

## **IMPLICATIONS OF ACCOUNTING OUTSOURCING DECISION: EVIDENCE FROM SMES IN SRI LANKA**

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### **Abstract**

Decision of outsourcing is a make or buy decision that an organization decides to purchase previously they have made or a service that was performed in house. When studying about the accounting outsourcing practice it can be identified that there is a huge trend among small and medium enterprises (SMEs) to outsource their accounting function across the world. However, different countries reveal different reasons for the decision of accounting outsourcing. Further, the decision of accounting outsourcing can impact on the organization in different ways either in positive ways or negative ways. Accordingly, there is an empirical gap that can be identified relating to the developing countries. Moreover, as there are no studies which focus on the non-financial implications arising with the decision of accounting outsourcing, this study would help to fulfill the knowledge gap as well. Accordingly, the researcher followed a mixed research design and collected both qualitative and quantitative data for the analysis. Further, it selected a sample of 100 as the sample size through simple random sampling technique and a structured questionnaire was sent to the owners/ managers of manufacturing SMEs. Collected data is analyzed through correlation, analysis, regression analysis and thematic analysis. Accordingly, cost reduction, focus on core business, access to expertise and productivity improvement are considered as the factors that influence accounting outsourcing decisions. Further, it revealed that factors influence on accounting outsourcing have a positive relationship and positive impact towards accounting outsourcing decisions. Moreover, sharing confidential information with a third party, less contribution towards the SME and allocation of extra time and effort by the management were the major non- financial implications of occurring due to accounting outsourcing.

**Keywords:** *Accounting Outsourcing Decision, Non- Financial Implications, Small and Medium Enterprises*