

An Argument For Uniform Commercial Transactions Code For India

Adopting a UCTC in India will yield significant economic benefits.

NDTV Profit Guest Contributor

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India's commercial law landscape is currently governed by a patchwork of distinct legislations, at times creating complexities and leaving room for interpretation and inconsistencies that can hinder business and economic growth.

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India has demonstrated a clear trajectory towards legislative consolidation in recent years. The enactment of four new labour codes consolidated over 29 central legislations, aiming to simplify and modernise labour laws. Similarly, the replacement of the Indian Penal Code with the Bharatiya Nyaya Sanhita in 2023 showcases a move towards unifying fundamental legal structures.

The company law was re-written in 2013, and the income tax law is in the process of being revised. Not to mention, the sales tax ecosystem was replaced first by value added tax and then by goods and services tax. Most relevant point on case, was the introduction of the Commercial Courts Act and changes to specific relief and arbitration law to expedite dispute resolution, complementing the objective of a clearer commercial law environment.

A UCTC can bring much-needed uniformity nationwide. Several key areas of commercial law, including contracts, transfer of property (excluding agricultural land) and negotiable instruments, fall under the Concurrent List of the Indian Constitution, which means that the centre and the state can both legislate on it. This allows the Indian Parliament to enact a UCTC that would prevail over state laws in case of conflict, ensuring a consistent legal framework for commercial transactions across the country. Of course, where custom or local requirements dictate otherwise, there is a process for the President of India to bless state laws despite being repugnant to central laws; and this process can continue to be followed.

The United States offers a successful model with its Uniform Commercial Code, a comprehensive set of laws governing almost all commercial transactions, adopted by individual states. Canada's Personal Property Security Act, modelled after the US Uniform Commercial Code, also demonstrates the benefits of a unified approach in specific areas of commercial law.

Adopting a UCTC in India will yield significant economic benefits. It would enhance the ease of doing business by simplifying the regulatory landscape and reducing compliance burdens for companies operating across states. Increased legal predictability would attract greater domestic and foreign investment. Standardised contractual provisions would reduce ambiguities and disputes. Furthermore, a UCTC could incorporate uniform standards for improved consumer protection. Ultimately, a unified commercial transactions code has the potential to significantly improve India's ranking in global ease of doing business indices.

In conclusion, the implementation of a UCTC in India aligns with the nation's trend of legislative consolidation and offers a pathway to significant economic growth and efficiency. While challenges in harmonising diverse legal and economic practices exist, the long-term advantages of a unified commercial framework for India's economic future are undeniable.

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