A Research Study Focused on understanding the Nexus of Frauds in the Lens of Diversity, Equity and Inclusion in Indian Organizations

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Abstract

To foster the business and scale up to the global markets and global standards, the business houses need people from across the world. Diversity, Equity and Inclusion has become the need and necessity of today's business. The organization is expected to create equal opportunities to all the people, irrespective of whatever age, caste, creed, gender, geography they belong to. If the person can get the employment, it is the responsibility of the company to hire that person and give him the opportunity to grow and to contribute to the organization. By adhering to these changes, even the companies are also welcoming the people from all backgrounds. As a result, we can see some positive changes, that are happening in the company, due to wide variety of people under one roof. At the same time, light is thrown on fraudulent activities that are taking place in the organization due to this trend of Diversity, Equity and Inclusion. In this context the study aims to find out the nexus between the Diversity, equity and Inclusion on the fraudulent activities in the organization. It also tries to understand the extent to which diversity, equity and inclusion have implication on the frauds. It also tries to find out different types of frauds the organization has encountered in the past two years. This study is imperative because ignoring the DEI by the organizations in the current world is a costly affair and it becomes difficult for it to survive without Diversity and Inclusion. So, any company who wants their piece of share in the market and in the minds of stakeholders can't ignore DEI and an attempt in the connection helps them to control people in the organizations.

Keywords: Diversity, Equity Inclusion, Fraud, Forensic Accounting, Prevention.

Introduction

Diversity encompasses increasing the representation of various populations, including age, gender, education, health condition, lifestyle, sexual orientation, size, mental and physical ability, socioeconomic status, language, and more, within an organization. Equity involves ensuring equal opportunities and benefits for members of both underrepresented and majority group employees. It requires top leadership to establish the organizational culture, allocate budgets for diversity initiatives, formulate formal policies, create a level playing field, and define measurable and meaningful outcomes. Inclusion is about providing a supportive workplace where everyone feels welcomed and valued. When an organization celebrates employees' achievements without regard to their title, tenure, or background, and encourages comfortable sharing of perspectives, with due consideration for those views, employees develop a strong sense of belonging to their workplace.

Today all the companies are embracing DEI because they know the importance of inculcating it. DEI helps to get knowledge and ideas from different people from different backgrounds. It can help reap the benefits of increased productivity, rewards of enhanced job contentment and amplified profits. DEI is one of our guiding principles and the company continues to create equal opportunities for all- Dr. Pawan Munjal Chairman & CEO, Hero. He also said that a project Tejaswini that is women on shop floor to promote gender parity and influence traditional mindsets. A project is introduced that encourages women to work side by side with men at shop floor. The project got appreciation in the form of coveted recognition like

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employer of their choice and a great place to work.

The research focuses on DEI in relation to forensic accounting identification and understanding of nexus between frauds and DEI. In recent years, the business world has faced lot of issues on systemic inequality and the COVID pandemic has highlighted the deep divisions within society in many countries. With this the organizations are increasingly communicating their commitments to DEI and publicly attempting their faults and creating plans to do better, American Accounting Association. Efforts towards workplace diversity, equity, and inclusion are gaining prominence in national political discussions. A recent survey by the Pew Research Center indicates that a majority of employed U.S. adults (56%) view the emphasis on enhancing DEI in the workplace as positive. Recognizing diversity, equity, and inclusion as potent catalysts for business performance, companies that embrace diverse talents and incorporate multiple perspectives are poised to emerge stronger from the challenges posed by the crisis. Gender is a crucial element of ESG and now a mainstream business issue. A key aspect of a socially responsible organization has been the need of the hour. Corporate India is now taking proactive measures to comprehend and implement various strategies to protect against the risks of fraud and misconduct. Over the past 24 months, a staggering 99% of fraud incidents occurred on platforms encompassing financial, social media, goods enterprises, media sharing, knowledge sharing, and services. According to PwC's Global Economic Crime and Fraud Survey 2022 for India, 44% of the perpetrators engage in fraud with the primary motive of financial gains. Furthermore, 26% of Indian organizations experienced losses exceeding USD 1 million due to platform-related fraud.

To curtail fraud in an organization there is a need for diversity in boardrooms and in the c-suite and a deeper understanding of this is required. The fraud risk is seen in almost all the sectors like financial sector, information technology, telecom, media, retail, logistics, so on. Many previous studies conducted also tells that maximum threat of fraud is perceived by employees as most of them lack ethical values and due to negligible working conditions, lack of supervision and improper background verification.

In order to curtail the frauds, the organization has to take various measures by tightening internal controls. The board of director should be strong enough to handle the responsibility of compliance carefully so that the organizations won't lose out by mismanagement the employees have to be trained on SEBI requirements/ SOX requirements.

Managing such an environment requires the primary focus on designing and implementing a controlled framework that proactively prevents, detects, and addresses fraudulent behavior, whether originating from employees, vendors, or intermediaries. While the concept of Diversity, Equity, and Inclusion (DEI) is widely accepted in the Western world, its adoption in India is still in a nascent stage, with progress being made at a gradual pace. Having DEI at work is a good thing and organization should create a place where DEI is respected.

As the previous research tells prevention is better than detection and investigating the frauds as lot of time and money is involved in these jobs. So, the companies have to be very cautious about the frauds and see what can be done in order to prevent the fraud in the initial stages itself. There are many options like increasing the control systems, eliminating the opportunities that create fraud, recruiting right people. These are all few areas that are known to the companies. But along with these the companies can also focus on having diversity in the workplace, ensuring equity and including inclusion to reduce frauds. This paper tries to know this status in the Indian companies. With this research we can bring the historic and systemic issues into light and see how to perpetuate or combat systemic discrimination to reduce fraudulent activities in an organization. It aims to conduct fraud research through DEI lens. This can serve as a useful source of information for Corporate Governance.

Review of Literature

In his 2023 paper, "Disentangling the Black Box around CEO and Financial Information-Based Accounting Fraud Detection," Rolf Bruhl explores the predictive capabilities of CEO characteristics in accounting fraud using a machine learning approach. Seyed Vali Mostafavi Makrani-2022-in a paper titled "Providing a model for disclosing fraudulent actions for accountants" The purpose of the study is to provide a model for disclosing fraudulent actions for accountants with an emphasis on effective factors. Patric velte-2021 in a paper titled "The link between corporate governance and corporate financial misconduct". The article underscores that numerous studies on corporate governance yield inconclusive findings regarding financial misconduct by firms. Ahmet Ozcan-2018-The use of Beneish model in forensic accounting. This paper aims to analyse the usefulness of Beneish model in the forensic accounting practices. O.S. Bamisaye's 2023 research delves into the dynamic relationship between corporate governance practices and managerial efficiency, specifically focusing on the Nigeria Port Authority.The study titled "Determinants of Accounting Fraud in the State Civil Apparatus Ministry of Religion in Padangsidimpuan

City," published in 2023, aims to assess whether the effectiveness of internal control significantly impacts the propensity for accounting fraud.Natasya Navila Rahma's 2023 study, "Detection of Fraud in Financial Statements through the Hexagon Model, Vousinas Fraud Dimensions," seeks to identify the influence of all factors within the fraud hexagon model on financial statement fraud.

Alexander Dyck's 2023 research, "How pervasive is corporate fraud?" aims to identify the concealed aspect of corporate fraud by leveraging Arthur Andersen's collapse. The demise of Arthur Andersen led to increased scrutiny of its former clients, enhancing the likelihood of detecting pre-existing frauds. Amar Nath Yadav's 2023 paper, "A Study of Regional Rural Banks: The Conundrum of Managing Inclusion with Sustainability," strives to bridge the gap in understanding the performance of Regional Rural Banks (RRBs) concerning their incorporation objectives, supported by evidence-based data. Gurleen Kaur's 2023 paper, "An Insight into Forensic Accounting," delves into the evolving nature of accounting, auditing, and assurance standards. The paper notes that nearly 40% of the top 100 American accounting firms are expanding their forensic and fraud services, as reported by Accounting Today. Spakkur Dagsson's 2011 paper, "How Age Diversity on the Board of Directors Affects Firm Performance," explores the impact of age diversity on firm performance, investigating whether such diversity improves performance, particularly in small firms, and if there are diminishing returns in situations with very high board diversity. Richard D. Lennox's 2022 paper, "Construction and Validation of a Short Inclusion Scale," introduces a Workplace Inclusion Scale applicable in various workplaces and departments within organizations. Soewaro.N's 2022 study discovers a positive influence of ethical organizational culture on moral reasoning and employee integrity. Yang Wang and Simon Gao's study from March-April 2022 investigates the role of gender diversity in fraud commission and detection. The study aims to determine whether companies with more female corporate leaders are less likely to be involved in financial statement fraud. Jaime L. Grandstaff and Lori L. Solsma's 2021 research presents the characteristics of 162 fraud occurrences by public firms that intentionally reported false financial statements during the financial crisis era. The "Journal of Accounting and Public Policy: Gender Diversity and Financial Statement Fraud" in 2022 investigates the correlation between gender diversity and financial statement fraud, exploring whether companies with more female corporate leaders are less likely to be involved in such fraudulent activities.

So far most of the researchers have done separate research on frauds and DEI but in this research, we are trying to establish the connection between the DEI and frauds in an organization and how DEI can be used as a tool to reduce the frauds at all the levels of Organization. Prominent scandals like Sathyam, PNB, SBI, Yes Bank, ICICI Bank, among others, have significantly eroded public trust. Consequently, there is a pressing need for transformative measures within Indian boards to restore the confidence that has been lost.

Objectives

1. To find the association between diversity and providing equal opportunity in the organization.

2. To know the impact of age of the employees and fraud in the organization.

3. To find out the impact of diversity in reducing frauds.

4. To understand the types of fraud the organization has encountered in the last two years.

Research Methodology

This study examines the correlation between Diversity, Equity, and Inclusion (DEI) and instances of fraud in Indian companies, with a sample size of 102 employees working in various Indian Companies. This research has used both Primary data and secondary data. Primary data was collected by circulating google form. Secondary data has been collected from various literatures, websites, journals etc. Convenience sampling and snowball sampling was used.

Data Analysis in Interpretations

Table 1: Depicting the Descriptive statistics

Descriptive Statistics					
	N	Mean	Std. Deviation		
		Statistic	Statistic	Statistic	Std. Error
Diversity of org	102	2.49	0.887	-0.187	0.239
Equal opportunities	102	3.48	1.06	-1.118	0.239
Age for fraud.	102	1.56	0.752	1.077	0.239
Past two frauds.	102	1.67	0.749	0.635	0.239
workplace diversity	102	3.49	0.992	-1.057	0.239
Diversity in boardrooms	102	2.95	1.138	-0.19	0.239
Justice blind	102	1.25	0.432	1.203	0.239
Occupational frauds	102	2.95	1.189	-0.264	0.239
Representation of women in CB	101	1.52	0.807	1.081	0.24
fraud/misconduct/non compliance	102	2.75	1.675	1.019	0.239
Threatened by fraud	102	2.36	1.547	0.926	0.239
Suspicion when it comes to committing fraud	102	2.18	0.737	-0.293	0.239
Inclusive culture	101	3.37	1.247	-0.162	0.24
Detection of fraud	102	2.74	1.949	0.897	0.239
Valid N (listwise)	100				

Source: Author's Compilation, Note: Statistical analysis using SPSS

H0a: There is no significant relationship between perception of employees on Diversity and perception of equal opportunities.

Table 2: Stating the Correlation between the variables Diversity and equal opportunities.

Correlations			
		Diversity of org	Equal opportunities
Diversity of org	Pearson Correlation	1	0.042
	Sig. (2 -tailed)		0.676
	N	102	102
Equal opportunities	Pearson Correlation	0.042	1
	Sig. (2 -tailed)	0.676	
	N	102	102

Source: Author's Compilation, Note: Statistical analysis using SPSS

From the above table, we can say that there is a positive correlation among diversity in organization and equal opportunities. It means to understand that today the organizations are successful in creating equal opportunity for all backgrounds people irrespective of their race, ethnicity, age, gender etc.

Table 3: Showing the fitness test

Goodness-of-Fit Tests			
	Value	**df**	**Sig.**
Likelihood Ratio	0	0	0
Pearson Chi-Square	0	0	0

Source: Author's Compilation, Note: Statistical analysis using SPSS

A value of 0.00 suggests that the model provides an excellent fit to the data and that the observed data perfectly matches the expected data based on the models' predictions.

Table 4: Representing the Measure of Association

Measure of Association [a,b]	
Entropy	0.051
Concentration	0.049

Source: Author's Compilation, Note: Statistical analysis using SPSS

Assess the strength of association between variables in the model. The entropy of 0.051 indicates a small level of uncertainty or unpredictability in the associations while the concentration of 0.049 suggest a moderate level of concentration or consistency in the associations.

Table 5: Showing the chi-square Test

Chi-Square Tests			
	Value	**Df**	**Asymptotic Significance (2-sided)**
Pearson Chi -Square	21.429 [a]	12	0.044
Likelihood Ratio	19.808	12	0.071
Linear -by-Linear Association	0.177	1	0.674
N of Valid Cases	102		

Source: Author's Compilation, Note: Statistical analysis using SPSS

In the Pearson Chi-square test, the asymptotic significance (P value) is 0.44, which is below the conventional significance level of 0.05. As a result, the findings are deemed statistically significant. The null hypothesis (H0) is rejected, and the alternative hypothesis is accepted.

Table 6: Representing the Model summary

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change

1	.042[a]	0.002	-0.008	1.064	0.002	0.176	1	100	0.676

Source: Author's Compilation, Note: Statistical analysis using SPSS

Table 7: Showing the ANOVA results

ANOVA						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	0.199	1	0.199	0.18	.676 [b]
	Residual	113.26	100	1.133		
	Total	113.46	101			

Source: Author's Compilation, Note: Statistical analysis using SPSS

Table 8: Depicting the Coefficients

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	3.356	0.315		10.64	<.00
	Diversity of org	0.05	0.119	0.042	0.419	0.676

Source: Author's Compilation, Note: Statistical analysis using SPSS

Based on the above observations, it can be concluded that diversity has a limited influence on creating equal opportunities for employees. The ANOVA and coefficients analysis reveal no statistically significant relationship between the predictor variable and the dependent variable. The regression model does not exhibit a significantly improved fit to the data compared to the null model. Consequently, within the scope of this analysis, the predictor variable does not seem to exert a meaningful impact on the dependent variable.

H0b: There is no significant difference between age of the employees and perception on workplace diversity.

Table 9: Showing the significance level

Tests of Between-Subjects Effects					
Source	**Type III Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Corrected Model	7.155 [a]	3	2.385	2.531	0.062
Intercept	201.438	1	201.438	213.797	<.001
Age of people committing fraud	7.155	3	2.385	2.531	0.062
Error	92.335	98	0.942		
Total	1342	102			
Corrected Total	99.49	101			

Source: Author's Compilation, Note: Statistical analysis using SPSS

Table 10: Showing the chi-square Tests

Chi-Square Tests			
	Value	df	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	26.942 [a]	12	0.008
Likelihood Ratio	17.74	12	0.124
Linear-by-Linear Association	0.627	1	0.428
N of Valid Cases	102		

Source: Author's Compilation, Note: Statistical analysis using SPSS

The findings are somewhat mixed, with the ANOVA indicating a non-significant relationship between age and fraud perception, while the chi square tests signify associations between age and the perception of the reduced frauds. Thus, Alternative hypotheses is accepted and H0 is rejected.

H0c: Diversity of organization helps in reducing the frauds.

Table 11: Depicting the Chi-square tests between the variables diversity and frauds

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	38.544 [a]	12	<.001
Likelihood Ratio	41.159	12	<.001
Linear-by-Linear Association	1.15	1	0.284
N of Valid Cases	102		

Source: Author's Compilation, Note: Statistical analysis using SPSS

The Pearson chi square test static is 38.544 with 12 degrees of freedom stop the pH value associated with this test is less than 0.01 indicating that relationship between diversity of organization and frauds is statistically significant. From the above table we can see that Alternate hypothesis is accepted, which says that Diversity of the organization helps in reducing the frauds.

To understand the type of fraud the organization has encountered in the past two years.

Table 12: Showing the Frequencies of Frauds or Misconduct the Organization has faced

Fraud/Misconduct in last two years		
	N	%
Internet or Cyber fraud	20	19.60%
Financial statement fraud	47	46.10%
Money Laundering	9	8.80%
Corporate Espionage	7	6.90%
Intellectual property fraud	3	2.90%
No frauds	16	15.70%

Source: Author's Compilation, Note: Statistical analysis using SPSS

From the above table most of the respondents say that the financial statement frauds are more compared to any other form of fraud. It is because due to strong internal control system the employees don't have many opportunities for committing the fraud. Whereas the high-level management are more resorting to financial statement frauds. The next highly experienced frauds are Cyber-attacks by the perpetrators to steal the data.

Table 13: Showing the Correlation Matrix between Different Variables

Correlation Matrix						
		EO	WPD &RF	BD & RF	OF	IC
Correlation	EO	1	0.403	0.238	0.122	-0.042
	WPD & RF	0.403	1	0.422	0.114	-0.048
	BD &RF	0.238	0.422	1	0.356	-0.229
	OF	0.122	0.114	0.356	1	-0.194
	IC	-0. 042	-0.048	-0.229	-0.194	1
Sig. (1 -tailed)	EO		<.001	0.008	0.111	0.338
	WPD &RF	0		0	0.128	0.317
	BD & RF	0.008	0		0	0.011
	OF	0.111	0.128	0		0.026
	IC	0.338	0.317	0.011	0.026	

Source- Authors Compilation,

Note: EO-Equal Opportunities, WPD &RF- Work place diversity and reduced frauds, BD&RF-Board room diversity and reduced frauds, OF, Occupational frauds, IC-Inclusive culture.

The above table signifies that there is a Negative relationship between IC and EO. Whereas WPD & RF & BD &RF have a significant relationship with EO. Further WPD and RF has a negative relationship with IC and BD &RF has a strong relationship with WPD &RF. Moreover, BD &RF has a strong relationship with WPD &RF, BD &RF & IC. Further OF has a strong relationship with BD &RF & IC. Whereas, IC has a negative relationship with EO, WPD &RF & positive relationship with BD &RF &OF.

Summary of Findings of the study

1. A positive correlation exists between organizational diversity and the promotion of equal opportunities.

2. Most of the organizations are successful in creating equal opportunities to all the people from different backgrounds and inclusion is well practiced in most of the organizations.

3. Diversity of the organization helps in reducing the frauds.

4. In case of different types of fraud, the organization has encountered, financial statement frauds are more and followed by cyber-attacks on data.

5. Workplace diversity and Board room diversity is significant in reducing the frauds in organization.

6. There is a strong association of Boardroom diversity in creating inclusive culture in the organization.

Suggestions

1. Some organizations should still recognize and promote DEI in their companies and at the same time policy makers can take better steps in framing the policies.

2. The organizations should practice equitable hiring for reducing frauds.

3. The organizations can make use of HR data analytics and other audit data analytics to propel DEI initiatives and curtail frauds in organizations.

Conclusion

Organizations that actively promote diversity and create equal opportunities for all individuals are likely to reap multiple benefits including reduced fraud risk and more inclusive and innovative work environment. Continuing to give precedence to Diversity, Equity, and Inclusion (DEI) initiatives and utilizing data analytics, organizations can cultivate a culture of integrity and trust, ultimately fostering sustained success and growth. The relationship between diversity equity and inclusion within organizations his complex and multifaceted, with various factors interplaying to shape outcomes. It is found that fostering diverse workforce can contribute to a more equitable environment promoting fairness and providing opportunities for individuals from different backgrounds. Acknowledging the ongoing need for promoting DEI initiatives is crucial, both at the organisational level anthropology making efforts. The nuanced relationships between inclusive culture, equal opportunities and board diversity, highlight the

complexities that arise when striving to balance these factors. The intersection of diversity, equity, inclusion and fraud prevention is a multidimensional challenge that requires a holistic approach. organization should continually assess their strategies, collaborate with policymakers and adopt innovative practices to create a harmless balance that enhances their operations from culture and overall success.

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