# Chapter III
Secondary Data Collection
(Quantitative and Qualitative Data)

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Chapter III
Secondary Data Collection
(Quantitative and Qualitative Data)

3.1 Introduction:
This chapter deals with the secondary data collected from various sources like internet websites, newspapers, journals, etc. It includes the quantitative and qualitative data about MLM. It gives the details about the growth of MLM world over and in India as well as its legal aspects in India. Some cases are also referred to depict the legal aspects of MLM in India. The observations and conclusions are also given based on those cases.

3.2 Turnover of MLM companies at Global and National Level (sales volume and number of distributors)
Sales force and turnover of MLM companies at global level

![Global Sales force 1988-2003 (in millions)]

*The average sales force during the period 1988-1995 was 13.26 millions.*

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The average sales force during the period 1996-2003 was 37.89 millions.
Thus, the average sales force has increased since 1995 by 24.63 millions.

**Observation:** Career in MLM is gaining increasing acceptance world over.
**Conclusion:** MLM has been proving successful in providing employment to increasing number of people.

The average sales during the period 1988-1995 were $54.1 billions.
The average sales during the period 1996-2003 were $82.86 billions.
The global average sales of the direct selling organizations have increased by $28.76 billions.

**Observation:** Retail sales in MLM industry is increasing globally.
**Conclusion:** MLM as a marketing tool has proved successful in increasing the sales.
### Turnover (in rupees) Of MLM companies In India

<table>
<thead>
<tr>
<th>Year (a)</th>
<th>Actual Turnover of MLM companies in India (b)</th>
<th>Consumer Price Index (base 1984-85: 100)³ (c)</th>
<th>Inflated Sales of MLM companies (Base: 1997-98 sales) (d) d=c×300/302</th>
<th>Increase in actual sales over inflated sales (e) e=b-d</th>
<th>%Increase in actual sales over sales of 1997-98 (f) f=ex100/300</th>
<th>%Growth rate of sales over previous year’s sales (g)</th>
</tr>
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<tbody>
<tr>
<td>1997-98</td>
<td>Rs.300 crores</td>
<td>302</td>
<td>Rs.300 crores</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1998-99</td>
<td>Rs.600 crores</td>
<td>337</td>
<td>Rs.335 crores</td>
<td>Rs.265 crores</td>
<td>88%</td>
<td>88%</td>
</tr>
<tr>
<td>1999-00</td>
<td>Rs.900 crores</td>
<td>352</td>
<td>Rs.350 crores</td>
<td>Rs.550 crores</td>
<td>183%</td>
<td>95%</td>
</tr>
<tr>
<td>2000-01</td>
<td>Rs.1400 crores</td>
<td>371</td>
<td>Rs.369 crores</td>
<td>Rs.1031 crores</td>
<td>344%</td>
<td>161%</td>
</tr>
<tr>
<td>2001-02</td>
<td>Rs.1700 crores</td>
<td>390</td>
<td>Rs.387 crores</td>
<td>Rs.1313 crores</td>
<td>438%</td>
<td>94%</td>
</tr>
<tr>
<td>2002-03</td>
<td>Rs.2000 crores</td>
<td>405</td>
<td>Rs.402 crores</td>
<td>Rs.1598 crores</td>
<td>533%</td>
<td>95%</td>
</tr>
<tr>
<td>2003-04</td>
<td>Rs.2400 crores</td>
<td>420</td>
<td>Rs.417 crores</td>
<td>Rs.1983 crores</td>
<td>661%</td>
<td>128%</td>
</tr>
<tr>
<td>2004-05</td>
<td>Rs.2700 crores</td>
<td>436</td>
<td>Rs.433 crores</td>
<td>Rs.2267 crores</td>
<td>756%</td>
<td>95%</td>
</tr>
</tbody>
</table>

* The average growth rate during the period 1997-2001 was 86%  
* The average growth rate during the period 2002-2005 was 103%  
This shows that MLM helps in increasing sales.

**Observations:**

Even after adjusting the inflation rates, the sales of MLM companies in India are showing an increasing trend. The percentage of growth is also increasing since 1997-98. The growth rate over the previous year’s sales is fluctuating.

**Conclusions:** MLM leads to increase in sales of products and services.
Total Number of Distributors in MLM in India

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<tbody>
<tr>
<td>No. of Distributors (lakh)</td>
<td>1.2</td>
<td>5</td>
<td>6.94</td>
<td>8.06</td>
<td>9.6</td>
<td>11</td>
<td>13</td>
<td>13.73</td>
</tr>
<tr>
<td>% increase (base: 97-98)</td>
<td>-</td>
<td>317%</td>
<td>478%</td>
<td>572%</td>
<td>700%</td>
<td>817%</td>
<td>983%</td>
<td>1044%</td>
</tr>
</tbody>
</table>

* Since 1997-98 till 2004-05, the number of distributors has increased by 11 times.

* The average rate of increase during the period 1997-2001 was 342%.

* The average rate of increase during the period 2002-2005 was 866%.

**Observations:**

The total no. of sales distributors is increasing in India too. This is due to the employment opportunities provided by the MLM companies.

**Conclusion:**

1) MLM companies are creating increasing employment opportunities.

2) In India too, there is increasing acceptance for career in MLM.

3.3 Growth of MLM in India:

The parting gift of the last century to the marketing scenario in India was the concept of Network Marketing. But in India, Network Marketing is still considered as a comparatively new concept.

In the pre-liberalization era, network marketing in India was usually in the form of various chit fund companies like Sahara India. These had a system of agents, who simultaneously mobilized deposits and appointed sub-agents for further deposit mobilization.

1995: Oriflame International was the first international major to begin network marketing operations in India in 1995. 1996: This was followed by the entry of Avon, India in late 1996. Tupperware, with a product portfolio comprising plastic food storage and serving containers, also entered India in 1996. It was at this stage **IDSA** (1996) was founded by Amway, Avon,
Oriflame, Lotus learning Private Ltd, LB publishers. The first homegrown MLM major was Modicare, started by the house of Modis in 1996. Modicare’s network was spread across northern and western India. Amway started its operation in India in 1996. 1997-2001: Many MLM companies entered the MLM Industry but, the direct selling industry in India was in its initial stages even in early 2001. Besides Amway, Oriflame, Avon and Tupperware, other players included Lotus learning, LB Publishers and DK learning, all selling books. All the direct selling companies were member of the Indian Direct seller’s Association [IDSA], and were bound by its code of conduct.

**Post 2001:** In developing Economies like India, awareness levels about existence of various products are comparatively low. No direct sale company can meet all its customers only through its own sales force. So, many companies opted for MLM as against the high visibility retail set up of competitive players, aiming to get an image of exclusivity e.g. Revlon. In India, the direct selling market has a turnover of Rs. 2300 crore. IDSA is a self regulatory body of direct sellers in India. IDSA has a membership of 15 companies, while there are about 300 direct selling companies in India in the organized and unorganized market collectively.

There was some resistance to the network marketing concept in India, as Indians preferred the security of a job, being a salesperson in an MLM setup did not provide this security. This hampered the MLM
company's ability to attract competent personnel. The problem aggravated by the fact that companies treated direct selling as 'just another promotional tool, while it was mainly about motivation. However, one positive aspect of network selling was, it has been very convenient for women as the job could be done part time and at hours of their convenience. Also, the product sold also usually targeted woman and this made it easier for the Indian woman to accept the distributorship.

Source: India Today, July 28, 2003, pp, 30-31

Competition was intensifying in the industry in the early 21st century Amway seemed to be faring better than competitor like Modicare – a fact attributed mainly to its premium brand image. While Amway targeted only the upper class customers, Modicare targeted the middle and upper middle class customers Modicare’s product priced one fourth of the price of Amway's products. Modicare sources said this was because its products were priced for the Indian market while Amway’s pricing was more in tune with is global image. Modicare was milling to reduce its margins in certain cases Also Modicare offered 100 percent refund even when the product had been used, unlike the 75 percent refund offered by
Amway. Thus, Indian MLM companies showed that they meant business. Products of other MLM companies like Oriflame, Avon were priced higher than Modicare’s products but lower than Amway’s products – keeping the Indian consumer in mind. The growth of companies like Tupperware was also quite steady in India, especially due to their strategies of motivating their distributors.

MLM in the court of Law: With the progress of Amway, Modicare, Oriflame and other MLM Companies, MLM industry became a lucrative option for several companies to join in and reap advantages out of it. But, there were many new entrants that presented themselves as MLM Companies, whereas they were pyramid schemes. There were companies like Kalpa Vriksha, Skybiz and Samruddha Bharat, that were operating as multilevel marketing companies. These companies were later closed down. Kalpa Vriksha was a pyramid scheme promoting different investment plans among the distributors. Many people were duped of their life time savings in it. Skybiz ran an internet money rolling scheme and was remitting cash out of the country, without RBI approval. It was also
closed down. Samruddha Bharat also enrolled people with an initial investment of Rs. 520 promising high returns. It presented itself as a MLM company, hiding its pyramid scheme by using a product, a compact disc which has practically no market value and there was no resale of goods taking place. This company was closed down. There were many other local pyramid schemes which operated as MLM companies. Many of them were closed down. Newspapers reported about frauds by MLM companies and frustration of people. In last few years, people have started knocking the doors of court of Law.

On the basis of this background, the researcher found it necessary to study the legal aspects of MLM in India. The legal aspects were studied by referring to -

2) Cases related to MLM companies.
3) Debates in Parliament related to MLM.
4) Interviews of experts.

3.4 Legal Aspects of MLM In India:

There are various Acts governing various aspects of MLM enterprises and other enterprises as well. A few of those are listed below:

Legal Protection to Consumers in India:

- The Indian Contracts Acts, 1982
- The sales of goods Act, 1930
- The Drugs and Cosmetics Act, 1940
- The Poisons Act
- The Dangerous drugs Act
- The Drug Control Act, 1950
- The Prevention of Food Adulteration Act 1954.
- The Fruit Products Order 1955.
- The Essential Commodities Act 1955.
- The Trade & Merchandise Marks Act 1958.
- The Bombay Drug Control Act, 1959.
- The Packaged Commodities Regulation Control Act, 1969.
- The Paper [Production & Regulation] Control Order, 1979
- The MRTP Act Amendment Order 1991.

Observation:
1) There are many Acts in India which govern various aspects of working of MLM companies, as a business entity
2) In India, there are not
   a) specific Acts governing MLM or
   b) provision in any Acts relating to MLM or
Kalpavriksh bonds row: HC freezes company property

Pune The Bombay high court has ordered a freeze on the property of Kalpavriksh Marketing Pvt Ltd, and its directors, in a case filed by investor Surendra Tanna. Tanna, a former employee of Ujjivan, had invested Rs 2.5 lakh in the ponzi scheme run by the company in 2004. He filed a complaint to the police on April 11 for the illegal collection of money from investors. The HC order, passed on April 22, restrained the company, its directors, and persons acting in concert with them, from disposing of any immovable or movable property, directly or indirectly, in any manner.

3) There is confusion among people about the nature of MLM. People are mislead, misguided into pyramid schemes, believing that they are joining MLM.

Conclusion:
1) People are misled into joining pyramid schemes as there is no clear cut distinction between MLM and pyramid scheme by Law.
2) Absence of regulatory framework has led to fraudulent tendencies in MLM.

3.5 Some important cases related to legal aspects of MLM in India are listed below:

CASE - I:

Police ‘stops’ probe into working of 6 companies

Japan life Ltd, others spring again

On the advice of RBI, the UT administration (of Chandigarh) started investigation into the modus operandi of 6 MLM companies in 2002. The details are given below.

1) The Economic Offence Wing of the local police (Chandigarh) initiated investigations into the modus operandi of 6 MLM companies. These were Golden Trust Finance Services, Onlinejobs.com, Amway India Enterprises, Japan Life India, Best Internet Services and Cossets India Ltd. This action was taken as per the order of the UT administration of Chandigarh with the advice of RBI.

2) The legal cell of RBI opined that these companies were selling products like a mattress at Rs. 80000 to Rs. 95000 to customers by offering commission ranging between 21 and 49 percent to members.
However, a large section of the members was unable to earn even a fraction of the security amount that they were asked to pay by the companies. So they are violating Prize Chits and Money Circulation Schemes (Banning) Act, 1978 by exploiting agents and consumers.

3) As a result of these investigations, the accounts of Japan Life Ltd, worth over Rs. 50 crores were freezeed through the country. The operations of other MLM companies were also under investigation.

4) Following this freezing of accounts, JL Ltd. approached the Union Minister of Finance and Company Affairs, and pleaded that the company does not fall under its jurisdiction. He also claimed that MRTP commission had already completed its investigations and did not find anything wrong (4 Dec 2002).

5) Following this a meeting was held among the management of JL Ltd, two officials from Finance Ministry and RBI, officials from the Economic offence wing (10 Dec 2002). Then the police on the recommendations of RBI and UT administration decided to stop investigation and the companies were again allowed to operate.

Observations of case - I

1) There is confusion or misunderstanding amongst RBI officials, Economic Offence Wing, UT administration about the application of PCMCSB Act to MLM companies.

2) This has led to harassment of genuine MLM companies.

Conclusions of case - I:

1) There is no separate Act or legal provisions under any other Act dealing with the concept of MLM. Therefore, even the law enforcing authorities do not have a clear cut idea about the concept of MLM.

2) There is no authority monitoring the activities of MLM. So different law enforcing agencies are investigating the working of MLM companies, making it more complicated.
CASE – II:

10 of Cymbionics held in Chennai

An MLM company, Cymbionic was started in 2000 in India (Headquarters at Mumbai) The company was involved in chain formation with only one point of purchase when the member was recruited in the company. It had offices in 12 cities (including Pune) with over 10000 members in. There were 5000 members in Chennai alone. A complaint was filed against it. The details are given below:

1) Some investors in the company lodged a complaint with the police that the company had cheated them after taking Rs.54250 from each member, promising high dividends and benefits including free holidays in resorts, jewellery and computer education software. The company failed to give them the assured benefits.

2) Following this complaint, Central Crime Branch (CCB) made 10 arrests on 5th Mar 2002. The arrested people were president Girish, vice-president Chadramouli, manager S. K. Menon, marketing manager John, several Team leaders and distributors. Arfeen Khan, one of the founders of Cymbionic was absconding.

3) The arrested people were charged under section 406, 420 (cheating) and 120b (criminal conspiracy) of the IPC (Indian Penal Code)

Observations of Case II

1) Cymbionic was not a genuine Multilevel Marketing Company.
2) It was a pyramid scheme in the guise of MLM.
3) There was no strong product base and not even resale of products was done.
4) There was only one point of purchase and subsequently only recruitment of members was done.
5) Initial Investment was very high, which is the tell-tale sign of pyramid scheme
6) Many people got cheated because the company did not offer value for the money invested.
7) The arrests were made under IPC, and not under PCMCSB Act.

Conclusions of Case II

1) People do not have any clear cut idea about the concept of MLM
2) Pyramid schemes operating in the guise of MLM are taking advantage of this ignorance and cheating people.

CASE – III:

Dongri police clamp down on bogus firm

An MLM company, Inspiration Network Marketing Limited (INMPL) started its operations in Jan 2004 at Dongri in Mumbai. The company promised to double the earnings of Rs.7500 in a week. When the local police saw the posters of this company, they doubted the working of the company. With the help of under cover staff, they started investigations. The facts were discussed with the RBI, Worli and they concluded that INMPL was an illegal network marketing company. The details of the steps taken by the police are given below:

1) The police (Dongri) immediately arrested the Directors of INMPL and conducted a search at the company’s office. During the search at the company's office, police confiscated Rs. 127000 in cash, computers and memo receipts. Later, Dongri Police sealed their accounts in Citi Bank (Rs.34 lakh), Standard Chartered (Rs.10 lakhs) and even their relative’s account (Rs.43 lakhs).

2) The director, Ashfaq Ahmed Vasta, admitted to the crime but claimed ignorance of the law as his excuse that he did not know it was illegal to run a network marketing company, he also pointed out that such companies were all over Mumbai. He collected material from some of these companies and started his own operation with Yogesh Shah (another Director)

3) Section 420 of IPC, sections 3 & 4 of Maharashtra Protection of Interest of Depositors (in financial institutions) Act of 1999 and sections 4
& 6 of the Prize Chits and Money Circulation Scheme (Banning) Act of 1978 were used in this case.

**Observations of Case III**

1) Many money rolling schemes are operating under the guise of MLM
2) People get attracted towards those pyramid schemes because of lucrative offers. They do not even use their common sense to judge the possibility of such high returns.
3) Various Acts were applied in this case also.

**Conclusions of Case III**

1) Any separate Act or provision would help the law enforcing authority in controlling the operations of misleading pyramid schemes
2) People need to be educated about the concept of MLM.

**CASE – IV**

**Hundreds Cheated by Marketing Company.**

Oct, 20, 2005: Samruddha Bharat is an MLM company, in which the distributors were recruited by paying Rs. 520 as initial investment. They were given a CD in return for this amount. The multilevel marketing [MLM] company run by Hemant Dharmadhikari and Milind Arya promised investors a sum of Rs. 5 lakhs in installments after six months of depositing an initial amount of Rs. 520, besides getting 12 others enrolled in the MLM Company. The details of the case are given below:

1) A complaint was filed by MSEB official, Dr. Arvind Nerkar, along with 130 others when the company did not pay the promised payments. The police said that the fraud could be to an extent of over Rs. 1 crore. The accused frequently organized seminars and distributed CDs about the scheme.

2) The Kothrud police have registered a case of fraud and cheating against Samruddha Bharat Marketing Concepts Limited and its senior officials, for duping a large number of people. The accused have been reported missing.
**Observations:**

1) SBMCL was not a product based company. It was a pure form of money rolling scheme, where it tried to hide its pyramid scheme by offering a product [CD].
2) Hundreds of people fell prey to SBMCL’s scheme of making easy money.

**Conclusions:**

1) People fail to distinguish between a MLM company and a pyramid scheme due to ignorance and absence of a regulatory framework.
2) People just get carried away with the aim of making quick money without using their common sense

*The issue about MLM and its operations has been raised thrice in Parliament. The excerpts of the debate are given below:*

**3.6 MLM in Parliament**

1. Dec 20, 2002

The issue about the legal validity of MLM or Network Marketing Business was first time raised in Lok Sabha on December 20, 2002.

The issue was about a proposal for a separate legislation for MLM companies made by the MLM industry (IDSA) after they were harassed by the local police authorities.

The question was answered by Mr. V. Sreenivasa Prasad, Honorable Minister of Consumer Affairs, Food and Public Distribution.

He stated that the matter had been examined in detail in consultation with the ministries concerned. He also stated that the need for a separate legislation was not felt in view of the fact that there are adequate provisions available in the Sale of Goods Act, 1930 and the Consumer Protection Act, 1986. He further stated that the main intention of the representation was that members of the industry were being targeted due to vagueness of the PCMCSB Act, 1978, in distinguishing between prize
chit funds and genuine agencies involved in Direct Marketing. He clarified that the provisions of the Act had come up for scrutiny before the supreme court of India which ruled that the ‘Network Marketing Plan’ and direct sale of goods and services by the direct selling companies do not fall within the mischief of the Prize Chits and Money Circulation Scheme (Banning) Act, 1978.

**Observations:**

1) For the first time legal validity of MLM was discussed in Parliament.
2) The network marketing companies felt the need for a separate legislation for MLM due to vagueness of the PCMCSB Act.
3) The Government feels that there is no need for a separate legislation for MLM due to other Acts like Consumer Protection Act, 1986, Sale of Goods Act, 1930. But, these Acts do not discuss the concept of MLM as such.
4) Supreme Court is clear in its opinion that PCMCSB Act is not applicable to direct selling companies or their mischief.

**Conclusions:**

1) There is a difference of opinion about a separate legislation between Government and MLM industry.
2) Concept of MLM is neither discussed under any Act, nor there are any guidelines for the same.
3) In the absence of clear cut guidelines, it is difficult to identify and control the working of Money Circulation Schemes working in the guise of MLM.

**3.7 **MLM in Parliament**\(^{12}\) II May 7, 2003 (LOK SABHA)**

The issue about the legality of MLM was again raised in Parliament. The details are given below:

The issue was raised by **Shri S. Jaipal Reddy.** It was related to the situation arising out of reported illegal schemes of Japan Life of India and steps taken by the Government in regard thereto.
The reply was given by SHRI Jaswant Singh (The Minister of Finance and Company Affairs). He said that the reports of Japan Life in the state of Andhra Pradesh and in the UT of Chandigarh, etc, as published in the press had been brought to the notice of the Government. It has been alleged that the activities of this company are in contravention of the provisions of the PCMCSB Act, 1978.

The PCMCSBA is a Central Act, prohibiting any entity from promoting or conducting any prize chit or money circulation scheme or enrolling any member of any such chit or scheme or participating in it otherwise, or from receiving or remitting any money in pursuance of such Chit or Scheme (Sec 3).

However, the implementation of the PCMCSBA falls under the purview of the State Governments. On receipt of any complaint or any information/brochure, RBI examines the particulars of the same and if it attracts the provisions of the Act, informs the Police about it. Thus, RBI plays only a consultative role under sec 11, 12, 13 of the Act.

Further, he said that the schemes run by Japan Life India or any other operator of MLM schemes may be investigated by the concerned States independently and if necessary in consultation with their legal officers. The states may take such action as may be deemed fit without any reference of RBI. He also pointed out that the Minister of Consumer Affairs, Food and Public Distribution was also consulted in this matter, who had opined after consulting the Ministry of Law that PCMCSBA are not applicable to companies dealing with distribution of goods including multi level/network marketing companies. He also said that the interpretation of various judgments delivered by hon. Supreme Court, was dawn, which implies that activities of direct/network/multilevel marketing do not fall within the provisions of the PCMCSB Act.

He also said that the activities of this company in Chandigarh, or elsewhere, is to be dealt with by the State Government.

Observations:
1) The issue of legal validity of MLM is discussed again and again in the Parliament
2) There are no clear cut guidelines for identification of the nature of MLM companies.
3) PCMCSB Act is a Central Act but its implementation falls under the jurisdiction of the State Government. Therefore, MLM companies’ operations in different states are controlled in different ways.

Conclusions:
1) There is no consensus among the judiciary (Court of Law) and executive about the applicability of various Acts to MLM
2) The absence of a separate legislation for MLM has led to a lot of confusion and complications in controlling MLM.
3) There is no uniformity in the implementation of the Act across the country.

3.8 MLM in Parliament\textsuperscript{12} III May 7, 2003 (LOK SABHA)
People have expressed concern over the working of MLM companies. It has been alleged that MLM has been dumping goods in India.

The question was raised by Dr. (Prof.) Sanjay Paswan. It was related to working of MLM companies like Amway Corporation of USA, Oriflame International of Sweden, Japan Life Insurance, etc. It was alleged that these companies are dumping goods in India and whether the Government has examined the matter and had taken any steps in the regard of the same.

This question was answered by The Minister Of State in Commerce And Industry (Shri. Rajiv Pratap). He said that the Government has granted Foreign Investment Promotion Board (FIPB) approval on 26.8.94 to M/s Amway Corporation of USA to set up a wholly owned subsidiary in India to establish and develop a direct selling business of products which shall be sourced from local independent Indian manufacturers, particularly Small Scale Unit by providing technology support. The company has also been granted permission for test-marketing a specified range of Amway

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products for a specified period of two years. M/s. Oriflame International of Sweden has also been granted approval on 15.6.95 to set up a Joint Venture Company to manufacture or to get manufactured from other independent units and market Oriflame’s products in India.

He also added that as far as Dumping of products is concerned, the Directorate General of Anti-Dumping & Allied Duties (DGAD) initiates anti-dumping investigation on receiving fully documented petition from the domestic industry providing sufficient evidence of dumping, injury and a causal link between dumped imports and the injury caused to the domestic industry. The DGAD so far has not received any petition from the domestic industry for initiation of anti-dumping investigations against products involved in multi-level marketing by M/s. Amway, Oriflame, Japan Life, etc.

Observations:
1) The legal validity of MLM is discussed in Parliament again and again.
2) The Government of India has itself given approval to MLM companies for establishment of subsidiaries in India,
3) The selling of products of MLM companies cannot be considered as dumping since the products will be sourced from local independent Indian manufacturers.

Conclusions:
1) MLM working cannot be considered illegal as Government itself has permitted it.
2) Frequent discussions in Parliament shows that there is a need of a monitoring authority or a separate legal provision for MLM.

Summary of the Observations:
The study of the above cases and discussions in Parliament highlights the following points:
1) There is a difference of opinion between IDSA and Government about a separate legislation relating to MLM.
2) The authorities feel that there are adequate provisions in The sale of goods Act, 1930 (for regulating the sale of goods) and The Consumers Protection Act, 1986 (to promote and protect the rights of consumers), PCMCSB Act of 1978. However, these Acts are governing MLM as any other business entity but do not deal with MLM as a concept.

3) The number of cases due to fraudulent tendencies in MLM are increasing.

4) These tendencies are affecting the reputation of genuine MLM companies.

Conclusions:
1) These Acts are not sufficient to deal with MLM as a concept
2) They are inadequate to prevent fraudulent tendencies forming pyramid schemes in the guise of MLM.

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