

OUTSOURCING ACCOUNTING FUNCTIONS AND THE PERFORMANCE OF SMALL BUSINESSES IN OYO STATE

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ABSTRACT

The study examined the effect of outsourcing accounting functions and performance of small businesses in Oyo State. Purposive and simple random sampling techniques were used to select a sample of 241 owners/managers of table water processors in sixteen divisions of table water producers in Oyo State. Data on the accounting activities and business characteristics of respondents were collected from primary source through questionnaire. Regression analysis was employed to model the effect of outsourcing accounting functions on small businesses' performance and influence of small businesses' characteristics on their adoption of outsourcing accounting functions. Correlation analysis was adopted to analyze the relationship between outsourcing accounting functions and small businesses' performance. Findings showed that 95.8% of small businesses' performance was attributed to observance of outsourcing accounting functions, the observed effect was statistically significant. There was significant relationship between outsourcing accounting functions and small businesses' performance. It was revealed that transaction identification, book-keeping and generation of financial statement were significantly correlated to small businesses' performance. Findings also showed that small businesses' characteristics had significant influence on their adoption of accounting procedures which was significant, indicating that small businesses' characteristics significantly influenced ability of small businesses to adopt outsourcing of accounting functions. The study concluded that outsourcing accounting functions caused small businesses' performance. Small businesses' characteristics had constituted hindrances to their compliance with accounting procedures. Small businesses should embrace accounting procedures in preparation of accounts to aid sound economic decision making and better performance.

Keywords; Outsourcing, Accounting Function, Performance, Accounting Activities, Small Business Characteristics

INTRODUCTION

Outsourcing accounting functions can have a significant impact on the performance of small businesses in Oyo State. Studies have shown that outsourcing strategies, such as outsourcing office activities, primary activities, and supporting activities, can lead to improved organizational profitability for SMEs. (Oluwafolakemi, F., et al., 2019) This is because outsourcing allows small businesses to focus on their core operational activities while delegating other business processes to third-party providers. (Agbaje. A.G.A. et al., 2017). Additionally, outsourcing can result in cost savings and better customer service, which can contribute to the overall performance of SMEs. (Sola, K. 2018). The practice of accounting outsourcing has become widely used and accepted in Ukraine, indicating its feasibility and advantages for small and medium-sized businesses. (Agburu, J.I., et al., 2017).

This study addresses the impact of outsourcing strategies on the performance of small and medium-scale enterprises (SMEs), the effect of auditing skills on small business performance

and the impact of the business environment on SMEs' performance. But the prior literature addressing issues surrounding outsourcing strategies on the performance of small and medium-scale enterprises (SMEs) and the inventory management practices of the SMEs followed in the preparation of financial information by smaller entities and the effect of accounting function on their performance is somewhat limited. Due to the fact that there were limited studies done on this topic, the researcher conducts this study to fill the knowledge gap.

LITERATURE REVIEW

Okoh & Okoh (2012) examined the roles of accounting information in the survival of small businesses in Warri, Delta State, Nigeria. The study concluded that for small scale businesses to function successfully, adequate accounting information is necessary therefore managers of small businesses should employ and utilize the services of professional accountants who perform expert and useful accounting services to small scale firms. Onaolapo and Adegbite (2014) conducted an empirical survey to investigate the effect of accounting records keeping on small scale enterprises. It was therefore found that there is a strong positive relationship between accounting records keeping and performance of small-scale enterprises. Adeleke and Ojewale (2023) adopted descriptive and exploratory research design to determine that accounting practices and financial management practices of small firms in Nigeria impacted on their profitability, growth and survival. This study therefore, would fill the knowledge gap by examining the influence of accounting functions on the performance of small businesses.

Accounting Theory is the organized body of knowledge which deals with order, reasons, relationships, objectives and methods involved in the practice of accounting (Maharshi Dayanand University, 2014). Hendriksen (1984), however, used the definition of the Weber's Third International Dictionary as the basis to define accounting theory. He defined accounting theory as logical reasoning in the form of a set of broad principles that: (i) provide a general frame of reference by which accounting practices can be evaluated, and (ii) guide the development of new practices and procedure. He further states that accounting theory may be used to explain existing practices to obtain a better understanding of them. All the definitions of accounting theory given above underpin the use of theory as a guide to accounting practices and to develop systematic accounting practices. As the term accounting theory is used here, it applies to financial accounting and not to managerial or governmental accounting and it is concerned with improving financial accounting and statement presentation; financial accounting refers to accounting information that is used by investors, creditors, and other outside parties for analyzing management performance and decision-making purposes (Richardson, 2018).

Empirical Review

Okoh & Okoh (2012) examined the roles of accounting information in the survival of small businesses in Warri, Delta State, Nigeria. The study therefore concluded that for small scale businesses to function successfully, adequate accounting information is necessary therefore managers of small businesses should employ and utilize the services of professional accountants who perform expert and useful accounting services to small scale firms in order to improve on their operational performance. Onaolapo and Adegbite (2014) conducted an empirical survey to investigate the effect of accounting records keeping on small scale enterprises. It was therefore found that there is a strong positive relationship between accounting records keeping and performance of small-scale enterprises.

Adeleke (2023) adopted descriptive and exploratory research design to determine that accounting systems and practices and financial management practices of small firms in

Nigeria impacted on their profitability, growth and survival. This study therefore, would fill the knowledge gap by examining the influence of accounting functions on the performance of small businesses. Based on the objectives of this study, we therefore propose these hypotheses.

H₀₁: There is no significant relationship between outsourcing of accounting function and small businesses’ performance

H₀₂: Small businesses’ characteristics do not significantly influence outsourcing of accounting function.

METHODOLOGY

A cross-sectional survey research design was used for the study. It is a design which involves one time observation of independent and non-manipulative variables. It was considered appropriate for the study because it enabled the researcher to collect data for hypotheses testing, to explain the relationship between outsourcing of accounting function and small businesses’ performance. The study was conducted on owner/managers of table water businesses in Oyo State who are members of Association of Table Water Processors. This group of people formed the focus of the study taking into consideration the fact that they are involve in profit making, book-keeping and management of finance. Oyo State was chosen because of the high concentration and predominance of small businesses producing table water in the state was easily identifiable.

Table water processors were purposively selected because they had functioning association which aided collection of data. The sample size of 241 table water firms was selected using Yamane (1967) formula. Simple random sampling was employed in the selection of zones to ensure that each member of the population had equal chance of being included in the sample and it was adequate to represent the salient features of target population in the study and to possibly make generalization of findings to small businesses in Oyo State.

The sample size of 241 was arrived at using Yamane (1967) formula as stated below:

$$n = \frac{N}{1 + Ne^2} \dots\dots\dots (3.1)$$

Where N = Population = 604, n = Sample Size, e = Margin of error = 0.05

$$n = \frac{604}{1 + 604 (0.05)^2}$$

$$= \frac{604}{2.51} = 241$$

Method of Data Collection

Two sources of data were employed. These are primary and secondary data. For the purpose of this research work primary source of data is original and free from influence, hence it was considered appropriate for this study. Also, secondary data was obtained from books, magazines, journals, research works and even from the internet. The data for this study was collected through the use of a well-structured questionnaire on a five points Likert Scale - Strongly agree (SA), Agree(A), Undecided(U), Disagree(D), Strongly disagree (SD).

Research Variables and their Measurement

Outsourcing accounting functions include such variables as transactions identification, book-keeping and financial statement. As a variable, the financial statement of small businesses is made up of statement of comprehensive income, statement of financial position and statement of cash flow. Performance as a dependent variable could be measured in term of number of employees, turnover, capital base, profit, sales growth and market share as indicators.

Small businesses' characteristics include variables such as limited scope of operation, one man business outlook, family involvement, no separate entity, no legal disclosure requirement and limited capital. Generally, both dependent and independent variables will be measured on ordinal scale i.e. Likert Scale.

RESULTS

The data collected were mainly on issues relating to the effects of outsourcing accounting functions on small businesses' performance in Oyo State. Moreover, the data collected were 175 i.e. 72.6% questionnaires completely returned out of the total of two hundred and forty-one (241) questionnaires administered to the owner/managers of table water processors in Oyo State.

Demographic Characteristics of Respondents (Owner/managers)

Data revealed that 30.29% of respondents fell within the age of 26-35 years, 48.57% fell between 36-45 years and 21.14% were above 45 years. The highest percentage of 48.57% was in active years of age with the mean age of 39years. This shows that majority of the owners/managers are within the working age. Also, the table shows that there were more male than female owners/managers i.e. 87.43% of the respondents were male while 12.57% were female owners/managers. This implies that more of the men involve in entrepreneurial activities.

Furthermore, the status shown on the table shows that married owners/managers constituted 54.29% of the respondents, single had 25.71% while others had 20%. This implies that most of the respondents were married. From the table also, it was revealed that 15.43% had O'Level, 21.71% had OND/NCE, 47.43% first degree or HND while 15.43% had higher degree. This implies that majority of owner/managers have higher education qualification.

Responses of Owners/Managers on Socio-Economic Profiles of their Businesses.

Data showed the distribution of respondents by forms of business ownership. The ownership status identified includes sole proprietorship (54.86 %), partnership (12.57 %) and family business (32.57). The result implies that most of the owners of small businesses were sole proprietors. The table revealed that majority of the owners/managers has spent 10-14years in business operation, with 36.57%, 15-19 years have 23.43%, 5-9years have 18.29%, 20 years or above 11.43% and 0-4years have 10.29%. The mean years of experience are 12 indicating that majority of owners/managers have gained more experience in business. Also, the result of the finding indicated that none of the owners/managers engaged workers less than four. 18.29% of owners/managers had between 5-9 workers, 32% had 10-14 workers, 42.86% had 15-19 workers while 6.86% 20 workers and more. The average numbers of people employed in the study area was 13. This implies that most of the owners/managers of small businesses generated employment opportunities for the person which is consistent with the previous findings (Ogujiuba et al, 2004).

Moreover, the table revealed the distribution of the personnel in charge of accounting tasks of small businesses. It showed that 13.14% hired full time accounting officers/clerks, 32.57% of the owners/ managers did accounting works by themselves, 42.86% carried out the tasks in conjunction with consulting firms while 11.43% outsourced the accounting functions completely to consulting firms. On the method of book-keeping adopted, 29.71% of the small businesses adopted double entry system of book-keeping while 70.29% followed single entry. This implies that there would be cases of incomplete accounting information of small businesses. On the issue of financial records kept by the small businesses, 6.86% kept only daybooks/journals, 12% kept daybooks and cash book, 16% kept daybooks and workers payroll, 17.14% maintained cash book and workers payroll, 19.43% prepared daybooks, cash book and ledger while 28.57% kept daybooks, cash book, workers payroll and ledger. This implies that majority of owner/managers kept incomplete records. The table further revealed financial report prepared and maintained by the small businesses. 11.43% prepared statement of cash flow, 10.86% prepared income statement, 21.14% prepared cash flow and income statement, 20% prepared income statement and balance sheet while 36.57% prepared statement of cash flow, income and balance sheet. This implies that most of the small businesses didn't prepare a comprehensive financial reporting.

The purposes of financial reports prepared by the small businesses were presented in the table. 24% prepared it to ascertain profit, 8.57% for tax assessment by tax authority, 12.57% for obtaining loan/advances from banks, governmental organization and creditors, 16% for profit calculation, 13.14% for profit calculation and tax assessment while 25.71% of the small businesses prepared financial reports to ascertain profit, for tax assessment and to obtain loan/advances. According to the table, 89.14% of the owners/managers measured performance of their businesses while 10.86% did not. 57.71% of the small businesses used amount of profit they earned to gauged their performance, 13.14% employed numbers of products produced, and 22.86% based it on sales per period while 6.29% used other criteria for their performance assessment. This implies that financial report was prepared by owner/managers majorly to ascertain profit.

The table showed the distribution of small businesses' level of productivity achieved annually in the last few years. It was revealed that 5.71% of small businesses achieved production level between 0-100000units, 25.14% had produced 100001-200000units, 46.29% had between 200001-300000unit while 22.86% were able to produce the range of 300001-400000units annually. This result indicates that the average level of production per annum is 236,785units. More so, in the table annual sales of small businesses in the last few years were presented. It was revealed that 4% of the small businesses had annual sales of between #0 - #5,000,000, 27.43% made an annual sale of between #5,000,001- #10,000,000, 45.14% made an annual turnover range of #10,000,001-#15,000,000 while 23.43% had annual sales between #15,000,001-#20,000,000 in the last few years.

This implies that average sales per month and year were #992,083 and #11,905,000 respectively. Lastly, the table showed the distribution of small businesses by annual profit earned in the last few years. The result of the finding indicated that 8.57% of the owners/managers earned between #0-150,000 annual profit, 34.29% had between #150,001-#300,000 annual profit, 42.86% made between #300,001- #450,000 annual profit in the last few years while 14.29% had #450,001-#600000 annual in the last few years i.e. the average annual profit per month and year are #26,648 and #319,785 respectively. The results on level of productivity, turnovers and profit achieved by the owners of small businesses imply that they contributed immensely towards the nation economy.

Perception of Owners/Managers on the Effect of Outsourcing Accounting Functions on Small Businesses’ Performance.

Analysis from table 4.3 shows that, majority of owners/managers strongly agreed by 32% that outsourcing of accounting functions help to identify business/financial transaction affecting business entities as items of income or expense or asset or a liability at a point in time, 24.57% also agreed to it, 20% were undecided while 17.71% disagreed to the statement and lastly 5.71% strongly disagreed this implies that accounting functions assist in transaction identification. The table indicated that outsourcing accounting practices facilitates proper book-keeping, 38.29% of the owners/managers strongly agreed to it, 28.57% agreed to it, 16% were undecided and indifferent, 14.86% disagreed and 2.29% strongly disagreed. This implies that outsourcing accounting functions is a catalyst for proper book-keeping. The table further revealed that rules and standards of accounting made it easy and simplifies the preparation of financial statement/report. Indication came from the opinion of owners/managers where 39.43% strongly agreed to it, 25.71% agreed to it, 18.29% were indifferent, 12% disagreed and 4.57% strongly disagreed.

This implies that outsourcing accounting functions facilitate preparation of financial statement. Likewise, the table shows outsourcing of accounting functions enable the owners/managers to differentiate business assets or transactions from their own private properties or dealings. 30.86% strongly agreed to it, 36% agreed to it, 13.14% were undecided. However, 11.43% disagreed to it while 8.57% strongly disagreed to it. Similarly, to know the opinion of the owners/managers on whether observing outsourcing accounting practices leads to improvement in small businesses’ performance, 34.29% strongly agreed that indeed it improved the performance of small businesses, 27.43% agreed and 17.14% were indifferent. However, 17.14% disagreed and 4% strongly disagreed. This implies that outsourcing accounting functions enhance small businesses’ performance.

Table 1: Distribution of Perception of Owners/Managers on the Effect of Outsourcing Accounting Functions on Small Businesses’ Performance.

| S/N | SA | A | U | D | SD | TOTAL |
|-----|-----------|-----------|-----------|-----------|----------|----------|
| 1 | 56(32.00) | 43(24.57) | 35(20.00) | 31(17.72) | 10(5.71) | 175(100) |
| 2 | 67(38.29) | 50(28.57) | 28(16.00) | 26(14.86) | 4(2.29) | 175(100) |
| 3. | 69(39.43) | 45(25.71) | 32(18.29) | 21(12.00) | 8(4.57) | 175(100) |
| 4. | 54(30.86) | 63(36.00) | 23(13.14) | 20(11.43) | 15(8.57) | 175(100) |
| 5. | 60(34.29) | 48(27.43) | 30(17.14) | 30(17.14) | 7(4.00) | 175(100) |

Source: Field Survey, 2018.

Note: The bracket figures indicate the percentage and figures not bracket indicate frequency.

Perception of Owners/Managers on the Influence of Small Businesses’ Characteristics on Their Adoption of Outsourcing Accounting Functions.

Analysis from table 1 shows that majority of respondents with 41.14% strongly agreed that owners/managers do not always separate their personal transactions from their businesses, 36% also agreed to it, 9.14% were undecided, while 8.57% and 5.14% disagreed and strongly disagreed with it respectively. This implies that there is lack of entity concept in small businesses which undeniably influence their adoption of outsourcing accounting functions. Investigation also indicated that 38.86% of the respondents strongly agreed that small

businesses do not adopt outsourcing accounting functions because the scope of their operation is limited. 35.43% also agreed, 9.71% were undecided, although, 10.86% disagreed and 5.14% strongly disagreed with it. This implies that limited scope of small businesses' operation affects their compliance with accounting procedures. Furthermore, 40.57% of the respondents strongly agreed that family-owned business does ignore outsourcing of accounting practices, 30.86% also agreed, 11.43% were undecided while 10.29% disagreed and 6.86% strongly disagreed. This implies that business with close family involvement does not usually adopt outsourcing of accounting functions.

The table also reveals that 40% strongly agreed that owners/managers pay less attention to outsourcing of accounting functions in the preparation of their entities accounts because the capital invested is usually low and they could not meet the cost involved. 34.29% agreed to it. 10.29% were indifferent while 9.14% and 6.29% disagreed and strongly disagreed with the statement. In the same vein, majority of the owners/managers accounted for 41.14% strongly agreed that they would not bother to outsource accounting functions in the preparation and communication of accounting information of their entities because small businesses are not legal entities and thus are not required by the law to disclose their financial reports. 34.86% agreed, 9.16% were undecided while 8% and 6.86% disagreed and strongly disagreed respectively. This implies that no legal disclosure requirement prevents small businesses to comply with accounting functions.

More so, the table revealed that the respondents which constituted 42.29% strongly claimed that majority of small businesses are sole trading. 33.14% agreed, 10.22% were undecided while 14.29% disagreed. It implies that majority of small businesses are owned independently by one man. It was clearly shown in the table that 34.29% of the respondents strongly agreed that some owners/managers that lacked accounting expertise did not usually employ competent accountants, 37.14% agreed, 6.86% were undecided, 11.43% disagreed while 10.29% strongly disagreed. Conclusively, 39.43% strongly agreed that small businesses' characteristics influenced their adoption of outsourcing accounting functions in book-keeping and preparation of accounts, 34.86% also agreed, 9.71% were undecided, while 9.14% and 6.86% disagreed and strongly disagreed to it respectively. This implies that small businesses' characteristics influenced their adoption of outsourcing accounting functions in accounting processes.

Tabl3 2: Distribution of Perception of Owners/Managers on the Influence of Small Businesses' characteristics on their Adoption of Outsourcing Accounting Functions.

| S/N | SA | A | U | D | SD | TOTAL |
|-----|-----------|-----------|-----------|-----------|-----------|----------|
| 1. | 72(41.14) | 63(36.00) | 16(9.14) | 15(8.57) | 9(5.14) | 175(100) |
| 2. | 68(38.86) | 62(35.43) | 17(9.71) | 19(10.86) | 9(5.14) | 175(100) |
| 3. | 71(40.57) | 54(30.86) | 20(11.43) | 18(10.29) | 12(6.86) | 175(100) |
| 4. | 70(40.00) | 60(34.29) | 18(10.29) | 16(9.14) | 11(6.29) | 175(100) |
| 5. | 72(41.14) | 61(34.86) | 16(9.14) | 14(8.00) | 12(6.86) | 175(100) |
| 6. | 74(42.29) | 58(33.14) | 18(10.29) | 25(14.29) | - | 175(100) |
| 7. | 60(34.29) | 65(37.14) | 12(6.86) | 20(11.43) | 18(10.29) | 175(100) |
| 8. | 69(39.43) | 61(34.86) | 17(9.71) | 16(9.14) | 12(6.86) | 175(100) |

Source: Field Survey, 2018.

Note: The bracket figures indicate the percentage and figures not bracket indicate frequency.

To examine the effect of outsourcing accounting functions on small businesses’ performance. In order to examine this, the regression analysis technique was applied to analyse the data collected and the result presented on the tables 4.5a and 4.5b shown below. The regression analysis results shows that the R² Coefficient (0.9581), which is the coefficient of determination indicates that the explanatory variables account for 95.8% of the variation of outsourcing accounting functions that influences small businesses’ performance. Given R² = 95.8%, adjusted R²= 96.8% with Prob>f = 0.0000 at 5% level of significant, indicating that the independent variables in the model jointly and significantly explain the outsourcing of accounting functions that affects small businesses performance. Therefore, transaction identification, book-keeping and preparation of financial statement were found to be significant at P>/t/ of 0.000, 0.008 and 0.006 respectively at 5% significant level. This result conforms to Amissah (2011) and Okwena, Okioma and Erick (2011) as revealed in the results of their studies that proper book-keeping has positive impact on small businesses.

Table 3: Regression Analysis results of outsourcing accounting functions that influences small businesses’ performance.

| SBP | Coef | Std.Err | t | P>/t/ | [95%conf.interval] | |
|-------|----------|----------|-------|-------|--------------------|----------|
| TI | .5253474 | .0456827 | 11.05 | 0.000 | .4351727 | .615522 |
| BK | .2321816 | .0860641 | 2.70 | 0.008 | .062296 | .4020665 |
| FS | .2345234 | .0848971 | 2.76 | 0.006 | .066942 | .4021046 |
| _cons | .0255354 | .0684283 | 0.37 | 0.709 | -.1095375 | .1606083 |

Source: Author’s computation, 2018.

Table 4: Showing the model summary

| SOURCE | SS | DF | MS |
|----------|------------|-----|-----------|
| Model | 247.318258 | 3 | 82.43418 |
| Residual | 10.8188845 | 171 | .06326833 |
| Total | 258.137143 | 174 | 1.4835468 |

| R – squared | Adj. R – squared | Prob>f | Root MSE | F(3,171) | No.obs |
|-------------|------------------|----------|----------|-----------|--------|
| = 0.9581 | = 0.9686 | = 0.0000 | = .25153 | = 1303.01 | = 175 |

Source: Author’s computation, 2018.

The table 4 below shows the Pearson Product Moment Correlation Coefficient results of relationship between outsourcing of accounting functions and small businesses’ performance in form of correlation matrix. This is an indication of how the individual variables are related. It shows that outsourcing of accounting functions which entails transaction identification (96.7%), proper book-keeping (95.6%) and preparation of financial statement (95.8%) by an expert is correlated to small businesses’ performance. Also from table 4.5b, the square root of R² = R = 0.9788 which indicated that collectively there is relationship between outsourcing of accounting functions and small businesses’ performance

Decision Rule: reject null hypothesis if R > 0.5 at 5% level of significant i.e if correlation coefficient is greater than 50%.

From table 4, the square root of $R^2 = r = 0.9788$ which indicated correlation coefficient between outsourcing of accounting functions and small businesses' performance. Also from table 4.6, correlation coefficient between each explanatory variable and small businesses' performance were transaction identification ($r = 0.967$), book-keeping ($r = 0.956$) and financial statement ($r = 0.958$). Therefore null hypothesis is rejected. This implies that collectively and individually there is significant relationship between outsourcing of accounting functions and small businesses' performance. The implication of this result is that the higher the level of adherence to accounting functions by an expert the higher the performance of small businesses. This is in line with Onaolapo and Adegbite (2014) that found out there was strong positive relationship between accounting record keeping and performance of small-scale enterprises. However, Onaolapo and Adegbite (2014) did not test the relationship between transaction identification and preparation of financial statement and performance of small scale enterprises.

Table 5: Correlation matrix showing relationship between outsourcing of accounting functions and small businesses' performance.

| | SBP | TI | BK | ES |
|-----|---------|--------|--------|--------|
| SBP | 1.0000 | | | |
| TI | 0.9674* | 1.0000 | | |
| BK | 0.9562* | 0.9369 | 1.0000 | |
| ES | 0.9585* | 0.9406 | 0.9804 | 1.0000 |

Source: Author's computation, 2018.

H₀₂: Small businesses' characteristics do not significantly influence their adoption of outsourcing.

In order to examine the influence of small businesses' characteristics on their adoption of outsourcing accounting functions and to test the hypothesis, the regression analysis results obtained in the evaluation of small businesses' characteristics that influenced their adoption of outsourcing accounting functions shows that the R^2 Coefficient (0.9942) which is the coefficient of determination indicates that the explanatory variables account for 99% of the variation of small businesses' characteristics that influenced small businesses to adopt outsourcing of accounting functions. Given the adjusted R^2 of 99% with $\text{Prob} > f = 0.0000$ at 5% level of significant, is an indication that the independent variables in the model jointly explain the small businesses' characteristics that influence small businesses to adopt outsourcing of accounting functions. Therefore, non-separate entity, limited operation, family involvement, small capital and absence of legal disclosure of performance were found to be significant at $P > /t/$ of 0.000, 0.000, 0.001, 0.000 and 0.000 respectively at 5% significant level. This implies that small businesses' characteristics influence their adoption of outsourcing accounting functions.

Decision Rule: reject null hypothesis if F-calculated value is greater than F-table value at 5% level of significant. From the table 4.7b, F-cal value $>$ F-table value that is $5824.14 > 2.65$ at 5% level of significant. Therefore, null hypothesis is rejected. This implies that small businesses' characteristics significantly influence their adoption of outsourcing accounting functions.

Table 6: Regression Analysis results of small businesses’ characteristics that influence their adoption of outsourcing accounting functions

| AAP | Coef | Std.Err | t | P>/t/ | [95%conf.interval] | |
|-------|----------|----------|-------|-------|--------------------|-----------|
| NSE | .2382445 | .0412563 | -5.77 | 0.000 | -.3196886 | -.1568005 |
| LSO | .4833675 | .0457579 | 10.56 | 0.000 | .3930367 | .5736982 |
| FI | .106358 | .0320582 | 3.32 | 0.001 | .043072 | .169644 |
| LCI | .3344908 | .0575621 | 5.81 | 0.000 | .2208574 | .4481243 |
| NLD | .320963 | .0504272 | 6.36 | 0.000 | .2214147 | .4205113 |
| _cons | .025535 | .0684283 | 0.37 | 0.709 | -.10953 | .1606083 |

Source: Author’s computation, 2018.

Table 7: Showing the model summary

| SOURCE | SS | DF | MS |
|----------|------------|-----|------------|
| Model | 255.056938 | 5 | 51.0113876 |
| Residual | 1.48020507 | 169 | .00875861 |
| Total | 256.537143 | 174 | 1.4743514 |

| | | | | | |
|-------------|------------------|----------|----------|-----------|--------|
| R – squared | Adj. R – squared | Prob>f | Root MSE | F(3,171) | No.obs |
| = 0.9942 | = 0.9941 | = 0.0000 | = .09359 | = 5824.14 | = 175 |

Source: Author’s computation, 2018.

CONCLUSION

The research findings indicate a strong positive correlation between outsourcing accounting functions and enhanced performance among small businesses in Oyo State, Nigeria. This adoption of accounting practices notably improved performance metrics. Additionally, certain characteristics of small businesses, such as their structure, limited operations, family involvement, capital, and absence of legal performance disclosure acted as significant barriers to utilizing outsourced accounting functions. The study highlights the benefits of outsourcing accounting functions, emphasizing its role in identifying financial transactions, maintaining accurate records, and generating expert financial statements. This practice aligns with accounting principles and processes, enabling companies to redirect resources effectively. It is recognized as an essential tool for informed decision-making and gauging performance, offering vital information for economic decisions, precise trend anticipation, and competitive evaluation.

RECOMMENDATIONS

Encourage small business owners and managers to embrace accounting functions, enabling them to ascertain property ownership, debts, profits, losses, and capital accurately. Advocate for government-led educational initiatives, in collaboration with relevant ministries, to enhance knowledge among owners and managers regarding outsourcing accounting functions. Suggest the option of outsourcing accounting functions for small businesses unable to afford full-time qualified accountants, reducing the permanent hiring cost.

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