AI in Shaping the Corporate Governance: A Critical Analysis

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Abstract: In the era of the 5G network, there is rapid as well as fast development in the different sectors of the world such as in the computer sector, cyber security sector as well as in the corporate sector. Today, Various concepts are there that define Artificial Intelligence as an exclusive object of companies have been developed from past many years, and according to this AI Corporate governance manages the companies very well. Here, this paper explores the impact and also what is the effect of adaptation of AI as technology in corporate governance (Corporate Law) and different sectors of corporations. This paper also highlights how AI in another country and its related laws are ruling in society in what ways with important case laws. Machine learning helps the board of directors of the Company in decision-making and assesses the desirability, feasibility, and responsibility to ensure good corporate governance and what laws have been introduced in the corporate law regarding artificial intelligence. This paper discussed how AI introduces mutual consent-based governance for good corporate governance as this model is based on governance policies, individual interest, and mutual agreement between the parties to avoid corporate Scams as well as the failure of corporate governance due to the lack of advanced technologies and good control management. Also, this paper surveys the many cases of laws that show the importance of AI in shaping corporate governance. Also explains how AI govern the manager and directors for financial management among the stakeholders by use of robot director which act as guides and assist a decision maker and also assume that AI director such as robots, artificial detector brain, and different technology chip shapes the future of the corporate world and also introduce the new technology for the investment of stakeholder and shareholder and also guide the shareholder during their investment.

Keywords: *Artificial Intelligence, Corporate Governance, Decision Making, Data Control, Technology Governance, Corporate Law.*

1. Introduction

In the present generation, new and different kind of technologies is being introduced in the different sector of the organization and modern technologies have brought revolution in the world as these technologies have introduced multi-functional devices such as smartwatches, smartphones, quantum computing, robotics, or voice assistance devices, and many more. Technology has changed the major sector in the past 20 years.

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One of the technologies that has been introduced is Artificial Intelligence, hereinafter mentioned as AI. AI is somewhere at the top of the technologies for the corporate sector and the business leaders as it is now treated a general purpose as well as general solution technology as it gives the solution at the level of managerial and commercial purposes. AI-driven improvements of governance mechanisms such as the board of directors' decisions regarding the management of data and the takeover of companies to stand in the competitive market robots are yet expected to replace people from their workplace so it is necessary for the corporate sector to protect the company from scam such as Harshad Mehta scam, Satyam computer service scam which was later taken over by Mahindra tech, so it is important to adapt AI by board governance.[1] In the case of ***Asif Kumandan v Google LLC***[2]***,*** users of the plaintiff Google Assistant have launched an eavesdropping class action lawsuit against Google, claiming that recordings of their conversation, even when the plaintiffs did not use the trigger words, were made without their knowledge or consent.

Corporate law governed by company law in which many rules and regulations and how the company should work are about is written, There is a section related to misrepresentation or fraud occurring in companies then what action will be taken by the board of directors all the sections has been mentioned and here the role of AI is to reduce such kind of fraud in the business and reduce that scam that has been occurring in past few years so that it does not affect the economy of the country.

In the National Security Commission on ***Artificial Intelligence v Elec. Privacy Info. Corp.***[3], The National Security Commission on Artificial Intelligence is governed by both the Federal Advisory Committee Act and the Freedom of Information Act, the court ruled. Current Role of AI and Technology in Corporate Governance Practice and Regulation, It is being observed that technology and AI are becoming essential for boards and organizations by organizing all the company's data, and arranging all the data in a meaningful manner so that the company must have planning for the future.[4] To better understand the potential contribution of AI in the case of decision-making by the Board of Directors of the company here it will be mainly focused on the impact or the effect of AI on the directors of the company (the

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[1] D Majumdar and HK Chattopadhyay, 'AI and Its Impacts on the Society' (*Research Gate,* 04 October 2020) <https://www.researchgate.net/publication/345896219_Artificial_intelligence_and_its_impacts_on_the_society> accessed 13 February 2023

[2] *Kumandan v Google LLC* [2020] U.S. ECF 236

[3] 'Recent Developments in AI Cases 2021' (*Business Law Today,* 16 June 2021) <https://businesslawtoday.org/2021/06/recent-developments-in-artificial-intelligence-cases/> accessed 13 February 2023

[4] John Coffee, 'AI and Technology in Corporate Governance'(*Columbia,* 06 April 2020) <https://clsbluesky.law.columbia.edu/2020/04/06/artificial-intelligence-and-technology-in-corporate-governance/> accessed 15 February 2023

brain of the company) decide on the company, some of the decision that is usually taken by the board of directors are:

- Decision on innovation
- Decision on collaboration
- Decision on optimization
- Decision diversification
- Decision on target achievements

Today the role of AI is to map the human genome and think about the achievement of businesses according to it, this technology just collects a vast amount of clinical data, analyses the research on the decisions or any management, and helps in prioritizing the action regarding the company. McKinsey Global Institution[5] gave a report and they observed AI technology those companies have adopted that company can link strong digital capability with a more advanced level of protective plans which help in earning profits.

This technology in corporate governance has reached the companies at high-level problem solving, effective competition predictions in the market, and effective way of risk management procedures as compared to the earlier form of business strategy and standards. Earlier the provisions of company law only used a conventional method which caused a loss in the company and in business.

PWC's 2016 Data and Analytics Survey 2016[6] finds Governance has a great impact on human judgment in decision-making for the benefit of the company which just increased the strategic and operational decision capabilities due to the robotics mind and machine learning advanced technology to stand in the competitive market, the practice of corporate governance and strategy development is going to require some uncomfortable changes. The scope of AI is going to grow exponentially as it has been estimated that the global investment in corporate will be 15.7 trillion by 2030.[7]

2. Concept of AI and Related Laws

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[5] 'The State of AI in 2022--and a Half Decade in Review' (*McKinsey,* 06 December 2022) <https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai-in-2022-and-a-half-decade-in-review> accessed 13 February 2023

[6] 'PwC's Data and Analytics Survey 2016 Big Decisions' (*PWC,* 2016) <https://www.pwc.co.uk/data-analytics/big-decisions/big-decisions-infographics.pdf> accessed 15 February 2023

[7] Ilya Ivaninskiy and Irina Ivashkovskaya, 'What Impact Does AI have on Corporate Governance?' (2020) 14 Journal of Corporate Finance Research 90 <https://cfjournal.hse.ru/article/view/11252> accessed 02 February 2023

AI is the technology or new strategy of the machine in which a computer acts as the human brain means there is human-like intelligence in the sense of preparation of data, detection of fraud, and many more. This system detects the surroundings of the technology, decision-making, and machine learning from previous data. Robots are the best example of AI as this technology is based on engineering as well as cognitive science. Here engineering includes the development of devices that work like human brains with having capacity to store large quantities of data that can be processed by combining with the instructions that are algorithmic logic.

3. Development of AI's Law

The **EU and China** are actively developing legislation and regulations about artificial intelligence, and the **US** also **India** have the opportunity to observe the outcomes to determine the application of AI in the government. To define a standardized legal and regulatory framework of artificial intelligence, In Europe the **European Commission has introduced a regulation entitled the Artificial Intelligence Act (AI Act). The General Data Protection Regulation (GDPR) and the Artificial Intelligence Act** of Europe could become international laws as measures building a legislative structure for AI was ratified by **Brazil's Congress**.[8] The Artificial Intelligence Capabilities and Transparency (AICT) Act and the Artificial Intelligence for the Military (AIM) Act, two of the most significant pieces of AI legislation ever enacted into law, were recently signed into law by President Joe Biden as part of the National Defense Authorization Act for Fiscal Year 2022 (NDAA) **in Britain.**

The **US's goals** to advance its leadership in AI are outlined in the **American AI** Initiative, which was released by the White House's Office of U.S.A of the **Science and Technology Policy in February 2020** (AI). **The National AI Act, 2020** on January 1, 2021, a bill that promoted AI development and use for the country's economic growth and national security became law, establishing a coordinated program across the whole Federal government.[9] The National AI Initiative's goal is to maintain U.S. leadership in the AI research field sector and innovation and to set an example for the rest of the world in the creation and application of reliable AI in both public and private spheres.

In the case of *Gill v Whitford*[10], If the plaintiffs had standing, the Justices might have had to assess the use of special software in drawing the use of complex software under scrutiny.

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[8] Kerem Gulen, 'AI Laws and Regulations: EU, US, UK, China and India' (*Data Conomy,* 24 October 2022) <https://dataconomy.com/2022/10/artificial-intelligence-laws-and-regulations/> accessed 11 February 2023

[9] 'Artificial Intelligence (AI)' (*United States Department of State,* 2020) <https://www.state.gov/artificial-intelligence/> accessed 13 February 2023

[10] Recent Developments in AI Cases 2021 (n 3)

In the case ***Janecyk v IBM Corp***[11], a state court case in California, it was claimed that IBM Corp. had broken the state's biometrics rules when it reportedly acquired photos for its software for facial recognition without getting the individuals' permission to use their biometric data. Photographer and plaintiff Janecyk claimed that at least seven of his images were included in IBM's "diversity in faces" dataset. Without the participants' permission, the images were utilized to create distinctive face templates that identified the subjects' gender, age, and race.

In INDIA India's AI industry is not currently governed by any clear laws or rules**.** The policy commission, NITI Aayog, introduced several initiatives on AI applications in 2018. The **National Strategy on Artificial Intelligence [NSAI]** was presented by the Indian Planning Commission and NITI Aayog in 2018. To focus on and review legislation and regulations relating to artificial intelligence, **the Ministry of Electronics and Information Technology** formed four committees. A Joint Parliamentary Committee is now studying the PDP Bill (Personal Data Protection Bill) 2019, which is based on a proposed data protection statute. Although the **Supreme Court Bar Association (SCBA)** held an event, opposition to the new trend in developing countries like India may prevent the normalization of AI applications in the judiciary system.

In the case of ***Ferid Alliani v IPO***[12]**,** The Hon. Delhi High Court of India ruled that creation is protected even if it is founded on a software program provided it shows a "particular effect" or a "technical contribution." The "specialized effect" or "technical contribution" of the invention is therefore likely to result in the issuance of a patent, subject to the achievement of other prerequisites for an award.

4. Some of the Definitions of Artificial Intelligence

The definition of AI was first given in 1956, "It is the science and engineers applied technology which makes intelligent machines, intelligent computer programmers, etc. It is the biological, physical, and the surrounding observer."[13]

Merriam-Webster defines A branch of computer science that acts like human behaviour or the capability of technology that senses human behaviour.[14] **Stanford** defines it as data science with the combination of advanced

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[11] *Janecyk v IBM Corp* [2020] U.S. C.V. No. 00783

[12] *Ferid Allani v Union of India & Ors.* (2019) Criminal Miscellaneous Appeal No. 40736/2019

[13] BJ Copeland, 'Artificial Intelligence' (*Britannica*, 2022) <https://www.britannica.com/technology/artificial-intelligence> accessed 11 February 2023

[14] 'What Is Artificial Intelligence (AI)?' (*IBM,* 03 June 2020) <https://www.ibm.com/cloud/learn/what-is-artificial-intelligence> accessed 14 February 2023

engineering in the making the intelligent machines like the human brain that has an intelligent computer program setting that acts the same as a human but can't be mistaken as a human.[15]

5. Importance of AI in Different Sector of Corporate

5.1. AI in business

Machine learning techniques and algorithms can be used in between the management and customer relationships. Automation of job positions also placed certain aspects in the case of IT analysis and academics which has helped in increasing productivity by 40% as per the report over 75 million jobs have been replaced by robots. Using AI increases 10%communication with the customer, and 30% reduces the risk of cheating or fraud in business[16] in the case of ***Liveperson, Inc. v [24]7.AI, Inc.***[17] Attempting to determine claimant sufficiently implored owner and misapplication of a state secret where the claimant alleged its "proprietary behavioral analysis methods" and "predictive algorithms" were based on years of intensive research and were protected by patents, copyrights, trademarks, and contractual provisions.

5.2. AI in finance

Generally, the consumer looks for a secure bank or financial institution that provides secure accounts with better cybersecurity and advanced technology, especially during online payment, here AI can recognize irregularities in the pattern or the payment. Some of the banks have adopted the key fraud detecting application during the debit or credit card transaction which generally detect the fraud. AI also in loan risk, also in companies who are generally looking to increase their value by improving loan risk management.

5.3. AI in Law

As the technologies are growing in all sectors it is also beneficial in the legal profession in the work of paralegals, legal researchers, or litigators. It helps the lawyers for better performance in research work, litigation, etc. Law firms or any professional service companies who want to make the best decision for the firms must apply this technology for having automatic creative work. Work like due diligence, litigation outcome, legal analytical,

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[15] Daniel Faggela, 'What is Artificial Intelligence? An Informed Definition' (*Emerj,* 21 December 2018) < https://emerj.com/ai-glossary-terms/what-is-artificial-intelligence-an-informed-definition/> accessed 12 February 2023

[16] Daniel Dern, 'Using AI in Business | Benefits, Challenges & Implementation' (*Datamation,* 08 February 2019) <https://www.datamation.com/artificial-intelligence/artificial-intelligence-in-business/> accessed 11 February 2023

[17] *Liveperson, Inc. v [24]7.AI, Inc.* [2015] U.S.D.C. 2897

document automation, and intellectual property are performed by the lawyers and this tool guides them by analyzing the risks on the behalf of the clients.

5.4. AI in the banking sector

Most of the banks in India use this technology as a risk manager and the detection of fraud in the bank as well as transaction of money and to indicate the high risk, high tendency of default in the banks sector hence banking is adopting such modern technology.

In ***Hatteberg v Capital One Bank***[18], the court rejected the defendant's contention that a plaintiff under the Telephone Consumer Protection Act had pleaded to a higher standard by alleging specific signs of automatic dialing to dismiss the court relied on technological advancements, including the use of AI to audio.

6. Concept of Corporate Governance

Corporate governance is basically for laws which are legislated, regulations, and practices by which any company or firm is directed and controlled by the company laws. Corporate Governance mainly focuses on the stakeholder's interest the shareholder those who have invested in the shares of the company and also customers, suppliers, and directors of the company, shareholders are also guided by the provision of company law to maintain good corporate governance.Corporate governance provides the legal framework for attaining a company's objectives and goals. Corporate governance is the structure of the government that govern a company's performance and activities as well and the board of directors also play an important role as the company's brain are in the hand of the board of directors. Other members are customers, stakeholders, investors, and promoter's creditors who also depend on corporate governance.

The **Cadbury Committee 1992** defined the term corporate governance and according to them, corporate governance is the rule or the regulation for the companies through which these companies are directed and their management is controlled Also the entire mechanism of the company is based on corporate governance.[19] Some other scholars define corporate governance as the process and structure by which the business and affairs of the company are directed and managed to enhance long-term shareholder which enhances transparency and accountability in the stock market to avoid corporate scams.

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[18] *Hatteberg v Capital One Bank* [2019] U.S.D.C. 01425
[19] Andrei Shleifer and Robert W Vishny, 'A Survey of Corporate Governance' (1997) 52 The J. of Finance 737

Case: ***Swiss Helvetia Fund, Inc. v Full Value Partners, L.P.***[20], In a challenge to a board's implementation of a preclusive nominating by law, the company represented a dissident shareholder. The board swiftly modified its stance on the bylaw throughout the litigation and granted all of the remedies demanded in the case. The decision of the Delaware Court of Chancery on the plaintiff's request for a fee award, which describes the dispute, is accessible. In any company, good governance is necessary as it ensures and enhances the company's reputation, and integrity and lowers the risk in decision-making and having the proper management in the report. Failure to achieve the company's goal (short-term and long-term goals), loss of the shareholder's interest in investing in the company stock, face loss in the stock market, etc. are results of bad corporate governance.

7. Principles of Good Corporate Governance

7.1. Maintain Transparency

In any company's system corporate governance maintains transparency by involving the shareholder's opinion, the board of directors' proper work, and maintaining good policy in the market to stand in the competition. The board of directors must pay attention to building trust between the stakeholders and management.

7.2. Proper Accountability

The basic meaning of accountability is to take responsibility for the management of the company as the management is answerable to the board of directors for any illegal activity as the board of directors has to be responsible towards the shareholder.

7.3. Fair Treatment

Fair and equal treatment with the shareholders, members, and employees of the company. They must pay attention to the protection of shareholder or investor's rights and treat them equally without any partiality in any aspect.

7.4. Independence

Independence here means the ability to make the right decision freely without any cheating or undue influence. Such Independence ensures a decrease in conflict between the shareholders regarding their interests. So, the Company Act 2013, ensures the appointment of an Independent Director.

7.5 Effective and Efficient

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[20] *Full Value Partners, L.P. v Swiss Helvetia Fund, Inc.,* [2017] U.S. C.V. No. 2017-0303

Effective and efficient management in the company must be ensured by the board of directors towards the investor or Shareholder. There are four Ps which are people, purpose, process, and performance on which the company's management runs.

8. Benefits of Corporate Governance

1. Good corporate governance creates good rules, regulations, and laws that help in the guidance of the leadership and give priority to the interest of the shareholders as they are also members of the company.

2. It promotes long-term financial validity and the opportunity for the companies so that they can survive in the modern kind of competition in the daily basis market.

3. Transparency and accountability are maintained in the process and functioning of boards of directors. The Board must make some effective decisions.

4. Provide a good management environment that includes suitable planning, establishing good leadership, managing the objective, trying to reach the goals of the company, and checking the balance of performance of the employees.

5. The long-term corporate strategy governs the corporation in achieving the main objectives of the business and reducing problems.

9. Impact of the AI on Corporate Governance

As technology has been developed, technology like AI is playing an important role in the whole business process the best example is algorithm Robot, and VITAL appointment. Today AI has proved that this technology supports and help in the development of human decision-making or help the business expand the market in other forms too as well as AI can also able to solve complicated and more comprehensive question for the company which is raised to increase productivity. There is Autonomous AI which either gives independent decisions or marginalizes the human making decisions.

Williams-Sonoma, Inc. v Amazon.com[21] going to refuse Amazon's motion to have Williams-service Sonoma's mark infringement case dismissed, noting that "it would not plausible to suppose that Amazon conducted its advertising of Williams-products Sonoma's without some careful forethought, whether people are aware in the conventional sense or Through automated system and artificial intelligence.

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[21]*Williams-Sonoma, Inc. v Amazon.com, Inc.* [2018] U.S. C.V. No 7548

This tool can be used by executives, the board of directors, and shareholders as members of the company in general or special board meetings, decision-making to expand the business such as which type of company they should merge with so that there must be expanded or increase in the profit in the business or what company they should go for amalgamation, demerger the use of Artificial technology can prove very much useful in business strategy.

In the case *Cruz v Talmadge*[22]*,* the claimant suffered injuries when their bus collided with an overpass. The plaintiffs asserted that the bus driver was employing a possibly semi-autonomous global positioning system (GPS), and it stopped working. So, they commenced a lawsuit against the product's maker and the transportation provider of the company for not using the advanced technology and U.S SC held for paying the compensation from the company.

In the case of *Holbrook v Prodomax Automation Ltd.*[23]*,* A robot at the killer's place of employment strangled her. The claimant therefore sued the company based on several interpretations of the law. This lawsuit might establish a precedent requiring manufacturers to secure suitable insurance coverage for their goods. In the case of *Patel v Facebook*[24], Facebook argued that the plaintiff users' complaint should be dismissed for absence of capacity because they failed to show any actual harm caused by Facebook's facial recognition algorithm. The court determined that BIPA protects specific privacy interests and that breaches of BIPA's policies either directly impair that user's privacy or significantly increase the potential of harm to them.

The **GPAI (Global Partnership Artificial Intelligence)** was adopted by the **United States**, as the initiative was established in June 2020 as a voluntary, multi-stakeholder effort to promote AI in a way that is consistent with democratic principles and human rights. The mission of GPAI is project-oriented collaboration, which it supports through working groups that examine responsible AI, data governance, the future of work, commercialization, and innovation. The **NAII ACT, 2020 (National Artificial Intelligence Initiative Act, 2020)**[25] requires the President, working through the NAII **(National Artificial Initiative)** an **American intergovernmental** committee (Select Committee on AI), and agency heads, to continue continuous support for AI Research in Corporate governance and innovation of technologies in different sector of corporate. Support AI education and skills training programs, supervise and organize Government interagency AI activities, conduct communication with various stakeholders or investors, and leverage current Federal investments to accomplish Initiative objectives.

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[22]*Cruz v Talmadge* [2017] U.S. C.V. No 13258

[23] *Holbrook v Prodomax Automation Ltd.* [2021] U.S. C.V. No. 00219

[24] *Patel v Facebook* [2019] U.S. C.V. No. 03747

[25] Lynne Parker, 'National AI Initiative AIand Emerging Technology Inaugural Stakeholder Meeting' (*USPTO,* 2022) <https://www.uspto.gov/sites/default/files/documents/National-Artificial-Intelligence-Initiative-Overview.pdf> accessed 13 February 2023

10. Future of AI in Corporate Governance

AI is going to develop exponentially in the whole world as the best technology as this technology matches the level of human intelligence Indian government is focusing on boosting the economy of the country at the level of the U.S.A, China, the UK, Japan, etc.[26] It is somewhat hard to say how this AI will be utilized in the business. Some of the futures that are discussed below:

1. Self-govern corporation is one of the futures in this technological era. The board members will be replaced by machines and all the decisions will be taken from the machines that are robots. This will help in making strategic decisions by the directors and having adequate control over the rules and regulations of the company, and also analysing where the shares are falling, and where the investors must invest.

2. In the future AI will govern the business on how to deal with the customer, and how to grow within the market competition by arranging the data in a much-synchronized way.

3. Using graphic processing units (GPUs) to fasten the software and help the boards to make very fluent decisions on the management.

4. Makes the business into a smart business by adding smart assistant and their work such as controlling the smart home technology and the devices, searching for the proper information like Maps location for better views, Reviews of the shareholders in the Company, etc.

5. Fraud detection, customer management systems, delivery, and good advice are expected by Artificial intelligence.

6. In the previous, contractual analysis and drafting were time-consuming tasks that necessitated extensive research. However, it is now simpler to evaluate a contract's criteria and then forecast a draught of the contract thanks to sophisticated AI algorithms.

11. AI and Corporate Scam

11.1. CORPORATE SCAM

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[26] Michael Hilb (n 21)

A scam in the legation term means fraudulent action or any illegal activity or dishonest action such as robbery, corruption, money laundering, conspiracy, extortion, and many more done by any person with this intention.[27] In the case of a large corporation, corporate fraud sometimes goes to fraud of billions and due to this consumer, clients, stakeholders, investors in the company, shareholder as a member, and other business are the person who faces huge loss in a competitive market and finally left the company at the level of bankruptcy. Now main problem is the money that got lost corporate scam, the company can never recover it which causes the company to shut down.

Financial fraud accounting fraud and money laundering are the offences in the eyes of the Company Act, 2013 as they affect the accounting of the company, changes in transactions, and failure to give loans are causing the corporate scam at the highest level in this era of advanced technology.

Some of the corporate scams in India such as **the STAYAM COMPUTER SCAM, the HARSHAD MEHTA SCAM, 2G SPECTRUM, THE COMMONWEALTH SCAM, JEEP SCANDAL**[28] are some of the largest scams that happened in India due to the failure of the good corporate governance in the corporate law. The SEBI Act and the Company Laws 2013 are the main Regulator of the Companies. This scam caused a loss of billions of dollars of money in their company and many frauds, and misrepresentations of the Financial Statements of the

money of the board of directors, investors, and stakeholders. They are misled and hence, cause a huge loss in the economy of the country too.

There will be thousands of web pages and victim stories by searching for terms like "bank scams" "Interface scams" "wire transfer scams" or "bank fraud" online. According to the banking sector, AI will help banks identify fraud. With the aid of these data, machine learning models are trained to assist in identifying if a particular transaction is fraudulent or not. AI is a subtheme of fraud prevention in machine learning. This entails making a graph using all of the data. There could be a few operations that fall outside of the expected range. They are referred to as outliers or anomalies. For instance, a certain consumer might only use an ATM or make online transactions in a certain area.

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[27] PK Gupta and Sanjeev Gupta, 'Corporate Frauds in India – Perceptions and Emerging Issues' (2015) 22 J. of Financial Crime 79
[28] Supreena Narayanan, 'Financial Market Regulation-Security Scams in India with Historical Evidence and the Role of Corporate Governance' (*Semantic Scholar,* 2004) <https://www.semanticscholar.org/paper/Financial-Market-Regulation-Security-Scams-In-India-Narayanan/c087a1e6caad11383522fa89e2fd27c010d966f3> accessed 13 February 2023

In the case of ***Vance et al., v Microsoft Corporation***[29] **and *Vance et al. v Google LLC***[30] Steven Vance and Tim Janecyk filed class actions against Amazon.com, Inc., Google LLC, Microsoft Corp., and a fourth business called Facefirst Inc. They claimed the companies had violated the Biometric Information Privacy Act by "unlawfully accumulating, acquiring, stockpiling, possessing and profiting from the plaintiffs' biometric identifiers and information" without the plaintiffs' consent. Plaintiffs assert that the tech firms trained computer programmers to better recognize faces using the dataset comprising their geometric face scans. These businesses are attempting to achieve a low identifying failure rate to win an "arms race." The four tech behemoths allegedly acquired plaintiffs' face scans.

In case of ***Janecyk v IBM Corp.***[31]*,* In a state court complaint, it was claimed that IBM Corp. had broken the state's biometrics regulations when it reportedly acquired photos because of its technology for facial recognition without getting the individuals' permission to use their biometric data. Plaintiff Photographer Janecyk also said at least seven of his images were included in IBM's "diversity in faces" dataset. Without the participants' permission, the images were used to create distinctive face templates that recognized the subjects' gender, age, and race. From the roughly one million photographs that help compensate for the "diversity in faces" database, IBM is said to have generated, gathered, and stored billions of face frameworks with regular geometric mappings of the face.

12. Use of AI in Failure of Corporate Governance

1. Data security is the management of data security and data transfer is essential to ensure that businesses can cover data required for strategic choices because, as mentioned above, the efficacy of AI heavily depends on the ability of data. Companies frequently require access to publicly accessible data to ensure that all pertinent data points may be considered while optimizing AI.

2. By using AI in governance, AI best serves its purpose by handling menial chores while leaving the creative work to humans. Because humans are not designed to follow the same routine of tasks every day, AI steps in. Manpower, particularly those in charge of supervision, will now be free to focus on their areas of expertise.

3. The most significant feature of artificial intelligence's future is the significant elimination of the risk of workplace fraud and bribery. Future AI will also see a record-breaking increase in public confidence in e-governance.

4. If the data that the governance team supplies is wildly inaccurate, AI will be unable to accomplish much. For AI to produce the best and most dependable outcomes, it has to be fed high-quality content.

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[29] *Vance et al v Microsoft Corporation* [2022] U.S. C.V. No. 01082
[30]*Vance et al. v Google LLC* [2020] U.S. C.V No. 04696
[31]*Janecyk v IBM Corp.* [2020] U.S. C.V. No. 00783

5. AI effectively applies mind mechanically to already-stored information and the pre-planned responses of data likely to hold in dispute resolution models.

13. Conclusion

AI is widely used in various sectors so users must have various kinds of options to solve the problem in the form of the modern era. Here in this paper, the Importance of AI is being described in corporate governance or how the company could act in a much better way in this competitive market. Artificial intelligence-based technology must be used by all companies for having autonomous, efficient, augmented, and amplified work in the company so that the company could be safe from corporate fraud by money laundering, manipulation of financial statements, etc activity breaks the belief of the investors, boards, members or stakeholders as they are actors of the company or business which manages organization's performance and having the advance technology can improve the management of the organization. The machine learning process in AI is used for the detection of any illegal activity. Machine learning provides corporate governance protection and helps in improving the firm level by improving the company's overall performance. AI provides the various roles in the corporation and provides accurate policies in the companies. Basically, in companies, the auditor's choice prediction model is used in business. So to improve the business quality, and protect from the corporate scams and manipulation of financial statements, all the companies must use AI Technology.