

Original Article

Institutional Determinants and Financial Sustainability in Social Health Insurance Schemes: A Critical Review

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Abstract: *The financial sustainability of Social Health Insurance Schemes (SHIS), especially in developing economies, remains a significant challenge. This study examines the impact of governance structures, regulatory frameworks, and organizational culture on the financial sustainability of SHIS through a systematic review of theoretical and empirical literature. The analysis is grounded on four diverse theoretical perspectives: The Agency Theory is a framework that investigates principal-agent conflicts and their underlying alignment mechanisms; The Stewardship Theory emphasizes the intrinsic motivation of managers to act as organizational stewards; The Resource Dependence Theory is a strategic approach to managing external resources; as well as Institutional Theory, which explains organizational compliance with external norms for legitimacy. The review emphasizes the importance of robust governance mechanisms, adaptive regulatory environments, and stakeholder engagement for long-term viability. However, political interference and rigid institutional frameworks can significantly hinder sustainability efforts. The study highlights significant research gaps in developing nations' context-specific studies and suggests future research on mediating variables like digital transformation and leadership styles.*

Keywords: *Financial Sustainability, Institutional Determinants, Social Health Insurance, Governance, Regulatory Frameworks, Developing Economies.*

I. INTRODUCTION

The financial sustainability of SHIS is a global concern, especially in developing nations striving for Universal Health Coverage (UHC). SHIS is grappling with increasing challenges such as aging populations, rising healthcare costs, and inefficient resource allocation (Schmitt et al., 2023). Institutional determinants like governance structures, regulatory frameworks, and organizational culture are crucial for financial sustainability, but their interaction in low-resource settings is understudied. This review uses various theoretical perspectives, including Agency, Stewardship, Resource Dependence, and Institutional Theory, to explore how institutional factors influence SHIS's financial resilience.

II. LITERATURE REVIEW

This study employs four complementary theories to examine the institutional factors influencing financial sustainability: Institutional Theory by Meyer & Rowan (1977) explains how organizations conform to external norms for legitimacy, focusing on regulatory compliance and governance structures; Agency Theory propounded by Jensen & Meckling (1976) addresses principal-agent conflicts, focusing on monitoring and incentives to align managerial actions with organizational goals; Stewardship Theory, proposed by Donaldson and Davis (1991), asserts that intrinsic motivation and trust-based governance promote managerial commitment to long-term sustainability; and The Resource Dependence Theory, developed by Pfeffer and Salancik in 1978, emphasizes strategic resource acquisition to mitigate environmental uncertainties by bridging external and internal dynamics. These theories provide a comprehensive understanding of SHI compliance pressures, governance behaviors, and resource strategies.

The literature implies that institutional factors significantly impact financial sustainability across various sectors, although these findings may differ depending on the context. Studies like Chaabo's (2021) analysis of Lebanese banks reveal that regulatory compliance, despite increasing operational costs, improves sustainability through enhanced governance and adherence to international standards. Equally, Judijanto et al. (2023) emphasize the significant role of digital audits in enhancing financial transparency. However, Doshiro et al. (2023) highlight the importance of internal factors like managerial ownership in Nigerian firms, emphasizing the need to balance internal and external institutional perspectives. Firm size plays a significant role in influencing these relationships, as larger organizations utilize resources to meet institutional pressures (Kılıç et al., 2022), whereas smaller firms encounter superior sustainability challenges (Isayas, 2021). The ownership structure of a company can complicate the dynamics as institutional investors enhance governance (Choi et al., 2020); however, concentrated ownership can potentially increase risk (Gerged et al., 2022). The study of Githaiga (2022) on microfinance institutions suggests that revenue diversification improves sustainability, but its wider applicability remains untested. The research frequently focuses on short-



term outcomes like financial distress rather than long-term sustainability (Riaz et al., 2023); additionally, studies often overly focus on developed economies, limiting their impact on developing regions (Cheboi et al., 2024); and finally, the methodological inconsistencies in measuring institutional determinants are a significant obstacle to comparability. This study adopts a comprehensive approach to explore the interplay between regulatory environments, governance structures, and firm-level characteristics in various contexts. Future research should focus on longitudinal designs and cross-sector analyses to enhance comprehension of these intricate connections.

III. CONCLUSION

This study explores the intricate link between institutional factors and financial sustainability, highlighting its objectives, value, and structure. Whereas researchers continue to be divided on the nature of this relationship, this paper uses various theoretical and empirical perspectives, including agency, stewardship, institutional, and resource dependence theories, to explore the impact of governance structures, regulatory frameworks, and organizational culture on FS. Kpressa-Whyte and Agyei's (2021) analysis of Ghana's National Health Insurance Scheme emphasizes the significance of cost containment, diversified funding, and depoliticization. However, the study's results show varying results on the impact of institutional determinants on FS, indicating methodological and contextual differences.

The conclusion underscores the importance of effective governance, administrative efficiency, and adaptable policies for long-term financial sustainability. Effective governance promotes accountability and resource management, while well-designed policies enhance equity and operational capacity. On the other hand, political interference, outdated systems, and policy resistance can significantly impact stability. The review suggests that intentional institutional improvements, like aligning governance with local contexts, can positively impact FS, providing valuable insights for researchers and practitioners. Additionally, research gaps include prioritizing short-term financial metrics over long-term sustainability, limited studies in developing economies, and inconsistent methodologies, complicating cross-study comparisons. For instance, strong governance generally promotes FS, but its effects vary depending on political and economic conditions. Similarly, administrative efficiency enhances stability, but broader systemic factors influence its long-term impact. Subsequently, future research should focus on unified operational definitions of institutional determinants, context-specific studies in underrepresented regions, and longitudinal designs to assess long-term impacts while exploring mediating variables like digital transformation and leadership styles. Hence, future studies can enhance FS policies, especially in social health insurance schemes aiming for universal health coverage, by addressing gaps in existing research.

Interest Conflicts

I proclaim no conflict of interest.

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