



FEDERATION OF DIRECT SELLING ASSOCIATION

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FDSA core body members from left Mr. Gurmeet Singh - Secretary (West), Mr. Manoj Kumar – Secretary (North), Mr. A P Reddy – President and Mr. Rajiv Gupta – Vice President.

Press Note

The Federation of Direct Selling Association (FDSA), on behalf of its associated companies, express grateful thanks to the Rajasthan State Government for issuing guidelines with twin objectives; to regulate Direct Selling business in the state of Rajasthan as well as to provide protection to consumers who purchases goods / services under this business module. In particular, FDSA would like to thank the Chief Minister of Rajasthan and other dignitaries who had extended the needful support for the benefit of this industry for a better existence.

The Rajasthan state government issued guidelines vide a gazette notification - Industries (Gr.I) Department Extraordinary, Part-I vide Notification No. F5(2)/1/2012 dated 5th Oct 2012 to

regulate the sale of goods and services outside of retail establishment otherwise known as “Direct Selling (Multi Level Marketing)”.

FDSA, registered in Hyderabad, is an independent, non-political, non-profitable association of genuine direct selling companies across India. It has strength of 26 associated India based Direct Selling companies who are genuine and of Indian origin. It is making efforts to draw the attention of all relevant government authorities to achieve the much needed legal sanctity & social identity for this industry.

The Direct Selling (Multi Level Marketing) business module is prevalent and blooming in other states also, providing self employment/earning to approximately 6 crores of people pan India. It is also a social welfare orientation as it provides genuine and quality products directly from manufacturer to the consumer at lower cost and is prevailing worldwide. The much needed pioneering step taken by the Rajasthan state government to save this industry is greatly appreciated with gratitude.

Till the end of last century, business is considered to be for only certain privileged persons who either had a business backing or had enough of capital to invest. Thus for centuries together business was seen as a family affair.

The recent technological advancement invented countless comfort generating, FMCG & Consumer products during the last two decades. Entrepreneurs were swift enough to flood the market with products. Thereafter focus shifted on consumers, whose financial constraints were addressed by many financial institutions by way of consumer loans and other means. Thus, Indian market having a few brands of cars with over 10 years waiting period during 70’s, saw the flood of numerous brands & models during late 90’s, which were just a phone call away.

This situation pressed for rapid expansion of merchandising set-up. The market needed aggressive awareness campaigns of the products coupled with efficient logistics. Some entrepreneurs infused capital in logistic systems; whereas many others invested in retail sector. With the technical up-gradation, banking systems allowed swift money transfer across the globe, thereby setting the stage for expansion of retail sector to reach new consumers & markets.

Though the market was growing, business diversification in closed circle kept the opportunities reserved only for select entrepreneurs. This system had four distinct limitations –

- (1) The free expansion of business was hindered,
- (2) A fixed shop/store/mall could serve only to limited area and people,
- (3) The career option was available to small number of employees and
- (4) Many talented entrepreneurs are not having resources or connections and are not getting the opportunity to enter into business.

Market wanted more & more people in consumers net, but the prevailing system was not allowing it. This situation allowed the entry of foreign Direct Selling companies in India in early 90's which fulfilled many requirements of Indian business scenario. Later the same business model of distribution of goods & services directly to the end user by way of appointing independent distributors was adopted by many Indian entrepreneurs and several Indian Direct Selling Companies started their business.

Well established and tested Direct Selling System was perfect for those who had no capital but were ambitious, had zeal to work but not getting the opportunity. The traditional marketing system of Big stores & shops could absorb just handful of unemployed lot; rest are left to fend for themselves. Where should they go?

Here, Direct Selling came to their rescue. This is one such system which does not require any start-up capital, technical expertise, personal status, formal education for entrepreneurship. Past seven decades' history of this profession has proved that this is the only system which has elevated the status of countless ordinary people equivalent to specially trained & educated persons.

Direct Selling has many advantages to the society and the nation.

1. **Occupation for non-technical unemployed people:** Direct Selling absorbs non-technical unemployed population en-mass. In the past seven decades of known history, this facet has groomed numerous entrepreneurs to climb-up higher social & financial ladder, who otherwise would have gone unnoticed forever.
2. **A risk-free business for weaker section of the society:** Direct Selling is taking care of numerous families who are engaged in promotion of products and are being rewarded by commission in lieu of. This non-technical unemployed population could never have entered into business in traditional system, where financial considerations remain restricted only to select people. There is no other system which can give them their honourable income.
3. **Contribution in widening the tax net:** Direct Selling has created a vast pool of Tax Payers having PAN and Bank Account from remote and rural areas, which is an uphill task for any government agency and would not have been possible otherwise.
4. **Ethical Business Practices:** Direct Selling companies are paying entire tax amount on business. The companies cannot hide their sales because the sale is not localised to fixed points, rather it is scattered throughout India and commission is distributed to many distributors on the basis of these sales. Hence each and every sale in Direct Selling is registered and sales tax, service tax and other government levies are paid by the company in total. Even the distributors of remote areas are paying income tax through TDS system as per law.

5. **Women Empowerment** - Direct Selling is the only industry that has given not only equal business opportunity to women but also flexible working hours suiting to their family obligations and thus created large number of taxpaying women entrepreneurs.
6. **Support to the Vendors** - Direct Selling companies has supported numerous vendors who can produce international quality products but do not have marketing capability and sophisticated distribution network. Using Direct Selling model they are able to make their products available to the end users.

Like every other new field, Direct Selling Industry also has numerous problems. It has no industry status, does not have guidelines, no rules & regulations to govern the business.

Fact being, not having rules-regulations is a normal situation. It happens with every new field. Action appears first, followed by the system, followed by problems, which further is followed by guidelines/rules to regulate the system. Direct Selling is no exception.

If recognized Direct Selling industry will be the 3rd largest industry providing employment after agriculture and construction in India. India with its 120 crore population is one of the fastest growing economies in the world. Over the past decade, the gross domestic product (GDP) and per capita income has grown at an average annual rate of seven per cent and five per cent, respectively. By 2015, with a projected GDP of \$2.18 trillion, India is expected to be the 11th largest economy in terms of GDP based on the market exchange rate and the fourth largest in terms of purchasing power parity (PPP).

In 2007, India was ranked the 12th largest consumer market in the world and it is expected to be the fifth largest consumer market by 2025 after the United States (US), Japan, China and the United Kingdom (UK).

The number of direct sellers in India has almost doubled between 2004 and 2009. In terms of the number of direct sellers, India ranked 11th among the top direct selling countries in 2009-10. In future, this sector is expected to offer employment opportunities not only in urban areas but also in rural areas. Indirect employment is expected to be generated in manufacturing and the supply chain, as direct selling companies develop India as a sourcing hub. Direct selling also provided a safety net during the global slowdown as a large number of direct sellers joined this sector during that time. In fact, the number of direct sellers increased by 4.84 per cent during the slowdown period (2008-10). Although, direct selling has benefited women in terms of financial independence and improved self-esteem, Indian women, unlike women in other countries, do not think that they have achieved equality of status with men. The flexible working hours that direct selling offers has helped women achieve a balance between their work and family lives. In terms of sales revenue per direct seller, India is low and ranks 47th among its global counterparts.

The size of the Indian Direct Selling industry in 2009-10 is estimated at US \$ 1062.7 mn when compared over US \$ 25,000 mn in USA. Though Indian has a population of over 120 crore, the size of the industry is very low, due to no proper guidelines and several myths concerning the industry. However, USA with a low population has maximum number of direct sellers (around 20 million) where as India has only 6 million direct sellers. It is the only industry in India doing 100% billing and allows no room for black marketing.

In this backdrop, we applaud the initiative taken by the Rajasthan government, and once again convey our thanks to the Chief Minister of Rajasthan and all the other dignitaries who had extended the support for a great cause.

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