FINANCIAL DETERMINANTS OF THE ADOPTION OF BANCASSURANCE BY COMMERCIAL BANKS IN KENYA: CASE STUDY OF TEIR ONE COMMERCIAL BANKS IN NAIROBI CENTRAL BUSINESS DISTRICT

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International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 27th February 2020

Published: 19th March 2020

Full Length Research

Available Online at: http://www.iajournals.org/articles/iajef_v3_i5_140_165.pdf

Citation: Hussein, A. K., Namiinda, B. & Murithi, M. (2020). Financial determinants of the adoption of bancassurance by commercial banks in Kenya: Case study of tier one commercial banks in Nairobi Central Business District. *International Academic Journal of Economics and Finance*, *3*(5), 140-165

ABSTRACT

The purpose of the study is to analyze the financial determinants of the adoption of banc assurance by commercial banks in Kenya. This study specifically looks at the 8 tier one banks in Nairobi's Central Business District. The specific objectives of the study are as follows: To establish the effect of bank profit on the adoption of bancassurance by commercial banks in Kenya, the influence of bank credit risk on the adoption of bancassurance by commercial banks in Kenya, the effect of bank product diversity on the adoption of banc assurance by commercial banks in Kenya and finally the effect of the cost of the insurance contract on the adoption of bancassurance by commercial banks in Kenya. The study is based on the Financial Intermediation theory, the Modern Portfolio Theory and Diffusion of Innovation Theory. This study used the descriptive survey research design. The target population is made up of 77 Business Development Officers and 64 Operations Officers who are under the bancassurance department in 8 Tier 1 commercial banks in Nairobi's Central Business District. The study has used census method where by all the 141 respondents are given the questionnaire. The study has used both primary and secondary data. Primary data has been collected using questionnaires while secondary data has been obtained from organizations' published reports, documentaries, and newsletters, all available in both printed and softcopies. Data analysis has been done with the help of SPSS version 25.0. The study has found out that the bank credit risk is the highest determinant of the adoption of bancassurance by commercial banks in Kenya. An R value of 0.803 indicates that the relationship between the dependent and independent variables is statistically significant. The R squared value of 0.6404 also show that studied factors account for 64% percent of the dependent variable. The study recommends that banks enhance their adoption of bancassurance by ploughing back their profits on financial innovation. This will ensure that customers enjoy fairly priced innovative bancassuarance product. This will not only boost the income of the bank but also boost the customer loyalty. There is need for a committed top management that facilitates the adoption and implementation of Banc assurance as there are significant organizational changes required to adopt the Banc assurance business hence top management must be actively and consistently involved throughout the adoption and implementation process. An important influence on the adoption and implementation of the Banc assurance business is the tight integration of the sales force into the branch network so as to effectively sell a broad range of products hence banks need to invest in training in banking, insurance and investment product knowledge so as to enhance the sales process. Given the increasing complexity of the product lines and the sales process, integrated information support systems must be developed to provide an effective customer experience. This means building appropriate customer databases and integrating information and transaction processing systems to provide customers with a seamless experience regardless of which products or services are being provided.

Key Words: *bancassurance, commercial banks, Nairobi Central Business District, Kenya*

INTRODUCTION

Banc assurance is a structure in which a bank enters into an agreement with insurance companies to sell their products and services and in return earn a commission out of the sales based on the terms of agreement (Shah and Salim, 2016). The bank can focus on both their existing client database as well as other potential clients. Bancassurance has helped commercial banks expand their product and services, offered to their customers, improve on their satisfaction as well as retain most of the clients (Elpash, 2015). According to Barua (2015), Banc-assurance is a single integrated organization, whereby the insurance company uses the bank sales channel to sell insurance products, an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client base. Bank staff and tellers, rather than an insurance salesperson, become the point of sale and point of contact for the customer.

The concept of Bancassurance was initially coined in Britain in 1965 with Barclays Life, a subsidiary of Barclays, which was later dropped with no much success. It was later to be revived in Spain and France. According to Berang'ere et al., (2005), in the 1970's the ACM (Assurances du Credit Mutuel), in a bid to eliminate the involvement of middlemen in loan protection insurance in France, through provision of the same, rejuvenated the concept of Bancassurance. This was later followed by Spain in the 1980‟swhen the Banco De Bilbao Group acquired a majority stake in Euroseguros SA (originally la vasca aseguradora SA). At that time, their control was purely financial as the legal framework prohibited banks from selling insurance. This barrier was finally lifted in 1991. Belgium followed in 1989.European and Asian countries took much longer to adopt this strategy with its first signs in Asia being noted in Korea in 2003(Focus, 2005). Chen et al., (2009) noted that developing countries such as Asian countries took much longer due to the lack of establishment of Regulatory Frameworks and guidelines in the Financial Industry. According to Karunagaran (2006), Bancassurance has become widely adopted across the world from then on with Banks setting up Subsidiaries or going into Joint Ventures to facilitate this service.

Bank staff are advised and supported by the insurance company through product information, marketing campaigns and sales training (Barua, 2015). The bank and the insurance company share the commission. Insurance policies are processed and administered by the insurance company. This can help the consumer in some certain situations; for example, when a bank requires life insurance for those receiving a mortgage loan, the consumer could purchase the insurance directly from the bank (Barua, 2015). Banc assurance as bank strategy to venturing into other areas of business and diversification has positive impact to its profitability. Providing a variety of financial services to the same customer base enhances customer royalty. This could have positive impact on the long-term earning of the bank. By being a one stop-shop financial solution, a commercial bank seizes the opportunity to grow in importance, also banc assurance provides additional income to the bank known as fee income (Jongenee, 2016).

Bancassurance had roots in France in the 1980s, and spread across different parts of Continental Europe where it holds one third of the total market share since, it has spread its wings in Asia in particular, in India (Kumar, 2015). Bancassurance has been a successful model in European countries contributing 35% of premium income in the European life insurance market. It contributes over 65% of the life insurance premium income in Spain, 60% in France, 50% in Belgium and Italy (Nurullah, 2016). Many of the Europe bancassurance markets such as France, Italy and Spain have reached maturity. Whilst declining interest rates and reductions in social spending which boosts demand for private insurance that can be met by bancassurance ventures are still likely to yield growth in these markets, it is forecast to be minimal (Cummins et al., 2016).

There is a relatively high penetration of bancassurance in most of Latin American states, with countries such as Brazil and Mexico benefitting from a favorable regulatory landscape and the presence of large foreign players who have successfully captured large client bases by partnering with banks. In Asia, however, bancassurance is gaining in popularity, particularly in China, where restrictions have been eased (Bhat and Dixit, 2015). Bancassurance is quickly gaining popularity in Africa as both banks and insurers recognize the need for partnerships in an increasingly competitive market. Strong economic growth, rapid development of the banking and insurance sectors and an increasingly beneficial regulatory environment have all contributed a positive outlook for bancassurance in sub-Saharan Africa (Finaccord, 2017).

Banks in ten African countries in sub-Saharan Africa, namely Angola, Côte d'Ivoire, Ghana, Kenya, Mozambique, Nigeria, South Africa, Tanzania, Uganda and Zambia, are well-positioned to grow as an insurance distribution channel from the rapid increase in the value of the insurance markets. The South African bancassurance market is by far the most sophisticated and mature in the region, other countries such as Côte d'Ivoire, Kenya and Mozambique are beginning to follow suit (Finaccord, 2017). According to Finaccord (2017), regulatory authorities in the region have begun to acknowledge the potential value of bancassurance for the further development and diversification of the financial services industry. As a result, banks already a growing distribution channel for selling insurance and are set to become even more prominent in future. A key factor driving the development of bancassurance in the region is the presence of international and regional banking and insurance groups (often originating from South Africa) that have begun to use their experience in this field in sub-Saharan Africa (Finaccord, 2017).

Kenya’s insurance market is potentially worth over 2 billion dollars, but only a fraction of this is realized, largely due to lack of awareness as well as other cultural and technological reasons. While bancassurance might initially have been seen to be taking away business from traditional intermediaries, in the long term it has expanded the market and created enough business for resilient intermediaries (Ombonya, 2016). Insurance uptake in Kenya has reduced marginally which the regulator of insurance has credited to poor knowledge of the products. insurance penetration in Kenya stands at 3.4% ranking it the 4th highest in Africa after Mauritius (6%), Namibia (7.2%) and South Africa (14.1%). However, in the wider East African region, Kenya accounts for 70 per cent of all insurance products bought. Insurance in Kenya is mainly sourced through agents, brokers or directly by insurance companies with agents taking the lead by 46.3 percent (AKI, 2018).

The Kenyan Parliament passed the amendments to the Financial Institutions Act 2015 in January 2015, paving the way for the introduction of Islamic banking and bancassurance, agency banking and inclusion of anti-money laundering clauses. More than 26 banks and 47 insurance companies have adopted bancassurance model including Equity Bank, Diamond Trust Bank, Faulu Bank among others (AKI, 2018). The banks which have adopted bancassurance in Kenya have creation of subsidiaries or departments to drive the uptake this innovation. Conversely, to exploit their strong customer base, the banks have created counters within their halls where they cross-sell insurance products besides other banking products to their customers who are devoid of such essential plans or are willing to set up their own insurance plans.

Bank assurance has enabled commercial banks in Kenya to expand their product and services being offered to their customers, improved customer satisfaction and in turn achieved higher rates of customer retention. The emergence of bank assurance has led to the need for the banking sector to train its staff because a high degree of pro-active marketing and technical skill is required in selling the insurance products (Insurance Regulatory Authority, 2017). In Kenya Bancassurance is regulated by the Insurance Regulatory Authority (IRA). According to Kirui (2015), the Banking Act in Kenya does not expressly provide for banking to undertake the role of providing Insurance services and products. It does not mention any synergies or innovation that would bring the practice of Bancassurance within its purview. Through its circular dated 03/2017, it provided guidelines for Bancassurance in Kenya. It regulates certain areas such as establishment of an insurance agency, the products to be offered through Bancassurance, guidelines on agreement between the Insurance agency and the insurer, Annual Reports of the Insurance agent, Audited Reports of the Insurance agent, Inducement and Compellation and disqualification (Insurance Regulatory Authority, 2017).

STATEMENT OF THE PROBLEM

Globally, the distribution of insurance products through a bank's distribution channel brings diversification advantages by generating non-interest related income. Both insurers and banks are financial intermediaries that pool savings of individuals to channel these funds to the capital markets (Alavudeen and Rosa 2016). Banks have been partnering with insurers to sell insurance products since the regulator first made provision for bancassurance in 2004. The practice is generally carried out according to one of three models: insurance companies using their own staff to sell products in bank branches; banks using their own employees to sell insurance, usually from a dedicated desk within the branch; and banks joining with brokers to sell insurance and service existing contracts on a profit-sharing basis (Mbugua, 2017). While the channel remains relatively underdeveloped, the potential benefits for financial institutions seeking to grow their non-funded incomes, as well as insurance companies attempting to broaden their customer base, suggest bancassurance will play an important role in the industry's future growth (Ombonya, 2018). A combination of low insurance penetration and high bank penetration presents significant growth potential for bancassurance ventures, facilitating their easy distribution of insurance products to large customer segments that are not covered by traditional distribution channels. By entering insurance and expanding non-interest-income, banks can diversify some of their net interest rate margin risk without sacrificing profitability (Mwaniki, 2017). Financial Institutions have for long been fighting with decreased interest margins due to increased competition, deregulation of the Financial Sector, globalization and technology changes. Interest income is the major source of incomes for the bank. This income arises due to the differentials in the borrowing and lending rate of the bank. However, the prevailing market conditions have made income generation through interest income more stringent due to the substantial rise in the cost of borrowing funds and increased competitiveness in lending to provide useful interest income (Kumar, 2006). Among the most notable transformations prevailing in the financial services' industry has been the emergence and growth of bancassurance in a bid to remain competitive and profitable. The banking sector in Kenya has undergone financial innovations over the years to meet the growing changes in customer tastes and preferences, changes in the market structure, changes in regulation and the need to survive in an ever dynamic and changing competitive business environment (Kiragu, 2014). As a result, product, process and institutional innovations have emerged. Process innovations include advanced technologies, efficiency in operations as well as faster ways of money transfer. Institutional and product innovations include the advance of internet banking, mobile banking, and the setting up of CRB bureaus and bancassurance (Ocharo & Muturi, 2016). Mwiti (2016) did carry out a study on the Effect of Bancassurance on Financial Performance of Commercial Banks in Kenya. Mwangi (2010) carried out a study on the causes of development of bancassurance in Kenya and Association of Kenya Insurance (AKI) (2017) carried out a study on the probable distribution networks for insurance business and found great potential in bancassurance, web, worksite marketing, telephone marketing, partnering with non-governmental organizations. This study will hence analyze financial determinants of the adoption of bancassurance by commercial banks in Kenya.

THE PURPOSE OF THE STUDY

The purpose of the study will be to analyze financial determinants of the adoption of bancassurance by commercial banks in Kenya.

SPECIFIC OBJECTIVES

1. To establish the effect of bank profitability on the adoption of bancassurance by commercial banks in Kenya.
2. To examine the effect of bank credit risk on the adoption of bancassurance by commercial banks in Kenya.
3. To determine the effect of bank product diversity on the adoption of bancassurance by commercial banks in Kenya.
4. To determine the effect of insurance contract cost on the adoption of bancassurance by commercial banks in Kenya.

THEORETICAL FRAMEWORK

Theory of Financial Intermediation

Financial intermediation is the transfer of funds from agencies that have a surplus to agencies that have a deficit through Financial Intermediaries (Alexandru & Marius, 2009). The Theory behind Financial Intermediation arose from three different approaches namely; the theory of informational asymmetry, transactional cost theory and the theory of monetary regulation (Bert & Dick, 2016). The theory of Informational asymmetry was developed by Gurley & Shaw, (1960) and emphasized that intermediaries came about because of informational asymmetry leading to high transactional costs. The need to reduce the effects of imperfect markets gave rise to financial intermediaries as they were seen to eliminate or partially reduce some specific forms of transactional costs through pooling of resources of individual customers leading to scale economies (Alexandru et al., 2009).

According to the theory, banks obtain deposits from their customers who place their savings with them and then lend these funds to borrowers. This process transforms capital and increases the social value of capital. This is done ensuring that these funds are engaged in the most efficient use. According to this theory, the functions of banks include capital transformation and serve as intermediaries between savers and borrowers (Bert & Dick, 2016). The theory of Transaction cost, developed by Benston & Smith, (1976), emphasized on the impact of transactional technologies that were brought about by financial intermediation (Bert and Dick, 2016). Intermediaries are perceived to be a coalition of individual creditors and debtors who exploit the scale economy at the level of transactional technologies (Alexandru et al., 2009). Through their function of processing huge volumes of data at high efficiencies, clients perceive that they are experts at making the best financial decisions.

Financial Intermediation is based on the regulation of money production and of saving in financing the economy (Bert and Dick, 2016). This approach was developed by Guttentag & Lindsay, (1968). As stated by Arthur & Iris, (2016), this method of regulation influences the liquidity and solvability of intermediaries involved. Banks have found it increasingly difficult to maintain their profitability due to increased competition, globalization and liberalization of the market. The need for specialized partnerships is seen to be imperative for the long-term growth and sustainability of these Financial Institutions as well as maintaining their liquidity. By comparison, Insurance companies have over the years found it increasingly difficult to maintain their competitive advantage in the ever- changing competitive environment.

Kiragu (2014) noted that the increasingly competitive environment in the financial services market has resulted in the pressure to develop and utilize alternative delivery channels. With this, Insurance companies are striving to ensure that they can garner a huge customer base to increase their premiums. Bancassurance proves to be a worthwhile vehicle for both the Bank and the Insurance Company through the concept of Financial Intermediation. As financial institutions faced with the backdrop of the ever changing and competitive financial services industry, their partnerships allow them to take advantage of efficiencies in transactional technologies and reduction in transactional costs. More importantly, their combined efforts increase customer loyalty as accumulators of funds as clients perceive that they will invest in the funds wisely.

Modern Portfolio Theory

The Modern Portfolio theory was developed by Markowitz (1952). Markowitz drew attention to the common practice of Portfolio diversification and showed exactly how an investor can reduce the standard deviation of portfolio returns by choosing stocks that do not exactly move together. The rule states that the investor does (or should) diversify his funds among all those securities which give maximum expected return (Markowitz, 1952). He further went ahead to work on the basic principles of portfolio construction that eventually led to the concept of Efficient Portfolios. According to Markowitz (1952), a portfolio that gives both maximum expected returns and minimum variance should be commended to the investor. These basic principles are the foundation for much of what has been written about risk and return.

An efficient portfolio consists of a set of assets that give either a high return for a given level of risk or a low risk for a given level of return. A shrewd investor may reduce the risk of a negative return by holding a portfolio of different assets to mitigate the risk of loss should one of those assets not produce the expected outcome, that is, diversification. Thanks to diversification, the portfolio risk is less than the average risk of the separate stocks (Brealey and Myers, 2016).

Commercial Banks have over the years noticed that there is a need to diversify their portfolio of offerings to remain relevant, increase their earnings and maintain their sustainability in this cut-throat competitive financial services industry. With the liberalization of the market coupled with deregulation and globalization, banks have found it increasingly difficult and costly to maintain their profitability. Jongeneel (2016) noted factors such as and evolved e-commerce channel and changes in consumer attitudes leading to the steady decline in interest margins on loans of Commercial Banks from the 1980s. Banks are now investing in Financial Innovation and venturing into areas of diaspora banking, internet banking, Mobile banking, custodial services, shares management, trade and commodity banking and Bancassurance.

Bancassurance as a Bank's strategy to venturing into other areas of business and diversification has positive impacts to its financial performance. Providing a variety of financial services to the same customer base enhances customer loyalty. This could have a positive impact on the long term earnings of the bank. Jongeneel, (2011) stated that, by being a one-stop-shop financial solution, a commercial bank seizes the opportunity to grow in significance. Secondly, Bancassurance provides additional income to the bank known as fee income. Brealey & Myers, (2003) further noted that diversification brings scale, which may make it easier to attract professional management, gain access to international financial markets, or to gain political power in countries where government tries to manage the economy or where laws and regulations are erratically enforced.

By venturing into bancassurance business, it means that banks are diversifying their portfolio. This could result in a reduction in risk levels. A customer feels more satisfied and will remain loyal if a variety of financial services are offered to them as and when required. This could have a significant impact on the earnings of the bank in the long run. Brady, Davies, and Gann (2005) also observe that by being a one-stop shop financial platform, a retail commercial bank seizes the opportunity to grow in significance. Bancassurance also provides additional income to the bank which is known as fee income. Diversification also yields advantages in terms of scale and scope economies that eventually translate to increased revenue streams by commercial banks (Dontis-Charitos et al., 2011). This theory relates to the study in that it discusses diversification in order to boost financial performance and bancassurance is one of the ways through which banks have diversified to improve their financial performance.

Diffusion of Innovation Theory (DOI)

Diffusion of Innovation (DOI) theory by coined by Rogers, (1995). According to Rogers (1995), Diffusion of Innovation refers to a process through which an innovation is communicated to different channels over a period of time in a social system. Rogers (1995) argued that, diffusion process takes place in four stages namely: invention, communication of the innovation through a social system, time and consequences of adopting the innovation to the adopter‟s image among society or their peers. The chances of an innovation adoption are affected by the nature of networks and the opinion leaders‟ roles.

Social networks, such as media and interpersonal contacts, provide information and influence adoption opinion and decision over time. DOI suggests that perceived characteristics of an innovation, such as relative advantage, compatibility, complexity, triability and observability, determine the adoption or rejection of an innovation. In the DOI theory, the pattern of communication flow determines the pattern of adoption across the members of the adopting social system. The informed users are persuaded to adopt the innovations. The key important features studied in this process are the persons 20 involved and the communication flow pattern (Rogers, 1995).

Rogers (1995) describe communication channel as a critical contributor to the success of adoption of new innovation in the organization. As an effective communication channel creates prior awareness of the new innovation, the trading partners need to work together to ensure the success of financial innovations. This will be determined by the inter-connected industry the organization is in and how influential that organization is to its trading partners (Lundblad, 2003). This theory has guided the study of the adoption of various financial innovations in businesses. The theory is relevant to this study as it explains how bancassurance concept has been adopted into the Kenyan banking system.

The Resource-Based View

The resource-based view (RBV) emphasizes the firm ‘s resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney, 2003). First, this model assumes that firms within an industry (or within a strategic group) may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms ‘strategies are not perfectly mobile across firms (i.e., some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate).

Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage. The argument goes that if all firms in a market have the same stock of resources, no strategy is available to one firm that would not also be available to all other firms in the market‖ (Cool, Almeida Costa & Dierickx, 2002). Like the Chicago School tradition, the RBV is an efficiency-based explanation of performance differences (Peteraf and Barney, 2003). Performance differentials are viewed as derived from rent differentials, attributable to resources having intrinsically different levels of efficiency in the sense that they enable the firms to deliver greater benefits to their customers for a given cost (or can deliver the same benefit levels for a lower cost).

The assumed heterogeneity and immobility are not, however, sufficient conditions for sustained competitive advantage. According to Barney (1991), a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be source of a sustained competitive advantage. In her 1993‘s paper, Peteraf presents four conditions underlying sustained competitive advantage: superior resources (heterogeneity within an industry), ex post limit to competition, imperfect resource mobility and ex ante limits to competition.

Theory of Economies of Scale

The theory of Economies of Scale was laid out by Marshall (1890). Marshall assigned the key role to external economies in his attempt to reconcile increasing returns and competitive equilibrium (Hart, 1996). It is argued that Marshall's chief purpose in creating the category of external economies was to explain the great historical reduction in production costs associated with increase output (Roy and Wilfred, 2011). To the extent that Marshall envisaged the advantages available to small firms as arising from the general progress of industries, and although he clearly distinguished between external and internal economies, there was a clear conclusion that the two sources are seen to co-exist. The availability of external economies to firms is seen to increase with the scale of industry output, a factor which also induces the average size of firms to increase, and therefore the availability of internal economies (Roy and Wilfred, 2011).

Economies of Scale Refer to the cost advantages that enterprises obtain due to size, output or scale of operations. Economies of scale are either internal, external, National, International, aggregative or dis-aggregative (Hart, 1996). In Bancassurance, economies of scale are dominant in the fact that Banks and Insurance companies operate in a similar fashion. They both deal with reserves, have similar expertise in administration and money management, they both create liquidity, assume a risk- spreading through re-insurance or re-financing and rely on the law of large numbers. (Hart, 1996) stated that Banks take advantage of economies of scale arising from the law of large numbers. Similarly, Insurance companies rely on the law of large numbers. In insurance, this means that the expected loss distribution approaches the true loss as the sample grows. Additionally, they offer complimentary products. Banks require their borrowers to take insurance against various risks e.g, insurance against death and permanent disability when taking personal loans making insurance an inherent part of the loan. In this regard, their integration can have a positive impact on their operations in the case of cost- savings.

Economies of scale focus most of its attention on reduction of costs through increased productivity. The mechanics through which Bancassurance is executed is through the use of the bank's distribution network, that is, its branch network. Through this, the Banks acquires an extra income other than interest income- referred to Fee Income at a reduced cost. This is because the policies are marketed through an already established branch network rather than the bank forming a completely new wing with the same business. Additionally, the fact that Banking and Insurance are similar in provides a great avenue to combine forces at a lower cost.

Bancassurance model could eventually create cross- selling business synergies for banks that could lead to cost- savings through economies of scale. To offer a wider range of services is beneficial to bank-assurers as this could bring comparative advantages over regular commercial banks. Jongeneel (2011) stated that economies of scale are mentioned as a pivotal argument to adopt Bancassurance strategy. Part of the efficiency benefits apply to banks that have chosen

Bancassurance. The more insurance products a bank sells, the more experience it will gain along with scale advantages and ultimately, the marginal selling costs can decrease. A reduction in costs by a commercial bank is a positive strategy to enhance its financial performance.

EMPIRICAL LITERATURE REVIEW

The Effect of Bank Credit Risk on the Adoption of Bancassurance by Commercial Banks

Omondi (2016) did a study on the determinants of adoption of Bancassurance by Commercial Banks in Kenya. The target population was drawn from the Forty- three licensed commercial banks comprising of six large banks, fifteen medium sized and twenty-two small banks. The results of the study showed that adoption of Bancassurance by Commercial Banks was influenced by the need for new revenue stream, diversification and economies of scope. There was a significant positive relationship between need for new revenue stream, business diversification, economies of scope and adoption of Bancassurance by Commercial Banks.

Nyakundi (2016) did a study on Management Perception of Bancassurance as Risk Mitigation Strategy at Equity Bank Limited. The purpose of the study was to establish if Equity Bank and Insurance Companies can mitigate some of the management problems such as high loan default leading to high credit risks, switching of customers due to dissatisfaction, declining profits, resistance to buy new insurance products hence minimum growth. Additionally, the study intended to find out if Bancassurance model was a good source of revenue, customer acquisition and retention as one of the factors an investor would consider before taking the risk of investing in the Commercial Industry.

Mwangi (2010) assessed the determinants of development of banc assurance in Kenya and found out that risks linked with banc assurance include opposition from customers, realization of loss, and operational ineffectiveness, which affected performance moderately. This study however failed to show the relationship between banc assurance risk and overall performance of banks. Muunda (2016) raises the same sentiments, pointing out that banks may not need huge capital to invest in banc assurance since they are only channels of distribution. Benoist (2015) observed that banc assurance requires risk management and that trading in non-life products need to be considered alongside the expenditure in servicing the policies.

Banks must plan for likely interferences to customer relations that can arise from more regular non-life insurance claim. Kumar (2016) stated that Bancassurance has been for a long time, practiced by Banks Passively either as a way of risk mitigation (ensuring security of assets) or enhancing improved efficiency notably in case of liability products (deposits). Customers taking loans from banks had to take insurance in case of death, disability or theft of property.

The Effect of the Cost of Insurance Contract on the Adoption of Bancassurance by Commercial Banks

Lovelin and Sreedevi (2014) did a study on the preference of Bancassurance in India. The objectives of the research were to study the awareness of customer on Bancassurance, customer perception on Bancassurance, factors affecting buying of insurance products from banks and a SWOT analysis of Bancassurance. The findings noted that, from one hundred respondents, a large number were not aware of the concept of Bancassurance. Respondents noted factors such as customer loyalty, positive tax benefits and loan requirements as reasons influencing buying of insurance products from banks.

Loechel and Brost (2014) in their study on the benefits and costs of integrated financial services providers aimed at reviewing the theoretical findings and empirical evidence of the benefits and costs of integrated financial services providers (IFSP) and draw inferences of developing IFSP in emerging markets with special consideration on China. Managers in insurance companies and banks were interviewed on the subject matter. The target population w The study concluded that the evaluation of the integration or segregation of financial institutions should always be embedded in the regulatory and managerial context.

The existing dominance of banking institutions in emerging national economies with the coexistence of underdeveloped capital markets can be leveraged for capital market innovation if lending, underwriting and brokerage services are available under one roof for the current client base. Cross-selling of banking and insurance products through banc-assurance can better serve retail clients with comprehensive advisory for sophisticated life-time financial planning and can better complement the undeveloped social security system in emerging countries.

Nyakundi (2016) did a study on Management Perception of Bancassurance as Risk Mitigation Strategy at Equity Bank Limited. The purpose of the study was to establish if Equity Bank and Insurance Companies can mitigate some of the management problems such as high loan default leading to high credit risks, switching of customers due to dissatisfaction, 26 declining profits, resistance to buy new insurance products hence minimum growth. Additionally, the study intended to find out if Bancassurance model was a good source of revenue, customer acquisition and retention as one of the factors an investor would consider before taking the risk of investing in the Commercial Industry.

According to Mascareigne (2017) factors that can cause retention of customers include; creation of client satisfaction and trustworthiness, involving of buyers, create barriers to choosing, effective communication. Quality service, proper pricing and developing several options for retaining customers are other factors that need attention especially in sector involving advertisement. From the study, it was found out that entities used highly customized strategies to specific customer retention. The companies lacked guiding basic or standardized procedures for retaining clients.

Krstic et al. (2016) investigated bancassurance as one of the new option for the development of Serbian financial industry, in Eastern Europe. The study found out that banking and insurance are two inextricably related part of the financial sector and the interconnections between them are particularly strong in times of crises, this study on banc assurance on Serbian financial industry also established growing presence of a model of integrated performance of bank and insurance companies in the market exhibited by provisions of banking and insurance services in one place through the form of banc assurance. Banc assurance benefit the banking industry in the time of increasing competition among participant in the financial market including; expanding the base of client, retaining the existing client, increasing profit, as well as improving the supply through a creation of new products according to the structure and needs of clients.

The effect of Bank Profitability on the Adoption of Bancassurance

Chiang et al., (2013) undertook an examination on Key Bancassurance Success Factors in Taiwan. Three key success concepts that influence the success of Bancassurance operations in Taiwan were utilized which are the effects of key success factor and performance gaps as measured by actual performance less the major success factors. A deeper review of literature and in depth information was further extracted from the experts. The study adopted the analytical hierarchy process and modified Delphi method to develop a key success factors framework for Bancassurance. The analysis was useful for identification of key Bancassurance success factors. The results were useful to managers in revising the strategies to collect the inappropriate Bancassurance strategies. The findings showed that while it was vital identify to identify areas of high low and high importance, the two were interdependent.

Gakure and Ngumi (2016) observe in their study that Banc-assurance offers another area of profitability to banks with little or no capital outlay. Besides, the bank is turned into a financial supermarket where the customer can find all what he needs, which is the new trend in financial services. The other outcome is that the bank can realize increase in income from the existing relation and by offering a range of different services by using Banc-assurance as income source through the added value in maximizing bank profit from the existing relation with our customers.

Mwangi (2016) did a study on the assessment of the determinants of growth of Bancassurance in Kenya. The researcher used a survey design and the target population was all the Commercial Banks in Kenya. A sample of one bank manager was picked randomly from all the banks. The results of the study showed that the factors influencing the introduction of Bancassurance included an increase in market share, supplementing core business, customers getting related services under one roof and efficiency and effectiveness of operations. Furthermore, the study showed that the benefits of Bancassurance were increased sales, an increase in market share, outreach to strategic customers and improvement in operations.

Waweru (2014) conducted a study to determine how the performance of commercial banks is influenced by Bancassurance. The study utilized secondary data from bank financial reports and the central bank of Kenya. Data analysis was carried out using correlation and multiple regression analysis. The findings revealed a strong positive association between the commercial banks' financial performance and bancassurance, annual interest on loans while a negative association was noted between bancassurance and the annual inflation rate. The study established a positive association between annual interest on borrowed loans and the banks' financial performance and a negative association between annual inflation rate and Kenyan commercial bank's financial performance.

Mwati (2013) explored the effect of bancassurance on Kenyan banks' financial performance. A descriptive research survey was employed for the study. The study looked at nine Kenyan commercial banks which have taken up bancassurance. Because of the size of population of Kenya's commercial banks that have taken up bancassurance, census approach was adopted. The secondary data was collected from the commercial banks audited financial statements and also CBK for the year 2008- 2012. The SPSS software was used for data analysis and the findings revealed that bancassurance exhibit a weak positive but significant effect on the Kenya's commercial banks financial performance.

Omondi (2016) did a study on the determinants of adoption of Bancassurance by Commercial Banks in Kenya. The results of the study showed that adoption of Bancassurance by Commercial Banks was influenced by the need for new revenue stream, diversification and economies of scope. There was a significant positive relationship between need for new revenue stream, business diversification, economies of scope and adoption of Bancassurance by Commercial Banks. According to a study by Munich (2016) intense competition between banks, against a background of shrinking interest margins, has led to an increase in the administrative and marketing costs and limited the profit margins of the traditional banking products. These factors encompass crucial elements of change in the competitive environment of banks. For the banks, income from banc-assurance provides a viable non- interest based income.

The Effect of Bank Product Diversification on the Adoption of Bancassurance

Violaris (2015) while investigating the banc assurance cost from the insurance perspective argues that banc assurance can result to advantages in costs of administration. He further noted that sales expenses incurred using insurance agents as the distribution channel might lead to rise in premium rates reducing competitiveness and sales. Violaris however did not present an argument regarding the distribution cost from the banks perspective. Vineet Agarwal (2014) in an article entitled "Bancassurance: Concept, Framework and Application experimented the key issues confronted by the banking segment today. Strong competition along with dwindling interest margin in banks produces an urgent need for emerging sophisticated fiscal products and advances.

Krstic et al. (2016) investigated bancassurance as one of the new option for the development of Serbian financial industry, in Eastern Europe. The study found out that banking and insurance are two inextricably related part of the financial sector and the interconnections between them are particularly strong in times of crises, this study established growing presence of a model of integrated performance of bank and insurance companies in the market exhibited by provisions of banking and insurance services in one place through the form of banc assurance. Banc assurance benefit the banking industry in the time of increasing competition among participant in the financial market including; expanding the base of client, retaining the existing client, increasing profit, as well as improving the supply through a creation of new products according to the structure and needs of clients.

According to a study by Capita (2016), Banks have many competitive advantages in the provision of insurance products. First, they have much better information on individual consumers seen as key to pricing risk effectively. Second, the banks may be able to bring enormous economies of scale, particularly if they are part of a major global network. Banking institutions and insurance companies have found banc-assurance to be an attractive and often profitable complement to their existing activities (El pash, 2012). The perceived benefits of diversification include synergies from scope economies, efficiency gains and profit-enhancing cross-selling opportunities. Furthermore, diversification may allow financial services firms to decrease insolvency risk due to the lower correlation of profits arising from a more diverse range of financial activities (Smit & van der Lugt, 2000). Banks can differ markedly in their sources of income. Some focus on business lending, some on household lending and some on fee-earning activities. Increasingly, however most banks are diversifying into fee-earning activities and this diversification across various sources of earning is welcomed as it reduces risk, depending on how independent of each other the various earnings sources are (Fiordelisi & Ricci, 2009).

Kiragu (2014) noted that the increasingly competitive environment in the financial services markets has resulted in a company's pressure to develop and utilize alternative delivery channels. Financial deregulation, convergence of markets and globalization has all had a negative effect in the Banking and Insurance Industries respectively. Banks must come up with innovative ideas to maintain their customer base as well as increasing income. On the other hand, Insurance companies, faced with a stagnant growth and mature markets, must come up with innovative ideas to ensure survival.

Jongeneel (2014) have noted that banks in the recent years have moved from traditional strategies of earning income to non-traditional strategies such as investment Banking, Securities Brokerage, Mutual Funds and Insurance Agencies. The ever-increasing competitive nature of the banking industry has led to an increase in the cost of funds leading to banks having to come up with alternative deployment tactics to ensure that their interest margins are maintained. In the face of declining net interest margin banks have entered new product areas over the past two decades, moving from traditional lending to areas that generate non-interest revenues. The change is of importance for financial stability. The more unstable is a bank 's earnings stream, the more risky the institution is. The conventional wisdom in the banking industry is that earnings from fee-based products are more stable than loan fee-based activities reduce bank risk via diversification (Jackson, 2010).

Sreedevi and Lovelin (2014) undertook an examination of the choice of Bancassurance in India. The objectives of the research were to study customer awareness on Bancassurance, the perception of the customer on Bancassurance, factors influencing the purchase of insurance products from banks and a SWOT analysis of Bancassurance. The study adopted and empirical and descriptive approach. Primary data was collected through questionnaires while secondary data was accumulated from insurance magazines, publications, annual reports, newspapers and official websites. The results revealed from the sample of one hundred respondents that most had no clue not on the Bancassurance concept. The respondents were only aware of factors including customer loyalty, loan requirements and positive tax benefits as the key determinants of the extent to which insurance products are purchased from banks.

In a study conducted by Estrella (2001) examined direct measures of potential diversification gains from consolidation of financial firms. The study population was drawn from financial firms and the study used regression statistics to analyze data. His results indicate that there may be bilateral diversification gains from mergers involving the banking and insurance industries. Estrella (2001) points out that these gains are not limited to life insurance as suggested by the previous authors, but extend to nonlife insurance companies, which actually lead to larger diversification gains than with life insurance companies. He also shows that life insurance and nonlife insurance have relatively large correlations with regard to each other, but also with regard to large banks. One of the main reasons that banking-insurance combinations enhance diversification is not lack of commonality, but that the insurance industries are already highly diversified compared to other financial sectors.

Gakure and Ngumi (2013) in their study whose objective was to determine the influence of bank innovations on the income of commercial banks in Kenya, used descriptive survey research design. The target population comprised forty-four commercial banks in Kenya. The accessible population was twenty banks which were conveniently sampled. The sampling frame for this study was derived from the list all the licensed commercial banks and mortgage finance institutions in operation in Kenya as at December, 2011 as they appear in the Central Bank of Kenya website database. The respondents were stratified into senior and middle management employees and stratified random sampling was conducted in identifying the respondents. Questionnaires were used to obtain qualitative data for analysis. Primary data was collected through the administration of questionnaires to senior and middle management employees. Secondary data was obtained from the Central Bank of Kenya.

The study used multiple linear regression analysis to test the statistical significance of the various independent variables (automated teller machines, debit and credit cards, point of sale terminals, mobile banking, internet banking and electronic funds transfer) on the dependent variable of total income. The findings reveal that bank innovations have a moderate influence on the income of commercial banks in Kenya. Since technological innovation is aggressively and continuously adopted in Kenya, the government should continue to provide more incentives for research and development to researchers to continue investing their time and skills in discovering more bank innovations. It is recommended that the government also pursues a strategy to provide incentives for technology transfer from more developed economies in order to promote the adoption of world class innovations. More incomes for the banks due to adoption of innovations translates to more jobs and improvement of the country ‘s gross domestic product and therefore contributing to the overall macroeconomic goals of the government. A further study can therefore be conducted on the contribution of bank innovations to the macro targets of the government.

RESEARCH METHODOLOGY

Research Design

This study used descriptive survey research design. As defined by Kothari (2014), descriptive research design involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection and often uses visual aids such as graphs and charts to help the reader in understanding data distribution. The design is considered relevant for the study because the researcher intends to collect, analyze and report information as it exists in the field, without manipulation of variables.

Population Size

According to Mugenda and Mugenda (2016), population refers to an entire group of individuals, events or objects having a common observable characteristic. The target population is 141 made up of 77 Business Development Officers and 64 Operations Officers who are under bancassurance department in 8 Tier 1 commercial banks (head office) in Nairobi CBD.

Sampling Technique

A sample according to Mugenda and Mugenda (2009) is a subgroup carefully selected to be representative of the whole population with relevant characteristics. The study has used the census method which is a method of statistical enumeration where all members (141) of the population are used in the study. Census has been used because the number is manageable within the constraints of the study and because the method provides a true measure of the population and also has the highest degree of accuracy (Babbie, 2010).

Data Collection Methods

Data collection methods are techniques used by a researcher to gather information pertaining to the study aimed at proving or refuting some facts (Hakim, 2003). The study has used both primary and secondary data. Primary data is acquired directly from original sources whereas data collected indirectly from reports (Chandran, 2014). Primary data has been collected using closed questionnaires. According to Mugenda and Mugenda (2010) the advantages of questionnaires is that the respondents have enough time to think about their answers carefully. Another advantage of the questionnaire is that a wide geographical area can be covered in the survey and respondents can complete the instrument at their own pace. The study will use closed-ended questions so as to limit the respondents' answers on specific subject matter for easier analysis. The study used a secondary data collection sheet to collect the data from the banks published financial statements.

Data Collection Procedure

Permission to carry out the research and authorization letter was sought from Kenya Methodist University and the National Commission for Science, Technology and Innovation (NACOSTI) to administer the questionnaires and the researcher also visited the selected banks in Nairobi CBD County for introduction and got a written approval to carry out the research confidentially for academic purpose only. The questionnaires were then self-administered to the sampled respondents using the drop and pick method.

Data Analysis Methods

Once the questionnaires were collected, they were carefully edited to detect errors and omissions for consistency and completeness. The objectives were analyzed therefore, descriptive and inferential statistics were employed to analyze the data in form of percentages and frequencies and then presented in tables, charts and graphs so as to facilitate clear interpretation of results and assist in drawing of conclusions and discussions will follow immediately explaining on the same. Data analysis was done with the help of SPSS version 25.0. Regression and correlation analysis was conducted to test the relationship of the variables with the adoption of Bancassurance.

RESEARCH RESULTS

The purpose of the study was to establish the financial determinants of the adoption of bancassurance by commercial banks in Kenya. The specific objectives were to examine the influence of bank profit on the adoption of bancassurance by commercial banks in Kenya, to find out the effect of bank credit on the adoption of bancassurance by commercial banks in Kenya, to establish the influence of bank product diversity on the adoption of bancassurance by commercial banks in Kenya and finally to establish the effect of the insurance contract price on the adoption of bancassurance by commercial banks in Kenya. Data was collected using questionnaires and a secondary data sheet. The collected data was analyzed using descriptive and inferential statistics. The summary of the findings are presented as per objectives in the subsections.

The Influence of Bank Profit on the Adoption of Bancassurance by Commercial Banks in Kenya

The results revealed that there was positive relationship ($r=0.274; p=0.001$) between the bank profit and the adoption of bancassurance by commercial banks in Kenya. A unit increase in profit leads to a 27% increase in the adoption of bancassurance by commercial banks in Kenya. Profits ensure that a company has adequate resources to expand and therefore increase their product offerings.

Influence of Bank Credit Risk on the Adoption of Bancassurance by Commercial Banks in Kenya

The findings demonstrated that the respondents agreed that the credit risk of a bank affects its adoption of bancassurance by commercial banks in Kenya. The researcher found out that there was a positive relationship ($r=0.303, p=0.007$) and this had the highest influence among the studied variables. A high credit risk means that the bank will seek ways of protecting its assets and therefore encouraging customers to take up bancassurance products. A unit increase in the bank credit risk leads to a 30% increase in the adoption of bancassuarance in commercial banks in Kenya

Influence of Bank Product Diversity on the Adoption of Bancassuarance by Commercial Banks in Kenya

The regression analysis revealed the presence of a positive significant relationship ($r=0.215, p=0.0012$) between the product diversity and the adoption of bancassurance by commercial banks in Kenya. This means that a whenever the bank increases its product diversity, the adoption of bancassuarance is increased by 22%

INFERENTIAL STATISTICS

The study sought to establish the underlying relationships between the study variables and the extent to which the independent variables influenced the adoption of bancassurance. Correlation analysis and regression analysis were used to establish this association. The results on the relationships between financial determinants and the adoption of bancassurance by commercial banks in Kenya.

The results presented in table 1 indicated the presence of a positive relationship ($r=0.274, p=0.001$) between bank profit and the adoption of bancassurance by commercial banks in Kenya. In addition, the relationship was found to be statistically significant at $p<0.05$ level of significance. Therefore, the researcher observed that the profit of the bank influenced the adoption of bancassurance by commercial banks in Kenya. As such, the first hypothesis $\mathbf{H_{01}}$ which stated that there was no statistically significant influence of bank profit on the adoption of bancassurance by commercial banks in Nairobi's CBD was rejected. In addition, the research hypothesis was supported by research data. This was similar to previous studies which revealed that bank profit was a determinant of the adoption of bancassurance by commercial banks in Kenya (Gasese, 2015). Other studies had also indicated that there was a positive and significant relationship between bank profit and its adoption of bancassurance. These studies include Gasese (2015), Ceruiyot (2014), Dovinski and Haw (2013) and Flight (2014) had all established a positive association between bank profit and the adoption of bancassurance by commercial banks in Kenya. This implied that bank profit is positively related to the adoption of bancassurance in commercial banks.

Table 1: Relationship between financial determinants and the adoption of bancassurance by commercial banks

		Bank profit	Bank credit risk	Bank product diversity	Insurance contract cost
Adoption of bancassurance	Pearson Correlation	0.274	0.303	0.215	0.201
	Sig. (2-tailed)	0.001	0.002	0.0012	0.000
	N	**133**	**133**	**133**	**133**

The researcher attempted to fit a regression model for this study to show the mathematical relationship between the independent variables and the dependent variable. Multiple regression analysis was performed and the results presented in table 2.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.803[a]	0.6448	0.0623	0.004984

a. Predictors: (Constant), Bank profits, Bank credit risk, Bank product diversification, Insurance contract cost

The model summary indicated the presence of a positive multiple correlation (R=0.803) between the independent variables and the dependent variable. Further, the R-squared value of 0.6448 indicated that the independent variables accounted for 64.48% of the total variance in adoption of bancassurance (dependent variable). Therefore, the researcher observed that the independent variables and the dependent variable were statistically related. The analysis of variances yielded the results in table 3.

The study established that the F-ratio ($F_{(4,\ 133)}$ = 5.709, p=0.002) was statistically significant at $p<0.05$ level of significance. This showed that the independent variables taken together significantly influenced the adoption of bancassurance by commercial banks in Kenya's Nairobi Central Business District. The model coefficient values from the regression are presented in table 4.

Table 3: Anysis of variance of the interaction among the study variables (ANOVA[a])

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.405	4	1.039	5.709	0.002[b]
	Residual	19.416	133	0.182		
	Total	22.821	137			

a. Dependent Variable: Adoption of bancassurance
b. Predictors: (Constant), Bank profit, bank credit risk, bank product diversification, insurance contract cost

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.495	0.463		3.537	0.000
	Bank profit	0.274	0.133	0.061	0.432	0.001
	Bank credit risk	0.303	0.771	1.0274	2.518	0.002
	Bank product diversification	0.215	1.0201	0.087	0.746	0.001
	Insurance contract cost	0.201	0.037	0.371	1.289	0.000

a. Dependent Variable: Adoption of bancassurance

From the model coefficients table, the following mathematical model is fitted $Y = 3.495 + 0.274X_1 + 0.303X_2 + 0.215X_3 + 0.201X_4 + 0.007$. From the derived regression model, with all the other factors remaining constant, the adoption of bancassurance products has a constant value of 3.495. This means that even without the influence of any determinant, the bank will adopt bancassurance at a constant value of 3.495. However, the influence of bank profits on the adoption of bancassurance by banks in Kenya, when all other factors remained constant has a multiple of 0.274. This implies that one unit of profit will increase the adoption of bancasurance by 0.274 units. Further, the influence of bank credit risk has a multiple of 0.303 units. This mathematically implies that for every unit increase in credit risk, the adoption of bancassurance will increase by 0.303 units. In the same breadth, bank product diversification has a multiple of 0.215 and this means that every increase in the number of products offered by the bank, the adoption of bancassurance goes up by 0.215 units. Finally, the influence of the insurance contract cost has a multiple of 0.201 units. An increase in the cost of the contract affects the adoption of bancassurance by 0.201 units This suggests that all the independent variables are directly linked to the adoption of bancassurance This suggests that, holding other factors constants, the bank profit, the bank credit risk, the bank product diversification and the cost of the insurance contract lead to 0.993 units of the adoption of bancassurance by commercial banks in Kenya.

CONCLUSIONS

The purpose of this study was to investigate the financial determinants affecting the adoption of bancassurance by commercial banks in Kenya. From the findings, the study concludes that the studied variables explain 63% of the variables. The financial factor that influences the adoption of bancassurance to the highest degree is the bank credit risk at 30%. Commercial banks with a higher credit risk have a higher adoption rate of bancassurance. This may be because banks with a higher credit risk seek to protect their assets through the uptake of bancassurance. In addition, based on the analysis, 27.4% of the adoption of bancassurance by commercial banks in Kenya is influenced by the profit of the respective bank. This is because the profits of a bank are crucial in facilitating the required instrumentation for bancaasurance.

The study also concluded that the bank product diversity explains 21.5% of the adoption of bancassurance by commercial banks in Kenya. Banks with a higher product range are most likely to have adopted bancassurance to an extent of 21%. And lastly the insurance contract cost explains 20 % of the adoption of bancassurance by commercial banks in Kenya. In general, the study concluded that the bank profits, the bank credit risk, the bank product diversity and the insurance contract cost are some of the major determinants of the adoption of bancassurance. The R-squared value of 0.6448 indicated that the independent variables accounted for 64.48% of the total variance in the adoption of bancassurance (dependent variable). The highest influence was explained by bank credit risk at 30%, followed by bank profit at 27%, bank product diversity at 21% and finally insurance contract cost at 20%.

RECOMMENDATIONS

Commercial banks in Kenya should be able to negotiate for favourable insurance contract costs because of the availability of various insurance service providers in the market. The cost of the insurance contract is pushed to the customer and therefore to make it more affordable the bank should get competitive insurance rates.

Bancassurance products can be used to cushion against credit risk and at the same time earning the bank extra income. Banks with a high credit risk should be able to utilise bancassuarance by selling it to clients and earning as agents.

Bank profit positively influence the adoption of bancassuarance. Banks should plough back their profits and invest financial innovation to be able to come up with competitive bancassuarance products. This will also boost their product diversity which has also been identified to increase the adoption of bancassuarance by 21%.

There is need for a committed top management that facilitates the adoption and implementation of Banc assurance as there are significant organizational changes required to adopt the Banc assurance business hence top management must be actively and consistently involved throughout the adoption and implementation process. An important influence on the adoption and implementation of the Banc assurance business is the tight integration of the sales force into the branch network so as to effectively sell a broad range of products hence banks need to invest in training in banking, insurance and investment product knowledge so as to enhance the sales process.

Given the increasing complexity of the product lines and the sales process, integrated information support systems must be developed to provide an effective customer experience. This means building appropriate customer databases and integrating information and transaction processing systems to provide customers with a seamless experience regardless of which products or services are being provided.

There is need for the bank management to understand its target segments 'values and decision-making processes hence different criteria must be used in segmenting the market for banking, investments and insurance products, while taking into consideration the changing market environment that influences customer tastes and preferences.

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