

Artificial Intelligence: Reshaping Governance Fundamentally

The advent of AI has marked a transformative era across various sectors, with governance being no exception. The goal is to reduce risks like bias, make sure decisions are fair, keep accountability, build public trust, and ensure AI is used responsibly in line with laws and for the benefit of society. This article further explores the implication of AI in the governance structure and how it affects the future role of Company Secretaries and other Governance professionals, emphasizing the need for continuous skill development and adapting to technological advancements.



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INTRODUCTION

Artificial Intelligence (AI) is no longer a futuristic concept. It has permeated nearly every sector of the global economy, reshaping industries, business models, and governance structures. In India, where the corporate governance framework is rooted in transparency, accountability, and compliance with statutory laws, AI is emerging as both a disruptor and an enabler. The advent of AI has marked a transformative era across various sectors, with governance being no exception. The goal is to reduce risks like bias, make sure decisions are fair, keep accountability, build public trust, and ensure AI is used responsibly in line with laws and for the benefit of society.

On the positive side, AI enables real-time monitoring, predictive analytics, and enhanced compliance mechanisms. Conversely, it raises concerns related to data privacy, ethical decision-making, and over-reliance on automated systems, which might undermine human oversight.

This article further explores the implication of AI in the governance structure and how it affects the future role of Company Secretaries and other Governance professionals, emphasizing the need for continuous skill development and adapting to technological advancements.

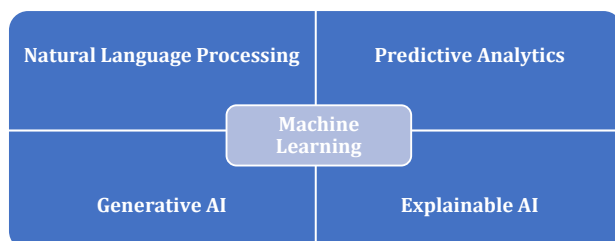
EMERGENCE OF ARTIFICIAL INTELLIGENCE IN GOVERNANCE, PAST PRESENT & FUTURE

AI's journey from a conceptual framework to a practical governance tool has been remarkable. AI has been initially used in the academic phases. Later it has been evolved into advanced researches, developing/coding machine languages, robotic surgeries, data analytics etc. In governance it has begun with basic data keeping/recording/storing etc. But now a days it has found out its own path of exploring into wider areas like real time monitoring, predictive analytics, policy framing, interpretation of laws and statutes with in fraction of seconds. This evolution has great significance in a country like India where the entire country is in the phase of redesigning into a digital village. AI has far more role in a country like India which has a vision of self-developing to a digital hub itself which can outset any other developed Country in the world. In India, the regulatory landscape for AI is evolving through a series of guidelines and initiatives. The country's approach began with the launch of the national AI strategy, by NITI Aayog in 2018, focusing on inclusive AI development across critical sectors such as healthcare, education, and agriculture. The strategy emphasized the creation of high-quality datasets and the development of legislative frameworks for data protection and cybersecurity. Subsequent efforts include the Principles for Responsible AI drafted by NITI Aayog, which underscore principles like safety, inclusivity, transparency, and accountability in AI deployment. The ground work laid for digitalizing the country can now be taken up by a self-fuelling virtual machine which can design whatever concept and whenever required with almost bug free which will be a time consuming and costly task if done by human brain only. In this point we should understand the importance and requirement of such an artificial brain which can surpass any impossibilities and make a vision possible by running thousands of permutations and combinations in a fraction of second and identify the solution to achieve the goal. This transformation affects not only the structure and processes of governance but also the roles and responsibilities of key professionals such as Company Secretaries, and other governance advisors.

ARTIFICIAL INTELLIGENCE: UNDERSTANDING THE BASICS

To appreciate AI's impact, it is essential to understand its core components. Machine learning algorithms, neural networks, and big data analytics form the backbone of AI systems. These technologies enable the processing of vast datasets, identifying patterns that inform policy decisions. For governance professionals, grasping these basics is crucial to leveraging AI effectively, ensuring that its deployment aligns with legal and ethical standards.

KEY COMPONENTS OF AI IN GOVERNANCE



ARTIFICIAL INTELLIGENCE: TRIPPLE BOTTOM LINE IMPACT- PEOPLE, PLANET, PROFIT

- **For people:** AI delivers enhanced services and supports through chatbots, virtual assistants, google assistants, detect workplace concerns, and monitor ethical conduct. Most of the services offered by government and non-government services can be easily accessed in a fingertip.
- **For planet:** AI guides to optimize the use of natural resources, educate on how to economically utilize and not to exploit the immense natural resource mines, optimization of all kind of energy sources, contributing to sustainability goals.
- **For profit:** AI-driven insights help corporations to improve financial governance, aligning with Environmental, Social, and Governance (ESG) criteria, risk management, and investment strategies, strengthening profitability within ethical boundaries.

ARTIFICIAL INTELLIGENCE: OPENING DOORS TO THE BOARD ROOMS

The company, as a legal entity, operates under the management of its Board of Directors, a role defined by the rules set forth in the Companies Act, 2013. The Board acts as trustees responsible for overseeing the Company's affairs and Company Secretaries are the professionals who advice the board for decision making, since the Company, being an artificial entity, cannot independently manage itself.

Advancements in artificial intelligence (AI) enhance the opportunities for augmenting the Board's decision-making capabilities. AI systems can process vast amounts of complex data swiftly, enhancing the speed and quality of decision-making processes. Augmented AI, in particular, fosters collaboration between machines and humans, offering insights and recommendations that can surpass traditional decision-making methods.

Artificial Intelligence: Reshaping Governance Fundamentally

The integration of AI into corporate governance is opening new avenues for Company Secretaries. AI tools can analyse board meeting minutes, flag compliance risks, and suggest strategic decisions based on historical data. AI can support Company Secretaries to identify potential frauds like cyber threats, insider trading, trading risks etc in an efficient manner. This shift allows governance professionals to focus on high-value tasks, enhancing boardroom efficiency and decision-making. However, it also necessitates upskilling to manage AI systems effectively. This emphasizes the need for continuous skill development and adapting to technological advancements by corporate professionals.

However, the power to make decisions cannot be delegated to AI because of the reason that AI cannot be equated to a director/investor/committee member, who can raise doubt, asks questions, or even vote logically and judicially. Instead, AI can be utilized to assist directors in their decision-making processes without replacing their decision rights.

ARTIFICIAL INTELLIGENCE: SHIFTING COMPLIANCE PROCEDURES

Compliance has traditionally been a labour-intensive process, prone to human error. AI is revolutionizing this domain by automating regulatory checks, monitoring real-time data, and ensuring adherence to laws such as the Companies Act, 2013, FEMA, LODR Regulations, Income Tax Act, 1961, IT Act, 2000 etc. For instance, AI-powered software can detect anomalies in financial reports, reducing the risk of non-compliance. This transformation requires governance professionals to adapt to technology-driven audit processes.

Let us take an example of recent amendment in the Companies Act, 2013.

Audit trail applicability : It refers to the mandatory use of accounting software with a built-in feature to record every transaction's audit trail, effective in India from 01.04.2023. This rule, introduced by the Ministry of Corporate Affairs (MCA) under the Companies Act, 2013, applies to all registered companies, including public, private, one-person, and government-owned companies. The audit trail provides a tamper-proof record of who changed what, when, and why, enhancing transparency, accountability, and data integrity for businesses.

Companies must use accounting software that has a feature to:

- Record the audit trail for every transaction.
- Create an edit log for every change made to the books of account, including the date of the change.
- Prevent the audit trail feature from being disabled.
- Ensure the audit trail cannot be tampered with or deleted.

PURPOSE AND IMPORTANCE OF AUDIT TRAIL

- **Transparency and Accountability:** The audit trail serves as a “CCTV for accounts,” providing a reliable and time-stamped record of all activities.
- **Data Integrity:** It helps ensure the accuracy and integrity of financial records by preventing concealment and ensuring that nothing can be destroyed without a trace.
- **Fraud Prevention:** The rule aims to discourage fraud and other unethical behaviour by making it evident who made changes and when.
- **Compliance:** It is a legal requirement under Indian company law to maintain clean and trusted financial records.

ARTIFICIAL INTELLIGENCE: ROLE OF COMPANY SECRETARIES

Company Secretaries play a crucial role as Key Managerial Personnel in the corporate world, responsible for making strategic decisions, guiding Boards on governance practices, and ensuring compliance with regulatory frameworks. Company Secretaries are at the forefront of AI adoption in governance. Their role is evolving from traditional administrative functions to strategic oversight, where they guide organizations in implementing AI ethically and legally. Company Secretaries must ensure that AI systems comply with data protection laws, such as the Digital Personal Data Protection Act, 2023, Information Technology Act, 2000 while maximizing their governance benefits.

The phrase “**Company Secretaries are watch dogs**” was often used to emphasize that Company Secretaries play a crucial role in ensuring compliance, governance, and accountability within companies. However, in one of the judicial rulings, this metaphor was consciously omitted.

AI presents a powerful opportunity to build inclusive, cohesive, and transformative systems of governance and business practices.

ARTIFICIAL INTELLIGENCE: SIGNIFICANCE FOR GOVERNANCE PROFESSIONALS

AI is an opportunity and challenge for governance professionals. It offers tools to enhance transparency, accountability, and efficiency, but also demands a shift in skill sets. Issues such as data privacy, algorithmic bias, and job displacement require careful management. Ethical frameworks must be established to ensure AI serves the public good, with governance professionals playing a pivotal role in oversight.

Sustainability is a cornerstone of modern governance, and AI is a key enabler.

Even SEBI has explored AI for market surveillance, detecting unusual trading activities.

The MCA (Ministry of Corporate Affairs) has introduced MCACMS (MCA Compliance Monitoring System), which is described as an AI-based

mechanism to automatically detect non-compliance under the Companies Act, 2013 issue show-cause notices digitally, etc

AI's ability to bridge gaps in inclusivity is noteworthy. The importance and requirement of advance AI tools will gain more demand in the upcoming digitals era. Governance professionals must prepare for a future where AI not only supports but potentially leads decision-making processes, necessitating robust regulatory frameworks.

FEW AREAS WHERE AI CAN SUPPORT GOVERNANCE PROFESSIONALS WITH THEIR PRE-PROGRAMMED ALGORITHM

Let us take few sections under the Companies Act, 2013 and explore how AI can assist in such areas with minimum manual intervention:

Section under The Companies Act, 2013	Requirement under law	How AI can support
Section 120	Companies may keep required records, registers, minutes, etc., in electronic form. Rules 27-30 of the Companies (Management & Administration) Rules, 2014 prescribe how electronic records must be maintained, secured, retrieved, digitally signed, etc.	AI can help to maintain registers and records with audit trails, ensure integrity of digital signatures, timestamping, automatic backups, ensure versions are not tampered with, indexing / search for retrieval.
Section 128	The Act requires companies to maintain books of account; under rules, certain records must be kept for a prescribed number of years. Maintaining in electronic form is permitted under certain rules. (Refer web-articles summarizing how electronic statutory records are maintained under Act.)	AI / software can help in maintaining records over time, ensure retention policy, avoid loss, monitor that records are preserved in required format, ensure audit readiness.
Section 205(1)	Imposes a duty on the Company Secretary to report to the Board about compliance with the provisions of the Act, rules made thereunder, and other laws applicable to the company.	AI tools can help gather relevant data, track what laws/rules apply, generate reports / compliance status that the Company Secretary can use to report to the Board.
Section 204	Listed companies (and such other companies as prescribed) must have a secretarial audit, which is an audit of compliance with the provisions of the Act, rules, regulations, etc.	AI can assist audit by scanning multiple data sources, flagging possible non-compliances, helping auditors focus on high risk or anomalous items, producing compliance dashboards or summaries.

ARTIFICIAL INTELLIGENCE: INCLUSIVITY, COHESIVENESS, TRANSFORMATION

Artificial Intelligence (AI) has emerged as one of the most transformative technologies of the 21st century, redefining how individuals, organizations, and societies operate. Beyond efficiency and automation, AI presents a powerful opportunity to build inclusive, cohesive, and transformative systems of governance and business practices.

- **Accessibility Tools:** AI powered speech recognition, real-time translation, and text-to-speech systems empower individuals with disabilities and linguistic barriers.
- **Equitable Access to Services:** AI driven platforms democratize access to education, healthcare, and financial services by reaching remote and underserved populations.
- **Workplace Inclusivity:** Algorithms can monitor workforce diversity, highlight gaps in hiring practices, and flag unconscious bias.
- **Shareholder & Stakeholder Engagement:** Chatbots and virtual assistants ensure small shareholders and marginalized stakeholders can voice concerns effectively.
- **Conflict Resolution:** AI driven analysis identifies grievances early, promoting timely mediation and reducing disputes. But we must think carefully about AI in dispute resolution, how well it can handle facts and figures, and how long it can truly match the conventional way of real-time judgments made by human analysis.
- **Governance Transformation:** Automated compliance monitoring, AI-enabled audit trails, and predictive risk analytics transform corporate governance from reactive to proactive.
- **Business Transformation:** AI powered innovations in supply chain, marketing, and customer engagement are reshaping business models.
- **Sustainability Transformation:** Predictive models help track environmental impact, reduce carbon emissions, and support ESG disclosures.

AI'S INCLUSIVITY AND TRANSFORMATION POTENTIAL ALSO POSE RISKS

- **Data Privacy:** Protection of sensitive information is critical under frameworks such as India's Digital Personal Data Protection Act, 2023.
- **Bias:** Poorly trained AI can reinforce stereotypes.
- **Cybersecurity:** AI-driven systems are vulnerable to hacking.
- **Regulatory Gaps:** Laws often lag behind rapid technological advancements.

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Governance professionals must create robust policies to mitigate these risks.

ROLE OF GOVERNANCE PROFESSIONALS

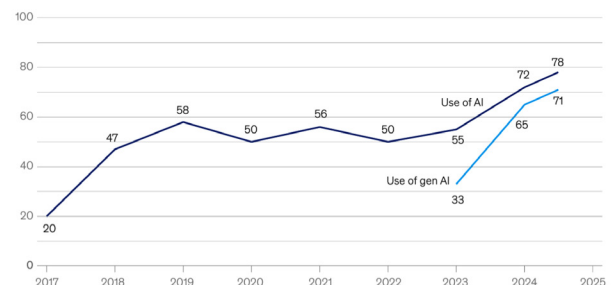
Company Secretaries and governance professionals have a vital role in embedding AI responsibly:

- Designing AI-driven compliance systems that ensure inclusivity.
- Advising boards on cohesive policies and digital transformation strategies.
- Monitoring ethical implementation of AI within organizations.
- Facilitating training and capacity-building for digital readiness.

In 2025, the **Harvard Law Review** published a chapter on AI and corporate governance that analysed the governance crises at prominent AI companies like OpenAI. The article, titled "**Amoral Drift in AI Corporate Governance**," explores how market pressures, driven by powerful "super stakeholders," can compromise a company's social mission, an issue distinct from traditional corporate governance challenges.

Organizations' use of AI has accelerated markedly in the past year, after years of little meaningful change.

Organizations that use AI in at least 1 business function,¹ % of respondents



¹In 2017, the definition for AI use was using AI in a core part of the organization's business or at scale. In 2018-19, the definition was embedding at least 1 AI capability in business processes or products. Since 2020, the definition has been that the organization has adopted AI in at least 1 function. Source: McKinsey Global Surveys on the state of AI

The UNESCO Recommendation on the Ethics of AI adopted in November 2021 by the 193 Member States, affirms that "AI actors should make all reasonable efforts to minimise, avoid strengthening or perpetuating applications and discriminatory or biased outcomes throughout the lifecycle of the AI system to ensure the fairness of these systems."

ARTIFICIAL INTELLIGENCE IN CORPORATE GOVERNANCE

The rapid evolution of Artificial Intelligence (AI) is reshaping the corporate landscape across industries. Corporate governance, which ensures transparency, accountability, compliance, and ethical functioning of businesses, is no exception. The adoption of AI tools in governance has the potential to both strengthen organizational practices and raise new challenges.



Advantages:

- Enhanced Compliance & Monitoring
- Data driven decision making
- Improved Transparency
- Operational Efficiency

Disadvantages:

- Ethical & Accountability Concerns
- Bias & Data Risks
- Cybersecurity Threats
- Over-Reliance on Technology

CONCLUSION

AI in corporate governance is neither an absolute curse nor a flawless boon. It is a double-edged sword. When deployed responsibly, with strong ethical frameworks, transparent oversight, and a balance between machine intelligence and human judgment, AI can significantly strengthen corporate governance. However, blind adoption without addressing accountability, bias, and cybersecurity risks could undermine trust in corporate systems. The way forward lies in responsible AI governance, where technology augments rather than replaces human wisdom in boardrooms.

AI is not a replacement for Company Secretaries but a catalyst that redefines their role in corporate governance. While automation reduces administrative burdens, the true value of a Company Secretary lies in

exercising judgment, upholding ethics, and ensuring accountability in areas where human oversight remains irreplaceable.

Going forward, the most effective Company Secretaries will be those who embrace AI as a governance enabler, balance technological tools with human judgment, and position themselves as strategic governance architects safeguarding transparency and trust in the corporate world.

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