

BANCASSURANCE AND MARKET VALUE OF LISTED COMMERCIAL BANKS IN KENYA

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ABSTRACT

The objective of the study was to fill conceptual, contextual, and methodological gaps. The study's overall goal is to determine the effects of bancassurance on the market value of commercial banks listed on Kenya's Nairobi Securities Exchange (NSE). The specific objectives of the study were to assess the effect of bancassurance life insurance, motor vehicle insurance, home property insurance and health insurance on market value of listed commercial banks in Kenya. This study used a descriptive research design. The target population was the 10 commercial banks listed in the NSE. A census method was applied to select all the 10 banks. This study utilized secondary data collection technique. Panel data on market value and documented aspects of bancassurance was sourced from CMA reports, published articles, referred journals and other relevant materials from the internet and library sources. Qualitative and quantitative analysis of data was done to answer the research questions of this study. The data collected was synthesized using the Statistical Package for Social Sciences (SPSS). Descriptive analysis described the data in terms of frequencies, percentages, mean scores and standard deviations. The multiple Regression analysis was used. The data was presented using frequency distribution tables and figures. The study found that NSE listed banks have increasingly participated in bancassurance motor vehicle insurance; there has been a significant uptake of bancassurance life insurance among the listed commercial banks, the listed banks have reported major growth in provision of

bancassurance motor vehicle insurance over the five years period portraying uptake of this bancassurance product; and there has been a steady growth of bancassurance home property insurance product among the listed commercial banks in Kenya. The regression model indicates that, holding the predictor variables constant, the market value of NSE listed commercial banks in Kenya would be 5.970. The results from the regression analysis revealed that there were beta coefficients of 0.619, 0.755, 0.528 and 0.573 for bancassurance life insurance, bancassurance motor vehicle insurance, bancassurance home property insurance and bancassurance health insurance respectively. The study concludes that bancassurance health insurance products have been gaining acceptance. The NSE listed commercial banks have showed a steady growth in market value as depicted by the GWP values. There exist a positive relationship between bancassurance and market value of NSE listed banks. The listed commercial banks have shown tremendous growth in uptake of bancassurance products like motor vehicle, health, property and life insurance policies. The recommends that the listed banks needs to sensitize their customers on the various bancassurance life insurance products that meet their needs. The listed banks should equip their employees with training programs in order to get a clear understanding of the bancassurance motor vehicle insurance products. The study further recommends that listed banks to increase understanding of the range of bancassurance home property products

offered to clients so that each individual in various classes of living standards can have relevant products that suit their needs. The management of listed banks should come up with strategies to promote adoption of bancassurance health insurance to their customers through

intense advertising to its customer most of whom are not insured.

Keywords: Bancassurance life insurance, bancassurance motor vehicle insurance, bancassurance home property insurance, bancassurance health insurance

INTRODUCTION

The terms market value denotes the worthiness of trading securities and is determined by the most recent prices on the higher market prices traded in the securities markets (Kraipornsak & Porampojn, 2021). According to Dayag and Trinidad (2019), the most important goal of establishing this market valuation is to offer an impartial evaluation of the assets' worthiness of a company. The bancassurance model is defined by Nasir, Nasir, Salleh, Nasir, Borhanordin, and Nasir (2021) to denote the combination of better trading abilities, insurance policies, powerful business placement, and bank faithfulness. Bancassurance, according to Agbo and Nwankwo (2020), is a contract between banking institutions and an insuring companies. In bancassurance, the insuring firms can market their policies through the banks' distribution channels. In exchange, the insurance business would pay a charge to the banks. Bancassurance is the practice of a bank providing insurance products produced by its own insurance subsidiary, either through its own distribution channels or through third-party agents (Finaccord, 2020).

Bancassurance entails coordination and integration of commercial banking institutions, development financing institutions, cooperative societies for the purpose of providing insurance products to their clients (Finaccord, 2020). The combination offers platform for better trading abilities, insurance policies, powerful business placement, and bank faithfulness. Over the recent last five decades, bancassurance has evolved owing to the wideness of insurance market across the globe as well as mixed success from different companies and markets. According to Dayag and Trinidad (2019), the insuring firms can market their policies through the banks' distribution channels. In exchange, the insurance business would pay a charge to the banks. In developing nations like Kenya, companies are under pressure to develop and use alternate distribution channels because the financial services market becomes more competitive.

According to Insurance Europe Insurance Industry Database (2020), Within European life insurance sector, bancassurance accounts for up to 36% of premiums revenue. In the Spanish Economy, bancassurance records in excess of 65.5% of lifecover insurance premiums revenue, while it accounts for 50 percent in Belgium, 50 percent in Italy, and 60 percent in France. In 2017, bancassurance accounted for over half of all life insurance sales in Europe, demonstrating the significance of this distribution channel for the European life insurance

industry. In countries like Turkey, Portugal, and Italy, banking accounts for 70-80% of GDP, whereas in Germany and Slovenia, it accounts for less than 20% (Deepa & Rafi, 2020).

In Asia, some of the developing markets like Malaysia with 4.77%, Thailand with 5.42% and China with 4.77% have a higher penetration in insurance sector (Meenu & Joshi, 2019). In India, the penetration of insurance is at 3.7% of GDP, which is against the world average of 6.31% (Samal, 2019). Abiyyu, Najib and Asmara (2020) studied the bancassurance business model in life insurance was discussed, and it was concluded that the bancassurance business in Indonesia is wide open, and every corporation need the appropriate approach. ank of Ghana, (2020) indicated that in Ghana, bancassurance is a thriving industry. Insurers and bankers are forming strategic alliances to provide a diverse variety of competitive and innovative solutions.

US\$2.1 million in 2006 to over US\$31 million in 2015, saturation is still very little. According to Finaccord (2020), During 2007 until 2015, insurance premiums had risen to over 1%, although the number of insurance customers had remained below 2%. In Kenya, Equity Bank was granted a license to operate as a separate Equity Insurance Agency in 2007. In 2010, KCB obtained a license under the name KCB Insurance Agency. More than half of Kenyan banks have entered the bancassurance market since 2011. In the context of NSE listed banks, Bancassurance enables banks to respond to unique consumer demands and give more accessibility when and when it is needed. Second, banks consider bancassurance as a distribution channel since it reaches out to a variety of target groups. According to Mulwa (2020), bancassurance benefits banks by enhancing their ability to provide end-to-end financing solutions for both people and small and medium-sized businesses (SMEs).

STATEMENT OF THE PROBLEM

Bancassurance incentives are believed to be far-reaching for commercial banks, insurance firms, and clients, according to Nasir *et al.*, (2021), and have an impact on the economy in terms of GDP contribution. The major benefit generated by from bancassurance to commercial banks can be viewed in terms of market value. According to Mulwa (2020), The demand for improved access to insurance at affordable rates, as well as banks' assertive approach to confront the financial industry's ever-increasing competition, has forced the development of the bancassurance model. However, present market conditions have put a burden on market price, as the costs of intermediaries has risen significantly, and bancassurance has become far too aggressive to be profitable market value (Mulwa, 2020).

All listed commercial banks in Kenya, according to Mulwa (2020), have bancassurance offerings, that have resulted to their expansion in terms of branches and client base. Nevertheless the listed banks have not been immune to financial shocks. According to CBK (2019), the listed banks' ROE recorded the lowest 19.7% in February 2017, whereas their ROA was 2.2% at the end of 2016. Omae and Muturi (2019) evaluated the impact of bancassurance on commercial banks' profitability in Kenya and revealed that bancassurance enables banks to respond to unique consumer demands and give more accessibility when and

when it is needed. Mulwa (2020) conducted an analysis of diversity and market valuation among banks and other financial institutions listed on the Nairobi Securities Exchange and discovered a curvilinear relationship between current income diversification and market values, indicating that Kenya's banking market efficiency enough to value commercial banks' diversification decisions. The listed commercial banks have shown tremendous growth in uptake of bancassurance products like motor vehicle, health, property and life insurance policies (from 7.1% to 12.3% between years 2010 and 2019).

However, according to CBK (2020), Earnings Per Share (EPS) growth for listed commercial banks was 4.4 percent in fiscal year 2019, compared to 2.8 percent the previous year and a five-year average of 13.9 percent, but falling short of the predicted 14.6 percent growth rate. The fluctuation in market valuation and capitalization in terms of prices by NSE listed banks show a blurry picture regarding bancassurance and financial soundness. the prevailing literature display divergence lines of thoughts concerning bancassurance and marketplace fee of business banks. in addition, there exist conceptual, contextual and methodological gaps which this this studies venture sought to fill by means of investigating the outcomes of bancassurance on market price of industrial banks indexed in NSE, Kenya.

OBJECTIVES OF THE STUDY

General Objective

The general objective of the study was to establish the relationship between bancassurance and market value of commercial banks listed in the NSE, Kenya.

Specific Objectives

The study was guided by the following specific objectives;

- i. To assess the effect of bancassurance life insurance on market value of listed commercial banks in Kenya.
- ii. To determine the effect of bancassurance motor vehicle insurance on market value of listed commercial banks in Kenya.
- iii. To establish the effect of bancassurance home property insurance on market value of listed commercial banks in Kenya.
- iv. To analyze the effect of bancassurance health insurance on market value of listed commercial banks in Kenya.

THEORETICAL REVIEW

Alliance Formation Theory

Voutilainen's alliance formation hypothesis, which he established in 2004, has become increasingly popular in the financial business in recent decades. An alliance's insurers can be life and/or non-life businesses. In exercise, partnerships among banks and non-life coverage companies with no life opposite numbers are unusual. on the other hand, the synergies among

retail banking and lifestyles insurance are so strong that banks and existence insurers frequently shape coalitions without non-lifestyles counterparts. Mutual fund management organizations, asset management organizations, securities brokerages, and company finance corporations are often covered in monetary alliances (Voutilainen, 2004). according on the diploma of closeness many of the contributors, alliance systems may be divided into three businesses (Voutilainen, 2004).

Synergies among retail banking and lifestyles insurance, however, are so profound that they bring about partnerships among banks and life insurers that don't have non-existence equivalents. Ryan (2001) pointed that the forces that encourage monetary alliances among banks and insurance groups are as follows: Strained earnings in banks and insurance businesses require merge; tight margins can also necessitate financial savings and reduce-off programs, which might be greater successfully executed by way of nearer alliance structure; shifting buyer behaviour, such as one-stop purchasing, necessitates co-operation among all financial services companies; trade pacts are tearing down tariff rates and splitting trade and investment (Ryan, 2001).

Moreover, authorities are advocating for more competition because they apprehend the economic blessings to their nations and their clients (Ryan, 2001); pass-selling can and has played an crucial role in reducing task losses and creating jobs in the banking region (Ryan, 2001; Benoist ,2002). Consistent with Focarelli and Pozzolo (2001), the amount and price of mergers and acquisitions expanded quick in almost all sectors of the economic system in the course of the Nineties. Because of substantial deregulation, which allowed the merging of monetary groups like as banking, asset control, and insurance, they were quite popular inside the commercial banks. This theory therefore plays an critical function in assessing the effect of bancassurance lifestyles insurance on marketplace cost of indexed commercial banks in Kenya.

Theory of Push and Pull in Bancassurance

The concept of push and pull turned into first evolved by way of Fredrick Winslow in 1911. It became all through the improvement of the ideas of medical control. because of globalization, technology transfer, developing call for in property coverage, motor car coverage, and existence coverage in present day market, coverage agencies are pushing solutions through bank coverage offerings. presently, most of the coverage organizations are riding their marketplace percentage via embracing a push model in place of the pull version. The frenzy concept is a process wherein the insurance entities and banks provide facts and solutions in a commonly handy layout. It entails taking the goods directly to the client, which ensures that they are privy to your brand on the factor of purchase.

Applying the push model in the insurance organizations can confine a portion of the areas regarding service delivery, which again may give proficiency in the preparation of a support workforce (Arunga, 2012). This model has gotten additionally testing to execute as most

insurance organizations are finding that they might be giving up adequacy for productivity. Pulling arrangements has consistently been a piece of most protection firms where clients come to buy insurance products promoted. A client would visit the banks or insurance suppliers and pose inquiries, and somebody would answer them. Because of "pull," the client's definitiveness into settling on decisions on their needs diminishes the cost associated with getting to such services or items. It is utilized as purchasers have doubted the arrangements given legitimately by associations and wish to do the exploration themselves. It expounds on the selection of bancassurance benefits by various customers in motor, property, and life.

This theory requires the business or association to give whatever number materials as could be expected under the circumstances in however many configurations as would be prudent and trust that the client finds the solution (Everis, 2009). The push approach is productive from the client's or the organization's perspective. Accordingly, motor vehicle owners take up motor vehicle or automotive insurance to cushion themselves from losses arising from the unforeseeable risks. This theory is therefore essential in determining the effect of bancassurance motor vehicle insurance on market value of listed commercial banks in Kenya.

Ansoff's Diversification Model

Diversifying is among the four marketing strategies created by Igor Ansoff in 1957 as part of the product matrix's four strategies. Market penetration, according to the notion, comprises the marketing of a company's existing items in an existing market. Market development is the process of creating a new product that will be sold in an existing market. The sale of existing products in a new market is referred to as market development. Diversification is the matrix's fourth and final strategy, in which a company enters a new market with a new product. Diversification can be utilized instead of the other three techniques to help a firm expand (Hussain, Khattak, Rizwan, & Latif, 2013).

Horizontal, conglomerate, vertical and concentric diversification are the four forms of diversification identified by Pearce, Robinson, and Mital (2008). Vertical diversification occurs when a company moves forward in its manufacturing cycle to reach new phases. This occurs when a corporation manufactures its raw materials or distributes its finished goods. This form of diversification allows a company to lower its investment risks by lowering the danger of its products not finding a market. Horizontal diversification, on the other hand, occurs when a company introduces new items that are aimed at existing clients. This type of diversification allows a company to grow its output without having to hire new employees or learn new abilities.

By entering the insurance industry, banks are diversifying their offerings. This aids them in adapting to and dealing with the growing competition in the financial markets. In recent years, the majority of Kenya's listed banks have delved into bancassurance, which has helped them increase their profitability and competitiveness. Banks improve their financial

performance by diversifying their investments to generate income from a variety of sources, including investment and quasi domains. The random arrival of information about company fundamentals causes the market value of stocks to vary from time to time. This theory therefore plays a crucial role in establishing the overall effect of bancassurance home property insurance on market value of listed commercial banks in Kenya.

Signaling Theory

Ross's (1977) signaling theory outlined how corporations communicate with potential investors. This signal indicates what management has done to fulfill the wishes of the owners. According to signaling theory, it is vital to inform investors about how they view a company's future. Dividend announcements are expected to provide a signal to investors in the financial decision-making processes. Managers have access to proprietary information about a company's characteristics that isn't available to the general public. This information is useful if the current investments or potential investments have a favorable impact on the firm's future cash flows. The public will be impressed and information will be trusted if the manager can offer a persuasive signal.

In bancassurance, the insuring firms can market their policies through the banks' distribution channels. In exchange, the insurance business would pay a charge to the banks. According to Agbo and Nwankwo (2020), practice of bancassurance by banks in providing insurance products produced by the insurance subsidiary, either through its own distribution channels or through third-party agents has a signaling effect. Bancassurance enables banks to respond to unique consumer demands and give more accessibility when and when it is needed. It is of great significance for organizations to understand how new technologies are adopted. The theory suggests that clear cut and unambiguous innovations have advantage over the previous approaches and are easily implemented and adopted.

This theory is, thus, crucial in understanding the effects of bancassurance health insurance on market value of commercial banks. The theory is also relevant to the study as it provides fundamental means to monitor and control performance of health insurance products in the banks that have adopted bancassurance. The theory emphasizes directions utilized in realizing positive growth in uptake of health insurance products in a bid to regulate and improve the total performance. The theory will therefore be applied in analyzing the impact of bancassurance health insurance on market valuation

Agency Theory

This was developed by Jensen and Meckling (1976). The coordination among stakeholders (the primary) and a enterprise's control is known as an business enterprise dating (the agent). in keeping with Jensen and Meckling (1976), an corporation dating happens while one or more events, called the principals, contract/hire any other, known as the sellers, to carry out offerings on their behalf and then delegate selection-making authority to the hired celebration

(Agent). Shareholders and creditors, shareholders and the authorities, shareholders and control, shareholders and auditors, and finally headquarters or branch will all face challenges as a result of this interaction. The motivators of this agency problem are incentive, Management buyout (MBO), Power, Self-esteem goals, Consumption of Incentives, Different, Different evaluation Horizons, Risk-profile.

In this model, commercial banks are not willing to offer expertise services internally, yet they are willing to issue the policies at commission and administrative fees which sometimes is referred to as binder fee. Commercial banks play an intermediary role of distributing insurance products which are produced, financed, and serviced by insurance companies. This is an indication that banks are only responsible for insurance sales and collection of premiums from the customers while the responsibility of underwriting and claim handling processes are being operationalized by insurance companies (insurer). It is of great significance for organizations to understand how new technologies are adopted. Clear cut and unambiguous innovations have advantage over the previous approaches and are easily implemented and adopted.

Through bancassurance, the overall gain from the application of competences in the interaction is growth in sales of bancassurance products hence market value. The random arrival of information about company fundamentals causes the market value of stocks to vary from time to time. Bancassurance is the practice of a bank providing insurance products produced by its own insurance subsidiary, either through its own distribution channels or through third-party agents (Finaccord, 2020). The banking industry is highly developed and vibrant, and the introduction of mobile and agency banking has increased access to loans during the last decade. Mulwa (2020) pointed that several banks have also expanded into neighboring countries offering bancassurance among other financial products. The listed commercial banks have shown tremendous growth in uptake of bancassurance products like motor vehicle, health, property and life insurance policies. This theory thus is essential in establishing the effects of bancassurance on market value of commercial banks listed in Nairobi Securities Exchange, Kenya.

Conceptual Framework

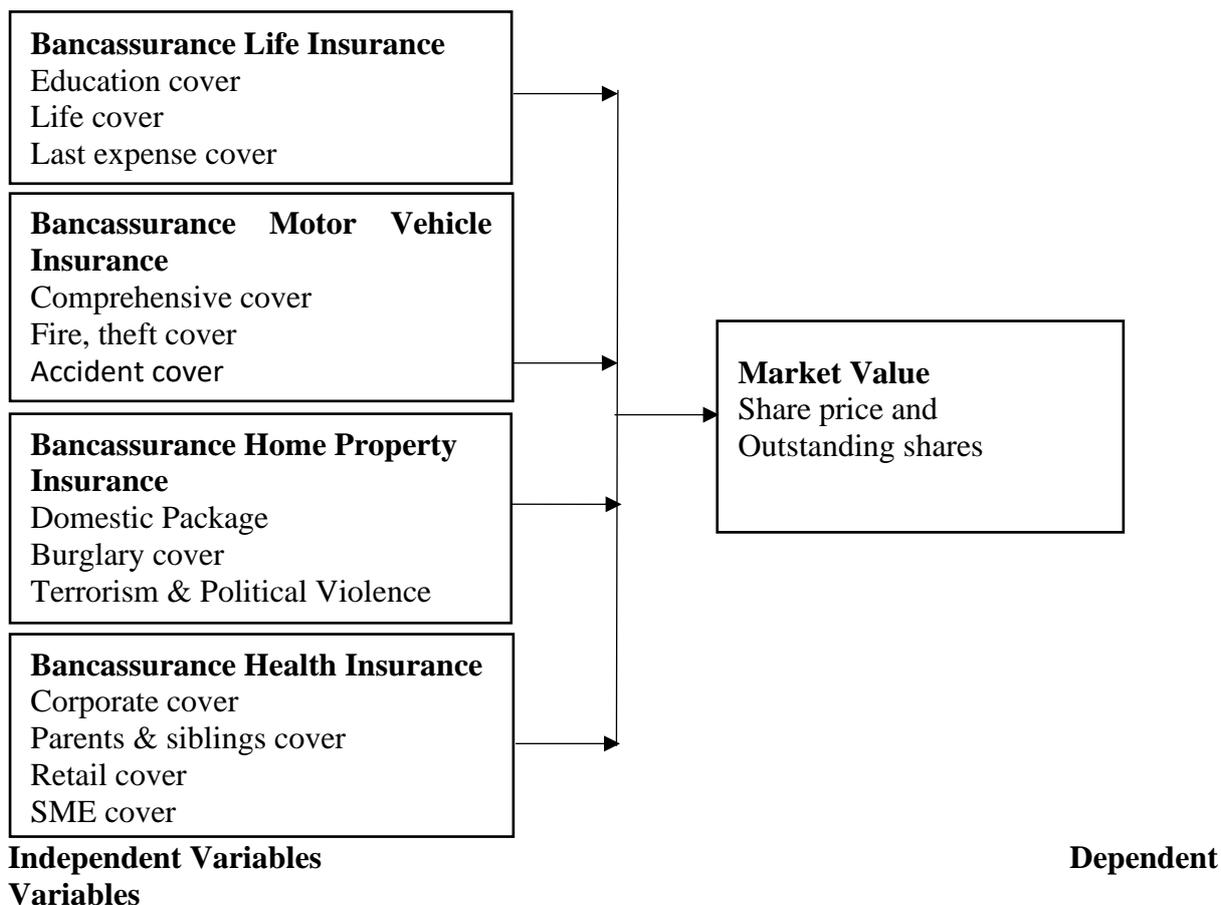


Figure 1: Conceptual Framework

Bancassurance Life Insurance and Market Value

Bancassurance life insurance is vital for individuals and families since it provides a hedge against income loss in the event of the wage earner's death. According to Makoto (2020), life insurance has a role in industrialized countries like the United States of America since most American families rely on it to offer financial protection to their dependents, and many of them have cash value life insurance in their financial asset portfolios. With a penetration rate of 11.6 percent, South Africa leads the area, owing to the significant uptake of life insurance products. Namibia comes in second with 7.3 percent overall penetration, followed by Kenya with 3.03 percent penetration (Association of Kenya Insurers, 2018).

Arych and Darcy (2020) looked at the industry's overall trends and competitiveness in Australia. They looked at the overall trends and competitiveness of the Australian life insurance industry from 1997 to 2017. Furthermore, the analysis reveals that, for the Australian life insurance market, there are statistically significant and directly proportional impacts of, first, population on life insurance premiums; second, the number of life insurers on life insurance penetration rate via gross written premium; third, the number of life

insurance companies on life insurance penetration rate via assets of life insurers; and, finally, the assets of life insurance companies on gross written life insurance premiums.

Nderitu, Kung'u, and Gichuh (2018) conducted research to see if the cost of life insurance has an impact on its uptake in Kenya. Adaptation level theory was used in their research. The respondents were chosen from a sample of 100 using a stratified random sampling procedure. The respondents were polled using a closed-ended questionnaire. The data was broken down into two types of analysis: descriptive and inferential. Mean scores were computed in descriptive data analysis. The general consensus was that the cost of life insurance had an impact on the uptake of life insurance in Kenya. Correlation, regression, and analysis of variance were all used in inferential data analysis (ANOVA). The study found a high negative association (0.798) between insurance product pricing and uptake in Kenya.

In a Joint Venture Company in Indonesia, Abiyyu, Najib, and Asmara (2020) investigated bancassurance business model in life insurance. The study aimed to assess and recommend a new strategy for one of Indonesia's life insurance companies. This company is a joint venture and one of Indonesia's top 15 bancassurance players. When it comes to the portfolio mix of this company's business for each distribution channel, the bancassurance business is still second to the agency distribution channel. The results revealed three major challenges for the company: product creation in collaboration with general insurance, customer segmentation development, particularly for high net worth customers, as well as foreign currency product offerings, and digital competency enhancement in sales.

Bancassurance Motor Vehicle Insurance and Market Value

Automobile insurance is a type of insurance that covers the risk of harm arising from the use of a motor vehicle as well as the risk of damage to the vehicle. Bancassurance motor vehicle insurance, according to Kange'the (2019), may be achieved by combining insurance, banking, and asset management into a single source of financial services. The insurance provider has always had to be indicated in regulatory declarations as regulations have changed. According to Delloite (2020), in the United Kingdom, the risk is determined mostly based on the driver's age and experience, followed by the type of vehicle and geographical region, as well as other criteria such as mileage. Throughout many nations in Europe, the risk is measured first by the vehicle, followed by the driver's age and location. As a result, while total average premiums in the nations studied are essentially equivalent, premiums for young drivers in other European countries are lower than in the UK, and premiums for older drivers are higher.

Magri, Farrugia, Valletta, and Grima (2019) investigated the risk factors that influence the cost of motor insurance in Malta. The authors conducted 20 semi-structured interviews with professionals in the field of vehicle insurance for this study. When the saturation threshold was reached, the interviews were stopped because there was no more utility in doing more. According to the survey, many underwriters continue to use traditional rating factors, even though they may not accurately reflect the risk getting covered. Furthermore, it was

discovered that, while insurers are aware that some rating indicators, such as penalty points and vehicle grouping, can aid in risk identification, these aspects are not yet taken into account in the present premium calculation. Maltese insurers should also analyze data from the penalty points system and employ telematics and vehicle groups to have a better knowledge of the risk involved, according to the findings.

Deloitte (2020) surveyed around 15,000 customers from UK, Germany, Austria, Ireland, Belgium, Italy, Poland, France, and the Netherlands. They anticipated that by 2020, the market share for digitally enabled auto insurance supplied in these eleven nations would have surpassed 17%, based on the survey. This is a market worth more than €15 billion. The study discovered a link between individuals who say they are likely to switch and those who are prepared to share their driving data with their insurance provider. Customers looking for a new insurance provider could be interested in digitally enabled auto insurance, according to the report. The trend indicates that insurance companies must capitalize on clients' long-term confidence and ties with banks. The partnership is mutually beneficial, as the bank will be able to expand its product offerings to consumers while also earning more money.

Bancassurance Home Property Insurance and Market Value

Property insurance is a collection of policies that cover either your property or your liabilities. Homeowners insurance protects you financially against disasters, theft, and accidents. According to a 2020 OECD study on the role of reinsurance markets in managing catastrophe risk, countries with a higher share of economic losses due to catastrophe events recovered faster after the event and had higher than projected GDP growth in the years following the event, whereas countries with lower levels of reinsurance coverage struggled to recover and faced a cumulative loss in output relative to pre-event projections. Providing domestic insurers with the opportunity to tap into foreign reinsurance and capital markets capacity while resolving possible counterparty and execution issues.

In Sri Lanka, Gamage and Fernando (2018) investigated the influence of bancassurance property on insurance penetration. The researchers used an empirical review technique to collect data from 06 local insurance companies that practice Bancassurance in Sri Lanka. Primary data was gathered through unstructured face-to-face interviews with the senior management of the selected organizations, while secondary data was gathered from secondary sources. The data was analyzed using Uni-variant analysis, Bi-variant analysis, and Multi-variant analysis approaches. The data investigated the association between insurance company performance and Productivity Per Branch, Customer Penetration, Administrative Expense Ratio, and Staff Ratio. The research revealed that certain aspects of bancassurance processes had a good link with insurance company financial success.

Mulwa (2020) claims that bank diversity improves company performance and, as a result, market efficiency and, as a result, market value. The banking and protection areas have now become the two inseparably related pieces of the money related industry. An opportunity cost

is suffered in that the valuable assets could have been invested elsewhere to give some earnings due to bank losses. The major benefit generated by from bancassurance to commercial banks can be viewed in terms of market value. The listed commercial banks have shown tremendous growth in uptake of bancassurance products like motor vehicle, health, property and life insurance policies. The fluctuation in market valuation and capitalization in terms of prices by the listed commercial banks in Kenya paint a blurred image on the influence of bancassurance on market value of these banks. Regulatory environment, public awareness, customer service and national culture impact insurance penetration in Kenya to a marginal extent of just above one percent.

Bancassurance Health Insurance and Market Value

According to Grazy and Ganesan (2018), bancassurance health insurance industry has been progressing fast since this sector open up in 2000. To reach out to such a broad consumer base, health insurance businesses require a massive dispersion of muscle and labor. This distribution channel has experienced a paradigm change, with numerous insurance firms offering to introduce insurance goods into the lives of the average person by making them available through Bancassurance at the most basic financial points, such as bank branches. The Bank Insurance Model, also known as Bancassurance, is a partnership or connection between a bank and an insurance business in which the insurance firm sells insurance products through the bank's sales channel.

Karkowaska (2019) looked into the function of the bancassurance business model in the banking industry in Europe as a notion of bancassurance health insurance. Traditional banking and investing operations, such as securities trading or securitization, may minimize commercial banks' risk and provide an appealing approach to sustainable financing, according to the author. The research assesses the degree of bank sustainability from various stakeholders' perspectives using the approach of analyzing bank performance. The relevance of country-specific and macroeconomic elements was included to the analysis. The survey included 368 commercial banks from around Europe, with data spanning the years 1998 to 2015. The study's findings revealed that combining traditional and investment banking activity reduces risk. The integration of bancassurance products in the banks has strengthened their capacity to absorb more customers and reduce their risks of facing insolvency.

Wasike (2019) investigated the factors that influence household adoption of health insurance in Nairobi County's Kibera Informal Settlement. A cross-sectional research was conducted in 166 systematically sampled houses among roughly 2,400 individuals from one of the 12 communities inside the Kibera slum (Makina). Each household head was given a semi-structured questionnaire, and the data was analyzed using descriptive statistics, with figures and tables being used to display the findings. To investigate the relationship between the fraction of people who have health insurance and the independent variables, a standard univariable logistic regression model was used. In the informal settlement, 27.1 percent of

respondents (n=45) had taken out health insurance. Possible explanations for health insurance uptake/non-uptake were dominated by modifiable socio-economic variables.

RESEARCH METHODOLOGY

This study employed descriptive approach. Both qualitative and quantitative approaches were employed. These approaches assisted in establishing the existent state of multiple variables at a specific point in time, and whether or if there is a link between them. This study, therefore, was able to generalize the findings to banks in understanding the effects of bancassurance on market value in Kenya. The commercial banks listed on the NSE were the study's target audience. According to CMA (2021), there were 10 commercial banks listed in the NSE as at December 2021. This was after the acquisition of NBK by KCB. The information and data of the NSE listed banks lies in the public domain and thus collecting data from the same would be relatively easier. The study was a census since all 10 listed banks were involved in bancassurance and the size of the population forms a manageable target population. This study was anchored on secondary info collection techniques. Panel data on market value and documented aspects of bancassurance products and services was sourced from CMA reports, published articles, referred journals and other relevant materials from the internet and library sources.

Further specific data was sourced from the 10 banks published financial statements over the last five years (2017-2021). Testing of the diagnostics was conducted to establish the relevance of the research model in investigating the influence of bancassurance on market value of bankers listed with NSE. These tests will included linearity, normality, multicollinearity and heteroscedasticity. The collected panel data was edited to remove errors, inconsistencies, incompleteness, misclassifications, and information gaps. To address the study's research questions, data was analyzed qualitatively and quantitatively. The data was first put into the Statistical Package for Social Sciences (SPSS).

The research employed panel regression analysis to test the effect of bancassurance on market value of NSE listed commercial banks since 2017 using the regression method as indicated below:

$$Y_{it} = a + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon$$

Where Y_{it} represents market value of firm i at time t

a represents Constant (Co-efficient of intercept)

ϵ represents Error Term

$\beta_1, \beta_2, \beta_3$ and β_4 represents Regression co-efficient of four variables.

a, β represents Regression constant

X_{1it} represents Bancassurance Life insurance of firm i at time t

X_{2it} represents Bancassurance Motor vehicle insurance of firm i at time t

X_{3it} represents Bancassurance Home property insurance of firm i at time t

X_{4it} represents Bancassurance Health insurance of firm i at time t

In the study, X_{nit} represented independent variables to measure influence of bancassurance on market value of company i at time t .

All these analyses, techniques and statistics produced both quantitative and qualitative reports. Finally the data was presented using frequency distribution tables.

RESEARCH FINDINGS AND DISCUSSIONS

Bancassurance Life Insurance and Market Value

The study found that there was a general increment in annual mean value of life cover between 2017 and 2021. The education cover increased gradually from in 2017 to 2019 before decreasing in 2020 and then increasing drastically in 2021. The corresponding minimum average annual value of education cover was recorded in year 2020 and the maximum average annual value was reported in year 2021. From the regression analysis, the beta coefficients of bancassurance life insurance imply that an increase in bancassurance life insurance leads to a proportional increase in market value.

Bancassurance Motor Vehicle Insurance and Market Value

The study found that NSE listed banks have increasingly participated in bancassurance motor vehicle insurance. The averaged annual comprehensive cover by listed commercial banks changed from the lowest in 2020 to the highest in 2021. The fire and theft cover was ranging from the minimum in 2020 to a maximum in year 2021. The regression analysis reveals that a unit increase in bancassurance motor vehicle insurance corresponds to a significant positive increase in the market value of NSE listed banks.

Bancassurance Home Property Insurance and Market Value

The study also established that bancassurance home property insurance products (that is, domestic package, burglary cover as well as terrorism and political violence) have been offered for customers banking with the NSE listed banks. The minimum amount of domestic package was recorded in year 2020 while the maximum amount was reported in year 2021. On burglary cover, the minimum amount was recorded in year 2020 and the maximum was recorded in the year 2021. The regression analysis reveals that an increase in bancassurance home property insurance leads to an increment in market value of NSE listed banks.

Bancassurance Health Insurance and Market Value

The study revealed that bancassurance health insurance products have been gaining acceptance among the commercial banks listed in the NSE. The corporate cover in the NSE listed banks increased gradually from 2017 to 2019 before decreasing in 2020 due to COVID-19 and increasing again in 2021. The minimum value was reported in year 2020 while the maximum value was corresponding to year 2019. From the inferential analysis, an increase in bancassurance health insurance would result in a significant positive increase in market share of NSE listed banks.

Market Value of NSE Listed Commercial Banks

The study found that the NSE listed commercial banks have showed a steady growth in market value as depicted by the GWP values. The minimum average annual market share corresponding to year 2020, whereas the maximum share was posited in 2017 and 2018. The minimum customer base growth was posted in year 2020 while the maximum growth in customer base was corresponding to year 2017. From the inferential analysis, the coefficient of determination shows that the four independent variables in the model explain market value of NSE listed commercial banks in Kenya.

Inferential Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate			
1	0.941	0.885	0.562	0.395			
Y	Coefficients		Std. Error	Z	P> z 	[95% Conf.	Interval]
Bancassurance life insurance	0.54504	0.060891	5.78	0.000	0.74335	0.3672	
Bancassurance motor vehicle insurance	0.97155	0.023853	3.76	0.000	0.56445	0.1464	
Bancassurance home property insurance	0.52392	0.047652	4.57	0.039	0.46106	0.0553	
Bancassurance health insurance	0.41444	0.058637	2.19	0.027	0.27348	0.0154	
Const	0.65975	0.284247	2.52	0.014	1.31649	0.1632	
R-sq:within = 0.4717							
between = 0.5440							
overall = 0.4255							
Wald chi2(4) = 144.46							
Prob > chi2 = 0.0000							

The results show that R, which stands for multiple correlation coefficients and indicates the quality of the independent variable's prediction of the dependent variable, is 0.941. This is a good sign because it indicates a solid connection. The R-Square, or coefficient of determination, demonstrates that the model's four independent variables account for 88.5 percent of the market value of Kenya's NSE-listed commercial banks. It was established that coefficient of bancassurance life insurance positively and significantly impacts the market value of commercial banks listed in the NSE. ($\beta = 0.54504$, $p = 0.000 < 0.05$). The panel model results showed that coefficient of bancassurance motor vehicle insurance has a positive significant effect on listed commercial banks' market value in ($\beta = 0.97155$, $p = 0.000 < 0.05$). The coefficient of bancassurance home property insurance positively and significantly influences the market value of commercial banks listed in the NSE ($\beta = 0.52392$, $p = 0.039 < 0.05$). The coefficient of bancassurance health insurance was found to positively and significantly affect market value of banks listed in the NSE ($\beta = 0.41444$, $p = 0.028 < 0.05$).

CONCLUSIONS

The study concludes that there has been a significant uptake of bancassurance life insurance among the listed commercial banks. According to the findings, there is a significant relationship between consumer behaviour and insurance uptake of life insurance products (education cover, life cover and last expense cover) among the middle and high income earners in the Country. Bancassurance product offering in collaboration with general insurance, customer segmentation development among middle and high net worth customers coupled with digital competency strengthens the selling and uptake of bancassurance among customers banking with listed banks.

The study deduces that the surveyed banks had reported major growth in provision of bancassurance motor vehicle insurance over the five years period portraying uptake of this bancassurance product among the NSE listed commercial banks. It is evident that bancassurance motor vehicle insurance has been enhanced by combining insurance, banking, and asset management under one source of financial services.

The study further concludes that there has been a steady growth of bancassurance home property insurance product among the listed commercial banks in Kenya. Domestic package, burglary cover and terrorism and political violence cover have been increasing in the recent years. There exist a positive and significant relationship between bancassurance awareness and performance of commercial banks which brings down the transaction costs and minimizing risk exposure.

The study also deduces that bancassurance health insurance products have been gaining acceptance among the commercial banks listed in the NSE. Bancassurance health insurance industry has been progressing fast through adoption enormous distribution and strength of large manpower provided by their partnership with banks. Insurance companies have gained a competitive edge through tapping into existing bank customers' database in the various branches as well as using the well trained staff and innovative marketing channels.

From the findings, the listed commercial banks NSE in the Country claimed a large market share. The NSE listed commercial banks have showed a steady growth in market value as depicted by the GWP values. The market value of the banks holds great significance vis-a-vis the financial position of individual companies as it provides a fair assessment of the worth or value of their assets. Bancassurance has increased its distribution channels and attracted new customers thus increasing the insurance uptake.

The study concludes that there exist a positive relationship between bancassurance and market value of NSE listed banks. All listed commercial banks in Kenya have bancassurance products which has led to their growth in terms of branch networks and customer base. The listed commercial banks have shown tremendous growth in uptake of bancassurance products like motor vehicle, health, property and life insurance policies. Bancassurance has therefore

significantly contributed to the growth of the listed banks making them more competitive and develop more meaningful market value in the industry.

RECOMMENDATIONS

The recommends that the listed banks needs to sensitize their customers on the various bancassurance life insurance products that meet their needs. This will increase the insurance uptake and the penetration rate in Kenya is likely to rise. This calls for insurance companies to enhance and strengthen their partnership with commercial banks through regulatory change, centralized marketing policies, and common research and development. Additionally, this will have a positive influence on the market performance of both insurance companies and commercial bank.

The study also recommends that listed banks to equip their employees with training programmes in order to get a clear understanding of the bancassurance motor vehicle insurance products. This will enhance the products offered to their clients as they can advise well on the available products and how they will be useful to them. This demands insurance companies and commercial banks to deepen and fully integrates their services through one stop shop services delivery common client relationship management and central client data management.

The study further recommends that listed banks to increase understanding of the range of bancassurance home property products offered to clients so that each individual in various classes of living standards can have relevant products that suit their needs. This necessitates insurance companies to strengthen their partnership with commercial banks, through adoption of common information technology policies and facilities, common research and development centres.

The study recommends that management of listed banks should come up with strategies to promote adoption of bancassurance health insurance to their customers through intense advertising to its customer most of whom are not insured. Accordingly, the relevant authorities should consider amending the insurance act and make at least on life product to be mandatory at affordable premiums.

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