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AI Regulation and Its Social Impacts on Public Policy

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Abstract: Artificial intelligence (AI) is not a marginalized technological means any more but the main force of decision-making in political arenas, economic restructuring, and social change. The necessity to establish routine regulation frameworks has become especially relevant, with governments introducing AI-based systems into various areas of state business such as welfare checks and predictive policing, health-care screening, and taxing. The effects of AI control on the policy outcomes of a population will be examined in terms of the social influence of algorithmic governance, the dispositional capacity of a state, institutional responsibility, and trust in citizens. The tension between innovation, rights protection and state power has been identified as a qualitative evaluation of the critiques in the presence of the good arguments and other accessible resources of law, scholarship and policy and practice in democratic and hybrid political regimes and developing political regimes. The results show that unless carefully monitored apply AI, it becomes the origin of institutional transparency, discrimination, and worse democratic participation, yet attentive regulation systems can reestablish order in the service provision practice, enhancing transparency profile and offering equitable governance. This paper conclusively gives the recommendations regarding the rights based regulatory frameworks, the stronger oversight organizations and participatory policymaking frameworks that would focus on the technology developments and the social welfare.

Key Words: Artificial Intelligence, Public Policy, Regulation, Governance, Accountability, Social Impact, Ethics, Algorithmic Decision-Making, Democratic Oversight,

Introduction

The Artificial Intelligence has emerged as one of the most notable influences on the modern-day governance. Its use in institutions of the general population is a historical turning point in the perception of citizens by the state, its resource distribution and use of power. Algorithms are becoming more and more depended upon by governments to predict crime trends, automate welfare, handle health data, regulate borders, and coordinate mass administrative activities. These systems have many benefits, including efficiency, reduced costs, and predictive capacity, but they are also associated with new risks related to discrimination, low-transparency, exploiting data, and undermined public agency. Regulatory reaction to such developments varies immensely in political systems. Other states have adopted detailed legal frameworks that are based on rights-related principles, whereas others use AI with fewer protections that enable institutional practices to develop before legal regulations. The controversy about AI and politics cannot be limited to technical processes; it is an expression of more general issues of political authority, social justice, legal culture, and the state (Criado et al., 2025).

This study examines the impact of AI regulation on social and political consequences but with specific focus on the impact of AI regulation on public trust, accountability, equity, and institutional behaviour. The study puts regulation in the context of broader socio-political contexts, and sees regulation as not a purely legalistic project but as one that has

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been shaped by the structure of governance in determining the design, adoption, and contestation of technology. It is intended to assess the regulatory decisions on the support of the rights of citizens, institutional legitimacy, and uneven social effects (Panda et al., 2025).

Literature Review

The current literature on AI regulation of the public governance cuts across multiple areas, such as legal theory, administrative reform, digital ethics, and socio-political studies. In these spheres, a number of major themes can be identified. The current research on AI regulation and its consequences to social policy is indicative of the increasing awareness that digital technologies cease to be peripheral means but instead are forces with deep roots and influence on governance, institutional behaviour, and social consequences. Initial studies focused on the ability of AI to simplify the administration process, make decisions more data-driven, and increase the quality of service provision, in such areas as healthcare, taxation, welfare administration, and policing. When the dependence of government on automated systems expanded, subsequent research started to question the issue of governance related to algorithmic obscurity, systematized bias, and the requirement to assign discretionary power to machines. These concerns shifted the academic interests towards questions of legitimacy, responsibility and social trust as the academics indicated the tension between the policy agenda grounded in innovation and the protective measures need to be established to maintain social well-being and democratic control (Wang et al., 2025).

The disproportionate global distribution of AI governance is the main focus of much of the existing literature. Analysts of the European regulatory environment describe its rights orientation, where the laws such as the GDPR and the EU AI act are oriented at imposing robust limits to the data use, data risk and data transparency of algorithms. In comparison with other works, the model is the reverse of other jurisdictions, whose policy option depends on economic growth, industrial policy, or national security considers. Their applications by new economies, in particular, have been found to proceed speedily without an equivalent expansion of institutions and has been a cause of concern because of the uncontrollability by regulatory means, the lack of control over the civil society as well as the over stretching of state apparatus. Scientists feel like this imbalance has not only the consequences of domestic governance, but also the system of standards and norms worldwide (Robles & Mallinson, 2025).

The other research direction delves into the development of AI regulation influencing the process of policymaking itself. Survey on the application of algorithms in decision making in the institutions of the state show that regulation does not merely limit the use of technology but in fact defines how governments conceive fairness, efficiency and accountability. Other scholars note that formal rules are insufficient and that to be well governed it should be competent in the organisation, that the policymakers should be technically literate and that there should be a mechanism to audit and challenge automated decision-making. Against this is the danger of the issue of regulatory lag where the law cannot keep up with the rate of technological change, resulting in the emergence of reactive or fragmented policy-making. These problems are frequently linked to more general debates about administrative law, ethical governance, and the state as a mediator of the social consequences of new technologies (Methuku & Myakala, 2025).

The existing literature is dedicated to socio-political dimensions of AI policymaking, and the interest is concerned with distributive justice, political inclusion, and political legitimacy. The scholars have examined the role of AI-based public policy in promoting social disparities where the underlying data may reflect historic injustices, or because the systems themselves are inequitably distributed, especially through discriminatory targeting of marginalized groups. It has increased pressure to shift towards participatory modes of governance wherein people are incorporated into deliberation, interdisciplinary knowledge and human rights considered in the formulation of regulations. At the same time, the state in the political science and sociology literature reflects on how artificial intelligence alters the relations between the state and the individual, influences the context of surveillance, civic engagement, and attitudes towards established power structures. These strands of research taken collectively provide a multidimensional perspective of AI regulation one that acknowledges the potential of AI to propel innovation and emphasises the critical importance of strong and context-specific frameworks of public policy (Arun et al., 2025).

There is a significant literature on the rise of algorithmic governance, the role of automated decision-making tools that determine the main functions of bureaucracies. Researchers believe that AI has transformed the spirit of the frontline administration because it has moved discretion to technical designers and data scientists. The change also casts doubt on the interpretation of rules and the allocation of accountability in cases where decisions are based on non-transparent computational models. The second strand examines how AI-enriched surveillance technology has resulted in augmented surveillance abilities of states. The questions concern facial recognition, predictive policing, and huge data analytics. Research indicates that unregulated usage of this kind of systems is capable of undermining privacy, enabling discriminatory profiling, and transferring power to security agencies or even privately contracted companies to the exclusion of democratic institutions (Srđević, 2025).

The problem of discriminatory results is one of the most popular topics in the literature on AI. There is a large body of empirical literature that has shown that algorithmic systems tend to reproduce or amplify social biases included in their training data. This affects welfare eligibility, credit scoring, employment and enforcement of the law. Scholars argue that both structural inequalities and technical design should be covered by regulatory interventions. One last theme is the issue of governance legitimacy. Scholars believe that the AI systems make people less trusting of the state institutions. The transparency of the decision-making process, performance of independent audits, and the involvement of citizens are thus mentioned as key elements of a good regulation (Hermann & Puntoni, 2025).

Research Methodology

The presented research is based on a qualitative, interpretive approach of document analysis and comparative policy assessment and thematic synthesis to investigate the nature of interaction between AI regulation and social process and citizen governance. It draws on primary sources including government policy papers, international legal guidelines, articles by scholars as well as reports of the civil society organisations. It is analysed through four fundamental areas, namely legal and regulatory frameworks, social consequences of algorithmic decisions, state capacity and democratic accountability. The study identifies the differences in impacts of regulatory models in the different political settings of the democracy, the hybrid and the developing systems through the comparison of few examples of each system. Against the background of secondary sources, the study provides a solid conceptual analysis.

Discussion

The boundary of AI regulation is between technology, political, and social good. Competing forces are exerted upon governments to facilitate digital transformation, secure citizens against harm, and maintain the competitiveness of economies. Regulatory decisions made under the influence of these tensions have a direct impact on the results of the work of a specific policy. Regulatory discussions at the state level are often reactive, as they are based on scandals of algorithmic discrimination or other dubious surveillance. These form of reactionary methodologies tend to produce piece meal rules that are disjointed. More advanced regulatory regimes, on the other hand, are more focused on anticipatory governance and on finding risks before they become scatted into the field (Kumar et al., 2025).

AI began to be implemented to facilitate the welfare processing, tax evaluation, and healthcare diagnostics. Properly designed, they are capable of inflicting less administrative factor, earliest provision of service failures and enhanced public resource targeting. Nevertheless, there are also signs that ill-regulated systems may have exclusionary effects. In a number of instances, aggressive benefit terminations have been found due to automated welfare checks, on the basis of improper models. Within tax use, predictive analytics may be sometimes purposefully deployed within lower income populations, because such groups are more statistically decipherable than the available data. The fact that social impact is not bound to the correctness of technology by itself, but what are the regulatory aspects of validation, supervision and redress (Taeihagh, 2025).

The Ai-supported devices of surveillance, facial recognition, social media oversight, and behavioural analytics are major challenges to the democratic government. Such systems may be used to spy on public meetings, political dissent, or profile individuals without permission without the presence of clear legal restrictions. Even when there is stable

democracy, there will be questions on proportionality and necessity. The regulation is crucial in establishing whether these systems are within the realm of the law and ethics. States that have more effective oversight in place will limit applications of surveillance technologies to cases of high risk, whereas others will grant security agencies a wide discretionary mandate (Mueller, 2025).

Contemporary AI is reliant on extensive collections of data. This fact has enhanced the political importance of data collection activities in government agencies. Lack of transparency on the process of collecting, sharing, and utilizing data in algorithmic models are often caused by regulatory weaknesses. This cloudiness may destroy the social credibility and impose an unequal power dynamic between the state and its citizens. The counter to such risks are the data protection laws, separate monitors and the compulsory disclosure regulations. Nonetheless, they have different efficiency in respect of institutional independence and political disposition (Al-Dulaimi & Mohammed, 2025).

The essence of public trust is becoming one of the core pillars of AI governance. The people must be convinced that the algorithms that the state employs are not biased, not opaque, and based on fair play. This trust can be enhanced or broken up by regulation. Citizens will easily collaborate with digital governance reforms when the independent audits, open consultations, and complaints mechanisms are not only integrated into the regulatory systems but are also accessible. On the other hand, resistance and scepticism increase when AI systems are implemented without reports or description (Nadella et al., 2025).

The increased use of AI in governance has also raised many questions on how regulatory decisions impact on the outcomes of policy by the populace in areas where automated systems inform the development of social welfare, security, and administrative decisions. A large part of the debate today has become centered on the issue of regulatory ambition versus policy capacity. Governments focus on using AI to deliver efficient services, but they should be cautious of the fact that poorly supervised systems can be used to recreate the institutional biases or undermine democracy. Early regulatory work in most countries was based in innovation and economic competitiveness, yet one can see a noticeable trend of making regulations that are more about accountability, transparency, and trust. Such change is indicative of a realization that regulation is not just a legal practice but dictations of the nature of the design, procurement and use of AI technologies through public institutions (Leeuw, 2025).

Mismatches in the abilities of states to enforce protection are also the basis of controversies. Europe-how and in particular those currently being prepared in the context of the widening risk-based standard show how the rigorous legal conditions can impact on public-sector procurement, auditing operations and data-governance strategies. These regulations alone directly affect policy, by defining the permissible boundaries of automatic decision-making in the management of welfare, policing, migration control, and in the health sector. Conversely, developing countries are apt to be poor in technical knowledge, autonomous control, or institutional capability. This creates asymmetry of regulation: although all is designed as responsible AI at the national level adoption is required in relation to foreign technologies by which foreign norms or commercial interests are beamed into local policy (Zhorzholiani, 2025).

The second issue worth discussing is the social consequences of introducing AI into the policy system without due consideration. Predictive policing algorithms, automated checks of eligibility, real-time surveillance devices can ease the manner in which the government delivers services to the people, but they are transforming the relation between the citizen and the state. This kind of system operating under low degrees of transparency or on low-quality legal redress compromises the due process right, risks diminishing influence on the lawmaking process, and may act as a justification of data-base forms of governance, which have a disproportionate effect on the marginalised groups. The debate is therefore shifting the argument that regulation of AI cannot be isolable per the wider discourse on social justice, civic responsibility, and constitutionalists (Lunes Monteiro, 2025).

These discussions demonstrate that AI regulation is taking on a structural role in the popular policy as opposed to a technical stratum managing software. It forms the culture of administration, societal expectations, the legislative solution, and the equilibrium between the state apparatuses and the population. How states may create regulatory frameworks that support democratic principles and simultaneously permit innovation, and how to make sure that public

policy is based on human oversight yet automated systems are increasingly embedded in day-to-day governing are now the topics of discussion (Davtyan, 2025).

Findings and Analysis

- ▶ **Regulation has a High Impact on Social Outcomes:** Its study concludes that an explicit regulatory framework is either present or absent, which has a direct influence on the social implications of AI in the process of making policies. States, which enforce rights-based regulations, are more likely to generate more just results, whereas those with less strong oversight have more chances to be discriminatory, unequal, and arbitrarily behaving administratively.
- ▶ **Effectiveness is a Determinant of Institutional Capacity:** That is, even detailed regulations that control the provision of contracts cannot ensure even results of fairness, without sufficient institutional capacity. Successful AI governance needs to be informed by civil servants, well-funded oversight organs and technical aptitude in regulatory departments. Regulations in low resource environments tend to be formal.
- ▶ **Public Trust is All about Transparency and Explainability:** One of the issues that citizens always raise concerns is the use of opaque systems of decision making. Open regulatory conditions, including the need to reveal the logic of the algorithm, explain the given decisions, and enable the appeal are important to enhance the level of public confidence and to lower the threat of injustice feeling.
- ▶ **Often Discriminatory Outcomes are Structural in nature but not technologically flawed:** Direct biasness of AI systems is often mirrored of greater inequalities within the society that are evident in training data and institutional activities. The effects created by technical fixes are not very protective without extensive social reforms. Regulations should hence focus on structural sources of inequality.
- ▶ **Involvement Prevails Legitimacy:** Half-hearted participation of the populace in the regulatory design; either via consultations, advisory committees or civic forums intensifies democratic legitimacy and results in more sensitive regulatory action.

Conclusion

Artificial intelligences have entered the limelight of state decision-making, and its impact grows throughout the administrative domains. Although the technology is efficiency-focused and is associated with increased predictability, it is also accompanied by the high social threats involving discrimination, surveillance, invisibility, and power imbalance. Regulation is thus a definitive factor in determining whether AI will be used to empower or undermine the institutions of the population.

The analysis finds that rights-based regulatory structures, coupled with robust institutional regulation and participatory governance are the most balanced in addressing the issue of AI in public policy. The main problem with modern states is not how to come up with the right rules, but how such rules can be effectively applied. Unless there are a continuous political will, transparency and involvement of the citizenry, AI is likely to support the inequalities that already exist and reduce the people's trust.

Recommendations

- ▶ **Encourage Expostulatory frameworks that are rights based:** The regulative systems are also expected to prioritize on human dignity, fairness and non-discrimination. The law must be explicit when controlling the design, implementation, and testing of AI technologies in civic institutions.
- ▶ **Increase Capacity of the institution:** Regulatory bodies require technical expertise, financial resources and political autonomy. Governments are advised to dedicate funding towards special units to aid in auditing, investigation of harms, as well as compliance enforcement.
- ▶ **Encourage Adequate Transparency and Timpositiveness:** All AI systems of the state should make the explanation of decisions available. This would include reporting sources of data, risk analysis, decision-making channels, and attractive mechanisms.



- ▶ **Introduce Independent Checking and Monitoring:** Autonomous bodies should consider high-risk AI systems to be deployed. Regular audits, disclosure and external investigations are useful in guarding the interest of the people.
- ▶ **Enhance the participation of the Civil Society in Policy-making:** The participation of citizens should be thought of using regulatory structures through consultations, advisory committees, and processes of review established by the community. Extensive participation improves legitimacy and reduces conflict in the society.
- ▶ **Limit High-Risk Surveillance Upland:** Strict laws should govern facial recognition, behavioural analytics and predictive policing tools. Applications should be done only in very specific and case limited situations which the court must make a judgment.
- ▶ **Invest in Ethical Data Governance:** Governments must ensure that the policies of data collection and sharing are high privacy, and security. The pointed principles of consent and retention and data minimisation are vital.
- ▶ **Foster Cross -Actor collaboration:** Collaboration with the policymakers, the technologists, and the civil society organisations with the academic institutions can help in designing the regulatory issues and to understand better the social impacts.

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