Adoption of Treasury Single Account (TSA) by Kaduna State Government Nigeria: Benefits, Challenges and Prospects

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ABSTRACT
The aim of this study was to examine the benefits, challenges and prospects of adoption of Treasury Single Account (TSA) by Kaduna State Governments of Nigeria. Treasury Single Account is primarily to ensure accountability of government revenue, transparency, avoid misappropriation of public fund and 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. TSA has problems of low literacy level, inadequate sensitization/education, logistics in terms of slow of government revenue and issuance of receipts and makes it difficult to maintain regular and up to date internal accounting books for all sources of revenue. Data for this study was collected from both primary and secondary sources. The data from primary sources was collected by the use of questionnaire and interviews. The questionnaire data was analyzed vide the use of statistical technique of percentage calculation. The population for the study consisted of 200 staff of ministry of finance Kaduna State. Taro Yamane’s statistical formula was used to select sample size of 133. The data obtained from questionnaire administration were analyzed using descriptive statistics and t-test statistics. The finding reveals that, TSA adoption and full implementation by the state governments will be of greatest benefit; there will be challenges in a short-run but the benefits at a long-run will definitely out-weight the challenges. It is the conclusion in this study that, State Governments of Nigeria should adopt and fully implement TSA for successful control and accountability of public funds so as to avoid misappropriation. Also recommended that 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.

Keywords: Treasury Single Account (TSA), State Governments of Nigeria, Adoption, Benefits, Challenges, Prospects, Public Funds, MDAs. CBN, IMF

INTRODUCTION
TSA is one of the priority Public Financial Management(PFM) reform programs of the Kaduna state government (KDSG). TSA will enables the state government to consolidate cash resources on a daily basis and reduce borrowings currently necessitated by perceived cash shortages arising from holding so many government bank accounts and fragmented system for handling receipts and payments. The KDSG announced its decisions on to commence implementation of the TSA framework by September01, 2015. As part of the process of attaining this goal, all banks that main the accounts of the government were put on notice to close them and remit their balance to the central bank of Nigeria (CBN) which will host the state’s TSA that contain the cumulative balance. The Governor Malam Nasir El- Rufai gave the directive at a meeting with officials of all the banks hosting the state government many revenue and expenditure accounts. He explained that after the
establishment of TSA, the state government will opened specified sub-accounts with the central bank of Nigeria and deposit money banks
It’s examined that adoption and implementation of TSA by Federal and State Governments are scare, especially in Africa. This may be due to no stringent the demand for public funds control by the countries. But Nigeria’s situation now can be likening to that of India some years back. Today, India is rounded, one of the best five fastest growing economies in the whole world. The Federal and the State Governments adopted and full implemented TSA. How this can be done in Nigeria: State governments have to enter into agreement with the Central Bank of Nigeria State Branch, CBN to collate all the money remittance from all transactions daily by the deposit money banks.

The TSA main account at the CBN must be supplemented by subsidiary ledger accounts in a correspondent service bank, deposit money bank (appointed by the state government) to record and control payments attributable to each ministry (for both revenue collection and payment disbursement).

The deposit money banks having State TSA platform transaction accounts must be operated on a zero-balance basis and set-off at the end of the business daily with the respective sub-account of the TSA. A mixed of modernized centralized and decentralized design, with sub-accounts for ministries been maintained with the appointed correspondent/transaction service bank subject to CBN scrutiny. The role of deposit money banks in the TSA operations should only be revenue collection (remunerated based on the unit price per electronic transaction instead on turnover value transactions).while appointed correspondent/transaction service bank carryout disbursements and then reconciled with the CBN.

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 market and 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, 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 Deposit money 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 (PFM) 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.

Statement of Problem
1. A large number of Bank accounts, Revenue linkages in terms of collection and remittance
2. Low literacy level, inadequate sensitization/education, inadequate logistics in terms of slow of government revenue and issuance of receipt
3. There are numerous challenges of adoption of Treasury single account for effective and efficient administration
4. TSA makes it difficult to maintain regular and up to date internal accounting books for all sources of revenue

Objectives
The Objectives of adopting TSA includes:
- To give the state treasury office effective sole control over state’s aggregate financial resources
To minimize idle cash balance or aggregate float
To minimize cost borrowing for in -year bridging fund
To minimize transaction cost during budget execution(by controlling the delay in the remittance of government revenues by collecting banks, making rapid payments expenses facilitating reconciliation between banking and accounting data efficient control of funds allocated to MDAs)
To maximize the opportunity cost of idle cash through investments
To ensure that cash is available when needed (that MDAs get cash release on time and in predictable manner to enable them implement their projects and programs)
To strengthen overall cash management process and reduce value of outstanding payments vouchers
TSA will ensure that public funds are traceable and easier to audit

Significance of the Study
The study will give insight into the various challenges, prospects and benefits of adopting TSA by Kaduna state government. The result obtain from this study will educate the various staff of various ministries, agencies and department on the benefits of treasury single account. This research will also serve as a resource base to other researchers interested in carrying out further research.

Theoretical Significance
This study focused on helping the Kaduna state government to know the lingering prospects and problems associated with Treasury single account. It can also serve as a tool for effective and efficient management of cash resources

Practical Significance
The study will help the government to minimize expense, cost of governance and increase revenue collection and remittances. Also to the general public it will enable them to have confidence in the government since all generating ministries, departments and agencies no longer have accounts with deposit money banks and all the money collected were remitted to TSA

Scope of the study
In pursuance of the objectives of the study; attention shall be focused on Adoption of TSA challenges, prospects and benefits in Kaduna state government from 2016-2019

Literature Review
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 a Treasury Single Account is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds. 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. TSA is an essential tool for consolidating and managing governments’ cash resources, thus minimizing and misappropriation of funds among others (Pattanayak, 2011)
A TSA can be defined as a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. It separates transaction level control from overall cash management.
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. This banking arrangement for government transactions is based on the principle of fungibility of all cash irrespective of its end use. While it is necessary to distinguish individual cash transactions (e.g., a typical revenue and/or expenditure transaction of a government unit) for control and reporting purposes, these objectives are achieved through the accounting system and not by holding and/or depositing cash in transaction-specific individual bank accounts. This enables the ministry of finance/treasury to delink management of cash from control at a transaction level.
Nevertheless, in 2012, the Federal Government of Nigeria ran a pilot scheme for a treasury single account using 217 ministries, department and agencies (MDAs). The result showed that, Nigeria was saved of about N500 billion in frivolous spending. This report motivated the government to fully implement Treasury Single Account (TSA) and directives given to deposit money banks (DMB) to implement the technology platform that will help accommodation the Treasury Singly Account
President Mohammed Buhari directed all government revenues to be remitted to a Treasury Single Account in consonance and in compliance with the provisions of the 1999 constitution. This implies that the deposit money 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 (MDAs) accounts with deposit money banks must be zero-rized at the end of every banking day by a remittance to the Treasury Single Account of all revenue collected. The implication for the banks is that, there will no longer have access to the float provided by the accounts they maintained for the Ministries, Department and Agencies. The accounts with deposit money banks will be maintained for transaction purposes, for funds inflows and outflows of the Treasury Single Account. Adeolu (2011)

Over years, Nigeria’s public funds have not been properly accounted for. To eliminate or minimize this menace, in 2015, the Federal government of Nigeria implemented TSA. Although, a state government is defined as the separate institutional unit that exercise some government functions between those of the federal government and above those units at local government level, excluding the administration of social security funds (Eurostat Glossary), the State Governments of Nigeria have been left-out of which federation government is a system, interrelated parts of other units or tiers of government; Besides, it seems that there is no study to examine the adoption and full implementation of Treasury Single Account (TSA) by State Governments of Nigeria; its benefits, challenges and prospects. Against this background, the main aim of the study is to examine the benefits of adoption of Treasury Single Account (TSA) by State Governments in Nigeria. Sub-objectives include:

i) To determine the challenges and prospects of adoption of Treasury Single Account (TSA) by the state governments.

ii). To proffers away forward towards successful implementation of Treasury Single Account (TSA) by the states governments.

Conceptual Framework

Treasury Single Account (TSA) is 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’s 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 are collected into one single account, usually maintained by the country’s Central Bank and all payments done through this Account as well I. 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. According T. Oyedele (2015) TSA is a way of unifying various governments’ 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).

TSA as a system of Aggregative Financial Inclusion, being a nationally organized and particular Way of connecting all and divergent federating units on 3-by-3 matrix, Federal–State–Local governments and their respective Ministries, Departments and Agencies (MDAs), to account for All their incomes and revenues via TSA Designated bank accounts with Deposit Money Banks (DMBs) and channeling and consolidating same to Consolidating Single Account with Central Bank of Nigeria.
Theoretical Framework
A number of theories of socio economic accounting were borrowed to form sound foundation to substantiate Treasury Single Account adoption and implementation. An example is the Stakeholder Theory: It assumed that adoption of Treasury Single Account by the federal government is as a result of the pressure from stakeholders/citizens majorly against corruption. It suggested that the government will respond to the concerns and expectations of powerful stakeholders/citizens and some of the responses will be in the form of strategic opinions. Stakeholders’ theory provides rich insights into the factors that motivate government in relation to the adoption and implementation of Treasury Single Account.

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 (J. Grubber 2005)

The Modern Money Theory (MMT): It a theory that theorized how monetarily sovereign governments operate and their impacts on the economy. It shows that it is relevant to aggregate the central bank and the treasury into a government sector that finances itself through monetary creation such that financial position of the treasury and the central bank are so intertwined that both of them are constantly in contact in order to make fiscal and monetary policy run smoothly.

Empirical Framework
According to Pattanayak (2010) the benefits of a government operating a Treasury Single Account (TSA) are:

i). Allows complete and timely information on government cash resources
ii). Improves appropriation
iii). Improves operational control during budget execution
iv). Enables efficient cash management
v). Reduces bank fees and transaction costs
vi). Facilitates efficient payment mechanisms
vii). Improves bank reconciliation and quality of fiscal data
viii). Lower liquidity reserve needs.

Other benefits include: TSA is a tool to combat corrupt practices, eliminate indiscipline in public and ensure adequate fund flow for economy development. Blocking of Leaks that have stunted the growth of the economy as government would have funds to invest in capital projects there stimulating various sectors of economy [Enwegbara et al. 2012] - Ensuring of accountability of government receipts and expenditure. The implementation of TSA is a critical step towards curbing corruption in public finance.

Promotion of transparency, reduction of corruption and diversion of public funds, elimination of idle funds left in numerous accounts in commercial banks usually used to bear interest for corrupt entities and easier reconciliation of revenue collections and payments (Okechuku et al. 2015) Nevertheless, in a short run operation of TSA will negatively impact the Nigerian Stock Exchange as a like in deposit rates would reduce returns from equities to the money market. Inflation will increase, returns on real estate investments will fall and the manufacturing sector will also be affected negatively. The rate of unemployment will increase and the banking sector will be worst hit by the TSA scheme in the short-term (D Adams 2015)

We begin by saying that there is a relationship between the policy of TSA and the Nigeria economy. The Nigerian economy is made up of different sectors and sub-sectors which Easton (1953) calls the system and sub-systems. The system here represents the whole of Nigerian economic set up while the subsystems are the different economic sectors like agriculture, petroleum, energy, mine, education, health, the manufacturing etc. By interdependence, it means that change in one sector of the economy lead to change in the other sector of the same economy, it implies that no sector of the economy on its own, without interacting with the other can be successful nor lead to the advancement of the whole economic set up. The poor financial status of Nigeria economy is purely responsible for the failure of policies in other sectors in Nigeria. TSA policies cannot be successful no matter how good they are if other sectors of the economy like banking, energy, education and the manufacturing/industrial sectors
are malfunctioning. Also the poor social infrastructures like roads, water, electricity, health, education etc., which serve as aids or themselves as sources of revenue can truncate the success of TSA policy.

The Challenges of Treasury Single Account in Nigeria
Ahmed (2017) further found that there are challenges in the implementation of Treasury Single Account. The major challenges or negative effects of TSA are:

(i) The movement from a multi treasury to a single treasury account brought fear of job losses,
(ii) The lack of free money for MDAs staff.
(iii) Cash squeeze in credit market (Deposit money banks) resulting in less profit.
(iv) Made some citizens to introduce political hate speeches that the introduction of TSA is lack of economic management ability. To the anti TSA campaigners, there is need to “change the change “for a return to status quo.
(v) That the TSA created unemployment or has change work pattern because new technology is introduced.
(vi) It produced a pool of huge TSA sums. This created attraction and encouragement of cyber -crime.
Some civil servants and bank workers are attracted to hack the internet to steal money from accounts.
(vii) Creates frustration because there is inadequate electricity power supply and internet services for smooth operations.
(viii)There are computer literacy deficiencies and constraints such as lack of adequate computerization, wired and wireless system. This slows down quick processing of funds demands MDAs.

METHODOLOGY
Data for this study was collected from both primary and secondary sources. The data from primary sources was collected by the use of questionnaire and interviews. The questionnaire data was analyzed vide the use of statistical technique of percentage calculation. We also use Content analysis to analyze data collected from our secondary sources. It is mainly interested in finding out the prospect and problem of treasury single account in ministries, departments and agencies. The data collected during the study were analyzed with a view to establishing how the adoption of TSA has impacted Kaduna State revenue. The relevant data were collected from selected ministries department and agencies with Kaduna state government. A total of two hundred (200) staff responses were collected from 200 respondents as the entire population of the study. The sample size used in this study is one hundred and thirty three staff out of a population size of two hundred using the formula for the determination of the sample size from the population of the MDAs in Kaduna State. To get the sample size Taro Yamani method was used

The sample of this research is calculated by using Taro Yamane (Yamane, 1973) formula with 95% confidence level. The calculation formula of Taro Yamane is presented as follows

\[ n = \frac{N}{1+Ne^2} \]

Where:
- \( n \) =sample size required
- \( N \) =Number of Staff in the population
- \( e \) = allowable error (%)

\[ \frac{200}{1+200(0.05)^2} \]

\[ n=133 \]

For the purpose of this study, our level of significance \((e)=5\% \ or \ 0.05\) that is 95% confidence limit since substituting the above values into the formula, we have that : 133 as sample.
CONCLUSION
The adoption of treasury single account (TSA) by State Governments of Nigeria: its benefits, challenges and prospects were examined in this study. The finding reveals that, TSA adoption and full implementation by the state governments will be of greatest benefits, there will be challenges in a short-run but the benefits at a long-run will definitely out-weight the challenges. It is the conclusion in this study that State Governments in Nigeria should adopt and fully implement TSA for successful control and accountability of public funds so as to avoid misappropriation.

RECOMMENDATION
The following recommendations are made:
1. State governments should enlighten all stakeholders on the benefits of TSA adoption.
2. There should be an integrated financial management information system (IFMIS) for all the players in the TSA system at the state levels.
3. Professional and regulatory bodies (ICAN, CBN, IMF, etc.) should help in designing, conceptualizing and road-mapping of TSA at the state level.
4. 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.
5. Government accountants and heads of State MDAs should be well trained to meet up with the challenges of TSA operations

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