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Banc assurance awareness, diversification, risks, expenses and performance of commercial banks

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Abstract
The general objective of this study was to investigate the effect of banc assurance on the performance of commercial banks in Kenya. Data was collected from 12 banks which have so far embraced banc assurance in Kenya. The study found out that banc assurance awareness was positively related to performance of commercial banks same as banc assurance diversification and banc assurance expenses. However, banc assurance risks had a negative effect on the performance of commercial banks. The study recommends to the banks management and the marketing departments to device more ways of enhancing banc assurance awareness levels among their customers and also ventures into more banc assurance activities to improve performance.
Keywords: Banc assurance awareness, diversification, risk, expense, performance

1. Introduction

In the ever-changing global market, Johnson and Scholes (2003) argued that businesses have to establish new innovative ways for improving their operations. This innovation is necessary as it enables businesses to develop new competences and advantages since the old competences and advantages acquired are worn- out quickly due to the changes in the environment. One of the major environmental impacts to a business arises from competition. The day-to-day increase in market competition lowers the level of attractiveness of a market that results to reduced profitability gained by players. In the quest for the organization to remain at the top, firms keeps on formulating proactive strategies that could facilitate successful response to anticipated and actual market changes in the competitive environment (Saunders, 2004).

In response to the ever-changing global operating environment, players in the financial industry have been diversifying their services to increase their competitiveness. These efforts have led to the initiation and growth of banc assurance, which is a joint venture between insurance companies and banks aimed at offering insurance products through banks (Nurullah, 2000). Banks and insurance companies have realized this venture is rewarding, profitable and beneficial when incorporated to their existing offerings. The successes realized by this venture has captured the interest of the financial industry, however it has not been realized in all banks. It is widely believed that the insurance market is a potential option in speeding up the development of banking industry.

According to Neelamegam and Pushpa (2008), Banc assurance is the offering of products and services of an insurance company using banks as distributing channels. Gounalal, Lester and Goulder (2012) define Banc assurance as the method of utilizing the already existing relationship between banks and their customers to offer life and non-life insurance services and products. Shah and Salim (2011) on their part define Banc assurance as a structure in which a bank enter into an agreement with insurance companies to sell their products and services and in return earn a commission out of the sales based on the terms of agreement. Banc assurance therefore present opportunities for a thorough utilization of the purchasing supremacy of the range of banks clients through an extensive development of the financial service offer at a low administrative and financial effort (Gheţu & Popescu, 2003). Banc assurance is seen as the merging of banking and insurance business (Tapen, 2005).

Banc assurance awareness refers to the knowledge and familiarity with a certain insurance services or products offered using banks as channels of distribution (Sreedevi & Lovelin, 2014). This awareness could focus on either employees or customers. Bhat and Dixit (2005) affirm that banc assurance requires proper knowledge, comprehension of its mechanism and familiarity among bank employees. This entails a change of mindset and coming up with appropriate system at the bank level. Muunda (2013) argues that banks create awareness of insurance products and facilities purchase among its customers to make revenue.

According to Raghavan (2005) risk is the potentiality that expected events may have an adverse impact on the capital earnings. Risk could also refer to the chance that some unfavorable event will occur and in this respect risk describes a situation where there is not just one possible outcome of returns to an investment but an array of potential returns. Risk could therefore be viewed as uncertainty of financial loss. Banc assurance risk would refer to chances of bank making financial loss because of engaging in insurance alongside banking activities.

Diversification involves running of more than one business as a strategy for risk management. This approach is based on the saying that one should not put all eggs in one basket. To some extent businesses use diversification but the problem has been the process of diversification (Carter, 2003). In this study, diversification refers to the process of running banking and insurance businesses concurrently as a strategy of improving performance.

Performance is defined by Gephardt and VanBuren (1996) as the measure of a firm's actual results or output against the objectives, outputs and goals the firm intends to achieve. Demirguc-Kunt, Laeven and Ross (2004) define performance as the degree to which an achievement is being or has been accomplished. Therefore, performance of a firm is a function of the firm's mission, its resources and compliance of the organization within the context of external forces. It is the action of performing; carrying out, completion and fulfillment. Further Wallace (1992) noted that performance of an organization depends on the interactions between organization's inspiration, ability and focus in its operational environment.

2. Research problem

Joint ventures and alliances are evident in many markets that are driven by high competition. Mwangi (2010) argues that this competitive nature ensures decrease in costs which benefits the customers as lower premium rates are passed on to them. In addition, banc assurance is becoming dominant in majority of financial industries globally and this trend is expected to continue. Saunders (2004) noted that banc assurance is becoming prevalent because of risk reduction especially to the banks as they act as channels for supply of insurance company's products. It also enables insurance companies to market their products to individual who need insurance covers.

Despite banc assurance increased penetration in the developed economies, its penetration in developing countries remain low at around 3% (Mwaniki, 2008). In addition, the effect of banc assurance on the performance of banks remains hypothetical as very limited studies have been done. Past researches have been done in the insurance context whereby insurers have been overly dependent on traditional products and distribution channels. Thoronjo (2010) noted that implementation of banc assurance is faced with challenges such as non-acceptance of insurance product by customer, regulatory challenges, lack of understanding of banc assurance, lack of good IT systems and stiff competition in the market. These underlying problems raise concerns on the effect of banc assurance on performance of banks and insurance companies.

Extant literature on banc assurance presents mixed findings on its effect on firms' performance. There is controversy on the effect of banc assurance partnership on profitability of firms. For instance, Staikouras and Nurullah, (2008) observed its positive effect while Korhonen and Voutilainen (2006) found a negative effect on performance. Further, Muunda (2013) argues that the challenges facing its adoption include legal framework, risk or loses in the initial investment period and high initial investment capital required. The expected results of banc assurance seemed difficult to attain making it necessary to find out the effect of banc assurance awareness, diversification, risk and expenses on performance of commercial banks.

3. Theoretical foundation

Theoretical review is based on financial intermediation theory, theory of economies of scale, theory of transaction cost and Ansoff Matrix while empirical review focuses on banc assurance awareness, diversification, risk and expenses on performance of commercial banks

3.1 Financial Intermediation Theory

The financial intermediation theory originates from Gurley and Shaw (1960) and is based on agency theory, transactional cost theory and informational asymmetry theory. (Bert and Dick, 2003) note that financial intermediaries come into existence because of failure to have complete information, high transactional costs and the regulation methods. This theory views intermediaries as a way of reducing informational asymmetries and transaction costs through pooling resources of customers resulting in economies of scale (Alexandra et al., 2009). Over the years, insurance companies have found it more and more difficult to uphold competitiveness in their operating environment. According to Kiragu (2014), this competitiveness has pushed insurance companies to come up with and make use of alternative channels of delivery. Financial intermediation theory is appropriate in this case, as it justifies the reason behind working together of bank and insurance firms since they offer closely related products and can result in long term growth, maintenance of liquidity and sustainability.

3.2 Theory of Economies of Scale

The theory of Economies of Scale originated from Marshall (1890) and holds the view that economies of Scale is the cost advantages that firms acquire due to output, size or scale of operations (Roy & Wilfred, 2011). Economies of scale focus on cost reduction with increasing productivity. Jongeneel (2011) asserts that economies of scale are pivotal to adoption of Banc assurance strategy and that banks can utilize economies of scale due to the large numbers of clients while Insurance companies, can tap on the large bank clientele. He further noted that banks require their customers to acquire insurance policies against various risks. In this regard, their integration can positively influence both bank and insurance company's performance.

3.3 Transaction Cost Theory

The theory of Transaction cost developed by Benston and Smith Junior in 1976 focuses on the impact of transactions that arise because of financial intermediation (Bert & Dick, 2003). This theory is the basis for business partnership and states that business partnerships are set up and survive when they represents the lowest of transaction costs in comparison with other forms of businesses (Ghani, 2006). The theory presents the argument that firms try to minimize the bureaucratic cost of exchanging resources with the targeted market. Hence, based on this theory, it can be argued that bancasurance is a strategy used for reduction of transactional costs for banks and insurance firms.

3.4 Ansoff Matrix

Ansoff Matrix tries to justify the reasons behind product expansion and diversification, market penetration and market expansion (Ansoff, 2007). The matrix constitute four strategies namely market penetration, product development, market development and diversification. Market penetration is the effort by a firm to increase the sales of its products or services within it operating environment accomplished by improving customer relationships as well as attracting competitor customers or non-customers. Market development implies increasing sales of a firm's existing products and services in new markets. Product development means providing improved or new products or services in a firm's existing markets. Diversification on the other hand means venturing into different lines of business with unfamiliar products and services. According to this Matrix, a firm can penetrate the market by offering products or services to the customer and working on improving the existing sales figures. Given that market share of the competitors are decreasing whereas the industry growth rate is increasing, existing buyers have the potential to purchase new products and services offered by firms and this provides competitive edge. Conditions highlighted in Ansoff Matrix give green signal to the firm to go ahead with enhancing its performance through increasing market penetration (Ansoff , 2007). Banc assurance is a way of diversifying products and services offered by banks, as well as increasing penetration of insurance products to larger markets.

4. Literature Review

4.1 Banc assurance Awareness and Performance of Commercial Banks

According to Ombonya (2013), lack of awareness is a key constrain to penetration of insurance in developing countries. Ombonya, further attributes low penetration of insurance to poverty. Same sentiments are raised by Mwati (2013), whereby he recommends that banks through managers should enhance their efforts of mobilizing their customers to adopt banc assurance. Popli and Rao (2009), emphasizes the need for customer management relationship due to low level of awareness. They suggest that an effective and clear marketing strategy needs to be put in place by the banks so as to increase awareness and take advantage of the opportunities to cross trade insurance products through their branches. Mwati (2013) suggests that advertising methods can be adopted to create awareness to customers since majority are not insured.

Grover and Bhalla (2013) concerning level of awareness of Banc assurance and choice of insurance product among customers of various banks in India concluded that banc assurance could improve financial performance of banks drastically only if customers are aware of it. They further argue that without notable awareness on banc assurance across the customers, the goal of its introduction would be fruitless. Rajkumari (2007) on the other hand noted that there is high level of awareness on banc assurance and that in banks; tele-marketers are the source of this awareness. He further observed that increased level of awareness of banc assurance could improve the level of insurance penetration.
A study by Sreedevi and Lovelin (2014), on the preference of Banc assurance in India established that more than 60% of respondents who were involved in this study were unaware of banc assurance. This indicates a low level of awareness of banc assurance showing the need for more efforts to raise the awareness.

Grover and Bhalla (2013) affirm that the period of customer's relationship with a bank significantly and positively influences the extent of awareness about banc assurance and that engagement of the bank employees with customers pertaining banc assurance extensively promotes the level of awareness. They added that bank publications newspapers, direct mail to customers and staff and brochures significantly contribute toward enhancing awareness on banc assurance. From the reviewed literature, the study proposed the hypothesis, H1*; Banc Assurance awareness significantly improves firm performance.*

4.2 Banc assurance Diversification and Performance of Commercial Banks

Tripti (2014) affirms that banks in India are not restricted to selling insurance policies of multiple companies.

However in the past banks were only permitted to trade products of one general and Life Insurance Company. This restriction limited insurance companies new ventures into the market, as they found it challenging to obtain partners for banc assurance. Tripti (2014) however, failed to show the effect of selling insurance policies of multiple companies on the overall performance of the banks. Ombonya (2013) found out that through banc assurance diversification, banks are offering bundles of insurance products, which customers do not even require leading to less sales.

Korhonen and Voutilainen (2006) noted that over-dependence on undiversified products can result to instability in firms' gains hence need for product diversification. They asserted that banc assurers exhibit eagerness to develop range of product similar to bank products. According to Mwati (2013) the more insurance products and services a bank trades in, the more knowledge it acquires beside other reward and eventually trading expenses decline hence boosting performance. He also observed that through diversification, more channels for revenue generation could be created in the banking industry. Staikouras (2006) affirms that marketing of insurance products and services by banks can be an important incentive to them. Arena (2006) points out that banc assurance diversification could result in extra gains to banks because of premium deposits and increase chances of winning new customers. Similarly, Ombonya (2013) noted that through collaboration with insurance companies, banks could build up new fiscal products and services, which can attract more clients. Further, Muunda (2013) indicated that through diversification of insurance products, banks widen and expand their sources of revenue. Diversification gives banks opportunities to sell these diversified services and products to their wide client base and this ensures that they reach new markets. Tripti (2014) noted that banc assurance diversification increases customer loyalty, employee efficiency, clients' general contentment leading to increase in return on assets. This in turn enables banks to meet part of their operating expenses. Carow (2001) however found out that that allowing banks to sell insurance products eventually result to a reduction in insurance company stock prices. This review leads to the hypothesis, *H2: Banc Assurance diversification strategy significantly improves firm performance*

4.3 Banc assurance Risks and Performance of Commercial Banks

Mwangi (2010) assessed the determinants of development of banc assurance in Kenya and found out that risks linked with banc assurance include opposition from customers, realization of loss, and operational ineffectiveness, which affected performance moderately. This study however failed to show the relationship between banc assurance risk and overall performance of banks. Muunda (2013) raises the same sentiments, pointing out that banks may not need huge capital to invest in banc assurance since they are only channels of distribution. Benoist (2002) observed that banc assurance require risk management and that trading in non-life products need to be considered alongside the expenditure in servicing the policies. Banks have to plan for likely interferences to customer relations that can arise from more regular non-life insurance claims. Consistent with this view, Tripti (2014) proposes that selling of more policies means banks have to deal with more customer complaints directly, making them more accountable for mis-selling and discomfort from the customers. Rumelt (1974) affirmed that banc assurance is worthwhile if the skills and experiences of the management and the available physical capital within organization sections can be used in interconnected markets. In support, Rajan, Servaes and Zingales (2000) noted that varied divisions within a firm could result to poor allocation of capital and investment and lower firm value. From the reviewed literature, the study proposed the hypothesis, *H3: Banc Assurance as a risk reduction strategy significantly improves firm performance*

4.4 Banc assurance Expenses and Performance of Commercial Banks

According to Muunda (2013), banc assurance is not a capital-intensive venture. However, Pang-Ru, Jin-Lung and Chiang (2011) affirm that banc assurance adoption attracts operating expenses in form of office expenses, insurance, utilities, advertising, employee training, benefits and salaries and administrative expenses. Major expenses arise from employee training which involve insurance selling, create intensive product awareness and offer right services to customers. Market of some insurance products such as non-life insurance products needs extraordinary management capabilities and selling knowledge and skills, which are not necessarily evident in banks. These expenses may reduce the firms' profitability.

Tripti (2014) established that the trading of insurance services and products need well-built supply channels and good work force to get to vast customer base. On the other hand, Holden (2011) views banks as the most convenient distribution channels in terms of speed and cost in comparison with insurance companies. Same sentiments are raised by Göran (1995) who investigated on the banc assurance in Krediet bank in Belgium and Deutsche Bank in Germany. The results show that costs arising because of adoption of banc assurance are small. He suggested that low administrative expenses in the distribution enables the banks to maintain low costs. Korhonen and Voutilainen, (2006) rules out the possibility of cost increase through banc assurance whereby they suggest that this approach reduces the resources required to manage risks and this in turn leads to lower costs.

However, their focus is on insurance companies. Violaris (2000) while investigating the banc assurance cost from the insurance perspective argues that banc assurance can result to advantages in costs of administration. He further noted that sales expenses incurred using insurance agents as the distribution channel might lead to rise in premium rates reducing competitiveness and sales. Violaris however did not present an argument regarding the distribution cost from the banks perspective. Anshuja and Babita (2012) in their study on customer perception towards Banc assurance established that Banc assurance compared to other distribution methods is a less costly and friendly to customer. The different views held by these researchers' leads to the need to test the hypothesis, *H4: Banc Assurance expenses incurred significantly affect firm performance*

5. Research Methodology

This study adopted descriptive research design. The study used a sample size of 12 banks with a population of 288 staffs, which has embraced banc assurance in Nairobi Kenya. Sample size was determined using the Yamane formula given by $n= N/ [1+ Ne^2]$;

Where e is the deviation of the sample (error term), N is the size of the target population while n is the size of the sample was used to determine sample size. Using the total population of 288 respondents and error margin of 0.05, the sample size was calculated as follows n=288/(1+288*(0.05)*(0.05)) = 167. Therefore, the sample size was 167. This constituted administrative, finance and staff from marketing departments. Data analysis used regression model to determine the relationship between the independent variables and the dependent variable. The model specification was as follows;

$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$

Where;

Y= Performance of commercial banks

β_0 = Constant

$\beta_{1,}$ $\beta_{2,}$ β_3 and β_4 = Coefficients of determination of the independent variables

X_1= Banc assurance Awareness

X_2= Banc assurance Diversification

X_3= Banc assurance Risks

X_4= Banc assurance expenses

ε = Error term

The assumption of this model was that the independent variables were linearly independent, the sample was representative of the population for the inference prediction and that the error was random variable with a mean of zero.

6. Study Findings

i) Factor analysis

Factor analysis was conducted where appropriateness of the model, communalities, total variance explained, and the factors extracted from the process were considered.

a) Test of appropriateness of the model

To test the appropriateness of the factor model used in identifying risks faced by the enterprises, Bartlett's test of sphericity was used to test the null hypothesis that the variables were uncorrelated. The results of PCA demonstrated that the null hypothesis, that the awareness, diversification, risks and expenses incurred in banassurace had correlation matrix as an identity matrix is rejected by the Bartlett's test of sphericity . The approximate chi-square statistics for awareness were 107.697 with 15 degrees of freedom, diversification 424.734 with 15 degrees of freedom, risk encountered had 177.704 with 10 degrees of freedom while expenses incurred had 36.285 with 6 degrees of freedom and all were significant at 0.05 level. The values of KMO statistic were 0.733 for awareness, 0.856 for diversification, 0.683 for risks and 0.595 for expenses incurred. These were all above the acceptable minimum of 0.5. Thus, factor analysis was considered an appropriate technique for analyzing the correlation matrix.

b) Communalities

Using principal component analysis (PCA) to extract communalities among the variables, the result indicates that all factors accounted for a moderately significant proportion of variance. For instance awareness communalities range from 0.264 to 0.829, diversification from 0.443 to 0.865, risk from 0.293 to 0.694 and expenses from 0.548 to 0.825.

c) Total variance

Using Eigen values greater than 1.0 total explained variance, and factor loadings greater than 0.5 as criteria for identifying meaningful factors (Nunnally and Bernstein, 1994) five critical factors (or categories) were identified. The factors identified accounted for moderately significant proportion of total variance. However, most of the variables did not meet threshold as they accounted for less than 50% of total variance. This indicates a need for more elaborate studies to identify factors that account for greater proportion of variance. Summary of total variance explained and critical factors identified is presented in table 3

Table 3. Extraction of critical factors and variance explained

Variables	Components	Description	Proportion	Explanation
VAR00004	.829	The current Banc assurance Awareness level leads to increased banks profitability	39.032%	Awareness
VAR00002	.763	Banc assurance awareness improves the financial performance of banks significantly only if customers are aware		
VAR00001	.617	Creation of awareness on banc assurance across customers leads to more revenue by banks through increased customer base		
VAR00005	.605	Banc assurance Awareness level is influenced by income obtained by customers.		
VAR00003	.506	More awareness on banc assurance leads to more sales and hence more commission is earned		
VAR00001	.865	Through diversification of products and service diversification, more channels for generation revenues are created leading to better financial performance	63.143%	Diversification
VAR00002	.798	Banc assurance diversification result to additional cash-flow to banks, through premium deposits and also it increases the chances of winning new customers		
VAR00004	.722	Through collaboration with insurance companies, bank develops new financial products and services which attract more clients and hence more sales		
VAR00005	.660	Through diversification of products and services, banks widen and expand their sources of revenue and this result to increased revenues.		
VAR00001	.561	Operational risk increases as a result of venturing into banc assurance and hence leading to lower performance of bancs	52.971%	Risks
VAR00003	.617	Operational inefficiency occasionally arises in banc assurance business which affects financial performance the back to some extent		
VAR00005	.694	Selling of more policies forces banks to deal with more customer complaints directly and if the complains are not addressed to customers satisfaction, it leads to loss of customers and less performance.		
VAR00002	.829	The expenses incurred on training of employees have a significant effect on the overall profitability of bank	37.793%	Operational expenses
VAR00003	.662	The expense incurred on administration of banc assurance are affects the performance of the bank		
VAR00001	.619	banc assurance is capital intensive and the banks need to operationalize a huge amount of their capital so as to make this investment		
VAR00004	.907	Banc assurance Marketing expenses are affects the performance of the bank		Marketing expenses

ii) Correlation Analysis

Pearson correlation analysis on independent variables (banc assurance awareness, diversification, risk and expenses) and the dependent variable (bank performance) was carried out to establishing the strength of linear relationship. The results are presented in table 1.

Table 1 Pearson correlation coefficients

		Banks performance	Banc assurance Awareness	Banc assurance diversification	Banc assurance Risks	Banc assurance expenses
Banks Performance	Pearson Correlation	1	.810**	.139*	-.178	.041*
	Sig. (2-tailed)		.000	.021	.053	.007
Banc assurance Awareness	Pearson Correlation	.810**	1	-.442**	-.313**	-.303**
	Sig. (2-tailed)	.000		.000	.001	.001
Banc assurance diversification	Pearson Correlation	.139*	-.442**	1	.397**	.556**
	Sig. (2-tailed)	.021	.000		.000	.000
Banc assurance Risks	Pearson Correlation	-.178	-.313**	.397**	1	.445**
	Sig. (2-tailed)	.053	.001	.000		.000
Banc assurance expenses	Pearson Correlation	.041*	-.303**	.556**	.445**	1
	Sig. (2-tailed)	.007	.001	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

From table 1, there is a positive correlation between bank performance and banc assurance awareness, diversification and expenses with Pearson coefficient of 0.810, 0.139 and 0,041 respectively. This shows that banc assurance awareness had a very strong positive correlation with bank performance followed by banc assurance diversification then banc assurance expenses. However, banc assurance risk was found to have a low and negative correlation coefficient of -0.178 with bank performance.

iii) Regression Analysis

Regression analysis was carried out to establishing linear relationship between the study independent and the dependent variables. The regression table 2 shows the total variation accounted for by banc assurance expenses, banc assurance awareness, banc assurance risks and banc assurance diversification on bank performance.

Table 2: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873a	.762	.754	.43600

a. Predictors: (Constant), Banc assurance expenses , Banc assurance Awareness, Banc assurance Risks, Banc assurance diversification

The model has coefficient of determination (R^2) of 0.762 indicating that 76.2% of the variations on performance of banks was accounted for by banc assurance expenses, awareness, risk and diversification. This implies that there are other factors that account for the remaining variance of 23.8% that are not considered in this study. The study also sought to establish the significance of the model using the analysis of variance technique.

Table 3: ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.966	4	17.241	90.697	.000b
	Residual	21.481	113	.190		
	Total	90.447	117			

a. Dependent Variable: Performance of banks

From table 3, the ANOVA results shows the regression model predicting the relationship between the performance of banks and banc assurance expenses, banc assurance awareness, banc assurance risks and banc assurance diversification was appropriate for the study since the as the p-value = 0.000 obtained was less than α=0.05.
Further analysis to test hypothesis was carried out. To incorporate any interactions among the independent variables the individual variable relationships expressed in the hypotheses were tested through multiple regression model and the regression coefficients obtained are presented in table 4.

Table 4: Regression Coefficients result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.956	.438		-2.184	.031
	Banc assurance Awareness	.799	.044	.939	18.106	.000
	Banc assurance diversification	.304	.119	.152	2.558	.012
	Banc assurance Risks	-.050	.040	-.065	-1.229	.221
	Banc assurance expenses	.255	.055	.270	4.669	.000

a. Dependent Variable: Performance of banks

The results indicate that all independent variables except risk had significant effect on bank performance with p value 0.05. From this model we failed to reject the hypotheses that *Banc Assurance awareness significantly improves firm performance, Banc Assurance diversification strategy significantly improves firm performance* and *Banc Assurance expenses incurred significantly affect firm performance.* However the p value = 0.221greater than 0.05 showed that banc assurance did not significantly affect bank performance and so we reject the hypothesis that *Banc Assurance as a risk reduction strategy significantly improves firm performance.*
The standardized multiple regression coefficients results from table 3 were used to derive the multiple regression equation relating the dependent variable and all the independent variables.

$$Y= -0.956+ 0.939X_1+0.152X_2 - 0.065X_3 + 0.270X_4$$

Where Y= Performance, X1 =Awareness, X2= Diversification, X3=Risk and X4= Expenses.
From the model, holding all factors constant, a unit increase in banc assurance awareness, expenses, and diversification would increase bank performance by 0.939 units, 0.270 units and 0.152 units respectively. On the other hand, a unit increase in risks would reduce bank performance by 0.065. These findings imply that banc assurance awareness has the highest influence on performance of banks followed by diversification. Interestingly, the findings revealed that banc assurance expenses have a positive effect on banks performance, which implies that expenses incurred in banc assurance result to better performance. It however emerged that banc assurance risks have a negative effect on performance of banks.

7. Discussion

The level of banc assurance awareness affects performance of commercial banks positively and largely. More awareness on banc assurance among the customers leads to more sales and commission to banks hence improving their performance. The findings support the works of Ombonya (2013) and Grover & Bhalla (2013).
Diversification of the insurance products and services offered by banks also influences the overall performance of banks positively, which supports studies by Korhonen & Voutilainen (2006). This however contradicts findings by Ombonya (2013) that banc assurance diversification, banks offer bundles of insurance products, which customers do not even require and hence leading to less sales. There is a need for more rigorous study to ascertain a more accurate position on this variable
Risks faced by banks with regard to banc assurance include incurring loss, resistance from customers, operational inefficiency and deviation from core business goals. This however was found to be moderate and insignificant and supports a view held by Tripti (2014) and Mwangi (2010). Banc assurance is not a capital-intensive investment and therefore expenses incurred do not affect bank negatively. These findings are in agreement with Göran (1995) in his study on the profitability of banc assurance for European banks whereby he established that costs arising because of adoption of banc assurance are negligible compared to the profits that arise because of such investment.

8. Conclusions

In a business environment full of uncertainty and stiff competition banks and other financial institution need a new strategy to not only remain afloat but also make profit. Bank assurance could be one of the strategies they can adopt as the study has shown that it has a positive impact on performance. Risks incurred and operational expenses are not a threat to use of this strategy as their impact was found to be insignificant. The fact that banc assurance diversification strategy was found to have contradictory impact on performance calls for further study on the same. Factors analysis on various variables capture less than fifty percent of variance explained and therefore need to do more rigorously study to identify more factors in relation to banc assurance and performance of commercial banks.

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