



EFFECT OF TREASURY SINGLE ACCOUNT ON ACCOUNTABILITY AND TRANSPARENCY: AN EMPIRICAL ANALYSIS OF MDAs IN ADAMAWA STATE

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ABSTRACT

It is commonly known that government is saddled with the responsibility of being accountable to its citizenry through effective and efficient service delivery. In order to achieve this goal, government enacted the Treasury Single Account (TSA) policy for mobilization of government revenue. Hence, this study examines the effect of Treasury Single Accounts on Accountability and Transparency in Adamawa State Ministries, Departments, and Agencies (MDAs). The study consists of all Ministries, Departments and Agencies (MDAs) in the public service in Adamawa State with sample size of ten (10) MDAs involved in revenue generation selected using purposive sampling technique. The hypotheses were tested using Ordinary Least Square (OLS) regression analysis. The results of the study showed that TSA has a significant positive effect on Accountability and Transparency, while having a significant negative effect on misappropriation of funds in MDAs in Adamawa State. Therefore, considering the findings of this study, it is recommended that government should continue to sustain the adoption of the policy and enact laws that will ensure it strict compliance.

Keywords: MDAs, Accountability, Misappropriation, Transparency, Treasury Single Account (TSA).



1. INTRODUCTION

It is a well-known fact that one of the rudimentary challenges confronting most parts of the world and mostly the developing countries like Nigeria is how to achieve efficient allocation of resources, as well as, stabilization of the economic activities. Fragmented banking arrangement is costly as it leaves significant cash assets of government out of treasury oversight and control. Effective aggregate control of cash is a key element in monetary and budget management (Goldmark, 2018; Allison & Ndukwe, 2021). An important factor for efficient management and control of government's cash resources is a unified structure of government banking (Iroegbu, 2015); such unified banking arrangements should be designed to minimize the cost of government borrowing and maximize the opportunity cost of cash resources which requires that cash is available for carrying out government's expenditure programs and making payments in a timely manner.

According to Sylvester (2013), accountability in the public sector throughout the world is being given serious attention in view of the fact that the government is the highest spender of public fund. Those in authorities assume fiduciary status with the attendant responsibilities requiring them to render their stewardship accounts to those for whom the authority is held in trust. The general public is increasingly requiring public officers to be accountable by demonstrating effective use of public assets and funds in the delivery of services and pursuit of government objectives.

Treasury Single Account (TSA) 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. The philosophy underpinning TSA is primarily to ensure accountability of government revenue, enhance transparency and avoid misapplication and mismanagement of public funds. The proponents of Treasury Single Account argue that it will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payment (Adeolu, 2015).

Treasury Single Account (TSA) initiative is the operation of a unified structure of Government Bank Accounts, in a single account or a set of connected accounts for all government payments and receipts (Central Bank of Nigeria (CBN), 2016). According to Igbekoyi and Agbaje (2017), in Nigeria, Ministries Departments, and



Agencies (MDAs) are required under Financial Regulation 701 to get the approval of the Accountant-General of the Federation (AGF) for all their banking relationship. In addition, each MDA is required by regulation to maintain four bank accounts, one each for revenue, personnel costs, overhead costs and capital (FR 701) (Allison & Ndukwe, 2021).

Still, many MDAs failed to comply with the Financial Regulation (FR701), hence, the number of bank accounts became over bloated and monitoring the accounts became a huge task for the Office of the Accountant General of the Federation (OAGF). With such a large number, government could not have timely consolidated information of cash position necessary for efficient cash management in the country. Since maintaining a large number of accounts at commercial banks could hinder the implementation of appropriate clearing and consolidation procedures, there were indications that a number of MDAs failed to remit their revenues into the Consolidated Revenue Fund (CRF) in line with Section 80 of the 1999 Constitution of Nigeria. Thus, many MDAs spent funds without appropriation (Allison & Ndukwe, 2021).

As such, the philosophy that brings TSA into play is to reduce the flagrant of MDAs having too many accounts in commercial banks thereby increasing charges to the government, the result of these has made banks to be feeding on government funds by charging high fees and transaction costs, increase numbers of bank accounts by MDAs creating loopholes to siphon funds for personal embezzlement, creating high administrative cost for the government in maintaining these accounts, including the cost associated with bank reconciliation.

According to the Central Bank of Nigeria (CBN) (2016), the Treasury Single Account was primarily designed to bring all government funds in bank accounts within the effective control and operational purview of the Treasury, in order to: enthrone centralized, transparent and accountable revenue management; facilitate effective cash management; ensure cash availability; promote efficient management of domestic borrowing at minimal cost; allow optimal investment of idle cash; block loopholes in revenue management; establish an efficient disbursement and collection mechanism for government funds; improve liquidity reserve; and eliminate operational inefficiency and costs associated with maintaining multiple accounts across multiple financial institutions.



Moreover, the establishment of a TSA is usually combined with elimination of the “float” in the banking and the payment systems, and the introduction of transparent fee and penalty structures for payment services. Many governments have achieved substantial reductions in their real cost of banking services by introducing a TSA. Improves bank reconciliation and quality of fiscal data, a TSA allows for effective reconciliation between the government accounting systems and cash flow statements from the banking system. This reduces the risk of errors in reconciliation processes and improves the timeliness and quality of the fiscal accounts. Lowers 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.

Therefore, this study seeks to examine the effect of Treasury Single Account (TSA) on Accountability and Transparency in MDAs in Adamawa State. Other specific objectives are to:

- i. Examine the effect of Treasury Single Account on Revenue Collection in MDAs in Adamawa State.
- ii. Assess the impact of Treasury Single Account in promoting Transparency in the administration of public funds in Adamawa State.
- iii. Investigate the effect of Treasury Single Account on Financial Misappropriation in MDAs in Adamawa State.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Treasury Single Account (TSA)

A Treasury Single Account (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 (Isa; 2016; Lienert 2009). The TSA is a process and tool for effective management of government’s finances, banking transactions, and cash (Eme *et al.*, 2015). According to Adeolu (2015) 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. The maintenance of a Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way to enhance reconciliation of revenue e-collection and payment.

Types of Bank Account Under the TSA System

i. TSA Main Account

According to Ikya, Akaa and Ucherwuhe (2017), this is the treasury's account with the central bank, which consolidates the government's cash position. It is the main TSA account when the TSA arrangement in a particular country consists of a set of linked accounts. Cash balances in all other linked accounts are swept into this account. In other words, all government receipts finally flow into, and all disbursements are met from, the central TSA account.

ii. TSA Subsidiary Accounts

These are not separate bank accounts per se (in the sense of holding individual cash balances) but are special subaccounts within the main TSA account. This is basically an accounting arrangement to group together a set of transactions and allows the government to maintain the distinct accounting identity or ledger of its budget organizations (line ministries/agencies) effectively. A cash disbursement ceiling for each entity can be enforced against these ledgers. Balances in these accounts are netted off with the TSA main account for cash management purposes. (Ikya *et al.*, 2017).

iii. Transaction Accounts

Sometimes government bank accounts that are justified for retail transaction banking operations are opened separately and structured as transaction accounts. These separate transaction accounts could be opened for government entities that need transaction banking services, but do not have a direct access to the TSA main account or a subsidiary account, and/or specific category of operations (e.g., special funds). A transaction account could take the form of a zero-balance account or an impress account. (Ikya, *et al.*, 2017).



iv. Zero-balance Accounts (ZBAs)

Where transactional accounts are necessary, these are generally opened on a zero-balance basis, i.e., end-of the day cash balances in these accounts are swept back into the TSA main account periodically (preferably daily). Such accounts opened in commercial banks are used for disbursements or for collection of government revenues (particularly non-tax revenues). At the end of the day, all revenues collected would be deposited in the TSA. The commercial bank would honor payments of the respective agency and would be reimbursed by the TSA overnight. ZBAs have many similarities with special credit line arrangements, where budget agencies are provided spending credits towards the amount of payments they can make within a specified period, to be reimbursed by the TSA in the central bank. A ZBA also has the benefit that it bypasses the normal interbank settlement process for each individual transaction, which is often time consuming in developing countries, and ensures same-day settlement on a net basis for all receipts and payments passing through the accounts. (Ikya, *et al*, 2017).

v. Imprest Accounts

These transaction accounts can hold cash up to a maximum authorized amount and are recouped from time to time. Such accounts might be necessary in some cases, particularly when there is only limited availability of interbank settlement facilities. However, the number of Imprest accounts should be kept to a minimum and the strategy should be to progressively transform these accounts into zero) Transit accounts These accounts are not meant for day-to-day transaction banking operations of government units. A transit account simply serves as a transit for eventual flow of cash into the TSA main account. Transit accounts might be necessary for major revenue streams to monitor their collection and remittance by the banking system and to facilitate revenue sharing (formula-based sharing from a common pool of resources) between tiers of government in a federal system in line with constitutional provisions. g) Correspondent accounts; A separate ledger account is opened for each correspondent. The correspondent entity has real-time information on the balances it maintains in the TSA. There should be safeguards to ensure that each correspondent government is provided with the funds needed to implement its own budget in a timely manner. The central bank (which maintains the accounts in the TSA) has the obligation to make payments to the extent of the balances available in a



correspondent's account. (Including the required ex ante control for authorizing payments) (Ikya *et al*, 2017).

Empirical Review

There are numerous studies conducted on the effect of Treasury Single Accounts in Nigeria. For instance, Allison and Nduke (2021) examine the extent to which the implementation of Treasury Single Account in Nigeria has contributed towards achieving public accountability in Nigeria Public sectors. The study adopted the content analysis as means of gathering and analysis of data. The paper observed that as envisaged, the implementation of Treasury Single Account has enthroned centralized, transparent and accountable revenue management in Nigeria by instilling fiscal discipline and ensuring effective aggregate control over government cash balances. The study concluded that the only way Nigeria can fight the intense pressure on their cash flows in the face of dwindling revenues and decreasing statutory and social responsibilities is to strengthen and sustain the Treasury Single Account (TSA) scheme.

Kanu (2016) conducted a study on the Effect of Treasury Single Account on the Liquidity of Base and Performance of the Banking Sector. The main objective of the study was to find out the influence of TSA on the liquidity base and performance of the banking sector in Nigeria. The study made use of mainly Primary data from ten (10) randomly selected banks. Questionnaire were administered to the Management staff of the ten (10) banks selected for the study. The study employed Chi-square as a statistical tool for analysis of the data. The results obtained confirmed that the implementation of Treasury Single Account in the public accounting system impacted negatively on the liquidity base and the performance of banking sector in Nigeria.

Relatively, the study conducted by Bashir (2016) examine the extent to which Treasury Single Account can block financial leakages, promotes transparency and accountability in the public financial management. Both primary and secondary data had been employed in the study. The populations of the study are Ministries, Department and Agencies (MDAs) within Bauchi metropolis using a sample of 72 respondents through judgment sampling. The data were analyzed using the Pearson Correlation techniques. The result of the study showed that adoption of a Treasury



Single Account (TSA) is capable of plugging financial loopholes, promoting transparency and accountability in the public Financial System.

Likewise, a study conducted by Idoko and Ibrahim (2021) examines the impact of TSA on Public Sector Transparency and Accountability. To achieve the objective of the study, primary and secondary data were utilized, while Percentage statistics were used for comparative analysis, and Product-Moment Correlation was used for testing hypothesis one, resulting in a coefficient, r of 0.99. This is indicating that a linear relationship between TSA (the independent variable), and transparency and accountability (the dependent variables). Chi-square, χ^2 was used for testing hypothesis two, whereby computed χ^2 0.95 of 3.81 < tabulated χ^2 0.05 at 1 df of 10.1, indicating significant impact of TSA on the dependent variables. The researchers concluded that TSA is not just a requisite for transparency and accountability, but actually impacted on public sector transparency and accountability. Strengthening accounting regulatory framework, engaging more professional expert managers, and accountants, and extending TSA to all tiers of government are imperative.

Similarly, a study conducted by Lodikero, Fagbayimu, and Olateru (2018) examined the implication of Treasury Single Account on the accountability and transparency of Nigeria Public Sector in order to ensure a responsible governance system. Survey research design was adopted for the study. The population of the study consisted of 150 Ministries, Department and Agencies (MDAs) operating in Ondo State as at 2017. Purposive sampling technique was used to select the respondents. The data obtained from the questionnaire administration were analysed using the descriptive and inferential statistical tools. The finding revealed that Treasury Single Account is an effective tool in combating financial leakages in Nigeria public sector. The study recommended that government should engage in massive public enlightenment about the importance of the policy and the need for legislation to mandate all the states and local government to implement this policy.

In a study by Olorunnishola and Fasina (2018), Treasury Single Account (TSA) was found to have a significant impact in promoting transparency and accountability in management of public funds in Nigeria. Specifically, the study utilizes data from questionnaire obtained from one hundred and fifty-eight staff of the federal agencies like Federal Polytechnic, Federal Pay Office, Corporate Affairs Commission and Nigeria Security and Civil Defence Corps Ado Ekiti, Ekiti State Nigeria were



analysed. Reactions were allocated weights of 0 to 4 on Likert scale according to the degree of disagreement/agreement with each statement. An overall average mean score of 2.58 indicate that respondents agree that TSA promote transparency and accountability in public funds management The t-statistic test result confirmed that TSA is significant in promoting transparency and accountability (t value =36.7, p = 0.00), thus indicating the effectiveness of TSA policy operations in promoting transparency and accountability in public funds management in Nigeria. It was recommended that the oversight functions for payment and settlement systems (financial and information security controls) performed by the central bank through automated processes should be improved upon

In addition, Mutalib, Bulkachuwa, Uarame and Chijioke (2015) studied the impact of Treasury Single Account (TSA) on Accounting Information and Accountability of Ministries, Departments and Agencies (MDAs) of public funds in Nigeria. The study employed both primary and secondary data for the purpose of the study. The result shows that there is no doubt that with the introduction of TSA on MDAs Accounting information, the issue of corruption, mismanagement of public funds and government capital base will improve drastically thereby boosting the Nigeria Economy for good governance and for potential investment.

Therefore, based on the empirical review presented above, the study hypothesized that:

- i. Treasury Single Account has a significant effect on Revenue Collection in MDAs in Adamawa State.*
- ii. Treasury Single Account has a significant effect in promoting Transparency in the administration of public funds in Adamawa State.*
- iii. Treasury Single Account has a significant effect on Financial Misappropriation in MDAs in Adamawa State.*

3. METHODOLOGY

To achieve the objective of this study, a survey research designed was employed. Data were obtained using a structured questionnaire administered on 100 staff of 10 randomly selected MDAs (equally rationed) who are involved in revenue generation (cash collections) in Adamawa State. The questionnaire was divided into two parts.



The first part contains information on demography of the respondents, while the second part contains statements of the study variables. The independent variable of the study is TSA, while the proxies for the dependent variable are; revenue collection, transparency, and misappropriation. In addition, the questionnaire was designed on a five-point Likert scale. However, out of the 100 questionnaires administered, only 92 were successfully returned and used for analysis purpose. Data for the study were analyzed using descriptive statistics and Ordinary Least Square (OLS) regression analysis.

4. RESULTS AND DISCUSSION

Descriptive statistics

Table 1. Frequency for Demographic data of the Officers Responses

	Frequency	Percent
Gender		
Male	63	68.48
Female	29	31.52
<i>Total</i>	92	100
Age		
21 - 29yrs	9	9.78
30 - 39yrs	42	45.65
40 - 49yrs	31	33.70
50 and above	10	10.87
<i>Total</i>	92	100
Years of Experience		
1 - 5years	11	11.96
6 - 10years	31	33.70
11 - 15years	28	30.43
16 and above	22	23.91
<i>Total</i>	92	100
Rank		
Senior level Staff	38	41.30
Middle level Staff	8	8.70
Junior Staff	46	50.00
<i>Total</i>	92	100
Level of Qualification		
Secondary School	12	12.04
Diploma	34	37.00



HND/B.Sc.	38	41.30
Postgraduate	8	8.96
<i>Total</i>	92	100

Source: Field Survey (2022).

Table 1 following shows frequencies for gender, age, and years of experience, rank, and level of educational qualification of the respondents. Out of the 92 individuals that participated in the research study, males resulted in a total frequency of 63, which is 68% of the respondents; while females resulted in a total frequency of 29, which is 32% of the respondents. This particular information indicates that more Male than Female participated in this survey. Respondents between ages 30 – 39 had a 45% representation, thus indicating that these are among the highest age range represented. Thirty four percent of the participants were between the ages 40-49 which is 34% of the total respondents the second highest age range represented. The third highest was age 50 and above representing 11% while the minority respondents was age 21-29, 10% of the respondents. The results also show that 12% of the respondents have worked from 1 to 5 years and 24% worked 16years above. Thirty percent worked from 11-15years and 34% have worked for 6 – 10 years.

The result also shows that 38 respondents (41.30%) are senior staff, 8 (8.7%) are middle level staff, while the remaining 46 (50%) are junior staff. Lastly, the frequency result shows that the level of qualification shows that 12% of the respondents hold a Senior Secondary certificate, 37% possess a Diploma Certificate, 42% holds a Bachelor’s degree, and high school diploma while 9% have Postgraduate certificates.

Regression Result

Table 2. Regression Result of TSA on the Dependent Variables of the Study

Model	Variables	R ²	Beta Coefficients	t-Statistics	p-value
1	Revenue Collection	0.674	0.3541	4.776	0.000***
2	Transparency	0.753	0.5642	4.275	0.000***
3	Misappropriation	0.798	-0.2218	-5.022	0.000***

Source: Author’s Analysis (2022) using STATA₂₂



The Table 2 above shows the regression results that test the effect of TSA on revenue collection, transparency, and misappropriation. For model 1 which is on revenue collection, the regression result shows that it has a R^2 value of 0.674 which means that Treasury Single Accounted (TSA) accounted for 67.4% of the variation in revenue collections in MDAs in Adamawa State. Moreover, the result shows that model 1 has t-statistics of 4.776 and p-value of 0.000. This depicts that TSA has a significant positive effect on the revenue collections of MDAs in Adamawa State at 1% level of significance. Again, the beta coefficient for model 1 is 0.3541, meaning that any increase in the effective application of TSA will lead an increase in revenue collection by 35.41%.

Regarding the second dependent variable which is transparency (model 2), the regression result from Table 2 shows that it has a R^2 value of 0.753, meaning that TSA accounted for 75.3% of the variation in promoting transparency in MDAs in Adamawa State. The result also shows that model 2 has a t-statistics value of 4.275 with a p-value of 0.000. This indicates that Treasury Single Account has a significant positive effect on promoting transparency in MDAs in Adamawa State. In addition, the model has a beta coefficient value of 0.5642, portraying that an increase in the effective application of TSA will lead to an increase in promoting transparency in MDAs in Adamawa State by 56.42%.

Considering the third dependent variable which is misappropriation (model 3), the regression result in Table 2 shows that the model has a R^2 value of 0.798, which means that TSA accounted for 79.8% of the variation in misappropriation of funds in MDAs in Adamawa State. More so, the model has a t-statistics value of -5.022 with a p-value of 0.000, indicating that TSA has significant negative effect on misappropriation of funds in MDAs in Adamawa State. Likewise, the model has a beta coefficient value of -0.2218, meaning that an increase in effective application of TSA in MDAs in Adamawa State will result a significant decrease in misappropriation of funds by 22.18%. This simply indicates that TSA significantly influences misappropriation of funds.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the effect of Treasury Single Account (TSA) on Accountability and Transparency in Ministries, Departments, and Agencies in Adamawa State. In achieving the objective of this study, regression analysis was used in analyzing the



data collected through structured questionnaire administered on various personnel of Ten different MDAs randomly selected in Adamawa State. Based on the results obtained for the regression analysis, the study concludes that Treasury Single Account (TSA) policy has a significant positive effect on Accountability and Transparency. In addition, the study also concludes Treasury Single Account has a significant negative effect on Misappropriation of funds.

Based on the findings and conclusion of this study, it is recommended that government should continue to sustain the effective application of the Treasury Single Account policy in all MDAs and enact laws that will ensure it strict compliance.

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