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LAW & ARTIFICIAL INTELLIGENCE- REGULATING INNOVATION WITH LEGAL AND ETHICAL ACCOUNTABILITY.

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ABSTRACT

While artificial intelligence fundamentally reshapes modern societal and professional landscapes, it introduces critical vulnerabilities, including algorithmic prejudice, data vulnerabilities, and an accountability vacuum during system failures. Mitigating these systemic threats demands robust statutory and ethical frameworks to govern the lifecycle of AI technologies. The ultimate objective is to cultivate technological advancement without compromising equity, public safety, or institutional liability.

One of the major issues is privacy. AI systems often collect and use personal data, which can be misused if not properly protected. The enactment of India's Digital Personal Data Protection Act¹ represents a positive legislative shift; however, the statutory mechanism still requires granular supplementary rules and more rigorous enforcement capabilities. Another problem is the **biasness** of AI. If the data used to train AI is unfair or incomplete, the results can be discriminatory or can provide biased outcomes.

Accountability is also a major concern. If an AI system makes a mistake or causes harm, it's hard to say who is responsible the developer, the user, or someone else. Our current laws don't clearly answer this. There are also questions about intellectual property like, who owns the content or ideas created by AI? And with AI being used in cyberattacks and fake news, cybersecurity becomes even more important.

¹ Digital Personal Data Protection Act, 2023, No. 22, Acts of Parliament, 2023 (India)

Different countries are trying to solve these problems in different ways, for example; The **European Union** has proposed the AI Act, which puts strict rules on high-risk AI systems. The **United States** uses a sector-based approach, where different agencies handle AI in their own areas. In **India**, there is no single law for AI yet, but government bodies like NITI Aayog² are working on policy ideas.

This study examines the critical intersection of artificial intelligence and contemporary legal frameworks, focusing on the urgent need for a comprehensive regulatory model in India. As algorithmic systems increasingly influence governance, commerce, and public life, the absence of a dedicated legal structure introduces substantial risks. This paper addresses these emerging challenges by exploring the balance between technological innovation and public accountability, outlining how India can pioneer a legal framework that mitigates bias while maintaining transparency.

The research methodology used combines **doctrinal study, qualitative analysis, comparative review, and analytical reasoning**, making it suitable for examining AI regulation through a legal-ethical perspective.

INTRODUCTION

Artificial Intelligence and the Ethical & Legal Framework in India

Artificial Intelligence (AI) has swiftly moved from being a futuristic concept to an integral part of governance and commercial operations in India. Today, it shapes decisions in areas ranging from banking applications to public welfare delivery, directly influencing the daily lives of citizens. Across sectors such as healthcare, education, agriculture, finance, and public administration, AI-driven tools are becoming increasingly common. While these systems enhance efficiency and improve decision-making, they also raise complex ethical and legal questions. As AI begins to impact employment opportunities, welfare distribution, credit approvals, policing strategies, and even judicial processes, it inevitably engages constitutional principles like equality, privacy, transparency, accountability, and fairness. When automated systems produce flawed or biased outcomes, determining responsibility becomes legally challenging.

² NITI Aayog, *National Strategy for Artificial Intelligence #AIforAll* (2018)

India's rapid digital expansion, supported by initiatives such as Digital India, Aadhaar, and the Smart Cities Mission, has accelerated the adoption of AI technologies. Public authorities rely on AI for surveillance, welfare allocation, tax administration, and predictive governance. At the same time, private companies deploy AI in hiring processes, loan assessments, data analytics, and online content moderation. Despite this widespread use, the legal structure has not kept pace with technological advancements. In contrast to frameworks like the European Union's proposed AI Act or the OECD³ AI Principles, India does not yet have a comprehensive law specifically addressing fairness, transparency, and accountability in AI systems.

The regulation of AI in India intersects with constitutional law, administrative law, cyber law, data protection, and human rights jurisprudence. Judicial decisions have already laid some groundwork in this area. In *Justice K.S. Puttaswamy v. Union of India* (2017)⁴, the Supreme Court affirmed that privacy is a fundamental right, placing significant limits on data-driven technologies and surveillance practices. Similarly, in *Shreya Singhal v. Union of India* (2015)⁵, the Court upheld the importance of free speech in the digital sphere, which has direct implications for AI-based content moderation and misinformation control. Nevertheless, there is still no targeted legislation addressing algorithmic discrimination or automated harm, leaving individuals with limited avenues for effective remedy.

Because AI systems are trained on historical data, they often risk replicating existing social biases in their outputs. If the data reflects longstanding inequalities or prejudices, the resulting algorithms may reproduce and even amplify those disparities. This concern is particularly acute in a diverse society like India, where caste, class, gender, religion, and regional disparities already shape access to opportunities. Biased automated decisions can affect recruitment, lending practices, welfare benefits, and broader public administration, thereby conflicting with principles of equality and non-discrimination. Additionally, many AI systems function as "black boxes," offering little explanation for their decisions. This lack of transparency undermines fairness and raises serious concerns about due process.

Given these challenges, India requires a balanced regulatory approach that fosters innovation while safeguarding human dignity and fundamental rights. Any effective framework must

³ OECD, Recommendation of the Council on Artificial Intelligence, OECD/LEGAL/0449 (May 22, 2019)

⁴ Justice K.S. Puttaswamy (Retd.) v. Union of India, (2017) 10 S.C.C. 1 (India)

⁵ Shreya Singhal v. Union of India, (2015) 5 S.C.C. 1 (India)

address issues of bias, data misuse, transparency, and accountability. Both public authorities and private entities deploying AI should be subject to clear legal duties, and individuals must have meaningful remedies when harm occurs. Regulation should not hinder technological progress; rather, it should ensure that AI development aligns with constitutional morality, democratic accountability, and social justice. The objective is to make certain that AI promotes inclusion and fairness instead of reinforcing inequality or weakening basic rights.

The issue extends beyond technology itself and enters the realm of governance and institutional responsibility. Without adequate oversight, AI systems may become opaque and difficult to challenge, especially for those who are already socially or economically disadvantaged. A responsible governance model must therefore integrate legal standards, institutional safeguards, and ethical principles so that AI systems remain transparent, reviewable, and socially constructive. In a constitutional democracy such as India, maintaining this balance is crucial, since efficiency alone cannot justify decisions that are unfair or unaccountable.

This study examines how India can establish a coherent ethical and legal framework for regulating AI technologies. It situates AI accountability within constitutional norms, statutory provisions, judicial precedents, and comparative international models. The aim is to propose a practical and inclusive strategy that reflects India's unique socio-economic realities. Effective AI governance will require collaboration among legislators, technical specialists, regulators, and public institutions. Coordinated efforts to ensure ethical safeguards, responsible innovation, and institutional accountability are essential if India is to harness the benefits of AI while preserving transparency, fairness, and public trust.

The relevance of this inquiry will only grow as AI becomes more deeply embedded in public administration and commercial services in the years ahead. As reliance on automated systems increases, courts, regulators, and lawmakers will need clearer standards regarding notice, consent, explanation, auditability, and redress mechanisms. Developing such standards at an early stage can help prevent future disputes and strengthen confidence in digital governance systems.

STATEMENT OF THE PROBLEM

1. Rapid Technological Transformation and Absence of a Comprehensive Legal Framework

Artificial Intelligence is steadily reshaping employment patterns, communication systems, governance structures, and commercial operations. Although it promotes efficiency and technological advancement, it simultaneously introduces complex legal, ethical, and societal challenges. In the Indian context, pressing concerns include privacy risks, algorithmic bias, accountability gaps, and, most importantly, the absence of a unified and comprehensive legal regime to regulate AI effectively.

2. *Privacy and Data Protection Concerns*

AI systems rely heavily on vast quantities of personal and sensitive data to function accurately. In the absence of robust safeguards, such data may be misused, potentially infringing upon individuals' privacy rights. While India has enacted the Digital Personal Data Protection Act, 2023⁶, the legislation does not yet provide detailed, AI-specific provisions governing automated decision-making or advanced data processing practices. Consequently, anxieties surrounding personal data misuse and insufficient regulatory oversight continue to grow, particularly in relation to both public authorities and private entities.

3. *Algorithmic Bias and Discrimination*

Because AI systems are trained on pre-existing datasets, they often mirror the social inequalities embedded within that data. Where datasets are biased, incomplete, or historically skewed, AI outcomes may perpetuate or even intensify discrimination. Such bias can influence recruitment decisions, loan approvals, welfare distribution, and other significant determinations. These outcomes may conflict with constitutional guarantees of equality, non-discrimination, and fair treatment under the law.

4. *Uncertain Accountability and Liability*

One of the most critical concerns surrounding AI governance is the question of responsibility. When an AI system produces an error or causes harm, it is frequently unclear whether liability should rest with the developer, the deployer, the user, or the institution implementing the system. In the absence of a clearly defined liability framework, individuals who suffer harm may face significant obstacles in seeking legal remedies, leaving victims without adequate avenues for redress.

⁶ Digital Personal Data Protection Act, 2023, No. 22 of 2023, Gazette of India.

5. *Intellectual Property and Ownership Challenges*

The emergence of AI-generated content has disrupted conventional understandings of intellectual property rights, giving rise to debates over ownership of machine-generated outputs and whether non-human systems can qualify as inventors or authors. At the same time, AI-enabled cyber risks including deepfakes, automated misinformation, and large-scale digital manipulation have intensified cybersecurity threats. These developments highlight the urgent need for stronger regulatory enforcement and clearer legal standards in both intellectual property and digital security domains.

6. *Global Regulatory Gaps*

Regulatory responses to AI vary significantly across jurisdictions. The European Union has adopted a structured, risk-based approach through its AI Act, while the United States largely follows a sector-specific regulatory model. In contrast, India does not yet have a consolidated AI statute, despite policy discussions and ethical guidelines proposed by institutions such as NITI Aayog⁷. This lack of legislative uniformity creates uncertainty in governance and compliance.

7. *Need for a Balanced Ethical and Legal Framework*

At present, India lacks a centralized and specialized legal framework designed specifically for AI governance that can balance technological progress with the protection of individual rights. Existing laws remain fragmented and insufficient to address challenges such as algorithmic liability, systemic bias, data privacy, and transparency in automated systems. This study therefore aims to outline a socio-legal framework that advances fairness, safety, and responsible AI deployment.

Future regulatory approaches must remain adaptable to keep pace with the rapid evolution of AI technologies and avoid becoming outdated. Periodic policy reviews, combined with interdisciplinary expert consultation, can help ensure that legal standards remain relevant and effective without discouraging innovation. Through such a balanced approach, AI can contribute to national development while upholding human rights, constitutional principles, and democratic accountability.

⁷ NITI Aayog, *National Strategy for Artificial Intelligence #AIforAll* (2018)

NEED, RELEVANCE, AND IMPORTANCE OF THE STUDY

1. *Need for the Study:*

- Artificial Intelligence is expanding rapidly across governance, healthcare, finance, education, and several other sectors, making it essential to closely examine its legal and ethical implications.
- The current legal framework in India does not comprehensively address AI-specific concerns such as data privacy, algorithmic bias, automated decision-making, and liability issues.
- There is a clear requirement for a coherent regulatory structure that can oversee AI deployment while simultaneously encouraging innovation and safeguarding citizens' fundamental rights.
- In the absence of effective regulation, AI systems risk deepening social inequality, intruding upon personal privacy, and undermining democratic principles and accountability.

2. *Relevance of the Study:*

- The subject has gained significant importance as AI-driven technologies are increasingly integrated into both public administration and private industry, particularly as India advances toward becoming a global technology hub under initiatives like Digital India and the Smart Cities Mission.
- As AI tools begin to influence administrative functions and even judicial processes, they raise serious constitutional and human rights questions that demand careful legal and policy consideration.
- This research bridges the gap between technological innovation and legal governance, offering valuable insights for policymakers, legal scholars, regulators, and technology professionals working toward responsible AI development.
- By examining international approaches such as the European Union's AI Act and the United States' sector-specific regulatory model the study identifies comparative lessons that may guide India's regulatory strategy.

3. *Importance of the Study:*

- The paper emphasizes that AI advancement must remain aligned with constitutional safeguards, public welfare objectives, and democratic values.
- It underlines the necessity of ensuring that AI systems are human-centered, transparent,

and socially accountable in their design and implementation.

- The study stresses the importance of collaborative efforts among lawmakers, policymakers, technologists, academics, and civil society to build a balanced governance framework.
- By addressing critical concerns such as algorithmic bias, data protection, and liability mechanisms, the research seeks to strengthen transparency and enhance public confidence in AI systems.
- Ultimately, it demonstrates that thoughtful and responsible regulation is indispensable if India is to harness the benefits of AI while preserving human rights, equality, and democratic integrity

METHODOLOGY ADOPTED

This study follows a doctrinal and qualitative research methodology grounded primarily in the examination of secondary legal materials. It draws upon constitutional provisions, statutory laws, judicial pronouncements, policy papers, scholarly literature, and relevant international reports. The research analytically evaluates how Artificial Intelligence may affect privacy rights, administrative fairness, legal accountability, transparency, and algorithmic bias within the Indian legal framework.

In addition, the study undertakes a comparative assessment of the European Union's AI Act and the sector-specific regulatory model followed in the United States to identify regulatory gaps in India and extract meaningful policy insights. As a non-empirical, library-based inquiry, the research does not involve fieldwork, surveys, or interviews. Instead, it relies on critical legal analysis and reasoned interpretation to propose a structured and context-sensitive framework for responsible AI governance in India.

LEGAL FRAMEWORK INVOLVED

1. Constitutional Provisions

- **Article 14** of the Constitution acts as a safeguard against arbitrary and discriminatory state action. In the context of AI, it functions as a constitutional check on algorithmic bias by requiring equality and non-arbitrariness in automated decision-making processes.
- **Article 19** protects freedom of speech and expression, which becomes relevant where

AI systems are used for content moderation, digital communication, and the regulation of online misinformation. Any automated restriction must satisfy constitutional standards of reasonableness.

- **Article 21** guarantees the right to life and personal liberty, which has been judicially interpreted to include the right to privacy. This provision forms the core constitutional basis for regulating AI-driven data processing and surveillance practices.

2. Data Protection and Cyber Laws

- The Digital Personal Data Protection Act, 2023⁸ establishes rules concerning the collection, processing, storage, and consent requirements for personal data. However, it does not yet provide detailed provisions specifically tailored to AI-based automated decision-making.
- The Information Technology Act, 2000⁹ addresses cyber offences, recognition of electronic records, intermediary liability, and cybersecurity obligations, thereby indirectly influencing AI deployment in digital ecosystems.
- Guidelines issued by CERT-In mandate the reporting of certain cyber incidents, including those potentially arising from AI misuse or system vulnerabilities.

3. Sector-Specific Regulations

- Regulatory frameworks issued by the Reserve Bank of India (RBI)¹⁰ shape the use of AI in financial technology, digital lending platforms, credit scoring, and risk assessment mechanisms.
- Guidelines from SEBI and IRDAI influence the deployment of AI tools in securities markets and insurance services, particularly in areas such as automated underwriting, fraud detection, and compliance monitoring.

4. Intellectual Property Laws

- The Copyright Act, 1957¹¹ currently recognizes only natural persons as authors, creating uncertainty regarding ownership of AI-generated works.
- The Patents Act, 1970¹² limits inventorship to human individuals, thereby raising legal

⁸ Digital Personal Data Protection Act, 2023, No. 22 of 2023, Gazette of India

⁹ Information Technology Act, 2000, No. 21 of 2000, Gazette of India

¹⁰ Reserve Bank of India, Guidelines on Digital Lending (Sept. 2, 2022)

¹¹ Copyright Act, 1957, No. 14 of 1957, Gazette of India

¹² Patents Act, 1970, No. 39 of 1970, Gazette of India

questions about patent protection for innovations autonomously generated by AI systems.

5. National AI Policy Frameworks

- NITI Aayog's National Strategy for Artificial Intelligence outlines ethical principles and governance recommendations for responsible AI development in India. However, these guidelines are advisory in nature and do not carry binding legal force.
- Various government initiatives promoting responsible and inclusive AI contribute to shaping the broader policy landscape, even though they lack statutory backing.

6. International Standards (Soft Law)

- International instruments such as the OECD¹³ AI Principles and UNESCO¹⁴'s AI Ethics Framework provide globally recognized guidance on responsible AI innovation, transparency, and accountability.
- Comparative regulatory models, including the European Union's AI Act and the United States' sector-based approach, offer useful reference points for the possible evolution of India's AI governance framework.

JUDICIAL APPROACH

1. Recognition of Digital Rights

In *Justice K.S. Puttaswamy v. Union of India*¹⁵, the Supreme Court affirmed that the right to privacy is a fundamental right under the Constitution. This landmark ruling provides a strong constitutional foundation for regulating AI systems that collect, process, or analyze personal data. Any AI-based surveillance or data-driven governance mechanism must therefore satisfy constitutional standards of legality, necessity, and proportionality.

2. Free Speech and Online Content

In *Shreya Singhal v. Union of India*¹⁶, the Court underscored the importance of safeguarding freedom of speech in digital spaces. This reasoning is directly relevant to

¹³ OECD, Recommendation of the Council on Artificial Intelligence, OECD/LEGAL/0449 (May 22, 2019)

¹⁴ UNESCO, Recommendation on the Ethics of Artificial Intelligence (Nov. 23, 2021)

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

¹⁶ Shreya Singhal v. Union of India, (2015) 5 S.C.C. 1 (India)

AI-powered content moderation, automated takedowns, and efforts to control misinformation online. AI systems used for such purposes must operate within constitutional limits and respect lawful expression.

3. *Accountability and Transparency*

Indian courts have consistently emphasized that administrative actions must be fair, reasonable, and transparent. These principles become especially significant when public authorities rely on automated or algorithmic decision-making systems. The requirement of reasoned decisions and procedural fairness supports the demand for explainable and reviewable AI processes.

4. *Technology and Fundamental Rights*

In cases concerning Aadhaar and other digital governance initiatives, the judiciary has demonstrated sensitivity toward issues of data protection, surveillance, and potential misuse of digital technologies. This judicial approach offers valuable guidance for shaping future AI regulation, particularly where state use of AI may affect civil liberties.

5. *Absence of Direct AI-Specific Jurisprudence*

Although Indian courts have not yet delivered judgments specifically addressing AI governance, existing digital rights jurisprudence provides a solid constitutional and legal framework. These precedents can be extended to resolve future disputes involving algorithmic discrimination, automated harm, or questions of liability.

6. *Human Oversight in Automated Systems*

Judicial reasoning in technology-related cases indicates that human accountability must remain central, even where automated systems are involved. This reinforces the principle that AI deployment should include meaningful human oversight to prevent unchecked or opaque decision-making.

OUTCOME

1. *Need for a Unified AI Law*

AI regulation in India currently remains scattered across multiple statutes, guidelines, and policy documents. This fragmentation highlights the urgent need for a dedicated

and comprehensive legal framework specifically tailored to AI governance.

2. *Accountability Gaps*

There is no clearly defined mechanism for determining liability when AI systems produce errors, discriminatory outcomes, or other forms of harm. As a result, affected individuals may struggle to secure effective remedies.

3. *Central Role of Constitutional Principles*

Future AI regulation must be guided by constitutional guarantees of equality, privacy, and freedom of speech. Aligning technological advancement with constitutional morality is essential to maintaining democratic legitimacy.

4. *Data Protection as a Foundational Element*

While the Digital Personal Data Protection Act, 2023¹⁷ provides an initial regulatory base for data governance, it does not yet incorporate AI-specific safeguards such as mandatory algorithmic transparency, impact assessments, or structured redress mechanisms.

5. *Limitations of Sector-Based Regulations*

Guidelines issued by regulatory bodies such as RBI, SEBI, and IRDAI address AI indirectly within their respective domains. However, these measures are insufficient to regulate high-risk or cross-sector AI systems comprehensively.

6. *Ongoing Intellectual Property Challenges*

Significant uncertainty persists regarding authorship, inventorship, and ownership of AI-generated works, as existing intellectual property laws remain centered on human creators.

7. *Necessity of Ethical AI Governance*

When regulating AI, the focus should be on openness, responsibility, and respect for human dignity. Without these protections in place, automated systems can end up deepening discrimination and weakening fundamental rights international

¹⁷ Digital Personal Data Protection Act, 2023, No. 22 of 2023, Gazette of India

frameworks, including the European Union's risk-based AI Act, provide useful guidance for developing an accountability-focused and structured regulatory model suitable for India's context.

8. *Judicial Foundations for Future AI Law*

Even in the absence of AI-specific rulings, existing technology-related judgments establish strong constitutional principles that can support the development of future AI jurisprudence in India.

CONCLUSION

Artificial Intelligence offers significant opportunities for India's growth and development, opening new avenues in governance, industry, and public service delivery. At the same time, it raises serious concerns relating to data sovereignty, lack of transparency in algorithmic systems, structural discrimination, and questions of legal responsibility. This study highlights that India's existing legal framework addresses AI only indirectly through scattered statutes and sector-specific regulations, none of which are fully designed to regulate AI or respond to its distinctive risks. As a result, the present statutory landscape remains insufficient to manage the complex challenges created by rapidly evolving digital technologies.

Constitutional values particularly equality, privacy, and freedom of speech must form the foundation of any meaningful AI governance structure. These principles provide both normative guidance and legal limits for the design and deployment of automated systems. However, despite this constitutional grounding, significant regulatory gaps continue to exist, especially in areas such as algorithmic accountability, transparency standards, and liability mechanisms.

India therefore needs a coherent, flexible, and forward-looking regulatory framework that can balance technological innovation with the protection of fundamental rights. Such a framework should ensure that AI contributes to public welfare without undermining democratic accountability or civil liberties. Ultimately, the responsible use of AI will depend not only on technological advancement but also on strong legal safeguards, institutional clarity, enforceable accountability standards, transparency in automated decision-making, and meaningful human oversight at every critical stage of deployment

ACTIONABLE LEGISLATIVE RECOMMENDATIONS

1. *Enact a Comprehensive Standalone AI Law*

India should introduce a dedicated and consolidated AI statute built on a structured, risk-based classification model. Such a law must clearly define obligations for developers, deployers, and users of AI systems, while mandating operational transparency, safety standards, and well-defined liability mechanisms for harm caused by automated systems.

2. *Introduce AI-Specific Data Protection Safeguards*

The legal framework should incorporate targeted provisions governing automated decision-making. These should include requirements for algorithmic audits, explainability standards, prior notice to affected individuals, and accessible appeal or review mechanisms where AI-based decisions significantly impact rights or opportunities.

3. *Establish a Centralized AI Regulatory Authority*

A specialized national AI regulatory body should be created to monitor compliance, formulate technical standards, issue sector-wide guidelines, and coordinate enforcement across industries. Such an authority would help ensure uniformity, accountability, and effective cross-sectoral supervision.

4. *Mandate Impact Assessments for High-Risk AI Systems*

AI systems deployed in sensitive sectors such as governance, financial services, policing, healthcare, and welfare distribution should undergo compulsory impact assessments before implementation. These assessments must evaluate risks related to bias, privacy intrusion, cybersecurity, and potential violations of fundamental rights.

5. *Reform Intellectual Property Laws*

Existing intellectual property statutes should be updated to clarify issues surrounding authorship, inventorship, and ownership of AI-generated content and innovations. Clear legal definitions will reduce uncertainty and provide guidance for courts, regulators, and innovators.

6. *Promote Ethical and Responsible AI Development*

The government should actively encourage ethical AI practices through public awareness initiatives, interdisciplinary academic research, and sustained collaboration among legal professionals, technologists, policymakers, and civil society. Embedding ethical considerations at the design stage can help prevent downstream harm.

7. *Adapt Global Best Practices to the Indian Context*

India should draw from internationally recognized standards such as elements of the European Union's AI Act¹⁸ and UNESCO¹⁹'s AI Ethics Framework while tailoring them to its own socio-economic conditions. A contextualized adoption of global best practices can strengthen accountability without hindering domestic innovation



¹⁸ 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).

¹⁹ UNESCO, Recommendation on the Ethics of Artificial Intelligence (Nov. 23, 2021)