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UNDERSTANDING INDIAN CONTRACT ACT

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ABSTRACT:

As a second-year student, it's understandable to have difficulty remembering sections and case laws in the Indian Contract Act of 1872. The Indian Contract Act of 1872 came into force on September 1, 1872. Whether you are a law student studying corporate law or aiming to pursue litigation, you must study contract law, as contracts are used in day-to-day life. For instance, it may be a ticket for watching a movie or ordering food on Zomato. These involve contracts, and let's study them in detail in this blog. A contract is a pillar of the corporate world since all companies try to make contracts favourable to them so that they can make a profit. It is the responsibility of a legal advisor to a company to verify the contract so that it does not create a legal issue for the company. This blog explains essential elements of a valid contract or conditions for an agreement to be valid and various other sections that are used in contracts by companies for their advantage. Let's simplify the Indian Contract Act into simpler parts¹. If you take books referred to by your college, like the INDIAN CONTRACT ACT OF 1872 by R.K. Bangia or Mulla, you can see that it's divided into two parts: general and specific contracts. General contracts include sections 1 to 75 of the Indian Contract Act, which must be known to draft a contract. Let's know what a contract is.

¹ Rachit Garg, *Concept of Estoppel in Minor's Contract: The Indian Contract Act, 1872*, IPLeders (Mar. 16, 2021), <https://blog.ipleaders.in/concept-estoppel-minors-contract-indian-contract-act-1872/>.

CONTRACT:

A contract is an agreement enforceable by law under the Indian Contract Act of 1872. Before knowing other sections, you must know a few terms and their meanings in the simplest way. These are also essential to a valid contract.

1. Offer:

In general, when a person proposes to do something or not to do something willingly, without any external influence, to get acceptance from the other party, it is said to be an offer. An offer may be implied or expressed, according to Section 9 of the ICA of 1872².

Offer vs. Invitation:

From Section 2(a), you can infer that willingness is important, which distinguishes an offer from an invitation. In the invitation, there is no such willingness, but he proposes terms to negotiate while he wishes the other party to propose an offer on those terms³.

2. Acceptance:

When a person gives their assent to the proposal, the offer becomes a promise. The acceptance can also be implied or expressed, which means the offeree can communicate his acceptance by whatever means that has the effect of communicating his assent⁴

3. Free consent:

².*The Indian Contract Act*, No. 9 of 1872, § 2(a), India Code (as amended 2023), <https://www.indiacode.nic.in>.

³.*The Indian Contract Act*, No. 9 of 1872, § 2(a), India Code (as amended 2023), <https://www.indiacode.nic.in>.

⁴ *Indian Contract Act*, No. 9 of 1872, § 2 (India), available at <https://indiankanoon.org/doc/630686/> (last visited July 12, 2025).

The consent given by the offeree must be without any external influence. Consent is said to be free only when it is not given under coercion, undue influence, fraud, mistake, or misrepresentation. If consent is not free consent, then the contract is void (sections 14 & 10).

4. Competent to enter into a contract:

Section 11 states that a person who has not attained the age of 18 years, is of unsound mind, and is barred from entering into a contract by any law is not competent to enter into a contract⁵. But if they enter into a contract, then the contract is void. But in the case of a minor, the contract is “void ab initio.”

5. Lawful consideration and lawful object:

Let's take an instance: I ask you to kill someone; in return, I will give you a sum of 10 lakh rupees after completion. If I fail to keep my promise, then you cannot sue me in court since there is no lawful object present in the above-mentioned agreement and the maxim “quid pro quo,” which means something in return. So in a contract, if there is no lawful consideration or object, then the contract is not valid.

QUASI CONTRACT AND ITS IMPORTANCE:

Sections 68–72 of the Act are about quasi-contracts, which prevent unjust enrichment⁶. For instance, a person who supplies necessities to a minor or incapable person for their basic survival is entitled to reimbursement from their property (Section 68). The minor cannot be made liable since the agreement entered into between him and the other party is “void ab initio,” which means the agreement is void from the beginning. The party who entered into a contract with a minor cannot sue him for breach of contract because of the above maxim.

REMEDIES FOR BREACH OF CONTRACT:

⁵ *Indian Contract Act*, No. 9 of 1872, § 11 (India), available at <https://indiankanoon.org/doc/1199186/> (last visited July 12, 2025).

⁶ *The Indian Contract Act*, No. 9 of 1872, §§ 68–72, India Code (as amended 2023), <https://www.indiacode.nic.in>.

There are several remedies for a breach of contract under the Indian Contract Act as well as the Specific Relief Act. Either there will be termination of the contract, or the offeror could ask for specific performance of his promise. In case of any loss due to breach of contract by the offeree, he will be made liable unless the performance of the promise is skill-based, which cannot be done thereafter. For instance, if party A gives his gold coin to a goldsmith to make a jewel, but the goldsmith, due to his accident, falls into a coma and is not able to complete the promise, then party A cannot sue party B.

SPECIFIC RELIEF ACT:

Under the Specific Relief Act, one can ask for relief such as recovery of possession of immovable property, specific performance of contract, rectification and cancellation of instruments & rescission of contracts, preventive relief, and declaratory relief. Injunctions are also asked for under this act, and there are different types of injunctions, such as mandatory injunctions and perpetual injunctions.

RELEVANCE IN MODERN TIMES:

On June 25 of this year, 2025, the Delhi High Court passed its verdict on the case Varun Tyagi vs. Daffodil Software Pvt. Ltd. In the above case, the court addressed the enforceability of a post-employment non-compete clause, which restrains an employee from employment with their business partners. But the high court of Delhi, under Justice Tejas Karia, quashed the interim injunction, resulting in the voiding of clause 2.16 under section 27 of the Contract act⁷. This is a good example of judicial interpretation. Even after 150 years of enacting the Indian Contract Act, it's still evolving and upgrading with the developing digital era⁸.

CONCLUSION:

⁷ *The Indian Contract Act*, No. 9 of 1872, § 27, India Code (as amended 2023), <https://www.indiacode.nic.in>.

⁸ *Varun Tyagi v. Daffodil Software Pvt. Ltd.*, FAO 167/2025 (Del. H.C. June 25, 2025), <https://indiankanoon.org/doc/187332526/>.

The Indian Contract Act is still used not only in the corporate world for making deals but it is also used by advocates to win litigation hence it's important to master the contract act or keep a legal advisor by your side if you wish to sign a contract so that it won't cause trouble later. The Contract Act has been amended at least twice since society developed as time passes and advocates should keep up with it.

References

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8. Sir Dinshaw Fardunji Mulla, *The Indian Contract Act and Specific Relief Acts* 45 (15th ed., LexisNexis 2017).
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