




# Proposing a Financial Reporting Transparency Model for the Development of Health Insurance from the Perspective of Experts in the Ministry of Health and Medical Education

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## ABSTRACT

**Objective:** The objective of this study is to identify the factors influencing financial reporting transparency in the health insurance sector.

**Methodology:** This research employed both qualitative and quantitative methods. In the qualitative section, the statistical population consisted of managers and experts in the healthcare field from the Zahedan University of Medical Sciences. Data collection was conducted through semi-structured interviews, and theoretical saturation was achieved after 11 interviews. The data were then analyzed using grounded theory coding. In the quantitative section, 384 questionnaires were distributed randomly among employees in the health insurance sector. The SmartPLS software was used to estimate and evaluate the relationships in the financial reporting transparency model for the health insurance sector.

**Findings:** Based on the proposed model, 12 main codes were extracted, including: "implementation of accounting standards, establishment of accounting laws and regulations, need for financial reporting transparency, economic development in health insurance, evaluation of financial reporting quality, meritocracy in the hiring of managers, internal political and economic communications, control over financial and operational policies of the company, market pressure, and capital market competition."

**Conclusion:** The model and concepts extracted from participants' responses indicate that there are various reasons and motivations for adopting financial reporting transparency in the health insurance sector. Moreover, the designed model clearly demonstrates that the motivations and reasons for adopting this system are fulfilled as a result of its implementation.

**Keywords:** Health Insurance, Financial Transparency, Reporting Transparency, Financial Reporting Quality, Grounded Theory

## 1 Introduction

Accounting information is considered an important and useful resource for the decision-making of contract parties, as well as a primary source for evaluating the managerial duties of managers. Providing high-quality information can reduce information asymmetry and lead to increased investment efficiency, whereas information asymmetry may result in economic problems such as moral hazards and adverse selection (Aksu, 2006; Oyeniyi, 2024). Financial reporting quality is a standard that distinguishes useful and beneficial information from other types of information, thereby enhancing the utility of the data (Andrade et al., 2009). Moreover, financial reporting quality refers to the usefulness of financial statements for investors, creditors, managers, and other stakeholders (Ajayi-Nifise, 2024; Bona-Sánchez et al., 2019). The level of accuracy in financial reporting plays a significant role in company operations, especially cash flows, as it aims to inform investors. This issue greatly impacts investor trust and enhances brand reliability (Antwi, 2024; Chen & Gong, 2020).

Research in this area provides direct evidence regarding the mechanisms through which the economic outcomes of transparency emerge. If variables such as the adoption of international standards, auditor selection, earnings smoothing, and analyst tracking are used as indicators of financial reporting transparency, it becomes difficult to determine whether documented results are due to the factors themselves or to other simultaneous events (Harymawan & Nowland, 2016). To date, efforts to consolidate various transparency metrics have also been general. Therefore, establishing strong and precise transparency standards in this area would be a suitable approach (Hunton et al., 2006).

Corporate transparency is a term interpreted differently by various individuals. Some consider it a singular concept, such as the disclosure found in annual activity reports. Others believe transparency involves disseminating information through channels other than financial statements or annual reports, such as the press. However, some emphasize a comprehensive view based on the company's informational environment (Balakrishnan et al., 2019). The quality of information and transparent reporting is an expectation in capital markets, as the general belief is that financial reporting quality directly impacts capital markets (Kim, 2005).

Transparency in an organization's actions and team communications is as simple as indicating that no secrets

exist. This factor involves providing performance indicators to the organization internally and delivering essential news externally (Li et al., 2019). In other words, information is an integral part of the decision-making process, and the more transparent and accessible it is, the more it can lead to correct resource allocation decisions (Liu et al., 2014). The lack of or deficiency in transparency is one of the major challenges for modern organizations, particularly financial and insurance institutions. Transparent financial information is one of the most important and prominent factors in preventing financial crises and reducing the level of public trust among investors, stakeholders, customers, and society (Ningyue et al., 2018).

The disclosure of financial information by insurance companies is crucial. If insurance companies fail to plan and execute strategies properly or do not review them according to environmental changes, this can lead to bankruptcy, especially when there are potential signs of financial insolvency (Oino, 2019). Insurance and its coverage are significant issues for individuals, as health can progress or decline during this process, which in turn leads to the promotion of social and economic security, the reduction of concerns about access to healthcare services, the prevention of poverty due to illness, the creation of a healthy and dynamic society, and economic growth—all of which ultimately strengthen national security (Park & Ha, 2020).

On the other hand, the insurance industry in Iran is a growing sector. Despite its long history in Iran's economy, it has yet to achieve a suitable market penetration rate. Considering the significant role of insurance companies in the global and national economy, through the management of risk in financial institutions and the acceptance of risk by individuals and businesses, good governance is vital to the productivity and intra-industry performance of these organizations (Pourazad et al., 2019). Mechanisms for providing transparency in insurance organizations typically include transparency in vision and goal setting, program and report presentation, explanation of work plans, decision-making and reward and punishment systems, organizational communication transparency, and human resource management transparency (Reid et al., 2019).

According to Yan Lang Chung and Jing (2007), the supervisory body can only fulfill its duties if accurate financial information is disclosed (Kim, 2005). In the context of financial disclosure by insurance companies, transparent leadership refers to leading with clarity, openness, and honesty. These leaders keep their teams informed and freely share information. The most important

role of a leader in such a system is to set a clear direction, be transparent about how to achieve it, and continue along that path (Li et al., 2019). The "Financial Reporting and Transparent Disclosure Regulations in Insurance Institutions" ratified by the High Insurance Council is currently the only document mandating the disclosure of information by insurance companies, though its general provisions alone are insufficient for this industry. Additionally, despite the short time since the approval and implementation of corporate governance in the Iranian insurance industry and the incomplete execution of these regulations, the Central Insurance of the Islamic Republic of Iran, the Securities and Exchange Organization, and the resistance of commercial insurance companies may indicate weaknesses, inadequate guidelines, and a lack of a mature, comprehensive, and appropriate model or lack of enforcement guarantees. As a result, we are witnessing weak financial reporting in Iran's insurance industry.

One of the performance evaluation indicators in the insurance industry is the insurance penetration rate (the ratio of insurance premiums to gross domestic product), which reflects the impact of insurance industry activities on GDP. This indicator does not compare favorably to the region and the world. Therefore, through effective oversight and guiding insurance companies via a "transparency reporting model," the rights, assets, and investments of shareholders and stakeholders can be protected from managerial greed. Currently, a significant portion of the structural problems in Iranian joint-stock companies can be attributed to issues such as inefficient company performance, disregard for stakeholder rights, lack of accountability from the board of directors, and insufficient continuous monitoring of company performance. Transparency in the health insurance industry leads to public questioning, and questioning fosters accountability among officials, which in turn reduces the likelihood of corruption. Even transparency alone, without questioning and accountability, can reduce the potential for corruption. As corruption diminishes, efficiency increases, a process further bolstered by officials' accountability, ultimately enhancing public trust and participation. Therefore, since the health insurance system is the most important tool for ensuring, maintaining, and promoting health, the lack of financial transparency in the health insurance system leads to public concern and anxiety, weakening national security. Furthermore, considering the aforementioned issues, the factors influencing the lack of financial reporting transparency in the health insurance industry in our country have not been fully addressed. This

matter has motivated an investigation into the factors and barriers to financial reporting transparency. Hence, the present study aims to design a financial reporting transparency model for the health insurance sector.

## 2 Methods and Materials

This research is considered developmental in nature, as it seeks to design an Interpretive Structural Modeling (ISM) framework for developing a model of auditors' professional ethical immaturity in Iran. From the perspective of the research objective, this study is applied in nature. To achieve a comprehensive conceptual model related to the auditors' professional ethical immaturity model in Iran, the following two steps must be completed.

First, through interviews with 14 experts, including faculty members engaged in the auditing profession, members of the Iranian Association of Certified Public Accountants, members of the Forensic Experts Association or judicial experts, tax specialists, and financial managers of companies with a minimum of five years of auditing experience, the factors contributing to auditors' professional ethical immaturity in Iran were gathered. These experts were selected purposefully. In the second step, a questionnaire was distributed to the aforementioned experts to design an Interpretive Structural Model (ISM), and the layers of prioritized and influential factors contributing to auditors' professional ethical immaturity in Iran were identified through interpretive structural analysis. The selection of 14 participants in this study aligns with the nature of qualitative research and data sufficiency at this level of the sample, as a larger number could introduce deviations in the interpretive structural analysis due to the need to use the mode index.

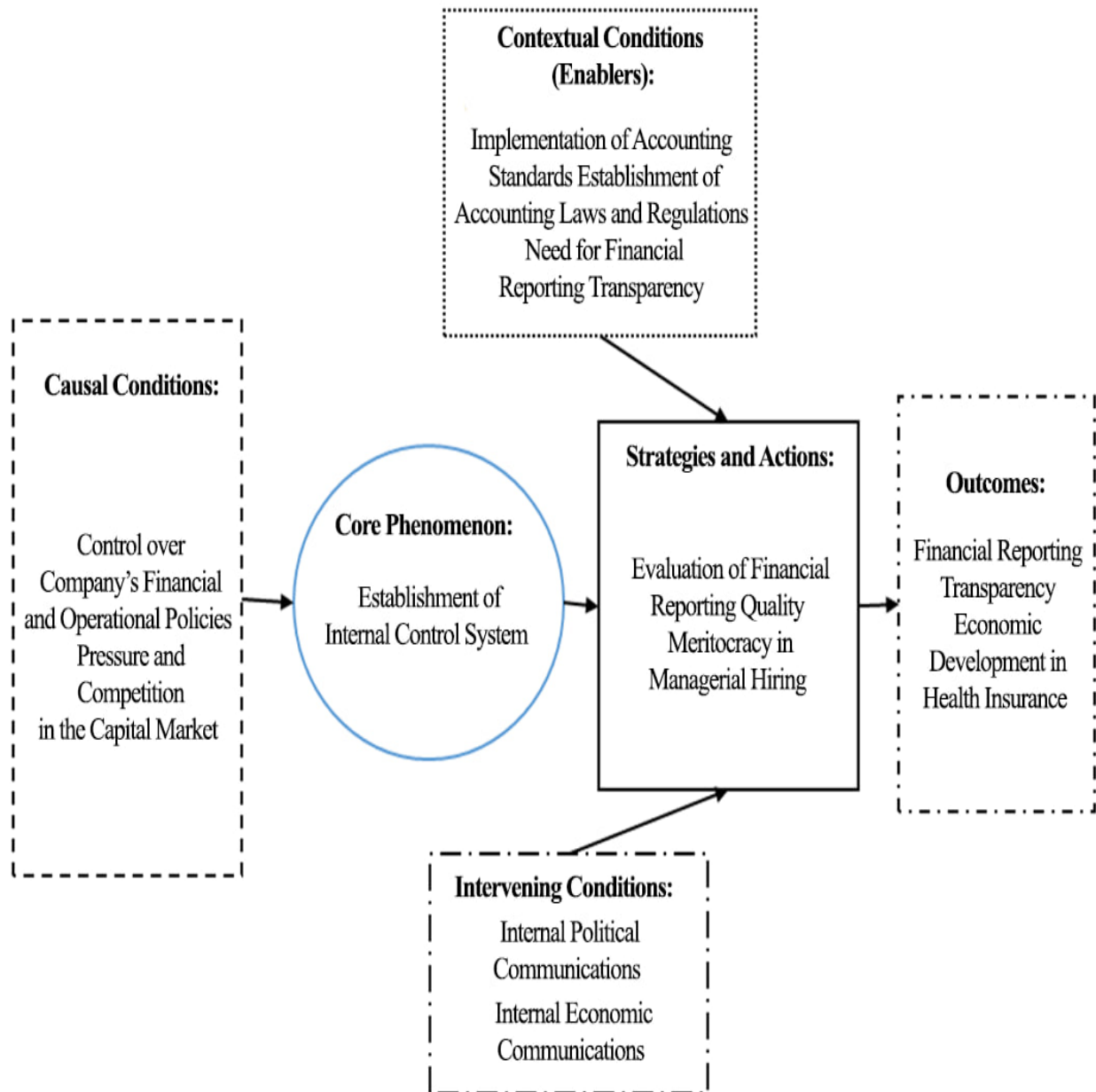
## 3 Findings and Results

In grounded theory, the integration of data holds significant importance. After gathering, analyzing, and interpreting the data, the next steps in the research process are to present the model, draw conclusions, and summarize the findings. In the first step, by reviewing the current situation, the collected data are categorized into 12 main categories. Based on the opinions of experts and scholars, 51 indicators derived from the qualitative analysis of the grounded theory interviews were employed to propose a model for financial reporting transparency in the health insurance sector.

Figure 1 illustrates the paradigmatic model of financial reporting transparency in the health insurance sector.

**Figure 1**

*Paradigmatic model of financial reporting transparency in the health insurance sector.*



For validating the model, the partial least squares (PLS) technique was used. The results from the model's execution in the standard estimation mode show the direction and intensity of relationships between variables. The output of the SmartPLS software for standard estimation is provided in [Figure 2](#). To assess the significance of the relationships

between variables in the model, the bootstrapping method was used, which yields the t-statistic. At a 5% error level, if the bootstrapping statistic exceeds 1.96, the observed correlations are deemed significant. The t-statistic and bootstrapping values for assessing the significance of relationships are shown in [Figure 3](#).

Figure 2

Model execution in the standard estimation mode.

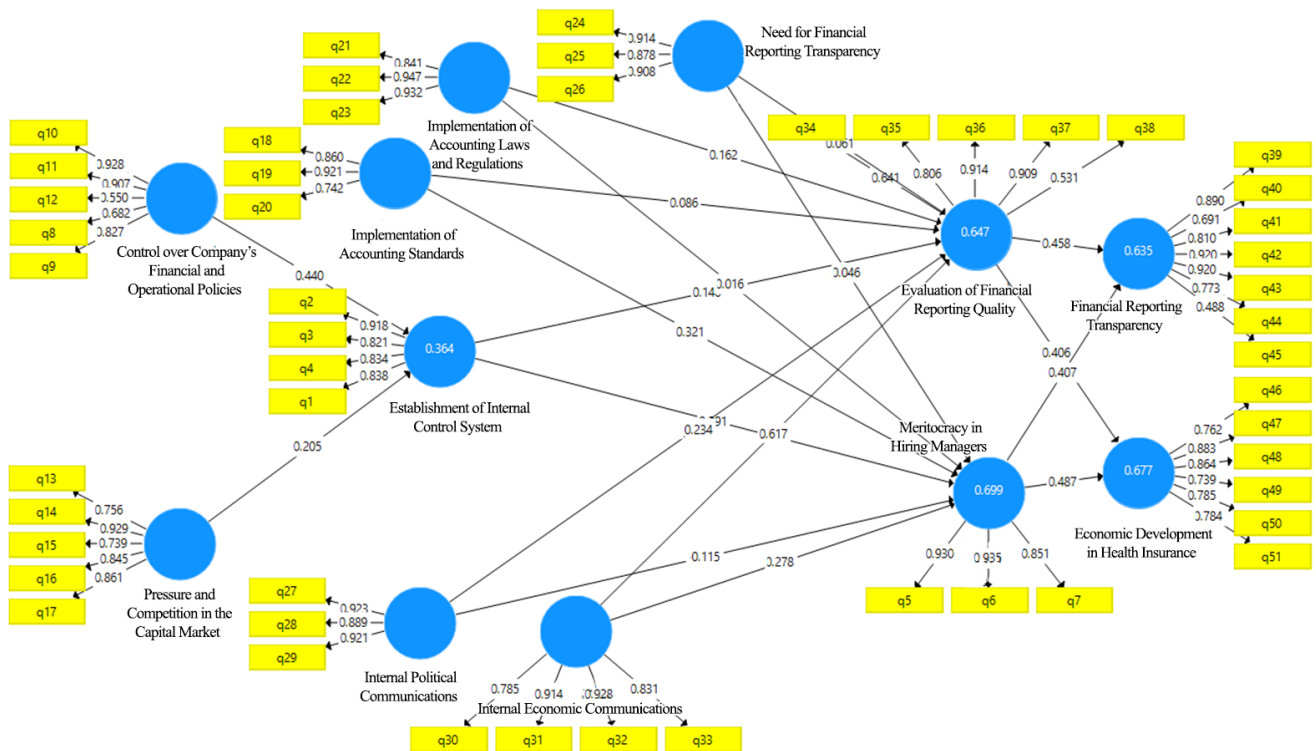
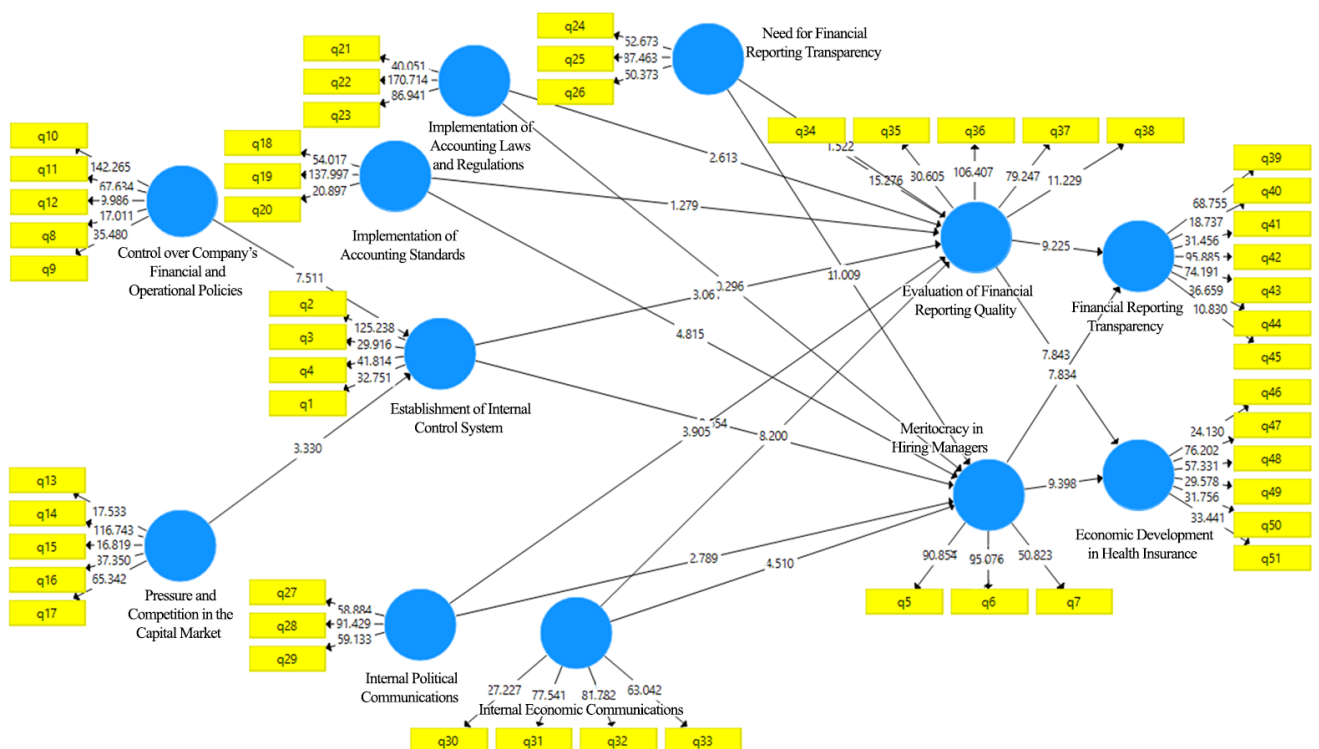


Figure 3

Significance of variable relationships using the partial least squares method (bootstrapping).





#### 4 Discussion and Conclusion

In this study, after coding the interview texts, synonymous and repetitive criteria were eliminated, and ultimately, through categorizing the final criteria, 12 main categories and 51 subcategories were identified. The main categories identified include: internal political and economic communications, evaluation of financial reporting quality, implementation of standards, accounting laws and regulations, establishment of internal control systems, control over company financial and operational policies, financial reporting transparency, and market competition pressure. The financial reporting transparency model in the health insurance sector consists of five parts: causal conditions, contextual conditions, intervening conditions, strategies, and outcomes. In the paradigmatic grounded theory model, causal conditions influence the core phenomenon, which in turn affects strategies and actions. On the other hand, contextual and intervening conditions influence strategies and actions as well. Since strategies and actions lead to outcomes, they ultimately impact the final results.

Given the broad scope of government duties, activities, and programs, having a coherent and integrated governmental accounting and financial reporting system is essential for conducting government financial operations and fulfilling accountability responsibilities. Such a system can assist managers in making logical and beneficial decisions to achieve organizational goals. Considering the changes in budget item classifications and the legal mandates for implementing performance-based budgeting systems, the establishment and use of an accounting system seem necessary. Therefore, steps should be taken to align with international public sector accounting standards. Additionally, considering the approach of Iran's Public Sector Accounting Standards Committee to localize international public sector accounting standards, it is essential to create an appropriate environment for operationalizing these standards (Reid et al., 2019). In this regard, it is recommended that the development of national standards take into account their impact on financial reporting quality criteria from the perspective of investors. Given the benefits of political connections for companies and the reduced need for companies with extensive political connections to respond to market pressures for increasing information quality, it is expected that such companies

would provide lower-quality accounting information (Bona-Sánchez et al., 2019).

It is suggested that insurance companies take steps toward drafting financial reporting transparency guidelines and designing accounting codification in line with the operational and executive guidelines of insurance financial reporting standards. Furthermore, updates should be made to risk management processes, planning methods, and changes in internal and external reporting formats, including consolidated reporting, to enhance financial reporting transparency. In addition, adjustments to management information reports and key performance indicators, timely and accurate data evaluation, and the establishment of a management and continuous evaluation team at the business level should be aligned with the executive and operational guidelines of financial reporting standards. On the other hand, the performance of the financial execution model and risk should be reviewed in accordance with the executive guidelines of financial reporting standards. To implement these correctly, mutual cooperation at both national and international levels is necessary. Moreover, enhancing data quality and security and updating modern technologies in the insurance industry with an emphasis on flexibility for implementation is essential. Therefore, insurance companies must be able to make fundamental plans in this regard.

#### Authors' Contributions

All authors have contributed significantly to the research process and the development of the manuscript.

#### Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

#### Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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#### Declaration of Interest

The authors report no conflict of interest.

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## Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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