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The Effect of Leadership Styles on the Performance of Community-Based Health Insurance Schemes in Public Health Institutions of Addis Ababa, Ethiopia

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Abstract

This study examined the effects of transformational, transactional, and laissez-faire leadership styles on the performance of community-based health insurance (CBHI) schemes, and assessed the mediating role of affective employee commitment in public health institutions in Addis Ababa, Ethiopia. An explanatory research design with a quantitative approach was employed, and data were collected from 385 respondents and analysed using Structural Equation Modelling. The findings revealed that transformational leadership had the strongest positive and statistically significant effect on both affective commitment and CBHI performance, while transactional leadership demonstrated a moderate positive and significant influence. In contrast, laissez-faire leadership showed weak or negative and statistically insignificant relationships with employee commitment and scheme performance. Furthermore, affective employee commitment partially mediated the relationships between transformational and transactional leadership styles and CBHI performance, whereas no mediating effect was observed for laissez-faire leadership. The results highlight the importance of active and supportive leadership practices in strengthening employee commitment and improving CBHI scheme effectiveness in public health institutions. The study contributes empirical evidence to the literature on leadership and healthcare performance in the Ethiopian context. Future research should expand the geographic scope beyond Addis Ababa and employ longitudinal research designs to better capture causal relationships and changes over time.

KeyWords: *affective commitment, health insurance scheme performance. Laissez-faire leadership, transactional leadership, transformational leadership*

1. INTRODUCTION

A functional health financing system that focuses on advance payments and risk-sharing mechanisms is essential to ensuring access to quality healthcare services (Kavosi et al., 2012; Zahirian Moghadam et al., 2019). Health insurance schemes have been found to improve access to healthcare and to have a promising effect on financial security in LMICs (Erlangga et al., 2019). Within health insurance schemes,

Community-Based Health Insurance (CBHI) is particularly prominent in countries with large informal sectors where tax bases are limited and difficult to formalize (Lagomarsino et al., 2012). Previous studies have demonstrated that CBHI has the potential to minimize catastrophic health expenditures by reducing out-of-pocket costs and enhancing resource mobilization (Koch et al., 2022; Alemayehu et al., 2023). However, its effectiveness depends on regulatory frameworks,

appropriate leadership styles, umbrella organizations, trust in institutions, public awareness, information systems, benefit packages, social solidarity, and sustainability (Adebayo et al., 2015; Fenny et al., 2018).

Ethiopia introduced a Community-Based Health Insurance strategy in 2011 (Mebratie et al., 2015). Nevertheless, the nation's Universal Health Coverage (UHC) remains below the sub-Saharan Africa average, at just 37% in 2015 and 38% in 2019 (Berhan et al., 2022). Government health expenditures accounted for less than 20% of total health spending, while external assistance accounted for roughly 50% (WHO, 2021). In addition, inadequate healthcare financing remains a significant obstacle within the Ethiopian healthcare system, resulting in household impoverishment due to high out-of-pocket expenses and limited access to basic healthcare services for disadvantaged populations (Bazie & Adimassie, 2017; Gessesse et al., 2021; Areru et al., 2021).



Healthcare leadership is essential to address systemic issues. It is a cross-cutting element that fortifies other health system building blocks (Bayou et al., 2020). It is also critical for delivering efficient healthcare services (Yimer et al., 2017). To maximize positive health outcomes and mobilize resources, the health system needs effective leadership (Reddy et al., 2017; Kruk et al., 2018; Namee et al., 2022). By enhancing organizational performance, leadership plays a significant role in providing high-quality, patient-centered healthcare (West & West, 2015). Furthermore, effective leadership is essential for sustaining ongoing reforms and enhancing service delivery in healthcare organizations (Figuroa et al., 2019). Additionally, it is critical for new reform initiatives and federal health sector reforms, such as health insurance schemes (Tadesse, 2019).

Good performance depends on leadership because it drives employee motivation and organizes the use of human resources (NawoseIng'ollan & Roussel, 2017). Motivated employees improve organizational productivity and service performance. Maintaining employee commitment is crucial for mitigating health system challenges and fostering organizational development. Enhancing leadership quality is critical to the effectiveness and success of organizations. Employee dedication and leadership style are important determinants of organizational success (Meyer et al., 2004; Trottier et al., 2008).

In Ethiopia, inadequate healthcare financing continues to constrain access to essential services, and research conducted in different regions of the country indicates low utilization of health services among the population (Bazie & Adimassie, 2017; Gessesse et al., 2021; Areru et al., 2021).

Health insurance schemes have been found to improve access to healthcare and financial security in LMICs (Erlangga et al., 2019). CBHI is common in countries with large informal sectors where tax bases are limited (Lagomarsino et al., 2012). Previous studies have demonstrated the potential of CBHI programs to decrease catastrophic health expenditures by reducing out-of-pocket costs and enhancing resource mobilization (Koch et al., 2022; Alemayehu et al., 2023).

To address critical health financing challenges and improve healthcare utilization among marginalized populations, effective leadership is essential (Sonko, 2018). Few studies examining the effectiveness of health leadership managers in Ethiopian public health facilities have found that managers' abilities to nurture and motivate staff remain limited (Team et al., 2022). To the best of the researcher's knowledge, there is insufficient research on how leadership style affects the performance of health insurance schemes in Ethiopia, particularly when employee commitment and work satisfaction serve as mediating factors. Investigating this contextual research gap is therefore necessary.

There have been few surveys and case studies examining the relationship between leadership style, employee commitment, and health insurance performance, especially regarding employee commitment as a mediating factor. As a result, a significant research gap remains regarding how leadership

style affects the performance of health insurance schemes while accounting for the mediating effects of employee commitment in the specific study area.

2. LITERATURE REVIEW AND HYPOTHESIS

Theoretical Foundations of Leadership Styles

Leadership style refers to the characteristic patterns of behavior that managers exhibit when leading, motivating, and directing individuals or groups; from employees' perspectives, it also encompasses both the overt and covert actions of their leaders (Northouse, 2021). Leadership style has become a central theme in organizational performance research, particularly within complex public service systems such as healthcare institutions. Contemporary leadership theories include transformational leadership, transactional leadership, laissez-faire leadership, and the Full Range Leadership Model.

Transformational leadership, initially conceptualized by Burns (1978) and further developed by Bass (1985), emphasizes inspiring followers to exceed expectations by aligning individual interests with organizational goals. Transformational leaders foster motivation, innovation, and organizational commitment through a shared vision and value-based relationships (House & Shamir, 1993; Krishnan, 2005). Empirical studies consistently associate transformational leadership with higher employee satisfaction and improved organizational performance.

Transactional leadership focuses on structured exchanges between leaders and followers, where performance is rewarded and deviations are corrected (Bass & Avolio, 1994). This leadership style emphasizes compliance, monitoring, and goal achievement through reinforcement mechanisms. The fundamental basis of transactional leadership is the establishment of explicit agreements between the leader and his or her followers (House & Shamir, 1993). While transactional leadership can improve efficiency and operational control, critics suggest that excessive reliance on transactional approaches may limit innovation and intrinsic motivation among healthcare workers.

Laissez-faire leadership, on contrary, represents a passive leadership approach characterized by minimal intervention and avoidance of supervisory responsibilities (Bass, 1990; Bradford & Lippitt, 1945). Although this style may work in highly skilled and autonomous teams, it is generally associated with reduced performance, unclear direction, and weak organizational accountability. These leaders fail to define clear goals, give too much authority to subordinates, and hinder group decision-making.

The Full-Range Leadership Model, developed by Bass and Avolio (1993), provides a comprehensive theoretical framework for understanding specific leadership styles within a single conceptual structure. The model encompasses the three primary leadership styles namely transformational leadership, transactional leadership and laissez-faire leadership. The model is commonly analyzed through three

key dimensions: the frequency with which a leadership style is used, the effectiveness associated with each style, and the degree to which the style is active or passive. When evaluated collectively, laissez-faire leadership is generally considered the least effective, whereas transformational leadership is often regarded as the most effective. Longitudinal applications of the model suggest that highly successful leaders tend to employ a combination of all three leadership approaches, adapting their strategies according to situational demands (Avolio, 2010).

Affective Commitment

Affective commitment is one of the three primary components of organizational commitment introduced by Meyer and Allen (1991). It reflects employees' emotional attachment, identification, and involvement with their organization. Employees with strong affective commitment tend to demonstrate higher motivation, loyalty, and willingness to contribute to organizational success (El-Kurdy et al., 2022; Ribeiro et al., 2018).

Research in the literature indicates that leadership behavior significantly influences the development of affective commitment by shaping organizational culture, employee engagement, and shared values (Shao et al., 2022). Indicators of affective commitment include emotional attachment, organizational identification, and active participation in organizational goals (Elziny & Emam, 2021). In healthcare settings, affective commitment has been linked to improved service quality, reduced turnover, and enhanced teamwork.

Health Insurance Scheme Performance

Health insurance systems are increasingly recognized as essential mechanisms for improving healthcare access and financial protection in low-income countries (Levy & Meltzer, 2008). Community-based health insurance schemes aim to enhance healthcare utilization, reduce out-of-pocket expenses, and improve health outcomes through risk pooling and financial sustainability (Griffin, 1992).

Insurance-based financing models are often viewed as effective alternatives to traditional cost-recovery mechanisms such as user fees, which have been criticized for limiting healthcare access among vulnerable populations (Gilson, 1997). As countries strive to achieve Sustainable Development Goal 3, ensuring healthy lives and well-being for all, health insurance remains a vital policy instrument (Gore, 2015; Guégan et al., 2018).

Leadership Style and Health Insurance Scheme Performance

Michael (2010) argues that there is a clear and direct relationship between leadership and organizational performance. Organizations can achieve and sustain high performance through the adoption of appropriate leadership styles (Ramchunder & Martins, 2014). Effective management of people and the delivery of quality services require leaders who inspire subordinates and articulate a clear organizational vision (Gipson et al., 2017). Leaders who establish clear and strategic goals while empowering their subordinates to

achieve them are more likely to contribute to organizational success (Nguyen et al., 2017).

Scholars widely acknowledge that no single leadership style is universally applicable across all situations. Organizational success depends on several factors, including leadership style, employee characteristics, and situational contexts (Amanchukwu et al., 2015). Consequently, the leadership approach adopted in specific circumstances significantly influences how organizational goals are achieved and how performance is sustained. Diverse leadership styles are particularly necessary in complex sectors such as healthcare, where organizational challenges are multifaceted (Amanchukwu et al., 2015; Costich et al., 2015).

Empirical studies provide evidence of the influence of leadership styles on organizational outcomes. For instance, research conducted in Nigeria's insurance industry found that leadership styles—including transactional, democratic, charismatic, and transformational leadership—positively influenced organizational climate, with transformational and charismatic leadership demonstrating particularly strong effects (Dele et al., 2015). Similarly, the Kenyan insurance sector experienced a decline in insurance penetration from 2.79% in 2015 to 2.37% in 2019, attributed to reduced insurance uptake, malpractice, weak corporate governance, and ineffective leadership practices (Apela, 2020).

In the context of community-based health initiatives, studies have shown that implementation capacity is often constrained by limited resources and insufficient stakeholder engagement. Challenges such as heavy workloads, lack of financial incentives, and weak leadership support have contributed to low adoption rates among healthcare professionals and managers, ultimately affecting the performance of community-based health insurance (CBHI) programs (Ludwick et al., 2022).

Research examining leadership and management practices in community health systems has found that differences in performance were not necessarily related to managers' educational backgrounds or professional experiences but rather to variations in leadership efforts, motivation strategies, and supervisory systems (Joseph & Maluka, 2017). The primary objective of health insurance systems is to enhance health outcomes by improving access to quality healthcare services (Lavers, 2019). Therefore, leadership within healthcare and CBHI organizations plays a critical role in determining performance through the application of appropriate leadership styles.

Further empirical evidence suggests that leadership styles significantly influence health insurance scheme performance. Transformational leadership has been associated with improved organizational learning, increased effectiveness, and higher staff satisfaction, ultimately leading to better performance outcomes (Harter et al., 2010; Li et al., 2012). In contrast, transactional leadership primarily emphasizes monitoring employee behavior and enforcing performance standards through structured control mechanisms (Yang et al., 2012).

In summary, prior research demonstrates that different leadership styles—transformational, transactional, and laissez-faire—vary in their impact on organizational performance across contexts. Transformational leadership is generally associated with stronger performance outcomes compared to transactional and laissez-faire leadership styles. Drawing on empirical findings and theoretical linkages between leadership styles and organizational performance, the following hypotheses are proposed:

H1: Transformational leadership style has a positive and significant effect on the performance of community-based health insurance schemes.

H2: Transactional leadership style has a positive and significant effect on the performance of community-based health insurance schemes

H3: Laissez-faire leadership style has a negative and insignificant effect on the performance of community-based health insurance schemes

Leadership Style, Affective Commitment, and Organizational Performance

Several studies in the literature examine the relationship between leadership style, employee commitment, and organizational performance. Research has shown that employee-centered leadership styles have positive effects on organizational performance (Curry et al., 2012; Chen et al., 2020). Evidence also suggests that transactional leadership may have an insignificant direct effect on employee performance, whereas employee commitment significantly influences performance outcomes (Mahfouz et al., 2022). Similarly, a study conducted in the manufacturing sector in Yemen found a strong positive relationship between leadership style and organizational performance, with organizational commitment serving as a mediating variable in this relationship (Saleh et al., 2018).

Another research conducted in Indonesian Cities examined the impact of charismatic and transformational leadership styles on healthcare workers' job performance, with commitment acting as a mediator. The findings indicated a positive correlation between charismatic leadership and job performance, a positive but statistically insignificant relationship between commitment and job performance, and a significant positive relationship between charismatic leadership and employee commitment (Pradipto et al., 2023).

Moreover, a study conducted in Ghana investigated the mediating role of affective commitment in the relationship between transformational leadership and employees' turnover intentions. The results demonstrated that affective commitment reduces employees' intentions to leave the organization and strengthens their willingness to follow organizational leadership, vision, and values; and concluded that affective commitment fully mediates the relationship between transformational leadership and turnover intention (Gyensare et al., 2016).

Additionally, research examining public sector organizations in developing countries found that organizational commitment significantly influences the relationship between leadership

style and employee performance. The findings suggested that leadership strategies promoting continuance commitment can enhance employee performance and strengthen public service delivery across various leadership styles (Donkor & Zhou, 2020; Donkor et al., 2021).

Overall, extensive empirical research indicates that leadership styles can positively influence organizational performance and that employee commitment plays a critical mediating role in this relationship. However, the nature and strength of this mediation effect may vary depending on contextual factors and the specific leadership styles examined. Based on these empirical findings and the theoretical linkages between leadership style, employee commitment, and organizational performance, the following hypotheses are proposed:

H4: Affective employee commitment mediates the relationship between transformational leadership style and community-based health insurance scheme performance.

H5: Affective employee commitment mediates the relationship between transactional leadership style and community-based health insurance scheme performance.

H6: Affective employee commitment does not mediate the relationship between Laissez-faire leadership style and community-based health insurance scheme performance.

Research Context and Purpose

Community-based health insurance schemes play a critical role in improving healthcare access in low- and middle-income countries, including Ethiopia (Waelkens et al., 2017; Kruk & Pate, 2020). However, achieving sustainable performance requires strong leadership, effective organizational structures, and committed employees. Given the limited empirical evidence on how leadership styles influence CBHI performance through affective employee commitment in Ethiopia, this study aims to examine these relationships within public health institutions in Addis Ababa.

Conceptual Framework

Based on the theoretical and conceptual review of leadership styles, affective employee commitment and community-based health insurance performance, the conceptual framework is presented as follows.

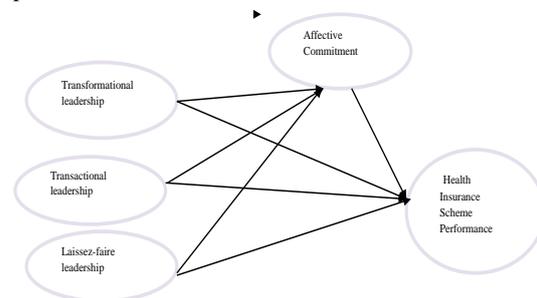


Figure 1 Conceptual Framework adapted from Review Literature

3. METHODS

The dependent variable (Community-Based Health Insurance (CBHI) performance) was measured using the Balanced Scorecard framework developed by Kaplan and Norton

(1992). Three non-financial perspectives were used: customer perspective, internal business process perspective, and learning and growth perspective. The Independent Variable (Leadership styles) was measured using the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (2004), including transformational, transactional, and laissez-faire leadership styles. The mediating variable (Affective- employee commitment) was measured using the Affective Commitment Scale developed by Meyer and Allen (1991; 2004) with a five-point Likert scale.

An explanatory quantitative design was employed to examine causal relationships. Probability sampling ensured representativeness, and structured questionnaires captured data from 385 employees and leaders in public health centers and hospitals of Addis Ababa. Cochran’s formula was applied to determine the sample size: $n_0 = Z^2pq/e^2 = n_0 = (1.96)^2(.50)(.5)/(.05)^2 = 385$, where n_0 is the sample size, z is the selected critical value of the desired confidence level, p is the estimated proportion of an attribute present which is present in the population, $q = 1 - p$ and e is the desired level of precision. Thus, 385 of the respondents were selected from the total population of 2468 health sector employees and leaders. The data is collected using structured questionnaire.

The quantitative data underwent extensive reading and editing. In addition to this, Amos version 24 was employed to calculate frequencies, means, median, and standard deviations of data that the researcher needs. Based on the data processed by using Amos software, the researcher employed a structural equation model to confirm the direct and indirect effects of the independent variables and to measure and analyze the relationships of observed and latent variables, which include CBHI, employee commitment, and leadership style on health insurance scheme performance. Finally, the findings of the study were thoroughly interpreted and presented.

4. RESULTS

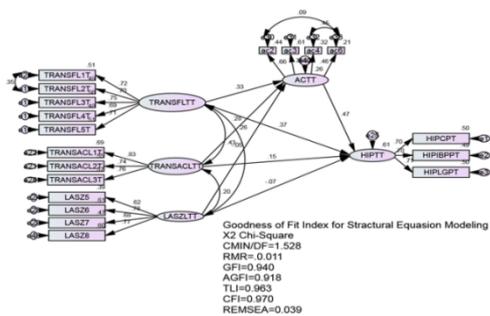


Figure 2. Structural Model

Table 4.1. Structure model after modification

χ^2 Chi-Square	Diharapkan Kecil	212.431	Good
Probability	$\geq 0,05$	0.000	Good
CMIN/DF	$\leq 2,00$	1.528	Excellent
RMR	< 0.05	0.011	Excellent

GFI	$\geq 0,90$	0.940	Excellent
AGFI	$\geq 0,90$	0.918	Excellent
IFI	$\geq 0,95$	0.960	Excellent
TLI	$\geq 0,95$	0.963	Excellent
CFI	$\geq 0,95$	0.970	Excellent

Source: Survey, 2023

A. Direct Effect

Table 4 2: The results of the direct effects of variables

Parameter	B	Lower	Upper	P	Decision
TRANSFLT \Rightarrow ACT	0.333	.172	.476	.010	Supported
TRANSFLT \Rightarrow HIPT	.367	.227	.555	.010	Supported
TRANSACL \Rightarrow ACT	.279	.102	.396	.010	Supported
TRANSACL \Rightarrow HIPT	.152	.016	.300	.041	Supported
LASZLT \Rightarrow ACT	-.050	-.140	.061	.494	Not Supported
LASZLT \Rightarrow HIPT	-.074	-.144	.057	.305	Not Supported
ACT \Rightarrow HIPT	.467	.253	.865	.010	Supported

Source: Survey, 2023

As Table 4.1 shows, the direct effects of each construct yield different results. It was noted that transformational leadership has a significant positive impact on affective employee commitment (B=0.333, p=0.010). In addition, it has a significant and positive direct effect on the performance of health insurance schemes (B=0.367, p=0.010). Moreover, transactional leadership style had a positive and statistically significant effect (B=0.279, p=0.010) on affective employee commitment. Transactional leadership style had also a positive and statistically significant effect on community-based health insurance scheme performance (B=0.152, p=0.041).

Laissez-faire leadership style had a negative and statistically insignificant effect on affective employee commitment (B=-.050, p=0.494). In addition, it had a weak, negative, and statistically insignificant effect on community-based health insurance scheme performance (B=-.074, p=0.305). Furthermore, there was a strong positive and statistically significant effect of affective employee commitment on community-based health insurance scheme performance (B=0.467, P<0.010).

B. The Indirect Effect

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Table 4.3: Mediating Effect of Affective Employee Commitment

Parameter	Estimate	Lower	Upper	P	Decision
TRANSFLT ⇒ ACT ⇒ HIPT	0.165	0.065	0.315	0.01	Supported
TRANSACT ⇒ ACT ⇒ HIPT	0.136	0.031	0.252	0.01	Supported
LASZLT ⇒ ACT ⇒ HIPT	-0.018	-	0.035	0.493	Supported

Source: Survey Data, 2023.

To find out how affective commitment affected the relationship between leadership styles and community-based health insurance performance, three hypotheses were developed. The researcher used structural equation modeling with AMOS software version 24. Based on the hypotheses designed, the results are presented below.

Hypothesis (H4) Affective Commitment has a mediation effect on the relationship between transformational leadership style and community-based health insurance performance.

Table 4.3 shows that affective commitment partially mediated the relationship between transformational leadership and community-based health insurance scheme performance (B=0.165, p<0.010). In addition, the effect of transformational leadership on community-based health insurance scheme performance remained significant in the presence of a mediator (B=0.367, p = 0.010). Therefore, affective commitment mediated the relationship between transformational leadership and community-based health insurance performance.

Hypothesis (H5): Affective Commitment mediates the relationship between transactional leadership style and community-based health insurance scheme performance.

Table 4.3 demonstrates that affective commitment plays a mediation role in the interaction between transactional leadership style and the performance of community-based health insurance schemes (B=0.136, p=0.010). The effect of transactional leadership style on the performance of community-based health insurance schemes was positive and statistically significant (B=0.152, p=0.041). Thus, affective commitment partially mediated the relationship between transactional leadership style and community-based health insurance scheme performance.

Hypothesis (H6): Affective commitment does not have mediation effect on the relationship between Laissez-Faire Leadership Style and Community-Based Health Insurance Scheme Performance.

Table 4.2 revealed that affective commitment did not mediate the relationship between laissez-faire leadership style and community-based health insurance scheme performance (B=-0.018, P=0.493). Moreover, Table 4.2 indicates that the laissez-faire leadership style had a negative and statistically insignificant effect on affective commitment. It did not also significantly affect community-based health insurance scheme performance. Thus, affective commitment did not mediate the relationship between laissez-faire leadership style and community-based health insurance performance.

C. Total Effect

Table 4.4: Total Effect of Constructs

Parameter	Estimate	Lower	Upper	P
TRANSFLT ⇒ HIPT Via ACT	0.554	0.387	0.750	0.010
TRANSACT ⇒ HIPT Via ACT	0.295	0.135	0.421	0.010
LASZLT ⇒ HIPT Via ACT	-.074	-.194	.050	.175

Source: Survey Data, 2023.

Concerning the total effect, Table 4.4 shows the overall effects of latent variables, including transformational leadership style, transactional leadership style, and laissez-faire leadership style on community-based health insurance performance via affective commitment.

The total effect of transformational leadership style on community-based health insurance performance through affective commitment was a beta coefficient of (B= 0.0.554, p=0.010). In addition, the total effect of transactional leadership style on health insurance performance via affective commitment had a coefficient of 0.295 and a p-value of 0.010. On the other hand, the total effect of the laissez-faire leadership style on health insurance performance through affective commitment had a coefficient of B = -0.047, p = 0.175.

As the results of the total effect indicated in Table 4.4, the highest total effect was the total effect of transformational leadership style on Community-based health insurance scheme performance through affective commitment, followed by the total effect of transactional leadership style on community-based health insurance scheme performance via affective commitment. These results indicate that the effect of transformational leadership style on community-based health insurance scheme performance through employee commitment was stronger than the relationship with transactional and laissez-faire leadership styles.

5. DISCUSSION

The primary objective of this study was to examine the effects of leadership styles—transformational, transactional, and laissez-faire—on the performance of community-based health insurance (CBHI) schemes, and to assess the mediating role of affective employee commitment in the relationship between



leadership styles and CBHI scheme performance in public health centers and hospitals in Addis Ababa, Ethiopia.

The findings revealed that transformational leadership has a significant and positive effect on the perceived performance of CBHI schemes, which is consistent with prior empirical studies in leadership and organizational performance. For example, Wachaga (2017) reported a positive association between transformational and participative leadership styles and insurance project performance in Eagle Africa Insurance, Kenya. Although the same study observed a weak positive relationship between laissez-faire leadership and performance, transformational leadership demonstrated stronger and more consistent outcomes.

Similarly, previous research examining leadership styles and healthcare professionals' job performance indicated that transformational leadership contributes positively to employee effectiveness. Studies conducted in governmental institutions in Pakistan also found that both transformational and transactional leadership styles significantly enhance organizational performance (Zeb & Ali, 2015). However, Khan et al. (2016), in a study conducted in a tertiary care hospital in Karachi, reported that although transformational leadership had a positive influence on organizational performance, its effect was statistically insignificant, whereas transactional leadership showed a strong and significant impact on both organizational and employee performance. These mixed findings suggest that contextual factors and methodological differences may influence the strength and direction of leadership outcomes.

Regarding the second hypothesis, the results demonstrated that transactional leadership has a significant positive effect on CBHI scheme performance. This finding aligns with previous studies highlighting the importance of structured leadership practices and performance-based management approaches (Podsakoff et al., 1996; Purcell, 2003). Similar conclusions were reported by Wang et al. (2010) and Obiwuru et al. (2011), who found that transactional leadership contributes positively to organizational effectiveness. Specifically, research on small-scale enterprises in Nigeria revealed that transactional leadership significantly improves organizational performance (Obiwuru et al., 2011), reinforcing the relevance of transactional leadership practices in structured organizational environments.

The third hypothesis examined the effect of laissez-faire leadership on CBHI performance. Evidence from prior studies indicates that laissez-faire leadership is often associated with reduced organizational trust and effectiveness. Tosunoglu and Ekmekci (2016) demonstrated that passive leadership behaviors, characterized by lack of presence and involvement, erode employees' trust and negatively influence organizational performance. Nevertheless, some studies suggest that laissez-faire leadership may contribute to positive outcomes in certain contexts, particularly when combined with other leadership approaches or when employees possess high levels of autonomy and competence (Challenge et al., 2016; Pahi et al., 2020). For instance, Kebede et al. (2023)

reported a positive relationship between democratic and laissez-faire leadership and midwives' performance in southwestern Ethiopia, although autocratic leadership showed negative effects. Despite these variations, recent research in healthcare organizations indicates that laissez-faire leadership is generally less effective, often leading to increased employee stress, anxiety, and turnover rates, thereby negatively affecting healthcare quality and patient safety (Khan & Tidman, 2021).

The study also examined the mediating role of affective employee commitment in the relationship between leadership styles and CBHI performance. Previous research supports the importance of affective commitment as a mediator between transformational leadership and employee performance. Mahfouz et al. (2020) demonstrated that employee commitment significantly enhances performance outcomes, while Anwar et al. (2023) found a partial mediating effect of employee commitment in the relationship between transformational leadership and employee performance in Pakistan's private banking sector. Similarly, Saleh et al. (2018) reported that organizational commitment mediates the relationship between leadership styles and organizational performance in the manufacturing industry of Yemen.

Consistent with these findings, prior studies have shown strong positive relationships between transactional leadership and employee performance (Buil et al., 2019; Le Tan et al., 2021). Additional empirical evidence indicates that transactional leadership significantly improves organizational and employee performance (Birasnav, 2014; Mahfouz et al., 2020; Muwardi et al., 2020; Donkor et al., 2021; Ariani et al., 2022; Febrian et al., 2023). Furthermore, Ribeiro et al. (2018) found that affective commitment mediates the relationship between transformational leadership and job performance. Aghashahi et al. (2013) also reported that transformational leadership positively influences both affective and normative organizational commitment within service organizations, emphasizing the importance of leadership style in fostering employee engagement and productivity.

Overall, the findings of this study are largely consistent with previous research regarding the mediating role of affective employee commitment in the relationship between transformational and transactional leadership styles and organizational performance. However, the results related to laissez-faire leadership differ from some earlier studies, suggesting that contextual factors—such as organizational culture, leader-subordinate relationships, and methodological variations—may influence outcomes.

In summary, the study confirmed that affective employee commitment plays a partial mediating role in the relationship between transformational and transactional leadership styles and CBHI scheme performance. Conversely, affective commitment did not mediate the relationship between laissez-faire leadership and CBHI performance. These findings reinforce the importance of leadership approaches that actively engage employees and foster emotional attachment to

the organization in order to enhance the effectiveness of community-based health insurance schemes.

6. CONCLUSION

This study investigated the effects of transformational, transactional, and laissez-faire leadership styles on the performance of community-based health insurance (CBHI) schemes and examined the mediating role of affective employee commitment in public health institutions in Addis Ababa, Ethiopia. The findings revealed that transformational leadership had the strongest positive influence on both affective commitment and CBHI performance, while transactional leadership showed a moderate positive effect. In contrast, laissez-faire leadership demonstrated weak or negative and statistically insignificant relationships with both employee commitment and scheme performance.

The results further indicated that affective employee commitment partially mediated the relationships between transformational and transactional leadership styles and CBHI performance, highlighting the importance of emotionally engaged employees in improving organizational outcomes. However, no mediating effect was found between laissez-faire leadership and CBHI performance, suggesting that passive leadership approaches may not effectively enhance employee commitment or service performance within public health institutions.

Overall, the study underscores the need for public health leaders and policymakers to promote active, supportive, and flexible leadership practices that strengthen employee commitment and improve CBHI scheme effectiveness. The findings contribute empirical evidence to the literature on leadership and organizational performance in healthcare, particularly within the Ethiopian context, and provide a basis for future research and policy initiatives aimed at enhancing leadership capacity and health service delivery.

7. Limitations and Future Research

This study has some limitations. First, the geographic scope is limited only in Addis Ababa, the capital city of Ethiopia. Thus, future studies are encouraged to expand the geographic scope to other regional states of Ethiopia to enhance generalizability. Second, the study employed a cross-sectional research design, which limits the ability to establish causal relationships and observe changes over time. Therefore, future studies are encouraged to utilize longitudinal designs to better capture the dynamic relationships among leadership styles, employee commitment, and health insurance performance.

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Declarations

Conflict of interest: The author has no relevant financial or non-financial interests to disclose.

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