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Minors in Indian Commercial Law: A Critical Review of Contracts, Partnerships, and Negotiable Instruments

Pooja Jain¹, Dr. Vidushi Goel²

¹Research Scholar, IIMT University Meerut, U.P. 250001, India.

²Assistant Professor, IIMT University, U.P. 250001, India.

Department of Law

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ABSTRACT

The Indian legal framework governing minors' engagement in contracts, partnerships, and negotiable instruments is anchored in protective principles, as delineated by the Indian Contract Act, 1872, the Indian Partnership Act, 1932, and the Negotiable Instruments Act, 1881. This review critically synthesizes judicial precedents, statutory provisions, and contemporary scholarship to evaluate the void nature of minors' contracts, their restricted roles in partnerships, and the ambiguities surrounding their involvement in negotiable instruments. Landmark cases, such as *Mohori Bibee v. Dharmodas Ghose* (1903), underscore the protective ethos, while recent studies highlight challenges posed by digital commerce. The paper identifies gaps in addressing online transactions and ethical concerns, proposing reforms to harmonize minor protection with opportunities for financial education. This analysis contributes to the discourse on adapting Indian commercial law to a dynamic socio-economic landscape.

Keywords: Minors' contracts, Indian Partnership Act, Negotiable Instruments Act, digital commerce, judicial precedents, ethical considerations.

1 Introduction

The legal status of minors/individuals under 18 years as per the Indian Majority Act, 1875 in Indian commercial law embodies a delicate balance between safeguarding their vulnerability and recognizing their potential as emerging economic actors. The Indian Contract Act, 1872 (ICA), declares minors incompetent to contract, rendering their agreements void ab initio, a principle designed to shield them from exploitative transactions. This protective stance extends to the Indian Partnership Act, 1932 (IPA), which limits minors to benefiting from partnerships without incurring liabilities, and the Negotiable Instruments Act, 1881 (NIA), which implicitly excludes minors from binding obligations. However, the rise of digital platforms, where minors increasingly participate in e-commerce and fintech, challenges these traditional frameworks (Code, 2014).

This review synthesizes historical and contemporary scholarship, judicial interpretations, and statutory analyses to examine minors' roles in these commercial domains (Seervai, 2015). It explores the interplay between protection and empowerment, particularly in light of India's youthful demographic, which constitutes a significant portion of its 1.4 billion population. By addressing gaps in digital applicability and ethical considerations, the paper aims to inform legal reforms that foster responsible minor participation while mitigating risks.

2 Literature Review

The scholarship on minors in Indian commercial law is extensive, encompassing doctrinal, empirical, and comparative studies. This section reviews key themes, integrating recent analyses to frame the discussion.

2.1 Contracts and Minors: Protective Principles

The ICA's Section 11, deeming minors incompetent, is a cornerstone of Indian contract law, as affirmed by *Mohori Bibee v. Dharmodas Ghose* (1903), which invalidated a minors' mortgage. Contemporary works, such as Jain's analysis, emphasize that this void ab initio rule prevents ratification upon majority, protecting minors from long-term obligations. Exceptions under Section 68 allow recovery for necessities, as seen in *Nash v. Inman*, ensuring minors access to essentials without personal liability (Fam., 2021).

Recent literature highlights digital challenges: minors' agreements on e-commerce platforms or social media often fall outside traditional exceptions, creating enforceability disputes. Studies advocate for guardian oversight in such contracts, particularly in media and sports, where minors' earnings are significant (Cruz, 2022).

2.2 Partnerships: Limited Engagement

Section 30 of the IPA permits minors to share partnership benefits but not liabilities, a framework clarified in *Gajanan Moreshwar v. Moreshwar Madan* (1942). Scholarship, including Basus critique, notes that minors enjoy profit rights but face no personal liability, fostering entrepreneurial exposure. However, upon attaining majority, the election to ratify or exit within six months introduces complexities, as in *VJ Masarwala v. P Sheth Co.* (1981) (Kumar, 2020).

Recent analyses question this framework's alignment with ICAs non-ratification principle, suggesting reforms to clarify transitions (Subramanian, 2019). The benefits-only model, while protective, may expose minors to indirect risks in family-run firms, necessitating clearer guidelines.

2.3 Negotiable Instruments: Ambiguities and Exemptions

The NIAs silence on minors leads to reliance on ICA principles, as in *Guardian Assurance Co. Ltd. v. Samuel Vallins* (1911), where a minors endorsement was valid but non-binding. Section 26 aligns capacity with ICA, exempting minors from liability on cheques or notes. Recent studies explore digital payments, noting that minors UPI transactions raise enforceability issues without liability for dishonor (Taylor, 2016).

Litature underscores the need for NIA amendments to address digital instruments like e- cheques, where minors roles remain undefined (Unit, 2022). Cases like *Sulochana v. Pandiyan Bank Ltd.* highlight joint liability exemptions, reinforcing the protective framework.

3 Analysis and Discussion

The reviewed literature reveals a robust protective framework, yet it grapples with modern complexities. The ICAs void contract rule safeguards minors but limits their commercial engagement, particularly in digital contexts where age verification is inconsistent. The IPAs benefit-only partnership model offers a pragmatic compromise, enabling financial literacy without risk, though ratification ambiguities require resolution. The NIAs reliance on ICA principles creates uncertainties in digital transactions, necessitating statutory updates (GDPR, 2016).

Ethical considerations are paramount: while early commercial exposure fosters empowerment, power imbalances pose exploitation risks. Gaps in comparative jurisdictional analyses and digital-specific regulations hinder comprehensive reforms (Garcia, 2021). Recent scholarship advocates adaptive frameworks to address India's e-commerce boom.

4 Research Gaps and Emerging Challenges

Significant gaps persist: limited exploration of minors roles in digital negotiable instruments, such as cryptocurrencies; inadequate ethical frameworks addressing consent and autonomy; and a lack of mixed-method studies integrating stakeholder perspectives (Singh, 2019). The rapid growth of online youth engagement underscores the urgency for modernized legal provisions.

5 Conclusion

Indian commercial law prioritizes minor protection through void contracts, benefit-only partnerships, and liability exemptions in negotiable instruments. However, the digital era demands reforms to ensure inclusivity without compromising safeguards. This review calls for a nuanced jurisprudence that balances empowerment with protection, informed by global best practices.

6 Recommendations

- Introduce digital-specific amendments to ICA and NIA, requiring parental consent for online transactions.
- Align IPAs ratification provisions with ICA to eliminate inconsistencies.
- Encourage empirical studies on minors commercial interactions.
- Develop ethical guidelines prioritizing informed consent and oversight.

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