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CORPORATE LIABILITY IN THE AGE OF ARTIFICIAL INTELLIGENCE: EMERGING LEGAL CHALLENGES AND REGULATORY RESPONSES IN INDIA

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ABSTRACT

Artificial Intelligence (AI) is changing how companies work by helping with daily decisions, customer support, money management, hiring, healthcare, and transport. While AI brings speed and new ideas, it also creates legal problems when an AI system causes harm through bias, data leaks, money loss, accidents, or wrong choices. Old rules about corporate responsibility were made assuming that human beings make decisions for companies. However, when smart AI systems make decisions on their own, finding out who is responsible becomes hard because the harmful action comes from a computer code rather than a human worker. The Indian legal system uses laws on company misconduct, general harm, data protection, and consumer rights, but it does not have specific rules for harms caused by autonomous AI decisions. This lack of specific laws creates confusion about whether the company, software builder, operator, or user is responsible. This confusion can harm consumers and lower public trust in new technologies. This research paper studies the legal problems of using AI in business and checks if current Indian laws are enough to handle them. It also looks at how other countries regulate AI to suggest practical laws for India. The study suggests a balanced system that allows technology to grow while keeping companies responsible and protecting the public.

Keywords: Artificial Intelligence, Corporate Liability, Algorithmic Accountability, AI Regulation, Corporate Governance

HYPOTHESIS

The existing rules on corporate responsibility in India are not sufficient to handle harms caused by independent and AI-assisted decision systems. Therefore, India needs a specific legal framework that ensures accountability, requires clear systems, and fairly divides responsibility among everyone involved in using AI technology.

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RESEARCH PROBLEM

Artificial Intelligence has brought a major change to company decisions because work is increasingly done by algorithms with very little human involvement. Indian laws on company duties, negligence, consumer protection, and privacy were written for human actions, so they do not easily apply to harm caused by independent AI software. Right now, there is no single law in India that clearly states who must pay or take blame whether it is the business, software developer, manufacturer, operator, or user when an AI system causes harm. Current laws, such as the Companies Act, the Information Technology Act, and consumer protection rules, only offer partial fixes. They are hard to apply because many AI tools work like a "black box" where humans cannot see how the computer reached its decision. This lack of clear rules creates legal confusion and makes it hard to hold anyone responsible. Therefore, it is important to study the current legal setup and suggest clear rules for AI related company responsibility in India.

RESEARCH QUESTIONS

1) Can the current Indian legal system properly handle legal responsibility when independent and AI assisted tools cause harm in a company?
2) Who should be held legally responsible when an AI tool used by a company causes financial loss, harm, or breaks the law?
3) What new laws or regulatory steps can India adopt to hold companies responsible without stopping new technology from growing?

RESEARCH OBJECTIVES

- To understand the idea of corporate responsibility when companies use Artificial Intelligence tools.
- To check if existing Indian laws are good enough to solve AI related harms in business.
- To find the main legal challenges in deciding who is at fault for decisions made by independent AI tools.
- To study how other countries and global groups handle AI rules and responsibility.
- To identify the main gaps and missing parts in India’s present legal system.
- To suggest simple and practical legal changes to ensure honesty and responsibility in AI driven corporate actions.

ISSN: 2582-6433

METHODOLOGY

This study uses a doctrinal research method, which means it mainly studies existing legal sources like statutes, court judgments, government reports, policy documents, and articles written by legal experts on AI and corporate law. The research compares basic legal ideas with new global rules to recommend legal updates suitable for India.

EXISTING LEGAL SITUATION

India currently does not have a single, dedicated law for company liability arising from Artificial Intelligence systems. Instead, different legal issues are handled indirectly through older laws like the Companies Act, 2013, the Information Technology Act, 2000, the Consumer Protection Act, 2019, and the Digital Personal Data Protection Act, 2023. Government policy documents have also pointed out the need for safe and responsible AI use. Even with these efforts, there are still no clear legal rules that show how to assign responsibility when an independent AI system makes a mistake, making legal reform necessary.

INTRODUCTION

Artificial Intelligence (AI) has become one of the most important technological tools of our time. It is no longer just for software researchers; it is now used by businesses in almost every field. Companies use AI for customer support, hiring people, studying financial data, stopping fraud, healthcare, transport, manufacturing, and general business tasks.[1] AI lets companies study large amounts of data quickly, make fast decisions, and save time. Because of these advantages, businesses are using AI tools in their daily work every day.[2]Despite these benefits, using AI also creates serious legal concerns. AI systems can make wrong choices, show unfair bias, breach personal privacy, cause financial loss, or cause physical damage.[3]Unlike older computer software that follows simple instructions, modern AI programs learn on their own from new data, making their choices hard to predict or explain.[4] When these systems cause damage, fixing legal responsibility becomes difficult because the bad decision was not directly made by a human worker.[5]Standard legal rules about company responsibility were created on

[1] Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach 1–6 (4th ed. 2021).
[2] Org. for Econ. Co-operation & Dev. [OECD], OECD Principles on Artificial Intelligence, OECD/LEGAL/0449 (May 21, 2019).
[3] Proposal for a Regulation of the European Parliament and of the Council Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), COM (2021) 206 final (Apr. 21, 2021).
[4] World Intellectual Prop. Org. [WIPO], WIPO Technology Trends 2019: Artificial Intelligence (2019).
[5] Andrew D. Selbst et al., Fairness and Abstraction in Sociotechnical Systems, 2 Proc. ACM Conf. on Fairness, Accountability & Transparency 59 (2019).

ISSN: 2582-6433

the idea that companies act through human beings like directors, officers, and employees.[6] However, decisions made by independent AI tools challenge this old idea. Questions arise over whether the responsibility lies with the company using the system, the software developer, the hardware manufacturer, the operator, or someone else involved.[7] These questions become even harder to answer when many different companies help build and run the same AI system. In India, there is currently no main law that deals directly with corporate liability for Artificial Intelligence.[8] Current laws like the Companies Act, 2013, the Information Technology Act, 2000, the Consumer Protection Act, 2019, and the Digital Personal Data Protection Act, 2023 offer some basic protections, but they do not specifically cover harm caused by independent AI decisions.[9] This leaves a big gap in knowing who is responsible when someone is hurt by an AI mistake. Many countries and international groups have already started making specific laws for safe and responsible AI.[10] These steps show that AI rules are becoming an important part of global law. India has also recognized the need for safe AI through various policy documents and discussion papers.[11]However, India still needs clear legal rules that protect the public and hold companies responsible without stopping innovation.[12] This research looks at the new legal challenges of company responsibility in the age of AI, checks if current Indian laws are sufficient, studies international legal models, and suggests clear law changes to ensure accountability and support safe innovation.

Whether the existing Indian legal framework capable of addressing liability arising from autonomous and AI-assisted corporate decisions?

The current Indian legal system gives a basic starting point for dealing with Artificial Intelligence (AI) problems, but it is not fully ready to solve the complex legal issues created by independent AI decision making in companies. Right now, India does not have a separate law that directly regulates AI responsibility. Instead, legal issues are handled using general laws such as the Companies Act, 2013, the Information Technology Act, 2000, the Consumer

[6] Tesco Supermarkets Ltd. v. Nattrass [1972] AC 153 (HL) (appeal taken from Eng.).
[7] Ugo Pagallo, The Laws of Robots: Crimes, Contracts, and Torts 103–15 (2013).
[8] NITI Aayog, Gov't of India, National Strategy for Artificial Intelligence (2018).
[9] The Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India); The Information Technology Act, 2000, No. 21, Acts of Parliament, 2000 (India); The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India); The Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India).
[10] Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), 2024 O.J. (L 1689).
[11] NITI Aayog, Gov't of India, Responsible AI for All: Operationalizing Principles for Responsible AI (2021).
[12] UNESCO, Recommendation on the Ethics of Artificial Intelligence, SHS/BIO/REC-AI/2021 (Nov. 23, 2021).

ISSN: 2582-6433

Protection Act, 2019, and the Digital Personal Data Protection Act, 2023.[13] These laws set duties for business management, consumer safety, digital transactions, and personal data safety, but they were created before AI became a major part of business operations.[14] Because of this, these laws assume that choices are always made by clear human beings, while modern AI software can act independently and learn on its own.[15] Even though company directors must work carefully and responsibly under company law, proving that a person was careless is very hard when an AI system makes an error without direct human instruction.[16]Therefore, existing laws only react to the damage after it happens, rather than handling how AI tools work.[17]

Another big problem in the current legal setup is that there are no clear rules on how to share responsibility among the different people who build and use AI tools. When an AI tool causes financial loss, unfair treatment, privacy issues, or physical injury, the blame could belong to the company using the tool, the software maker, the data provider, or the user.[18] Current Indian laws do not clearly state the duties of these different groups. The Consumer Protection Act, 2019 allows people to claim money for bad products or services, and the Digital Personal Data Protection Act, 2023 requires proper handling of personal data.[19] However, neither law explains what happens when harm comes from independent choices made by complex AI software. Similarly, the Information Technology Act, 2000 handles internet rules, cyber crimes, and platform duties, but it does not give a complete way to fix responsibility for AI-made choices.[20] The fact that many AI systems are hard to understand often called the "black box" problem makes it even harder for courts to find who is at fault because it is difficult to see why the computer made the wrong choice.[21] As a result, victims find it very hard to prove negligence and get fair compensation under current rules.[22]Even with these flaws, the existing Indian legal framework is not totally useless because it gives a good foundation to build better

[13] The Companies Act, 2013, No. 18, Acts of Parliament, 2013, § § 166, 447 (India); The Information Technology Act, 2000, No. 21, Acts of Parliament, 2000 (India); The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India); The Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India).
[14] The Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India); The Information Technology Act, 2000, No. 21, Acts of Parliament, 2000 (India).
[15] Stuart Russell & Peter Norvig, Artificial Intelligence: A Modern Approach 28–34 (4th ed. 2021).
[16] The Companies Act, 2013, No. 18, Acts of Parliament, 2013, § 166 (India).
[17] John Kingston, Artificial Intelligence and Legal Liability, Dec. 2018, arXiv:1802.07782.
[18] Org. for Econ. Co-operation & Dev. [OECD], OECD Principles on Artificial Intelligence, OECD/LEGAL/0449 (May 21, 2019).
[19] The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India); The Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India).
[20] The Information Technology Act, 2000, No. 21, Acts of Parliament, 2000 (India).
[21] Frank Pasquale, The Black Box Society: The Secret Algorithms That Control Money and Information 3–18 (2015).
[22] John Kingston, Artificial Intelligence and Legal Liability, Dec. 2018, arXiv:1802.07782.

ISSN: 2582-6433

AI rules in the future. Basic rules under the Companies Act still require company leaders to act honestly and take reasonable care when using new technologies.[23] Likewise, laws on data privacy, consumer rights, and cyber safety offer basic protections against several types of AI harm.[24] However, these laws work separately and were not designed for independent software. Recent reports by the Government of India have also agreed that present laws need clearer guidelines on classifying AI risks, setting safety steps, and dividing responsibility among developers, companies, and users.[25] International rules in other countries show that having specific AI laws can encourage new technology while protecting the public.[26]Therefore, while the current legal framework in India offers some basic remedies, it is not fully capable of handling responsibility for independent AI choices. A specific AI law along with updates to current statutes would give clear rules, improve responsibility, and build trust in AI-based business tools.[27]

Who should bear legal responsibility when an AI system used by a corporation causes harm, loss or violation of rights?

The question of legal responsibility becomes complicated when an Artificial Intelligence (AI) tool used by a company leads to financial loss, physical harm, discrimination, privacy leaks, or any other type of damage. AI systems can make decisions with very little human help, but they do not have legal personality or independent rights and duties under existing laws. Therefore, an AI program cannot be treated as a person who can be held responsible for its actions. Instead, legal responsibility must remain with the human beings and companies that build, launch, manage, or profit from the AI tool.[28] The business that decides to use AI in its work should take main responsibility because it chooses to buy, install, and monitor the technology.[29] A company cannot escape liability simply by claiming that the AI program acted on its own or produced a surprising output. Because companies gain business profits from AI based decisions, they must also accept legal responsibility when those decisions cause harm to people

[23] The Companies Act, 2013, No. 18, Acts of Parliament, 2013, § 166 (India).
[24] The Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India); The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India).
[25] Ministry of Electronics & Info. Tech., Gov't of India, IndiaAI Governance Guidelines 19–21 (2025).
[26] Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), 2024 O.J. (L 1689).
[27] Ministry of Electronics & Info. Tech., Gov't of India, IndiaAI Governance Guidelines 19–23 (2025).
[28] 28. Proposal for a Regulation of the European Parliament and of the Council Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), COM (2021) 206 final (Apr. 21, 2021).
[29] Org. for Econ. Co-operation & Dev. [OECD], OECD Principles on Artificial Intelligence, OECD/LEGAL/0449 (May 21, 2019).

ISSN: 2582-6433

or society.[30] However, company liability should not always be the only answer. In cases where the harm is caused by bad software design, poor testing, or hidden technical bugs, the AI software maker or manufacturer should also share the responsibility. Likewise, when employees are careless by failing to supervise, update, or properly use the AI system, individual responsibility may exist alongside company liability.[31]This shared strategy places responsibility on the party whose actions actually led to the damage, rather than blaming the AI tool as an independent wrongdoer. This method matches traditional legal rules on negligence, product defect liability, company accountability, and consumer safety, while solving the unique problems created by AI tools in modern business.[32]

Even though companies should take the main responsibility for using AI software, final liability should depend on the actual role played by each participant in causing the harm. When an AI tool is created with software errors, weak safety steps, or biased algorithms, the software developer or provider should also be legally responsible because the flaw began during system creation.[33]Similarly, if a company fails to test the AI system before putting it to work, ignores known risks, or keeps using a system after repeated mistakes, it should be considered careless and held responsible for the results.[34] This idea fits with the standard duty of care expected from businesses, especially when AI is used in fields like medical care, banking, hiring, transport, and policing, where decisions directly affect people's lives and basic rights. Therefore, human supervision remains a necessary requirement even when AI works on its own. Businesses must ensure that trained staff members regularly check AI outputs, double-check important choices, and quickly fix any errors or unfair results.[35] At the same time, users who deliberately misuse AI tools or run them against clear instructions should not be free from blame. Their intentional or careless actions may also contribute to the harm and should be judged under standard civil harm and criminal law rules.[36] Therefore, legal responsibility should not automatically fall on just one party in every situation. Instead, courts should decide responsibility by checking the level of control, carelessness, ability to predict harm, and the direct connection between each party's actions and the injury caused. This balanced method

[30] 30. European Parliament Resolution of 20 October 2020 with Recommendations to the Commission on a Civil Liability Regime for Artificial Intelligence, Eur. Parl. Doc. P9_TA(2020)0276 (2020).
[31] 31. Restatement (Third) of Torts: Products Liability § 2 (Am. L. Inst. 1998).
[32] NITI Aayog, Gov't of India, Responsible AI for All: Approach Document for India (2021).
[33] 33. Proposal for a Directive of the European Parliament and of the Council on Adapting Non-Contractual Civil Liability Rules to Artificial Intelligence (AI Liability Directive), COM (2022) 496 final (Sept. 28, 2022).
[34] 34. Org. for Econ. Co-operation & Dev. [OECD], Recommendation of the Council on Artificial Intelligence, OECD/LEGAL/0449 (May 21, 2019).
[35] UNESCO, Recommendation on the Ethics of Artificial Intelligence, SHS/BIO/REC-AI/2021 (Nov. 23, 2021).
[36] Law Commission of England and Wales & Scottish Law Commission, Automated Vehicles: Joint Report, Law Com No 404 / Scot Law Com No 258 (2022).

ISSN: 2582-6433

supports accountability without stopping technological progress, ensuring victims get fair remedies while encouraging businesses to use AI safely.[37]

In the Indian legal system, the question of legal responsibility for AI damage cannot be solved using a single statute because India does not have a dedicated law that regulates AI responsibility. Instead, responsibility must be decided by applying general rules on negligence, product fault, company oversight, consumer protection, privacy safety, and criminal law, depending on the facts of each case.[38] For instance, if an AI program used by a company makes a discriminatory hiring choice, wrongly turns down a candidate, leaks private data, or causes money loss to consumers, the business should not be allowed to avoid blame by arguing that the AI made the choice. The business chose the technology, brought it into its work, and gained benefits from it; therefore, it must accept the legal blame for its failure.[39] At the same time, when the harm is directly caused by a faulty algorithm, wrong training data, or software bugs that the company could not reasonably spot, the software maker or provider should share responsibility according to its role.[40] India should pass a clear law that specifically sets out the duties and responsibilities of businesses, AI developers, software providers, and users. This law should make risk checks, clear processes, human oversight, regular checks, and proper record keeping compulsory for high risk AI software.[41]It should also create a simple compensation setup so that victims receive quick remedies without long legal delays. Setting clear legal responsibility will increase public trust in AI, support safe innovation, and ensure that technology advances while respecting justice, fairness, and fundamental human rights.[42]

What regulatory measures or legislative reforms can India adopt to ensure accountability while encouraging technological innovation?

Artificial Intelligence is changing business, healthcare, education, banking, transport, and government operations very quickly. While these changes bring new opportunities for economic growth and technological development, they also increase the chances of privacy leaks, discrimination, cyber risks, biased decisions, and lack of clarity. Therefore, India needs a balanced legal system that supports new ideas while keeping individuals and society safe.[43] Instead of making strict rules that might scare away investments and slow down technology,

[37] NITI Aayog, Gov't of India, Responsible AI for All: Operationalizing Principles for Responsible AI (2022).
[38] 38. The Information Technology Act, 2000, No. 21, Acts of Parliament, 2000 (India).
[39] The Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India).
[40] The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India).
[41] NITI Aayog, Gov't of India, Responsible AI for All: Approach Document for India (2021)
[42] NITI Aayog, Gov't of India, Responsible AI for All: Operationalizing Principles for Responsible AI (2022).
[43] NITI Aayog, Gov't of India, Responsible AI for All: Approach Document for India (2021).

ISSN: 2582-6433

India should use a risk-based legal model where legal duties depend on the level of potential harm an AI system could cause. High risk AI systems used in healthcare, criminal justice, banking, job hiring, and public safety should follow stricter legal rules than AI tools used for low risk business tasks.[44]This model would allow safe innovation to grow without placing heavy compliance costs on businesses building less dangerous software. At the same time, the law should clearly state the legal duties of AI developers, businesses, technology providers, and users so that responsibility can be easily tracked whenever damage occurs.[45] Any company using high risk AI should be legally required to run risk checks before starting, keep clear records of AI choices, regularly test the accuracy and fairness of algorithms, and ensure real human oversight for major choices that affect people.[46] Being open and transparent should also be a compulsory rule. People must be told whenever major choices affecting their rights are made using AI tools, and they should have the right to request a human review when needed.[47] Such legal changes would build public confidence in AI tools, encourage good business habits, and create a legal space where innovation and responsibility work together rather than against each other.[48]

Besides passing a clear law, India should also build stronger official bodies to supervise how Artificial Intelligence is built and used. Just passing a law is not enough unless there is an independent authority to check compliance, look into complaints, and issue practical rules for using AI safely.[49] A dedicated national AI regulatory board or a special division inside an existing regulatory agency could handle these tasks by working with government departments, industry experts, universities, and technology firms. This authority should regularly check new AI tools, identify potential legal threats, and suggest needed law updates so the legal system stays effective as technology changes.[50]

In addition, India should require mandatory AI impact assessments for high risk AI programs before they are launched in areas like health services, banking, insurance, education, hiring, and government work. These studies should check potential dangers involving privacy, bias, cybersecurity, transparency, and human rights, while setting up safety steps before the

[44] 44. Proposal for a Regulation of the European Parliament and of the Council Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), COM (2021) 206 final (Apr. 21, 2021).
[45] Org. for Econ. Co-operation & Dev. [OECD], OECD Principles on Artificial Intelligence, OECD/LEGAL/0449 (May 21, 2019).
[46] UNESCO, Recommendation on the Ethics of Artificial Intelligence, SHS/BIO/REC-AI/2021 (Nov. 23, 2021).
[47] 47. European Parliament Resolution of 20 October 2020 with Recommendations to the Commission on a Civil Liability Regime for Artificial Intelligence, Eur. Parl. Doc. P9_TA(2020)0276 (2020).
[48] 48. The Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India).
[49] NITI Aayog, Gov't of India, Responsible AI for All: Operationalizing Principles for Responsible AI (2022).
[50] 50. Org. for Econ. Co-operation & Dev. [OECD], OECD Framework for the Classification of AI Systems, OECD Digital Economy Papers No. 323 (2022).

ISSN: 2582-6433

technology goes public.[51]Regular, independent AI checks should also be made compulsory to ensure algorithms keep working accurately, fairly, and without unlawful bias throughout their operational life.[52] At the same time, rules should not stop new ideas by adding too much paperwork. India should set up regulatory sandboxes which are controlled test spaces where businesses, researchers, and startups can try out new AI technologies under regulatory supervision before full commercial release.[53]These safe test spaces would encourage new ideas while helping authorities understand new risks and write effective rules. Furthermore, ongoing teamwork between government agencies, private companies, universities, and civil groups should be supported to build ethical guidelines, technical rules, and best practices for safe AI governance.[54] Through a team based regulatory method, India can boost technological growth while keeping responsibility, openness, and public safety at the heart of AI development.[55]

Finally, India should focus on long term legal changes that give clear rules for businesses while protecting individual rights effectively. A complete AI law should clearly define key legal terms like high risk AI tools, automated choices, algorithmic responsibility, and the duties of AI makers, business users, and consumers.[56] The law should also set clear civil liability rules so that victims who suffer financial loss, discrimination, privacy leaks, or physical harm because of AI can get compensation without facing difficult legal roadblocks.[57] In addition, businesses should be legally required to keep proper records about the design, testing, launch, and daily work of AI systems. These records would help regulators and courts see if a company took reasonable care before using an AI tool.[58] Courts must also be prepared to handle AI-related disputes through special training programs, technical experts, and updated procedural rules so judges can understand technical evidence and deliver fair choices.[59] Since AI software often works across national borders, India should actively cooperate with international groups and other nations to build common standards for AI rules, cybersecurity, cross border data

[51] 51. UNESCO, Recommendation on the Ethics of Artificial Intelligence, SHS/BIO/REC-AI/2021 (Nov. 23, 2021).
[52] Proposal for a Regulation of the European Parliament and of the Council Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), COM (2021) 206 final (Apr. 21, 2021).
[53] . World Economic Forum, Agile Regulation for the Fourth Industrial Revolution: A Toolkit for Regulators (2020).
[54] G20, G20 AI Principles (2019).
[55] NITI Aayog, Gov't of India, Responsible AI for All: Approach Document for India (2021).
[56] Proposal for a Regulation of the European Parliament and of the Council Laying Down Harmonised Rules on Artificial Intelligence (Artificial Intelligence Act), COM (2021) 206 final (Apr. 21, 2021).
[57] 57. Proposal for a Directive of the European Parliament and of the Council on Adapting Non-Contractual Civil Liability Rules to Artificial Intelligence (AI Liability Directive), COM (2022) 496 final (Sept. 28, 2022).
[58] The Consumer Protection Act, 2019, No. 35, Acts of Parliament, 2019 (India).
[59] The Information Technology Act, 2000, No. 21, Acts of Parliament, 2000 (India).

ISSN: 2582-6433

protection, and ethical habits.[60] At the same time, the law should support safe innovation by offering research help, financial support for AI startups, and simpler setup steps for low risk AI tools that do not affect people's rights.[61]India does not need a law that simply restricts Artificial Intelligence; instead, it needs a balanced legal structure that blends new ideas with accountability, guards fundamental rights, builds public trust, and gives clear legal rules to businesses. This approach will help India become a global leader in safe AI while ensuring technological growth matches constitutional values, social well being, and the rule of law.[62]

CONCLUSION

This study tested the hypothesis that India's current corporate liability framework fails to adequately address risks from autonomous and AI driven systems, making a dedicated, stakeholder focused regulatory model essential. The findings confirm this premise. While statutory safeguards like the Companies Act (2013), Information Technology Act (2000), Consumer Protection Act (2019), and Digital Personal Data Protection Act (2023) exist, they were not designed to manage AI specific failure modes. Consequently, these laws offer limited recourse and fail to assign clear liability for AI driven financial losses, algorithmic bias, or privacy breaches. Because AI lacks legal personhood and cannot assume liability, primary accountability must lie with the deploying enterprise, while developers, vendors, and users share proportional liability based on their role in the harm. Global trends favor specialized regulations centered on risk management, mandatory oversight, and auditability. To maintain public trust without hindering economic growth, India requires a dedicated legal architecture establishing clear duties, mandatory human oversight, and regular compliance audits. Aligning technological expansion with corporate accountability is now an immediate imperative to protect consumer rights and institutional integrity.

KEY FINDINGS

- Legislative Gaps: Existing Indian statutes do not adequately address liability arising from AI driven harms.
- Absence of AI Specific Standards: Statutory mechanisms currently lack defined rules for allocating fault in automated decision failures.

[60] UNESCO, Recommendation on the Ethics of Artificial Intelligence, SHS/BIO/REC-AI/2021 (Nov. 23, 2021).
[61] 61. Org. for Econ. Co-operation & Dev. [OECD], OECD Principles on Artificial Intelligence, OECD/LEGAL/0449 (May 21, 2019).
[62] NITI Aayog, Gov't of India, Responsible AI for All: Operationalizing Principles for Responsible AI (2022).

ISSN: 2582-6433

- Non Recognition of AI Personhood: AI systems possess no independent legal status and cannot incur direct liability under Indian law.
- Proportional Liability Allocation: Deploying corporations carry primary accountability, with developers and service providers sharing faults based on contribution.
- The Black Box Barrier: Opaque algorithmic processes create evidential hurdles, making causation difficult to establish in legal proceedings.
- International Regulatory Alignment: Global jurisprudence is moving toward dedicated, risk based AI regulatory structures.
- Need for Balanced Supervision: Sustainable technological growth requires a framework that balances commercial innovation with public safety.

POLICY RECOMMENDATIONS

- Dedicated AI Legislation: Enact a comprehensive statutory framework regulating legal liability for AI integration and corporate usage.
- Clear Allocation of Duties: Statutorily define the precise duty of care owed by developers, corporate deployers, service vendors, and end users.
- Mandatory Auditing Frameworks: Require enterprise users to perform pre deployment and ongoing algorithmic impact assessments and safety audits.
- Mandated Human in the Loop Oversight: Enforce human supervision requirements for high stakes AI applications, including healthcare, financial services, and employment decisions.
- Transparency Metrics for High Risk AI: Apply heightened explainability and compliance standards to algorithms impacting civil liberties and public welfare.
- Centralized Regulatory Authority: Establish a specialized statutory agency to enforce compliance, update operational guidelines, and supervise AI deployments.
- Framework for Ethical Innovation: Encourage technological development through clear safety protocols, public policy safeguards, and responsible governance practices.