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# Whether Consumers of Direct Selling Are Adequately Protected under Law? A Critical Doctrinal and Administrative-Data Study in the Indian Context

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**Abstract:**

While social media commerce, mobile payments and relationship-based selling have been growing with the direct selling market in India, the market's hybrid nature keeps drawing the line between ordinary consumption, distributorship and opportunity selling through recruitment difficult to distinguish. This research raises the question whether the consumer protection offered by the law is sufficient, not only in terms of its design, but also in terms of its effectiveness in practice. A mixed legal-analytical design is adopted as it integrates doctrinal analysis of the Consumer Protection Act, 2019, Consumer Protection (Direct Selling) Rules, 2021 and relevant documents with descriptive analysis of the two provided administrative datasets: (i) the number of complaints submitted to the National Consumer Helpline for the period 2016–October 2025 and (ii) an aggregated dataset of Consumer-Commission litigation cases from 2015–2025. Questionnaires from 3 industry associations are only used for qualitative triangulation. The framework is normatively significant, as it includes seller identification, written contracts, pre-purchase disclosure, return and refund information, grievance officers and complaint tracking and prohibiting pyramid and money-circulation schemes. However, there is no commensurate decrease in consumer-system demands in the evidence. Helpline complaints are higher (582 in 2022, 1,082 in 2024 and 1,813 up to October 2025) as is the litigation series provided (higher average litigation filed and a sharp uptick in pending stock since 2021). Market growth and greater awareness/reporting access are not considered to be causal evidence of legal failure, as these can lead to higher levels of complaints. They report a protection gap in the norm of state implementation based on the evidence from stakeholders of inconsistencies in state implementation, misrepresentations and inadequate monitoring. The paper calls for a national verification registry, uniform earnings and product-claim disclosures, interoperable complaint data, an outside grievance escalation process, and seller authentication and state enforcement based on risk on the platform.

**Keywords:** direct selling; consumer protection; multi-level marketing; unfair trade practices; grievance redressal; regulatory enforcement; India

## 1. Introduction and Context of the Study

Direct selling is a non-store selling technique that involves face-to-face contact with the customer to sell the product or service. Its commercial interest is to have low entry distribution and flexible selling arrangement, besides the demonstration and referral and after sales relationship. But the same characteristics also decrease the distance between seller and buyer when they are in different institutions. The recommendation can be from a relative, friend, colleague or social-media contact and the prospective buyer may be asked to buy a product and join a network. This means that a participant can be a consumer, product user, a salesperson and a recruiter. This overlapping of the roles undermines the normal arm's length presumption of retailing and raises unique issues of information asymmetry, consent and accountability (Peterson & Wotruba, 1996; Coughlan & Grayson, 1998).

The sector is of material economic importance. According to the industry estimates, the total turnover of the industry jumped from ₹16,776 crore in FY2019–20 to ₹23,021 crore in FY2024–25 and the number of sellers rose from approximately 74 lakh during FY2019–20 to 93.2 lakh during FY2024–25 (as mentioned in Figure 1). Given the magnitude of participation, even a small percentage of misinformation, pressure selling or failed refunds can impact significant numbers of households. Growth also complicates the compliance issue: supervision cannot just be about a corporate entity, claims are replicated in vast networks of unaffiliated sellers, training, messaging apps and social media content. Distributor networks can allow for the normalisation of practices that are not formally supported by the entity and entities can still derive benefits from practices that have been executed through the sales of distributors (Groß & Vriens, 2019).

Digitalization brings opportunity and risk to the extreme. Product demos, recruitment pitches now go around via WhatsApp groups, short-form videos, live sessions and influencer-style testimonials. These formats are a way of condensing information and making it palatable as a story or as a commercial claim, many of which are composed of a mix of these two. In the digital world, consumers might not be able to easily separate verified product evidence from anecdote or regular retail consumption from an income opportunity. In addition, interface design and repeated messaging can leverage attention, urgency and social proof, which are concerns common across the literature on dark patterns and online choice architecture (Mathur et al., 2019; Luguri & Strahilevitz, 2021).

So, the issue is not whether India has rules. It does. Consumer Protection Act, 2019 established a contemporary structure for consumer rights, unfair trade practices, misleading advertisements, product liability and central regulatory action. Consumer Protection (Direct Selling) Rules, 2021, subsequently placed additional responsibilities on direct sellers and entities in the direct selling sector, such as identity verification, written authorization, accurate pre-purchase disclosure and return or refund information, grievance redressal, and prohibition of pyramid and money-circulation schemes (Government of India, 2019; Ministry of Consumer Affairs, Food and Public Distribution, 2021).

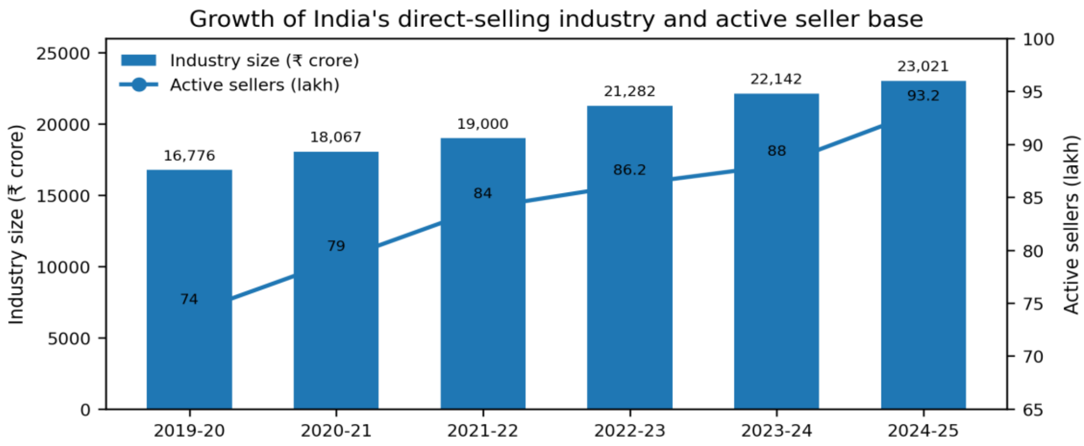


**Figure 1. Growth of India's direct-selling industry and active seller base, FY2019–20 to FY2024–25.**

Source: Compiled from Indian Direct Selling Association and Ipsos annual survey materials. FY2021–22 industry size is reported approximately; FY2024–25 is the latest association estimate.

**Statement of the problem.** While the Indian law outlines numerous obligations for direct selling companies and direct sellers, there are still potential pitfalls that consumers can face, including false product or income claims, social or emotional pressure, lack of information, inability to differentiate between legitimate selling and recruitment-led schemes, slow refunds, and piecemeal enforcement. The issue is hence whether or not a disjunction exists between the normativeness of the law and the protection in the marketplace.

## 2. Review of Literature and Research Gap

### 2.1 Direct selling, network structure and the pyramid boundary

The direct selling literature separates the distribution system from the compensation system. Multi-level marketing is a form of direct selling with incentives that are associated with the sales efforts of the recruits. A real network can cut down on traditional retail expenditure, while providing personalized service; however, when recruitment, forced purchases or stock loading are substituted for retail demand, then the model turns problematic. Coughlan and Grayson (1998) demonstrate how compensation policies influence network expansion and distributor motivation, and Vander Nat and Keep (2002) suggest an economic model to differentiate marketing organizations from those that rely mainly on recruitment for their payouts. Historical analysis also reveals that the legal boundary has emerged by enforcing against endless-chain structures rather than one universal mathematical test (Keep & Vander Nat, 2014).

Issues are raised on the ethical level, since the relationship of the seller is persuasive and part of social relationships. Koehn (2001) argues that multi-level arrangements pose unique challenges of realistic disclosure of opportunities, duties of distributive fairness, and for later entrants. Informal training and group socialisation can perpetuate problematic conduct where it is officially banned in a company's policies, as do distributor networks, Groß and Vriens (2019) continue. These are important considerations for consumer protection because the buyer might not be thinking of the contract but only the person, and the transaction might be under-disclosed as being commercial.

### 2.2 Consumer vulnerability, information asymmetry and trust

Akerlof's (1970) information-asymmetry framework accounts for the fact that markets break down when sellers know more about quality than does the buyer and that credible verification is costly. Direct selling has multiple asymmetries simultaneously, the seller might know about the compensation plan, authorization status, product margin, refund policy and typical earnings distribution, and the consumer might hear a “stripped down” pitch. Consumer vulnerability is not an inherent personal characteristic, it can be brought about by situations where knowledge is limited, economic pressure is present, persuasive relationships or digital environments make it difficult for consumers to reflect on their consumption (Baker et al., 2005; Hill & Sharma, 2020).

Recent evidence of attraction to multi-level opportunities shows that decision processes may be more influenced by extrinsic goals and intuitive reasoning and belief-based narratives, supporting the argument for clear, comparable and unavoidable disclosures over lengthy disclaimers (Dixon et al., 2023). Thus, trust cannot replace regulation. It relies on measures of verified identity, verifiable claims, verifiable transactions and verifiable remedies.

### 2.3 Disclosure, grievance redressal and responsive regulation

Consumer protection will only work if consumers can identify breach and take action at reasonable cost. Complaint research shows that, dissatisfaction is not necessarily a formal complaint, but consumers consider expected effort, accessibility and likely remedy (Singh, 1988). Perceived fairness, speed and communication affect post-complaint trust in service-recovery situations (Maxham & Netemeyer, 2002). These results validate the Direct Selling Rules' focus on grievance officers, complaint monitoring and a time-bound response requirements, but also shed light on the need for an independent or escalating internal complaints procedure, if one is provided.

Regulatory scholarship also warns against the use of command-and-control regulations exclusively. The concept of regulation, as outlined by Black (2001), is fragmented and distributed throughout state agencies, companies, professional networks and consumers. Gunningham and Rees (1997) demonstrate that industry self-regulation is most effective when supported by credible external supervision, and responsive regulation must have a sequence of steps from advice to compliance assistance to sanctions for non-compliance. In the context of direct selling, this means that the entity-level control and association codes must be part of a public verification, reporting and enforcement framework.

### 2.4 Digital direct selling and emerging risks

Digital promotion increases reach but reduces the visibility of authorization and responsibility. Unwanted re-sales on marketplaces can interfere with warranties, traceability and product integrity; social-media reviews can build false net impressions; and unsolicited communications can turn private customer contact information into a sales resource. Dark pattern studies demonstrate how design and framing can make a material difference in decisions even in the absence of an actual lie (Mathur et al., 2019; Luguri & Strahilevitz, 2021). The appropriate legal response must therefore focus on both content and architecture – verification of identity, substantiation of claims, consent, platform accountability, record of communications and swift removal of recurrent offenders.

**Table 1. Synthesis of the literature and the unresolved research problem**

| Literature stream | Established insight | Gap addressed in this study |
|---|---|---|
| **Business model and incentives** | Retail-based direct selling can coexist with network compensation, but recruitment-heavy incentives and inventory loading create structural risk. | Limited integration with Indian consumer-remedy data. |
| **Consumer vulnerability and trust** | Information asymmetry, relational persuasion and situational vulnerability make clear verification and disclosure essential. | Few Indian studies test whether rights are practically usable. |
| **Grievance redressal and regulation** | Speed, fairness, independence and escalation determine whether complaint systems restore trust. | Internal grievance design is rarely compared with public complaint trends. |
| **Digital selling** | Social media, interfaces and unauthorized online resale amplify claims and obscure accountability. | Platform verification and digital evidence remain underdeveloped in direct-selling research. |

Source: Authors’ synthesis of the literature reviewed in this paper.

**2.5 Research gap**

The literature generally addresses direct selling structure, consumer vulnerability and legal rules and complaint behaviour separately. Indian debates are particularly likely to talk about the 'statutory framework' without putting it to the test of administration indicators or stakeholders' experience. A methodological gap too – a drop in raw post-2021 figures can't be attributed to a reduction in poor practice without consideration for the different lengths of observation periods, and an increase in complaints doesn't necessarily reflect an increase in the incidence of poor practice. This paper seeks to fill such gaps by combining doctrinal analysis, administrative trends adjusted by period and bounded stakeholder triangulation. The one it contributes is the 'normative–operational protection gap', which analyzes whether formal rights are reflected in verifiable sellers, understandable disclosures, available remedies, and coordinated enforcement.

**3. Research Objectives and Research Questions**

**3.1 Research objectives**

1. To critically analyze the law and institutional framework of consumer protection in Indian direct selling.
2. To investigate patterns in complaints, litigation, pendency and geography in the provided administrative datasets.
3. To evaluate using evidence from stakeholders, the main issues with implementation with respect to disclosure, ethical selling, grievance redressal and monitoring at the state level.
4. To contrast Indian safeguards with judicial and international regulatory options.
5. To suggest a practical enforcement and governance structure to reduce the formal legal/actual market protection gap.

**3.2 Research questions**

- Does the Indian matrix offer normatively sufficient safeguard against misleading, coercive and recruitment-driven practices?
- What do the provided trends in complaints and litigation suggest about the effectiveness of protection going forward, after the 2021 Rules?

- Looking at evidence from stakeholders, what are the most consistently observed institutional and managerial weaknesses?
- Comparative disclosure, verification and enforcement practices – How can these be adapted to India?
- What changes can be made that will enhance consumer confidence without curtailing legitimate direct selling via the retail channel?

## 4. Indian Legal and Institutional Framework: Comparative and Judicial Analysis

### 4.1 Consumer Protection Act, 2019 and the Direct Selling Rules

The general architecture is provided in the Consumer Protection Act, 2019. It acknowledges the rights of the consumer, bans unfair trade practices, addressing misleading advertisements, institutes product liability and the creation of Central Consumer Protection Authority (CCPA) with powers beyond resolution of individual cases. In the context of direct selling, this public-law aspect is significant, as the actual damage could come from a recurring sales presentation or from an entire network of representations, and not from a single substandard product. The Act allows for systemic action on the one hand, without minimizing the access of consumers to the district, state and national commissions (Government of India, 2019).

The Consumer Protection (Direct Selling) Rules, 2021 bring into effect specific obligations for the direct selling industry. They are applicable to entities that sell products and/or services to Indians, in both direct-selling and e-commerce. Entities should be legally established, have an office in India, have a proper fair written contract with the sellers, be able to verify the identity and address of the sellers, maintain records of the sellers, have clear information on the website, state the total price and related policies, and be held responsible for any grievances related to the sales of their sellers. The direct sellers shall identify themselves and the entity in a true manner, explain the purpose of solicitation, give all information regarding the solicited product and price, specify the method of payment, return, refund, guarantee and after-sales service, and provide an order form with the necessary information on cancellation and complaints. Pyramid schemes and money-circulation schemes are specifically not allowed (Ministry of Consumer Affairs, Food and Public Distribution, 2021).

The grievance provisions are a big plus. A complaint should be acknowledged within 48 working hours, and should normally be redressed within 1 month, with a written explanation for any delays. The entity should have several avenues for filing complaints, a grievance officer and nodal officer, and provide consumers with a ticket number for tracking their complaints. The Rules also mandate that a mechanism for monitoring or supervision shall be put in place by state governments. However, the 2023 amendment further clarified the meaning of ‘network of sellers', and the consideration should only come from the sale of goods or services (Department of Consumer Affairs, 2023).

### 4.2 Allied digital, advertising and anti-scheme controls

Compliance in the direct selling industry is always multi-layer. The Consumer Protection (E-Commerce) Rules, 2020 are applicable along with the sector-specific rules when entities or sellers use online platforms. The guidelines from 2022 on misleading advertisements reinforce the obligations to substantiate claims and to accept a “substantial endorsement” liability, while the guidelines from 2023 on dark patterns focus on manipulative interfaces and choice architecture. The labelling of the product and quantity statements continue to be subject to legal-metrology requirements and health/welfare/food claims may involve sectoral safety and advertising provisions. Where personal contact data, profiling/messaging information is used for recruitment and sales, the Digital Personal Data Protection Act, 2023 is relevant. Lastly, the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 continues to play a pivotal role in schemes which offer a quick or easy earning of money based on enrolment. This legal plurality is protective in nature but has coordination costs when there is no one with the complete risk picture.

### 4.3 Institutional enforcement and judicial boundary-setting

Enforcement is shared between the Department of Consumer Affairs, the CCPA, consumer commissions, state monitoring devices, police/economic-offences units, sector regulators, platforms, entities and industry associations. This kind of distribution can be fruitful when information is shared, or lead to referral loops. With the CCPA releasing notices to 17 direct-selling firms in December 2024, it has shown that the central agency is capable of taking action against companies that are allegedly engaging in unfair practices or failing to comply with the rules, however it has also acknowledged that the rules need ongoing monitoring.

Case laws of India have held that the classification should be drawn on the substance of the scheme. The Supreme Court in State of West Bengal v. Swapan Kumar Guha (1982) pointed out that a money-circulation scheme must have quick or easy money which is connected to an event or contingency connected to enrolment. In Reserve Bank of India v. Peerless General Finance (1987), the Supreme Court also found a plain vanilla recurring-deposit scheme to be outside the scope of the Prize Chits Act. While these decisions limit the risk of over-criminalizing legitimate activity, they also require an incentive and cash flow focused investigation.

Another border is as depicted in the case of Amway vs Modicare and online marketplaces: resale, authenticity, warranties and intermediary responsibility. The single-judge decision in Amway India v. 1MG Technologies (2019) had heavily relied on the restrictions on direct selling and product integrity, whereas the Delhi High Court's appellate order in Amazon Seller Services v. Amway India (2020) had quashed the interim restrictions and evaluated the previously available guidelines for direct selling as non-binding. The order illustrates the need to now interpret the 2021 Rules and e-commerce requirements in conjunction with private distribution agreements.

### 4.4 Comparative perspective

The United States emphasizes how the organization works: participant's experience, incentives, incentives and recruitment, retail sales. Federal Trade Commission guidance says earnings claims must reflect typical results after expenses, and that they must be substantiated, but that a general disclaimer that results may not be typical is not enough. In 2024, the FTC reviewed 70 income-disclosure statements and discovered that there were common omissions of low or zero earners and participant expenses, and that the vast majority of participants in the programs reviewed make US$1,000 or less annually after full expense adjustment (Federal Trade Commission, 2024a, 2024b). EU's framework on unfair commercial practices includes a ban on pyramid promotional schemes and evaluates the misleading action, omission and aggressive practice based on the impact on the average consumer or the vulnerable consumer. India's framework is similar in scope, but based on the comparative practice, three additional points can be added: standardized disclosure of net earnings, auditable verification of retail sales and enhanced public documentation of authorized sellers and entities.

**Table 2. Legal safeguards, operational gaps and comparative lessons**

| Domain | Current Indian safeguard | Operational strengthening required | Comparative lesson |
|---|---|---|---|
| **Entity and seller identity** | Verified sellers, written contracts, entity records and identity cards | Public searchable registry and unique verification number | FTC emphasis on actual operation; EU trader identity |
| **Product and price claims** | Accurate pre-purchase information, total price, returns, warranty and order form | Standard claim substantiation file and plain-language key facts | US net-impression test; EU misleading-action/omission rules |
| **Earnings and opportunity claims** | General ban on unfair/misleading conduct and pyramid schemes | Mandatory standardized net-earnings statement including zero earners and typical expenses | FTC 2024 guidance and disclosure report |
| **Grievance redressal** | 48-hour acknowledgment; normal | Independent escalation after deadline and public outcome reporting | Alternative dispute and responsive-regulation models |

| | | | |
|---|---|---|---|
| | resolution within one month; tracking ticket | | |
| **Digital selling** | E-commerce compliance and entity responsibility | Platform verification, authorization badge and evidence preservation | EU platform/trader transparency; FTC social-media claim rules |
| **State monitoring** | State mechanism required | Interoperable national dashboard, risk scoring and minimum monitoring protocol | Coordinated multi-level enforcement |

Source: Doctrinal synthesis of Indian rules, judicial decisions, FTC guidance and the EU unfair-commercial-practices framework.

**5. Research Methodology**

The study is mixed, incorporating a doctrinal and empirical-analytical design. The doctrinal part covers the Consumer Protection Act, 2019, the Direct Selling Rules, the amendment to the Rules and allied consumer and digital instruments, selected judicial decisions and regulatory guidance in other jurisdictions. The descriptive part of the empirical is not causal, and is based on the two documents provided with this paper. The first provides the annual National Consumer Helpline numbers of complaints against direct sellers from 2016 to October 2025. The second provides year-wise and forum-wise litigation aggregation for 2015-2023 and cumulative totals for states/UTs for 2015-2021 and 2022-2025.

The state periods are not the same: seven years before/and including the transition year, and four years after. The raw percentage changes provided in the document would then mechanically benefit the longer pre-period. The analysis accounts for this by dividing the annual average number of cases: pre-period by seven and post-period by four. The Rules were notified on 28 December 2021 and for this reason, 2021 has been considered a transition/baseline year instead of a full post-regulation year. The post period for the annual forum series is closed for 2022–2023. Because the data does not report the total number of cases handled, and the age structure of pending cases, ‘pending stock as a percentage of new filings’ is reported as a workload indicator only.

Qualitative triangulation is based on the structured responses received from Federation of Direct Selling Association (FDSA), Federation of Indian Direct Selling Industries (FIDSI) and Vishwa Direct Selling Vyapaar Sangh (VDS) in 2025. These sources represent the industry-association point of view and do not necessarily represent a representative sample of consumers. They were coded within the areas of legal adequacy, implementation, misleading claims, scheme differentiation, training, grievance handling, monitoring and policy reform. A high-level managerial interview included in the field notes is included in the context and is not viewed as an independent statistical observation.

There is no synthetic consumer data used as field evidence in this paper. The previously developed 150-record practice sheet was intended as an SPSS demonstration, and is not of evidentiary nature. The findings of the present study are thus limited to the administrative aggregates and the stakeholder materials and legal documents that have been uploaded. While this option helps with the validity of the study, it does not allow the study to estimate the consumer awareness, the determinants of complaint behaviour and the causal effects of Rules.

**Table 3. Data sources and analytical treatment**

| Evidence stream | Coverage | Analytical treatment |
|---|---|---|
| **Doctrinal sources** | Acts, rules, amendments, guidelines, official notices and selected judgments | Interpretive analysis of duties, rights, institutions and enforcement gaps |
| **National Consumer Helpline** | Annual direct-selling complaint counts, 2016–Oct. 2025 | Trend, growth and monthly-pace comparison; no causal attribution |

| | | |
|---|---|---|
| **Litigation aggregation** | Year/forum series, 2015–2023; state cumulative pre/post totals, 2015–2025 | Annual averages, forum shares, workload ratio and geographic comparison |
| **Stakeholder submissions** | Three association questionnaires and contextual field interview, 2025 | Thematic convergence/divergence; not population estimates |

Note: The supplied litigation file does not include case-level records, legal issues, company identifiers, extraction protocol or validation metadata; conclusions are therefore descriptive and conditional.

## 6. Data Analysis

### 6.1 National Consumer Helpline complaint trend

The complaint series is shown in figure 2. The uploaded table records zero complaints in 2016 and 2017, 224 in 2018, a rise to 894 in 2019, and 653 and 571 in 2020 and 2021 respectively. The zeros should not be interpreted literally as absence of consumer harm since the category creation, classification and reporting coverage is not known. The most analytically relevant comparison starts from when notification of the Rules took place: complaints rose to 739 in 2023 from 582 in 2022, and to 1082 in 2024. This represents an 85.9% rise over the last 2 years and a compound annual growth rate of about 36.3%.

The 2025 data is partial, but impressive: 1813 complaints as of October, or approximately 181.3 complaints per month, versus 90.2 complaints per month in 2024. This works out to a monthly increase of some 101.1%. This does not provide evidence that the Rules caused a deterioration. The number of complaints can rise because of market growth, a greater awareness of the helpline among consumers, better digital access or better classification. However, a good preventive program should lead to a reduction in incidence, or a more clearly apparent increase in resolution. The increase in calls to the helpline is a reflection of ongoing regulatory significance, but it is not necessarily a sign of success or failure, in the absence of disposal and outcomes data.

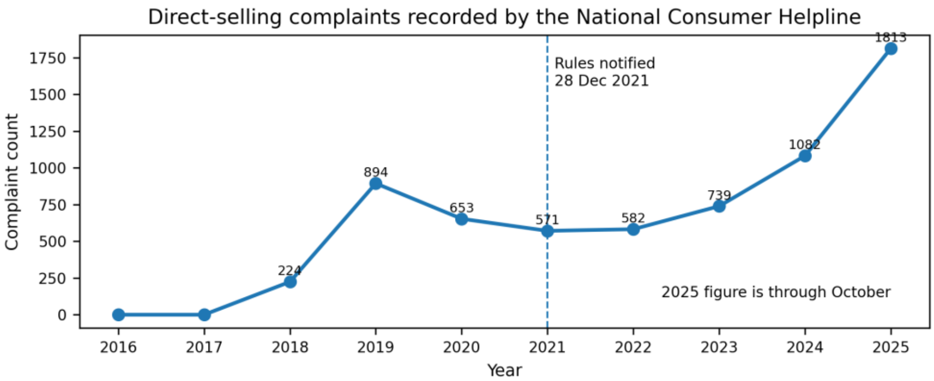


**Figure 2. Direct-selling complaints recorded by the National Consumer Helpline, 2016–October 2025.**

Source: Authors' analysis of the uploaded National Consumer Helpline status table. The 2025 count covers January–October only; the 2021 Rules were notified on 28 December 2021.

### 6.2 Annual litigation and pending stock

The supplied litigation aggregation shows a decline in new filings from 5,650 in 2015 to 2,304 in 2020, followed by recovery to 3,091 in 2021, 5,001 in 2022 and 5,980 in 2023. As Figure 3 shows, the average for 2015–2021 was 4,065.6 filings per year, compared with 5,490.5 for 2022–2023, an increase of 35.0%. Since there are only two post years, the outcome is influenced by short-run fluctuations, and is therefore not to be interpreted as a stable post-rule effect.

The pending stock increased at a higher rate. Average year-end pending cases increased from 500.7 in 2015–2021 to 2,229 in 2022–2023, or 345.2%. Pending stock represented 6.5% of that year's new filings in 2015 and 22.0%

in 2021, then 28.3% in 2022 and 50.9% in 2023. This ratio does not represent a legal disposal rate; the number of pending cases may be from earlier years and total cases handled is not available. It does nevertheless indicate growing imbalance in the workloads of the series provided. Better definition of legal obligations can enhance adjudication quality but does not generate adjudicatory capacity.

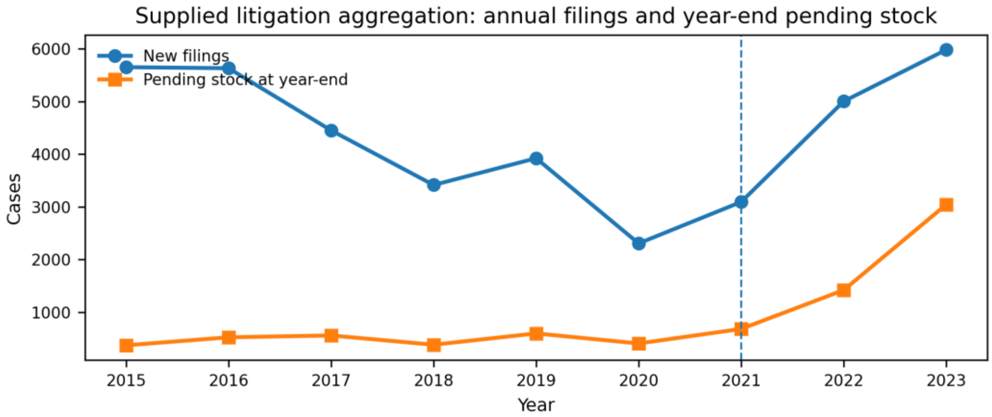


**Figure 3. Annual new filings and year-end pending stock in the supplied litigation aggregation, 2015–2023.**

Source: Authors’ calculations from the uploaded NCDRC data-aggregation document. The series is treated as supplied and is not independently verified against case-level records.

### 6.3 Forum distribution

The provided file lists a total of 37,936 cases at district commissions, 1,494 cases at state commissions and 10 cases at the national commission during the period 2015 to 2023. As seen in Figure 4, district commissions make up 96.19% of filings, state commissions make up 3.79% and the national commission for less than 0.1%. The consequence on the business side is clear: consumer protection in direct selling will be felt mostly at the local level through local complaints procedures and district level institutions. Central rulemaking, which lacks the ability to empower districts to create and implement their own plans, will likely not resolve the protection gap, as will multilingual guidance and standardized evidence collection.

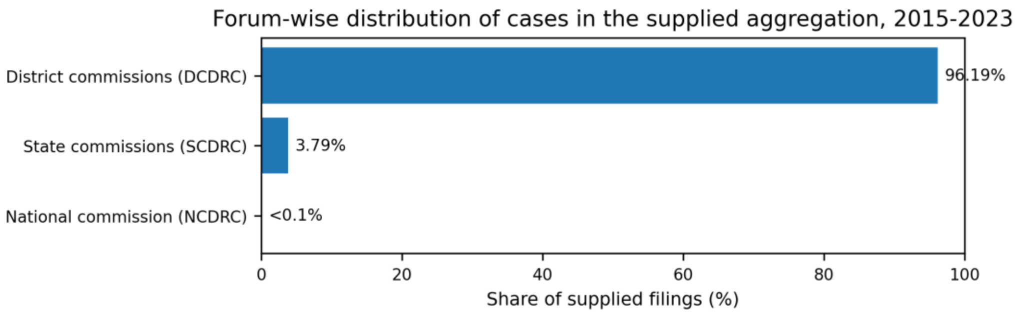


**Figure 4. Forum-wise distribution of cases in the supplied aggregation, 2015–2023.**

Source: Authors’ calculations from the uploaded litigation aggregation.

### 6.4 Geographic concentration and annualized change

The state has a total of 1,791,121 cumulative cases. Figure 5 identifies Maharashtra (220,132), Uttar Pradesh (203,337), Rajasthan (163,328), Madhya Pradesh (142,373) and Gujarat (140,805) as the five largest volumes. Absolute volume should be used to indicate population, market size, forum access/reporting and underlying dispute; and should be used as a basis for determining a resource allocation, not as a ranking of misconduct.

The pre/post interpretation is materially affected by the annualisation. In all States and UTs the post period annual average is about 10.3% higher than the pre period average, although the raw post total is lower since it represents a smaller number of years. Selected extremes are shown in figure 6. Large annualized increases are seen in Tamil Nadu, Dadra and Nagar Haveli & Daman and Diu, Manipur, Sikkim and Puducherry and substantial declines in Jammu and Kashmir, Andaman and Nicobar Islands, Chhattisgarh, Punjab and Lakshadweep. The percentage can be big with small base also and Ladakh is excluded from it as the pre-period value is zero. This suggests that success is a state-based phenomenon, as opposed to one national story.

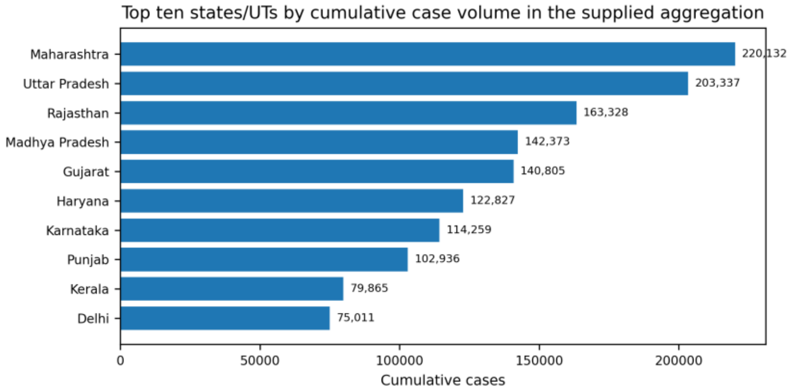


**Figure 5. Top ten states/UTs by cumulative case volume in the supplied aggregation.**

Source: Authors' calculations from the uploaded state-wise litigation table.

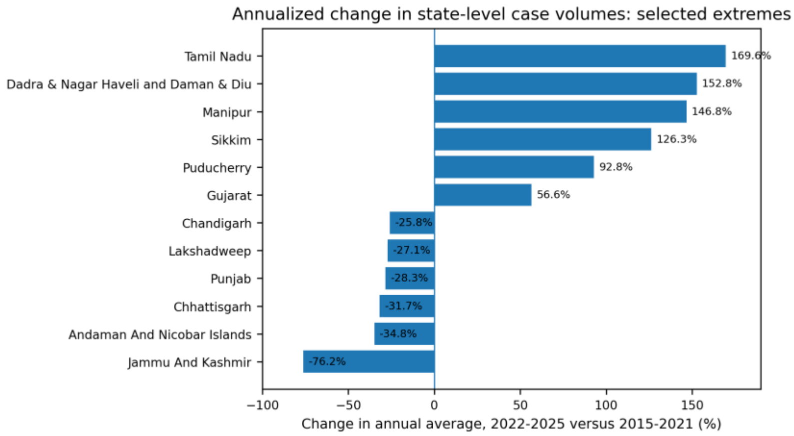


**Figure 6. Annualized pre/post change in selected state-level case volumes.**

Source: Authors' calculations. Pre-period annual average = 2015–2021 total ÷ 7; post-period annual average = 2022–2025 total ÷ 4. Percentages are descriptive and affected by data coverage and base size.

**Table 4. Principal administrative indicators and cautious interpretation**

| Indicator | Baseline | Comparison | Change | Interpretive caution |
|---|---|---|---|---|
| **NCH complaints** | 582 (2022) | 1,082 (2024) | +85.9% | 2025 reached 1,813 through October; reporting/awareness may contribute. |
| **NCH monthly pace** | 90.2 per month (2024) | 181.3 per month (Jan–Oct 2025) | +101.1% | Partial-year comparison; not a forecast. |

| | | | | |
|---|---|---|---|---|
| **Average annual filings** | 4,065.6 (2015–2021) | 5,490.5 (2022–2023) | +35.0% | Only two post years are available. |
| **Average pending stock** | 500.7 (2015–2021) | 2,229.0 (2022–2023) | +345.2% | Stock measure; not a disposal rate. |
| **Forum concentration** | DCDRC share | 96.19% | — | Operational burden is overwhelmingly district-level. |
| **State annual average** | 2015–2021 aggregate | 2022–2025 aggregate | +10.3% | Adjusted for seven-year versus four-year windows. |

Source: Authors' calculations from the two uploaded administrative-data documents.

**6.5 Stakeholder evidence**

There is a common theme in the stakeholder submissions that the difference between legal adequacy and implementation is acknowledged. The FDSA response scored very low on regulatory challenges due to poor implementation, while the 2021 Rules received a high score for being adequate. It listed a lack of state uniformity and confusion with pyramid schemes as the major challenges. The association also highlighted training, consumer education and discipline, giving a relatively low rating to seller tactics that include strict monitoring. The mix is telling: while there is normative confidence, there is also an awareness that network-level conduct is challenging to oversee (Federation of Direct Selling Association, 2025).

FIDSI also pointed out unethical recruitment practices, overstated income statements, false product claims, and the existence of pyramid schemes disguised as direct selling. It advocated for realistic income disclosure, external validation, monitoring, enhanced penalties, a single registration pathway, and a more unambiguous differentiation between legitimate direct selling and fraudulent structures. Vishwa Direct Selling Vyapaar Sangh also highlighted the need for standardized codes, training, income disclosure, and the challenge of identifying legitimate companies from pyramid schemes (Vishwa Direct Selling Vyapaar Sangh, 2025).

The senior manager field interview corroborates these themes: the history of legal uncertainty had allowed fraudulent companies to operate under the banner of companies in good standing; there was a need for registration and monitoring or certification process. The stakeholder evidence is not necessarily the independent consumer evidence and could benefit legitimate entities to facilitate compliance. Its importance is in convergence: even industry-directed respondents who consider the law generally good are unsure about implementation, verification, scheme differentiation and monitoring.

**Table 5. Stakeholder convergence and regulatory implications**

| Source | Central diagnosis | Internal control perspective | Public-policy implication |
|---|---|---|---|
| **FDSA** | Rules normatively adequate; impact weak due to implementation; state inconsistency; pyramid confusion | Training and awareness strong; strict monitoring rated relatively weak | Uniform monitoring, consumer education and recognized feedback channel |
| **FIDSI** | Unethical recruitment, exaggerated earnings and product-plan misrepresentation; no single-window registration | Supports disclosure, audits, penalties and complaint mechanisms | Central registration, realistic net-earnings disclosure and joint advisory body |
| **Vishwa Direct Selling Vyapaar Sangh** | Difficulty distinguishing legitimate entities from pyramid schemes; recruitment ethics | Code of conduct, training and compliance checks emphasized | Standardized code, verification and monitoring |

| | | | |
|---|---|---|---|
| **Senior managerial interview** | Regulatory ambiguity and fraudulent entities damage trust in legitimate firms | Registration and certification proposed | Public registry and designated risk-based supervisory mechanism |

Source: Thematic synthesis of the uploaded 2025 stakeholder questionnaires and field-interview notes. These are purposive stakeholder inputs, not representative consumer findings.

**7. Findings**

First, the framework of India is fairly substantial normatively. It covers issues of "entity and seller identity, written authorization, information given before purchasing, order documents, returns and refunds, guarantees, grievance officers, complaint tracking, using e-commerce and prohibited schemes. The amendment in 2023 also explicitly addresses consideration of network aspects. The issue is not a lack of duties, it is the lack of standard public verification and interoperable enforcement data.

Second, there is no simple claim of a reduction in consumer-system demand in the administrative evidence in 2021 under the Rules. There were more NCH complaints after 2022, and the litigation series provided here exhibits higher average filings and a major uptick in pending stock during 2022-2023. These are descriptive associations and not causal estimates. They are compatible with ongoing misbehaviour, improved reporting, market growth or some combination thereof.

Third, protection varies across territories. The annualized state comparison shows significant growth and declines. Given that district commissions handle over 96% of the filing burden provided by the law, a lack of local monitoring, complaint support, and adjudicatory capacity may be more important than the law itself in determining the practical protection available in the field.

Fourth, stakeholder submissions agree that there are four operational failures: a lack of clarity in distinguishing legitimate direct selling from pyramid activity; uneven state implementation; deceptive product, plan or earnings representations; and a lack of monitoring of the conduct of the sellers who operate in a decentralized manner. This convergence reinforces the hypothesis that there is implementation gap despite the fact that stakeholder inputs are industry facing.

Fifth, many fundamental aspects of consumer protection are on paper, but not yet operational. The protection gap is the result of verification, information, grievance and enforcement failures, not the lack of one statutory right.

**8. Discussion**

The results suggest that there is a difference between formal and substantive protection as well as procedural protection. Formal protection involves whether there are rights and duties; procedural protection involves whether there is identity, documentation, complaint channels and institutions enable consumers to exercise rights; substantive protection involves whether consumers avoid or obtain relief from harm. India has a relatively high performance at the formal level. The pressure points identified through the data put in place are at the procedural and substantive level.

First pressure point is verification. A self-declaration, private seller card or company website does not provide an independent method for consumers to check if an entity and a seller is authorised and currently compliant with a functioning grievance procedure. A national digital registry should thus be created and provide an entity identifier and seller-verification token, which can be verified via QR code or SMS and web search. The registry should include the legal name of the entity; the name of the grievance officer; the entity's product categories; whether the entity is authorized; adverse orders; unresolved systemic notices; and the registry should not include unnecessary personal information. State monitoring bodies should not keep separate lists but rather update the same system.

The second pressure point is disclosure. Product claims, business-opportunity claims and testimonials should be distinguished. Any representation of earnings should be presented with a standardized one-page disclosure of net-earnings that provides the percentage of participants receiving no earnings, and median and percentile earnings, typical mandatory and discretionary expenses, refund/buy-back conditions, and data period. The FTC's findings for 2024 highlight the need for more than gross averages and spot successes. India doesn't have to follow the US model exactly; it can include regularised disclosure as part of the record-keeping and unfair-trade-practice obligations of the entity.

The third pressure point is independence of grievance. Resolution should be efficient when the entity acts promptly and, if the complaint is not resolved, the complaint should automatically be transferred to an external process after the allotted time period. As for the interoperability between entity tickets, National Consumer Helpline, e-Daakhil and state monitoring systems, it would ensure the consumer does not have to repeat the same story and would enable the regulators to see repeat stories. A public dashboard should include complaints received, complaints acknowledged, complaints resolved, complaints escalated, median time to resolve complaint, and top categories of the complaint. This sort of reporting changes grievance redressal from a promise made behind the scenes into a compliance function that can be measured.

The fourth pressure point is sellers' off-center behavior. Entities shall be obligated to maintain approved scripts, training materials and digital claims, track high-risk words and keep notes of corrective action taken. The liability should be risk, not vicarious: The entity that provides effective training, identifies violations and removes repeat violators and pays off consumers should have compliance credit; the entity that benefits from repeated misleading claims or fails to act on complaint clusters should face escalating sanctions. This is in line with responsive regulation and does not equate all errors and all organized deceptive practices.

Platform accountability is the fifth point. Marketplaces and social platforms should check whether a seller claiming authorization as a direct seller is included in the list of the entity, keep ad and transaction records, promptly respond to notices received and substantiated and flag any products sold to direct consumers that may be outside the authorized channels that may impact warranty or safety. An absolute distribution control is not the target, but to maintain authenticity, traceability and honest consumer information. Monitoring should not come at the expense of data-protection compliance: Data lists gathered for one purpose should not be used for recruitment without any restriction.

Lastly, the interpretation of data is a governance question. The raw pre/post change in the uploaded state table is 7 years vs. 4 years and would underestimate intensity in the post period. This annualisation is to show the overall direction, which is from apparent decline to a 10.3% increase in annual average. Transparent denominators, case definitions and extraction rules therefore are essential for a publishable regulatory assessment. Future official filings should include: Direct selling entity, product category, allegation type, forum, filing date, date of disposition, outcome and relief, and the consumer identifiers should be anonymized. This would enable survival analysis as well as state comparisons and causal evaluation, instead of numbers aggregations only.

**9. Conclusion and Policy Implications**

The Indian legal regime includes all the ingredients of a modern direct-selling regime, such as a consumer rights regime as per the Act 2019, sector specific obligations as per the Rules 2021, clarification of network consideration in 2023 and obligations for e-commerce, as well as measures against misleading advertisements and against pyramid and money circulation arrangements. Doctrinally, the structure is fairly sound. However, the evidence investigated in this study does not suggest that consumers are well protected in practice.

Since 2022, complaints to the Consumer Helpline have increased significantly and have grown at a faster rate until October 2025. Litigation aggregation shows a greater number of filings and pending stock in the years following the transition year, while district commissions bear virtually the entire burden of filings. State patterns are very uneven on an annual basis. Market growth, awareness, reporting access and data classification are uncontrolled indicators, and are not isolated by these indicators to identify the effect of the Rules. Nevertheless, they demonstrate that there is still a significant demand for consumer-protection institutions. Weak implementation, state variation, misleading claims and scheme confusion and insufficient monitoring are identified as evidence from stakeholders.

The paper therefore proposes six interrelated reforms: a national registry of entities and verified sellers that is searchable by regulators; uniform and standardized disclosures of “net earnings” and “key products”; a platform-level authentication and record of all complaints; tracking of complaints at an external entity; mandated risk-based monitoring, training and sanctions for repeat seller misconduct; and the publication of anonymous, case-level regulatory statistics. All of these would together make formal rights real and measurable protection. Rather than stifling legitimate relationship-based retailing, the policy goal should be to build trust based on transparency, traceability and enforcable responsibility.

Study has an aggregate nature, uncertain extraction protocols, short window for post-rule litigation, and lacks a verified consumer level survey. Future studies should be conducted to obtain representative data from both consumers and direct sellers, to differentiate product complaints from business-opportunity complaints, to assess the results of complaint resolution, and to track the complaint cohort over time. This type of evidence would allow more robust causal statements. With the current records this is evident – Indian consumers of direct selling have legal rights and yet operation protection is not complete.

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