CHALLENGES FACED BY COMMERCIAL BANKS IN THE
BANCASSURANCE MARKET IN KENYA

BY

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RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI

2017
DECLARATION

I declare that this research project is my own work and it has not been submitted for any degree or examination in any other university.

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D61/79852/2015

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

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MR. JACOB NYAMILA
DEDICATION

This work is dedicated to my family. My dad and mum, my lovely kids, Adrian and Nicola. Your encouragements support and prayers did not go in vain. Thank you and may God bless you.
ACKNOWLEDGEMENT

I would like to thank the Almighty God for the gift of life and for His love and protection that has enabled me to complete this study.

The completion of this research is a culmination of a long academic journey and I wish to thank the various people who have been very supportive throughout this journey. I wish to appreciate the efforts and guidance of Mr. Jacob Nyamila and Mr. Kibisu who supervised this project and moderated it. Mr. Nyamila ensured that I kept working on the project and I am grateful for his efforts in reviewing my progress and providing necessary guidance to ensure the research was of the right standard.
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ABSTRACT

The main objective of the study was to establish the challenges faced by commercial banks in the Bancassurance market in Kenya. The study was informed by the recent activities in this market that has seen banks being forced to seek insurance distribution channel expansion without compromising on their old traditional banking method. This is the reason why all the banking industry players are competing for the limited insured population that is estimated at less than 4% IRA, (2012). This means that the Bancassurance market share levels are still low leading to a cat throat competition from the industry players in a bid to capture the few insurable customers. In order to achieve the above, the study adopted across section survey research design as an efficient way to obtain information needed to describe views of various Bancassurance managers, to determine the challenges faced by commercial banks in this particular new market. The population of this study was drawn from the 31 locally owned commercial banks that are officially licensed by the Central Bank of Kenya and authorized by the Insurance Regulatory authority to transact Bancassurance business. In Kenya, Bancassurance is governed by the prudential guideline on banking issued by Central Bank of Kenya, which became operational on 1st May 2010 and partially by insurance act. The collection of the primary data was done using structured questionnaires that were pilot tested in order to ensure that there was reliability The coding of data was done with use of Microsoft excel and SPSS so as to create the expressive figures like frequencies, as well as percentages. The outcomes were presented in forms of numbers as well as tables and pie charts. The findings on key challenges faced by commercial banks in the Bancassurance market in Kenya revealed that amongst the major factors affecting Bancassurance market are economic, cultural, environmental, political, technological, market conditions, price wars and competition. The study findings reveal that highly rated challenges in this market are political instability, environmental changes i.e. global warming, drought, environmental destruction and inflation. Most of the respondents indicated lack of or poor technology. This study recommends that indeed the Bancassurance is a growing market as far as acceptance is concerned in terms of reaching out to customers. It is therefore important for the banks to consider adoption of the three major market share skills to increase bancassurance uptake. The findings on contributions of these key skills that increase the Bancassurance sales volumes in Kenya i.e. STP segmentation, targeting, positioning, revealed that respondents rated segmentation moderately, targeting highly and positioning moderately too. It is therefore evident that these factors are the major contributors to great achievements in this market. This study further show that other important factor enhancing Bancassurance uptake is product differentiation. The study hence suggests that the government policies should be aligned in a way that ensures there is room for commercial banks to explore means of continually developing and improving the performance of this particular sector, and find amicable solutions to its unique challenges.
ACRONYMS

ABC - African Banking Cooperation
AIBK - Association of Insurance Brokers in Kenya
AKI - Association of Kenya Insurers
CBK - Central bank of Kenya
DTB - Diamond Trust Bank
IRA - Insurance Regulatory Authority
STP - Segmentation, Targeting Positioning
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Challenge is something new and difficult which requires great effort and determination. (Burns, 2014). Businesses that are growing encounter a number of challenges. With business growth, various solutions are required for various opportunities and challenges that exist. We live in rapidly changing times, what worked a year ago might now be not the best approach. Market share Strategy represents how an organization delivers value to customers. It shows how a firm should handle its value creation, value selection and communication, Ramaswamy and Namakumari, (2009). Florida (2002) points out that Bancassurance is any level of collaboration involving banks and insurance firms in selling insurance products to their target customers.

Globally, financial sector has struggled to sustain real growth which has led to innovation of alternative distribution channels. This study will therefore be based on the following three theories, Diffusion innovation theory, Dynamic capability theory and Taxation theory. Roger (1995) defined Diffusion innovation theory as adaptation of innovation overtime by the existing socialism as a result of dispersal process which results into recognition or accessibility of new ideas, behavior or physical innovation. Dynamic capability theory defines the ability to integrate and to address the rapidly changing environment. Taxation Theory explains how tax legislation can favor Banc assurance development.
Commercial banks are the main financial mediators in most economies. They offer improved innovative solution such as security underwriting, financial advice and financial management other than the normal credit and deposit services. Due to the commercial nature of the banks they spend their resources to solve financial problems of different business clients. Munich Re, (2005) points out that Banc assurance is the provision of banking and insurance services using same distribution channel and to similar client base. Insurance is considered an economic activity that facilitates transfer of risks mostly financial from one individual to a pool of group risks through a two party contracts (Archor, 2009). Taylor refers to insurance as the compensation promise of a particular future loss in exchange of a certain periodic payment (Taylor, 2010).

1.1.1 The Market Share Concept

Market share is defined as strategy whereby low prices are used by firms for its existing and new products and services in order to attract huge numbers of buyers and maintain a big market share (Kottler and Armstrong, 2009). This strategy often increases the sales of the products in the existing markets using marketing mix that is very aggressive. The introduction of this strategy increases the product and services usage rate, encourage repeat purchase, attract customers from the competitors and attract non users as customers (Drummond et al. 2008).

Traditional market share involved concepts such as market segmentation, target market selection and strategy development for market mix variables. With increased competition and maturity of markets however, these traditional marketing mix elements have become
commoditized (Duncan & Sandra, 1998). In their modern techniques to market penetration, innovative managers have relocated to a more humanistic as well as relationship based model. Firms realize their major valuable assets lie on building of lasting healthy relationships with majority stakeholders. Many firms prefer to distribute directly to the final consumer as working with middlemen with different objectives can be troublesome (William and Jerome 1996). An organization normally increases market penetration through competing with the currently existing market and winning the competitor’s market share. In current economies, strategic alliances help companies to get competitive advantage by accessing the resources of a partner such as capital, markets technologies and service. Globally the strategic coming together of insurers and commercial banks to offer insurance services to the banking clientele is an emerging and growing concept.

1.1.2 Market Increase Strategies
Market share is the development of more opportunities to the customers for encouragement of products and services purchase. The main challenge for growth in many businesses is placing products and services in the customers’ frontline. Holman (1999) argues that penetration is an activity or the idea of making the market share wide for existing products or the act of promoting new products through various strategies like advertising, branding, volume discounts and lower prices. In the building and protection of business positions, there are opportunities to increase the share in the market which is referred to as penetration Johnson & Scholes (1997).
Most activities of innovation improve quality of products and increase marketing awareness thus achieving market share penetration. The main reasons and challenges for organizations to pursue market penetration options largely depends on the core competencies, market nature, the resources the organization has and the extent to which they can be developed. Formulating the right market penetration strategy is a major concern for most organizations. In a broader perspective penetration strategies aim at achieving profits, securing sales, reducing competition and gaining market share. Market penetration strategy, formulation of market penetration strategy consists of three major steps namely STP i.e. segmentation, targeting, positioning and assembling of marketing mix Ramaswamy and Namakumari (2009).

Market segmentation is a strategy in marketing involving subdividing abroad target market into subsets of customers with common needs goods and services and their application thereof. Base on the unique features of the products, the subsets are shared by criteria such as gender, age among other distinctions like income and location. Marketing companies are intended and used to target the specific customer segments. The major advantage of adopting market segmentation is to assist companies understand particular clients base needs. In mass marketing it is assumed that clients are similar as well as react to promotion in a similar way.

Focusing on how probable consumer groups are unique and diverse form each other, the marketing significance is communicated well again to the requirements as well as desires of the group. Dividing customers through clear criteria helps a company in identifying
other applications for the products that were non-existence before. The development helps the company to target a wider audience in a similar demographic categorization as well as advance market share of a precise base, segment groups of inhabitants’ formerly unknown subsets, and hence enhancing the effectiveness of marketing efforts of the firm.

Target market involves coming up with market segments and then putting marketing efforts by concentrating on the key segments. This is very helpful to small businesses performance and the fine thing concerning aim marketing is that it makes pricing, endorsement and sharing of products and services cheap and efficient (Wanjohi, 2002). This gives a focus to the marketing activities whereby in a Bancassurance scenario the target market becomes the bank customers.

Positioning the offer comes in once the firm has already selected the target market and decided on its basic offer. Positioning is one of the concepts in marketing which gives guidelines how the business can package and present its services and products to its customers. While positioning, the marketing managers develops a strategy that gives the product image based on the targeted market. This is enhanced using the marketing mix strategy concepts like place, price, promotion and product. Using a more intense positioning strategy leads to an efficient marketing strategy in a company. A positioning strategy enhances marketing efforts and assists customers with more knowledge of the purchase of a product or service (Ramaswamy and Namakumari, 2009).
1.1.3 The Concept of Bancassurance

The Bancassurance concept arose out after the realization that joining the bank and insurance products can enhance customer’s satisfaction since they offer complete solutions as a one stop shop than the convectional banking or insurance products which were offered separately (Benoist, 2002). According to Donne (2003), the marriage between banks and insurers has the effect of expanding the scope of economies of both parties that is ability to tap into the bank’s extensive customer base, reduced reliance on traditional insurance agents using of the various channels used by banks.

Banks seek to address the problem of dwindling revenues, which has stalled for several years, held back by massive credit losses, financial crisis, and restrictive emerging regulations (Kavunagaran, 2006). In the past there have been various initiatives that have been used to boost revenue for banks like the raising of fees have not been able to ensure sustainable growth and increase profits while operating in a disruptive environment. To seek and broaden revenue streams, Bancassurance has been embraced to create new streams of incomes (Nazeer, 2006). Bancassurance is a business model whereby the insurance products are distributed through the banks. It’s a French word meaning marketing of insurance products by banks using their own channels of distribution channels. The combination of the words “Banque and “assurance” explains how the banking and insurance comes together to provide services and products as a one entity.

Bancassurance operators put the clients close to their thinking and strategies focusing greatly on customer satisfaction. This involves, provision of financial services and
products of banking and insurance in full range using a single sales and distribution network for both. Offering high quality advice by processing right information, easy accessibility to services across the clock, telephone support centres and internet are some of the services that are provided by the bank and the insurance companies. There are platforms for providing know-how and follow ups contrary to traditional insurance providers (Karunagaran, 2006). According to Elpash (2012) the key issue facing management of daily activities of persons is convenience. It relieves him from the painstaking efforts of searching for separate persons for each service or products (Donne, 2013).

These concepts show way insurance and banking companies come in as Bancassurance. It refers to the operating structures for banks to sell insurance products (Smit and Lught 2000; Swiss Re No 7/2002; Nigh and Saunders 2003). The choice of a suitable model depends on the related laws of nations and the objective conditions of both market players. However the simplest structure of Bancassurance is through a recognized distribution arrangement. Europe wide, Bancassurance has been for extra booming selling saving type products than high end products concerning to long life or disability. No single way of getting into Bancassurance which is greatest for each insurer as well as every bank; Munich Re (2001).

The emergence of Bancassurance has contributed to efficiency and increased the scale of economy in Insurance Companies in some of the European countries. Swiss re (no 7/2002) reported, that Bancassurance model leads to a low and stabilized distribution cost
in comparison with agents in Asia. Economy of scale arises during the production and consumption of the financial services. Other cost advantages that can be identified are concentration on risk management, integrated product development administration functions.

1.1.4 Concepts of Commercial Banking

According to Munich Re (2001) the high competition among commercial banks in the shrinking interest margins environment, has caused the marketing and administrative costs to increase and has also led to reduced profit margins on the banking products traditionally purchased. These are considered the crucial elements that trigger change and competitive banking environment. In fact the persistent changing of economic situations has led to reduced interest net margins making the banking industry to depend more on non-interest income in order to diversify the income sources. For banking, income from Bancassurance provides a viable non interest based income (Carow, 2001). Banks now view Bancassurance as an alternative source of profit that ensures growth and competitive advantage (Fiordelisi & Ricci, 2009). By selling the insurance products through their own distributions channels, the banker can increase their income.

1.1.5 Banking Industry in Kenya

Kenya’s banking industry is comprised of 43 commercial banks. In addition we have six deposit taking microfinance institutions, 1 mortgage finance company, five representative offices of foreign banks, two credit reference bureaus and 115 foreign exchange bureaus. Bancassurance has been embraced by most commercial banks in Kenya such as Equity
Bank, DTB, Credit Bank, NIC Bank, ABC Bank etc. These banks have added insurance to their range of services to make the bank a one stop financial shop. Insurance is an obvious diversification for banks to enhance revenue profitability.

Conversely to exploit their strong customer base, commercial banks have created counters within their banking halls where they cross sell insurance products besides their banking products. In Kenya, the Bancassurance is governed by the prudential guideline on banking issued by Central Bank of Kenya and which become operational on 1st May 2010 and partially by Insurance Act.

1.2 Research Problem
Munich Re (2001) the low uptake of insurance services in Kenya has been contributed by the use of limited channels of selling insurance products. The Kenyan insurance industry relies heavily on brokers and agents to sell insurance products to the consumers. Since the broker and agent led channels have not been able to achieve significant penetration of insurance services; the insurance industry players have had to adopt new and more effective channels. This is why Commercial Banks have undertaken drastic changes in order to bring insurance products closer to the citizens by bringing them to the most accessible financial point through the local bank using Bancassurance.

(Karunagararan, 2006) researched on the banks competition in a shrinking interest rate margins environment. His study found out that there is an increase in the marketing and administrative costs which reduced the profit margins while using the traditional banking
services. These factors are key elements in the competitive environment of banking and insurance industry. In fact the general changing economic situation has led to low bank net interest margins forcing commercial banks to focus more on non-interest income in order to increase profitability. (Carow, 2001) looked at the importance of income generated by Bancassurance to the banks. His findings revealed this provided available non interest based income. (Fiordelisi & Ricci, 2009) investigated the reason why the banker would prefer to sell insurance through their own channel and the found out that this enables the bank to increase its revenue.

Related local studies done in the past have focused on various aspects of Bancassurance. For example (Nazeer, 2006) points out that in developing new streams of revenues banks have embraced Bancassurance in order to ensure increased profitability and maintain a competitive edge. According to Genetary and Molyneux (1998) the emergence of Bancassurance was determined by the need to increase of Bancassurance arising from gains through concentration of risk management administrative functions and integrated product development. (Karunagaran, 2006) states that the emergence of Bancassurance by Commercial Banks is to provide sustainable growth and profitability in the face of disruptive environment where the margins have been consistently sliding downwards.

Staikouras (2006) acknowledges that Bancassurance has been growing more rapidly in Europe than banking securities combined. However Gakure and Ngumi (2013) observe that although the innovation of Bancassurance is on the increase of late in Kenya, the adoption is still low. Limited studies have been done to examine the impact of
Bancassurance market in Kenya. Major concerns which have been pointed out include; new revenue flow, business diversification and economies of scope. The researcher is not however, aware of any study that has been done to determine how Bancassurance can be used as a strategy to increase the insurance uptake in Kenya. This is the gap that this study intends to fill. The study seeks to address the following two research questions. What are the challenges faced by commercial banks in the Bancassurance market in Kenya? and what strategies have commercial banks adopted to increase the uptake of insurance in the market?

1.3 Objectives of the Study

The following two objectives guided the study:-

(i) To determine what challenges face commercial banks in the Bancassurance market in Kenya.

(ii) To determine the strategies adopted by commercial banks to increase the uptake of insurance in Kenya.

1.4 Value of the Study

The research is significant as scholars will be able to add to their existing knowledge on the various channels that banking industry uses to attract customers and compete with other players in the service provision. The scholar will be able to realize the exact nature of challenges business face today in context of the Bancassurance industry and how to overcome them.
The investors in the banking industry and insurance sector will be able to better understand and appreciate the changes that have come as a result of Bancassurance and how they impact on the product availability and competitiveness to the consumer. Banks and insurance companies that are planning to either venture into or expand Bancassurance business will have additional information and data to rely on as they make decisions of when, where and how to invest in Bancassurance.

The regulatory bodies that govern the industry under the Ministry of Finance will have more material information to assist in policy formulation and implementation. The Insurance Regulatory Authority (IRA) will be better guided in coming up with rules to govern Banc assurers Vis a Vis traditional brokers and agents. This is especially important as all these channels are required to co-exist to increase market penetration of insurance products in Kenya. The Central Bank of Kenya (CBK) will also be able to monitor the impact of Bancassurance profitability to the commercial banks in Kenya. The Association of Insurance Brokers in Kenya (AIBK) and Association of Kenya Insurers (AKI) will be in a position to advice their members on the research findings and how they can take advantage of the opportunities identified in an effort to grow their business. The onset of Bancassurance has affected the business and income channels of all players in the industry and therefore it is important to create harmony among the players so that the consumer is not affected by industry wrangles. The insured bank customers will be indemnified against losses. Bank interest will also not be exposed to risks.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section entails an overview of theoretical foundations, challenges in Bancassurance market and empirical review.

2.2 Theoretical Foundation

This project will be guided by three theories of Diffusion Innovation Theory, Taxation Theory as well as Dynamic Capability Theory as discussed here below.

2.2.1 Diffusion Innovation Theory

The framework of this theory was developed from the innovation diffusion model by Roger (1995). Rogers (1995) explained diffusion as innovation adoption within a given time given by the existing social system after a diffusion process occurs. This results to the acceptance and penetration of the developed idea, physical innovation and behavior. Innovation diffusion theory posits that the individual user level is very key in the use of a product. Thus, Roger (1995) subdivided technology and innovation adopter into four groups depending on how fast they embraced the use of new products. This group include laggards, late majority, early majority and innovators (Pahila, S. 2006). Rogers (1995) stated that early adopters and innovators were likely to be risk takers, willing to venture into new products before they are tested by majority of consumers in the market (Andrew Dillion, 2001).
Phelps (1996) model of market penetration and technology diffusion / adoption is based on the idea that changes in productivity depend among other variables, such as the rate of technology. This theory presents the influence of adaptation of newly innovated products and services which is a key strategy tool in today’s economy thus enhancing an organization’s success.

2.2.2 Taxation Theory

Tax legislation favors development of Bancassurance. Some of the countries in Europe where Bancassurance worked so well are likely to be characterized by tax regimes which are very conducive. The countries enjoy very lucrative tax regimes. These are respectively, France, Italy, Spain and Portugal forming part of Latin- Europe region in which Bancassurance prospers. Development of Bancassurance was stimulated by tax incentives in between the low regulation levels. France is one of the countries that did away with life insurance products that were subject tax deductibility until 1995. The tax incentives that were given include inheritance tax exemption, removal of tax from realized capital gains after eight years and reduced taxes due to 25 percent tax deducted on life insurance premiums. Italy and Spain showed similar tax benefits. Kenya as a country has shown certain favorable insurance tax benefits.

Arnold et al. (2011) uses the aggregate data to investigate the relationship between tax rates, economic growth, and various forms of taxes in a panel of commercial banks. This theory explains how tax design influences economic growth. It further examines how taxation policy affects businesses cost and lowers market penetration. Businesses such as
banc assurance can pass some tax on to its customers by charging higher prices which may reduce the purchase of such services.

2.2.3 Dynamic Capability Theory

Dynamic capability theory is described to be the ability to build, mix and reconfigure the external and internal competencies in order to deal with the dynamic environments Teece et al (1997). This dynamic capabilities concept came about as a result of the shortcomings in the resource based view. The resource based view criticisms rotates on it giving less considerations to factors like resources by assuming they just exist. Considerations like resources development, their integration within the firm and their release addressed by dynamic and capability emphasizes resource development and renewal.

Dynamic capabilities are the capabilities that aim to modify, expand and create capabilities ordinarily (Winter, 2003). Dynamic capabilities assist a company to develop capabilities that address threats and help a firm to exploit opportunities that enhance performance. Helfat et al (2007) conceptualize a dynamic capability in terms of capacity in a firm in order to modify, create or extend the resource base. Similarly, Teece (2007) argues that dynamic capabilities assists in sustaining the technical fitness a firm’s resource base and hence creating competitive success in the long run. This theory is appropriate to the study in that the channel to be used to achieve competitive advantage in commercial banks is through banc assurance.
2.3 Challenges in Bancassurance Market

Competition

Competition can have both positive as well as negative effects on a company’s market opportunity. For example, competition can cause an entire market flow through market development, which results in more people becoming aware of products, and therefore more people buying thereby increasing total sales for the entire industry. But competition limits market opportunity for individual companies. Firms try to improve competitive position using right marketing strategies, and as long as the firm does not have a stronger competitive position than the others, it will not expand its market share (David Ricardo, 2004).

Cultural influence

Cultural influence is a complex total of knowledge, traditional customs, and other habits acquired by people as members of a society. People from different parts of the world exhibit different culture, values and beliefs. These exert the largest and deepest effect on the behavior of consumers. Culture defines the values and beliefs that are held dear by a group or society, and it’s transmitted through generations. It is hence a vital element of an individual’s wants and behavior. Each culture consists of several subcultures which offer more specific identification as well as socialization for its participants. They include religious, racial groups and geographical regions. Many of these sub-cultures make important market segments and products are to be designed to meet the needs of these sub cultures. These various cultural beliefs and attitudes influence the buying behavior of the customer (David Ricardo, 2004).
Environmental Factors

Environmental factors such as weather as well as the change in climate change can pose a great challenge to businesses. With main changes in climate that results due to global warming as well as greater environmental unawareness, these external factors may disrupt the smooth operation of various businesses. The constant destruction of environment has a great negative impact on the performance of various firms globally. Major environmental factors include ecological concerns that affect the firm’s production process and customer buying habits. Related legal environments in which firms operate can adversely affect the firms. Developing countries have very turbulent political environments which makes it hard for foreigners to invest. Currencies for most of the third world countries are also rather unstable and weak. Political unstable environment results into high foreign debt, high servicing costs and inflation (Suugy, 2004).

(Ford and Gloria, 2000) found out when implementing business model that are new the challenges encountered are mainly due to failure in comprehending the customers distorted marketing research and failure to predict reaction from the surrounding environment. Walker (1994) notes that for a company have cost savings and meet the evolving demand from customers, technology is key in the customers supply chain during service delivery. The bottom of the consumer pyramid should be clearly comprehended through product packaging in order to address prices and create awareness using language that is the potential customers comprehend clearly.
**Pricing**

Price wars are very common among competitors from various firms who try to cut prices in order to draw more customers. The wars reduce the profit margins or even losses and may force some companies out of business. Pricing strategies are the policies, thresholds and guidelines used to guide in developing price decisions that match the target market conditions (Burns, 2011). The common ones are discrimination, psychological, penetration, skim the scream and discount pricing. The law of demand states that consumers generally buy more of a commodity at low price than at high price, while price elasticity defines the sensitivity of buyer to price changes. Charles Cooper, (2008).

**Differentiation of Products**

Product differentiation is where a firm tries to achieve leadership in their market domain by emphasizing on extraordinary service; customers supply chain, innovative design, and positive brand image technological capability. The attribute chosen may be different and greatly varies from the one offered by competitors/rivals and significantly justified at a price premium that is higher than the differentiation cost. Cost differentiation is where firms try to differentiate themselves by low cost producers. Success of this will require a firm to sell at low prices but also offer a product or service perceived as comparable to that offered by rivals. In terms of quality, or least be perceived as such. Typical means of achieving such cost advantage include economies of scale, efficiency of operations, technological innovation, professional access to raw materials and cheap labour. (Jobber, 2010).
**Political Climate**

Political and economic stability influences demand. An unstable political environment depresses demand because citizens cannot rely on businesses meeting their promises. As laws may be unenforceable, citizens in unstable environments often avoid local firms and purchase from international companies that offer greater financial strength. They often make such purchases despite of domestic prohibitions. Therefore the decision made by public can have a profound impact on consumption. These decisions determine products which can be sold, who can sell them and how they can be sold. (Burns, 2011).

**Economic Environment**

In explaining consumption level, the country’s level of income is very important (Peter, Sung, 2010). The higher the state’s revenue with the rest of the item equivalent, the more it uses on all consumption types. Inflation has a negative impact on consumer consumption and uptake. Financial ambiguity bears extensive pessimistic influence on the yield anticipated profits. (Cooper, 2013). price rises may cause a upsetting outcome on firms where interest rates cycles up. Demand for various products shrinks during inflationary or volatility times.

**2.4 Empirical Review**

In his study on whether Bancassurance add value to banks and Insurers in Saudi Arabia; El Pash (2012) focused on specific areas of Bancassurance business model, which are the driving Factors of Bancassurance, Bancassurance Model, Bancassurance disadvantages, and Success Factors with the aim of understanding how a Bank and an Insurer under the
partnership business model are viewing these areas. The study attempted to answer four questions related to driving Factors of Bancassurance, Bancassurance Model, Bancassurance disadvantages, and The Bancassurance Success Factors. A number of Bancassurance managers from a Bank and Insurance Company, who adopted the Bancassurance partnership business model, were interviewed to understanding their views to the specific areas of this research project.

The results of the study indicated lack of understanding for the definition of the Bancassurance, a limited knowledge for the driving factors of Bancassurance, short term for the strategic relation and unclear awareness of the key success factors. Banks and insurance companies in need to move beyond the early stage toward a more integrated business model. To have a successful implementation of the Bancassurance strategic relation, both parties need to have a clear understanding of the definition of Bancassurance. After that, they both need to identify their driving factors for forming this strategic relation.

Chein, Boon and Yittjia (2012) in their study on user acceptance of Bancassurance in Malaysia, examined how innovation traits effects the Bancassurance products and evaluated key factors which affect acceptance by clients to the new products. Rogers’ five factors is often used in the evaluation of acceptance levels by users of Bancassurance. The target population was four hundred and fifty respondents from Malaysia three states who answered the structured questionnaire. The analysis showed
that three factors of the total five factors were significant to acceptance by users i.e. trial ability, namely relative advantage and observability.

In the study on efficiency gains of Bancassurance in the insurance industry, Fiordelisi and Ricci (2009) focused on the Italian life insurance industry efficiency aiming to evaluate if Bancassurance companies outperform other firms. The study provided an elaborate view of the phenomenon by adopting a distributional and ownership perspective. Stochastic Frontier Analysis is used by incorporating firm specific factors to reduce estimation bias arising from heterogeneity of the samples. Evidences in favor of Bancassurance are significantly seen from the cost side while products with high fiscal substance are less lucrative than the customary insurance. Consequently, subjects used should adjust carefully to the product mix and the choice of the organizational model by considering the flexible and reversible cooperation forms.

In an empirical study on the presence of economies of scale amongst insurance and banking service Carow (2002) researched on the Citicorp – Travellers Group merger that improved the new legislation life insurance firms and prospects by removing barriers between insurance and banking. The researcher found out that the merger had a positive effect on wealth on institutions. The large banks and life insurance firms had a significant market share price amplify, while the income of health insurers, small banks, and property casualty insurers deviated from zero insignificantly. In a study conducted by Estrella (2001) examined potential diversification gains direct measures from the mergers of the financial firms.
The study population was drawn from financial firms and the study used regression statistics to analyze data. The results indicated that there is a bilateral diversification gain derived from mergers between insurance and banking sectors. Estrella (2001) found out that profits are not only restricted to life insurance as the earlier authors suggest, but they extend to companies dealing with nonlife insurance, leading to huge diversification benefits than with companies dealing with life insurance. Non-life insurance and Life insurance firms have high relationship with each other and also with big banks. The major reason why the insurance and banking combinations improves on diversification is not commonality lack, but because the insurance sector is more diversified compared to financial sectors.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This section provides a short narrative of the methodology employed in conducting this research. These subsequent parts include research design; the study targeted population, Data gathering as well as analysis of data.

3.2 Research Design
The research design employed for this research is the expressive survey research which involves various methods for gathering data on human features; feelings, judgments, as well as behavior by acquiring reactions from persons to a set of arranged questions (Bryman, 2004). The design is deemed appropriate because it reduces expenses, time and the quality information yielded is very valid, and interviewer bias is minimized since the participants answer identically worded measures which are self-reported.

3.3 Population of the Study
Refers to a collection of entities or people from which the conclusions of a sample are generalized from (Cooper & Schindler, 2000). A population is an elements collection from which we make inferences regarding certain area of the study (Cooper & Schindler 2008). This population was drawn from the 31 commercial banks dully licensed by the Central Bank of Kenya and Insurance Regulatory Authority to conduct banc assurance business in Kenya (Central Bank of Kenya Supervision report, 2015).
3.4 Data Collection

Data is something admitted or given as a fact from which an inference about a research is given (Oso & Onen, 2009). Secondary and primary data was collected. The data was both qualitative and quantitative. Closed ended questions were used to collect quantitative data. Primary data was collected from the banks through the use of a questionnaire which Kuter and Yilmaz (2001) define questionnaire as a method for recording, eliciting and collecting information. The use of questionnaire is preferred because questionnaires gather data in an ordered fashion and in a systematic way. The data was collected from one Bancassurance manager from each of the 31 commercial banks managers, hence 31 respondents. Secondary data was collected through reviewing records of strategies used by commercial banks to increase the uptake of Bancassurance market in Kenya.

The questionnaire was dropped and collected latter upon filling in by the specified respondents. This method enabled personal contact between the researcher and respondent. The respondent received same set of questions to ensure uniformity of the data collected. Library and desk research was carried out by scrutinizing official reports, guides, and banc-assurance performance documentation which were availed by the banks. The researcher also looked out for banc-assurance trends from written literature in the libraries and other relevant sources.

3.5 Data Analysis

The study used correlation and regression statistics to analyze the strategies used by commercial banks to increase the uptake of the Bancassurance market in Kenya.
Qualitative analysis involved organizing and coding the data that had been gathered into various themes and concepts which answer the research questions and analysis by use of content analysis. Presentation of data was done by use of Pie-charts, tables and Bar graphs where explanation of the results are provided. Summary of the study was presented in the form of a figure, so that it is easy to observe general trends. Descriptive data was provided in form of explanatory notes.
CHAPTER FOUR: DATA ANALYSIS, RESULT AND DISCUSSION

4.1 Introduction

This sector presents the outcome as well as results of the study based on the research questions received from the respondents who were employees of 31 commercial banks involved in this study. A total of 31 managers from each of the banks were served with the questionnaires. At the end of data collection only 25 questionnaires were returned.

Response Rate

The sample comprised of only 31 commercial Banks licensed to transact Banc assurance business as per the Central Bank of Kenya Supervisory report, (2015). Twenty five managers responded and a total of 25 questionnaires were returned. This was well over 75% of the respondent rate, which was considered sufficient number enough to help finding genuine results from various banks.

Descriptive Statistics

The study was carried out to show the challenges faced by commercial banks in the banc assurance market in Kenya and strategies commercial banks have adopted to increase the banc assurance market. Data was analyzed using descriptive statistics.

4.2 Background Information

This part gives information in respect to the age of respondents, gender, profession, and years of experience. These were captured due to their significant value to the research.
Gender of Respondents

Table 4.1 is a review of respondents engaged in the data collection process according to their gender.

**Table 4.1: Gender of respondents**

<table>
<thead>
<tr>
<th>Gender of respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>8</td>
</tr>
<tr>
<td>Female</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Research Data, (2017)

The results of the study show that indeed 30 percent of the total respondents were male and 70 percent were female. This shows the study was not gender biased.

Age

Table 4.2 shows the outcome of the respondents about their age.

**Table 4.2: Age of respondents**

<table>
<thead>
<tr>
<th>Age of respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 25 years</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>26-30 years</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td>31 – 35 years</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Above 36 years</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data, (2017)
The results of the research reveal that 40% of the respondents were aged between 20 – 25 years and 34% of the respondents were aged between 26-30 years. 16% of the respondents were aged between 31-35 years and the remaining 10 percent of the respondents above 36 years.

**Years of the Employment**

Table 4.3 presents study findings with respect to experience in career service.

**Table 4.3: Years in Employment**

<table>
<thead>
<tr>
<th>Years in Employment</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>11</td>
</tr>
<tr>
<td>3-5 years</td>
<td>7</td>
</tr>
<tr>
<td>6-10 years</td>
<td>3</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Research Data, (2017)

The study outcome indicates that majority of the respondents 74% had worked for a period of less than six years. Specifically 44% of the respondents were in employment less than 3 years. Consequently 30% of the respondents were in employment between 3-5 years 12% of the respondents between 6-10 and 14% more than 10 years respectively.
4.3 Market Share techniques Used by Commercial Banks

The researcher sought to establish the various market techniques used by commercial banks engaged in the study. This is presented in figure 4.1 below.

**Figure 4.1: Strategy Used**

![Strategy Used](image)

Source: Research Data, (2017)

Figure 4.1 discloses that a number of the respondents believe that commercial banks prefer using segmentation, targeting and positioning strategies to increase the uptake of Bancassurance market in Kenya.

Figure 4.1 specially indicates that 85% of respondents believe that commercial banks uses segmentation strategy. On the other hand 90% of the respondents believe that the organization pursues market targeting while the other 85% are of the opinion that their banks prefer product positioning strategy to increase uptake of Bancassurance market.
4.4 Other Bancassurance Market Share techniques Used by Commercial Banks in Kenya

Product Differentiation

The study highlights ways in which product differentiation contributes to market increase.

Table 4.4 shows the result of the respondents.

Table 4.4: Product Differentiation

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>21</td>
<td>84</td>
</tr>
<tr>
<td>Moderate</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data,(2017)

Table, 84% indicate that differentiation was highly rated to be by the respondents to be the main contributing factor to market increase, 14% of the respondents rated it moderately where as 2% gave it a low rate as a factor that contributes to market uptake.

Pricing

The study sought to show how pricing affect market uptake. Table 4.5 presents the results of the responses.
Table 4.5: Pricing

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>14</td>
<td>60</td>
</tr>
<tr>
<td>Moderate</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Low</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Never</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data, (2017)

Table 4.5 shows that 60% percent of respondents extremely rated constant price wars as an aspect that contributes to market loss, 30% percent rated it moderately while 6% pricing on the lower level as a contributing factor to market uptake, and 4% of the respondents indicated that price wars does not contribute to market increase of Bancassurance in Kenya. These findings are in line with Brassington (2011), who argues that pricing is the manual or automatic procedure of relating prices to acquisition sales orders, according to the aspects like nature of risk; nature of exposure, a fixed sum, quantity break, promotion or sales advertisement. Price is inclined by the type of sharing channels employed, the category of promotion, used and superiority of the product.

4.5 Bancassurance as a Strategy to Reach out to Potential Customers

Figure 4.2 summarizes result on whether the commercial banks use Bancassurance as a strategy to reach out to potential customers. As per the results of the study, majority (84.6%) of the respondents indicated that their banks use Bancassurance to reach out to the potential customers while the remaining respondents (15.4%) use it as a means of
increasing their revenue income. This clearly indicates that the main aim of commercial banks adoption of Bancassurance is to reach out to more customers in the market segmentation. Nurullah & Stairkouras, (2008) found an increase in productivity with no shifts for hybrid amalgamations of banks and insurance firms, but when banks merge with property and casualty and life insurance companies. It can therefore be concluded that Bancassurance increases market share and thus resulting in increase in commissions earned income.

**Figure 4.2: Use of Bancassurance as a strategy to reach out to customers**

Source: Research Data, (2017)
4.6 Cultural Influence on Market Penetration

Figure 4.3: Ethnic Origins

![Bar chart showing the level of agreement among respondents regarding the cultural origins' impact on market penetration.](image)

Source: Research Data, (2017)

1. In Figure 4.3 majority of the respondents believe that cultural origins greatly affect banc assurance uptake market both positively and negatively.

Figure 4.4: Religious Affiliations

![Bar chart showing the level of agreement among respondents regarding religious affiliations' impact on market penetration.](image)

Source: Research Data, (2017)
In Figure 4.4 majority of the respondents believe that religious affiliations creates a great impact on the market either negatively or positively.

**Figure 4.5: Political Climate**

![Political Climate Pie Chart]

Source: Research Data, (2017)

Most of the respondents agreed to the fact that political stability is important. Bancassurance market share can be achieved by commercial banks when there is political stability.

### 4.7 Effects of Environmental Factors on Bancassurance Market

The Table 4.6 shows result of respondents given with regard to contributions made by environmental factors such as climate change and global warming.
Table 4.6: Environmental factors

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly</td>
<td>9</td>
<td>38.0</td>
</tr>
<tr>
<td>Moderate</td>
<td>11</td>
<td>46.0</td>
</tr>
<tr>
<td>Low</td>
<td>4</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, (2017)

As revealed in table 4.11, 38.0 percent of the respondents highly rate the environmental challenges, while 46.0 percent rate it moderately. The remaining 16.0 percent rate it lowly. The changes in environment affect market uptake. The unforeseen external factors may disrupt various businesses. The constant, destruction of environment has great negative impact on Bancassurance market.

4.8 Market Conditions

Table 4.7 provides the results of respondents given with regard to the contributions made by market conditions.

Table 4.7: Market conditions

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>12</td>
<td>50.0</td>
</tr>
<tr>
<td>Moderate</td>
<td>9</td>
<td>38.0</td>
</tr>
<tr>
<td>Low</td>
<td>3</td>
<td>10.0</td>
</tr>
<tr>
<td>None</td>
<td>1</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, (2017)
As presented in Table 4.7, 50 percent of respondents highly rate the contribution made by market conditions while 38.0 percent rate it moderately. On the other hand 10% rate it lowly, while 2.0% believe that market conditions make no contribution to market penetration.

### 4.9 Competition

In terms of competition Table 4.8 provides the summary of statistics.

#### Table 4.8: Competition

<table>
<thead>
<tr>
<th></th>
<th>Distribution</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>7</td>
<td>34.0</td>
</tr>
<tr>
<td>Moderate</td>
<td>8</td>
<td>36.6</td>
</tr>
<tr>
<td>Low</td>
<td>4</td>
<td>18.0</td>
</tr>
<tr>
<td>None</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source, Survey Data, (2017)

As clearly presented in Table 4.8, majority of respondents reiterated that competition affects market uptake. As long as a brand does not have a stronger competitive position, it is eliminated. Specifically 36.6.0% of respondents indicated that switching costs rates highly whereas 34.0% went for moderate contribution; the findings also established that consumption of a given product is majorly based on its price and quality.
Table 4.9: Economic Factors

<table>
<thead>
<tr>
<th>Economic Factors</th>
<th>Distribution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>21</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>3</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data, (2017)

As seen in the Table, 84 percent of respondents highly rated economic factors as a major challenge affecting the Bancassurance market. 14 percent moderately rated it while 2 percent lowly rated economic factor as a challenge to market penetration.

Figure 4.6: Inflation

Source: Research Data, (2017)

From the findings, majority (85%) of the respondents indicated that inflation has a negative impact on customer consumption and Bancassurance market penetration.
(Cooper, 2013) monetary uncertainty has a substantial negative impact on the products and expected returns.

**Table 4.10: Effects of Technological Factors on Bancassurance**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To a very great extent</td>
<td>9</td>
</tr>
<tr>
<td>To a great extent</td>
<td>7</td>
</tr>
<tr>
<td>To moderate extent</td>
<td>4</td>
</tr>
<tr>
<td>To a less extent</td>
<td>3</td>
</tr>
<tr>
<td>To no extent</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Research Data, (2017)

New technology represents a key competitive advantage to firms. From the findings 50% of respondents indicated that poor or lack of technology affects business to a very great extent, 24% believes that lack of technology affects business performances to a great extent. 21% moderate, 3% to a less extent and 2% believe that lack of technology does not affect business performance.
CHAPTER FIVE: SUMMARY, FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This section comprises of summary and findings, discussion, conclusions of the study and also recommendations drawn from the findings. Summary provides for significant basics of this research that involves the research objectives, methodology, as well as findings. Conclusions discuss the main research findings with regards specific research objectives. Recommendations reviews the conclusions reached based on the findings.

5.2 Summary and Findings of the Study

The main objective of the study was to establish the challenges faced by commercial banks in the Bancassurance market in Kenya. The study was informed by the recent activities in this market that has seen banks being forced to seek insurance distribution channel expansion without compromising on their old traditional banking method. This is the reason why all the banking industry players are competing for the limited insured population that is estimated at less than 4% IRA, (2012). This means that the Bancassurance market share levels are still low leading to a cat throat competition from the industry players in a bid to capture the few insurable customers.

As a way of attaining the study objectives, the research adopted across section survey research design as an efficient way to obtain information needed to describe views of various commercial banks, Bancassurance managers, to determine the challenges faced by commercial banks in this particular new market. The population of this study was drawn from the 31 locally owned commercial banks that are officially licensed by the
Central Bank of Kenya and authorized by the Insurance Regulatory authority to transact Bancassurance business. In Kenya, the Bancassurance is governed by the prudential guideline on banking issued by Central Bank of Kenya, which became operational on 1st May 2010 and partially by insurance act. The gathering of the primary data was conducted through planned questionnaires that were pilot tested in order to ascertain their consistency.

The coding of data was done with use of Microsoft excel and SPSS so as to create the descriptive statistics for example frequencies as well as percentages. Presentation of outcomes was in form of numbers, frequency tables as well as pie charts. The findings on key challenges faced by commercial banks in the Bancassurance market in Kenya revealed that amongst the major factors affecting Bancassurance market are economic, cultural, environmental, political, technological, market conditions, price wars and competition. The study findings reveal that highly rated challenges in this market are political instability at 85%; environmental changes i.e. global warming, drought and environmental destruction at 38% inflation at 85%. 50% of the respondents indicated lack of or poor technology.

This study recommends that indeed the Banc assurance is a growing market as far as acceptance is concerned in terms of reaching out to customers. It is therefore important for the banks to consider adoption of the three major market share skills to increase banc assurance uptake. The findings on contributions of these key skills that increase the Banc assurance sales volumes in Kenya i.e. STP segmentation, targeting, positioning, revealed
that respondents rated segmentation at 85%, targeting at 90% and positioning at 85%. It is therefore evident that these factors are the major contributors to great achievements in this market. This study further show that other important factor enhancing Bancassurance uptake is product differentiation. The study hence suggested that the government regulations must be aligned in a way that ensures there is room for commercial banks to explore means of continually developing and improving the performance of this particular sector, and find amicable solutions to its unique challenges.

**Findings of the Study**

Study findings showed that emergence of Bancassurance has increased the uptake of insurance services through this study, secondary data collected through reviewing records, scrutinizing official reports, guides and Bancassurance performance documentation which were availed by commercial banks accounted for 17.58% of the total gross premiums and therefore partnership between the banks and insurers through this channel results into a ready customer base, brand awareness and established credibility which is an asset to the bankers.

Bancassurance will continue to grow as a distinct distribution channel for insurance services in Kenyan market, in both medium and long term especially if insurers partner with the commercial banks to support this new innovation. The findings also indicate that the major obstacles to the Bancassurance market ranges from environmental factors, economic factors, cultural and political climate. On the other hand, the study findings also revealed that for commercial banks to penetrate the Bancassurance market they must
pursue segmentation, targeting and positioning strategies, amongst others recommended methods such as product differentiation, pricing, competition etc.

5.3 Conclusion
There are strategies that can be adopted by commercial banks. From the findings and discussion it is indeed clear that the three major steps namely STP, i.e. segmentation, targeting and positioning can be developed by commercial banks to enhance Bancassurance market increase. The study also reveals that other factors that enhance uptake are pricing and product differentiation. The study also reveal that key amongst the factors that affect this market are economic, cultural, environmental political and technological.

5.4 Recommendations
This section gives a recommendation that the researcher indeed feels that is important in solving the challenges faced by commercial banks in the Bancassurance market. The study then suggested that the commercial banks should maximize on.

Recommendation for Policy and Practice
Bancassurance at present is adding very little to GDP, yet there is great possibility as well as the requirements to be controlled in order to generate wealth and to enhance the living standard of people of Kenya hence helping the economic pillar development under vision 2030.
It is recommended that Bancassurance be introduced as a department in every bank and insurance company so that all bank account holders and loan borrowers are protected against any unforeseen risk.

5.5  Limitations of the Study

The researcher’s attentions mainly on commercial banks who are the intermediaries and did not duel much on the insurance companies who are the underwriters; who would have given some feedback from the customers as they underwrite their risks and compensate in case of claims. Also omitted are the main competitors of banc assurance in the Kenyan market i.e., the traditional agents and brokers who would also have given a feedback on market challenges experienced due to this new innovation of Bancassurance.

5.6  Suggestions for Further Study

The study concentrated on Bancassurance market challenges and market increase strategies. Further studies should be undertaken on the challenges experienced by the traditional agents, brokers, customers, underwriters and regulators, arising from the innovation of Bancassurance as a new insurance distribution channel through the banks.
REFERENCES


APPENDICES

Appendix I: Research Questionnaire

This questionnaire has been designed to assist the researcher collect data purely for academic purposes. The information you provide will be treated with strict confidence.


SECTION A: BACKGROUND INFORMATION (please kindly tick in the appropriate box)

1. What is your gender?
   Male [ ]
   Female [ ]

2. What is your age?
   (i) 20 – 25 years [ ]
   (ii) 26 – 30 years [ ]
   (iii) 31 – 35 years [ ]
   (iv) Above 36 years [ ]

3. How many years have you been employed?
   (i) Less than 3 years [ ]
   (ii) 3 -5 years [ ]
   (iii) 6 – 10 years [ ]
   (iv) More than 10 years [ ]
4. To what extent does your bank use the three major marketing skills i.e. Segmentation, Targeting and Positioning to enhance Bancassurance uptake?

SECTION B: PERSONAL ATTRIBUTES

5. How has product differentiation contributed to Bancassurance market increase?
   - To a very great extent [ ]
   - To a great extent [ ]
   - To moderate extent [ ]
   - To no extent [ ]

6. To what level does pricing affect to Bancassurance market uptake?
   - (i) High [ ]
   - (ii) Moderate [ ]
   - (iii) Low [ ]
   - (iv) Never [ ]

7. Does your bank use Bancassurance as a strategy to reach out to customers?
   - Yes [ ]
   - No [ ]
   - Never [ ]

8. How does cultural influence effect on Bancassurance market?
   - (i) High [ ]
   - (ii) Moderate [ ]
   - (iii) Low [ ]
9. To what extent does political climate affect Bancassurance market?
   Yes [   ]
   No  [   ]

10. How does market conditions affect Bancassurance?
    (i) High [   ]
    (ii) Moderate [   ]
    (iii) Low [   ]
    (iv) Never [   ]

11. How does competition affect Bancassurance market share?
    (i) High [   ]
    (ii) Moderate [   ]
    (iii) Low [   ]
    (iv) Never [   ]

12. To what level does economic factors affect Bancassurance market?
    (i) High [   ]
    (ii) Moderate [   ]
    (iii) Low [   ]
    (iv) Never [   ]

13. How does technology affect Bancassurance market increase?
    To a very great extent [   ]
    To a great extent [   ]
    To moderate extent [   ]
14. Does cultural influence affect Bancassurance market?

<table>
<thead>
<tr>
<th>Option</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To no extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>Agree</td>
<td>[ ]</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>[ ]</td>
</tr>
<tr>
<td>Disagree</td>
<td>[ ]</td>
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<tr>
<td>Strongly Disagree</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
Appendix II: Commercial Banks in Kenya

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
4. CFC Stanbic Bank Ltd.
5. Commercial Bank of Africa Ltd.
6. Consolidated Bank of Kenya Ltd.
7. Co-operative Bank of Kenya Ltd.
8. Credit Bank Ltd.
10. Diamond Trust Bank Kenya Ltd.
11. Ecobank Kenya Ltd
12. Equity Bank Ltd.
13. Family Bank Limited
14. Fidelity Commercial Bank Ltd.
15. Fina Bank Ltd
16. First Community Bank Limited
17. Guardian Bank Ltd.
18. Gulf African Bank Limited
19. I & M Bank Ltd
20. Jamii Bora Bank Limited
22. National Bank of Kenya Ltd
23. NIC Bank Ltd
24. Oriental Commercial Bank Ltd
25. Paramount Universal Bank Ltd
26. Prime Bank Ltd
27. Sidian Bank Ltd.
28. Spire Bank Ltd
29. Standard Chartered Bank Kenya Ltd
30. Trans-National Bank Ltd
31. UBA Kenya Bank Limited