

RELATIONSHIP BETWEEN OUTSOURCING ACCOUNTING TASKS AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA - STRATEGIC RELATEDNESS FACTOR USING THE PARTIAL LEAST SQUARE APPROACH

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ABSTRACT

The overall objective of the study was to investigate the relationship between outsourcing accounting tasks and the financial performance of small and medium enterprises in Nigeria with emphasize on strategic relatedness factor. Several hypotheses were formulated based on the constructs of the Independent Variable. The study specifically seeks to explore the role of outsourcing of accounting functions based on some drivers, as given by the Transaction Cost Economies theory (TCE). The target population of the study are the SMEs in three Geo-political zones of Southern part of Nigeria consisting of 5,796 SMEs. The sampling technique adopted was a two-stage sampling technique applied chronologically as follows: stratified and simple random sampling techniques which eventually produced a sample size of 411 used for the study. Both primary and secondary data options were explored with the main aim of making sufficient data available for the study. Structured Questionnaires were used to collect primary data from the respondent organisations and the secondary data involved the collection of the Annual Financial Reports of the respondent organisations for the 5-year period covering 2008 to 2012 for the extraction of the financial performance indices. The data were subjected to various statistical screening for reliability of the instrument and validity of the variables (in terms of Construct and Convergent validity). Structural Equation Model (SEM) was employed to analyse the data vide SPSS 23 and SmartPLS packages in order to obtain the statistical significance and the direction of the relationships between Inner and Outer models of the study. The study revealed that there was significant relationship between outsourcing of accounting tasks and the financial performance of SMEs in Nigeria when strategic relatedness factor is put into consideration. The study finally recommended that SMEs should take their external accountants as mentors and advisors on how to further devise their firm strategies. This is easily achieved when the outsourcing relationship established is for long term as against the usual short term practices. Here the parties involved would align their goals (goals congruency) and put an arrangement in place for easy knowledge sharing among all the parties involved in the relationship.

Keywords: Capability, Exchange Partners, Financial Performance Knowledge Sharing, Relationship.