

India needs a Uniform Civil Code

India, being a diverse nation, is home to many religions, each with its distinct personal laws governing marriage, divorce, adoption, inheritance and succession. It would be accurate to say that the absence of a Uniform Civil Code (UCC) has only served to perpetuate inequalities and inconsistencies in our land of rich diversity. In fact, this has been a hindrance in the nation's progress towards social harmony, economic and gender justice. Prime Minister Narendra Modi had last week called for the enactment of a UCC, pointing out the anomaly of having varying laws for different categories of citizens.

In the Constituent Assembly

The debate on the UCC goes back to the Constituent Assembly debates. In fact, one could assert that the legality of UCC is rooted in the Constitution of India, Constituent Assembly debates and also Supreme Court of India judgments. Constituent Assembly debates shed light on the need and the objective behind promoting a common civil code. Babasaheb Ambedkar, the chief architect of the Indian Constitution, had made a strong case in the Constituent Assembly for framing a UCC. He stressed the importance of a UCC in ensuring gender equality and eradicating prevailing social evils.

Countering the arguments of some of the members of the Constituent Assembly who were opposed to the idea, B.R. Ambedkar observed: "I personally do not understand why religion should be given this vast, expansive jurisdiction so as to cover the whole of life and to prevent the legislature from encroaching upon that field.

After all, what are we having this liberty for? We are having this liberty in order to reform our social system, which is so full of inequities, so full of inequalities, discriminations and other things, which conflict with our fundamental rights. It is, therefore, quite impossible for anybody to conceive that the personal law shall be excluded from the jurisdiction of the State."

Other distinguished and erudite members of the Constituent Assembly such as Alladi Krishnaswamy Ayyar and K.M. Munshi also advocated the enactment of a UCC. Alladi Krishnaswamy Ayyar argued that "the Article



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The country's progress towards social harmony, economic and gender justice has been hampered by the absence of a Uniform Civil Code

actually aims at amity...what it aims at is to try to arrive at a common measure of agreement in regard to these matters". Similarly, K.M. Munshi also called for a UCC in the Constituent Assembly. He said: "The point however, is this, whether we are going to consolidate and unify our personal law in such a way that the way of life of the whole country may in course of time be unified and secular... What have these things got to do with religion I really fail to understand."

Since a consensus on a UCC could not be reached in the Constituent Assembly, the subject found a place under Article 44 of the Directive Principles. Thus, Article 44, in a sense, is the Constitutional mandate which requires the state to enact a UCC that applies to all citizens cutting across faiths, practices and personal laws.

It would be also pertinent to point out here that the Supreme Court had dwelt on the matter on more than one occasion. The top court had observed in the Shah Bano case that "It is a matter of regret that Article 44 has remained a dead letter." The Court had pointed out that a UCC would help the cause of national integration. The top court ruled that "... in the constitutional order of priorities, the right to religious freedom is to be exercised in a manner consonant with the vision underlying the provisions of Part III (Fundamental Rights)" - Indian Young Lawyers Association case (2018). However, despite articulating its views clearly on the subject in many cases, the Supreme Court refrained from issuing any clear directive to the government being mindful of the fact that the framing of laws falls within the exclusive domain of Parliament.

The essence

The UCC is, therefore, a step in the right direction, long overdue, to safeguard the fundamental rights of all citizens and reduce social inequalities and gender discrimination.

It should be seen and understood as an attempt at creating a unified legal framework that upholds the principles enshrined in the Constitution and reaffirmed by Supreme Court judgments.

The doubts in the minds of some and the opposition to this initiative stemming from unfounded apprehensions need to be addressed through enlightened debate and constructive

engagement. The overarching objective is to ensure that there is no gender discrimination, everyone enjoys the fundamental rights enshrined in the Constitution, and that the law of the land is uniform for every citizen in our country. It will serve as a powerful instrument for the promotion of equality and justice for all citizens. Seen in this light, every citizen should welcome it.

As Babasaheb Ambedkar and other learned members of the Constituent Assembly had proposed, uniformity in personal laws is essential for empowering women and ensuring gender equality in matters of marriage, divorce, and inheritance. A UCC would eliminate discriminatory practices that deprive women of their rights and provide them with equal opportunities and protections. Our diverse society calls for a unified legal framework to foster social cohesion and national integration. The Constituent Assembly members recognised the existing challenges and stressed the need for a UCC to bridge the gaps and promote a sense of unity among diverse communities.

Personal laws should have a two-dimensional acceptance - they should be constitutionally compliant and consistent with the norms of gender equality and the right to live with dignity. The Constitution is the North Star which guides us in this regard. It exemplifies the essential principles of justice, gender equality, and secularism which, taken together, set the foundation of the UCC.

An appeal

Finally, I would like to urge my fellow citizens, leaders of religious groups and political parties to rise above all differences and support implementation of the UCC. They should contribute to making it an instrument of social reform, a legislative framework fully aligned with principles of justice and equity underscored by the Constitution, a code that provides legal protection against discrimination, a progressive piece of legislation to guarantee equal human rights and give tangible shape to the vision of the country's illustrious founding fathers. It will be a yet another step, a very significant one, towards building a new, inclusive, egalitarian India that we all want.

Internationalising the rupee without the 'coin tossing'

The government's announcement of a long-term road map for further internationalisation of the rupee can turn out to be a positive exercise. In the 1950s, the Indian rupee was legal tender for almost all transactions in the United Arab Emirates (UAE), Kuwait, Bahrain, Oman and Qatar, with the Gulf monarchies purchasing rupees with the pound sterling. In 1959, to mitigate challenges associated with gold smuggling, the Reserve Bank of India (Amendment) Act was brought in, enabling the creation of the "Gulf Rupee", with notes issued by the central bank for circulation only in the West Asian region. Holders of the Indian currency were given six weeks to exchange their Indian currency, with the transition happening smoothly. However, by 1966, India devalued its currency, eventually causing some West Asian countries to replace the Gulf rupee with their own currencies. Flagging confidence in the Indian rupee's stability combined with an oil-revenue linked boom, slowly led to the introduction of sovereign currencies in the region. The move, in 2023, to withdraw the ₹2,000 note has also impacted confidence in the rupee.

The demonetisation of 2016 also shook confidence in the Indian rupee, especially in Bhutan and Nepal. Both countries continue to fear additional policy changes by the RBI (including further demonetisation). The rupee's internationalisation cannot make a start without accounting for the concerns expressed by India's neighbours.

Very little international demand

The rupee is far from being internationalised – the daily average share for the rupee in the global foreign exchange market hovers around -1.6%, while India's share of global goods trade is -2%. India has taken some steps to promote the internationalisation of the rupee (e.g., enable external commercial borrowings in rupees), with a push to Indian banks to open Rupee Vostro accounts for banks from Russia, the UAE, Sri Lanka and Mauritius and measures to trade with -18 countries in rupees instituted. However, such transactions have been limited, with India still buying oil from Russia in dollars. Ongoing negotiations with Russia to settle trade in rupees have been slow-going, with Russia expected to have an annual rupee surplus of over \$40 billion



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India must pursue reforms confidently to internationalise the rupee, which will result in a number of benefits

– reports indicate that Russian banks have been averse to the trade, given the risk of further currency depreciation and a lack of awareness among traders about local currency facilities. In short, there is very little international demand to trade in the Indian rupee.

For a currency to be considered a reserve currency, the rupee needs to be fully convertible, readily usable, and available in sufficient quantities. India does not permit full capital account convertibility (i.e., allowing free movement of local financial investment assets into foreign assets and vice-versa), with significant constraints on the exchange of its currency with others – driven by past fears of capital flight (i.e., outflow of capital from India due to monetary policies/lack of growth) and exchange rate volatility, given significant current and capital account deficits.

China's experience

China's example in internationalising the Renminbi has lessons. As an online article highlights, before 2004, the RMB could not be used outside China. By 2007, the "Dim Sum" bond and offshore RMB bond market had been created, with financial institutions in Hong Kong allowed to issue dim sum bonds by 2009. Post 2008, China pursued a phased approach, enabling the use of the RMB for trade finance (i.e., financial instruments for facilitating international trade and commerce), investment and, over the long term, as a reserve currency.

First, it allowed the use of RMB outside China for current account transactions (e.g., commercial trade, interest payment, dividend payments) and for select investment transactions (e.g., foreign direct investment, outward direct investment). By 2009, China had signed currency swap agreements (i.e., an exchange of an equivalent amount of money, but in different currencies) with countries such as Brazil, the United Kingdom, Uzbekistan, and Thailand. Soon, it allowed central banks, offshore clearing banks and offshore participating banks to invest excess RMB in debt securities. The Shanghai Free Trade Zone was launched in September 2013, to allow free trading between non-resident onshore and offshore accounts.

Over time, the RMB was internationalised, with reserve currency status increasingly enabled (e.g., by Q2 2022, the RMB's share of international

reserves had reached -2.88%), as the article highlights.

Pursue these reforms

Many reforms can be pursued to internationalise the rupee. It must be made more freely convertible, with a goal of full convertibility by 2060 – letting financial investments move freely between India and abroad. This would allow foreign investors to easily buy and sell the rupee, enhancing its liquidity and making it more attractive. Additionally, the RBI should pursue a deeper and more liquid rupee bond market, enabling foreign investors and Indian trade partners to have more investment options in rupees, enabling its international use. Indian exporters and importers should be encouraged to invoice their transactions in rupee – optimising the trade settlement formalities for rupee import/export transactions would go a long way. Additional currency swap agreements (as with Sri Lanka) would further allow India to settle trade and investment transactions in rupees, without resorting to a reserve currency such as the dollar.

Additionally, tax incentives to foreign businesses to utilise the rupee in operations in India would also help. The RBI and the Ministry of Finance must ensure currency management stability (consistent and predictable issuance/retrieval of notes and coins) and improve the exchange rate regime. More demonetisation (or devaluation) will impact confidence. A start could be made to push for making the rupee an official currency in international organisations, thereby giving it a higher profile and acceptability. The Tarapore Committees' (in 1997 and 2006) recommendations must be pursued including a push to reduce fiscal deficits lower than 3.5%, a reduction in gross inflation rate to 3%-5%, and a reduction in gross banking non-performing assets to less than 5%.

The government's road map for further internationalisation of the rupee will make it easier for Indian businesses to do business/invest abroad and enhance the rupee's liquidity, while enhancing financial stability. It must also benefit Indian citizens, enterprises and the government's ability to finance deficits. It is a delicate balance to trade off rupee convertibility for exchange rate stability. One hopes predictable currency management policies will be instituted.