

UDC 657.1:334.012

doi: 10.15330/jpnu.9.3.78-85

## ACCOUNTING OUTSOURCING MARKET IN UKRAINE: STATE AND DETERMINANTS OF DEVELOPMENT

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**Abstract.** The development of information technologies over the last decade has significantly influenced approaches to business, forces companies to review management methods, and actively implement an effective policy of business process optimization. The reduction of transaction costs and the concentration of company management on their operational activities contributed to the possibility and development of ways of delegating other business processes to a third party – outsourcers. In this context, the practice of outsourcing accounting services has become widely used.

Accounting outsourcing in Ukraine is borrowed from foreign experience and has widely established itself as a separate independent type of economic activity while developing various types and forms of outsourcing. It was concluded that the number of participants in the accounting outsourcing market in Ukraine is stable and gradually increasing. This testifies to the growing trust in accounting outsourcing among the representatives of the local business environment and the understanding that the delegation of accounting and reporting functions to external providers has its feasibility and advantages. Moreover, the studied market is characterized by an increase in business activity, as the number of personnel employed in outsourcing companies and the volume of implemented accounting services is gradually increasing. The indicated increase refers both to the market as a whole and the natural entities-entrepreneurs, which testifies to the positive dynamics of changes among the representatives of small and medium-sized businesses.

It should be noted that the relatively young Ukrainian market of accounting outsourcing is developing successfully, has tendencies towards expansion, and is attractive to potential international investors. The theoretical value of the conducted research is the elaboration of the key determinants of the functioning of accounting outsourcing, which, we believe, have both short-term and long-term perspectives, and will contribute to the development of accounting services under outsourcing conditions.

**Keywords:** accounting, outsourcing, market, business activity, determinants of development.

**JEL Classification:** D24, M12, M21, M41

### 1. INTRODUCTION

The rapid development of information technologies and the large-scale digitization of socio-economic relations in society have significantly influenced and continue changing approaches to doing business, forcing companies to review management approaches and actively implement

effective business process optimization policies. In this context, the transaction costs have undergone a significant revision. Their reduction allows us to focus directly on operational activities. At the same time, there is an opportunity to delegate other processes to a third party – outsourcers. It is well-known that the practice of outsourcing was borrowed by Ukrainian companies from foreign experience. It is widely established in various economic sectors with the active development of a variety of types and forms of outsourcing.

In a relatively short period of time, accounting outsourcing in Ukraine has gone through all stages of establishment – from its birth, as a separate independent model of accounting organization, to its consolidation at the legislative level, as a separate type of economic activity. The effectiveness of the implementation of accounting outsourcing in domestic accounting and analytical practice has attracted considerable attention among researchers and practicing accountants. This made it possible to develop the theoretical and methodological foundations of the organization and methods of accounting and reporting under outsourcing conditions, as well as to resolve a number of debatable issues regarding its implementation in practice.

## **2. THEORETICAL BACKGROUND**

The permanently observed volatility of the Ukrainian economy and its negative consequences have caused the need to resolve several issues regarding the adaptation of accounting outsourcing to existing changes and the search for opportunities for its further development. In their papers, many Ukrainian scholars, such as Garasymchuk (2013), Hrabchuk (2017), Ivankov (2012), Kesarchuk (2014), Lyakhovich (2017), Semanyuk (2015) and others, pay great attention to raising theoretical questions and solving various problems of accounting outsourcing. A number of researchers, such as Azarenkov (2011), Pylypenko (2019), Skakun (2011) and others, devote their works to the problems of introducing accounting outsourcing in the accounting practice of the Ukrainian companies.

It should be noted that the existing scientific developments and practical recommendations regarding the development of accounting outsourcing and its implementation in the activities of the Ukrainian companies need an analytical supplement referring to the study of the market of accounting services under the conditions of outsourcing in Ukrainian realities, the trends of existing changes and the identification of the key determinants of its development.

## **3. RESEARCH OBJECTIVE, METHODOLOGY AND DATA**

The aim of the conducted research is an attempt to evaluate the market of accounting services on the basis of outsourcing in Ukraine, to analyze the dynamics of changes in the specified segment, and to outline the key determinants of its future development. Solving the specified goal is possible by evaluating the existing market of accounting services under outsourcing conditions and identifying trends in its changes.

The conducted research is based on the use of general scientific methods and techniques, such as the method of generalization and systematization – for processing the materials of scientific papers and publications on the raised topic, researching the essence and features of accounting outsourcing; statistical methods – for assessing the state and dynamics of changes in the specified market of accounting services; as well as the abstract-logical method and the method of descriptive display – for constructing the illustration material and formulating the author's statements and conclusions.

#### 4. RESULTS AND DISCUSSION

The analysis of scientific publications (Harasymchuk, 2013; Kesarchuk, 2014; Semanyuk, 2015) has proved that today Ukrainian researchers offer several definitions of accounting outsourcing. It was found out that the given definitions express common content while using different wordings. We believe that such a circumstance ensures a more comprehensive expression of the content of the researched object, i.e. accounting outsourcing. In general, accounting outsourcing should be understood as the delegation of accounting functions or some of its sections to an external (third-party) contractor or provider (outsourcer), who undertakes to perform the specified type of work within a specified period of time for a pre-agreed payment, while guaranteeing the quality of accounting and sharing the risks regarding its doing.

In Ukraine, the development of accounting services on the basis of outsourcing dates back to the end of the 1990s and was connected with the fact that auditors encountered the clients' needs not only in audits but also in external assistance in the organization of accounting as a whole or its individual sections. The resolution of such issues, which are related to external assistance in the organization and, subsequently, doing accounting, was supported at the legislative level and fixed in the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" (1999). Thus, Paragraph 4 of Article 8 stipulates that one of the forms of organization of accounting in companies can be "... management of accounting on a contractual basis by a centralized accounting department or an enterprise, a subject of entrepreneurial activity, a self-employed person conducting activities in the field of accounting and/or audit activity". This approach ensured and contributed to the spread of the practice of outsourcing accounting to third-party outsourcers.

The data generated by the State Statistics Service of Ukraine for the years of 2010-2020 show (Fig. 1) that during the specified period the number of active business entities registered in the field of accounting, auditing, and tax consulting (69.2 Code NACE – Nomenclature statistique des Activités économiques dans la Communauté Européenne) is characterized by a confident trend towards growth. At the same time, we observe that the specified trend has a wave-like character. This means that the number of participants in the accounting outsourcing market in Ukraine is stable and gradually growing.



Fig. 1. The number of active business entities registered in the field of accounting, auditing and tax consulting for 2010-2020

Source: formed on the basis of (Official website of the State Statistics Service of Ukraine, 2022)

At the same time, the figure shows that the number of natural entities-entrepreneurs in the studied market remains almost at the same level, that is within 8-9 thousand units or 70-80 percent of all active business entities.

One of the characteristic features of the market activity is the number of personnel employed in companies of a certain type of activity. Thus, in the accounting outsourcing market during the analyzed period of 2010-2020, we observe a stable increase in the number of employees of business entities of a set type of business (Tab. 1), which indicates the expansion of the market under study and the increase of its business activity. In other words, there is a growing trust in accounting outsourcing among the representatives of the business environment and an understanding that the delegation of accounting and reporting functions to external providers has its advantages and expediency. An identical situation can be traced among natural entities-entrepreneurs, which testifies to the positive dynamics of changes in the circles of the representatives of small and medium-sized businesses.

*Table 1. The staff of accounting services companies based on outsourcing in Ukraine for 2010-2020*

<b>Years</b>	<b>Number of employees of business entities, persons</b>	<b>including natural entities-entrepreneurs, persons</b>	<b>Number of employees of business entities, persons</b>	<b>including natural entities-entrepreneurs, persons</b>
2010	19866	9554	11199	1300
2011	19102	6942	12834	1166
2012	19425	6705	13644	1335
2013	20791	7484	13919	1458
2014	23767	11842	12909	1631
2015	24046	11790	12934	1365
2016	23914	11540	13520	1713
2017	22486	10665	13249	1995
2018	26087	11602	16424	2584
2019	30026	12593	18832	2782
2020	28943	12543	18511	2558

*Source: formed on the basis of (Official website of the State Statistics Service of Ukraine, 2022)*

A fairly informative indicator of market research is the number of employees of business entities which reflects the amount of personnel hired from the outside under the terms of an employment contract. The table shows that the number of employees in accounting outsourcing companies is growing, especially in the last years of the studied period.

The comparative analysis of the last two columns of the table shows that the growth rate of employees in large companies is greater, compared to the growth rate of employees among the representatives of small and medium-sized businesses. Such trends indicate the existing process of business globalization in the accounting outsourcing market. The explanation for this is large international companies' entering the Ukrainian market of accounting and auditing services, as well as the expansion of their activities.

A fairly informative indicator of market evaluation is the measurement of its capacity, structure, and dynamics of changes. For this, we analyzed the volume of services provided by active business entities registered in the field of accounting, auditing, and tax consulting for the period of 2010-2020 (Fig. 2).

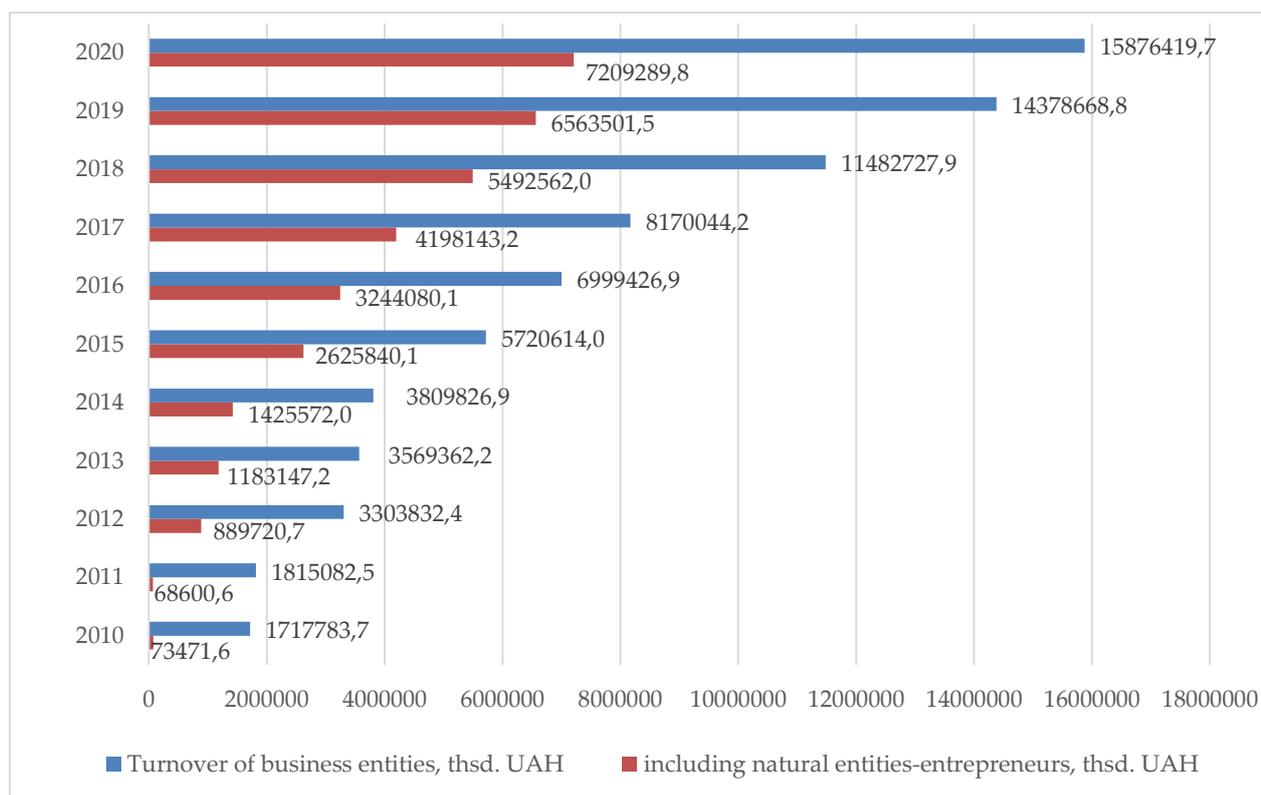


Fig. 2. The volume of services provided by active business entities registered in the field of accounting, auditing, and tax consulting for the period of 2010-2020

Source: formed on the basis of (Official website of the State Statistics Service of Ukraine, 2022)

The figure shows that during the ten years of the analyzed period, the capacity of the accounting services market under outsourcing conditions increased almost eight times. This proves that the studied market is dynamically developing, characterized by high growth rates, and, of course, attractive to investors.

The given structure of the extent of accounting services provided on the basis of outsourcing reflects a stable increase in the share of the revenue of the natural entities-entrepreneurs in the total volume of services provided during the analyzed period. The identified trend testifies to success in competition and increasing the position of small and medium-sized businesses in the market under study.

During the conducted research, it was found that the existing accounting outsourcing market is characterized by segmentation, based on:

1. type of economic activity of a company that delegates the accounting functions to an external provider. Thus, a certain regularity can be observed, where there are sectors of the economy in which accounting outsourcing is widespread (IT companies, the service sector, etc.) and vice versa – the traditional model of accounting organization is used (the sphere of production, processing, etc.);

2. the scale of the company and the number of business operations subject to accounting and reporting. It can be noted that small and medium-sized companies switch to accounting outsourcing faster and more often than the representatives of large businesses;

3. the system of taxation chosen by the company and the peculiarities of its relations with counterparties. It is known that companies on the simplified taxation system more often use accounting services on the basis of outsourcing;

4. engagement of additional services related to business control and analysis.

We believe that the revealed regularities, which can be traced in retrospect to the functioning of the studied service market, should be taken into account when building and implementing a balanced state policy concerning the development of the accounting outsourcing market.

The conducted research on the market of accounting services on the basis of outsourcing in Ukraine during the period of 2010-2020 allows us to state that this market is relatively young, developing successfully, maintaining stable growth rates, increasing the employment of specialists and, accordingly, improving investment attractiveness to potential investors.

It was established that the key determinants of the development of accounting services under outsourcing conditions in Ukraine are:

- growing trust in outsourcing companies in the field of accounting, auditing, and taxation. The prerequisite for this is the prevalence of the practice of accounting outsourcing in the close business environment and positive feedback from client companies;

- constant development of IT technologies, which contributes to the expansion of opportunities and the improvement of the conditions of remote work of the accountant on an outsourcing basis. In practice, this allows to do accounting in real-time and remotely, maintaining the timeliness and efficiency of accounting data processing;

- reduction of transaction expenses in terms of reducing the costs of maintaining the accounting service in the company and the absence of turnover risks of highly qualified accounting and analytical personnel. Saving money is always pursued in the process of managing business operations and is especially acute in the conditions of the permanent presence of crisis phenomena in the economy (Gnatiuk et al., 2021);

- delegation of accounting functions to highly qualified outsourcers in the field of accounting, auditing, and taxation. In accounting services companies, the qualifications of employees are improved on a permanent basis, they are involved in professional pieces of training, changes in legislation are processed faster, etc.;

- improvement of contractual relations between the parties of accounting outsourcing and the process of settling issues related to the quality of services, responsibility for the work performed, the confidentiality of information, etc.;

- minimization of the risks related to the accounting of tax liabilities, settlements with personnel, the correctness of reporting, etc.;

- the possibility of borrowing best practices and ways of improving related processes (works) connected with business organization and management.

From the point of view of the future, we believe that the above determinants will be present both in the short- and long-term perspective and will contribute to the development of accounting services under outsourcing conditions. On the part of the state, the main task is to ensure clear and transparent legal regulations and create favorable conditions for the development of accounting outsourcing both for the providers of such services and for client companies.

## 5. CONCLUSION

The conducted research enables drawing the following conclusions.

In a relatively short period of time, accounting outsourcing in Ukraine has gone through all stages of establishment – from its birth, as a separate independent model of accounting organization, to its consolidation at the legislative level, as a separate type of economic activity. Such circumstances contribute to the development of accounting as a separate model of its organization and management, as well as the development of a separate type of economic activity for the provision of accounting services.

The analysis of statistical data shows that the number of participants in the accounting outsourcing market in Ukraine is stable and gradually growing. This is confirmed by the increase in the number of active business entities registered in the field of accounting, auditing, and tax consulting during the period of 2010-2020.

It was found out that on the basis of outsourcing the analyzed market of accounting services is characterized by an increase in business activity, since the number of personnel employed in outsourcing companies and the volume of implemented accounting services is gradually increasing. Such a situation is characteristic of both the market as a whole and the natural entities-entrepreneurs, which testifies to the positive dynamics of changes among the representatives of small and medium-sized businesses.

In Ukraine, the market of accounting services on the basis of outsourcing is relatively young, developing successfully, maintaining stable growth rates, increasing the employment of specialists, and, accordingly, improving investment attractiveness to potential investors. The key determinants of the functioning of accounting outsourcing have been determined, which, we believe, will be present both in the short- and long-term perspective and will contribute to the development of accounting services under outsourcing conditions.

The perspective of further research is the formation of recommendations for the elaboration and implementation of a balanced state policy concerning the development of the accounting outsourcing market.

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**Received:** August 30, 2022; **revised:** September 29, 2022.

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Шкроміда Надія, Шкроміда Віталій, Гнатюк Тарас. Ринок бухгалтерського аутсорсингу в Україні: стан і детермінанти розвитку. *Журнал Прикарпатського університету імені Василя Стефаника*, 9 (3) (2022), 78-85.

Розвиток інформаційних технологій впродовж останнього десятиріччя значною мірою вплинули на підходи до ведення бізнесу, змушують переглядати методи управління компаніями та активно впроваджувати ефективну політику оптимізації бізнес-процесів. Скорочення трансакційних витрат та зосередження керівництва компаній на своїй операційній діяльності сприяли можливості і розвитку шляхів делегування інших бізнес-процесів третій стороні – аутсорсерам. У цьому контексті практика бухгалтерських послуг на умовах аутсорсингу набула широкого застосування.

Бухгалтерський аутсорсинг в Україні запозичений із зарубіжного досвіду та широко закріпився як окремий самостійний вид економічної діяльності, розвиваючи при цьому різні види і форми аутсорсингу. Визначено, що в Україні кількість учасників ринку бухгалтерського аутсорсингу є стабільною та поступово збільшується. Це засвідчує про зростання довіри до бухгалтерського аутсорсингу серед представників місцевого бізнес-середовища та розуміння того, що делегування функцій ведення обліку і звітності зовнішнім провайдерам має свої доцільність і переваги. Окрім того, досліджуваний ринок характеризується підвищенням ділової активності, оскільки кількість персоналу, задіяних в аутсорсингових компаніях, та обсяг реалізованих бухгалтерських послуг поступово зростає. Означена ситуація складається в цілому на ринку, так і у фізичних осіб-підприємців, що засвідчує про позитивну динаміку змін у представників малого і середнього бізнесу.

Слід відзначити, ринок бухгалтерських послуг на умовах аутсорсингу в Україні є порівняно молодим, який успішно розвивається, характеризується тенденціями до розширення та є інвестиційно привабливим серед потенційних міжнародних інвесторів. Теоретичною цінністю проведених досліджень є визначення ключових детермінантів функціонування бухгалтерського аутсорсингу, які, вважаємо, будуть присутні як у короткостроковій, так і довгостроковій перспективі та сприятимуть розвитку бухгалтерських послуг на умовах аутсорсингу.

**Ключові слова:** бухгалтерський облік, аутсорсинг, ринок, ділова активність, детермінанти розвитку.