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ACCOUNTING OUTSOURCING SERVICES FROM THE PERSPECTIVES OF TRANSACTION COST ECONOMIES: A STUDY IN KAZAKHSTAN

Аңдатпа. Бұл зерттеудің мақсаты аутсорсингтік бухгалтерлік есеп қызметтерінің Қазақстандағы шағын және орта бизнестің транзакциялық шығындары мен операциялық шығындарына әсерін түсіну болып табылады. Жартылай құрылымдалған сұхбаттар Бухгалтерлік аутсорсинг фирмасында немесе Бухгалтерлік аутсорсинг қызметін алатын фирмада жұмыс істейтін адамдардан деректер жинау үшін пайдаланылды. Жағдайлық талдау нәтижелері көрсетеді. Бухгалтерлік аутсорсинг қызметтері фирмаларға негізінен екі аспект бойынша пайда әкеледі. Бұл операциялық шығындарды үнемдеу және цифрландыру. Сонымен қатар, құпия ақпаратты тарату сияқты Бухгалтерлік аутсорсинг қызметтерімен байланысты тәуекелдер анықталды. Теориялық және практикалық салдары талқыланады. Сонымен, болашақ зерттеулердің шектеулері мен бағыттары да ұсынылған.

Түйінді сөздер: Бухгалтерлік есеп аутсорсингі, шағын және орта бизнес, транзакциялық шығындарды үнемдеу, операциялық шығындар, цифрландыру.

Abstract. The purpose of this study is to understand the effects of accounting outsourcing services on transaction costs and operating expenses of SMEs in Kazakhstan. Semi-structured interviews were used to collect data from people who either work for an accounting outsourcing firm or a firm that receives accounting outsourcing services. Thematic analysis' results reveal that accounting outsourcing services would benefit firms basically in two aspects. They are operational cost savings and digitalization. Besides, risks associated with accounting outsourcing services have been revealed such as the dissemination of confidential information. Theoretical and practical implications are discussed. Finally, limitations and directions for future research are also presented.

Keywords: Accounting outsourcing, SMEs, Transaction cost economies, operating expenses, digitalization

Аннотация. Целью данного исследования является понимание влияния услуг аутсорсинга бухгалтерского учета на транзакционные издержки и операционные расходы малого и среднего бизнеса в Казахстане. Полуструктурированные интервью использовались для сбора данных от людей, которые либо работают в фирме по аутсорсингу бухгалтерского учета, либо в фирме, которая получает услуги по аутсорсингу бухгалтерского учета. Результаты тематического анализа показывают, что услуги аутсорсинга бухгалтерского учета принесли бы пользу фирмам в основном в двух аспектах. Это экономия операционных затрат и цифровизация. Кроме того, были выявлены риски, связанные с услугами бухгалтерского аутсорсинга, такие как распространение конфиденциальной информации. Обсуждаются теоретические и практические последствия. Наконец, также представлены ограничения и направления будущих исследований.

Ключевые слова: Аутсорсинг бухгалтерского учета, малые и средние предприятия, экономия на транзакционных издержках, операционные расходы, цифровизация

Introduction

Small and medium enterprises are one of the key sectors within an economy since they are key engines to drive economic growth at the domestic and international levels (Akewushola & Elegbede, 2013). In order to gain a competitive advantage, they need to formulate correct strategies to meet the expectations of their stakeholders. To do so, they need to specialize in specific fields whereas they outsource some of their activities to outsiders to reduce operating and transaction costs (Akewushola & Elegbede, 2013). In this context, outsourcing is one of the tools used by SMEs that replaces in-house providing activities by subcontracting them out to the external agents. It means some of the firm activities would become the responsibility of external agents, availing the organization the opportunity to concentrate on its core competencies (Grobler, Laugen, Laugen & Fleury, 2012).

The earlier outsourcing practices consisted of peripheral activities such as security, cleaning, and catering (Agburu et al., 2017) but nowadays the practice has extended into more strategic and confidential areas such as accounting activities (Dominguez, 2006). Accounting outsourcing refers to transferring the responsibility of certain accounting operations to a professional company (Nikolaeva, 2009). As a result, the companies expect to optimize their structure, activities, and the number of transactions between divisions (Nikolaeva, 2009). Hence, outsourcing practices will enable firms to minimize transaction costs of the firms (Yang et al., 2012). Transaction costs might include costs of searching for information about suppliers and consumers, negotiating and concluding contracts, as well as the costs of opportunistic behavior of business partners

(Yang et al., 2012). However, there are risks in accounting outsourcing, as this will lead to a partial loss of direct control over accounting and there is a vulnerability to data security and customer privacy issues (Dorasamy et al., 2010).

Kokusheva (2010) states that there are more than 250 thousand SMEs operating in Kazakhstan, where 60% of them employ at least one full-time accountant, 30% use outsourcing services, and finally, 10% of them employ part-time accountants. Compared with the United States and Western Europe, where 92% and 86% of small and medium-sized businesses use accounting outsourcing services, the market has not developed well yet (Yusupov, 2017). Currently, the majority of the clients getting outsourcing services consist foreign companies (Yusupov, 2017). Thus, we state that the research about the accounting outsourcing sector in Kazakhstan has not been deeply examined yet. Addressing this gap, this study aims to understand the effects of accounting outsourcing services on transaction costs and operating expenses of SMEs in Kazakhstan.

Literature Review

Liberto (2020) describes small and medium-sized enterprises (SMEs) as the businesses that sustain assets, revenues, or a number of the workforce at a certain level that is below the particular threshold. Also, he supposes that every country has its own notion and explanation of what small and mid-sized are constituted and that they have to meet certain size criteria and take into account the industry in which SMEs are operating as well. A number of studies have found that small businesses' international competitiveness is unaffected by their size, owing to their significant contribution to their respective countries' trade balances (Hardy 1986; Beamish & Munro 1986).

In the face of technical improvements, experience in creating business processes, and the necessity for ongoing expansion, these types of businesses are continually on the lookout for various tactics to improve their performance in order to reach their established goals (Dominguez, 2006). That is why SMEs examine various processes such as technical know-how, worker skills, and business procedures to determine whether they can fulfill their goals and objectives with what they already have and search for methods to improve them even further (Isaksson & Lantz, 2015). While SMEs fail to fulfill the needs and expectations of their customers and shareholders, businesses look for areas where they might gain a competitive advantage. As a result, companies might concentrate on specialization while attempting to cut operating expenses, presenting outsourcing as the best solution (Akewushola & Elegbede, 2013).

Outsourcing is one of the management techniques that has become more important in dealing with company dynamics, and it entails contracting out of corporate functions (Jae et al., 2000). That is, it subcontracts out supplying operations that would otherwise be done in-house to external agencies. As a result, the management and development of outsourced operations fall within the scope of an external agent of the company, allowing the company to focus on its

core capabilities (Grobler, Laugen, Laugen & Fleury, 2012), manage risks, develop a sustainable competitive edge, expand technical skills, and free up resources for other objectives. Noradiva et al. (2010), support this idea by stating that outsourcing is becoming a fundamental strategy for small firms to enhance their productivity and ensure survival. Therefore, a small firm's long-term competitive position, cost structures, and the types of risks it must handle, are affected by outsourcing decisions.

According to Sneider R., Bumane I., and Lascenko J. (2013), enterprises engage outsourcing businesses for a variety of reasons. They include: control and minimize operational expenses, increase host company focus, obtain access to world-class capabilities, free internal resources for other objectives, a function is time-consuming or out of control, inadequate resources are available internally and share risks with a partner firm. If labor and cost reduction were formerly the main considerations for outsourcing, today's drivers are more strategic, emphasizing the need of doing key value-adding operations in-house, where an organization's core strengths may be effectively used (Handfield, 2008). Furthermore, outsourcing is no longer restricted to ancillary services like security, cleaning, and catering. Outsourcing is evolving rapidly in nearly every sector, according to Dominguez (2006), including information systems, design, manufacturing, marketing, distribution, and accounting services.

Bagienska (2016) classes accounting services as business services that require professional expertise, such as that required for appropriate reporting, accounting, and other services based on legal solutions. The acquired financial data serves as a source of knowledge for entrepreneurs, influencing their management actions (Bagienska, 2016). Small businesses have a distinct tendency to outsource their bookkeeping, particularly for operations that need specific expertise and capabilities.

Outsourcing drivers are classified by Ghodeswar and Vaidyanathan (2008) into four categories: improvement drivers, organizational drivers, revenue drivers, and financial and cost drivers. A study on small and mid-sized enterprises (SMEs) has revealed that many businesses lack adequate internal accounting capabilities (Husin & Ibrahim, 2014). SMEs are compelled to outsource in order to enhance their organization due to a lack of accounting expertise, a lack of money, and a lack of human resources (Husin & Ibrahim, 2014). External accountants are used by SMEs as a source of expert advising services to handle bookkeeping and compile financial reports (Husin & Ibrahim, 2014). Nevertheless, SMEs frequently fail to make the best use of accounting information because they lack the necessary skills to comprehend or use it (Bagienska, 2016).

The competitive edge of the business can be enhanced through outsourcing due to the business cost reduction (Kroes & Ghosh, 2010). In order to improve financial performance, companies may choose to use outsourcing as a tool (Isaksson & Lantz, 2015). Often, the companies believe that economies of scale

and efficient technology might provide such companies a chance to operate cheaply. In practice, the organizations increase their performance and reach the economic goals through minimizing costs (Leavy, 2004). This might mean that the organizations' effectiveness and efficiency can be enhanced by devoting resources to high-yielding tasks (Frayer et al. 2000).

Transaction cost theory may also be used to explain outsourcing decisions. The transaction cost theory describes how businesses evaluate the relative cost of transactions involving their own personnel and third parties (Everaert, Sarens, & Rommel, 2010). According to Agburu et al. (2017), this theory assumes that the company is being outsourced to reduce transaction costs and affirms that, even when it has the ability to perform the activity by itself, an organization may be outsourced only when the whole cost of the execution of the business by the external seller, including contract processing costs, is smaller than the cost of the execution in house. Therefore, TCE is found to be essential in explaining the outsourcing of main activities, as evidenced in their mission statement, that are part of the main (core) operation of the business.

When evaluating the effectiveness of outsourcing, according to the authors (Everaert, Sarens, & Rommel, 2010), it is necessary to take into account that at any enterprise there are constant changes in the movement of material, labor, financial and information flows, which are associated with the consumption of raw materials and materials, the movement and renewal of personnel, investments, cash, and non-cash payments, etc. All these flows are closely interrelated, and in the case of ill-considered use of a particular type of outsourcing, there is a risk of disruption of the rhythm of the established functioning of the enterprise (Everaert, Sarens, & Rommel, 2010).

A study in Kazakhstan showed that small firms mainly outsource to reduce costs, focus on the main activities, improve the quality, increase flexibility, access to new knowledge and skills, ensure business transformation and market entry (Seitkazyieva and Kulembayeva 2019). Thus, the reasons for using outsourcing services are diverse. Besides, accounting outsourcing has the highest share in the outsourcing sector. However, their study focused on the general outsourcing sector in Kazakhstan, but not in the accounting outsourcing sector. Therefore, there is a need for further investigation of the economic implications of accounting outsourcing in Kazakhstan. Hence, the main objective of this research is to understand the effects of accounting outsourcing services on transaction costs and operating expenses of SMEs in Kazakhstan.

Methodology

In order to answer the research question, a qualitative method of research was the most appropriate approach. In particular, this method enables researchers to have a deeper understanding of a phenomenon (Austin & Sutton, 2014) as the main objective of the study was to get a clear picture of how accounting outsourcing services affect transaction costs of SMEs. In-depth open-ended and semi-structured interviews from key informants were used to collect

the primary data. The target sample for this study represents clients and vendors of accounting outsourcing services aged 21-45 years. Judgment (or purposive) sampling was utilized to identify informants with relevant expertise and experience. Overall, the research has lasted for nine months starting from September 2020 until May 2021.

After identifying the sample of the research, the process of deliberately contacting vendors and clients of accounting outsourcing services, who could accept to hold an interview, through well-connected acquaintances has started. All the interviews were pre-planned and held on the company's premises. As a result, 12 people agreed to be the participants and the time and type of the interview had been arranged. In order to outline the responsibilities and roles between interviewers and interviewees, the consent form had been built up and signed by all parties (see Appendix A). The interviews were undertaken both face-to-face, with whom there was an opportunity to meet, and via the online platform "Zoom"¹. The identity of companies and individuals referenced in this study is concealed due to the confidentiality of the information.

Moreover, interview protocol and questions had been developed and given to the interviewees in advance by their personal request (see Appendix B). In-person interviews with a duration of 15-50 minutes were audio-recorded and transcribed manually. At the beginning of each interview respondents were asked to give detailed answers as the qualitative method of research is difficult to analyze due to its vulnerability to subjective opinion of the authors. To code and analyze the data gathered from the interviews using the thematic analysis approach and inductive reasoning, "Atlas Ti"² software had been used. Following the transcription of the interviews held, codes were built by the periodical intensive discussion after identifying, interpreting and theming the issues from periodic revision and rereading of the information gathered. After codes were built and codebooks facilitated, with the help of the software "Atlas Ti", according to the rules of thematic analysis, all the codes had been grouped and examined due to their nature and effect on the research topic. Specifically, how positively, negatively or whether they had any impact on transaction costs and operating expenses of the organizations at all. After themes were formulated, relationships between codes were identified.

Analysis & Findings

Data collection started in September 2020 and ended in May 2021. Eight male and four female respondents participated in the study. Using Atlas Ti, seventy-eight codes were created and mapped. Eventually those codes were aggregated in three key themes, which are discussed in the next section.

1. Operational cost savings

¹ Zoom is a video conferencing software developed by Zoom Video Communications.

² It is a computer program used primarily, but not exclusively, for qualitative research or qualitative data analysis.

The accounting outsourcing helps to not only improve the effectiveness of accounting practices but also improve the general position of the company, as well. For example, a respondents says:

“... If the owner himself directly decides to change the management of not only accounting and finance, but the management of the entire business, and will interact well with the outsourcing company, its effectiveness will be immediately visible in 2-3 months.” - [Ex-CEO of accounting-outsourcing company, P03]³

Having a full-time accountant in your staff takes extra expenses such as expenses for qualification improvement, because novelty in accounting changes very fast and it persuades firm's management to comply with it in order to avoid violations or applying available mitigation options. This idea is supported as another respondent says:

“...Because outsourcing this service all involves a full-time accountant they usually have the company pay them for advanced training, pay for equipment, pay for travel and pay for their taxes because this is on the one hand the exact cost.” - [Accountant, P08]

Providing a full-time accountant does not stop only with wages, it also includes the place of the office where he will sit, utilities of this place, the main means with which the accountant will need to work, stationery and household goods for full working capacity, as a result, it requires more money from the company. All these costs can be saved by paying only one monthly payment to the outsourcing company. Taking all together, using accounting outsourcing could facilitate and help reduce costs. As posited by you respondents:

“If you break it down by months, there may be a small reduction in the salary fund for one period, but if you break it down by a year, there will be a significant amount that can be reduced by hiring an outsourcing company.” - [Ex-CEO of accounting-outsourcing company, P03]

“What are the advantages of it other than to keep an accountant who you have 600 thousand I think it is better to give your company for 400 thousand outsourcing company...” - [Accountant, P06]

A full-time accountant could have a vacation, maternity leave, sick leave, and other things that relate to human resources. Therefore, the company removes the concern about this when it outsources accounting, since there the whole company conducts accounting. This idea is suggested by another respondent as:

“Probably, the fact that you do not worry about taxes any more than maternity leave and some vacation about this do not need to worry about it because what relates specifically to personal some kind of human resource...” - [Accountant, P08]

“...look, if you understand the employees, you have to pay not only the salary, pay taxes on this salary, and then provide him with a job. That is, you

³ Translation from Russian to English by the authors' subjective opinions.

must inevitably expand your office space. Should social security at least have to watch it.”- [Independent expert, P10]

The performance of an accounting outsourcing company is ongoing, it is independent from full-time accountant circumstances, and therefore clients would not worry about finding new staff or how to keep accounting records when an accountant is on vacation.

“... convenient in terms of the fact that outsourcing involves the provision of services regardless of the decree, vacation.” - [Chef accountant, P02]

“For the staff, this is also a cost in fact; this is again some time period in which you can serve the terms of taxes incorrectly.”- [Independent expert, P10]

Consequently, accounting outsourcing services not only reduce costs, but also eliminate concerns about the organization of the accountant's work.

“...savings for the organization on fixed assets, on the provision of an office, that is, a workplace, followed by all the costs of providing a workplace, these are chairs, tables, computers — these are fixed assets.” - [Chef accountant, P02]

“...all this headache associated with the organization of everything-all this you just take it off with your head and give it to other people.”- [Independent expert, P10]

According to the previous argument, one of the clients pointed out that outsourcing accounting makes it possible to focus more on the activities of their company.

“I personally did not have this because I focus more on my business than on accounting...” - [Client, P09]

2. Digitalization of accounting

The government of Kazakhstan has started to introduce modern digital technologies for accounting, such as electronic invoices, virtual warehouse and electronic certificate of work performed, which has already started to take effect for companies that pay VAT, but it may soon become mandatory for all enterprises. So, these innovations were adopted so that the state could easily track all the company's revenues.

“... now the era of these outsourcing companies is probably coming, because it obliges all even small companies to issue electronic invoices regardless of whether they are registered for VAT⁴ or not, just to see the movement, see the income, that is, to lead to transparency of all operations...” - [Chef accountant, P02]

“It may be for them, because the state now obliges them to issue electronic invoices in the future of accompanying invoices for goods. And what will oblige them to enter the virtual warehouse...”- [Chef accountant, P02]

“And just at the moment of digitalization, it is still going fast, let's say some legislation on the tax part has come out, it will certainly affect the accounting rules and the process.”- [Ex-CEO of accounting-outsourcing company, P03]

⁴ Value added tax (VAT) is a widely used form of taxation of the value added in the course of production and distribution of a product or service.

In addition, the personnel accounting and tax accounting were being transferred to online platforms, such as enbek.kz⁵ and online taxpayer's offices. *"It's not just enbek.kz, you probably heard electronic invoices, virtual warehouses-these are virtual cash registers, that is, how would all this completely electronic space be transferred completely to our pension network tax office of the taxpayer..."* - [Independent expert, P07]

The digitalization of accounting has already been started; it is already possible to integrate electronic invoices in 1c⁶. This may simplify the work of the accountant, thus the information will be visible to the state.

"...now there is some kind of integration with the ESF that goes to the 1c database, in this plan, when selling it, it will already sit in your database." - [Financial director, P01]

Outsourcing companies would be most ready for the government's innovations, because they are narrowly specialized and rapidly adapt for new changes. Therefore accounting outsourcing would be on demand.

"Digitalization directly affects the popularity of the outsourcing service." - [Ex-CEO of accounting-outsourcing company, P03]

"On the one hand, it was easier, because we are constantly changing legislation and it is easier to work with professionals" - [Client, P09]

"...because now the demand is only due to the fact that the legal requirements for online operations are increasing." - [Chef Accountant, P02]

Accounting outsourcing is not the work of one person but the work of a whole team of specialists.

"When I went to firms, we usually explained that there is a full-fledged team of professional accountants who can give you a more qualified answer than ordinary accountants." - [Ex-CEO of accounting-outsourcing company, P03]

"Well, people see that outsourcing is, well, much better, why, because it's not the work of one person, but the work of a team." - [Financial director, P01]

"Because of that and because we're all checking each other out. For example, I was asked a question, I answered it, I already called my colleagues discussing the question, threw it in the middle and after that there was already a brainstorming. The fact that everyone says their own thought is not just a thought, but in general..." - [Financial director, P01]

3. Risks of outsourcing accounting services in the Republic of Kazakhstan

Outsourcing in general is gradually developing and gaining momentum in Kazakhstan. There are about 800 outsourcing companies in Kazakhstan.

"... the concept of outsourcing in general, I think, will gradually develop for our country. That is, it is not necessarily the accounting sphere, in general, the concept of outsourcing, I think, will develop in the country..." - [CEO of accounting-consulting company, P04]

⁵ The electronic labor exchange is a single digital platform for employment, providing opportunities for job search and assistance in the selection of personnel.

⁶ 1c - program for accounting in enterprises.

“In Kazakhstan, well, approximately if we proceed from the statistics of 2019, here in the uchet.kz. By statistics of uchet.kz⁷ about 800 outsourcing companies...” - [Financial director, P01]

“At the moment, people want more efficiency and mobility. Therefore, outsourcing is gaining momentum in Kazakhstan...” - [Ex-CEO of accounting-outsourcing company, P03]

In Kazakhstan they do not yet understand the outsourcing of accounting services, perhaps this is due to the fact that Kazakhstanis are used to a full-time accountant and do not trust the new method of accounting, that is, accounting outsourcing.

“In Kazakhstan, there is such a thing, well, in Kazakhstan, they still do not understand this system of outsourcing accounting, many more do not understand and we can say that they do not trust. No accountant must be a full-time employee, sit in my office, I must see all incoming and outgoing ...” - [Financial director, P01]

Distrust is based on the fact that the client's company transmits confidential information and takes into account the risks.

“...coming to us expressed distrust that so and so we had this and that and we are afraid to trust you.” - [Chef accountant, P02]

“... trusts a company that does not work inside to trust their numbers and trust their volumes to trust their even passwords from some keys.” - [Accountant, P08]

Sometimes clients did not know what to request from the outsourcing company.

“You know, when we first started, the client usually did not know what he wanted. This is the most common mistake of our customers.” - [Ex-CEO of accounting-outsourcing company, P03]

Before signing the contract, a mini audit⁸ would be performed, which would evaluate the accounting at the time of transfer, and if there are errors, it would be decided how and who would correct them, since the problems of previous periods may affect future periods.

“And before entering into a contract, we always do a mini-audit, this is for the financial and accounting part of the tax part” - [Ex-CEO of accounting-outsourcing company, P03]

“First we analyze, identify risks, and then only build the contract” - [Ex-CEO of accounting-outsourcing company, P03]

“And see if there are any arrears, shortages, notifications and the whole process as it goes.” - [Ex-CEO of accounting-outsourcing company, P03]

In order to anticipate the risks when concluding a contract, the responsibilities and obligations of both parties are stipulated.

⁷Uchet.kz - online platform about accounting, legislation of the Republic of Kazakhstan, tax reporting, IFRS, NSF in Kazakhstan.

⁸ Audit is a procedure for independent review and evaluation of the reporting, accounting data and activities of an organization, as well as a system, process, project or product.

“... with the head initially, when when drafting, when concluding a contract, we immediately discuss some issues in the field of finance” - [Financial director, P01]

“All this is stipulated in the contract. It is stipulated in one thing, but we have never resorted to these points until today, there were no conflicts or incidents of any kind...” - [CEO of accounting-consulting company, P04]

“The client understood that he could demand from the outsourcing company and that he could not, that is, clearly explain all the points under the contracts, namely the point of responsibility, the point of obligations, etc.”- [CEO of accounting-consulting company, P04]

“What area of responsibility you assume and what the client assumes. These places you negotiate on the shore, and then make a contract.”- [Ex-CEO of accounting-outsourcing company, P03]

Even if there is a risk that the outsourcing company would make a mistake, the company is ready to take responsibility for it and compensate for the damage. *“And if that's all, well, it turns out that we made a small mistake. As an organization, as an outsourcing organization, we are responsible. That, for example, if because of our organization, it turned out that the payment of taxes was more. We as an audit, outsourcing company will have to pay.” – [Financial director, P01]*

“If this is an error in the tax sphere, then according to the tax reporting on stat. there may be some penalties for late payment of taxes from the submission of reports, etc. then we have to pay ourselves to correct everything for the previous periods that we conducted.”- [Accountant, P06]

Disputable and conflict situations occur, they are solved by explanatory work and the outsourcing company is more loyal to this.

“...plus, discontent comes from here, but of course, with explanatory work, the conflict is in principle being adjusted.”- [CEO of accounting-consulting company, P04]

“I have encountered such people and do not go ahead, probably, we do not go after all, we are trying to be loyal.”- [Accountant, P08]

Discussion & Conclusion

This study explored the mechanism of how accounting outsourcing services affect the transaction costs of SMEs. Initially, it should be noted that at first glance, most transaction costs relate to the organization's relations with the external environment: suppliers, the state, buyers and financial institutions. However, the internal costs associated with planning, management, and coordination are often similar to external costs in accordance with the similarity of the mechanisms of internal and external market interactions. One of key findings indicate that accounting outsourcing services directly influence administration expenses, exactly to salary expenses, rent expenses, expenses for

equipment, supplies and other expenses for the maintenance of a full-time accountant.

According to the literature review, accounting outsourcing services reduce transaction costs of a company, it matches with results of study about operational cost saving, because there were some arguments that the company only pays the outsourced company a monthly payment for accounting services. According to the study, it was indicated that usually the monthly amount of payment to an outsourcing company is less than the salary of a full-time accountant, and there is an important fact about saving time and effort for organizing work for a full-time accountant.

Next crucial finding related to digitalization of accounting, which positively affects external costs. The study arguments said that accounting outsourcing is becoming more and more popular because the state has introduced new requirements to avoid shadow politics, such as hiding income, not correctly transferring taxes, and other similar issues. According to the study, the connection between outsourcing and new requirements is that the outsourcing company has access to innovations, quickly adapts to new changes and works with a team of professionals with different qualifications and levels.

Ultimately, if the company does not properly conduct itself according to the requirements of the public authority then the company will incur certain costs such as fines or penalties, which will definitely have a negative impact on transaction costs of the firm. According to our results, outsourcing can minimize this risk and keep up with new changes in accounting.

Limitations of the study

The small sample size across a wide range of business sectors and organizations limits the scope of this study. Among the nearly innumerable SMEs in Kazakhstan, there was an opportunity to interview with only 12 respondents, however despite the very small sample size, every interview was informative. Moreover, by nature interviews might have a tendency to be subjective and biased, therefore may not be considered as a reliable method of data analysis.

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