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Research Article

The Impact of Treasury Single Account (Tsa) On Bank Liquidity: Fresh Evidence from Nigeria

Abubakar SABO Phd[1], Sani MUHAMMAD, Msc[2] and Mohammed Ruqaiyat KA'OJE, Phd[3]

[1]Lecturer, Department of Business Administration, Usmanu Danfodiyo University P.M.B. 2346, Sokoto, Nigeria
[2]Lecturer, Department of Economics, Usmanu Danfodiyo University P.M.B. 2346, Sokoto, Nigeria
[3]Lecturer, Department of Business Administration, Federal University Birnin-Kebbi P.M.B 1157, Birnin-Kebbi

*Corresponding Author
Abubakar SABO

Abstract: The main objective of this study is to examine the impact of the Treasury Single Account (TSA) on bank liquidity in Nigeria. Thus, time series data was used to determine the relationship between the variables over the period of 48 months i.e. from September 2013 to August 2017. The study employed a Robust Least Square (RLS) technique to estimate the variables under investigation. The findings revealed that the Treasury Single Account has a positive and statistically significant impact on bank liquidity. Equally, the interest rate has a positive and statistically significant impact on bank liquidity. Consequent upon the major findings, government, banks and members of the business community should be further educated on the positivity and efficacy of the Treasury Single Account in controlling public looting, fraud and other forms of corruptions and alternatively boosting public fund which will automatically reduce public debt.

Keywords: Treasury Single Account (TSA), Bank Liquidity, Interest Rate.

1. INTRODUCTION

Since 1952, banks in Nigeria have experienced a number of reforms and policies. Many banks did not survive these experiences. The economic status of any nation depends on how stable their banking industry is, irrespective of their economic development. Therefore, any issue that affects banks also has an impact on the economy of the nation. Until the introduction of Treasury Single Account (TSA) in Nigeria and MDA's which serve as means of generating revenue, a multiplicity of accounts in commercial banks, use part of the revenue generated to fund their operations and then remit the surplus to the federation accounts. As a result, agencies pay into government account what they deem fit. Under this situation, some ministries became richer than the government. The balances of the government with the Deposit Money Banks lay idle in the banks instead of utilizing them to stimulate investment that hence creates employment. All these stunted the growth of the economy. The above resulted in the recent demand by the Presidency that all agencies and ministries should close their account with commercial banks and transfer the balances into federation account with Central Bank of Nigeria. This directive conveyed in a CBN circular and addressed to all Deposit Money Banks (DMBs). The circular was entitled "Commencement of federal government's independent revenue collection scheme under the Treasury Single Account (TSA) Initiative" (Adetumobi, *et al.*, 2017).

Consequently, Deposit Money Banks, as a matter of fact, start to lose fund immensely as a result of the TSA's implementation that moves public fund into CBN account. This is due to the fact that public funds constitute a large portion of commercial banks deposit which was indeed estimated to be about ₦2.2 trillion public funds at early 2015 (Okerekeoti and Okoye (2017). The impact of this amount of money leaving the system can't be overemphasized when considering the fact that each time the monthly federal allocation is released, the banking system is usually washed with liquidity and as soon as this public fund washes away through withdrawal by the states, liquidity tightens again with interbank rates going up of major impact will be the movement of funds of revenue generating parastatals such as the NNPS, out of commercial banks. Therefore, it is against this background that this study

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intends to investigate the impact of TSA on bank liquidity in Nigeria.

However, to the best of my knowledge, the lacuna here been identified is that there is no empirical research so far specifically conducted in Nigeria on the relationship between Treasury Single Account and bank liquidity. Therefore, this study seeks to provide fresh evidence to the growing literature using Nigeria as a case study. The paper is organized as follows: following this introduction is section 2 that Materials and Method. Section 3 reports the results. The discussion is presented in Section 4 and section 5 concludes.

Conceptual Framework

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 (Lienert, 2009). 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 purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds. 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 collection and payment (Adeolu, 2016). On the other hand, Central bank liquidity is the ability of the central bank to supply the liquidity needed to the financial system. It is typically measured as the liquidity supplied to the economy by the central bank, i.e. the flow of monetary base from the central bank to the financial system.

Theoretical Framework

A number of different theories of socioeconomic accounting were borrowed to form a sound foundation to substantiate Treasury Single Account adoption and implementation. Some of them are Decentralized Model of TSA; Centralized Model of TSA; Modern Money Theory (MMT); Stakeholder Theory and Public Finance Management Theory. Drawing from the foregoing theorization, this study adopts the public finance management theory. The rationale behind adopting the aforementioned theory is that the public finance management theory assumed that all aspects of financial resources both its mobilization and expenditure should be well managed in government for the benefits of the citizenry. It includes resources mobilization, prioritization of programmes, the budgetary process, efficient management of resources and exercising control to guide against threats. Besides, the Treasury Single Account (TSA) primarily is to avoid misappropriation of public funds.

Review of Empirical Literature

This sub-section reviews empirical literature on TSA and bank liquidity.

Using time series data, Oguntodu *et al*., (2016) studied the relationship between government revenue, TSA and GDP in Nigeria over the period of 1999 - 2015, applying F-statistics test and the coefficient of determination. The results revealed a positive relationship between TSA, Government Revenue and Gross Domestic Product (GDP). It also shows that deposit into TSA influences the position of GDP in Nigeria. It implies that commercial banks through its creation of money influence the position of GDP in the country. However, Kanu (2010) investigated the impact of the treasury single account (TSA) on bank liquidity in Nigeria. The study used a cross-sectional survey for a sample of 10 banks from a population of 24 banks applying chi-square. The finding shows that TSA is positively related to liquidity and performance of the banking sector.

By and large, it is obviously observed that there is a paucity of the empirical literature on TSA which justifies the conduct of this study.

2. MATERIALS AND METHOD

2.1 Source of Data and Description of the Variables

This research, in view of its nature, made use of secondary data. The data were obtained from the available unified data in the Central Bank of Nigeria (CBN) Statistical Bulletin (2017) for the period of September 2013 to August 2017 covering the period of 48 months. Although the 48 month period selected is in line with the requirement of the Central Limit Theorem that sample size must not be less than thirty years for normality purpose (Gujirati, 2007). The Dependent variable is bank liquidity which is measured as broad money (M2) that encompasses narrow money (M1). On the other hand, independent variables are Treasury Single Account (TSA) and interest rate. TSA is used as a dummy variable of which one is assigned to 24 months after TSA's implementation (i.e. from September 2015 to August 2017) while zero is assigned to 24 months before its implementation. Moreover, the interest rate was used as a control variable in the model.

2.2 Model Specification

The econometric model used for the study is specified in equation 3.1. The linear relationship between the dependent and independent variables in this study is functionally expressed thus:

$$BLIQ_{t-1} = \alpha + \beta_1 TSA_{t-1} + \beta_2 INT_{t-1} + \mu_{t-1} \quad (3.1)$$

Where:

BLIQ= Bank Liquidity

TSA= Treasury Single Account

INT= Interest Rate

α= Intercept

β_1&β_2 = Coefficients of Explanatory variables.
μ = Error Term.

The prior expectation of this study is that Bank Liquidity and interest rate exert a positive impact on Treasury Single Account.

2.3 Method of Data Analysis

This research work employs Robust Least Square (RLS) method in estimating the variables under investigation. This is because using OLS to estimate a regression model where one of the variables is dummy may lead to spurious results.

3. RESULTS AND DISCUSSIONS

This section contains descriptive and inferential analysis on the impact of TSA on bank liquidity.

3.1 Descriptive Analysis

In conducting this kind of analysis it is important to explore the data used in the estimation as well as determine the distribution of the variables in order to have an insight on the relationship among the variables under investigation. Table 3.1 presents the descriptive statistics of the data drawn

. Table 3.1: Descriptive Statistics

	Bank Liquidity	Treasury Single Account	Interest Rate
Mean	7.278018	0.500000	8.131042
Median	7.280091	0.500000	8.410000
Maximum	7.372760	1.000000	9.080000
Minimum	7.157229	0.000000	6.320000
Std. Dev.	0.062294	0.505291	0.727667
Skewness	-0.314594	0.000000	-0.970743
Kurtosis	1.858589	1.000000	2.833535
Observations	48	48	48

Source: Author's computation using Eviews version 9.0

Table 4.1 shows the descriptive statistics of all the variables drawn as obtained from E-views version 9.0. As it appears, the results revealed that there are 48 observations for each variable. The bank liquidity recorded the mean, median and standard deviation observations of 7.2780, 7.2800 and 0.0622, respectively; that of Treasury Single Account stood as 0.500000, 0.500000 and 0.5053, respectively. More so, the mean, median and standard deviation observations of interest rate are 8.1310, 8.4100 and 0.7277, respectively. The minimum observation in the entire dataset is 7.1572 while the maximum is 7.3728.

3.2 Inferential Analysis

This section presents the results of inferential statistics that have been obtained from E-views version 9.0. It is in the form of series data regression analysis of Robust Least Square technique which was employed in estimating the influence of regressors; Treasury Single Account and the interest rate on the dependent variable, bank liquidity.

Table 3.2: Robust Least Square Results

Dependent Variable: Bank Liquidity		
Variable	**Coefficient**	**Z-statistic**
Treasury Single Account	0.1180	10.94541***
Interest Rate	0.0249	3.335262***
Constant	7.0176	110.9489***
R-squared 0.652492		
Significant at 1% (***), 5% (**) & 10% (*)		

Source: Author's computation using E-views version 9.0

The coefficient of Treasury Single Account is 0.1180 which is positive and statistically significant at one percent level of significance. This implies that the TSA explains an 11.8 percent increase in bank liquidity. Also, the coefficient of interest rate which is 0.0249 shows a positive relationship at one percent level of significance, it means that the interest rate explains a 2.49 percent increase in bank liquidity. Moreover, at one percent level of significance, the coefficient of a constant which is 7.0176 is positive and also statistically significant at one percent level which reports that there is 7.0176 percent increase in bank liquidity irrespective of regressors' influence.

4. DISCUSSION

The main aim of this study is to empirically investigate the impact of Treasury Single Account on bank liquidity. In trying to do so, this section analyzes the extent to which findings of the study conform to deviate from other researchers of similar concern in the past.

From the result obtained in table 4.2, the coefficient of treasury single account is 0.1180 which is positive and statistically significant at one percent level of significance. This implies that the Treasury Single Account explains an 11.8 percent increase in bank liquidity. That is to say that implementation of the Treasury Single Account leads to positive significant changes in bank liquidity that brought about a 12 percent increase and this corroborates the findings of Kanu (2010). Also, the coefficient of interest rate which is 0.0249 shows a positive relationship at one percent level of significance, it means that the interest rate explains a 2.49 percent increase in bank liquidity. This shows that interest rate indicates a positive significant change in bank liquidity that brought about a 3 percent increase. Therefore, the Treasury Single Account is the lead variable that influences bank liquidity in the model. Moreover, at one percent level of significance, the coefficient of constant 7.0176 is positive and also statistically significance which indicates or lead to 7.0176 percent increase in bank liquidity irrespective of Treasury Single Account and interest rate.

The paper affirms that Treasury Single Account positively and statistically affect Bank Liquidity over the period of the study. By and large,

Treasury Single Account and interest rate explain 65.25% increase in bank liquidity whereas only 34.75% influence is captured by a stochastic term that is unexplained variations which can be ascribed to other factors outside the model specified. Therefore, this paper discovered that the Treasury Single Account and Interest Rate individually has a statistically significant impact on Bank Liquidity.

5. CONCLUSION

On the basis of the findings listed above, the following conclusions are drawn:

Nigeria is a country with mammoth potential and to achieve this, a vibrant, accountable and working Treasury Single Account is required to drive the banking sector to achieve financial development. Two key areas that could drive this notion are the Government and the Banking Sector through the application of appropriate instruments of fiscal and monetary policy, respectively. A developing country like Nigeria, banks play their traditional roles in addition to being used as vehicles for achieving developmental and social goals. Government agencies will need to work with the CBN in actualizing the proper disbursement of the huge resources allotted to the development funds created by Treasury Single Account on infrastructure, aviation, manufacturing, and power. The peculiar nature of the environment requires a holistic approach to tackle the fundamental and inter-related issues that necessitate several agencies work in a cohesive manner in the interest of the country. The study affirms that 65.25% of total variations in the Bank Liquidity are explained by the TSA, and interest rate and about 34.75% is unexplained variations that can be attributed to other factors outside the model.

On the bases of the general findings of this study which revealed that the Treasury Single Account enhances bank liquidity in the banking sector. We, therefore, recommend the following:

- Government, Banks, and members of the business community should be further educated on the positivity and efficacy of the Treasury Single Account in controlling public looting, fraud and other misappropriation of public fund.
- For the success of this policy, the government should engage in massive public enlightenment and awareness about the importance of the policy so that general public will understand its impact most especially in tackling public fund misappropriation hence TSA blocks leakages.
- The federal government should initiate policies and various means to make 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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