

# Digital Transformation and Entrepreneurial Pathways in Multi-Level Marketing: A Conceptual Study of the Indian Context

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**Abstract:** Multilevel marketing is now proving to be one of the most easily accessible entrepreneurship opportunities in India, especially for individuals with limited capital and limited formal business training. Digital technology is changing the nature of MLM networks' operations across recruiting, selling, training, and compliance. The authors of this paper address how digital transformation alters the MLM model as an entrepreneurial model in India. It uses mobile phones, social media, and internet banking to reach more people and minimize barriers to entry. It is also helpful in introducing new governance models for legitimacy, accountability, and entrepreneurial performance.

The article outlines an abstract theoretical scheme that connects the adoption of digital technologies, transparency, and entrepreneurial power in an MLM system.

At the end of the paper, policy and managerial recommendations are provided to ensure this sector grows ethically, inclusively, and through technology.

**Keywords:** Multilevel marketing, Digital transformation, Entrepreneurship, Governance, Legitimacy, Direct selling, India.

## 1. INTRODUCTION

Entrepreneurship in India has been practiced in a wide range of forms, including technology start-ups and the informal sector. Direct selling is also referred to as multilevel marketing because it reduces barriers to entry and enables individuals with limited capital, only basic skills, or who are formally employed to engage in income-generating activities. Over the past few years, this business model has changed as digital technologies have become the basis for recruitment, communication, training, and customer interaction.

The Multi-Level Marketing industry in India has been rapidly growing, as a critical element of Indian retail transactions and providing millions of people with self-employment

opportunities (Banerjee & Banerjee, 2022). According to Bordoloi (2019)

India is characterized by a substantial middle class and an entrepreneurial culture and disposition. The capacity of Multilevel Marketing to earn income for a broad group of people, youth and the unskilled correlates with national promotion such as the Skill India campaign. The model provides a chance for the population to become micro-entrepreneurs, develop their skills, and integrate into the workforce (Kumar & Satsangi, 2018).

India has the largest concentration of the direct selling industry in the world, with the number of active direct sellers increasing by 2.2 per cent year-on-year between FY 2022-23 and FY 2023-24, to 86.2 lakh and 88 lakhs, respectively.

Moreover, the Indian direct selling market was estimated at around INR 22,142 crores in FY 2023-24, up 4.04% year on year from INR 21,282 crores in FY 2022-23. The industry is projected to grow at a CAGR of 7.15% over the next five years (FY 2019-20 to FY 2023-24), with an increase in INR 16,776 crores and INR 22,142 crores (Indian Direct Selling Association, 2024). Moreover, this industry has remained resilient even during economic uncertainty, despite some distributors shifting to online work and remote customer contact as part of the digital transformation (Indian Direct Selling Association (IDSA, 2023).

Meanwhile, governance has been placed at the center stage in building trust with people. MLM has always been criticised for scams, pyramid schemes and false promises. The Indian government enacted the Consumer Protection (Direct Selling) Rules, 2021, and made them applicable to all models of MLM and direct selling, encompassing the need to be transparent, capable of complaint handling, and accountable before the law (Rajput, 2023).

This study discusses the mutual relationship among digital transformation, entrepreneurship, and governance by developing a conceptual model based on the Indian MLM ecosystem. It describes the effectiveness of digital sites in maintaining entrepreneurship, the role of governance in stabilising the industry, and the contribution of these two variables to legitimacy and livelihood success.

## 2. LITERATURE REVIEW

Entrepreneurship Theory in Emerging Markets Foo, M. D., Vissa, B., and Wu, B. (2020) suggest that these emerging economies are central to the expansion and contextualization of entrepreneurship theory, as such contexts require alternative assumptions regarding resource mobilization, opportunities, and constraints. Resource constraints and institutional weaknesses tend to define these

markets, and new conceptualizations of entrepreneurial success are required. This is one of the concepts of Entrepreneurial Adaptation, which entails derived, cognitively and action-driven strategic decisions that can enhance adaptive abilities to sustain entrepreneurship in these settings (Basu et al., 2021).

India has strong social entrepreneurship and offers a good breeding ground for research on value creation in such settings (Sundaramurthy et al., 2013). Additionally, the networked economy and the idea of frugal, flexible, and inclusive innovation, known as Jugaad, enable entrepreneurs to develop despite a lack of resources (Baporikar, 2013; Chatterjee et al., 2023; Prabhu & Jain, 2015), which contributes to the further development of the entrepreneurial environment in India. This is the capacity to be innovative and adapt, even in situations where these firms are late entrants with fewer resources, and this is essential for firms that wish to become credible international players in emerging economies (Surana et al., 2024).

## 3. DIGITAL TRANSFORMATION

Digital transformation has enhanced vital functionality within MLM ecosystems, such as social selling, onboarding, payments and performance management. Distributors use social media to create personal brands, target audiences, and increase credibility by engaging in influence through influencers, capturing attention through visual and user-generated content to interact and create loyalty to the community (Masrianto et al., 2022; Yadav & Seranmadevi, 2024). Moreover, onboarding is conducted via webinars, e-learning, and virtual mentorship to provide uniform training, and automation based on CRM enhances the process, and mobile-friendly materials and feedback programs allow engagement and enhancement of the process (Kanojia & Rathore, 2025; Singh et al., 2024). In addition, UPI allows real-time transactions that decrease transaction friction and increase financial access for distributors in

rural locations. Conversely, it is easier to track commissions and introduce incentives for UPI use (Joel et al., 2024). Data analytics are applicable to tracking sales trends, customer preferences, and distributor performance, which would facilitate one-to-one marketing, enhanced customer relationships, improve retention, and clear performance standards that increase accountability (Asbeetah et al., 2025; Miklosik et al., 2019). In general, digitalization has assisted MLM organizations in enhancing their interactions, sales, and operational efficiency in the following areas.

In conclusion, integrating digital technological applications for social selling, onboarding, payments, and data handling in the MLM ecosystem has increased engagement with distributors, customers, sales, and growth.

#### **4. MLM AS A HYBRID BUSINESS MODEL**

Multi-Level Marketing, network marketing, or direct selling, is a business approach that is a hybrid of business models. Products or services are sold directly to consumers through a network of independent distributors (Egenhofer et al., 1994; Patharia et al., 2023). This model stands out as the one that allows distributors to earn income not only from their individual sales but also from the sales made by people recruited into their downline network (Patharia et al., 2023; Reingewertz, 2021). Essentially, the channel of distribution is built on a network of individuals who consume and sell products, and in many instances, are recruited and sold using personal connections. Although it is a highly influential player in the Indian retail industry, it is often not highly visible in mainstream marketing discourse (Banerjee & Banerjee, 2022). One of the most important aspects of the MLM model is the prospect of self-employment, which has also rendered it particularly attractive during economic uncertainty and fits the definition of

the gig economy. (Banerjee & Banerjee, 2022; Kumar & Satsangi, 2018). It is also commonly combined with legal MLM activity and pyramid schemes, which are both illegal in India. Interferences must demonstrate their capacity to reintegrate into society, and it is necessary to increase social capital along with rehabilitation efforts. They need to show that they can reintegrate into society, and that social capital and rehabilitation should be expanded accordingly. (Pant et al., 2024).

#### **5. GOVERNANCE AND REGULATORY PERSPECTIVES**

Multilevel Marketing (MLM) requires governance and legitimacy to maintain the trust and integrity of its operations, mainly due to regulatory scrutiny and public concerns about the practice. Sound governance systems will ensure that MLM businesses are run openly, in compliance with legal requirements, and that the interests of consumers are safeguarded.

**Regulatory Issues and Evolution:** MLM businesses are facing evolving regulatory issues as governments seek to differentiate legitimate from fraudulent businesses. Regulatory authorities worldwide are continually revising guidelines to focus on new digital retail channels and sophisticated compensation models (Masrianto et al., 2022).

Adaptive governance is necessary to deal with the threats of misrepresentation, unfair recruitment strategies, and financial transparency owing to the dynamic character of the digital transformation of MLM ecosystems.

**Consumer Protection (Direct Selling):** One of the consumer protection regulations is the Direct Selling Guidelines, which aims to protect consumers and distributors by providing them with clear disclosures, fair contractual terms, and fair marketing practices. These laws mandate more disclosure of product representations, earnings prospects, and money-back guarantees, making the act of exploitation

less likely to occur (Yadav & Seranmadevi, 2024). Digital onboarding and training materials that are digital can be useful in compliance because they can standardize the delivery of information and make distributors aware of regulatory requirements (Kanojia & Rathore, 2025). Uniqueness of MLM and the Illegal Pyramid Scheme. One pillar of governance is the ability to distinguish between legitimate and illegitimate pyramid scheme. The difference between the legitimate MLM models and the pyramid schemes is that the former is centered on product sales and customer acquisition, and the latter is centered on rewarding recruiting that does not involve a real transfer of products, thus making the practices non-sustainable and fraudulent (Joel et al., 2024)

Regulatory measures tend to establish that product sales, open compensation schemes, and the right of consumers to understand what they are engaging in are verifiable to ensure the legitimacy of MLM companies' operations (Asbeetah et al., 2025).

**Technology of Transparency and Governance:** Technology enhances transparency and legal regulation of the MLM ecosystem. Data analytics systems also allow for monitoring sales operations and distributors' performance in real-time and point out deviations and possible fraud at the initial stages (Miklosik et al., 2019). UPI Systems of commission payment avoid conflicts of finances and increase accountability as the payment can be traced and is transparent (Joel et al., 2024). Moreover, compliance training can be distributed uniformly through the digital onboarding platform, and CRM systems can computerize record-keeping and reporting procedures demanded by regulators (Singh et al., 2024).

Altogether, the problems of governance and legitimacy in MLM can be addressed through a robust regulatory framework with a primary

focus on consumer protection, a clear distinction between legal and illegal programs, and the utilization of digital technologies that foster transparency and compliance.

**Digital Tools of Transparency and Compliance:** Transparency and regulatory compliance in MLM ecosystems can be improved through the integration of digital tools. Data analytics systems allow sales operations and distributor performance to be tracked in real time and mark irregularities and possible fraud early (Miklosik et al., 2019). Commission payments made through systems such as UPI are clear and traceable, and they minimize financial conflicts and enhance accountability (Joel et al., 2024). Moreover, compliance training can be distributed uniformly through the digital onboarding platform, and CRM systems can computerize record-keeping and reporting procedures demanded by the regulators (Singh et al., 2024).

Overall, the issue of governance and legitimacy in MLM can be strengthened with the help of the dynamic regulation system that centers on consumer protection, a sharp distinction between legal and illegal programs, and the use of digital technologies that encourage transparency and adherence.

## 6. CONCEPTUAL FRAMEWORK AND HYPOTHESISED RELATIONSHIPS:

This section introduces the conceptual framework, that incorporates Digital Enablement and Governance Clarity as determinants of Entrepreneurial Outcomes in the Indian multilevel marketing (MLM) sector. The model conveys two direct and one moderating effect, based on recent empirical research conducted in India and is justified by recent theories of digital entrepreneurship and institutional governance. The framework will help describe the relationship between the two constructs: as a result of the combination of technology adoption

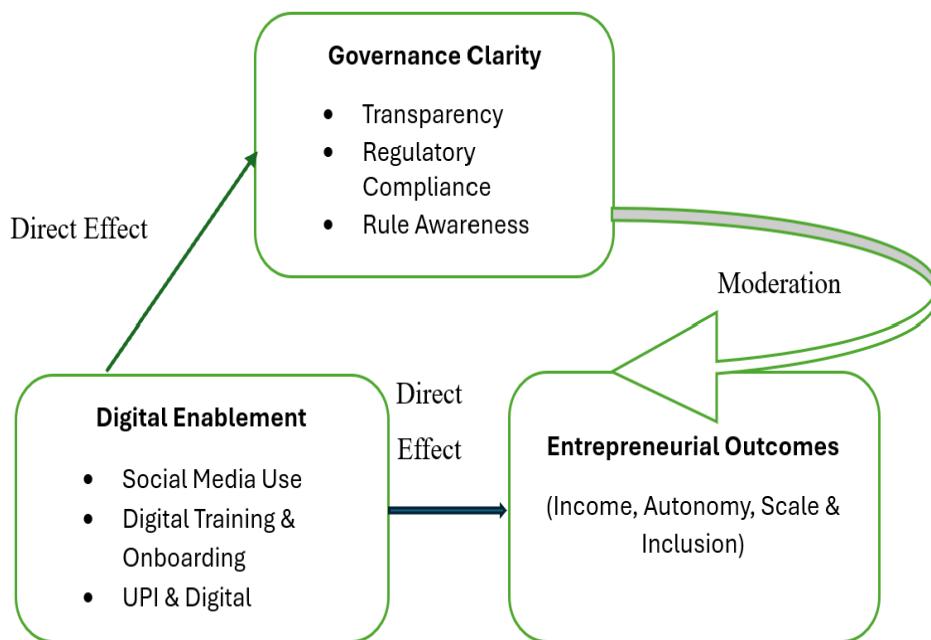
and regulatory frameworks, the entrepreneurial potential of participants in MLM is formed.

### 6.1 Overview of the Conceptual Framework

Digital Enablement involves the use of technology, such as social media, online training platforms, mobile payments, and app-based customer engagement systems. Governance Clarity refers to the clarity and

recognition of the regulatory environment, particularly the Consumer Protection (Direct Selling) Rules, 2021. Entrepreneurial Outcomes are multidimensional outcomes based on income, autonomy, scalability, and the inclusion of MLM distributors.

The relationship between these constructs is shown in the figure below.



**Figure 1. Conceptual Model of Digital Enablement, Governance Clarity, and Entrepreneurial Outcomes in the Indian MLM Sector.**

### 6.2 Digital Enablement and Entrepreneurial Outcomes:

In India, the main activity of MLM has now shifted to using digital channels such as WhatsApp, Instagram, Facebook and YouTube, and the mobile applications a specific company develops to interact with customers, provide product demonstrations, and support network creation. Empirical evidence has proven that these digital practices are highly effective in enhancing entrepreneurial performance. It has been evidenced by 72% of direct sellers that social media marketing plays a positive role in their

business, as reported in the survey report of the Indian Direct Selling Industry in 2023-24 (IDSA 2023-24). The necessity of digital training has also gained widespread popularity among direct sellers, with 59 per cent of them being trained about digital tools and 51 per cent on social media marketing (IDSA, 2024). Additionally, studies indicate that digital tools (such as social media platforms and CRM systems) can increase distributors' motivation and sales performance (Masrianto et al., 2022; Singh et al., 2024). These results support the claim that distributors with more successful integration of digital tools will achieve better outcomes: higher revenue,

greater operational freedom, greater scalability, and greater social inclusion.

**Hypothesis 1 (H1): Digital Enablement has a positive direct impact on Entrepreneurial outcomes.**

**6.3 Governance Clarity and Entrepreneurial Outcomes:**

Entrepreneurial achievement also requires clarity in governance. The Consumer Protection (Direct Selling) Rules, 2021, provide a formal regulatory framework in which lawful and unlawful product-based MLMs have been clearly placed. Such regulations are required to provide for disclosures, grievance procedures, and general liability between direct selling entities and individual sellers.

Empirical evidence supports these effects. The Rules are termed game changers in the IDSA 2023-24 report because of increased consumer protection, transparency and quality. The media in the business world also associate the 7.15% five-year CAGR in the industry with a robust regulatory framework that stabilizes the environment for both distributors and consumers. This change is evident in consumer behavior, as more than half of consumers are not only aware of the application of the Consumer Protection Act to direct selling but are also experiencing increased trust and steady purchases.

Additionally, Legal transparency lowers uncertainty and legal risks, allows businesses to grow sustainably, and safeguards distributors (Joel et al., 2024; Asbeetah et al., 2025).

Overall, these results indicate that Governance Clarity is associated with decreased uncertainty and improved legitimacy, and ethical business conduct. The combination of these findings indicates that Governance Clarity has a direct positive impact on reducing uncertainty, enhancing legitimacy,

and affecting ethical business practices.

**Hypothesis 2 (H2): There is a positive direct relationship between governance clarity and entrepreneurial outcomes.**

**6.4 Moderating Role of Governance Clarity:**

The model proposes that Governance Clarity strengthens the positive relationship between digital enablement and entrepreneurial outcomes. The personalization of marketing and performance monitoring, which are directly connected to better income and scalability, is possible based on data-driven insights (Miklosik et al., 2019; Asbeetah et al., 2025).

Reporting on the industry highlights that regulation and digitalization are the two mutually relevant drivers of sustainable growth. According to the IDSA 2023-24 survey, fraudulent schemes have created a tarnished reputation of the sector in the past. Nevertheless, the Direct Selling Rules, 2021, have assisted in restoring trust, which can make digital strategies provide more expected and ethical outcomes. This indicates that digital tools can operate optimally in settings with clear rules.

Legal studies support this trend. The Direct Selling Rules are relevant to online promotion activities and online selling, which should mean fair claims, should not allow earnings to depend on the recruitment process and should hold some accountability regarding digital misconduct. Governance, therefore, shapes how digital channels can be used, implying that regulation enhances the positive effects of digitalization. Literature on digital entrepreneurship in India shows that digital tools have the most promising effects when incorporated into institutional enabling platforms, which comprise formal regulations, training, and consumer protection. This general trend correlates with the concept that governance mediates the relationship between digital technology and entrepreneurship.

**Hypothesis 3 (H3): Governance clarity positively moderates the relationship between digital enablement and entrepreneurial outcomes, such that this relationship is stronger when governance clarity is high.**

The two sets of empirical data and theoretical arguments in this section are combined to endorse the proposed conceptual framework. Both digital enablement and Governance Clarity have direct positive effects on Entrepreneurial Outcomes, and Governance Clarity encourages the use of digital tools by fostering a transparent, trusted, and rule-based environment. The present integrated model can be used to understand the role of technological adoption and regulatory structures in creating an integrated effect that influences the MLM entrepreneurship in India.

## 7. IMPLICATIONS

### Policymaker implications

Regulation must continue to develop, and the most relevant aspect is to enforce it at the state level.

Additional digital complaint forums, awareness campaigns, and managerial systems can predominantly draw the line between fair and unlawful direct selling.

### Implications for companies

MLM companies ought to invest in open digital technologies. Trust, retention, and compliance are achieved through the use of apps, dashboards, product traceability, and training platforms.

### Entrepreneur implications

Digital tools must be strategically used by distributors. Entrepreneurs have new skills, including personal branding, social selling, and integrating payments. Digital literacy has become a competitive advantage.

### Research implication

The model exposes the empirical work. These relationships can be tested in future research

using surveys or mixed-methods designs. Digital adoption scales, trust indices, income results, and governance perception can be used in measuring these variables.

## 8. CONCLUSION

The convergence between entrepreneurship, digital transformation, and governance is where multilevel marketing exists in India. Digital tools have reduced entry barriers and increased participation, enabling millions of individuals to create sources of income and an entrepreneurial identity. Meanwhile, reforms in governance have given way to legitimacy, formalization and consumer protection.

This study provides a theoretical framework that links digital practices, regulatory clarity, legitimacy, and outcomes. It argues that entrepreneurial potential is increased by digital transformation but is governed by governance, thereby increasing the legitimacy of the moderated risk. In India, the future of MLM is to ensure a balance between technological empowerment and transparent, enforceable governance, keeping both distributors and consumers safe. With all these in place, India could still grow into an all-inclusive, scaled, and digitally empowered MLM model.

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