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## OPERATIONALISATION OF TREASURY SINGLE ACCOUNT AND FUND MANAGEMENT: A PERCEPTION OF ACCOUNTING PRACTITIONERS IN NIGERIA

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### **Abstract**

*Treasury single account being a combined arrangement of government bank accounts allows the efficient management of public cash and also enables consistent monitoring of cash balances of government account. The high rate of corruption bedeviling Nigeria economy coupled with the recent financial crunch have necessitated operationalisation of the constitutional tool (TSA) across government ministries, parastatals, and extra ministerial departments with the primary goal of reducing the siphoning of government fund, boosting revenue collection, and ensuring effective fund management. This study investigated the role of operationalised TSA in fund management by eliciting the opinion of accounting practitioners across northern and southern part of Nigeria. Specifically, the study evaluated the factors influencing the operationalisation of treasury single account as well as investigated the role of treasury single account on effective fund management. Finally, the study evaluated the effect of treasury single account on government transparency. The study employed primary data through administration of structured questionnaire. Descriptive statistics and ordered logistic regression were used in analysing the data for the study. The study revealed that operationalised TSA impacts on effective management of fund and enhances government transparency. The study therefore recommended that government in its efforts to develop a sound and judicious management of government resources should ensure that all treasuries are kept in a single account.*

**Keywords:** *TSA, Fund Management, Public Resources, Government Transparency, Corruption*

**JEL Classification:** *E61, H20, F00,*

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### **1. INTRODUCTION**

Public fund management reform is one of the most important reforms in any country because it ensures a governmental financial system that encourages accountability, transparency,

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fiscal discipline and prudence in management and usage of government resources for a better service delivery and in turn, economic development. The poor control of public funds, having huge idle cash with banks while governments borrow so as to finance her projects and also revenue generating MDAs remitting just little token to government coffers even when more revenues are been generated has been a major source of concern to government. To set priorities as well as plan the structure for public funds management, general economic reform, integration, and considering human, material and other resources of the country, it is important to have a bank arrangement that will assist in general appraisal of the actual performance of government financial management system (Nguyen, 2013). Therefore, a linked account in which government of a nation can transact all her receipts and payments becomes fundamental.

Banking arrangement of governments is an essential factor for effective management of public's financial resources. Treasury Single Account (TSA) is a combined arrangement of public bank account enables a consolidated appraisal of public funds. TSA is a continuous process and device for properly management of public finances, cash and banking position. The Treasury Single Account (TSA) not just assumed individual concept but a constitutional tool. Section 80 (1) of the amended 1999 Constitution opined TSA as "all revenues, or other monies earned or given by the Federation (may not be funds or other monies expend under the Constitution or any Act of the National Assembly into any other public fund of the Federation TSA established for a specific purpose) should be remitted into and form one Consolidated Revenue Fund of the Federation". However, governments in Nigeria have over years maintained several multiple accounts for the receiving and paying of public funds in flagrant disobedience to the constitution that mandated that all government revenues be paid into a single account. However, in 2012 the government of Nigeria under the leadership of Goodluck Jonathan ran an experimental scheme for one single account with 217 ministries, department and agencies as a test case. This scheme helped the government in saving around ₦500 billion from frivolous spending. The prospect of the test encouraged the full implementation of TSA by 2015, this propelled the government in giving directives that banks should engage the technology platform that can accommodate all MDAs in the TSA scheme. Hence, this paper examined the operationalisation of treasury single account and fund management: a perception of accounting practitioners in Nigeria. The following hypotheses were formulated for specific objectives (ii) and (iii) as guide to the study:

H<sub>01</sub>: Treasury single account does not significantly facilitate effective fund management.

H<sub>02</sub>: Treasury single account does not have significant effect on government transparency and accountability.

## 2. LITERATURE REVIEW

### 2.1.1 Concept of Treasury Single Account

Treasury single account is a public fund management instrument for efficient management of public's financial resources. According to Onyekpere (2015) a TSA is a joined and comprehensive structure of government bank accounts allowing the consolidation and judicious utilization of public financial resources. It is an account or a set of linked accounts in which government of Nigeria make all her receipts and payments and gets a consolidated view of its cash position at any given time. Chukwurah & Emmanuel (2015) opined that TSA is a system of subsidiary accounts that are connected to a main account such that, transactions are effected in the

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subsidiary accounts but closing balances on these accounts are paid at the end of every business day to the main account. Having TSA enable the prompt capture and release of all due revenues into government account without going through another banking arrangements (Onuorah & Appah, 2012).

## 2.1.2 Transaction Processing Under a Treasury Single Account System

Cem (2010) averred that there exist two main transaction processing systems, and can be related either the Centralised or Decentralised TSA architecture.

### 2.1.2.1 Centralised Model

Centralised model a single transaction processing. It involves concentrating authority to process transactions, access and operates the government account with the treasury. This infers that the treasury assists the spending agencies to make all payment services and also possess the exclusive authority to operate the treasury single account, including all the subaccount of its regional treasury. The MDAs and other agencies must submit requests for payments to the centralized authority/treasury before making such payments. This transaction processing system is associated with any of the centralized (e.g., France and Brazil) or the distributed TSA model (e.g., the United Kingdom). In either situation, the centralised authority/treasury are only permitted to operates the main account and transaction accounts. Sometimes there may be different transaction accounts for each regional treasury unit and/or individual budget institutions. This is illustrated in the figure 1;

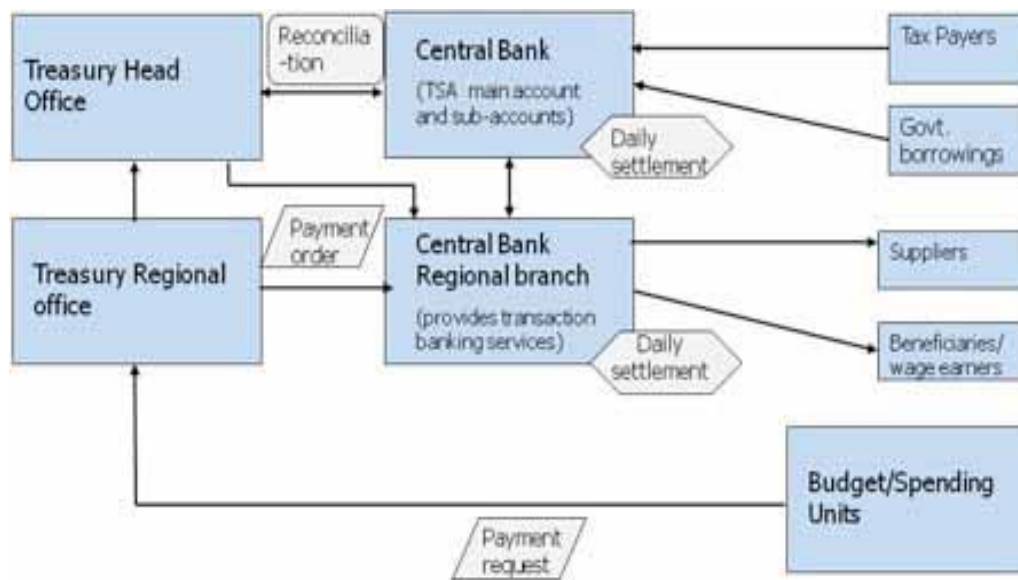


Figure 1: A Typical Centralized Transaction Processing System (Adapted from Pattanayak & Fainboim, 2010)

### 2.1.2.2 Decentralised Model

The other model involves the decentralised payment and accounting model. In this situation, every single budget body processes its own financial transactions during budgetary execution and personally operates the separate bank account under a TSA model. Such model can be associated with either the centralised (e.g., India, where one account is kept with Reserve Bank of India, and is supplemented by another ledger accounts to record and control the payments attributable to individual line ministries) or the distributed TSA structure (e.g. Sweden, where each decentralized budget institution has one or more transaction accounts at one more banks). There is need for an efficient and dependable communication system as well as interbank settlement system for setting off balances of various transaction accounts with the TSA main account in order to have a decentralized TSA structure and the decentralized transaction processing. A typical decentralized transaction processing system is as shown in fig 2.

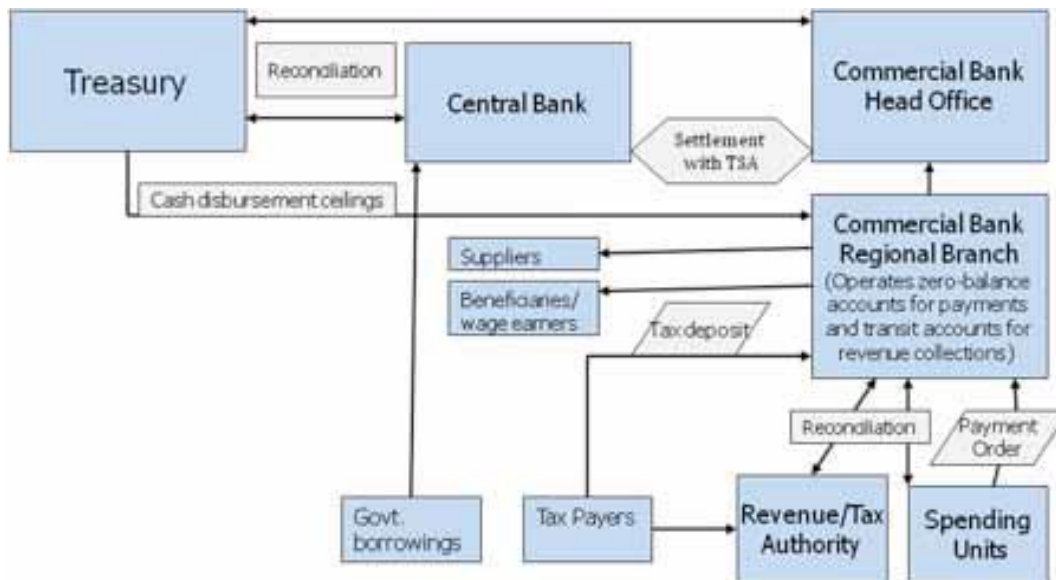


Figure 2: A Typical Decentralized Transaction Processing System (Adapted from Pattanayak & Fainboim, 2010).

### 2.1.3 Preconditions for Setting up a TSA

Establishing treasury single account requires a legal backing to ensure its stability. According to Simon (1997), some of the factors influencing the operationalization of treasury single account include preparing list of current bank accounts, legal and regulatory requirements, technological requirements, political backing, existence of interbank settlement, comprehensive chart of accounts and capacity development of TSA users. The process of instituting a treasury single account requires the survey of all the current government accounts with banks and it should be organized (including their nature of the account, type of account and balances in the account). This will ease the documentation of bank accounts for subsequent closure or linking with the treasury single account. Operating treasury single account is a difficult decision that involves

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closing the current bank accounts of budget institutions (outside treasury control) that may lead to powerful opposition. To achieve success in establishing TSA, the highest level of government must explicitly and strongly back treasury single account reform (Ahmed, 2016).

The existing legal framework for operating governmental account should be revised, in order to give room for implementation of the treasury single account. TSA must be accompanied by legal backing that enables the termination of current bank accounts of ministries and budget institutions. The legal authority for creating government accounts must be assigned to the Ministry of Finance if success must be achieved. Likewise, an enhancement of technological capacity of the banking system cannot be overemphasized. This is key in the operation and reporting on TSA transactions.

There is need for the development of a payments clearing system, a real time gross settlements system at the government bank, and the linkage of various commercial banks to the real time gross settlements system. The treasury can also be connected to the real time settlements requirement. Some important data that is presently with the banking system may be lost during the implementation of TSA. This information should be captured with the chart of accounts, which may require adjustment. This should be finalized during the conceptual design phase of the TSA. Training of future users of TSA within the Ministry of Finance, Treasury, and line agencies on the new procedures and applications will enhance the achievement of the desired results. It is important to carefully coordinate the training with the introduction of the TSA. User manuals on receipts and payments procedures under TSA system should be developed (Simon, 1997).

#### **2.1.4 Benefits of Treasury Single Account**

TSA is undertaken to ensure prompt and accurate information on government financial resources. It also ensures government effective sole control over government's aggregate financial resources. The account permits efficient cash management of government financial resources. TSA simplifies consistent monitoring of cash balances in government account. It also supports higher quality cash outturn scrutiny to be embark on while at the same time, reduces fees and transaction costs associated with several accounts (Sailendra & Israel, 2010). Having a single bank accounts reduces the administrative cost for maintaining these government accounts, with the inclusion of the cost associated with bank reconciliation, and reduced fees to the banks. TSA strengthen overall cash management process and reduce value of outstanding payment vouchers. TSA enables accurate and prompt payment mechanisms. It guarantees that there won't be ambiguity with the volume or the location of the public funds, and ensures the possibility of monitoring payment mechanisms precisely. Lastly, treasury single account maximizes the opportunity cost of idle cash through investing any surplus fund to yield good returns.

#### **2.1.5 Concept of Public Fund Management**

Public fund management involves the strategies and processes put in place to guarantee availability of sufficient cash not only to meet government commitments but also to minimize cost of borrowing and to put in check of total cash flows during the monetary, fiscal and legal limits (Omoleyinwa & Naiyeju, 2011). Premchand (1999) asserted that public fund management is the

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linkage between the present expectation of community's resources with future. It lies at the very heart of the operations and fiscal policy of government. According to Onuorah & Appah (2012), public fund management is concerned with the planning, procurement, organizing and utilization of public funds and also the preparation of appropriate government policies so as to achieve the expectations of members of that society. Therefore, it is necessary to have a good banking arrangement so as to enhance transparency, cost effective public delivery, accountability and economic growth.

## 2.2 Underpinning Theories

Williams (2010) defined management of funds as the process of managing, spending and (short-term) investing cash. It involves an important aspect of guaranteeing the financial stability and solvency of government. Incrementalism in government policy is the method by which several small policies are altered and enacted over time so as to ensure a broader based government policy change (Adeolu, 2015). Therefore, in order to critically explain what TSA and Cash management are in the government setting, the study considers the theory of accountability and fund theory. In recent years, the interest in accountability mechanisms has been great and relies on after-the-fact verification. Auditor uses audit logs, record important systems information and recognize dishonest principals then apportion blame when violation of security policies occurred. Therefore fear of getting "caught" assist to maintain security by deterrence, in line with the traditional law enforcement and organizational security. Accountability is an important tool in the development of trust during human interface.

Thus, accountability is not only a means of achieving thorough security it also helps in achieving first-class design goal of services in federated distributed systems. While accountability is delicate in general, mechanisms to support accountability have been undertaken in several specific ways: determinate distributed systems and network storage. However, accountability approach to achieving security lack general foundations for models and programming. Therefore, for proper accountability and close monitoring of the government funds, the TSA policy will be implemented and accountable for by the Central Bank of Nigeria. Moreover, fund theory, developed by William J. Vatter, differs from the entity and proprietary theories due to their obvious weaknesses and inconsistencies. Fund is simply the set of assets and related financial resources devoted to a definite purpose, which may generate income or otherwise. The balance sheet equation would be

$$\Sigma \text{Assets} = \Sigma \text{Restrictions on Assets}$$

The restrictions on the assets can occur from either the liabilities or invested capital. The invested capital should be retained intact unless there exist an explicit authority for total or partial liquidation is given. The restriction on assets can include specific purposes for their use mandated by law or contract. Fund theory is the most applicable to the governmental and not-for profit organization where endowment funds, encumbrances, and special-asset groups often devoted to specific and separate purposes prevail.

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### 2.3 Empirical Discussion

Kanu (2016) assessed the effect of TSA on Nigerian economy. Questionnaire was administered to staff of selected ten banks. Chi-square was employed for analysis of the data obtained. The study revealed that the implementation of TSA negatively impacts on the liquidity position of Nigerian banking sector. Bashir (2016) examined the effect of TSA on the public financial management in Nigeria. The researchers made use of primary and secondary data. The populations of the study were Ministries, Department and Agencies (MDAs) within Bauchi metropolis using a sample of 72 respondents through judgment sampling. The obtained data were analyzed using the Pearson Correlation techniques. The result of the study revealed that adoption of a Treasury Single Account (TSA) significantly helps in plugging financial loopholes and promoting accountability in the public financial system.

Pattanayak & Fainboim (2010) in their work titled Concept, Design and Implementation of TSA. It also device an alternative methods for designing a TSA that take cognizance of specific country issues as well as the preconditions and desirable sequencing for its successful implementation. Their study includes country examples from different regions in support of the analysis and recommendations.

### 3. METHODOLOGY

This study adopted a survey design, ‘a research technique in which information is gathered from sampled respondents using a questionnaire. In this study, the researchers interest is in studying the opinions of respondents through the distribution of self-administered copies of questionnaire on a cross-sectional basis to the selected samples in order to harness information for the purpose of analysis and making deductions there from. The study focused on accounting practitioners in Lagos state and Anambra state, Rivers, Kano state, Kwara state and Borno representing South West Region, South East Region, South South Region, North West Region, North Central Region and North East Region respectively. A total of one hundred and twenty (120) copies of questionnaire were administered to elicit the opinion of accounting practitioners on the role of TSA in fund management of public entities and transparency of government activities with one hundred and ten (110) returned completed. The study used both descriptive and ordered logit regression for the analysis of data gathered through the questionnaire.

#### 4. FINDINGS AND DISCUSSION

**Table 1: Respondents' Profile**

Details	Characteristics	Numbers	%
<b>Gender</b>	Male	77	70
	Female	33	30
	<b>Total</b>	<b>110</b>	<b>110</b>
<b>Age</b>	Below 35 Years	20	18.2
	36-50 Years	51	46.3
	51-65 Years	30	27.3
	66years and above	9	8.2
	<b>Total</b>	<b>110</b>	<b>100</b>
<b>Education</b>	B.Sc./HND	74	67.3
	M.Sc./Ph.D	36	32.7
	<b>Total</b>	<b>110</b>	<b>100</b>
<b>Professional Qualification</b>	ACA/FCA	76	69
	ACCA/FCCA	11	10
	CAN/FNA	23	21
	<b>Total</b>	<b>110</b>	<b>100</b>

*Source: Authors' Computation, (2019)*

Table 4.1 shows the background information of the respondents. On gender classification, 70% (77) of the respondents were males while 30% (33) of the respondents were females. Also, 18.2% of the respondents fell below 35 years, 46.3% were between 36-50 years, 27.3% were within 51-65 years while 8.2% were 66years and above. On education, 67.3% of the respondents were holders of B.Sc./HND while 32.7% of the respondents were M.Sc./Ph.D holders. Finally, as for the respondents' professional affiliation, 69% of the respondents were holders of ACA or FCA, 10% were ACCA or FCCA while 21% were holders of CAN or FNA.

**Table 2: Factors influencing the Operationalisation of Treasury Single Account**

Factors	PERCENTAGE (%)					
	STRONGLY AGREE	AGREE	Undecided	DISAGREE	STRONGLY DISAGREE	TOTAL
<b>Political Backing</b>	86% (95)	10% (11)	2% (2)	2% (2)	0 (0)	100 (110)
<b>Legal and Regulatory Requirements</b>	85% (94)	13% (14)	2% (2)	0 (0)	0 (0)	100 (110)
<b>Technological Requirements</b>	78% (86)	16% (18)	4% (4)	2% (2)	0 (0)	100 (110)
<b>Effective Banking System</b>	66% (73)	24% (26)	6% (7)	2% (2)	2% (2)	100 (110)
<b>Capacity Development of the TSA Users</b>	67% (74)	24% (26)	7% (8)	2% (2)	0 (0)	100 (110)

*Source: Authors Computation, (2019).*

Table 4.2 shows that 95 of the respondent (86%) strongly agree that political backing is a major factor influencing the implementation of TSA while 2 of them (2%) disagreed. Equally, 11% of the respondents agreed and 2% of them are undecided. This means majority of the respondents agreed that political backing is a major factor influencing implementation of treasury single account. Similarly, legal and regulatory requirement is strongly agreed by 85% (94) of the respondents to be one of the factors influencing the implementation of treasury single account in Nigeria. Also, 14% of them agree to that fact while 2% of them were undecided. Since, the percentage of the respondents that agreed and strongly agreed is more than that of those that are undecided, it is shown that legal requirement is one of the factor influencing the operationalisation of TSA.

Equally, 85% constituting 94 of the 110 respondents strongly agreed that legal and regulatory requirement is a factor influencing the implementation of TSA. In addition, 13% of the respondents agreed. However, 2% (2) of them are undecided. Similarly 86 of the 110 respondents (78%) strongly agree, 16% (18) of them agree while 2% (2) of them disagreed and 4% (4) of them are undecided that technological requirement is a factor influencing the operationalisation of TSA.

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The result of the study also revealed that 66% (73) of the respondents strongly agreed that effective banking system is factor influencing implementation of TSA in Nigeria. It was further revealed that 24% (26) agreed while 2% (2) of the respondents strongly disagree also 2% (2) of the respondents agreed that effective banking system is a factor influencing the implementation of treasury single account in Nigeria. However, 6% (7) are undecided. Since, those that are agree and strongly agree are higher, majority of the respondents responded that effective banking system is a factor influencing the implementation of treasury single account in Nigeria.

The result also indicates that majority of the respondents 67% (74) strongly agreed that capacity development of TSA users constitutes a major factor influencing the implementation of TSA in Nigeria. However, few of them 2% disagree to that fact while 7% (8) of them are undecided. Therefore, the result shows that political backing, legal and regulatory requirements, technological requirements, effective banking system and capacity development of the TSA users.

**Table 3: Ranking of Factors influencing Operationalisation of TSA**

Factors	Agreed	Disagree	Rank
Political Backing	96%	4%	2 <sup>nd</sup>
Legal and Regulatory Requirements	98%	2%	1 <sup>st</sup>
Technological Requirements	94%	6%	3 <sup>rd</sup>
Effective Banking System	90%	10%	5 <sup>th</sup>
Capacity Development of the TSA Users	91%	9%	4 <sup>th</sup>

*Source: Authors Computation, (2019).*

The factors influencing the operationalization of TSA are ranked according to the responses and the result is presented in the table 4.3. The responses are reduced to two (agree and Disagree). Percentages of Responses on Strongly agree and agree are sum up to form agree while undecided, strongly disagree and disagree are sum up to form disagree. The result shows that legal and regulatory requirement is ranked first followed by political backing (2<sup>nd</sup>) and technological requirement is ranked (3<sup>rd</sup>). Equally, the responses show that capacity development of TSA user is (4<sup>th</sup>) while effective banking system ranked (5<sup>th</sup>).

#### 4.1 Testing of Hypotheses

H<sub>01</sub>: Treasury Single Account does not facilitate effective fund management

**Table 4: Ordered logit estimates for effective Fund Management**

Independent Variable	Dependent variable: Fund Management	
	Coefficients of ordered logit (1)	Marginal effect (2)
Treasury Single Account	6.48*** (1.41)	1.10*** (0.096)
Effective Banking	1.37*** (0.48)	0.021*** (0.009)
Constant cut1	9.54*** (2.22)	
Constant cut2	15.5*** (4.04)	
Constant cut3	22.3*** (6.24)	
Constant cut4	27.2*** (7.58)	
Observations	110	110
Log likelihood	154.41577	
Wald statistics	23.54	
P-value of Wald statistics	0.0000	

**Source: Author's computations, 2018.**

Standard errors in parentheses\*\*\*, \*\* and \* denotes 1%, 5% and 10% level of significance respectively

Ordered logit regression was used to investigate the effect of treasury single account on fund management in Nigeria. The result is displayed in Table 4.4 above. The estimates of the coefficient of the regression and the marginal effects are presented in column 1 and column 2 of the Table respectively. The coefficients are used to examine the nature of relationship and significance of the independent variables while the marginal effect is used to evaluate the extent (magnitude or size) of impact of the independent variables on the dependent variable. The dependent variable is Fund Management while Treasury Single Account and Effective Banking System are the independent variables. The result indicates that Treasury Single Account and Effective Banking System are positively related to Fund Management. This implies that there is more likelihood that the probability of efficient Fund Management will increase with increase in Treasury Single Account and Effective Banking System.

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However, the result indicates that Treasury Single Account and Effective Banking System are statistically significant at 1% level of significance. This is because half the values of the coefficients of these variable are greater than the standard errors of the coefficients. This means TSA has significant impact on fund management in Nigeria. The values of the marginal effect of the logit regression (in column 2) indicate that respondents strongly agree that the probability of having high fund management increases by 1.10 with the increase in TSA while the probability of quality fund management increase by 0.021 with rise in effective banking system. So, TSA has huge impact on fund management in Nigeria. In the table all the constant cut values are statistically significant, therefore we cannot collapse any of the categories. This means all the response categories are relevant and thus cannot be collapsed. The Wald test statistics is 23.54 with P-value 0.0000 this means that the model has a good fit.

H<sub>02</sub>: Treasury single account does not have significant effect on government transparency.

**Table 5: Ordered logit estimates for Government Transparency**

INDEPENDENT VARIABLES	Dependent variable is Government Transparency	
	coefficients of ordered logit (1)	Marginal effect after ordered logit (2)
Treasury Single Account (TSA)	0.3977** (0.1638)	0.05903** (0.02439)
Effective Banking (EFB)	0.5412*** (0.1241)	0.08035*** (0.02551)
Constant cut1	0.8272 (2.8911)	
Constant cut2	2.7254 (2.8850)	
Constant cut3	8.4512*** (2.9945)	
Observations	110	110
Fitness statistics	81.46	
Probability of fitness statistics	0.0000	

Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1 denotes 1%, 5% , 10% level of significance respectively.

*Source: Author's Computation, (2019)*

Table 4.5 shows the ordered logit regressions estimates for the investigation of effects of treasury single account on fund management in Nigeria. Column 1 and column 2 contain the ordered logit regression and its marginal effect respectively. The coefficient estimates of the regressions are used to examine the nature of relationship and significance of the independent

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variables while the marginal effect is used to evaluate the extent (magnitude or size) of impact of the independent variables on the dependent variable. In the model, government transparency is the dependent variable while treasury single account and effective banking system are the independent variables. The result of the ordered logit regression in column 1 and 2 revealed that treasury single account and effective banking system are positively related to the government transparency. This is because the values of the coefficient of the independent variables are positive. It means there is more likelihood that government transparency will improve with the implementation of treasury single account and effective banking system.

Furthermore, the result indicates that the independent variables are significant. Treasury single account is significant at 5% while effective banking system is significant at 1% each in ensuring government transparency. This is indicated by the standard errors of the coefficients of the variables which are less than half the values of the coefficients. Hence, treasury single account and effective banking system are significant determinants of government transparency in Nigeria. The values of the marginal effect of the logit regression (in column 2) indicate that there is probability of improvement in government transparency with increase in treasury single account and effective banking system.

The coefficients of the cut parameters are used to examine the essence of the response categories (strongly agreed, agreed, undecided disagreed and strongly disagreed). If the cut values are statistically significant, the categories are maintained in the interpretation otherwise insignificant categories are collapsed to for a category. In table 4.5 all the constant cut values except cut 3 are statistically insignificant therefore we can collapse all other categories apart from category 3 and 4. This means the responses undecided disagreed and strongly disagreed are not being distinguished by the respondents but strongly agreed, agreed are clearly defined. To examine the goodness of fit of the model, the log likelihood chi-square statistics of the model is reported. The fitness statistics of the ordered logit is 16.9 with the P-value 0.0000. Since, the probability values of the fitness statistics is less than 5% level of significant, the model is good fits. So, the result of the model is viable for tenable conclusion and recommendation.

This study employed ordered logit regression which revealed that treasury single account is a significant determinant of fund management and government transparency in Nigeria which is consistent with the study of Bashir (2016) that opined that treasury single account improves government transparency. Therefore the null hypothesis that states that treasury single account does not have significant effect on fund management should not be accepted. Furthermore, the results also revealed that effective banking system significantly impact on fund management and government transparency in Nigeria and therefore the null hypothesis that states that TSA does not significantly impact on government transparency in Nigeria should not be accepted. This result is consistent with the study of Adeolu (2015).

## 5. CONCLUSION AND RECOMMENDATION

The study concluded that TSA facilitate effective fund management as well as effective banking system impacts on public fund and management. The study concluded further that treasury single account and effective banking sector impacts on government transparency. Treasury single

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account occupies a vital element in public fund management, therefore it must be subjected to strict adherence by all government agencies for it to function efficiently and government political will in enforcing the TSA operation must be sustained to fully harness its benefits. Thus, the government in its efforts to develop a sound and prudent management of public resources should ensure that all treasuries are kept in a single account.

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