

India Compliance Guidelines for Direct Selling

The Government of India has introduced the Direct Selling Guidelines, 2016 to regulate the direct selling industry, protect consumer rights, and prevent fraudulent practices such as pyramid and money circulation schemes. These guidelines aim to create a transparent and ethical environment for direct selling businesses in India.

Key Provisions of the Direct Selling Guidelines, 2016

1. Definition of Direct Selling

Direct selling refers to the marketing, distribution, and sale of goods or services directly to consumers, typically at their homes or workplaces, through a network of independent sellers (direct sellers).

2. Eligibility of Direct Selling Entities

- Companies must be registered under the Companies Act, 2013 or other relevant laws.
- Indian companies must have a minimum net worth of ₹50 lakh, while foreign companies must have a net worth of ₹1 crore.

3. Prohibition of Pyramid and Money Circulation Schemes ☒

- Direct selling companies are prohibited from participating in or promoting pyramid schemes or money circulation schemes.
- Compensation to direct sellers must be based on actual sales of goods or services, not on recruitment of new members.

4. Responsibilities of Direct Selling Entities

- Provide clear and accurate information about products, prices, and terms of sale.
- Offer a written contract to direct sellers, outlining their rights, obligations, and compensation structure.
- Implement a buyback or return policy for unsold goods in good condition.
- Establish a grievance redressal mechanism for consumers and direct sellers.

5. Rights and Obligations of Direct Sellers

- Direct sellers must provide accurate information about products and avoid misleading or deceptive practices.
- They have the right to receive timely payments and commissions and terminate their association with the company after providing notice.

6. Consumer Protection

- Consumers have the right to receive complete product information, cancel orders, and request refunds within a specified period.
- Companies must address consumer complaints promptly and effectively.

7. Prohibition of Unfair Trade Practices

- Direct selling companies and sellers must not engage in misleading advertisements or unfair practices.
- Unsolicited products cannot be charged to consumers.

8. Maintenance of Records

- Companies must maintain records of direct sellers, products sold, inventory, and complaints received.

9. Compliance with Other Laws

- Direct selling companies must comply with:
- Consumer Protection Act, 2019 o Indian Penal Code (IPC)
- Prize Chits and Money Circulation Schemes (Banning) Act, 1978
- Goods and Services Tax (GST) regulations

10. State-Level Implementation

- State governments are responsible for enforcing these guidelines and taking action against violations

11. Penalties for Non-Compliance

- Non-compliance may result in penalties under the Consumer Protection Act or other relevant laws.
- Companies involved in pyramid or money circulation schemes may face criminal prosecution.

12. Self-Regulatory Organizations (SROs)

- The guidelines encourage the formation of Self-Regulatory Organizations (SROs) to oversee the conduct of direct selling companies and ensure compliance.

Source

The content above is based on the Direct Selling Guidelines, 2016, issued by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India. For the official document, refer to the following links:

1. Press Information Bureau (PIB) Release: [PIB Release on Direct Selling Guidelines](#)
2. Ministry of Consumer Affairs Official Website: [Ministry of Consumer Affairs.](#)

