

FINANCIAL MANAGEMENT IN PUBLIC HEALTH SYSTEMS: A REVIEW OF LITERATURE ON FUNDING, BUDGETING, AND RESOURCE ALLOCATION

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Abstract

This study examines the financial management practices in public health systems, focusing on funding, budgeting, and resource allocation. The objective is to explore the relationship between financial management strategies and healthcare service quality, particularly in low- and middle-income countries. A literature review methodology was used to analyze various studies published between 2010 and 2023. The findings indicate that stable funding, transparent budgeting, and efficient resource allocation significantly enhance healthcare outcomes. These practices ensure that critical services, such as maternal and child health care, are prioritized, thereby improving access to essential services. The study highlights the importance of adopting comprehensive financial strategies to address challenges in public health systems. The implications of this research emphasize the need for policy reforms to improve financial management practices, particularly in resource-limited settings. Future research should investigate the specific financial strategies that can be applied to enhance healthcare delivery in diverse healthcare environments.

Keywords: Budgeting, Financial Management, Healthcare Quality, Public Health Systems, Resource Allocation

1. INTRODUCTION

Effective and efficient financial management in the healthcare sector directly impacts the quality of services provided to the public. In the context of public health systems, sustainable funding and proper resource allocation are crucial to ensuring equitable and high-quality access for all population groups. However, many healthcare systems in developing countries face significant challenges related to limited funding, suboptimal budget management, and inefficient resource allocation (Smith & Brown, 2020).

Several studies have been conducted to understand how financial policies and practices affect the effectiveness of healthcare delivery. Some studies indicate that poor financial management can lead to inequality in the distribution of healthcare services, resulting in health disparities within the population. Conversely, sound financial management, including transparent and accountable budgeting, can improve service efficiency and help allocate resources more equitably (Jones & Lee, 2019).

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However, despite numerous studies addressing these aspects, there is still a lack of understanding regarding how holistic financial management strategies can be effectively applied in public health systems. Gap analysis reveals that research on the impact of healthcare budget management, financing, and resource allocation on health outcomes in developing countries remains limited. This creates an urgency to conduct further research to fill this knowledge gap, especially regarding financial strategies that can optimize resource utilization within public healthcare systems (Smith & Brown, 2020). This study aims to identify and analyze the financial management practices implemented in public health systems and evaluate their impact on the quality of healthcare services. By conducting a comprehensive literature review, it is hoped that more effective financial management models will be identified and can be widely applied in countries with similar healthcare systems (Jones & Lee, 2019).

2. THEORETICAL REVIEW

This section outlines the relevant theories that form the foundation of the research topic and provides a review of previous studies that offer references and justification for conducting this research. Financial management theory in healthcare systems emphasizes the importance of strategic planning, budgeting, and resource allocation as crucial elements in improving service delivery. According to the resource-based view (RBV), healthcare organizations can leverage their financial resources to enhance their operational capabilities and achieve superior performance (Barney, 1991). This theory suggests that effective management of financial resources can significantly impact the sustainability and efficiency of healthcare services. Additionally, the theory of public finance highlights the role of government funding and expenditure policies in ensuring the equitable distribution of health services. Public finance theories, such as fiscal federalism, argue that decentralized decision-making in resource allocation can improve efficiency and responsiveness in healthcare delivery (Oates, 1999). This theoretical framework suggests that financial autonomy at the local government level may lead to better outcomes in public health systems by tailoring services to the specific needs of local populations.

Previous research has demonstrated that financial management practices, including transparent budgeting, effective resource allocation, and financial monitoring, have a direct correlation with the quality of healthcare services. Studies by Grembowski et al. (2004) and O'Connell et al. (2016) show that healthcare organizations with robust financial management systems tend to achieve better health outcomes and higher patient satisfaction levels. These studies reinforce the importance of financial efficiency in achieving healthcare goals. While there is substantial evidence supporting the relationship between financial management and healthcare performance, gaps remain in understanding the specific financial strategies that lead to improved outcomes in public healthcare systems. This research aims to fill this gap by identifying the financial management practices that most effectively contribute to service quality in public health systems.

3. METHODS

This study utilizes a literature review methodology, which involves the systematic collection, analysis, and synthesis of existing research related to financial management practices in public health systems. A literature review allows for the identification of patterns, gaps, and trends in the current body of knowledge, offering a comprehensive understanding of the topic without the need for primary data collection. The data collection process will involve searching for relevant articles, books, reports, and other academic publications that address the relationship between financial management and healthcare service quality in public health systems. Sources will be selected from databases such as Google Scholar, Scopus, PubMed, and other relevant journals and publications. The inclusion criteria will focus on studies published within the last 10 years to ensure that the findings are recent and relevant.

To ensure comprehensive coverage, the review will cover studies that focus on key financial management practices such as budgeting, resource allocation, and financial transparency, as well as their impact on healthcare outcomes such as service efficiency, patient satisfaction, and overall healthcare quality. The review will also address studies related to financial strategies employed by public health systems, both in developing and developed countries. The data analysis will involve the identification of

key themes and patterns across the literature. Studies will be categorized according to the financial management practices they focus on, and the findings will be synthesized to highlight the impact of these practices on healthcare quality. The results will be presented in narrative form, with critical insights drawn from the reviewed studies.

Given the nature of this study, there is no need for the use of specific data analysis tools or statistical methods, as the focus is on qualitative synthesis. The reliability and validity of the findings will be assessed by ensuring that only high-quality, peer-reviewed articles are included in the review. A critical approach will be applied to evaluate the strengths and weaknesses of the studies, as well as their relevance to the research questions. In summary, this literature review will provide a thorough examination of the existing research on financial management in public health systems, identifying effective financial strategies and their impact on healthcare outcomes. The findings will contribute to the development of evidence-based recommendations for improving financial management practices in the healthcare sector.

4. RESULTS AND CONCLUSIONS

This section presents the results and discussion of the literature review conducted on financial management in public health systems, focusing on funding, budgeting, and resource allocation. The research aimed to identify how financial strategies influence the efficiency and quality of healthcare services in public health systems. The analysis involves synthesizing the findings from various studies, comparing them with the theoretical concepts, and interpreting the implications of these results.

Data Collection Process and Time Frame

The data for this review were collected through an extensive search of academic databases, including Google Scholar, Scopus, PubMed, and relevant public health and healthcare finance journals. The time frame for the review covers studies published between 2010 and 2023, ensuring that the findings are relevant and up to date. The research primarily focuses on studies conducted in both developed and developing

countries, with a particular emphasis on public health systems in low- and middle-income nations.

Analysis of Funding in Public Health Systems

Funding is a critical element of financial management in healthcare systems. Several studies identified that the adequacy and stability of funding directly impact the availability and accessibility of healthcare services. For example, O'Connell et al. (2016) emphasized that systems with stable and predictable funding are better positioned to provide continuous care and improve service delivery. Conversely, systems with fluctuating or insufficient funding face challenges in maintaining healthcare quality, particularly in low-income settings.

Budgeting Practices in Healthcare

Budgeting in public health systems is fundamental for the efficient use of financial resources. Studies reviewed in this analysis show that transparent and accountable budgeting practices can lead to more effective financial management in public health systems. For instance, Smith & Brown (2020) demonstrated that hospitals with well-established budgeting procedures report higher levels of patient satisfaction and better quality of care.

Resource Allocation in Public Health Systems

Efficient resource allocation is another critical financial management practice identified in the literature. A study by Grembowski et al. (2004) concluded that organizations with efficient resource allocation mechanisms tend to experience better health outcomes. Resource allocation decisions, particularly in public health systems, must consider factors such as population health needs, availability of financial resources, and the cost-effectiveness of healthcare interventions.

Theoretical Framework and Conceptual Relationships

The results from this review are aligned with the theoretical concepts discussed in the literature, such as the Resource-Based View (RBV) (Barney, 1991) and Public Finance Theory (Oates, 1999). The Resource-Based View suggests that financial resources, when managed effectively, can serve as a source of competitive advantage in healthcare systems, enabling organizations to deliver better services and improve patient outcomes. The studies reviewed support this view by showing that effective financial

management, including budgeting and resource allocation, leads to improved service quality and patient satisfaction.

Comparison with Previous Research

The findings of this review are largely consistent with the results of earlier studies. However, a few discrepancies emerged, particularly regarding the impact of decentralized budgeting. While several studies suggest that decentralization improves financial management and service delivery (Oates, 1999), others argue that it can lead to inefficiency if local governments lack the capacity to manage funds effectively (Jones & Lee, 2019). These differences highlight the complexity of financial management in public health systems and suggest that decentralized systems may only work effectively if supported by robust institutional capacity and governance mechanisms.

Implications of the Findings

The findings from this literature review have several important implications for both theory and practice. From a theoretical perspective, they reinforce the importance of financial management in determining the success of public health systems. Practically, the findings suggest that policymakers should focus on improving the stability and transparency of funding, enhancing budgeting practices, and ensuring equitable resource allocation to maximize the effectiveness of public health systems. This research highlights the need for tailored financial strategies that consider the specific challenges of public health systems, particularly in low-resource settings.

The effective management of financial resources—through stable funding, transparent budgeting, and efficient resource allocation—can significantly improve healthcare service delivery. This review provides valuable insights for public health administrators and policymakers seeking to enhance financial management practices in public health systems.

Table 1: Comparison of Healthcare Service Availability in Systems with Stable vs. Fluctuating Funding

Study	Healthcare Service Availability	Funding Stability
O'Connell et al. (2016)	High Availability	Stable
Jones & Lee (2019)	Moderate Availability	Fluctuating

The findings from various studies (e.g., Grembowski et al., 2004; Jones & Lee, 2019)

confirm that funding stability is linked with improved healthcare outcomes, particularly in under-resourced settings. Funding allocation, when appropriately managed, ensures that essential services, such as maternal and child health care, are prioritized.

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Table 2: Relationship between Budgeting Practices and Healthcare Quality

Study	Budgeting Transparency	Quality of Care	Outcome
Smith & Brown (2020)	High	High	Positive correlation
Grembow ski et al. (2004)	Moderate	Moderate	Neutral correlation

Budgeting not only ensures financial control but also helps healthcare systems allocate resources where they are most needed. It facilitates the prioritization of healthcare services, thereby improving the efficiency of service delivery.

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Table 3: Resource Allocation and Health Outcomes

Study	Resource Allocation Efficiency	Health Outcomes	Conclusion
Grembowski et al. (2004)	High	Improved Outcomes	Positive impact on health
O'Connell et al. (2016)	Low	Deteriorated Services	Negative impact on quality

The studies suggest that public health systems with clear and equitable resource allocation strategies are more likely to achieve better overall health outcomes. Efficient allocation ensures that resources are directed toward areas with the greatest need, improving access to essential services.

5. RESULTS AND SUGGESTIONS

The conclusion is written briefly, aiming to address the research questions or problems by presenting the results of the study or hypothesis testing without repeating the discussion. The conclusion is written critically, logically, and honestly based on the actual research findings, with caution in making generalizations. This section may also include recommendations or suggestions for actions based on the conclusions drawn from the research findings. Additionally, the author is encouraged to provide a review of the limitations of the study and offer recommendations for future research.

The review of literature on financial management in public health systems, particularly focusing on funding, budgeting, and resource allocation, highlights that stable funding and transparent budgeting are key factors that improve healthcare outcomes. Resource allocation, when efficiently managed, ensures that healthcare services are directed to the areas of greatest need, improving access and service quality, particularly in under-resourced settings. The findings of this study align with theoretical frameworks such as the Resource-Based View and Public Finance Theory, indicating that effective financial management practices contribute significantly to the sustainability and quality of public health systems.

However, several limitations were identified in the research. One of the primary limitations is the limited scope of studies from developing countries, which

may affect the generalizability of the findings. Furthermore, while the review identifies key financial management practices, it does not delve deeply into the specific challenges faced by healthcare systems in different countries, which could affect the application of these practices. For future research, it is recommended that studies explore the impact of decentralized financial management systems on healthcare quality in various geographical contexts, particularly in low- and middle-income countries. Further investigation into how specific financial strategies, such as performance-based funding or cost-effectiveness analysis, can be integrated into public health systems will provide valuable insights for policymakers and healthcare administrators. Additionally, empirical studies could focus on the long-term effects of these financial management practices on healthcare service delivery and patient outcomes.

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