



Treasury Single Account as an instrument of good governance in Nigeria

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Abstract

The embezzlement of public funds has been a recurring phenomenon that has eating deep into Nigerian public sector due mainly to lack of proper accounting and controlling mechanism by the public servant. This paper examined the possible ways of monitoring, harmonizing and consolidating revenues, collection, enhance transparency, equity, rule of law and avoid misapplication of public funds which in essence will bring sanity in government. In the course of generating data, descriptive survey approaches were employed, while both primary and secondary sources of data collection were used. In primary data sources questionnaire were employed while on the secondary sources, newspapers, publications, journals, bulletin and other related books as well as internet sources were used as a secondary sources of data collection. The treasury single account will enable the government to operate without unnecessary charges from the commercial banks as well as the control of income leakages. Methodologically, based on the literatures reviewed the researcher developed a conceptual framework for qualitative analysis using multiple case study strategy. The findings of the study reveals among others; the government at the centre should enlighten the public on the effect of TSA, Government should put more effort in ensuring national integrity tracking system on all public servants. Government should ensure timely response and remittances to concerned agencies; in addition to that, the government should identify people with integrity to manage revenue generating agencies in order to safeguard government from income leakages. They should also place stiffer measures need to be put in place for adequate compliance to the policy.

Keywords: Good governance, Public service, Transparency, accountability, TSA.

1.0 Introduction

Treasury Single Account (TSA) is a financial policy used in many countries all over the world. It was introduced by the federal government of Nigeria to consolidate all inflows from all agencies of government into a single account at the Central Bank of Nigeria. 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, equity, rule of law and avoid misapplication 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.

Government banking arrangements as 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 market and developing countries have fragmented systems for handling government receipts and payments (Adeolu, 2015). 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.

A government lacking 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 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.

Establishing a unified structure of government bank accounts via a treasury single account (TSA) will solve these problems, improving cash management and control. It should, therefore, receive priority in any public financial management reform

agenda. A TSA also facilitates better fiscal and monetary policy coordination as well as better reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information. Finally, the establishment of an effective TSA significantly reduces the debt servicing costs (IMF, 2011).

The initiative also requires banks that collect revenues on behalf of the federal government's Ministries, Departments and Agencies (MDAS) to remit such collections to the TSA domiciled in the Central Bank of Nigeria (CBN). Of course, consequently, banks' collections on behalf of MDAS are automatically remitted to the said account.

Treasury Single Account has become a useful model many governments, all over the world, use to establish centralized control over its revenue through effective cash management. It enhances accountability and enables government to know how much is accruing to it on a daily basis. In the case of Nigeria, it is expected that the implementation of TSA will help tame the tide of corruption, brings sanity in governance through equity and rule of law. Section 80 (1) of the 1999 Constitution as amended states "All revenues, or other moneys raised or received by the Federation (not being revenues or other moneys 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. With particular reference to Nigeria, 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 MDA's 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, MDA's accounts with money deposit banks must be zeroed at the end every banking day by a complete remittance to the TSA 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 MDA's. Different types of account could be maintained under a TSA 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 impress accounts, transit accounts and correspondence accounts. These accounts are maintained for transaction purposes for funds flowing in and out of the TSA.

Since then, the presidency has worked with relevant agencies of the federal government to evolve this policy directive. This directive applies to fully funded organs of government like the Ministries, Departments, Agencies and Foreign Missions, as well as the partially funded ones, like teaching hospitals, medical centers, federal tertiary institutions, etc. Agencies like the Central Bank of Nigeria, Securities and Exchange Commission, Corporate Affairs Commission, Nigeria Ports Authority, Nigeria Communications Commission, Federal

Airports Authority of Nigeria, Nigeria Civil Aviation Authority, Nigerian Maritime Administration and Safety Agency, Nigeria Deposit Insurance Corporation, Nigeria Shippers Council, Nigeria National Petroleum Corporation, Federal Inland Revenue Service, Nigeria Customs Service, Mining, Minerals and Sustainable Development, Department of Petroleum Resources etc are also affected.

The CBN stated in a communiqué at the end of its 235th Monetary Policy Committee (MPC) meeting where it noted that "a TSA is an essential tool for consolidating and managing governments' cash resources. In countries with fragmented government banking arrangement, the establishment of a TSA receives priority in the public financial management reform agenda." The CBN lamented that the "erosion of the fiscal buffers through the depletion of the Excess Crude Account (ECA) has further exposed the economy to vulnerabilities while the fall in oil revenues has left capital inflows as the only source of external reserves accretion." The Federal Government officially commenced the operation of a Treasury Single Account on Monday, 17th of September 2015. This effectively moved about N1.2 trillion from Nigerian Banks to the Central Bank of Nigeria as at then.

Today, the single treasury account policy is presented as an innovative solution to the revenue challenges facing government. The applause can be appreciated in the light of the massive plundering of government funds that has happened in recent years. Again, the Central Bank expects that the policy will make liquidity controls more effective when banks can no longer do any business with government related funds. The introduction of the Treasury Single Account (TSA) policy by the Federal Government apparently has a lot of far-reaching implications for the



Nigerian public. The Federal Government, over the years, has lost a lot of revenues which ordinarily should have been used effectively to execute most of its developmental projects. Worried by this development and the need to ensure transparency, accountability as well as block financial leakages, it however, embraced the TSA policy. Undoubtedly, TSA had recorded some success which included stoppage of unapproved or unauthorized payments, income leakages, misappropriation of public funds and assets, improper activities of finance related employees, reduces cost of governance and many more. This will impact positively in the public service.

Strategically, from inception to date the TSA has recommended a tremendous success ranging from income leakages where the government revenue generating agencies are realizing more revenues than before like Nigerian Custom services, Federal inland Revenues, Corporate affairs commission etc, they have a lot of income leakages before hence the TSA policy bring sanity into the system. It also raises the cash liquidity position of government through harmonization of government accounting system; it also saves government from unnecessary charges from commercial banks at the detriment of some public officials. Unutilized government assets and liabilities are also been effectively managed and utilized accordingly. Another milestone achievement recorded by TSA is the prospective ability of the policy to saves Nigeria out of economic recession. Within a shortest possible time Nigeria is globally seen out of economic recession due to its liquidity and foreign reserve position.

Be as it may, it's pertinent to examine the role of TSA in Nigeria. The president Muhammadu Buhari led All Progressive

Congress APC government mandated itself in dealing with corruption decisively in Nigeria. Therefore, the study seeks to explore a reason why treasury single account will serve as a tool in promoting good governance in Nigeria. The prospective nature of the policy thrust, its applicability in Nigerian context and the general acceptability of the policy is a major concern of the study. The policy brings about a clear means of improving democratization process and sanity in the system of governance where the ill of corruption may drastically reduce to a barest minimum. Nigeria is compounded with an issue of corruption where it was globally labeled as one of the most corrupt nations in the world. To clear the mindsets of the individual leaders and citizens' concerned NGOs, Multinational corporations and the nation states we need to come up with a policy that will hence avert the level of corruption. The TSA is determined to bring desired results needed. Based upon the aforementioned reason, the need may arise for the study to be conducted on the subject. Prior to the implementation of the treasury single account in Nigeria, governments officials in charge of agencies act as custodians of government fund in various financial institutions with absolute control of those cash. This development according to experts gives room for illicit pecuniary behavior among the dubious ones, which resulted in unhealthy drain of public treasury and looting.

Equally, the policy will be useful for detailed budget planning and implementation, national economic planning and reduction of irregularities in governance. Despite, the efforts of past and presents administration in fighting corruption in Nigeria, there still exist an avenue where income leakages are at



increase. The recent Nigeria Port Authority feud between the Honorable Minister of Transportation Hon. Rotimi Amechi and the suspended managing director of NPA Hadiza Bala Usman is a typical violation of TSA objectives in Nigeria. Where there are allegations on no-remittance of government revenues to the tune of sixty five billion naira.

The fundamental objectives of this study is to look at the issues related to good governance in Nigeria, which include among others; how does the TSA will address issues on misapplication of public funds and minimize borrowing cost. TSA as a policy thrust will bring about transparency and accountability in government collections. It will also address questions on how does the TSA reduce government borrowing, spending limit and misapplication of public funds. The role of TSA in eliminating corruption in Nigeria.

Statement of the problem

Exe, O, 2015, sees TSA is a process and tool for effective management of governments finances, banking and cash position. In accordance with the name, it pools and unifies all government accounts through the single treasury account. The advantage 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” (Vanguard editorial, 2015).

It is apparently clear that embezzlement of public funds and corruption has been in existence in the Nigeria’s public sector which is a backward to Nigeria’s socioeconomic development.

Our major problem in Nigeria is not the paucity of good policies but controlling mechanisms and enforcement of applicable sanctions on defaulters.

Review of related literature

A treasury single account (TSA) is an essential tool for consolidating and managing governments’ cash resources, thus minimizing borrowing costs. In countries with fragmented government banking arrangements, the establishment of a TSA should receive priority in the public financial management reform agenda (IMF, 2011).

Oyedele, (2015), view TSA as a means of unifying various governments’ bank accounts to give consolidated government cash resources.... This implies a consolidated accounting system for ease of governance which may perhaps, reduces and or control government resourcefulness. Indeed, TSA will serve as an avenue of harmonising government cash position. Where if such policy is carefully implemented it will bring about a more robust, healthy and transparent system of governance where citizens will repose much confidence in government.

Onyekpere (2015), defines TSA as a consolidated structure of government banks accounts to aggregate and manage government cash resources more effectively. With the TSA, all government transaction receipts and payments can be viewed at any time.

Sailendra and Israel (2010) noted that the treasury single account in any country is an essential tool for consolidating and managing government’s cash flows, thereby reducing external loan and costs of debt servicing. Awogbemi(2015) affirms that TSA system helps consolidate government cash balances, gives the ministry of finance/treasury oversight of all government cash flows, and brings improvements in budget control and monitoring. A TSA enables regular and effective monitoring of government cash resources by providing



complete and timely information. It also facilitates better fiscal, debt management, and monetary policy coordination as well as better reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information.

Larson (2007) explains that TSA is bound to improve transparency and accountability in public finance management. First, it will remove that organizational/MDA secrecy around the management of public finances. The discretionary aspect of accounting officers and politicians collaborating to do all manner of business with government finances before executing projects thereby causing delays or negotiating interest rates with banks for private gains will be over.

The impact of T.S.A. on Nigerian public service

1.It improves bank reconciliation and accuracy in government funds. A TSA policy enhances effective reconciliation between the government accounting systems and cash flow statements from the banking system.

2.It reduces bank charges and transaction costs. Reducing the number of bank accounts results in lower administrative cost for the government for maintaining these accounts, including the excess and cash management charges cost associated with banks.

3.It 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.

4.It allows complete and timely information on government cash resources. The TSA policy aids the government in consolidating its revenues in a timely manner without any further delays and non-remittances. Where the figures will be available via online real time information system.

5.It 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.

Corruption and Transparency in Governance.

Good governance is the veritable tool for socioeconomic development of every nation; hence Nigeria is of no exception.

Public accountability has been understood from policy makers view point to mean the financial stewardship which the government owes to its citizens. Such a relationship can be steward; it can also be seen as the master or principal sending messenger on some financial errand. The master expects his servant to give a report or an account of his stewardship to his master on a periodic basis. When this type of relationship is extended to a public domain, the relationship between the responsibility which the servant owes his master and the expectation of his master in his servant rendering a proper account to him from time to time is therefore described as public accountability. For public accountability to be effective there is need for a robust and well informed press as well as a virile, articulate and highly conscious public that



are aware of their right and fight them accordingly.

In the democratic system of governance, there is always a selected committee in charge of public accountability known as public account committee set up by government to serve as a watchdog of public accountability for transparency in governance.

Another dimension of public accountability is in the sphere of open government (transparency) as a public policy objective. Harold Wilson, one-time British prime minister (Labour party), in 1984, said it all in the following words;

“we need freedom of information to make our servants more accountable” what this exhortation underscore is the need to have an unfettered press and a robust public opinion that operate under the due process of law, and fully respect national security. It also underscores the point that public servants and politicians in government should be more open in disclosing information to the press as a basis for better and more efficient system of accountability which owe ultimately to the public.

The major conclusion drawn from this analysis is that a virile and fearless press working hand in hand with an informed and critical public is a sine-qua-non for the enthronement of high standards of public accountability, particularly in the developing and relatively unstable economies like Nigeria. It is therefore a linkage that brings about transparency in governance, assumes an important meaning in the theory and practice of public accountability. This is to say that for the concept of public accountability to work effectively in theory and practice, there must exist in society a healthy and unfettered press that will articulate transparency.

Siddiqui K, (2019), discussed the significant effect of corruption in developing countries Nigeria inclusive. The study revealed that the negative effect of corruption in such countries is quite alarming, that corruption did not only increase public debt and expenditure, but in most cases it affects the entire system of government.

It is therefore needed in the control and management of the public funds of the developing economies, including Nigeria, to ensure transparency in governance which in turn will minimised the rate of corruption in public service. It will ensure transparency, accountability, equity and rule of law.

Theoretical framework

The study adopted economic propositions of trickle-down theory by will Rogers (1930), where the benefit of the policy will pass down to the lower people in the system or society. Trickle-down theory is a principle of development from economic growth model. It argues that improvement in people welfare can best be served by stimulating general economic growth, after which market forces will help in distributing its benefits. The underlining assumption is that the cumulative wealth will eventually benefit the poor. This assumption is supported by the following reasons;

- 1.From the gain of aggregate economic growth, it becomes inevitable for the market forces to help to distribute the resources.
- 2.It is believed that, if private sector agencies refused to liberalise the distribution of their resources the government can come in through the form of progressive taxation from which adequate revenue will be generated to provide social services.
- 3.If you give money or social services directly to the poor, they become wasteful by expanding their demand and



consequently consuming resources without turnover. The assumption is that the poor man is irrational i.e the moment he has money he will only think of spending it unnecessarily.

The trickle-down theory, states that tax breaks and benefits for corporations and wealthy will trickle down to everyone else. It argues for income and capital gains tax breaks or other financial benefits to large businesses, investors and entrepreneurs to stimulate economic growth.

The arguments of this model are routed into strategies of development that are centred on the transformation of the economy. The TSA in essence if carefully implemented will help boost the economic activities of the nation. In Nigerian context the robust economy which we are hoping for, will eventually help in accelerating the development *viza viz* good governance. Good governance accommodates the processes and institutions that produce result to meet the need and aspirations of the society while making the best use of resources. TSA has some major attributes of good governance which include among others; accountability, transparency, equitability, effectiveness and efficiency.

Research Methodology

The study adopted Survey Research in analyzing the trends of corruption in government. The study examines the rate of corruption and how the TSA eventually reduce the rate of corruption in government. The data/ information for this study were generated both from primary and secondary sources. In the primary source questionnaire were used as an instrument of data collection while in the secondary source books and other literature like articles in reputable journals, periodicals and newspapers, magazines, and other internet sources were consulted.

In the same light, the official documents from Central Bank of Nigeria (CBN) as well as reports from other relevant bodies were carefully examined and necessary information was extracted for the purpose of the study.

The target population of this study is both stake holders and the Nigeria populace which a Stratified random sampling technique was adopted. Certainly a total of 150 questionnaires were distributed and simple percentages were used to present and analyzed the data.

Results

The single treasury account policy is an innovative solution to the revenue challenges facing government. The policy can be appreciated in the light of the massive embezzlement of government funds that has happened in the past. The policy will make liquidity controls more effective when banks can no longer do any business with government related funds.

The policy is a step forward in revitalizing the economy, stressing that it is now necessary for government to determine what it generates globally at every given time.

In well governed economies, policies of the magnitude of a single treasury account is studied over a long period of time to understand the benefits, the immediate ripple effects in the system and the medium-to long-term implications for the economy as a whole. This approach ensures a balanced assessment of the desirability of a policy option examines the suitability of the environment in which the policy is to be introduced and sets in motion other supportive actions to deal with unintended effects of a policy decision.

Nigeria's economy is presently at a stage in which a lot of stimulatory spending needs to happen to stimulate both the production and consumption functions. High interest



expenses are hurting both banks and businesses and access to credit is closed to small-scale businesses and individual operators.

The establishment of a TSA is usually combined with 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.

Finally, the treasury single account program is a critical step towards curbing corruption in public finance. This is in line with the with the commitment of the current administration to combat corrupt practices, eliminate indiscipline in public finance and ensure adequate fund flow that will be channeled to critical sectors of the economy.

Discussions of Findings and Recommendations

Due to some bureaucratic challenges on the policy which causes the delay in disbursement of operational funds to designated MDAs for their operations, it is highly recommended that the government need to improve the policy in such a way that there is a prompt response to organisational demands. Moreover, mechanism should be put in place that whenever the income is being realised from a particular revenue generating institutions to FGN TSA an electronic alarming system will notify the concerned monitoring bodies and instantly a dedicated response will be communicated back to them to effect a real time instant disbursement of their operational funds accordingly.

On the part of regulatory bodies there is also a need to ensure a transparent remittance of government funds from commercial banks with a daily updates and details of what

constitutes the figures to ensure accountability and corporate governance.

We need to have an open system that is transparent where public funds should be accounted for; transparent system of governance brings probity in the system of governance.

With regard to the issues of accountability a good moral and adherence to professional norms, the behavioural norms of both political and administrative officials were tolerant of abuse of office for personal gains, several cases of corrupt practices notably the dispensation of patronage in the forms of contract awards and the distribution of government jobs were connected to incessant and legalising corruption.

-Government should put more effort in ensuring national integrity tracking system on all public servants.

-Provide enlightens mechanism and enhanced public awareness on transparency in governance.

-Fighting corruption should not be limited to public sector alone, private sector regulation will also be strengthening.

-Emphasis should be given to revenue generating agencies on how they generate income and remit same to government.

-Effort should be made in identifying people with integrity to manage revenue generating agencies in order to safeguard government from income leakages.

-Each MDAs should have a transparent electronic platforms used for publishing their daily activities for further scrutiny.

-Stiffer measures need to be put in place for adequate compliance to the policy.

-Additional cyber security measures are needed to repose public confidence in the accounting system.



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