Report on Direct Selling Industry in India

Direct selling in India: Appropriate Regulation Is the Key

By Bibek Debroy

Indicus Analytics, India's premier economics research firm has released a study ***"Direct Selling in India: Appropriate Regulation Is The Key"***. The study has been authored by renowned economist, Professor Bibek Debroy. It has raised a number of crucial issues facing the Direct Selling (DS) industry in India. It argues that good and sustainable growth oriented government policy needs to protect the interests of the consumers and also promote cost reducing, and efficiency enhancing activities of employment generation.

Demanding operational clarification and clear distinction at the central level, the Study urges amendment of the Prize, Chits and Money Circulation Schemes (Banning) Act, by:

(a) First, defining Direct Selling including Multi-level marketing.
(b) Second, there needs to be an explicit qualification explaining that direct selling is not to be interpreted as a money circulation scheme.
(c) Third, a Pyramid scheme has to be defined, so that people know what is being prohibited. This will protect direct selling companies, protect consumers and facilitate enforcement.

According to Dr. Bibek Debroy, who has authored the Study, ***"Surprisingly, the Government of India has failed to catch the nuances of the Direct Selling business vs. Pyramid Schemes putting the entire machinery to scrutiny and confusion among the companies, state level regulators, judiciary and the direct sellers themselves."***

It is obvious that direct selling and MLM are forms of economic activity that could play a very important role in a country like India. These are low transaction cost mechanisms for sales that have a very high value added component, and are not very resource intensive unlike other forms of sales. Unlike business models, however, the economic policy framework needs to be evenly spread across the country, and therefore the central government needs to play a leadership role in many areas.

Fast growing countries such as Thailand, Malaysia, Korea, Indonesia, China, Vietnam, Japan, Taiwan and Singapore all have a specific statute that regulates, and more important, facilitates direct selling.

Overall, India needs a more systematic policy on DS that is based on its own constitutional structure and also the realities and idiosyncrasies of the Indian economy.

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To understand more and deliberate upon the paper, please be present at Mark'e'Dir – Bringing Market to Consumer on April 17th 2013 at FICCI Federation House, New Delhi