The Introduction of Treasury Single Account and Nigeria Banking Sector (A Study of Selected Banks in Nigeria)

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Abstract

The main objective of this study was to examine the effect of the introduction of the Treasury Single Account on the Nigerian banking sector. Primary data was used for this study to evaluate the relationship between the independent variable (bank profitability, bank liquidity, and job security) and the dependent variable; Treasury Single Account, the data sourced through was questionnaire. The study made use of both statistical and descriptive methods; correlation was used as a way of assessing the relationship between internal controls and financial performance. The data collected from the questionnaire were analyzed, summarized, and interpreted according to the aid of descriptive statistical techniques such as total scores and simple percentages. The result shows that only bank liquidity has a p-value > 0.05 significant level and the remaining independent variables; bank profitability and job security have p-values < 0.05 significant value. The finding shows that the introduction of TSA by the Federal Government has a significant effect on the bank liquidity, this signals that the real economic activity of the country is underfunded by the banks. It is therefore recommended that the banking sector should increase their funding of the productive sector of the economy, such as the manufacturing sector and the agricultural sector, rather than fishing for government money.

Keywords: *Treasury single account, Bank Profitability, Bank Liquidity, Job Security*

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Background to the Study

Treasury was defined to mean where government money was kept either in a vault, safe, or a place (Bashir, 2016), Ministries, Departments, and Agencies (MDAs) had different accounts in different banks in the country. There were cases of government agencies having more than one account with a single commercial bank, to ensure that multiplicity of accounts are discouraged and eliminated, a test run of the Treasury Single Account (TSA)was done in 2012 by the administration of Dr. Goodluck Ebere Jonathan, Bashir, (2016). The piloting of this scheme saved the federal government a sum of #500 billion naira during the period of testing, which was a success, but due to the pressure from the banks and the financing sector, which caused the delay in its full implementation in February 2015. Leakages in government treasury need to be checked, and this menace arises from corrupt practices from the multiplicity of bank accounts by MDAs.

Treasury Single Account (TSA) is a policy adopted by the Federal Government of Nigeria after former president Goodluck Jonathan hands over power to President Muhammad Buhari in May2015. This policy mandates MDAs to transfer all their deposits with the commercial banks to a single account with the Central Bank of Nigeria (CBN) (Oti, Igbang, and Obim, 2016). In the event of the withdrawal of government's fund from the money deposit banks is the focus of study for this work, to examine the effect of the withdrawal of fund on the banking sector performance, performance is measured using variables like profitability, job security, and the banks' liquidity.

This study shall provide answers to the following research questions;
1. What effect does the implementation of Treasury Single Account (TSA) have on bank liquidity in Nigeria?
2. What is the effect of TSA on the Banks' profitability?
3. What is the effect of the introduction of TSA on job security in Nigeria Banks?

Awogbemi (2015), treasury single account is a unifying account that envelops all the government accounts. It ensures the remittance of cash balances into a single account intending to foster probity and blocking of leakages in public financial management Bashir (2016) added that treasury single account is a public accounting system under which all government revenue collected into a single account, are usually maintained by the country's Central Bank. Onuba, (2016) opined that treasury single account is a unified structure of government bank accounts that gives a consolidated view of the government's cash resources. Ahmed-Gamgum and Ahmed (2018) advised that the policy on the implementation of treasury single account should be sustained, where ever difficulties are established it should be addressed, to justify the study, the system theory was used to describe the Nigerian economic system.

Taiwo (2015), explained that TSA is a federal government fiscal policy that aims at pooling all the revenue from all Ministries, Departments, and Agencies (MDAs) into a single account managed by the apex bank. This connotes that TSA in Nigeria is an account managed by the Central Bank of Nigeria (CBN) and not Money Deposit Banks (DMBs). Treasury Single

Account (TSA) is one of the financial policies implemented by the federal government of Nigeria to consolidate all the revenue from all Ministries, Department, and Agencies (MDA) in the country by way of deposit into commercial bank traceable into a single account at the Central Bank of Nigeria (Kanu, 2016). Oyedele (2015), also defined a Treasury Single Account as 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 unit of the treasury, a Treasury Single Account is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. This, therefore, informs that the poor performance of banks in terms of low profitability would grossly affect the economic development of a nation. Profitability is used as a measurement for banks' performance because it evaluates the efficiency with which shareholders' resources are transformed into profit (Ajetunmobi, Adesina, Faboyede and Adejana, 2017).

Onuba (2016) reported that the current massive sack of bank workers was not unconnected to the full implementation of TSA. Ecobank fired 1040 of its staff, while, Diamond bank has sent 200 of its workers packing likewise First Bank Nigeria holdings. because of this, the Minister of Labor and Productivity has directed bank management to stop the retrenchment exercise otherwise, they would be sanctioned. Saleh (2015) argues that TSA will create an unpleasant liquidity squeeze of DMBs and as such would cause the interest rate to rise. Consequently, both jobs and borrowing in the banking sector will plummet. He further quoted Fitch saying that TSA will make banks heads towards operational and financial turmoil and this will result in a sharp loss of liquidity, capital ratio, and profitability. The following hypotheses are tested in the study;

H$_{01}$: Treasury single account does not have an impact on commercial bank's profitability in Nigeria.

H$_{02}$: Treasury single account does not affect commercial bank's liquidity in Nigeria.

H$_{03}$: Treasury single account does not have an impact on job security in commercial banks in Nigeria.

Methodology
Both secondary and primary were used for this work. Survey research was employed for this study which involved distributing the questionnaire to a selected number of employees in the bank considered in this study. The questionnaire was designed on a five (5) point scale.

Population and Sample Size
The study population includes all 15 quoted deposit money banks listed on the Nigeria Stock Exchange. The study made use of simple random sampling techniques to allow each member of the population an equal chance of conclusion in the study. The sample size consists of 5 selected quoted deposit money banks in Nigeria.

Research Instrument
The primary source of data was used to provide background information for the research. Primary data was obtained from a structured questionnaire based on five (5) point Likert scale, ranging from strongly disagree to a strongly agree, where I represent strongly disagree

(SD) and (5) represented strongly agree (SA) which was given to personnel in senior and Middle-level management and the internal Audit Department because they make a decision and implement internal control in the bank.

Data Analysis
The data collected from the questionnaire was analyzed, summarized and interpreted according to the aid of descriptive statistical techniques such as total scores and simple percentages

Model Specification   Bank profitability, Bank liquidity and job security which are the independent variable while Treasury Single Account (TSA) is the dependent variable. The model's specification of this research work is specified as follows;

$$TSA=f\,(BFL, BLQ, JSY)$$

Where: TSA=Treasury Single Account
BFL=Bank Profitability
BLQ=Bank Liquidity
JSY=Job Security
$TSA= ao+a_1BFL+a_2BLQ+a_3JSY\ldots\ldots\ldots+\mu$
μ=error term

Findings
Demographic Characteristics of the respondents such as gender, age, faculty/school, department, level, residence, marital status, etc., while section B contains Twenty (14) questions on Treasury Single Account (TSA).

Table 1: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
	21-30years	61	40.7	40.7	40.7
Valid	31-40years	77	51.3	51.3	92.0
	41-50years	12	8.0	8.0	100.0
	Total	150	100.0	100.0	

Source: Field Survey, March 2020.

Table 1 above, shows the ages of the respondents. 61 of the respondents are between 21 – 30 years, 77 of the respondents are between 31 – 40 years, while the remaining 12 of the respondents are 41 to– 50years. Therefore, the majority of the respondents in the First Bank Plc are between the ages of 31 – 40 years.

Table 2: Marital Status

Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Single	78	52.0	52.0	52.0
	Married	64	42.7	42.7	94.7
	Divorced	8	5.3	5.3	100.0
	Total	150	100.0	100.0	

Source: Field Survey, March 2020

The table above shows the Marital Status of the respondents. 78 respondents were Single, 64 respondents were 64 while the remaining were Divorced. Therefore, the majority of the respondents administered the questionnaire to be Single

Table 3: Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	65	43.3	43.3	43.3
Valid	Female	85	56.7	56.7	100.0
	Total	150	100.0	100.0	

Source: Field Survey, March 2020

The table above shows the sex of the respondents. 65 respondents were Female while the remaining 85 were Males. Therefore, the majority of the respondents administered the questionnaire are males

Table 4: Qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
	SSCE	10	6.7	6.7	6.7
	OND/NCE	78	52.0	52.0	58.7
	HND/BSC	50	33.3	33.3	92.0
Valid	MSC/MBA/Ph D	12	8.0	8.0	100.0
	Total	150	100.0	100.0	

Source: Field Survey, March 2020

Table 4 shows the Qualification of the respondents. 10 were SSCE holders, 78 of respondents were OND/NCE and 52 of the respondents were HND/BSC while the remaining 12 respondents have MSC/MBA/Ph.D. Therefore, the majority of the respondents administered the questionnaire to OND/NCE.

Table 5: Job designation

		Frequency	Percent	Valid Percent	Cumulative Percent
	Financial Analyst	21	14.0	14.0	14.0
	Bank Teller	5	3.3	3.3	17.3
	Loan Officer	26	17.3	17.3	34.7
Valid	Financial Manager	58	38.7	38.7	73.3
	Branch Manager	28	18.7	18.7	92.0
	Regional Manager	12	8.0	8.0	100.0
	Total	150	100.0	100.0	

Source: Field Survey, March 2020

Table 5 shows that 21 of the respondents are in Financial Analyst, 5 of the respondents are in Bank Teller, 26 of the respondents are Loan Officer, 58 of the respondents are Financial Manager and 28 of the respondents are Regional Manager, while the remaining 12 of the respondents are in Regional Manager. It is concluded that the majority of the respondents are Financial Manager.

Table 6: Employment Status

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Permanent	66	44.0	44.0	44.0
Temporary	53	35.3	35.3	79.3
Contractual	31	20.7	20.7	100.0
Total	150	100.0	100.0	

Source: Field Survey, March 2020

Table 6. this shows that 66 of the respondents are Permanent and 53 of the respondents are Temporary, while the remaining 31 of the respondents are Contractual. It is concluded that the majority of the respondents are Permanent with this statement.

Table 7: Treasury Single Account (TSA) is one of the financial policies implemented by the federal government of Nigeria

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagreed	13	8.7	8.7	8.7
Disagreed	14	9.3	9.3	18.0
Undecided	9	6.0	6.0	24.0
Agreed	75	50.0	50.0	74.0
Strongly Agreed	39	26.0	26.0	100.0
Total	150	100.0	100.0	

Source: Field Survey, March 2020

13 respondents strongly disagreed, 14 respondents disagreed, 9 respondents, neither disagreed nor agreed, 75 respondents agreed, while the remaining 39 respondents strongly agreed, that Treasury Single Account (TSA) is one of the financial policies implemented by the federal government of Nigeria. It is concluded that the majority of the respondents agreed with this statement.

To test the set hypotheses, regression analysis was used with ordinary least square (OLS). The dependent variable for this study was Treasury Single Account and the independent variables are; bank profitability, bank liquidity, and job security

Table 8: Summary of the regression result of treasury single account and Nigerian banking

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833[a]	.694	.687	2.731

Source: Researcher's Computation, 2020.

The result as presented in the summary of the relationship between the dependent and independent variables in table 8 shows there is a strong positive relationship between the joint effect of the independent variables and the dependent variable (Treasury Single Account). With a correlation coefficient of 0.833 and an R-square value of 0.694. The adjusted R-square is 0.687 and the standard error of the estimate of 2.731. Furthermore, the result revealed that about 69.8% variation in the dependent variable could be attributed to the joint effect of the independent variables.

Table 9: ANOVA result of treasury single account and Nigerian banking sector

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2131.888	3	710.629	95.271	.000*
	Residual	939.835	126	7.459		
	Total	3071.723	129			

Source: Researcher's Computation, 2020.

Table 9.This shows the sum of the square value for regression is 2131.888 and for the residual is 939.835 with 3 and 126 degrees of freedom respectively. In addition, the F-value is 95.271 with a p-value of 0.000 which is an indication that the model is significant. That is, the model is sufficient in relating the independent variables with the dependent variables.

Table 10: Coefficients of the regression result

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.283	1.332		1.714	.009
	Bank profitability	.384	.079	.419	4.871	.000*
	Bank liquidity	.049	.071	.065	.683	.496
	Job Security	.627	.139	.408	4.516	.000*

Source: Researcher's Computation, 2020.
Value is significant at 5% significance level

From table 10 the contributions of each independent variable were shown. In the absence of bank profitability, bank liquidity, and job security; banking sector performance stands at 2.283 with a t-value of 1.714 and the p-value < 0.05 significance level.

The regression coefficient for bank profitability stands at 0.384 with a standard error of 0.079 with a t-value of 4.871 (table 10). Also, the regression coefficient for bank liquidity is 0.049 with a standard error of 0.071 and an at-value of 0.683. Lastly, the regression coefficient for job security is 0.627 with a standard error of 0.139 and an at-value of 4.516.

Furthermore, the result shows that only bank liquidity that has p-value > 0.05 significant level and the remaining independent variables; bank profitability and job security have p-values < 0.05 significant value. Hence, it can be concluded that bank profitability and job security have a significant effect on the Nigerian banking sector.

Conclusion and Recommendation

The objective of this study is to investigate the implication of treasury single accounts in the Nigerian banking sector. The result shows that Treasury Single Account (TSA) has a significant effect on financial leakages in revenue collection; promote transparency in the administration of public funds; and financial misappropriation in the banking sector. The individual estimation however showed that TSA significantly affects revenue collection, centralized revenue management, but does not affect budgetary control. Therefore it is concluded that the adoption of TSA and its effect in the bank sector is justifiable and can achieve the main objective of implementing the existing law of maintaining a single account as opposed to the multiple account system adopted by the government in the past. Banks should look beyond government funds, and focus on the productive sector of the economy.

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