

# Empowering People



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A company that has had a presence in the finance industry for more than four decades, Kanrich has gone through many challenging phases to claim its current success. Led by a dynamic team of experts, the company projects itself as a people oriented entity where employees and customers are empowered. Shiran Weerasinghe, Director/CEO of the company shares his thoughts on the progress of the company since 2011 and how micro finance was the turning point for Kanrich.

By Krishani Peiris | Photography Isuru Upeksha

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## **Kanrich Finance was incorporated in 1971. What does 'Kanrich' stand for?**

In 1971, the company was incorporated as Mutual Investment and Finance, which then was acquired by the Janashakthi Group, during the latter part of the 1980s. They renamed the company as Janashakthi Finance. Thereafter an internal restructuring resulted in the name changing to Next Finance in 2010. Mutual Holdings, our parent company, acquired Next Finance in 2010 and rebranded it as Kanrich Finance.

Kanrich is in fact a Sinhala name. Kan means a collective. For example in Sinhala we say Kesel Kan, meaning a cluster of bananas. Rich stands for ruchiya or consent. As such, Kanrich combines to form collective consent, samuhika kamaththa, which is exactly what we wanted the company to project. We had a dream, where we wanted the company to be a people and staff oriented organisation and now we have achieved this. Kanrich is run by not only one or two people, as we take everyone's concerns and ideas into consideration.

### **Can you talk about the journey of the company so far?**

In 2010, Kanrich, then Next Finance, was operating with a mere 890 million rupee asset base and was doing very little in terms of lending. The company, which was restricted to Colombo with a staff of about 40 was making continuous loses. Soon after our acquisition, we set out to restructure the company and initiated several 'strategic business units'. We incorporated about seven such units, covering the country.

We also came into the company when the industry was facing a crisis, and the general public was scared to trust finance companies. The staff was struggling, not only in Kanrich, but in other financial institutions as well, with issues related to depositors.

To counter these problems, we created a transparent environment where depositors as well as the staff knew how we invest and where we invest. Though we set the directions of the investment, the operational staff is the ones who implement the process.

Further, in 2011 we were looking for more options to turnaround the company that was loss making and had liquidity issues. At this point, we came up with the 'micro concept'. We used the micro finance product as a bridge or a pathway to gap the many complications that the company had and it worked well. Also, another significant aspect is that we were and still are constantly on the lookout to recruit skilled professionals who positively contribute to the growth of the company.

**"I Believe That We Were Fortunate Enough To Penetrate The Micro Finance Segment Before Other Institutions Did. In Recent Times, People Are Naming Micro Finance As The 'Blue Ocean,' But We Have Been Part Of This Fraction Since 2011..."**

Since the year 2011, the company has grown substantially. Today we have a staff of about 1,300 employees, a significant development from the initial 40 we had. We are also serving about 250,000 families all over the country under the micro finance product. These people cannot obtain services from large financial institutions such as banks, since they cannot provide documentation as collateral. And most importantly, compared to the NPL (non performing loans) ratio of hire purchase leasing-mainly obtained by the people living in urban areas, the NPL of micro credit borrowers is very low. The NPL of hire purchase is about five or six percent whereas the micro lending is about two to 2.5 percent. I believe that we were fortunate enough to penetrate the micro finance segment before other institutions did. In recent times, experts are naming micro finance as the 'Blue Ocean,' but we have been part of this fraction since 2011 and this has contributed much to our success.

Even if you look at our recent financials, the company moved from a five billion rupee asset base to a 11.5 billion rupee asset base in the last financial year. Our profit increased from 14 million to 487 million rupees and this growth cannot only be measured in percentage.

As such, we had a very good growth, if you compare with other finance companies. We had the highest growth in asset base, profitability, staff numbers and lending. Taking all these factors into consideration, Global Financial Review based in London honoured us with the award for the 'Fastest Growing Finance Company' for 2014. At the same time they recognised us as the 'Best Micro Finance Provider' for the same year.

### **What are the other unique services and products on offer besides the micro finance products?**

As we have already touched the lives of 250,000 families through micro finance, it was time to move forward. In respect to that we have already started to move into the SME sector. In this segment, we cater to small and medium term entrepreneurs and at times even go to the higher-end of the spectrum. We have loans and products such as the Velanda Varama targeting small scale entrepreneurs. For example, many small-time merchants and business people in Homagama, Piliyandala and Moratuwa areas, have obtained their financial requirements through Kanrich Finance.

We have another product named Business Loans, where we support the medium

and large scale enterprises. At times even the blue chip companies avail themselves of this facility to satisfy their short-term financial requirements. These products are available, in addition to hire purchase and leasing facilities. Apart from these products and services, we are planning on offering pawning and factoring in the future, and currently we are in the real estate sector as well. Though we have plans to expand our reach in the 'real-estate' sector by going into construction, housing and apartments, we are looking at establishing ourselves in subdividing first.

The funding for Kanrich comes from the public. However, the company does not intend to rely solely on public deposits and is shifting our focus into institutional borrowing. This is a strategy that we have articulated in our corporate plan where we intend to move through institutional and bank borrowings.

**The finance industry has become more competitive in the past few years. How has the company fared in this situation?**

In any business, you face challenges. When it comes to Kanrich Finance we have followed the following strategies; Enhancement of customer relationships, Introduction of cost cutting procedures, Enrichment of technology to meet industry requirements, Penetrating niche markets and Improving the staff performance by in-house and external training programmes.

We also focus on empowering people, especially our employees, so that they have a clear understanding regarding their lives with us and also their future. Therefore, I believe that we do not have many challenges, as far as maintaining the culture of Kanrich is concerned.

**Technology plays a key role in any industry. Can you elaborate how Kanrich utilises technology to better serve their customer base?**

The technology that we use are on par with the industry requirements. Recently we started SLIP transfers, and I believe that we are among one of the very first companies to use this facility. We don't issue cheques, but transfer the money to the customer's account straightaway. And then another service we implemented is the branchless banking concept. We introduced POS machines where we provide services at the client's doorstep in all financial transactions, which are updated immediately at the main office. This is one of the latest technological facilities that we are offering in collaboration with the Access group. At the same

time, we are taking steps to have an intranet environment for our employees to share their knowledge, experience and communicate in order to facilitate a learning culture.

In the future we are looking at opening an online portal for transaction as well. Basically, we want to provide people with convenience of communicating and carrying out their transactions directly with the company, online.

### **Can you also explain about your risk management?**

We have been in the industry for a long period and we knew about the credit risks and accordingly drew up a basic plan. Especially when it came to micro finance we analysed the situation thoroughly and discovered that people repay the credit borrowed and the NPL is low. By moving into micro finance we addressed three risks. First is the interest rate risk, which we covered with the margin. Secondly the credit risk was addressed by monitoring the product as these are small-ticket loans, and even if there are losses, it is highly unlikely that the company would incur any significant loss. Thirdly, micro financing is a short term facility given for one year period, where you have weekly collections. This addresses the maturity liability. You hardly see a positive maturity risk in finance companies or even banks, but we have tackled this issue.

However, a company should not limit itself to one product, but have a basket of products. We strive to keep positive ratios for all our products, along with a positive maturity risk. In time to come, when we start pawning, we will be conservative in lending, bearing in mind the fluctuations in global gold prices. Rather than giving a large amount, we will give a good rate, keeping the risk at a low level. We are trying to avoid what happened about a year ago where gold prices were very high and people were given large pawning amounts.

We have a qualified Board of Directors and governors who are very capable of addressing any risk issue that might come up. From my side, I'm in charge of the business and they are handling the risks, compliance and procedures. There is a good balance in the company.

### **In the past few years Kanrich has been expanding their network considerably. What is the reason behind this expansion and how has this affected the growth of the company?**

We expanded based on the requirements in micro financing. Wherever we saw a

potential market or the requirement for micro finance, we established ourselves in that region. We are not targeting to have an 'x' number of branches per year, but look at the requirement of the market, see an opportunity and move in. Currently we have 44 branches with the micro finance centres. We are planning to upgrade most of these centres to service centres and thereafter further upgrade them to fully fledged branches.

We are not planning on proceeding to the North, but will focus on consolidating our presence in where we are right now.

**The staff is an integral part of any company's operations. Can you elaborate on this aspect?**

We have a few layers in management and up to the branch manager level we involve employees in the decision making. We have monthly managers' meetings. And most of the time I prefer spending time with my employees rather than sitting in my office going through accounts or checking procedures.

Some may say that as a company we should worry more about our clients, however, at Kanrich we worry more about our employees. We understand that if we look after our employees well, they will in turn look after the business and customers. That is our motive and the main reason for our success during the last three to four years. The employees, not only the CEO and directors, handle the business where they are actively involved in making decisions. We only give the directions and the necessary guidance. Employees concentrate on achieving targets and they enjoy those achievements, while growing with the company. All employees are well aware of their position, future and how the company progresses. If a company has such an environment that is transparent and clear, then I believe you would not face many struggles.

**Focusing on the triple bottom line, social, environmental and financial aspects have become a key focus with many companies. How does Kanrich Finance manage this?**

We have maintained a good balance when it comes to the triple bottom line, since the beginning. Though our investors are from the urban communities, we lend our money and invest in the rural communities. We do not just act as a lender, but look into what they need as well. Wherever we see, if there is a need that no one else would attend to, we would go there. Every month we spend on a number of

CSR activities without limiting our budget. Besides getting involved in building and renovating religious places, providing free clinics, spectacles and medical check ups, we conduct seminars in the rural sector to educate small term entrepreneurs. We obtain the aid of experts to provide advice to uplift their lives and improve businesses.

Also if a member of our staff is in trouble we lend a helping hand and we do not have limits.

### **Future plans of the company?**

The company is currently on a growth phase. And we plan on working to improve our figures. We rank among the top finance companies in the business in terms of our growth and profitability. Fundamentally we want to maintain the momentum and growth that we have now.

As of now we are known as a leading micro finance company, but we want to obtain a similar position in hire purchase, leasing, business loans and in time to come in real estate as well. We want to have figures and implement procedures that are very similar to a good bank. Though we cannot plan to be a bank, we want all features of a bank such as transactions, figures, procedures, risk area and analysis. That is the future we are aiming at. I want to highlight that the main driving force of the company is its people and that is why I say that we don't see any challenges ahead. We don't have just one or two people, but 1,400 that will stand strong against any challenge.

### **Finally, can you tell us about yourself?**

I'm a Chartered Accountant and an Accountancy Graduate from the University of Sri Jayewardenepura. I did my training at Ernst and Young and after completing my basic accountancy, moved into the finance industry where I have remained for the past 15 years.

