

## Evaluation of the effect of outsourcing on capital structure of Igara Growers Tea Factory (IGTF)

Atuhire Madinah, Turyamushanga Labson and Bateyo Asuman

Department of Business Administration (Human Resource Management) of Kampala International University, Uganda.

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### ABSTRACT

This study examined the effect of outsourcing on capital structures of Igara Growers Tea Factory (IGTF). A conceptual framework was developed about outsourcing functions. The findings of this research will be useful to the government agencies, private sector foundations for example Uganda National Chamber of Commerce among others to evaluate the roles of outsourcing on Tea factories. The findings will also help business stakeholders on how to manage their financial performances on the decision to outsource and finally the study will also help future researchers as a reference on similar studies. Simple random and purposive sampling techniques were used to select the respondents. Cross sectional and descriptive research designs were used in the study to collect data from the field. Qualitative and quantitative approaches were also used. The results from this research showed that the organization outsources quality resources with high efficiency level; the outsourced human resource, machinery and other inputs help to improve productivity and improves service delivery a prerequisite for capital development. 99% of the respondents agreed that outsourcing helps an organization to improve and create more capital for the factory. The researchers found out that Igara Growers Tea Factory outsources from members when they buy shares. These shares form "owners' equity" and they greatly improve the capital structure of the business. On the same issue 98% of the respondents agreed that outsourcing helps to increase owner's equity of the factory. The researchers found out that Igara Grower's Tea Factory cannot provide / produce all the required resources to effect production. However, when they outsource, they are able to contract external suppliers and service providers to improve and sustain production. Through the interviews with some respondents, the researchers found out that outsourcing is a strategic management skill where non-core functions but which functions are vital in the production process are outsourced from specialized and reliable service providers so that organizations perform best. For example the researcher found out that procurement of firewood, computer and general equipment repair and servicing in Igara Grower's Tea Factory is outsourced from external sources to improve performance and service delivery. It was found out that outsourcing has reduced overhead costs in Igara Growers' Tea Factory because it is cost effective and certain costs like depreciation maintenance of equipment and machinery among others are then met by contractors / external service providers while Igara Growers Tea Factory concentrates on core production areas. The results showed that outsourcing increased the capital structure of the factory of IGTF. In conclusion, the results from this research showed that outsourcing improved the capital structure of the factory of IGTF. Keywords: Outsourcing, capital, structure, Igara, Growers and Tea Factory.

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### INTRODUCTION

The history of outsourcing is deeply embedded in the history of the growth of

the Modern Business Enterprise, which sprang up in the latter half of the 19th

Century [1]. The changes in modern business practices led to trends that took place over a century ago and these changes had different ways of approaching business operations and outsourcing was one of these business approaches [2]. "After World War II, certain developments made business more global and this involved outsourcing. The first use of outsourcing in recent history was in the 1950s with time sharing among organizations" Globally, outsourcing usage grew to 35 percent in 1997 and the total market for outsourced services was expected to increase to \$200 billion by the year 2001. A recent study was conducted by Yankelovich Partners indicated that two-thirds of companies world-wide already outsourced at least one business process to an external third party. "This practice appears to be most common in the U.S., Canada, and Australia, where 72 percent of outsourcing is being sought"[3]. Outsourcing has become an important part of today's business as many organizations rely on out sourcing to organize their production models. In 2002 US manufacturers were outsourcing more that 70% of their products [4] and in the UK a survey realized in 2000 showed that 68% of the organizations outsource their activities including manpower in a survey of outsourcing in Australia, Beaumont and Sohal (2004) found a further impediment to outsourcing was formulating and quantifying requirements and many researchers have not gone a step ahead to find out how outsourcing does formulation and quantifying organizational requirements [5].

Outsourcing is not a new concept. Firms already started outsourcing in the 1970s, with a major wave of outsourcing starting in the early 1990s However, the nature of the functions being outsourced is changing radically. Traditionally, outsourcing was restricted to activities like distribution and manufacturing, and support activities, like payroll services, human resources, and information technology provision. Today, firms are increasingly outsourcing strategic functions that are relatively more crucial to their businesses such as new product development and front-end processes like

customer support [6]. [7], stated that facilities management as an area is just evolving in Nigeria through janitorial services which is the best development component has been around for nearly (5) five decades. Security services are in the stage of development. [8], stated that "outsourcing has played many roles in Nigeria which include better focus, economies of scale in purchasing and specialization".

Outsourcing in Uganda has improved because economic and competitive pressures have made it imperative for Organizations of all sizes to focus on their core competencies and turn to third-parties to assume responsibility for other secondary corporate functions. Leveraging third-party alternatives has reduced costs and improved operating efficiencies of business organizations. Many organizations in Uganda have outsourced business functions such as cleaning services, medical services, auditing services and security services [9]. The management of Igara Tea Factory like all other smallholder tea factories in Uganda is by Uganda Tea Growers Corporation (UTGC), a government parastatal established in 1966. The Board hires the Management services of Uganda Tea Development Agency Ltd (UTDAL), a subsidiary company owned by the two small holder factories of Igara Growers Tea Factory and Kayonza Tea Factory. Some Organisations perform well financially while others struggle to perform well even though they are operating in the same environment. A glance at business journals, or cable news channels reveals corporations struggling to perform well, and often failing, becoming bankrupt [10]. In such tough times, knowing how to perform well financially is more critical, and one thing organisations can do is to outsource, given its associated benefits such as improved product quality, increased product range, creating new markets, reduction in labour costs and materials needed, reduction in energy consumption, conformance to regulations as well as improved production process [11].

Igara Growers Tea Factory has outsourced some of its business activities and services

[www.idosr.org](http://www.idosr.org)

such as information technology, Engineering, Marketing, Administration, Manufacturing, Procurement, Financial Management, and Agricultural Extension as way of up scaling their financial performance. However, It has not fully realized the benefit of outsourcing because it's financial performance has

#### **Aim and objective of the study**

The aim of this study was to evaluate the effect of outsourcing on capital structure of Igara Grower's Tea Factory (IGTF).

#### **Research Question**

What is the effect of outsourcing on capital structure of IGTF?

#### **Geographical scope**

The study was carried out in Igara Grower's Tea Factory in Kyamuhunga Sub county Bushenyi District south western

Atuhire *et al* been reported to be low making very little sales, sometimes getting losses, having a small market share, yielding little earning per share to shareholders, low sustained growth, and poor employee stewardship which have put the financial performance of the Factory operating at risk [12].

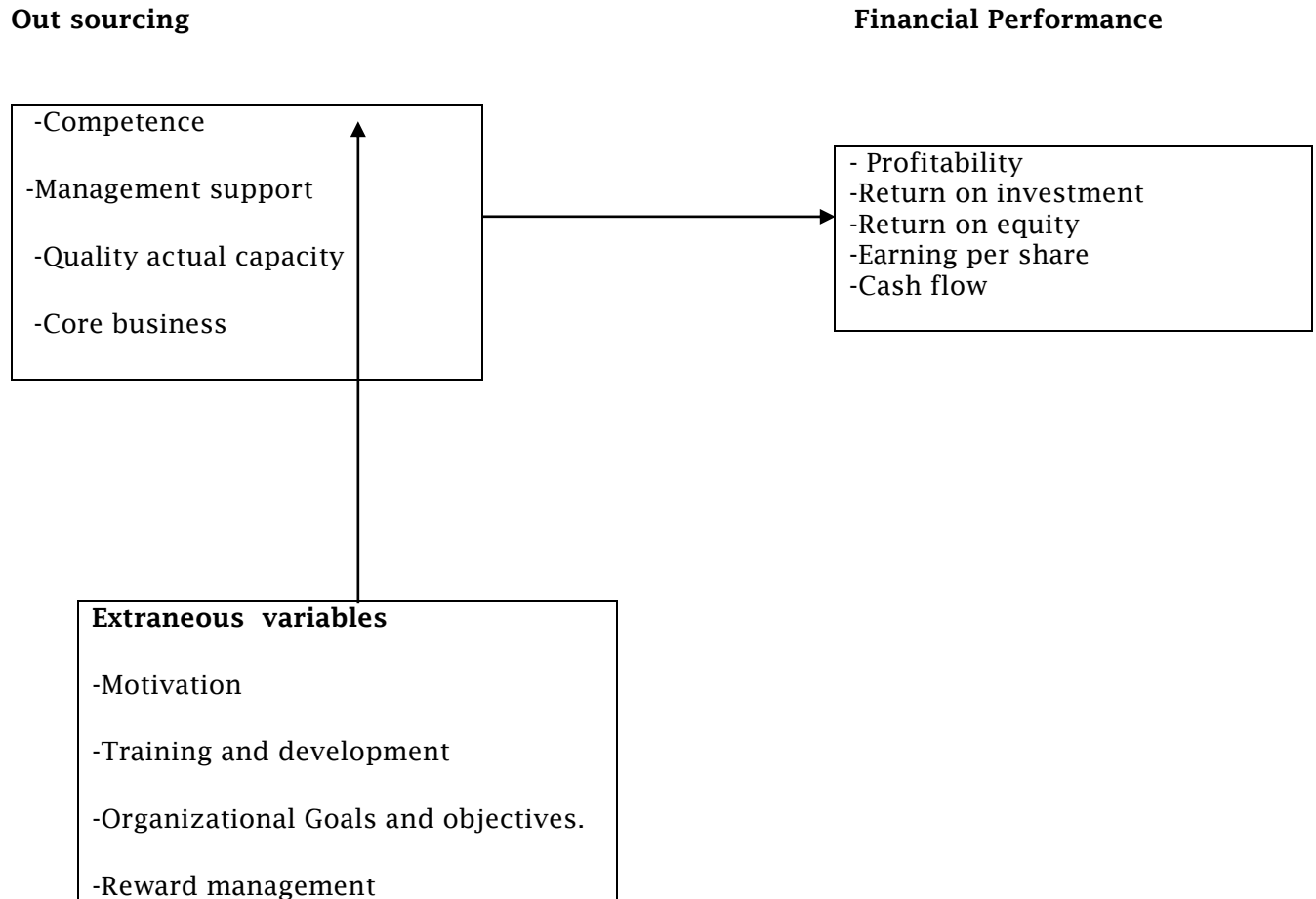
Uganda. The factory is located along Mbarara-Kasese high way approximately five kilometers from Ishaka town.

#### **TIME SCOPE**

The study was based on financial information and other information of Igara Growers Tea Factor. The study was carried

out using information for the last eleven years (2003 up to 2014).

**Figure 1. Conceptual Framework showing the Relationship between Outsourcing and Financial Performance.**



Source: Developed by the Researcher (2014) using Masaaki Kotabe and Michael J. Mol's ideas.

The conceptual framework above shows that outsourcing which includes competence, management support, quality actual capacity and core business has an effect on financial performance of Igara Growers Tea Factory. Apart from outsourcing, there are other factors that affect financial performance and these include Motivation of workers, training and development, Reward management, Organizational Goals and objectives. Outsourcing affects profitability in that when certain activities and services of an organization are outsourced, then cost and expenses like salaries are reduced and this leads to increase in profits. Outsourcing affects earnings per share in a sense it decreases the amount of funds that organizations spend on full time staff and this also increases the profits. As profits

increase, the shareholders have their earning per share increased. The return on organization's investments also increase that when an organization saves money due to outsourcing, This is so because buying of raw materials and other inputs and selling of products are all high and the organization can invest some of these funds. Outsourcing some business functions affects the financial performance of an organization in that it reduces the overall costs of the organization. This is because when workers are contracted when needed, it saves funds than keeping workers on a fulltime basis for example an Auditor can be hired during a certain period of the year and if the audit activity is finished the auditor leaves the organization and this reduces the payroll expenses.

## RESEARCH METHODOLOGY

### Research Design

The study was both cross sectional and descriptive. The study involved descriptive correlation in that it had a large sample and it was descriptive in that data collected was used to describe a phenomenon, the study was correlational in that it was interested in relating outsourcing to organization's financial performance and pertinent data was collected from the respondents once and for all to reduce on time and costs involved on such a large population. The study also used qualitative methods to get information from respondents. Qualitative research used data collection methods such as interviews and, closed and open ended questionnaires, and finally the findings were conveyed subjectively

through descriptions using words rather than numbers. The study took a quantitative approach in that it was based on variables measured with numbers and analyzed with statistical procedures. The qualitative research design was descriptive in nature and this enabled the researcher to meet the objectives of the study. The quantitative research design was used in form of mathematical numbers and statistics assigned to variables that may not be easily measured using statements or theme. The researcher used a cross sectional research design that is analytical and descriptive to understand the relationship amongst the study variables.

### Target Population

In this study the target population comprised of 41,101 people. The figures were got from IGTF report that was presented at the 2012 annual General meeting. These included employees, customers, suppliers, shareholders, of Igara Tea Grower's Factory and regulatory agencies including Uganda Tea Growers

Corporation and Uganda Tea Development Agency Limited. All the categories of employees (top level managers, middle level managers, and lower level managers) were involved because they can all be directly affected by whatever policy is made on outsourcing which in turn affects its organization's financial performance.

### Sample Size

The sample size was computed using the Sloven's formula, which states that, for any given population, the required sample size was given by;

$$n = \frac{N}{1 + N(e^2)}$$

, Where; n = the required

sample size; N = the known population size; and e = the level of significance, which is = 0.05. Given a total population of 41,101 respondents in Igara Tea Grower's Factory Bushenyi District, a sample was 985 respondents computed as follows,

$$n = \frac{N}{1 + N(e^2)}$$

Where; n = the required sample size;  
 N = the known population size;  
 e = the level of significance, which is = 0.05  
 The sample size was chosen from the respondents using Sloven's formula as shown below.

**Table 1. Sample Size Computation**

S/N	Category of respondents	Total population	Sample size	Sampling Technique
1	Employees	340	184	Purposive sampling
2	Customers	40000	400	Simple random sampling
3	Suppliers (both for raw materials and outsourced services)	261	158	Simple random sampling
4	Shareholders	470	216	Simple random sampling
5	Regulatory agencies(Uganda Tea development Agency)	30	27	Purposive sampling
	<b>Total</b>	<b>41,101</b>	<b>985</b>	

#### **Sampling Procedures**

The target population of 41,100 included employees, shareholders, customers and regulators of Igara Growers Tea Factory. Respondents being large, a sample size to represent the population was chosen using sloven's formula. Purposive sampling and simple random procedures were applied in selecting the sample size. Purposive sampling was used to select respondents basing on their roles and duties in the

factory. Where important personnel of the factory were selected and simple random sampling was used to select the respondents who were many in number and they were selected according to their department and category. This also helped to reduce costs and time of doing research and to increase the degree of accuracy of the study.

#### **Research Instruments**

There was in three sets of research devised questionnaire directed towards employees, employers, customers and regulators of Igara Grower's Tea Factory Bushenyi District.; one was be on the effect of outsourcing on capital structure, another one was on the effect of outsourcing on organizational financial structure. The last one was on the relationship between outsourcing and organizational financial performance. The questionnaire also consisted of the main title and introductory letter, with a section of bio-data questions, to help the

researcher to classify respondents. All questions in this section were close ended, based on Likert Scale, ranging from one to four; where 1=Strongly Disagree, 2= Disagree, 3=Agree, 4= Strongly Agree, 5=Not sure. An interview guide was also used in qualitative research to describe the conversations with some respondents with the purpose of obtaining valid and valuable information during the course of conversation. This was mostly used to the respondents that cannot easily read English words and interpret them and even write.

#### **Data Gathering Procedures**

The following data collection procedures were implemented:

**Before the administration of the questionnaires**

The researcher requested for an introduction letter from the Directorate of Postgraduate studies and Research addressed to the authorities of Igara Tea Grower’s Factory Bushenyi District to be permitted to conduct the study. The letter contained the criteria for selecting the respondents and the request to be provided with the list employees from

Igara Tea Grower’s Factory Bushenyi District. After approval, the requested list of respondents provided to the researcher Igara Tea Grower’s Factory Bushenyi District was used by the researcher as a guide in identifying the participants of the study, after which pre-testing of the instrument was followed.

**During the Administration of the Questionnaires**

Specifically, the researcher requested the respondents: (1) to sign the informed consent; (2) to answer all questions and not to leave any item unanswered; (3) to avoid biases and to be objective in answering the questionnaires. The

researcher also tried to retrieve the questionnaires within two weeks from the date of distribution. All questionnaires retrieved were checked if completely filled out.

**After the Administration of the Questionnaires**

After the data was collected; it was organized, summarized, statistically treated and drafted in tables using the

Statistical Package for Social Scientists (SPSS) version 16.

**Data Processing**

To determine the profile of the respondents, the frequency and percentage distribution were used. The mean was used to compute the relationship between Outsourcing and the Table 2:

Organization’s financial performance. To interpret the obtained data, the following numerical values and descriptions were used:

Mean Range	Description	Interpretation
3.26-4.00	Strongly Agree	Very high
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly Disagree	Very Low

Descriptive statistics will be used to test for the effect of Outsourcing on capital structure

**Validity and Reliability of the Instruments**

The researcher tested for validity and reliability on the questionnaires for the effect of outsourcing on capital structure, effect of outsourcing on financial

performance, and assessing the relationship between outsourcing financial performance.

**Validity**

Content validity was done by ensuring that questions or items in questionnaire conform to the study’s conceptualization. Supervisors and other senior staff in KIU who are experts in the field of study evaluated the relevance, wording and clarity of question or items in the instrument. Construct validity was

ensured using Factor Analysis where reliability of the instrument on multi item variables was tested using the Cronbach Alpha Methods and a Cronbach alpha ( $\alpha$ ) of at least 0.8 which led the questionnaires to be declared reasonably reliable or consistent as calculated below

$$CVI = \frac{\text{Number of relevant items}}{\text{All items in the questionnaire}}$$

$$= 19/24$$

= 0.79

= 0.8

**Table 3: Content Validity Index for instrument.**

No. Items	0 Unrated	1 Very Irrelevant	2 Irrelevant	3 Relevant	4 Very relevant	Total	CVI
On objective 1	0	0	1	4	2	7	<u>6</u> 7 = 0.85
<b>Overall average CVI</b>							<b>0.85</b>

**Reliability**

Reliability is a measure of the degree to which research instruments yielded consistent results after repeated trials. Pre-testing for reliability was done by administering the questionnaire to some of the employees, shareholders, customers and regulators of Igara Grower’s Tea Factory who were included in the a study to measure consistency of instruments so

that the questions are reliable enough to give the required and related data. After some time, the same questions were administered to the same people (using test- retest technique).And the two sets of scores were correlated using Pearson product moment correlation and results evaluated. The coefficient was above 0.7 and the instrument was reliable.

**Ethical Considerations**

To ensure utmost confidentiality for the respondents and the data provided by

them as well as reflect ethics practiced in this study, the following were done:

**Informed consent**

The researcher took time to explain to the respondents the purpose of the study and seek their consent. The respondents

requested to sign the informed consent form when they agree.

**PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEACH FINDINGS:**

**Bio Data of the Respondents**

In the study, the researcher administered 1000 questionnaires to the study respondents. This was because the researcher anticipated some of the respondents not to return the

questionnaires or to fill them poorly. For this reason, the researcher was able to collect 985 questionnaires from respondents and data analysis was based on those filled the questionnaires.



**Table 4: Gender, marital, Age, education and departments of respondents**

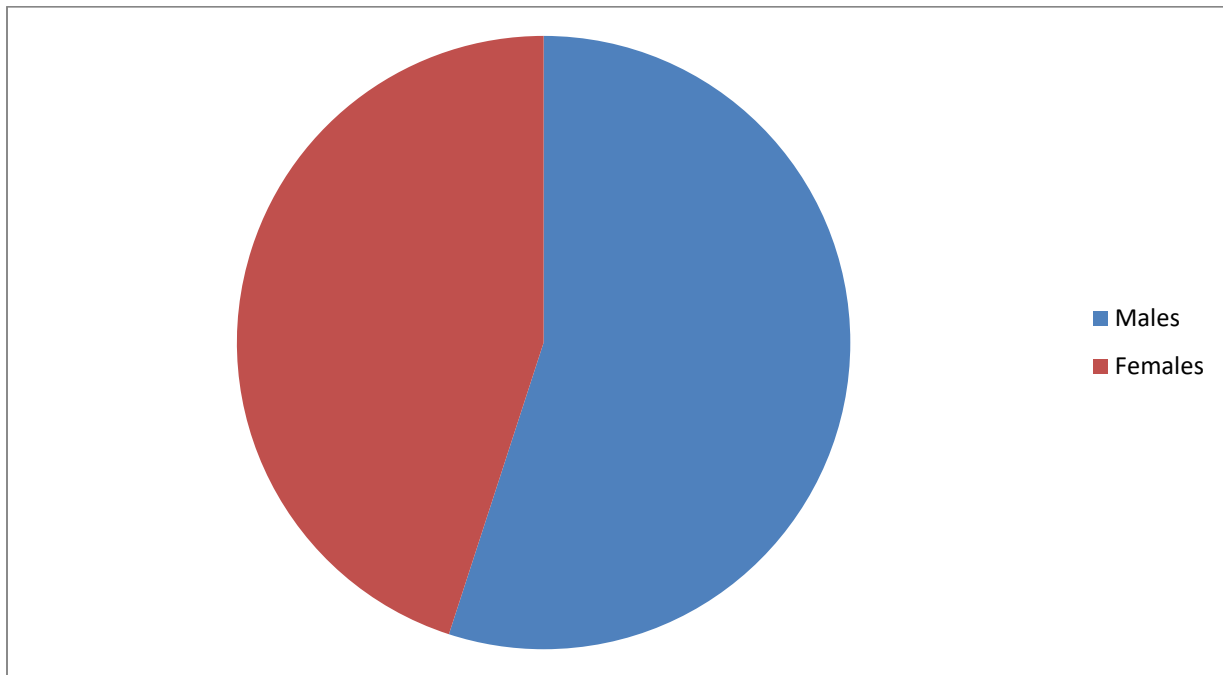
<b>Category</b>	<b>Number</b>	<b>Percentage</b>
<b>Gender</b>		
Males	540	55%
Females	445	45%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Marital status</b>		
Married	518	53%
Single	260	26%
Divorced	67	7%
Widowed	140	14%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Age group</b>		
20-30 yrs	78	08%
31-40 yrs	443	45%
41-50 yrs	268	27%
51-60 yrs	177	18%
60 yrs and above	19	02%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Education level</b>		
Below certificate	335	35%
Certificate	249	25%
Diploma	159	16%
Degree	200	20%
Post Graduate	42	4%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Department</b>		
Procurement	60	6%
Finance	100	10%
Human Resource	49	5%
Processing	209	21%
Production	417	45%
Marketing	150	15%
<b>Total</b>	<b>985</b>	<b>100%</b>

**Source: Primary Data 2015**

#### **Gender**

The findings of the study show that 55% are males and 45% are females.

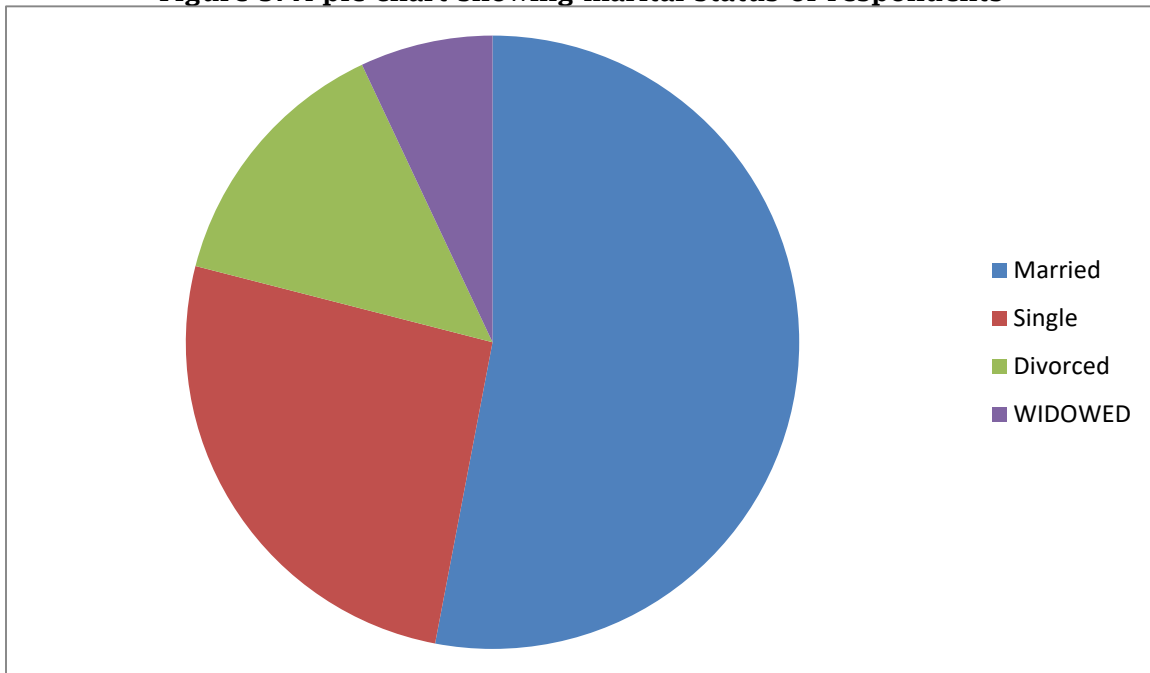
**Figure 2: A pie chart showing gender of respondents**



**Marital Status**

The findings of the study show that the majority of respondents were married i.e. 518 out of 985 (53%), 26% were single and 7% were divorced and 14% were widowed as shown in the table.

**Figure 3: A pie chart showing marital status of respondents**

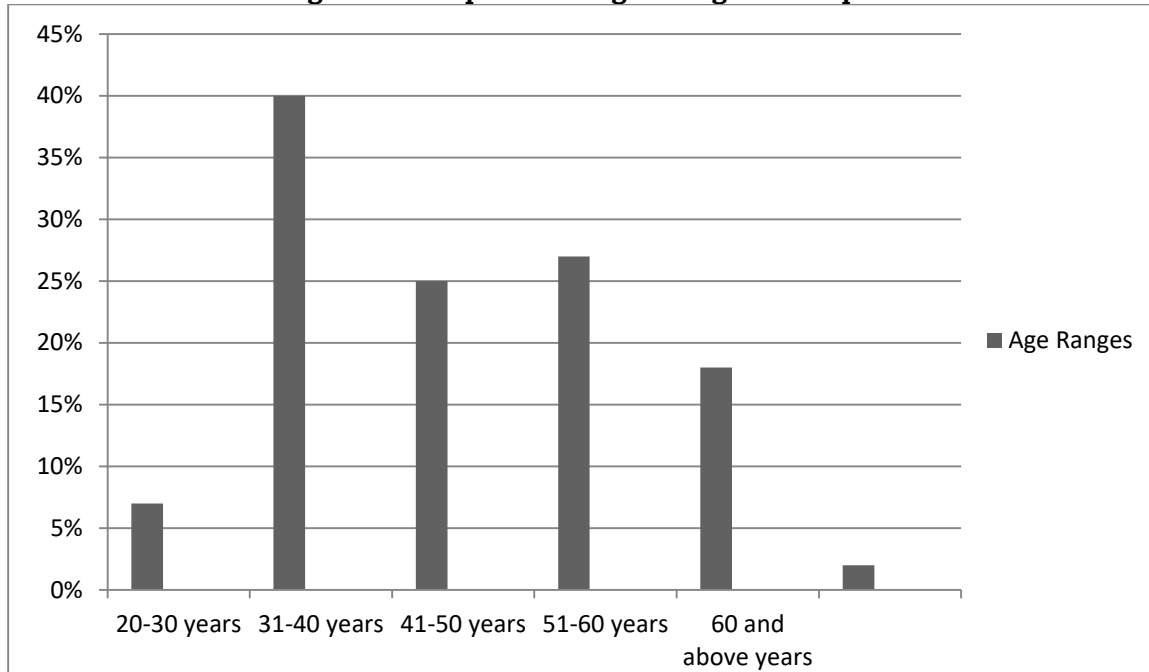


**Age of Respondents**

Regarding the age of respondents, the researcher found out that the biggest age group in Igara Growers Tea Factory is 31-40 years basing on the age group

distribution of the sample. This age group had 40% of the sample size. While 20-30 years were 7%, 41-50 were 27%, 51-60 were 18% and 60 and above were 2%.

**Figure 4: Graph showing the Age of Respondents**

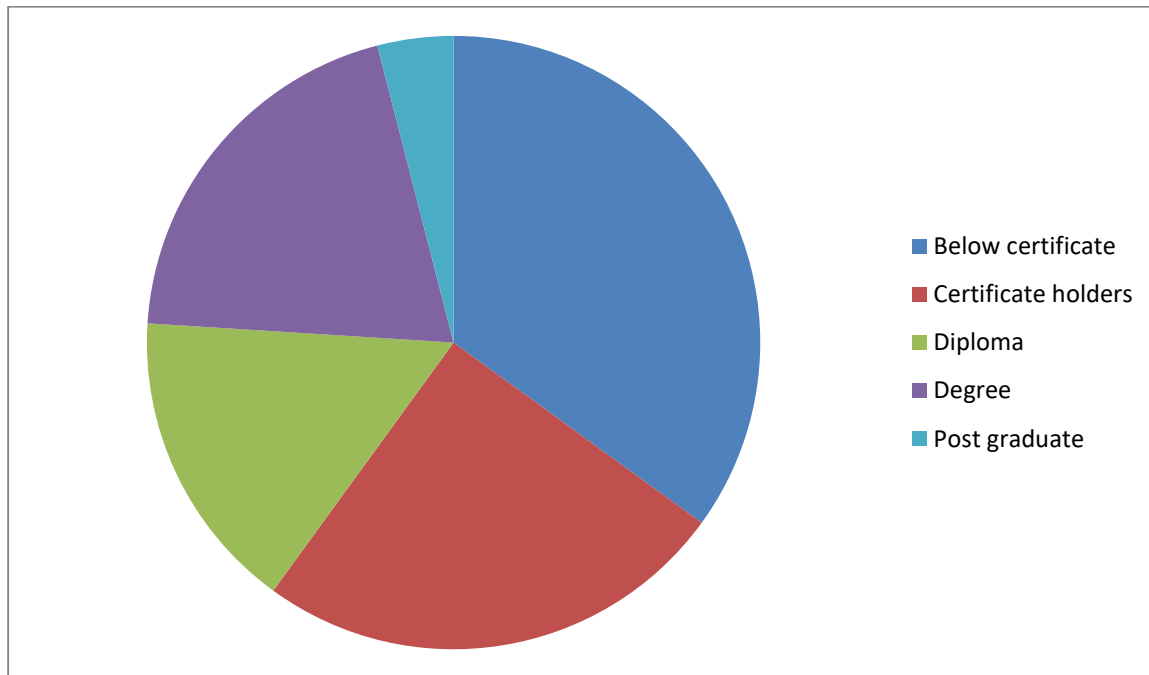


**Education Level**

With regard to education level, the researcher found out that IGTF employees many respondents were below certificate represented by 35% followed by certificate

holders (25%), the degree with 20% Diploma holders (16%) and lastly post graduate with 4%

**Figure 5: A pie-chart showing the Educational Level of Respondents**

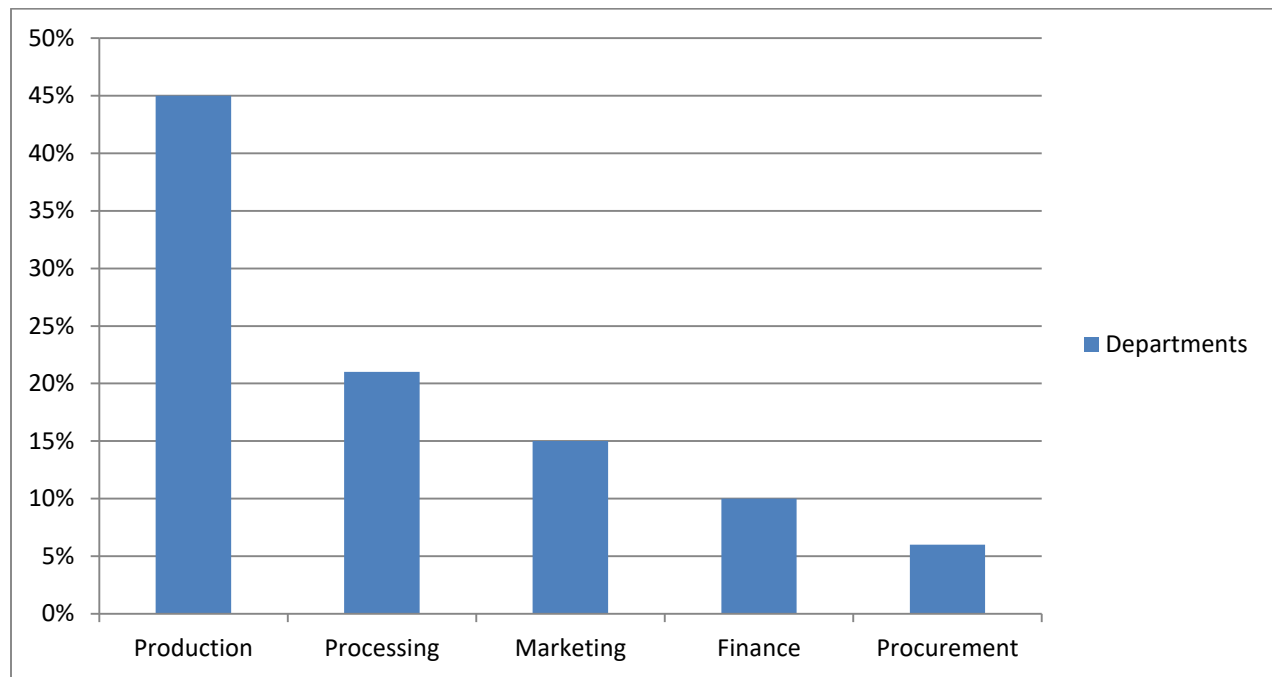


**Department.**

The results indicate that a bigger percentage of respondents of the study come from the production department (45%) followed by processing department

(21%) and the other departments include marketing (15%), finance (10%) and procurement (6%).

Figure 6: A graph showing the Departments of the Respondents



The Effect of Outsourcing on Capital Structure of IGTF.

Table 5: Respondent’s View on Effects of Outsourcing

Effect	Strongly agree	Agree	Strongly disagree	Disagree	Total Agreed (%)	Total disagreed (%)
Promotes savings for capital development	180	787	03	15	180+787=967(98%)	15+3=18(2%)
Increases owners equity	161	810	01	13	161+810=971(99%)	13+1=14(1%)
Efficiency & Accuracy of outsourced services improves capital	201	780	-	04	201+780=981(99%)	4+0=4(1%)
It reduces overhead costs	1	947	08	29	947+1=948(96%)	8+29=37(4%)
Promotes positive financial decisions	34	934	01	16	934+234=968(98%)	1+16=17(2%)

Source: Primary Data 20145

From the table above, most of the respondents' views are categorized as "strongly agree and agree" as indicated with higher figures and higher percentages. From the respondents' views, the researcher found out that usually the organization outsources quality resources with high efficiency level; the outsourced human resource, machinery and other inputs help to improve productivity and improves service delivery a prerequisite for capital development. 99% of the respondents agreed that outsourcing helps an organization to improve and create more capital for the factory. The researcher found out that Igara Growers Tea Factory outsources from members when they buy shares. These shares form "owners' equity" and they greatly improve the capital structure of the business. On the same issue 98% of the respondents agreed that outsourcing helps to increase owner's equity of the factory. The researcher found out that Igara Grower's Tea Factory cannot provide / produce all the required resources to effect

production. However, when they outsource, they are able to contract external suppliers and service providers to improve and sustain production. Through the interviews with some respondents, the researcher found out that outsourcing is a strategic management skill where non-core functions but which functions are vital in the production process are outsourced from specialized and reliable service providers so that organizations perform best. For example the researcher found out that procurement of firewood, computer and general equipment repair and servicing in Igara Grower's Tea Factory is outsourced from external sources to improve performance and service delivery. It was found out that outsourcing has reduced overhead costs in Igara Growers' Tea Factory because it is cost effective and certain costs like depreciation maintenance of equipment and machinery among others are then met by contractors / external service providers while Igara Growers Tea Factory concentrates on core production areas.

#### DISCUSSION

The findings of the study show that 55% are males and 45% are females. This implies that the study tried to have almost a balanced representation of respondents by gender to participate in the study and enabled to capture issues that could rise because of gender. This agrees with [13] who stated that more males are involved in outsourcing than females. This is because if an organization is to outsource, it should hire strong people with a lot of energy and competence to perform a specific task that cannot be internally performed by internal personnel of the organization. This implies that the study was able to capture views from all respondents. That is those who were married, single and divorced. [14] stated that financial performance of an organization can improve if it employs psychologically and mentally up right personnel without family and marriage problem especially legally and happily married personnel" This agrees with the findings of the study because many respondents were found to be married (53%). The results of the study agree with [15] who pointed out that the work force between 30 to 40 years are engaged more

in outsourcing contracts that any other age bracket. This indicates that this is a working age bracket; it is composed of strong and young people with skills and competences necessary for good financial performance of Igara Growers Factory Tea. The results of the study indicated that this implies that Igara Growers Tea Factory is a heterogeneous organization and it employs all levels of education. However, data from the respondents in the sample indicate that the most employed education level is certificate. Other higher levels have less number of employees and this is based on the nature of work done. For example tea plucking has the biggest number of workers and most of them have certificate education level or even below. With the department which employs most workers, the researcher found out that the production department is the biggest employer of human resource. This is due to the fact that Igara Growers Tea Factory is a primary processing factory where much of the work is done by people tea plucking, processing and marketing employ a lot of people. The findings of the study agree with [16] who stated that

outsourcing of services and products is mainly involved in production processing and marketing service providers. This indicates that outsourcing has various advantages and therefore is a strategy for capital development in Igara Growers' Tea Factory. The researcher found out that Igara Grower's Tea Factory cannot produce enough tea for sustainable production. It therefore outsources from out growers to increase and sustain its productivity. The researcher found out that outsourcing impact on the capital structure in organizations. From the respondent point of view, outsourcing has encouraged Igara Growers Tea Factory to increase its capital structure because it makes savings as part of its earnings. Because with outsourcing, Igara Growers' Tea Factors soloists more resources to promote production and profitability. Factory because of the high figures of respondents who strongly agreed and those who agreed. This implies that the level of profitability has improved due to out sourcing reducing on operational and costs and expenses and generally out sourcing has lead to improved service financial performance of Igara Grower's Tea Factory. This is because increase in value of products, increased sales, improved competitive position, cost reduction, investment innovative performance, are all positive and significant which led outsourcing to have a significant relationship on financial performance of an organization. However there was no significant relationship between outsourcing and financial performance the results indicated that though not significant, Increase in sales and outsourcing are positively related ( $r$  value=0.039). The implication of this is that outsourcing may increase on the volume of sales of an organization and if the volume of sales increases, the financial performance of the organization is most likely to improve. The researcher found out that Igara Growers Tea Factory outsources from members when they buy shares. These shares form "owners' equity" and they greatly improve the capital structure of the business. From the respondents' views, the researcher observed that usually the organization outsources quality resources with high

efficiency level; the outsourced human resource, machinery and other inputs help to improve productivity and improves service delivery a prerequisites for capital development. This Rhymes with [17], that if when outsourcing firms employ more high value-added employees; these optimally invest in firms' specific human capital and increase the capital structure of the firm. The researcher found out that Igara Grower's Tea Factory cannot provide / produce all the required resources to effect production. However, when they outsource, they are able to contract external suppliers and service providers to improve and sustain production. The same observation was made by [18], that when companies do outsourcing, they look for best service provider and suppliers to boost production and capital structure development. Like [19], state, the researcher found out that out sourcing is a strategic management skill where non core functions but which functions are vital in the production process are out sourced from specialized and reliable service providers so that organizations perform best. For example the researcher found out that procurement of firewood, computer and general equipment repair and servicing in Igara Grower's Tea Factory is outsourced from external sources to improve performance and service delivery. It was found out that outsourcing has reduced over head costs in Igara Growers' Tea Factory because it is cost effective and certain costs like depreciation maintenance of equipment and machinery among others are then met by contractors / external service providers while Igara Growers Tea Factory concentrates on core production areas. The results agree with [20] who believed that maximizing profits is by outsourcing because outsourcing reduces risk and is management friendly. After all, "no man is an island" there ought to be some interdependence which calls for outsourcing so that the organization concentrates on those core areas where it has comparative advantage and contracts / out sources what it feels is not core and the external community is capable and competent to provide at a cost effective level to promote the capital structure of the organization.

### CONCLUSION

From the study, on the effect of outsourcing on capital structure, the researcher concluded that outsourcing helps in improving the organization's capital structure. This conclusion is based on the fact that when an organization outsources resources, these resources are of good quality, they are delivered in time and production and service delivery are

improved. It is vital to note that the decision to "buy and not to buy" that leads to outsourcing is done carefully and the cost benefit analysis is carried out before the decision to outsource is made. What results therefore is a strategy that is more profitable to develop / strengthen the capital structure of the organization.

### RECOMMENDATION

From the study findings and conclusions, the researcher recommends the following; On the effect of outsourcing on capital structure the researcher recommends that;

- Before the decision to outsource is taken, the organization should make a comprehensive analysis of the cost benefit ratio of the outsourced service so that the organization knows the associated costs and benefits related to the decision made.

- Then careful selection of the suppliers should follow and contracts awarded to such suppliers /service providers should be so comprehensive to cater for any divergences that can hinder effective service delivery and profitability.
- The factory should constantly measure and review the outsourcing function in order manage their unexpected costs and utilizing their assets efficiently.

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