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ALGORITHMIC CORPORATE GOVERNANCE IN INDIA: BOARD ACCOUNTABILITY FOR AI-DRIVEN BUSINESS DECISIONS

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I. ABSTRACT

The increasing integration of Artificial Intelligence (AI) into corporate governance structures has transformed the manner in which companies undertake decision-making, risk assessment, compliance management, and strategic planning. While algorithmic systems enhance efficiency and predictive capabilities, they simultaneously create complex legal and governance concerns relating to transparency, accountability, fiduciary obligations, and regulatory oversight. This paper critically examines the legal implications of algorithmic corporate governance in India, with particular emphasis on the accountability of corporate boards and directors under the Companies Act, 2013. The study specifically analyses whether the fiduciary duties prescribed under Section 166 of the Act extend to AI-assisted decision-making processes and whether directors may be held responsible for harms arising from opaque or biased algorithmic systems. The research adopts a doctrinal and comparative methodology based upon statutory interpretation, judicial precedents, regulatory materials, and academic scholarship. In addition, the paper undertakes a comparative analysis of the European Union AI Act framework to evaluate evolving international standards concerning AI governance and corporate accountability. The study further examines issues relating to data governance, consumer protection, algorithmic bias, and regulatory compliance in AI-driven corporate operations. The paper argues that the existing Indian corporate governance framework remains insufficient to address the unique risks posed by algorithmic governance systems. It proposes the introduction of AI-specific corporate governance obligations, enhanced disclosure standards, board-level oversight mechanisms, algorithmic audit requirements, and clearer statutory liability principles to ensure responsible and accountable deployment of AI technologies within corporate entities.

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II. KEYWORDS

Algorithmic corporate governance, directors' duties, artificial intelligence, Companies Act 2013, and board accountability.

III. INTRODUCTION

Corporate decision-making has entered a new phase. Earlier, business decisions were primarily made by directors, senior managers, officers and professional advisers. Today, many decisions are influenced or even practically determined by artificial intelligence systems. Companies use AI to identify customers, assess risks, recommend investments, screen job applicants, detect fraud, monitor employees, determine prices and predict future demand. In many sectors, AI is no longer an optional tool; it is becoming part of the company's decision-making infrastructure.

This development creates a new challenge for corporate law. Traditional company law is built on the assumption that human directors and officers manage corporate affairs. Even where directors delegate authority, the law expects them to supervise, question and exercise judgment. AI disturbs this model because some algorithmic systems operate in complex and non-transparent ways. A decision may be produced by a model whose reasoning is difficult to explain even to the company that uses it.

The central concern is not whether companies should use AI. Corporate innovation is necessary for business growth. AI can improve efficiency, reduce costs, detect fraud and support better compliance. The concern is whether the use of AI can dilute responsibility. A company cannot be permitted to say that "the algorithm decided" when the outcome harms employees, consumers, investors or other stakeholders. Technology may assist corporate decisions, but it cannot become a shield against legal accountability.

Indian company law already contains the foundation for such accountability. Section 166 of the Companies Act, 2013 requires directors to act in good faith for the benefit of the company and its members as a whole, and also in the best interests of employees, shareholders, the community and protection of the environment.³ It

³ The Companies Act, No. 18 of 2013, § 166(2), India Code (2013).

further requires directors to exercise due and reasonable care, skill and diligence, and to exercise independent judgment.⁴ These duties are broad enough to cover AI-based business decisions.

This article therefore proposes the idea of algorithmic corporate governance. It means a governance framework under which the board of directors remains responsible for the adoption, supervision and review of AI systems used by the company. Such governance should include risk assessment, data control, algorithmic audit, human oversight, vendor due diligence and disclosure of material AI risks.

A. Research Objectives

This paper seeks to examine the emerging challenges posed by algorithmic corporate governance and the corresponding implications for board accountability under Indian company law. The study aims to analyse whether the fiduciary obligations prescribed under Section 166 of the Companies Act, 2013 extend to the adoption, supervision, and deployment of Artificial Intelligence (AI) systems in corporate decision-making. Further, the paper evaluates the adequacy of the present Indian regulatory framework in addressing AI-driven governance risks and explores comparative regulatory developments, particularly under the European Union AI Act, to identify suitable legislative and governance reforms for India.

B. Research Questions

1. Whether the fiduciary duties and obligations of directors under Section 166 of the Companies Act, 2013 extend to AI-assisted and algorithmic corporate decision-making processes?
2. To what extent can corporate boards be held accountable for risks, biases, or governance failures arising from the deployment of AI systems?
3. Whether the existing Indian corporate governance framework sufficiently regulates algorithmic decision-making and AI governance within corporations?

⁴ The Companies Act, No. 18 of 2013, § 166(3), India Code (2013).

4. What legislative and regulatory reforms, including comparative insights from the European Union AI Act framework, may be adopted to strengthen board accountability in the age of AI-driven corporate governance?

C. Research Methodology

The present study adopts a doctrinal and comparative research methodology. The doctrinal component is based upon an examination of statutory provisions, primarily the Companies Act, 2013, judicial precedents, regulatory reports, and scholarly literature concerning corporate governance, fiduciary duties, and Artificial Intelligence regulation. The comparative component analyses international regulatory developments, particularly the European Union AI Act framework, in order to evaluate emerging global standards on AI governance and board accountability. The study further relies upon secondary sources including journal articles, policy papers, committee reports, and academic commentaries to critically assess the adequacy of the existing Indian legal framework and to propose suitable reforms.

IV. MEANING OF ALGORITHMIC CORPORATE GOVERNANCE

Algorithmic corporate governance refers to the legal and managerial control of algorithmic systems used in corporate decision-making. It is concerned not merely with the technical design of AI, but with the question of who approves it, who supervises it, who audits it, and who is answerable when it causes harm.

A company may use AI in two broad ways. First, it may use AI internally, such as for hiring, employee monitoring, accounting, compliance, supply-chain management or risk assessment. Second, it may use AI externally, such as in consumer recommendations, credit approval, insurance pricing, digital advertising, platform moderation or customer service. Both uses can create legal consequences.

For example, if a company uses AI to reject job applications, the system may unintentionally discriminate against certain categories of applicants. If a financial technology company uses AI to decide credit eligibility, the system may deny loans based on biased or inaccurate data. If a listed company uses AI for financial forecasting

or risk analysis, investors may be affected if the system is unreliable. These examples show that AI is not only a technological matter. It is a governance matter.

Algorithmic corporate governance therefore demands that boards understand the role of AI within the company. Directors need not personally write code or understand every technical detail. However, they must know whether AI is being used in high-risk areas, whether safeguards exist, whether the data is lawful and reliable, whether the model is tested, and whether affected persons have a remedy.

In simple terms, algorithmic corporate governance asks one important question: Can a company use machines for decision-making while still preserving human accountability? The answer must be yes, but only if proper governance mechanisms are created.

V. AI AS A NEW CORPORATE GOVERNANCE CHALLENGE

AI creates a corporate governance challenge because it changes the character of business judgment. Traditional business judgment usually involves human reasoning. A director or manager may make a decision after considering reports, financial data, market conditions and expert advice. Even if the decision later fails, it is usually possible to trace the reasoning behind it. AI-based decisions are different because the system may generate outputs through complex data processing that is not easily explainable.

The first challenge is opacity. Many AI systems operate as “black boxes.” They produce a recommendation or decision, but the precise reasoning may be unclear. If a board accepts such decisions without questioning them, it may fail to exercise independent judgment. Section 166(3) of the Companies Act requires directors to exercise independent judgment, and blind reliance on an unexplained algorithm may be inconsistent with this duty.⁵

The second challenge is bias. AI systems learn from data. If the data reflects past discrimination or structural inequality, the system may reproduce those patterns. A recruitment algorithm trained on previous hiring data may prefer candidates similar

⁵ The Companies Act, No. 18 of 2013, § 166(3), India Code (2013).

to those historically selected by the company. A credit-scoring system may disadvantage certain groups if the data indirectly reflects social or economic bias. The company may not intend discrimination, but the outcome may still be unfair.

The third challenge is over-reliance. AI recommendations often appear objective because they are generated through data. This may create a false sense of accuracy. In reality, AI systems are only as good as their design, data and testing. Directors and managers must remember that algorithmic output is not a legal conclusion. It is a technological recommendation that still requires human evaluation.

The fourth challenge is accountability gap. When a harmful AI decision occurs, several actors may deny responsibility. The software vendor may blame the company's data. The company may blame the vendor's model. Management may blame the technical team. Directors may claim they were not involved in operational details. Corporate governance must prevent this diffusion of responsibility.

The fifth challenge is data dependency. AI systems require large amounts of data. If data is unlawfully collected, insecurely stored, inaccurate or outdated, the AI output may become legally risky. The enactment of the Digital Personal Data Protection Act, 2023 makes data governance more important for Indian companies using AI.⁶ The Supreme Court's recognition of privacy as a fundamental right in Justice K.S. Puttaswamy v. Union of India also strengthens the legal importance of responsible data handling.⁷

Thus, AI creates a new kind of corporate risk. It is technological in form, but legal in consequence.

VI. DIRECTORS' DUTIES IN THE AGE OF AI

The duties of directors under section 166 of the Companies Act, 2013 are the starting point for AI governance in India. Section 166(2) requires directors to act in good faith for the benefit of the company and its members as a whole, while also considering the interests of employees, shareholders, the community and environmental protection.⁸

⁶ Digital Personal Data Protection Act, No. 22 of 2023, India Code (2023).

⁷ Justice K.S. Puttaswamy v. Union of India, (2017) 10 S.C.C. 1 (India).

⁸ The Companies Act, No. 18 of 2013, § 166(2), India Code (2013).

Section 166(3) requires due and reasonable care, skill, diligence and independent judgment.⁹

These duties can be applied to AI-driven business decisions in a practical manner. First, the duty of care requires directors to understand the risks of AI systems used in material areas of the company. A director is not expected to become a data scientist. However, a director is expected to ask reasonable questions before approving or allowing AI deployment. What is the purpose of the system? What data does it use? Has it been tested? Can its decisions be explained? What harm can it cause? Who reviews its output?

Second, the duty of diligence requires continuous monitoring. AI systems may change over time. A model that performs well in one period may become unreliable later due to changes in data, market conditions or consumer behaviour. Therefore, the board cannot treat AI approval as a one-time decision. It must ensure periodic review.

Third, the duty of independent judgment requires directors not to surrender decision-making to algorithms. AI may support judgment, but it should not replace judgment in legally sensitive matters. If a board approves major business decisions based only on algorithmic recommendation without human evaluation, it may weaken its own statutory role.

Fourth, directors must consider stakeholder impact. Section 166 does not limit directors' attention only to shareholders. It refers to employees, shareholders, community and environment.¹⁰ Therefore, AI systems affecting employees, consumers or communities must be reviewed not only for profitability but also for fairness and legality.

The law should therefore treat AI oversight as part of directors' ordinary governance responsibility. A board that ignores AI risk may be failing in the same way as a board that ignores financial, environmental or compliance risk.

⁹ The Companies Act, No. 18 of 2013, § 166(3), India Code (2013).

¹⁰ The Companies Act, No. 18 of 2013, § 166(2), India Code (2013).

VII. AI AND THE BUSINESS JUDGMENT RULE

The business judgment principle generally protects directors when they make commercial decisions honestly, carefully and in good faith. Courts normally avoid interfering with business decisions simply because they later turn out to be unsuccessful. This principle is important because directors must be allowed to take commercial risks.

However, AI creates a new question: can directors claim business judgment protection when they rely on an algorithm? The answer should depend on the quality of their reliance. If directors use AI as one input, understand its limitations, obtain expert advice and apply independent judgment, they should receive protection. But if they blindly follow an untested system, they should not be protected merely because the decision was made through technology.

For example, if a company adopts an AI-based credit model without testing whether it produces discriminatory outcomes, the board cannot simply claim that it relied on technology. Similarly, if a listed company uses AI for revenue projections and discloses optimistic forecasts to investors without verifying the assumptions, the board may be questioned for lack of diligence.

Indian courts have recognized the importance of directors acting in good faith and for proper corporate purposes. In *Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan*, the Supreme Court emphasized that directors hold a fiduciary position and must act in the interest of the company.¹¹ This principle can be extended to AI governance. Directors may rely on expert systems, but they must not abandon their fiduciary responsibility.

The business judgment rule should therefore evolve into a responsible reliance standard in AI-related decisions. Directors may rely on AI, but such reliance must be informed, reasonable and supervised.

¹¹ *Dale & Carrington Invt. (P) Ltd. v. P.K. Prathapan*, (2005) 1 S.C.C. 212 (India).

VIII. AI, DISCLOSURE AND INVESTOR PROTECTION

AI use can become material information for investors. If a company's business model significantly depends on AI, investors may need to understand the risks associated with that dependence. This is especially true for listed companies, financial technology platforms, digital marketplaces, insurance companies, credit businesses and technology-driven service providers.

Securities law is based on disclosure. Investors make decisions based on information provided by companies. If AI systems affect revenue, consumer engagement, pricing, risk assessment, compliance or operational stability, non-disclosure of AI-related risks may create an incomplete picture. SEBI's Listing Obligations and Disclosure Requirements Regulations, 2015 impose governance and disclosure obligations on listed entities.¹² Although there is no separate AI-disclosure chapter yet, existing principles of material disclosure may apply where AI risk is significant.

The Supreme Court in *N. Narayanan v. Adjudicating Officer, SEBI* emphasized the importance of fairness, transparency and investor protection in securities markets.¹³ That reasoning is relevant to AI-driven companies. If a company knows that its AI model is unreliable, biased, under regulatory scrutiny or vulnerable to cyber manipulation, investors should not be kept in the dark where such information is material.

AI-related disclosure does not mean that companies must reveal source code or trade secrets. Instead, they may disclose the nature of AI dependence, governance controls, risk-management systems, human oversight mechanisms and possible regulatory exposure. Such disclosure can help investors distinguish between genuine technology strength and unmanaged algorithmic risk.

Therefore, AI governance is also an investor protection issue. When AI becomes central to business value, AI risk becomes relevant to market integrity.

¹² Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Gazette of India, pt. III sec. 4

¹³ *N. Narayanan v. Adjudicating Officer, SEBI*, (2013) 12 S.C.C. 152 (India).

IX. AI AND DATA GOVERNANCE

AI cannot function without data. Data is the raw material of algorithmic decision-making. Therefore, AI governance is impossible without data governance. A company that does not know how its data is collected, stored, processed, shared and secured cannot responsibly claim to use AI.

The Digital Personal Data Protection Act, 2023 imposes obligations on entities processing digital personal data.¹⁴ Companies using AI systems must ensure that data processing is lawful, secure and consistent with applicable consent or legitimate use requirements. If personal data is wrongly used to train or operate AI systems, the company may face legal and reputational consequences.

The constitutional foundation of data protection in India is strengthened by Justice K.S. Puttaswamy v. Union of India, where the Supreme Court held that privacy is protected as a fundamental right under the Constitution.¹⁵ This judgment is relevant for companies because personal data is not merely a commercial asset. It is connected to individual autonomy, dignity and privacy.

Data governance requires companies to ask basic questions. Was the data collected lawfully? Is it accurate? Is it relevant for the AI system's purpose? Is it stored securely? Is it shared with vendors? Can it be deleted or corrected? Is children's data involved? Has sensitive or high-risk data been protected?

AI systems trained on poor or unlawful data may produce poor and unlawful outcomes. Therefore, board-level AI governance must include data governance as a core component.

X. AI AND CONSUMER PROTECTION

Many AI systems directly affect consumers. E-commerce platforms recommend products using AI. Financial technology companies assess consumer creditworthiness through automated tools. Insurance companies may price policies using predictive

¹⁴ Digital Personal Data Protection Act, No. 22 of 2023, India Code (2023).

¹⁵ Justice K.S. Puttaswamy v. Union of India, (2017) 10 S.C.C. 1 (India).

models. Digital platforms use AI to personalize advertisements and influence consumer choices.

This creates consumer protection concerns. AI may manipulate consumer behaviour, hide material information, personalize prices unfairly or provide misleading recommendations. The Consumer Protection Act, 2019 addresses misleading advertisements and unfair trade practices.¹⁶ Although the Act does not specifically use the language of algorithmic manipulation, its principles can apply to harmful AI-driven consumer practices.

For example, if an AI chatbot gives misleading information about a financial product, the company should not escape liability by saying the chatbot generated the response. If a pricing algorithm exploits consumer vulnerability, the company must remain answerable. If an AI recommendation system pushes unsafe or unsuitable products, the company may face legal and reputational consequences.

From a corporate governance perspective, consumer-facing AI should be treated as a compliance-sensitive area. Boards should ensure that AI tools used in consumer interaction are tested, monitored and capable of human review. The more direct the impact on consumers, the stronger the need for governance.

XI. AI IN EMPLOYMENT AND WORKPLACE GOVERNANCE

AI is increasingly used in recruitment, performance evaluation, employee surveillance and workforce planning. These uses may improve efficiency, but they also create risks relating to fairness, privacy and dignity.

A recruitment algorithm may reject candidates based on patterns hidden in historical data. An employee monitoring system may become excessively intrusive. A productivity scoring tool may fail to consider human circumstances. Automated performance evaluation may create anxiety and unfair treatment in the workplace.

Section 166(2) of the Companies Act expressly refers to the best interests of employees.¹⁷ Therefore, directors cannot ignore employee-related consequences of AI.

¹⁶ Consumer Protection Act, No. 35 of 2019, §§ 2(28), 21, India Code (2019).

¹⁷ The Companies Act, No. 18 of 2013, § 166(2), India Code (2013).

If a company uses AI to make decisions affecting employment opportunities, appraisal, promotion or termination, the board must ensure that the system is fair and reviewable.

Companies should also provide human appeal mechanisms in employment-related AI decisions. A candidate or employee affected by an algorithmic decision should not be left without explanation or remedy. Workplace AI must be governed by fairness, not only efficiency.

This is an important publication angle because corporate law often discusses shareholders and investors, but AI shows that employees are also directly affected by governance failures.

XII. OUTSOURCED AI AND VENDOR RESPONSIBILITY

Many companies do not build AI systems themselves. They purchase software, license tools or outsource AI functions to third-party vendors. This raises an important legal issue: can the company avoid responsibility by blaming the vendor? The answer should be no.

When a company deploys an AI system in its own business, it remains responsible for the consequences of that deployment. A vendor may be contractually liable to the company, but external parties affected by AI decisions will usually look to the company using the system. Outsourcing technology cannot mean outsourcing accountability.

Therefore, boards must ensure proper vendor due diligence. Before adopting an AI tool, the company should examine the vendor's reputation, data practices, cybersecurity standards, model testing, audit rights and contractual liability. Vendor agreements should include clauses on confidentiality, data protection, audit access, indemnity, error correction, regulatory cooperation and termination rights.

This is particularly important where AI is used in high-risk areas such as lending, insurance, healthcare, employment, securities trading or consumer finance. A

company that blindly purchases an AI system without due diligence may fail to exercise reasonable care and diligence under section 166(3).¹⁸

Vendor responsibility is therefore a key part of algorithmic corporate governance.

XIII. NEED FOR ALGORITHMIC AUDIT

An algorithmic audit is a structured examination of an AI system to determine whether it is accurate, fair, secure, explainable and legally compliant. In corporate governance, algorithmic audits can help boards understand and control AI risks.

An audit may examine the source and quality of data, model performance, bias, error rates, cybersecurity vulnerabilities, human oversight and compliance with legal standards. It may also assess whether the AI system produces different outcomes for different groups of people without valid justification.

Algorithmic audits should be required especially for high-risk AI systems. These include systems used for credit approval, insurance pricing, hiring, employee monitoring, financial forecasting, consumer profiling, securities trading and regulatory compliance. Low-risk AI tools may not require the same level of scrutiny.

The audit report should be reviewed by a board committee, risk management committee or audit committee. Section 177 of the Companies Act deals with audit committees for certain companies and their role in oversight of financial reporting and internal controls.¹⁹ In the AI era, internal control should not be limited to finance. It should also include control over material technology systems.

Algorithmic audit is useful because it creates documentation. If a company later faces regulatory action or litigation, it can show that it took reasonable steps to identify and reduce AI risks. This strengthens both compliance and accountability.

¹⁸ The Companies Act, No. 18 of 2013, § 166(3), India Code (2013).

¹⁹ The Companies Act, No. 18 of 2013, § 177, India Code (2013).

XIV. ROLE OF INDEPENDENT DIRECTORS AND RISK MANAGEMENT COMMITTEES

Independent directors have a significant role in algorithmic governance. Their purpose is to bring objective judgment and oversight. In AI-driven companies, independent directors should question whether technology systems are being used responsibly.

However, independent directors may not always have technical expertise. This does not mean they can remain passive. It means they should insist on expert reports, training, audit results and clear risk explanations. Technology ignorance cannot become a defence where AI systems create material business risk.

The Companies Act, 2013 recognizes the role of independent directors and board committees in corporate governance.²⁰ SEBI's LODR Regulations also require risk management committees for certain listed entities, and regulation 21 deals with risk management committee requirements.²¹ AI risk can fit naturally within this framework because it may affect legal compliance, reputation, investor confidence, cybersecurity and business continuity.

A risk management committee should therefore consider AI risk as part of enterprise risk management. It should ask whether the company has an AI policy, whether high-risk systems are audited, whether data protection controls exist, and whether management has prepared response plans for AI failure.

This approach avoids the need for creating a completely new corporate structure. Existing governance bodies can be adapted to algorithmic risks.

²⁰ The Companies Act, No. 18 of 2013, §§ 149, 177–178, India Code (2013).

²¹ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 21, Gazette of India, pt. III sec. 4.

XV. COMPARATIVE PERSPECTIVE: LEARNING FROM THE EU AI ACT

The European Union has adopted a risk-based approach to AI regulation through the EU Artificial Intelligence Act.²² The central idea is that AI systems should be regulated according to the level of risk they create. High-risk AI systems are subject to stricter requirements, while lower-risk systems face lighter obligations.

India need not copy the European model entirely. Indian corporate law has its own structure, and excessive regulation may burden innovation. However, the risk-based principle is useful. Not every AI tool requires the same level of board attention. A simple internal scheduling tool may not create serious legal risk. But AI used for hiring, lending, insurance, investor disclosure, compliance or consumer pricing should be treated differently.

A risk-based approach would allow Indian companies to innovate while still maintaining accountability in sensitive areas. It would also help boards prioritize oversight. Instead of trying to supervise every algorithm equally, boards can focus on AI systems that materially affect rights, markets, investors or legal compliance.

This comparative perspective strengthens the argument that algorithmic corporate governance should be proportionate, practical and risk sensitive.

XVI. WHY INDIA NEEDS ALGORITHMIC CORPORATE GOVERNANCE

India's digital economy is expanding quickly. Companies in finance, retail, education, healthcare, logistics, insurance, e-commerce and professional services are adopting AI-based systems. As AI becomes common, disputes relating to algorithmic decisions will also increase.

²² Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 Laying Down Harmonised Rules on Artificial Intelligence and Amending Regulations and Directives, 2024 O.J. (L 1689).

At present, Indian law addresses AI-related issues indirectly through company law, securities law, consumer law, data protection law, information technology law and constitutional privacy principles. This fragmented approach may be sufficient for now, but companies need clearer governance standards.

Algorithmic corporate governance is necessary for five reasons. First, it prevents accountability gaps. Second, it protects investors and consumers from hidden technology risks. Third, it helps directors discharge their duties responsibly. Fourth, it reduces reputational and regulatory exposure. Fifth, it ensures that innovation remains aligned with fairness and legality.

The goal should not be to discourage AI. On the contrary, good governance can increase trust in AI. Investors, consumers and regulators are more likely to trust companies that use AI transparently and responsibly.

XVII. SUGGESTIONS AND RECOMMENDATIONS

1. First, companies using AI in material business functions should adopt a board-approved AI governance policy. This policy should define high-risk AI use, approval procedures, monitoring standards and accountability structures.
2. Second, listed companies should disclose material AI risks where AI substantially affects business operations, investor expectations, consumer interaction or regulatory exposure. Such disclosure should be meaningful but should not require revealing trade secrets.
3. Third, companies should conduct algorithmic audits for high-risk AI systems. These audits should examine accuracy, fairness, cybersecurity, data quality and legal compliance.
4. Fourth, boards should receive periodic training on AI governance, cybersecurity and data protection. Directors need not become technical experts, but they must understand the legal and commercial risks of AI.
5. Fifth, AI vendor contracts should include strong governance clauses. These should cover audit rights, data protection, confidentiality, error correction, indemnity and regulatory cooperation.

6. Sixth, companies should establish human review mechanisms for AI decisions affecting employment, credit, insurance, consumer rights or other sensitive interests.
7. Seventh, risk management committees should include AI risk within enterprise risk management. For listed entities, this can be integrated into existing SEBI governance requirements.
8. Eighth, regulators such as the Ministry of Corporate Affairs and SEBI may issue guidance on AI-related board oversight. Soft-law guidance may be more suitable at the initial stage than heavy legislation.
9. Ninth, companies should maintain records of AI approval, testing, audit and monitoring. Documentation is essential to prove that directors acted with due care.
10. Tenth, Indian corporate law should gradually develop a principle that automation does not remove accountability. This principle should guide future regulation and judicial interpretation.

XVIII. CONCLUSION

Artificial intelligence is changing the way companies' function. It can improve business efficiency, support compliance and strengthen decision-making. However, it also creates risks that traditional corporate governance has not fully addressed. AI can be opaque, biased, insecure, inaccurate or difficult to challenge. If such systems are used without supervision, they may harm employees, consumers, investors and the company itself.

The board of directors must remain the centre of corporate accountability. Directors cannot avoid responsibility by claiming that a decision was made by software. Section 166 of the Companies Act, 2013 already requires directors to exercise due care, diligence and independent judgment. These duties must now be applied to AI-driven business decisions.

India does not immediately require a separate and complex AI company law. Instead, existing corporate governance principles should be modernized. Companies should adopt AI governance policies, conduct algorithmic audits, ensure data protection,

supervise vendors, disclose material AI risks and maintain human oversight in high-risk decisions.

The future of corporate governance will not be limited to board meetings, financial statements and shareholder resolutions. It will also include oversight of algorithms, datasets and automated systems. In the digital economy, a responsible company is not one that merely uses advanced technology. It is one that governs technology with fairness, transparency and accountability.

Therefore, algorithmic corporate governance should be recognized as an emerging and necessary branch of Indian business law. The central principle is simple: a company may automate its processes, but it cannot automate away its responsibility.

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