EFFECT OF BANCASSURANCE ON PERFORMANCE OF INSURANCE COMPANIES IN KENYA

Jane Njoki Njeru
Master of Business Administration (Marketing), Kenya Methodist University, Kenya
James Mbebe
Lecturer, Kenya Methodist University, Kenya
Jane Munga
Lecturer, Kenya Methodist University, Kenya

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ABSTRACT

The most significant changes in the economic services segment have been growth of bancassurance which denotes supply of insurance products through effective process of banking channels. With the liberalization of the assurance sector and opposition is tougher than ever before, companies are increasingly trying to come out with better innovations to stay in front. Most insurance firms in Kenya have established bancassurance to be an attractive and often gainful commendation to their core business. There is great prospect for expansion and increase of bancassurance in Kenya; however, bancassurance in Kenya is pretty low. The main objective of this study was to establish the effect of bancassurance on performance of insurance companies in Kenya. This study sought to achieve the following objectives; to establish the effect of products or services type on performance of insurance companies in Kenya; to assess the effect of administration-economies of scale on performance of insurance companies in Kenya; to examine how customer lifecycle management of scale affect performance of insurance companies in Kenya and to determine the effect of sales promotion tool on performance of insurance companies in Kenya. This study was anchored on innovation theory, modern portfolio theory and the dynamic capabilities theory. A descriptive survey research design was applied in this study. The study intended to target 506 management staff who were drawn from the 55 listed insurance companies in Kenya. This study intended to collect data from all the 112 management staff of insurance companies in Kenya. The study used stratified random sampling technique to select the respondents for the sample size. Primary data was obtained using self-administered questionnaires. The study instruments were distributed among the targeted respondents using various points of reference like the managers of departments. Data analysis was done using Statistical Package for Social Scientists (SPSS) computer software. The qualitative data was coded thematically and then analyzed statistically. Content analysis was used for data that is qualitative nature or aspect of the data collected from the open ended questions. The information was displayed by use of tables, graphs and in prose-form. The study revealed that products or services type affect performance of insurance companies in Kenya greatly. The study further showed that performance of Insurance companies in Kenya is boosted by enhanced value and distribution channel optimization very greatly. The study found that the customers trust and convenience enhanced the performance of Insurance companies in Kenya very greatly. The study found that sales promotion tool affected performance of insurance companies in Kenya greatly. The study concluded that Products or Services Type had the greatest effect on the performance of insurance companies in Kenya, followed by Customer Lifecycle Management, then Sales Promotion Tool and finally Administration-Economies of Scale had the least effect. The study recommends that the insurance companies should ensure that customer-orientation through understanding the market and directing the resources of the company towards achieving the desires and

the needs of the customers and measuring the ability to provide a value for the customer. The study further recommends that insurance companies' managers should weigh carefully their marketing promotion strategies and align them to their objectives adapting a suitable mix of the promotion tools.

***Key Words**: bancassurance, performance, insurance companies, products or services type, administration, economies of scale, customer lifecycle management, sales promotion tool*

INTRODUCTION

Over the years, financial sector have undergone various key transformations which includes deregulation as well as improvement in technology that have impacted on financial services provision. In several parts of the globe, deregulation have led to flexibility in financial services provision as well as promotion of competition among financial institutions. This is as a result of elimination of limitations which have affected horizontal as well as vertical expansion of the financial institutions previously (Alavudeen, 2015). Profitability increase as well as facilitation of faster multiple activities processing and monitoring at reduced expenses have been facilitated by technological progress. So far the key changes which the financial institutions have undergone is the emergence and expansion of bancassurance which is combination that offers both banking and insurance services offering of bank and insurance (Almajali, Alamro & Al-Soub, 2012).

Bancassurance commonly referred to as BIM is a term which describes the link or association amongst the bank and insurance companies where the bank is used by the insurance firm for selling their products (Arora, 2013). It designates a financial services parcel which may satisfy the needs of the customer by providing both banking and insurance; banks may offer at the same time both banking and insurance services. Bancassurance gives the insurance firms an opportunity of maintaining a small number of employess as most of their products are being sold in the bank to banking clients by the staff of the bank (Borjas, 2013). According to Casu, Dontis-Charitos, Staikouras and Williams (2016), Bancassurance is the process through which banks sell products of an insurance firm either via their channels of distribution or the bank agents. Chen and Tan (2011) noted that the term"bancassurance" was earliest used in France in 1980s in which its emergency was linked to consumer and mortgage credit development and the financial markets liberalization (Davila, 2014).

The need for survival as a result of changes in regulation, Globalization and the changes in Customer demands have paved the way for the emergence of Financial Conglomerates resulting in Bancassurance (El Pash, 2012). Can Bancassurance add value to banks and Insurers? *Journal of Banking and Finance*). Bancassurance, according to Chiang, Hung- Chi and Wen – Chin (2013) is a combination of the word "banque or bank" and "assurance" signifying that both banking and insurance are being provided by the same corporate entity. This strategy is

beneficial to both the bank offering its channel and the insurance company providing the services as the bank earns a risk- free income, referred to as Fee- based income while the Insurance Company increases its capacity in reaching a wider customer base, thus increasing its numbers.

The financial amenities industry globalization have resulted to a lot of banks to have links with other financial organizations like insurance firms. In Europe, Bancassurance have had a successful trend, however this model is very new in most of African countries and specifically Kenya (Frame & White, 2014). In the view of Banks, production of minor products satisfying insurance services may generate a better link since they are able to market the reassurance products through branch unit locations (Hull, 2015). Furst, Lang and Nolle (2012) argues that banks and insurance companies are more similar as compared to their differences and this favors joint production as well as links in business. Jongeneel (2011) used the authority panels and the rational hierarchy process (AHP) to examine the most favored alternate link amongst banks and insurance firms from management point of view and customers. Banks as well as insurance firms have established the bancassurance as a key supplement to their current services. Bancassurance have succeeded in Europe leading to 35% of premium income in the life insurance market in Europe. The major part of bancassurance development in 1990s happened in European countries. It covers more than 65 percent of the life insurance quality income in Spain, 50 percent in Belgium and 60 percent in France. There is an inadequate share taken in Asian countries taken by bancassurance of the total sales generally as a result of near life agents' control in Japan. Though, Japan, Philippines South Korean markets like in which there was a ban on bancassurance have taken a much accommodating posture in adopting the model (Jongeneel, 2011).

Bancassurance within the emerging markets, it has strongly advanced in Latin America, Eastern and Central Europe (ECE) and Asia life markets from moderately low levels. There is a limitation in the activities in the non-life fragment. Nevertheless, in Latin America, allocation of nonlife has actually headed life delivery for bancassurers. Contrastingly, bancassurance haven't suceeded in eastern Africa where there is low dispersal of insurance. The Insurance industry was initiated in 2000 however the permission for Indian banks to offer insurance services was given in 2002 (Ikpefan, 2016).

Regionally in Africa, the rates of bancassurance channel market portion and penetration of customers are advancing rates are increasing. In 2010, South Africa bancassurance banks and life insurers had ominously different and often contrary opinions in regard to the products, mentoring, advertisement, distribution as well as technology use (Kilbone, 2015). Bancassurance offers a decent opportunity for banks for generation of extra fee-based income against the thinning spreads and severe competition backdrop, various challenges are made clear with immediate effect. Even a lot of cooperative banks declared links with insurance firms for distribution of their products. For the insurance firms as well it has been a winning proposition since it immediately leverages wide network of the banks. Additionally, the Indian banks were

satisfied with the customers the trust and confidence however they hadn't been very delighted with the quality levels of the service. As a business generating channel, Bancassurance have increasingly become key to insurance companies, particularly for the new private players that initiated functions the industry reforms (Yahaya &Lamidi, 2015).

In Ghana, because of changes in the financial sector, there has been product, process and institutional innovations transformation witnessed in the insurance sector especially Bancassurance which is controlled by National Insurance Commission. In Ghana, Bancassurance have been on increasing trend. There is an increase in partnerships between the insurance companies and banks for offering a wide competitive and innovative products range. Temporarily, the regulator have been backing the this channel of distribution as well as being positive that it can assist in enhancing the penetration and density.

Locally, Kenya has embraced Bancassurance because it improves the number of deposit accounts and guarantees future revenue generation as one of its core reasons Kiptis & Wanyoike, 2016). Insurance companies have also got into such an arrangement so as to safeguard their market share in the region among many other factors. Insurance companies have in the past used different channels such as sales agents, insurance brokerage firms and marketing of insurance companies which need immense distribution strength and manpower so as to reach a huge customer base (Clipici, 2012). Nowadays, the insurance companies in Kenya have engaged the Bancassurance aspects in their development plan due to its benefits in the business. Bancassurance has been the key ingredient of success of the relevant insurance companies in Kenya and it eases the operations of the bank and the insurance companies (Chepkoech & Omwenga, 2016).

Due to the worldwide development of technology and globalization, Bancassurance is gaining presence in both the developed and developing countries around the world. The insurance entities in Kenya embrace the issue of Bancassurance to cope with dynamic and competitive business environment. Insurance companies in Kenya such as Jubilee Insurance, UAP Insurance, Britam Insurance among others have factored in the Bancassurance demands so as to match other global heavyweights in the same industry (Chepkoech & Omwenga, 2016). In Kenya, banks are spread geographically and across various socio-economic groups that are vivid in the country, this provides a great potential for Bancassurance to thrive especially where traditional insurance practice could not perform effectively. As noted by Insurance Regulatory Authority (IRA), there is a possibility of market that is in excess of Sh200 billion, banks are placed in a better position for selling of insurance products better as it enhances the national savings as well as leading to expansion based on customer needs establishment. IRA have commended Bancassurance as a key for increasing the penetration of insurance in Kenya (IRA, 2016). Bancassurance is identified to be among the networks of sharing where the enhancement of insurance infiltration is achievable (Kiptis & Wanyoike, 2016). This research intended to establish how Kenya insurance firms' performance is affected by Bancassurance.

Insurance in Kenya is recognized to have been there for more than 60 years now with the initial insurance firm companies thought to be owned by British insurers in the time of colonialism (Chepkoech & Omwenga, 2016). Kenya's insurance industry is described as resilient in that despite environmental changes, the industry has shown it can survive and thrive (AKI, 2015). The operations of the insurance firms is under a centralized body called the Association of Kenya Insurers (AKI) which was formed in 1987 whose main role is to enhance prudent business practices, create awareness among the public and accelerate the growth of insurance business in Kenya (AKI, 2015).

In Kenya, there are a total of 55 insurance companies. Despite the large number of insurance companies in Kenya, the market penetration remains lower as compared to other countries in Sub-Saharan region, leaving many insurance companies competing for market share (Association of Kenya Insurance (AKI), 2015). Kenya has remained under tapped in insurance even though the recent growth rate is promising as it has improved and as of June 2015 the sector recorded a growth rate of 16.1% and is expected to hit 19% by 2018 (Cytonn, 2015). Insurance Regulatory Authority (IRA) has the responsibility of regulating, supervising as well as developing the insurance industry. Despite the licensing of many insurance companies and increased scrutiny, recent trends have seen many companies collapsed, suspended, delisted while others are opting for mergers and acquisition owing to declining performance and failure to even meet the minimum capital required by Finance Bill 2015 (Wanyama & Olweny, 2013). Those that survived this turbulent moment were cited by Cytonn (2015) to be innovative, adaptive to changes and engaging in expansion regionally. This forms the backdrop under which this study is conducted to establish what these companies can use to boost their performance and avoid risk of failure.

In Kenya, the vast network of branches is more efficient than relying completely agents of insurance in terms of business Bancassurance expansion at a reduced cost. The financial institutions and banks have been able to make the rural areas more accessible to insurance products. This has proved to be very efficient especially to areas with limited accessibility to most insurance facilities. With enhanced financial services integration as well as banks seeking expansion of services offering to customers, a great chance existing for the two sectors to enter into a bancassurance partnership (Kamau, Karimi & Kinyanjui, 2016).

In Kenya, insurance companies and banks have some form of a working relationship. Moreover, insurance companies do secure consumer credit thereby creating some complementary products for the available insurance services. The consolidated financial services industry merges the banking and insurance industries. This merger has therefore improved on the growth potential of the Bancassurance models (Mwaniki, 2008). The adoption has vastly spread across the rural areas, where the branch networks are limited to a greater extent. With increased integration of financial services and banks seeking to expand the range of services offered to clients, a perfect opportunity exists for the two sectors to enter into a Bancassurance partnership. In Kenya, most

banks have adopted the insurance models through merging with most insurance companies (Kiptis & Wanyoike, 2016).

In 2005, the CFC group acquired ALICO Kenya (American Life Insurance Company) and consequentially rebranded to CFC Life. A recent move saw the acquisition of AIG insurance company by the Commercial Bank of Africa, this amounted to a third of AIG insurance company's total interest. The centralized money services trade can see the merger of insurance and banking business. There's conjointly associate in Nursing agreement between British American Insurance of Republic of Kenya (BRITAK) with Equity bank and banking concern of continent. There's nice potential for development and growth of Bancassurance in Republic of Kenya. However, the market is nonetheless to expertise Bancassurance in its truest kind (Magweva & Marime, 2016).

Performance of insurance companies is an indication of success of a company as it involves the composition of the actual productivity or results of a company as measured against the intended objectives of the company (Peng, Jeng, Wang & Chen, 2017). Company performance clearly helps the company to gauge their progress towards achievement of the pre-determined objectives. Banks and Insurance companies, just as other companies around the globe rely heavily on positive performance so as to ensure intended productivity level. Company performances are measured yardsticks that determine the fate of the company regardless of the volatility of the environment (Waweru, 2014). These measurements include the profitability, the liquidity, the solvency and the efficiency of the company.

Many companies around the world have relied on measurement of company performance so as to gauge the actual output and its deviation from the standard output. Company performance is one of the most important constructs in the management of companies and aids the company in assessment of its full strengths (Ladina, 2014). Insurance companies around the world aim at improving their company performance so as to be able to attract clients, stakeholders as well as the different investors. Company performance is the key indicator of the progress of the company in terms of financials and other key social aspects that matter to a company. Different companies use different yardsticks or measurement tools that define the extent of performance in the company. Insurance companies measure their performance by the number of customers they have, the number of products they sell, profitability and liquidity. The number of customers in most of the companies have been increasing as a result of the introduction of bancassurance which has made their services available in bank partners (Xu & Wanrapee, 2014).

STATEMENT OF THE PROBLEM

Bancassurance has been a successful model in Europe with a contribution of 35 percent of premium income in the life insurance market in Europe. It underwrites more than 65 percent of the income of life insurance premium in Spain, 60 percent in France, 50% in Belgium and Italy (Kiyak & Pranckevičiūtė, 2014). There is great potential for growth of bancassurance in Kenya

and despite the many benefits of bancassurance the current uptake of bancassurance is still relatively low. Furthermore, bancassurance is not only expected to stabilize the insurance companies with additional revenue streams but also to promote customer retention, enhance outreach and improve their performance. However, the adoption of the bancassurance in most of the insurance companies in Kenya has been slow (Mwangi & Murigu, 2015). Most insurance firms in Kenya have known bancassurance as a fruitful model to their core business (Mitema, 2014). There exists great expectations for expanding as well as increasing the bancassurance in Kenya; though, Kenya bancassurance is pretty low (Mwangi & Murigu, 2015). With the liberalization of the insurance sector and competition tougher than ever before, companies are increasingly trying to come out with better innovations to stay ahead of their competitors. There are a lot of challenges anticipated to be facing the performance of insurance companies in terms of market share, product diversification among other measures (Arunga, 2012). This is because insurance market in Kenya has remained obscure for the longest time since most customers believe a majority of insurance companies are fraudsters. Most customers of Kenyan insurance companies have little or no information concerning insurance products available and suitable to them. There exists a significant market that is in excess of Sh200 billion that would significantly aid the performance of insurance companies if they were to take advantage of the benefits accorded through the implementation of bancassurance (Mwangi & Angima, 2016). The insurance companies in Kenya have not been able to completely exploit the bank client profile full potential. Not even 10% of the housing advances are covered either by credit life or mortgage insurance. This is of concern when we consider the low levels of insurance penetration in Kenya. The reasons for such low utilization of potential of bancassurance are anticipated to be manifold, principal ones being the monopolistic relations, low levels of training, lack of operational coordination, unequal relationship, short duration of tie-ups, lack of specially designed products, non utilisation of technology platform and poor servicing standards prevailing in bancassurance channel (Njoroge, 2014). Various studies have been done on performance of insurance companies in Kenya. For instance Mwiti (2013) carried a study on the bancassurance effect on Kenyan commercial banks' financial performance which is different from effect of bancassurance on performance of insurance companies in Kenya, Njeri (2017) did a study on effect of bancassurance on the performance of insurance companies in Kenya moreover this is different from effect of bancassurance on performance of insurance companies in Kenya and Juma (2015) examined effect of bancassurance on financial performance of insurance companies in Kenya with a survey of insurance companies in Nairobi County which is different from effect of bancassurance on performance of insurance companies in Kenya. Further, Osindi (2018) explored the effect of bancassurance on financial performance of commercial banks in Kenya which is different from effect of bancassurance on performance of insurance companies in Kenya and Chepkoech (2016) did a study on effects of bancassurance on performance of insurance firms in Kenya which is different from effect of bancassurance on performance of insurance companies in Kenya while Trickxie (2014) studied on the effect of bancassurance on the financial performance of commercial banks in Kenya which is different from effect of

bancassurance on performance of insurance companies in Kenya. However, none of the reviewed studies focused on effect of bancassurance on performance of insurance companies in Kenya based on effect of products or services type, administration-economies of scale, customer lifecycle management and sales promotion tool. Therefore, this study sought to establish the effect on effect of bancassurance on performance of insurance companies in Kenya focusing on how bancassurance used as customer lifecycle management and sales promotion tool affects the performance of insurance companies in Kenya.

GENERAL OBJECTIVE

The main objective of this study was to establish the effect of bancassurance on performance of insurance companies in Kenya.

SPECIFIC OBJECTIVES

1. To establish the effect of products or services type on performance of insurance companies in Kenya.
2. To assess the effect of administration-economies of scale on performance of insurance companies in Kenya
3. To examine how customer lifecycle management of scale affect performance of insurance companies in Kenya
4. To determine the effect of sales promotion tool on performance of insurance companies in Kenya.

THEORETICAL REVIEW

Diffusion of Innovation Theory

Diffusion of Innovation refers to the idea communication which is considered to be novel to the social system members via a particular channels preferred (Rogers, 2003). The new ideas spread is influenced by four variables namely: the actual innovation, time, communication channels and social systems. Of great significance is that innovations need to gain acceptability in a wide area so as to be sustainable. As per Fisher (1971), when mapped innovation adoption in the long run forms a curve which is S shaped. The curve starts with the innovators then early adopters and finally the laggards.

The successfulness of an innovation will be stems from the put forward resolutions by the social systems via 5 phases; knowledge: such as awareness of innovation and continuous learning; persuasion which imply willingness of having detailed knowledge in regard to innovation; resolution, i.e, advantages and disadvantages consideration of the innovation and whether to adopt the innovation choice; application and finally confirmation, which is final decision on adoption of innovation (Xu & Wanrapee, 2014). The diffusion of innovation model is limited in

that it doesn't explain the significance of the different inter-connected trading partners' capability and the dynamics and the power between trading partners influence (Ikpefan, 2016).

Communication channel is described by Jongeneel (2011) as a key contributor to the new innovation adoption success in the firm. As an efficient channel of communication it creates prior new innovation awareness, the partners in trading have to work together for ensuring the financial innovations success (Ikpefan, 2016). This theory guided the study of the adoption of various financial innovations in businesses. The theory is relevant to this study as it explains how economies of scale affects performance of insurance companies in Kenya.

Modern Portfolio Theory

This is a theory that was developed by Markowitz in 1952 and 1959 where he formulated a portfolio problem in order to provide evidence that by combining a number of assets to form a portfolio, an organization/business is able to maximize expected returns and eventually minimize the risk (variance) (Kilbone, 2015). Under this theory, Markowitz uses the variance and standard deviation as measures of risk. He alludes that for diversification to be effective/work, investors must be in a position to know exactly how to reduce the standard deviation of a portfolio by capitalizing a negative correlation of coefficient (i.e. choosing investment options/stocks that move together) (Kiyak & Pranckevičiūtė, 2014).

This theory is key in establishing how well bancassurance (diversification) can minimize the risks of an investment portfolio. In order for insurance companies to increase their earnings and maintain their sustainability in this competitive financial industry then there is need for them to diversify their portfolio. Insurance companies are finding it increasingly challenging and costly to maintain their profitability due to the liberalization, deregulation and globalization of the market. From the 1980s there has been a decline in the interest margins on loans on Insurance companies which have led to them partnering with banks to sell their policies (Ladina, 2014).

By venturing into bancassurance business, it means that insurance companies 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-stopshop 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 insurance firms (Dontis-Charitos et al., 2011). This theory relates to the study in that it discusses diversification in order to boost financial performance and customer lifecycle management is one of the ways through which insurance companies have diversified to improve their financial performance.

Dynamic Capabilities Theory

This theory a rise from a resource-based view (RBV) that sees an organization as owning stocks of valuable technology and other resources (O'Connor, 2008). Companies are said to be heterogeneous in terms of resources, capabilities and endowments which are unique in their own sense and are difficult to modify. Because of this 'stickiness', a resource-based view provides that a company's competitive advantage arises from the strategies that exploit existing firm-based assets.

Over the years, extant literature has confirmed that a stock of assets is not enough for a firm to maintain its competitive advantage or build resilience during rapid and unpredictable changes (crisis) (Alavudeen, 2015). Capabilities (which are the business processes required to configure assets in beneficial ways) are key to enable a firm to build resilience to shocks. The concept of dynamic capabilities is therefore important at this point since it emphasizes of strategic management in adapting, integrating and reconfiguring those assets to be able to match the needs of the changing environment.

In this regard, Alavudeen (2015) eludes that dynamic capability concept assists firms in creating a reservoir of resources that would enable the firm to achieve sustainable competitive advantage in the long run. This theory is relevant to the study in such a way that the channel to be used by most retail commercial banks to achieve competitive advantage, increase resilience again unforeseeable shocks that may bedevil the market now or in the future through diversifying the bank's portfolio (i.e. not keeping all the eggs in one basket) and by so doing bancassurance is a sure way of diversifying. This theory was relevant to this study as it explained how the products or services type affects the performance of insurance companies in Kenya

Marketing Mix Theory

Marketing mix theory was set forward by Borden (1940) and defines the ingredients of marketing mix to include personal selling, planning, promotions, packaging, distribution, branding and the distribution channels. This led to grouping of these ingredients into the four categories that today are known as the four P's of marketing which consists of product, price, place and promotion. These four P's are the parameters that the marketing manager in insurance sector can control in any firm, subject to the internal and external constraints of the marketing environment of bancassurance. The goal is to make decisions that centre the four P's on the customers in the targetmarket in order to create perceived value and generate a positive response (Almajali, Alamro & Al-Soub, 2012).

The marketing mix framework is particularly useful in the early days of the marketing concept when physical products or services are represented in a larger portion of the economy, these include property market, motor vehicles and life assurance. Today, the insurance marketing scope is more integrated into organizations and with a wider variety of products and markets that can increase from 3% to a double-digit percent (Jongeneel, 2011).

The theory of market mix shades merit to bancassurance in that there is unprecedented support through extending market combination by involving insurance companies and bank services. This market mix integrates banking and non-banking financial institutions to carry out financing activities that gives customers more confidence. The partnership between Jubilee Insurance and Rafiki Bank to provide bancassurance services yielded a mix of products under one roof to bank members. Mostly, non-banking institutions mobilize the public savings for renderingother financial services including investment (Pandey, 2015). All such Institutions are financial intermediaries and when they lend, they are known as Non-Banking Financial Intermediaries (NBFIs) or Investment Institutions such as UAP, ICEA Lion Group, Invesco among others. Financial institutions that largely comprise of commercial Banks have devised varies product and services to suit the changing needs and demands from their clients. They provide corporate services intended to meet specific user preferences. This customization may include deposits and credit services given that the core role of banks is the provision of financial and nonfinancial services.

Financial services includes accepting cash, cheque deposits and provide credit services while non-financial services mainly involve training, custodian of legal certificates and precious properties. The insurance sector is a key part of non-banking financial sector. It offers security by reduction of risk as well as promotion of peoples welfare (Pandey, 2015). The collected funds are in premium form and provides long term capital to the industrial sector thereby assisting in economy industrialization. Notwithstanding the restrictions and perhaps as a result of its simplicity, the use of this framework remains strong among banks and insurance providers. This theory was relevant to this study as it describes the way bancassurance may be used as a sales promotion tool for enhancing the Kenyan insurance companies' performance.

EMPIRICAL REVIEW

Bancassurance is defined as a model of insurance distribution in which the products of insurance are sold via the network of bank branches. This model significantly depends on various banking groups' presence as the insurance companies' promoters. The banks have the ability to make bancassurance a very effective way of achieving the financial insurance sector inclusion since they have more than 80,000 branches spreading across the length and breadth of the country. The clients of the bank having higher mean premium per capita provides a quick means for insurers' growth. The insurance products complementary nature towards the advances of the bank offers collaborations in entire financial sector operations. The accessibility ease to clients of bank minimizes the costs of servicing, contributing to lower insurance policies lapsation as well as lowering the economy costs. The Banks perceive the insurance business value as a result of products' complementarity, derived fee income from the distribution of insurance as well as advances recovery ease in an event borrowers death or properties destruction. Various banks being insurance companies' promoters as well as gain when companies' valuation goes up as a result of bancassurance derived synergies.

Various studies have been done on performance of insurance companies in Kenya. For instance Mwiti (2013) did carry out a study on the effect of bancassurance on financial performance of commercial banks in Kenya, Njeri (2017) did a study on effect of bancassurance on the performance of insurance companies in Kenya and Juma (2015) examined effect of bancassurance on financial performance of insurance companies in Kenya with a survey of insurance companies in Nairobi County. Further, Osindi (2018) explored the effect of bancassurance on financial performance of commercial banks in Kenya and Chepkoech (2016) did a study on effects of bancassurance on performance of insurance firms in Kenya while Trickxie (2014) studied on the effect of bancassurance on the financial performance of commercial banks in Kenya. However, none of the reviewed studies focused on effect of bancassurance on performance of insurance companies in Kenya based on effect of products or services type, administration-economies of scale, customer lifecycle management and sales promotion tool. Therefore, this study sought to establish the effect on effect of bancassurance on performance of insurance companies in Kenya focusing on how bancassurance used as customer lifecycle management and sales promotion tool affects the performance of insurance companies in Kenya.

RESEARCH METHODOLOGY

This study applied a descriptive survey research design. The target population was 506 management staff who were drawn from the 55 listed insurance companies in Kenya. The target population. The stratified random sampling goal is achieving the required sample from the population sub-sets. The study arrived at a sample of 112 by computing the target population of 506 with a 95% level of confidence and an error of 0.05 using the Nassiuma (2000) formula. Self-administered questionnaires were used in collecting the primary data. The questionnaire contained both the open ended and closed ended questions which covered questions related to performance of insurance company. The researcher used the open ended questions in order to motivate the respondents in giving an in-depth and felt response without feeling held back in giving any data and closed ended questions allowed the respondents to answer from restricted stated options. Structured questionnaires were used in collecting the primary data as a result of the variables nature in which the respondents' opinions, perceptions and feeling were sought. The study instruments were distributed among the targeted respondents using various points of reference like the managers of departments. The questionnaire comprised of questions related to both the dependent and independent variables. To enhance reliability and accuracy of the data, respondents were assisted and facilitated during the questionnaire filling time. The researcher checked for consistency of the returned questionnaires and data cleaning, and coding using SPSS were done. After collecting data responses from the questionnaire, the quantitative data was analyzed by researcher using descriptive statistics with help of SPSS (V.21.0) and presentation done using percentages, standard deviations, means and frequencies. Thematic coding of the qualitative data was done and then was statistically analyzed. The qualitative data from the open ended questions was analyzed using the content analysis. The presentation of the data was in

tables, graphs and in prose-form. Inferential data analysis was done by use of multiple regression analysis. This was utilized for establishment of the link amongst the variables both independent and dependent. The multiple linear regression model was selected since its key in establishing the relative independent variables significance to the dependent variable (Bryman & Cramer, 2012). Because the study had four independent variables the multiple linear regression model generally took the following equation;

$$Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y= Performance of insurance companies in Kenya; β_0=constant; β_1, β_2, β_3 and β_4 = regression coefficients; X_1= Products or services type; X_2= Administration-economies of scale; X_3= Customer lifecycle management; X_4= Sales promotion tool; ε=Error Term

RESEARCH RESULTS

The regression analysis was conducted to establish between the bancassurance and performance of Kenyan insurance companies. The findings were as illustrated in Table 1, 2 and 3.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.961[a]	.924	.920	.54230

a. Predictors: (Constant), Sales Promotion Tool, Administration Economies of Scale, Customer Lifecycle Management, Products or Services Type

From the results, it is clear that the four independent variables were statistically significant predicting the Kenyan insurance companies' performance which had an adjusted R squared = 0.920. That implies that the model explains 92% of the variance in Kenyan insurance companies' performance. While the remaining 8% is explained by other factors that were not covered in this study.

Table 2: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	337.772	4	84.443	287.134	.000[b]
	Residual	27.938	95	.294		
	Total	365.710	99			

a. Dependent Variable: Performance of Insurance Companies in Kenya
b. Predictors: (Constant), Sales Promotion Tool, Administration Economies of Scale, Customer Lifecycle Management, Products or Services Type

From the ANOVA Table, p-value was 0.000 and F-calculated was 287.134. Since p-value was less than 0.05 and the F-calculated was greater than F-critical (2.4472), then the regression relationship was significant in determining how products or services type, administration-economies of scale, customer lifecycle management of scale and sales promotion tool affects Kenyan insurance companies' performance.

Table 3: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.047	.506		-2.070	.041
	Products or Services Type	.191	.085	.183	2.240	.027
	Administration Economies of Scale	.237	.040	.328	5.865	.000
	Customer Lifecycle Management	.230	.059	.293	3.869	.000
	Sales Promotion Tool	.183	.047	.223	3.893	.000

a. Dependent Variable: Performance of Insurance Companies in Kenya

The established model for the study was:

$$Y = -1.047 + 0.191X_1 + 0.237X_2 + 0.230X_3 + 0.183X_4 + \varepsilon$$

Where: Y= Kenyan insurance companies' performance; X_1= Products or services type; X_2= Administration-economies of scale; X_3= Customer lifecycle management of scale; X_4= Sales promotion tool

Table 3 shows the regression model, where the regression equation established that if products or services type, administration-economies of scale, customer lifecycle management and sales promotion tool were held constant at zero, then the Kenyan insurance companies' performance would be -1.047 which is significant since p=0.041<0.05. The findings further reveal that increase in products or services type leads to 0.191 increase in the score of Kenyan insurance companies' performance if all other variables are held constant. The variables was found to be significant since 0.027<0.05. This in line with Frame and White (2014) who sates that the type of products or services offered through bancassurance model are believed to a great effect on performance of insurance companies.

Further it was found that if administration-economies of scale increases, there is a 0.237 increase in the score of Kenyan insurance companies' performance if all other variables are held constant. The variable was significant since 0.000 is less than 0.05. This is in agreement with Jongeneel (2011) who stated that economies of scale is a key in adoption of bancassurance strategy.

The findings also reveal that when a unit of customer lifecycle management increases, there is a 0.230 increase in the score of Kenyan insurance companies' performance. Customer lifecycle management is significant since p-value=0.000<0.05. This finding agrees with Kilbone (2015) overall CLM execution process scope includes all domains or organization departments, that commonly brings all static and dynamic data, marketing processes, and value added services sources to a unified decision which supports the platform through acquisition of customer, preservation, cross and up-selling, and lapsed win-back customer iterative phases.

From the findings, a unit increase in the scores of Sales promotion tool would lead to a 0.183 increase in the scores of Kenyan insurance companies' performance. The variable was significant as the p-value=0.000<0.05. This conforms to Hull (2015) who notes that insurance firms' offers sales promotion innovative tools and maximize or minimize the duration relying on the conditions of the business vis-a-vis the emerging business trends.

Overall, administration-economies of scale had the greatest effect on the Kenyan insurance companies' performance followed by customer lifecycle management then products or services type while then sales promotion tool had the least effect on the Kenyan insurance companies' performance. All the variables were significant since their p values were less than 0.05.

DISCUSSION

Products or Services Type

The study sought to establish to what extent products or services type affect Kenyan insurance companies' performance. The study reveals that products or services type affect Kenyan insurance companies' performance greatly. This concurs with Frame and White (2014) who state that the type of products or services offered through bancassurance model are believed to a great effect on performance of insurance companies.

The study also found that the insurance companies had expanded product/service offering, availability of wide range of financial products in one basket, value added services and sophisticated product offerings which were all found to affect Kenyan insurance companies' performance greatly. This concurs with to Frame and White (2014) who note that through bancassurance model, there is availability of wide range of financial products accessible through the bank.

Administration-Economies of Scale

The study sought to assess how administration-economies of scale affect Kenyan insurance companies' performance. The study revealed that administration-economies of scale affected affects Kenyan insurance companies' performance greatly. This is in agreement with Jongeneel (2011) who argued that economies of scale are termed as a key argument for adopting bancassurance strategy. The banks needs their customers to take insurance against various risks like deaths, permanent disability when taking personal loans which makes the insurance an inherent loan part.

The study further shows that Kenyan insurance companies' performance is boosted by enhanced value and distribution channel optimization very greatly. This is clear as in Omondi (2013) who posits that in the economies of scale dominates in Bancassurance are as a result of similar operations carried by banks and insurance firms..

Additionally, the study found that acquisition cost/ cost efficiency, access human capital, operating synergy and service diversification affect Kenyan insurance companies' performance greatly. This is in agreement with Yahaya and Lamidi (2015) who argues that banks take economies of scale advantage coming from the large numbers law. Additionally, the insurance firms depends on large numbers law.

Customer Lifecycle Management

The study also sought to examine the extent that customer lifecycle management of scale affects Kenyan insurance companies' performance. The study found that customer lifecycle management of scale affects Kenyan insurance companies' performance greatly. This is in conformity with Kilbone (2015) who noted that the overall CLM execution process scope includes all domains or organization departments, that commonly brings all static and dynamic data, marketing processes, and value added services sources to a unified decision which supports the platform through acquisition of customer, preservation, cross and up-selling, and lapsed win-back customer iterative phases.

The study found that, the customers trust and convenience enhanced the Kenyan insurance companies' performance very greatly. This relates to Yahaya and Lamidi (2015) who posit that in today's business field, customers are prime resource for an association and dealing with the customer connection is similarly basic for the organizations.

Additionally, the study revealed that strengthened long term customer relationship, actuarial efficiency (compiling and analyzing statistics to calculate insurance risks and premiums and end-to-end service delivery process also improved Kenyan insurance companies' performance greatly. This is in agreement with Ikpefan (2016) who noted that the customer life cycle is delineated as a circle or obscuration to speak to that it is genuinely a cycle, one that you need your best customers to travel through over and over.

Sales Promotion Tool

The study sought to determine the extent to which sales promotion tool affect Kenyan insurance companies' performance. The study found that sales promotion tool affected Kenyan insurance companies' performance greatly. This is in line with Kajirwa (2015) who says that bancassurance as a sales promotion tool prompts the staff of the partner bank to sell the insurance policies since it has large number of customer network.

The study further determined that access to all demographics affected Kenyan insurance companies' performance very greatly. This concurs with Kiptis and Wanyoike (2016) who argue that in the sales promotion strategy is an important element in the overall marketing strategy particularly in promotional strategy. It aims directly at inducing purchasers to buy a product or service. It is a device for promoting the sales for meeting a particular target.

Further, improving product popularity, distribution channel optimization, Increase their geographical reach without additional costs and Cross-selling were found to affect Kenyan insurance companies' performance greatly. This finding concurs with El Pash (2012) who notes that insurance companies have been using bancassurance as a sales promotion tool which further helped in increasing the customer base hence positively affecting their performance.

CONCLUSIONS

The study concludes that products or services type greatly affects Kenyan insurance companies' performance. The study further concludes that a product that appeals to right customers, that is up to date with technology, and manages risk is important for the ongoing success of a firm. In this case, an insurance company that creates products or services perceived to be unique may give the company an opportunity to charge a premium on its product. Features such as brand image, technology, networks and customer services are all desired towards being ahead of their competitors. When these features are maintained over time they lead to customer loyalty. This in turn promotes the performance of the Insurance company.

The study concludes that administration-economies of scale affects Kenyan insurance companies' performance greatly. The study also concludes that insurance companies should ensure timely and efficient processing of the demanded products and services. Provision of standardized products and services allows the firm to enjoy economies of scale while serving customer. With standardized products, the firm be able to search for different strategies to cut down cost. On the other side, the cost should not compromise the value of the products but instead complement it to be able to beat the value created by the competitors.

The study also concluded that customer lifecycle management of scale had a great effect on Kenyan insurance companies' performance. The study concludes that gathering and managing customer knowledge can be a valuable competitive tool for insurance companies. information is critical in understanding customer needs, product tailoring, service innovation, providing a single and consolidated view of customer, calculating customer life time value, personalizing transactions and for establishing and maintaining relationships. The study further concludes that to enhance profitability, information about customers should be gathered through interaction or touch points across all functional areas of the firm and transformed into customer knowledge.

The study concludes that sales promotion tool has a great effect on Kenyan insurance companies' performance. The study concludes that the primary objectives with sales promotion is to attract new customers, thereby increasing the insurance companies' share of savings; to increase market share in selected market segments; and to lower the cost of acquiring new customers by seeking to avoid direct price competition with other institutions.

RECOMMENDATIONS

The study recommends that there is need for attention to be paid on information systems presence, so that they are supported with all related information to customers so as to back making of decisions. It's essential for promulgating the marketing culture via links based on the long-term relationships presence with the customer via the commitment for satisfaction his/her needs and the great concern about quality on the part of every individual in the Kenyan insurance companies. The insurance companies should ensure that customer-orientation through understanding the market and directing the resources of the company towards achieving the desires and the needs of the customers and measuring the ability to provide a value for the customer.

The study recommends that insurance companies' managers should weigh carefully their marketing promotion strategies and align them to their objectives adapting a suitable mix of the promotion tools. This will assist in improving performance of the insurance companies in Kenya. The study also recommends that all promotional tools should be coordinated in an integrated marketing strategy to deliver a clear, consistent, credible and competitive message about the products and services offered.

The insurance company management should know their target market and segment it per product and create a niche for themselves as competition increases. Staff should be trained on handling the new bancassurance segment so that they are able to handle the customers well and efficiently. Finally, management should give all staff all the support they require in adoption and implementation of bancassurance so as to enhance Kenyan insurance companies' performance.

There is a need for the insurance companies for improving and strengthening their link with banks via regulatory change, centralized policies of marketing as well as common research and development. This will influence the insurance companies' performance. The study recommends insurance companies to pay special attention to ensuring consistency in quality, feature, packaging, and so on. Bancassurers need to sell products which should be sold in large volumes and with high margins to cover expenses and profits. Products like mortgages, loans, credit, overdrafts, and investments can be easily bundled with insurance protection. These credit based products, when issued in an ideal world, require customers to be risk-free to ensure that their obligations are met.

The insurance companies should provide insurance services any place, anytime, anywhere. Increased buyer sophistication demanding quality insurance products, competitive pricing and responsive service. Insurers need to push greater capabilities onto their websites to allow customers a higher degree of control and flexibility.

The study recommends insurance companies to ensure that transactions are monitored online making it real time. They need to ensure that they consider customers preference. Technology should be used effectively while marketing products. Multiple channels for insurance distribution

should be put in place .The insurance companies could consider the use mobile SMS, sponsorship of community development programs e.g. tree planting and golfing and E-marketing through E-mails to sell insurance.

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