Treasury Single Account (TSA) and Aggregate Government Cash Resources Control in Nigeria

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Abstract: The TSA is principally a cash management tool for efficient management of the Government’s cash position. Before the implementation of the TSA policy, 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. The resources of the government were not efficiently accounted for as there was no control of its cash movement. This paper examines the impact of treasury single account policy on aggregate government cash control in Nigeria. Both primary and secondary data had been employed. The populations of this study is made up of Ministries, Department and Agencies (MDAs) within Cross River State. A sample of 103 respondents were selected from these MDA by adopting the Krejcie & Morgan sample determination technique. The data were analyzed using Statistical Package for Social Sciences (SPSS) 24 and hypothesis tested using t-statistics. The result of this research shows that the implementation of Treasury Single Account (TSA) has a positive significant impact on aggregate government cash resource control. Based on the finding of the study it was recommended that the government implement a regulatory framework to facilitate the effective implementation of the TSA across all Ministries, Departments and Agencies in Nigeria.

Keywords: Treasury Single Account, Cash Resources Control, MDAs, Treasury, Accountability

INTRODUCTION

In 2012, the government ran a pilot scheme for a single account using 217 ministries, department and agencies as a test case. The exercise saved Nigeria about ₦500 billion in frivolous spending. The success of the pilot motivated the government to implement a full fleshed TSA policy, leading to the directives to banks to provide the technology platform that will help to accommodate the TSA. The Central Bank opened a Consolidated Revenue Account to receive all government revenue and effect payments through this account. All Ministries, Departments, and Agencies are expected to remit money collected in to this account through the individual commercial banks who act as collection agents. Although, commercial 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 have nil balance at the end of every working 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.

In countries with fragmented government banking arrangements like Nigeria, the establishment of a TSA should receive priority in the public financial management reform agenda [1].

Government banking arrangements are an important factor for efficient management and control of government’s cash resources. Such banking arrangements should be designed to minimize the cost of government borrowing and maximize the opportunity cost of cash resources. This requires ensuring that all cash received is available for carrying out government’s expenditure programs and making payments in a timely fashion. Many emerging markets and developing countries have fragmented systems for handling government receipts and payments [2]. In these countries, the ministry of finance/treasury lacks a unified view and centralized control over government’s cash resources. As a result, this cash lies idle for extended periods in numerous bank accounts held by spending agencies while the government continues to borrow to execute its budget.

The adoption and full implementation of Treasury Single Account (TSA) by any government, especially in a dwindling economy cannot be over-emphasized. This is due to the fact that Treasury Single Account is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds. A plethora of literature have opined that the maintenance of a Treasury Single Account helps to ensure proper cash...
management by eliminating idle funds usually left with different deposit money banks and in a way enhance reconciliation of revenue collection and payment, and is essential tool for consolidating and managing governments’ cash resources, thus minimizing borrowing cost.

LITERATURE AND HYPOTHESIS

Government sees Treasury Single Account as a useful tool to establish centralized control over its revenue through effective cash management. It enhances accountability and enables government to know how much is accruing to its accounts on a daily basis. 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 Single Treasury Account (TSA) is expected to block revenue leakages within the 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. CBN, [3] 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 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 government treasury.

TSA ensures that all money received is available for carrying out 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 government's cash resources. As a result, these funds lie idle for extended periods in numerous bank accounts held by spending agencies while the government continues to borrow to execute its budget.

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 [4, 5].

IMF [1], made it clear in her working paper that a government that lacks effective control over its cash resources can pay for its institutional deficiencies in multiple ways. First, idle cash balances in bank accounts often fail to earn market-related remuneration. Second, the government, being unaware of these resources, incurs unnecessary borrowing costs on raising funds to cover a perceived cash shortage. Third, idle government cash balances in the commercial banks are not idle for the banks themselves, and can be used to extend credit.

These have been the case in 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.

One area that can be easily improved upon is the reduction of wastages in government finances, which is as a result of poor financial management. By far the greatest single example of this is the absence of the Treasury Single Account (TSA)’.

The IMF in a 2010 paper titled Treasury Single Account: Concept, Design, and Implementation Issues, outlined the benefits of operating a Treasury Single Account. It started by explaining that the primary objective of a TSA is to ensure effective aggregate control over government cash balances. Here are the benefits:

1. Allows complete and timely information on government revenue 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, required and updated balances should be available daily.

2. Improves appropriation control. The TSA ensures that the MoF has full control over budget allocations, and strengthens the authority of the budget appropriation. The result of maintaining separate bank accounts is often system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extra-budgetary, measures.

3. Improves operational control during budget execution. When the Treasury has full information about cash resources, it can plan and implement budget in an efficient, transparent, and reliable manner. The existence of uncertainty regarding whether the Treasury will have sufficient funds to finance

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program expenditures may lead to sub-optimal behavior by budget entities, such as exaggerating their estimates for cash needs or channeling costs through off-budget arrangements.

4. Enables efficient fund management. A TSA facilitates regular monitoring of government cash balances. It also enables higher quality inflow and outflow analysis to be undertaken (e.g., identifying causal factors of variances and distinguishing causal factors from random variations in cash balances).

5. Elimination of 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.

6. 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 settlements. In establishment of a TSA, it is 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.

7. Improves bank reconciliation and quality of fiscal accounting system. A TSA allows for effective reconciliation between the government accounting systems and cash flow statements from the banking system. TSA also eliminates the risk of errors in reconciliation of financial statements and improves the timeliness and quality of the fiscal accounts.

8. Lower liquidity reserve needs. A TSA reduces the speedy of cash flows through the treasury, thus allowing it to maintain a lower cash reserve/buffer to meet unexpected fiscal volatility.

We hypothesize that 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 realization/aggregation of Federal Government Revenue and effective allocation.

**Hypothesis:** TSA has a significant positive impact on government cash resources control in Nigeria.

**METHODOLOGY**

This is a survey research based on survey design. It involves gathering of data about the effect of Treasury Single Account on Public Finance Management. The study population used in this research comprises of workers in the finance offices of MDAs in Cross River State. In order to have a sizeable number for this study, the judgmental method of sampling was used as only people of knowledge and experienced in the area under this study were selected. A total of one hundred and three workers were selected for the study out of the population.

Data considered for the study were obtained from primary source. The questionnaire survey was designed where respondents were asked to determine the degree of importance of each information using Likert-type four scales, where (1) referred to strongly agree, and (4) strongly disagree, and the hypothesis tested statistically using SPSS 24 to fulfill the research objectives.

**RESULTS/DISCUSSION**

This section tests the formulated hypothesis.

<table>
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<th>Table 1: Regression Coefficients</th>
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<td>TSA</td>
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a. Dependent Variable: Cash resources Control
R squared = 0.817
Adjusted R Squared = 0.720

The R squared goodness of fit test reveals that TSA explains about 81.7% variation in aggregate government cash resources control. This means that the model is fit.

The coefficient reveals that an additional year of TSA implementation leads to a 1,690 (in million) savings of government cash resources. This means that TSA implementation positively impacts aggregate cash
resources control. As the years go by, government cash control is expected to improve because the TSA policy will go a long way in blocking the identified financial leakages in revenue generation and promote transparency and accountability in the public financial system if it is fully implemented. It will equally pave way for the timely payment and capturing of all revenues going into the government treasury, without the intermediation 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. The system will likely reduce round-tripping of government deposits. This result collaborates with the findings of Bashir [6] who found that TSA curbs financial leakages significantly, which puts the government more in control of her cash resources.

The t-statistics provide enough evidence to accept the hypothesis formulated in this study. Thus, it is upheld that TSA has a significant positive impact on government cash resources control in Nigeria.

CONCLUSION

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 government and its agencies, as the government will likely be in the surplus at most times of the year.

It is therefore recommended that the government should:

i. Implement a regulatory framework to facilitate the effective implementation of the TSA across all Ministries, Departments and Agencies in Nigeria.

ii. Improve the capacity of the agencies of TSA implementation such as CBN and Ministry of Finance to overcome the enforcement issues of the policy.

REFERENCES

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