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WORKING PAPER

**INFORMALITY AND THE DYNAMICS
OF CONTINUITY AND CHANGE:
A Cluster-based Study of
Man-made Fabric and Apparel Industry in Surat**

Sangeeta Ghosh

March 2026

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INFORMALITY AND THE DYNAMICS OF CONTINUITY AND CHANGE: A Cluster-based Study of Man-made Fabric and Apparel Industry in Surat

Sangeeta Ghosh *

Abstract: This paper examines the structure and dynamics of informality in the man-made fibre (MMF) textile and apparel cluster in Surat, Gujarat. Based on fieldwork conducted in April 2025, the study analyses the organisation of production across the cluster's value chain and investigates why a large proportion of enterprises continue to operate at small and informal scales despite decades of industrial growth. Drawing on interviews with manufacturers, traders, job-workers, and industry associations across spinning, weaving, processing, embroidery, garment making, and trading segments, the paper maps the structure of the production network and highlights the unique role of traders as coordinating agents in this fragmented industrial cluster. The findings show that informality persists not merely due to regulatory evasion but because it is embedded in the economic logic of the cluster: small firm size helps mitigate market risks, distribute inventory pressures, and sustain flexible production networks. At the same time, recent developments—including technological upgrading, GST-based digital taxation, generational change among entrepreneurs, and emerging garment manufacturing activities—are gradually introducing elements of formalisation. The paper argues that Surat's MMF cluster represents a hybrid production system in which informal organisational practices coexist with formal regulatory structures. Understanding these dynamics is crucial for designing industrial and labour policies aimed at improving productivity, technological upgrading, and worker welfare in India's textile sector.

Keywords: Textiles and Garments; Surat; Gujarat; informal enterprises; cluster study; cluster; value chain; informal enterprises; formalisation; small businesses

JEL Classification: L67; J460; J480; O1; Z18

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For the complete working paper, please contact the author at sangeeta@isid.org.in

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