
IMPACT OF DIGITALISATION ON FINANCIAL PERFORMANCE WITH MEDIATING EFFECT OF MARKET EXPANSION AND CUSTOMER SERVICE: A STUDY OF SELECT RETAIL BUSINESSES IN INDIA

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ABSTRACT

This paper aims to analyse what impact does the level of digitalisation of the businesses has on its financial parameters which include sales and profits. The scope of the study is confined to the retailers with investments similar to micro and small enterprises as per MSMED Act, 2006. For the purpose of this study, online selling is considered as the basic criteria for coming into the ambit of a digitalised business. A primary study has been conducted with respondents including owners or managers of the businesses who were responsible for bringing about digitalisation of their businesses. A final sample of size 253 respondents was used for data analysis. The relationship between level of digitalisation and sales were partially mediated through market expansion and showed no mediation of customer service. The level of digitalisation had no impact on the profitability of the small scale retailers. This paper highlights the ground level reality of Indian small scale businesses and the impact of digitalisation. The findings can help formulate effective policies for building a stronger domestic business footing. The work is a contribution in understanding how

digitalisation is impacting market expansion and customer service and further the financial parameters of small scale businesses.

Key words: Level of digitalisation, market expansion, customer service, sales, profits

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1. INTRODUCTION

The advent of technology has entirely changed the way we carry out our day to day activities and hence transformed our lives. Technology has brought about digitalisation of business activities and processes, pushing for the development of new business models. Infusing technology in business by digitalizing the business process has positively impacted the business performance by making customer services more effective, enhancing the business image, reducing cost of business activities and processes, expanding the markets for the business, improving the efficiency of business operations, availing information and insights for better decision making, etc. The combination of business and technology has become indispensable now despite the rapid changes that the technology brings with it. The rate of technological advancements is far more than the business environment can absorb. But the digitalisation of business model has become necessary for survival and growth of every business, irrespective of its size and nature. It thus becomes imperative to understand how digitalisation of businesses makes improvement in the financial performance.

The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and smartphone penetration (India Brand Equity Foundation, 2019). The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 636.73 million in FY19. India's internet economy is expected to double from US\$ 125 billion as of April 2017 to US\$ 250 billion by 2020, majorly backed by e-commerce. India's E-commerce revenue is expected to jump from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world (India Brand Equity Foundation, 2019). This leaves a huge research gap for the Indian researchers to understand the atomic details of the existing retail scenario in the Indian e-markets so that businesses can improve on both the technology as well as the ability to use these technological advancements to earn the required profits, thus making the domestic businesses more sustainable and stronger while competing with the foreign businesses.

The digital platforms have enabled the businesses to become visible to its customers beyond its geographical boundaries and create a brand along with the customer loyalty. Through digitalisation businesses are better equipped to serve their customers by providing them their preferred goods and services, helping them to create a brand of their own. Businesses both big and small have managed to capitalize on customer service to fortify them by going digital. Digitalisation of businesses has enabled the businesses to better understand the customer preferences with relation to not only the kind of goods and services but also the price, delivery, after sale services and much more. Customers being the king of the market can decide the fate of a company or business. Therefore, customer service puts an impact on the sales and profit volume of the business. The study therefore attempts to understand the relationship between the level of digitalisation and its impact on sales and profit of the

businesses with mediating effect of customer service. The study is conducted in light of developing countries where MSMEs play a very contributing role in the economy of the nation giving us an understanding what impact does digitalisation have on these small scale businesses on their financial parameters.

Another major reason why businesses opt for digitalisation is the fact that the digital platforms facilitate the businesses to expand their market area beyond their local boundaries. Market expansion have led the businesses to come on social media platforms to strengthen themselves and explore both the domestic as well as the foreign markets, changing potential customers into real customers. The increase in visibility of the businesses on various platforms helps creates the required traffic of the customers leading to improved financial parameters. The present study takes into account how the level of digitalisation along with the mediating effect of market expansion has an impact on the sales and profits of the businesses.

The paper is structured in a way where a subsequent discussion is elaborated on the theoretical background and the rationale of the independent factors, dependent factor as well as the mediating factors followed by methodology, data analysis and a section on discussion and conclusion.

2. THEORETICAL BACKGROUND AND HYPOTHESIS

2.1. Level of Digitalisation

From the last decade, it has been noticed that researches in the field of web adoption and its impact on business performance have increased (Kotarba, 2017) given that information technology has become the only way out for survival and growth of the businesses. Most of these studies have a resource based view and how these resources have created competitive advantage for the business which has further improved their financial parameters (Bharadwaj, 2000) (Black & Boal, 1994) (Powell & Micallef, 1997) (Zhuang & Lederer, 2003). Business performance when measured in financial terms provides room for factors as mediators (factors arising as a result of digitalisation of business activities) which may consist of customer services, reduction in costs, market expansion, corporate image, efficiency in business operations, competitive advantage, etc. Though it is easier for businesses to imitate the implementation and adoption of web and technology (hardware and software) but the skill to develop the competitive advantage from use of these technologies still depends upon how these technologies are used. Creating a brand for the business and building a loyal customer base is one such competitive advantage that enterprises manage to achieve through digitalisation. Thus it is the combination of technology and rare, valuable and inimitable resources that businesses can attain the required competitive advantage to have a positive impact on their financial performance.

Adoption of web/technology and digitalisation of business activities puts forth the question- how digitalised is ones business? Gartner has defined digitalisation as: Use of digital technologies to change business model and provide new revenue and value producing opportunities; it is a process of moving to a digital business. Researchers have always found the measurement of web adoption level a bit complex due to its subjective character. Different techniques have been applied when it comes to measuring the level or degree of web adoption by the business firms which includes dividing the levels on the basis of number of modes used, type of digital modes used for carrying business operations and even the purpose for which these digital modes are used. Businesses are then categorized into different levels or degrees with the scores so obtained or the digital modes mentioned for the purpose of research (Gonzalez, Camara, & Gonzalez, 2009) (Teo & Pian, 2004) (Wu, Mahajan, & Balasubramanian, 2003) (Popa, Acosta, & Gonzalez, 2016). Though these studies are more

theoretical and quite subjective when it comes to measuring them numerically, but the sheer importance of this topic have forced the researchers to find more study appropriate ways to measure the degree of web adoption. The present study intends to understand the impact of level of digitalisation on the sales and further on profits of the business.

2.2. Firms' Performance

To measure the impact of digitalisation on the firms' performance, help of financial indicators are taken which includes sales volume and profit margins (Bouwman, 2018) (Reuver, Bouwman, & MacInnes, 2009). While determining the impact of digitalisation on the firms' performance, varying results have been experienced due to reasons like nature of the economy in which the business operates, size of the firm, number of years for which the firm is digitalised, extend of digitalisation, channels used for digitalisation, etc. It therefore becomes imperative to understand what impact each of these financial indicators has due to digitalisation of businesses. To understand the impact of digitalisation on the firms' performance in detail, both direct and indirect effect of level of digitalisation would be measured on sales and profitability separately. Indirectly the impact would be measured through customer service and market expansion as mediators, providing us an insight about the reality that exists in the Indian market for small scale businesses.

H₀₁= There is no significant impact of level of digitalisation on sales of the business

H₀₂= There is no significant impact of level of digitalisation on profitability of the business

H₀₃= There is no mediation effect of sales between level of digitalisation and profits of the business

2.3. Customer Service

Customer is regarded as the king and businesses strive to provide preference oriented goods and services at reasonable prices to its customers. Businesses have infused technology and brought about digitalisation of their business activities and processes to provide a seamless experience to their customers while dealing with them. The scope of customer satisfaction has become quite wide as compared to the earlier times where only the quality of goods and services mattered (Kumara & Shahb, 2004) (Reinartz, Jacquelyn , & Kumar, 2005). With the advent to web services businesses are transforming the experience of the customer as a whole by understanding their preferences, provide them customized products, home delivery options, discounts and offers, after sale service, product innovation, etc (Kumar, Anand, & Song, 2017) (Teo & Pian, 2004). Digitalisation has helped them to better understand the customer needs and preference with the help of information so available known as big data. These databases when subject to data mining and data analytics reveal insights for the business on which they can well capitalize on, helping them to create a brand for their own along with a loyal customer base, providing them the required resource for competitive advantage. Another outcome of this is product innovation and product customization. The data so obtained provides impetus to the businesses to manufacture and deliver in such a way that meets the needs of the customers by innovating or customizing the existing goods and services. Both product innovation and product customization creates and adds more value to the products so offered. Customer service is therefore regarded as a valuable and inimitable resource helping the businesses to grow in this ever dynamic business environment (Anderson, Fornell , & Leh, 1998) (Chaudhury, Mallick, & Rao, 2001).

Customer service is again an effect of digitalisation of business having an impact on the financial performance of the business. Therefore, organizations are taking up digitalisation as a means to provide and deliver better customer service to its customers. With improved decision making abilities due to digitalisation, businesses are able to convert even the

potential customers into present ones. Customer service therefore acts a mediator while examining the impact of digitalisation on the financial parameters of the business (Gonzalez, Camara, & Gonzalez, 2009). The study therefore attempts to analyze the role of customer service as a result of digitalisation on the financial parameters which includes sales and profits.

H₀₄= There is no mediating effect of customer service between level of digitalisation and sales of the business

2.4. Market Expansion

Market expansion refers to the process of selling product or service to a wider section of the existing market or offering the same into an entirely new market. Businesses tend to expand markets for reasons that include expansion of business, entry of firm into newer products/services, avoid competition, better scope of profits, etc (Kumar, Anand, & Song, 2017) (Aval & Zif, 1979). Market expansion can occur in various forms like attracting wider customer base through diversification of current product lines or services, introducing new store formats and supply chain and distribution channels, and serving new geographical locations (Kumar, Anand, & Song, 2017). Researches in the field of investment and adoption of web technology and IT infrastructure and services have managed to gain popularity as these have become a major contributor to the market expansion. Businesses have managed to expand their markets both domestically and internationally by providing them the ease of wide reachability with minimal cost occurrence (Gonzalez, Camara, & Gonzalez, 2009). Enabling the market expansion of a business without its physical presence has made not only the big firms but even the small scale businesses to opt for web technologies in their business models. This provides the businesses a competitive advantage by catering to the existing and new customers, thereby expanding both the sales and profits. Business enterprises are therefore considering investment and adoption of web technologies and digitalizing their business models to expand their markets (Song & Zahedi, 2006).

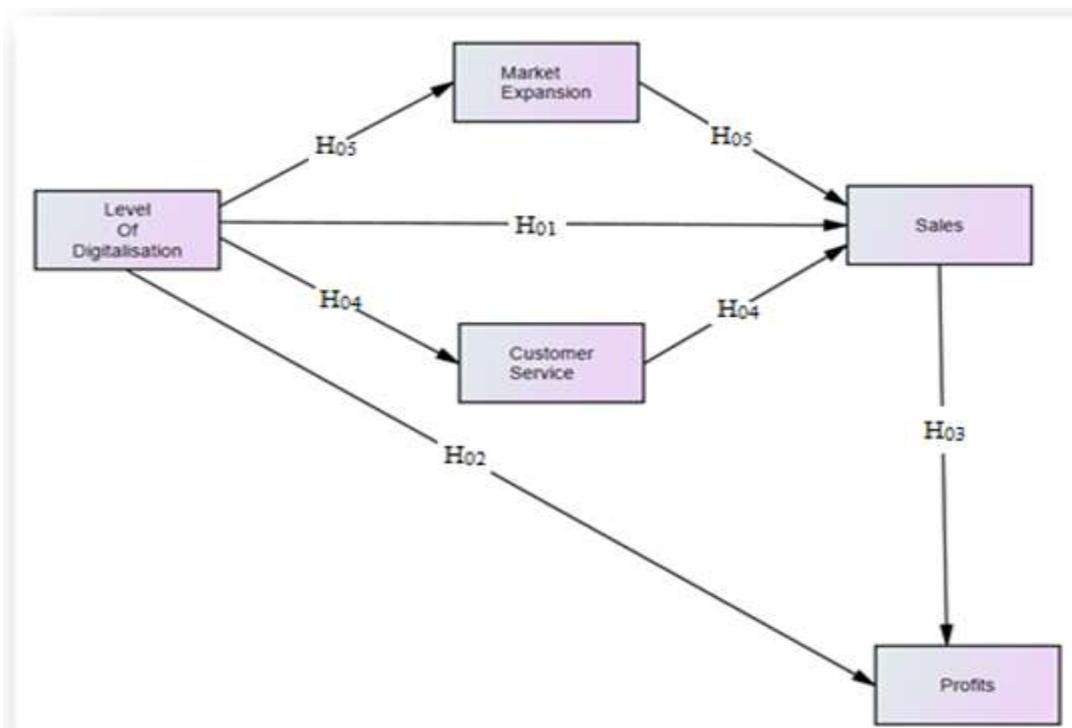


Figure 1 The Theoretical Model

With the advent of big MNCs and giant business houses, small scale businesses are facing the wrath of mass production which keeps them at bay from the economies of production both in terms of quality and pricing, leaving them with fewer customers. Small and medium scale businesses have taken up the road to customization of goods and services thus catering to the niche demands. Web adoption has also led to reaching out to customers which require customized products/services (Lee & Whang, 2001). This has thus become a source of improving the customer base for the firms and thus strengthening the domestic businesses.

Achieving a customer base in both domestic and international market positively affects the financial performance of a business. The volume of sales and the profit margins earned by a business depends on the digital medium through which the goods/services are sold i.e.; whether the online sale is taking place through firm's own website or through existing online selling platforms.

H₀₅= There is no mediating effect of market expansion between level of digitalisation and sales of the business

3. RESEARCH METHODOLOGY

3.1. Research Design

The study amalgamates both qualitative and quantitative design of research. The study being exploratory in nature required the use of both these designs for bringing out the insights as well as for attaining the statistical support (Creswell, 2009). The quantitative results were used to determine the statistical significance or insignificance of the hypotheses so framed whereas the qualitative technique helped the authors to gain the required insights and understand what really is experienced by the businesses when it comes to digitalisation. The qualitative technique help identify the major concern areas which can be used to further develop a solution by framing appropriate policies at both micro as well as macro level by the policy makers.

3.2. Instrument Development

For the purpose of collection of primary data, structured questionnaire was formed to achieve the objectives of the research. After regressive review of the literature, variables were selected relating to market expansion and customer service (DeVellis, 2012). Six items were narrowed down for market expansion and eight items for customer service. These questions were then kept in front of the experts which included university professors and senior scholars who provided their input on the same. This process ended up excluding one item from market expansion and two items from customer service. The questionnaire was then put for pilot testing before 63 respondents. This resulted in excluding two items from each factor, to which the authors added few questions which were relevant to the Indian retail market, leaving a final of four variables under market expansion and five variables under customer service. The language of few questions was also changed in the light of the responses given by the businessmen and the meaning they comprehended. The final questionnaire was then run through exploratory factor analysis which identified the following factors namely, customer service, market expansion, sales and profits. Table 6 in appendix specifies the results of exploratory factor analysis.

3.3. Data Collection

A period of three months was allotted for the purpose of data collection from June 2019 to August 2019. A list of retailers was made for each city identifying a total of 455 retail businesses. The owners and managers were contacted through telephone requesting them to participate in the survey (Dillman D. , 1978). The ones who agreed were asked whether they

would fill the required questionnaire through mail or face-to-face interviews. The questionnaires were filled accordingly. The list was then reduced whose investment either exceeded the limits set in MSMED Act 2006 for micro, small and medium enterprises and the ones who did not sell online. This narrowed down the list to 369. The retailers who were found appropriate for the study were asked for further reference of businesses who met the criteria as a respondent which added another 123 respondents. A total of 92 face-to-face interviews were conducted and 492 e-mails were sent. The authors had placed a follow up procedure in which a reminder mail was sent after every two weeks (Dillman, Smyth, & Christian, 2014). This resulted in obtaining 251 questionnaires and only 161 formed part of the final data set for the purpose of analysis, resulting in a sample size of 253 respondents.

To check for non-response bias the survey results obtained were compared between early respondents and the late respondents who took longer time period to complete the survey and respond back. T-test was run to check whether any differences occurred between the two groups. The p-value came to be more than 0.05 indicating no significant difference between the results of early and late respondents, leaving little scope of non-response bias in the survey (Hair, Black, Babin, & Anderson, 2014) (Malhotra & Dash, 2016).

3.4. Sample Profile

A final sample of 253 respondents was collected for final analysis (Sekaran, 2003). Table 1 provide the sample characteristics that formed part of the final analysis.

Table 1 Sample Profile

Level of Digitalisation	Frequency	Percentage
Level 1	4	1.6%
Level 2	70	27.7%
Level 3	179	70.8%
Total	253	100%
Retail Business	Number of respondents	Percentage
Garments	16	6.3%
Furniture	13	5.1%
Sports shops	10	4.0%
Books and stationery	14	5.5%
Disposable Items	11	4.3%
Medicines and medical instruments	18	7.1%
Handicrafts & Home Decor	17	6.7%
Electrical Appliances	16	6.3%
Footwear	12	4.7%
Cosmetics	10	4.0%
Departmental Stores	8	3.2%
Kitchenware	12	4.7%
Spare Parts and Accessories for Automobiles	14	5.5%
Hotels	23	9.1%
Restaurants & Eateries	15	5.9%
Medical Services	11	4.3%
Coaching Services	10	4.0%
Transportation Services	13	5.1%
Home support Services	7	2.8%
Others	3	1.2%
Total	253	100.00%

3.5. Measurements

3.5.1. Level of Digitalisation

For the purpose of this study, level of digitalisation was decided on the basis of the purpose for which the digital modes were used by the businesses with online selling of goods and services as the minimum criteria. Following reasons for use of digital modes were given to the respondents: for transfer of funds, selling of goods and services, procurement of raw material, marketing, and maintenance of business records. Respondents were asked to rate their business organization for using digital modes for the above business activities on a five point scale. Average scores were then taken to divide the businesses into different levels, with level one possessing lower level of digitalisation and level three having a high level of digitalisation. Businesses with an average score of 1-1.9 belonged to 'level one', businesses scoring between 2-3 belonged to 'level two' and the ones with score of 3.1-5 were in 'level three'.

3.5.2. Firms' Performance

The firms' performance for the present study is purely financial in nature, which includes sales and profits (Bouwman, 2018). These two are regarded as two different factors and not combined under one unit of firms' performance. This separation between the two factors was done so as to measure the impact of level of digitalisation on both sales and profits separately, with customer service and market expansion as mediators. The factor 'Sales' included the following variables: digitalisation has led to increase in sales volume, the ratio of online sales is more than off line sales whereas the factor 'Profits' included the following variables: digitalisation has led to increase in profit margins, profitability is more in off line sales.

3.5.3. Customer Service

Customer service was measured with the help of a structured questionnaire which was prepared by the authors keeping in mind the characteristics of the businesses prevailing in the Indian market. The factor of customer service included the following questions: Digitalisation enables us to offer wide variety of products/services to the customers, Digitalisation enables us to offer goods at reduced price to the customers, Digitalisation helps to provide better customer service, Going digital has helped to better understand the customer preference, Digitalisation enables production of need oriented products/services.

3.5.4. Market Expansion

With the help of literature review, certain repeated and prominent questions came up to measure market expansion. Subsequent to the pilot study, the authors introduced few questions which were more comprehensible by the businessmen in India. A total of four variables formed part of the factor market expansion. The final questions included: Digitalisation enables the business to access new (geographical) markets, Digitalisation increases customer awareness of our product/services (broader customer access), Digitalisation permits differentiating our products/services from those of our competitors, Digitalisation provides customers with better information about our product/services.

Table 2 Measures used in the questionnaire and factor reliability

Measurement Model	Items	Format	Cronbach's Alpha
Market Expansion	4	Likert (1-7)	0.91
Customer Service	5	Likert (1-7)	0.96
Sales	2	Likert (1-7)	0.81
Profits	2	Likert (1-7)	0.97

4. DATA ANALYSIS AND RESULTS

To check the theoretical model for statistical support, structural equation modeling (SEM) is used. The structural equation modeling is divided into two parts: measurement model and the structural model. The measurement model is used to check the construct validity of the model which include both discriminant validity and convergent validity, along with the model fit (Byrne, 2010). The authors ran the factors along with their variables to check for model fit and construct validity and obtained the following results. The model fit indices included CMIN/df= 2.647; GFI= 0.916; NFI=0.960; CFI=0.975; TLI=0.966 and RMSEA=0.08 which were all according to the recommended guidelines (Byrne, 2010) (Hair, Black, Babin, & Anderson, 2014).

Table 3 Model fit indicies

Model Fit Indices	Values	Recommended Guidelines
GFI	0.916	≥ 0.90
χ^2 /df	2.647	< 5
RMSEA	0.080	< 0.08
NFI	0.960	≥ 0.90
CFI	0.975	≥ 0.90
TLI	0.966	≥ 0.90

The construct validity was calculated with the help of Dr. Gaskin's stats tool package (Gaskin, 2016), which provided us with the table below. The criteria for convergent validity was met as the AVE values so obtained were more than 0.5 (Market expansion=0.740; Customer service=0.842; Sales=0.663; Profits=0.956). The discriminant validity of the variables in each factor was also established as the values of square root of AVE for each factor is more than the correlation that exists between them.

Table 4 Construct validity: Discriminant validity and Convergent validity

	CR	AVE	MSV	MaxR(H)	Profits	Market Expansion	Customer Service	Sales
Profits	0.977	0.956	0.003	1.036	0.978			
Market Expansion	0.919	0.740	0.539	0.923	-0.055	0.860		
Customer Service	0.964	0.842	0.401	0.995	-0.033	0.570	0.918	
Sales	0.797	0.663	0.539	0.800	0.007	0.734	0.633	0.814

After meeting the recommended model fit indices and establishing the required reliability and validity, structural model was built to obtain a statistical support of the theoretical model. The output involved calculation of standardized estimates, squared multiple correlations along with the estimation of direct, indirect and total effects. The figure below shows the standardized results after running the structural model.

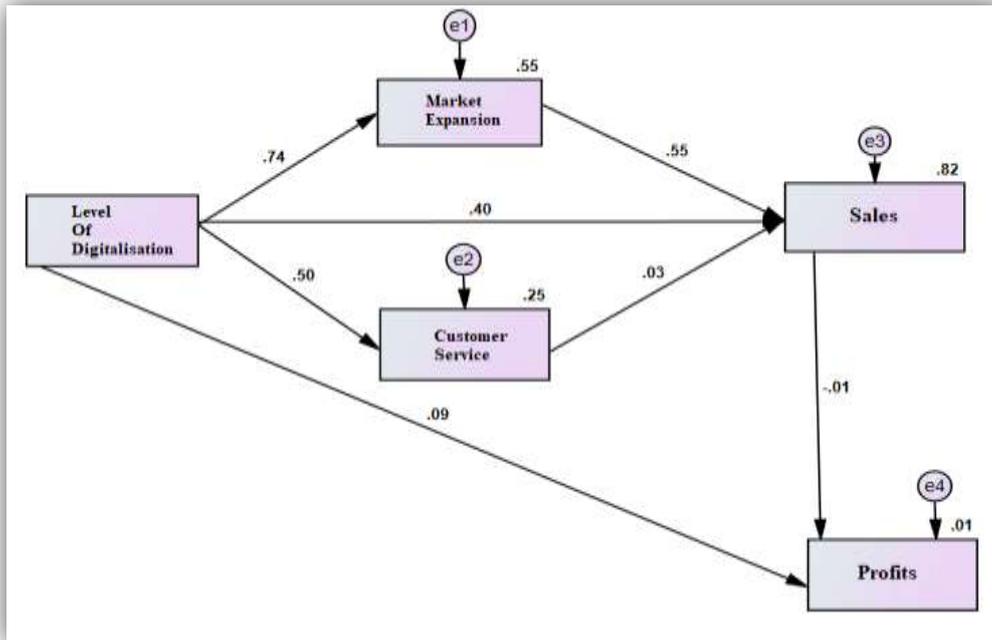


Figure 2 The final model

Hypothesis one was tested to know whether there is any significant impact of level of digitalisation on sales of the business (C.R=9.234; $p < 0.05$) and the results showed a positive impact on the dependent factor leading us to reject the null hypothesis. This indicates that the level of digitalisation led to increase in sales and also has a direct relationship ($R^2 = 67.3\%$).

The second hypothesis states that there is no significant impact of level of digitalisation on profitability of the business. The analysis was run to check for a direct relationship between the level of digitalisation and profits. The results showed that retailers were unable to significantly grab the profits besides implementing digitalisation in their business models (C.R=0.848; $P > 0.05$; $R^2 = 0.008$)

The third hypothesis examined the mediating role of sales between the level of digitalisation and profits. To check for mediation effect, it is mandatory to establish a direct relationship between the dependent and independent factor. Subsequent to meeting of the above conditions the mediating effect is tested. The results of hypothesis two indicated that there exists no direct relationship between the level of digitalisation and the profits earned by the retailers. Therefore, when the analysis was run to know whether sales had any mediating role, it came out to be insignificant (C.R=1.10; $p > 0.05$; $R^2 = 0.5\%$) leading to acceptance of the null hypothesis.

The next hypothesis examined the mediating effect of customer service between level of digitalisation and sales. The results so obtained (C.R= 1.085; $p > 0.05$) indicates that there exists no mediation effect of customer service between level of digitalisation and sales. With majority of businesses providing similar and close substitute products/services to the customers and prices and offers more or less the same, customer service showed an insignificant mediation effect between level of digitalisation and sales. Though the businesses are delivering quality products at reasonable prices but the burden of discounts mount as low prices have become normal parlance for capturing the customers. The businesses are only able to marginally increase their sales by providing the required customer service.

Hypothesis five estimated the mediating effect of market expansion between level of digitalisation and sales. The results revealed that market expansion has a significant mediating role showing partial mediation (C.R= 13.894; $p < 0.05$). The extent to which a business can expand its market with the help of digitalisation depends purely on the skills and art with which the owners/managers know how to put the available digital modes to good use with effectiveness. Digitally mature and savvy owners/managers were able to bring the required customer base by successfully expanding their markets. It was noticed that though few businesses used less number of digital modes but were successful in expanding the markets beyond their geographical boundaries and even convert the potential customers to their current customers.

4.1. Direct vs. Indirect effect of level of digitalisation on sales

After running both customer service and market expansion as mediators between level of digitalisation and sales, it was found that though level of digitalisation had a positive and significant impact on customer service but the path between customer service and sales was insignificant. For this reason, alternative model was tried with market expansion as the only mediator. The measurement model provided the appropriate indices indicating model fit (CMIN/df= 1.996; GFI=0.981; CFI=0.992; NFI=0.984; RMSEA=0.063).

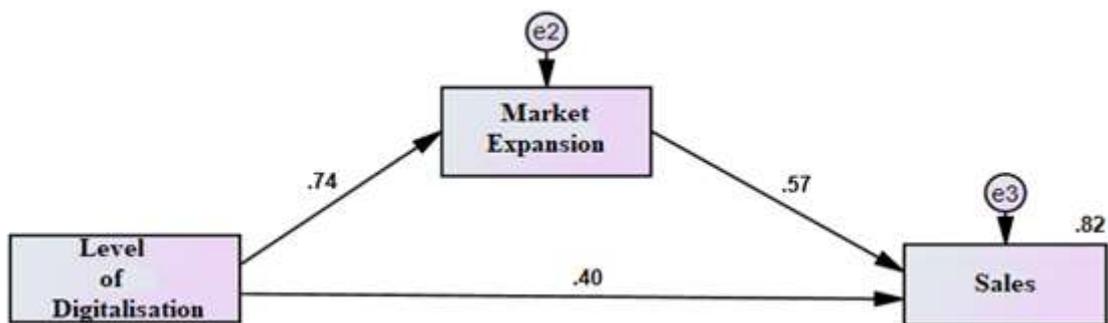


Figure 3 Alternative model

Figure 3 shows both the direct and indirect impact of level of digitalisation on the sales. The direct relationship has a weight of 0.40 ($p < 0.05$) and the indirect impact through market expansion has a positive and a significant weight of 0.42 ($p < 0.05$) with R^2 of 82%. This indicates partial mediation between level of digitalisation and sales with market expansion as the mediator.

Table 5 Hypotheses results

S.No.	Hypotheses	Direct Effect	Indirect Effect	Results	Accept/Reject
H ₀₁	There is no significant impact of level of digitalisation on sales of the business	-	-	Significant Impact	Reject
H ₀₂	There is no significant impact of level of digitalisation on profitability of the business	-	-	Insignificant Impact	Accept
H ₀₃	There is no mediating effect of sales between level of digitalisation and profits of the business	0.09	0.004	No Mediation	Accept
H ₀₄	There is no mediating effect of customer service between level of digitalisation and	0.40	0.015	No Mediation	Accept

	sales of the business				
H ₀₅	There is no mediating effect of market expansion between level of digitalisation and sales of the business	0.40	0.42	Partial Mediation	Reject

5. CONCLUSION AND DISCUSSION

The research conducted throws light on the present scenario of small scale retailers in India. The advent of digitalisation is seen as all positive especially for micro, small and medium scale businesses but the reality seems to be different. Though domestic businesses are able to get their fair share of customers and enable them to increase their sales volumes but the profit share they are able to earn is matter of concern. The businesses are allured to the idea of creating corporate image, high market penetrating, low delivery cost, policy of return, increasing sales volume, market expansion, allied customer services etc., which makes them come on the existing online shopping platforms (Ahmad, Bakar, & Ahmed, 2018) (Rao, 2016). These online shopping platforms provide the customers with one stop shopping place where they are able to get quality products at low prices and the service of delivery, refund etc. The idea of both businesses and customers benefitting from these online shopping platforms seems to work well for both the parties (Daniel & Wilson, 2002). But in reality the cost of all the above benefits comes at a cost which is borne by these small scale businesses. The retailers tend to have a low profit margin especially when they are selling their products through online platforms given the excessive competition with regards to discounts and offers presented to the customers. The increasing sales volume is thus offset by the decreasing profit margins. The small scale retailers are therefore left with the option of customization of products/services and/or catering to the niche markets. This has helped the small scale and domestic businesses to make the required profits.

Another finding that came up was that the volume of sales of these retailers comes mostly through online platforms as compared to the physical shops. In presence of the trend of online shopping, it has become difficult for the retailers to support the physical shops that they operate, putting the local markets into a state of slump. These small scale businesses bear the cost of not only running their brick and mortar shops but also end up making insufficient profits from online sales leaving them with little in hand. The small scale businesses are taking steps to make their own business websites so that sales can be transacted through these websites, leaving them with sufficient profit margins in their hands. Bringing the required traffic on business's individual websites is again a difficult task, making the businesses to shift to popular and existing online shopping platforms to sell their products and services.

It seems that digitalisation has changed the scenario for both small and large scale businesses and have also forced them re-think regarding their existing business models. It thus becomes imperative for the extensive research in the field of business and its sustainable transformation through digitalisation as these small scale businesses contributes majorly in the economy of a nation, especially under-developed and developing economies. Digitalisation is changing the way businesses are delivering now to both their customers and themselves. Thus an immediate attention is awaiting in terms of bringing digitalisation into small scale businesses so that sustainable and self-reliant economies can be constituted

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APPENDIX

Table 6 Exploratory Factor Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.829
Bartlett's Test of Sphericity Approx. Chi-Square	3946.279
df	78
Sig.	.000

Impact of Digitalisation on Financial Performance with Mediating Effect of Market Expansion and Customer Service: A Study of Select Retail Businesses in India

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.988	46.064	46.064	5.988	46.064	46.064	4.419	33.992	33.992
2	2.472	19.019	65.083	2.472	19.019	65.083	3.409	26.226	60.218
3	1.953	15.024	80.107	1.953	15.024	80.107	1.952	15.013	75.231
4	1.019	7.842	87.949	1.019	7.842	87.949	1.653	12.718	87.949
5	.356	2.735	90.685						
6	.313	2.405	93.089						
7	.299	2.301	95.390						
8	.220	1.696	97.086						
9	.143	1.099	98.185						
10	.097	.743	98.929						
11	.080	.614	99.543						
12	.050	.384	99.926						
13	.010	.074	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix^a

	Component			
	1	2	3	4
ME1		.917		
ME2		.839		
ME3		.942		
ME4		.898		
S1				.821
S2				.861
CS1	.894			
CS4	.944			
CS5	.844			
CS6	.946			
CS7	.900			
P1			.986	
P2			.987	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

QUESTIONNAIRE

Table 1 Criteria for determining Level of Digitalisation

S.No.	Rate your Organization in using Digital Modes for Business (1 being the lowest and 5 being the highest)	1	2	3	4	5
1.	For transfer of payments					
2.	For selling of goods and services					
3.	For procurement of raw material					
4.	For marketing					
5.	For maintaining business records					

S.No.	Market Expansion	1	2	3	4	5	6	7
1.	Digitalisation enables the business to access new (geographical) markets							
2.	Digitalisation increases customer awareness of our product/services(broader customer access)							
3.	Digitalisation permits differentiating our products/services from those of our competitors.							
4.	Digitalisation provides customers with better information about our product/services.							

S.No.	Customer Service	1	2	3	4	5	6	7
1.	Digitalisation enables us to offer wide variety of products/services to the customers.							
2.	Digitalisation enables us to offer goods at reduced price to the customers.							
3.	Digitalisation helps to provide better customer service							
4.	Going digital has helped to better understand the customer preference.							
5.	Digitalisation enables production of need oriented products/services.							

S.No.	Sales	1	2	3	4	5	6	7
1.	Digitalisation has led to increase in sales volume							
2.	The ratio of online sales is more than off line sales							

S.No.	Profits	1	2	3	4	5	6	7
1.	Digitalisation has led to increase in profit margins							
2.	Profitability is more in off line sales							