AI-ENABLED BOARDROOM: RETHINKING DIRECTORS' DUTIES, FIDUCIARY RESPONSIBILITY AND CORPORATE ACCOUNTABILITY IN INDIA

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ABSTRACT

Since AI is permeating through every aspect of human life, noticeably corporate boardrooms and complex decision making is no more aloof from rapid technological growth. As AI holds enormous data yet not declared as wholly reliable, hence its application in the boardrooms by the directors seems a step towards corporate accountability and necessitates a thorough study to check presence of adequate safeguards, legal permissibility and its potential effect on corporate governance. For this reason, this paper will adopt doctrinal and analytical method with a trajectory that begins with identifying the research gap, followed by the literature review, objectives and hypothesis framing and discussion of the results reached through legal synthesis of existing legal framework such as provisions concerning director's qualifications, powers, duties, SEBI and other regulations in India. This discussion will be accompanied by critical examination of advantages and limitations of AI in incorporating with Corporate Governance. Finally, the study examines the future scope, key problems, conflict and limitations along with proposing suitable recommendations for the improvement of internal corporate governance and possible improvements in company law.

Keywords: Artificial Intelligence, Board of Directors, Independent Directors, Corporate Governance, Corporate Accountability.

1. Introduction

1. AI boardroom

As Artificial Intelligence has already been a successful technology who has been accepted majorly by all sectors, corporate sector also started integrating AI assistance-based services for better corporate governance, internal management and business decision making. Complex information can be synthesized within seconds for senior management and corporate boards leads to improved corporate decision making. There are very few studies that are discussing about AI in boardrooms and that to from Indian Company Law governance. This study has been done to analyze the fiduciary duty of Director from legal rules perspective of company law and to study what changes will come to the role of Director and Corporate boardrooms while enforcing corporate governance when AI intervenes.

2. Problem

The present ongoing debate in the corporate sector is to identify the source of liability who would be held legally accountable if a corporate board materially relies upon algorithmic recommendation. Some highly appreciated articles and authors including Cowger mention the use of AI for enhancing speed and informational capacity is a healthy step in tech era. But excessive reliance and blind trust may lead to serious fiduciary risks. Directors need to create boundaries, set limits and develop a oversight vision that up to what extent AI can be adopted for what purposes. With time, fiduciary existing principles requires amendments and improvements to create a balance with technology and directors need to be well trained and well verses with the AI based governance because AI is the future and corporate decisions somehow be taken while integrating suggestions from AI as well as with Human intellectual diaspora.

3. Indian legal gap

Section-166 of Companies Act, 2013 denotes more human-centered directorial responsibility. It binds the directors under responsibility based synchronous structure where they ought to act in good faith, perform every task with due diligence and reasonable care while exercising independent judgement and personal skill to perform a task professionally with their own intellect. With AI, all the individual intellect is somewhere influenced with AI support and

suggestion. Up to what extent or limit, this is under purview of question. There is no measuring tool, framework or guideline. It is required so that in future, anyone can not use the technological assistance as a shield against directorial accountability.

4. Research gap

Existing literature has already done a ground level work to examine AI and its role in corporate governance, its adoption and impact on fiduciary responsibilities, possibility of autonomous AI directors. It is the need to raise next necessary question which remain unresolved that how to balance the fiduciary responsibility and tension created by AI mediated board decision making through a doctrinal systematic examination of existing Indian principles regarding director's duty towards AI-assisted boardroom decision making. This paper will also argue that AI should augment instead of displacing fiduciary judgement to bring transparency and traceability in AI enabled Indian boardrooms.

2. Review of Literature and Theoretical background

Review of Literature

- **Artificial Intelligence and the Transformation of Corporate Governance**

AI is not merely an operational technology but a developing component of corporate governance and strategic decision making which integrates AI into board level processes Existing research works acknowledges that integration of AI with governance actions helps the directors to process large quantity of data for taking improved financial as well as organizational actions. They also identify risks and can timely look for alternative course of action. But they alarmingly raise that use of AI is beneficial up to a certain stage of providing autonomy to AI. The less human involvement means more autonomy to the system to take decisions. Therefore, author Ahdadou et al. (2026) suggested five stages of AI augmentation i.e. assisted, augmented, amplified, autonomous and autopoietic. These stages can alert the board members to limit the use of AI and moving beyond it will cause legal consequences. Krafzik's 2026 raises the key note shifting from South African boardrooms the question from whether AI should be used by corporate houses or not towards How AI can be integrated along with human responsibility without getting disturbed. He states that there is a growing intersection between AI adoption and adequacy of existing corporate law frameworks will cause the human accountability to be the center of board decision-making.

- **AI and Director's Fiduciary Duties**

Some existing literatures are also divided and analyze how much the use of AI makes an impact on director's duties, traditional decision making and action planning of a corporate house. Cowger (2023) finds in his work that use of AI does not automatically reduce the legal obligations. Instead, it increases and brings new type of algorithmic and AI legal challenges which are required to be fulfilled by corporate fiduciaries. Although he admits that if AI used wisely and in limitations, it can increase institutional accuracy and efficiency. Zhang (2024) treats and examine the AI related argument from the lens of loyalty and care. His proposition states that adoption of AI need not to be inconsistently inherent with original fiduciary principles. It may however increase the director's duty of care specially with respect to supervising the methodology in which AI is employed within the scope of corporate governance. This proposition is relevant to current study as it challenges the assumed challenge where the technological delegation necessarily results in diminished human's limitations. For adopting AI in ethical and legal way is to train the directors with modern and tech knowledge other than the field knowledge as more the dependency on corporate decisions increases, the greater may be the need of directors to understand the limitations and exercising independent judgement.

- **Algorithmic Accountability, Transparency and Human Oversight**

Benthal and Shekman (2023) provides a new perspective towards fiduciary AI denoting that there is a relationship between fiduciary principles of loyalty and care and auditing cum designing of AI systems as he mentions that fiduciary values cannot be detached from original technologically mediated architecture. He approaches the issue from broader lens of Fiduciary AI where he argues that an AI system without a neutral black box cannot survive despite materially influencing corporate decisions. Problem mainly will arise when directors develop automation bias while accepting algorithmic recommendations.

Theoretical Background

This paper has taken its back on here principle corporate policies- Agency Theory, Stewardship Theory and Stakeholder Theory. As AI, a new technology and its enforcement is in point of discussion, Agency theory will be adopted to identify the information asymmetry between principals and decision makers. Second theory, stewardship theory seems useful as it is evident from the name steward where a director remains stewards for the company's day to day

corporate business and interests despite whether the technology is AI assisted or not. Therefore, this theory states that AI can never completely takeover the human intervention and intellect as human responsibility is inherent in stewardship. Third theory is stakeholder theory which states that accountability lies beyond shareholders and the directors taking AI based decisions will make the company accountable to customers, employees, creditors, investors, and wider section of society. All these theories collectively support the central proposition towards the idea on which this paper depends- AI should augment instead of displacing fiduciary judgement to bring transparency and traceability in AI enabled Indian boardrooms.

3. Objectives

Keeping the increasing advent and integration of AI with human decision making specifically in the form of corporate board rooms, the present study undertakes three following objectives to direct the study towards productive conclusion:

A. To examine the possible implications under Indian Corporate Law that arises on Directors expecting them to perform specific duties when they are engaging with AI-enabled decision making. This study is required to analyze how strategic, financial; risk-management and other compliance related decisions are working simultaneously with statutory duties that are laid on directors under Indian Company Law, 2013.

B. To examine the role of section-166 of the Companies Act, 2013 to corporate AI-assisted decision making. This objective will help in determining the existing statutory conceptions which address the situations where the directors materially rely upon the algorithms and its recommendations.

C. To analyze the fiduciary implications of increasing reliance on AI that enhances transparency, explainability and technological competence for contextualizing India's approach towards international discussions in relation to board level AI-governance and fiduciary accountability.

4. Discussion

1. Results of the Doctrinal Analysis

Through the doctrinal analysis, the authors reach to the conclusion that emergence of AI does not completely displace the human directors from their legal responsibilities and liabilities. Instead, it changes the circumstances in which director's responsibility needs to be exercised.

Through the legal analysis of Company law of India provisions, the principle finding of the paper is that AI assisted decision-making can be easily regulated by existing fiduciary principles in the Indian law but one cannot explicitly found such provisions as there is no separate chapter wise categorization for AI-regulations and algorithmic technologies. For example, section-166 of the Company law binds the director of a company to act in a good faith and perform their duties with due care and diligence. It grants autonomy to the director to exercise his independent judgement which should be in the favor of the company, avoiding conflict of interest and undue advantages which creates loss or damage to the company in any possible manner. If in a layman jurisprudential aspect we interpret this provision, we can observe that AI is also coming under the purview that director should take maximum benefit and brings optimum output from the use of AI but it will not be acceptable that Director is transferring the whole power to AI to take executive decisions. There are two terminologies that needs differentiation- one is AI Reliance and another is AI delegation. Indian Company law existing provisions does not cause any concern over relying and use of AI as an advisory tool in day-to-day company purposes and management affairs. The director actions will come into question only when he performs any act using AI which may cause harm without taking adequate care and due diligence leading to inadequate outputs, technological limitations and governance risks as matters which explicitly or impliedly seeks director's attention.

2. Legal interpretation

The term due diligence and exercise of reasonable care under section-166 (3) in context of AI enabled boardrooms will be legally sound and accepted when their exist enough transparency from tech-based houses that whether any solution provided by AI has been valid enough or not, what are the sources from which these output has been provided and whether up to how long the data collected from the user corporate house will be stored. Such kind of assessment need to be made a legal weapon in the legislation through which accountability would be balanced between the two different sectors relied on each other to avoid future conflict. Also, a director cannot escape from his negligent act that he has no technical expertise to handle and design an algorithm. It is only expected from him to hold basic technical knowledge like familiarity with the terms and daily updates which can hold material chance to consequentially impact the board decisions in future as complete ignorance can't be reasonably justified the blind reliance.

There are certain governance obligations which are only applicable to listed entities under

Regulation-25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 where it is the duty of Independent Directors to access the quality of content that has been shared and monitor the timeliness of information between the management and the board of the company, aiding to the reasonable discharge of duties. When AI comes into consideration, rather than being a technical concern, the quality and reliability of that information between management and the board discharge its duties effectively.

3. Fiduciary implications of reliance on AI

AI creates dual effect on fiduciary relationships. Where on one side, AI strengthens the corporate role by increasing efficiency to process information and identifying risks. Whereas, too much reliance on AI brings question of opaque and transparency governance in the corporate board rooms. Therefore, it is required to bring some set and standard form of guidelines for how the director should AI. A director is bound by loyalty and good faith to avoid future conflict of interest despite of available commercial incentives and technological compromises. Another implication is accountability traceability which materially raises corporate decisions into questions like what will happen in the absence of records which are concerned or related to human evaluation or documentation. Therefore, material AI-decision involvement needs a balanced and permissible stakeholder-based consequences.

5. Conclusion

1. Core findings and arguments

It is not merely a technological development that AI being used into corporate boardrooms. Despite it is a significant stage of evolution where corporate judgement exercised through certain conditional operations. The core finding and contribution of the study is that AI can be used by Directors for enhancing their decision making, increasing the speed and quality of work they are handling but AI cannot be allowed to interfere with the fiduciary responsibilities for which Directors are solely responsible and held accountable as per the company act, 2013. There should no bar on using AI for different course of daily tasks that are increasing the efficiency of the work force and increasing output. But technological assistance till date is not eligible for legal authority as well as accountability to the office of the director of the company. From the analysis of the Indian Company Law, it is augmented that present laws are holding enough ground work and substantial foundation which is required for addressing AI-assisted

decision making. Indian legislation work on principle of due diligence, good faith and providing enough liberty for independent decision making. Hence, the appropriate legal response is not necessarily the creation of an entirely AI fiduciary duties but are the reinterpretation of existing duties in light of technological dependence. AI is not forever shield constitute towards accountability as algorithm opacity, automated biasness and complexity of the technological aspect makes the accountability more difficult which requires identifiable responsibility, justification oversight and mechanisms for responding towards adverse outcomes.

The study provides importance to human judgement, wisdom and intellect over completely relying on machines, transparency by the users which AI they are using for daily purpose and how much access they are providing to that AI software of company's key essentials, meaningful oversight and accountability traceability giving independent hands to the legal principles and judiciary to take action against any damage caused. Therefore, it is evident from the future that AI-augmented human institutions will grow and technological capacity shall also increase. But it becomes essential for boardrooms that they understand their fiduciary legal responsibility as earlier as possible as they are inseparably interconnected.

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