

**BANCASSURANCE: STRENGTHS, WEAKNESSES,
OPPORTUNITIES AND THREATS ANALYSIS AND
PERFORMANCE FOR COMMERCIAL BANKS IN KENYA**

BY

MWANGI JOAN NJERI

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DECLARATION

This research project is my original work and has not been presented to any university for any award or anywhere else for academic purposes.

Signature _____

Date

Name: Joan Njeri Mwangi

D61/67913/2013

This project has been submitted for examination purposes with my approval as University Supervisor.

Signature _____

Date

Ms Caren Angima

Chairman, Department of Business Administration

School of Business,

University of Nairobi

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I dedicate this research project to my beloved Tyler and Gregory for the motivation to complete the project. I also dedicate this to my family, for your prayers and support given throughout the entire course and Desmond for the love and encouragement throughout the project.

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TABLE OF CONTENTS

	Page
DECLARATION	ii
ACKNOWLEDGEMENT	iii
DEDICATION	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABBREVIATIONS AND ACRONYMS	ix
ABSTRACT	x
CHAPTER ONE:INTRODUCTION	1
1.1. Background of the Study	1
1.2. Research Problem.....	8
1.3. Research objective.....	9
1.4. Value of the Study	9
CHAPTER TWO:LITERATURE REVIEW	11
2.1. Introduction	11
2.2. Theoretical Foundation.....	11
2.3. SWOT Analysis of Bancassurance.....	13
2.4. SWOT Analysis and Performance	18
2.5. Summary of Literature Review and Research Gap	19
CHAPTER THREE:RESEARCH METHODOLOGY	21
3.1.Introduction.....	21
3.2.ResearchDesign.....	21
3.3.TargetPopulation.....	21
3.4.DataCollection	22

3.5.DataAnalysis	22
CHAPTER FOUR:DATA ANALYSIS,INTERPRETATION AND DISCUSSION .24	
4.1 Introduction	24
4.2 Performance of Bancassurance	24
4.3 SWOT Analysis of Bancassurance in Commercial Banks of Kenya	26
4.4 Measures to improve Bancassurance Performance of Commercial Banks in Kenya..	40
4.5 Discussion of Findings.....	43
CHAPTER FIVE:SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.. 45	
5.1 Introduction	45
5.2 Summary of Findings	45
5.3 Conclusion of the Study.....	46
5.4 Recommendations of the Study	47
5.6 Limitations of the Study	48
5.7 Areas for Further Studies.....	49
5.8 Implications on policy and practice.....	49
REFERENCES	51
APPENDICES.....	57
Appendix I: List of Commercial Banks in Kenya.....	57
Appendix II: List of Commercial Banks in Kenya Practicing Bancassurance	58
Appendix III: Questionnaire.....	59

LIST OF TABLES

Table 4.1	Statistics on bancassurance employees in commercial banks in Kenya.....	25
Table 4.2	Statistics on Strengths of Bancassurance.....	27
Table 4.3	Reliability Statistics of Strengths of Bancassurance Performance.....	29
Table 4.4	Individual reliability of the strength variables to the questionnaire.....	30
Table 4.5	Statistics on Weaknesses of Bancassurance.....	31
Table 4.6	Reliability Statistics of Weaknesses of Bancassurance Performance.....	32
Table 4.7	Individual reliability of the weaknesses variables to the questionnaire.....	33
Table 4.8	Statistics on Opportunities of Bancassurance.....	34
Table 4.9	Reliability Statistics of Opportunities of Bancassurance Performance.....	36
Table 4.10	Individual reliability of the opportunities variables to the questionnaire.....	37
Table 4.11	Statistics on Threats of Bancassurance.....	38
Table 4.12	Reliability Statistics of Threats of Bancassurance Performance.....	39
Table 4.13	Individual reliability of the threats variables to the questionnaire.....	40

LIST OF FIGURES

Figure 4.1	Number of years of bancassurance operation by commercial banks in Kenya.....	26
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ABBREVIATIONS AND ACRONYMS

- AIG** - American International Group
- ALICO** - American Life Insurance Company
- BRITAM** - British American Insurance of Kenya
- CFC** - Capital Finance Company
- RBV** - Resource Based View
- SWOT** - Strengths, Weaknesses, Opportunities, and Threats

ABSTRACT

The purpose of this study was to determine the internal and external factors that affect the performance of bancassurance in commercial banks in Kenya. The internal and external factors were obtained by performing a SWOT Analysis. The strengths, weaknesses, opportunities and threats obtained would help in the strategic planning of bancassurance by managers of commercial banks in Kenya to improve the performance of bancassurance. Primary data was obtained from commercial banks in Kenya and data analysed using SPSS. Results reveal some of the strengths of bancassurance to be the growing insurable population and an increase in middle class segment in Kenya; the weaknesses of bancassurance to be an unsupportive Information Technology culture and the poor goodwill of customers towards insurance; the opportunities of bancassurance to be the enormous database on clients and the liberalization of the insurance sector and the threats of bancassurance to be the current thinking and work culture in the banks and a fierce competition from other providers such as brokers. The study also showed that the performance of bancassurance is on its early stages of growth. It found that bancassurance has recently been taken up by most banks most of which have been functioning for only one year. The strengths, weaknesses, opportunities and threats identified will be used in the strategic plan of the banks to improve performance both directly in terms of financial growth and indirectly through efficiency, cost and market structure.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

There is a strong tendency of the banking and insurance industry to merge in many countries across the world. This is taking place due to banks diversifying into insurance business and arising due to the rapid development of banking and insurance in the face of changes occurring in the finance sector. Merging global financial markets, development of new technologies, universalization of banking industries, expansion of non-banking activities into insurance has globally brought in new channels of distribution into existence in which banks now sell insurance. Merging businesses in the banking and in the insurance sectors has given rise to bancassurance (Gujral, 2014).

In its full holistic form, bancassurance realizes the full potential of the customer database of a bank to develop an excellent customer focused service that adds value for both the bank and the insurer. Bancassurance is not just about selling insurance to customers of a bank, but it is synergetic exploitation of the strengths of a bank and an insurer. The concept of bancassurance originated in France. It has spread across the world and has now, for instance, become a dominant model in Europe (Gujral, 2014).

This research was guided by the Complexity theory of Corporate Strategy and the Resource-Based View (RBV) of Competitive Advantage. Complexity theory of Corporate Strategy borrows from the complexity theory in physical and biological sciences and argues that industries chart their strategy in the context of the unpredictably unique patterns in their business environment (Cartwright, 1991). The Resource-Based View (RBV) of Competitive Advantage is a competitive advantage theory suggested by

Wernerfelt (1984) and posits that a firm's strategy can be seen in the way it uses its assets and liabilities to leverage its response to its business environment.

Bancassurance emerged as a result of the similarities between insurance and banking. One similarity was argued by Levy-Lang (1990) who noted that insurance companies undertake fund management which is an attribute of banking. Both banks and insurance companies operate with reserves, rely on the law of large numbers, use economies of scale, and have expertise in administration and money management. They also create liquidity and assume a risk-spreading function through reinsurance or refinancing. As insurers developed more and more products with shorter maturities, savings became a focus of competition for banks and insurance companies.

Though the trend is the increasing competition and collaboration between banks and insurances companies, the new environment presents new challenges and opportunities for the managers of banks. There is no single best method that banks can use to enter bancassurance. Every bank must have its own unique entry point and method of diversifying into bancassurance. The manner of entry and the entry point of each bank is a strategic response to the various strengths, weaknesses, opportunities and threats (Estrella, 2001).

Just like every other firm operating in a given business environment, banks venturing into bancassurance are confronted with a variety of internal and external forces which can be stimulants or spell doom for the bank. A serious step in strategic direction for such banks is establishing these dynamic internal and external factors in order to ensure that strategy is working profitably. Adapting to these rapidly and continuously changing internal and

externals factors is a sure way to for the banks to survive and maintain a sustainable competitive advantage. This calls for the commercial bank venturing into bancassurance to establish its internal strengths and weaknesses and respond to external threats while utilizing present and new opportunities for bancassurance to succeed (Navarro and Gallardo, 2003).

1.1.1. Concept of Bancassurance

Bancassurance is a term that was used for the first time, in France. The term bancassurance was coined to mean the simple distribution of insurance products by commercial bank branches. As the bancassurance business model is becoming wide spread, different and more general definitions of the term are coming up. According to Gonulal, Lester and Goulder (2012) bancassurance is the process of using a bank's customer relationships to sell life and nonlife insurance products.

Elkington (1993) defines bancassurance as the provision of and selling of banking and insurance products by the same organization under the same roof. It is a wide range of detailed arrangements between banks and insurance companies that include the provision of insurance and banking products from the same sources or to the same customer base. Bancassurance refers to the provision of insurance services by commercial banks.

1.1.2. Strengths, Weaknesses, Opportunities, and Threats Analysis

Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is an idea in the business practice that traces back to research by Robert Stewart, Marion Doshier, Otis Benepe, Birger Lie, and Albert Humphrey (Humphrey 2005). SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is one of many

tools that can be used to map out an organization's strategy. SWOT analysis can serve a dual function: it can be used for both internal and external environment scanning.

SWOT analysis is the early but very important step in the area of strategic analysis when conducting strategic planning. Indeed environmental scanning is essential for an effective planning process. The planning firm needs to understand the environment in which it operates before making any business decisions. A SWOT analysis focuses on both the internal situation, that is, strengths and weaknesses and the external environment, made up of opportunities and threats (Humphrey 2005). Strengths are any internal asset such as motivation, technology, finance, etc. which enable the business to exploit arising opportunities and to fight off any threat. Weaknesses are internal deficits that make it difficult for the business to achieve its goals. Opportunities are external circumstances or trends that favour the demand for an organization's specific competence. Threats are challenges posed by an unfavourable trend or development in the environment (Valentin, 2005).

The aim of a SWOT analysis is coming up with a framework that can enable a firm to choose a strategy that can help it meet its objectives. These objectives involve meeting the demands of the environment while taking into account the existing internal potential. With a properly done SWOT analysis, a mapping and identification of the driving forces that the organization should focus on is done.

1.1.3. Bank Performance

Performance is a concept with a very flexible definition. Its definition changes according to the user and context within which it is used. One definition of performance is the accomplishment of a given task with regard to pre-set known standards of accuracy, completeness, cost, and speed. In the case of contract, performance means the fulfilment of an obligation in a way that releases the performer from all liabilities under the contract.

Ongore and Kusa (2013) indicate that financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Nimalathan (2008) noted that financial performance analysis aims at improving financial functions and processes of the organization. To do this, an array of financial performance indicators is necessary to expose the different aspects of the financial performance of an organization (Gibson and Cassar, 2005). There are various indicators of financial performance indicators for banks. Caruntu and Romanescu (2008) identify six such indicators. These are: return on equity, return on assets, leverage multiplier, the profit rate, the margin of assets utilization and margin profit.

According to Bikker (2010), there are other indirect performance indicators for financial institutions such as Banks other than financial performance. These indicators are efficiency, costs and market structure. Efficiency is represented by cost efficiency, profit efficiency, scale economies and scope economies. Costs are represented by cost-to-income ratio, cost margin and total costs. Market structure is represented by number of banks and per capita number of banks.

1.1.4. Banking Industry in Kenya

The banking industry was liberalised in 1995. It is regulated and governed by the Central Bank of Kenya, Companies Act and Banking Act. There are 44 banks in Kenya, 31 are locally owned and 13 are foreign owned. Three of the locally owned banks have a significant shareholding by the Government of Kenya and State Corporations, 27 are commercial banks and 1 mortgage finance institution (Housing Finance Company of Kenya). The banking industry in Kenya has grown opening offices in East Africa. Banks in Kenya are utilising technology by automating their services moving from traditional banking in order to meet their customer needs and globalization challenges.

1.1.5. Commercial Banks in Kenya

Banks and insurance companies in Kenya have for a long time been fighting over the regulatory issue of whether banks in Kenya should be allowed to sell insurance. Firms in the whole finance sector realize the untapped bancassurance opportunity especially in life insurance. Currently, the life insurance products are sold through expensive agent sales forces that inhibit penetration into the market. After the battle for the bancassurance market, both banks and life insurers have no other than to lay strategies that will enable realization of profit. Whether through competition or by cooperation, bancassurance means a new definition of the banking and insurance industry in which both must compete for sustainable profitability (Mwangi, 2010).

In Kenya, there is a wide network of 43 commercial banks which, if well utilised could enhance the sale of insurance more effectively than the reliance on individual insurance agents. The use of the already existing commercial bank network seems to be cheaper

than using agents. Banks have achieved a deeper penetration for they have reached even the small account holders in rural areas where insurance agents have not reached. Such a scenario indicates that the partnership between commercial banking and insurance is inevitable (Venkitaramanan, 2000).

Commercial banks and insurance companies in Kenya and elsewhere have similarities that can provide the basis of the formation of a working symbiotic relationship. For instance they both undertake fund management they operate with reserves and rely on the law of large numbers. The consolidation of financial services industry will spell the inevitable convergence of banking and insurance. The Kenya Commercial Bank, Equity Bank and Family Bank are already conducting bancassurance over the counter (Ombonya, 2013).

There is evidence of commercial banks in Kenya acquiring insurance companies. In 2005, American Life Insurance Company (ALICO) Kenya was acquired by CFC group and subsequently changed its name to CFC Life. A recent move saw Commercial Bank of Africa acquire a third of AIG insurance company's total interest. There is also a partnership agreement between British American Insurance of Kenya (BRITAM) with Equity Bank and Commercial Bank of Africa. Though there is great potential for development and growth of bancassurance in Kenya, the market seems to be facing challenges as indicated by the poor penetration of insurance into the Kenyan market (Ombonya, 2013).

1.2. Research Problem

Bancassurance is increasingly becoming significant part and future of the banking industry. Its growth is boosted by the fact that household savings have moved from bank deposits to more remunerative investments. This has resulted in a drop in the traditional banking thus reducing commercial banks' profitability. To sustain their profitability banks have had to fight for venturing into the insurance industry as a diversification option (Muunda, 2007).

Despite the great potential for bancassurance's development and growth in Kenya, insurance penetration is low. The successes expected seem not to be coming as initially thought. This may point to the possibility that banks venturing into insurance are experiencing issues in the bancassurance business that must be responded to. As posited by (Humphrey 2005), the banks participating in bancassurance have to identify the strengths, weaknesses, opportunities and threats regarding this strategy in order to enable them chart their way forward in bancassurance and realize sustainable profitability and remain relevant in insurance (Ombonya, 2013).

While Kumaraswamy (2012) established the strengths and weaknesses of bancassurance in India, Viswanadham (2005) and Brahmam et al. (2004) established the threats. Paige et al. (2007) established that bancassurance was a strongly viable business in the finance industry in the United States of America. In Kenya, Waweru, (2014) stopped at establishing the effect of bancassurance to banks' profitability. Mwangi (2010) was limited to establishing the determinants of growth of Bancassurance in Kenya. Omondi (2013) focused on establishing factors determining why commercial banks adopted Bancassurance. Further, Kiragu (2014) focused on determining the challenges facing

insurance companies in building competitive advantage regarding bancassurance. The findings of the international studies cannot be assumed to hold in Kenya while the local studies have not been able to indicate the SWOTs facing bancassurance. There was a need for a study to conduct a SWOT analysis on bancassurance in commercial banks to provide information useful in designing the strategy for bancassurance.

With insurance penetration in Kenya being low, it means bancassurance might not be performing as expected. The business environmental issues that face bancassurance have to be established if the proper strategies regarding bancassurance have to be designed. This research was to establish these business environmental issues by answering the question, what are the strengths, weakness, opportunities and threats with regard to performance of bancassurance in commercial banks in Kenya?

1.3. Research objective

The objective of this research was to establish the strengths, weaknesses, opportunities and threats with regard to bancassurance and their relationship to performance in commercial banks in Kenya.

1.4. Value of the Study

The findings of this research will be useful to scholars, owners of small businesses and government economic policy makers. To scholars, the study will establish the strengths, weaknesses, opportunities and threats (SWOT) in the bancassurance business in Kenya. This research will contribute to the scholarly discussion concerning how the internal and the external environment contribute to the performance of firms in a given industry.

Owners and managers of banks in Kenya and elsewhere will have objective evidence that will highlight the strengths, weaknesses, opportunities and threats that affect the performance of their banks as they venture into the insurance business in Kenya. This knowledge will help them plan strategically in a manner that will maximise their strengths and opportunities and control their weaknesses and threats to obtain desirable profits.

The Central Bank of Kenya will also find the results of this research useful. The strengths, weaknesses, opportunities and threats will provide input for putting in place policies that can improve the manner in which the insurance industry is organized regarding entry of commercial banks into insurance.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter reviews the literature on which this research was based. The chapter discusses the theoretical foundation concerning SWOT analysis, and the empirical literature regarding SWOT analysis and identifies the research gaps.

2.2. Theoretical Foundation

This research was based on two theories, namely the Complexity Theory of Corporate Strategy and the Resource-Based View (RBV) of Competitive Advantage. This subsection discusses the two theories.

2.2.1. Complexity Theory of Corporate Strategy

Complexity Theory of Corporate Strategy borrows from the complexity theory in physical and biological sciences where it is the study of nonlinear dynamic systems. According to Cartwright (1991) it is a conceptual framework that reconciles the essential unpredictability of industries with the emergence of unique patterns. Kiel and Elliott (1996) noted that social, ecological, and economic systems also tend to be characterized by nonlinear relationships and complex interactions that evolve dynamically over time. This realization led to the use of the complexity theory in many other fields including business management (Goldberger et al., 1990).

Between 1990 and 2000 there was an explosion of interest in complexity with regard to organizations and strategy. The drive to understand the complex environment within which businesses operate has been a long-standing concern of organization theory. Simon

(1964) suggested that the analysis of complexity and the application of analytical and computer tools to study complex systems lays the groundwork for management.

The Complexity Theory provides the appreciation that the environment facing any organization regarding its lines of business is complex. The role of the management is coming up with a strategic chart that will ensure the business manoeuvres its environment successfully. Bancassurance is a business strategy that is also operating in a turbulent environment which is a factor in determining how banks participate. This environment is defined by internal and external issues that are contained in the SWOTs.

2.2.2. Resource Based View of Competitive Advantage

Resource-Based View (RBV) of Competitive Advantage is a competitive advantage theory laid down by Wernerfelt (1984). The RBV addresses the question of why firms are different and how firms achieve and sustain competitive advantage by deploying their resources. The theory suggests that evaluating firms in terms of their resources could provide light regarding why firms differ from each other. Barney (1991) contributed to the RBV by presenting a more concrete and comprehensive framework to identify the needed characteristics of firm resources in order to generate sustainable competitive advantage. He argued that a firm would become competitive if its resources are valuable as to enable them exploit opportunities and/or neutralize threats in a firm's environment; are rare among a firm's current and potential competitors; inimitable, and non-substitutable.

The Resource-Based View (RBV) shows the connection between the resources a business uses in its production and the strategy. Strategy in itself is a response to the internal and

external issues facing the business. This shows that commercial banks allocate resources differently as they conduct bancassurance business. No two commercial banks will necessarily have similar strategies regarding bancassurance. Conducting a SWOT analysis on the commercial banks that have ventured into the bancassurance business will then bring out the general business environmental issues that contribute to the decision of commercial banks to conduct bancassurance business the way they do.

2.3. SWOT Analysis of Bancassurance

In this section the discussion focuses on past literature concerning SWOT analysis. It presents what other researchers have, in the past, established about bancassurance.

2.3.1. Strengths of Bancassurance

Strengths refer to internal factors that enable a business or an organization to exploit business chances that occur in the market. Opportunities are things like the level of motivation, type of technology utilized, financial endowment, etc. strengths are the advantages an organization has, factors that make it better than others, unique cost reduction strategies, what makes the business increase sales and the unique selling propositions. The main importance of strengths is their ability to enable a firm to utilize opportunities and fend off competition or threats (Humphrey, 2005).

One of the strengths of banks is that they think about the management of the customer relationship which leads to the production of products and services that meet those needs. Other strengths are the routine communication with the bank's customers and mass production (Pask, 2003). In addition, banks offer convenience to the customer; a so called

“one stop” financial supermarket to clients who do not have enough time to be queuing for services at various providers’ offices (Masiyiwa, 2014).

A study was conducted by Kumaraswamy (2012) to establish the strengths of Bancassurance in India established a set of strengths. First, the country has more than one billion people who provide a vast untapped potential waiting to be mined particularly for life insurance products. The commercial banks have the credibility established with their constituents because of variety of services and schemes provided by them making it a method of selling insurance. There is also the positive attitude people have towards the commercial banks because of the long presence and sustained image of the banks. The other strength lies in a huge pool of skilled professionals in both the commercial banks and insurance companies who may relocate for any bancassurance venture. Other established strengths of bancassurance were the vast network of branches of banks spread across and representing the faith and goodwill customers had in banks. The positive attitude people have towards banks would influence change of the generally negative attitude customers have towards insurance. The study also established the substantially strong presence of banking networks in the rural India would enable bancassurance reach the rural folk. This is because the rural customers will be served by expert staff with financial and insurance expertise. This will facilitate access to funds for investment for the provider of bancassurance (Kumaraswamy, 2012).

2.3.2. Weaknesses of Bancassurance

Weaknesses are internal factor that make it difficult for the business organization to achieve its goals. Weaknesses are factors like low level of motivation, use of inferior

technology, financial difficulties, etc. such factors make it hard for the business to utilize arising opportunities and make it vulnerable to competitors and other adverse factors in the business environment. Weaknesses are things that could be improved, avoided or factors that lead to loss of sales (Valentin, 2005).

A weakness of bancassurance in India is the turbulence being experienced by banks in India and across the world following the financial crisis of 2008. Further, commercial banks in India are faced with problems of high Nonperforming Assets (NPA) levels, massive provisioning requirements, gross capital inadequacies, financial irregularities and accounting problems. Matters are worsened by the strict entry norms of Insurance Regulatory and Development Authority (IRDA) on one hand and the Reserve Bank of India (RBI) on the other hand for banks' entry into insurance business. The vast network of branches, though a strength, is also considered burdensome by many commercial banks which can hamper the development of bancassurance especial with the current trend of consolidation of banks and branches (Kumaraswamy, 2012).

According to (Pask, 2003), bank branches have high fixed costs causing shrinking margins of an increasingly commodity business. This has led to banks looking for ways for the high fixed cost branches to become profitable. Another weakness is that banks have been unable to penetrate the commercial lines insurance business due to lack of technical competence. Bank employees are unable to manage complex insurance programs required by commercial clients (Masiyiwa, 2014).

2.3.3. Opportunities of Bancassurance

Opportunities refer to all the circumstances or trends that favourable to the firm. Opportunities are exploitable chances in the market that the business has spotted, favourable trends and emergence of new technology, favourable changes in government policy favourable changes in demographics etc (Tebogo, 2012).

In the modern world, man-made risks such as burglary, accidents, terrorist activities, hijacking and the like are on the rise while natural catastrophes are becoming less frequent. The joint family system, which functioned like an insurance system, is gradually collapsing while nuclear families are coming up. As a result the elderly members in families are being gradually required to manage themselves either out of their own volition of not becoming dependent on their children. Such situations provide opportunity for insurance for they have to design products for man-made risk, nuclear family cover and cover for the aging (Tebogo, 2012).

The data that is held by banks provide an opportunity for insurance products. The data can be used to identify and segment markets which will have uniquely designed insurance products. Bank branches can then simultaneously sell insurance products to borrowers, particularly, non-life products, instead of obtaining the same from other insurers. This strategy can save the borrower from the many headaches of seeking insurance elsewhere. This provides the opportunity for banks to increase their fee based income. Another potential area of growth of bancassurance is by providing banks with exploiting the corporate customers who tie up for insurance of the employees of corporate clients (Viswanadham, 2005).

2.3.4. Threats of Bancassurance

There are threats that would hinder the success of bancassurance. First, the requirement of workers to change from classical banking and into a combination of banking and insurance is a threat due to the inertia and resistance from the labour force. Another possible threat may arise from customers not buying the idea of bancassurance like it happened in the USA in the 1980s after the enactment of Garn-St Germaine Act. The situation can be made worse if the expected returns from bancassurance fall short of the existing rate of return on capital. Success of bancassurance would also depend on the extent to which and how fast banking technology matches the technological needs of insurance business. If the current banking technology is useless for insurance, banks will have to incur large investments putting in place the technological infrastructure for bancassurance operations. New entrants into bancassurance might have it difficult shaking the market in order to get customers. Further, the new entrants themselves become a threat by bringing about too competition which can lead to increase in cases of adverse selection and moral hazard. Further still, alliances between banks and insurers can arise leading to fierce competition in the market resulting in lower process and the bancassurance venture may never break-even. This can be a serious dent to the image of the involved banks (Brahmam et al., 2004).

A study in Zimbabwe revealed that banks are distributing insurance products that are less innovative and not custom made for the customer compared to insurance brokers. The banks surveyed indicated that the only custom made product was loan protection insurance providing for consumer loans covering either default or mortality risk of the borrower. There is need for both banks and insurance companies to collaborate and

develop innovative products which can easily be distributed through banks (Masiyiwa, 2014).

2.4. SWOT Analysis and Performance

SWOT analysis is a precursor to the strategic planning process (Harrison 2010). Strategic planning is a map on how an organisation will achieve its objectives. According to Fan et al (2013) strategists should identify the weaknesses and strengths of their bancassurance strategies and allocate their resources accordingly. This will help improve the organisation's performance. Every organization, profit or not-for-profit is confronted with performance problems. These problems must be fixed in order to achieve performance goals or objectives. Problems can be identified using strength, weakness, opportunity and threat (SWOT) analysis (Esu et al 2009). SWOT analysis determines what may assist the firm in accomplishing its objectives, and what obstacles must be overcome or minimised to achieve desired results (Kumaraswamy 2012). By performing a SWOT Analysis; a strategic planning tool; one is able to determine the internal and external factors that are affecting the performance of a certain unit.

Organizations accomplish a balance between the external environments and itself by evaluating new programs and services through strategic planning with the intent of maximizing organizational performance. Harrison (2010) stated that a SWOT analysis is a preliminary decision-making tool that sets the stage for this work. Analysing the environmental factors of commercial banks using SWOT Analysis will shed light on the various strengths and opportunities which the commercial banks have at their disposal. This will help them come up with strategies that will give them a competitive advantage by utilising their strengths and opportunities which will in turn improve the performance

of bancassurance. They will also identify their weaknesses and threats which they will be able to monitor and manage to their advantage.

2.5. Summary of Literature Review and Research Gap

The literature review has discussed, in detail, the SWOTs that face bancassurance in a country that is developing like Kenya. For bancassurance to succeed, the banks venturing into the business must respond to the issues in the SWOT analysis. This is because according to the RBV and the Complexity theory, to successfully wade through the turbulent business environment a firm must chart out a clear strategy visible in how it uses its resources.

Research done in Kenya on bancassurance focused on establishing factors determining why commercial banks adopted bancassurance (Omondi, 2013), obtaining the effect of bancassurance to banks' profitability (Waweru, 2014), establishing the determinants of growth of bancassurance in Kenya (Mwangi, 2010) and determining the challenges facing insurance companies in building competitive advantage regarding bancassurance (Kiragu, 2014). From these studies, the following four research gaps are identified: first, the strengths of bancassurance in Kenya's banking sector have not been established; secondly, the weaknesses of bancassurance have not been determined; thirdly, opportunities available in bancassurance in Kenya have not been established; and the threats to bancassurance have not been determined. It cannot be assumed that findings obtained from international studies done on the SWOT analysis of bancassurance holds in Kenya. These can only be established and determined if a SWOT analysis is conducted on bancassurance in Kenya. This research was aimed at finding out what are the

strengths, weaknesses, opportunities and threats that are affecting the performance of bancassurance in Kenya by conducting a SWOT analysis on commercial banks in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the methods that were used when collecting and analyzing the data for this proposed research. It presents the research design, the target population, the sampling techniques, the research instrument, data collection techniques and data analysis methods.

3.2. Research Design

This study adopted an exploratory survey. An exploratory survey is a means of gathering information about the characteristics, actions, or opinions of a population (Tanur, 1982). The purpose of an exploratory survey is to produce quantitative descriptions of some unknown aspects of the population of interest with focus on establishing relationships between variables, or with projecting findings descriptively. In an exploratory survey, data are obtained by asking people who make up part or the whole of the population structured and predefined questions about themselves or some other unit of analysis (Glock, 1967).

3.3. Target Population

A target population refers to the total of all possible elements fitting a given set of specification (Barreiro and Albandoz, 2001). There are 43 commercial banks in Kenya. However, out of the 43 commercial banks only 20 practice bancassurance. This study was carried out in the 20 commercial banks in Kenya that practice bancassurance. The population was therefore a census.

3.4. Data Collection

This research used primary data. The data was obtained from officers of bancassurance in the 20 commercial banks in Kenya that practice bancassurance through a drop and pick method. The researcher delivered the questionnaire in person to each of the 20 bancassurance officers and provided guidelines on how to complete the questionnaire. The officers were allowed one week to complete the questionnaire after which the researcher collected the completed questionnaires. The questionnaires were completed by way of filling in blank spaces or ticking from a set of options.

3.5. Data Analysis

Collected data was coded, sorted and organized and analysed in Statistical Packages for Social Sciences (SPSS). SPSS is a software package used for statistical analysis which has a versatile data processing capability. For quantitative data summary, descriptive statistics like the mode and median was used to analyze the data. Graphical presentations like bar graphs and tables were used to describe the nature of the distribution of the data obtained from the respondents.

It is rather hard and time-consuming to find two people who are fully equal or unequal. In statistics, therefore, it is assumed that a questionnaire is reliable when an individual item or a set of some items renders the same result as the entire questionnaire (Hof, 2012). Cronbach came up with a faster and comparable method to calculate a questionnaire's reliability:

$$\alpha = (N^2M(\text{Cov})) / (\sum s^2 + \sum \text{Cov})$$

The Cronbach's Alpha was used to test the reliability of responses of officers to the questionnaire. A reliability of 0.7 or higher is considered to be acceptable. Kumaraswamy(2012) used Cronbach Alpha to test the reliability/internal consistency of his research variables. The major analytical software he used was SPSS which we have also used.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter consists of findings and discussion on the data gathered to address this study. The study findings were in line with the objectives of the study; finding out what are the strengths, weaknesses, opportunities and threats that are affecting the performance of bancassurance in Kenya by conducting a SWOT analysis on commercial banks in Kenya that have ventured into the insurance business.

4.2 Performance of Bancassurance

The total number of respondents was 12 out of the 20 commercial banks that deal in bancassurance, thereby making the level of responses received to be 60%. The study revealed that the sale of insurance by banks is on its early stages of development as there are commercial banks that have practiced bancassurance for as little as 1 year with a mean of 3.83 years as shown in Figure 4.1 and Table 4.1. The number of employees in the bancassurance unit is also low with some of the banks having as low as 1 employee as shown in Table 4.1. This is very low in proportion to the available insurable Kenyan population. This can be interpreted as there being low performance of bancassurance and there being a need to strategise in a manner that will help improve this performance.

Table 4.1: Statistics on bancassurance employees in commercial banks in Kenya

Statistics

		Bank Name	No. of Bancassurance Employees	No. of years of operating bancassurance
N	Valid	20	11	12
	Missing	0	9	8
Mean			50.09	3.83
Median			15.00	5.00
Mode			1 ^a	1 ^a

a. Multiple modes exist. The smallest value is shown

Source (Researcher,2015)

Figure 4.1: Number of years of bancassurance operation by commercial banks in Kenya



Source (Researcher, 2015)

4.3 SWOT Analysis of Bancassurance in Commercial Banks of Kenya

This section provides the discussion of findings from the bancassurance officers' responses on the strengths, weaknesses, opportunities and threats of performance of bancassurance. The study observed that bancassurance is still young and has a lot of potential to grow. It is also observed that the different commercial banks are facing similar strengths, weaknesses, opportunities and threats.

4.3.1 Strengths of Bancassurance

An analysis of the strength of bancassurance variables presented in the questionnaire produced the below output:

Table 4.2: Statistics on Strengths of Bancassurance

Variable	Median	Mode
1.The growing insurable Kenyan population	4	5
2.Personal lines insurance products	4	4
3.The increasing middle class segment in Kenya	4	4
4.A large pool of skilled professionals	3.5	4
5.The bank's strong financial base	3.5	3
6.The aggressive R&D efforts to create new products	4	3
7.Branch offices that are present across the country	3.5	3
8.The high level of customer satisfaction with your bank	4	4
9.Highly motivated work force	4	4

Source (Researcher, 2015)

Table 4.2 shows that the growing insurable Kenyan population was a major strength of bancassurance. The more the Kenyans take loans to buy for example homes, cars the more there is need for life and car insurance respectively. The banks should take advantage of this as they are the ones issuing loans thus making it easier for them to be their clients' insurance agent. Their strategy should be to sell insurance concurrently with loans to its increasing customer base.

Another strength is the existence of personal line insurance products. Personal lines products are such as motor insurance, domestic package and pet insurance. Most of the banks clientele are individual bank account holders. These individuals are a target market for personal lines insurance. The banks should maximise the opportunity to sell these products to these account holders.

A large pool of skilled professionals is one of the strengths that most banks stated. Banks are poaching employees from insurance companies in order to have qualified professionals that will serve and advise their clientele. The banks should strategise in a way that will help them acquire enough skilled man power this can be through head hunting from insurance companies or through training of its current staff. When a customer understands and is confident with what the bank is selling the sales will increase.

It was also revealed that a high level of customer satisfaction with the bank is a strength of most of the banks. This shows that bancassurance is solely riding on the fact that the banks offer good reliable services to its customers hence would buy insurance through the banks due to this. The banks should take advantage of the relationship it has with its customers and sell insurance to them. Their bancassurance strategy should be to continue providing services that satisfy its customers which will in turn translate to increase in sale of insurance.

One of the strengths that the study also revealed was the increasing middle class segment in Kenya. This is seen through the increase in loans taken by the middle class citizens. This directly translates to a need to insure them. The banks should target its middle class customers in order to increase the sales of insurance.

The respondents believe that a highly motivated work force is a strength of bancassurance performance. The Vroom 's expectancy theory of motivation proposed by Victor Vroom in 1964 states that the intensity to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome and on the appeal of the outcome of the individual. The bancassurance employees will sell more insurance if they are motivated by a certain outcome at the end of selling insurance. This could be commission, bonuses, recognition or increase in salary. The banks should strategise in a manner that will motivate its employees in order to increase insurance sale.

Table 4.3: Reliability Statistics of Strengths of Bancassurance Performance

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.898	.903	9

Source (Researcher, 2015)

Table 4.3 shows that the Cronbach Alpha is 0.898. This indicates that the variables are reliable and valid as bancassurance strengths as the Cronbach Alpha is above 0.7. If the Cronbach Alpha was below 0.7 it would be unreliable.

Table 4.4: Individual reliability of the strength variables to the questionnaire

Variable	Cronbach's Alpha if Item Deleted
1.The growing insurable Kenyan population	0.88
2.Personal lines insurance products	0.877
3.The increasing middle class segment in Kenya	0.88
4.A large pool of skilled professionals	0.899
5.The bank's strong financial base	0.892
6.The aggressive R&D efforts to create new products	0.887
7.Branch offices that are present across the country	0.884
8.The high level of customer satisfaction with your bank	0.894
9.Highly motivated work force	0.884

Source (Researcher, 2015)

Table 4.4 shows that if any of the variables is deleted from the questionnaire the reliability would decrease apart from variable no. 4 which would cause the questionnaires reliability to increase but by a very small margin of 0.01. Thus the variable has no great impact if deleted.

4.3.2 Weaknesses of Bancassurance

The ten bancassurance weaknesses variables were analysed based on the responses given by the respondents which resulted in the below:

Table 4.5: Statistics on Weaknesses of Bancassurance

	Median	Mode
1. An unsupportive Information Technology culture	3	4
2. Overburdened, middle class populations	3	3
3. Inflexibility of insurance products	3	3
4. Poor goodwill of customers towards insurance	4	4
5. Low number of bankable Kenyans	2	2
6. Low consumer awareness regarding insurance	4	4
7. Heavy insurance premiums	3	2
8. Bancassurance considered as an investment not protection tool	3	3
9. Limited knowledge of the insurance market	4	4
10. Competitive strategies used by the main insurance companies	4	4

Source (Researcher, 2015)

Table 4.5 revealed that an unsupportive information technology culture was one of the weaknesses of bancassurance. To communicate and work well with the insurance companies the banks must have information technology tools that are compatible. Also the bancassurance team must be tech-savvy in order to operate the technological tools. Banks must strategise in a way that will ensure that it has tools that are compatible with bancassurance technology and that its bancassurance team knows how to work with the technology available.

Poor good will of the banks customers towards insurance is another weakness that the banks are facing. Insurance has for a long time been viewed as a waste of money because

the insurers either never pay claims or no risk occurs to trigger the payment of the sum insured. This has tainted the sale of insurance thus hindering the growth of bancassurance. Banks should educate its customers on claims procedures and also partner with insurance companies that have a good turnaround time on claims settlement.

Most bank customers have little knowledge on the purpose of insurance. This translates into reluctance to take up insurance by the customers who would rather take secured loans. Banks should invest in educating its customers on the importance and relevance of insurance; one of the benefits is leaving a deceased customer's dependants free from the struggle of loan repayment.

Another weakness that was observed from the study is the competitive strategies used by the insurance companies. Insurance companies feel threatened by banks because banks are partnering with their competition or opening up their own insurance companies such as Barclays Bank of Kenya starting up Barclays Life Assurance Company Limited in 2014. Banks should distribute insurance products from different insurance companies fairly without bias.

Table 4.6: Reliability Statistics of Weaknesses of Bancassurance Performance

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.433	.382	10

Source (Researcher, 2015)

Table 4.6 shows that the Cronbach Alpha of weaknesses variables of bancassurance is 0.433. This is below the stipulated 0.7, thus the variables are not reliable as bancassurance weaknesses variables.

Table 4.7: Individual reliability of the Weaknesses variables to the questionnaire

Variable	Cronbach's Alpha if Item Deleted
1. An unsupportive Information Technology culture	0.481
2. Overburdened, middle class populations	0.433
3. Inflexibility of insurance products	0.438
4. Poor goodwill of customers towards insurance	0.353
5. Low number of bankable Kenyans	0.451
6. Low consumer awareness regarding insurance	0.47
7. Heavy insurance premiums	0.48
8. Bancassurance considered as an investment not protection tool	0.217
9. Limited knowledge of the insurance market	0.252
10. Competitive strategies used by the main insurance companies	0.378

Source (Researcher, 2015)

Table 4.7 shows that the Cronbach Alpha would increase from 0.433 if variable no. 1, 3, 5, 7 were to be deleted from the questionnaire. Thus they are not reliable variables as weakness of bancassurance. However, variables 8,9,10 and 4 should not be deleted from the questionnaire as the reliability would decrease significantly.

4.3.3 Opportunities of Bancassurance

The results from the SPSS analysis on bancassurance opportunity variables were as below:

Table 4.8: Statistics on Opportunities of Bancassurance

Variables	Median	Mode
1.Enormous Banks' database on clients	4.5	5
2.The liberalization of the insurance sector	4	4
3.Working collaboration between banks and insurers	4.5	5
4.Majority of the population is un insured	4	3
5.Trust and loyalty of the people on banks	4	4
6.Fast customer service	3.5	3
7.Contribution towards Return on Investment	3.5	3
8.Your bank's established market presence	3	3
9.Convenience for the client in obtaining insurance	4	5
10.The capacity to eliminate insurance brokers	3	3

Source (Researcher, 2015)

Table 4.8 shows that the enormous bank's database of clients is one of the opportunities that banks have which would improve the performance of bancassurance. The huge database of client is a readily available market for insurance products. It includes both corporate and retail customers. For corporates, the banks can sell insurance products such as group life insurance; group personal accident insurance/work injury benefits act (WIBA) and group motor insurance. For retail, they can sell products such as individual

life insurance, motor insurance and domestic package. Banks should strategize in a way that will take advantage of its enormous client data base and tailor make products that will suit their clients' needs.

The working collaboration between banks and insurance companies is also an opportunity on its own. Bancassurance would not be in existence if banks and insurance companies did not come together and have an agreement to sell insurance through the banks. So far the performance of bancassurance seems to be facing challenges as indicated by the poor penetration of insurance into the Kenyan market (Ombonya, 2013). Insurance companies would take advantage of the bank's enormous client database in order to increase the penetration of insurance. Consequently, the banks should take advantage of the collaboration with various banks to increase the sale of insurance products. They should strategize in such a way as to create a good relationship with all the insurance companies so as to sell a variety of insurance products available in the market.

Banks have created a relationship of trust and loyalty with their customers. A customer is an easy target when they trust the service provider. This is because the customer will believe that the service provider is providing a valuable solution to their problem and they will have no issues with the product. This is an opportunity for them to sell the insurance products as the customers trust their advice and services. They should strategise in a way that will help them tap into this relationship in order to increase the sale of insurance.

This study also revealed that the convenience of obtaining insurance in a bank is an opportunity for improving the performance of insurance. The bank is a one stop shop for the client who would be taking a loan or just utilising the bank services. This agrees with the findings of Masiyiwa, 2014. Selling insurance under one roof would decrease the number of trips a customer would make to the bank and the insurance company. The customer would take insurance and at the same time utilise the banking services. This is convenient for the customer. Banks should take advantage of this and have insurance sales people at every branch and also advertise their products. This will improve the performance of bancassurance.

Table 4.9: Reliability Statistics of Opportunities of Bancassurance Performance

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.824	.840	10

Source (Researcher, 2015)

Table 4.9 shows that the Cronbach Alpha of opportunities variables of bancassurance is 0.824. This is above the stipulated 0.7, thus the variables are reliable as bancassurance opportunities variables.

Table 4.10: Individual reliability of the opportunities variables to the questionnaire

Variables	Cronbach's Alpha if Item Deleted
1.Enormous Banks' database on clients	0.816
2.The liberalization of the insurance sector	0.797
3.Working collaboration between banks and insurers	0.803
4.Majority of the population is un insured	0.795
5.Trust and loyalty of the people on banks	0.826
6.Fast customer service	0.791
7.Contribution towards Return on Investment	0.79
8.Your bank's established market presence	0.816
9.Convenience for the client in obtaining insurance	0.783
10.The capacity to eliminate insurance brokers	0.851

Source (Researcher, 2015)

Table 4.10 shows that all the variables if deleted would cause the reliability to decrease apart from variables 5 and 10. However the increase in reliability for both the variables if deleted would be insignificant thus need not be deleted.

4.3.4 Threats of Bancassurance

An analysis of the strength of bancassurance variables presented in the questionnaire produced the below output:

Table 4.11: Statistics on Threats of Bancassurance

Variables	Median	Mode
1.The current thinking and work culture in your bank	4	4
2.Workers' resistance to relocation	2	2
3.Non-response from the target customers	3.5	4
4.High interest rates	3	2
5.Fierce competition from other providers	4	4
6.Lack of experience in selling insurance products	4	4
7.Additional stress to bank employees	3	4
8.Not suitable for complex products	2	1
9. Availability of various other better investment options.	3	2
10.High cost of using agents	2.5	1

Source (Researcher, 2015)

This study revealed that the current thinking and working culture in the banks affected the performance of bancassurance. The bank workforce are resistant to the change that bancassurance is bringing as they have little knowledge about insurance and is an additional stress to their already existing work. The banks should train their employees on insurance and also hire employees to work in the bancassurance unit whose responsibilities would be to purely sell insurance.

Another threat is the non-response from the customers. The respondents believe that the customers are not responding to the sale of insurance through banks. The banks should

look for innovative ways of capturing their customers' interests and convey the importance of bancassurance to them.

Table 4.11 shows that the fierce competition from other providers such as brokers is a threat as well. Brokers and agents already have an existing clientele that buys insurance from them. They also have skilled professionals whose main objective is to sell insurance. This provides them with a competition advantage over the banks. Banks on the other hand provide financial solutions to its customers and are new entrants to the insurance market. Thus banks should acquire a professional team and create innovative products that that will help increase the sale of insurance.

Table 4.12: Reliability Statistics of Threats of Bancassurance Performance

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.730	.722	10

Source (Researcher, 2015)

Table 4.12 shows that the Cronbach Alpha of threat variables of bancassurance is 0.730. This is above the stipulated 0.7, thus the variables are reliable as bancassurance threat variables.

Table 4.13: Individual reliability of the threat variables to the questionnaire

Variables	Cronbach's Alpha if Item Deleted
1.The current thinking and work culture in your bank	0.772
2.Workers' resistance to relocation	0.722
3.Non-response from the target customers	0.695
4.High interest rates	0.686
5.Fierce competition from other providers	0.734
6.Lack of experience in selling insurance products	0.736
7.Additional stress to bank employees	0.688
8.Not suitable for complex products	0.656
9. Availability of various other better investment options.	0.686
10.High cost of using agents	0.684

Source (Researcher, 2015)

Table 4.13 shows that all the variables if deleted would cause the reliability to decrease apart from variables 5 and 6. However the increase is minimal for both the variables thus need not be deleted from the questionnaire.

4.4 Measures to improve Bancassurance Performance of Commercial Banks in Kenya

The study sought to provide measures which can be taken up to improve the performance of bancassurance in commercial banks of Kenya. The study identified strengths,

weaknesses, opportunities and threats which were cutting across all the commercial banks practicing the sale of insurance products. This section shows an analysis on improving the performance of Bancassurance in commercial banks of Kenya.

4.4.1 Measures of utilizing the Strength and Opportunities of Bancassurance

According to the Complexity theory of Corporate Strategy, companies strategize in a way that they will be able to thrive through the unpredictable unique patterns in their business environment. In this case they must strategise in a way that will maximize their strengths and opportunities. Also, according to the Resource-Based View (RBV) of Competitive Advantage the banks must strategise in a way that they will utilize their resources to leverage their response to the strengths and opportunities at their disposal.

The banks should strategise in such a way as to utilize its strengths; maximise on the growing insurable Kenyan population through vigorous sale of asset and life insurance to its mortgage and asset loan customers. Analyse its middle class customers and sell to them relevant insurance together with the sale of loans. Invest in skilled professionals from insurance companies by hiring them and starting up the bancassurance unit in the banks. Take advantage of its customer satisfaction with the bank and sell to them insurance such as domestic package insurance, travel insurance, life insurance and motor insurance.

The banks should strategise in such a way as to utilize its opportunities; by creating products that will help the banks sell insurance to its enormous client database. They should analyse their client database and tailor make products that will suit them and improve the bancassurance performance. Banks should create a strong working

relationship with the insurance companies so as to work together to sell insurance products that will meet their customers' needs. They should take advantage of the fact that they can sell insurance to their customers and also provide banking services to the same customers under one roof. This will improve the performance of bancassurance.

4.4.2 Measures of curbing the Threats and Weaknesses of Bancassurance

Threats and weaknesses slow down the performance of any company towards achieving its objectives. In this study a list of similar threats and weaknesses of the commercial banks in Kenya were established. The banks' strategies towards the performance of bancassurance should be set in such a way as to eliminate the threats which are external factors and weaknesses which are internal factors.

The banks should strategise in such a way as to eliminate weaknesses through; creating a supportive Information Technology culture by training its staff to use the current Information Technology tools that are compatible with insurance operations. The banks should educate its customers on the insurance products they are selling through brochures, advertisements, message alerts and direct sales at the bank counters through its employees. The bank employees should be trained on the sale of insurance products and also be motivated to sell insurance through incentives.

The bank should strategise in such a way as to eliminate the threats through; changing the current thinking and working culture in the banks which can be reduced through training and creating a learning culture at work. The banks can hire skilled insurance workers so as to compete with brokers and agents. They should devise an entry strategy that will help them acquire a large market share.

4.5 Discussion of Findings

The findings of this study on a SWOT analysis and performance of bancassurance are in line with previous studies done by Kumaraswamy (2012), Viswanadham (2005) and Brahmam et al. (2004), Paige et al. (2007) and Masiyiwa (2014). This confirms that the strengths, weaknesses, opportunities and threats are similar in the countries. However some SWOT variables do not impact the performance of bancassurance in Kenya as they do in other countries.

The study showed that one of the strengths of bancassurance, the growing insurable population and vast expertise, agrees with what Kumaraswamy (2012) found in his study. Pask (2003) determined that a high level of customer satisfaction is a strength of bancassurance. The study concluded that this is also a factor that impacts bancassurance performance in the commercial banks in Kenya. The weaknesses of bancassurance are seen to be an unsupportive Information Technology culture which was also a conclusion by Masiyiwa, 2014. He also found that banks are a one stop shop for customers to purchase insurance products which is also an opportunity shown in the study of commercial banks of Kenya. Masiyiwa (2014) also showed that fierce competition from other providers such as brokers impacted the performance of bancassurance.

The opportunities established by Viswanadham (2005) were the enormous database on clients and the trust and loyalty of the people on banks established by Kumaraswamy (2012), these agree with the findings in the current study. It was revealed by Brahmam et al.(2004) and Masiyiwa (2014) that the threats of bancassurance were the current thinking and work culture in the banks and an additional stress to the employees.

Bancassurance is in its early stages of growth thus it can be difficult to shake the market in order to get customers. According to Brahman et al. (2004) the new entrants themselves become a threat by bringing about too competition which can lead to increase in cases of adverse selection and moral hazard. Banks must strategise in a way that will give them a competitive advantage given the environmental turbulence and resources available to them this is as per the Corporate Strategy and the Resource-Based View (RBV) of Competitive Advantage.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusions and recommendations were made. The responses were based on the SWOT analysis and performance of bancassurance in commercial banks of Kenya.

5.2 Summary of Findings

The objective of the study was to establish the strengths, weaknesses, opportunities and threats in relation to performance of bancassurance in commercial banks of Kenya. There are approximate 50 employees in the bancassurance units given the mean. However there were many banks with as low as 1 employee, the mode being 1. The average number of years that bancassurance has been taken up by banks is 3.8 years. This shows that the bancassurance industry is still young. The respondents stated that the performance is yet to pick as the industry is still young and there is a lot of potential to grow.

The study revealed that the strengths shared by most banks are the growing insurable population, increase in middle class segment in Kenya, availability of personal lines insurance products, a large pool of skilled professionals, a highly motivated workforce and a high level of customer satisfaction in the commercial banks. This was arrived at by getting the mode of the responses given on the questionnaire by the respondents of either 4 or 5 which in the Likert scale were Agree and Strongly Agree respectively. The bancassurance strengths variables were reliable with a Cronbach Alpha of 0.898.

The mode revealed that the weaknesses of bancassurance are an unsupportive Information Technology culture, poor goodwill of customers towards insurance, low customer awareness regarding insurance, low knowledge of the insurance market and competitive strategies used by the main insurance companies. However, these weaknesses are unreliable as shown by the Cronbach Alpha test of 0.433. The study established that the opportunities were the enormous database on clients, the liberalization of the insurance sector, working collaboration between banks and insurers and a one stop shop for insurance and bank services. This was concluded by looking at the mode of each of the 10 opportunities provided in the questionnaire. The opportunities variables of bancassurance given were reliable given a Cronbach Alpha of 0.824.

It was revealed that the threats were the current thinking and work culture in the banks, lack of experience in selling insurance products, non-responsive customers, additional stress to the employees and fierce competition from other providers such as brokers. This was arrived at from the mode of the threat variables of bancassurance. The Cronbach Alpha for the threat variables was 0.73 which shows that they are reliable.

5.3 Conclusion of the Study

Bancassurance performance is very low in Kenya and has just recently been taken up by most banks; others are yet to take it up as there are only 20 out of 43 commercial banks practicing bancassurance. The little insurance that is being sold by the banks currently practicing it is not yet performing as expected and strategies suggested in the study can

be followed so as to improve performance. The strengths of bancassurance are the growing insurable population, increase in middle class segment in Kenya, availability of personal lines insurance products, a large pool of skilled professionals, a highly motivated workforce and a high level of customer satisfaction in the commercial banks. The weaknesses of bancassurance are an unsupportive Information Technology culture, poor goodwill of customers towards insurance, low customer awareness regarding insurance, low knowledge of the insurance market and competitive strategies used by the main insurance companies. Opportunities established were the enormous database on clients, the liberalization of the insurance sector, a working collaboration between banks and insurers and a one stop shop for insurance and bank services. It was revealed that the threats of bancassurance were the current thinking and work culture in the banks, a lack of experience in selling insurance products, a non-response from the target customers, an additional stress to the employees and fierce competition from other providers such as brokers.

5.4 Recommendations of the Study

The study recommends that the bank have strategic plans that will take advantage of the strengths and opportunities and eliminate the threats and weaknesses presented in the report. The study established measures to be taken by the banks in order for them to strategise in a manner that will eliminate their weaknesses and threats and take advantage of their strengths and weaknesses. Some of the measures they should take to utilise their strengths is hiring a highly skilled pool of workers, take advantage of their high level of customer service by making insurance products to meet their needs and also sell asset

protection and mortgage protection insurance to its middle class clientele that are increasingly taking up loans. They should educate their employees and customers on the insurance products it offers this will eliminate its weaknesses. They should also strategise in such a way as to take advantage of their opportunities such as their enormous client database by selling relevant insurance products that will appeal to each of the groups of customers, work together with the insurance companies in the market to sell the insurance products and also take advantage of the bank being a one stop shop.

The banks should eliminate their threats by training their employees to embrace insurance as part of the business strategy this will help change their current thinking and working culture. They should also increase the number of insurance professionals in the bank and design innovative products that will increase the sale of insurance, this will help them eliminate the threats they are facing from brokers and agents. Banks should overall setup a bancassurance unit (for those with no bancassurance units), increase the number of insurance salesmen, have agents at every bank branch and advertise themselves in the market as insurance agents. This will help with customer awareness which will translate to an increase in performance of bancassurance.

5.6 Limitations of the Study

The limitations of the study refer to those characteristics of design or methodology that impacted the application or interpretation of the results of the study. One of the limitations that were met during the study is non-responsive respondents. The questionnaires were dropped but the officers were unavailable during the collection of the questionnaires.

The time available for collection of data was minimal as most bancassurance officers were time bound. This posed as an issue as they were unable to complete the questionnaire. The bancassurance officers are mostly sales people and were not available at their working stations to complete the questionnaire. Some of the bancassurance officers thought the questionnaire was too long and provided incomplete questionnaires.

5.7 Areas for Further Studies

The study provided strengths, weaknesses, opportunities and threats of performance of bancassurance in commercial banks in Kenya but did not venture at the strengths, weaknesses, opportunities and threats of bancassurance in insurance companies of Kenya.

A case study should be conducted on each of the banks in Kenya in order to provide specific solutions to those banks instead of general solutions to the problem of performance of bancassurance. This is because all banks have their own specific strengths, weaknesses, opportunities and threats. Given that the responses given on the weakness variables were unreliable, a study on weaknesses of bancassurance performance can be done. This will help define the weaknesses clearly.

5.8 Implications on policy and practice

This study has shown that the commercial banks must formulate policies and ensure that they implement them. They should first have a strategic plan given the SWOT analysis. The internal and external factors should help them establish their competitive advantage and utilise their resources accordingly. The study is in agreement with the two supporting

theories, the Corporate Strategy and the Resource-Based View (RBV) of Competitive Advantage. The above theories are a great part of strategic planning and implementation.

The study can also serve as a reference point to bancassurance managers of commercial banks of Kenya involved in strategy formulation having in mind the strengths, weaknesses, opportunities and threats provided in the study. This study will also guide scholars in the advancement of the two theories.

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APPENDICES

Appendix I: List of Commercial Banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd
8. Chase Bank (K) Ltd.
9. Citibank Kenya
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd.
15. Diamond Trust Bank (K) Ltd.
16. Dubai Bank Kenya Ltd.
17. Ecobank Kenya Ltd
18. Equatorial Commercial Bank Ltd.
19. Equity Bank Ltd.
20. Family Bank Ltd
21. Fidelity Commercial Bank Ltd
22. Fina Bank Ltd
23. First community Bank Limited
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd
26. Gulf African Bank Limited
27. Habib Bank A.G Zurich
28. Habib Bank Ltd.
29. Imperial Bank Ltd
30. I & M Bank Ltd
31. Jamii Bora Bank Ltd.
32. Kenya Commercial Bank Ltd
33. K-Rep Bank Ltd
34. Middle East Bank (K) Ltd
35. National Bank of Kenya Ltd
36. NIC Bank Ltd
37. Oriental Commercial Bank Ltd
38. Paramount Universal Bank Ltd
39. Prime Bank Ltd
40. Standard Chartered Bank (K) Ltd
41. Trans-National Bank Ltd
42. Victoria Commercial Bank Ltd
43. UBA Kenya Bank Ltd.

(Source: Central Bank of Kenya, 2015)

Appendix II: List of Commercial Banks in Kenya Practicing Bancassurance

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Barclays Bank of Kenya Ltd.
4. CFC Stanbic Bank Ltd.
5. Chase Bank (K) Ltd.
6. Commercial Bank of Africa Ltd.
7. Consolidated Bank of Kenya Ltd
8. Co-operative Bank of Kenya Ltd
9. Credit Bank Ltd.
10. Diamond Trust Bank (K) Ltd.
11. Ecobank Kenya Ltd
12. Equity Bank Ltd.
13. Family Bank Ltd
14. I & M Bank Ltd
15. Jamii Bora Bank Ltd.
16. Kenya Commercial Bank Ltd
17. National Bank of Kenya Ltd
18. NIC Bank Ltd
19. Paramount Universal Bank Ltd
20. Standard Chartered Bank (K) Ltd

(Source: Central Bank of Kenya, 2015)

Appendix III: Questionnaire

You are requested to complete this questionnaire as honestly as possible. The data obtained from this questionnaire will be used solely for academic purpose and will be handled with utmost confidentiality.

SECTION A: GENERAL INFORMATION

Please indicate your choice by ticking (✓) on the spaces

- 1. How many people has your bank employed for bancassurance? _____
- 2. How many branches do you have in Kenya? _____
- 3. For how many years has your bank been operating bancassurance? _____
- 4. What is your bank's percentage market share of business in bancassurance in Kenya?

(Tick appropriately)

Less than 10%	
Above 10% but less than 30%	
Above 30% but less than 50%	
Above 50% but less than 70%	
Above 70% but less than 90%	
Above 90%	

- 5. Do you have a specific business unit tasked with bancassurance?

YES ____ NO ____

- 6. What external factors affect the performance of bancassurance?

- 7. What internal factors affect the performance of bancassurance?

SECTION B: STRENGTHS OF BANCASSURANCE

To what extent do you agree that the following contribute to your bank's performance regarding bancassurance?

(1- Strongly Disagree, 2- Disagree, 3- Neutral, 4 – Agree, 5 – Strongly Agree)

Strengths of Bancassurance		1	2	3	4	5
1.	The growing insurable Kenyan population					
2.	Personal lines insurance products					
3.	The increasing middle class segment in Kenya					
4.	A large pool of skilled professionals					
5.	The bank's strong financial base					
6.	The aggressive R&D efforts to create new products					
7.	Branch offices that are present across the country					
9.	The high level of customer satisfaction with your bank					
10.	Highly motivated work force					

Are there other strengths contributing to performance of bancassurance? If yes please specify.

SECTION C: WEAKNESSES OF BANCASSURANCE

Indicate how you agree that the following contribute to your bank's performance regarding bancassurance.

(1- Strongly disagree 2- Disagree, 3- Neutral 4 – Agree 5 – Strongly agree)

Weaknesses of Bancassurance		1	2	3	4	5
1.	An unsupportive Information Technology culture					
2.	Overburdened, middle class populations					
3.	Inflexibility of insurance products					
4.	Poor goodwill of customers towards insurance					
5.	Low number of bankable Kenyans					
6.	Low consumer awareness regarding insurance					
7.	Heavy insurance premiums					
8.	Bancassurance considered as an investment not protection tool					
9.	Limited knowledge of the insurance market					
10.	Competitive strategies used by the main insurance companies					

Are there other weaknesses contributing to performance of Bancassurance? If yes please specify.

SECTION D: OPPORTUNITIES IN BANCASSURANCE

Indicate how you agree that the following contribute to your bank's performance regarding bancassurance.

(1- Strongly disagree 2- Disagree, 3- Neutral 4 – Agree 5 – Strongly agree)

Opportunities in Bancassurance		1	2	3	4	5
1.	Enormous Banks' database on clients					
2.	The liberalization of the insurance sector					
3.	Working collaboration between banks and insurers					
4.	Majority of the population is un insured					
5.	Trust and loyalty of the people on banks					
6.	Fast customer service					
7.	Contribution towards Return on Investment					
8.	The bank's established market presence					
9.	Convenience for the client in obtaining insurance					
10.	The capacity to eliminate insurance brokers					

Are there other opportunities for bancassurance available in your bank? If yes please specify

SECTION E: THREATS TO BANCASSURANCE

To what extent do you agree that the following contribute to your bank's performance regarding bancassurance?

(1- Strongly disagree 2- Disagree, 3- Neutral 4 – Agree 5 – Strongly agree)

Threats to Bancassurance		1	2	3	4	5
1.	The current thinking and work culture in your bank					
2.	Workers' resistance to relocation					
3.	Non-response from the target customers					
4.	High interest rates					
5.	Fierce competition from other providers					
6.	Lack of experience in selling insurance products					
7.	Additional stress to bank employees					
8.	Not suitable for complex products					
9.	Availability of various other better investment options.					
10.	High cost of using agents					

Are there other threats to bancassurance in your bank? (Please specify)
