

Equity Practices as a Tool Against Internal Frauds: Insights from Bengaluru MNCs

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Abstract:

Fair treatment for everybody is referred to as equity. Understanding the wants and needs of every individual at least to the maximum possible level is well appreciated in the corporate world. This ensures the employees that they feel valued in the organization and become ready to contribute to the organization in the long run. The company must find out the systemic barriers that are existing between employers and employees and employees themselves. There might be inequities at every level of work in terms of pay, promotion, recognition, equitable opportunities, inclusiveness, work-life balance, coordination, unwanted competition among employees etc. All these issues if left unsettled might first lead to lack of motivation in the short run and convert into unethical behaviour of an employee. As the corporates are witnessing many fraudulent activities and internal frauds are mounting despite so many actions to fight fraud is being taken. Lack of motivation and support from the management might lead to these behavioural red flags in the employees, which is very dangerous. Hence in this aspect, our research focuses on establishing the variables of Equity like Pay, Career advancement and health & well-being in preventing the frauds. The research has established correlation between the variables, conducted regression test and chi-square test to find out the possibility of employees help in identifying the red flags and turning to be a whistle blower to prevent frauds. The results show positive association between the variables, hence companies can focus on ensuring equity in the workplace to reduce internal frauds.

Key words: Equity, Pay, Career advancement, Health & well-being, fraud, red flags, whistle blower

Introduction:

Despite significant changes in operations, technology, and globalization, many employees continue to face systemic barriers within organizations. Some individuals still feel excluded and believe they are not receiving equitable opportunities or fair treatment. Equity, which refers to fairness and justice, is essential in addressing these issues. Companies must adopt fair practices regarding salaries, career advancement, and employee health and well-being. This means considering each person's perspective when designing work-related policies and acknowledging various imbalances to create a more equitable environment.

In a rapidly evolving work environment, Indian firms are recognizing that employee well-being is essential for corporate success. Recently, Diversity, Equity, and Inclusion (DEI) initiatives have emerged as key social well-being initiatives in Indian organizations. "Diverse" means that individuals from various social identity categories are represented in the workplace. "Inclusive" signifies that people with different social identities feel valued and respected in that environment.(Bisson et al., 2022). Inclusion involves cultivating a culture that promotes belonging and integrates diverse groups, typically framed as a counter to exclusion or marginalization. (Arsel et al., 2022). Diversity, equity, and inclusion (DEI) initiatives have largely supplanted affirmative action programs in today's corporate and higher education sectors, though their origins remain interconnected.(Bisson et al., 2022). Equity ensures that the promise of equality extends to everyone, particularly the most marginalized populations. By addressing behavioural and structural barriers, equity efforts create a more level playing field. This approach considers individuals' unique needs and circumstances when organizations design processes, structures, experiences, products, or services. (Korn Ferry). Workplace equity isn't about transferring privileges from men

to women or depriving men of traditionally exclusive rights. Instead, it focuses on eliminating all forms of discrimination, rather than shifting dominance from one gender to another. Equity in the workplace treats women as equally eligible as men for opportunities. (Kumar, 2021). Diversity management emphasizes that the differences between men and women are not inherently negative. Inequality arises when men and women are not paid equally for the same work or are denied the same opportunities due to their gender or the societal roles associated with it. (Monten, n.d.). Inequality has become an urgent and systemic risk, with significant disparities in income, wealth, and overall wellbeing undermining social cohesion, eroding trust in institutions, fuelling civil and political conflict, and hindering economic growth. These challenges leave societies ill-equipped to address other pressing issues. According to a recent Korn Ferry survey, 83% of organizations have intensified their DE&I efforts in the past two years due to social unrest and pressure from employees, customers, communities, and their own boards. However, many companies find the DE&I journey overwhelming, unsure of where to begin or how to make progress. (Source: World Business Council for Sustainable Development (WBCSD) and Korn Ferry). The observed link between organizational equity and workplace cohesiveness highlights the critical role of equity in reducing fraud. A more equitable work environment fosters collaboration, where individuals and teams communicate openly, share information willingly, and support the well-being and development of all members, including those outside their immediate groups. This transparency and inclusivity help to mitigate fraudulent behaviour by promoting accountability and trust across the organization. (Basuo, n.d.).

These DEI policies provide organizations with various benefits, including enhanced productivity, maximized profits, and increased creativity and innovation. Additionally, some research indicates that these initiatives contribute to greater transparency, which can help reduce internal fraud. The findings indicate that weak internal controls, insufficient training and fraud policies, inadequate documentation, and improper remuneration are significant factors contributing to fraud in Ghana's financial institutions. Conversely, implementing measures such as password protection, fair remuneration, thorough background checks, and comprehensive fraud training are viewed as the most effective deterrents and prevention strategies against fraud in these organizations. (Bonsu et al., 2018). When employees face challenges, such as intense pressure from superiors, they may become more prone to engage in fraudulent behaviour. An effective way to prevent this is by empowering employees to become whistleblowers. Implementing a robust whistleblowing system allows employees to report unethical actions, helping to safeguard sensitive information and identify red flags early. This proactive approach not only deters potential fraud but also creates a culture of accountability and transparency within the organization. (Periansya et al., 2023).

In today's rapidly evolving business landscape, companies are growing quickly through technology, innovation, and new processes. However, many still rely on traditional methods to satisfy, motivate, and encourage employees, while only a few adopt techniques to create equitable workplace environments. As a result, many employees feel a lack of equity within their organizations. Furthermore, issues related to fraud often reflect underlying functions that are not implemented properly. (Periansya et al., 2023).

Certain studies reveal that Women often do not receive the same level of attention and recognition as men in the workplace, facing significant discrimination in areas such as pay, treatment, and opportunities. To foster equitable workplaces and reduce internal fraud, organizations must cultivate inclusive and equitable environments that acknowledge both visible and invisible differences. Addressing systemic barriers is essential to pave the way for reducing unethical behaviours and fraud. When these measures are implemented, organizations are likely to see employees become more honest and open. Additionally, the influence of DEI initiatives can create various pressures on firms operating in a multinational context, necessitating the reconciliation of tensions among individuals, organizations, and communities. (Newbury et al., 2022). Moreover, the initiation, development, and implementation of DEI practices must originate from leadership, regardless of their demographic characteristics. (Ponting & Dillette, 2023). When employees receive proper education and training on diversity, equity, and inclusion, they are less likely to have negative perceptions of these concepts. (Pai, 2021).

Review of literature:

According to the ACFE Report of 2024, fraudsters often exhibit distinct behaviours that serve as warning signs of their misconduct. The report indicates that 84% of all fraudsters displayed at least one behavioural red flag before being caught. Among the eight most common red flags identified are living beyond their means, experiencing financial difficulties, having unusually close associations with vendors or customers, control issues, unwillingness to share duties, irritability, a "wheeler-dealer" attitude, bullying or intimidation, and personal issues such as divorce or family problems. Many of these red flags are linked to HR-related issues frequently encountered by fraud perpetrators. For example, 11% reported feeling denied a raise or promotion, 12% expressed fear of job loss, 14% felt they received poor performance evaluations, while 2% experienced involuntary cuts in hours, 5% faced actual job loss, and another 5% reported pay cuts or reduced benefits. Additionally, 3% cited demotion as a reason, while 4% noted other factors. These issues are closely related to equity concerns within the organization. Therefore, this research aims to explore the connection between equity variables and fraud prevention.

Efforts to manage demographic diversity can mitigate its negative effects and significantly enhance employees' job satisfaction. When diversity management is combined with organizational fairness, the positive impact on job

satisfaction becomes even greater. This suggests that diversity management has its most powerful benefits when implemented within a framework of fair and equitable procedures. (Choi & Rainey, 2014). The World Bank developed the Gender Equity Model (GEM), which can be applied in both private and government organizations. It's important to note that the World Bank distinguishes between equality and equity. Equality involves dividing resources or opportunities equally, with each person receiving the same share, and is considered a more objective approach. Equity, on the other hand, focuses on fairness, where shares are distributed based on individual needs.(Monten, n.d.). A company with poor participation or low-quality health and well-being (HWB) programs is likely to see negative impacts in this area of employee outcomes. By properly and comprehensively accounting for HWB, not just as a recurring cost but as an adjustment to income or a balance sheet entry, businesses can more accurately assess both organizational and employee outcomes. This approach also incentivizes companies to enhance employee well-being, leading to more positive overall results.(Freiberg et al., n.d.).

Diversity is defined as the participation of various groups within society, with greater diversity reflected in the presence of more groups. While the presence of diverse participants may imply inclusion and equity, this is not always guaranteed. Diversity is, however, a crucial first step toward achieving inclusion and equity. (Bisson et al., 2022). Research shows that inclusive workplaces that value and support employees from diverse backgrounds experience higher levels of employee engagement and productivity. (Hunt, Layton & Prince, 2015). Equity sensitivity is a framework that categorizes individuals based on their perceptions and reactions to fairness in the balance between inputs (like effort and skills) and outcomes (such as rewards and recognition). Individuals can be classified as benevolent, who focus more on their contributions than on receiving rewards and are tolerant of under-reward situations; equity sensitives, who seek a fair balance between their inputs and outcomes and will react to any perceived inequity; and entitled, who feel they deserve greater outcomes regardless of their input, often leading to dissatisfaction in under-reward scenarios. Reactions to equity and inequity can be influenced by demographic factors (like age and culture) and psychological traits (such as personality), with benevolent typically being patient, equity sensitives being assertive in seeking fairness, and entitled reacting negatively to perceived inequities.(Tuli et al., 2023). When managers actively engage in initiatives to reduce fraud, they demonstrate to their direct reports that they care about their well-being and are committed to fostering a transparent and ethical workplace. This involvement helps employees feel valued and reinforces the importance of their contributions to the organization's integrity. By prioritizing managerial involvement, implementing robust workplace policies, and promoting mentoring and sponsorship programs, organizations can effectively influence employee behaviour and attitudes. These practices consistently lead to positive outcomes, such as enhanced compliance, increased accountability, and a collective commitment to ethical standards, thereby significantly reducing the likelihood of fraudulent activities.(Creary et al., 2021). By prioritizing the development of fair and transparent work systems that reflect organizational equity, the management of GMS telecommunication firms in Bayelsa State can effectively enhance their resilience against fraud. Establishing clear policies and practices fosters an environment of accountability and trust, which discourages fraudulent behavior. When employees perceive that their organization values integrity and fairness, they are more likely to adhere to ethical standards and report suspicious activities. This commitment to transparency not only strengthens internal controls but also promotes a culture where employees feel empowered to contribute to the prevention of fraud, ultimately leading to improved organizational cohesion and integrity.(Basuo, n.d.).

Fraud poses a significant barrier to a country's development, as it can hinder the achievement of key goals.(Periansya et al., 2023). It has been shown that fraud has a substantial negative impact on financial performance (Bonsu et al., 2018). Corporate Governance (GCG) is a system designed to direct professional company management based on the principles of transparency, accountability, responsibility, independence, fairness and equality.(Huang et al., 2023). Further few studies reveal that good governance necessarily does not contribute to fraud prevention. (Periansya et al., 2023). An effective whistleblowing system is essential to deter employees from engaging in fraudulent activities and to prevent such actions from occurring in the first place. By providing a secure and confidential channel for reporting unethical behaviour, a robust whistleblowing system empowers individuals to come forward without fear of retaliation. Additionally, a well-implemented whistleblowing system can help identify and address vulnerabilities, leading to stronger safeguards and policies that further mitigate the risk of fraud. (Periansya et al., 2023). Organizations can implement practices to enhance equity and inclusivity in response to broader cultural inequities that become ingrained in workplace culture at both interpersonal and structural levels. Recognizing and addressing the varied experiences of marginalized groups is more effective for safety professionals than overlooking or denying these differences. (Cori wang, professional safety, 2019).

Research gap Analysis:

The above literatures have focussed on the benefits of equity workplaces but none of the authors or literature speaks about having workplaces with Equity measures, will help in identifying the frauds and building ethical environment. There is a limited survey which talks about having Equity practices in the workplace and creating a fraud risk environment. So in this study we focus on establishing the relationship between the different variables

of Equity like Fairness in terms of Pay, Career Advancement and Health and well-being and how it helps in curtailing the frauds in the organization.

Research Methodology:

The research investigates the efficacy of Equity practices in countering fraud within the MNC's based in Bengaluru. A total of 182 responses were gathered from employees working in multinational corporations. A primary questionnaire, distributed via WhatsApp and mail comprised inquiries on Equity practices and employee's readiness in Fraud prevention. The study utilized both primary data obtained through the questionnaire and secondary data. Convenience sampling and snowball sampling methods were employed to gather responses. The data was analysed through correlation, Regression and chi-square tests. The Construct under study is Equity. Fairness in pay, Fairness in Career advancement and Fairness in health and well-being were the dimensions under Equity and 5 items were used through 5-point Likert scale. Fairness in Pay, Career advancement and health and well-being were the independent variables and fraud prevention through identifying red flags and employees turning out to be a whistle blower were the dependent variables used in the study.

Objectives of the study:

1. To investigate the correlation between employees perceived equity of pay quality in fraud prevention.
2. To find out the impact of employees perceived equity in career advancement in identifying red flags.
3. To assess the impact employees perceived equity of Health and wellbeing and whistle blowing.

Hypothesis:

H1: Perception of pay quality is positively correlated to fraud prevention.

H1: Perception of employee career advancement at workplace will be positively related to identifying red flags.

H1: Perception of health & wellbeing at workplace will be positively related to whistle blowing.

Data Analysis:

Table 1: Representing the Descriptive statistics:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Gender	182	0	2	.59	.514
Age	182	0	2	.16	.401
Education	182	0	3	1.85	.866
Fairness in PQ	182	1	5	3.68	1.141
Transparent PQ	182	1	5	3.52	1.211
PQ reflects performance	182	1	5	3.70	1.107
PQ regardless of gender	182	1	5	3.68	1.131
PQ Satisfaction	182	1	5	3.65	1.126
CA fair	182	1	5	3.60	1.150
CA transparent	182	1	5	3.56	1.115
CA equal opportunity	182	1	5	3.84	1.095
CA develops skills	182	1	5	3.95	1.012
CA Promotion	182	1	5	3.76	1.023
H & WB priority	182	1	5	3.97	1.087
H&WB resources	182	1	5	3.89	1.056
H& WB opportunities	182	1	5	3.89	1.045
H&WB work life balance	182	1	5	3.81	1.151
H& WB opp inclusive	182	1	5	3.88	1.131
Valid N (listwise)	182				

Table 2: Representing Pearson Correlations with the Pay equity items and Fraud prevention items at the Sig.(2-tailed test)

Variables	Corr & Sig Value	PQ fair	PQ trans	PQ Perf	PQ GD	PQ Sati	hon & openness	Red flags	whistle blow
Fairness in PQ		1	.760**	.703**	.692**	.687**	.581**	.624**	.521**
			0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transparent PQ		.760**	1	.791**	.782**	.774**	.573**	.620**	.576**
		0.000		0.000	0.000	0.000	0.000	0.000	0.000
PQ reflects performance		.703**	.791**	1	.753**	.802**	.673**	.654**	.604**
		0.000	0.000		0.000	0.000	0.000	0.000	0.000
PQ regardless of gender		.692**	.782**	.753**	1	.814**	.605**	.517**	.525**
		0.000	0.000	0.000		0.000	0.000	0.000	0.000
PQ Satisfaction		.687**	.774**	.802**	.814**	1	.618**	.564**	.625**
		0.000	0.000	0.000	0.000		0.000	0.000	0.000
honest & Openness		.581**	.573**	.673**	.605**	.618**	1	.810**	.701**
		0.000	0.000	0.000	0.000	0.000		0.000	0.000
Red flags		.624**	.620**	.654**	.517**	.564**	.810**	1	.822**
		0.000	0.000	0.000	0.000	0.000	0.000		0.000
whistle blow		.521**	.576**	.604**	.525**	.625**	.701**	.822**	1
		0.000	0.000	0.000	0.000	0.000	0.000	0.000	

Table 3: Representing Chi-square tests Equity in career advancement in identifying red flags.

		Chi-square	p-value	Asymptotic significance (2-sided)
For Career advancement & red flags	Person	chi-square	4.921	.000
Qual opp & red flags	Person	chi-square	7.051	.000
Develops Skills & red flags	Person	chi-square	5.385	.000
Promotion criteria & red flags	Person	chi-square	7.937	.000
Transparent promotion & red flags	Person	chi-square	3.136	.000

Table 4: Representing Chi-square tests Equity in Health &well-being in identifying red flags.

		Value		Asymptotic significance (2-sided)
Transparency	Pearson chi-square	14.626		.000
Adequate resources	Pearson chi-square	143.769		.000
Accessible opportunities	Pearson chi-square	14.662		.000
Work-life balance	Pearson chi-square	10.939		.000
Fair & inclusive	Pearson chi-square	148.086		.000

Results and Discussions: Table1:

showing the respondents have shown favourable perceptions towards all the items measured. The Standard deviation also indicates a moderate level of variations. **Table 2:** showing Pearson correlation matrix reveals significant positive relationships between all the pay quality items and the fraud prevention items at the 0.01 level (2-tailed). The strongest correlations among pay quality items are seen between Pay quality satisfaction and pay quality regardless of gender ($r=0.814$) and between pay quality being transparent and performance and contributions ($r=0.791$). Among fraud prevention items, the highest correlation is observed between red flags and internal control ($r = 0.905$). It is also noted that significant correlations exist between Pay quality fairness and identifying red flags in the organization ($r = .624$), as well as between Pay quality and performance & contributions and honest & open environment ($r = 0.673$), indicating that perceptions of fairness and performance/control in pay quality are strongly related to honesty and openness in fraud prevention practices. Further, pay quality satisfaction have correlated well with whistleblowing policy of the company. The above observations suggest that the perceptions of pay quality and effective fraud prevention measures, positively influence fraud prevention in the organization. **Table 3:** representing Chi-square tests for equity in career advancement variables in identifying the red flags reveal highly significant associations, with all tests yielding p-values of 0.000. This indicates that there is a strong relationship between perceptions of equity in career advancement and the identification of red flags, suggesting that fair and equitable career practices are crucial in enhancing the ability to prevent fraudulent activities. Particularly, the highest Pearson chi-square value is observed in the association between fair career advancement and red flags ($\chi^2 = 194.921$), highlighting the critical role of perceived fairness in career progression in fraud prevention efforts. **Table 4** representing Chi-square tests for equity in health and well-being variables in identifying red flags show highly significant associations, with all tests yielding p-values of 0.000. This indicates a strong relationship between perceptions of equity in health and well-being and the identification of red flags. Notably, the highest Pearson chi-square value is observed for fair and inclusive practices ($\chi^2 = 148.086$), followed by adequate resources ($\chi^2 = 143.769$), suggesting that ensuring fairness, inclusiveness, and adequate resources in health and well-being significantly enhances the prevention of fraudulent activities. These findings underscore the importance of equitable health and well-being practices in promoting a vigilant and fraud-aware environment.

Conclusion:

The research found that the variables of equity that is pay quality career advancement and health and well-being items have correlated well in preventing the frauds in the organization. The data indicates that the respondents have measured all the items favorably with moderate variation. It is observed that there is a significant positive correlation between pay quality and fraud prevention particularly between pay quality satisfaction and gender neutrality ($r=0.814$) and transparency and performance ($r=0.791$). We can also see strong relationship between equity and career advancement, health and well-being with identifying red flags in the organization has shown by highly significant chi square tests ($p=0.000$). These findings emphasize that fair and transparent pay, career and health and well-being practices have significant impact in identifying the red flags in the organization and turning out to be the whistleblowers for the organization which is very important in order to curtail internal frauds.

Future scope for research:

The research focused in this study is confined to only the three equity variables that is pay, career advancement

and health and well-being. Here different constructs, dimensions and items are being used but when different variables which are related to equity is considered in future study, the results may vary and depending upon the statistical tests also the result may vary. Further, it may contribute enormously to the work of corporate governance measures where practicing diversity, equity and inclusion has become paramount in her recent days. In future studies the other researchers can focus on trying out all three variables of diversity, equity and inclusion in combating fraud in organization.

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