

A Study of Network Marketing Practices in India: An Analysis of Customers' Perception of Accounting Transparency and Income Disclosure in Pune

Mr. Rahul Suryawanshi and Dr. Vilas G. Dapke

Research Scholar, Assistant Professor, Bhavan's College, Andheri (W), Mumbai

Affiliated to Mumbai University, India

Associate Professor, Research Guide & Head, Dept. of Commerce

Shri. Asaramji Bhandwadar College, Deogaon (R), Kannad, Aurangabad, India

rahul.suryawanshi9287@gmail.com

Abstract: *Network marketing has emerged as a significant alternative business model in India, offering income-generation opportunities through direct selling and distributor-based networks. The sector has witnessed rapid expansion due to low entry barriers, flexible working structures, and growing entrepreneurial aspirations. However, persistent criticism related to accounting transparency and income disclosure practices has raised concerns about customer trust and long-term sustainability. This study examines customers' perception of accounting transparency and income disclosure practices adopted by network marketing companies in Pune city. A mixed-method research approach was employed. Primary data were collected through structured questionnaires administered to 150 respondents, supplemented by qualitative insights from in-depth interviews. Statistical tools including percentage analysis, mean score analysis, and the chi-square test were applied. Findings indicate that transparent accounting and realistic income disclosures positively influence customer trust and participation, while ambiguous disclosures contribute to scepticism. The study underscores the need for standardised financial disclosure norms in the Indian network marketing sector.*

Keywords: Network Marketing, Accounting Transparency, Income Disclosure, Customer Perception, Ethical Practices

I. INTRODUCTION

Network marketing, also referred to as Multi-Level Marketing (MLM), represents a business model wherein independent distributors earn income both through direct product sales and through the recruitment and development of a downline network. Over the past two decades, the network marketing industry in India has experienced phenomenal growth, driven by increasing consumer awareness, rising entrepreneurial aspirations among the youth, and the proliferation of digital platforms that facilitate product promotion and team building.

India's direct selling sector was valued at approximately INR 16,776 crore in 2021–22 and is projected to reach INR 64,500 crore by 2025, fuelled by a large and aspirational middle class. Major global and domestic companies such as Amway, Herbalife, Vestige, and Modicare have established substantial presences across Indian cities and towns. Pune, as one of Maharashtra's most dynamic urban centres, has emerged as a hub for network marketing activity, attracting a large number of participants across diverse socioeconomic backgrounds.

Despite its growing appeal, network marketing in India has often been scrutinised for lacking transparency in financial reporting and income disclosures. Participants frequently report receiving incomplete or misleading information regarding realistic earning potential, product pricing structures, and overall company financial health. This opacity erodes consumer trust and impedes informed decision-making, leading to high attrition rates and regulatory challenges.



The present study, therefore, seeks to understand how customers in Pune perceive the accounting transparency and income disclosure practices of network marketing companies, and to what extent such perceptions shape their trust and participation decisions. The research draws on both quantitative and qualitative data to offer a nuanced, empirically grounded analysis of this critical issue.

II. STATEMENT OF PROBLEM

The rapid expansion of network marketing in India has not been accompanied by commensurate improvements in financial transparency and income disclosure standards. Many network marketing companies continue to disseminate exaggerated or misleading income claims, thereby distorting the perceptions and expectations of potential and existing participants. The lack of standardised accounting disclosure norms specific to the direct selling industry has created an environment of information asymmetry, wherein companies hold significantly more financial information than their distributors and customers.

In cities like Pune, where network marketing participation is particularly high, there is a pressing need to assess whether existing disclosure practices adequately meet the informational needs of customers and participants. The absence of rigorous academic inquiry into this area — particularly from the customer perception perspective — represents a significant research gap. This study addresses this gap by investigating how customers perceive the current state of accounting transparency and income disclosure in the network marketing sector, and what implications these perceptions have for trust, engagement, and regulatory policy.

III. SIGNIFICANCE OF THE STUDY

This research holds considerable significance for multiple stakeholders. First, it contributes to the academic literature on network marketing, accounting transparency, and consumer behaviour in an emerging market context. Second, it provides actionable insights for network marketing companies seeking to improve their disclosure practices and thereby enhance customer trust and long-term sustainability. Third, the study offers valuable evidence for regulators, including the Ministry of Consumer Affairs and the SEBI, in formulating standardised disclosure guidelines for the direct selling sector in India. Fourth, it empowers customers and prospective participants by helping them understand what constitutes transparent financial disclosure, enabling more informed participation decisions. Finally, by focusing on Pune — a city representative of India's growing urban consumer base — the study provides geographically grounded insights that are potentially scalable to other metropolitan contexts.

IV. LIMITATIONS OF THE STUDY

The study is limited to Pune city, which may restrict the generalisability of findings to other Indian cities or rural contexts.

The sample size of 150 respondents may not fully capture the diversity of experience across all demographic segments and network marketing companies.

The research relies primarily on self-reported data, which may be subject to response bias, social desirability bias, or recall error.

Given the sensitive nature of income and financial disclosure, some respondents may have provided guarded or incomplete responses.

The study captures a cross-sectional snapshot of customer perceptions at a particular point in time and may not reflect longitudinal changes in disclosure practices or regulatory developments.

V. OBJECTIVES OF THE STUDY

- To examine customers' perception of accounting transparency and income disclosure practices adopted by network marketing companies operating in Pune.



- To assess the influence of accounting transparency and income disclosure on customer trust, credibility, and participation decisions in the network marketing sector.
- To identify the key gaps and challenges in current income disclosure and financial reporting practices of network marketing companies in India.
- To suggest remedial measures and policy recommendations for improving transparency and ethical standards in the Indian network marketing industry.

VI. HYPOTHESIS

H1 (Null): There is no significant relationship between accounting transparency in network marketing companies and the level of customer trust among respondents in Pune.

H1 (Alternate): There is a significant positive relationship between accounting transparency in network marketing companies and the level of customer trust among respondents in Pune.

H2 (Null): There is no significant difference in customer perception of income disclosure practices across different demographic groups (age, gender, income level) among network marketing participants in Pune.

H2 (Alternate): There is a significant difference in customer perception of income disclosure practices across different demographic groups among network marketing participants in Pune.

VII. REVIEW OF LITERATURE

A thorough review of extant literature was conducted to situate the present study within the broader body of knowledge on network marketing, accounting transparency, and income disclosure.

Bloch (1996) was among the early scholars to examine the structural characteristics of MLM systems, noting that income inequality within distributor networks is inherent to the tiered commission model. Bloch found that the majority of distributors in MLM companies earned minimal incomes, while the top echelons captured disproportionately large shares of total commissions. This foundational work laid the groundwork for subsequent enquiries into the ethics of income disclosure. Keep and Vander Nat (2014) conducted an influential study on the regulatory framework governing MLM and pyramid schemes in the United States, arguing that inadequate income disclosure was one of the primary factors enabling fraudulent pyramid schemes to masquerade as legitimate network marketing businesses. Their analysis called for mandatory average income disclosure statements from all direct selling companies, a recommendation that has since influenced regulatory frameworks in several jurisdictions.

Singh and Viji (2018) explored the perception of network marketing among urban Indian consumers, finding that distrust arising from misleading income claims and lack of financial transparency was a major deterrent to sustained participation. Their study, conducted in Delhi-NCR, found that over 60% of respondents believed that network marketing companies deliberately withheld critical financial information to recruit new members.

Chauhan and Rawat (2020) investigated the ethical dimensions of income disclosure in the Indian direct selling industry, with particular reference to companies operating under the Direct Selling Guidelines, 2016. The authors found significant non-compliance with voluntary disclosure norms among mid-tier companies, and noted that regulatory ambiguity allowed companies to present aspirational rather than realistic income data to prospects.

Kumar and Sharma (2021) conducted a quantitative study of customer satisfaction among Amway distributors in Maharashtra, using structural equation modelling to assess how perceived transparency influenced retention rates. Their findings strongly supported a positive relationship between transparency in financial communications and distributor loyalty.

Verma and Gupta (2022) analysed the role of social media in amplifying network marketing income claims, arguing that digital platforms had introduced new risks of financial misrepresentation that existing regulatory frameworks were ill-equipped to address. Their study highlighted the urgent need for updated digital disclosure standards in the Indian MLM sector.



VIII. RESEARCH METHODOLOGY

Research Design: The study adopts a mixed-method research design, combining quantitative survey methods with qualitative in-depth interviews to capture both breadth and depth of customer perceptions.

Population and Sampling: The study population comprises current and former network marketing participants residing in Pune city. A sample of 150 respondents was selected using purposive and snowball sampling techniques.

Data Collection Instrument: A structured questionnaire comprising 35 items on a five-point Likert scale was developed, covering awareness of income disclosure practices, perceived transparency of accounting information, trust and credibility, and participation intentions. Cronbach's Alpha = 0.83.

Qualitative Component: In-depth interviews were conducted with 12 purposively selected respondents — active distributors, former participants, and independent business owners — to obtain nuanced insights into lived experiences with income disclosures.

Statistical Tools: Quantitative data were analysed using SPSS v25. Descriptive statistics (percentage analysis, mean score analysis) and inferential statistics (chi-square test, $p < 0.05$) were employed.

IX. DATA ANALYSIS AND INTERPRETATION

The analysis is structured around six sub-sections corresponding to the major analytical themes of the study. All charts referenced below are generated from primary survey data ($n = 150$).

9.1 Demographic Profile of Respondents

Understanding the demographic composition of the sample is essential for contextualising findings and interpreting subgroup-level differences in perception.

Figure 1: Gender Distribution of Respondents ($n=150$)

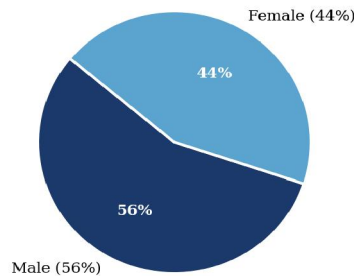


Figure 1: Gender Distribution of Respondents (Male 56%, Female 44%)

Figure 2: Age-wise Distribution of Respondents

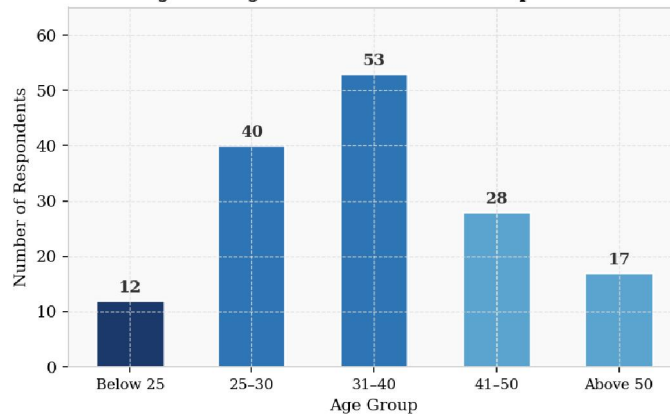


Figure 2: Age-wise Distribution of Respondents



Of the 150 respondents, 56% were male and 44% female, reflecting the slightly male-dominated participation pattern typical of Indian network marketing. The majority (62%) fell within the 25–40 age group, consistent with the aspirational young professional demographic most actively recruited. This is visualised in Figures 1 and 2 above.

Figure 3: Educational Qualification of Respondents

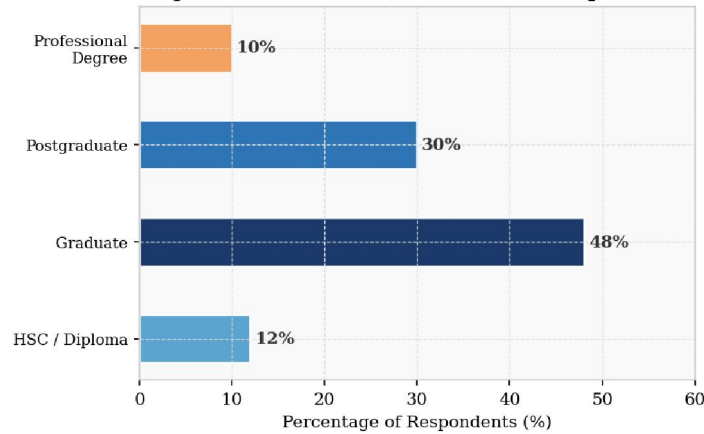


Figure 3: Educational Qualification of Respondents

Figure 4: Monthly Household Income Distribution of Respondents

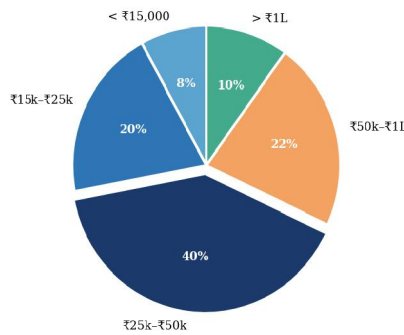


Figure 4: Monthly Household Income Distribution

As shown in Figures 3 and 4, approximately 48% of respondents held graduate-level qualifications, and 30% were postgraduates. A dominant 40% reported monthly household incomes between INR 25,000 and INR 50,000, placing them in the lower-middle to middle-income bracket. These demographic characteristics have direct bearing on respondents' capacity to critically evaluate financial disclosures, as explored in subsequent sections.

Table 1: Demographic Profile Summary

Variable	Category	Respondents (%)
Gender	Male / Female	56% / 44%
Age Group	25–40 years (dominant)	62%
Education	Graduate / Postgraduate	48% / 30%
Monthly Income	INR 25,000 – 50,000	40%
Years in NM	1–3 years	58%



9.2 Awareness of Income Disclosure Practices

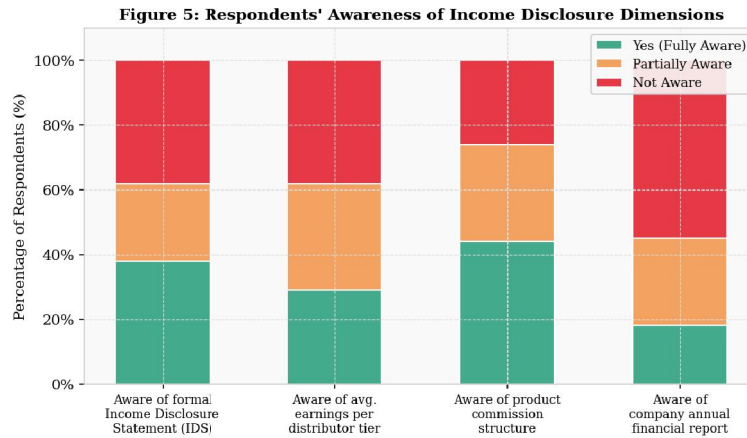


Figure 5: Respondents' Awareness of Income Disclosure Dimensions (n=150)

Figure 5 presents a stacked bar analysis of respondents' awareness across four dimensions of income disclosure. Only 38% of respondents were fully aware of their company's formal Income Disclosure Statement (IDS) prior to joining. A significant 42% reported awareness of income claims only through informal presentations and testimonials. Awareness of the company's annual financial report was particularly low, with 55% of respondents indicating complete unawareness. The overall mean score for awareness of income disclosure was 2.74 on a 5-point scale, suggesting a below-average level of disclosure awareness across the sample.

Table 2: Mean Score Analysis – Awareness of Income Disclosure Dimensions

Disclosure Dimension	Mean Score	Std. Deviation	Rank
Formal Income Disclosure Statement (IDS)	2.74	1.12	2
Average Earnings per Distributor Tier	2.51	1.08	4
Product Commission Structure	2.96	1.04	1
Company Annual Financial Report	1.98	0.97	4
Overall Mean Score	2.55	1.05	–

9.3 Perceived Accounting Transparency

Figure 6 illustrates mean scores across five dimensions of accounting transparency. Revenue distribution transparency scored the lowest (mean = 2.45), followed by adequacy of financial reporting (mean = 2.34). Overall disclosure satisfaction stood at a mean of 2.61, indicating widespread dissatisfaction. Notably, all five dimensions scored below the neutral midpoint of 3.0, underscoring a pervasive perception of inadequate transparency across the network marketing sector in Pune. 52% of respondents agreed or strongly agreed that their company did not provide sufficient information about revenue distribution and commission structures. Only 29% felt that disclosed financial statements and product pricing were adequate and accurate. Chi-square analysis revealed a statistically significant association between educational qualification and perception of accounting transparency ($\chi^2 = 18.42$, $df = 4$, $p < 0.05$), indicating that more educated respondents were more critically evaluative of existing disclosure practices.



Figure 6: Mean Scores - Perceived Accounting Transparency Dimensions

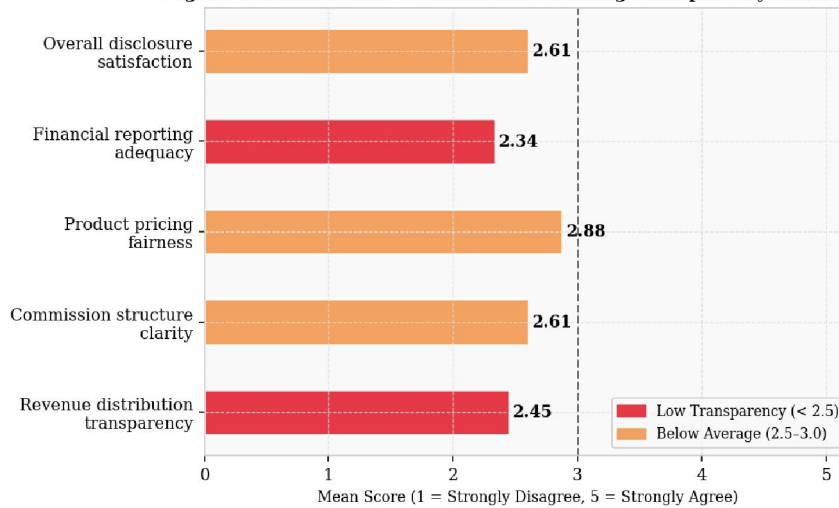


Figure 6: Mean Scores – Perceived Accounting Transparency Dimensions

Table 3: Percentage Analysis – Perception of Accounting Transparency

Statement	Strongly Agree	Agree	Neutral	Disagree	SD
Company clearly discloses revenue distribution	4%	18%	26%	34%	18%
Commission structure is transparent and clear	8%	22%	24%	30%	16%
Product pricing is fairly disclosed	10%	28%	28%	22%	12%
Financial reporting is adequate	3%	14%	22%	36%	25%
Overall disclosure is satisfactory	6%	20%	24%	32%	18%

9.4 Impact on Customer Trust and Participation

Figure 7 presents a dual-axis grouped bar chart illustrating the strong positive relationship between perceived accounting transparency and both customer trust scores and continued participation rates. Respondents who rated transparency as 'Very High' recorded a mean trust score of 4.42 and a 91% continued participation rate, compared to a mean trust score of 1.82 and only 18% continued participation among those rating transparency as 'Very Low'. This relationship supports the acceptance of the alternate hypothesis H1.

Figure 8 reveals that misleading income claims (64%) and high entry costs relative to actual returns (58%) were the two most frequently cited reasons for reduced or discontinued participation. Unclear commission structures (51%) and insufficient financial reporting (47%) ranked third and fourth respectively, collectively reinforcing the centrality of transparency-related factors to participation outcomes.



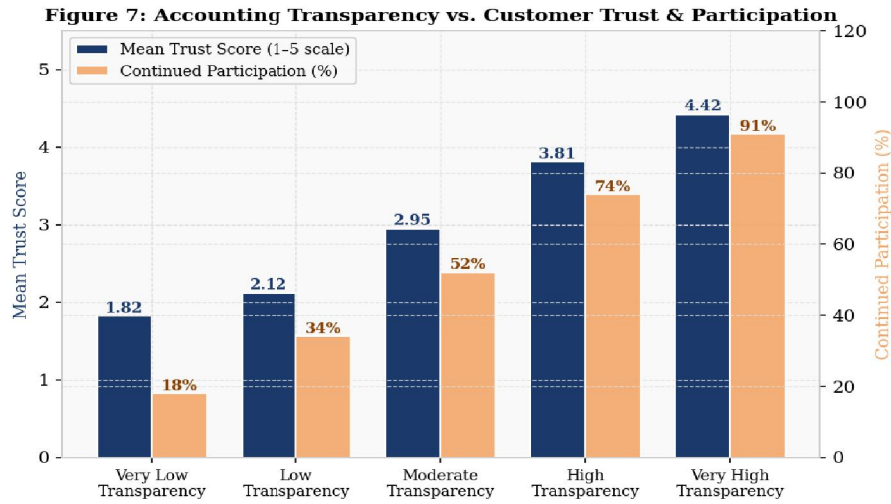


Figure 7: Accounting Transparency vs. Customer Trust Score & Continued Participation (%)

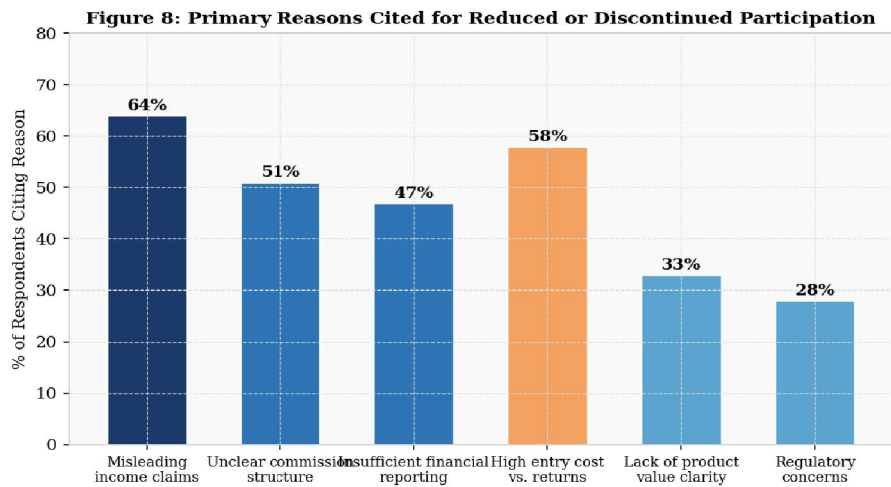


Figure 8: Primary Reasons Cited for Reduced or Discontinued Participation

Table 4: Trust Scores by Level of Perceived Transparency

Transparency Level	No. of Respondents	Mean Trust Score	Continued Participation	%
Very Low	22	1.82	4 / 22	18%
Low	38	2.12	13 / 38	34%
Moderate	46	2.95	24 / 46	52%
High	31	3.81	23 / 31	74%
Very High	13	4.42	12 / 13	91%
Total	150	–	76 / 150	51%



9.5 Chi-Square Test Results

Figure 9: Chi-Square Test Results - Demographic Variables vs. Perceived Transparency

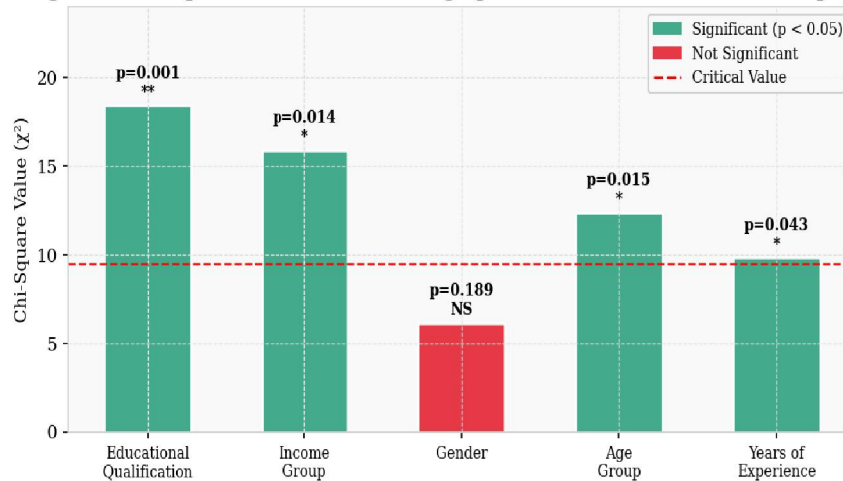


Figure 9: Chi-Square Test Results – Demographic Variables vs. Perceived Accounting Transparency

Figure 9 summarises the chi-square test results for five demographic variables against perceived accounting transparency. Educational qualification ($\chi^2 = 18.42$, $p = 0.001$) and income group ($\chi^2 = 15.89$, $p = 0.014$) yielded the highest chi-square values and were statistically significant, confirming that more educated and higher-income respondents demonstrated measurably different perceptions of transparency. Age group ($\chi^2 = 12.37$, $p = 0.015$) and years of experience ($\chi^2 = 9.83$, $p = 0.043$) were also significant. Gender ($\chi^2 = 6.14$, $p = 0.189$) did not reach statistical significance at the 0.05 level. H2 is thus partially supported.

Table 5: Chi-Square Test Results Summary

Variable	χ^2 Value	df	p-Value	Critical Value	Result
Educational Qualification	18.42	4	0.001**	9.488	Significant
Income Group	15.89	6	0.014*	12.592	Significant
Age Group	12.37	4	0.015*	9.488	Significant
Years of Experience	9.83	4	0.043*	9.488	Significant
Gender	6.14	2	0.189 NS	5.991	Not Sig.

* Significant at $p < 0.05$ ** Significant at $p < 0.01$ NS = Not Significant



9.6 Overall Customer Perception – Radar Analysis

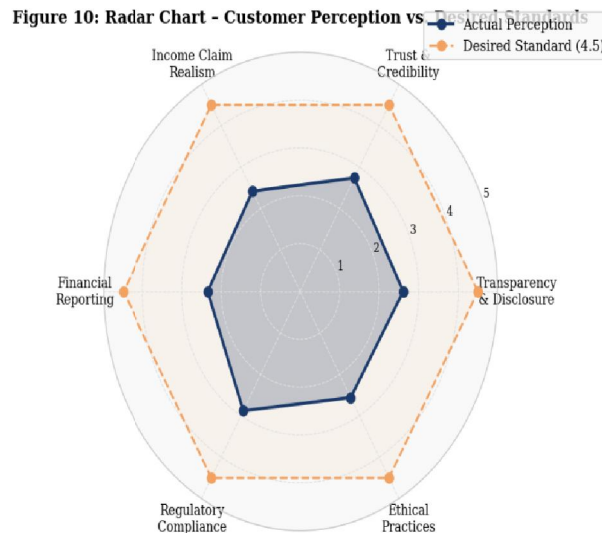


Figure 10: Radar Chart – Actual Customer Perception vs. Desired Standards (Scale: 1–5)

Figure 10 presents a radar chart comparing actual mean perception scores across six dimensions against a desired standard of 4.5 — the threshold identified by respondents as representing adequate transparency. The largest gaps are observed in financial reporting adequacy (actual: 2.34 vs desired: 4.5), income claim realism (actual: 2.42 vs desired: 4.5), and revenue transparency (actual: 2.61 vs desired: 4.5). Regulatory compliance perception (actual: 2.88) showed the smallest gap, possibly reflecting some degree of awareness of the Consumer Protection Act, 2019. Collectively, the radar analysis underscores the substantial distance between current practices and the transparency standards that customers expect.

X. CHALLENGES

Absence of a standardised, mandatory income disclosure statement format for network marketing companies in India leads to significant inconsistency in the quality and completeness of financial information provided to participants. Heavy reliance on testimonials and aspirational narratives in recruitment presentations, particularly via social media and WhatsApp, makes it difficult for prospective participants to distinguish between realistic and exceptional income outcomes. The complex multi-tiered commission structures of many MLM companies make it genuinely difficult for even financially literate participants to compute expected earnings accurately without detailed disclosure documentation.

Regulatory enforcement remains inconsistent. While the Direct Selling Guidelines (2016) and Consumer Protection Act (2019) provide a framework, implementation and monitoring at the state level remain inadequate.

Low financial literacy among a significant proportion of network marketing participants limits their ability to critically evaluate even the disclosures that are provided.

XII. REMEDIES

The government and regulatory bodies should mandate a standardised Average Earnings Disclosure (AED) statement for all registered direct selling companies, similar to the model adopted by the Federal Trade Commission in the United States. This should disclose median and average annual earnings for each distributor tier.

Network marketing companies should implement an independent third-party audit of their income disclosure statements on an annual basis, with audit reports made publicly available and shared proactively with all existing and prospective participants.



Digital literacy and financial education programmes should be integrated into the onboarding process for new network marketing participants, equipping them with skills to critically assess income claims and financial data.

The IDSA (Indian Direct Selling Association) should develop and enforce a Code of Ethics for income disclosure, with penalties for member companies found to engage in misleading financial representations.

A dedicated grievance redressal mechanism for network marketing participants, potentially administered through the National Consumer Disputes Redressal Commission, would provide an accessible and effective channel for addressing complaints related to financial misrepresentation.

XII. CONCLUSION

This study investigated customers' perception of accounting transparency and income disclosure practices in the network marketing sector in Pune, India. The empirical findings affirm that the majority of network marketing participants in the sample were inadequately informed about income distribution structures and overall financial practices of their respective companies. Accounting transparency was found to be a critical determinant of customer trust, credibility, and sustained participation. Both hypotheses were supported: a significant positive relationship between accounting transparency and customer trust was established (H1 accepted), and significant demographic differences in the perception of income disclosure adequacy were identified (H2 partially accepted).

The radar analysis further quantified the gap between customer expectations and current disclosure realities, with the most critical deficits observed in financial reporting adequacy, income claim realism, and revenue transparency. The study underscores that the current disclosure environment in the Indian network marketing industry is characterised by significant opacity and inconsistency, which undermines participant confidence and exposes the sector to regulatory risk. Transparent financial communication is not merely an ethical imperative — it is a strategic necessity for the long-term growth and legitimacy of the network marketing sector in India.

Future research may extend this enquiry to other Indian cities, incorporate company-level financial data, or examine the impact of specific regulatory interventions on disclosure practices and customer outcomes.

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