Dynamics of Treasury Single Account on Performance of Deposit Money Banks in Nigeria

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ABSTRACT

The study empirically examined dynamics of Treasury single account on performance of deposit money banks in Nigeria. The survey design was suitable because the study requires an accurate examination of the dynamics of TSA on the Nigerian banking industry The population of the study was made up 65 management staff selected from six banks in Calabar, Cross River state, Nigeria. Simple regression analysis containing ordinary least square (OLS) analysis was adopted with the aid of SPSS version. Data were collected from staff of the selected banks, it was discovered that: The implementation of Treasury Single Account has significantly influence the performance of deposit money banks in Nigeria. The study recommended that banks should avoid armchair activities' by meeting their customers where they are. They should reduce concentration given to government funds and go out to source funds from other sectors of the economy. Finally banks should adapt swiftly and look inwards to face the core functions for which they were licensed for

Keywords: Treasury single account, ROA, government revenue, receipts, income

INTRODUCTION

Many emerging markets and low-income countries have fragmented systems for handling government receipts and payments (Kanu, 2016). Treasury Single Account is aimed on accountability, transparency and prevention of misappropriation of funds.. Many countries are projecting on financial balances, where resources are effectively, efficiently and prudently used. These resources are generated when taxes create distortions during allocation and thus retards economic growth. According to Igbekoyi & Agbaye (2017), all revenues received from federation is deposited in a unified account in order to execute policies that are regulated by the government. Furthermore, government revenues are sent to a centralized account in accordance with 1999 Constitution. The aim of the new policy thrust is to control government finances and also optimizing government cash management. This account is avoided with borrowing and payment of interest that is charged on expenditure of agencies.. Government revenue and expenditure is channeled through banks in order to fulfill its goals and objectives (Ekubiat & Edet, 2016)

The concept of the Treasury Single Account (TSA) is simply saying: "It means putting all government monies and revenues in a single place and regulated with a common set of rules as stipulated by law. In this case, Ministries, Departments and various other government agencies do not operate numerous accounts with loose financial control. This helps effectively to control leakages in the system. Treasury Single Account (TSA) as a

unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. In other words, a TSA 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 the end of each day. It an essential tool for consolidating and managing government's cash resources, thus minimizing borrowing cost. Treasury Single Account is a public accounting system under which all government revenue, receipts and income and collected into one single account, usually maintained by the country's Central Bank and all payments done through this Account as well. It is a policy or monetary tool that increases the revenue inflow in the purse of the government as well as places it in a better stead to adequately meet its financial obligations to the citizens of the country.

TSA is a way of unifying various government bank accounts to give a consolidated view of government cash resources. For Treasury Single Account (TSA) to work effectively there must be daily clearing of and consolidation of cash balance into the central account even where the MDA's accounts are already held at the CBN. However, this objective can be achieved through proper accounting rather than by holding cash in separate bank accounts. Treasury Single Account therefore covers all funds including votes and extra–budgetary accounts or even funds held in trust by government. To actualize, this aim, accounting system must be robust and capable of accurately distinguishing trust assets in the Treasury Singly Account (TSA).

LITERATURE REVIEW

This study is anchored on stakeholder theory. Stakeholder theory states that adoption of Treasury Single Account by the federal government is as a result of the pressure from Stakeholder /citizens majorly against corruption. It is suggested that the government will responds to the concerns and expectations of powerful Stakeholder /citizens and some of the responses will be in the form of strategic opinions. Stakeholder' theory provides rich insights into the factors that motivate government in relation to the adoption and implementation of treasury single account..The concept of the Treasury Single Account (TSA) is simply saying: "It means putting all government monies and revenues in a single place and regulated with a common set of rules as stipulated by law. In this case, Ministries, Departments and various other government agencies do not operate numerous accounts with loose financial control. This helps effectively to control leakages in the system. Pattanayak and Fainboim (2011), views Treasury Single Account (TSA) as a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. In other words, a TSA 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 the end of each day. It an essential tool for consolidating and managing government's cash resources, thus minimizing borrowing cost (Adedue,2017). Treasury Single Account is a public accounting system under which all government revenue, receipts and income and collected into one single account, usually maintained by the country's Central Bank and all payments done through this Account as well (Yusuf, 2015). It is a policy or monetary tool that increases the revenue inflow in the purse of the government as well as places it in a better stead to adequately meet its financial obligations to the citizens of the country. TSA is a way of unifying various government bank accounts to give a consolidated view of government cash resources. For Treasury Single Account (TSA) to work effectively there must be daily clearing of and consolidation of cash balance into the central account

even where the MDA's accounts are already held at the CBN. However, this objective can be achieved through proper accounting rather than by holding cash in separate bank accounts. Treasury Single Account therefore covers all funds including votes and extra–budgetary accounts or even funds held in trust by government. To actualize, this aim, accounting system must be robust and capable of accurately distinguishing trust assets in the Treasury Single Account. TSA is a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. Through this bank account or set of linked bank accounts, the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time.(Nelson,Adeoye, & Ogah, 2015) It 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.(Adeolu, 2015).The purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds. Treasury Single Account (TSA) is one of the financial policies implemented by the federal government of Nigeria to consolidate all the revenue from all the 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 the country.(Obinna, 2015) The policy was introduced to reduce the proliferation of bank accounts operated by MDAs and also to promote transparency and accountability among all organs of the government. TSA is the Federal Government independent Revenue e-collection initiative that will automate Revenue Collections of Ministries, Departments, and Agencies (MDAs) directly into the Federal Government Consolidated Revenue Fund (CFR) account at the CBN through the Remita e-collection platform and other electronic payment channels .

Empirical Review

Several studies were carried on this topic in developed and developing countries. Bashir (2016) investigated on the effect of TSA on public sector financial management in Bauchi State of Nigeria. Using the questionnaire instrument, he collected data from seventy-two workers and analyzed these with the use of correlation method and tested for reliability with Cronbach's alpha coefficient of 0.6321. His findings revealed that, the workers expected TSA to significantly block financial leakages as well as promote transparency and accountability in the public financial management. Igbekoyi and Agbaye (2017) assessed the implication of treasury single account adoption on public sector accountability and transparency. The study captured 570 ministries, departments and agencies in the public service with sample size of ten (10) MDAs involved in revenue generation selected using purposive sampling technique. Descriptive and inferential analyses were employed in the study. Result showed that TSA has significant positive impact on financial leakages, transparency and curb financial misappropriation. Yusuf(2015) assessed the policy impact of treasury single account in Nigeria. Specifically, the study examined the potency of TSA on the transparency and accountability of governments' financial transactions in Nigeria, assessed the relationship between TSA implementation and Nigerian economic growth and evaluated the influence of TSA in projecting future business climate in Nigeria. The study adopts survey and exploratory research designs, employees in government ministries, departments and agencies, commercial bank officials, officials of the CBN, business operators, entrepreneurs, members of the Civil Society Organizations and a cross section of the public were considered as the population for the study as the estimated population summed up to 1012, while the sample size used was 286. Data collected were analyzed using the Pearson Product Moment Correlation coefficient. Discoveries from the study revealed various sheds of opinion; while bankers decry the distortion of their liquidity management

plan, the federal government on the other hand, claims a huge success because it can now comment on its aggregate cash holding without the drudgery hitherto associated with getting to all commercial banks or MDAs with multiple accounts. Onuorah and Chigbu (2016) assessed the effect of implementation of federal government TSA deposits and commercial banks performance in Nigeria. Secondary source of data was considered for the study through collation time series data from Central Bank of Nigeria (CBN) Statistical Bulletin (2015) for the period of five years (2012 to 2016). The study employed trend analysis (bar charts), descriptive and inferential statistics were also employed in the study. The results revealed that, the implementation of TSA deposit; federal government demand deposit, federal government time deposit and federal government savings deposit have positive impact on the bank performance in Nigeria. Federal government savings deposit impacted negatively on commercial bank performance in Nigeria. Ekubiat and Edet (2016) carried out a research on the adoption of TSA by state governments of Nigeria. Descriptive cross-sectional survey design was adopted for the study. The population for the study consisted of 200 professional accountants in Akwa Ibom State. Taro Yamane's statistical formula was used to select sample size of 133. Data obtained from questionnaire administration were analyzed using descriptive statistics and t-test statistics. Finding revealed that, TSA adoption and full implementation by the state government will be of greatest benefit as shown in the weighted means scores of 4.20 and t-calculated of 24.87, there will be challenges in a short-run but the benefits at a long-run will definitely out-weight the challenges. It was concluded that, TSA adoption and full implementation by the state governments will be of greatest benefits. Kanu(2016) investigated on treasury single account (TSA) as an effective instrument of financial prudence and management in Nigeria. The study hypothesized that proper implementation of TSA has significant effect on the financial management in Nigeria. The study made use of survey design which involves gathering of data about the effect of treasury single account on the procedure of finance management in Nigeria. Data used in the study were obtained from primary source, and sixty questionnaires were administered to relevant accounting departments and agencies in Damaturu. Result showed that proper implementation of TSA by all stakeholders will help tremendously in reducing corruption, mismanagement of public fund, block leakages and other financial irregularities in states and the country at large. Ibeto and Kinge (2016) investigated and criticized the policy of Treasury Single Account (TSA) adopted by the Nigerian government as an essential tool for enhancing transparency and accountability in public sector financial. Theoretically, the study adopts both qualitative and quantitative research design and descriptive analysis to gain an insight into the nature and character of TSA operations in Nigeria. The study draws its argument basically from secondary data, which include personal observation, newspapers, academic publication and internet source. It was concluded in the study that TSA should cater for generated revenue in various foreign currencies especially dealing with exchange difference accounting in their respective annual reports given that the means of establishing exchange differences at the end of the period by translating closing foreign currency balances may no longer be applicable. Uche (2000) investigated the effect of treasury single account on public finance management in Nigeria, the study made use of both primary and secondary data. The study used a sample of 72 respondents and adopted judgment sampling. The collated data were analyzed using Pearson Product Moment Correlation techniques. Result showed that adoption of a TSA is capable of plugging financial loopholes, promoting transparency and accountability in the public financial system.

MATERIAL AND METHODS
The study gathered primary data about the implication of single treasury account in the

Nigerian banking sector. It is a method that solicits for response from persons or group of persons believing to have the desired information through questions. The survey design was suitable because the study requires an accurate examination of the dynamics of TSA on the Nigerian banking industry The population of the study was made up 65 management staff selected from six banks in Calabar, Cross River state, Nigeria. In order to have a sizeable number for this study as population, the judgmental method was used.. The respondent was assumed to be knowledgeable and experienced in the area under the study. Through a pilot study, there is sixty five (65) TSA selected. The sample size for this study was fifty five (55) TSA. This sample was obtained through the simple random selection technique. The Taro Yamane formular was used to determine the sample size as it avoids biasness in a study. It is adopted to know the number of respondents that will produce reliable responses to the administered questions. Simple regression analysis containing ordinary least square (OLS) analysis was adopted with the aid of SPSS version. This is expressed below as

ROA= f (TSA)

$$ROA = b_0 + b_1 TSA + e \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(.1)$$

Where ROA = Return on Asset

TSA= Treasury single account

b_0 = Regression constant

b_1 = Regression parameter

e = Random error

Results

Based on the empirical analysis of Treasury Single Account on the performance of deposit money banks, the regression result showed that the estimated coefficient of the regression parameter has a negative sign. This revealed from the study that TSA has a negative effect on deposit money banks performance. It was found that the public sector has been contributing a large chunk of what the deposit money banks used to have in their deposit. Considering the movement of similar agencies' accounts from deposit money banks, the banks do no longer have access to the floats and various monies they maintained from the ministries, departments and agencies. The empirical analysis of Treasury single Account has a positive sign. This implies that the implementation of Treasury Account in Nigeria so far has influenced bank deposit due to high interest rate. Also, a test of independent variable (Treasury single Account) was carried so as to know the significant effects of it on interest rate in Nigeria..Also, a test of independent variable (the implementation Treasury single Account) was carried so as to know the significant effects of it on the deposit banks In most developing countries, the formal financial system reaches only to top 25 per cent of the economically active population" According to him, 75 percent of the people were left without access to financial services apart from those provided by money lenders and families. From the data collected from the management staff of the selected banks, it was discovered that:

i. The implementation of Treasury Single Account has significantly influence the performance of deposit money banks in Nigeria

Conclusion / Recommendations

The implication of implementing TSA has indicated that banks no longer have access to the float provided by the accounts they maintained for the Ministries, Departments, and Agencies. That is, the implementation of Treasury Single Account has caused cash crunch and liquidity challenges to the banking sector. More so, it has adversely affected liquidity in the banking system thus end up putting pressure on interest rates and availability of credit to the economy. Commercial banks are now being engineered to be more creative in mobilizing funds from the private sector rather than public fund. Based on the findings and conclusion, the following findings were recommended;

i. Banks should avoid armchair activities' by meeting their customers where they are. They should reduce concentration given to government funds and go out to source funds from other sectors of the economy.

ii. Banks should not denied people to access to credit facilities, investments and savings opportunity should be encouraged as this will improve the economy and result from TSA enable banking sector in the country.

iii. Banks should adapt swiftly and look inwards to face the core functions for which they were licensed for.

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