

## TREASURY SINGLE ACCOUNT A PANACEA FOR FINANCIAL MISAPPROPRIATION: PROSPECTS AND CHALLENGES



By  
Aliyu Abdullahi



Department of Public Administration, Kogi State University Anyigba-Nigeria

### Abstract

*As the Federal Government of Nigeria introduces Treasury Single Account Banks will continue to devise means of mobilizing funds from the private sector. We see an increase in deposit interest rates as a major means of inducing customers and most importantly we see a drop in lending and the profitability of banks, at least in the short to medium term until they fully come to terms with the impact of the policy and begin to properly position themselves for real-time banking business. However, the implementation of this program to the government is a critical step towards curbing corruption in public finance even though it looks a means of overbearing government influence on the public finances to some people. This research is therefore intended to provide a pivot for understanding the concept and orientation of the TSA. Therefore, there is need to determine the relationship between TSA and the curbing of financial misappropriation, to determine the extent to which TSA has been able to achieve its goal of curbing financial misappropriation and to ascertain the challenges to TSA in the curbing of financial misappropriation. The methodology adopted was a content analysis which is the use of solely secondary sources of data collection such as books, journals, internet materials, newspapers etc. The study found out that, there is a significant relationship between TSA and curbing of financial misappropriation, that TSA has been able to achieve its goal of curbing financial misappropriation and that there are challenges to TSA in the curbing of financial misappropriation in Nigeria. The researcher recommends amongst others that for the success of the policy, the government should engage in massive public enlightenment about the importance of the policy at all levels, government should adhere to the provisions of section 162 (1) of the constitution of the Federal Republic of Nigeria (as amended) for the maintenance of federal accounts and avoid using private contractors and that Government should over haul the capacity of the Federal Ministry of finance and CBN to cope with challenges associated with enforcement of the provision of the TSA.*

**Keywords:** Treasury Single Account, panacea, financial misappropriation, prospects, challenges, Nigeria.

### 1.1 Introduction

Treasury Single Account is a public accounting system under which all government revenue, receipts and income are collected into one single account, usually maintained by the country's Central Bank and all payments done through this account as well. The purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds. The maintenance of a Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payment (Adeolu, 2016).

Section 80 (1) of the 1999 stipulated that revenue accounting to the federal government be held in a Consolidated Revenue Account:

*All revenues or other monies raised or received by the Federation (not being revenues or other monies payable under this Constitution or any Act of the National Assembly into any other public fund of the Federation established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the Federation;*

Successive governments have continued to operate multiple accounts for the collection and spending of government revenue in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account. It was not until 2012 that government ran a pilot scheme for a single account using 217 Ministries, Departments and Agencies as a test case. The pilot scheme saved Nigeria about N500 billion in frivolous spending. The success of the pilot scheme motivated the government to fully implement TSA, leading to the directives to banks to implement the technology platform that will help accommodate the TSA scheme. The recent directives by President Mohammed Buhari that all government revenues should be remitted to a Treasury Single Account is in consonance with this program and compliance with the provisions of the 1999 constitution (CBN, 2016).

The Central Bank has opened a Consolidated Revenue Account to receive all government revenue and effect payments through this account. This is the Treasury Single Account. All Ministries, Departments and Agencies are expected to remit their revenue collections to this account through the individual commercial banks who act as collection agents. This means that the money deposit banks will continue to maintain revenue collection accounts for Ministries, Departments and Agencies but all monies collected by these banks will have to be remitted to the Consolidated Revenue Accounts with the CBN at the end of each banking day. In other words, Ministries, Departments and Agencies accounts' with money deposit banks must be zeroed at the end of every banking day by a complete remittance to the Treasury Single Account of all revenues collected. The implication is that banks will no longer have access to the float provided by the accounts they maintained for the Ministries, Departments and Agencies. Different types of account could be maintained under a Treasury Single Account arrangement and these may include the TSA main account, subsidiary or sub-accounts, transaction accounts and zero balance account. Other types of accounts that could be operated include imprest accounts, transit accounts and correspondence accounts. These accounts are maintained for transaction purposes for funds flowing in and out of the Treasury Single Account (Adeolu, 2016).

From the foregoing, it is obvious that the primary benefit of a Treasury Single Account is that it is a mechanism that provides for proper monitoring of government receipts and expenditure. In the Nigerian case, it will help to block most if not all the leakages that have been the bane of the growth of the economy. We have a situation where some Ministries, Departments and Agencies manage their finances like an independent empire and remit limited revenue to government treasuries. Under a properly run Treasury Single Account, this is not possible as agencies of government are meant to spend in line with duly approved budget provisions. The maintenance of a single account for the government will enable the Ministry of Finance monitor fund flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the ministry of finance.

As a matter of fact, deposit money banks stand to lose immensely from the implementation of the Treasury Single Account. This is because of the fact that public sector funds constitute a large chunk of commercial banks deposit. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds at the beginning of sector quarter of 2016. The impact of this amount of money leaving the system can be imagined when one considers the fact that each time the monthly federal allocation is released, the banking system is usually washed with liquidity and as soon as this public sector fund dries up through withdrawal by the states, liquidity tightens again with interbank rates going up. Of major impact will be the movement of funds of revenue generating parastatals such as the NNPC, out of commercial banks.

## **2.0 Literature Review**

### **2.1 The Concept of Treasury Single Account**

Oyedele (2015) defined a Treasury Single Account as a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a Treasury Single Account is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. The principle of unity follows from the fusion of all cash irrespective of its end-use. While it is necessary to distinguish individual cash transactions for control and reporting purposes, this purpose is achieved through the accounting system and not by holding or depositing cash in transaction specific bank accounts. This enables the treasury to delink management of cash from control at a transaction level. A government like Nigeria lacking effective control over its cash resources has over the years paid for institutional deficiencies in multiple ways.

- a) First, idle cash balances in bank accounts often fail to earn market-related remuneration.
- b) Second, the government, being unaware of its resources incurs unnecessary borrowing cost on raising funds to cover a perceived cash shortage.
- c) Third, idle government cash balances in the commercial banking sector are not idle for the banks themselves and can be used to extend credit. Draining this extra liquidity through open market operations also imposes costs on the central bank. This research work is hereby carried out to determine whether the establishment of a unified structure of government bank accounts via a Treasury Single Account (TSA) will solve the problem of frivolous and unscrupulous spending of Government fund and hence eradicate loss and enhance cash management and control.

A Treasury Single Account (TSA) is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. The principle of unity follows from the fungibility of all cash irrespective of its end-use. While it is necessary to distinguish individual cash transactions for control and reporting purposes, this purpose is achieved through the accounting system and not by holding/depositing cash in transaction specific bank accounts. TSA is a system of Aggregative Financial inclusion, being a nationally organized and particular way of

connecting all and divergent federating units on 3-by-3 matrix, Federal–State–Local governments and their respective Ministries, Departments and Agencies (MDAs), to account for all their incomes and revenues via TSA Designated bank accounts with Deposit Money Banks (DMBs) and channeling and consolidating same to Consolidating Single Account with Central Bank of Nigeria.

According to Onyekpere (2016), a TSA is a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. It is a bank account or a set of linked bank accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. This presidential directive would end the previous public accounting situation of several fragmented accounts for government revenues, incomes and receipts, which in the recent past has meant the loss or leakages of legitimate income meant for the federation account. The TSA is a process and tool for effective management of government's finances, banking and cash position. In accordance with the name, it pools and unifies all government accounts through a single treasury account. The advantages and benefits of the TSA are legion. The consolidation into a TSA paves way for the timely capture and payment of all due revenues into government coffers without the intermediation of multiple banking arrangements. This prevents revenue leakages in terms of revenue loss and mismanagement by operators of all revenue-generating agencies. With this comes better cash management practices since the Treasury can at all times have an overall view of government's cash position, as against the fragmented positions of different Ministries, Department and Agencies (MDAs), which need to be laboriously pooled together to get the overall picture. This will reduce the cost of borrowing by the government and its agencies, as the government will likely be in the surplus at most times of the year. Take the example of the practice before the TSA, MDA 'A', based on budgetary releases could have surplus cash (meaning cash that is not immediately required) in its bank accounts whilst, MDA 'B', which needs immediate cash for urgent transactions is cash starved and has little or nothing in its account. Although MDA 'B' has approvals in the budget for the transaction, it has no immediate cash. MDA 'B' is likely to borrow from a bank at interest to carry out the urgent assignment, thereby incurring costs to Treasury, whilst treasury finances lie idle in MDA 'A'. This would no longer happen.

For Chukwu (2016), a Treasury Single Account (TSA) is a network of subsidiary accounts all linked to the main account such that, transactions are effected in the subsidiary accounts but closing balances on these subsidiary accounts are transferred to the main account, at the end of each business day. With the implementation of the Treasury Single Account, Ministries, Agencies and Departments (MDAs) will maintain their individual accounts with the commercial banks, but daily funding of their disbursements are made from the central or main account, which is resident with the Central Bank, just as their closing balances at the end of day are transferred to the main account.

The TSA is principally a cash management tool for efficient management of the Government's cash position. Prior to the implementation of the TSA, the government was incurring finance cost on debit balances in some MDA's accounts while it was earning close to nothing on the credit balances of other MDAs. With the TSA, the net balances on all the MDA accounts will now reside with the Central Bank; hence, the government will avoid incurring interest costs when it has a positive net position.

A TSA, therefore, is considered a prerequisite for modern cash management and is an effective tool for the ministry of finance/treasury to establish oversight and centralized control over the government's cash resources. The TSA provides a number of other benefits and there by enhances the overall effectiveness of a public financial management (PFM) system. The establishment of a TSA should, therefore, receive priority in any PFM reform agenda.

### **2.1.2 History of TSA and Rationale**

The TSA, a single pool for harvesting revenue inflows of MDAs was not Buhari's idea. It was conceived by the immediate administration of President Goodluck Jonathan, but it remained a mere policy on paper due to lack of political will on the part of the past administration to enforce it. But with Buhari on board as President, the enforcement has become a compulsory policy that all the revenue generating MDAs must comply with. They have been mandated to channel their earnings into a single account to be domiciled with the Central Bank of Nigeria (CBN). Federal Government's seriousness about enforcing TSA was conveyed in a circular entitled, "Re: Introduction of Treasury Single Account (TSA) (e-Collection of Government Receipts)" by the Head of the Civil Service of the Federation, Danladi I. Kifasi. The circular dated August 7, 2016, made it known that President Buhari has approved the establishment and operation of Treasury Single Account for e-Collection of Government Receipts for all Federal MDAs with effect from the date of this circular. Specifically, the circular was to aid transparency and facilitates compliance with sections 80 and 162 of the Constitution of the Federal Republic of Nigeria 1999 (as amended). Consequently, he said all receipts due to the Federal Government or any of her agencies shall be "paid into the TSA as follows: Account Name: Accountant General (Federal Sub-Treasury), Account No. 3000002095 maintained in the Central Bank of Nigeria (CBN), except otherwise expressly approved (Vanguard Editorial, 2016:18).

Kifasi (2016) said that the government had put in place effective monitoring mechanisms to ensure strict compliance. "All Accounting Officers, Directors of Finance and Accounts, Directors of Internal Audit, Heads of Accounts and compliance Heads of Internal Audit Units of MDAs and other arms of government are enjoined to give this circular the widest circulation and ensure strict compliance to avoid sanctions. He said that further enquiries on the issue should be directed to the Accountant-General of the Federation (Vanguard Editorial, 2016:18).

The order on TSA, which came into effect on August 11, marks the beginning of MDAs' retirement of revenues due to the Federal Government into a unified account maintained by the Central Bank of Nigeria (CBN). The payment of government revenue into multiple bank accounts operated by MDAs in commercial banks, as obtained under the old order, was clearly against the Nigerian Constitution which, in Sections 80 and 162, directed that all federally-collected revenues should be paid into the Federation Account. It was a flagrant breach of the constitution that underscores the rot in the management of the country's finances. It is heartening that this will now be history, going by the efforts of the new administration to implement the TSA policy that was reportedly first recommended by the Federal Government's Economic Reform and Governance Program in 2004 but dumped in 2005, following intense pressure from the banking industry. TSA also is part of the Public Financial Management reforms which falls under Pillar 3 of the National Strategy for Public Service Reforms towards Vision 20:2020. The public financial management reforms were designed to address impediments to effective and efficient cash management.

The former President Goodluck Jonathan administration had set a February 2016 deadline for the implementation of the initiative but did not go ahead with it. Bankers had pressurized the former government of Goodluck Jonathan, which had initiated the policy in December 2014, to soft pedal on the implementation which was originally scheduled for February 2016, on the reasons of a likely negative impact on the economy. Recently, bank treasurers told *Vanguard* that the implementation would adversely affect liquidity in the banking system and end up putting pressure on interest rates and availability of credit to the economy. According to the nation's banks would be losing about N2 trillion deposits to the Central Bank of Nigeria, CBN, with the implementation of the Treasury Single Account, TSA, as ordered by President Muhammadu Buhari. The report on accounts of banks with CBN shows that as at the beginning of this current quarter, banks' total public sector deposits was N1.3 trillion but additional net flows from Federation Accounts Allocation Committee, FACC, as at end of last month (about N240 billion) as well as expected inflows by end of this month may push the figure close to N2.2 trillion by the time the pullout begins next month (Okwe, *et.al*, 2016).

According to the directive, this measure is specifically to promote transparency and facilitate compliance with sections 80 and 162 of the 1999 Constitution. Henceforth, according to a statement by Laolu Akande, the Senior Special Assistant to the Vice President on Media and Publicity, all receipts due to the Federal Government or any of its agencies must be paid into TSA or designated accounts maintained and operated in the Central Bank of Nigeria (CBN), except otherwise expressly approved. The purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds. The maintenance of a Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payment (Adeolu, 2016).

### **2.1.3 Achievements of TSA**

Oguntodu, Alalade, Adekunle and Adegbe, (2015) carried out an assessment of Treasury Single Account and Nigeria's economy between 1999 and 2015 according to the study, the treasury single account has several achievements which includes the following;

- a. Allows complete and timely information on government cash resources. In countries with advanced payment and settlement systems and an Integrated Financial Management Information System (IFMIS) with adequate interfaces with the banking system, this information will be available in real-time. As a minimum, complete updated balances should be available daily.
- b. Improves appropriation control. The TSA ensures that the Ministry of Finance has full control over budget allocations, and strengthens the authority of the budget appropriation. When separate bank accounts are maintained, the result is often a fragmented system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extra-budgetary, measures.
- c. Improves operational control during budget execution. When the treasury has full information about cash resources, it can plan and implement budget execution in an efficient, transparent, and reliable manner. The existence of uncertainty regarding whether the treasury will have sufficient funds to finance programmed expenditures may lead to

sub-optimal behaviour by budget entities, such as exaggerating their estimates for cash needs or channelling expenditures through off-budget arrangements.

- d. Enables efficient cash management. A TSA facilitates regular monitoring of government cash balances. It also enables higher quality cash outturn analysis to be undertaken (e.g., identifying causal factors of variances and distinguishing causal factors from random variations in cash balances).
- e. Reduces bank fees and transaction costs. Reducing the number of bank accounts results in a lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, and reduced banking fees.
- f. Facilitates efficient payment mechanisms. A TSA ensures that there is no ambiguity regarding the volume or the location of the government funds, and makes it possible to monitor payment mechanisms precisely. It can result in substantially lower transaction costs because of economies of scale in processing payments. The establishment of a TSA is usually combined with the elimination of the "float" in the banking and the payment systems, and the introduction of transparent fee and penalty structures for payment services. Many governments have achieved substantial reductions in their real cost of banking services by introducing a TSA.
- g. Improves bank reconciliation and quality of fiscal data. A TSA allows for effective reconciliation between the government accounting systems and cash flow statements from the banking system. This reduces the risk of errors in reconciliation processes and improves the timeliness and quality of the fiscal accounts.
- h. Lowers liquidity reserve needs. A TSA reduces the volatility of cash flows through the treasury, thus allowing it to maintain a lower cash reserve/buffer to meet unexpected fiscal volatility

#### **2.1.4 Accounts under Treasury Single Account System**

Several types of account could be maintained under a Treasury Single Account arrangement and these may include the TSA main account, subsidiary or sub-accounts, transaction accounts and zero balance account. Other types of accounts that could be operated include imprest accounts, transit accounts and correspondence accounts. These accounts are maintained for transaction purposes for funds flowing in and out of the Treasury Single Account (Adeolu, 2016).

**TSA Main Account:** This is the treasury's account with the central bank, which consolidates the government's cash position. It is the main TSA account when the TSA arrangement in a particular country consists of a set of linked accounts. Cash balances in all other linked accounts are swept into this account. In other words, all government receipts finally flow into, and all disbursements are met from, the central TSA account.

1. **TSA Subsidiary Accounts or Sub-accounts:** These are not separate bank accounts per se (in the sense of holding individual cash balances), but are special subaccounts within the main TSA account. This is an accounting arrangement to group together a set of transactions and allows the government to maintain the distinct accounting identity or ledger of its budget organizations (line ministries/agencies) effectively. A cash disbursement ceiling for each entity can be enforced against these ledgers. Balances in these accounts are netted off with the TSA main account for cash management purposes.
2. **Transaction accounts:** Sometimes government bank accounts that are justified for retail transaction banking operations are opened separately and structured as transaction accounts. These separate transaction accounts could be opened for government entities that need transaction banking services, but do not have direct access to the TSA main account or a subsidiary account, and/or a specific category of operations (e.g., special funds). A transaction account could take the form of a zero-balance account or an imprest account.
3. **Zero-balance accounts (ZBAs):** Where transactional accounts are necessary, these are generally opened on a zero-balance basis, i.e., end-of-the-day cash balances in these accounts are swept back into the TSA main account periodically (preferably daily). Such accounts opened in commercial banks are used for disbursements or collection of government revenues (particularly nontax revenues). At the end of the day, all revenues collected would be deposited in the TSA. The commercial bank would honour payments of the respective agency and would be reimbursed by the TSA overnight. ZBAs have many similarities with special credit line arrangements, where budget agencies are provided spending credits towards the amount of payments they can make within a specified period, to be reimbursed by the TSA in the central bank. A ZBA also has the benefit that it bypasses the normal interbank settlement process for each individual transaction, which is often time consuming in developing countries and ensures same-day settlement on a net basis for all receipts and payments passing through the accounts.
4. **Imprest accounts:** These transaction accounts can hold cash up to a maximum authorized amount and are recouped from time to time. Such accounts might be necessary in some cases, particularly when there is only limited availability

of interbank settlement facilities. However, the number of imprest accounts should be kept to a minimum and the strategy should be to progressively transform these accounts into zero

5. **Transit accounts:** These accounts are not meant for day-to-day transaction banking operations of government units. A transit account simply serves as a transit for the eventual flow of cash into the TSA main account. Transit accounts might be necessary for major revenue streams to monitor their collection and remittance by the banking system and to facilitate revenue sharing (formula-based sharing from a common pool of resources) between tiers of government in a federal system in line with constitutional provisions.
6. **Correspondent accounts:** A separate ledger account is opened for each correspondent. The correspondent entity has real-time information on the balances it maintains in the TSA. There should be safeguards to ensure that each correspondent government is provided with the funds needed to implement its budget in a timely manner. The central bank (which maintains the accounts in the TSA) has the obligation to make payments to the extent of the balances available in a correspondent's account. (Including the required ex-ante control for authorizing payments).

### **2.1.5 TSA and Banking Sector**

The banking sector is the engine of any nation's economy. In Nigeria, commercial banks have been the custodians of government funds. Therefore, with the maintenance of a single account, banks will be deprived of the free flow of funds from ministries. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds at the beginning of the first quarter of 2015 (Obinna, 2015). When such amount of money leaves the system, your guess is as good as mine. When one considers the fact that each time the monthly federal allocation is released, the banking system is usually awash with liquidity, and as soon as this public-sector fund dries up, the result is liquidity problem with an increase in interbank rates. The banks must be affected, when such high revenue generating parastatals like the NNPC moves out of commercial banks. As a matter of fact, commercial banks stand to lose immensely from the implementation of the Treasury Single Account. This will cause insufficiency of available cash in the banking system, resulting in a surge in money market rates during the period as banks source for funds to cover their poor liquidity positions. Indeed, the Nigerian banking industry, on an aggregate basis, would be affected regarding deposits and funding cost structure (FAAC Subcommittee, 2012).

As a matter of fact, Obinna (2015) opined that TSA generated much fear in the banking industry even before its implementation. He maintained that its implementation would not be favourable to banks. Irrespective of how tough this policy will be on banks, it will perhaps compel the banks to focus on the funds of the real sector of the economy, rather than spending much on Federal Government projects, Oil & Gas Transactions, Forex dealings, etc. Any commercial bank that fails to operate based on the core banking functions for which they were licensed must close shop. This will cause heavy downsizing of staff, thereby increasing the unemployment rate in the country. Managements of banks should understand the aim of establishing banks and that the Government is not only the customer banks have. The issue of banks chasing government money at the expense of other clients especially in the sector of the economy is questionable and wrong. The issue of the non-accessibility to financial service cause poor economic sustainability and rural development in Nigeria. The adoption of the TSA is in the greater interest of the states, as it will pave the way for the timely payment and capturing of all government revenue in a single government treasury account, without the intermediation of multiple banking arrangements as had been the case (Obinna, 2015). Moreover, embracing the scheme can help reduce the mismanagement of public funds by revenue-generating agencies, as well as check excess liquidity, inflation, high-interest rates and round-tripping of the government deposits. The use of multiple bank accounts left room for the misappropriation of huge sums of money belonging to all levels of government in the country. It encouraged unbridled corruption in the management of public finances, with the result that all tiers of governments became heavily cash-strapped.

### **2.1.6 TSA and the Nigerian Economy**

The government sees the Treasury Single Account as a useful tool to establish centralized control over its revenue through effective cash management. It enhances accountability and enables the government to know how much is accruing to its accounts on a daily basis (Akande, 2015). In Nigeria, it is expected that the implementation of TSA will help tame the tide of corruption of financial leakages and embezzlement. The implementation of Treasury Single Account (TSA) is expected to block revenue leakages within the MDAs 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. CBN (2015) reasoned in the same direction and said that the implementation of TSA will enable the Ministry of Finance to monitor fund flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the ministry of finance. The implementation of the TSA will

have a positive effect on the national economic planning, swift & full budgetary implementation; reduce leakages and other irregularities in the MDAs, aid appropriate planning, data collection, analysis and timely aggregation of Federal Government Revenue. Realization of government revenue on time causes its effective allocation. The primary benefit of a Treasury Single Account is to provide for proper monitoring of government receipts and expenditure. In the Nigerian case, it will help to block most, if not all, the leakages that have been the bane of the economy. We have a situation where some Ministries, Departments, and Agencies manage their finances like independent empires and remit limited revenue to the government treasury. But, under a properly run Treasury Single Account, it can no longer be possible, as agencies of government are meant to spend in line with duly approved budget provisions (Yusuf & Chiejina, 2015).

Oyedele (2015) said that “Government should make banking arrangements for efficient management and control of government’s cash resources”. It should be designed to minimize the cost of government borrowing and maximize the opportunity cost of fund. TSA ensures that all money received is available for carrying out the government's expenditure program and making payments on time. Many low-income countries have fragmented systems for handling government receipts and payments. In these countries, the ministry of finance/treasury lacks a unified view and centralized control over the government's cash resources. As a result, this fund lies idle for extended periods in numerous bank accounts held by spending agencies while the government continues to borrow to execute its budget.

Udoma (2016), 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. It is clear that a government that lacks effective control over its cash resources can pay for its institutional deficiencies in multiple ways. They are as follows:

1. Idle cash balances in bank accounts often fail to earn market-related remuneration.
2. The government, being unaware of these resources, incurs unnecessary borrowing costs on raising funds to cover a perceived cash shortage.
3. Idle government cash balances in the commercial banks are not idle for the banks themselves and can be used to extend credit (Oyedele, 2015).
4. These have been the case in the Nigerian economy. Nigeria still owes a huge amount in both external and internal debts. Therefore, the implementation of TSA will promote a healthy economic system.

### **2.1.7 Challenges to Treasury Single Account**

The TSA provides a number of other problems and despite the fact that it enhances the overall effectiveness of a financial management system. The establishment of a TSA should, therefore, receive priority in the Government reform agenda as they have been scepticism that trailed the scheme. According to the directive, this measure is specifically to promote transparency and facilitate compliance with sections 80 and 162 of the 1999 Constitution. However, this is plagued by the inability to redistribute the income from the single treasury back into the economy by ways of fiscal and expansionary monetary of government. Treasury single account TSA has a lot of prospects and challenges for developing the economy. In practice, the government banking arrangements may consist of several bank accounts which can be at both the central bank and commercial banks. Consolidating this might take serious effort and genuine commitment on the part of the Central Bank of Nigeria. However, the balances in commercial banks should be cleared every day and all government cash balances should be consolidated in one central account—the TSA main account—of the treasury at the central bank. This posed a huge challenge at the onset of the implementation of the treasury single account. However, Issues related to cash management have arisen and should be properly dealt with by regulatory authority. TSA is a good idea but it is not free of pitfalls anyway. Several questions have been raised such as what happens when you do not have a trusted leader like Buhari? What will the system abuse look like? Salary and pension biometrics is a reference point. Corrupt Nigerians will develop a way out like the 1% so-called commission, Cash for hand & refund through contract inflation etc. What we need is a strong and transparent institutional financial framework supported by cash lite practicable limits in real term not just on paper. Strong money laundering laws against cash-based transaction limits are needed too.

Ahmed (2017), further found that there are challenges in the implementation of the Treasury Single Account. The major challenges or negative effects of TSA are:

- (i) The movement from a multi treasury to a single treasury account brought fear of job losses,

- (ii) The lack of free money for MDAs staff.
- (iii) Cash squeeze in the credit market (commercial banks) resulting in less profit.
- (iv) Made some citizens to introduce political hate speeches that the introduction of TSA is lack of economic management ability. To the anti TSA campaigners, there is a need to "change the change" for a return to the status quo.
- (v) That the TSA created unemployment or has change work pattern because new technology is introduced.
- (vi) It produced a pool of huge TSA sums. This created attraction and encouragement of cyber-crime. Some civil servants and bank workers are attracted to hack the internet to steal money from accounts.
- (vii) Creates frustration because there is an inadequate electricity power supply and internet services for smooth operations.
- (viii) There are computer literacy deficiencies and constraints such as lack of adequate computerization, wired and wireless system. This slows down quick processing of funds demands MDAs.
- (ix) TSA makes it difficult to maintain regular and up to date internal accounting books for 208 all sources of revenue.

### **2.1.8 The prospects of Treasury Single Account**

Ahmed (2017), presented the major prospects or positive effects of TSA in the federal organizations studied:

*The operation of TSA by Government through Central Bank actually pooled all government revenue and as such controlled the amount of money at the disposal of the agencies for prudent usage. TSA thus is indeed a fiscal policy just like the use of taxation to control revenue collection and spending, activities of MDAs*

.Other prospects of TSA on the Nigeria economy are: -

- (i) It encourages the use of information Communication technology for quicker and effective e-collection of government revenue and issuance of receipt.
- (ii) It encourages the formation of internet systems business organizations and employment to service the e-collection and payment processes.
- (iii) It indeed harnessed revenue collection by MDAs,
- (iv) It has greatly regulated corruption by MDAs as there is less free money for anyhow spending.
- (v) It has also made less money at the disposal of private organizations especially banks because funds in the MDAs bank accounts have to be transferred to the Central Bank within 24 hours.
- (vi) It has made stakeholders in the Nigerian economy experience scarcity of money thus making them to be more careful in the use of money at their disposal. Some people and organizations have used their money for investment in productive activities which has led to an increase in the Gross Domestic Product of Nigeria.

### **3.1 Conclusion**

This study has shown that TSA is not a brain-child of Buhari regime that came to power in 2015 but a 1999 constitutionally rooted policy that Nigeria should operate a consolidated revenue fund. At the moment while at the national level all federal MDAs have been integrated into the TSA system, but the state and local government tiers of government are yet to be fully integrated. It is obvious that TSA policy will go a long way in blocking the identified financial leakage in revenue generation and promote transparency and accountability in public financial system if it is fully implemented. It will equally pave the way for the timely payment and capturing of all revenues going into the government treasury, without the intimidation of multiple banking arrangements. The policy will also enable the government at the centre to know its cash position at any given time without any hindrance.

This study shows that Nigeria is a country with great potential and to achieve this, a vibrant, accountable and working Treasury Single Account is required to drive economic growth and development of the nation. Two main areas that would drive this are the Government and the Banking Sector. A developing country like Nigeria, banks play their traditional roles in addition to being used as vehicles for achieving developmental and social goals. Government agencies will need to work with the CBN in actualizing the



proper disbursement of the huge resources allotted to the development funds created by Treasury Single Account on infrastructure, aviation, manufacturing and power. The peculiar nature of the environment requires a holistic approach to tackle the fundamental and inter-related and necessitates that several agencies work cohesively in the interest of the country.

The adoption of TSA should be positive for the economy in universal and also the tax system in particular. The appropriate authorities will have to now embrace transparency and accountability more than ever before. TSA should facilitate transparent reporting of tax revenue and pave way for tax offsetting and faster payment of refunds. It should be possible for taxpayers to use excess payments or refunds in one tax area (say withholding tax or VAT) to pay other taxes such as corporate income tax, and so on as this is merely an accounting issue which can be dealt with within TSA configuration. This study concluded that the Treasury Single Account has a positive impact on the Nigerian Economy.

### **3.2 Recommendations**

The researcher recommends the following:

1. For the success of this policy, the government should engage in massive public enlightenment about the importance of the policy at all levels.
2. The government should adhere to the provisions of Section 162(1) of the Constitution of the Federal Republic of Nigeria (as amended) for the maintenance of Federation accounts and avoid using private contractors (SystemSpecs-Remita).
3. Though Section 162(1) has made provisions for maintenance of Federation accounts, the legislature should look inwards and address the operational details
4. The government should overhaul the capacity of the Federal Ministry of Finance and the CBN to cope with challenges associated with the enforcement of the provisions of the TSA. The 2017 International Conference on African Entrepreneurship and Innovation for Sustainable Development (AEISD) 574.
5. The government should secure as soon as possible the appropriate legislative support to facilitate the relevant regulatory environment which will drive the effective implementation of the TSA.
6. The government should review the TSA policy to specifically safeguard the financial autonomy of some sectors, like the education sector.

### **References**

- Adeolu I. A. (2016). *Understanding The Treasury Single Account (TSA) System – Things You Should Know. Business & Economy, Market Development*. Retrieval from <http://www.iardpub.org>.
- Ahmed, A. I. (2016). Treasury Single Account (TSA) as an Instrument of Financial Prudence and Management: Prospects and Problems. *Research Journal of Finance and Accounting*, 7,4,8 [www.iiste.org](http://www.iiste.org) ISSN 2222- 1697 (Paper) ISSN 2222-2847 (Online) Vol.7, No.4, 2016
- Akande, L. (2015), *Buhari orders Federal Ministries, Agencies to open Treasury Single Account*, Press Release, August 9.
- CBN (2015). *Revised Guidelines for compliance with Treasury Single Account by Banks in Nigeria*.
- CBN (2016) *Revised Guidelines for compliance with Treasury Single Account by Banks in Nigeria 'Dead' Policy Directives*. Retrieved from [www.vanguardnewspaper.com](http://www.vanguardnewspaper.com)
- Kerlinger, J. W. (1973), *Agendas, Alternatives and Public Policies*, National Planning Commission Nigeria: Harper Collins. *National Planning Commission. Nigeria*. (Unpublished Paper)
- Obinna, C. (2015), *Banks Face Liquidity Strain as FG Fully Enforces Treasury Single Central Bank of Nigeria (2014)*, *Communiqué No. 94 of the Monetary Policy Committee Meeting*, March 24-25, Pp. 1-37. October 2015.
- Oguntodu, J. A. Alalade, Y. S. A., Adekunle, Y. A & Adegbie, F. F. (2015) *Assessment of Treasury Single Account and Nigeria's Economy Between 1999 and 2015. Journal of Accounting and Financial Management*, 2,6/6

Okwe, M. (2015): "Treasury Single Account: Giving Life To Jonathan's Administration, retrived July 17,2014 from <http://www.iiste.org>

Oyedele, T. (2015)"Treasury Single Account: Bank deposits loss may hit N2trn".PwC Nigeria.

Udoma, U. (2015): *Implementation of TSA and Nigeria Economy*. Retrieved from <http://www.ebray.com>

*Vanguard Editorial* (2016), Treasury Single Account: Bank deposits loss may hit N2trn. Retrieved August 17 2017

Yusuf, I.A and Chiejina, N. (2016), Anti-Graft War: One Economy, One Account,*Sunday Nation*, August 16, Pp. 9-10 &71.