



RESEARCH ARTICLE

Direct selling laws and regulations in India: A comprehensive study

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Abstract

Direct selling is a long-standing and widely utilized business concept in which salespeople engage directly with customers to generate sales through personalized interaction. Even though direct selling has been a thriving sector in India for a long time, official regulatory attempts have only lately gained pace in the last few decades. By examining the regulatory frameworks already in place, this research aims to analyze the regulatory environment of the direct selling industry. We look at the challenges caused by conflicting regulations resulting from many legislative attempts and the impact these limitations have on the industry. We also look into the limitations of the current regulatory framework, which depends on collaboration between the Indian central government (which functions similarly to the U.S. federal government) and the state governments it oversees. Finally, we will provide some solutions that might address these issues and raise the effectiveness of the industry's regulatory system.

Keywords: Direct selling, Consumer protection, India, Regulations, Unregulated deposits.

Introduction

What is Direct Selling?

As the name implies, direct selling is an informal sales connection based mainly on the two-way flow of information between the vendor and the buyer. After liberalization, it grew faster than any other non-store retail structure in India. Forecasts indicate that by 2025, the sector will be worth Rs 645 billion a year, or about \$0.012 at the current exchange rate (1 Indian Rupee = 0.012 USD): the Economic Times, 2016. There has been no letup in this phenomenon's double-digit percentage growth rate. According to the Federation of Indian Chambers of Commerce and Industry (FICCI), "direct selling" is a "sales and distribution channel or system" that allows "direct sellers" to earn money through both their sales and the sales and consumption of people they have introduced to the company, whether directly or indirectly, and who they

then continue to train and motivate (FICCI, n.d.). If they adhere to certain rules, direct sellers can profit from this method.

The regulations that govern the direct selling industry in India are based on protecting consumers and creating an equitable environment for market players. It was not until 2012 that Rajasthan published guidelines for managing its operations in India through a Gazette notification dated October 5, 2012, that the attempt to control this market began. This was the case even though direct marketing techniques had been widely used in India since the late 1990s. The government of Rajasthan states in this document that if an entity fails to follow the established principles, it will not be considered a direct selling entity and will be handled in line with the applicable provisions of the currently enacted laws.

Nowadays, there's a perception that global regulation of the direct selling sector is necessary. This may be attributed to both the company's explosive growth and the millions of jobs it provides. This article discusses the Indian regulatory environment related to direct selling companies, points out its shortcomings, and provides suggestions for making the climate more favorable. This article is relevant on a global scale since the previously described framework can also be examined by different regulatory bodies for international direct marketing.

Review of Literature

In the past, writers have tried to discuss direct selling organizations and the regulations in India that govern

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them, with a particular emphasis on specific states and areas. Mohammed and Thoomkuzhy (2021) describe Kerala's direct selling business climate and compare the Direct Selling Guidelines, 2016 with the Consumer Protection (Direct Selling) Rules, 2021. The new legislation, they said in their statement, has made things clearer by making it legally binding. They also argue that a compliance structure should be implemented to combat illegal direct sales efforts while encouraging the expansion of legitimate ones. In addition, B.K. Christopher (2015) and Muhammad Juman (B.K.) examine the consequences of direct-selling companies in Kerala, focusing on Amway. They conclude that policy measures taken by the Indian government could hasten the expansion of the direct selling industry in the country. When relationships influence the direct sales industry's network-building process, issues arise, as discussed by Drs. Abdul Assis Koroth and A. K. Sarada (Koroth, 2012). This is necessary for the distributors' direct sales performance to improve in Kerala, the state covered by the two preceding publications.

Additionally, some writers have covered outdated legislation, either amended or superseded by newer statutes. In "Misra, 2021," Priya Misra closely examines the Direct Selling Guidelines of 2016, arguing that they failed miserably in their mission to regulate India's direct sales industry. The author argues that the industry should not be regulated by the government but rather by an independent and specialized agency. Along with several industry-specific regulations, there must be an effective enforcement system. Nishant Kumar Singh and Dr Shiv Kumar examine the fundamentals of direct selling and its practice in India (Singh & Kumar, 2019). However, more work is needed in this area. They note that many individuals, particularly women, have benefitted from more financial security and economic opportunities. However, there is still a long way to go."

Rao (2019) delves into how linguistic obstacles affect the direct selling business in India. Venkata Sai Srinivasa Rao Muramalla is the author of the paper. Since direct sales' success depends on the salesperson's persuasiveness, he argues that salespeople's choice of words is critical in closing deals. The competence of the salesman is paramount in direct sales, which is why he asserts this. According to the author, more sales clerks should try to learn the local languages. Deepali Bhattacharjee examines how direct seller firms in Assam satisfy their clients (Bhattacharjee, 2016). Additionally, she considers the propensity of buyers to patronize these industries. According to the author, products' excellent quality, frequent use, and distributors' customer service satisfaction are the primary elements affecting customers' choices to purchase from direct sellers.

It brings to light the issue of people purchasing things from direct sellers only due to personal connections, with less consideration for actual needs and more for misleading income claims. According to research by Vandana Gupta

(2012) on the social and economic effects of direct sales in India, the level of living for direct sellers and their families has improved due to an increase in accessible financial resources. Additionally, the direct selling business embraces more rural and small-town regions. Based on her research, Preksha Malik (Malik 2012) concludes that collectivist nations are more suited to direct sales firms than individualistic ones. This is because collectivist countries have stronger communities that support these businesses. This kind of society does occur in collectivist countries, which supports Malik's argument. The impact of goal setting on the effort and performance of direct sales agents was studied by Thomas R. Wotruba (Wotruba, 1989). He discovered that goal-setters may have put in longer hours at the office. However, it didn't necessarily pay off in improved productivity.

Reviewing the material referenced earlier, the direct selling industry's response to the changes since the Consumer Protection (Direct Selling) rules, 2021, was unsatisfactory. Priya Misra's (2021) research does not examine the effects of the 2021 Rules on the framework of regulations controlling direct sales in India. In their 2021 publication, Aisha Ibrahim Mohammed and Thomas Joseph Thoomkuzhy do not evaluate the state-by-state implementation of the Direct Selling Rules (2021) and the Direct Selling Guidelines (2016). Also, it doesn't address the problems with the states' current monitoring plan.

This research aims to analyze the direct selling sector in India when the 2021 rules go into effect. The researcher is trying to delve deeper into the sector. The research highlights, among other things, the many ways the present monitoring system for the direct selling business fails to meet the requirements of the 2021 rules and how these flaws prevent the rules from being appropriately and effectively implemented. It analyzes the monitoring system in the direct selling business on a state-by-state basis. It assesses the many flaws in the present regulatory framework.

On top of that, it shows how various countries have applied these laws differently. It highlights the uncertainty arising from implementing regulations governing direct selling and how it intersects with other pieces of legislation, such as the 1978 Prize Chit and Money Circulation Scheme (Banning) Act and the 2019 Banning of Unregulated Deposits Act. Additionally, this research proposes a new framework that might be used to regulate the direct selling sector in India. Implementing these recommendations might pave the way for a more effective regulatory structure in the direct selling business in the future.

History of Regulation

Amway, Tupperware, and Avon have all expanded nationally in India since the late 1990s, a sign of the growing popularity of direct sales in the country. Some Indian businesses, like Medicare, have also used direct selling to increase

their customer base, and they've been very successful in spreading their business throughout India. Set up in 1996 with the intention of self-regulation in mind, the Indian Direct Selling Association (IDSA) emerged. This backlash was against the increasing number of Indian and foreign companies operating in the direct sales industry. Everyone associated with IDSA must follow the organization's complaint resolution method outlined in the code of ethics.

Additionally, IDSA collaborates with several stakeholders to provide annual survey reports that detail the industry's current difficulties and achievements. The IDSA has played a significant role in supporting the government of India's efforts to regulate the direct selling business. The goals here include fostering competition in the market and safeguarding consumer rights. In India, the direct selling industry has an association that mediates between its members and the policymaking bodies of the government. This group goes by the acronym of "IDSA".

The Indian Constitution does not explicitly discuss laws meant to protect consumers. The Union of India has residual powers granted to it in the Seventh Schedule of the Constitution. These powers are mainly used to address consumer welfare, often called consumer protection. When India achieved its independence, no consumer protection law existed. This might be a plausible way of looking at the same problem. In 1986, India became the first country in the world to pass consumer protection laws. The adage "consumers beware" has long since given way to the legal maxim "consumers are king" in India.

Consumers are the primary target of regulations to prevent fraudulent activities in the direct selling industry. Numerous Ponzi schemes using multilevel marketing or direct sales have been identified in India. The widespread assumption that these methods are not fundamental is to blame for this. Prize Chits and Money Circulation Schemes (banishment) Act of 1978 (the "PCMCS Act" for short) was the primary law governing direct marketing in India for quite some time. The lack of direct selling-specific laws in India is the root cause. The incorrect registration of direct selling firms under the PCMCS Act and the frequent misinterpretation of their operations as money circulation schemes were significant problems when this regulation was applied. A huge hurdle has been erected.

In a notice dated October 26, 2016, the model direct selling guidelines were released by the Department of Consumer Affairs. The Consumer Protection (Direct Selling) Rules, 2021, were not issued until this was finished. Thus, it was the responsibility of the state governments to establish procedures for using the direct selling model to prevent malpractices stemming from its misuse and efficiently resolve complaints. Various interested parties, including the Ministries of Finance, Industrial Policy and Promotion, Legal Affairs, Information and Technology, and Corporate

Affairs, and representatives from Delhi, Andhra Pradesh, and Kerala, met to discuss the notification as mentioned earlier. On October 26, 2016, the notice was published.

About 14 states passed model sales laws 4 years after the federal government suggested that states establish regulations to control direct sales companies. But, as the name implies, they were only recommendations, so the states' applications of these principles varied. In addition, as part of a commercial dispute between Amazon and Amway India, the Honourable Delhi High Court considered a challenge to these Direct Selling Guidelines from 2016. In the case of Amazon Seller Services Pvt. Ltd. versus Amway India Enterprises Pvt. Ltd. (2020), the Honorable Delhi High Court ruled that these laws could not be enforced since they were only directed at the sellers. This decision set high standards, and the proposed regulatory framework by the Union Government fell short of them.

The issue of whether the 2016 recommendations may be deemed "law" for carrying out and taking action against a direct selling organization was one of the many that the Honourable Delhi High Court thoughtfully addressed after hearing the parties' views. Article 19 (1) (g) of the Indian Constitution guarantees an entity's fundamental right to occupation. Amazon, the appellant, contended in its filings that these proposals did not constitute "law" and could not be utilized against this right. Considering this is fascinating. The Honourable Court ruled that the suggestions lacked the legitimacy and power of "law" due to their status as a "model framework" produced by the Union Government. These rules were created in consultation with the appropriate parties to defend the legitimate rights and interests of consumers and the industry. The Honorable High Court ruled that these model principles are more appropriately seen as a directory than a statute. The Consumer Protection Act 2019, the governing law at the time, was still pending signature; hence this was the outcome. Additionally, the responsibility of enacting these suggestions into legislation was determined to be with the states.

Afterward, there was a comprehensive overhaul of the direct selling criteria. It should not be forgotten that the Central government passed the "Banning of Unregulated Deposit Schemes Act, 2019" in 2019. Any program that circulates money or uses reward chits, prohibited under the PCMCS Act, is deemed an "Unregulated Deposit Scheme" under this legislation.

The Consumer Protection (Direct Selling) Rules, 2021 (henceforth referred to as "DSR"). The Central Government formed them under the authority of clause (zg) of subsection (2) of section 101, read with section 94 of the Consumer Protection Act, 2019. The direct sales revolution (DSR, 2021) is a positive development toward regulating the rapidly growing direct sales sector. The fact that the 2016 recommendations are enforceable is a moot point

due to the DSR 2021 announcement. However, DSR's 2021 implementation is still challenging on a state-by-state level because of the many gaps in the state-declared legislation. Industry participants have been able to take advantage of loopholes in the current enforcement systems, making the enforcement process imbalanced.

Courts often hear cases concerning direct sales organizations for the following reasons: Before the central government issued the 2021 direct selling rules and the recommendations in 2016, most cases brought before the Court under the PCMCS Act, 1978, alleged fraud or deceit against the direct selling organizations. Most of the complaints to the Court said that these businesses were engaged in money circulation schemes. However, they pretended to be direct marketers. The judicial and legislative branches of the country also lacked a clear grasp of direct sales. Consequently, the PCMCS Act's strict requirements also applied to several legal direct-selling organizations. When the provisions of the PCMCS Act were applied against the direct selling business Amway in the seminal case of *Amway India Enterprises v. Union of India* (2007), this stance was made very evident.

Accusations that Amway India was involved in a pyramid scheme using direct marketing as a cover date back to April 2022. So, assets worth the Enforcement Directorate, an investigative arm of the Indian government, confiscated 7578 million Indian rupees. Though evaluating the matter, the Court has again brought attention to the essential distinctions between direct sales and pyramid schemes. The Enforcement Directorate has highlighted the Supreme Judicial's distinction between the two business models in several judicial decisions. The Supreme Court has ruled that pyramid schemes aim primarily at recruiting new investors. In contrast, direct selling models prioritize the actual sale of particular products."

The precedent-setting case of *Naresh Balasubramaniam v. the State of Karnataka* (2017) further emphasized the uniqueness of the direct sales model and money circulation initiatives. According to the Supreme Court's ruling in this case, the multilevel marketing companies in question did not break the PCMCS Act of 1978. A government document that acknowledges the legitimacy of these direct-selling companies is the model framework for guidelines on direct selling, which the Court also found to apply to these activities.

Customer complaints are another kind of disagreement that has made it to Court. In some cases, the customer's problems escalated to the point that the company's internal grievance redressal procedure became ineffective, eventually becoming a legal battle. *E-Biz Com Pvt Ltd vs Vishwanath Patil*, a case from 2012, is an example of this decision. The client and the company couldn't settle their differences amicably, so they brought the case to Court.

Amway India Enterprises Pvt. Ltd. v. 1Mg Technologies Pvt. Ltd. (2019) was one of the most recent cases heard

before the Delhi High Court concerning a direct marketing business. The parties here wanted the Court to decide whether or not e-commerce platforms may sell products from direct selling companies without their consent and whether or not the direct selling guidelines, 2016, were lawful. Products linked with direct selling organizations were found to affect Amway's ability to do business on e-commerce platforms, and it was also decided that the direct selling standards are legally enforceable.

Current Regulatory Regime

Through a notice dated 28.12.2021, the Union has distributed its Model Guidelines, often called DSR, 2021. Because it specifies that state regulations will apply the implementation method, Rule 11 of the DSR, 2021 is essential. Accordingly, each state must declare the legislation and appoint nodal institutions or persons to ensure compliance with the DSR 2021 rules to ensure that the law is put into effect. This would indicate that the previous model laws, which were in place before DSR 2021 was announced and required states to provide separate notices to each other, prepared the way for DSR 2021 to be put into action. The states deserve praise for their proactive approach and rapid adoption of these model standards. Some states, however, have failed to nominate and appoint the required enforcement officers and nodal officers because they have failed to provide a clear interpretation of the rules. In the authors' humble opinion, how well the model rules are put into practice is determined by the selection of enforcement officers and nodal officers.

It is crucial to highlight that the direct selling rules have not been implemented consistently throughout several states. The federal government hoped each state would review the rules and provide feedback before publishing them in their official gazettes. The purpose of this application was to designate who would be responsible for monitoring compliance with the regulations regulating direct sales and to make sure that other necessary procedures were in place to do so. Tamil Nadu, Andhra Pradesh, Kerala, Telangana, Maharashtra, Punjab, Odisha, West Bengal, and Himachal Pradesh are among the states that have taken the required steps, such as designating a nodal officer and establishing a nodal department, to oversee and control the direct selling enterprises operating within their borders. Goa, Rajasthan, Mizoram, Sikkim, and Meghalaya are among the states that have republished the direct selling guidelines and rules provided by the central government.

Additionally, the Registering Authority and the nodal officer's identities are unknown. However, Karnataka has delegated responsibilities for monitoring the execution of the direct selling laws to the nodal agency. Even in areas where the required meetings with the appropriate parties have already been organized, other reasons might impede the full implementation of the rules. One example of a state hierarchy in Telangana would be the roles of the Reviewing

Authority, the Appellate Authority, the Enforcement Officer, the Disciplinary Authority, and the Registering Authority. This structure may impede the implementation of the rules.

Shortfalls in Current Mechanism

Lacunae in the rules enacted by the State Governments

The present method of regulating direct sales companies has several flaws, the most significant of which is the states' inconsistent and incompetent implementation of the Rules. Reiterating that the 2016 Guidelines were only a model framework and advisory in character is crucial. This led to the delegation of legislative authority to the states. This particular element may be seen as the origin of the non-uniform implementation issue. The federal government had hoped that state governments would study the model legislation and consider how direct sales businesses usually operate in their jurisdictions before releasing the model rules. Before the law was introduced, many states knew this need; they included Andhra Pradesh, Kerala, and Karnataka. However, several other states have essentially replicated the 2016 Guidelines provided by the federal government in their announcements. Goa, Mizoram, and Sikkim are three states that have re-notified the model regulations but have not yet appointed a nodal person or established a nodal department. The ability to guarantee adherence to the D.S. Rules, 2021, without these appointments and designations, is questionable.

The execution of the D.S. Rules 2021 is further complicated because specific issues continue even among the states that have made clandestine changes to the guidelines. The Andhra Pradesh government announced many new roles, including those of a registrar, an appellate, a disciplinary officer, a revision officer, and an enforcement officer. Still, it's not entirely out of the question that creating so many new positions would delay the implementation of the D.S. Rules, 2021. This is so, although it is reasonable to assume that the goal of creating these many jobs was to spell out each employee's specific responsibilities in great detail.

Multiple Modes of Dispute Resolution

The D.S. Rules, 2021 provide the groundwork for resolving complaints. If consumers feel mistreated, they may use this system to file a formal complaint with the company. Once the complaint is received, one month is allotted to the grievance redressal officer. If this deadline is not met, the complainant who initially complained must be notified in writing of the reason(s) for the delay. Following the Consumer Protection Act of 2019, customers can also use consumer forums to settle their disputes.

The Conundrum of Self-Regulation

The direct selling sector in India is regulated by the independent and self-governing IDSA. This group strives to establish a more conducive setting for expanding India's direct-selling business. It makes it easier for government

officials to communicate with those in charge of direct sales, which is an extra perk. The IDSA has a strict code of ethics that all members are expected to follow. If a member willfully disobeys the code, the procedures for resolving such matters are specified in the code itself.

Companies like Amway and Modicare, significant players in India's direct selling industry, are bound to follow the rules set down by the IDSA. It is impossible to apply a self-regulation code like a law because of its very nature. Consequently, the direct selling industry in India is not as heavily regulated. In addition, members of the IDSA are required to follow all rules and regulations that are in place for direct sales companies in India, as stated in clause 1.8 of the IDSA Code of Ethics. It would seem that the D.S. Rules, 2021 have met the need for a self-regulatory body such as IDSA. These rules were made enforceable after being included in the Consumer Protection Act 2019.

Rules for Consumer Protection (Direct Selling) and Rules for Consumer Protection (E-Commerce) both include provisions that overlap. Suppose direct sellers or direct selling firms use e-commerce platforms for sales. In that case, they must comply with the Consumer Protection (e-Commerce) Rules, 2020, as stated in Rule Nine of the Consumer Protection (Direct Selling) Rules. This limitation applies to individuals selling directly and businesses engaging in direct sales. Also, keep in mind that the Consumer Protection (e-Commerce) Rules, 2020, Rule 3(f) defines an "inventory e-commerce entity" as an online business that offers goods and services directly to consumers. Within this description are both single-brand merchants and those that sell single-brand products via several channels. Legal frameworks governing direct sales and online commerce share some common ground.

When it comes to regulating direct sales firms, this overlap may lead to problems that might have been prevented. This is because the direct selling rules do not address the usage of online shopping carts by direct selling organizations. So, the e-Commerce Rules would have to be used with other laws to control these businesses. The authorities responsible for monitoring and regulating direct selling businesses' activities and the enterprises themselves will undoubtedly be further confused by this. Also, it opens the door for direct sales organizations to say they are online retailers and are thus free from the direct sales rules, which might cause the government even more trouble in the future.

Consumer Protection (Direct Selling) Rules, 2021, would be superseded by the Reserve Bank of India Act of 1934 and its associated rules. If there is a dispute between the Rules and the regulations included in the Reserve Bank of India Act, 1934 (the "RBI Act"), the rules contained in the RBI Act would take precedence. The Consumer Protection (Direct Selling) Rules, 2021 specifically include this provision

in Rule 12. The D.S. Rules 2021 are unclear on the current framework for direct selling businesses set forth by the Reserve Bank of India (RBI) or how the rules outlined in the RBI Act will replace them. Similarly, it does not elaborate on the scenarios where the rules drafted following the RBI Act and the D.S. Rules 2021 can conflict. Because of this, direct sellers and regulatory authorities would be in the dark, and some direct selling organizations would even violate the law.

The Banning of Unregulated Deposits Act of 2019 (commonly abbreviated as "BUDA") and the PCMCS Act of 1978 have similar language. The purpose of this Act was to define, outline, and legislate the powers that are part of an "Unregulated Deposit Scheme," an uncontrolled deposit plan and the BUDA controls transactions that are like deposits. According to the regulations laid forth in column Three of the First Schedule, it is defined as a plan or arrangement that allows any deposit taker to accept or request deposits as part of their business operations, provided that they do not qualify as a Regulated Deposit Scheme. However, the personnel responsible for implementing this act have a limited grasp of its provisions, which poses a hurdle to its effective implementation. It is still unknown when PCMCS will begin its corporate operations or when the BUDA will be implemented. It may not be immediately apparent to the enforcement agency whether the accused should be booked following the requirements of the PCMCS Act or the BUDA when a direct selling company is not engaging in legitimate direct selling operations. Unlike the BUDA, the PCMCS Act depends mainly on state procedures for its implementation. This national statute applies across all of India. Considering this, it's important to clarify which laws should be used when an enforcement agency goes against a deceitful direct sales company.

How to Resolve the Shortfall

We have already shown that the current regulatory framework for direct-selling organizations has many significant flaws that need fixing. This is necessary for the government to accomplish its goals in passing the act and for the Direct Selling Rules to be implemented uniformly throughout all states. Answers to this question may be found in the National Anti-Profitteering Authority (NAA), established by the Central Goods and Services Tax, 2017 (The GST Act). To guarantee that consumers would experience a price reduction when purchasing goods and services, the NAA was established to guarantee that any reduction in tax rates, in addition to the benefits of the input tax credit, would be passed on to them.

According to the definition, the National Advertising Agency (NAA) is a government agency responsible for ensuring that the GST Act's advantages are fairly distributed and that customers continue to trust the Act's efficient execution. Consequently, it lays out the requirements for joining the NAA, the designated authorities, the powers

granted to it, and the procedure to be followed when investigating such complaints. The National Association of Accountants (NAA) established a three-pronged system to address complaints. Many state-level screening and standing committees and the Directorate General of Anti-Profitteering (DGAP) report to the NAA, the system's top authority. The State-Level Screening Committee comprises one person from each state who acts as an emissary between the federal and state administrations. Suppose the State Screening Committee determines that the issue is local in scope. In that case, it will transmit the application to the standing committee. Once the Standing Committee has collected preliminary evidence, it will forward it to the Director General of Anti-Profitteering for further review. In the aftermath of an investigation, the National Association of Accountants gets suggestions from the Director General of Anti-Profitteering. To add insult to injury, no lower court may hear appeals of NAA rulings save the High Court.

The NAA's chosen regulatory structure may serve as a solid basis for policymakers in India to establish a system like the one already in place to oversee direct sales enterprises. On top of that, it would essentially supersede the current regulatory framework for direct sales organizations, which is plagued by an erratic monitoring mechanism. Indeed, the present situation will be made more transparent by the legal framework of the Direct Selling Rules and the creation of a single supreme authority, such as the NAA. It will also simplify the regulatory environment for direct sales in India, which is now plagued by a complicated structure. This is the result that would be the result of the activity.

Similar to the NAA, the new group may act as an intermediary between consumers and the direct selling regulations complaint investigation process. This newly established authority to oversee direct selling entities may also be granted the power to investigate complaints on an initial level, much like the State-level Screening Committees and Standing Committee under the NAA do when determining whether a case falls under their jurisdiction. This preliminary examination of the received complaints may lead to two conclusions. We shall follow the approach provided in the institutional structure of this proposed authority to treat the case within the context of the legislation governing direct marketing because it initially comes within their reach. When it comes to the second scenario, the complaint is about a firm that poses as a direct selling company but is really involved in criminal activity known as money circulation or pyramid schemes. It would be necessary to adhere to the standards of the PCMCS Act before deciding this case. Another option is to follow the procedures outlined in the Consumer Protection (E-Commerce) Rules, 2020, when dealing with complaints involving e-commerce firms. As a result, the instances that match the second scenario may be assigned to the specific authority responsible for them.

It is also possible to add NCLT-derived methods into the proposed framework. To prevent the National Company Law Tribunal (NCLT) from being overwhelmed with complaints, the nation's top authority may, for instance, establish benches all around the country. There's a chance that the new framework might include a provision that lets people register complaints against direct-selling businesses online for a small cost. Because of this, customers could have an easier time bringing consumer complaints. A legislatively established quasi-judicial body with tribunal-like competence might serve as this highest authority. It is only fair that the Supreme Court hear appeals.

There is an effort to dismantle the Consumer Protection Act's intricate system and replace it with one that would consolidate all direct sales sector complaints under the purview of a single quasi-judicial entity, similar to the National Association of Advertisers (NAA), leaving consumers with only the option to appeal to the Supreme Court. Remember that the aforementioned basic legislative improvements are the only means to fortify and enhance the direct selling monitoring system's efficacy. Legislators and policymakers are responsible for ensuring that the direct selling industry is adequately regulated and overseen within the appropriate framework. This industry contributes significantly to our economy and employs many individuals.

Conclusion

Previous studies have analyzed the legislative framework that governs India's direct selling business, particularly the Consumer Protection (Direct Selling) Rules of 2021. Problems with the present regulatory framework include rules that aren't consistently enforced and laws that overlap in scope with others. These other laws include, among others, the Prize Chit and Money Circulation Scheme (Banning) Act of 1978, the Banning of Unregulated Deposits Act of 2019, the Consumer Protection (E-Commerce) Rules of 2020, and the Reserve Bank of India Act of 1934 regulations.

The study also shows that there are problems with the

systems for resolving disputes and grievances, which makes it hard for enforcement authorities to deal with illegal direct sales organizations. The study lays forth possible solutions to these problems, such as combining the strengths of existing authorities like the NAA and the NCLT.

By simplifying the regulatory and monitoring procedures that control the direct selling sector in India, these proposals hope to foster profitable growth and efficiency. Policymakers are strongly urged to adopt the proposed remedies to remedy the flaws in the present regulatory framework since the sector is making a significant contribution to the nation's gross domestic product and is expanding into more rural and smaller communities.

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