

## **Effect of Treasury Single Accounts (Tsa) on the Performance of Ministries, Departments and Agencies (Mda) in Nigeria**

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### **Abstract**

**Purpose of the article:** The policy on the Treasury Single Account (TSA) was institutionalized to hedge financial loopholes, promote transparency and prevent mismanagement of government's revenue by unifying all accounts of the government and preventing mismanagement of revenues by those agencies that generate revenue. This study however, examines the effect of the TSA policy on the performances of federal government MDAs in Nigeria.

**Methodology/methods:** The study relied basically on primary data which was obtained through questionnaire designed and administered to 75 respondents drawn from the federal government ministries, departments, agencies and parastatals (MDA) within Anambra metropolis in the eastern part of Nigeria. Analysis was based on the Wilcoxon sign test.

**Scientific aim:** This study aims to empirically establish through available statistics the effect of implementing TSA on the performance of government ministries, departments and agencies in Nigeria.

**Findings:** The result of this research indicate that the institutionalization of TSA has significantly affected and improved the performance of federal government MDAs at 5% level of significance which goes further to confirm that treasury single account is capable of blocking financial loopholes in revenue generation and promoting transparency and accountability.

**Conclusion:** The study concludes by recommending that since the adoption of TSA has significantly improved the performance of federal government ministries, departments and agencies (MDAs) in Nigeria, government should enforce the adoption of TSA and ensure that it is mandatory for all MDAs and parastatals in the country.

**Keywords:** Treasury Single Account, ministries, departments and agencies

**JEL Classification:** H0, H2, H3, H5, H8

## Introduction

The background of Treasury Single Account (TSA) is in lien with the presidential Order No. 55 (2011), which stipulated that the Bureau of Treasury (BTR) will institute a Treasury Single Account to receive and remit collections of internal revenue taxes/customs duties from Bureau of Internal Revenue/Bureau of Customs, authorized money depositing banks and also National Government Agencies from authorized government depository banks. The TSA will be maintained at the Central Bank of Nigeria (CBN), shall tally with the policy of government on control of its each resources and financial management and will also allow the unionism of the structure of bank accounts of the government to ease consolidation and optimal dispensation of cash resources of the government (Ahmed, 2016). Ahmed (2016) also states that TSA is a vital tool for consolidation of cash resources of the governments, thus reducing the cost of borrowing. In nations with multiple banking systems, the institutionalization of TSA will serve as a priority in the public financial management process.

Yusuf (2016) opines that the president of Nigeria's order to all the Ministries, Departments and Agencies (MDAs) and extra ministerial departments of the federal government to commence reimbursements of all the incomes, revenues and other receipts of the government into a pool of single account maintained in CBN is high esteem and commemorative and a right path in the right direction to ameliorate corruption in the system and polity. This is notwithstanding the fact that there is an unholy alliance between MDAs and banks but the institutionalization of TSA is laden with greater expectations of future economic prospects due to its possibility of intruding accountability and transparency. The TSA is a union structure of government's bank accounts aiding consolidation and effective utilization of cash resources of the government. With the institutionalization

of TSA, all the transactions of the government will have a consolidated view of its position at any time (Yusuf, 2016).

The former Accountant General of Federation (AGF), Jonah backed up the institutionalization of TSA arguing that thus will prompt accountability, transparency and efficiency in the financial system of the economy. According to him, TSA is deemed to checkmate transparency and accountability issues in public sector's financial management. At first, organizational secrecy around the management of public finances will be removed and secondly, the agencies generating revenue have been deprived and short changed of the treasury due to them through multiple bank accounts under their arms length and also not known to the authorities as a result of TSA's institutionalization. The implementation of TSA has introduced into the economy, financial efficiency at all level of government finances (Chukwurah *et al.*, 2015).

## 1. Problem statement

The directives by the President that all treasuries accrued to the Federal Government and its agencies shall be paid into the TSA institutionalized and operated with the CBN has been conceded as a commemorative step in the right direction. It is seen as one of the strategic and tactical measures instituted in the present administration to deter fraudulent practice and clamp down corruption (Yusuf, 2016). As cited in Jegede (2015), the Accountant General of Federation (AGF) states that out of the over 900 MDAs, in Nigeria, about 600 or more have fully complied with government's directives on the implementation of TSA, while others are still at reasonable stages/levels of compliance. He states that no MDAs were exempted from the exercise, neither agency nor parastatals had been excluded from complying with the directive by the FG. Jegede (2015) also notes

that majority of the MDAs are not in support of TSA due to fear of not having control over the monies they lodged in their choice banks' accounts and that some agencies lodge the revenue they generated in fixed deposit accounts where fat interest are accrued.

A recent study by Kanu (2016) on the effect of TSA implementation on liquidity and performance of banks notes that by implementing TSA in Nigeria's public accounting system, the liquidity base of banks have suffered and the performance/activities of banking sector have plummeted. Also the study of Isaac (2015) had similar findings with Kanu (2016) that the adoption of TSA has no significant effect on Nigerian economy. This is contrary to the recent study of Yusuf (2016) on the effect of TSA on finance management in Nigeria's public sector. Accordingly, Yusuf (2016) argued that the institutionalization of TSA has the capability of bunging financial loopholes, thus promoting accountability and transparency in the financial systems of public sector organisations. In another study by Ahmed (2016) on TSA, it was argued that TSA was an instrument for financial efficacy and management which requires high level of honesty, political will and determination if the myriad of challenges bewildering its implementation must be overcome. Presumably, TSA could be gauged as an instrument for financial prudence and management.

As it was also learnt from Daily Trust Editorial (2015), the Academic Staff Union of Universities (ASUU) had criticized TSA policy, barely a month after the Academic Staff Union of Polytechnic (ASUP) expressed similar concerns. According to ASUU, the TSA could intrude bottlenecks for the leveled running of the Nigerian University System if hurriedly instituted. Speaking during the National Executive Council (NEC) Meeting of the union held in Owerri, the former ASUU National President, Dr. Nasir I. Fagge, pointed that the Federal Government need to ponder further on the TSA policy

and its implementation framework if it must be workable. The TSA, introduced to block financial leakages and prevent mismanagement of government's revenue, consolidates all government accounts via TSA, enabling it to prevent loss of revenue and mismanagement by those agencies generating revenue cannot work profitably with universities. Universities according to him cannot function without the financial autonomy that the TSA takes away. University could not work productively without having financial independence and autonomy.

It was noted however from the empirical literature that TSA is a feed where investigation is ongoing and many authors had argued that the TSA adoption has led to procyclicality in the financial system of the economy where others argued that the adoption of TSA has no significant effect on performance of federal government MDAs and there are fewer and scanty literature to buttress the issue. This as a result makes the empirical evidences on effect of TSA on performance of MDAs inconclusive and inconsistent. But more importantly, no study has been done on the effect of TSA adoption on performance of federal government MDAs with reference to Anambra State that houses some offices of federal ministries, departments and agencies. It is in view of these gaps and scanty literature to buttress on the issue of TSA implementation on MDAs performance that the present study seeks to address.

### **Objectives of the study**

1. To examine the effect of TSA adoption on the performance of federal government MDAs.

### **Hypothesis**

In view of the objective of the study, the hypothesis was formulated as thus:

$H_0$ : The adoption of TSA has no significant effect on the performance of federal government MDAs.

## 2. Review of related literature

### 2.1 The concept of Treasury Single Account (TSA)

Kanu (2016) views TSA as one of the financial policies implemented by the federal government of Nigeria to integrate all revenues and treasuries from all ministries, departments and agencies and extra ministerial departments in the country where all the collections are paid into money depositing banks trailed to a single account at the apex bank of the nation (CBN). Thus, the introduction of TSA was expected to reduce the multiplicity of bank accounts previously maintained by various MDAs, thus, ensuring transparency and accountability in all organs of the government. Tayo (2015) points that by implementing the TSA, the Federal Government, through its independent revenue e-collection initiative, hopes to automate direct revenue collection from the existing MDAs. All revenues collected would be paid directly into the Consolidated Revenue Fund (CRF) account at the CBN through a designed platform (Remita e-collection platform) and several other electronic payment platforms or channels that may be introduced by the government from time to time. Infact, TSA is seen as a structure that unifies government bank accounts that gives a amalgamated or integrated view of government's cash resources (Yusuf & Chiejina, 2015).

The institutionalization of TSA helps the money depositing banks over their proliferated and chain of activities which they perform. It includes: disbursements of funds and collection of taxes/levies as well as remuneration of civil servants. Some substantive governments agencies maintain proliferated bank accounts in the collection and expensing of revenues, thereby disregarding the provision of the constitution which requires the remittance of all the revenue into one account.

The CBN kept and maintained a Consolidated Revenue Account to receive all revenue of the government from all sources as

well make payments through this account. All MDAs and extra ministerial departments are required to remit money collected in this account through the Deposit Money Banks (DMBs) who are the collection agents. Although, DMBs will still keep revenues account for MDAs and extra ministerial departments but all the treasuries collected by the money depositing banks shall be paid to the CRF maintained with the CBN daily. Also, ministries, departments and agencies and extra ministerial departments cash balance with the money deposit banks will have nil balance daily by remitting all the treasuries collected to the TSA. This as a result restricts money depositing banks from having access to multiple deposits resulting from multiple accounts (Kanu, 2016).

### 2.2 The objectives of Treasury Single Account

The objectives of TSA according to Ahmed (2016) include:

- Provision of greater transparency in the public financial system;
- Assist in gaining greater clarity to national financing needs and public debt management;
- Increase in fiscal savings (less transaction charges, more revenue);
- Improving financial markets; and
- Provision of more accurate accounting and improved reporting.

### 2.3 Treasury Single Account and Economy

Government sees TSA as a useful tool to institute a formalized approach to the control of all the treasuries through effective cash policy and management. It ensures transparency and assists government in knowing the exact amount accrued to its accounts daily. From Nigerian context, it is required that the institutionalization of TSA would help to clamp down corruption of financial leakages and embezzlement. The implementation of TSA is expected to chunk revenue leakages

predominant in government parastatals as the Ministry of Finance will be able to monitor the inflows and outflows, hence, augment the reduction in oil revenue due to falling oil prices (Ahmed, 2016). CBN (2015) reasoned in the same direction and said that the implementation of TSA would assist especially Ministry of Finance to trail funds flow as none of the agencies of government is permitted to keep any other bank account out of the oversight of the Ministry of Finance.

The institutionalization of TSA will impact positively on the national economic planning, budget and budgetary processes and procedures; bring irregularities and loopholes in the MDAs and extra ministerial departments to its lowest point, albeit economic planning and budget making on government. Tayo (2015) states the "government should make banking arrangements for efficient management and control of government's cash resources". Such should be designed to reduce the borrowing cost of the government. TSA ensures that the treasuries received are readily available for governments expenditure programmes and also ensures timely payment. The Federal Ministry of Finance is handicapped with a consolidated view and the control of cash resources of the government, as such, institutionalization of TSA is considered an option.

Hence, Udoma (2015) opines that maintenance of TSA will enhance funding government budget rather than depend on federal allocation. In any economy where the budget is fully funded, the aim certainly will be accomplished. The consequence should be improved economic system, political and social development. IMF (2010) made it clear in her working paper that a government that lacks proper control over its treasuries can substitutes for its institutional deficiencies in proliferated ways. Firstly, non-performing cash balances in bank accounts most often fail to maximize market-related remuneration. Secondly, since government is unaware of those of these resources, he may incur unnecessary

borrowing cost not budgeted for. Thirdly, unutilized cash balances in the money depositing banks are not non-performing money since the money depositing banks themselves normally use it for extension of their credit. These have been the case in Nigerian economy. Nigeria still owes a huge amount in both internal and external debts. Therefore, the implementation of TSA may promote healthy economic/transparent financial system.

### **3. Theoretical Framework**

The theoretical framework which gives the meaning of a word in terms of the theories on TSA established in this study is "White Collar Crime" theory propounded by Sutherland (1949) cited in Michael (2004). This is of the fact that the essence of TSA adoption is to block financial largest, promote accountability and transparency in the public financial system of the economy. White collar crime is dated as far back as 1939. A cited in Michael (2004), Sutherland (1949) happened to be the first to opt the term.

According to him, white collar criminals suffice different features and intent than the street criminals. He originally instituted his theory in a remark to the American Sociological Society, where he attempted to study on two field, crime and high society thought with no empirical consensus. He explicitly states his idea as: "crime committed by a person respectability and high social status in the course of his corruption (Sutherland, 1949 cited in Michael, 2004). Sutherland notes that in his time, less than two (2) percent of the persons committed to prison in a year belong to the upper class. White collar criminals are deemed opportunities, they over the time emulate and cease any opportunity of the circumstances for their personal enrichment. They are leaned, brilliant and wealthy individuals who are opt enough to get a job which allows them the uncontrolled access to more often lump sum of money. The Federal Bureau of

Investigation (FBI) has institutionalized a narrow approach entailing white collar crime as those illicit acts which are restricted to deceive or violation of trust which is independent of any threat of physical force.

#### **4. Empirical Review**

Jegede (2015) states in his study that majority of the MDAs and extra ministerial departments are against the TSA due to the fear of not having a control of monies they lodged in the bank account of their choices and that some agencies lodged the revenue they collected in fixed deposit accounts where huge interests are accrued. Kanu (2016) in his study on the effect of TSA implementation on liquidity and performance of banks note that the implementation of TSA in the public accounting system impacted negatively on the banks liquidity base and the performance of banking sector in Nigeria. Also the study of Isaac (2015) found similar finding with Kanu that the adoption of TSA has no significant effect on the Nigerian economy.

This is contrary to the recent study of Yusuf (2016) on the effect of TSA on public finance management in Nigeria who argues that the adoption of a TSA is capable of plugging financial loopholes, promoting transparency and accountability in the public financial system. Also, the recent study of Ahmed (2016) on TSA as an instrument for financial management prudence concludes that the system of TSA requires political will, honesty and determination so as to overcome the various challenges bewildered against it and that where all these are met, TSA turns to instrument for financial prudence and management.

#### **5. Methodology**

The design used in this study is ex-post facto design. It is established to predict and

envise the effect of TSA on performance of MDAs. The study population used in this research comprises of workers in the finance officers of thirty-five (35) MDAs in Anambra State. A purposive sampling method was adopted to select fifteen (15) MDAs. This is a result of the fact that some federal government agencies and parastatals that are revenue independent are not full complaint of TSA but will at different stages of compliance. A total of seventy-five workers in finance offices of the 15 selected MDAs were consequently selected for the study. Data for the study were obtained from both primary and secondary sources. The questionnaire survey was designed where respondents were asked to assess the performance of MDAs prior to adoption of TSA and also the performance of MDAs after the adoption of TSA using five point scale referred to as: (1) to a very large extent, (2) to a large extent, (3) neutral, (4) to a low extent and (5) to a very low extent.

In view of this, 75 copies of questionnaires were administered to relevant accounting departments of the 15 selected federal government departments and agencies and parastatals in Anambra metropolis which include, Federal Polytechnic, Corporate Affairs Commission (CAC), Federal Pay Office (FPO), Central Bank of Nigeria (CBN), Federal University, Federal Radio Corporation of Nigeria (FRCN), Federal Road Safety Commission (FRSC), Federal Mortgage Bank (FMB), National Orientation Agency (NOA), Standard Organization of Nigeria (SON), National Pension Commission (NPC), Consumer Protection Commission (CPC), National Population Commission (NPC), Industrial Training Funds (ITF) and National Directorate of Employment (NDE). The likert five point scale was used to transform the data to scale measurement and the hypotheses was statistically tested using Wilcoxon test tool operated with SPSS Version 20.0 at 5% level of significance.

*Table 1. The mean performance of MDAs prior to and after adoption of TSA.*

Designation	The mean performance of MDAs after TSA adoption	The mean performance of MDAs prior to TSA adoption
Directors of Accounts	3.00	2.10
Higher Executive Officers	2.50	2.00
Senior Executive Officers	3.00	1.80
Accountant I	2.50	1.90
Accountant II	3.00	2.00
TOTAL	14.00	9.80

*Source: Author's own study*

### 5.1 Presentation and analysis of data

The data (*i.e.* variables) needed for the study is presented in Table 1.

### 5.2 Result of the study

Wilcoxon statistical test tool was employed to test the linear relationship between the dependent and independent variable using SPSS version 20 as shown in the table 2 below:

Asymptotic significance are displayed. The significance level is .05

### 5.3 Findings

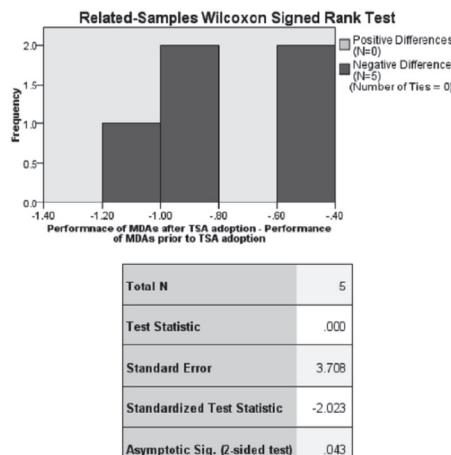
The result of the analysis of the study using Wilcoxon sign test operated with SPSS version 20 is expressed as follows:

$H_0$ : The adoption of TSA has no significant effect on the performance of federal government MDAs.

In view of the above analysis as shown on Table 2, the result shows that there is a significant difference in the performance of MDAs prior to the adoption of TSA and the performance of MDAs after the adoption

*Table 2. Hypothesis Test Summary for TSA and performance of MDAs.*

Null Hypothesis	Test	Sig.	Decision
1 The median of differences between Performance of MDAs prior to TSA adoption and Performance of MDAs after TSA adoption equals 0.	Related-Samples Wilcoxon Signed Rank Test	0.043	Reject the null hypothesis

*Source: Authors' own study*

which goes further to confirm that TSA is capable of blocking financial loopholes and promoting transparency and accountability. As such the null hypothesis was rejected as suggested by the decision rule shown on Table 2. This is in tandem with the finding of Yusuf (2016) whose study concentrated on MDAs in Bauchi. Amhemd (2016) on the same vein conceded TSA as an instrument for financial efficacy and financial management prudence.

## 6. Conclusion

Based on the findings of the study, the study concludes that the institutionalization of a TSA has significantly affected the improved performance of federal government MDAs which goes further to confirm that TSA is

capable of blocking the financial loopholes in revenue generation and promoting transparency and accountability in the public financial system if fully implemented.

## 7. Recommendation

In view of the findings of the study, it is recommended that:

Government should enforce the adoption of TSA and make it mandatory for all the MDAs and parastatals to adhere to since its adoption has significantly improved the performance of federal government ministries, departments and agencies in Nigeria.

There is also a need for the TSA legislation to cover the states and local government level since the policy in question only covered the federal level.

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