.²² Unlike formal courier services, they embody the embeddedness and peripheral nature of Indian markets.²³ They rely exclusively on the word of mouth, and do not use any modern technology to keep track of their operations and rely extensively on familial and cultural relationships to grow their business and hire only from family and friends,

²² Interview with a diamond merchant, 25 March 2021.

²³ Broadly, embeddedness refers to the view that economic activity in society is not constrained by religion, caste and culture, but also is a factor of economic forces such as price so better understand how trade functions across collective lines. To better understand the concept of embeddedness I would recommend the following chapter: Sebastian Schwecke and Ajay Gandhi, ‘Markets in Modern India: Embedded, Contested, Pliable’, in *Rethinking Markets in Modern India: Embedded Exchange and Contested Jurisdiction*, ed. Ajay Gandhi et al. (Cambridge: Cambridge University Press, 2020), 1–28, <https://doi.org/10.1017/9781108762533.001>.

usually belonging to the same region and caste.²⁴ They are scattered across big jewellery trading hubs across West India, in Mumbai, Baroda, Surat, Ahmedabad, and Bhavnagar.²⁵

Angadias are part of the Patel land owning caste in Gujarat, which have expanded their business interests to other locations, such as in the USA's motel business, amongst other sectors.²⁶ Patels are an influential group in Gujarati politics, as seen in their 2017 agitation.²⁷ Specifically, angadias are part of a sub-caste called 'Kadava-Patidars,' an agricultural sub-caste.²⁸ While they are known to be reliable jewellery couriers, they are also viewed to be intertwined with India's hawala, or informal money transfer system since in the process of moving jewellery and cash, they are moving black money across cities. Nonetheless, the system shows how angadias occupy the periphery of the formal sector, but are integral to facilitating transactions in the country, which are hard to uncover by state actors, since they are either complicit, or unaware of such deals.

Angadias tend to be employed in Angadia firms, rather than being sole proprietors; however, these establishments tend to be family firms, to ensure accountability and trust. A puzzling and yet essential question to ask is why would someone trust people who only provide a paper receipt which comprises of a few Gujarati words with extremely valuable goods, in contrast to a more established player like FedEx? The answer lies in the trust that merchants have in angadias, a general understanding that there will not be a loss in goods, and the condition of anonymity.

²⁴ Vinay Umarji and Rutam Vora, 'Just Who Are the Angadias?', Business Standard India, 4 July 2013, https://www.business-standard.com/article/markets/just-who-are-the-angadias-113070400670_1.html.

²⁵ Khushboo Narayan and Makarand Gadgil, 'Hauling Cash: The Secret World of Angadias', Livemint, 4 July 2013, sec. politics, <https://www.livemint.com/Politics/PuMelfmJcaSodRGx20A0BP/Hauling-cash-the-secret-world-of-angadias.html>.

²⁶ Yudhijit Bhattacharjee, 'How Indian Americans Came to Run Half of All U.S. Motels', National Geographic, 9 April 2018, <https://www.nationalgeographic.com/culture/article/south-asia-america-motels-immigration>.

²⁷ Hiral Dave, 'Anandiben Patel Hits out at Patidar Quota Agitators, Invokes Caste Riots of Past', *The Indian Express*, 18 September 2015, <https://indianexpress.com/article/cities/ahmedabad/anandiben-patel-hits-out-at-patidar-quota-agitators-invokes-caste-riots-of-past/>.

²⁸ Anonymous interview with a journalist, December 2020.

The angadias are extremely fascinating to study because they blend so well into crowds; it is next to impossible to differentiate them from another worker commuting to office. This ability to be unrecognisable is precisely what makes them integral to the trade, since they travel with high value goods. Unlike modern day courier services such as FedEx, DHL, or UPS, angadias have no tracking number, no formal invoices, and cater to specific industries. The fact that someone is willing to give shipments worth hundreds of thousands of rupees to a stranger they do not know directly, with limited formal means of accountability, is puzzling. What shapes a diamond merchant's decision to provide high value shipments to someone who will store these goods in a hidden pocket in their shirt and still give it the intended recipient within 24 hours of placing a shipment?²⁹ What prevents an angadia from absconding and fleeing with these payments? What binds these groups together, and has made this relationship persist for over 50 years? Such questions formed the basis of my research into the secret world of the Angadias, the lubricants to the diamond trade, without whom, the diamond business may not have grown to the size or stature that is seen today. Literature on trust and commerce show that trust is developed because of references and others' perspectives. Similarly, my research indicates that Angadias are trusted because of extensive reference checks that take place before a merchant engages with an Angadia firm. Consequently, the sectors' importance is worth noting in understanding the complexities behind its functioning.

With some of the complexities laid out, this primary research question of this study is: How is trust, embedded in notions of caste, family and kinship, generated and maintained? What about the formal economy, manifested in receipts, contracts, and courts, is unable to replicated, and does trust act as an overarching substitute for this all in the context of informal structures? How do notions of language and culture shape commerce? At a more

²⁹ Ibid.

granular level, what holds people back from fleeing with high value goods; is morality or obligation enough? These questions are central to any study of informal trade, which dominate many developing world economies.

This capstone will answer these questions by first observing that caste, family and culture have been intertwined concepts for centuries, and will then analyse the implications of this intertwining in the context of the diamond industry. It will show that answers to these questions lay in the interaction between merchant, angadia, broker and state agents. It will then delve into the mechanics of the diamond trade itself, and provide various case studies of how trust dominates the trade at various stages of the process. In doing so, this project argues that the intertwining of familial relations with commercial sense, reference checks, and pragmatism, a sense of familiarity and obligations to village, and community are key drivers of trust, and of control and accountability, in a highly informal section of an externally formal industry. By building bonds of trust that touch on personal relationships while being maintained out of pragmatism, which is to ensure business functioning, diamond merchants and Angadias continue to serve each other's' interests and help run one of the most lucrative industries in the world.

CHAPTER 2 **METHODOLOGY**

Researching the role of angadias in facilitating the diamond trade, and in turn, the processes that shape this relationship is incredibly difficult, not only because of a lack of available sources. While there is immense research on the embeddedness of markets, exchange, and trust, there is limited empirical work on the history of Angadias and how they function. The few that exist were written as news articles. A few journalists who only spoke to me on the condition of anonymity found it impossible to work on this topic because Angadias and diamond merchants, both, are extremely secretive about their lives and their business operations. It is as if there is a concerted effort to avoid the spotlight at all costs, possible in the words of Michael Herzfeld, author of *Cultural Intimacy*, to show a façade of harmony. The threat of raids by the police, enforcement directorate and customs makes this industry one of the most under researched. This explains the reluctance of individuals in this sector to talk. Compounded with all these constraints, the COVID-19 pandemic hindered extensive primary research, since ethnographic research is best conducted in-person and on a field site. Consequently, this research is a combination of secondary research, with a short section on a few virtual interviews that could be conducted.

I was fortunate enough to speak to a journalist who attempted to write a book about Angadias. Her insight, compounded with her manuscripts and notes were integral to shaping my understanding of the community and the diamond trade at large. Unfortunately their work was unpublished because the research was incomplete. Nonetheless, it proved to be an integral starting point in understanding this secret industry.

I was able to leverage familial connections to talk to diamond merchants, who are adept at using technology and whose children are around the same age as me. They provided some extremely insightful perspectives on how to think about this topic. One of the merchants I spoke to actually invited me to his office at the diamond bourse headquarters and

allowed me to spend an entire afternoon there with him and his team. In the process, I got to see how merchants conduct their day-to-day business, and understand some nuances of how the diamond trade works. I also spoke to the merchant's broker, an integral part of this system. The broker, who I shall refer to as Dattabhai for the rest of this paper (his name has been changed to protect anonymity), provided integral insights to the industry and was a bridge between the elite merchants and their subordinate angadias. As someone who is exposed to the workings of various levels of the industry, from top merchants, to junior analysts and angadias, he is both ingrained and yet peripheral to the system. His role as a mediator between merchants, between buyers and sellers of diamonds, and as a fixer of sorts was explored during this in-person observation.

Additionally, I attempted to find angadias through these contacts and speak to them, to little avail. Unless I could meet in person, the odds of me speaking to them were extremely low, despite having the best of references to analyse trends in this sector. The reluctance of angadias to speak to me virtually provides insights itself, primarily that the industry relies on references and a lack of information to thrive. This point about the lack of information will be analysed in a later section, but remains integral to notions of trust and culture that seem to shape the industry. This experience turns notions of trust on their head, to show that trust is also formed in the absence of information, but lies in a shared understanding of what needs to be shared and what does not.

Nonetheless, this study's biggest hinderance is its inability to engage with Angadias and by extension have a truly representative set of voices in the industry. This, when compounded by university-imposed restrictions on conducting fieldwork and in-person research unfortunately make this study more theoretical and biased towards voices of the privileged, who had the ability to speak using technology and also were adept at digital communications, rather than relying on in-person meetings. Articles seemed to indicate that

Angadias' incomes were badly hit by the pandemic, further hindering the scope of this study, since I was unable to study the impact of COVID-19 on the diamond trade, which relies on in-person movement for its success.³⁰ These limitations and constraints have shaped part of this study, but have also in turn provided some unique insight into the functioning of the diamond industry. Before delving into these intimate conversations and the secret lives of angadias, the concept that is at the core of this research must be understood first: trust.

³⁰ 'Angadia Firms Demand Resumption of Gujarat Mail,' *The Times of India*, 29 October 2020, <https://timesofindia.indiatimes.com/city/surat/angadia-firms-demand-resumption-of-gujarat-mail/articleshow/78918776.cms>.

Yagnesh Bharat Mehta, 'Business Hit by Recession, Surat Trader Becomes a Robber', *The Times of India*, 14 January 2021, <https://timesofindia.indiatimes.com/city/surat/biz-hit-by-recession-surat-businessman-becomes-a-robber/articleshow/80256383.cms>.

CHAPTER 3

TRUST: AN INEFFABLE & ESSENTIAL PHENOMENON

What is trust? How is it defined, and how does its definition vary across circumstances? There has been extensive writing on this topic, across disciplines. Dictionary definitions of trust say that trust is a belief in the reliability of a person, institution or process to uphold expectations and terms of an agreement.³¹ In the context of economics and trade, its definition is more encompassing. However, most economists do not acknowledge the importance of trust in shaping economics.³² Nonetheless, it is crucial to understand what trust is and how it has been conceived of in the social sciences while analysing the Indian diamond trade.

Francis Fukuyama's work *Trust: Social Virtues and the Creation of Prosperity*, is just one such example of work that explores trust and its role in shaping society. Fukuyama uses examples to show that the establishment of trust in commercial activity helps further its benefits and improves productivity. For example, in Japan, Toyota plant managers trust their subordinates to not abuse their power to stop production, which results in increased productivity. However, in France, a foreman's relations with his subordinate is managed by a whole host of rules, hindering the movement of workers and the adoption of new technology.³³ The overarching point is that trust, when compounded with stable institutions of the state, enables the proliferation of wealth and development in society, as seen in Germany and Japan in the post-WWII era.³⁴ In the absence of trust, institutions are limited, and in the absence of institutions, trust cannot let all sections of society thrive because of inherent cultural differences. Simultaneously, he contends that informal trust also hinders

³¹ Merriam-Webster.com Dictionary, s.v. "trust," accessed May 16, 2021, <https://www.merriam-webster.com/dictionary/trust>.

³² Kazuhiro Arai, 'Trust and Trustworthiness in the Economy: How They Function and How They Should Be Promoted', *Hitotsubashi Journal of Economics* 48, no. 2 (2007): 225.

³³ *Trust: the social virtues and the creation of prosperity*, chapter 1

³⁴ *Ibid.*, chapter 2.

economic growth because of rigid hierarchies and ties, resulting in clientelism and favouritism shaping decisions, not profit alone.³⁵ He further argues that social capital ought to be included when factoring a country's resources, without specifying how it ought to be measured. Citing Geertz, he demonstrates that culture cannot be universalised into law, and defines culture as 'inherited ethical habit.'³⁶ It is differences in habit that result in cultural clashes and therefore, the breakdown in trust. Finding a way to bridge this gap is the trickier concern facing many social scientists. Nonetheless, Fukuyama's perspective shows the potential benefits of incorporating notions of trust and cultural familiarity in economic development, while stressing the limitations in only relying on the former to cause the latter. This perspective though convoluted, indicates that the diamond business maybe helped by Angadias, but also is limited by non-institutional modes of control and accountability, a view that many of the subjects interviewed for this work would disagree with.

Fukuyama argues that trust in institutions spurs economic growth, while factionalism and family cliques undermine economic activity. However, the case of the Indian diamond trade shows the opposite phenomenon at play. Closely knit, interconnected networks ensure the integrity of the diamond trade and prevent external forces from disrupting a decades-old system. In fact, evidence from my primary research shows that the arrival of non-Gujarati Angadias has resulted in disruptions and the loss of merchandise. Close connections and family businesses ensure that the system does not break down, and the delicate bonds of trust that prevent the loss of diamonds and thievery ensure that this multi-billion dollar industry persists. Trust in the industry persists because of family connections and intergenerational ties, rather than the garb of anonymity, providing a live example of Fukuyama's view on trust and institutions.

³⁵ *Ibid.*, chapter 3.

³⁶ *Ibid.*, chapter 4.

While Fukuyama's work focuses on broad macro-economic trends and institutions, Michael Herzfeld's book, *Cultural Intimacy: Social Poetics and the Real Life of States, Societies, and Institutions*, is more focused on a specific context. Set in Greece, it explores the view that there are some forms of knowledge of each other that are not shared with those that are not part of the same community; a kind of public and private knowledge, which in turn, is viewed as public or private trust, which is internalised and ineffable at time as well. Herzfeld's book explores the concept of 'cultural intimacy,' which he defines as

“the recognition of those aspects of a cultural identity that are considered a source of external embarrassment but that nevertheless provide insiders with their assurance of common sociality, the familiarity with the bases of power that may at one moment assure the disenfranchised a degree of creative irreverence and at the next moment reinforce the effectiveness of intimidation”³⁷

He ground this concept by adopting notions of the 'front stage and back stage': there is a way a community presents itself to others, and the latter indicates that there is a hidden or semi-secret way a community actually operates. The latter also indicates that there is a set of knowledge or customs that are not shared with the world because they are either imbibed by members and therefore are not viewed as distinctive or unique, and also because there are some behaviours that outsiders should not be made aware of. Notions of cultural intimacy are important to understanding the diamond industry, but also the limitations of this study.

Externally, the industry, has a façade of unity and inter-caste harmony to project the view that the diamond market's system of functioning is effective and efficient. However, when trying to probe deeper into conversations or observations, it became infinitely tougher to garner perspectives that were not part of the official narrative of the diamond industry. For example, I was unable to meet an Angadia virtually; they only wanted to meet in person, and preferred that I not keep my phone with me while talking about their work. This was despite of fears around COVID-19. Similarly, when trying to get an overview of how the industry functions

³⁷ Michael Herzfeld, *Cultural Intimacy: Social Poetics in the Nation-State* (Psychology Press, 1997), 3.

from diamond merchants, a similar narrative was mentioned to me by all of them from the origin story of the diamond trade, deflecting conversations about raids and money transfer, and their views on competitors. It was only when I was at the diamond bourse headquarters and I observed a merchant in his office and his interactions with clients, subordinates, and through conversations with a diamond broker did I get a better idea of how the market functioned. It seems that players in the trade want to maintain external reputations to avoid scrutiny, and therefore, presenting a surface of unity, similar to Herzfeld's take on 'national harmony,' is important.

Other work on trust focuses on its importance in very specific contexts and settings. *Markets in Modern India*, an anthology edited by Ajay Gandhi, Barbara Harris White, Douglas E. Haynes, and Sebastian Schwecke, provides insight into how markets and trades function in the country, by specifically focusing on the concept of trust. The work describes the various cultural and social phenomena that determine the functioning of markets in India, from ration shops in Mumbai, to banking and dispersing loans in Banaras, present day Varanasi. The case studies in this book provide different instances of how trust acts as a substitute for more formal methods of control and accountability to ensure the successful functioning of markets. work's focus is on how different social phenomena impact a particular market context. While sections of this book are unique ethnographic accounts of markets and trade, they are case studies of specific groups and situations. On the other hand, this work on Angadias is a study into a broader sector of exchange that is centred on one commodity, diamonds. This thesis also examines group dynamics of those in the same industry but spread across geographies such as Bombay, Surat and other parts of Gujarat, Antwerp and in trains. Nonetheless, these case studies are important to seeing how trust plays out in other contexts, whether it is to mediate access to public goods, or in ensuring communal harmony in religious spaces.

Sebastian Schwecke's chapter 'The Artifice of Trust: Reputational and Procedural Registers of Trust in North Indian "Informal" Finance,' focuses on how banks use agents to check the integrity of potential clients, in a way similar to colonial era moneylenders.³⁸ As I show from other literature on trust, reputation is integral to developing trust. This plays out in seemingly modern systems of trade, as seen in the case of financial institutions in north India. He notes that trust in the system can only be maintained in a system of trade only if confidence in the system exists. With confidence in a system, it "could be trusted to survive and prosper,"³⁹ This perspective is important to understanding how the diamond trade works; where trust persists because there is faith in the system. This chapter further shows that trust allows participants to cope with ambiguities arising from situations, but in term, is an ambiguous concept itself.⁴⁰ While these broad observations can be applied to the concept of trust in the diamond trade, Schwecke in particular examines how advertising was used as a mean to build or reduce confidence in banks in Banaras, while also simultaneously showing that banks used reputational registers to identify reliable clients, outside of the legal system. His chapter serves an example of how formal and informal clash and blend in the banking system, and how notions of confidence and trust shaped what is superficially deemed a 'formal' sector. A similar tussle may play out in the diamond trade, with the advent of demonetisation and the implementation of Goods and Services Tax (GST), and the modernisation of the trade, changes that will be discussed later.

This anthology of markets in modern India has a range of case studies on how trust, confidence, informality and regulation intersect, interact and blend with each other. Another

³⁸ Sebastian Schwecke, 'The Artifice of Trust: Reputational and Procedural Registers of Trust in North Indian "Informal" Finance', in *Rethinking Markets in Modern India: Embedded Exchange and Contested Jurisdiction*, ed. Ajay Gandhi et al. (Cambridge: Cambridge University Press, 2020), 147–78, <https://doi.org/10.1017/9781108762533.006>.

³⁹ Ibid., 149.

Paul Seabright, *The Company of Strangers: A Natural History of Economic Life - Revised Edition*, Revised edition (Princeton, N.J: Princeton University Press, 2010), 117.

⁴⁰ 'The Artifice of Trust,' 150.

chapter that explores the role of markets, social capital and trust is Ajay Gandhi's chapter on black money, 'Fighting Spectres and Fostering Relations.' This chapter focuses on how black money helps shape the public distribution system (PDS) in Mumbai, India's commercial capital. Money is viewed as immoral but paradoxically, is viewed as integral to fostering social relations. Jayakar, the manager of the PDS shop is the main character in this ethnography. Black money helps foster social relations by enabling people to hold marriages, celebrate festivals, and elect politicians, while also being looked down upon by recipients on welfare since they have to bribe him to get their entitlements. Nonetheless, these same recipients rely on Jayakar for money for social reasons. In essence, he shows that money "enables execution on social commitments," and acts as a lubricant of sorts. But more importantly, Jayakar uses his position to start business ventures with relatives, and is happy to rely on them to create wealth for him to share across the family. Joint businesses develops webs of "obligation and reciprocity," that entangle his family, professional relations and politicians. Therefore, capital acts as a facilitator of commercial and social relations. This insight is important in understanding the mechanisms of the diamond market where notions of family, caste and kinship are intertwined with commercial aims – which in turn ensure accountability and the safe movement of diamonds.

While this anthology focuses on specific instances of trust being developed, it is also important to understand at a broader scale how trust develops in various trading communities. Claude Markovits provides insights into how trust works and how it is developed. In his book *The Global World of Indian Merchants, 1750-1947*, which focuses on the trade of Sindhis from 1750-1947, by focusing on their experiences in two towns in Sindh, in present day Pakistan: Shikarpur, and Hyderabad.⁴¹ Markovits' aim is to highlight the transition

⁴¹ Not to be confused with Hyderabad, Telangana, India or the former princely state of Hyderabad. Claude Markovits, *The Global World of Indian Merchants, 1750–1947: Traders of Sind from Bukhara to Panama*, Cambridge Studies in Indian History and Society (Cambridge: Cambridge University Press, 2000), <https://doi.org/10.1017/CBO9780511497407>, 1-3.

commercial players undergo as Sindh transforms from an indigenous-ruled economy, to a colonial one and to demonstrate that geography and local culture play a more important role than religion in shaping migrant identities. More importantly, the notion of trust shaped Sindhi commercial activity and trade within and outside of the community.⁴² The question then is, how is trust conceived of? To Markovits, “Trust can be generated in many ways, but it is often construed that the prior existence of affective links between agents is one of the surest ways.”⁴³ However, he dispels the notion that trust is automatically developed because of familial or caste-based links alone, by citing examples of family firms and sibling rivalry.. This has manifested itself today with frequent splits and divisions in big family conglomerates, from the Mafatlals, Ambanis and Kilachands.⁴⁴ Rather, community ties can help facilitate trust, but information is usually fact-checked with other market players, which in turn generates trust.⁴⁵ One could only trust another “if he had a clean record which could easily be checked. On the other hand, a reputation could easily be ruined by the disclosure of information about dishonest behaviour, and such damage, once inflicted, was difficult to repair.”⁴⁶ He indicates that trust is also generated out of pragmatism and not communal ties alone, where the reputation of an individual can precede their ethnic or communal background, in certain circumstances, a view reinforced in the diamond trade.⁴⁷

Moreover, trust, or the lack thereof, was a consequence of unequal power relations, where one party with more agency and power over the other could be accused of ‘breaching

⁴² *Ibid.*, 161.

⁴³ *Ibid.*, 259-261.

⁴⁴ ‘Five Facts about India’s Ambani Brothers’ Split’, *Reuters*, 13 June 2008,

<https://www.reuters.com/article/idINIndia-34055620080613>.

Rajarshi Bhattacharjee, ‘Corporate India’s Famous Family Fallouts’, *Economic Times*, 6 May 2015,

<https://economictimes.indiatimes.com/magazines/panache/corporate-indias-famous-family-fallouts/articleshow/47172258.cms>.

⁴⁵ Anecdotally, my great-grandfather was able to borrow sums of money to finance my grandfather’s education in the US in the 1950s not because he was wealthy, but because for decades my great-grandfather would pay his accounts without fail on the first Monday of every month. This reputation for punctuality and integrity helped his case, not community ties.

⁴⁶ *The Global World of Indian Merchants, 1750–1947*, 262.

⁴⁷ *Ibid.*, 161.

trust,’ and the inherent instability in such an arrangement would lead to the breakdown of trust between parties.⁴⁸ This breakdown in trust is a problem that is changing the nature of the diamond trade because of fewer community ties to it. The slow demise of Gujarati Angadias, and their replacement by non-Gujaratis appears to undermine the credibility of many diamond merchants.⁴⁹

Caste, Kinship and Culture in Shaping Economic Activity

Notions of caste and kinship have been integral to the shaping of economic activity across the Indian subcontinent. As previously discussed in *Rethinking Markets in Modern India*, caste dynamics help facilitate trust in various financial arrangements and in ensuring harmony in various bazaars, despite other bones of contention between players. Angadias, Palanpuri Jains and other players in the diamond industry all share cultural and caste-based links, which act as measures of social control and accountability, which are hard to replicate without formal institutions.

Kaivan Munshi’s work on caste in the Indian economy and on kinship ties seem to support the view that trust is developed by caste affiliation. Castes or jatis, were explicitly created to facilitate economic functions. For example, a gardener is called "mali," in reference to his caste, and is still used a common noun to address all gardeners today, even though they may not be from that caste.⁵⁰ The diamond market, still is differentiated on caste lines, and is therefore, fairly heterogenous.⁵¹ The trade was traditionally controlled by Marwaris, from Rajasthan, and Palanpuri Jains, the merchants I have interviewed for this paper, who originate from Palanpur in Gujarat. These two castes dominated the trade, import

⁴⁸ *Ibid.*, 263.

⁴⁹ Jayprakash Naidu, ‘Mumbai: Robbery Bid Throws Spotlight on Angadia System and Its Challenges’, *The Indian Express*, 7 March 2021, <https://indianexpress.com/article/cities/mumbai/robbery-bid-throws-spotlight-on-angadia-system-7218518/>.

⁵⁰ Stanley A. Freed, ‘An Objective Method for Determining the Collective Caste Hierarchy of an Indian Village’, *American Anthropologist* 65, no. 4 (1963): 882.

⁵¹ Kaivan Munshi, ‘Caste and the Indian Economy’, *Journal of Economic Literature* 57, no. 4 (December 2019): 797, <https://doi.org/10.1257/jel.20171307>.

and export of diamonds, while Kathiawaris, traditionally worked for these two castes in polishing and cutting diamonds. However, this changed in the 1970s, with the discovery of diamonds in Australia, allowing Palanpuris to also enter the diamond market.⁵² As of 2019, over 96 percent of all Indian export firms comprise of individuals from these three castes.⁵³ However, my experience indicates that there is a closer link between Patels and Palanpuris because they have similar linguistic backgrounds and engaged with each other more often.⁵⁴ This allows better modes of accountability and contract enforcement than dealing with Marwaris.

One way that trust is maintained in this industry is through marriage, since according to traditional Hindu marriage rules, it is forbidden to marry outside of one's caste. Munshi's work shows that in-caste marriages "improve information flows and reduces commitment problems."⁵⁵ Considering the risks with business activity like diamonds, marriages to secure business interests are commonplace in the industry. It should be stressed here that Angadias also follow a similar rule, and most families originate from a similar background or village.⁵⁶ However, the scope for Angadias, who are Kudva-Patels, to marry a Palanpuri Jain are extremely rare because of differences in social standing. Despite the close links between both castes, there are clearly demarcated lines for what is acceptable conversation and action between both groups.

Trust, which is manifested in cultural familiarity, caste-similarities, familial ties, and reputation, is also integral to the functioning of Angadia firms and the continuation of their business. According to a journalist who has researched the workings of the community, Angadias are approached by other relatives at the age of 18 to join a firm where they already

⁵² Ibid.

Conversations with various Palanpuri merchants

⁵³ 'Caste and the Indian Economy'.

⁵⁴ Interview with diamond merchant, January 2021.

⁵⁵ Munshi (2019), 'Caste and the Indian Economy,'

⁵⁶ Munshi (2019), 'Caste and the Indian Economy.'

work. Given the highly valuable goods they transport, the presence of a family member in the firm, or the loss of social standing to his family if a shipment is not executed is immense, deters angadias from absconding.⁵⁷ Consequently, diamond merchants know that their shipments will be well handled and will not be stolen, despite their worth and the risks involved. One merchant I spoke to said that in the 40 years that he has been in business, he has only lost a shipment once.⁵⁸

Internal social control mechanisms within communities manifest themselves in the diamond market as well, where brokers, angadias and merchants all know who to work for, and who to avoid through the word of mouth. The industry, despite its lack of external scrutiny, is well integrated and word about different companies spreads rapidly. I noticed that brokers play a critical role in understanding the nuances of the industry, and facilitate connections between competing firms and with stakeholders at various ends of the supply chain. For example, Dattabhai would sell cut diamonds from a renowned diamond merchant to jewellery stores. His presence facilitated negotiations and also concealed the buyers' and sellers' identities, ensuring anonymity. The incentive for the broker to not break this trust is because one of his most valued assets is his anonymity and ability to find an amicable price for a good.⁵⁹ The refusal to pay reflects badly on an individual's standing within the community, which diminishes his social capital, and the referrals of respected tradesmen carry immense weight in improving business prospects. Unlike more modern industries that depend on resumes and interviews, the reference of an experienced merchant or broker is far more important than educational qualifications.⁶⁰

In essence, notions of kinship, caste and family are integral in facilitating trade in this sector. A combination of trust, which is a consequence of familiarity and references, when

⁵⁷ Anonymous interview and unpublished book by a journalist, December 2020.

⁵⁸ Anonymous interview, January 2021.

⁵⁹ Field observation in January 2021, and an anonymous interview, March 2021.

⁶⁰ Anonymous interview, March 2021.

compounded with systems for social control, make this system seem nearly impenetrable.

These systems also help enforce the dominance of one group over another are implicitly accepted and internalised, which is why it is so rare for Angadias and merchants to enter direct conflict over the shipment of goods or the prices charged for services. Network affiliation and trust acts as deterrent against any unacceptable actions, which in turn reduces costs of controlling and monitoring workers, ensuring loyalty.”⁶¹

⁶¹ Biju Varkkey and Randhir Kumar, ‘Keeping the Sparkle on: Workforce Retention in Indian Diamond Cutting and Polishing Firms during Economic Recession’, ed. Peter Stokes et al., *International Journal of Organizational Analysis* 21, no. 3 (19 July 2013): 454–70, <https://doi.org/10.1108/IJOA-04-2013-0657>.

CHAPTER 4

UNTANGLING THE GLOBAL DIAMOND TRADE

The diamond trade has existed in India for centuries, and was one of the largest markets of diamonds in the world. During the 1700s, most diamonds in the world were sourced from India. Under colonial rule however, India lost most of its diamonds and had to import them from abroad.⁶² The diamond trade tightly controlled by Jews from the 1800s till the 1970s.⁶³ Even during Nazi rule, Jews were still used to process and clean raw diamonds, before being executed.⁶⁴ It might seem puzzling that this trade was dominated by Jews for centuries, but that is because of Antisemitism, going back thousands of years. Jews were usually not integrated with European societies, and were restricted from conducting business activity in many sectors, bar a few such as money-lending and the diamond trade.⁶⁵ These trades were viewed poorly by the Catholic Church, a force that dominated the social fabric of Europe for centuries, and still does in some regard.⁶⁶ The combination of isolation, frequent attacks and the need for survival seem to have worked in tandem to protect their economic interests and by extension their community. Trade and trust seem to have been the backbone of this approach.

The emergence of the Indian diamond trade in the 1970s disrupted this centuries' old network of Jewish diamond merchants. In the Indian context, Palanpuri Jains imported raw diamonds from overseas, processed and cleaned them in India and prepared for export to Europe and the USA. During the 1950s and 1960s, Indian Jains began organising themselves

⁶² Mildred Berman, 'The Location of the Diamond-Cutting Industry', *Annals of the Association of American Geographers* 61, no. 2 (1971): 317.

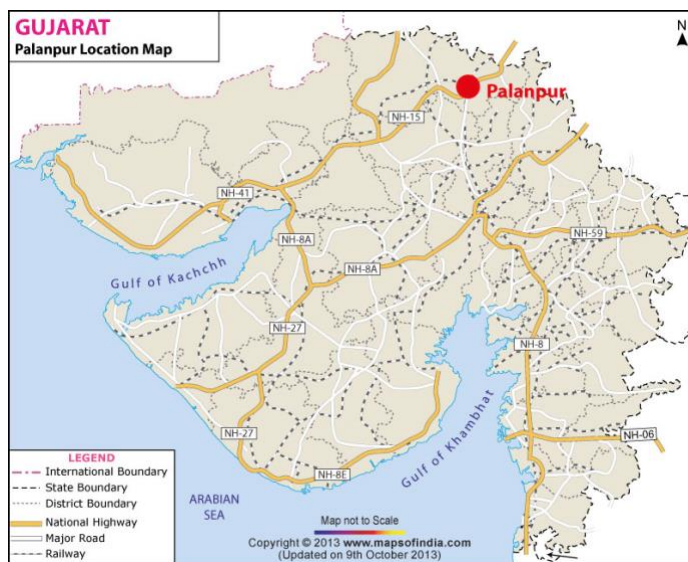
⁶³ Barak D Richman, 'An Autopsy of Cooperation: Diamond Dealers and the Limits of Trust-Based Exchange', *Journal of Legal Analysis* 9, no. 2 (1 December 2017): 267, <https://doi.org/10.1093/jla/lax003>.

⁶⁴ 'The Location of the Diamond-Cutting Industry', 318-320.

⁶⁵ 'Shylock,' in William Shakespeare's *The Merchant of Venice*, is a representation of how Jews were viewed in non-Jewish European society, with suspicion and contempt.

⁶⁶ Aaron Kirschenbaum, 'Jewish and Christian Theories of Usury in the Middle Ages', *The Jewish Quarterly Review* 75, no. 3 (1985): 271, <https://doi.org/10.2307/1454076>.

to court large miners to cut and polish diamonds. By the 1970s, the biggest cutting centres were in Belgium, and Israel and were being setup in India. The influx of Palanpuris into the market fundamentally changed the industry, with majority of the world's diamonds being processed in India.⁶⁷ India has traditionally had diamond polishers who would look after various precious stones and improve their quality after being mined, but had no formal mechanism in place to organise themselves. Diamond traders, cutters and polishers were always prevalent in India, and in Gujarat, but the exact reason for how and why Palanpuri Jains were able to organise to start one of the world's most lucrative industries is still unclear.



When Palanpuris organised themselves, they hoped to woo big miners such as De Beers and Argyle Mines, which had started flooding western markets with diamonds, and selling them as an aspirational luxury good, aimed at baby boomers. De Beers initially started by selling a small fraction of its diamonds to the Indian market, which comprised a lower quality than the ones intended for clearing houses in Belgium and Israel. The aim was to sell these to the USA, which was known to have a less discerning market for rare stones.⁶⁸ The low-cost

⁶⁷ 'An Autopsy of Cooperation,' 267.

⁶⁸ Ehud Arye Laniado, 'India, Where It All Began', *All Diamond*, 29 July 2015, <https://www.ehudlaniado.com/home/index.php/news/entry/india-where-it-all-began>. Anonymous interview with diamond trader, January 2021.

diamonds and the low-cost of labour made India a popular destination for the polishing and processing of raw diamonds, before finalising their export to Europe and the USA.⁶⁹

The process for implementing this system was pretty straight forward, Palanpuri Jains would become business and liaise with global clients to import and export diamonds for by operating out of Bombay, and other major centres like Antwerp. When uncut diamonds were imported into India, they would transported to polishing centres in Gujarat, where Kathiawari Patels would clean them under the guidance of a Palanpuri. After cleaning and processing, they would be sent back to Bombay for export and sale. A small fraction may remain in India for retail purposes. The people who would carry these valuable diamonds between Bombay and Gujarat were Angadias. The industry is also heavily regulated and scrutinised given the high volumes of exports and the high value of most of the goods involved. In order to ensure good quality of diamonds and the integrity of shipment, the need for reliable and trustworthy employees at all ends of the system is essential to the success of any business. Angadias made this trade cheap and secure, because of their low costs and because they were deemed highly loyal, efficient and reliable, unlike courier services in the country.⁷⁰

But what ensured that a Palanpuri Merchant could trust an Angadia to not steal a high value package containing diamonds? How did a Palanpuri so implicitly trust someone they do not have a direct social or economic relationship with? Why did an Angadia trust a Palanpuri Jain to not renege on his promise of payment, when there was no way to guarantee a payment, apart from word of mouth? These questions are all answered by trust. However, understanding the processes that allowed trust to develop and proliferate in this industry is essential. These processes manifested themselves in various forms, but notions of caste,

⁶⁹ Ibid.

⁷⁰ Ibid.

kinship and culture all play an integral role in shaping trust, especially in a sector as wealthy and high value as the diamond trade.

Trading Communities in India and Abroad

Throughout Indian history, and even now, there have been certain communities that have dominated specific industries and in turn, shaped trading patterns. More often than not, these select communities control commercial activity through a web of family ties, dynasties and alliances developed by marriage, from Baniyas, to Goswamis and Marwaris in various parts of India. Karen Leonard's work on family firms in Hyderabad provides some insight into this phenomenon. She examines 3 Hindu and Jain banking communities in the city, Gujaratis, Goswamis, from Central India, and Marwaris, from Rajasthan. The arrival of the British Residency⁷¹ in the former princely state of Hyderabad resulted in Hindus and Jains developing customs to ensure the continuity of their business interests, from adoption, marriages of convenience and more.⁷² This involved marrying outside the subgroup that the family was from, but was limited to the same caste group. Unlike other scholars on caste, Leonard argues that trust was not primarily formed through kinship ties, but because of proximity to political actors in Hyderabad, and marriages with individuals outside of the region were common, provided they came from the same group. Stewart Gordon considers Bohras, a type of Sunni Muslim from Western India, as an example of self-governing and sharing community, where caste and kinship networks are integral to the propagation of

⁷¹ The British Resident was a political appointee placed in India's princely states or kingdoms to indirectly manage the affairs of that kingdom, from educating the crown prince, to deciding appointments and managing funds. They held significant power and rulers usually had to acquiesce to their demands.

Michael H. Fisher, 'Indirect Rule in the British Empire: The Foundations of the Residency System in India (1764-1858)', *Modern Asian Studies* 18, no. 3 (1984): 393-428.

⁷² Karen Isaksen Leonard, 'Family Firms in Hyderabad: Gujarati, Goswami, and Marwari Patterns of Adoption, Marriage, and Inheritance', *Comparative Studies in Society and History* 53, no. 4 (October 2011): 830, <https://doi.org/10.1017/S0010417511000429>.

family businesses.⁷³ In turn, notions of social capital and control shape Bohra trading patterns and family decisions.

Leonard, like Markovits, argues that trust is integral to business functioning, but disagrees that trust originates because of religion, ethnicity or caste.⁷⁴ Interestingly, Leonard shows that women played an essential role in ensuring the continuation of Gujarati businesses in the kingdom, by serving “the strategic end of securing living sons.” They were so valued that at times they were kidnapped for ransom, because of their important status in Gujarati Hyderabad society.⁷⁵ This, when compounded, with Hindu inheritance laws, which reduced family disputes over inheritance, supplemented notions of trust, resulting in more stable relationships within banking communities.

Looking at the role of community-dominated industries overseas, Barak D. Richman has conducted research into how community institutions have shaped the Jewish diamond trade, but also explored the limits of trust-based exchange amongst Jewish jewellers in New York, which may indicate how changes in the diamond industry, which are mentioned later on this piece, can undermine the trust-based model that dominates the industry today.⁷⁶ In his piece on community institutions, he argues that their presence supports diamond trades and generate efficiencies that “other economic organisations cannot achieve,” which give Jewish merchants a “comparative advantage over rivals,” a view in stark contrast to Fukuyama’s.⁷⁷ Diamond merchants fulfil contractual obligations without the fear of state intervention and do not require court interventions, which ensures Jewish success. Moreover, since Jews were

⁷³ Stewart Gordon, *Marathas, Marauders, and State Formation in Eighteenth-Century India* (Delhi; New York: Oxford University Press, 1994), 176-77.

⁷⁴ *The Global World of Indian Merchants, 1750–1947*, 262.

⁷⁵ Leonard, 845.

⁷⁶ Barak D. Richman, ‘How Community Institutions Create Economic Advantage: Jewish Diamond Merchants in New York’, *Law & Social Inquiry* 31, no. 2 (2006): 383–420.

Barak D Richman, ‘An Autopsy of Cooperation: Diamond Dealers and the Limits of Trust-Based Exchange’, *Journal of Legal Analysis* 9, no. 2 (1 December 2017): 247–83, <https://doi.org/10.1093/jla/lax003>.

⁷⁷ How Community Institutions Create Economic Advantage: Jewish Diamond Merchants in New York’, 384.

first movers in the industry, going back centuries, and in the post-WWII era, they have acquired specialised knowledge that makes them indispensable to the diamond industry. The notion that community institutions, such as ways to hold merchants accountable in the absence of the state is a good parallel to draw to understand how angadias, merchants and brokers coexist together and run one of the world's most lucrative businesses. Kinship is not integral to forming trust, but as previously explained, a community that has been typically oppressed or persecuted by the state could reaffirm notions of communal trust.

The biggest challenge in the Jewish diamond industry is enforcing diamond contracts, because diamonds have a subjective value and are easy to conceal. Because courts have failed to hold merchants accountable, Richman argues that trust-based exchange, a term that has dominated the trade in New York City.⁷⁸ Richman demonstrates that notions of community standing, the potentiality of being on the run, and the writ of the Diamond Dealers' Club (DDC), similar to the Bombay Diamond Bourse, but based in NYC, all play integral roles in shaping this trade. This alludes to a community-based institution, staffed by members of the NYC trading body, and notions of social capital, as key to holding together this highly volatile market. This method also has limitations because the DDC can only enforce its will to the extent that parties would listen to it, given the challenges in tracking and tracing diamonds thieves. Like Markovits' description of methods to develop trust, the intertwined nature of the diamond trade and DDC, allow merchants to check references and transact with those firms that have a good reputation.⁷⁹ This is further compounded because if a cheat is found out, his clients are also identified, which in turn, undermines their reputation, similar to Munshi's view on social control. The potential domino effects therefore are significant.

⁷⁸ Ibid, 392-395.

⁷⁹ Ibid, 400

Richman's analysis of the DDC in NYC and its limitations is worth considering when trying to understand how trust is developed amongst Gujarati traders, and the inherent limitations of their system, as it evolves. The fact that reputation and social capital are critical factors in shaping the nature of the diamond trade does not seem to be enough to building trust. The ease with which one can access information about another in the sector also plays a role here. The ability to verify information about a trader, broker and Angadia is also important to developing business contacts and by extension, one's standing in the market. The case of angadias however, does indicate immense social and caste-based pressure to not abscond, since not only people's entire lives are tied into the business, but others depend on them as they transact in this sector. According to one estimate, 95 percent of the 2400 members of India's Gem and Jewellery Export Promotion Council are all Palanpuri family businesses. Similarly, angadias, as Patels are closely bound to Palanpuri Jains, and use their community ties to build out diamond trading sectors.⁸⁰

There is no clear reason as to why Patels and Kathiawaris decided to work with Jains, apart from forces linked to economic status. For example, Kathiawaris faced droughts in Kathiawar and tried to find their fortune in Surat, main port.⁸¹ Additionally, the Palanpuri Jain community was extremely small, and needed to hire a large workforce to polish diamonds and prepare them for transport. Since Surat was closer to Bombay than other parts of Gujarat, and because Kathiawaris were seeking employment opportunities, they were hired by Palanpuris for this work. However, their relationship has continued because of business efficiency, which, many merchants argue is a factor of their shared cultural identity and background as Gujaratis, despite differences in religion. This dynamic has evolved and

⁸⁰ Ibid, 410-411.

⁸¹ Summit Khanna, 'After Years, Kathiawaris Outshine Palanpuris in India Diamond Biz', *DNA India*, 18 March 2008, sec. India, <https://www.dnaindia.com/india/report-after-years-kathiawaris-outshine-palanpuris-in-india-diamond-biz-1156574>.

changed, where Kathiawaris, having learned how to polish and process diamonds began setting up their own businesses to rival Palanpuri Jains as well.⁸²

Specific communities in the country have adopted specialised roles in certain industries and fiercely protected their right to transact in those sectors, whether it is Surti Gujaratis in the gold trade, Kolis in the fisher-trade, Bene Israeli Jews in the natural oils sector, and Bohras in the perfume trade. These patterns of trade have been disrupted with the advent of foreign trade and with the entrance of big multinational firms. Harish Damodaran, in *India's New capitalists*, contends that the economy has opened up and changed to not only support the interests of traditional business families, but is now accessible to brahmins and educated castes through the proliferation of institutions like the Indian Institutes of Technology (IIT), liberalisation, which opened up India's economy to foreign trade and allowed lower castes to cash in on the riches of free trade, and larger proportions of individuals migrating overseas in search of better lives.⁸³

I would caution that this view about lower castes is limited, as evidence provided by Varshney, Iyer and Khanna show. They show that post-liberalisation, there has been greater inequities amongst Dalit entrepreneurs and caste-entrepreneurs, and the former continue to be underrepresented in the entrepreneurial sphere.⁸⁴ Despite significant political strides, lower castes and even scheduled tribes, have not been able to translate those gains into economic activity. The authors indicate this is because of low capital investments and lack of physical assets such as land that can be used to finance such ventures.⁸⁵ Nonetheless, the notion that caste and kinship based businesses are the main players in the Indian economy is changing.

⁸² Ibid.

⁸³ Harish Damodaran, *India's New Capitalists: Caste, Business, and Industry in a Modern Nation* (Palgrave Macmillan UK, 2008), <https://doi.org/10.1057/9780230594128>, pages 9, 55, 236.

⁸⁴ 'Lakshmi Iyer, Tarun Khanna, and Ashutosh Varshney, 'Caste and Entrepreneurship in India', *Economic and Political Weekly* 48, No. 06 (5 June 2015): 58-60.

⁸⁵ Ibid.

CHAPTER 5

HIDDEN IN AN ‘ANGAD’, OR IN PLAIN SIGHT?

As discussed, the main character in this study is the Angadia, couriers who transport diamonds between Bombay and Surat and back, and to many, are deemed essential to facilitating the diamond trade. Angadias deliver goods to their intended destination usually within 24 hours of an order being placed. A merchant I spoke to said that if his shipment for Gujarat was picked up by 5 pm, it would usually reach his factory in Gujarat by 11 am at the latest, depending on where his factory is located; if it were in Surat, which has a direct train line to Bombay, it would arrive as early as 6 am. Nonetheless, a more fundamental question to ask is who are the angadias, how did they come about, and why are they considered so trustworthy? This section focuses on the way they trade and conduct their business through the garb of secrecy, trust and a lack of information, supported by a robust and detailed accounting system.

Understanding the modalities of Angadias

The Angadia trade is extremely complicated to untangle and make sense of, primarily because it is a system hidden in deep secrecy, and because of their invisible nature, are hard to track down. In the methodology section, I referred a journalist who tried to write about them, but her reason for not pressing ahead with her book was that they were not willing to come forward to share their stories and perspectives on various issues facing the industry. Secrecy and limited information sharing appear to be prized traits in the industry, regardless of the potential impact.⁸⁶ While I primarily focused on the role of Angadias in the diamond trade, I did learn about their money transfer operations.

“The angadias run a parallel banking system! It is crazy how they manage to debit and credit accounts they have without moving any money,” notes Dattabhai,. He was referring to

⁸⁶ Anahita Mukherjee, ‘Why Hasn’t the Way Diamond Is Traded Changed? - The Economic Times’, *Economic Times*, 4 March 2012, <https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/why-hasnt-the-way-diamond-is-traded-changed/articleshow/12130821.cms?from=mdr>.

another aspect of the Angadia trade that diamond workers undertake, money transfers, analogous to the hawala system. The term Hawala is derived from an Arabic word that means ‘trust,’ or ‘transfer.’⁸⁷ has existed for centuries, and was only outlawed by the British so that they could tax money transfers. The system, nonetheless, has persisted even after independence because of capital controls and high fees to transfer money across borders. Under this system, an Angadia acts as a bank to facilitate the transfer of money between families, businesses and clients, and even amongst individuals who have accounts in multiple countries. They are a parallel post office, parallel bank and parallel insurance company all in one," says Vasant Mehta of Bombay diamond dealer V. Rameshchandra & Co. "It's an unparalleled parallel system."⁸⁸

However, Angadias vehemently contest their association with hawala, primarily because a significant chunk of them, especially the well-established ones, do not undertake in such activities, and because of the bad reputation associated with them. The insights from merchants indicate a hierarchy of trust and respect dominates the industry, with more credible Angadias not engaging in money transfer most respected and endowed with clean reputations. In fact, they claim to issue receipts for their services with the advent of the Goods and Services tax (GST), a nationwide tax code introduced in 2017, and keep track of all their transactions.⁸⁹ This observation indicates that money transfer is not only a legal and liability issue, but also a matter of prestige; the most prominent diamond merchants, who are reliable

⁸⁷ Marina Martin, ‘Hundi/Hawala: The Problem of Definition’, *Modern Asian Studies* 43, no. 4 (2009):

⁸⁸ Jonathan Karp, ‘Call Them the Icemen: India’s Angadias Tote Diamonds in the Rough --- To Deliver Gems, They Defy Robbers and Train Wrecks; It’s ‘Too Risky’ for FedEx’, *Wall Street Journal, Europe*, 10 March 1999.

⁸⁹ Anonymous interview, January 2021.

B. S. Reporter, ‘We Are Not Hawala Operators: Angadias’, *Business Standard India*, 4 July 2013, https://www.business-standard.com/article/current-affairs/we-are-not-hawala-operators-angadias-113070300710_1.html.

customers, do not wish to be associated with money-transfer and hawala, and therefore tend to engage with angadias who do not partake in such activity.⁹⁰

Hawala's Origins

Hawala, to some researchers of trust and money transfer, is considered one of the most stable and reliable forms of banking, while simultaneously being one of the most informal systems around.⁹¹ The way the system broadly works is that a sender of money approaches as an intermediary, a 'hawaladar,' and asks to transfer money worth a certain amount to a contact, such as a client, relative, or friend, who is located in a different city or country. The hawaladar then takes the money and charges a small interest fee, and contacts his colleague in the targeted city to give the said value to the recipient in cash. The hawaladar squares off the cash balance with his colleague later. The sender, hawaladar and receiver of money all know a code to verify the transaction, usually done via Whatsapp or phone. Once the transfer is done, any trace of such a transaction is removed.⁹² Usually, such transactions last a couple of hours, if not less, depending on the size of the transaction.

The Angadias who do engage in cash transfer, have a similar system, but they primarily deal with Gujaratis, and charge extremely low interest rates, of less than half a percent per transaction.⁹³ In this system, there is actually little to no transfer of funds, but of balances instead, similar to how a bank works.

While the money transfer system does not explain how the diamond trade works, it is another example to illustrate how trust and connections are integral to the functioning of

⁹⁰ Anonymous interview, March 2021.

⁹¹ Claudius Gräbner, Wolfram Elsner, and Alex Lascaux, 'Trust and Social Control: Sources of Cooperation, Performance, and Stability in Informal Value Transfer Systems', *Computational Economics*, 20 May 2020, <https://doi.org/10.1007/s10614-020-09994-0>.

Hawala is conducted by a range of communities across South Asia, from Pashtuns in Afghanistan, Sindhis, Marwaris, Jains, Baniyas and Bohras. As more South Asians have moved overseas, more groups have engaged in the trade to avoid capital controls and wire-transfer fees.

⁹² Ibid.

Anonymous interview with a diamond broker, January 2021.

⁹³ Ibid. Anonymous interview with a diamond merchant and jeweller, March 2021.

Angadias. As an anthropological phenomenon, it is fascinating to see how the presence of code, that has no trace outside of the minds of the involved parties can result in the movement of millions of rupees across the world, without a very small proportion of people absconding or fleeing with cash. The fact that a sender of money does not need to even meet an angadia, but use codenames to setup an account, and pay the angadia on time, without withholding any funds is a commercial phenomenon that is worth observing. In one conversation, a merchant notes that the only time a sender and angadia meet is to setup a cash transfer account, after which they have a code to identify each other on the phone, and usually are recognised by voice as well. Interestingly, the word or code is unique to only the sender and angadia, so the angadia keeps track of multiple codes, while the sender trusts the angadia to not share their code with anyone else, and vice-versa. The implicit understanding that this arrangement does not extend to more than 2 people, without any formal mode to enforce such an agreement is integral to this system. This builds confidence in the system, and perpetuates trust.

When asked what holds people to this standard and what ensures that payments are made on time, common answers received were, “if we don’t follow through, our reputation takes a hit, and no one transacts with us,” and “not delivering on such orders harms our reputation.”⁹⁴ Such responses indicate that for users of such services, despite the fact that none of these orders have receipts or any form of tracking, is that the failure to repay money on time undermines social standing, and in the case where a user withholds a complete payment, the community learns about it, further damaging their reputation. Angadias tend to employ their relatives or people from their villages, so the social ties holding such operations together almost outweigh the commercial ties in a business. It appears as if employment is not the force that holds such organisations in place, but a sense of shared background and

⁹⁴ Anonymous interviews with various merchants, 2021.

belonging. Moreover, since the industry relies on references and word of mouth, a dent to reputation will harm business prospects.

Such observations are indicative of the intertwined nature of commerce in India, and especially amongst Gujaratis, who tend to employ people of the same ethnicity, caste, or region, because of the other ties that hold people together, not money alone. This takeaway also applies to other markets and trades, across the world, but the secrecy of the Angadia world makes this topic even more fascinating.

CHAPTER 6

ANGADIAS: THE LUBRICANT TO THE DIAMOND TRADE

The diamond trade, as explained previously, is a complicated field, and involves multiple players, geographies, and processes from start to finish. The process begins overseas, with diamonds being mined and exported to India. When entering India, the diamonds have to clear customs in Bombay or Surat. One merchant noted that most customs clearance now occurs in Surat, which further hampers an Angadia's business since the number of trips they make reduces.⁹⁵ The import process is managed by a professionally run company, which is analogous to FedEx, but for diamonds, called Malca Amit. Once the diamonds reach Surat or Bombay, the Angadias step into transport the diamonds to their respective factories for processing. Typically, an Angadia charges between 0.2 percent to 0.7 percent of the total value of goods to transport them.⁹⁶ It must be noted that the total value of the shipment that is officially declared is much lower than the true value, for the purpose of avoiding excessive duties, and also acts as a sort of insurance, where Angadias promise to provide compensation if the shipment is lost.⁹⁷ Angadias ferry goods between factories and commercial headquarters, where they are prepared for export. If they are moving goods from Bombay, they travel via the Gujarat mail train, leaving Bombay Central Station at 8:30 pm, to reach Surat by early morning the next day, a well-known fact to railway officers and policemen.⁹⁸ Therefore, the main part of the system, which involves transporting goods within India, Angadias are considered integral to many firms.

⁹⁵ Sutanuka Ghosal, 'Why Mumbai Diamond Traders Are Shifting Base to Surat', *The Economic Times*, accessed 3 April 2021, <https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/mumbai-diamond-traders-are-shifting-base-to-surat/articleshow/81154928.cms>. In January 2021, an estimated 65% of all diamond imports took place in Surat, rather than Bombay.

⁹⁶ Rupam Jain Nair, 'Secretive Traditional Couriers Grease Wheels of Indian Commerce', *Reuters*, 5 February 2008, <https://www.reuters.com/article/idINIndia-31768720080205>.

⁹⁷ Typically this avoids scrutiny from tax authorities and cops

⁹⁸ 'Hauling Cash: The Secret World of Angadias.'

Contrary to the view that Angadias only operate in the shadows and in the periphery of markets, their practices have caught up with the digital, at least in the case of diamonds, but maybe not for money transfer. They now charge Goods and Services Tax (GST) on their services, and issue receipts with terms and conditions attached as well, formalising some of their processes. Moreover, they do keep records of transactions, and their transport is even insured.⁹⁹ The picture below reflects the growing changes in this system; it is a picture of a receipt provided to a diamond broker for transporting a shipment, written in Gujarati.

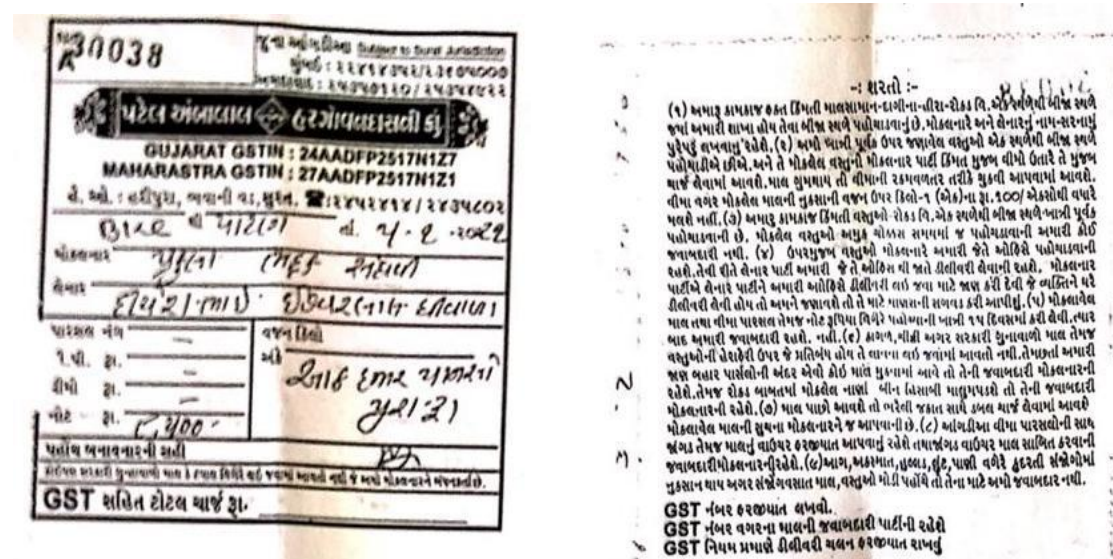


Figure 1: Angadia Receipt in Gujarati with terms and conditions

The receipt depicted above reflects a change in business practices pre-and-post demonetisation (2016), when India, overnight, cancelled 86% of its currency, in turn, thwarting trade in cash.¹⁰⁰ Moreover, with the rollout of a nation-wide GST, accounting practices became a lot stricter, forcing Angadias to have precise records. This is not to say

⁹⁹ 'Mumbai: Robbery Bid Throws Spotlight on Angadia System and Its Challenges'.

Interview with diamond merchant, January 2021. However, it must be noted that insurance agencies take very long to pay out any claims, especially in the diamond trade.

¹⁰⁰ Shiv Kumar, 'Angadias "out of Business" after Ban on Transactions above Rs 3 Lakh', *Tribuneindia News Service*, 2 September 2017, <https://www.tribuneindia.com/news/archive/nation/angadias-out-of-business-after-ban-on-transactions-above-rs-3-lakh-361749>

that before these events, they did not have a robust accounting system, but it has been observed that the most trusted angadias complied with these reforms and passed on some of the cost to the consumer. The combination of increased scrutiny, the prospect for raids, and the need for better accounting standards marked this shift, it is argued, has made this shift.¹⁰¹ Moreover, many older merchants argue that new entrants to the business want more process and procedure in their work, which is why, despite the prevalence of Angadias, they are being forced to adapt in order to live upto their clients' expectations.¹⁰²

Despite these new requirements, and added costs, many jewellers continue to rely on Angadias for their low prices, their reliability which is a consequence of the multi-generational relationships, cultural similarities, and because there are no good alternatives. The only alternatives to Angadias are typically used in intra-city transfers, say from the customs house to the diamond bourse headquarters, or from the headquarters to a client's house, if the trader also engaged in jewellery making. These are highly secure diamond courier services, and are very similar to FedEx, such as BVC Logistics. Usually, these pool deliveries of multiple merchants from the Diamond Bourse, unlike Angadias, who manage individual clients. These players have been around for the last 2 decades, and because of the high value of the goods being transported, they tend to be affordable to only the largest diamond traders. This explains why smaller players still rely on Angadias, but why bigger ones have moved to using these services.¹⁰³ The angadia therefore faces new challenges which undermine their business model but because of the nature of the industry, their services continue to be used.

¹⁰¹ Sutanuka Ghosal, 'GST: Diamonds in the Rough as Angadias Suspend Operations - The Economic Times', *Economic Times*, 16 January 2018, <https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/diamonds-in-the-rough-as-angadias-suspend-operations/articleshow/62516591.cms?from=mdr>.

¹⁰² Interview with merchant, January 2021 and conversation with a new hire.

¹⁰³ Interviews with 4 merchants, and a broker, between January to April 2021.

The bigger challenge to Angadias is not the proliferation of other courier services, or GST or demonetisation, but is rather a lack of prospects in this field. Multiple conversations with jewellery traders and journalists indicate that the sector is stagnating and that younger angadias are hard to come by. Given that prices per transaction have remained around the same, with low commissions per transaction, many angadias' children do not want to enter the sector. Instead they want to work in other sectors, or become entrepreneurs of their own.¹⁰⁴ As previously discussed, angadias to comply with most rules and regulations, and this extends to the costs involved in setting up a business and looking after employees, from income tax, shop licenses and more.¹⁰⁵ While it is hard to draw a causal relationship between rising costs and the lack of angadias, another factor worth examining is the overall improvement of people's living conditions, as per the 2011 Census.¹⁰⁶ With improved living standards in Gujarat, and a dearth of people, the sector has become open to players from other communities.¹⁰⁷

Because new communities are entering the diamond trade, the bonds of trust and familiarity that held this sector together are fraying. Increased anonymity and social pressure has resulted in goods being stolen, ambushed and in Angadias absconding from the sector all together and fleeing to their home villages in other parts of India.¹⁰⁸ This has upended traditional business models that have dominated this industry since its inception. However, it seems that non-Gujarati Angadias tend to again target smaller players, rather than the established ones, because of the latter's deep pockets.¹⁰⁹

¹⁰⁴ Anonymous interview, December 2020.

¹⁰⁵ 'Angadias "out of Business"' after Ban on Transactions above Rs 3 Lakh'

¹⁰⁶ The 2020-21 census was delayed because of COVID-19. These numbers have definitely changed, but are the best results available.

¹⁰⁷ Jayprakash Naidu, 'Mumbai: Robbery Bid Throws Spotlight on Angadia System and Its Challenges', *The Indian Express*, 7 March 2021, <https://indianexpress.com/article/cities/mumbai/robbery-bid-throws-spotlight-on-angadia-system-7218518/>.

¹⁰⁸ This is not to say other types of angadias exist, but the diamond trade is dominated by Kadva-Patels.

¹⁰⁹ Interview with diamond merchant, January 2021.

CONCLUSION

The global and Indian diamond trade have significantly evolved over time, and especially since the inception of the Palanpuri lead diamond trade from the 1960s. The trade moved from solely Jewish hands and from being located in Western cities such as Antwerp and New York to other parts of the world for a range of reasons. A primary one was an overarching interest in keeping transaction costs low while increasing market share. When DeBeers realised that semi-polished diamonds could be a lucrative investment in the western world, it attempted to democratise the diamond market. However, polishing these diamonds would be extremely expensive in western countries, which is why India's fledgling diamond industry was a good place to test out new initiatives.

Since then India has become a major exporter of diamonds and continues to do so. The diamond trade is facilitated by the relatively free and efficient movements of diamonds from Bombay to Gujarat and back, readying them for export. The Angadia, the group that was analysed throughout this thesis, is integral to facilitating the trade. Because of social pressures and intergenerational links, Angadias are closely intertwined with diamond merchants, and have a reliable source of business. On the other hand, Angadias are known for their discretion and their safety, which is why the incidence of theft and lost goods is extremely low in the sector as a whole. This system seems to rely on the principle of informality and lack of information to ensure the integrity of a transaction and the anonymity of merchants.¹¹⁰

While this system has worked well for decades, there are forces that may make this industry change in the future, and bring this industry into the formal economy. The question to ask here is whether the industry wants to be formalised and enter 'the light,' and come under scrutiny. The advent of GST has already forced the industry to change in various ways,

¹¹⁰ Why Hasn't the Way Diamond Is Traded Changed?

and because of lowered prospects for Angadias, the trade may have an uncertain future. One could argue that formalisation could result in the formalisation and enforcement of contracts, but I disagree with that contention. Breaking of agreements seems to be low in the industry, and if anything, a long and arduous judicial process could further incentivise contract breaking. Forces of social control, as described by Kaivan Munshi, ensure accountability in the industry.

Moreover, this particular aspect of the industry, the transportation of diamonds, does not require large physical assets, for which judicial and state protection is needed. Commercial rights, rather than property rights need to be protected, and the diamond industries internal mechanisms appear to deal with this well. However, the entrance of non-Gujarati Angadias does change the dynamic between merchant and courier, and has led to the undermining of transactions. The trend towards formalisation may have been exacerbated by the COVID-19 lockdown, since diamonds could not be transported by trains, increasing transport costs. Moreover, the opening of a customs house in Surat has also reduced trade between Bombay and Surat, reducing opportunities for Angadias.

There is much to be discovered about Angadias – their true perspectives on the trade, their aspirations, their take on the future of the industry and other secrets of the industry as a whole. Given the web of secrecy clouding the sector, it seems unlikely that a clear will ever be painted on the diamond trade's inner workings. Notions of trust, social capital, and culture shape accountability in the sector and ensure that secrets are not leaked. One's reputation and others' trust in someone is the currency of the sector, and Angadias, given their important nodal function, have even more of a reason to maintain discretion.

Formalising the industry could further increase costs and reduce incentives for diamond merchants to continue using angadias. Previous instances in this piece demonstrate how GST and demonetisation undermined the trade already. Increased digitisation and

aspirations for the children of Angadias poses a threat to this delicate system of trust and social accountability. However, given the rapidity with which this complex diamond transport system was developed by Palanpuri Jains and Kathiawaris, it is likely another one will evolve to take its place.

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APPENDIX

Sample list of questions for interviews with merchants and with Angadias. These were used primarily as guiding questions, and the nature of the conversation did influence which questions were and were not asked.

Questions to ask Jewellers:

1. Could you tell me a little bit about yourself? What brought you into this space?
2. Where are your clients located? How do you get in touch with them? Do they approach you?
3. If your clients are not located in Bombay, then how do you conduct business with them? How do they see your products, and decide on them?
4. Do you send jewellery samples to potential clients? How are they sent?
5. If mentions angadias – then ask:
 - a. Can you explain to me how the angadia system works?
 - b. Has your family used them?
 - c. How do you ensure accountability?
 - d. If diamonds are lost, is do you have insurance?
 - e. How do you recruit angadias?
6. It seems that the system is built on trust, but little tracking mechanisms – is that a correct mechanism?
7. I saw this story in Mint – I didn't understand it ? Can you explain?
8. Instances where you got a new angadia and trust was betrayed?
9. Any angadias you will be able to put me in touch with?
10. With the advent of more sophisticated couriers such as FedEx and DHL, do you prefer to use Angadia services? If so, why? If not, what prompted you to change course?

Questions for Angadias:

1. What is your background? Where did you grow up?
 - a. How has your background shaped your decision to enter this sector?
2. How long have you been doing this for? Has your family been involved in this trade?
3. Do you have other career aspirations?
4. I saw this story in Mint – I didn't understand it ? Can you explain?
5. Can you walk me through how a typical courier project works? From when you're contacted to conduct a trade, to actually travelling with the diamonds, to showing them to clients and bringing them back safely?
6. Have you faced a lot of scrutiny from the press, police, others for your job?
7. Is business booming? How has lockdown impacted you?