The past two decades in the domain of investment in India have seen the proliferation of pyramid schemes, variously referred to as ‘direct marketing’, ‘network marketing’ or ‘multi-level marketing’, among others. At the popular level, they are simply referred to as ‘chain marketing schemes’ or ‘money circulation schemes’. The organisers convince investors about an ‘excellent business opportunity’ to get rich quickly and enjoy the benefits of ‘financial freedom’ for the rest of their lives and even for posterity. This essay examines pyramid schemes as they have evolved in contemporary Andhra Pradesh (AP), and asks some questions that are of interest from the perspective of social science. Contemporary pyramid schemes are analysed via published material from newspapers, magazines, books, promotional CDs, brochures, website data and the internet, as well as personal interviews and through a close observation of the business, with which few members of the middle class can claim unfamiliarity today.

It doesn’t take a financial authority such as the Reserve Bank of India to tell us that these schemes are doomed to fail for a majority of participants. Nonetheless, they never go out of fashion. Their popularity has in fact grown, even as the media has taken it upon itself to expose them, virtually on a monthly basis. What do we make of this economic phenomenon, which today involves substantial sections of the urban middle class? The most interesting aspect of these schemes is their ability to convince the lower-middle classes that the latter’s dream of making spectacular profits in a short span and with little investment can indeed be realised.

Get-rich-quick schemes have existed and prospered in AP since at least the 1960s. One participant recalled a scheme of 1963, when members enrolled by paying Rs 5 and in
return were given nine handkerchiefs. If they were to recoup their investment, they would have to enrol nine members each.\(^1\) And by all counts, the sheer volume of investments in pyramid schemes in AP today is mind-boggling. A large number of companies running pyramid schemes are registered in either Tamil Nadu or Delhi but undertake business in AP, a fact that suggests there is some credibility to the popular belief that the organiser of the pyramid scheme disappears overnight. However, the local presence of companies registered in other states is also because AP has proved to be particularly receptive to pyramid schemes, which has resulted in a virtual gold rush among companies.

A sample compilation of recent newspaper stories (either as warnings, news coverage of scams or simple reports) indicates that investments procured (and lost) may exceed hundreds of crores of rupees. ‘Goldquest’, a particularly successful pyramid scheme, is stated to have collected about Rs 300 crores in India, with the majority of members hailing from AP, and that too from areas around Vijayawada (Andhra Jyothy, 24 July 2006, p.1). Another Delhi-based scheme, ‘Deo Soft’, reportedly fleeced investors to the tune of about Rs 73 crore in AP (Eenadu, 7 August 2006, p. 1). One person claimed to represent a Mumbai-based company and promised diamonds from South Africa’s Kimberly mines to investors who paid Rs 10,000 (Andhra Jyothy, Vijayawada city edition, 20 August 2006, p. 4). This is not to suggest that innocent ‘locals’ are being exploited by scheming ‘outsiders’. A report claimed that corporators in the Vijayawada Municipal Corporation and officials in the Kanakadurga temple (run by the state’s Endowments department) not only joined a scheme that offered six grams of gold on payment of Rs 33,000 but were also stated to be pressurising their subordinates to follow suit (Andhra Jyothy, Vijayawada city edition, 16 July 2006, p. 4). The Hyderabad Task Force of the local police arrested one person for enrolling members in a chain-marketing scheme that promised a laptop for every three members enrolled on the payment of Rs 14,000 each (The Hindu, Hyderabad edition, 2 March 2007, p. 5). A 20-year-old was arrested for starting a multi-level marketing firm that promised a monthly return of Rs 10,000 for each lakh invested (Andhra Jyothy, Vijayawada city edition, 22 February 2007, p. 1).

The long career of these schemes in the state resulted in the AP government passing the very first law of its kind in the country: The Andhra Pradesh Money Circulation Scheme (Prohibition) Act, 1965, to prevent such money circulation schemes.\(^2\)

In AP today, every year thousands of participants in these schemes lose millions of rupees of their investment each year. More often than not, these schemes are fairly straightforward and widely recognised disguises for money circulation schemes (which are illegal) that masquerade as multi-level marketing (hereafter in this essay, MLM) schemes that aim to sell ‘products’ of various types. These products range from household
items costing a few hundreds of rupees to exotic goods with little (use or exchange) value, costing thousands of rupees. The direct selling industry claims to have had a turnover of Rs 3010 crore in India in 2006. Hindustan Lever too jumped onto the bandwagon of direct selling by establishing separate divisions for the purpose.

There is quite clearly a need to distinguish between pyramid and legally-run, direct marketing schemes. However, this is easier said than done, as explained below.

As a rule, these schemes are founded on an elastic interpretation of the law. It is not useful to assume that the members are fooled by the 'misinterpretations' of the law. The proliferation and spread of these pyramid schemes clearly shows the need to understand the complex and pragmatic relationship between the 'illegal' but 'socially acceptable' aspect of everyday social and economic life. I use the term 'harmless fraud' to explain the activities of these firms; I also suggest that it best explains not only this phenomenon but also the myriad instances of economic fraud perpetrated by the urban middle class, who are, however, also susceptible victims of various form of monetary deceit. In its most generalised form, the concept of 'harmless fraud' (as perceived in the region and as used in this article) may be said to consist of a set of practices that are perceived to cause little or minimal harm to individuals, and therefore justify the bypassing of rigid/oppressive/restrictive laws.

**Functional Dynamics of Pyramid Schemes**

All pyramid schemes have certain common features, including the promise of superlative profits. Compellingly, the more recently emergent schemes are fashioned on the proselytising model of religious groups, and also follow the model created by Amway in MLM schemes. In Andhra Pradesh, the new groups hold meetings that attract hundreds, even thousands, of people. In these meetings the organisers lay emphasis on 'hard work' as a way of social mobility. The promise of superlative profits is undoubtedly a way of drawing new members and ensuring the loyalty of existing members. There is also intense competition among marketing networks and incidents of actual violence between different groups.

The new pyramid schemes have certain common structural features. All use the advances in information technology to claim transparency in the operation of the pyramid. Invariably, all pyramid schemes claim that they are involved in direct marketing of various products, such as commemorative coins, medallions, simple gold coins, vacuum cleaners, waterbeds, specially made mattresses, herbal products, health products, and so on. The list is endless. All the schemes sell low-quality items at exorbitant rates. All of them claim to be selling products in return for distributorship – this claim is necessary to circumvent the law against money circulation schemes. The Indian Direct
Selling Association consisting of 16 direct selling companies claims to sell about 400 types of products, with over 1,700 variants (The Hindu Businessline, 12 February 2007, p. 5). It is almost impossible to accurately estimate the number of members that these schemes collectively encompass in different parts of the country. Amway India CEO, William S. Pinckney, claimed that there were about 1.25 million distributors in all the direct marketing companies put together in India (The Economic Times, 21 February 2007, p. 14). The 16-member Indian Direct Selling Association claimed to have a membership of 13.73 lakh members (distributors), but only about 8.75 lakh members were active in February 2007 (The Hindu Businessline, 12 February 2007, p. 5). The figure is bound to increase manifold if one were to include the innumerable companies of this kind that operate in India but are not formally members of the association.

Participants are expected to join the schemes by paying money (varying from a few hundreds to many thousands of rupees) upfront, and in turn convince new members to join the scheme. The number of members that they need to recruit varies from two (known as the ‘binary system’), to three or more new members. Members who join are usually provided products that are classified as fast moving consumer goods (FMCG). One would expect that the members would sell these products – after all, they are supposed to be involved in marketing – but this task is hardly a priority here. On enrollment, a member is provided with a ‘starter kit’ consisting of publicity material in addition to the product that they had chosen on application (quite often the companies sell more than one product). Some schemes only provide a starter kit. Very few people I came across actually resold the product they received on enrollment, and instead saw it merely as a gift or keepsake. They understood that profit was to come through the enrollment of new members and future referral. Money received as bonus for new enrolments increases exponentially as the number of layers (‘legs’) in the pyramid increase. A successful referral of a pair (two) in a binary scheme can earn a person between Rs 300 to Rs 1,000, depending on the nature of the scheme and cost of membership. In percentage terms it could vary from about 3% to about 20% of the membership fees. In some schemes the referral income could go up to 50% cent of the membership fee.
An example best illustrates the working of these schemes that promise opportunity to “earn millions in a short time”\(^4\). For the sake of convenience we will take a hypothetical example of a binary scheme that provides an incentive of Rs 500 per person and Rs 1,000 per pair for a membership fee of Rs 5,000. If it is a binary scheme, each entrant (‘A’) is expected to recruit two members (one ‘right leg’/‘B’, and one ‘left leg’/‘C’). ‘A’ is thus eligible for an ‘incentive’ of Rs 1,000 per pair. If ‘B’ and ‘C’ enrol two members each, the members in the pyramid for ‘A’ would increase to 6 or three pairs, earning him an additional Rs 2,000, while ‘B’ and ‘C’ earn Rs 1,000 for their effort. Thereafter, the membership of the pyramid increases in geometric progression similar to the Fibonacci sequence of integers in mathematics: 2, 4, 8, 16, 32, 64, 128, and so on. A successful completion of the pyramid to the seventh level would mean that there would be 128 members or 64 pairs, potentially earning member ‘A’ a commission of Rs 64,000. All the schemes provide membership only for a year, after which continuation will mean re-enrolment by paying a fee. As the number of enrolments or levels increase, there is an increase in the commission earned. ‘A’ is now the ‘upline’ in the pyramid for all those he and his ‘downline’ (members below ‘A’ in the pyramid) have enrolled. It is pertinent to note that a participant receives his payout only when a person has enrolled a member in the right leg and left leg. The company of course receives the membership fee even if only one member of the pair has joined. The incentives vary, and depend on the number and speed of enrolments in the pyramid. The bonus for speedy enrollment can include anything from cash incentives to foreign jaunts, motor vehicles and so on. One company, Questnet, is stated to have promised luxury BMW cars and yachts for super-achievers.\(^5\) All the schemes promise endless cash incentives, often running into crores of rupees.

The Art of Selling

The mode of drawing new members is always through a combination of inducements, converting social relations into economically beneficial relations and even peer pressure. Interestingly, a large number of these schemes flourish as part of the favours for referral. In personal interviews with me, a number of participants allege that during the early years of a multinational MLM company in this region, its spread was aided by corrupt government officials ‘persuading’ people to join the scheme in return for favours. A significant presence in some of these schemes has in fact been the relatives of government officials, who serve as ‘benamis’ (where assets are held in fictitious names to bypass the law) of the officials themselves.

However, it is not economic pressures but social connections that have been largely responsible for the spread of these schemes. Attempts to draw members often starts with a phone call, or courtesy call upon a friend or relative. Conversation is slowly diverted from friendly banter to advocating an excellent business opportunity that requires low investment but provides an opportunity to earn high returns. Invariably, in these conversations there are references to case studies and ‘hundreds’ of instances where acquaintances – one of ‘us’ – have earned millions in a short time by joining the scheme. An obstinate refusal leads to
the offering of concessions, such as the payment of the membership fee by the ‘upline’ member in exchange for providing a list of potential candidates. Upliners offer to take care of convincing potential investors and handling all the clerical work. Some local upliners in RMP Infotec Limited (RMP), E-shoppers (run by the Delhi-based company Interworld in 2001), as well as other schemes, make a direct offer to pay up all or about half of the membership fee as an inducement to new members. The implicit unwritten agreement is that the beneficiary is expected to enrol certain number of members in return.

The middle class in coastal Andhra Pradesh, as in the rest of the country, have been doing business with its friends and relatives for decades, if not longer. From clothes to real estate, part-time business activity involving one’s peers and social network is a well-established practice. This history is certainly a factor in the success of pyramid schemes, but we also need to take into account a new aspirational element, which is aligned with post-liberalisation booms. These peaks of material prosperity have given the impression that it is possible to leapfrog into the ranks of the wealthy in a short period of time. The new pyramid schemes emphasise their national and global presence; it is no longer merely a question of trusting the seller. Instead, new members are offered evidence of the stability of the scheme through its being presented as a nationwide or global network. There is safety in numbers. If the scheme is that stable, it will be easy to recover the initial investment before it collapses. One old hand in the circuit candidly declared that he was successful because he always carried out his business with strangers.6 That way he was not risking his reputation and social relationships should the ‘downline’ monetary protocols fail for any reason.

This is essential in a business where about 98% do not recover their investment, thus providing the companies and those at the top of the pyramid with phenomenal profits. They mostly require low capital investment but are highly labour intensive, requiring large number of hours to be spent in very hard work outside regular working hours. The notion of ‘extra income’, which is not a result of one’s regular job or work, is treated as a bonus because it is generated using time otherwise idled away. Moreover, since regular jobs do not hold any promise of dramatic social and economic mobility, extra income is sometimes the only avenue towards such mobility. Eric Scheibeler’s perceptive observations about Amway in the US are also generally valid about the pyramid schemes that operate in India. He has pointed out that they prefer to enroll unemployed, desperate individuals or those who are bankrupt or on the verge of bankruptcy.7 The fact of these people investing their labour because they are in dire circumstances may often lead to some sympathy from their social circle. The mirage of an economic recovery often serves as a catalyst for the desperate.

Most multi-level marketing firms, of course, deny that they function as pyramid schemes. In fact, without exception, all of them frown on their being classified as ‘schemes’, and pride themselves as being ‘business opportunities’ that aim to create entrepreneurs and millionaires. One director of a MLM company declared that “we sell prospective dreams”, and the company claims to have produced 65 millionaires from among its distributors of 4,00,0008 – one for every 6153 members enrolled.
Amway has an extremely persuasive method to sell their scheme. They have an entity (Britt Worldwide) that exclusively deals with motivation. All their motivational material is sold and never distributed free. Upliners take mobilisation for motivational meetings very seriously, and the scale of mobilisation is reminiscent of political and religious meetings. A meeting in Hyderabad on 24 June 2006 drew about 20,000 members, each paying an entry fee of Rs 500. Most of their sessions are organised to seat at least 3,000 attendees. Half of the revenues go to those achievers who speak. Other companies too offer huge incentives to speakers. The sessions invariably comprise of speeches by achievers where mass hysteria is an intended effect. All the speakers start by talking about their poverty-stricken mechanical life without “financial freedom”. The script then explains that a lucky chance came their way; initially they refused to take it, but after risking one chance at experimentation, they found the road to El Dorado. After putting in hard work, and with the right ‘guidance’, they are today blissfully enjoying their profits. All the speeches emphasise the capitalist ethic of hard work and super profits that accompany it. Success, for the motivator, has meant getting rid of their previous jobs in which they anyway supposedly felt claustrophobic. In one Amway motivational CD, a member calls himself a “former PhD scientist” (Britt World Wide VCD – BWW VP – 001, Kanti & Lata Gala), suggesting that educational and cultural capital are primitive forms of the real thing.

Theodor Adorno’s critique of fascist propaganda (1994) offers valuable insights into the sociology (and success) of pyramid schemes. They play upon unconscious mechanisms, in this case, the pathologies linked to contempt for poverty and fear of failure. The motivation sessions are personalised propaganda, essentially non-objective. Speakers closely identify themselves with their listeners (ibid., p. 219), and only claim that they are there to help anybody who wants to get rich and attain financial freedom. Their propaganda thus functions as a kind of wish-fulfillment of the listeners (ibid., p. 220). As with the phenomenon that Adorno examines, it is important to note that this is a mass phenomenon – the masses are gathered by the organisers and addressed by the motivator as belonging to one large collective being with similar desires, aspirations and fears; the motivator inevitably stresses the fact that he was exactly like one of them before he joined the scheme.

Without attempting to offer an explanation for the spread of these schemes across the states of Andhra Pradesh, Kerala and Tamil Nadu (much more than the rest of the country), I will suggest that at a very general level, these pyramid schemes seem to be converting or monetising what Bourdieu in another context called ‘social capital’ (e.g., connections and relationships) into economic capital.10

Police Raids on Amway
Any discussion of pyramid schemes would be incomplete without a discussion of the raids on the offices of Amway on 25 September 2006,
conducted by the Economic Offences Wing of the AP police. The Superintendent of Police (Economic Offences Wing), S. C. Sajjanar, stated that the police had received a number of complaints from Amway agents stating they had been coerced and forcibly induced into the trade. He added that Amway had been recruiting people in their marketing chain via exaggerated promises of high returns. The police sealed 10 Amway offices in AP (The Economic Times, Section II, 26 September 2006, p. 2). Sajjanar further stated that “the company induces members to enrol members to go to the top as leaders in the group” (The Hindu Business Line, 26 September 2006, p. 19). Amway denied that it was a money circulation scheme and claimed that the “knee-jerk” reaction of the police department harmed the livelihood of its 4.5 lakh distributors (ibid.). Amway distributors I spoke to were proving their loyalty by carrying out a vilification campaign against Sajjanar, who has been in the forefront of the anti-pyramid-scheme activism of the AP police. They suggest that he was a bad loser and, moreover, was biased against multi-level marketing because he had participated in some of them and lost money (Rao, personal interview, Vijayawada, 20 December 2006). Amway has since appealed against police action in the AP High court and has hired noted lawyer Soli Sorabjee to argue its case.

Legal Businesses or Harmless Fraud?

A pertinent question that needs to be asked is if these schemes are legally run FMCG businesses or simply money-circulation schemes that are banned under the law but continue to thrive because those who participate in them do not think they are breaking the law. These schemes are often referred to as simply ‘chain marketing schemes’ or ‘money circulation schemes’, indicating that in most cases participants are aware of their dubious status, yet join them to make a quick buck. A reading of The Prize Chits and Money Circulation Schemes (Banning) Act, 1978 (hereafter referred to as Prize Chits Act) clearly indicates that about 99% of the direct selling activities which continue to exist would be covered by this law. As stated in Section 2(c):

Money circulation schemes mean any scheme, by whatever name called, for the making of quick or easy money, or for the receipt of any money or valuable thing as the consideration to pay money, on any event or contingency relative or applicable to the enrollment of members into the scheme, whether or not such money or thing is derived from the entrance money of the members of such scheme or periodical subscriptions.11

Under Section 2(e) (i) and (ii), the Act forbids the collection of membership fees in any form in order to repay this money to members as prize or gift. In other words, the Act clearly dictates that monies collected as membership fees cannot be distributed to existing members. It is precisely for this reason that the pyramid schemes introduced a range of products and calls themselves ‘distributorships’ or ‘business opportunities’. In fact, they
constantly harp on their employment generation abilities. The firms claim that paying a
certain amount entails members to become ‘distributors’ who provide members with
exclusive access to deal/market in certain products manufactured or marketed by their
companies. This is one of the most common ways to bypass the Prize Chits Act. Companies
such as TLC Insurance India (Pvt.) Ltd. collect membership fee (in this case Rs 500) in
addition to the cost of the product they market (an insurance policy by Bajaj Allianz costing
Rs 5,000).¹²

A clear-cut case of violation of the laws relates to schemes that distribute insurance
policies on behalf of various private insurance companies. It may be noted that the
Insurance Regulatory and Development Authority Act, 1999 (hereafter, IRDA Act) states that
agents are not allowed to pass on commissions or any money to customers who purchase
insurance polices. More importantly, any person desirous of marketing insurance polices
has to pass an exam conducted by IRDA.¹³ Only corporate agents or brokers (registered
with IRDA) are allowed to pay commissions.¹⁴ Companies that are actively involved in
marketing insurance schemes include TLC Insurance (India) Pvt. Ltd. (TLC), RMP and
Amway, among others.¹⁵ The details cited below not only indicate the nature of harmless
fraud but also the frequent testing of the frontiers of economic law by such companies in
order to gauge the reaction of the agencies of the state. The lack of reaction by state
institutions, or even tacit approval, is likely to gradually lead to calls to formalise these
activities at a future date.

Bajaj Allianz, one of the most aggressive private sector insurance companies, has a
special division to develop ‘alternative business channels’. It includes within its scope direct
selling. One manager in charge of this division very frankly stated that they know very well
that direct selling of insurance products is not allowed by the IRDA Act, and officially the
company has nothing to do with the direct marketing of its own policies. But it is not
discouraged either.¹⁶ This in spite of the fact that violations of the Act have not gone
unnoticed by the enforcement agencies and courts.

Insurance schemes have in fact run into rough weather with the courts in the past. In
2005, Apple FMCG marketing was declared a money circulation scheme by the Chennai
High Court (Order dated 07/01/2005 in W.P.No.22674 of 2004 and W.P.M.P.No.27411 of
2004) and asked to shut down. Another company, V-Can Network (P) Ltd., was ordered to
be closed down in a Chennai High Court Order dated 13/02/2003 (Writ Petition No. 2908
of 2003 and Writ Petition No. 4144 of 2003 and W.P.M.P. Nos. 3650 and 5221 of 2003,
W.P. No. 2908/2003). However, these convictions are few and far in between. In fact, V-
Can continued to operate as late as 2006, and its Vijayawada meeting was estimated to
have drawn about 2,000 members.

One has to understand the methods used by the MLM companies to market their
schemes, in spite of their illegality and in the face of frequent press statements by the state
police warning the public not to participate in these schemes. The starter kit contains material
that provides details of registration of the firm under the Companies Act. An intelligent strategy
adopted by companies (such as TLC and RMP) was to file a writ petition in any of the high courts asking for an injunction against police disruption of any lawful actions such as the conduct of seminars and conferences. Since such meetings are perfectly legal, the court issues a directive to the police department. The first and the last pages of the writ petition (which show the High Court seal) are then printed and circulated, claiming that the courts have given permission for the conduct of their business.

One company (Zenith Consumer Services Limited) brochure has a bold heading: “The Lok Sabha Clarifies Network Marketing Plan Is Not Money Circulation Scheme”. In reality, in the Unstarred Question No. 4875 by Subodh Mohite, the Minister of Consumer Affairs, Food and Public Distribution, was asked “… whether the Government has received any proposal from Indian Direct Selling Association to enact legislation to weed out fraudulent elements from direct sellers”, and what action was taken to protect the interests of consumers (as stated in the brochure). The minister replied that they had received proposals that alleged vagueness in the Prize Chits Act, as a result of which the association members were targeted, although there were sufficient provisions for protection of consumer interests in various laws. Other companies (such as TLC) claim that they have legal advice from eminent jurists, mostly retired judges of the Supreme Court. In the case of TLC, they had sought legal opinion from Justice V.N. Khare, former Chief Justice of India, and advertised this as evidence of their legal status.

In the US, the Federal Trade Commission stipulates that if a scheme is to be considered a multi-level marketing network, at least 70% of its income from retail sales should be from non-distributors. If it is less, then the courts (and Federal Trade Commission) conclude that it is a pyramid scheme that thrives on recruiting new members and paying the members who recruited them. If such a criterion was applied in India, it would qualify only one company involved in direct marketing as having the status of a legally approved business: Hindustan Lever Limited.

The term ‘harmless fraud’ can be usefully applied to the activities of these pyramid schemes as well a number of other everyday economic activities. Harmless fraud is a ‘minor’ transgression of the law. Though not legal, activities that are classifiable as harmless frauds are broadly acceptable to society. The case of network marketing firms selling insurance products is a most obvious case of a harmless fraud, because the participant is given a genuine insurance policy after all, and soon graduates into selling similar policies to others, albeit at a higher cost (which is in the form of the membership fee). One senior official in a company is reported to have declared that while his company was involved in transgression of the IRDA Act, it was not cheating anybody. Moreover, they were encouraging the desirable habit of saving by convincing people to purchase insurance products. The freewheeling interpretation of the law and the companies’ misleading representations of court injunctions and legal advice by former judges who advise the
companies as well as their distributors, suggest that every attempt is made to hide the actual illegality of the business.

Above all, the fraud is anything but ‘harmless’. Or rather, it is harmless only because the loss to any individual is quite small – the unsuccessful majority of distributors can always try their luck in another scheme. Statistics reveal that only a miniscule percentage actually find their pot of gold, but these cases are hyperbolically presented in order to attract fresh recruits.

It is essential to look beyond the binaries of ethical/unethical in order to understand the culture and economy of a large section of people who often chase ‘extra income’ in order to move up the social ladder or to avoid slipping a few rungs. Pyramid schemes function in a more complex manner than is probably understood. While they may not be a part of the ‘mainstream’ finance capital (like the stock market), they form a fast-growing fringe of finance capital. Their illegality is discernible only on close scrutiny, and when identified, they often seem to be located on the boundaries and margins of the acceptable and the legal. Their emphasis is on business opportunity, entrepreneurship, quick money; the chimera of unimaginable riches only masks their continuous attempts to probe and, where possible, extend the frontiers of the legally acceptable. They are equivocally positioned outside the spirit of the law and simultaneously within the letter of the law. A sophisticated façade of business opportunity, savings, ‘extra income’, with the right dose of systematic motivation, enables them to proliferate and prosper. Perhaps the lure of a new and better life is too seductive to resist, especially when it only involves persuading two curious and willing recruits during one’s free time.
Notes

1. R. Devi, personal interview, Vijayawada, 28 November 2006 (name changed on request).

2. Chandigarh and Madhya Pradesh introduced these laws in 1975. The Prize Chits and Money Circulation Scheme (Banning) Act (1978) repealed these state-level acts and replaced them with a national law.

3. RMP Infotec Limited, a Chennai-based company, offers membership (“distributorship”, as they call it) in their scheme on the purchase of a set of cheap vacuum cleaners for about Rs 6,000, while a similar set is available on Rediff.com for little more than Rs 1,000.

4. The cover page of the magazine *The Week* (12 November 2006) carried a caption “Our First Million without a boss or fixed work hours”. Interestingly, this story on various network-marketing schemes was published shortly after the police raids on Amway in Andhra Pradesh.

5. Information provided by Sharma; according to him, an acquaintance from Chennai is stated to have made this offer. Personal Interview, 20 June 2006, Vijayawada (name changed on request).

6. Kumar, personal interview, Vijayawada, 13 May 2006 (name changed on request).


8. “Our First Million without a Boss or Fixed Work Hours”. Op. cit., p. 26. The membership fee for this particular scheme was stated to be Rs 10,000.

9. Kumar, personal interview, op. cit.


12. The TLC brochure clearly states that the payment should be only in the form of demand drafts (DDs): one DD for Rs 5,000 drawn in favour of Bajaj Allianz Life Insurance Co. Ltd., payable at Salem, and another DD for Rs 500 in favour of TLC Insurance India Pvt. Ltd., payable at Salem. The cash bonus for enrollment is referred to as 'referral incentive'. Most of the other companies do not collect any additional fees for admission.

13. Only those LIC agents marketing LIC insurance products before the Act came into force were exempted by the IRDA.

14. TLC Insurance (India) Pvt. Ltd. is a front involved in marketing insurance products through a direct selling route. The actual ‘corporate agent’ is Team Life Care Insurance (India) Pvt. Ltd. Their publicity brochure clearly states that coordinators (as enrolled members are termed) should not use the name of Team Life Care Insurance (India) Pvt. Ltd. The two companies are promoted by the same set of people. Apparently this circuitous route is used to procure policies. RMP Infotec is stated to be more direct, simply passing on the commissions through the direct selling route for their Tata AIG products.

15. As of October 2006, Amway had announced plans for a complex scheme in association with Max New York Life for its distributors to initially purchase and subsequently market insurance policies. It should be pointed out that there are many other companies marketing insurance policies; TLC and RMP Infotec have been cited in this essay, since material evidence is available with regard to these two companies. RMP markets Tata AIG products. The companies openly advertise their products: see

16. The manager disclosed this in the course of friendly banter, unaware of my research interest.

17. This incident was related to me by a person who had interacted with a director of Team Life Care in Bangalore. He came away so impressed that he too wanted to organise a MLM company marketing life insurance policies. Personal interview, Vijayawada, 30 July 2006.

References

