GOVERNANCE OF AI IN INDIA: ANALYSING THE ROLE OF THE EXISTING LEGAL FRAMEWORK IN REGULATING ARTIFICIAL INTELLIGENCE

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ABSTRACT

Artificial Intelligence (AI) plays a significant role in rapid changes in the Economy, Governments and Social aspects around has truly shown potential for innovation and betterment but with high ethical and legal concerns affecting at large. AI has been implemented as part of national development programs in India on the Digital India Mission, and the National Strategy on AI by NITI Aayog, and national AI programs released by MeitY in 2023. India, however, does not have its official AI statute yet, instead it indirectly controls AI operations by the help of the current Legislations, including the Information Technology Act, 2000, and the Digital Personal Data Protection Act, 2023, as well as industry-related regulations issued by various organizing bodies, such as the RBI and SEBI. The paper also focuses on the problem of the insufficiency of the current legal framework in managing the issues of accountability, privacy, algorithmic bias, and transparency and also refers to the international frameworks, such as the EU AI Act (2024), OECD principles, and the Code of Ethics established by UNESCO. Some of these challenges have been defined as having ambiguous liabilities towards AI-related damages, inadequate enforcing ethics, and the inability to do so at both institutional scales. Among shortcomings of transparency, explainability, and sectoral coordination, the paper describes the necessity to introduce a risk-based, adaptive, and rights-oriented AI law. This study also throws light on a new form of legal regulation detailing a multi-faceted, context-specific, and inclusive legal approach to AI regulation in India through the analysis of the current statutes, policy guidelines, and case law.

Keywords: Artificial Intelligence, AI Governance, Legal Framework, India, Ethics, Accountability, Data Protection, Algorithmic Bias, Regulatory Sandboxes, Policy Development, Digital India, AI Mission, Transparency, International Standards, Risk Management

1. Introduction

AI will play a big role in changing the world's economy, society, and politics. This has allowed people to use their intelligence and deal with a lot of data. India has included AI in its plan through projects such as the “Digital India Mission” and “NITI Aayog's (2018) national strategy for artificial intelligence”. The goal of these projects is to use AI to get rid of growth that is not good for the environment and development. In 2023, the "Ministry of Electronics and Information Technology (MeitY)" started a project called "AI Mission" that aimed to promote responsible and ethical uses of AI in India[1]. Another consequence of the rapid adoption of AI technologies is enormous ethical and legal issues including privacy concerns, accountability, bias, and human rights. These issues demonstrate the significance of the existence of an effective legal framework allowing the safeguard of constitutional values and democratic principles.

Currently, there are laws that regulate AI and some of them include the “Information Technology Act of 2000”, the “Digital Personal Data Protection Act of 2023”, and the “Consumer Protection (E-Commerce) Rules of 2020”[2]. Regularly there are also rules issued by regulators such as the reserve bank of India and juridical boards such as the securities and Exchange Boards. The present study will mainly evaluate the sufficiency of the current legislative framework in Third World nations such as India in general to regulate the AI-regulated systems and found the notable ethical and legal issues related to the regulation of AI-dominated systems. Additionally, the study seeks to examine whether the current legislation effectively controls AI in India. The research paper explores the national legal statutes, case law, and the global standards such as the “European Union Artificial Intelligence Act (2024)”, the “OECD AI Principles and the UNESCO Code of Ethics in Artificial Intelligence”.

2. Literature Review

2.1. Evolution of AI Governance in India

Indian government and its administration have implemented AI as the driver of inclusive

[1] Bharati, Dr Rahul. "Navigating the legal landscape of artificial intelligence: Emerging challenges and regulatory framework in India." *Available at SSRN 4898536* (2024). https://niscpr.res.in/includes/images/sciencediplomacy/Science-Diplomacy-January-March-2025.pdf#page=26

[2] Zamboni, Francesco. "Virtual Relational Capital for business development." (2023). https://unitesi.unive.it/bitstream/20.500.14247/17875/1/892222-1280692.pdf

development, efficiency of government services, innovation, and growth in consultation. According to the National Strategy on Artificial Intelligence published by NITI Aayog (2018), there is a vision of AI in All that pertains to smart cities, agriculture, and education and healthcare sectors[3]. The strategy also gives additional focus to use of ethical AI, transparency, and risk control, the building blocks of policy-based AI regulation. Some of the programmes that have contributed to AI governance in the Ministry of Electronics and Information Technology (MeitY) include the Responsible AI to Everyone framework (2021) and AI Mission (implemented in 2023), both specific programs predominantly focus on the safety of introducing recent AI technologies and its adherence to moral principles as well as reducing prejudices within the automaton making system. The framework also reflects India's gradual transition toward a fully innovation-driven system, emphasizing technological growth alongside legal and social responsibility. Indian AI policy research also emphasizes the use of regulatory sandboxes, promotes cross-sectoral coordination, and focuses on building institutional capacity to ensure effective compliance with AI. Think tanks, including the Observer Research Foundation (ORF, 2023) and the Vidhi Centre of Legal Policy, as well as sectoral bodies such as the Reserve Bank of India, SEBI, and the Ministry of Health and Family Welfare, are proposed to have roles in the coordination and control of AI utilisation[4]. These suggestions address the need to control systems, as well as systems crafted to reflect the Indian social-legal context.

2.2. Legislative and Regulatory Developments

India currently lacks a dedicated AI statute; instead, various existing laws and regulations indirectly govern different aspects of AI activities. The Information Technology Act, 2000 (IT Act) delivers the foundational legal framework for digital systems, data protection, cybercrimes, and intermediary liability. Subordinate rules, including the *Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021,* have been imposed because of diligence, traceability, and content moderation obligations that impact AI systems used by digital platforms or intermediaries. On the other hand, the Digital Personal

[3] Mondal, Debdas. "Artificial Intelligence and Its Transformative Role in Indian Research Institutions." *Available at SSRN 5365187* (2023). https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=5365187

[4] Das, Gunindra, and Porag Pachoni. "PDUAMT BUSINESS REVIEW." (2022). https://www.researchgate.net/profile/Ibrahim-Abubakar-30/publication/378309854_Using_Artificial_Intelligence_for_Sustainable_Environmental_Policy_Challenge_to_Developing_Economy_Review_of_Global_Best_Practices/links/65d39723e51f606f9979f930/Using-Artificial-Intelligence-for-Sustainable-Environmental-Policy-Challenge-to-Developing-Economy-Review-of-Global-Best-Practices.pdf

Data Protection Act, 2023 (DPDP Act) is the current and latest adequate data protection statute[5]. While not AI specific, it develops and establishes fiduciary duties on any entity processing personal data, affirms that any processing shall require consent, stipulates that personal data breaches must be disclosed, and ensures the rights of individuals are assured, including the right to corrections and access to information taken to enable an automated decision-making process. Those provisions have a direct effect on AI systems related to profiling, predictive analytics, and automated decision-making. In this context, sector-specific guidelines have also emerged. The Reserve Bank of India (RBI) has also proposed the FREE-AI framework for AI in financial services, which covers algorithmic risk management, auditing, governance, and accountability. In healthcare, the ICMR, or the Indian Council of Medical Research, and the National Digital Health Blueprint (NDHB, 2020) provide guidance for AI in patient care, consent management, and data protection[6]. Additionally, regulatory measures in e-commerce and telecommunications indirectly address AI through platform liability, data handling rules, and consumer protection requirements.

2.3. Legal and Ethical Challenges in India

Liability for the AI-based harm remains unclear within tort law, contract law, and consumer protection statutes. Generative AI systems raise accountability questions, as previous laws assume human agency. Algorithmic bias and discrimination are significant concerns in some areas, including recruitment, finance, and law enforcement. Present Indian statutes fail to address fairness in automated decisions, especially in high-stakes applications that impact fundamental rights. The DPDP Act has not eliminated the issues of privacy in large-scale applications, particularly because the usage of automated profiling and secondary data has not been adequately regulated[7]. AI systems often lack transparency and explainability, with "black box" mechanisms preventing individuals and regulators from fully understanding their

[5] Bareh, Chanlang Ki. "Reviewing the Privacy Implications of India's Digital Personal Data Protection Act (2023) from Library Contexts." *DESIDOC Journal of Library & Information Technology* 44.1 (2024). https://www.researchgate.net/profile/Chanlang-Ki-Bareh/publication/377768426_Reviewing_the_Privacy_Implications_of_India's_Digital_Personal_Data_Protection_Act_2023_from_Library_Contexts/links/65b77c651e1ec12eff5e68bc/Reviewing-the-Privacy-Implications-of-Indias-Digital-Personal-Data-Protection-Act-2023-from-Library-Contexts.pdf

[6] Kumar, Karan, Nikita Kuhar, and Manu Sharma. "Artificial Intelligence in the Indian Banking System: A Systematic Literature Review." *Available at SSRN 5088937* (2024). https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=5088937

[7] Chang, Floriane. "Artificial Intelligence in Art-Dispute Resolution: A Hybrid Model for Balancing Efficiency and Cultural Nuance." *Contemp. Asia Arb. J.* 18 (2025): 123. https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=5270255

decision-making processes. In the context of Artificial Intelligence (AI) and machine learning, a "black box" refers to a system or model whose internal workings are not easily understandable or interpretable by humans. People can see the input and the output, but the process in between how the AI makes its decisions or predictions is opaque. The challenges of capacity and expertise among regulatory authorities are also key concerns. Reports from the Vidhi Centre for Legal Policy (2022) and ORF (2023) emphasize the need to train regulators, develop technical standards, and establish effective units to monitor AI systems[8]. Independent auditing mechanisms, ethical oversight, and public accountability are still in the development stage, leaving AI deployment vulnerable to unintended consequences.

2.4. Literature Gaps

While the existing policies and literature highlight all the challenges and gaps that persist. First, doctrinal analysis of the liability, particularly concerning generative AI and autonomous driving, has not been developed correctly. Second, both statutes and rules address the insufficiency in relation to transparency, explainable rights, and imposition of rights on affected individuals. Third, there is a lack of research on institutionalised mechanisms of centralised oversight and intra-industrial coordination. Fourth, in finance, healthcare, and e-commerce, there are sector-specific rules, and no system is in place to merge high-risk AI classification across all these sectors . Additionally, the integration of various ethical principles into enforceable legal obligations remains limited[9]. India needs a future-ready, adaptive AI law that incorporates a risk-oriented orientation, accountability standards, and public oversight. This study fulfils all the gaps through examining previous statutes, rules, and policies in India, which maps their overall effectiveness in the AI governance as well as proposing an integrated and rights-based legal framework which are effective for the socio-legal environment of India.

2. Analysis of the Existing Legal Framework

In recent times, India does not have any single law, rather AI is regulated through various laws and policies. The "Information Technology Act 2000," also remains the main law in terms of

[8] Ratnoo, Preeti. *Navigating the crossroads: Crypto assets in India-Secutity, currency or an uncharted territory*. Diss. National Law School of India University, 2024. http://oldopac.nls.ac.in:8081/xmlui/bitstream/handle/123456789/2191/LLM1062.pdf?sequence=1&isAllowed=y

[9] Bharal, Shivam, and Ritu Sharma. "AI Acts in Focus: Comparative Insights from the European Union and Canada for India's Policy Evolution." *International Conference on Advancements in Computing Technologies and Artificial Intelligence (COMPUTATIA-2025)*. Atlantis Press, 2025. https://www.atlantis-press.com/article/126010047.pdf

digital activities[10]. It covers cybercrimes, intermediary liability, and electronic governance. Therefore, it was not written for the AI and lacks clarity on the automated decisions and algorithm harm. The "Digital Personal Data Protection Act, 2023" mainly focuses on the data rights and privacy and it controls the way that personal data is processed and collected. In addition, this law impacts AI and many AI systems rely on large data sets. In addition, it delivers people the right to consent, correction, and information access and yet it does not explain any accountability when an AI system misuses any data. Sectoral regulators have also issued guidelines and the RBI uses AI rules for risk management in banking. The Securities and Exchange Board of India promotes better transparency and fairness in trading algorithms. The healthcare sector also follows the ICMR and National Digital Health Blueprint in order to manage data of the patient and consent in using AI[11]. These frameworks still see the gaps in the legal frameworks revolving around the information and IT, but not the AI-specific risks such as bias, explainability, or human supervision. Coordination is a challenge because of the lack of a central authority in the AI organization and there is also no criterion to categorise high risk systems of AI. The existing policies rely on the interpretation of humans, which brings about confusion concerning liability. The current legal framework of India on AI is partially in force, but incomplete. The framework has to be more adjusted, moral and risk-based in nature to accommodate the technological adventure in India.

3. Legal and Ethical Challenges in AI Governance

AI systems in India deal with many ethical and legal issues, the significant challenge is the accountability but it is unclear who is responsible and when it causes harm. Traditional acts or laws also assume human intent, but AI works autonomously. Bias is another issue; AI models trained on incomplete or biased data that can make some unfair decisions. This is mostly seen in some areas such as recruitment, credit scoring, and policing. In recent times, Indian laws do not address algorithmic discrimination. On the other hand, privacy is also a major concern as

[10] Singh, Aditya. "The Evolution of India's Cyber Law: A Legislative Analysis of The Information Technology Act, 2000 and its Amendments." *DME Journal of Law* 6.01 (2025): 17-26. https://www.dmejournals.com/index.php/DMEJL/article/download/516/227

[11] Aggarwal, Lipsa, and Mrinmoy Roy. "A strategic roadmap to the successful implementation of digital health records in India." *Seven Editora. Dec* 11 (2023). https://www.researchgate.net/profile/Mrinmoy-Roy-3/publication/376414365_A_strategic_roadmap_to_the_successful_implementation_of_digital_health_records_in_India/links/65780349cbd2c535ea1a0240/A-strategic-roadmap-to-the-successful-implementation-of-digital-health-records-in-India.pdf

AI collects as well as analyzes various personal data at a large scale[12]. While the DPDP Act provides data protection as it does not control automated decision-making accurately. People may not know the way that their data is shared or used and ethically AI also lacks transparency. Most of the AI systems are "black boxes," which means their overall decision-making process is hidden. This minimizes the overall accountability and trust and without explainability, it becomes too hard to correct AI-based errors[13]. Another issue is the lack of the skilled regulators as there are some limited experts who may audit AI systems or can assess their compliance. Independent review bodies and ethical oversight are still in the development phase. These gaps create a risk of misuse and any public harm. In this context, a stronger legal and ethical structure is required for ensuring fairness, transparency, and accountability in AI use.

4. Comparative Perspectives and Global Best Practices

The European Union has taken the lead to regulate AI through the AI Act (2024). It is always risk-oriented, so the AI systems are identified as minimal, limited, high, or unacceptable risk. Many high-risk systems must adhere to a stringent regulation concerning the quality of the data, transparency, human oversight, as well as responsibility. Systems that jeopardize all the fundamental rights or those that control human runs are also prohibited in the Act. The OECD AI Principles is the recommendation that has been habitat perpetually the world in regards to ethical development of AI systems[14]. They primarily revolve around fairness, accountability, safety and human-centred design. The majority of the countries including India associate their AI policies with these principles in order to offer responsible innovation. The uncertainty surrounding ethics of artificial intelligence is further complicated by the recommendation of UNESCO (Ethics of artificial intelligence, 2021). Also, it emphasizes diversity, human rights and sustainability in AI governance.

Singapore and Canada have implemented the relaxed regulatory sandboxes on the AI testing. The developers are in charge of experimenting with the AI applications in the supervision of

[12] Abishanth, B. S., and Jyotirmoy Banerjee. "A study of emerging legal and ethical issues of governing artificial intelligence." *International journal of human rights law review* 4.1 (2025): 158-172. https://humanrightlawreview.in/wp-content/uploads/2025/01/A-Study-of-Emerging-Legal-and-Ethical-Issues-of-Governing-Artificial-Intelligence.pdf

[13] Mökander, Jakob, et al. "Conformity assessments and post-market monitoring: a guide to the role of auditing in the proposed European AI regulation." *Minds and Machines* 32.2 (2022): 241-268.https://link.springer.com/content/pdf/10.1007/s11023-021-09577-4.pdf

[14] Shukla, Shubh. "Principles governing ethical development and deployment of AI." *Journal of Artificial Intelligence Ethics* 7.1 (2024): 45-60. https://www.academia.edu/download/116149960/5IJEBM_JUN20241_Principles.pdf

these sandboxes prior to the complete deployment. This approach also enhances improved innovativeness coupled with ethical adherence and safety of the populace. India can probably observe these models to make its own adaptive AI framework. The risk-based noise classification, on-going an audit and morals can enhance control of AI[15]. Global corporation and exchange of knowledge in this context would also contribute towards consistency, accountability and fair play of AI governance.

5. Conclusion and recommendations

The AI governance in India is evolving and yet it is not a proper and comprehensive structure. The current statutory framework offers parliamentary defense but substantial enough to perpetrate and take care of all complex simulative AI issues. One single law on AI is immensely necessary to specify their accountability, transparency and fairness in any AI activity. The government should establish an autonomous AI Mover so as to monitor and manage work towards different sectors. Capacity building and public awareness activities is another necessary condition to increase the responsible use of AI[16]. The other best practices that should be learnt by India are the risk-based control, transparency measures, and codes of ethics. Furthermore, by having a clear structure that is flexible, India will be able to use AI in a responsible manner in addition to protecting rights and facilitating innovation.

[15] Ahmed, Ishtiaque. "Navigating Ethics And Risk In Artificial Intelligence Applications Within Information Technology: A Systematic Review." *American Journal of Advanced Technology and Engineering Solutions* 1.01 (2025): 579-601. https://ajates-scholarly.com/index.php/ajates/article/download/28/26

[16] Boch, Auxane, Ellen Hohma, and Rainer Trauth. "Towards an accountability framework for AI: Ethical and legal considerations." *Institute for Ethics in AI, Technical University of Munich: Munich, Germany* (2022). https://www.researchgate.net/profile/Auxane-Boch/publication/361846678_Towards_an_Accountability_Framework_for_AI_Ethical_and_Legal_Considerations/links/62c82137d7bd92231fa12bbe/Towards-an-Accountability-Framework-for-AI-Ethical-and-Legal-Considerations.pdf

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