

# ACCOUNTING, ANALYSIS AND AUDIT

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## CURRENT STATE OF THE ACCOUNTING OUTSOURCING MARKET IN UKRAINE

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**Introduction.** The global economy has faced significant challenges over the past five years as a result of the COVID-19 pandemic. The introduction of quarantine measures forced companies to adopt a remote mode of operation and bring in third party specialists with the appropriate resources to perform certain functions. This has increased the global market for outsourcing services. Outsourcing as a business management tool aimed at increasing the efficiency and competitiveness of a company's activities. It involves the conclusion of a contract between the client and the outsourcer for the latter to perform the client's business functions for a fee. This allows the client to focus on the performance of strategically important functions, avoid additional costs, increase profitability and optimise the organisational management structure. In the conditions of the economic crisis, due to the introduction of the practice of remote work by companies, accounting outsourcing is gaining relevance. It is becoming one of the main tools for increasing the competitiveness of companies. However, Ukraine, despite its participation in the global market of accounting outsourcing, has not yet fully realised its potential in this direction. Therefore, it is an urgent task to determine the current state of accounting outsourcing in Ukraine and the prospects for its further development.

**Analysis of recent research and publications.** Theoretical and practical principles of accounting outsourcing have been studied by domestic and foreign scientists in their scientific works: Adasiuk I., Azarenkov G., Bondarenko E., Bravar Zh., Burdenko I., Gazuda L., Honchar O., Davydiuk T., Dergacheva V., Zozulyov O., Kobylanska O., Kondratov E., Legotska Yu., Logvinova O., Ligonenko L., Lyakhovich H., Marachevska A.V., Martynyuk O., Osadchyi O., Ostroverha D., Partyn G., Poplyuiko A., Semenova T., Skakun L., Sukhoniak S., Frolova Y., Haywood J., Chmut A., Yaremko I., Yaroshyna A., Yasynska T. and others.

**Highlighting previously unresolved parts of the overall problem.** However, changes in the economic and political situation affect the process of formation and development of the outsourcing services market and require further research.

**Objectives of the article.** The purpose of the article is to study the state of accounting outsourcing in Ukraine, to apply the prospects for its further development and to develop recommendations for its promotion.

**The main material of the study.** Outsourcing in the world is becoming more widespread every year, helping companies to focus on the implementation of basic business processes, increase competitiveness, gain access to necessary professional resources and optimise costs. Experts from the world's leading countries note that the use of outsourcing operations makes it possible to reduce costs in the process of economic activity by 30%, thereby increasing profitability and improving competitiveness.

The term "outsourcing" means a set of measures aimed at transferring certain processes and functions by an enterprise to another organisation that professionally specialises in the field of the tasks.

According to Ukrainian legislation [1], outsourcing is a contract under which the customer entrusts the contractor with certain tasks, in particular, part of the production process or the entire production process, recruitment services, and support functions.

The Outsourcing Institute (USA) distinguishes between IT outsourcing and business process outsourcing. IT outsourcing is the transfer by a company of a part of the functions of managing and maintaining its own information resources to an external specialised organisation. Business process outsourcing is the transfer to an outsourcer of a number of non-core business processes of an enterprise: marketing, HR, logistics, accounting, etc. Accounting outsourcing is one of its varieties. It involves transferring functions related to the organisation, accounting and preparation of financial, statistical and tax reports outside the company and outsourcing them [2].

Outsourcing is used for many technological and logistical processes, accounting and reporting. Its relevance and popularity is evidenced by the stable year-on-year increase in the share of foreign companies that outsource certain business processes to third-party organisations.

The volume of outsourcing relations in the global economy exceeds 100 billion USD, with more than 55% of them in the Americas, 45% in Europe, and only 3% in the Asia-Pacific region [3]. The finance outsourcing sector comprises 33% of all contracts and is responsible for 26% of their total value. Similarly, the manufacturing sector is responsible for 17% and 15%, respectively, while telecommunications accounts for 13% and 12%. Business services account for 9% and 12%, and other services account for 9% and 5%. According to the Industry Week Census on Manufacturing, 54.9% of US companies use outsourcing in manufacturing and 43.8% in equipment maintenance [3]. There are countries in which up to 90% of all accounting operations are outsourced. In Europe, 86% of companies outsource their accounting, in Israel – 96%, and in the US – about 90% [4]. In Ukraine, accounting outsourcing occupies a smaller share in the financial services sector than in Western Europe and the United States.

In Ukraine, 36% of managers of various levels of foreign and Ukrainian companies interviewed by the ANKOR personnel holding stated that their companies outsource business processes (Figure 1) [5]. At the same time, as can be seen from Figure 1, accounting outsourcing in Ukraine ranks sixth in the total volume of outsourcing services (13.5%), which amounts to 8-10 million USD per year [6; 7]. According to the State

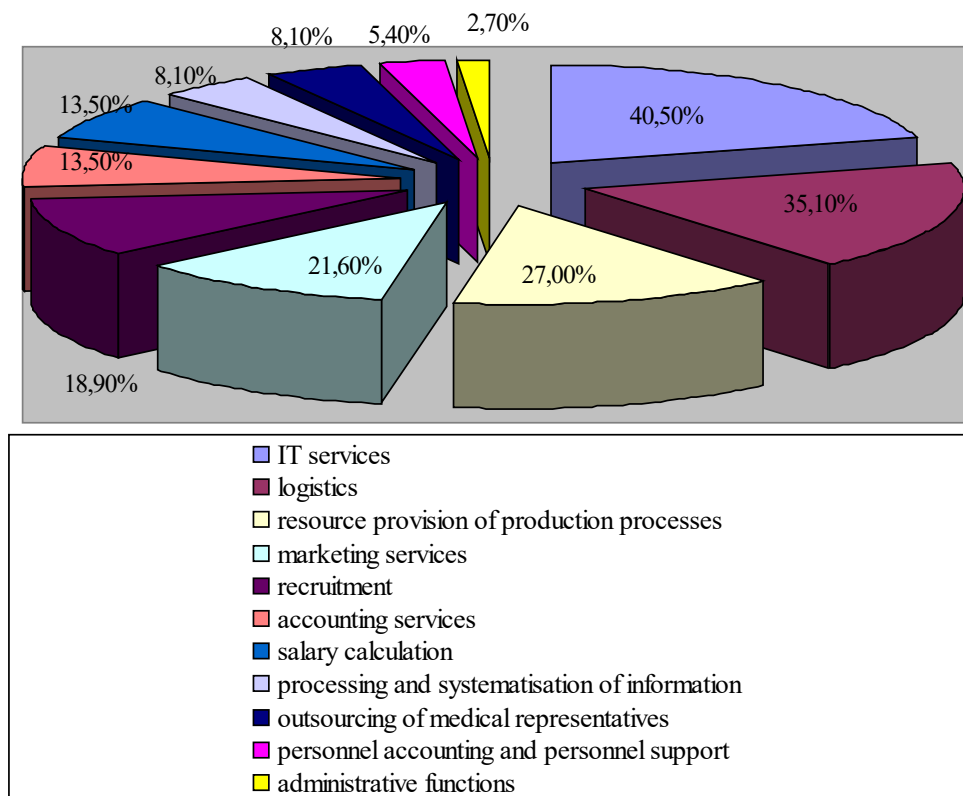
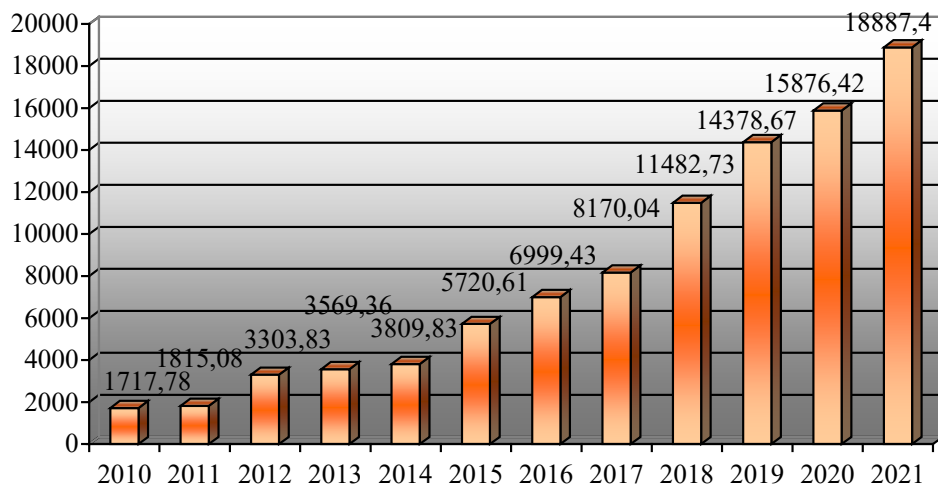


Figure 1. Popularity of outsourcing types in Ukraine

Source: compiled by the authors based on data from [6; 7]

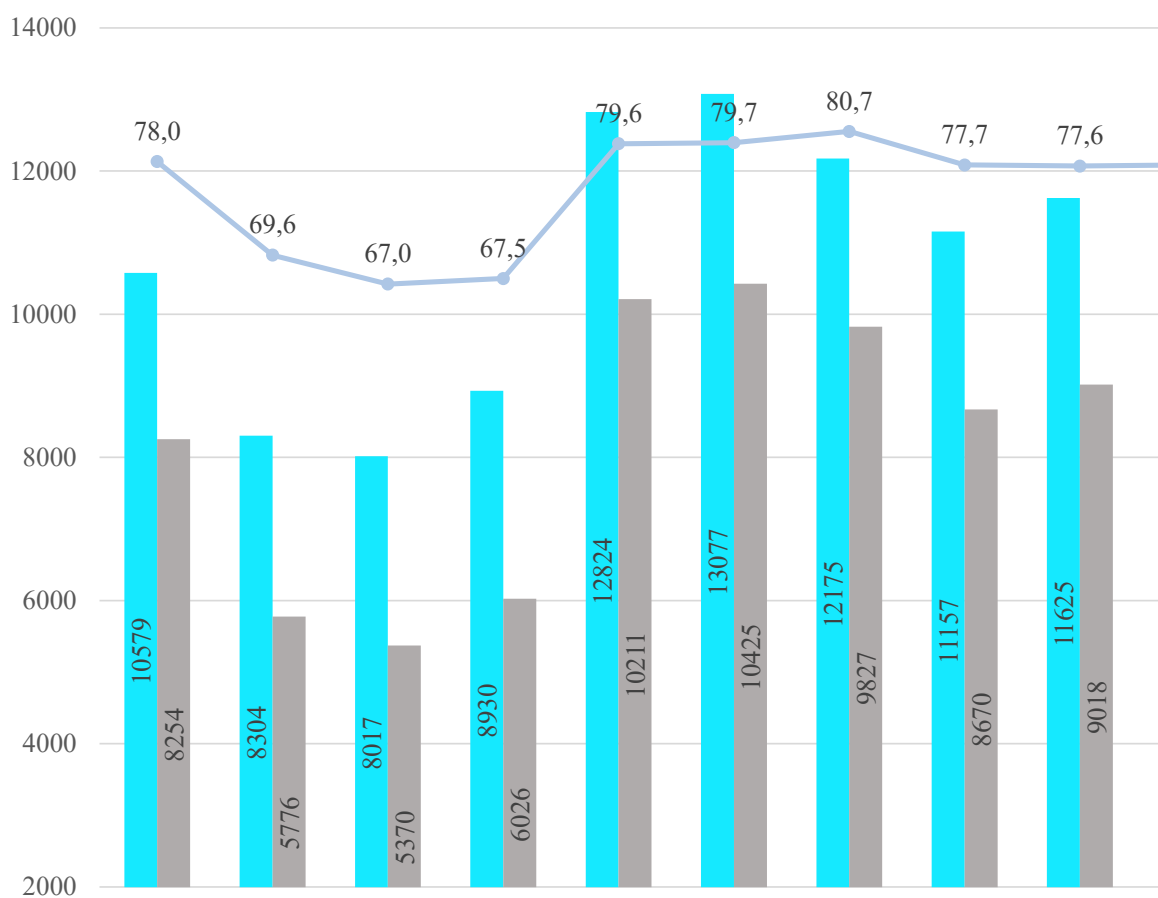
Statistics Service of Ukraine [8], in 2010–2021, there was a steady upward trend in the volume of outsourced accounting services in Ukraine under CEA 69.20 (Figure 2).

At the same time, the number of active economic units registered in the field of accounting, auditing and tax consultancy (CEA 69.20) also increased for the period 2010–2021 (Figure 3). As Figure 3 shows, the number of individual entrepreneurs in Ukraine in 2010–2021 remained almost at the same level – within 8-9 thousand units, or 70-80% of all active economic entities [8]. The analysis shows that the vast majority of Ukrainian outsourcing companies (82.5%) are located in large regional centres (Figure 4) [9].



**Figure 2. Volume of services sold under CEA 69.20 in Ukraine in 2010–2021, million UAH**

*Source: compiled by the authors based on data from [8]*



**Figure 3. Number of active business entities under CEA 69.20 in Ukraine in 2010–2021**

*Source: compiled by the authors based on data from [8]*

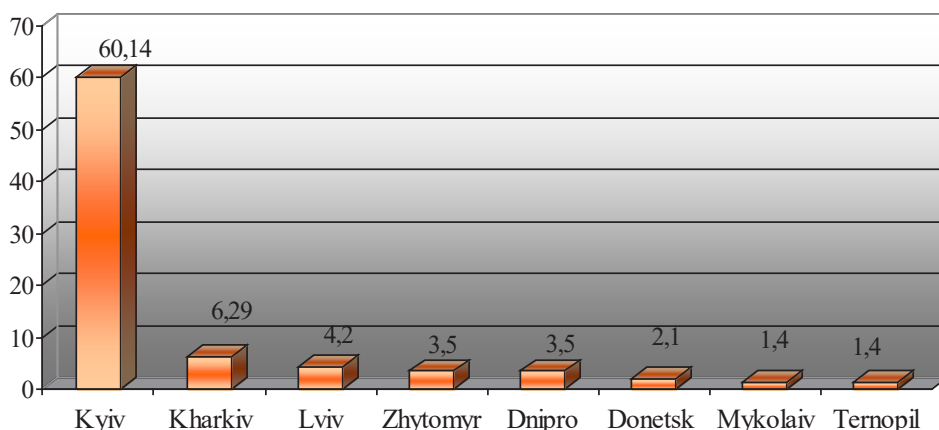


Figure 4. Location of outsourcing companies in Ukraine, %

Source: compiled by the authors based on data from [9]

The most powerful international outsourcing companies in Ukraine are Ernst & Young, McKinsey, Pricewaterhouse Coopers, KPMG, Deloitte, and they own 75% of the market. Among the other companies, the TOP-5 in 2021, according to [9], determined on the basis of such indicators as the number of clients, the number of outsourcing services, the number of employees, the company's annual turnover, and participation in international organisations and ratings, included EBS, Nota Group, Accountor Ukraine, Smart Solutions, and ABK-Service [10; 11].

According to the American consulting company A.T. Kearney, in 2021, Ukraine ranked 43rd in the Global Services Location Index, which is calculated based on the cost of infrastructure, business environment indicators, digital resonance, and staff qualifications, in terms of its outsourcing potential [12]. Compared to 2019, Ukraine has moved up three positions, thanks to an increase in spending on infrastructure, an improvement in business environment indicators and a decrease in costs in the staff availability category. This means that the

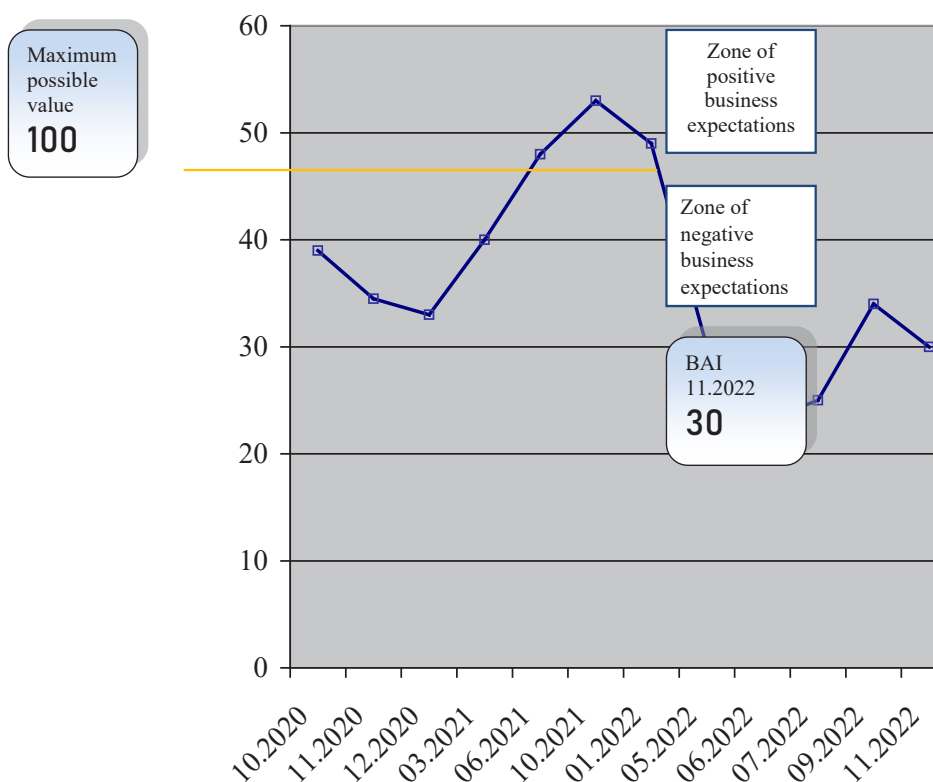


Figure 5. Dynamics of the business activity index (BAI) in Ukraine in 2020–2022

Source: [16]

attractiveness of outsourcing for Ukrainian companies is constantly growing. In 2023, the Global Outsourcing 100 ranking compiled by the international association IAOP included 17 companies with offices in Ukraine [13–15]: Eleks, Infopulse, Innovecs, Intellias, Sigma Software, N-iX, Miratech, Svitla Systems, Intetics, EY, NIX United, CHI Software, Computools, Edvantis, Glorium Technologies, KPMG International, Softengi. For comparison, the 2020 rating included 21 companies with offices in Ukraine, including 13 companies with Ukrainian capital.

The volume of outsourcing in times of crisis is growing because during the economic downturn companies start looking for new opportunities to cut costs, one of which is outsourcing. Today, Ukrainian companies are experiencing a crisis because of the war. According to a study by the Advanter Group, the business activity index (BAI) in Ukraine as of November 2022 was 30 points out of 100, while in January 2022 it was 50 points (Figure 5) [16]. At the same time, the decline is observed in almost all indicators by which it is measured: the number of orders, staff involvement, inventories, production or service volumes. However, the share of businesses that ceased operations in whole or in part after 24 February 2022 is gradually decreasing (Figure 6).

The business situation is stabilising, albeit slowly. Some companies are already returning their employees and starting to create new jobs.

The Ukrainian economy is trying hard to function despite the war and is looking for ways out of the crisis. In order to overcome the negative effects of the war, many enterprises (63%) are ready to invest in export ac-

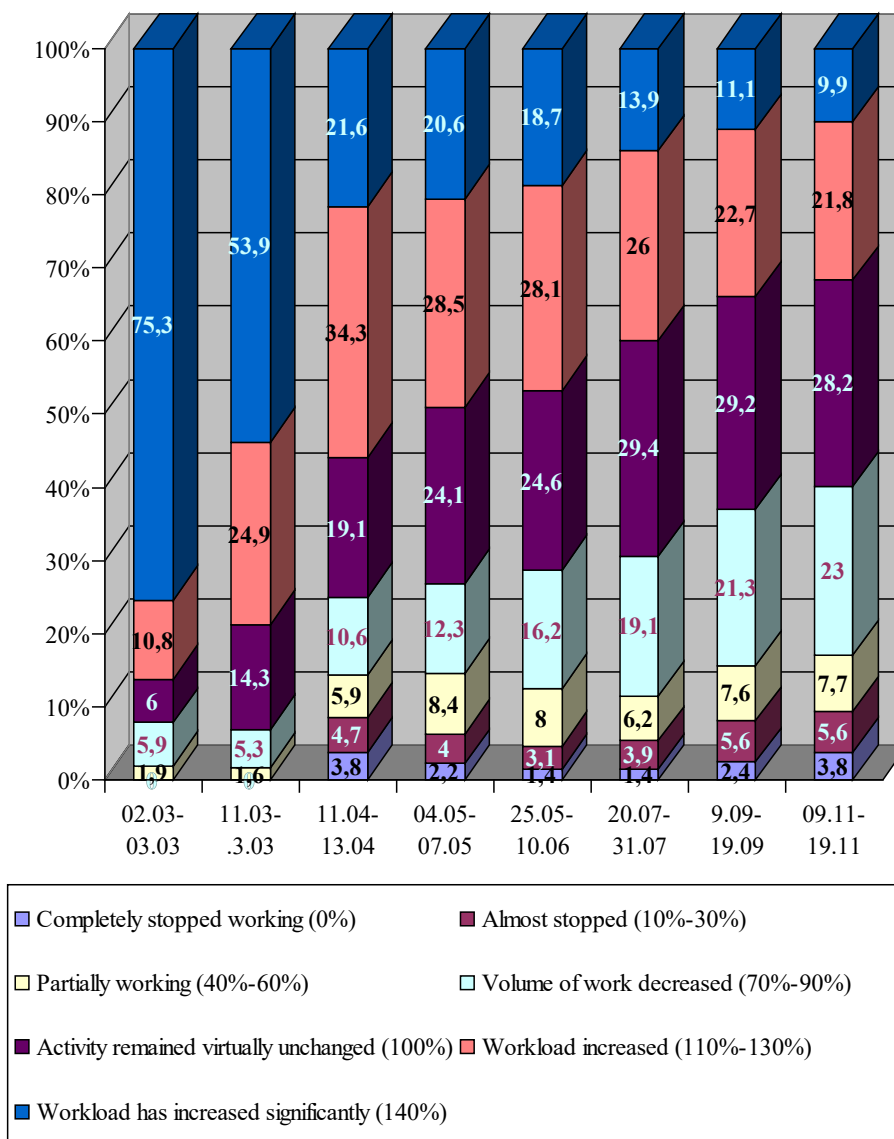


Figure 6. Business status compared to 24 February 2022

Source: [16]

tivities in order to start or expand them (27% of the interviewed entrepreneurs are already exporters, another 17% plan to develop this direction).

However, there are obstacles that hinder this, such as: low level of foreign language skills; lack of necessary knowledge, experience and qualified personnel in this area; difficulties in finding orders and partners; lack of awareness of foreign markets; non-compliance of products/services with international requirements; financial and logistical problems; lack of experience in international sales and marketing, etc.

To some extent, these obstacles can be overcome by engaging outsourcing companies whose specialists are familiar with the specifics of export activities. In addition, outsourcing can provide services at a lower cost than paying employees, which is a significant argument in wartime. These factors, as well as the advantages (Figure 7) inherent in accounting outsourcing, contribute to its development in Ukraine in the current environment.

**Conclusions.** Outsourcing as a way to reduce company costs is becoming particularly relevant in the current environment, characterised by the economic crisis caused by the pandemic and Ukraine's war with the Russian Federation, due to the need for companies to implement remote work practices. It is becoming one of the main tools for improving business competitiveness. In 2010–2021, both the volume of services provided and the number of active business entities in the field of accounting, auditing and tax consulting in Ukraine increased significantly.

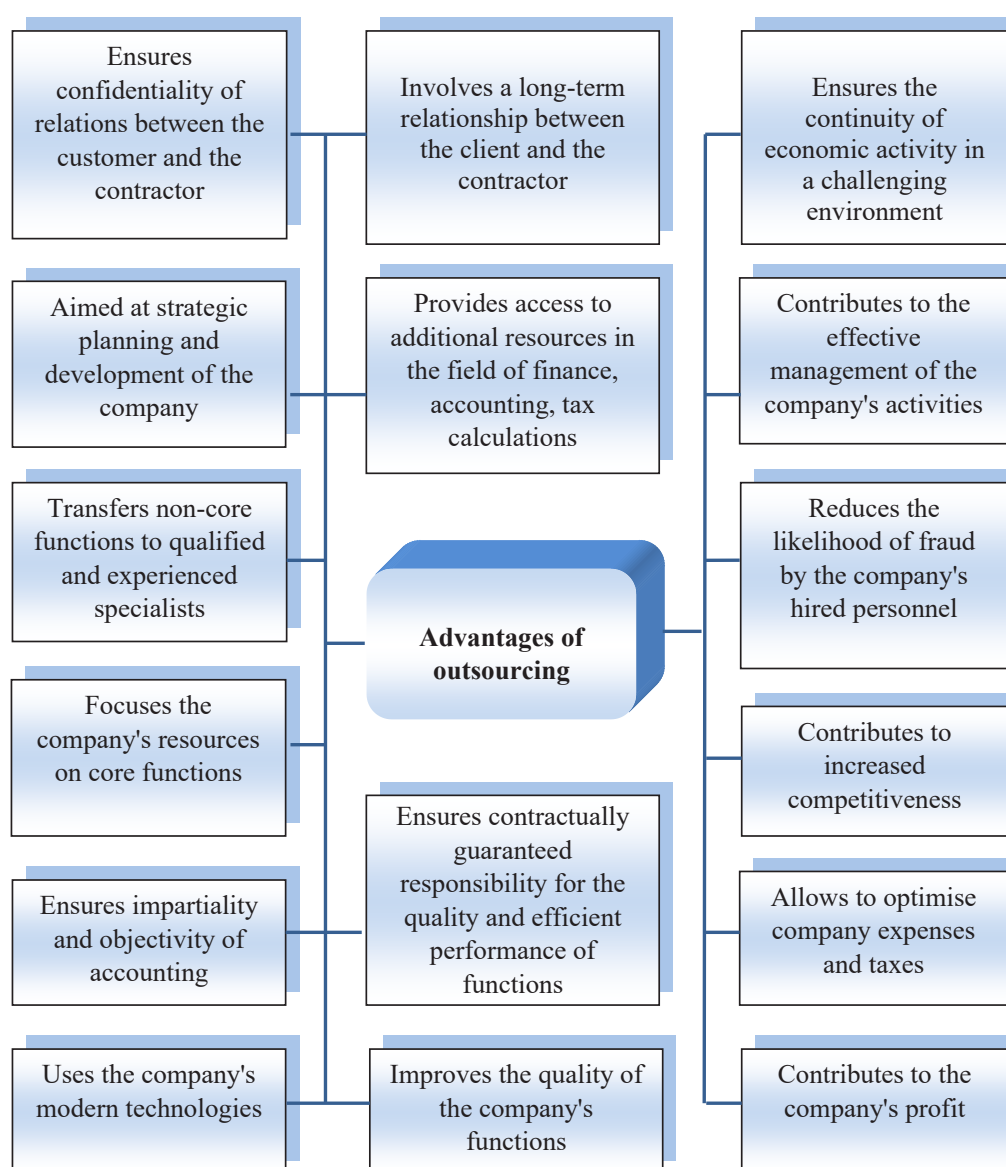


Figure 7. Advantages of outsourcing

Source: developed by the authors

However, the share of accounting outsourcing in the total volume of outsourcing services is 13.5%, which is significantly lower than in developed countries. The prospects for further development of accounting outsourcing in Ukraine are related to the development of electronic document management, further widespread introduction of domestic accounting information technologies, and development of the legislative framework for regulating outsourcing relations.

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**Olena Koba**, Candidate of Technical Sciences, Associate Professor. **Darya Koshlyak**, Master, National University "Yuri Kondratyuk Poltava Polytechnic". **Current state of the accounting outsourcing market in Ukraine.**

The transition of companies to remote working as a result of the COVID-19 pandemic has forced them to use outsourcing companies more frequently to perform certain functions, particularly accounting. As a result of this and numerous advantages of outsourcing for the client, the volume of outsourcing services on the world market has increased. In Ukraine, too, outsourcing relations have gained popularity, which is confirmed by the dynamics of the number of business entities in the field of accounting, the volume of services they provide, and their place in the world ranking. However, due to the lack of necessary knowledge, experience in this field, financial difficulties, the share of accounting outsourcing is much lower than the indicators of developed countries of the world. In the conditions of martial law, almost all indicators of business activity of enterprises in Ukraine decrease: the number of orders, employment of personnel, stocks, volume of production or provision of services, but the share of business entities that have completely or partially stopped their activities as a result of the war is gradually decreasing. Ukrainian business, looking for ways out of the crisis, is ready to invest in export activities. However, this is hindered by: low level of foreign language skills; insufficient knowledge, experience and qualified personnel in this field; difficulties in finding orders, partners; insufficient awareness of foreign markets; non-compliance of products/services with international requirements; financial and logistical problems; lack of experience in international sales and marketing, etc. In order to overcome these obstacles, specialists from outsourcing companies who are familiar with the peculiarities of organising export activities are brought in. The cost of their services is lower than the wages of full-time employees, which is a valid argument in times of war. These factors, together with the advantages of accounting outsourcing, contribute to its development in Ukraine under modern conditions. However, in order to reach the level of outsourcing services of the developed countries of the world, it is necessary to implement electronic document flow, domestic accounting information technologies and create a legislative framework for regulating outsourcing relations.

**Key words:** outsourcing, accounting, development, current state, prospects.



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Перехід компаній на віддалений режим роботи через пандемію COVID-19 змусив їх частіше залучати аутсорсингові компанії для виконання певних функцій, зокрема, ведення діловодства. Завдяки цьому та численним перевагам аутсорсингу для замовника обсяг аутсорсингових послуг на світовому ринку збільшився. В Україні аутсорсингові відносини також набули популярності, що підтверджується динамікою кількості суб'єктів господарювання у сфері бухгалтерського обліку, обсягом послуг, які вони надають, та їх місцем у світовому рейтингу. Однак, через відсутність необхідних знань, досвіду в цій сфері; фінансові труднощі, частка бухгалтерського аутсорсингу значно нижча за показники розвинених країн світу. В умовах воєнного стану в Україні спостерігається падіння майже всіх показників ділової активності підприємств: кількості замовлень, залучення персоналу, запасів, обсягів виробництва чи надання послуг, але частка суб'єктів господарювання, які повністю або частково зупинили свою діяльність внаслідок війни, поступово зменшується. Український бізнес, шукаючи шляхи виходу з кризи, готовий інвестувати в експортну діяльність. Однак цьому заважають: низький рівень володіння іноземними мовами; відсутність необхідних знань, досвіду та кваліфікованих кадрів у цій сфері; труднощі з пошуком замовлень, партнерів; недостатня поінформованість про зовнішні ринки; невідповідність продукції/послуг міжнародним вимогам; фінансові та логістичні проблеми; відсутність досвіду в міжнародних продажах та маркетингу тощо. Для подолання цих перешкод залучаються фахівці аутсорсингових компаній, які знайомі з особливостями організації експортної діяльності. Вартість їхніх послуг нижча, ніж заробітна плата штатних працівників, що є вагомим аргументом у воєнний час. Ці фактори, а також переваги, притаманні бухгалтерському аутсорсингу, сприяють його розвитку в Україні в сучасних умовах. Але для того, щоб досягти рівня аутсорсингових послуг розвинених країн світу, необхідно впровадити електронний документообіг, вітчизняні облікові інформаційні технології, створити законодавчу базу для регулювання аутсорсингових відносин.

**Ключові слова:** аутсорсинг, бухгалтерський облік, розвиток, сучасний стан, перспективи.