

# Role of Socio-Economic Factors in the Digital Transformation of Businesses

Dr. R. Gayathri

Associate Professor in Commerce, UG Department of Business with International Business, NGM College, Pollachi 642001

Email: [drgayathri1975\[at\]gmail.com](mailto:drgayathri1975[at]gmail.com), [gayathrir\[at\]ngmc.org](mailto:gayathrir[at]ngmc.org)

**Abstract:** *Digitalisation has become a critical driver of transformation in contemporary business practices, influencing operational efficiency, customer engagement, and competitive advantage. While large enterprises have widely embraced digital technologies, the extent of digital adoption among small and medium enterprises and individual business owners varies significantly. This variation is largely influenced by socio-economic characteristics of business owners and the nature of their businesses. Presented study aims to examine the association between socio-economic factors of business owners- such as age, education, income, experience, and access to technological resources and the factors influencing digitalisation. The study contributes to a better understanding of digital adoption patterns and offers valuable implications for policymakers, researchers, and business stakeholders in designing targeted strategies and support mechanisms to promote inclusive and effective digitalisation across diverse business sectors.*

**Keywords:** digital adoption, small business growth, socio-economic factors, business technology use, digital transformation strategies

## 1. Introduction

In recent years, digitalisation has emerged as a transformative force in the business terrain, impacting the way enterprises operate, communicate with customers, and compete in the market. The rapid advancement of digital technologies such as online platforms, digital payments, cloud computing, and data analytics has significantly altered traditional business practices. Digitalisation is no longer limited to large corporations; it has become increasingly relevant for small and medium enterprises (SMEs) and individual business owners as well.

The relinquishment of digital technologies by business owners is influenced by several socio-economic factors, including age, education level, income, experience, and access to technological resources. These factors play a pivotal part in determining the readiness and ability of business owners to adopt and effectively use digital tools. Understanding the association between socio-economic characteristics of business owners and the factors impacting digitalisation is essential for formulating policies and support mechanisms that encourage digital inclusion.

Further, the nature of the business- such as type of industry, size of the enterprise, scale of operations, and customer base- also affects the extent and manner of digitalisation. Certain businesses may find digital technologies more suitable and beneficial compared to others, depending on their operational requirements and market dynamics. Examining the relationship between the nature of the business and digitalisation helps in identifying sector-specific challenges and opportunities.

Therefore, the present study focuses on analysing the association between the socio-economic factors of business owners and the factors influencing digitalisation, as well as examining the relationship between the nature of the business and digitalisation. The findings of this study are expected to provide valuable insights for policymakers, researchers, and business stakeholders to promote effective digital adoption

across different business segments.

## 2. Research Methodology

The study follows an empirical descriptive research designs by using primary data. The research design comprises of the sources of data, methods adopted to collect such data, sampling techniques, statistical tools for analysis, data interpretation etc. A questionnaire- cum interview schedule will be administered to all the owners of retail outlets. Secondary data will also be used to a limited extent, as the selected topic is of explanatory in nature.

The universe consists of all the organized retail outlets situated in the Tamil Nadu from which 400 business promoters from the tertiary sector such as retail, hospitality such as travel and pharmaceutical business in the entire Tamil Nadu were selected randomly from the 32 districts for the purpose of the study. The tertiary sector is a medley of sub-groups such as Trade, Hotels & Restaurants, Transport & Communication, Financing, Real Estates, Community, Social and Personal Services. By means of multi-stage and cluster sampling method firms from tertiary sector such as retail, hotel travel and health care business a total of 400 respondents were randomly selected from total population size

## 3. Review of Literature

The significance of the impact of digital technology on every business irrespective of its size, nature, location and type cannot be denied. The revolution witnessed through internet (which is one of the most outstanding means of digital technology) on every aspect of business, for example communication, customer relationship management, product development, supply chain management, brand management, buying and selling and customer service is a turning point on the evolution of new customer world (Hudson et al, 2012). Digital technologies have proven to be the most effective modes of business communication and it has a significant effect on the overall communication

process (Edelman and Heller 2015). These contemporary technologies have redesigned the marketing communication network with its excellent proficiencies, interactivity, personalization, traceability, accessibility, customer engagement and potential of handing varied and huge informational pedestals (Smith 2011). Digital devices include mobile phones, digital TV, digital outdoors functioning with both internet and mobile technology (Wertime and Fenwick 2011). In a nutshell digital communication is an assimilated, discrete, targeted and assessable communication with the customer by using digital technology. It helps marketer to acquire new customers and retain existing customers, along with fostering long term and productive business relationship with them (Ryan 2014 and Adobe 2015).

### Socio economic factors in shaping digitalized Business Objective

- 1) To study the association between the socio-economic factors of business owners and factor influencing digitalisation
- 2) To study the relationship between the nature of the business and digitalisation

**Table 1:** Influence of Age of Sole proprietor/ Managing partner of the Business and Factor influencing digitalisation

**H0** Age of Sole proprietor/ Managing partner of the Business and Factor influencing Digitalisation are independent

Chi-Square Tests			
	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	11.463 <sup>a</sup>	3	.009
Likelihood Ratio	12.242	3	.007
Linear-by-Linear Association	.299	1	.584
N of Valid Cases	400		
a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 1.60.			

Table 1 analysis the relationship between age of sole proprietor and managing partner and their factor influencing digitalization. Since the P value is less than the chosen significance level ( $p = 0.05$ ) null hypothesis is rejected and alternate hypothesis is accepted. Thus, age of sole proprietor/managing partner of business influence the digitalization. Hence there is significant relationship between age of sole proprietor/managing partner of business and factors influencing digitalization.

**Table 2:** Influence of the Location of the Business and Factor influencing digitalisation

**H0** Location of the Business and Factor influencing Digitalisation are independent

Chi-Square Tests			
	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	19.572 <sup>a</sup>	2	.000
Likelihood Ratio	20.230	2	.000
Linear-by-Linear Association	15.013	1	.000
N of Valid Cases	400		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.64.			

Table 2 analyses the relationship between location of the business and their factor influencing digitalization. Since the P value is less than the chosen significance level ( $p = 0.05$ ) null hypothesis is rejected and alternate hypothesis is accepted. Thus, Location of business influence the digitalization factors. Hence there is significant relationship between Location of the business and factors influencing the digitalization

**Table 3:** Influence of the mode of communication and Factor influencing digitalisation

**H0** Mode of communication and Factor influencing Digitalisation are independent

Chi-Square Tests			
	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	1.246 <sup>a</sup>	2	.536
Likelihood Ratio	1.272	2	.529
Linear-by-Linear Association	.237	1	.626
N of Valid Cases	400		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.00.

Table 3 analyses the relationship between mode of communication and factors influencing digitalization. Since the P value is more than the chosen significance level ( $p = 0.05$ ) null hypothesis is accepted and alternate hypothesis is rejected. Thus mode of communication does not influence the digitalization factors. Hence there is no significant relationship between mode of communication and factors influence digitalization.

**Table 4:** Influence of the nature of business and Factor influencing digitalisation

**H0** Nature of business and Factor influencing Digitalisation are independent

Chi-Square Tests			
	Value	df	Asymp. Sig. (2- sided)
Pearson Chi-Square	4.523 <sup>a</sup>	3	.210
Likelihood Ratio	4.525	3	.210
Linear-by-Linear Association	4.288	1	.038
N of Valid Cases	400		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 16.64.			

Table 5.4 presents the chi-Square results of the relationship between nature of business and factor influencing digitalization. Since the P value is more than the chosen significance level ( $p = 0.05$ ) null hypothesis is accepted and alternate hypothesis is rejected. Thus, nature of business such as travel business, hotel, retail and pharmaceutical business does not influence the digitalization factors. Hence there is no significant relationship between nature of the business and factors influence digitalization.

## 4. Conclusion

A steadily growing and exciting aspect of the Indian ecosystem has the potential to improve the supply of products and services that will become available as ICT penetration and access to technology by semi- urban and rural populations. Existing solutions need to be tailored for these groups and local language support being one of the

most significant requirements

The study concludes that the association between factors influencing digitalization and selected characteristics of business owners was examined, namely the age of the sole proprietor or managing partner, location of the business, mode of communication, and nature of business. The findings reveal that the age of the sole proprietor or managing partner has a significant influence on digitalization. Similarly, the location of the business significantly affects the factors influencing digitalization, indicating a meaningful relationship between business location and digital adoption. However, the mode of communication and the nature of business- such as travel, hotel, retail, and pharmaceutical sectors- do not have a significant influence on digitalization factors.

## References

- [1] **Christophe Degryse (2016)** Digitalisation of economy and its impact on labour market, Working Paper in SSRN Electronic Journal · February 2016.
- [2] **Everlin Piccinini et., al., (2015)**, Transforming Industrial Business: The Impact of Digital Transformation on Automotive Organizations, *International Conference on Information Systems 2015*.
- [3] **Harry Bouwman (2017)**, Impact of Digitalisation on Business Models,
- [4] *Emerald Publishing Limited*, Vol. 20 Issue: 2, pp.105-124.
- [5] **Jari. T. Salo (2011)**, Business relationship digitalization process: A conceptual framework, University of Oulu, Finland
- [6] **Jyoti Dashora (2017)** Digital India: Limitations and Opportunities, Vol-3 Issue-3 2017, IJARIE-ISSN (O)-2395-4396, PP176-183.
- [7] **Karamvir Sheokand, Neha Gupta (2017)**, Digital India Programme and impact of digitalisation on Indian economy, *Indian Journal of Economics and Development*, Vol 5 (5), May 2017, PP 256-273.
- [8] **Medina, Herrero, Etayo (2015)**, The impact of digitalization on the strategies of pay TV in Spain. *Revista Latina de Communication Social*, 70, pp. 252 to 269.
- [9] **Naved Hamid and Faizan Khalid (2016)**, Entrepreneurship and Innovation in the Digital Economy, *The Lahore Journal of Economics* 21: SE (September 2016): pp. 273–312.
- [10] **Peter Weill and Michael Vitale (2002)**, *IT Infrastructure for E-Business*, *MIS Quarterly Executive* Vol. 1 No. 1 / March 2002: pp 17-33.