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INFLUENCE OF BANCASSURANCE ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN NAKURU TOWN, KENYA

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ABSTRACT

As a result of globalization and competition, many financial institutions are sharing resources in their business conduct in order to gain competitive advantage. One such sharing occurs through bancassurance where banks and insurance organizations partner to enhance their operational capability and to ward off competition. The current study therefore sought to establish the influence of bancassurance on financial performance of commercial Banks in Nakuru Town, Kenya. The study used a descriptive design employing quantitative approaches. The target population of study was all 180 finance-related employees of the eight banks offering bancassurance in Nakuru Town. Primary data was collected using a close-ended questionnaire while secondary data was sourced from the Central Bank of Kenya using financial statements for a period between 2010 and 2014. The Statistical Package for Social Sciences Version 21 was used to analyze the data and the results obtained were presented using tables. The study established that at 5% significance level management quality, asset quality and capital adequacy all had positive influence on financial performance with management quality having the most significant influence. Further, the study established that liquidity had a negative and insignificant influence on financial performance of banks ($p = 0.076$). The study recommends bank management should come up with optimal regulatory policies on capital adequacy, asset quality and liquidity that would not compromise the banks financial performance. Similarly, the banks should recruit the best management talent available and compensate them adequately as they are the people who determine its operation through decisions, ensure the bank's smooth business, handles risks and exercises control and ultimately determine the earnings the bank.

KEYWORDS: Bancassurance, Capital Adequacy, Asset Quality, Management Quality