THE EFFECT OF BANCASSURANCE ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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Abstract - Bancassurance has been adopted in many parts of the world with a good establishment in Europe, USA and China. In the USA, following the abolishment of the Glass Steagall Act in 1999, bancassurance became a reality. In China, the role of a tide agent was permitted for banks which created an excellent platform for the upsurge of bancassurance. In the case of Africa, the popularity of bancassurance has been growing. Specifically in Kenya, out of the 43 commercial banks, eight have embraced bancassurance. The banking sector has undergone innovations over the years to meet the growing changes in customer preferences, market structure and regulation, and to survive the highly dynamic and competitive financial sector. Currently, there is no provision for bancassurance in the Banking Act.The research adopted a descriptive survey research design targeting the 43 commercial banks in Kenya. Purposive sampling technique was used to select banks offering bancassurance. Primary data was obtained by the use of questionnaires while secondary data was readily available from the published annual reports spanning five years (2011-2015). Cronbach's alpha coefficient was used to test and determine the reliability of the questionnaire.Content and construct validity of the questionnaire was established by experts. Data was analyzed quantitatively using SPSS- Version 25. The result study depicted that there is a significant relationship between bancassurance and financial performance of commercial banks in increasing profitability, ROA, liquidity andcost reduction. The study recommends that commercial banks' management teams should: understand their target market segments and adopt best criteria for market segmentation for their bancassuranceproducts. They need to look the adoption and implementation of bancassurance by regularly reviewing their policies to enhance clarity and integrating bancassurance in their corporate strategy.

Keywords - Bancassurance,Corporate Strategy, financial sector, market segmentation.