

# Redefining MSME with CRM Practices

Dr. Suresh Chandra Bihari

IBS, Hyderabad, India

## Abstract

Globally Micro Small Medium Enterprises (MSMEs) are considered as the accelerator of economic growth & development for any nation. But with increasingly overlapping businesses, scarcity of resources and technological advancements these enterprises are facing cut throat competition and finding it difficult to establish themselves as credible supplier of quality product and services at national as well as international scenario. In India MSMEs produce more than 8000 products with 40% share in overall industrial output. Though SME's have improved a lot in technological front but still there is a strategic gap when it comes to growing profitable customers over the years. This gap can be fulfilled by Customer relationship management (CRM) by providing suitable platform to successfully identify, acquire and retain their clients. This article talks about the importance of CRM as a major tool to obtain definitive customer strategy in small scale industries. The paper presents a cause and effect study of the CRM failures and success stories and also provides several ways in which MSMEs can put CRM into action.

## Keywords

Micro Small Medium Enterprises (MSMEs), Customer relationship management (CRM), customer strategy in small scale industries

## I. Introduction

Micro Small and medium Enterprises (MSMEs) are one of the few sectors in the Indian economy that has a distinct global advantage in terms of cost and quality. The main objective of MSME is to give high impetus to domestic production with small startup capital investment requirement.. SME have not only successfully managed challenges posed by large organizations at market place, but have also have transformed in to large scale organizations.

MSMEs are in existence in almost all major sectors in India industry such as food Processing, Pharmaceuticals, Leather industry, Home science, Financial, Computer software, Textile & Garments etc. Despite constituting more than 80 % of the total number of industrial enterprises and supporting industrial development, MSMEs in India suffer from the problems of sub-optimal scale of operation, lack of appropriate manpower/skill sets, technological obsolescence, supply chain inefficiencies and fund shortages.

The easiest way for MSME to play larger role in international space is by embracing strategic advantage of adopting information technology driven supply chain management (SCM) and Customer Relationship management (CRM), While 80 % of SMEs are using SCM component of e-business, but it has given only compartmentalized support into business development as many of them have not implemented CRM. SCM helps in reducing inventory of raw material & finished goods and reduce supplier lead time. It leads to increase in operational efficiencies of the organizations.

Though MSMEs realize the importance of adoption of CRM technology, but they still have not started using at large scale and also are not developing them in-house. MSMEs have also

ignored the research and developing and of CRM technology . Currently less than 5% of the players effectively use CRM as a tool to manage their customers. With globalization penetrating deep into every arena, the competition for Indian MSME is also expected to increase manifold with major threat from the Chinese players.

This paper discusses core issue related to adoption of CRM and its expected benefits for Indian MSMEs. The research has come up with hidden factors which are creating hindrance for the application of CRM in these sectors.

## II. Indian MSME Sector –An Overview

In India, the MSMEs play a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country. It produces over 8,000 value-added products. Further, in recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

As per the Ministry of Micro, Small and Medium Enterprises, India, both manufacturing and service enterprises have been classified into Micro, small and medium categories depending on their investment on plant and machinery or equipments in following ways:

Table 1 : Fixed Cost is obviously higher than this ceiling.

CLASSIFICATION	Investment Ceiling for Plant, Machinery or Equipments*	
	Manufacturing Enterprise	Service Enterprise
Micro	Up to \$ 62,500	Up to \$ 25,000
Small	Between \$62,500- \$1.25 Million	Between \$25,000- \$ 0.5 Million
Medium	Between \$1.25 Million-\$2.5 Million	\$ 0.5 Million- \$ 1.25 Million

The above classification is based on the definition brought about by the MSME Development Act, 2nd October 2006. Reframing of these slabs was undertaken in order to broaden the sector (Table-2), make the impact of this sector more evident and allow more players to be benefited by the suitable policies of the government over the years. Indian Micro, Small and Medium Enterprises: Profile

Table 2 : Ministry of Micro, Small and Medium Enterprises, India, 2006 Report.

Key Factors	Old Definition	New Definition
No. Of MSMEs	12.8 Million	13 Million
Employment	31 Million	41 Million
Production at Current Prices	\$140 Billion	N.A
Share in GDP	6%	8-9%
Share in manufacturing Output	39%	45%
Share in Exports	33%	40%

Since 1948 Government has earmarked a special role for MSMEs in Indian economy. The Government always recognized this sector as a key tool to generate employment opportunities, bring out equitable distribution of the national income and facilitate effective utilization of human, capital and natural resources. The Micro, Small and Medium Enterprises Development organization [Earlier known as Small Industrial Development Organization (SIDO)] was set up in 1954 as an apex body for sustained and organized growth of this sector. Till 1991 several SME Corporations along with many MSME-Development institutes were established. The new policy for Small, Tiny and Village Enterprises of 1991 was framed by the government to help those players to cope up in the liberalization era. Moreover in order to induced more competitiveness to the sector the Small Industries Development Bank of India (SIDBI) came up with technological as well as financial assistance for MSMEs. In 1999, the Ministry of MSME came into being to provide focused attention towards the development and promotion of the sector.

The supportive measures by the government are in the form of reservation of items for manufacturing, National Manufacturing Competiveness Programme (NMCP), Integrated Infrastructural Development (IID) Scheme easy credit facilities through the Priority Sector Lending Programmes of the commercial banks and Credit Linked Capital Subsidy (CLCS) Scheme, Credit Guarantee Scheme, Performance and Credit Rating Scheme, Central excise exemption up to \$0.25 Million, reservation under Government Purchase Programme, Market development Assistance Scheme, MSME Cluster Development Scheme etc. But the sustainable growth the sectors depends on the dynamism the players show to the strategic drift in the market.

### III. Mapping the Success of CRM in Indian MSMEs

With the CRM market for SMEs projecting a growth rate of 21% per annum, there is tremendous scope for using CRM applications all over the sector. According to Business Standard (February 20008) "Oracle is expecting over 100 per cent growth in India for its CRM business on the back of increased technology awareness and need for cost-effective customer servicing."

MSMEs sector in India have started realizing the increasing importance of e-business are using updated technologies at a faster pace. But still MSMEs have not fully adopted or accepted the CRM tools. With business firms trying to become more and more customer centric, the statistics shows that less than 20% of global SMEs have CRM implementation. And about 5% of Indian SMEs have adopted CRM. The increasing failures of the CRM applications (nearly 75-80%) have made the firms skeptical about their success. Most of the times low motivation to adopt IT based CRM tools become the major issue leading to such less CRM enabled business practices.

### IV. The Cause and Effect Analysis

The Cause and effect study highlights the key factors which creates resistances for the acceptance of CRM applications amongst MSMEs and thereby hinder their export competitiveness. Product reservations, regulatory hassles-entry and exit barriers, insufficient finance, inflexible labor markets and infrastructural problems - like high power tariff, and insufficient export infrastructure are few of the basic problems, many of which are being addressed by the government. The

following table presents some cause and effects of low CRM adaptability amongst MSMEs:

Table 3 :

Cause and Effect Study	
Causal Factors	Effects
Lack of professionally managed top management	Resistance to change
Difficulties accessing easy capital	Expect fast ROI from any CRM investment
Product and service level complexity	Low level of standardization
Lack of technological know-how	Low motivation for IT enabled CRM
Improper training and poor employee management	High rate of CRM failures

### V. Literature Review

Analyzing a research paper "Micro Small and Medium Enterprises (MSME) and Economic Development of Odisha" by Dr Krupasindhu Pradhan And Shri Santosh Kumar Munda gives insights about how to evaluate the performance of MSME in changing situations and helps to identify constraints faced by MSME sector. The paper also recommends specific measures to improve these outcome by comparing MSME in Odisha with that of India. The major MSME sectors like handloom and handicraft are analyzed in detail. The plethora of industry as a whole is discussed, while the obstacles and impact of various cluster formations across odisha is highlighted.

The recommendations for MSMEs includes bringing out a cluster centric development plan, more focus on capacity building, employee training and exposure about other related product and processes, more promotional incentives from government side. The research paper has more focus on developing a more product oriented attitude than a customer oriented one.

Another paper "Strengthening SMEs To Make Export Competitive" by Dr. Bhagaban Das, Mr. Nikhil Chandra Shil And Mr. Alok Kumar Pramanik, focuses on the SWOT Analysis of the MSMEs. It elaborates scenarios of various countries that have successfully promoted the export competitiveness of their MSMEs. Several ways have been suggested for the MSMEs to gain access to external markets through exports, which include simplification of procedures, incentives for higher production, preferential treatments to SMEs in the market development fund, linking up SMEs with Transnational Companies or large domestic exporting firms; and formation of clusters and networks in order to reinforce their external competitiveness.

The paper has focus only on operational issues and possibilities, and gives more insights to government than the players themselves. The paper highlights the Change to be brought in the external environment and does not focus on the internal issues of MSMEs, which is more difficult to overcome.

Many other research studies or articles have only highlighted the external issues of MSMSs and project the government as the key determinant of the survival and success of MSMEs. The concept of strengthening these small players by making them more customers oriented has been less voiced. A primary research study has not been undertaken to find the key internal

determinants of success of MSMEs.

## VI. Objective Of The Study

- To analyze how MSMEs can adopt various Customer Relationship initiatives in their business activities and there by benefit from it.
- To determine the key factors determining the success of CRM applications amongst MSMEs.
- Suggest various ways in which these enterprises can put CRM in to action in their daily business activities.

## VII. Need and Scope of the Study

This research plays a very critical role in terms of managerial decision making in MSME sector. The research plays effective role in validating the excessive ad spends as well as understanding the impact that CRM has on the MSME players and highlight major issues and possibilities in the same field. A primary survey along with secondary data collection is essential understand the detailed intricacies of the scenario.

- The study further paves path to critically examine the various initiatives from the CRM provider's point of view to en-cash their most potential target customers.
- This research paper also provides scope to bring out a comparative analysis between MSME competitiveness in India and China.
- CRM applications need not be essentially IT enabled, so study can be carried out on various people management issues to attract, retain and maintain loyal customer base by MSMEs.

## VIII. Research Methodology

### A. Research Design

- First a study of the secondary data was done through internet, journals and newspapers etc.
- Based on data obtained a questionnaire is prepared and data were collected subsequently.
- Various marketing tools were applied to compiled data.
- Once the tools are applied the results were analyzed and recorded.

### B. Sampling Frame

The sampling frame is the population of IBS Hyderabad, Government and Private employees.

### C. Measurement Scales

he research was conducted through questionnaire which is of Likert Scale

### D. Research Tool

The research tools used in analysis of data are factor analysis and multiple regression analysis followed by descriptive analysis.

## IX. Quantitative Data Analysis

### A. Factor Analysis:

Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarization. In marketing research, there may be large number of variables, most of which are correlated and which must be reduced to a manageable level. Relationships among sets of many

interrelated variables are examined and represented in terms of a few underlying factors in factor analysis. Factor analysis has numerous applications in marketing research, like:

- It can be used in market segmentation for identifying the underlying variables on which to group the customers.
- In product research, factor analysis can be employed to determine the brand attributes that influence consumer choice.
- In pricing studies, it can be used to identify the characteristics of price sensitive consumers.

Table 4 : Bartlett's test of sphericity.

Statistics Associated with Factor Analysis	
Method of Factor Analysis	Principal component analysis
Details of Descriptive	Initial Solution
	Coefficients
	KMO & Bartlett's test of sphericity
	Anti Image
Details of Extraction	Correlation matrix
	Eigen values >1
	Scree Plot
Details of Rotation	Varimax and Rotated Solution
Details of Option	Exclude case list wise

Bartlett's test of sphericity is a test statistic used to examine the hypothesis that the variables are uncorrelated in the population. In other words, the population correlation matrix is an identity matrix; each variable correlation perfectly with itself ( $r=1$ ) but has no correlation with the other variable.

Bartlett's test of sphericity indicates whether your correlation matrix is an identity matrix, which would indicate that your variables are unrelated. The significance level gives the result of the test. Very small values (less than .05) indicate that there are probably significant relationships among your variables. A value higher than about .10 or so may indicate that your data are not suitable for factor analysis.

### B. Kaiser – Meyer – Olkin (KMO) measure of sampling adequacy:

The KMO measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1) indicate that factor analysis is appropriate. Values below 0.5 implies that factor analysis may not be appropriate.

### X. Data Collection

The research was conducted through questionnaire, using Likert Scale. The questionnaires also include a blend of close as well as open ended questions. Nearly 300 respondents were taken for the study.

### XI. Findings & Observation from the Study

The findings of the study are processed through SPSS Tool and the output is put under detailed analysis. The below mentioned outputs are to be elaborated and evaluated in details:

### 1. Communalities

Communality is the amount of variance a variable shares with all the other variables being considered. This is also the proportion of variance explained by common factors. In other words, Communalities indicate the amount of variance in each variable that is accounted for. Initial communalities are estimates of the variance in each variable accounted for by all components or factors. For principal components analysis, this is always equal to 1.0 (for correlation analyses) or the variance of the variable (for covariance analyses). For other extraction methods, these values are the proportion (for correlation analyses) or the amount (for covariance analyses) of variance accounted for in each variable by the rest of the variables. Extraction communalities are estimates of the variance in each variable accounted for by the factors (or components) in the factor solution. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis.

### 2. Eigen value

The eigen value represents the total variance explained by each factor.

### 3. Factor Loadings

Factor loadings are simple correlations between the variables and the factors.

### 4. Factor Loading Plot

A factor loading plot is a plot of the original variables using the factor loadings as coordinates.

### 5. Factor Matrix

A factor matrix contains the factor loadings of all the variables on all the factors extracted

### 6. Factor Scores

Factor scores are composite scores estimated for each respondent on the derived factors.

### 7. Percentage of Variance

This is the percentage of the total variance attributed to each factor.

### 8. Residuals

Residuals are the differences between the observed correlations, as given in the input correlation matrix, and the reproduced correlations, as estimated from the factor matrix.

### 9. Scree Plot

A scree plot is a plot of the eigen values against the number of factors in the order of extraction. It is used to help determine the optimal number of factors or components to retain in the solution. For a good factor analysis, this chart will look roughly like the intersection of two lines. Generally, the factors you want to keep are the ones on the steep slope. The ones on the shallow slope contribute relatively little to the solution, and can be excluded.

### 10. Total Variance

The table of total variance gives eigenvalues, variance explained, and cumulative variance explained for your factor solution. The first panel gives values based on initial eigenvalues. For the initial solution, there are as many components or factors as there are variables. The "Total" column gives the amount

of variance in the observed variables accounted for by each component or factor. The "% of Variance" column gives the percent of variance accounted for by each specific factor or component, relative to the total variance in all the variables. The "Cumulative %" column gives the percent of variance accounted for by all factors or components up to and including the current one. For instance the Cumulative % for the second factor is the sum of the % of Variance for the first and second factors. In a good factor analysis, there are a few factors that explain a lot of the variance and the rest of the factors explain relatively small amounts of variance. The Extraction Sums of Squared Loadings group gives information regarding the extracted factors or components. For principal components extraction, these values will be the same as those reported under Initial Eigenvalues. For other extraction methods, these values will generally be smaller than the initial values, due to errors in measurements.

### 11. Reproduced Correlations

The reproduced correlations table gives reproduced correlations (or covariance) and residuals for the factor analysis solution. This shows the predicted pattern of relationships if your factor analysis solution is assumed to be correct. If the solution is a good one, the reproduced correlations (or covariance) will be close to the observed values. Residuals show the difference between the predicted and observed values. For a good factor analysis solution, most of these values will be small.

### XII. Data Analysis

The questionnaire was checked for its reliability by doing pilot testing using 40 respondents. Reliability testing was done by using Cronbach's Coefficient Alpha. This checks for inter variable consistency. The widely accepted social science cut-off is that alpha should be .70 or higher for a set of items to be considered a scale. (G. David Garson).

Cronbach's alpha calculated using SPSS showed a value 0.915.

Since the obtained value is greater than 0.7 hence the questionnaire prepared is valid.

### 1. KAISER-MEYER-OLKIN (KMO) AND BARTLETT'S TEST

Again, to justify the use of Factor Analysis in this situation we go for Kaiser-Meyer-Olkin (K.M.O.) & Bartlett's test of sphericity.

Kaiser-Meyer-Olkin (K.M.O) test gives the measure of sampling adequacy. It is a statistic which indicates the proportion of variance in our variable which is the common variance, and since its value is .849 which is greater than 0.7 so the sample is adequate and factor analysis is justified.

Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix or not and since the significance value in our case is less than 0.05 so it is not an identity matrix and we can use factor analysis because it signifies that there is probable significant relationship among variables.

### 2. CORRELATION MATRIX

The correlation matrix gives the strength of association between any two variables. The diagonal elements are 1 because of maximum collinearity between the same variables.

The correlation matrix displayed below (Table-5), shows the association between variables, depending on which the factor identification is done.

Table 5 :

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16
Correl Q1	1.000	.453	.217	-.276	-.071	-.157	.459	-.159	-.300	.288	-.092	-.191	.634	.355	.580	.345
Q2	.453	1.000	-.090	-.236	.195	-.276	.171	-.292	-.127	.227	-.204	.139	.261	-.261	.270	.287
Q3	.217	-.090	1.000	.411	-.174	.396	.537	-.309	-.202	-.316	.177	-.278	.159	.259	.318	.146
Q4	-.276	-.236	.411	1.000	-.220	.551	.013	.055	.192	-.536	.012	-.152	.207	-.123	.032	-.312
Q5	-.071	.195	-.174	-.220	1.000	-.304	-.205	-.111	.218	.000	-.438	-.142	-.084	.000	.289	-.123
Q6	-.157	-.276	.396	.551	-.304	1.000	.137	.034	.111	-.079	-.354	.308	.084	-.340	.117	-.025
Q7	.459	.171	.537	.013	-.205	.137	1.000	.381	.211	.240	.326	.154	.107	-.197	.102	-.038
Q8	-.159	-.292	.309	.055	-.111	.034	.381	1.000	.546	-.195	-.327	.451	-.383	-.093	-.577	-.277
Q9	-.300	-.127	-.202	.192	.218	.111	.211	.546	1.000	-.102	-.071	.528	-.292	-.146	-.472	-.808
Q10	.288	.227	-.316	-.536	.000	-.079	.240	-.195	-.102	1.000	.051	.305	.298	-.261	.236	.359
Q11	-.092	-.204	.177	.012	-.436	-.354	.326	.327	-.071	.051	1.000	-.217	-.042	.073	-.359	.040
Q12	.191	-.139	-.278	-.152	-.142	.308	.154	.451	.528	.305	-.217	1.000	-.399	-.557	-.514	-.245
Q13	.634	.355	.159	.207	-.084	.084	.107	-.383	-.292	.298	-.042	.399	1.000	.321	.718	.253
Q14	.355	.261	.259	.123	.000	-.340	.197	-.093	-.146	-.261	.073	-.557	.321	1.000	.290	-.103
Q15	.580	.270	.318	.032	.289	.117	.102	-.577	.472	.236	-.359	.514	.718	.290	1.000	.346
Q16	.345	.287	.146	-.312	-.123	-.025	-.038	-.277	-.808	.359	.040	-.245	.253	-.103	.346	1.000

\*This matrix is not positive definite.

**3. Communalities**

Communalities table indicates two values “Initial” and “Extraction”. Initial value indicates the extent to which all the variables are involved in the factor analysis solution, a value of 1.00 indicates 100% involvement.

The Extraction column indicates the amount of variance that is explained by the extracted factors. So in our case the 12 extracted factors account for 80.1% of the variance of “Focus in business”.

Table 5 :

	Initial	Extraction
Q1	1.000	.801
Q2	1.000	.510
Q3	1.000	.958
Q4	1.000	.863
Q5	1.000	.796
Q6	1.000	.948
Q7	1.000	.884
Q8	1.000	.831
Q9	1.000	.957
Q10	1.000	.834
Q11	1.000	.866
Q12	1.000	.901
Q13	1.000	.853
Q14	1.000	.766
Q15	1.000	.894
Q16	1.000	.892

Extraction Method: Principal Component Analysis.

**4. Total Variance Explained**

In the Initial Eigen Value column, the “Total” column gives the Eigen values which is the variance explained by each factor. It is called the ‘Initial Eigen Value’ because the factor solution that we have obtained is not rotated and thus may not be optimum. For ex. if the Eigen Value is 4.100 then the factor corresponding to this Eigen value explains 4.100 variance. The percentage of variance shows the variance explained by each variable out of the variance explained by the entire variable. In this case 25.628% of the variance is explained by the first factor out of the total variance explained by all the variables.

The “Extraction Sum of Squared Loadings” gives the information

regarding the extracted factor or components. In our case it depicts that the first 5 factors explain 78.412% of the variance out of the total variance explained by all the factors. In the “Rotation sums of squared loadings” the percentage of variance explained gets approximately evenly distributed amongst the five factors as compared to the values previously in the “Initial Eigen values” table.

Table 7 :

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	4.100	25.628	25.628	4.100	25.628	25.628	2.373	10.913	10.913
2	2.684	16.906	42.534	2.684	16.906	42.534	2.323	14.521	25.434
3	2.150	13.437	55.971	2.150	13.437	55.971	2.288	14.367	41.444
4	1.894	11.855	67.826	1.894	11.855	67.826	2.277	14.232	55.676
5	1.756	10.969	78.795	1.756	10.969	78.795	1.964	12.369	68.045
6	1.516	9.512	88.307	1.019	6.312	84.721	1.791	10.959	79.004
7	.796	4.989	93.296						
8	.578	3.619	96.915						
9	.451	2.819	99.734						
10	.308	1.912	100.000						
11	.326	.943	99.968						
12	.326	.943	99.968						
13	.341	.259	99.913						
14	.314	.367	100.000						
15	4.980E-016	2.68E-015	100.000						
16	-9.2E-017	-5.77E-015	100.000						

Extraction Method: Principal Component Analysis.

**5. Scree Plot**

The scree plot shows that the first five components follow a steep slope and hence, the 16 variables can be reduced to five factors for further analysis.

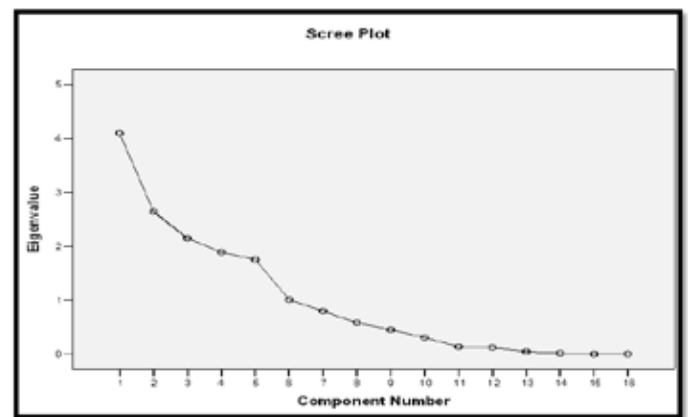


Fig. 1 :

**6. Component Matrix**

This table gives the factor loadings for each variable on the un-rotated components or factors, for ex 0.844 represent correlation between Long term CRM and the un-rotated factor 1. Likewise these correlations help us to formulate and interpretation of the factors or components. This is done by grouping those variables which have high correlation in one factor.

Table 8 :

	Component				
	1	2	3	4	5
Q15	.844				
Q1	.729				
Q2	.719				
Q8	-.711				
Q12		-.259			
Q3		.324			
Q6		-.158			
Q6			.185		
Q7			.116		
Q10			-.458		
Q16				.315	
Q13				.347	
Q9					.816
Q11					-.238
Q14					-.118
Q4					.418

Extraction Method: Principal Component Analysis.  
\*. 6 components extracted.

It is common to see items with large loading on several of the un-rotated factors, which can make interpretation difficult. Hence in such cases we go for a rotated solution.

Table 9 :

	Rotated Component Matrix <sup>a</sup>					
	1	2	3	4	5	6
Q13	.874	-.105	.181	-.189		-.104
Q1	.766	-.198	-.223		.351	
Q15	.731	-.378	.169	-.217		.376
Q2	.489		-.417			-.285
Q9	-.195	.910		.200	.100	.124
Q16	.185	-.903	-.136	.142		
Q6			.891	.354	.138	
Q4		.264	.811	-.348		-.124
Q12	-.234	.366		.826	.169	
Q14	.368	.131	-.162	-.760	.152	
Q10	.479	-.149	-.361	.699		-.127
Q7	.329	.142			.838	-.206
Q3		-.287	.470	-.355	.726	
Q8	-.469	.344		.111	.670	-.174
Q11	-.169		-.242	-.210	.226	-.826
Q5		.127	-.309	-.146		.809

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
<sup>a</sup>. Rotation converged in 10 iterations.

Based on the result of the Rotated Component Matrix the grouping of the factor is done. The factor naming was done such that all the variables with account for the highest loading for a particular factor are reflected in the name of that factor. The five major factors identified after grouping of all the 16 variables are:

- Degree of customer focus
- Technological acumen
- Organizational Culture
- Globalization
- Profitability Concerns

All these five factors are the major influencing issues which determine the effective implementation and success of Customer Relationship Management Practices in Indian MSME sector.

**7. Factors Identified**

Fig. 2 :

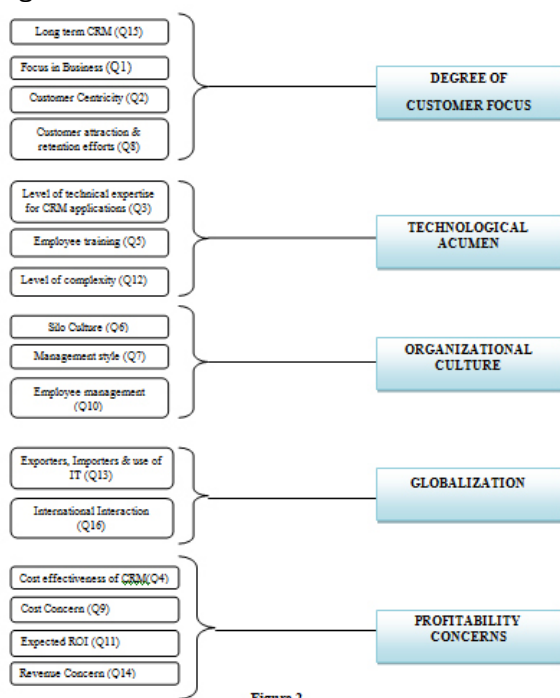


Figure-2

**IV. Conclusion- “Redefining MSME with CRM Practices”**

With increasing awareness among MSMEs about the availability and application of CRM tools, the sector projects a huge potential to all CRM developers. Thus developers have started focusing on this market and Easy track CRM, Gold mine CRM, Lotus notes, Saas, Pivotal, Sage, Sibel, ASP, are some of good software used by MSMEs across the world. National Australia Bank represents a good example of implementing CRM strategy for over ten year and has won numerous awards.

The Sage Group, an UK-based CRM application provider has recently started offering Indian farmers up-to-date, local and customized commodity pricing information, news and weather updates through SMS-based subscription. Another CRM solution provider, Milagrow, a champion of micro, small and medium enterprises (MSMEs), has launched a portal IT4SMEs. in, India's first dedicated Information Technology (IT) initiative aimed at providing affordable and effective IT Solutions for small and growing businesses.

Moreover MSMEs like handicraft, handloom, agro-based sectors etc. are also increasingly streamlining their business processes in responses to globalization and increasing profitability concerns due to unavoidable pressure on their profit margins. Still few internal factors like the silo-culture at organizations and poor technical expertise to operate high end CRM applications stand as major hindrances, which should be taken care. Involvement of third-party CRM service providers has helped MSMEs to understand the financial as well as operational aspects transparently. Thus CRM initiatives are definite to create a win-win situation in near future for Indian MSMEs, international exporters and importers and the application providers.

**V. Limitations of the Study**

- In case of respondents for the study, it restricts its scope only to corporate clients of MSMEs, bankers, government officials and students who have an exposure of the sectors.
- As the data is collected through questionnaires; thus the observations are susceptible to the in-built limitations of this mode of data collection.
- The paper has its focus only on CRM initiative, their applications and proposed outcomes for the MSME firms, while there are other modes to overcome the prevailing issues in the sector.

**References**

- [1] Jill Dyche' (2008), The CRM Handbook: A Business Guide to Customer Relationship Management, Addison Wesley Information Technologies Series
- [2] Bryan Bergeron(2006), First edition, Essentials of CRM:A Guide to Customer Relationship Management, John Wiley Publications
- [3] John G. Freeland (2002), first edition, Ultimate CRM Handbook, McGraw-Hill, New York
- [4] Michael E. Porter (1998), Competitive Advantages, Free Press London Mc Millan
- [5] Margi Levy, Philip Powell (2005), First Edition, Strategies for Growth in SMEs: The Role of Information and Information Sytems, Elsevier Butterworth-Heinemann Publications
- [6] Morris, S.; R. Basant; K. Das; K. Ramachandran; A. Koshy (2001), The Growth and Transformation of Small Firms in

India. New Delhi: Oxford University Press.

- [7] [Online] Available : [http://www.msmentor.in/MSME\\_Sector\\_India.asp](http://www.msmentor.in/MSME_Sector_India.asp)
- [8] [Online] Available : <http://www.milagrow.in/about/media/news/msme-sector-second-largest-contributor-india%E2%80%99s-gdp>
- [9] [Online] Available : <http://www.ciol.com/smb/smb-featured-articles/feature/crm-reaching-new-avenues-in-india/18110130173/0/>
- [10] [Online] Available : <http://smetimes.tradeindia.com/smetimes/news/industry/2010/Jul/03/nations-first-dedicated-it-initiative-for-smes-launched61696.html>
- [11] [Online] Available : <http://www.thehindubusinessline.com/2010/08/26/stories/2010082652410700.html>

**Annexure**

**Questionnaire**

Dear respondent,

We shall be thankful to you if you can spend a few minutes in filling up the following questionnaire. Please be assured that your answer will be kept confidential and will be used for academic purpose only. The following questionnaire has been prepared in an attempt to measure the effectiveness of CRM initiatives in case of Micro, Small and Medium Enterprises (MSMEs).

Name: \_\_\_\_\_ Age: \_\_\_\_\_

Gender: F / M

1. Name three MSMEs which you have recently come across or you are associated which has undertaken minimum level of CRM initiatives to boost its revenue:

- a) \_\_\_\_\_ b) \_\_\_\_\_
- c) \_\_\_\_\_

2. What factors do you think determine the export competitiveness of the players in MSMEs in today's scenario?

- a) Product and Service Quality
- b) Speed and accuracy of the delivery
- c) Relationship management with clients
- d) Technological know-how
- e) others

3. Kindly answer the following questions based on your experience and/or exposure to MSMEs:

	Strongly Disagree	Disagree	Agree	Strongly Agree
CRM applications increases focus in business				
CRM helps an organization to move from product centricity to customer centricity.				
CRM applications need deep technical expertise to operate				
MSMEs don't find CRM application cost effective				

Lack of training to employees causes CRM failure				
Most of the MSMEs prefer to run their business in Traditional manner.				
Resistance for CRM use in MSMEs is more in top management than lower levels.				
Few MSMEs have such unique product/ service offering that, they don't need CRM to attract and retain customers.				
Many of the top MSMEs still see CRM as costly affair to undertake.				
Many MSMEs have poor employee management.				
Mostly MSMEs expect fast ROI from any CRM implementation.				
CRM applications increase product & process complexity for MSMEs				
Exporters and Importers outside India value a MSME more if it has IT enabled CRM applications.				

4. Please answer the following:

	Yes	No	Cant Say
Do you think MSMEs are in favor of investing money, for using CRM in order to increase their total revenue?			
Does CRM applications in the MSMEs sector helps in building long term relationship with their customers.			
Do you think, a presence of CRM applications will smoothen the business process and prompt international players to interact easily with the MSMEs?			