

An Appraisal of Treasury Single Account (TSA) for Sustainable Development in Nigeria

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Abstract: This paper dwells on an appraisal of Treasury single account (TSA) for sustainable development in Nigeria. Over the years the government of Nigeria has been running a deficit budget yearly despite the fact that huge amount of money has been recorded as internally generated revenue. The numerous accounts operated by the federal Government through different ministries, departments and agencies makes it difficult for government to actually account for internally generated revenue. The objective of this paper is to analyze the impact of TSA towards sustainable development in Nigeria. This study build on existing literatures on Treasury Single Account and sustainable development as base for the study, it employs theoretical literature with the aids of secondary data. Finding reveal that TSA if properly implemented will lead to sustainable development in Nigeria. The paper concluded that TSA will go a long way to curb corruption in high places and enshrine transparency to the public officials, The paper also concluded that the implementation of TSA in Nigeria will help in managing our resources efficiently and effectively to improve our economic situation in Nigeria. The paper recommended that there should be proper awareness to educate the general public particularly the MDAs on the benefits the nation stands to gain if TSA is fully operational in Nigeria, it also recommend that adequate training and retraining be organized regularly for TSA users.

Keywords: Treasury Single Account, Appraisal, Sustainable Development, Nigeria.

INTRODUCTION

Nigeria is one of the most blessed nations bestowed with vast abundant human and natural resources, if these resources were properly harnessed, Nigeria would have been ranked among the top most developed nations of the world, it is unfortunate that despite these abundant resources, Nigeria is still categorized among the underdeveloped nations (Okey and Edumo, 2014) this ugly event is as a result of mismanagement of resources by the public officials that has been saddled with the responsibility of managing the resources. The background of Treasury Single Account (TSA) is in accordance with the executive order No. 55 (2011) which stipulates that the Bureau of Treasury (BTr) shall operate a Treasury Single Account (TSA) to receive remittance of collection of internal revenue taxes/ customs duties from Bureau of Internal Revenue (BIR)/ Bureau of Custom (BOC) authorized agent banks as well as other national government agencies from authorized government depository banks. The Treasury Single Account (TSA) will be maintained by the central bank of Nigeria (CBN). (Kanu, 2016) opined that the introduction of Treasury Single Account (TSA) in Nigeria is as a result of numerous corrupt practices existing in the country.

The policy was introduced to reduce the proliferation of banks accounts operated by Ministries, Departments and Agencies (MDAs) and also to promote transparency and accountability among all organs of the government. TSA is a useful tool to establish centralized control over its revenue through effective cash management (Odewole, 2016) submitted that Treasury Single Account (TSA) enhance accountability and enables government to know how much is accruing to its accounts on a daily basis, it is a financial tool that unifies all government accounts in a single tool for effective cash management (Adebisi and Okike, 2016) argued that TSA is believed to be an efficient and effective means of managing government revenue generation and system that provide and enforce sufficient self-control mechanism on revenue generation and budget implementation using a daily return from account balances of various MDAs into a central account

Ikya Emmanuel Agbe, Akaa Samuel Terzungire and Uchewuke Samuel Igbabee argued that Treasury Single Account (TSA) is one of the proven practices in improving the payment and revenue collection systems, and carrying out consistent control of public expenditures by centralizing the free balance of government bank accounts. Section 80 (1) of the 1999 constitution as amended states "all revenues, or other money raise or received by the federation (not being revenues or other money payable under this constitution or any act of 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" Ikya Emmanuel Agbe, Akaa Samuel Terzungire and Ucherwuhe Samuel Igbabee also presented that it is globally recommended that no other government agency should operate bank account outside the oversight of the treasury. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated. The treasury, as the chief financial agent of the government cash and debt positions to ensure that sufficient funds are available to meet financial obligation, idle cash is efficiently invested, and debt is optimally issued according to the appropriate statutes.

The main objective of this paper is an appraisal of Treasury Single Account (TSA) for sustainable development in Nigeria and to evaluate how TSA can be used to curb corruption in Nigeria.

METHODOLOGY

This paper adopts qualitative research design to gain an insight into the nature of Treasury Single Account (TSA) for sustainable development in Nigeria. This paper is theoretical in nature and it draws its arguments from secondary data like existing legal framework, related journal articles and publications.

LITERATURE REVIEW

Treasury Single Account (TSA) has paved way for the timely capture and payment of all due revenue into government coffers without the intermediation of multiple banking arrangement, this prevents revenue leakages in terms of revenue loss and mismanagement by operators of all revenue-generating agencies. This has resulted into better cash management practice since the treasury can at all-time have an overall view of government cash position, as against the fragmented positions of different Ministries, Department and Agencies (MDAs), which needs to be laboriously pooled together to get the overall picture Ndubuaku V.C, Ohaegbu O.K, Nina

N.M. (2017). The analysis shows that TSA has reduced the cost of borrowing by government and its agencies, as the government will likely be in the surplus at most time of the year. TSA would end the previous public accounting situation of several fragmented accounts for government revenues, incomes and receipt which in the recent past has meant the loss or leakages of legitimate income meant for the federation account, Obinna, (2015). Before the introduction and full implementation of TSA, the federal government of Nigeria is at the liberty of the MDAs, this is because the MDAs remit whatever they deem fit into the federation account without a proper check of their activities. This ugly trend has put the federal government of Nigeria in a financial mess i.e. inability of the federal government to meet its financial obligation as at when due where as cash lies idle for extended period in numerous bank accounts held by spending agencies while the federal government continues to borrow to execute its budget. Let us take a look at this example, before TSA, MDA 'A', based on budgetary release could have surplus cash (meaning cash that is not immediately required) in its bank account while MDA 'B', which needs cash for urgent transaction is cash starved and has little or nothing in its account. Although MDA 'B' has approval in the budget for transaction but has no immediate cash. MDA 'B' is likely to borrow from a bank at an interest to carry out its assignment thereby incurring cost of treasury, while treasury finance lies idle in MDA 'A', this will no longer happen under TSA.

Treasury Single Account (TSA) as a 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. Onyekpere (2015). In another vein, IMF (2010) sees TSA as a "unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle and unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments."

Adeolu (2015) defined Treasury Single Account (TSA) as 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 and avoid misapplication of public funds. Adeolu 2015 further stressed that the maintenance of Treasury Single Account (TSA) will help to ensure proper cash management by eliminating idle funds usually left into commercial banks and in a way enhance reconciliation of revenue collection and payment. Onyekpere (2015) in Eme and Chukwurah (2015) TSA is a process and tool for effective management of government's finances, banking and cash position. In accordance with the name, it pools and unifies all government accounts through a single treasury account. While Chukwu (2015) sees TSA as a network of subsidiary accounts all linked to a main account such that transactions are effected in the subsidiary account but closing balances on these subsidiary accounts are transferred to the main account.

SUSTAINABLE DEVELOPMENT

Un Brundtland Report (1987), presented that sustainable development could be defined as the development that meets the needs of the present without compromising the ability of future generation to meet their own needs. It is also the organizing principle for meeting human development goals while at the same time sustaining the ability of natural systems to provide the natural resources and ecosystem services upon which the economy and society depend. The desirable end result is a state of society where living and conditions and resource use continue to meet human needs without undermining the integrity and stability of the natural systems.

THEORETICAL FRAMEWORK

This paper adopted the stakeholder theory propounded by Richard Edward Freeman in 1984. Richard Edward Freeman is generally credited with popularizing the stakeholder concept which came up in 1984. The main idea behind Freeman's stakeholder approach was to try to build a framework that was responsive to the concerns of managers who were being confronted with unprecedented levels of environmental turbulence and change. Freeman chose the word stakeholder on the basis of the traditional term – stockholder which takes only a look at the economic point of view. Where the stakeholder are defined as any group of individual who is affected by or can affect the achievement of an organization's objectives (Freeman, 1984) Freeman further stated that stakeholder approach suggests that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business.

The stakeholder theory assumed that the adaption 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. Stakeholder theory provided rich insights into the factors that motivates government in relation to the adoption and implementation of treasury single account (TSA) (Ekubiat and Ime, 2016).

FINDINGS

- a- Resistance from the General public (i.e, MDAs): Fatile Jacob Olufemi and Adejuwon Kehinde David (2017) argued that the negative attitude and complete lack of support by the MDAs for the TSA policy is not healthy for the nation.
- b- Lack of political support: Talabi, A.O, Adekambi, J.A, and Omula, G.O (2017) submitted that the establishment of TSA requirement of TSA requires hard decisions, such as organization (outside treasury control). This will no doubt put an end to the error when politicians or top government functionaries divert or transfer public funds to their private accounts.
- c- Interface between the treasury and the banking network: Another pre-condition that also constitute challenge to TSA if not properly managed is the interface between the treasury and banking network. The interface between the ministry of finance or other line agencies.
- d- Technological platform: For TSA to achieve the objectives, a decision on TSA could trigger the acquisition and introduction of necessary technology by the banking system.
- e- Capacity Building of the TSA users: The users of TSA scheme need to be trained in the new procedures and applications. This training should involve users both within the ministry of finance/treasury and agencies.

PROSPECTS OF IMPLEMENTING TSA

According to Garbade, Kenneth, John C. Partlan, and Paul J. Santaro, (2014) in Ahmed Adamu Isa (2016) submitted the following as some of the prospects of implementing TSA.

- a. It allows complete and timely information on government cash resources: In countries with advanced payment and settlement system and an integrated financial management information system (IFMIS) with adequate interfaces with the banking system, this information will be available in real time. A minimum, complete updated balance will be available daily.
- b. Improves appropriation control: The TSA ensures that the ministry of finance has full control over budget allocation, and strengthens the authority of the budget appropriation. When separate bank accounts are maintained, the result is often a fragmented system, where additional cash resources that became available through various creative, often extra- budgetary, measures augment funds provided for budgetary appropriations.
- c. 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 of expenditures may lead to sub-optimal behavior by budget entities, such as exaggerating their estimates for cash needs or channeling expenditures through off- budget arrangements.
- d. Enables efficient cash management: A TSA facilitates regular monitoring of government cash balances. It also enables higher quality cash outturn analysis to be undertaken (e.g identifying casual factors of variances and distinguishing casual factors from random variations in cash balance).
- e. Reduces bank fees and transaction costs: Reducing the number of banks accounts results in lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, and reduced banking fees.
- f. Facilitates efficient payment mechanism: 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 mechanism precisely. It can result in substantially lower transactions cost because of economics of scale in processing payments. The establishment of a TSA is usually combined with elimination of the “float” in the banking and the payment system, and the introduction of transparent fees and penalty structures for payment services. Many government have achieved substantial reduction to their real cost of banking services by introducing a TSA.
- g. Improving bank reconciliation and quality of fiscal data: A TSA allows for effective reconciliation between the government accounting systems and cash flow statement from the banking system. This reduces the risk of errors in reconciliation processes, and improves the timeliness and quality of fiscal accounts.
- h. Lower liquidity reserve needs: A TSA reduces the volatility of cash flows through the treasury, thus allowing it to maintain a lower cash reserve/ buffer to meet unexpected fiscal volatility.

CONCLUSION

It is very obvious that the introduction of Treasury Single Account (TSA) in Nigeria came at the right time, especially in this era of

executive lawlessness, misappropriation and wastages of public funds. Treasury single account will go a long way to curb corruption in high places and enshrine transparency to the public officials. Treasury Single Account is a reliable means of public fund management that will govern the management, allocation and application of government funds to people oriented projects that will result in the economic development and improve the living standard of Nigerian. This study concludes that the implementation of Treasury Single Account (TSA) in Nigeria has a positive impact on the Nigeria economy. It is important to note that despite the challenges of TSA, its benefits is of greater advantage to the country which leads to economic development, employment generation, better standard of living to mention a few for sustainable development.

RECOMMENDATIONS

Based on the findings the following recommendations were made:

- a. There should be proper awareness to educate the general public particularly the MDAs on the benefits and prospects the nation stands to gain if Treasury Single Account (TSA) is fully operational in Nigeria
- b. The government should try as much as possible to educate all the stakeholders and politicians to fully support the implementation of TSA, because of the numerous advantages it possessed
- c. The interface between the ministry of finance or other line agencies should be agreed and formalized by all the stakeholders and reconciliation of receipts and payments will be successful
- d. There should be provision of adequate technological infrastructure and sophisticated banking system.
- e. Adequate training and retraining be organized regularly for the TSA users. A user manual on receipt and payment procedures under the TSA program as well as capacity development should be carefully developed and coordinated.

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