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### **TREASURY SINGLE ACCOUNT POLICY AND GOVERNMENT REVENUE IN NIGERIA**

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#### **Abstract**

Over the years, the Nigerian economy has deeply relied on revenue generated from the sale of crude oil for the running of government activities; and this has brought reckless spending and mismanagement of public funds in governance. Before now, several

government agencies in Nigeria were self-sufficient to collect money on behalf of the federal government and they had the freedom to expend part of it since they only needed to remit only a portion of the declared amount. Several challenges are posed due to high cost of cash management in Nigeria economy which is increasing every year. One of the challenges arising from high-cash usage among others includes operation of multiple accounts. Governments have been operating multiple accounts for revenue collection and spending in contrary to the provision of the Nigerian Constitution which requires that all government revenue generation must be remitted into a single account. As a result of economic challenges, Central Bank of Nigeria was directed to open a Consolidated Revenue Account where all government revenue, incomes and inflows are collected into one single account maintained by the Central Bank of Nigeria (CBN, 2014). This is known as Treasury Single Account (TSA).

**Keywords: Nigerian Economy; Federal Government; Commercial Banks; Financial Sector**

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## INTRODUCTION

Over the years, the Nigerian economy has deeply relied on revenue generated from the sale of crude oil for the running of government activities; and this has brought reckless spending and mismanagement of public funds in governance. Before now, several government agencies in Nigeria were self-sufficient to collect money on behalf of the federal government and they had the freedom to expend part of it since they only needed to remit only a portion of the declared amount. Several challenges are posed due to high cost of cash management in Nigeria economy which is increasing every year. One of the challenges arising from high-cash usage among others includes operation of multiple accounts. Governments have been operating multiple accounts for revenue collection and spending in contrary to the provision of the Nigerian Constitution which requires that all government revenue generation must be remitted into a single account. As a result of economic challenges, Central Bank of Nigeria was directed to open a Consolidated Revenue Account where all government revenue, incomes and inflows are collected into one single account maintained by the Central Bank of Nigeria [1]. This is known as Treasury Single Account (TSA).

In 2012, the Nigerian government implemented the first phase of a single account policy with 217 ministries, departments and agencies as a case study and about N500 billion was saved from the reckless spending of the MDAs. Government was motivated with the achievement of this policy and also urged all banks to employ the technology platform that will help to accommodate the TSA policy [2].

Treasury Single Account (TSA) could be described as part of the Economic Reform Programme of the Federal Republic of Nigeria to facilitate a unified structure of government bank account for all government transactions. The new system of accounting is part of campaign for zero-tolerance for corruption. It is expected to consolidate all cash resources of the government in all MDAs which were previously

purposely located in various bank accounts, under one unified management and control [3,4]. Apart from availing the government of effective control of cash resources, TSA will also guarantee timely information on its cash resources on real time and online and harmonizes government servicing of its obligations [5]. Where necessary, the government seeks appropriate legislations and legal backing to facilitate the relevant regulatory environment towards its successful implementation.

The major benefit of a Treasury Single Account is to enhance government revenue generation and to ensure transparency and accountability in government expenditure [6]; it could also help to minimize revenue leakages that have been a major challenge to the growth and development the Nigerian Economy [7]. The introduction of TSA may put a stop to the MDAs that manage their finances like independent entities and remit revenue to government treasuries at will. If TSA is properly guided and there is constant review of this policy, financial recklessness of agencies of government may be curtailed and force spending within the approved budget provisions. Accountant-General of the Federation is charged with the responsibility and coordination of TSA policy and one of the duties of the Accountant-General of the Federation is to disallow MDAs from operating secret bank accounts which might eventually lead to revenue leakages, [3]. Therefore, commercial banks could lose greatly from the implementation of this policy. This is because of the fact that public sector funds constitute a large percentage of commercial banks deposits. About N2.4 trillion of public funds are kept in the commercial banks before the implementation of the Treasury Single Account Policy (Office of the Accountant-General of the Federation).

### **Statement of the Problem**

The Economic situation in the country presently made the government of President Muhammadu Buhari to look inward on how government could improve the revenue generation and bridge the gap of corruption, misapplication and mismanagement of public funds. Challenges against the adoption of TSA policy in Nigeria is enormous, initially, some MDAs are against the implementation of TSA because of their usual and sharp dealings with the public funds. However, the implementation of this policy is a critical step towards curbing mismanagement of funds in public sector and to ensure accountability and transparency in the management of public funds [8], and also enables efficient control and monitoring fund flow to critical sectors of the economy to sustain growth and development.

While the TSA would ensure greater transparency and accountability in public finance, especially at the federal level, some critics are concerned that it may drive a liquidity squeeze on the commercial banks and negatively influence interest rates to rise. By such argument, jobs may be lost while borrowing would drop significantly. Studies have indicated that “Banks have had significant reduction in their level of government’s deposits. It is not just because of the reduction in oil price, it is also because of the restructuring of the fiscal accounting, in which the TSA has been implemented.” Onasanya [9] added that liquidity in the financial sector shrank as a result of adopting TSA. This is because public accounts previously domiciled in commercial banks have now been moved to the central bank. Various persons have expressed concerns in this

regard. For instance, analysts' postulate that banks operational in Nigeria may be losing deposits as much N2 trillion to the central bank. This has created a fierce competition in the money market whereby banks tussle for funds in order to increase their liquidity position.

Also, the global rating agency, Fitch, posits that the Nigerian financial sector may be heading into a stormy period. This may occur because their operating conditions may not be favourable as there is likelihood that there may be decline in liquidity and even profitability. It is against this background that this study examines the treasury single account policy on government revenue remittance in Nigeria.

The main objective of the study is to examine the impact of Treasury Single Account policy on government revenue remittance in Nigeria and the specific objectives of this study are:

1. To determine how treasury single account policy can assist in blocking government revenue leakages and
2. To ascertain the impact of treasury single account policy on curbing mismanagement and misappropriation of government revenue.

The following research questions were answered in this study:

1. To what extent will treasury single account policy significantly assist in blocking government revenue leakages?
2. What is the impact of treasury single account policy on curbing mismanagement and misappropriation of government revenue?

The following null hypotheses were formulated and tested for the study:

1. Ho<sub>2</sub>: Treasury Single Account policy does not significantly assist in blocking government revenue leakages.
2. Ho<sub>3</sub>: Treasury Single Account policy does not have any significant impact on curbing mismanagement and misappropriation of government revenue.

The remaining part of the paper is segmented into five sections: Section two is literature review, section three explains the research method adopted for the study, section four focuses on the analysis and section five gives the summary, conclusion and recommendations.

## **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **Public Finance Management Theory**

This theory assumed that all aspects of financial resources-mobilization and expenditure should be well managed in government for the benefits of the citizenry. It includes resources mobilization, prioritization of programmes, the budgetary process, efficient management of resources and exercising control to guide against threats. Treasury Single Account (TSA) primarily is to avoid misapplication of public funds.

Ekubiat and Ime [10] claimed that Nigeria's Public Funds at all levels have not been

adequately accounted for by previous regimes. The study examined the benefits, challenges and prospects of adoption of Treasury Single Account (TSA) by State Governments of Nigeria using a descriptive cross-sectional survey design. Their finding reveals that, TSA adoption and full implementation by the state governments would be of greatest benefit and there could be challenges in a short-run but the benefits at a long-run would definitely out-weight the challenges. They recommended that State Governments of Nigeria should adopt and fully implement TSA for successful control and accountability of public funds so as to avoid bailout funds always from any source. State governments should enlighten all stakeholders on the benefits of TSA adoption as well as professional and regulatory bodies (ICAN,CBN,IMF,etc.) should help in designing, conceptualizing and road-mapping of TSA for the states.

## RESEARCH METHODS

The survey research design was adopted in this study and copies of questionnaire were administered to respondents. The population comprises of the Nigerian Civil Aviation Authority, Aviation House, Ikeja, Lagos and Federal Inland Revenue Service (FIRS) regional office in Ikoyi, Lagos. Using the purposive sampling method, a sample of One hundred and fifty (150) respondents were selected from the population. The method of analysis was linear regression to explain the relationships between its variables.

## DATA ANALYSIS

There were two hypotheses formulated and tested in this study. The linear regression was the method of analysis and that was the basis of either accepting or rejecting the null hypotheses.

### Hypothesis 1

Ho<sub>2</sub>: Treasury Single Account policy does not significantly assist in blocking government revenue leakages.

**Table 1:** Treasury Single Account (TSA) policy and blocking government revenue leakages in Nigeria.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.714	0.255		14.543	0
TSA policy	0.098	0.074	0.115	1.319	0.023

Dependent Variable: blocking government revenue leakages.

In Table 1 above, Treasury Single Account (TSA) policy produced statistical significance in blocking government revenue leakages, with a beta value (beta = .115, p < .001, Sig. 0.000). This implies that the variable, Treasury Single Account (TSA) policy has made a

significant unique contribution to blocking government revenue leakages.

### Hypothesis 2

H<sub>03</sub>: Treasury Single Account policy does not have any significant impact on curbing mismanagement and misappropriation of government revenue.

**Table 2:** TSA and Curbing mismanagement and misappropriation of government revenue.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.899	0.338		11.54	0
TSA policy	0.185	0.09	0.177	2.053	0.042
Dependent Variable: Curbing mismanagement and misappropriation of government revenue.					

## INTERPRETATION AND CONCLUSION

In Table 2 above, Treasury Single Account (TSA) policy had a statistical significance in curbing mismanagement and misappropriation of government revenue. With a beta value (beta = .177,  $p < .001$ , Sig. 0.000). This implied that the variable, Treasury Single Account (TSA) policy plays a significant role in curbing of mismanagement and misappropriation of government revenue.

The public finance management theory corroborates the findings that all aspects of financial resources-mobilization and expenditure should be well managed in government for the benefits of the citizenry. The application of these policies has urged banks to change from their armchair banking and regulations, but to double their efforts in attracting more customers into the system to enable them to have adequate funds to operate.

## Summary of Findings, Conclusion and Recommendation

The research work examines the impact of Treasury Single Account policy on government revenue remittance in Nigeria. The study derived data mainly from primary source using questionnaire administered to randomly selected staff of public sector in Lagos state. From the analysis of the responses obtained, TSA policy has increasingly helped to support the collection and remittance of all government revenue but yet to safeguard close monitoring of government expenditure.

## RECOMMENDATIONS

With the result of this study the following recommendation were proffered:

1. The effectiveness and efficiency of TSA policy can be enhanced by having adequate and close monitoring of government expenditure and not only revenues.

2. The state government accounting system should be designed to record all transactions and capture relevant information independently of the cash flows in specific bank accounts. Government accountants and heads of State MDAs should be well trained to meet up with the challenges of TSA operations.

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