

# THE HINDU BusinessLine

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## **Direct selling industry hit by lack of regulatory system**

Our Bureau

*Ficci-KPMG report calls for clear-cut guidelines*

Thiruvananthapuram, March 18:

Absence of a systematic policy that clearly defines the regulatory framework has curbed the direct selling industry in Kerala, according to a Ficci-KPMG report.

The industry saw tremendous growth in the last decade in the state. But lack of a clear regulatory framework to curb legitimate direct selling from fraudulent schemes has stalled it ever since.

### **Glimmer of hope**

This has led to top industry players curtailing operations or discontinuing activities in Kerala, said a report titled 'Direct Selling: Kerala,' launched here on Friday.

A glimmer of hope lies in the draft of the Kerala Multi-Level Marketing (Control and Regulation) Bill, 2015. It lays down detailed guidelines for regulating direct selling activities, to ensure that they are conducted without any violations of provisions of the Prize Chits and Money Circulation Schemes Act, 1976.

Apart from the need for clearly defining direct selling, the report also laments the absence of a dedicated regulatory authority, provisions for the protection of consumer interests and a welfare fund for distributors.

### **Job opportunities**

Kerala has been a key market for the industry and was worth ₹70-₹75 crore in 2013-14. Rising per-capita incomes, urbanisation and consumption-oriented population have helped the industry grow.

The industry has provided employment opportunities of up to 90,000 with women constituting 70 per cent in 2013-14.

With the positive intent on the part of the government and support, the industry contributed ₹100 crore at a compounded annual growth rate (CAGR) of approximately 33- to 35 per cent over the last decade.

This is likely to be driven by high economic development rates and rising demand for direct selling in markets such as Thiruvananthapuram, Kochi and Kozhikode.

### **Market potential**

Considering the market potential the industry holds, the contribution to revenue is expected to increase to approximately ₹190 crore to ₹200 crore by 2025.

The potential to provide self-employment opportunities is estimated up to 5.60 lakh by 2025, an increase of 19 per cent by 2025.

The companies are expanding into tier II and tier III cities and rural areas, forgoing mass segments by producing product sachets.

They also outsource manufacturing process to Micro, Small and Medium Enterprise technology percolation. Kerala has also benefited significantly from their CSR initia

### **Pan-India market**

Pan-India, the direct selling industry has grown from ₹4,100 to ₹7,500 crore in the ] to occupy a dominant position in the international and domestic markets.

North Indian markets are in the leading position with a share of 29 per cent in the i East, West and North-East with 25 per cent, 18 per cent, 16 per cent and 12 per cent

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