Impact of Treasury Single Account on Government Revenue and Economic Growth in Nigeria

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Abstract

The Treasury Single Account (TSA) is one of the reforms of financial management that has been introduced in the public services to bring financial discipline into the system. The TSA has been in implementation since 2015 by the present administration led by President Muhammadu Buhari. The intention is to control financial mismanagement which will as a result improve government revenue and economic growth, stakeholders, researchers and the general public are interested to know the extent to which these objectives have been achieved. This study has examined the extent to which TSA has improved Federally Collected Revenue (FCR) and Gross Domestic Product (GDP) of the economy. Secondary data sources from Central Bank of Nigeria statistical bulletin and economic reports were used for the study. The observations were recorded from 2010 to 2019. The data is divided into pre-TSA and post-TSA. Analysis shows that the implementation of TSA has a negative and significant impact on FCR . However, findings revealed that GDP of the country significantly increased after the implementation of TSA. It is recommended that periodic checking of each revenue generating sector such that leakages can be reduced to lowest and also identify those agencies of the Government that are not performing optimally, or doing better than they ought to have done.

Keywords: Treasury Single Account, Revenue Generation, Economic Growth, Pre-TSA and Post TSA Analysis.

INTRODUCTION

Public financial management and accounting of government institutions have become imperative hence the implementation of Treasury Single Account (TSA). This matter has received global attention and substantial innovation and fiscal reform had been introduced (Hennie and Bekker, 2009). Ordinarily, management of the resources of any economy should lead to poverty reduction, improvement in the standard of living of its citizens, mitigation of inequalities in income distribution and kick-start economic emancipation. However, in spite of the visible attempts by the various government in Nigeria to manage their vast financial and other resources, there exists what is referred to as – paradox of plenty. With its large reserve of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly, and provide health, education and infrastructure services its population needs.However, available evidence indicates that these resources have not been judiciously managed (Aigbokhan, et al, 2007}. Ekpo (2015) posited that the Nigeria economy is uncommon for an economy with such as abundanthuman (skilled and unskilled). Treasury single account (TSA) is a financially policy used in several countries all over the world. It was introduced by the federal government of Nigeria in 2015 to consolidate all inflows from all agencies of the government revenue, also stifles the corruption in Nigeria. TSA is a relatively new public accounting system, it used single account or a set of linked accounts by the government. The primary purpose is to control the government revenue and make sure that all payments have been made through a consolidation revenue account (CRA).

The introduction of treasury single account is as a result of numerous corrupt practices that exist in Nigeria, such as lack of transparency and accountability (Kano, 2016). The policy wasintroduced to reduce the proliferation of bank accounts operated byministries, Departments and Agencies (MDAs) and also to promote transparency and accountability among all organs of thegovernments to ascertain the amount that is accruing to its accounts on a daily basis. It is afinancial tool that unifies all government accounts in a single pool for effective cash management(Odewole, 2016). TSA is believed to be an efficient and effective means of managing governmentrevenue generation and system that provide and enforce sufficient self-control mechanism onrevenue generation and budget implementation using a daily return from account balances ofvarious MDAs into a central account (Adebisi&Okike, 2016). However, since the implementation of Treasury Single Account, it is still unclear on how the new system has affected federal government revenue specifically, and the country's

economicgrowth at large. It is against this background that we are motivated to examine the impacttreasury single account has on revenue generation and economic growth in Nigeria.

LITERATURE REVIEW

Conceptual Clarifications

Treasury Single Account

The TSA is the federal Government's autonomous revenue collection platform. It can be defined as a public accounting system under which all governmentrevenue, receipts and income are collected into one single account, usually maintained by thecountry's Central Bank and all payments done through this account as well. Chukwu (2015)posits that Treasury Single Account (TSA) is a network of subsidiary accounts that are linked toa main account such that, transactions are affected in the subsidiary accounts but closingbalances on these subsidiary accounts are transferred to the main account, at the end of eachbusiness day. According to Akande (2016), it is an account that links all government revenues allover the federation into the federal government consolidated revenue fund account which iscurrently domiciled at the CBN via Remita e-collection payment system. Yusuf (2015) opinedthat Treasury Single Account is a unified structure of government bank accounts enablingconsolidation and optimal utilization of government cash resources. The Treasury Single Accountcame into existence as a result of the quest of the government to nip corruption in the bud. TSAwas introduced with the view to reduce the multiplication of bank accounts operated by theMDAs and to ensure transparency and accountability in handling of government finances. However, the implementation of the TSA comes with some retail activities which could be well performed by the commercial banks. According to Akande (2016), this includes; the collection of revenues such as taxes, tenement rates, loyalties, custom duties etc and the disbursement of such monies meant to pay government and individuals in the country. Bashir (2016) the TSA through Remita payroll Module can be used to pay salaries of workers. Kanu (2016) and Emme and Chukwurah (2015), note that the central objectives behind the introductionof TSA were to engender accountability of government funds, and to avoid unduemisappropriation of funds. With this new arrangement, unspent budgetary provision as allocated to MDAs would now be automatically brought over to a new year instead of being shared by the corrupt workers of such MDAs. According to researchers such as Akande (2016), Bashir (2016), and Isa (2016), the pilot programme that led to what is today known as TSA came into being in 2012 where about 217 MDAS were used as a case study. In this exercise, over 500 billion was savedfromfrivolousgovernment spending units.

Economic Growth

According to International Monetary Fund (2002), economic growth is theincrease in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real grossdomestic product, or real GDP. Therefore, for the purpose of this study, real GDP shall be usedas the proxy for economic growth. The OECD (2017) defines GDP as "an aggregate measure ofproduction equal to the sum of the gross values added of all resident and institutional unitsengaged in production (plus any taxes, and minus any subsidies, on products not included in thevalue of their outputs). Gross domestic product (GDP) is a monetary measure of the marketvalue of all final goods and services produced in a period. The country's GDP since 2013 hasbeen steadily increasing. For instance, in 2013 the country's GDP was N80,092.56 million, itincreased to N89,043.62 million in 2014 and N94,144.96 in 2015, currently the figure stood atN101,489.49. The thrust of this study is to examine the extent to which Treasury single accountimplemented in 2015 has affected the country's economic growth.

Empirical Review

Oguntodu et al. (2016), in their study "Treasury Single Account and Nigeria's Economy Between 1999 and 2015: An Assessment" employed a longitudinal research design to examinethe relationship between Treasury Single Account and economic performance in Nigeria. Theirstudy made used of secondary data from CBN statistical bulletin from 1999 to 2015. The study used GDP which represents Nigeria economic

performance as the dependent variable while TSAwhich was represented by Money Supply (MS), Credit with CBN (CR) and Deposit to CBN (DP) asthe independent variables. OLS regression technique was employed to show the extent or degreeof relationship between the independent and the dependent variables. The result shows that the Treasury Single Account has a positive significant impact on the country's economic growth. Ndubuaku et al. (2017) examined how the introduction of Treasury Single Account has affected banks Credit to private sector, Deposit Mobilization, and Loans and advances in theirstudy "Impact of Treasury Single Account on the Performance of the Banking Sector in Nigeria". The study employed descriptive and ex post facto research design. The population of the studywas made up of the 24 commercial banksin Nigeria. The Time Series data used for the study were obtained from Central Bank of Nigeria Statistical Bulletin for the period 2010 to 2015. OLS Regression and correlation analysis were used to analyse the data. The study concludes that theintroduction of Treasury Single Account significantly reduced Credit to private sector, DepositMobilization, and Loans and advances. The study recommends that the banks should avoid over-reliance of government funds and source for funds from other sectors of the economy. -roKanu (2016), in his study "impact of Treasure Single Account on the liquidity of the banks"used a selected sample of 10 banks in Nigeria to investigate the effect of Treasury Single Accounton banks liquidity. The study employed a cross-sectional research design and utilized a primarydata sourced through questionnaire. The work employs both descriptive and inferential statisticsfor data analysis. 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

Bashir (2016) examine the extent to which Treasury Single Account can block financialleakages, promotes transparency and accountability in the public financial management in hisstudy "Effects of Treasury Single Account on Public Finance Management in Nigeria". The studyp opulation covers Ministries, Department and Agencies within Bauchi metropolis using a sampleof 72 respondents through judgment sampling. A Pearson correlation technique was employedas the data analysis method. The study result shows that Treasury Single Account (TSA) is capableof plugging financial loopholes, promoting transparency and accountability in the public FinancialSystem. Thus, the researchers recommend that for the success of this policy government shouldpromulgate more legislation to make it mandatory for all the three tiers of government in Nigeria. Udo and Esara (2016) jointly carried out an empirical study to evaluate the benefit of the adoption and full implementation of TSA by the state governments of Nigeria. Descriptive cross-sectional survey design was adopted for the study. The population for the study consisted of 200Professional Accountants in Akwa-lbom State. Taro Yamane's statistical formula was used toselect sample size of 133. Purposive sampling technique was used to select the 133respondents/samples. The data obtained from questionnaire administration were analysed usingdescriptive statistics and t-test statistics. The finding reveals that, TSA adoption and fullimplementation by the state governments will be of greatest benefit.

Theoretical Framework

Stakeholder Theory

This theory is conceptualized on the assumption that the adoption of Treasury Single Account (TSA) by the FGN was as a result of the pressure mounted on the government by the stakeholder for the eradication of corruption. Stakeholder theary is a theoryof organizational management and business ethics proposed by Freeman, R.E. in 1984. Freeman (1984) asserts that managers must satisfy a variety of constituents (eg. investors andshareholders, employees, customers, suppliers, government and local community organizations).Based on this theory, the researcher argued that the emergence of TSA was as a result ofgovernment response to the yearnings, demands and aspirations of critical stakeholders by wayof developing strategic options towards eliminating corruption. The stakeholder's theorytherefore explains the motivating factors that made the government to adopt and implementthe TSA. Public Finance Management Theory: This theory assumes that the government should endeavour to prudently manage her expenditure to the benefit of the citizenry. The theory alsostress that the government's revenue should be well mobilized to disallow the looting of suchinto private pockets (Udo and Esara, 2016). These consist of resources prioritization, prioritization of programmes the budgetary process,

efficient management of resources etc (Bashir, 2016), therefore, the essence of TSA is to avoid misapplication of public fund.

Modern Monetary Theory (MMT)

This theory 'deals with how sovereign government should act, operate, especially in terms of the management of finance and the impact of her action onthe economy. Udo and Esara (2016) are of the view that the government should aggregate allgovernment revenue into one single account. This theory advocates for the concurrent existenceof the Treasury Single Account (TSA) and the Central Bank of Nigeria such that the Central Bankof Nigeria, being the apex bank is allowed to be in charges and in control of the TSA. Accordingto Eric and Wray (2013) Modern Monetary Theory labels any transactions between thegovernment sector and the non-government sector as a vertical transaction. The governmentsector is considered to include the treasury and the central bank, whereas the non-governmentsector includes private individuals and firms (including the private banking system) and theexternal sector- that is, foreign buyers and sellers.

METHODOLOGY

The data used for this work is time series in nature. The variables investigated were FederallyCollected Revenue (FCR) and Gross Domestic Product (GDP). The data were collected fromCentral Bank of Nigeria (CBN) on yearly basis from 2010 to 2019resulting into a total of 10 observations. The datawere divided into two periods: a. Pre he implementation of TSA (2010 to 2014) and Post implementation of TSA (2015 to 2019).

RESULT AND DISCUSSION

Table 1: Government total revenue and nominal gross domestic product

PERIOD	FCR	GDP
2010	5,396.09	255.6
2011	1,907.58	13.048.89
2012	6,809.23	1.030.94
2013	6,793.82	13,793.45
2014	14,274.94	14,750.52

Observation post implementation of TSA

2015	1,911.71	24512.07
2016	1,547.96	26359.39
2017	1,276.38	22554.79
2018	1,118.56	24223.75
2019	1,848.52	2713.62

Implementation has a mean value of N1519.7 billion resulting into a decrease of N794.04 billion. This result is contrary to the expectation of the Federal government towards TSA'S implementation. In respect to the impact of TSA on economic growth, it could be seen from the result that country's Gross Domestic Product improved after the implementation of TSA from a quarterly average of N22315.75 billion to N25677.81 billion. Further findings revealed that this improvement was statistically significant. This result correlates with the findings of Oguntodu, et al. (2016), who confirmed that Treasury Single Account has a positive and significant impact on the country's economic growth.

CONCLUSION AND RECOMMENDATION

Based on the result of the result of the pre and post analysis carried out, on the effect of TSA on the country's revenue and economic growth, the study concludes that the implementation of Treasury Single Account has not improved revenue generation in Nigeria, however the economy's growth measured using Gross Domestic Product was positively and significantly affected by the new accounting system. The decrease in revenue can also attributed to fall in price of crude oil at the international market as oil accounted for over 75% of Nigeria revenue. Given the foregoing, the following recommendations are put forward;

i.   Appraisal of each revenue generating sector should be made periodically so that some sectors that are not performing as they ought to will not feel covered by those that are doing better.
ii.   The federal government should initiate policies and various means to sure that proper accounting of the funds into the treasury single account follows due process and any subsequent foul play by any agencies, or even the CBN is duly prosecuted.

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