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## IMPLEMENTATION EFFECT OF TREASURY SINGLE ACCOUNT ON THE ECONOMY OF NIGERIA: THE PERSPECTIVE OF BANKING SECTOR

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**ABSTRACT:** *Treasury Single Account (TSA)'s prime purpose is to ensure accountability, improve transparency, and prevent abuse and mismanagement of public funds. Nigeria had to domesticate the law implementing TSA in 1999, however, the government ran a pilot scheme in 2012 to fully domesticate and observe the impact of such policy on the growing economy of the nation. Thus, this study aimed to examine the implications of TSA from its domestication, identify its benefits, examine the challenges and study its prospects considering the perspectives of the banking sector employees. The descriptive research design was adopted for the study using fifty (50) bank employees within Ondo State, Southwestern Nigeria who were randomly selected. Software for the Social Sciences Statistical System (SPSS) was used to obtain descriptive statistics such as central tendency, the measure of variability, kurtosis and skewness. The calculated values range from 2.60 to 3.88, 0.72 to 1.28, -0.08 to -2.20, -1.73 to 4.09 for mean, standard deviation, skewness and kurtosis respectively. All calculated p-values range between (.000 to .003), which are less than the level of significance of 0.05 (2-tailed). Hence, the null hypotheses are rejected while the alternate hypotheses are accepted. The strong relationship of up to 0.985 between the opinions of the respondents is a strong indication that the application of TSA has led to a reduction of monetary misappropriation and a drastic reduction of corrupt practices. Therefore, TSA should be implemented in every sector of the economy both public and private to ensure financial prudence, accountability, transparencies and as a tool in monitoring, expenses incurred.*

**KEYWORDS:** accountability, banking sector, economy, transparency, treasury single account.

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## INTRODUCTION

Treasury Single Account is a form of public accounting in which all government revenue, expenditure and profits are paid into a single account, traditionally operated by the country's central bank and all payments made through that account (Okerekeoti & Okoye, 2017). The primary purpose is to ensure accountability of government revenue, enhance transparency and prevent abuse of public funds. It is hoped that maintaining a Treasury Single Account will help ensure proper cash management by removing idle funds that are usually left to numerous commercial banks and reinforcing the reporting of profit collection and payment (Adeolu, 2015). Nigeria, Africa's most populous nation, had to domesticate the Treasury Single Accounting Act as laid down in Article 80 (1) of the 1999 Constitution as amended, it states that “*All taxes or other sums*

*of money earned or raised by the Federation (not income or other sums of money payable under this Constitution or any Act of the National Assembly to any other special-purpose public fund) shall be paid into and form the Federation's Consolidated Revenue Fund”.*

Although successive governments have continued to operate multiple accounts in Nigeria for collecting and spending government revenue for several reasons, in flagrant disregard of the constitutional provision requiring all government revenue to be transferred to a single account. However, in 2012, the government used her ministries, departments and agencies as a test case to run a pilot scheme for a single account. Such pilot schemes saved Nigeria from frivolous spending worth N500 billion (Andornimye, 2017). The government of Nigeria is thus motivated to fully implement the Treasury Single Account, leading to bank directives to implement a technology platform that will help accommodate the scheme.

Therefore, the Nigerian Central Bank has opened a Consolidated Revenue Account to ensure the smooth implementation of all revenue for the government and effect payments through this account. The primary benefit of a Treasury Single Account is the framework it provides for proper monitoring of government revenue and government spending. It will help block most, if not all, of the leaks that were the ban on economic growth in the case of Nigeria (CBN, 2016).

The study aimed at the following goals: to explore the effects of the Treasury Single Account in Nigeria, to identify the advantages of the Treasury Single Account, to analyze the drawbacks of the Treasury Single Account and to study the prospects of a single account. The results of this study will educate the general public on the country's developing economy such as Nigeria's Treasury Single Account's benefits. As a huge sum of money will unexpectedly leave the economy, it educates on its temporary effect on the banking industry. It will also serve as a resource base for other scholars and researchers interested in further research in this field in the future if applied will go into some detail to provide a new explanation for the subject.

## **LITERATURE REVIEW**

### **The framework of the concept**

The Treasury Single Account has been described as a hypothesis which, when successfully applied, changes the organizational structure of the public fund, it incorporates strong policy-making into public account management. In Nigeria, the concept of Herbert Simon was adopted in the introduction and implementation of TSA which believed that by making incremental policy changes rather than engaging in a systematic and rational process and articulating clearly defined policy goals, policymakers muddle through (Barros, 2010). Successive comparisons are made with current treasury account management practices and policymakers strive consensus where they have specific knowledge or where they can. Herbert Simon defined three factors, such as that of the Treasury Single Account, which depart from total rationality in decision-making when addressing rationality in administrative organizations (Barros, 2010). Several government agencies have adopted and applied Simon's decision-making principles to the policy process, which encompasses control of treasury accounts.

Policy change model was projected on the basis of a certain structure and individual assumptions (Sailendra and Israel, 2010), But it falls short of the policy theory criterion of Blomquist (2007), which suggests that incrementalism involves a detailed description of collective action, processes, and the theory's limits and range. Several accounting experts urged the Nigerian government to review the entire budget process as a matter of urgency and to implement a strategic approach to block revenue leakage in the country to ensure this improvement in treasury account management policy (CBN, 2014). In line with its commitment to ensuring accountability and increased transparency in the administration of the country's finances, the Government of Nigeria has directed all government institutions and government agencies to pay their revenues in a single bank account called the Treasury Single Account (CBN, 2016).

In general, the transfer of revenue for the government from commercial banks to multiple bank accounts, as obtained under the ancien regime, was explicit runs counter to the Nigerian Constitution, which required that all federally raised revenue be paid into the Federation Account in Sections 80 and 162 (CFRN, 1999). TSA policy was initially proposed by the Federal Government's Economic Policy and Governance Program in 2004 but was rejected in 2005 under extreme banking scrutiny (Ikya, Akaa and Ucherwuhe, 2017).

### **The Structure of Theory**

TSA has been taunted as a paper law in Nigeria since 2004 due to a massive lack of political will to enforce it before its formal implementation procedures started in 2015. It has become mandatory legislation to cooperate with all revenue-generating entities since its implementation began. Government agencies are required to funnel their earnings into a single account with the Central Bank of Nigeria (Vanguard Editorial, 2016). The government had set up effective control systems to ensure strict enforcement. TSA is an integral part of the National Strategy for Reform proposals of the Public Service to Vision 2020 (Matankari, 2009). Public financial management initiatives are designed to address obstacles to effective and efficient cash management. Bankers persuaded the Nigerian government to softly pedal the introduction of the TSA strategy that was originally scheduled to start in February 2016 on the grounds of potential negative economic impact. They argued that implementation would negatively affect the liquidity of banks and end up putting a burden on interest rates and availability of credit to the economy (Vanguard Editorial, 2016). With the introduction of the Single Treasury Account, banks will lose about two trillion naira deposits to the Central Bank of Nigeria (Okwe, Chijioke, Temiloluwa and David, 2016). According to the Directive, this initiative was specifically intended to promote transparency and to facilitate adherence with the Constitution. To understand TSA, it was described as a bank account or a set of linked bank accounts through which the government processes all its receipts and transactions and receives a consolidated view of its cash position at any given time (Ikya et al., 2017). The TSA plan would put an end to the previous public accounting situation of several scattered government revenues, profits and expenses accounts, which in the recent history has resulted in the loss or leakage of the federation account's legitimate income. A Treasury Single Account is a network of branch accounts all attached to the main account so that deposits are made in the subsidiary accounts or shutting balances on those subsidiary accounts are transferred to the main account at the end of each business day (Obinna, 2006). However, government agencies may retain their accounts with commercial banks but their disbursements are financed on a daily basis

from the central bank's main account, just as their closing balances are moved to the main account at the end of the day (CBN, 2016). A Treasury Single Account is a centralized system of government bank accounts allowing the unification and appropriate use of government cash assets (Yusuf and Chiejina, 2016). As a result, TSA is considered a requirement for modern cash management and is an effective tool for the Ministry of Finance / Treasury to develop oversight and centralized influence over government cash assets.

### **The Single Treasury Account's influence on Nigeria's public financial management**

Any nation's treasury is the government's major financial agent which ensures the control of the money positions of the government to ensure that enough funds are available to fulfill the nation's financial obligations. The treasury also ensures that all surplus money is spent effectively and that debt is given as per the relevant laws as best as possible. A Treasury Single Account was therefore implemented to effectively manage the monitoring and expenditure of such treasury and block leakage, especially in a growing economy like Nigeria where many corrupt practices have also been reported among government officials. With the legally passed law that no government agency is required to operate bank accounts outside the control of the treasury, such leaks were investigated. Such advantages of openness and compliance with global financial standards identified as a result of TSA implementation improve the effectiveness of Nigeria's public financial management system (CBN, 2016).

TSA was described as a key tool for consolidating and managing the cash assets of governments, especially in a country like Nigeria with decentralized government banking arrangements. It gives priority to setting up a TSA in the plan for the reform of public financial management (CBN, 2014).

## **METHODOLOGY**

### **Study Design**

The research model used for this study was the descriptive research design due to frequency and percentage use. The descriptive study design is a scientific method that involves evaluating and describing the behavior of a particular issue without affecting it.

### **Sample Size of the Study/Data Collection**

To access the impact of TSA on the economy, 50 bank employees within Ondo State were randomly selected, this will help in taking into account the view of Nigerian bank officials. Employees of the banking industry which includes those of customer service, audit, operations and marketing were selected. Respondents have been kept anonymous to protect their views. Questionnaires were distributed and collected on the same day, although ample opportunity was given to survey participants to express their views on the topic. Data from secondary sources such as peer-reviewed publications and the internet were also collected.

### **Methods of Data Analysis**

Software for the Statistical System of Social Sciences (SPSS) has been used to obtain descriptive statistics such as central tendency, variability measurement, kurtosis and skewness. Percentage

analysis was presented to help evaluate and compare values as clustered to understand TSA's impact on the economy from the inception of its implementation in Nigeria. Descriptive statistics used focused on summary features of collection of information based on the respondents' responses, it helps to summarize the responses therefore it is not developed on the basis of probability theory hence it's a nonparametric statistic [Dodge, 2003]. Also used was the hypothesis evaluation method to understand the prospects of bank employees in Nigeria for implementing TSA.

Standard deviation ( $S$ ) and Pearson's correlation coefficient ( $r$ ) were evaluated for the respondents' view using the model:

$$S = \sqrt{\frac{\sum(x - \bar{x})^2}{N}} \quad (1)$$

and

$$r = \frac{\sum(x - \bar{x}) \cdot (y - \bar{y})}{\sqrt{\sum(x - \bar{x})^2 \cdot \sum(y - \bar{y})^2}} \quad (2)$$

Where:

$x$  = every value in the null hypothesis data set.

$\bar{x}$  = mean of all values in the null hypothesis data set.

$y$  = each value in the alternative hypothesis data set.

$\bar{y}$  = mean of all values in the alternative hypothesis data set.

$N$  = number of values for each set of data.

## RESULT AND DISCUSSIONS

### Demographic Data of the Respondents

Table 1 summarizes respondent demographic information which shows that there are more women employees in the Nigeria banking sector with 64% as against 36% men. Respondents cut-across different units of the banking sector ranging from customer service, audit, operations and marketing units. The demographic statistics show that a greater number of respondents are experienced personnel within the banking sector for a good number of years.

Table 1: Respondents Demographic Information

		<b>No.</b>	<b>%</b>	<b>Cumulative %</b>
Sex	Female	32	64	64
	Male	18	36	100
Age (years)	21-30	12	24	24
	31-40	26	52	76
	41 - 50	8	16	92
	51 - 60	4	8	100
Qualification	1 <sup>st</sup> Degree (HND, B.Sc.)	32	64	64
	2 <sup>nd</sup> Degree (M.Sc.)	16	32	96
	Others	2	4	100
Position (full-time)	Senior Staff	35	70	70
	Junior Staff	15	30	100
Work Experiences	< 2 years	6	12	12
	3 - 5 years	14	28	40
	6 - 10 years	25	50	90
	> 11 years	5	10	100
Unit	Customer service	12	24	24
	Audit	24	48	72
	Operations	6	12	84
	Marketing	8	16	100

### Respondents' Statistical Analysis

Table 2 displays the descriptive statistics of the views of the respondents on the effect of TSA on Nigeria's economy since its introduction in 2012. The hypothesis items were itemized as T<sub>1</sub> – T<sub>5</sub> to avoid the repetition of questions during analysis. Responses have been categorized with the varying weighing rate of strongly agree (4), agree (3), undecided (2), and disagree (1).

Table 2: Descriptive Statistics Table

Respondents	TSA has been good for the Nigeria Economy (T <sub>1</sub> )	There have been challenges to TSA implementation (T <sub>2</sub> )	TSA has helped to minimize corruptions in Nigeria (T <sub>3</sub> )	TSA has helped to ensure transparency in account management (T <sub>4</sub> )	There has been accountability in government agencies account reports since the introduction of TSA (T <sub>5</sub> )
Mean	3.60	2.60	3.38	3.34	3.46
Variance	0.69387755	1.673469388	0.6893878	0.6779592	0.53918367
Std. Dev	0.82462113	1.280624847	0.8219489	0.8151074	0.72691127
Median	4.00	2.50	4.00	4.00	4.00
Skewness	-2.2068	-0.0825	-1.2721	-0.7178	-0.9840
Kurtosis	4.0936	-1.7385	1.0180	-1.1388	-0.4205
Sum	180	130	169	167	173
SUMSQ	682	420	605	591	625
Observation	50	50	50	50	50

The calculated values respectively showed mean responses of 3.60, 2.60, 3.88, 3.34 and 3.46; standard deviation of 0.82, 1.28, 0.82, 0.82 and 0.72; skewness of -2.20, -0.08, -1.27, -0.71 and -0.98; and kurtosis of 4.09, -1.73, 1.01, -1.13 and -0.42 for T<sub>1</sub> to T<sub>5</sub>. As observed from the respondents' views, TSA has impacted on Nigeria's economy since its introduction and implementation by the Nigeria government. The standard deviation ranges between 0.73 and 1.28, the variance values ranged between 0.54 and 1.67; none of the reported values goes below 0.5 making them significant values.

The degree of financial corruption may be termed to have drastically reduced over the years in Nigeria as revealed by the negative values of skewness for T<sub>1</sub> to T<sub>5</sub> respectively. The Kurtosis value of 4.09 showed that TSA has been good for the Nigeria economy. However, there are varying degrees of the Kurtosis reported an indication that there are still various challenges facing the implementation of TSA, its accountability and transparencies in Nigeria. TSA may be concluded to have helped in speeding up economic development, minimized financial misappropriation and ensures accountability in public sectors.

### Test of Hypothesis

The hypothesis tested for the study are categorized as the null hypothesis ( $H_0: r = 0$ ) and alternate hypothesis ( $H_a: r \neq 0$ ).

Hypothesis 1:

$H_{01}$  = TSA may not have been good for the economy of Nigeria.

$H_{a1}$  = TSA may have been good for the economy of Nigeria.

Hypothesis 2:

$H_{02}$  = There have not been challenges to TSA implementation.

$H_{a2}$  = There has been challenges to TSA implementation.

Hypothesis 3:

$H_{03}$  = TSA has not helped minimize Nigeria's corruption.

$H_{a3}$  = TSA has helped minimize Nigeria's corruption..

Hypothesis 4:

$H_{04}$  = TSA has not helped to ensure transparency in account management.

$H_{a4}$  = TSA has helped to ensure transparency in account management.

Hypothesis 5:

$H_{05}$  = There has not been accountability in government agencies' account reports since the introduction of TSA.

$H_{a5}$  = There has been accountability in government agencies' account reports since the introduction of TSA.

**Level of significance: 0.05**

Table 3: Pearson's Correlations

	TSA has been good for Nigeria economy (T <sub>1</sub> )	There have been challenges to TSA implementation (T <sub>2</sub> )	TSA has helped to minimize corruptions in Nigeria (T <sub>3</sub> )	TSA has helped to ensure transparency in account management (T <sub>4</sub> )	There has been accountability in government agencies account reports since the introduction of TSA (T <sub>5</sub> )
Pearson Correlation	<b>.845**</b>	<b>.157**</b>	<b>.985**</b>	<b>.845**</b>	<b>.706**</b>
Sig. (2-tailed)	<b>.002</b>	<b>.002</b>	<b>.001</b>	<b>.002</b>	<b>.003</b>
N	50	50	50	50	50

**\*\* Correlation at level 0.05 (2-tailed) is significant.**

All calculated p-values (as shown in Table 3) ranges between (.000 to .003), they are less than the level of significance of 0.05 (2-tailed). Thus, the null hypotheses are rejected while the alternate hypotheses are accepted. This signifies that the application of TSA in Nigeria since 2012 has been good for the country's economy. The strong relationship between the respondents of up to 0.985 is a strong indication that the implementation of TSA has led to a decrease in monetary misappropriation and a drastic reduction in corrupt practices.

## CONCLUSION

The research was planned to examine the effect on Nigeria's economy of the Treasury Single Account (TSA) since its launch and implementation in 2012. It aimed at identifying the merits and demerits of TSA and evaluates its prospects based on selected respondents directly affected by the policy. The reported values indicated that TSA is good for a growing and diverse economy like that of Nigeria despite concerns posed in its effective implementation. Results have shown that it helps minimize corrupt financial practices and enhances transparency, thereby accelerating the nation's economic development. TSA should, therefore, be enforced in all sectors of the economy,

both public and private, to ensure financial prudence, accountability, disclosure, and expense incurred as a mechanism for control.

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