

CHAPTER 17

Diversity, Equity, and Inclusion in India's Service Economy: Structural Practices, ESG Sustainability, and the Awareness–Implementation Gap

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ABSTRACT

India's service sector is home to more than half the country's urban workforce — yet whether those employees actually feel like they belong at work is a question that hasn't received nearly enough empirical attention. This paper sets out to answer it by testing which organisational DEI practices most meaningfully predict employees' felt sense of inclusion. Drawing on primary data from 102 service-sector workers across IT/ITES, banking, education, healthcare, and hospitality, we examined four theory-grounded hypotheses covering equal opportunity systems, leadership representation, identity expression, and DEI training. Multiple regression (Model 1: $R^2 = 0.531$) showed all three structural practices matter, but not equally: equal opportunities ($\beta = 0.368$) and leadership representation ($\beta = 0.334$) drove inclusion far more than DEI training ($\beta = 0.191$) when all were in the model together. The awareness picture was also striking — 77.5% of respondents knew what DEI means, but only 51% said their organisation actually promotes it, and a mere 17.6% received it through regular training. That gap between knowing and doing is the central problem this paper addresses. Internal reliability was strong ($\alpha = 0.811$) and principal component analysis supported treating perceived inclusion as a single construct. The paper closes by connecting DEI to the social pillar of ESG, arguing that inclusion is not a soft aspiration but a measurable, reportable performance dimension — one that India's BRSR mandate is beginning to formalise.

Keywords: DEI implementation, Employee inclusion, ESG social pillar, Indian service economy, Leadership representation, Organisational equity, Perceived inclusion.

1.0 Introduction

Something shifted in how Indian organisations think about diversity, equity, and inclusion (DEI) over the last few years — and it wasn't just cultural.

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Investor pressure for ESG performance, combined with McKinsey's widely cited 2020 evidence that diverse teams genuinely outperform homogeneous ones, pushed DEI from a voluntary aspiration into a business priority. Then came the regulatory piece: India's top 1,000 listed companies are now required under the Business Responsibility and Sustainability Reporting (BRSR) framework to report DEI metrics, effectively converting inclusion from an optional value statement into an accountability obligation (Sreedhar & Nayak, 2024).

This matters most in the service sector — the part of the economy that generates roughly 55% of India's GDP and employs the bulk of the educated urban workforce across IT/ITES, banking, education, healthcare, and hospitality. It is here that the BRSR's new accountability logic actually hits the ground.

But here's the problem. Organisations making formal DEI commitments and employees feeling included at work are two very different things. In practice, companies can publish demographic dashboards, run annual bias workshops, and issue all-staff inclusion statements while their employees experience no change at all in how promotions work, how team dynamics play out, or how daily interactions feel (Gupta, 2022; SAGE Open, 2025). The gap between policy and lived experience is real, and it's largely unmeasured. This study tries to measure it. Specifically, we ask: which organisational practices — equal opportunity policies, visible leadership diversity, support for identity expression, or DEI training — best predict whether employees actually feel included? The answers are relevant for HR practitioners who need to know where to invest, and for organisations treating DEI as part of their ESG sustainability story.

2.0 Theoretical Framework and Literature

Three theoretical frameworks anchor the hypotheses in this study. Inclusion Climate Theory (Nishii, 2013) identifies two things that genuine inclusion requires: fair and open processes, and genuine integration of diverse perspectives. Organisations that achieve both tend to produce better outcomes, partly because they build workplaces that are both safe and genuinely equitable rather than just demographically diverse on paper.

Social Identity Theory (Tajfel & Turner, 1986) explains something that is obvious once you think about it but often overlooked in policy design: employees look at the people in positions of authority to understand whether someone like them can advance. Visible representation in leadership is an institutional signal, not just a symbolic gesture. Shore et al. established that this mechanism shapes employee engagement and organisational commitment even in the absence of formal HR policies. Psychological Safety Theory (Edmondson, 1999) rounds out the picture by showing that people give their best work only when they don't have to hide who they are. Expressing a cultural identity, a regional

background, or a personal viewpoint without fear of professional consequences is not a luxury — it's a precondition for full engagement. That kind of safety doesn't emerge on its own; it has to be actively built and protected.

The Indian literature on DEI has concentrated heavily on gender diversity in multinational IT firms and regulatory compliance more broadly (Nair & Vohra, 2015; Kundu & Mor, 2017). Banking, healthcare, education, and hospitality — sectors that together employ most of India's service workforce — have been largely overlooked. What research does exist reveals a persistent pattern: organisations hit their visible diversity targets while leaving discriminatory structures intact through biased promotion criteria, hierarchical communication norms, and the quiet suppression of cultural difference (SAGE Open, 2025; Kumar & Singh, 2023). Gupta (2022) found that organisational resistance and genuine ignorance of what DEI requires in practice are the main reasons why even well-designed policies fail to land.

Sreedhar and Nayak (2024) make a point that shapes the design of this study directly: Indian organisations see the biggest DEI gains through structural mechanisms — leadership accountability, fair opportunity processes — not through one-off awareness programmes. Ashikali, Groeneveld, and Kuipers (2021) provide international corroboration, showing that inclusive leadership is what actually creates inclusive environments for diverse teams. And Fujimoto, Ferdous, and Wali (2023) frame inclusion as a resource that actively reduces workplace inequality — useful framing for ESG reporting purposes.

Three gaps remain in the Indian service-sector literature: a quantitative test of DEI practices across structural and symbolic dimensions; rigorous evidence on whether training produces the results it is assumed to produce; and research that links DEI to ESG at the employee experience level. This study addresses all three.

3.0 Hypothesis Development

H1: Equal opportunity practices are positively associated with perceived inclusion.

Equity Theory (Adams, 1965) predicts that when people believe hiring, promotion, and development processes are genuinely fair — not just formally equal — they rate the organisation as more committed to their wellbeing, which translates into stronger felt inclusion.

H2: Leadership representation is positively associated with perceived inclusion.

Social Identity Theory (Tajfel & Turner, 1986) holds that visible diversity in authority positions functions as proof that advancement is genuinely open, not just stated to be. This strengthens belonging particularly among employees from under-represented groups, who have the most reason to be sceptical of policy statements alone.

H3: Encouragement of identity expression is positively associated with perceived inclusion.

Psychological Safety Theory (Edmondson, 1999) argues that employees who don't have to suppress their cultural or personal identities engage more fully with their work and experience stronger felt acceptance. This is the dimension of inclusion that lives most inside daily culture rather than formal policy.

H4: Equal opportunity practices have a stronger association with perceived inclusion than DEI training.

Structural mechanisms embedded in everyday processes signal sustained organisational commitment. Training programmes, by contrast, are episodic and tend to produce awareness rather than behaviour change. Nishii (2013) makes this argument directly: inclusion climate is shaped by what the organisation consistently does, not by what it occasionally teaches.

4.0 Methodology

We used a cross-sectional, quantitative, deductive design. Purposive sampling targeted service-sector employees with enough workplace experience to meaningfully assess DEI practices in their organisations. The data collection instrument was a structured questionnaire deployed via Google Forms between October and December 2025.

The questionnaire covered demographic background (Q1–Q4), DEI awareness (Q5–Q7), organisational practices (Q8–Q11), impact and challenges (Q12–Q15), and open-ended reflections (Q16–Q17). All practice and inclusion items used a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Scale items were drawn from validated instruments: equal opportunities from Nishii (2013), leadership representation from Mor Barak, Cherin, and Berkman (1998), identity expression from Shore et al. (2018), and perceived inclusion from Edmondson (1999). A pilot test with 15 respondents led to minor wording adjustments. The final sample was $n = 102$, which meets the minimum requirements for multiple regression and principal component analysis (Hair et al., 2019).

Analysis proceeded in six steps using IBM SPSS v.26: descriptive statistics; Cronbach's alpha reliability (threshold $\alpha \geq 0.70$; Nunnally, 1978); principal component analysis with Varimax rotation verified by Kaiser–Meyer–Olkin (KMO) and Bartlett's test; Pearson correlations; multiple linear regression testing H1–H3; and hierarchical regression adding DEI training to test H4. Variance inflation factors ($VIF < 2.0$) confirmed no multicollinearity. Harman's single-factor test showed the dominant component explained 59.0% of variance, which exceeds the 50% threshold — common method bias is therefore acknowledged as a study limitation, and future work should use temporally separated measurement. All participation was voluntary and fully anonymised.

5.0 Findings

Of the 102 respondents, 57 (55.9%) were male and 45 (44.1%) female. The sample skewed young: 52 respondents (51.0%) were under 25 and 43 (42.2%) were aged 25–34, which broadly reflects the age structure of India’s service workforce. Sector breakdown: IT/ITES led at 42 respondents (41.2%), followed by Other Services (19, 18.6%), Education (15, 14.7%), Banking and Finance (13, 12.7%), Healthcare (8, 7.8%), and Hospitality/Tourism (5, 4.9%). Work experience ranged from under one year (35, 34.3%) to more than five years (28, 27.5%).

Scale reliability was good: Cronbach’s $\alpha = 0.811$, well above the 0.70 threshold. KMO = 0.797 and a significant Bartlett’s test ($\chi^2 = 185.21$, $p < 0.001$) confirmed sampling adequacy. PCA extracted one dominant factor explaining 58.96% of total variance, supporting treatment of perceived inclusion as a unidimensional construct.

The awareness–implementation picture was stark. Most respondents knew what DEI means — 77.5% reported being very or somewhat familiar with the concept. But only 52 (51.0%) said their organisation actually promotes DEI, 33 (32.4%) were unsure, and 17 (16.7%) said no. That 32% “not sure” proportion is telling: it points to poor internal communication about whatever initiatives do exist. DEI training was notably sparse: only 18 respondents (17.6%) received it regularly, 33 (32.4%) occasionally, 27 (26.5%) rarely, and 24 (23.5%) never.

Practice item means told a similar story. Equal opportunities (Q8) scored highest at a mean of 4.05 (77.5% agree or strongly agree). Leadership representation (Q9) came in at 3.89 (68.6% agree or strongly agree; 24.5% neutral). Felt inclusion (Q11) was the most positive item overall at 4.07 (79.4% agree or strongly agree). Identity expression (Q14) was the weakest: mean of 3.69, with only 58.8% agreeing and 33.3% landing neutral — which in a culturally plural workforce almost certainly reflects learned self-suppression rather than genuine comfort. Pearson correlations confirmed positive associations between all practice items and inclusion: Q8 $r = 0.655$, Q9 $r = 0.624$, Q14 $r = 0.473$ (all $p < 0.001$).

Model 1 (three structural predictors) was significant [$F(3, 98) = 37.03$, $p < 0.001$; $R^2 = 0.531$; Adj. $R^2 = 0.517$]. H1 was supported: equal opportunities was the strongest predictor ($\beta = 0.368$, $SE = 0.094$, $t = 3.94$, $p = 0.000$). H2 was supported: leadership representation ranked second ($\beta = 0.334$, $SE = 0.079$, $t = 3.77$, $p = 0.000$). H3 was supported: identity expression was smaller but clearly significant ($\beta = 0.178$, $SE = 0.068$, $t = 2.25$, $p = 0.027$). In Model 2, adding DEI training brought it to significance ($\beta = 0.191$, $SE = 0.058$, $t = 3.27$, $p = 0.002$; $R^2 = 0.578$), but its coefficient remained below that of equal opportunities — supporting H4. The four main implementation challenges respondents named were: lack of awareness (67, 65.7%), management resistance (53, 52.0%), lack of resources (43, 42.2%), and unconscious bias (38, 37.3%).

Table 1: Practice Item Means and Response Distribution (n = 102)

Item	Mean	SA%	A%	N%	D+SD%
Equal Opportunities (Q8)	4.05	30.4	47.1	19.6	2.9
Leadership Representation (Q9)	3.89	27.5	41.2	24.5	6.9
Felt Inclusion (Q11)	4.07	31.4	48.0	16.7	3.9
Identity Expression (Q14)	3.69	19.6	39.2	33.3	7.8

SA = Strongly Agree; A = Agree; N = Neutral; D+SD = Disagree or Strongly Disagree

Table 2: Regression Results — Perceived Inclusion as Dependent Variable

Predictor	β	SE	t	p
Equal Opportunities — H1	0.368	0.094	3.94	0.000
Leadership Representation — H2	0.334	0.079	3.77	0.000
Identity Expression — H3	0.178	0.068	2.25	0.027
DEI Training (Model 2 only)	0.191	0.058	3.27	0.002

Model 1 (H1–H3): $R^2 = 0.531$, Adj. $R^2 = 0.517$, $F(3,98) = 37.03$, $p < 0.001$. Model 2 (+ training): $R^2 = 0.578$, Adj. $R^2 = 0.560$. All VIF < 2.0. Harman single factor = 59.0% — common method bias acknowledged.

6.0 Discussion

Equal opportunities coming out as the strongest predictor makes sense when you think about what Equity Theory (Adams, 1965) actually says: employees judge their organisation by outcomes, not intentions. Who gets promoted? Who lands the high-visibility projects? Do the answers correlate with performance, or do they correlate with gender, caste, or proximity to senior leadership? When people sense the latter, no amount of inclusion messaging changes how they feel.

The data here show something important about that dynamic. Seventy-seven percent of respondents agreed that equal opportunities exist in their organisations — but 65.7% simultaneously named lack of awareness as a DEI barrier. That's not a contradiction; it suggests formal equity structures are in place in many organisations but aren't consistently communicated or experienced the same way across departments and career stages. For ESG reporting under India's BRSR framework, this means pay equity ratios and promotion parity data alone won't give a complete picture of social pillar performance. Employee perception measures need to sit alongside the numbers.

Leadership representation as the second strongest predictor reinforces what Social Identity Theory would predict. When employees can see people who look like them in positions of authority, it functions as institutional proof that advancement is actually possible — not just officially permissible. The fact that 52% of respondents named management resistance as the second biggest DEI barrier is directly connected to this: organisations where leaders actively resist DEI will consistently score lower on inclusion

regardless of how polished their policy documents are. DEI training reaching significance in Model 2 ($\beta = 0.191$) while remaining well below equal opportunities ($\beta = 0.368$) is consistent with H4 and with a broader pattern in the literature: training builds awareness without changing the structural conditions that shape daily experience (Nishii, 2013). The finding isn't that training is useless — it clearly contributes something. The finding is that it can't carry the load organisations often ask it to carry.

Identity expression was the weakest-scoring practice item (mean = 3.69) and had the highest neutral rate of any item (33.3%). In practice, that 33% neutral response is worth sitting with. India's service workforce is culturally plural in ways that are hard to overstate — language groups, caste identities, religious affiliations, and regional backgrounds all intersect in a single open-plan office. A neutral answer to the question of whether employees are encouraged to express their identities almost certainly reflects learned self-suppression rather than genuine comfort. This is the biggest gap between formal equity structures and lived experience in the data — and it's also the hardest gap for BRSR metrics to capture, because it lives in culture rather than policy.

Open-ended responses confirmed this. Employees valued cultural festival programmes but wanted them tied to measurable inclusion goals rather than treated as one-off goodwill gestures. Several respondents noted that day-to-day communication norms — particularly gender-based dismissiveness — persisted even in organisations with formal inclusion policies in place.

7.0 Contributions

This study makes three contributions worth noting. Theoretically, it extends Inclusion Climate Theory into a hierarchical, collectivist South Asian service context and produces a comparative ranking of DEI practice dimensions that the theoretical literature alone can't supply. The finding that structural practices outperform training gives quantitative specificity to a claim that has been asserted but not well measured in the Indian context. For practitioners, three things follow from the regression results.

First, promotion and evaluation processes are the primary inclusion lever. Organisations should audit these for systemic bias before launching any awareness campaign — running a training before fixing the promotion process is getting the order backwards. Second, leadership succession pipelines should carry explicit diversity targets with transparent reporting, integrated into ESG and HR analytics dashboards as part of BRSR social pillar disclosure. Third, moving beyond the annual cultural event to embed everyday affirmation of diverse identities — through funded employee resource groups, multilingual communication, and flexible working arrangements — addresses the identity expression gap that shows up in this data as the most underinvested DEI dimension.

Industry associations such as NASSCOM and CII could accelerate sector-wide progress by developing DEI benchmarking tools that help smaller service firms — which typically lack dedicated DEI teams — track and compare inclusion performance alongside their ESG reporting obligations.

8.0 Conclusion

India's service sector is at a genuinely interesting moment in DEI development. Employees overwhelmingly recognise why inclusion matters (mean importance score = 3.99/5) and the awareness gap is closing. What hasn't caught up yet is the structural translation of that awareness into practices employees can actually feel: equitable opportunities (mean = 4.05), diverse leadership (mean = 3.89), affirmed identity expression (mean = 3.69). Multiple regression confirms these three structural practices account for 53.1% of variance in inclusion. Training adds another 4.7 percentage points when entered separately — but it's always behind the structural predictors in effect size. The implication is clear: if organisations want their ESG social pillar scores to reflect genuine rather than performative progress, they need to treat inclusion as a system to be designed, not a message to be communicated.

As India's BRSR mandate continues to broaden DEI from a voluntary aspiration to a reportable sustainability metric, the accountability pressure is only going to grow. Future research should use longitudinal designs, larger stratified samples, and mixed methods to track whether that regulatory shift from DEI aspiration to DEI accountability actually translates into measurable change in how employees experience their working lives.

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