



Relationship between Outsourcing of Accounting Task and Financial Performance of Small and Medium Sized Enterprises in Delta State

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Abstract

Research Objective: This study explores the relationship between outsourcing accounting tasks and the financial performance of Small and Medium-Sized Enterprises (SMEs) in Delta State, Nigeria.

Methodology: A survey research design was adopted, with data collected from 227 SMEs out of 525 through the distribution of 500 questionnaires. A total of 202 valid responses were obtained. The reliability of the data was tested using Cronbach's Alpha, and multiple regression analysis was conducted using the Ordinary Least Square (OLS) method with SPSS version 23 to test the hypotheses.

Findings: The results revealed that outsourcing tax accounting services and financial statement preparation has a significant positive relationship with profit after tax (PAT) for SMEs in Delta State. However, outsourcing forensic accounting, bookkeeping services, and costing and management decision-making services showed no significant relationship with PAT.

Conclusion: Outsourcing specific accounting tasks, such as tax accounting and financial statement preparation, positively impacts the profitability of SMEs in Delta State, while other accounting functions may not directly affect financial performance.

Recommendations: SMEs should encourage employees to learn and perform outsourced functions from their external partners to enhance their overall profitability and efficiency.

Key words: *Outsourcing, Financial Performance, Tax accounting services, Financial Statement Preparation, Small and Medium Sized Enterprises (SMEs).*

1.0 INTRODUCTION

1.1 Background to the Study

Globally, small and medium sized enterprises (SMEs) have been found to considerably contribute to the gross domestic product (GDP) in developing countries like Nigeria, as well as to employment. A study carried out by Rathnasiri (2014) showed that in Europe 75% of the workforce is employed by SMEs. A study also was carried out in Ghana showed that



SMEs are involved in creation of revenue of the governments through the payment of income tax, which arises from the profits they make, the dividends and wages they pay to the households as well as supporting in reducing poverty through fiscal transfers and salaries they give to their employees (Amoako, 2013).. The utilization of accounting outsourcing (AO) practices offers more support for performance and business sustainability for SMEs (Jayabalan, Raman, Dorasamy & Ching(2009). According to Blackburn, Carey, and Tanewski (2010), SMEs are open to a lot of risks due to lack of some routines and capabilities for survival while they are forced to find ways of improving firm performance. In this perspective of accounting function, outsourcing is a chance for smaller firms to sustain a lead beyond others in a surrounding where there are other competing firms (Jayabalan , Raman, Dorasamy & Ching, 2009). Most SMEs may not have enough resources and capability to do their professional work internally. Therefore, going out to look for professionalism becomes the main factor of outsourcing (Jayabalan et al., 2009). Thus, SMEs should appoint external accountants, through AO to provide accounting functions to achieve performance.

Many research studies show that small enterprises use professional accountants as a source of counseling and support service. Accounting services and functions are very important to SMEs because they provide improved management control and assist in decision-making, helping to access new markets and maximize profits in the corporate world. Executing accounting functions by SMEs in developing economies is fraught with lack of expertise on the part of the owners/managers (Dorasamy, Marimuthu, Jayabalan, Raman, & Kaliannan, (2010). Thus, this lack of required accounting knowledge creates a serious barrier to performing the accounting function internally as stated under strategic view for activities regarded as core to the survival of the business (Everaert, Sarens, & Rommel,2010). Pitifully, most SMEs are not capable of carrying out the accounting functions internally because of in-adequate knowledge of accounting practice by the owners or managers. Most times they do not keep proper books of account and comprehend the data and figures generated from financial reports. Thus, they are not aware or convinced of the value of accounting and financial reporting framework for control and decision making purposes. Dorasamy *et al*, (2010) found that the use of external accountants' services by SMEs in developing economy (of which Nigeria is one) is positively connected with the knowledge of owner or manager, technical ability, competitive intensity and intricacy of market decision and also when used the advisory services has a positive effect on SME performance and profitability.

1.2 Statement of the Problem

Accounting involves identifying, recording, measuring, analyzing, interpreting, and communicating economic data/information expressed in terms of money to permit informed judgments and decisions by the users of information (I he, 2020). Pitifully, most SMEs are unable to carry out the accounting functions in-house because of in-adequate knowledge of accounting practice by the owners or managers; most times they do not keep proper books of



account and understand the data and figures obtained from financial reports (Oluwaremi, 2016)

Olumbe (2015) opined that outsourcing has been established to be a valuable business approach or model, firms now understand it is better to focus on their core competencies while handing over non-core areas to experts or third parties. According to Egiyi and Alio (2020) the challenges that are encountered in a bid to sustain a competitive advantage in the corporate world faced by a lot of businesses have become a major source of concern these days, businesses are now adopting new cutting-edge technologies and skills and best practices to adapt to the speedy changes in the world, various business and accounting functions are now being reengineered for this purpose. Today, the evolution of accounting like management accounting has made accounting functions to have more roles to play in any business. Furthermore, it has created an advantage for business competitiveness in the market. Hence, the need for outsourcing accounting functions has become greater and also the need to understand the benefits and risks of outsourcing accounting functions. Most if not all, Small and Medium Enterprises may not have sufficient resources and expertise in-house to stay compliant and successfully monitor financial performance, thus the need for support from external accounting and finance experts has undeniably grown over the years (Jema, 2021). This work therefore is meant to examine the relationship between outsourcing of accounting services and its effect on the profitability of SMEs in Delta state.

Objective of the Study

examine the effect of outsourcing tax accounting service on profit after tax of small and medium scale enterprises in Delta State;

evaluate the effect of outsourcing preparation of financial statement on profit after tax of small and medium scale enterprises in Delta State;

determine the effect of outsourcing forensic accounting services on profit after tax of small and medium scale enterprises in Delta State;

Research Questions

What is the effect of outsourcing tax accounting service on the relationship between the profit after tax of small and medium scale enterprises in Delta State?

To what extent does outsourcing preparation of financial statements affect the profit after tax of small and medium scale enterprises in Delta State?

What is the effect of outsourcing forensic accounting services on profit after tax of small and medium scale enterprises in Delta State?

Research Hypotheses

The relationship between outsourcing tax accounting services on profit after tax of small and medium scale enterprises in Delta State is not significant.



The relationship between outsourcing preparation of financial statements on profit after tax of small and medium scale enterprises in Delta State is not significant.

There is no significant association between outsourcing forensic accounting services and profit after tax of small and medium scale enterprises in Delta State.

Scope of the study

This study examines outsourcing of accounting tasks and profitability of small and medium scale enterprises in Delta State with special focus on 227 SMEs operators in Warri Municipal, Burutu and Bomadi local governments, having determined our sample from 525 SMEs. The period of investigation, 2017 to 2021 is considered very important having captured the number of small and medium scale enterprises in these parts of the Delta State that were registered with the ministry of commerce and Industry. services

Significance of the Study

This research work will be of immense help and aid to following groups.

- The Management of SMEs.
- The academia.
- Researchers.

2.0 REVIEW OF RELATED LITERATURE

Conceptual Review

Outsourcing

The development of every business procedure may persist or raise contradiction between the need for improvement and the scarce company resources. Ivita, Rasa and Aida (2020), the experience of many companies around the world shows that in such cases, it is best not to try to improve business processes, but to borrow the process from companies in the industry and take advantage of it. Outsourcing external resources helps the company focus on its core business. The freed up of internal resources can be directed for enhancement of the efficiency of the organization, focusing only on the specialization of the company and realization of its main services, (Ivita, Rasa, Aida (2020). So, one of the possibilities for the business is to purchase accounting services. Just like any other concept in the academic world, outsourcing has varied definitions. This is due to the diverse nature of the perceptions of those who use it. It is therefore not realistic for one to state in a clear cut manner a definition that is generally acceptable.

However, for the purpose of this research, the definitions by Yalokwu and Dominguez (2006) are pertinent and so adopted. Outsourcing is defined according to Yalokwu (2006), as the method of subcontracting operations and services to other firms that specialize in such operations and services that can do them cheaper or better(or both). Also, Dominguez (2006)



views outsourcing as the practice of hiring functional experts to handle business units that are outside of a firm's core business. She describes it as a way of staff augmentation without adding to head count. Another definition is by Egiyi(2020) that Outsourcing is a practice of transferring the services of executing some definite business functions from an employee group to a non-employee group. Outsourcing is the method of establishing and managing a contractual relationship with an external supplier for the provision of ability that has previously been provided in-house (Momme, 2001). Accounting outsourcing means transferring part of accounting functions to a third-party provider or a fully owned subsidiary in order to cut costs, gain access to scarce skills, or obtain competitiveness. Outsourcing is usually explained as the contracting with an external party to provide services or activities that could be provided by an internal source (Carey, Subramaniam, & Ching,. 2006). The main reward of accounting outsourcing may be defined such as savings on accounting staff salaries; cost savings on organization of working places in accounting, department software, training staff; access to skilled counseling; improvement of the quality and reliability of the functions performed by the outsourcer (Ivita et al., 2020)

Financial Outsourcing Life Cycle

Making the Decision

Identify Strategic Drivers

Evaluate the Full Range of Options

A thorough evaluation of the full range of options includes consideration of shared service arrangements, as well as all potential "sourcing" and "shoring" possibilities; most companies have three options when considering whether to outsource. They can

- (a) Leave their processes in their current state,
- (b) Improve the processes or reorganize them into an internal shared services model (or restore the processes to a decentralized model if they are currently in a shared services model), or

For example, a company may want to reduce costs by outsourcing travel and expense (T&E) management. However, if the company in recent times purchased and implemented a new T&E management software application (and invested time and money training end users on the new system), those investments should figure into the evaluation. Research indicates (and many outsourcing advisors agree) that moving processes from a decentralized model to a shared services model can be a helpful intermediary step before outsourcing. Assess Internal Capabilities

Assessing the internal capabilities of each sourcing option must include an honest evaluation of systems and controls as well as the skills necessary to transfer and effectively manage the outsourced process or processes;



The majority of companies that choose to outsource one or more finance and accounting processes assess internal capabilities early in their decision-making. To be effective, however, assessments must be complete. It is not enough to focus only on the skills necessary to execute a specific process. Other capabilities, such as the skills required to

(a) Manage the possible transfer of a process to an outsourcing provider, and

(b) Monitor and manage the outsourcing relationship, also require assessment. Those two needs – managing both the transition and the ongoing relationship – require distinct skills and, as a result, routinely require different experts and staff. An effective assessment in this evaluation area requires an understanding of the skills required to operate the process

Questions to ask during this evaluation include the following:

Does the company possess the expertise and staff required to operate the process in its current form?

What is the likelihood of retaining the expertise and staff required to operate the process in the future?

Determine Scope and Logic

Determining the scope and logic is an essential element of building and finalizing the business case for an AO decision.

This decision-making step includes finalizing the business case for outsourcing, and identifying which process (es) to outsource. The analysis conducted in the previous decision-making step should contribute to the decision made in this step. This evaluation is frequently integrated with the next step of the FAO lifecycle, the selection of the outsourcing provider(s).

Classification of Outsourcing

Peripheral Outsourcing;

Non-critical activities that supply no competitive advantage. Even if performed poorly, they are less likely to seriously hurt an organization in the short term, although they are still important. Examples include cleaning, catering and security.

1. Back office activities

Back office activities are the non-core activities that an organization needs to pave the way for the day to day running of their office/business. As the name suggests, back-office refers to the functions which are required to be carried out proficiently to ensure the success of the business, but these services do not fall into the core operations functioning of the firm. Back-office operations are considered to be the backbone of an enterprise and hence are no less important than the essential functions. In fact, back-office outsourcing has been on the rise in recent years as they are quite vital to the core activities of any enterprise. There are



many benefits of outsourcing back office functions. Some are; focus on core operations, jobs carried out by professionals with domain expertise, higher level of flexibility, access to state of the art technology and infrastructure, acquisition and retention (Gilley and Rasheed, 2000).

2. Primary activities

The primary activities outsourcing practice stems more from the resource accessibility and cost advantage. The resource-based view of the firm and transaction cost economics provides broad details of the conditions which lead firms to opt for the outsourcing of primary activities and of the reasons why such outsourcing has grown in importance in recent years. Many organizations today outsource even their primary activities.. The activities which are directly related to the primary operations are manufacturing, purchases, warehousing, Salesforce and customer service (Gilley and Rasheed 2000).

3. Accounting activities

Businesses have begun outsourcing at a more strategic level not just to reduce costs in non-core processes but to get better business performance. This is being driven by a number of factors such as competitive and budgetary pressures, advances in technology and communications and the need to transform the finance and accounting function (Krell, 2007). Globalization of services opens up new opportunities for companies to outsource finance activities to service provider's worldwide (Hayward, 2000)

4. Support activities

Just like in the case of back-office activities, support activities assist in the efficient running of a business (Isaksson and Lantz, 2015). Include activities such as; shipping, IT services/system, training, advertising, legal services, transport services, public relations.

Types of Accounting Outsourcing Services

According to Manh (2017), Accounting outsourcing services includes reviewing the financial statements; preparing financial reports; performing bookkeeping service and other accounting services. (1), reviewing financial statements is a service which reviews the annual and periodic financial statements as well as other accounting information; the scope of the review is smaller than the audit, so the level of reliability and validity is lower. (2), preparing financial statements is a service which prepares financial statements from the information provided by customers. Service providers do not certify the accuracy of the financial statements. If the contract requires preparation of tax returns, the tax declaration service is also considered as part of the preparing financial statements service.

Short and Long Term implications of Outsourcing

Adopted from Ahmed and Douglas (2000) Outsourcing implications on companies' profitability and liquidity: a sample of UK companies page 267

Short-term and long-term effects



According to Ahmed and Douglas (2000), Outsourcing in general has a direct impact on ways in which a company manages its short-term and long-term resources. The effects of outsourcing are not immediate and any one-off event will be noticeable by transaction costs incurred in setting up the relationship, long-term effects may be more important than the short-term effects. Examples are outsourcing announcements where effects that might be expected include reduction in employment costs, reduction in investment in assets, and reduction in research and development expenditures..

Outsourcing Benefits

The main advantages of outsourcing among SMEs are concentration on core competencies, creating jobs, risk- sharing, and cost-efficiency. Susomrith and Brown (2013) explain that outsourcing improves the performance of organizations since the vendors engaging in the execution of new technologies as well demonstrate a higher level of proficiency from a particular subject matter.

According to Egiyi and Alio (2020) outsourcing accounting function has some Benefits and Risks as follows:

Minimizing costs

Concentration on core competencies

Creation of Employment Opportunities

Risk Sharing and Minimization

Theoretical Review

Theory of Choice

This research is based on the core competencies theory and the transaction cost theory which emphasizes minimization of cost and maximization of profit either through concentrating on their core competencies and subcontracting other non-core areas of operation or subcontracting even their primary activities to others that can perform them less costly thereby earning some returns which is in form of the difference between the value of the contract and the cost of its execution. Cost here entails both; the amount paid the outsource and the processing/ operational fee. The choice of these two theories stems from the fact that, SMEs outsourcing entails both the core and non-core activities. The focus of every manager is achievement of objectives at a lesser cost. When one achieves a goal, the first question that comes to mind is how? How much was spent in realizing the goal? Is there any better way of doing it thereby incurring less cost?

Relationship Theory

According to Macneil (1971) a relationship between two actors is a set of norms developed by parties and these norms will to a large degree determine the behavior of the relationship.



However, these norms may change over time; it is believed to occur as long as their continuance is valued. The purpose of Relationship Theory (RT) is not to predict the governance mode of a relationship, rather it is to describe the behavior in the relationship. The theory is normative in the sense that it describes the behavior that the exchange parties should have. Whereas the transaction is the unit of analysis in the TCA and the unit of analysis in RT is represented by the relation between the two actors. This implies that the RT focuses on not only for the seller or the buyer relationship but also some other relations for instance, service sector.

Empirical Review

Gilley and Rasheed (2000) examined the relationship between outsourcing (core and peripheral functions) and firm performance. They collected subjective data on firm performance in relation to outsourcing intensity from 94 manufacturing large firms in the United States (US). They measure performance with overall financial performance (return on assets, return on sales) and non-financial performance (innovation performance, stakeholder performance) based on subject data. The results of this study show no direct impact of outsourcing on overall firm performance.

Kamyambi and Devi (2011) carried out a study on the impact of accounting outsourcing on Iranian SME performance. The objective of the study was to identify the factors affecting outsourcing intensity of accounting activities and the impact of outsourcing on firm performance. They used questionnaires to collect data and selected a sample of 1750 manufacturing SMES. From the study they found out that outsourcing of accounting services fully mediates a firm's performance.

Gap in Literature

A great amount of arguments can be found from literature that supports the fact that outsourcing rarely fulfills all expectations. Gilley and Rasheed (2000) examined the relationship between outsourcing (core and peripheral functions) and firm performance, USA. Kamyambi and Devi (2011) carried out a study on the impact of accounting outsourcing on Iranian SME performance, This study is poised to determine the relationship between outsourcing accounting task and SMEs profitability as it affects tax services in Delta State of Nigeria, preparation of financial statement, forensic accounting, bookkeeping services, cost and management decision making and profit after tax which were not covered by previous studies.

3.0 METHODOLOGY

Research Design

The study adopted a descriptive survey design in order to produce accurate descriptions of variables relevant to the decision being faced. Descriptive research is used when the purpose is to estimate the proportion of people who behave in a certain way or carry out a certain



service in a certain way (Churchill jr and Iacobucci, 2005). The design is deemed suitable because of the need to describe the relationship between outsourcing of the accounting services and SMEs profitability. This offered an enhanced understanding of the relationships that existed among the variables. A survey instrument was developed to collect data to empirically test the relationship between outsourcing accounting functions based on some identified key factors and the profitability of SMEs in Delta State, Nigeria.

Population of the Study

The targeted population for the study is the 525 SMEs in the Warri Municipal, Burutu Local Government Area, and Bomadi. The reason for choosing these areas in Delta State is for ease of distribution of questionnaires and visiting of the targeted respondents.

Method of Data Collection

The specification of relevant procedures for collecting and analyzing information (data) which would help solve the research problem at hand is quite pertinent for a research (Agburu, 2007). For the purpose of this study, survey research design was adopted. Thus, data was collected through the use of questionnaires (which entails going to the field to source for responses from experts and other respondents).

To source for primary data, the researcher used the responses of SMEs located in Warri municipal, Burutu and Bomadi local government which are the three major areas the researcher could easily and economically access. The researcher distributed (50) questionnaires to (227) two hundred and twenty-seven respondents

3.6 Sampling Design

The population of the study comprised five hundred and twenty five (525) registered Small and Micro Enterprises operating in the area under survey.

From the population of 525, a sample of 227 SMEs was selected using Taro Yamane's formula for sample

This will result in the sampling of 145 SMEs in Warri Municipal, 45 from Burutu and 37 from Bomadi.

Table 3.1 Sample size by local government

Local Government	Number SMEs	Share of sample size $ns' = n(NS)/N$
Warri Municipal	335	145
Burutu	105	45
Bomadi	85	37



Total	525	227
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Source: Field Survey, 2022

The population is made up of sub groups; therefore a stratified random sampling can be used in drawing a sample (Orsaah, 2009)

Table 3.2 Sample distribution

Area of operation/Nature of business	Number of SMEs in the population	Number to be sampled $nS=n(NS)/N$ Error! Bookmark not defined.
Manufacturing	50	19
Education/Health	70	30
Computer/telecommunication	25	9
Restaurant and Hotel	90	41
Wholesale and Retail	290	128
Total	525	227

Source: field survey, 2022

4.0 DATA PRESENTATION, ANALYSIS AND DISCUSSION

1 Descriptive Statistics of the Data variables

Table Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
RBOTAS	202	3.00	5.00	4.1094	.42958
OPFS	202	2.80	5.00	4.1262	.47479
OFS	202	3.20	5.00	4.1312	.41233
OBKS	202	3.20	5.00	4.1545	.40397
PAT	202	3.10	5.00	4.1792	.38860
CMD	202	3.00	5.00	4.0951	.48994
Valid (listwise)	N 202				

Source: Author's computation, 2023

Statistical evidence from Table above indicated that (RBOTAS) has a mean value of 4.1094. This means a greater number of the respondents agreed that outsourcing of tax accounting services will affect the profitability of small and medium scale enterprises in Delta state. This



is supported by a standard deviation of 0.42958 which is also positive and implies that the data variables are spread around the mean value. The minimum and maximum values of 3.00 and 5.00 were also shown for the same variable.

Outsourcing preparation of financial statements (OPFS) indicated an average value of 4.1262. The implication of this is that a greater percentage of the total respondents in this study agreed that outsourcing preparation of financial statements will permit an effect on the profit after tax of small and medium scale enterprises in Delta state. The standard deviation of 0.47979 suggests that the data is spread around the mean value. Furthermore, the Table also indicated a minimum and maximum value of 5.00 and 2.80.

Evidence from the above Table proved that outsourcing forensic accounting services (OFS) has an average value of 4.1312. This value is positive and implies that a good number of the total respondents concur that outsourcing accounting activities will impact on the profitability of small and medium scale enterprises in Delta state. This is well supported by a standard deviation of 0.41233, which implies that the data is clustered around the mean values. In addition, the minimum and maximum values of 3.20 and 5.00 were also indicated for the same variable.

The table also indicated that there is evidence that outsourcing book-keeping services (OBKS) has a mean value of 4.1545, which implies that a great number of the total respondents in this study agreed that outsourcing book-keeping services will impact on the profit after tax of the small and medium scale enterprises in Delta state used in this study. Standard deviation of 0.40397 implies that the data variable is well dispersed around the mean value in this study. Again, the minimum and maximum values of 3.20 and 5.00 were also indicated.

Profit after tax (PAT) is indicated to show a mean value of 4.1792. Meaning that a greater population of the total respondents agreed that outsourcing activities will affect the small and medium scale enterprises in Delta state. The standard deviation of 0.38860 was also shown for it. This means that the data is spread around the mean value. Minimum and maximum value of 3.00 and 5.00 was also indicated for the same variable.

Statistical evidence from the table indicated that outsourcing costing and management decision making services has an average value of 4.0951. This simply means that a great percentage of the total population in this study agreed that outsourcing costing and management decision making service will improve the profit after tax of the small and medium scale enterprises in Imo state. This is supported by standard deviation of 0.48994, which implies that the data variables are spread around the mean value. The minimum and maximum values of 3, 00 and 5.00

Multicollinearity test



A multi-collinearity test is a statistical test conducted to determine if two or more independent variables in a regression test are correlated. The researcher employed tolerance test and variance inflation factor for multicollinearity test as indicated below.

Table 4.4 Multi-concavity test
Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	RBOT	.183	5.466
	AS		
	OPFS	.294	3.405
	OFS	.157	6.384
	OBKS	.148	6.777
	CMD	.946	1.057

a. Dependent Variable: PAT

Source: Author's computation, 2023

From the table, it is evident that the tolerance value of 0.183 was indicated for outsourcing tax accounting services (RBOTAS). The variance inflation factor (VIF) of 5.466 was also observed and it is also less than the benchmark of 10. Meanings that we have not violated the assumption of multicollinearity test (Pollant, 2001)

Outsourcing preparation of financial statements (OPFS) was indicated to have a tolerance value of 0.294 while Variance inflation factor (VIF) of 3.405 was also noticed for the variable. Again, this has not violated the assumptions of the collinearity test. (Pollant, 2001).

Evidence from the table indicated that outsourcing forensic accounting services (OFS) has a tolerance value of 0.153 and Variance inflation factor (VIF) of 6.384. The value notice for both the tolerance and VIF is less than the benchmark of 0.10 and 10 (Pollant, 2001) hence the data variable qualifies for further statistics.

From Table 4.4, evidence that supports outsourcing book-keeping services (OBKS) has a tolerance statistical value of 0.148 and a variance inflation factor value (VIF) of 6.777. These values are not above the benchmark of 0.10 for tolerance and 10 for VIF (Pollant, 2001) hence have satisfactorily met the benchmark for further analysis.

Outsourcing costing and management decision making services (CMD) is shown to have a tolerance value of 0.946 and the variance inflation factor (VIF) 1.057. These statistical values are within the benchmark hence have not violated the assumptions of the collinearity test.

Decision rule:



Decision rule: Reject null hypothesis if probability value computed by means of SPSS is less than or equal to 0.05 ($p \leq 0.05$)

Table 4.5 Regression results showing the relationship between outsourcing tax accounting services, outsourcing preparation of financial statement services; outsourcing forensic accounting services, outsourcing book-keeping services, and outsourcing of costing and management decision making services on profit after tax of small and medium scale enterprises in Delta state is not significant. (Data for the result is on appendix B)

Variables	Unstandardized coefficient	Standardized coefficient	T	Sign.
	B	Beta		
Constant	1.558		6.731	0.000
OTAS	0.501	0.554	4.930	0.000
OPFS	0.256	0.314	3.554	0.001
OFS	0.070	0.074	0.608	0.544
OBKS	-0.168	-0.175	-1.400	0.165
CMD	-0.020	-0.025	-0.502	0.616
R	0.741			
R-Square	0.549			
Adj..R-Square	0.538			
Durbin Watson stat	2.196			
F-statistic	47.510			
Prob.	0.000			

a. Dependent Variable: PAT

b. Predictors: (Constant), CMD, OPFS, OFS, OTAS, OBKS

Source: Author's computation, 2023

From Table 4.5 above, the adjusted coefficient of multiple determination of 0.549 indicate that about 54.9% of the variations observed in dependent variable (profit after tax) of small and medium scale enterprises in Delta state is determined by changes in the values of the identified predictor variable, (outsourcing tax accounting services (OTAS), outsourcing preparation of financial statement service (OPFS), outsourcing forensic accounting services (OFS), outsourcing of book-keeping services (OBKS), and outsourcing costing and management decision services (CMD). This implies that about 45.1% of the changes observed in profit after tax (PAT) of the small and medium scale enterprises in Delta state are



attributable to factors other than the ones considered in our study. The econometric value of F-ratio of 47.510 is significant at 5% level and this further highlights the appropriateness of the model specification.

Again, the Durbin-Watson statistic of 2.196 indicated the absence of auto-correlation, hence confirms that data is appropriate for further analysis

Findings

Hypothesis one

The above table indicated that the coefficient of regression value of 0.501 was observed for outsourcing tax accounting services. This value is positive and significant at 0.05. The implication is that outsourcing of tax accounting services will have a noticeable influence on the profit after tax of small and medium scale enterprises in Delta State. The reason for this could be that an expert will help them to minimize their tax liability to the barest minimum. A caveat that the reason for the outsourcing and non-financial benefit that may be derived from such outsourcing was not considered in this study.

4.4.2 Hypothesis two

Statistical evidence contained in the above table indicated that outsourcing preparation of financial statements has a coefficient of regression value of 0.256 and a probability value of 0.001. This implies that there is a positive and significant relationship between outsourcing preparation of financial statements and profit after tax of small and medium scale enterprises in Delta State. This implies that more preparation of financial statement is outsourced, the more profit small and medium scale enterprises in Delta State will make

4.4.3 Hypothesis three

Outsourcing forensic accounting services is shown to have a coefficient of regression value of 0.070. This implies that outsourcing of forensic accounting service is a positive but insignificant determinant of profit after tax of small and medium scale enterprises in Delta state as the t-statistic of 0.608 is proved to be insignificant. This implication of this could be that the SMEs do not have issues that call for forensic experts or do not have the knowledge that forensic experts exist that can help them discover financial malpractices and improve their profitability

Discussion of findings

That there is a positive and significant association between outsourcing tax accounting services and profit after tax of small and medium scale enterprises in Delta State. The implication of this finding is outsourcing tax accounting services will reduce the amount of tax paid by the SMEs and increase the profitability of such SMEs in Delta State. However, this is without considering whether in-house or employees of the SMEs can render the same service efficiently and effectively.



There is strong evidence to establish that outsourcing preparation of financial statement services positively and significantly affects the profit after tax of small and medium scale enterprises in Delta State. This is confirmed by a coefficient of regression value of 0.256 and a probability value of 0.000. The implication of this finding is that outsourcing preparation of financial statements improves the financial performance of the SMEs. The reason for this finding could be that the contracted partners bring their expertise to bear. A caveat is that the danger this may expose the SMEs in the future was not considered

5.0 SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary

That there is a positive and significant association between outsourcing tax accounting services and profit after tax of small and medium scale enterprises in Delta State. The implication of this finding is that outsourcing tax accounting services will reduce the amount of tax paid by the SMEs and increase the profitability of such SMEs in Delta State.

There is evidence to establish that outsourcing preparation of financial statement services positively and significantly affects the profit after tax of small and medium scale enterprises in Delta state. The implication of this finding is that outsourcing preparation of financial statement improves the financial performance of the SMEs

5.2 Conclusion

The study examined relationships and the effects of outsourcing accounting tasks on the profitability of small and medium scale enterprises in Delta State of Nigeria. It also identified outsourcing as an essential determinant of efficient and effective management of registered small and medium scale enterprises both in Delta State. It also established that various activities are outsourced among the small and medium scale enterprises.

5.3 Recommendations

Employees of the SMEs should be made to learn how to execute the outsourced functions from the outsourced partner as this will improve the earnings of the SMEs in Delta State.

The management of the SMEs in Delta State should outsource their activities only to knowledgeable and expert partners who will bring their knowledge to bear as to improve the profit.

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