TREASURY SINGLE ACCOUNT (TSA): CHALLENGES AND IMPLICATION ON NIGERIA’S ECONOMY

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Abstract

Treasury Single Account is a welcome policy in Nigeria, however limited researches show its effect on the economy. This study critically examined the implementation of TSA, the challenges and implications on the Nigeria’s economy. The study concludes that TSA is a key to efficient public financial management system in Nigeria.

Key Words: Treasury Single Account, Economy.

A. Introduction

Nigeria, like many developing countries had fragmented banking structure for handling government receipts and payments. In these countries, government lacked a unified view and control over its cash resources. Hence, unspent cash balances lied idle in the different bank accounts held by spending agencies while the government continued to borrow to execute its budget. Although sections 80 and 162 of 1999 Nigerian constitution as amended stipulates that all government revenues should be put into a consolidated revenue fund in CBN, there is no political will by successive government to comply with this provision. Similarly, some agencies refused to remit 25 percent of their annual generated revenue to the treasury as demanded by law. According to Daily Trust Editorial (2015), “in 2012 about N120 billion was forcefully collected by government from MDAs being 25 percent of their gross revenue to the treasury with another N34 billion collected in 2013” p.16. It was in order to enforce compliance to the constitution, fight corruption and enhance financial management in the public sector that Nigeria initiated Treasury Single Account (TSA). TSA is implemented among other series of economic reforms for effective and efficient management of the economy. These reforms that are aimed at improving the quality of the nation’s public financial management (PFM) system.

TSA as a government policy is formulated to ensure accountability of government revenue, enhance transparency, eliminate idle funds and avoid misapplication of public funds and facilitate compliance with sector 80 and 162 of the constitution. TSA is a 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. TSA is also unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. It 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 any given time.

The major issue arising from TSA policy decision is the change of residence of government funds from commercial banks to CBN in September, 2015. Although, TSA is adjudged by many financial analysts as a welcome policy for developing economy, its adverse effect on banks’ liquidity is a matter of serious concern because the impact of the policy that affects banks will be distributed with a greater force to all the concerns of the economic society.

The objectives of Treasury Single Account (TSA) in Nigeria

(i) To ensure effective aggregate control of cash in monetary and budget management
(ii) To support monetary policy implementation
(iii) To facilitate fiscal discipline
(iv) To ensure effective aggregate control of cash in monetary and budget implementation.

B. TSA and Nigeria’s Economic Policy
The critical economic policy issue for many developing economy like Nigeria is fiscal consolidation and the maintenance of long run fiscal balance. The benefits of a numerical target for ensuring fiscal discipline are obvious. A balanced – budget law, if enforced, eliminates persistent deficits induced by political distortions or by the politicians.

The budgets of modern economies, particularly those countries like Nigeria with large public sectors, are very complex. Politicians typically do not have an incentive to adopt the most transparent practices. TSA offers this incentive in Nigeria. Lack of transparency helps to create confusion and ambiguity on the state of public finances. In summary, the presence of laws that establish limits on the deficits may also create incentive to reduce budget transparency. Robust framework with the political will to implement may also contribute to ensure fiscal discipline. Lack of transparency makes fiscal discipline and expenditure control harder to achieve.

**Challenges of TSA in Nigeria**

Treasuary Single Account (TSA) is an important factor in managing and controlling government’s cash resources. The Federal Government had stated the implementation of TSA with the e-payment component since 2012, while the e collections components commenced in January 2015. The first treasury circular on e-collection was issued on the 19th of March 2015. However, the success of its implementation is not within some challenges.

(i) The Academic Staff Union of Universities (ASUU) has argued that the implementation of the policy is inimical to the well-being of universities. The policy has made it impossible for universities to draw research growth, run programs based on endowment and transfer funds earmarked for staff development in universities locally and overseas. TSA is impeding research in Nigeria universities as institutions cannot access their grants on time, while several funds from donor agencies were diverted to countries with less transactions difficulties. The Federal University of Agriculture, Abeokuta (FUNAAB) had suffered some pains since its N2 million grant from Bill and Melinda Gates Funded Cassava Adding value project (CAVA) was trapped in the Treasury Single Account (TSA). The institution has been haggling with the office of the Accountant General of the Federation (OAGF) on how to resolve the quagmire while the projects the funds were meant to channel are suffering.

(ii) Since the implementation of the policy, many Mid-Tier Bank have lost huge revenue and deposits that threatened the continued existence of many banks. TSA regime precipitated some unintended consequences, affecting the operations of banks, especially regarding deposit depletion, asset quality, decrease in revenues and liquidly stress according to the CBN Director, Banking Supervision, Mrs. Tokumbo Martin. She further stated that, as part of risk management, banks with large government deposits mitigated their positions by investing the liability in T-bill and FGN bonds. These banks had to liquidate these investment in order to comply with the TSA regime, thereby further reducing their stock of liquid assets.

This policy will adversely affect the banking sector and the economy so much that banks would throw a large proportion of their workforce to the streets. Consequently a policy reversal may become imperative.

(iii) Investigations revealed that some MDAs, including federal universities, federal colleges, unity schools, among others maintain accounts with commercial banks. This violation according to some of the institutions was as a result of the bureaucracy in accessing funds. There are also incidences of some MDAs using pseudo names to open and operate bank accounts because the oversight functions of government is seemingly weak and this may underscore the underlying benefits of TSA. Prior to TSA, bank reconciliation was performed for each bank account of the MDAs domiciled in the various commercial banks. However, under TSA regime, all the accounts maintained by each agency are consolidated or merged into a single bank account with the CBN. Without bank reconciliation, the true cash balance of a university will not be known and any financial decision taken is like grappling in the dark. Forest Resource Management Project (FRMP) Baseline Report (2004) argues that the absence of bank reconciliation presents a
serious hazard to the integrity and quality of an entity’s accounting records and reports which, in turn, engenders a lack of confidence by users of the accounting information of organization’s funds. The absence of effective bank reconciliation exercise may shift the residence of corruption from MDA’s to government.

**Implications for Nigeria’s Economy**

(i) Improved visibility of government revenues and cash flows. The implementation of Treasury Single Account (TSA) has stopped the hemorrhaging of the treasury. The nation saves N24.7 billion monthly with the full implementation of the TSA. Thus, government can establish cash position of any point in time and so facilitates the implementation of Federal Government of Nigeria cash management policy.

(ii) Elimination of leakages and corruption from the economy. TSA has brought a lot of sanity and transparency into the federal government management of its funds. According to CBN sources, some one hundred and eight (N108) Billion naira has been saved from removal of maintenance fees payable to banks, pre-TSA. These were accumulated charges paid by federal MDSA, monthly in addition of plugging several leakages and corruption.

(iii) Warrant/AIE releases are now based on cash plan. Before the implementation of TSA it took 28 days to access cash after the revenue had been collected through commercial banks and about 21 days for MDAs to access their budgetary allocation after release from treasury. This timing differences which adversely affected budget implementation have now been eliminated.

(iv) Reduction of idle cash balance/unspent balance in MDAs Account which could have attracted borrowing cost to government. Prior to TSA implementation, Ocheai (2017) Asserts that was incurring finance cost on debit balances in some MDA’s account, while it was earning close to nothing on the credit balances of other MDA’s. With the TSA, the balances on all the MDA accounts will now reside with the Central Bank, hence there will be a positive net position of legitimate government revenue meant for consolidated and Federation Accounts.

(v) Eradicates debt servicing costs and financial misappropriation in the public sector. Failure to perform proper bank reconciliation leaves a grave risk that the accounting records are not reliable. Such unreliable data will not inspire confidence in the minds of government, financial managers and/or users of the accounting information.

**C. Conclusion**

TSA enhances the transparency of banking transactions between the various MDA’s and the Federal Government of Nigeria. It is the key to efficient public financial management system in Nigeria.

**D. Recommendations**

i. There should be conscious realization that bank reconciliation affords a solid base upon which the quality of an accounting report may be assessed and also, it is a key element in ensuring the reliability of financial accounting data.

ii. Federal Government should deliberate over the policy with university and other MDAs representatives to make it workable.

iii. Government should overhaul the capacity of the Federal Ministry of Finance and the CBN to cope with challenges associated with enforcement of the provisions of the TSA.

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