

# TREASURE SINGLE ACCOUNT POLICY AND SOCIAL-ECONOMIC DEVELOPMENT IN NIGERIA: AN APPRAISAL

BY

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## ***Abstract***

*Some expected functions of a legitimate and responsible government includes; provision of infrastructure, qualitative education, and conducive business environment for economic development. Interestingly however, government most times fails to achieve these constitutional requirements because its lean resources resulting from sharp malpractices or leakages in its revenue generating mechanisms, hence, the introduction by the federal government of a Treasury Single Account (TSA) policy. The aim of this study therefore, is to appraise the Treasury Single Account policy so introduced, and its impacts on socio-economic development in Nigeria. The study adopted historical and descriptive methods in gathering data. The study revealed among others that; the introduction of (TSA) policy has helped in enhancing revenue generation as well as transparency and accountability in governance, helped in minimizing leakages that has been a major challenge to socio-economic development of Nigeria and also reducing armchair banking practices by commercial banks. Based on these findings, the study recommended among others that there should be proper monitoring of TSA to ensure total compliance at all times.*

**Keywords:** *Treasury Single Account, Socio-Economic Development, Business environment.*

## **INTRODUCTION**

It is the responsibility of any responsible government, be it democracy or capitalist to provide good infrastructure, social amenities, qualitative education, robust economy, conducive business environment among others. However, government cannot achieve these if its purse is lean as a result of some holes or leakages in its revenue generation mechanism due to sharp practices by some of its revenue generating agencies. To ensure the stoppage of these leakages, the then Jonathan Presidency introduced the Treasury Single Account (TSA) policy in 2012. Treasury Single Account (TSA) is a financial policy in use in several countries of the world. It was proposed and partially implemented by the Federal Government of Nigeria in 2012 under the Jonathan Administration and fully implemented by the Buhari Administration. It is a public accounting system whereby government receipt and income are collected into one single account to be maintained and managed by the Central Bank of Nigeria (<https://www.proshareng.com>, 2019).

Treasury Single Account (TSA) is a unified structured of government bank account enabling consolidation and optimal utilization of government cash resources. Through Central Bank of Nigeria and linked accounts in commercial banks, government transacts all its receipts and payments and get a consolidated view of its cash flow and can track same at any given time. According to Okerekeoti and Okoye, 2017 and Adeolu, 2015, the adoption of TSA has ensured accountability of government revenue, enhanced transparency and checks misappropriation of public fund.

It is believe that the introduction and implementation of TSA will continually minimize if not completely remove the discretionary aspect of accounting officers and politicians collaborating to carry out all manners of businesses with government finances before executing project thereby causing bottleneck in the running of government businesses. Also, revenue generating agencies that have been depriving the treasury of due revenue through multiple bank accounts under their care and unknown to the authorities will no longer be a able to defraud the revenues since all monies will be paid into a single account. Most importantly, TSA will enhance efficiency into overall management of public funds and will ultimately lead to effectiveness of government spending (Jegede, 2015 and Obinna, 2015). It is sad to observe that before the introduction of TSA, Nigeria had fragmental banking arrangements for revenue and payment transactions. For example, there were more than 10,000 bank accounts in multiple

banks, which made it impossible to establish government consolidated cash position at any point in time. This led to pockets of idle cash balances held in Ministry, Departments and Agencies accounts when government was out borrowing. To worsen the situation, some agencies refused to declare and remit the 25% of their annual revenue they generated to the treasury as demanded by law (Obinna, 2015).

The introduction of TSA replaced old practices where agencies saddled with revenue generation, defraud government by siphoning public funds through all sorts of bank accounts in their custody unknown to the authorities. But with all government revenues and receipts being pooled into the TSA, it will enhance transparency and prudent management of government funds which will result in socio-economic demand of the country. The study therefore aims at appraising the extent to which the implementation of TSA has contributed to socio-economic development in Nigeria.

### **Conceptual Discourse of Treasury Single Account (TSA)**

Treasury Single Account (TSA) is a public accounting system, the aim is to manage the government revenue and ensure that the payments come through the Consolidated Revenue Account (CRA) of the Central Bank of Nigeria (CBN). It was introduced in 2012 as a trial or pilot project and began its operation in 2015. It covers all of the existing Ministries, Departments and Agencies (MDAs). However, companies in the oil and gas industry, as well as other joint ventures partners' accounts, are excluded from the TSA's responsibilities (Falae, 2019).

Ofurum et al (2018) see Treasury Single Account (TSA) as a network of subsidiary accounts that are linked to a main account such that, transaction are effected in the subsidiary accounts but closing balances on these subsidiary accounts are transferred to the main accounts at the end of each business day.

Eme and Chukwurah (2015) opined that, the central objectives behind the introduction of TSA were to engender accountability of government funds, and to avoid undue misappropriation of funds. He believes that with this new arrangement, unspent budgetary provision as allocated to Ministries, Department and Agencies would now be automatically brought over to a new year instead of being shared by the corrupt workers of such MDAs. According to a study conducted by Bashir (2016) on the effects of Treasury Single Account on "Public Finance Management in Nigeria" the study revealed that Treasury Single Account (TSA) is capable of sealing financial loopholes promoting transparency and accountability in the public financial system. Hence, that more legislation should be promulgated to make TSA mandatory for all the three tiers of government in Nigeria. Kanu (2016) sees Treasury Single Account as one of the financial policies implemented by the federal government of Nigeria to consolidate all the revenue from all ministries, departments and agencies (MDAs) in the country by way of deposit into commercial banks traceable into a single account at the Central Bank of Nigeria. This is in tandem with section 80(1) of the 1999 constitution as amended which states that "all revenue or other money raised or received by the federation (not being revenue or other money 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." IMF (2010) harps on the essential features of TSA thus: that government banking arrangement should be unified, to enable Ministry of Finance (MOF) or (Treasury) to have an oversight responsibility for over government cash flows in and out of these bank accounts; that no other government agency operating bank accounts outside the treasury single account arrangement; and that the consolidation of resources should be comprehensive, and encompass all funds both budgetary and extra-budgetary (Ndubuaku, et al, 2017).

Commenting on the benefit of Treasury Single Account, Patt Anayak (2010) in Ajetunmobi et al (2017) says that TSA aids cash management, and facilitates other functions such as handling payment from all spending units separately, unlike the multiple bank account system. He observes further that TSA is a single account comprising of linked up accounts or can be seen as network of accounts operated as one, this account is usually operated by the country's Central Bank. It is also a unified structure of

government bank accounts that gives a consolidated view of government cash resources. The emphasis here is on the mode of operation, cash control advantage and elimination of idle funds etc.

From the above conceptual discourse, we deduce that Treasury Single Account (TSA) is a payment system in which all revenue due to the government are paid into a unified account domicile with the Central Bank of Nigeria (CBN) which objective is to ensure fiscal discipline and transparent management of the nation's finances (Kanu, 2016).

### **THEORETICAL FRAMEWORK**

This study is anchored on stakeholder's theory. This is a theory of organizational management and business ethics that addresses morals and values in managing an organization. This theory was originally detailed by Ian Mitroff and Popularized by Edward Freeman, Milton Friedman etc. The theory suggests that an organizational real success lies in satisfying all its stakeholders, not just who might profit from its stock or resources (Freeman, 1984, Friedman, 2006; (Miles, 2012) <https://en.wikipedia.org/10/01/2019>).

Stakeholder approach emphasizes active management of the business environment, relationship and the promotion of shared or common interest in developing business strategies. Although this theory primarily concerned non-governmental organizations, it has more relevance to management of government businesses or organization for the benefit of all Nigerian citizens as stakeholders. The relevant of this study is that the adopted and implementation of TSA is contingent on the fact that a situation where few privilege Nigerians cornered and pocketed the money meant for all Nigerians as stakeholders through multiple bank accounts in different commercial banks are totally unacceptable. So the implementation of TSA is to ensure that Nigerian money from MDAs are paid into a single account to ensure transparency, financial discipline and judicious use of such funds to enhance socio-economic development for the benefit of all Nigerian or stakeholders so to say (Ekubiat and Esara, 2016).

### **METHODOLOGY**

This entails the basic principles and assumption of inquiry. It shapes and inform the process of the study. This study adopted historical and descriptive method in gathering data. Data analysis for this study were based on secondary sources. They were collected mainly through historical records, annual records of Central Bank of Nigeria (CBN), Newspapers, internet sources, textbooks, journals, personal observation and empirical works in the field of accounting, public financial management and public policy. The study design was time series, as it appraise the implementation of TSA before 2015 and after 2015 (Obasi, 1999 and McDavid et al 2013).

### **Single Treasury Accounts and Socio-Economic Development in Nigeria: An Appraisal**

It is clear that Nigeria being one of the emerging market and low income countries in the world has a disjointed systems of handling governmental receipts and payments. It is oblivious that in Nigeria, the Ministry of Finance lacks a unified view and centralized control over government's cash resources. This contumelious situation resulted to government monies lying idle for extended period in numerous bank accounts held by Ministries, Department and Agencies while the government continues to borrow to execute its budget (Agbe, et al, 2017, CBN, 2015).

This situation or practice negate section 80(1) of the 1999 constitution of Nigeria as amended which stipulates that; all revenues or other money raised or received by the federation (not being revenues or other money payable under this constitution or any Act of 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." So the implementation of Treasury Single Account where all monies or revenues of government should be remitted to a Treasury Single Account is in compliance with the provisions of the 1999 Constitution.

This compliance is in accordance with the global of International Practice that no government agency should operate bank account outside the oversight of the treasury as this will help maximize the use of cash resources through concentration and reduction in float costs. It also enhances government ability to forecast cash inflows and outflows and resultant balances which is essential in improving cash management. This is made possible because, the Central Bank acts as the fiscal agent of the government, although in practice, the government banking arrangement may consist of several bank accounts which can be at both the Central Bank and commercial banks. The policy of Single Treasury Account is that the balances in commercial banks should be cleared every day and all government cash balances should be consolidated in one central account called the TSA main account of the treasury at the Central Bank (IMF, 2010). Appraising the implementation of TSA, shows government commitment in ensuring efficient and prudent management of fund. For example, the Revenue Mobilization and Fiscal Commission Audit Reports showed that before the full implementation of TSA, some banks were indicted for withholding about N12 billion revenue collected on behalf of the Nigerian Customs Service and Federal Inland Revenue Service. According to the commission, the revenue or money so collected was stashed in 19 commercial banks from January, 2008 to June 2012. No wonder the chairman, Non-oil Committee of the commission demanded for urgent return of the fund by the banks to avoid sanctions. The implication of this is that, the implementation of TSA has helped minimize revenue leakages that have been a major challenge to the growth and development of the Nigerian economy, (Hamisun, 2015).

It is interesting to note that for the first time in a long run, courtesy of TSA, the federal government could know where its funds held by various MDAs were kept at 0% interest. But now all these accounts have been closed and the balances moved to the CBN for effective control and management by government. Also, the implementation of TSA means that government will no longer borrow its own money since government now has a single full control of all its funds at any point in time. No one can carry out any transaction again behind government's back. With all government funds kept with the Central Bank of Nigeria, which is the Bankers' Bank, government is assured that its funds are safe, unlike before when they were kept with commercial banks, where they were subject to loss as a result of possible bankruptcy or distressed commercial banks.

Government contractors now get their money on time. The point here is that with e-payment which is integral to TSA, contractors and suppliers of government get paid much faster than before especially as nobody has to wait for cheques to clear before getting money. With this, contractors have no more excuses for late supply or execution of contracts. This arrangement also reduces corruption that goes with government contracts (Ukwu, 2016).

The implementation of TSA has helped to reduce bank fees and transaction costs. Reduction in the number of bank account has resulted to lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, and reduced banking fees. Also, TSA enhances effective reconciliation between the government accounting system and cash flow statements from the banking system. This has equally experienced the reduction in the risk of error in reconciliation processes, and ultimately improves the timeliness and quality of the fiscal accounts (Nairametrics, 2015).

The adoption and implementation of TSA has improved appropriation control. This is obvious because it has ensured full control over budget allocations, and strengthen the authority of the budget appropriation. This is true because when separate bank accounts are maintained, the result is often a fragmented system, where funds provided for budgetary appropriation are augmented by additional cash resources that become available through various creative, often extra-budgetary measures (Gomtas, 2017).

A look at the banking sector reveals that, the implementation of TSA has compel commercial banks to focus on the funds of the real sector of the economy. A situation where commercial banks chase after government money at the expense of other clients especially in the sector of the economy is questionable on the performance of commercial banks. This invariably means that any commercial

bank that fails to operate based on the core banking functions for which they were licensed must definitely close shop or be out of business. So banks management should understand the aim of establishing banks. Government is not the only customer banks have. By implication, TSA has discouraged armchair banking by commercial banks in Nigeria. It is a golden opportunity for them (banks) to refocus on the original purposes for which they were set up to collect depositors funds, keep them safe, engage in intermediation to create wealth and jobs creation and in the process earn profits (Kanu, 2016, and Chukwu, 2015).

However, the implementation of TSA is not without some challenges. Among these are; that full implementation of TSA has certainly reduced bank's net liquidity position thereby constraining their ability to create credits and this has affected their profitability for the implementation of this policy (TSA) is novel to most Nigerians as they are yet to understand what TSA means and how it is operated. So Nigerians need more enlightenment to enable them give more support to this policy. The sudden implementation of TSA has brought fear of job losses especially in the banking sector. It also creates frustration as a result of epileptic power supply and internet services for its smooth operations etc. Notwithstanding the aforementioned challenges, the overall benefits which is to enhance effectiveness of a financial management system outweigh the few identified challenges (Ahmed, et al, 2017, Falae, 2019 and Isa, 2016).

## **CONCLUSION**

The decision to implement TSA in 2015 was to put an end to a practice where government funds belonging to different Ministries, Parastatals and Agencies were lying idle in different commercial banks. So the full implementation of TSA policy has helped to block the leakages that have stunted the growths of the economy. It has also ensure accountability of government receipts and expenditure of government funds, promotion of transparency, reduction of corruption and diversion of public funds for private gains. We can say convincingly that now public funds are better managed with alongside low liquidity reserve funds where such funds are channel for socio-economic development of Nigeria via infrastructure and social development programs embarked upon for the benefit of Nigerians (Comtal, 2017 and Ahmed, 2017).

## **RECOMMENDATION**

In order to ensure effective and efficient implementation of Treasury Single Account (TSA) for socio-economic development in Nigeria, the following recommendations are proffered:

1. That the federal government should sensitize Nigerians on the overall benefit of TSA.
2. That state and local government should key into this arrangement by ensuring full compliance.
3. That commercial banks should support this policy holistically.
4. That government should ensure constant power supply, and internet services for smooth implementation of this policy (TSA).
5. That government should put in place monitoring group to ensure total compliance.
6. That there should be political will on the part of the government to ensure continuity of this policy (TSA).
7. That from time to time, government should overhaul and strengthen the implementation committee of TSA for effective and hitch free policy compliance.

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