



Strategic Outsourcing as an alternative paradigm to banks' performance: Evidence from selected Nigerian banks.

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Abstract:

Banking sector performs a pivotal role in capital formation, which is essential for the economic development of a country. However, the sector in Nigeria have been experiencing cut-throat competition from both local and multinational banks. This has necessitated the adoption of various strategies such as outsourcing to increase their efficiency and remain competitive. This study therefore investigates the effect of strategic outsourcing on the performance of Nigerian banks with specific reference to the selected banks in Osogbo metropolis. Specifically, the study determines the extent of strategic outsourcing by Nigerian banks, examines the effect of strategic outsourcing on deposit mobilization of Nigerian banks, examines the effect of strategic outsourcing on bank's profitability in Nigerian banks and identifies the challenges of outsourcing strategy faced by Nigerian banks. Survey research design was adopted in the study among 100 staff members of selected banks in Osogbo metropolis, Osun State. Data analysis was performed with the aid of simple percentage, mean and Ordinary Least Square (OLS). Result reveals that security services, catering services, advertising and marketing, recruitment services and training of employee services are fully sourced by Nigerian banks. Result further reveals that strategic outsourcing has significant effect on deposit mobilization ($F = 139.254$; $\eta^2 = 0.766$; $t = 11.801$; $P < 0.005$) and banks' profit level ($F = 49.776$; $\eta^2 = 0.580$; $t = 7.055$; $P < 0.005$) respectively. Result also indicates that risk of exposing confidential data, fear of losing management control, security risks, inability to develop clear objectives, share financial burdens, reduce quality control, company's attachment to its brand and processes and lack of top management support are the major challenges confronting the implementation of strategic outsourcing in Nigerian banks. Subsequently, the study



recommends that management should use outsourcing as a strategic tool to free up the company's resources so as to focus on its core competencies and banks that outsource should continue to monitor the contractor's activities and establish constant communication.

Biography

Joseph Ifeanyi John is a postgraduate master degree student of the Universiti Kuala Lumpur, Malaysia. His area of study is Business management. He holds a bachelors degree in Information and Communication Technology. Joseph is originally from Nigeria, but currently resides in Kuala Lumpur, Malaysia where he is undertaking his studies.

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