The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2026

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

CAN ARTIFICIAL INTELLIGENCE BE APPOINTED AS A COMPANY DIRECTOR? A CORPORATE GOVERNANCE DILEMMA

~ ***Anshika Jain***

ABSTRACT

The use of Artificial Intelligence in companies is being discussed a lot. Many people are wondering if AI can help make decisions in the boardroom. AI can look at lots of information find patterns predict risks and help directors plan strategies. This raises a question: can AI be a company director? This paper looks at the issue under law specifically the Companies Act of 2013. It checks the rules about appointing directors their duties, liabilities and disqualifications. These rules are based on the idea that directors' human beings who can be held accountable. The paper also looks at what's happening internationally with AI in governance. It finds that while AI can make companies more efficient and help with decision-making there are problems with making AI a legal director. AI is not a person and cannot be held accountable in the same way as humans. The paper concludes that AI should be used as a tool to help with governance not as a director. It suggests that rules should be made to balance the use of AI with accountability. Artificial Intelligence can help companies. It should not replace human directors. The Companies Act 2013 has rules for directors. These rules do not apply to AI. AI systems cannot take responsibility for their actions like humans do. Therefore, AI cannot be appointed as a company director under the framework. Artificial Intelligence will continue to play a role in companies but it will be as a support tool not as a director. The goal is to use AI to make companies better but to make sure that humans are still in charge. Companies can use AI to make decisions. Humans must be accountable for those decisions. The use of Artificial Intelligence in governance is. Companies must find a way to balance the benefits of AI with the need, for human accountability.

Keywords: *Artificial Intelligence, Corporate Governance, Company Directors, Fiduciary Duties, Legal Personhood, Corporate Liability, Companies Act 2013, Board Governance.*

INTRODUCTION

Artificial Intelligence has changed a lot over the years. Is now affecting many areas like finance and healthcare. Companies are using Artificial Intelligence to look at data and make sure they are doing things right. They also use Artificial Intelligence to figure out what might go wrong and to make plans for the future. As Artificial Intelligence gets better people are wondering if it should be part of the decision-making process in companies. It would have been hard to imagine Artificial Intelligence being part of company meetings ten years ago. Now some companies are using Artificial Intelligence to help with management and decision-making. This is creating a question: should Artificial Intelligence be allowed to take the place of human leaders in companies? In the past companies have been run based on ideas like being responsible being open and making sure people do what is right. Leaders are expected to make decisions and also be responsible for what they do. Artificial Intelligence is changing these ideas by creating systems that can make decisions without people being involved. This paper looks at if Artificial Intelligence can be given a role as a company leader under the laws that govern companies. It looks at what the laws say about leaders what it means to be a person, how Artificial Intelligence is being used in companies and the concerns, about who is responsible when Artificial Intelligence helps make decisions.

CORPORATE DIRECTORS IN LAW

A company director has an important role in a company. The Companies Act 2013 says that every company must have a Board of Directors made up of people. These directors work together to manage the company and make sure the interests of shareholders employees and other people involved with the company are protected. The law says that directors have some responsibilities. According to the Companies Act 2013 directors have to do the following things:

- Directors must always try to do what is best for the company and think about what's good for shareholders, employees, the community and the environment.
- Directors have to be careful and use their skills and judgment when making decisions for the company.

- Directors must only do things that they are allowed to do according to the company's rules and the law.
- Directors cannot do things that might help them personally but hurt the company.
- Directors must not try to get benefits for themselves or their friends that are not fair to the company. These rules show that being a director is not about doing administrative tasks but also about being responsible and ethical.

The Idea of Legal Personhood and Artificial Intelligence

One big problem with having Artificial Intelligence as a director is that Artificial Intelligence is not seen as a person. Even though companies are considered persons Artificial Intelligence systems do not have any legal rights or responsibilities. They cannot own things make contracts go to court or do things that people can do. Because Artificial Intelligence does not have personhood it cannot hold important positions in companies. If we want to consider Artificial Intelligence as a person we would have to make some big changes to the law and that would raise a lot of questions about who is responsible and liable, for the actions of Artificial Intelligence.[1]

HOW AI IS CHANGING CORPORATE GOVERNANCE

AI is becoming more and more important in the way companies are run with laws that limit it.

One good example of this is VITAL, which is an AI system used by Deep Knowledge Ventures, a company in Hong Kong that invests in other companies. VITAL helps make decisions about which companies to invest in and has reportedly done a job. People call it a "robot director". It is not officially a director.

- Using AI in the way companies are run has good points.
- AI systems can look at a lot of data quickly and find trends and patterns that people might miss.
- AI can find problems with how a company's run, its money and if it is following the rules before these problems become big issues.
- AI can use new data to make predictions, which helps companies make better decisions.

[1] Companies Act, 2013, § 149, No. 18, Acts of Parliament, 2019 (India)

- Companies have to think about the environment, people and how they are run which is called ESG. AI can help companies watch their goals and make sure they are following ESG rules.
- AI can help reduce biases that people have, like political biases, when making decisions.

So AI is a tool that can help companies make better decisions and run more smoothly. AI is really changing the way companies are run. The use of AI in companies is becoming more common. AI like VITAL is helping companies make investment decisions. Overall AI is very helpful, in the way companies are run. It is becoming more important every day.[2]

THE DILEMMA IN CORPORATE GOVERNANCE

The use of Artificial Intelligence in companies creates a problem. It is a problem between getting things done quickly and being responsible for what happens. Artificial Intelligence is really good at analyzing things and helping people make decisions. It can also help companies run smoothly. On the hand companies need to be accountable for what they do. This means that people need to be responsible for the decisions that are made. One big issue is figuring out who is responsible when something goes wrong. If Artificial Intelligence gives a recommendation and the company loses money it is hard to say who is to blame. The Artificial Intelligence system cannot be held responsible because it does not have any money or legal status. So someone else has to take the blame. This could be the company itself the people who run the company and used the Artificial Intelligence system or the people who created the Artificial Intelligence technology. This creates a problem with accountability. Artificial Intelligence can have an influence, on the decisions that companies make. The law does not have a good way to deal with problems that happen because of Artificial Intelligence.[3]

CAN AI BE A DIRECTOR UNDER EXISTING LAW?

---

[2] Joseph Lee & Peter Underwood, *AI in The Boardroom: Let The Law be in The Driving Seat*, (24 May, 10:30 P.M.), https://www.idsai.manchester.ac.uk/wp-content/uploads/sites/324/2022/06/Joseph-Lee.pdf .

[3] Suhani Jain, *Artificial Intelligence and The Directorial Office: Interrogating Legal Personhood and Fiduciary Accountability Under The Companies Act, 2013*, Volume VIII Issue II ISSN: 2582-8878 INDIAN JOURNAL OF LAW AND LEGAL RESEARCH (IJLLR)] 6003, 6009.

The Companies Act from 2013 says that people who are in charge of companies also known as directors have to be people. Section 2(34) of this act says that a director is someone who is chosen to be on the Board of Directors. What is really important to note is that Section 149 says every board has to have people on it. The word "individual" is used here. That shows what the law makers were thinking. They wanted to make sure that only real people can be directors. We can also look at the way Director Identification Numbers work to see that this is true. The rules for Director Identification Numbers are in Sections 153 and 154. To get a Director Identification Number, a director has to give documents that say who they are and where they live and they have to make statements. Computers and machines cannot do these things. The way that directors are chosen removed and supervised is also based on the idea that real people are involved. So according to the law, in India, computers and machines cannot be directors of companies.[4]

FIDUCIARY DUTIES AND LIABILITY IN AI-DRIVEN BOARDS

Fiduciary duties are an obstacle for artificial intelligence to be in charge. The duties of loyalty and care and diligence and good faith require people to make judgments and use moral reasoning. These standards are not set in stone. Are often figured out by judges. Artificial intelligence systems work with algorithms and statistics not by making decisions. They cannot really understand what it means to be loyal or fair or honest in the way that companies and the law expect. When artificial intelligence is involved in making decisions it is hard to say who is responsible. Courts usually hold directors accountable because they can understand what might happen and make choices. Artificial intelligence does not have a conscience or intentions. It is not seen as capable of following the law. So people in charge cannot just say they are not responsible because they followed what the artificial intelligence suggested. People have to be responsible, for the decisions that are made.[5]

AI GOVERNANCE FRAMEWORKS AND CORPORATE GOVERNANCE

As artificial intelligence becomes deeply embedded in the decision-making process of companies, governments and international organizations have started to create rules to govern the use of artificial intelligence. The European Union has created a law for intelligence that

[4] Suhani Jain, *Artificial Intelligence and The Directorial Office: Interrogating Legal Personhood and Fiduciary Accountability Under The Companies Act, 2013*, Volume VIII Issue II ISSN: 2582-8878 INDIAN JOURNAL OF LAW AND LEGAL RESEARCH (IJLLR)] 6003, 6005-6006.

[5] N. Burridge, Artificial intelligence gets a seat in the boardroom, NIKKEI ASIA 2017, asia.nikkei.com/Business/Artificial-intelligence-gets-a-seat-in-the-boardroom.

looks at the potential risks of artificial intelligence systems and classifies them based on those risks. If an artificial intelligence system is considered risk it has to be very transparent and the people in charge have to be accountable for what the artificial intelligence system does. The Organisation for Economic Co-operation and Development has also come up with some principles that say artificial intelligence systems should be transparent the people in charge should be accountable and there should be fairness when artificial intelligence is used. All of these rules have one thing in artificial intelligence should always be controlled by humans. None of these rules say that artificial intelligence systems should be given the power as the people who run companies. For companies this means that the rules should make sure that the use of intelligence is transparent and that companies have to tell people when they use artificial intelligence to make decisions. Companies should also check their intelligence systems regularly to make sure they are working properly and it should be clear who is responsible when decisions are made with the help of artificial intelligence. India can learn from what other countries doing and create its own rules for artificial intelligence that encourage new ideas and innovation while also making sure that companies are accountable for what they do, with artificial intelligence.[6]

SHOULD LAW EVER RECOGNISE AI AS DIRECTORS?

The question of whether Artificial Intelligence should be recognized as a company director is still a debate. People who support this idea say that future Artificial Intelligence systems may be better than directors when it comes to analysing things being consistent and being objective. They think that Artificial Intelligence could help reduce corruption get rid of bias and make decisions, which would improve how companies perform. However, making Artificial Intelligence a director raises a lot of concerns. Our legal systems are based on ideas of being responsible and accountable so directors are expected to explain their decisions and face consequences if they do something Artificial Intelligence does not have consciousness it cannot reason morally. It does not understand legal obligations. There are a few problems with giving Artificial Intelligence a role. If we give Artificial Intelligence personhood it could create ways for people to avoid following regulations. People might try to blame Artificial Intelligence systems for decisions, which would make it harder to hold them accountable. Artificial Intelligence systems can be biased because of the data they are trained on and how their

[6] Brent E. Robertson & I. Example, “Human Oversight in the EU Artificial Intelligence Act,” 2023 Int’l J. of Law & Info. Tech.

algorithms are designed. So, if we recognize Artificial Intelligence systems as actors it could make discrimination and unfairness a normal part of our system. So, while Artificial Intelligence may get better and take on governance roles it is not an idea to legally recognize Artificial Intelligence as a company director anytime soon. Artificial Intelligence is not ready for such a role and we need to think carefully about the consequences of giving Artificial Intelligence so much power. We should be careful when it comes to Artificial Intelligence and its role, in our companies because Artificial Intelligence is a tool that can be used for good or bad.

AI'S ROLE AS AN ENHANCED BOARD TOOL, NOT A LEGAL DIRECTOR

We need to use intelligence in a way that makes sense. Artificial intelligence should be a tool that helps people make decisions, not the one making the decisions.

We can use a plan to make this work:

- Companies can use intelligence to do research check if they are following the rules look at risks and give ideas for the future. They should tell people about this in their reports so everyone knows what is going on.
- If people in charge are using ideas from artificial intelligence to make decisions they should still look at those ideas carefully and make sure they are good before they do anything.
- If we have intelligence that can make decisions without help people should still be in charge of making sure it is doing the right thing. The government might want to pick people to watch over intelligence and make sure it is working correctly.

This way we can still use intelligence to make new things but people will always be responsible for what happens. Artificial intelligence is a tool that helps people and people are, in charge of intelligence.

CONCLUSION

Artificial Intelligence is changing the way companies are run by making things more efficient helping to figure out risks and making decisions based on data. The way directors are chosen is based on being responsible doing what is right and being a real person. The Companies Act from 2013 says that directors have to be people who can make their own decisions and take the blame if something goes wrong. Artificial Intelligence systems are really good with technology. They cannot do these things right now. They are not seen as entities by the law they cannot do what is right for the company and they cannot be blamed if the company does something wrong. Artificial Intelligence will definitely play a role in how companies are run in the future but it will be to help the directors not replace them. The people who make laws have a challenge they need to make rules that let Artificial Intelligence help. Still make sure people are responsible for what happens. The people in charge of companies have to remember that having power means you have to take responsibility. Until Artificial Intelligence can really be held responsible, for what it does only human beings should be directors of companies.