

Central Regulation

On Direct Selling Is The Need Of The Hour



Mr. L Mansingh (Center), Former Secretary, Department of Consumer Affairs, releasing the leaflet on FDSA & its activities on the occasion of Mega Awareness Programme at Mumbai. Also seen in the picture are (from left): Mr. A P Reddy, President, FDSA, Ms. Shilpa Gupta, Head, Retail FMCG & Direct Selling, FICCI, Mr. T C Chhabra, CMD, RCM Business, Mr. Bejon Kumar Misra, International Consumer Policy Expert, Mr. Ravinder Sandhu, Jt. Commissioner, Income Tax, Mumbai, Mr. Shivajirao Chamkire, CMD, Influx Group, Mr. Shrikant Naik, Former DCP, Nagpada & Mr. Rajiv Gupta, Vice President, FDSA.

Assuring to extend full cooperation in getting regulation for the Direct Selling Industry from the Union government, Mr. L Mansingh, former Secretary, Department of Consumer Affairs, Government of India said that regulation for Direct Selling in India is the need of the hour. Participating as Chief Guest in the 'Mega Awareness Programme on Direct Selling Business in India' on April 14, at Karnataka Sangha Bhavan, Mumbai, he observed that, if states like Kerala and Rajasthan could issue guidelines for the industry, why not the Union government? 'I would extend full cooperation in getting the guidelines for the industry. Usually all bills go and get blocked at Parliament', he added.

Addressing a huge gathering of Direct Selling industry stake holders, he pointed out that transaction cost is the highest in India. "Only 25 per cent goes to the farmer/manufacturer while the remaining 75 per cent goes to the middlemen. It is the opposite in the US. That is why a national level regulation on Direct Selling is the need of the hour in India", he said.

Observing that the scope to reach customers is very high in Direct Selling and that the interests of the customers should be of paramount



Leaflet On FDSA & Direct Selling Industry Activities Released

Marking the Mega Awareness Programme at Mumbai, a leaflet containing information on the various government initiatives, industry prospective, recent developments in the industry, key identities for a genuine direct selling business, FDSA & DSDWA activities was released here at Mumbai by Mr. L Mansingh, Former Secretary, Consumer Affairs Department.

Lauding FDSA for coming out with such a beautiful idea, he said, the leaflet would go a long way in bringing more awareness about the direct selling industry and what has to offer to the people of the Country.



**FEDERATION OF
DIRECT SELLING
ASSOCIATION**



**MEGA AWARENESS PROGRAM ON
DIRECT SELLING BUSINESS IN INDIA**
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interest to the Direct Selling companies, he said 'It is a challenge to India to address the short comings of this industry', he added.

However, he said, "The Union government should focus on creating guidelines to this industry'. He asked Ms. Shilpa Gupta, Head, Direct Selling, FICCI, who was also present on the occasion, to take the issue to the notice of the government and assist in creating guidelines to the industry. 'This industry has a huge potential for women empowerment as well. Sky is the limit and the scope is



Mr. L Mansingh, Former Secretary, Department of Consumer Affairs, addressing the gathering at the Mega Awareness Programme.



Ms. Shilpa Gupta, Head, Retail FMCG & Direct Selling, FICCI, addressing the gathering at the Mega Awareness Programme.



Direct Selling industry stake holders listening to the speakers attentively at the Mega Awareness Programme.



very high for any person to develop and improve their standard of living', he said.

'Very few people know what Direct Selling is. Direct Selling has its roots thousands of years ago. Trading is the base for the growth of any country. The thriving of Harappa and Mohanjadaro civilizations reflects this. Similarly, in Indian constitution, internal trade was given great importance. It should take place without hindrance. Several of the present rules and Acts are formed by the British when they ruled India. They are no longer relevant to the current day situations. Only 15 per cent of retailing is in the organised sector and the remaining is very much unorganised. The retailing sector is becoming more and more complicated nowadays and unless properly addressed, it would result in chaos, Mr. Mansingh said.

Later, he released a leaflet on FDSA and its activities, industry prospective, government initiatives, recent development in industry and key identities for a genuine direct selling business.

Observing that consumer protection and redressal is a must, he said, "India has brought 'Consumer Protection Act' which is a reactive Act. Under this Act any consumer can approach a consumer court for redressal of his problems. Similarly, consumer redressal is a must in this industry as well and the companies involved in this industry should create a good consumer redressal system. The Prize Chits & Money Circulation (Banning) Act, is created in 1978 and has lot of ambiguity with regard to this industry".

Emphasizing that the relationship with Direct Selling industry is good, Mr. Ravinder Sandhu, Joint Commissioner, Income Tax Department, Mumbai, said, "The Direct Selling industry's contribution to the department is very positive. Direct Sellers have to ensure that the companies that they are representing, pay the TDS to the department on a regular basis. Otherwise, this would lead to unnecessary hassles. Several of the companies deduct the tax, but do not remit to the department. Awareness should be brought on this point", he observed.

Saying that e-commerce is giving stiff competition to Direct Selling now, he pointed out that there are no clear guidelines with regard to the industry. "Legal frame work is also not clear. Unless there are clear guidelines, convincing the clients would be very difficult. Department



Mr. Bejon Kumar Misra, International Consumer Policy Expert, addressing the gathering at the Mega Awareness Programme at Mumbai.

too, would be benefitted if the government could provide clarity on the industry”, he said.

Ms. Shilpa Gupta, Head, Direct Selling, FICCI observed that the definition for Direct Selling is not clear. “There is no common definition. It is a very unique industry and we had tried to define it properly. We have presented global best practices in the industry to the government. The world over, there are separate legislatures for the industry. Bringing a legislature is a long time process. However, we feel that an immediate relief is the need of the hour”, she said.

Observing that the PCMC (Banning) Act is the devil that is creating all the confusion among the government circles, she said, “The government has clarified that there would be no amendment to Section 2C of the PCMCB Act. However, the Consumer Protection Act is being amended and proper guidelines are being worked out for the industry. The idea is to curb unfair practices in the industry through Ponzi and investment schemes. Time and again, the KPMG report that we had submitted to the



Top: Mr. A P Reddy, President FDSA, Above left: Mr. Shivajirao Chamkire, CMD, Influx Group & Above right: Mr. T C Chhabra, CMD, RCM Business, addressing the gathering.



Mr. Ravinder Sandhu, Jt. Commissioner, Income Tax, Mumbai, addressing the gathering.

government on the industry had been quoted and taken as a reference in the Parliament whenever there is a question on Direct Selling”.

While asking all the Direct Selling companies and distributors to stand united and represent the industry genuinely, Mr. Bejon Kumar Misra, International Consumer Policy Expert, said that they had asked the government only one question - How do you identify and deal with fake Direct Selling companies? “If there is clarity and you people are truthful there is no need to have any law or Act. Today we have an opportunity to explain this to everybody. You need to unite and work. On the other hand, if you want security and an Act to be in place, then you need to start immediately and see that there is no fake company or a Ponzi scheme being operated in the Country. Then no one can stop you people. India will then definitely come up as one of the top direct selling country in the world”. Lauding Mr. A P Reddy, President, FDSA, for all his efforts, he said that Mr. A P Reddy brought unity in the Direct Selling industry in India.

Mr. Trilok Chand Chhabra, CMD, RCM Business, said that Direct Selling is the future of this Country. It will unite the Country as the very base of Direct Selling is uniting company and their users. “It is the one that gives success to all. It is a wonderful way of doing business. But where are things going wrong? Definitely not at the users end. And then why all the difficulties? Just because of fake companies. If we can stop fake companies, Direct Selling would become the future of this Country”, he said.

Also Addressing The **GATHERING**



Mr. Shrikant Naik
Ex DCP, Nagpada



Mr. Surender Vats,
President, DSDWA



Mr. Rajiv Gupta,
Vice President, FDSA

"When we were going through rough whether, we had two options. The first one is to close the business and settle all dues. The second one is to fight back and stand for what we are. We opted for the second and here we are with all your support. Had we closed down, then it would have had a terrible negative impact on the industry itself", he said.

"If Government could look into it, Direct Selling would become the best thing in India. There is only confusion. No one is against Direct Selling. Giant personalities like Mr. Amitabh Bachchan complimented this industry. It would be good if the government could only take a positive step forward for this industry", he felt.

Mr. Shivajirao Chamkire, CMD, Influx Group said, "FDSA is a ray of hope in standing for what is right and pulling down what is wrong. We should stop wrong companies from operating. Our country has very high potential in terms of Direct Selling. 65 per cent of our population is below 35 years. Direct Selling industry can change the face of the Country".

Expressing confidence that very soon the government would act up on the requirements of the industry and provide a legal base, Mr. A P Reddy, President, FDSA, said that it will take only a few months to get the Act and all other necessary support from the government and sought the support of Ms Shilpa Gupta in achieving this. "We should get solutions for all our problems. Our dream is to bring identity to the Direct Selling industry and together we will achieve this. Very soon we will taste success. I seek all your cooperation in this connection. RCM is still there because of you. My support will always be there to all genuine companies. The strength of direct selling

distributors in Indian companies is over 6.50 crore. I appeal to Ms. Shilpa Gupta to take this fact to the notice of the Government.

Earlier, Mr. Rajiv Gupta, Vice President, FDSA while introducing FDSA and milestones achieved, presented the chronology of activities by FDSA since inception. He gave a recap of 30 such activities over the past 3 years.

Mr. Surender Vats, President DSDWA, the distributors association functioning under FDSA, while introducing the association said, "We are all working towards a common goal. This is the life of the industry. All those associated with the industry are present here today. In the earlier meeting of FICCI along with KPMG, a report was released wherein it is stated that a notable percent of retail market is happening through Direct Selling".

Mr. Mukesh Kothari while welcoming the guests said, "We have gathered here to discuss how to build bridge to overcome the challenges of the industry. There are several myths with regard to the industry and these have to be addressed properly and an awareness be brought about them".

The meeting concluded on a very positive note with Ms. Shilpa Gupta in response to Mr. A P Reddy's request, stating that she propose to do a FICCI report and that real number of distributors involved in Indian Direct Selling companies would be taken into consideration in the report, if real figures are provided to her, which was assured by FDSA in near future.

Mr. Rajiv Gupta proposed a vote of thanks.

"The government has clarified that there would be no amendment to Section 2C of the PCMCB Act. However, the Consumer Protection Act is being amended and proper guidelines are being worked out for the industry. The idea is to curb unfair practices in the industry through Ponzi and investment schemes. Time and again, the KPMG report that we had submitted to the government on the industry had been quoted and taken as a reference in the Parliament whenever there is a question on Direct Selling"

-- Shilpa Gupta