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A TREND ANALYSIS OF NIGERIA'S ECONOMIC PERFORMANCE UNDER THE PUBLIC FINANCIAL MANAGEMENT RE-ENGINEERING USING TREASURY SINGLE ACCOUNT

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Abstract

This paper focuses on the implementation of the Treasury Single Account (TSA) and its effects on the Nigerian economy using different variables as proxies. Secondary data were sourced and used covering 1986- 2017 a period pre-TSA and post-TSA. Ordinary Least Square (OLS) Simple linear Regression analysis was used for the data analysis and in estimating the relationship between the variables used and in testing the hypotheses: effect of TSA on the level of money in circulation, the effect of TSA on the level of bank liquidity, the effect of TSA on government public expenditure and the effect of TSA on Interest rate. Our findings showed that there is a significant relationship between Bank Liquidity, Money supply and TSA, but TSA had no significant effect on government expenditure and interest rate. It was therefore recommended that while deliberate efforts must be made to ease the flow of funds, attempts at putting a tab on money supply in order to strengthen the naira should also be pursued.

Keywords: Treasury Single Account, Liquidity, Money Supply, Interest Rate, Expenditure

INTRODUCTION

The Treasury Single Account is a public financial management policy put in place by the federal government to monitor the revenue of government, block leakages and prevent mismanagement of public fund. The Treasury Single Account (TSA) came to be through an executive order No. 55, (2011) which stipulated that the Bureau of Treasury (BTr) shall operate a Treasury Single Account (TSA) to receive remittance of collections of internal revenue, taxes, custom duties from the Bureau of internal Revenue (BIR), Bureau of Custom (BOC), Authorized Agent Banks as well as other National Government Agencies and authorized Government Depository Banks. The said TSA will be maintained at the Central Bank of Nigeria (CBN) and align with Government policy of greater financial management and control of its cash resources to allow the unification of the structure of the Government Bank Account and enable consolidation of optimum utilization of Government cash resources.

Ordinarily, government banking arrangements by reason of its importance should be done in such a manner that it minimizes the cost of governmental operations, borrowings and maximize the opportunity cost of cash resources. This by design should ensure all cash received is available for carrying out government's expenditure programs and making payments as and when due. Prior to the implementation of the TSA policy in Nigeria, the Ministry of Finance lacked a unified view and centralized control over government's cash resources. This was evidenced in various reports of leakages and corruption recorded in recent past. Consequently, the government could not easily access her monies domiciled with domestic banks for the proper running of the affairs of government.

Section 80 (1) of the 1999 Constitution as amended states "All revenues, or other money raised 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". Successive governments have continued to operate multiple accounts for the collection and spending of government revenue in deliberate disregard to the provision of the constitution, which requires all government revenues be remitted into a single account.

In the Central Bank of Nigeria Bulletin (2015) it was revealed that in year 2012, government ran a pilot scheme for a single account using 217 ministries, departments and agencies as a test case. The result of the pilot scheme saved Nigeria about 500 billion in frivolous spending which motivated the government to implement TSA. This brought about the directives to banks to implement TSA and the technology platform that will help accommodate the TSA scheme.

A government like Nigeria lacking effective control over its cash resources has over the years paid for institutional deficiencies in multiple ways. First, idle cash balances in bank accounts often fail to earn market-related remuneration. Second, the government, being unaware of its resources incurs unnecessary borrowing cost on raising funds to cover a perceived cash shortage. Thirdly, idle government cash balances in the commercial banking sector are not idle for the banks themselves, and can be used to extend credit. Draining this extra liquidity through open market operations also imposes costs on the central bank.

This study thus seeks to investigate and understand how well the economy has fared since the introduction and implementation of TSA looking at the pre-TSA and post-TSA years. An attempt has been made herein to do a trend analysis in a comparative manner for the years aforementioned.

Statement of the problem

In the past, the leakages and corruption associated with the methods of revenue collection by banks on behalf of the federal government has made it imperative for a rethink of a better public financial management framework hence the introduction of the Treasury Single Account (TSA) policy. As good as this initiative is, several scholars and policy experts have posited that it has a negative effect on the economy. There are conflicting views on the possible impacts of implementing TSA such as the cash crunch in the economy and the reduction in the velocity of money with its attendant consequences on the inventory level while others have justified its implementation from the perspective of the policy promoting transparency and facilitating compliance with sections 80 and 162 of the 1999 Constitution. Hence there is the need for an empirical study to shed more light on this crucial policy step. "The position of the constitution is that all revenues should go into the Federation Account. Before now, all agencies were allowed to generate revenue, use part of it to fund their operations and then remit the operating surplus to the Federation Account. But, this revealed further confirmation of the federal government's resolve that the provision of the constitution must be adhered to. And, with all revenues going into a single treasury account, government will have an overview of the account and better plan its expenditure. So, the leakages that used to be there in the system where people used money as they want and decided what to return to the government will no more be there. So, there is a better control and management of government revenue.

Objectives of the study

The major objective of the study is to evaluate the effect of Single Treasury Account system (TSA) on Nigeria's economic performance since inception of the policy.

While the specific objectives are:

1. To critically evaluate the effect of Treasury Single Account (TSA) on the level of money supply in the Nigerian economy.
2. To estimate the effect of treasury single account on the level of bank liquidity in the Nigerian economy.
3. To critically analyze the effect of Treasury Single Account on government expenditure towards productive sector development in the Nigerian economy.
4. To evaluate the effect of Single Treasury Account on interest rate in the Nigerian economy.

Statement of hypotheses

For the purpose of the study, the following research hypotheses are considered relevant:

H_0: There is no significant relationship between Treasury Single Account and the level of money in circulation in the Nigerian economy.

H_1: There is a significant relationship between Treasury Single Account and the level of money in circulation in the Nigerian economy.

H_0: There is no significant relationship between Treasury Single Account on the level of bank liquidity in the Nigerian economy.

H_1: There is a significant relationship between Treasury Single Account on the level of bank liquidity in the Nigerian economy.

H_0: There is no significant relationship between Treasury Single Account and government expenditure on the Nigerian economy.

H_1: There is a significant relationship between Treasury Single Account and government expenditure on the Nigerian economy.

H_0: There is no significant correlation between Single Treasury Single Account and interest rate in the Nigerian economy.

H_1: There is a significant correlation between Single Treasury Single Account and interest rate in the Nigerian economy.

LITERATURE REVIEW

The first documented work relating to the use of treasury single account can be traced to a study by Sutherland (1949) and cited by Michael (2004) in a work titled "White Collar Crime" This study has since then formed the theoretical basis for further studies on treasury single account. With reference to a study conducted by Eme, Chukwurah and Iheanacho (2015), they defined treasury single account as a main account to which a network of subsidiary accounts are linked in a manner that transactions are done on all the subsidiary accounts are transferred to the main account thus showing a closing balance on the TSA at the close of business each day.

Also Yusuf and Chiejina (2015) defined TSA as a unified structure of government bank account enabling consolidation and optimal utilization of government cash resources. In other word, the concept of treasury single account can be described as 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. The advantages and benefits of the TSA are many. The consolidation into a TSA make it possible for the timely capture and payment of all due revenues into government coffers without the intermediation of multiple banking arrangements.

Several studies on the possible impact of TSA on an economy have been carried, for example Ndubuaku, Ohaegbu and Nina (2017) in their study on its impact on the banking sector posited that TSA reduces bank credit, loans and advances to the private sector as well as reduces deposits mobilized by banks. Another study by Adetula, Adegbenjo and Achugamonu (2017) found that TSA led to a significant increase in remittance of government revenue as against what used to be. In another related study by Ofor, Omaliko and Okoli (2017), TSA has led to an improvement in the performance of Ministries, Departments and Agencies at 5% level of significance.

According to the Accountant General of Federation, (AGF) in Nigeria, "out of the 900MDAs, about 600 of them have so far fully complied with the directive on TSA, while others are still at different stages of compliance. He said contrary to media reports that some MDAs were exempted from the exercise, no agency had been excluded from complying with the directive by the federal government. He further stated that the policy if implemented would also help government to block leakages in revenue and increase transparency and efficiency. It was also learnt that some agencies stationed the revenue they generated in fixed deposit accounts where fat interests accrues and are siphoned. Also, it was gathered that banks also benefited from such funds by using it to buy government securities such as treasury bills, certificates and bonds to make quick returns. The circulars aid the implementation of the TSA will free more revenue from the MDAs to government for other projects.

Having stated the benefits and advantages of the newly introduced system above, the need to evaluate the adverse effect of the TSA system is of paramount important considering the current situation the country Nigeria and the perceived level of corruption. The system which is being managed by few selected people has become an avenue for some dubious government officials who are in charge of the fund to be financing their own personal project or those projects that favour the administration and not the masses.

Secondly, the system has generally limited the level of money in circulation and commercial banks now find it entirely difficult to finance and give credit facilities to customers especially those for small and medium scale enterprises and agricultural sectors which are critical segments of the economy. The question then remains that if the supply-leading perspective of the nexus between finance and growth as posited by Obademi (2013) is to be at play, what effects will the implementation of TSA have on the economy?

Thirdly, there is high concentration of power in the hands of the federal government; the federal government has the final say before funds can be remitted to any arm of government and the slow pace of funds disbursement often has led to lots of funds lying idle. That is why some people can steal billions of naira from the Nigerian purse and nobody gets to know.

Furthermore, state and local government now find it very difficult to finance some of their projects since they go through several processes and approval by the federal government before money can be released. So those projects that the federal government does not fancy are overlooked with its attendant negative consequences.

However, it is in view of the aforementioned inherent challenges of TSA like financial leakages, management of the TSA system, limited money in circulation, decrease in the level of productivity, high concentration of power into the hands of the federal government and denying the citizens of their basic amenities because it doesn't suit the needs and policy of the administration that this study was conceptualized.

METHODOLOGY

Theoretical Foundation & The Study

In an attempt to model the effect of Treasury Single Account TSA on the level of money in circulation and productive sector development on the Nigerian economy, this study draws from the existing theoretical expositions of Robert Solow's Growth Model and IS-LM Models which forms the major determinant of country's economic growth and development and with insights into other studies on Treasury Single Account TSA and Nigerian Economy while modifying the existing models by engaging time series data to obtain information on sets of economic variables over 37 years using available unified data from the Central Bank of Nigeria (CBN) Statistical Bulletin for year 2017 on Gross Domestic Product (GDP), Money Supply (MS), Commercial Bank Liquidity Rate (BLIQ), Total Government Expenditure (GEXP) and Interest Rate (INTR); where GDP depends on MS, BLIQ, GEXP and INTR. Due to the nature of this study secondary data was used. Necessary data were collected between the years 2000-2017 for all the variables

Model specification

GDP depends on MS, GEXP, BLIQ & INTR to examine the effect of Treasury Single Account on Nigeria's Economy. To achieve this, we consider these indicators in relation to gross domestic product (GDP). The linear relationship between the independent and dependent variable in this study is functionally expressed thus:

GDP = f (β1MS, β2GEXP, β3BLIQ, β4INTR……………….n)

Where,

MS = Money Supply level in the economy

GEXP = Total Government Expenditures both current and capital expenditure.

BLIQ = Commercial Bank liquidity level

INTR = Interest rate

β1-4 = Slope of the linear equation.

Data presentation

Table 1: Data presentation for all the variables used

YEAR	MS	GDP	INT	BLIQ	EXPT
1980	11,856.60	49,632.32			
1981	14,471.17	47,619.66			
1982	15,786.74	49,069.28			
1983	17,687.93	53,107.38			
1984	20,105.94	59,622.53			
1985	22,299.24	67,908.55			
1986	23,806.40	69,146.99	-0.00423	0.15	15,247.45
1987	27,573.58	105,222.84	0.002371	0.137	21,082.99
1988	38,356.80	139,085.30	0.000419	0.108	27,326.42
1989	45,902.88	216,797.54	0.001161	0.12	30,403.22
1990	52,857.03	267,549.99	-3.7E-05	0.08	33,547.70
1991	75,401.18	312,139.74	-0.00033	0.08	41,352.46
1992	111,112.31	532,613.83	0.001937	0.09	58,122.95
1993	165,338.75	683,869.79	0.000861	0.15	127,117.71
1994	230,292.60	899,863.22	-0.00108	0.137	143,424.21
1995	289,091.07	1,933,211.55	0.002384	0.108	180,004.76
1996	345,853.96	2,702,719.13	-0.00103	0.12	238,596.56
1997	413,280.13	2,801,972.58	0.000277	0.08	316,207.08
1998	488,145.79	2,708,430.86	0.002528	0.08	351,956.19
1999	628,952.16	3,194,014.97	0.001661	0.09	431,168.36
2000	878,457.27	4,582,127.29	-0.00103	0.12	530,373.30

Table 1...

2001	1,269,321.61	4,725,086.00	0.000277	0.08	764,961.52
2002	1,508,172.91	6,912,381.25	-0.00097	0.15	930,493.93
2003	1,952,922.28	8,487,031.57	-0.00436	0.137	1,096,535.57
2004	2,131,820.08	11,411,066.91	-0.0008	0.108	1,421,664.03
2005	2,637,913.73	14,572,239.12	0.000437	0.12	1,838,389.93
2006	3,799,538.05	18,564,594.73	-0.00258	0.08	2,290,617.76
2007	5,138,700.94	20,657,317.66	0.000207	0.08	3,680,090.19
2008	8,029,088.61	24,296,329.29	0.001465	0.09	6,941,383.41
2009	9,456,480.31	24,794,238.66	-0.00166	0.15	9,147,417.17
2010	11,034,940.93	33 984 754.13	-0.00039	0.137	10,157,021.18
2011	12,172,490.28	37,543,654.70	-0.00241	0.108	10,660,071.84
2012	13,895,389.13	40,544,099.90	0.001163	0.12	14,649,276.46
2013	15,160,289.86	80,092,563.38	0.000554	0.08	15,751,837.52
2014	16,422,303.73	89,043,615.28	-0.00057	0.08	17,161,904.95
2015	18,874,793.97	94,144,960.45	-0.00053	0.09	18,678,544.87
2016	21,598,529.64	104,232,400.25	0.000675	0.15	21,083,121.06
2017	22,004,167.22	107,211,983.65	0.00085	0.115	20,988,569.25

MS = MONEY SUPPLY INTR = REAL INTEREST RATE
GDP = REAL GROSS DOMESTIC PRODUCT PROXY FOR TSA
GEXP = GOVERNMENT EXPENDITURES BLIQ = BANK LIQUIDITY

Source: CBN Statistical bulletin and Misc.

ANALYSIS AND FINDINGS

Descriptive Statistics of the Model

Table 2: Descriptive Statistics

	GDP	**INTR**	**BLIQ**	**MS**	**GEXP**
Mean	18284.73	-0.000117	0.110000	4803133.	4477396.
Median	7944.085	0.000207	0.108000	1269322.	764961.5
Maximum	58472.88	0.002528	0.150000	21598530	21083121
Minimum	1576.838	-0.004357	0.080000	23806.40	15247.45
Std. Dev.	17155.91	0.001718	0.026541	6547142.	6596741.
Skewness	0.770668	-0.706463	0.233264	1.228462	1.311312
Kurtosis	2.148828	3.361997	1.590107	3.136763	3.243423
Jarque-Bera	4.004440	2.747891	2.848701	7.821273	8.960823
Probability	0.135035	0.253106	0.240665	0.020028	0.011329
Sum	566826.7	-0.003639	3.410000	1.490008	1.390008
Sum Sq. Dev.	8.830009	8.850005	0.021132	1.290015	1.310015
Observations	31	31	31	31	31

Source: Student E-Views Output, 2018

Table 3: Regression Result

Dependent Variable: GDP				
Method: Least Squares				
Date: 02/15/18 Time: 12:21				
Sample: 1986 – 2017				
Included observations: 31				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	18.67595	29.69971	0.628826	0.5352
INTR	-2114.933	3948.234	-0.535666	0.5969
BLIQ	116.2491	247.1133	0.470428	0.6421
MS	4.660005	1.350005	3.446024	0.0020
GEXP	-3.780005	1.280005	-2.948564	0.0068
R-squared	0.813633	Mean dependent var		88.82697
Adjusted R-squared	0.776359	S.D. dependent var		70.29011
S.E. of regression	33.24065	Akaike info criterion		10.01741
Sum squared resid	27623.53	Schwarz criterion		10.29496
Log likelihood	-149.2699	Hannan-Quinn criter.		10.10788
F-statistic	21.82876	Durbin-Watson stat		0.669818
Prob. (F-statistic)	0.000000			

Source: Eview output 2018

Table 3 shows the regression result of the model from 1986 to 2017. The dependent variable is GDP and the independent variables are INTR, BLIQ, MS and GEXP. From the table above, there are positive and negative relationships between the dependent variable and the independent variables. There is a negative relationship between Interest Rate (INTR) and Gross Domestic Product (GDP). A rise in INTR will lead to a fall in Gross Domestic Product (GDP) of about -2114.933. There is a positive relationship between Bank Liquidity (BLIQ) and the Gross Domestic Product (GDP).

Some finance literatures prove that bank liquidity has impact on gross domestic product however, in this case the impact of BLIQ on GDP is positive of 116.2491. This means one percent increase on BLIQ of 116.2491 will lead to corresponding increase in GDP. The positive relationship between money supply (MS) and the Gross Domestic Product (GDP) shows that Money supply attracts investment by making banks in Nigeria more liquid to finance projects and make funds available to those that need it. One percent increase in the value of MS of 4.66 will lead to a corresponding increase in the value of Gross Domestic Product (GDP) in Nigeria.

There is a negative relationship between government expenditure (GEXP) and Gross Domestic Product (GDP) of -3.780. This may indicate that despite the introduction of the treasury single account (TSA) government expenditures has not positively affected the Gross Domestic Product (GDP). The coefficient of determination looks to be very high of 0.8136 (81.36%) meaning that all the independent variables used in the study. The R^2_{adj} shows 0.776 (77.6%). The prob. (f-statistics) of 0.0000 show that the model of the study is statistically significant. The Durbin Watson statistics of 0.669818 is evaluated using the standard rule of n =31 at 5% confidence interval, k = 4 excluding the constant from the model.

Our DU = 1.825 and DL =1.090

$0< DW<DL = 0< 0.669818<1.090$.

The conclusion of this result is that the null hypothesis should be rejected and that there is a serial correlation in the model.

CONCLUSION

From the discussion and findings of the study considering the T- Statistic in regression analysis, it can be concluded that the entire variables used in the model are impacted positively by treasury single account in Nigeria except government expenditure and interest rate which are not significantly impacted by TSA considering the years of study. From the hypotheses testing and the general regression, Treasury Single Account had shown a number of benefits such as controlling the delay in the remittance of government revenues by collecting banks, making rapid payments of government expenses, facilitating 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. The theoretical framework used in this study; Centralized Model of TSA which means that the Centralized Model is a concentration of authority and the Decentralized Model of TSA meaning Distributed payment. However, the application of TSA allows complete and timely information on government cash resources and Improves appropriation control.

This idea, led to the introduction of Gross Domestic Product as a proxy for treasury single account. Also having noted the primary objective of this study, this study therefore concludes that government expenditure and treasury single account does not have any relationship if all variables used in the model are held constant. Therefore, this study does not absolutely corroborate the work of Pattanayak and Fainboim (2011) that posited that the primary objective of a TSA is to ensure effective aggregate control over Government transactions.

Since in this study factors such as money supply, interest rates, government expenditures and bank liquidity have been generally identified as the factors that are affected largely by the treasury single account (TSA), deliberate efforts must be made to ease the flow of funds in the economy while attempts at controlling money supply in order to strengthen the naira while preventing payment problems must be pursued. Secondly, for a country like Nigeria that is highly dependent on a single commodity (crude oil) for survival, it is advisable that transaction in oils is fully captured by the TSA.

For further studies, it is suggested that the scope of analysis can be extended to sector specific impacts of the implementation of treasury single account on the economy.

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