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TREASURY SINGLE ACCOUNT (TSA) AND OPERATING EFFICIENCIES OF LOCAL GOVERNMENT COUNCILS IN NIGERIA

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Abstract

The study is undertaken to examine Treasury Single Account (TSA) and Operating Efficiencies of local government councils in Nigeria. The study used Operating Efficiency as explained variable that is proxy by the ratio of operating expenses to operating income ratio and the explanatory variable is TSA proxy by federally generated revenue. Secondary data were obtained from Federal Inland Revenue Service and CBN Statistical Bulletin from 2013-2022. Data obtained were analyzed using descriptive analysis, correlation analysis and Multi-collinearity test. E-view software package was used to measure the TSA and Operating Efficiency of local government councils in Nigeria. The result shows that TSA have a high considerable effect on the efficiency of LGAs in Nigeria. This further confirmed that, the advent of TSA is highly instrumental to the operating performance of LGAs in Nigeria. The study recommended that pertinent government agencies strictly adhere to the TSA instruction. However, in order to assure rigorous compliance by the MDAs and enable enforcement, the National Assembly and the Executive branch must work together to implement the directive. Furthermore, the MDAs will need to work closely with the Executive to carefully draft their budgets and submit them to the legislature for review and approval and lastly, government efficiency should be enshrined in LGAs in Nigeria.

Keywords: Treasury Single Account (TSA), Operating Efficiencies and Local Government Councils in Nigeria.

INTRODUCTION

The role of Treasury Single Account (TSA) cannot be overemphasis because TSA reduces error in the processes of reconciliation, corrupt practices like financial linkages. According to

Eseoghene, Estemetan and Oghenevwogaga (2018) state that the TSA aids the removal of idle funds with deposit money banks (DMBs) and it also help to reconcile the discrepancy between government revenue and expenditure from statement of cash flow. Adeleke and Abiola (2019) opined that adoption of TSA reduces the bank influence to maintain government funds. It also posit that the implementation of TSA have avail banks the opportunity to think beyond the normal which aids them to devise creative means of raising funds.

The major purpose of establishing TSA is to bring sanity to managements of government revenue and expenditure as well as to be efficient and effective in local government councils and other sectors in Nigeria but reverse is the case in Nigeria setting because of the criminal or dubious means of people. Osarhemen, Isiedu and Usman (2021) attested that TSA implementation shows no significant effect on or before its establishment. TSA is an economic policy established or put in place to man or regulate various government revenues generated from Departments, Agencies and Ministries (DAM) and all the government expenditure incur. The reason for this is to have a single account with the CBN instead of numerous accounts that results in financial loopholes or leakages. A well-managed and monitored TSA can reduce embezzlement and other criminal acts, which will bring positive significant effects on operating efficiency of a country. Eze, Emmanuel and Nwogbo (2023) affirmed the statement in a study conducted on political economy of TSA in Nigeria.

More so, handling of government expenditures and revenues seems to be inefficient and ineffective despite the multiple policies like TSA, monetary and fiscal policies put in place to enhance accountability, effectiveness, efficiency, and transparency in the country. The problem still lingered despite government attempt to resolve the issue and this has make local government councils and other sectors of the economy to be inefficient in their operations. Similarly, this have long lasting negative impact on the well-being of the populace. Additionally, opaque and poor accountability on the parts of local government council's staff has enhanced fraud, corruption, pilferage of revenue, embezzlement and overestimation of capital fund project. The operating efficacy and efficiency of local government councils and other government parastatals, both in Nigeria and overseas, are negatively impacted by this. Nwokike, Okonkwo and Alokwu (2022) found out that staff, legal professionals and other stakeholders involved in criminal acts. Olajumoke, Akinrinola and Olaniyan (2023) opined that reduced banks deposits brings liquidity problems which reduces lending and investment. This make banks to result to costly source of fund raising, invariably reduces returns on investment. When liquidity, lending and investment are negatively affected, the possibility of unemployment, mergers and acquisition, and folding up of firms are guarantee (Eferakeya, Enaibre, & Offor, 2016).

Operating efficiency measures the revenue generated and expenditure by local government councils (LGCs). Furthermore, it measures the LGCs ability to reduce expenditure so as to increase revenue. Efficient handling of LGCs revenue into a TSA boosts government funds, which in turn leads to the execution of more capital projects that advance a nation's growth and development. Kanu (2016), reported that the corrupt acts in Nigeria resulted in the TSA formation. This was introduced to curb the proliferation of various banks in order to advance accountability and openness of government organs. When corrupt practices are curtail the operating efficiency of firms will be enhanced and it curtail the rate at which government borrow from external source such as foreign reserve.

Although, TSA had played crucial or vital roles since its implementation, yet it has not achieved its purpose. Researchers have conducted different studies on the TSA and different findings have emerged. According to Ndifreke and Benjamin (2021), Eze, Emmanuel and Nwogbo (2023), the TSA has effectively reduced criminal activities such as loss of fund, fraud, and embezzlement. Furthermore, Durodola, Salman, Kolawole and Ibrahim (2022) revealed that TSA enhances revenue generation, accountability and transparency. From the literature reviewed, primary data were mostly adopted. To be abreast with the current state of TSA, the study will look at the TSA and operating efficiency of local government councils in Nigeria. Hence, the objective of the study is to ascertain the relationship between federally generated deposit and operating efficiency of local government councils. Also, the study controlled for corruption perception index.

LITERATURE REVIEW

Conceptual Review

TSA is an account used in collecting all government funds and expenditures in order to avoid financial leakages (Sabo, Umar & Kaoje 2019). This account for transparency of the financial resources of government, since TSA enhance transparency, operating efficiency of local government councils will be improved and the government will not be at the losing end. Again, Adeolu (2015) defined TSA as an account for collecting all Ministries, Departments receipts, income and where all expenditure are made and are managed by central bank. More so, TSA is measured by federal government deposit (savings deposit, time deposit and current account deposit). federal government deposit is account where all government revenues or funds are paid and expenditure of the government are incurred. When deposit account are well managed by central bank, the better the operating efficiency of a nation, reason being that illegal practices will be reduced to a great extent. It will also enhance development, the nation funds will improve, invariably, it reduces the rate at which government borrow from foreign reserve. The government projects will be executed seamlessly.

Furthermore, operating efficiency is defined as a way of reducing expenses and managing financial resources so as to maximize high returns. It is the ratio of operating expenses to total revenue. When resources are not properly managed by competent and expert people, the less the profit and when enough profit is not generated, the TSA receipt will reduce, that is income from MDA will be minimal and the resultant effect is that, government projects will suffer, increased credit from the world bank group (Ighosewe, 2022). Bashir (2016) affirmed that TSA prevent financial leakages, transparency enhanced, increased revenue and mismanagement minimized.

Theoretical Framework

The study was supported by the Public Finance Management Theory. Hood came up with this theory in 1991. This theory is applied because it aligns with the creation of a TSA, which is necessary for the responsible administration of public funds and expenditures, leading to accountability and transparency. According to public finance management theory, government spending and revenue should be appropriately managed to promote population development. When this theory is properly adhere to, the rate of corruption, misappropriation and mismanagement will be minimized to a great extent, which supports the establishment of TSA. TSA was established to compile all federal government revenue collected from Ministries, Agencies and Departments into one single account of the federation and incurrence of

expenditure because before the TSA existence, federal government funds were not sourced into one single account and this make government funds to be mismanaged.

Empirical Review and Gaps in Literature

The impact of TSA policy on operational efficiency was not taken into consideration by Eze, Emmanuel and Nwogbo (2023) when they assessed the political economy of TSA in Nigeria, with a focus on President Muhammadu Buhari's regime from 2016-2020. The researchers used primary data for data analysis.

TSA and their effects on revenue generation, accountability, and transparency were examined by sDurodola, Salman, Kolawole and Ibrahim (2023) using data from Nigeria. Research design using correlation is the methodology employed. According to the findings, TSA increases revenue generation and fosters accountability and transparency. Odiakaose and Chukwuemeka (2023) assessed how the TSA policy affected the management of federal tertiary institutions in Anambra state, Nigeria, between 2011 and 2022. Primary source of data were employed. The cash management of federal tertiary institutions in Anambra state is greatly impacted by revenue collection, payment disbursement, the treasury ledger system, and liquidity management.

The impact of TSA policy on the federal government of Nigeria's borrowing and spending was studied by Ezeala and Agbata (2022). The results show that TSA policy had an impact on the amount of cash available to pay for government expenses and debt management. The effect of TSA on operational efficiency was not taken into account by the researchers, though. TSA as a driver of sustainability for public expenditure in Nigeria were studied by Babatunde, Oshatimi and Omilegan (2021). Secondary data was the nature of the sources. Accrued federal revenue collected (AFRC), total recurrent expenditure (TRE), total public borrowing (TPB) and total capital expenditure (TCE) are the variables used. The results show that while TPB is not statistically significant, TRE, TCE, and AFRC are. However, the researchers failed to consider the effect of TSA on operational efficiency.

Ndifreke and Benjamin (2021) conducted research on Nigeria's TSA and efficient public sector economic management between 2015 and 2020. The new theory of public management is the one applied. The data was analysed using descriptive and historical methods. It is evident from the findings that TSA policy is a valuable instrument for improving effective and efficient financial management in Nigeria. The effect of TSA on operational efficiency was not taken into account by the researchers, though.

The relationship between the TSA policy and revenue generation in the Nigerian state of Ekiti was evaluated by Ogungbade, Idode and Alade in 2021. Applying the paired sample T-test and secondary data as analytical methods. The results showed that the TSA has not raised federal government subsidies for the state of Ekiti's income production. Bamidele, Adisa and Adegbola (2020), on the other hand, investigated the obstacles to and opportunities for TSA adoption in Nigeria. The data was analyzed using the ordinary least squared method, and the findings suggested that the findings suggested that the TSA might increase the state's revenue-generating capacity. The researchers did not, however, take into account how TSA affects operational effectiveness.

Bashir (2016) conducted a study on the TSA and public finance management in Nigeria. It results shows that TSA adoption minimizes loophole of fund, promote accountability and opaque

in the government financial system. However, the researchers failed to consider the effect of TSA on operational efficiency.

Uzoma (2019) investigated the impact of TSA on teacher training programs in Nigeria. Data were collected with the help of structures questionnaires. The study shows that the TSA has major impact on Nigerian educational institution's ability to pay academic salaries by increasing internally generated cash fraudulent activities and decreasing fraud. The researchers did not, however, take into account how TSA affects operational effectiveness.

RESEARCH METHODOLOGY

Research Design and Data Sources

The study used the Expost facto research design since the variables under review are secondary in nature. Also, this research design is okay for secondary data since the researchers cannot manipulate their outcomes. Meanwhile, the study sourced data from the Federal Inland Revenue Service (FIRS) and the CBN Statistical Bulletin (2021). The reason for sourcing data from these two bodies is rationalized on the ground of the credibility of reports from these two data sources. Furthermore, the treasury single is proxy by federally generated revenue and operating efficiency is measured by ratio of operating income and operating expenses. The period used for the study spanned from 2012- 2022. The Nigeria Economy is the population of the study.

Analytical Technique

The estimation technique adopted is the robust regression approach. Justifiably, the robust regression ensures that, the result estimates are not over estimated. More so, to ensure that, the regression estimate is efficient, some preliminary analyses were conducted. These include: descriptive statistics, correlation analysis, panel unit root test, multi-collinearity test (variance inflation test and tolerance value), Ramsey Reset Test, Normality test, Chow test, and structural break test. Meanwhile, E-Views version 9.0 was the statistical package that was adopted in running the regression. This statistical package was chosen because it is easy to use.

Model Specification and Variables Operationalization

Econometrically, the study adapted the model. Hence, the adopted model is econometrically expressed as:

$$OPEF = \beta_0 + \beta_1 TSA + \beta_2 GOE + \beta_3 PSA + \mu t$$

Where:

β_0	=	Constant
β_1	=	Parameters
μt	=	Error term
OPEF	=	Operational Efficiency
TSA	=	Treasury Single Account
GOE	=	Government effectiveness
PSA	=	Political Stability and Absence of Terrorism

Consequent upon the above, the variables are operationalized in table 1 herein:

Table 1
Operationalization of Targeted Variables and Apriori Expectation

Code	Target Variable	Measurement	Type of Variable	Apriori Expectation
OPEF	Operational Efficiency	Operating Expenses/Operating Income	Regressand	Nil
TSA	Treasury Single Account	Federally Generated Revenue	Regressor	+
GOE	Government effectiveness	Nigerian government effectiveness index	Control	+
PSA	Political Stability and Absence of Terrorism	Nigerian Political Stability and Absence of Terrorism Index	Control	-

Source: Researcher's Compilation (2023)

RESULTS AND DISCUSSION

Preliminary Analysis

Prior to running the regression, some preliminary analysis were conducted. These include descriptive statistics, correlation analysis, Multicollinearity test. The major reason why this was used is to ensure that, the model is free from Multicollinearity problem, and well-specified. The preliminary estimates are presented in table 2 to 3:

Table 2
Descriptive Statistics

Variables	Mean	St. Dev.	Minimum	Maximum	Obs.
OPEF (%)	40.15	28.76	36.10	54.77	21
TSA (₦ Billion)	604.42	700.04	28.34	2931.60	21
GOE (%)	14.26	2.37	8.61	16.59	21
PSA (%)	28.57	18.37	0.53	72.87	21

Source: E-Views version 9.0 (2023)

Table 2 evidenced that, the mean operational efficiency (OPEF) was 40.15% but deviated by 28.76% suggesting that OPEF clustered around its mean value. This suggests that, the variables moved in linear fashion. More so, the Maximum value was 54.77% while the minimum OPEF value was 36.10%. In like manner, the mean GOE (%), and PSA (%) were 14.26% and 28.57% respectively but deviated by 2.37% and 18.37%. This suggests that, they all clustered around their mean values. Meanwhile, they recorded minimum values of 8.61%, and 0.53% respectively. This suggests that, the model is normally distributed. Lastly, the average TSA is ₦604.42 Billion but deviated by ₦700.04 Billion. More so, the Maximum TSA value was ₦2931.60 Billion while the minimum TSA value was ₦28.34 Billion.

Table 3
Correlation Analysis

Variables	OPEF	TSA	GOE	PSA
OPEF	1.000000			
TSA	0.440755	1.000000		
GOE	0.508684	-0.087752	1.000000	
PSA	-0.169390	-0.165583	0.107884	1.000000

Source: E-Views version 9.0 (2023)

The degree and level of linearity between treasury single accounts and operational efficiency of LGCs in Nigeria as well as any positive or negative relationships between them are taken into consideration by the correlation analysis. It also takes into consideration the direction of the interaction between TSAs and operational efficiency of LGCs in Nigeria. Based on the estimate provided, TSA have a positive relationship with the operational efficiency of LGCs in Nigeria; however, political stability has a negative relationship with operational efficiency of LGCs in Nigeria. In the meanwhile, the research variables' respective degrees of association vary. This implies that there is little chance of a Multicollinearity issue. The model looked for tolerance values (TOVs) and variance inflation factors (VIF) to support this claim.

Table 4

Variance Inflation Factors

Variable	Coefficient	Uncentered VIF	Centered	Tolerance Value
	Variance		VIF	
TSA	0.007522	12.89782	1.1409	0.8765
GOE	0.000503	5.307891	1.0446	0.9573
PSA	0.001621	1.486422	1.0281	0.9727
Mean			1.0712	0.9355

Source: E-Views version 9.0 (2023)

From table 4, the TSA, GOE, and PSA have VIF value of 1.1409, 1.0446 and 1.0281. This suggests that, TSA, GOE, and PSA do not exhibit multicollinearity problems. Meanwhile, the average VIF of 1.0712 < 10. This further reaffirmed that, the model is free from Multicollinearity problems. Again, the tolerance value of 0.9355 is above 0.10. This further reaffirmed that, the model is fit for prediction.

Result Estimates and Discussions

The robust regression estimate was taken into consideration in order to determine the degree to which government financing schemes impact the growth of the Nigerian economy between 2006 and 2021. The estimate is displayed in table 5:

Table 5

Robust Least Square Estimate

Dependent Variable: OPEF
Method: Robust Least Square
Date: 01/12/23 Time: 14:54
Sample: 2001 2021
Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.207045	0.113365	10.647430	0.0000
TSA	0.674119	0.199256	3.383180	0.0035
COPI	0.381367	0.137115	2.781360	0.0128
GOE	0.263140	0.042920	6.131005	0.0000
R-squared	0.659062	Mean dependent var		1.226190
Adj. R-squared	0.563602	Durbin-Watson stat		1.504097
F-statistic	4.808960	Prob(F-statistic)		0.013280

Diagnostic Tests

Test	F-statistic	Prob.	Conclusions
Heteroskedasticity	10.65967	0.0995	Homo(Equal) Skedastic (Spread)
Ramsey Reset	0.387941	0.5344	Variables are Well-specified

Source: E-Views version 9.0 (2023)

Table 5s regression estimate demonstrated the model's high forecasting power as evidenced by its estimated R-Squared value of 0.659062 which suggests that, the regressors accounted for 65.91% variation in the dependent variable while the remaining 34.09% is caused by the error term. This further reaffirmed by the high adjusted R-Squared value of 0.563602 (56.36%). Again, the Durbin Watson test demonstrated that the model is not adversely affected by problems with serial correlation, making it a reliable tool for formulating policy.

The study further confirmed that, TSAs have a high considerable effect on the performance of LGAs in Nigeria. This further confirmed that, the advent of TSA is highly instrumental to the operating performance of LGAs in Nigeria. This further confirmed that, TSA is highly important to the Nigerian economy. To further buttress this, government effectiveness moderate between TSA and operating efficiencies of LGAs in Nigeria. However, political stability and Terrorism mediate negatively between TSA and operating efficiencies of LGAs in Nigeria. This implies that, the major reason why LGAs in Nigeria are not effective is the high rate of political instability in Nigeria.

CONCLUDING REMARKS AND RECOMMENDATIONS

Nigeria's public funds have not been adequately reported throughout time. The expense of governance has significantly grown as a result. It is undeniable that Nigeria's excessively high cost of governance has hampered the country's progress in both infrastructure and human development. This also causes one of the deep ingraining corruption in the society. The Nigerian Federal Government introduced the TSA in 2015 in an effort to eradicate or significantly reduce this threat. It is clear from the above that TSA's main goal is to provide efficient aggregate management over government cash holdings. It saves money by preventing borrowing and extra interest payments to cover some agencies' expenses while leaving other agencies with idle bank balances. In many cases, MDAs handled their finances like autonomous kingdoms and sent a little amount of their earnings to the national coffers. This is not feasible under a well operated TSA since government entities are required to spend money in accordance with legally authorized budgetary provisions. Since no government agency is permitted to keep an active bank account outside of the supervision of the Ministry of Finance, maintaining a single account for the government will allow the Ministry of Finance to oversee the flow of funds which flows into LGAs in Nigeria. On this note, the study concludes that, TSA has high beneficial effects on operating efficiencies of LGAs in Nigeria within the periods under investigations. The following suggestions are put forth:

1. Pertinent government agencies strictly adhere to the TSA instruction. However, in order to assure rigorous compliance by the MDAs and enable enforcement, the National Assembly and the Executive branch must work together to implement the directive.
2. The MDAs will need to work closely with the Executive to carefully draft their budgets and submit them to the legislature for review and approval.
3. Since no rule or regulation is infallible, the financial authorities, including the CBN, have to take proactive steps to address any shortcomings or unfavorable effects of the policy.
4. The federal government has to address concerns that the implementation of TSA would have unfavorable effects.
5. Government efficiency should be enshrined in LGAs in Nigeria.

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