

## Implementing Treasury Single Account (TSA) In Nigeria: Current Issues, Benefits And Prospects

**Olanipekun, W.D.**

Department of Business and Entrepreneurship  
Kwara State University

Malete

E-Mail: olanipekundamilola@yahoo.com

**<sup>2</sup>Brimah, A.N. & <sup>3</sup>Usman, T.B.**

<sup>2</sup>Department of Business Administration

<sup>3</sup>Department of Banking and Finance,  
Al-Hikmah University  
Ilorin, Nigeria

**Giwa, K.O.**

Department of Accounting and Finance,

University of Ilorin

Ilorin, Nigeria

Mobile: +233249476862

### ABSTRACT

#### ABSTRACT

This study examines the current issues, benefits and future prospects of implementing the treasury single account policy in Nigerian. The implementation of the policy is geared towards promoting transparency and facilitates compliance with sections 80 and 162 of the 1999 Constitution. The policy measure is specifically in line with the (Nigeria Vision 20:2020 goal) as it is part of the Public Financial Management reforms which falls under pillar 3 of the National Strategy for Public Service Reforms towards vision 20:2020 aimed at driving development and modernizing the country's payment system. This study concludes that despite the bottleneck and challenges that may be associated with a policy of this nature, the benefits far outweigh the cost thus it is recommended that all efforts should be harnessed to ensure full implementation because the long run benefit will not only allow these present generations to meet their needs but allow the next and future generations to meet their needs.

**Keywords:** Treasury Single Account, Vision 20:2020, Sustainability, Development, Public Finance

---

#### Aims Research Journal Reference Format:

Olanipekun, W.D, Brimah, A.N., Usman, T.B & Giwa, K.O. (2016): Implementing Treasury Single Account (TSA) In Nigeria: Current Issues, Benefits And Prospects. Advances in Multidisciplinary Research Journal. Vol. 2. No. 4, Pp 31-36

### 1. INTRODUCTION

Nigeria's vision 20:2020 is an articulation of the long term intent to launch Nigeria onto a path of sustained social and economic progress and accelerate the emergence of a truly prosperous and united Nigeria following the national aspiration which state by 2020, Nigeria will have a large, strong, diversified sustainable and competitive economy that effectively harness the talents and energies of its people and reasonably exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens. The summary of the vision is that by year 2020, Nigeria will be ranked among the top 20 economies of the world. TSA is part of the Public Financial Management reforms which falls under pillar 3 of the National Strategy for Public Service Reforms towards vision 20:2020.

Dener (2014) opined that 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 balances of government bank accounts. The main purpose of TSA implementation is to maximize the use of cash resources through concentration and reduction in float costs. The TSA solutions are designed to capture detailed information about the government's cash resources and spending on a daily basis

TSA is a unified structure of government bank accounts that gives a consolidated view of government cash (Otunla, 2014). The reason for inclusion of PFM reforms via TSA in Vision 20:2020 is because government banking arrangements are an important factor in managing and controlling government's cash resources. They are critical for ensuring that all tax and non-tax revenues are collected and payments are made correctly in a timely manner; all government cash balances are optimally managed to reduce borrowing costs (or to maximize returns on surplus cash) and this is achieved by establishing a unified structure of government bank accounts via a treasury single account (TSA) system (Pattanayak and Fainboim, 2011). Public financial management reforms were designed to address impediments to effective and efficient cash management thus the implementation of the Treasury Single Account (TSA) would bring about transparency, efficiently and accountability (Otunla, 2014).

Pattanayak and Fainboim (2011) opined that technological changes and recent innovations in banking practices have facilitated the operation of a TSA for government transactions. Developments in electronic banking and communication systems, including payment clearing systems and interbank settlement systems—such as the Real Time Gross Settlement System (RTGS)—have enabled the banking sector to provide single-window banking services to clients (A TSA is a prerequisite for modern cash management and is an effective tool for the ministry of finance/treasury to establish oversight and centralized control over government's cash resources. It provides a number of other benefits and thereby enhances the overall effectiveness of a public financial management (PFM) system. The establishment of a TSA should, therefore, receive priority in any PFM reform agenda.

The cardinal objective of TSA is to facilitate implementation of the Federal government's Cash Management Policy, and to achieve greater accountability for public expenditure (Otunla 2014). The primary objective of a TSA is to ensure effective aggregate control over government cash balances. The consolidation of cash resources through a TSA arrangement is meant to optimize government cash management. It avoids borrowing and paying additional interest charges to finance the expenditures of some agencies while other agencies keep idle balances in their bank accounts. Effective aggregate control of cash is also a key element in monetary and budget management. Other objectives of a TSA include: reliable and efficient budget execution by minimizing transaction costs; monitoring (and thereby controlling the delay in) the remittance of government revenues (both tax and nontax) by the collecting banks; effective reconciliation between banking and accounting data; efficient control and monitoring of funds allocated to various government agencies; and facilitating better coordination with the monetary policy implementation (Pattanayak and Fainboim 2010)

From the foregoing, the objective of this paper is to examine the current issues, benefits and future prospects of implementing single treasury account in Nigeria. The paper is divided into four sections. Section one is the introductory part of the paper which explicates the fundamental role of TSA in the public financial management reform viz-a-viz Nigeria's vision 20:2020. It provides a concise overview on the paper. Section two attempts a review of the literature which consists of conceptual clarifications on treasury single account, overview of TSA in Nigeria. Section three discusses the benefits and prospects of TSA in Nigeria while Section four concludes and provides recommendation

## 2. LITERATURE REVIEW

### 2.1 Conceptualizing TSA

A TSA is a unified structure of bank accounts enabling consolidation and optimal utilization of government's cash resources. It is a bank account or a set of linked bank accounts through which government transacts all its receipts and payments and gets consolidated view of its cash position at any given time (Kifasi, 2015). Onyekpere (2015) opined that 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. Chukwu (2015) defined a treasury single account (TSA) as a network of subsidiary accounts all linked to a main account such that, transactions are effected in the subsidiary accounts but closing balances on these subsidiary accounts are transferred to the main account, at the end of each business day. TSA is a unified structure of government bank accounts that gives a consolidated view of government cash (Otunla, 2014)

A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the 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. The principle of unity follows from the fungibility of all cash irrespective of its end use (Pattanayak and Israel Fainboim 2010). Pattanayak and Fainboim (2011) opined that a full fledged TSA shares three essential features: First, the government banking arrangement should be unified, to enable ministry of finance (Mof) (or treasury) oversight of government cash flows in and out of these bank accounts. Second, no other government agency operates bank accounts outside the oversight of the treasury. Third, the consolidation of government cash resources should be comprehensive and encompass all government cash resources, both budgetary and extra-budgetary.

### 2.2 Overview of TSA in Nigeria

TSA principle of public accounting system and revenue management has been both a constitutional provision and an extant fiscal practice. Section 80 of the 1999 Constitution, which gives legal backing to the TSA reads: "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". Other sub-sections of that provision explain restrictions regarding the withdrawal of money from this Consolidated Revenue Fund. Its practice dates back to the government of former President Olusegun Obasanjo and the need for a consolidated Federation Account was what informed the establishment of the Government Integrated Financial Management Information System (GIFMIS) which is not only a major component of TSA but the technology behind TSA (Mugabi, 2014). The idea of TSA was mooted by the Central Bank of Nigeria at the 235th Monetary Policy Committee Meeting in November 2013 with President Goodluck Jonathan piloting the TSA in its present form, when he commenced implementation with about 42 public institutions comprising ministries, departments and agencies and recently President Buhari began full implementation.

On Sunday, August 9, 2015 President Muhammadu Buhari directed all the Ministries, Departments and Agencies (MDAs) to close all their accounts domiciled in the commercial banks and transfer them to the federation account and gave September 15, 2015 as deadline for total compliance. The Independent Revenue e-Collection Scheme is implemented under Treasury Single Account (TSA) initiative, which requires that government revenue collection, is put into a single account for proper cash management. The independent e-collection initiative will automate revenue collections of ministries, departments and agencies (MDAs) directly into the Federal Governments Consolidated Revenue Fund (CRF) account at the Central Bank of Nigeria, through the Remita e-Collection platform and other electronic payment channels (CBN, 2015). The initiative is being championed by the Federal Ministry of Finance with the office of the Accountant-General of the Federation serving as the implementing agency in active collaboration with the Central Bank of Nigeria (CBN).

The measure was aimed at promoting transparency, ensure compliance with sections 80 and 162 of the 1999 Constitution and end the previous public accounting system of several fragmented accounts for government revenues, incomes and receipts Anumihe (2015). A statement conveying the directive according to the Senior Special Assistant to the Vice President on Media and Publicity, Mr. Laolu Akande, said it applies to fully funded organs of government like the MDAs and foreign missions, as well as the partially funded ones, such as teaching hospitals, medical centre's and federal tertiary institutions. The affected agencies include the CBN, Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), Nigerian Ports Authority (NPA), Nigerian Communications Commission (NCC), Federal Airport Authority of Nigeria (FAAN), Nigerian Civil Aviation Authority (NCAA), Nigerian Maritime Administration and Safety Agency (NIMASA), Nigerian Deposit Insurance Corporation (NDIC), National Shipping Council (NSC), Nigerian National Petroleum Corporation (NNPC), Federal Inland Revenue Service (FIRS), Nigerian Customs Service (NCS), and Department of Petroleum Resources (DPR), except for those expressly exempted (Anumihe, 2015). The statement further added that any agency that was fully or partially self-funding, must maintain in the CBN, sub-accounts linked to TSA, and the accounting system would be configured to allow them access to the funds, subject to their approved budgets.

### 3. PROSPECTS AND BENEFITS OF TSA

Pattanayak and Fainboim (2010) posited that a TSA system helps consolidate government cash balances and gives the government through 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. A TSA 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. Its establishment would also significantly reduces the government debt servicing costs, lowers liquidity reserve needs, and helps maximize the return on investments of surplus cash. The implementation of TSA had ensured prudence and probity in the management of financial resources. With the TSA government has been able to block all loopholes and leakages of financial resources while also having a robust financial management system (Ahmed 2016)

The Minister of Information and Culture, Alhaji Lai Mohammed, at a Town Hall meeting held on Monday in Lagos made the disclosure that 15 months after implementation of the TSA policy , The Federal Government has generated over N2 trillion through the Treasury Single Account (TSA). The present administration had plugged all financial loopholes through the Treasury Single Account (TSA), into which over N2 trillion has accrued so far. Funds that ordinarily would have gone into private pockets are now finding their way into the public treasury, to be used for the benefit of all. Ademola (2015) opined that the TSA will support the anti-corruption crusade of the new government and to consolidate all the accounts of the federal government, prevent leakages and help in shoring up the revenue of government.

He went ahead to opine that banks have been accused of not carrying on the proper business of banking but are involved in "cash round-tripping" by taking funds from the government and using the same funds to invest in government bonds and Treasury Bills; thus making huge returns without risking their capital. TSA is a master stroke against a tactless financial strategy emanating from an unholy alliance between banks and MDAs, the current implementation of this unified accounting structure, rightly called the Treasury Single Account (TSA), is laden with high expectations of economic prospects owing to its possibility of ensuring transparency and accountability (Guardian Newspaper, 2015) Osarenkhue (2015) opined that implementation of TSA by the federal government will assist it with first hand view of what it has in its account and know how to spend it, unlike when the accounts were scattered in various bank accounts that are not relatively linked. Similarly, 15 months after implementation of TSA, TSA has provided government with opportunity to monitor the financial activities of over 900 MDAs from one single platform. Similarly, it has strengthened the monetary policy management and control of the CBN with positive impact on inflation.

A quick leap at the examination of its impact with commercial banks shows that TSA has instilled fiscal discipline and eliminated the process of cash-backing MDAs accounts with commercial banks. It has also eliminated corruption associated with MDAs banking relationships with commercial banks while also reducing the amount the FGN loses in interest rates on borrowing from commercial banks and eliminating the use of public funds for investment purposes by commercial and microfinance banks (Vanguard Newspaper, 2016). TSA has ensured timely reconciliation of MDA accounts while also fast-tracking the MDAs' compliance with the e-payment and cashless policy of the CBN while also TSA providing better information on the cash resources available to government at any point in time and the financing gaps that need to be met. The TSA has allowed an economy of scale due to use of the adopted systems by MDAs instead of investing resources in several ICT platforms.

Enweagbara (2015) opined that the insistence on Treasury Single Account means fiscal discipline, efficiency, and accountability, on the part of government. In fact, this blockage of government's revenue diversion and looting using TSA besides leading to the consolidation of government revenues, incomes, and receipts, it will also lead to the optimal utilization of government cash resources, including creative investment of public funds in the critical development sectors of the economy. Garba (2015) posited that the government's Treasury Single Account (TSA) project could be the single most effective mechanism for dealing with corruption in cash management in ministries and agencies. He said the project which is inspired by global best practices long established by countries across the world has a proven record of enhancing oversight and control of government cash resources. TSA would remove the ambient secrecy in the management of public finance in MDAs.

#### **4. CONCLUSION AND RECOMMENDATION**

The establishment of a TSA is a key element of an efficient and effective public financial management system and an essential tool for minimizing government borrowing costs. TSA will enhance transparency and accountability in the management of public funds. While acknowledging that TSA just like any policy has its probable challenges at introduction like inadequate capacity in the form of access and ability to use the internet to do transactions, liquidity problem in banks that may stifle growth as a result of inability to create credit in the short run because it will make banks to conduct proper financial intermediation and find innovative ways to improve liquidity and returns.

It is quick to note that the implementation of the policy has a long run benefit that will not only allow these present generations to meet their needs but allow the next and future generations to meet their needs. The implication is that the benefits of TSA implementation far outweigh the cost thus all efforts must be harnessed to ensure full implementation. It is therefore recommended that the TSA policy initiative which is being championed by the Federal Ministry of Finance with the office of the Accountant-General of the Federation serving as the implementing agency in active collaboration with the Central Bank of Nigeria (CBN) must come up with the guidelines and modalities that will further strengthen the process of TSA implementation in line with global best practices.

## REFERENCES

1. Ademola, O. August 16, 2015: Analyst Hail Implementation of Single Treasury Account. ThisDay Newspapers. Retrieved from <http://www.thisdaylive.com/articles/analyst-hail-implementation-of-single-treasury-account/217572/>.
2. Ahmed, A.I (2016). The Treasury Single Account (TSA) as an Instrument of Financial Prudence and Management: Prospects and Problems Research Journal of Finance and Accounting [www.iiste.org](http://www.iiste.org) Vol.7(4), 66-71
3. Anumihe, I. September 9, 2015: How Treasury Single Account (TSA) May Effect Economy. The Sun Newspapers. Retrieved from <http://www.sunnewsonline.com/how-treasury-single-account-may-effect-economy/18>
4. Central Bank of Nigeria (2015): Circular to DMBs on Commencement of Federal Governments Independent Revenue E-Collection Scheme under the Treasury Single Account Initiative. Central Bank of Nigeria, Abuja, Nigeria.
5. Chukwu, J. August 16, 2015: Treasury Single Account: Giving Life to Jonathan's Dead Policy Directives. Guardian Newspapers. Retrieved from <http://www.nguardiannews.com/2015/08/treasury-single-account-giving-life-to-jonathan's-dead-policy-directives/>
6. Dener, Cem, 2014. Rapid Assessment of Treasury Single Account Operations and Payment Systems. Washington, DC. World Bank. License: Creative Commons Attribution CC BY 3.0
7. Enweagbara, O. August 16, 2015: Implementing the Treasury Single Account. Punch Newspapers. Retrieved from <http://www.punchng.com/opinion/implementing-the-treasury-single-account/>
8. Garba, M. September 23, 2015: Banks and Challenge of Treasury Single Account Policy. Newswatch Times Newspapers. Retrieved from <http://www.newswatchtimes.com/news/headlines/189613-banks-and-challenge-of-treasury-single-account-policy>
9. Guardian Editorial Board, August 28, 2015: Buhari on Treasury Single Account (TSA). Guardian Newspapers. Retrieved from <http://www.nguardiannews.com/2015/7/28/buhari-on-treasury-single-account/>
10. Kifasi, D. August 16, 2015: Implementing the Treasury Single Account. Retrieved from Premium Times <http://www.premiumtimesng.com/news/headlines/189613-buhari-talks-tough-orders-nigerian-agencies-to-switch-to-treasury-single-account-or-face-sanction.htmlopinion/>
11. Mugabi, D. January 7, 2014: Treasury Single Account will bring about transparency, efficiency and accountability. BusinessDayNewspapers. Retrieved from <http://www.businessdayonline.com/news/headlines/treasury-single-account-will-bring-about-transparency-efficiency-and-accountability>
12. Onyekpere, E. August 16, 2015: Treasury Single Account: Giving Life to Jonathan's Dead Policy Directives. Guardian Newspapers. Retrieved from
13. Osarenkhue, E. September 23, 2015: Banks and Challenge of Treasury Single Account Policy. Newswatch Times Newspapers. Retrieved from <http://www.newswatchtimes.com/news/headlines/189613-banks-and-challenge-of-treasury-single-account-policy>
14. Otunla, J. January 7, 2014: Treasury Single Account will bring about transparency, efficiency and accountability. BusinessDayNewspapers. Retrieved from <http://www.businessdayonline.com/news/headlines/treasury-single-account-will-bring-about-transparency-efficiency-and-accountability>
15. Pattanayak, S and Fainboim, S. (2010) *Treasury Single Account: Concept, Design, and Implementation Issues*. International Monetary Fund (IMF) Working Paper Series WP/10/143
16. Pattanayak, S and Fainboim, S. (2011) *Treasury Single Account: An Essential Tool for Government Cash Management*. International Monetary Fund (IMF) Technical Notes and Manuals
17. Vanguard Newspaper, August 16, 2016: 15 Months after; Benefits of Treasury Single Account (TSA). Vanguard Newspapers. Retrieved from <http://www.vanguardnews.com/2016/8/16/benefits-of-treasury-single-account>