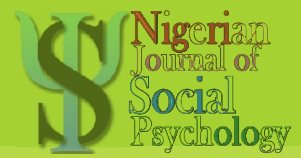


# 2024



## **NIGERIAN JOURNAL**

## **OF SOCIAL**

## **PSYCHOLOGY**

Online ISSN: 2682-6151 Print  
ISSN: 2682-6143

Volume 7, Issue 1, 2024

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**Published by**

Nigerian Association of Social Psychologists

[www.nigerianjps.com](http://www.nigerianjps.com)

## Treasury Single Account and Reduction of Financial Leakages in the Nigerian Custom Service

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### Abstract

*The study treasury single account and reduction of financial leakages in the Nigerian custom service was undertaken to determine amongst others the effect of TSA on financial leakages in revenue collection in Nigeria Public sector. The study adopted Agency Theory and Accountability theory propounded by Barley in 1973. The findings of the study revealed that there is a significant relationship between the introduction of Treasury single Account and the reduction of financial leakages in the Nigerian custom service, that TSA has help promote transparency and accountability in the management of public funds in Nigerian custom service. The study recommended that the federal government through Central Bank of Nigeria should continue to explore the opportunities of Treasury Single Account (TSA) in checkmating fraud, funds diversion and every form of financial leakages in revenue collection in Nigeria. The socio-economic development of every country is wholly tied on its revenue base, therefore blocking loopholes and leakages would help in mobilizing enough financial resources for effective service delivery. The result also revealed that the use of TSA had promoted transparency and accountability in financial mobilization, appropriation and utilization by 57% significantly and thus recommended that the federal government should intensify her efforts in ensuring strict compliance of MDAs and other federal government agencies to Treasury Single Account policy (TSA) in fighting corruption. This is pertinent because the growing incidence of corruption would be ameliorated as every financial receipts and expenditure would be modulated effectively.*

**Keywords:** *Treasury single Account, financial leakages, Nigerian custom service, Nigeria*

### Introduction

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. Historically, in Nigeria, before and after independence, successive administrations had put in place measures through policies, legislations and regulations to promote and enhance efficiency, accountability and transparency; reduce fraud and cut cost in the operations and management of public funds, and specifically revenue generation. Some of these measures as encapsulated by Asogwa and Abraham (2017), include: Acts of parliament such as the Finance (control and management) Act of 1958 (as amended) and Audit Act of 1958 (as amended) and Audit Act of 1956 (as amended), The financial regulations (reversed 1976 and 1999 respective to 1<sup>st</sup> January, 2000), The 1999 constitution of the Federal Republic of Nigeria (as amended), Annual Appropriation Acts, Public Service Rules, Treasury and Financial Circulars, Treasury Account Manuals, Treasury Audit Guides, Government Integrity Finance Management Information, Automated

Accounting Transaction and Reporting System, Integration Payroll Personal Information System (IPPIS), etc.

Despite the above measures, cost of governance especially in the area of revenue generation, appears to be a major challenge of successive governments in Nigeria with its attendant socio-economic implications ranging from increasing poverty level, to skyrocketed unemployment rate among others. The cause of the above, is perhaps inadequate revenue generation and outright embezzlement and misappropriation of the little generated funds. The above precarious situation persisted, while government incurred more cost in maintaining multiple accounts, a factor which hinders efficient administration. The above culminated in the adoption of the Treasury Single Account (TSA) policy. In the words of Igbokwe-Ibeto, Nkomah, Osakede and Kinge (2016), Treasury Single Account (TSA) 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. It is a bank or a set of linked bank accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time (Onyekpere, 2015).

Ahmed (2016), outlined the major objectives of setting up a TSA to include: minimizing transaction costs during budget execution, notably by controlling the delay in remittance of government revenues (both tax and non-tax) by collecting banks, and making rapid payments of government expenses; facilitating reconciliation between banking and accounting data; efficient control and monitoring of funds allocated to various government; and facilitating better coordination with the monetary policy's implementation, increase fiscal savings with less transaction charges.

In view of the above, it can be seen that TSA was meant to improve revenue capacity of the government through reduction of cost of collection of government revenues; by discarding the idea of maintaining multiple accounts by ministries, agencies and other institutions of government; efficiency in collection, especially in terms of quick collection of revenue; reduction of fraud which use to characterize government financial operations; and unify government accounts so that government can at a glance determine its financial status for swift and optimum performance.

Nigerian Custom service, a paramilitary organization was established in 1891 when the British colonial administration appointed Mr. T.A wall as the Director General of Custom to collect Inland Revenue in the Niger Coast Protectorate. The formation of the duties which the department had been performing under the Royal Niger Company. The name, Department of Custom and Excise emerged in 1922, when the first Comptroller of Custom and Excise, Federation of Nigeria was appointed.

In 1945, the custom and excise preventive services was established under the leadership of Mr. Nicol- a Briton, made up of two divisions- Maritime and Preventive. The Maritime division has the responsibility of collecting import and excise duties and other related functions while the preventive division was responsible for enforcement duties which included prevention of smuggling, arrest and prosecution f smugglers.

### **Statement of the Problem**

Corruption is rampant in every society and Nigeria is not excluded. Several countries together with Nigeria have been intensifying measures and policies to ensure reduction or probably eradication of the act "corruption" that has eaten so deep into our people. A major challenge faced in an attempt to achieve this, is, ascertaining the measures that will be applied to effectively reduce this plague (Enofe, Afiangbe & Agha, 2017).

However, over the last two decades, the government had created some institutions whose primary aim was to combat financial crime in the public sector. These agencies and institutions include the EFCC, ICPC, and CCB etc. Unfortunately, some if not all are seen as a

simple tool in the hand of the government (Onuoha, 2010; Uwak & Udofia, 2016). In the light of this dilemma, the present government recently formulated Treasury Single Account Policy to address the issue of corruption in the public sector. Obinna (2015) noted that the fundamental goal of TSA is to ease implementation of the FG's Cash Management Policy (CMP) and combat corruption in Nigerian public sector. It was in the search for an adequate solution to reducing corruption that the present government of President Buhari through the "change agenda" has taken the fight against corruption as one of its major program. Among the weapons suggested to be utilized is the full implementation of the TSA Policy. The question therefore on the hearts of most Nigerian is, will this policy effectively curb corruption and other financial crimes in Nigeria? Also, had TSA resulted to inefficient administration of MDAs in Nigeria in general and the Nigerian custom service in particular?

Performance of any government is strongly tied to its revenue base. It is based on this notion that most governments strategize on how to improve her revenue profile by blocking loopholes and leakages in order to mobilize enough financial resources for efficient service delivery. Socio-economic development efforts of government such as poverty reduction increase in per capita income, and creation of jobs to reduce the level of unemployment, improvement in infrastructure facilities among others are tied to government financial base. TSA as government fiscal tool is meant to reduce the cost of collection of government revenue; enhance efficiency in revenue collection; reduce fraud by blocking loopholes and leakages that characterize efforts at revenue generation in the public sectors, especially the Nigerian custom service. It is argued that government's efforts at socio-economic development have often been whittled down by inadequate finance and the outright mismanagement and embezzlement of the available resources. Hence, it is regrettable the level of poverty in Nigeria, the rate of unemployment which has worsened with low life expectancy and increased in maternal mortality rates etc. The above perhaps seems to persist because of government's inability to maintain a sound financial management practices to block loopholes and leakages in the system in order to generate enough resources to fulfill her obligations.

Bello (2001), averred that there is near total absence of the notion of ethics and accountability in the conduct of public affairs in Nigeria. This according to him has facilitated and sustained corrupt practices which have been the bane of public sector financial management in Nigeria. To Okwori (2004), the Nigerian society is packaged with stories of wrong practices such as ghost workers on pay roll of ministries, extra-ministerial department and parastatals, fraud and embezzlement of public funds amongst others. Thus, President Muhammadu Buhari in 2015 directed that all revenues due to the Federal Government or any of its agencies be paid into the Treasury Single Account (TSA) or designated accounts maintained and operated in the Central Bank of Nigeria (CBN). This directive seems to be a very good measure adopted by the previous administration in its fight against corruption. The thinking is that with TSA, leakages would be blocked and openness and accountability enhanced in the running of the Nigerian custom service.

In view of the above notion, this study aimed at ascertaining the efficacy of TSA in reducing financial leakages in the Nigerian public sector with particular reference to the Nigerian custom service.

### **Research Questions**

The following research questions guided the study

1. What are the effects of TSA on the reduction of financial leakages in revenue collection in the Nigerian Custom Service Nigeria?

### **Objectives of the Study**

1. To determine the effect of TSA on financial leakages in revenue collection in Nigeria Public sector.

## Research Hypotheses

**H<sub>01</sub>:** There is no significant relationship between the introduction of TSA and reduction of financial leakages in Nigeria public service

## Conceptual Review

### The Concept of Treasury Single Account (TSA)

International Monetary Fund (IMF, 2010) cited in Oru and Odumisor (2016), defined TSA as a “unified structure of government cash resources. To Adeolu (2015), a Treasury Single Account (TSA) 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 are done through this account as well. Onyekpere (2015), sees Treasury Single Account as a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. It is a bank account or a set of linked bank accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. The TSA is a process and tool for effective management of government’s finances, banking and cash position (Eme, Okechukwu, Innocent, Chukwura, and Dandel, 2015). Fatile and Adejuwon (2017), averred that TSA is a useful tool to establish centralized control over government revenue through effective cash management. Treasury Single Account (TSA) is believed to be an efficient and effective means of managing government revenue generation and a scheme that provides and enforces sufficient self-control mechanism on revenue generation and budget implementation using a daily return from account balances of various MDAs into a central account (Adebisi and Okike, 2016). TSA according to Ocheni (2016), facilitates better fiscal and monetary policy coordination as well as a better reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information.

Treasury Single Account (TSA) 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 misapplication 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 enhance reconciliation of revenue collection and payment. To Eze (2015), Treasury Single Account is a process and tool for effective management of government finances, banking and cash position. In accordance with the name, it pools and unifies all government accounts through a single treasury account. Eze argue that, the consolidation into a TSA paves way for the timely capture and payment of all due revenues into government coffers without the intermediation of multiple banking arrangement. This prevents revenue leakages in terms of revenue loss and mismanagement by operators of all revenue generating agencies.

To Eseoghene, Estemetan, Oghenevwogaga (2018), Treasury single account is defined as 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. Adebajo, Owolabi, Achugamonu and Ojeka (2017) defines treasury single account as an economic reform programme of the Federal Republic of Nigeria adopted to facilitate a unified structure of government bank account for all government transactions.

According to Oyedele (2015), treasury single account is a way of unifying various governments' bank accounts to give a consolidated view of government cash resources. According to him, for Treasury Single Account to work effectively there must be daily clearing of and consolidation of cash balance into the central account even where the

MDA's accounts are already held at the CBN. Bashir (2016) defines treasury single account as a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. According to him, through this bank account or set of linked bank accounts, the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. Adeolu (2015) argues that the maintenance of treasury single account will help to ensure government's proper cash management by eliminating idle funds usually left with different commercial banks and in a way, enhance reconciliation of revenue collections and payments.

Onyekpere (2015) in his own view opines that treasury single account as a process and tool for effective management of government's finances, banking and cash position. Thus, in accordance with the name, it pools and unifies all government accounts through a single treasury account. Chukwu (2015) defined treasury single account as a network of subsidiary accounts all linked to a main account such that, transactions are effected in the subsidiary accounts but closing balances on these subsidiary accounts are transferred to the main account, at the end of each business day. Kifasi (2015) equally maintains that is a bank account or a set of linked bank accounts through which government transacts all its receipts and payments and gets consolidated view of its cash position at any given time. Kami (2016) views TSA as one of the financial policies implemented by the federal government of Nigeria to integrate all revenues and treasuries from all ministries, departments and agencies and extra ministerial departments in the country where all the collections are paid into money depositing banks trailed to a single account at the apex bank of the nation (CBN).

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. TSA is a system of Aggregative Financial inclusion, being a nationally organized and particular way of connecting all and divergent federating units on 3-by-3 matrix, Federal-State-local governments and their respective Ministries, Departments and Agencies (MDAs), to account for all their incomes and revenues via TSA Designated bank accounts with Deposit Money Banks (DMBs) and channeling and consolidating same to Consolidating Single Account with Central Bank of Nigeria.

It is globally recommended that no other government agency should operate bank accounts outside the oversight of the treasury. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated. The treasury, as the chief financial agent of the government, should manage the government's cash (and debt) positions to ensure that sufficient funds are available to meet financial obligations, idle cash is efficiently invested, and debt is optimally issued according to the appropriate statutes. In some cases, debt management including issuance of debt is done by a Debt Management Office (DMO). Judging by the provisions of the Financial Regulations (FR) and the 1999 Constitution of the Federal Republic of Nigeria, some Ministries/Extra-Ministerial Offices, Agencies and other arms of Government collect revenue (such as Value Added Tax (VAT), Withholding Tax (WHT), fees, fines and interest) are expected to remit same into the Consolidated Revenue Fund (CRF). In line with Section 16 of the Finance (Control and Management) Act, LFN, 1990 and the Financial regulation No. 413 (i), all unexpended recurrent votes for a financial year shall lapse at the expiration of the year. Consequently, all unspent balances in the Recurrent Expenditure Cash Books at the end of every financial year must be paid back to the Consolidated Revenue Fund Account with CBN by issuing mandate in favour of "Sub-Treasure of the Federation (Yusuf & Chiejina, 2015).

From the foregoing, it is apt to state that TSA is a tool for efficient revenue generation and proper management of public revenue in the public sector. It has been established to enable

government promote efficiency in revenue generation, financial discipline, accountability and transparency, minimize fraud among others.

### **Objectives of Treasury Single Account (TSA)**

So many reasons have been adduced to justify the adoption of TSA policy. According to Abdulrasheed (2016), some of the laudable motives behind the introduction of TSA in Nigeria is to promote accountability, financial discipline and curb corrupt practices in the Nigerian public sector. Accountability is the obligation of the administrators to give a satisfactory account of their performance and the manner in which they have exercised powers conferred on them. It entails revealing, explaining and justifying what one does, or has done, or how one discharges one's responsibilities, (Ejere, 2013). In their own contribution, Mboto, Offiong and Ibor (2017), maintained that the establishment of the TSA was to bring accountability and transparency in all MDAs and help the Ministry of Finance view the inflow and outflow of government's cash. Also lending credence to the above, Savened and Israel (2010) cited in Mboto, et al, (2017), submitted that the primary goal of TSA is to make for aggregate control over government cash management by reducing borrowing costs. This, according to them, is because, the absence of TSA in any country encourages the storage of cash balances in various bank accounts, which are generally sterilized. They further stressed that the acceptance of TSA will encourage the minimization of transaction costs in budget, implementation and avoid unnecessary borrowings (Lenert, 2009).

Contributing to the benefits of TSA, Ahmed (2016), revealed that the benefit of TSA include: minimizing transaction costs during budget execution, notably by controlling the delay in the remittance of government revenues (both tax and non-tax) by collecting banks, and 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. Specifically, according to Ahmed (2016:67), the objectives of TSA include the following:

- a. To provide greater transparency in the Public Financial Management (PFM);
- b. To gain greater clarity to national financial needs and management of public debt;
- c. To increase fiscal savings (less transaction charges, more revenues);
- d. To improve financial markets;
- e. To provide more accurate accounting and improved reporting.

Furthermore, Pattanayak and Fainboim, (2010) cited in Oguntodu, Alalade, Adekunle and Adegbie (2016), revealed that the benefits accrued to the system that it:

1. Allows complete and timely information on cash resources;
2. Improves operational control during budget execution;

Other reasons for the adoption of TSA in Nigeria include:

**1. Loss of Control on the Number of government Bank Accounts:** One of the reasons for adoption of treasury single account in Nigeria is Ministries Departments and Agencies (MDAs) are required under to get the approval of the Accountant-General of the Federation (AGF) for all their banking relationship. In addition, each MDA is required by regulation to maintain four bank accounts, one each for revenue, personnel costs, overhead costs and capital (Adeolu, 2016). However, many ministries departments and agencies failed to comply with this directive, hence the number of bank accounts became over bloated and monitoring the accounts became a herculean task for the office of the accountant general of the federation. A survey of the number of such accounts with both the Central Bank of Nigeria (CBN) and Deposit Money Banks (DMBs) carried out by the office of the accountant general of the federation in 2010 puts the number of accounts at over 10,000 With such a large number, government could not have timely consolidated information of cash position necessary for efficient cash management in the country (Adeolu, 2016).

**2. Idle Cash in Ministries, Departments and Agencies' Accounts While the Consolidated Revenue Found Account is empty:** Igbekoyi and Agbaje(2017) wrote that prior to the introduction of treasury single account policy, different accounts were maintained by the ministries, Departments and Agencies where they keep the revenue collected while the Consolidated Revenue Fund (CRF) Account from which MDAs Accounts were funded perpetually empty.

**3. Maintenance of Several Extra Budgetary Funds:** According to Terzungwe and Igbabee (2017), One other reason for the introduction of treasury single account policy was because of the extra budgets usually mapped to service different accounts that were hitherto collection of the revenue for the government as maintained by the different ministries Departments and Agencies outside the Consolidated Revenue Fund (CRF) with huge balances while government on their own equally budget for extra charges on the Consolidated Revenue Fund overdrawn balance with the Central Bank of Nigeria.

**4. Non-Remittance of Independent Revenues by Ministries Departments and Agencies:** Amadi and Obute (2018) states that one other reason for the introduction of treasury single account policy was because of the fact that reasonable a number of Ministries Departments and Agencies failed to remit their revenues into the Consolidated Revenue Fund account in line with Section 80 of the Constitution and spend the funds without appropriation

### **Challenges of TSA Implementation in Nigeria**

Implementation of TSA requires critical steps but among others, the census of government accounts should be reviewed to identify bank accounts for closure, an orderly and gradual transfer of cash balances from the existing commercial bank accounts; training of the users of TSA system, within the ministry of finance/treasury and line ministries/agencies, (Pattanayaka and Fainboim, 2011).

In order to ensure quick and smooth operation of the TSA, the federal government engaged the services of the system specs – a leading financial technology firm in Africa. Payments into the TSA is done through remita. Remita is an electronic payment platform that helps individuals and organizations to easily receive and make payments across all banks, from anywhere and at anytime (<https://www.remita.net>, retrieved, 10<sup>th</sup> June, 2019).

Despite the benefits of TSA, its implementation in Nigeria is fraught with a lot challenges. One of such challenges is the abuse of the entire process. The system is marred with irregularities. According to a publication in December 2015, by Salius Idris on Today newspaper, cited in Okereke and Okoye (2017), Mr. John Obaro, the managing director of systems specs, owners of remita, the e-payment and e-collection platform used for payments into the Treasury single Account (TSA), disclosed that system specs and participating, commercial banks took a “businesses decision” to return to the Central Bank of Nigeria (CBN) the N8 billion and not N25 billion, it collected as charges for its services despite a valid contract backing the transaction. He noted that the refunded N8 billion represents monies accrued from the one percent TSA remittance charge collected by system specs, participating commercial banks and the CBN from federal government ministries, departments and agencies (MDAs). Obaro said this during a public hearing on the “abuse and mismanagement of Treasury Single Account (TSA) Regime” organized by the Senate Joint Committee on finance, banking, insurance, and other financial institutions and public accounts.

There is also fear that the concentration of government funds in the TSA may affect the liquidity of some banks leading to their collapse and an increase in unemployment. Contributing to the above discourse, Oru and Odumusor (2019) observed that in Nigeria, deposit money banks have been the custodians of government funds and therefore, with the introduction and maintenance of the treasury account, banks will be deprived of the free flow of funds from ministries, departments and agencies. As a matter of fact, commercial banks tend



to lose immensely from the implementation of TSA as this has caused insufficiency of available cash in the banking system, resulting in money market rates as banks source for funds to cover their liquidity position (Adeolu, 2016). Alluding to the above, Rossi (2016), Global Head of Liquidity and Investment Product Development of Deutsche Bank noted that:

Previously, banks were able to leverage end-of-day liquidity to maximize returns for corporations with extra cash, but regulations were around operational rise and liquidity are altering the way in which banks classify, report on, and balance liquidity and deposits.

For deposit money banks not to make profit from deposits is one of aspect of failure in liquidity optimization and as such the zero balance accounts of MDAs held by banks really mean nothing to its liquidity as its not built into its operational balances and cannot accrue any interest for the banks (Oru, and Odumusor, 2019).

In view of the foregoing, Obinna (2015), argued that withdrawing the funds from commercial banks will further deplete the account of such banks as well as not offering the MDAs the privilege and the opportunity to monitor their own accounts where it is domiciled. Yusuf and Chiejina (2015), also believe that single account policy will create problems especially where it will be difficult for the federal government to be able to know at a glance the revenue accruing to each ministry or amount debited, as all accounts would have been lumped together. Pattanayak and Fainbom (2010), argued that important financial information may be lost if budget agencies bank accounts are closed as part of the implementation of the TSA. They further maintained that the implementation of a TSA will necessitate the addition of codes providing required geographical and organizational information; TSA might required charges to accounting systems and processes, including the redistribution of accounting roles and responsibilities between the central treasury unit, ministries, spending agencies etc.

Odewole (2016), enumerated some early challenges in implementation of TSA in Nigeria to include (i) the inability of the MDAs to carryout timely and regular reconciliation of accounts because they cannot segregate the bulk funds in the TSA, and find it difficult to update their cash book nor do it regularly (everyday) as required by accounting standards in the Pre-TSA era; (ii) for internal control purposes, some MDAs still keep open independent multiple accounts in teaching hospitals, medical centres and universities etc. because they operate "Revolving Fund Accounts", as seed money, which they are expected funds for procurement of consumables and to later for other related operating issues.

Ahmed (2017) quoted in Ahmed-Gamgum and Ahmed (2018), outlined the implementation challenges of TSA in Nigeria to include the following:

- i. The movement from a multi treasury to a single treasury account brought fear of job losses.
- ii. The lack of free money for MDA staff
- iii. Cash squeeze in credit market (commercial banks) resulting in less profit.
- iv. Made some citizens to introduce political hate speeches that the introduction of TSA is lack of economic management ability. To the anti TSA campaigners, there is need to "change the change" for a return to status quo.
- v. That the TSA created unemployment or has change work pattern because new technology is introduced. It produced a pool of huge TSA sums. This created attraction and encouragement of cyber-crime. Some civil servants and bank workers are attracted to hack the internet to steal money from accounts.

### **Implications of Treasury Single Account Policy on Revenue Leakages in Nigeria's Public sector**

Investopedia (2011), defines revenue leakage as the exit of money from the economy through leakage results in a gap between what is supplied and what is demanded. Emeh and

Chukwurah (2015) see revenue leakage as a situation in which capital, or income, exits an economy, or system, rather than remains within it. Revenue Leakage can occur due to operational inefficiencies, missing transactions, unpriced transactions and lack of control to the revenues sources etc. It is obvious that the Nigerian government generates huge revenue from the sale of crude oil and other sources but the pattern with which the revenue is been collected brought about several leakages as the Ministries, Departments and Agencies (MDAs) and the managers of the these MDAs were given the freedom to maintain different accounts in order to collect the revenue on behalf of the federal government (Adetula, Adegbenjo, Owolabi and Achugamonu, 2016). Leakages in the revenue collection became inevitable since there was no proper control on the MDAs and the enterprises. Thus, they were at liberty to remit any amount of their choice to the government and spend others for their own benefits. Onyekpere (2015) observed that revenue leakages manifests through unauthorized withdrawals, embezzlement, diversion of the funds, frauds and extra budgetary expenses arising from the multiplicity of accounts maintained by different MDAs among others. However, the introduction of the treasury single account policy in Nigeria has gone a long way to block all the leakages of the revenues in Nigeria.

Garamfalvi (1996), cited in Agbe, Terzungwe and Igbabee (2017), treasury single account is a useful tool in control over revenue of countries that wishes to adopt it. Agbe, Terzungwe and Igbabee (2017) further maintains that the implementation of TSA in Nigeria has significantly blocked financial leakages and tame the tide of corruption and embezzlement as it has enabled the Ministry of Finance to monitor the inflow and outflow of federal government funds in the country. Ahmed (2016) the implementation of TSA has significantly reduced the chunk of revenue leakages predominant in government parastatals as the Ministry of Finance now monitor the inflows and outflows, hence, augment the reduction in oil revenue due to falling oil prices. Central Bank of Nigeria (2016), reasoned in the same direction by saying that the implementation of the TSA has reasonably blocked financial leakages in the Ministries, Departments and Agencies through the monitoring funds flow by the ministry of finance. Udoma (2016), says that the implementation of the TSA have a positive effect on the National economic planning, as it will enable swift and full budgetary implementation; reduce leakages and other irregularities in the MDAs. Adeolu (2015), opines that the primary benefit of the TSA is to provide for proper monitoring of government receipts and expenditures and to block most leakages if not all that have been the bane on the economy. The TSA is expected to curb situations where ministries, departments, and agencies manage their finances like independent empires, and remit less than generated revenue to government treasury and also ensure agencies of government spend in line with duly approved budgetary provisions (Agbe, Terzungwe and Igbabee, 2017).

### **Benefits of Treasury Single Account**

According to Ajala, Adesanya & Oyewale (2017), benefits could be derived from adoption of Treasury Single Account are the following:-

- I. **It assists in ensuring that there is effective and total control over government cash balances every time:** The use of TSA assists in consolidation of cash resources which facilitates government cash management by minimizing borrowing costs. Prior to adoption of TSA, idle balances are maintained in several bank accounts which could be regarded as waste of scarce resources.
- II. **It allows complete and timely information on government cash resources:** Countries with advanced payment and settlement systems and an Integrated Financial Management Information System (IFMIS) with adequate interfaces with the banking system, usually have information available in real time. This ensures availability of complete updated balances on daily.

III. **Improves appropriation control:** The TSA ensures that the Ministry of Finance has full control over budget allocations, and strengthens the authority of the budget appropriation. When separate bank accounts are maintained, the result is often a fragmented system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extra budgetary measures.

IV. **Improves operational control during budget execution:** TSA assists treasury in planning and implementation of budget in an efficient, transparent, and reliable manner, due to availability of full information about cash resources. The existence of uncertainty regarding whether the treasury will have sufficient funds to finance programmed expenditures may lead to sub-optimal behaviour by budget entities, such as exaggerating their estimates for cash needs or channeling expenditures through off-budget arrangements are eliminated.

V. **Reduces bank fees and transaction costs:** Reduction of number of bank accounts results in lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, bank charges and other incidental fees. It also results in substantially lower transaction costs because of economies of scale in processing payments.

Other benefits include:

VI. **Allows complete and timely information on government cash resources:** In countries with advanced payment and settlement systems and an Integrated Financial Management Information System (IFMIS) with adequate interfaces with the banking system, this information will be available in real time. As a minimum, complete updated balances should be available daily.

VII. **Improves appropriation control:** The TSA ensures that the Ministry of Finance has full control over budget allocations, and strengthens the authority of the budget appropriation. When separate bank accounts are maintained, the result is often a fragmented system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extra-budgetary, measures.

VIII. **Enables efficient cash management:** A TSA facilitates regular monitoring of government cash balances. It also enables higher quality cash outturn analysis to be undertaken (e.g., identifying causal factors of variances and distinguishing causal factors from random variations in cash balances).

IX. **Facilitates efficient payment mechanisms:** A TSA ensures that there is no ambiguity regarding the volume or the location of the government funds, and makes it possible to monitor payment mechanisms precisely. It can result in substantially lower transaction costs because of economies of scale in processing payments. The establishment of a TSA is usually combined with elimination of the “float” in the banking and the payment systems, and the introduction of transparent fee and penalty structures for payment services. Many governments have achieved substantial reductions in their real cost of banking services by introducing a TSA.

### **Theoretical Framework**

The study adopted Agency Theory and Accountability theory.

#### **Agency theory**

Agency theory was propounded by Barley in 1973. The theory was further expanded by Jensen and Meckling in 1978. The agency theory resonates from the separation of ownership and control in Modern Corporation which creates a principal agent relationship. The principal agent relationship evokes transfer of trust and duty to the agent with the belief that the agent is opportunistic and will pursue interest including executive fraud, which antagonizes interest of the principal. The theory presumes tension between the agent and principal, necessitating the latter to put in place mechanisms that will constrain the latter from engaging in activities that are inimical to the existence of the organization (Tsegba and Upaa, 2015).

**Accountability Theory**

Vance, Lowry, and Egget propounded the accountability theory (Nwaorgu, Ezenwaka & Onuorah, 2017). Accountability involves the process in which an individual has a possible responsibility to give details of his actions to another person who has the power to give judgment on his actions and to order possible positive or negative penalty in response to them. Vance, Lowry, and Egget (2013) submitted that accountability theory gives details on how the seeming want explain one’s behaviours to another person making one to believe and feel accountable for the procedure by which decision making and verdict have been passed. In turn, this supposed want to account for a decision-making procedure, and result amplifies the likelihood that an individual would consider genuinely and analytically about one’s procedural behaviour.

Furthermore, Nwaorgu, Ezenwaka, and Onuorah (2017) noted that TSA is connected with accountability. It involves employing ICT to link all the accounts of MDAs to one central account with the CBN. Vance, Lowry, and Egget (2013) showed how accountability theory could be employed to bring the total implementation of TSA Policy. The TSA was installed to accomplished accountability in the operations of government businesses in the public sector.

**Empirical results on scaled responses using Questionnaire Structured Format.**

**Table 1: Response rates on the effect of TSA on financial leakages in revenue collection in Nigeria.**

Response Item		SA 5	A 4	U 3	SD 2	D 1	Total	Mean	SD
1 TSA is effective in curbing fraudulent	No:	184	137	20	13	21	375	4.2	6.58
	Os :	920	548	60	26	21	1575		
	%	49	37	5	3	6	100		
2 TSA has sufficiently blocked complex loopholes in your organization	No:	210	115	10	15	25	375	4.41	7.27
	Os :	1050	460	90	30	25	1655		
	%	56	31	2	4	7	100		
3 TSA facilitates effective cash management in your organization	No:	180	165	5	15	10	375	4.31	6.92
	Os :	900	660	15	30	10	1615		
	%	48	44	1	4	3	100		
4 TSA reduces incidence of misappropriation of public funds in your organization	No:	30	40	20	180	105	375	2.22	1.84
	Os :	150	160	60	360	105	835		
	%	8	11	5	48	28	100		
5 Diversion of funds is closely monitored and controlled via TSA	No:	167	163	20	9	16	375	4.22	9.74
	Os :	835	652	60	18	16	1581		
	%	45	43	5	3	4	100		
6 Accountability on financial appropriation of public funds is engendered by TSA	No:	175	145	15	15	25	375	4.34	3.79
	Os :	875	580	116	30	25	1626		
	%	47	39	4	4	7	100		
7 Adoption of TSA prevent accounting officers from tempering with public funds in organization	No:	105	40	20	180	30	375	3.03	3.42
	Os :	525	160	60	360	30	1135		
	%	28	11	5	48	8	100		

8	Financial linkages of funds have been curbed via TSA	No:	180	165	5	15	10	375		
		Os :	900	660	15	30	10	1615	4.31	6.92
		%	48	44	1	4	3	100		

Source: Field Survey, 2023.

Table 1 above shows the response rates on the effect of TSA on financial leakages in revenue collection in Nigeria as contained in questionnaire items ranging from 1 to 8, with their respective means score and standard deviation. The average (mean) value of each questionnaire item was gotten by dividing the overall score with the number of observations while the standard deviation measures spread or dispersion from the observations. Standard deviation also describes how individual values are located from and around the mean. Response rates on question 1 shows that 13 (3%) of the total respondents strongly disagree with the statement, 21 (6%) of the respondents disagree, 137 (37%) of the respondents agree and 184 (49%) of the respondents strongly agree that TSA was effective in curbing fraudulent, while 20 (5%) of the total respondents were undecided. From table 6 above, the mean and standard deviation of the overall score on the questionnaire item were 4.02 and 6.58 respectively.

Item 2 above shows that 15 (4%) of the total respondents strongly disagree with the statement, 25 (7%) of the respondents disagree, 115 (31%) of the respondents agree and 210 (56%) of the respondents strongly agree that TSA has sufficiently blocked complex loopholes in their organization, while 10 (2%) of the total respondents were undecided. From table 1 above, the mean and standard deviation of the overall score on the questionnaire item 2 were 4.41 and 7.27 respectively.

Response rate on item 3 above shows that 15 (4%) of the total respondents strongly disagree with the statement, 10 (3%) of the respondents disagree, 165 (44%) of the respondents agree and 180 (48%) of the respondents strongly agree that TSA facilitates effective cash management in your organization, while 5 (1%) of the total respondents were undecided. The mean and standard deviation of the overall score on the questionnaire item were 4.31 and 6.92 respectively. The results of the mean and standard deviation on their responses to item 3 affirmed that the TSA has the potentiality of enhancing effective cash management paradigm in their organization.

In responding to questionnaire item 4, it shows that 180 (48%) of the total respondents strongly disagree with the statement that TSA reduces incidence of misappropriation of public funds in their organization, 105 (28%) of the respondents disagree, 40 (11%) of the respondents strongly agree and 30 (8%) of the respondents strongly while 20 (5%) of the total respondents were undecided. The mean of the overall score on item 4 was 2.22 while the standard deviation was 1.84. The results of the mean and standard deviation on their responses on item 4 were relatively below 3.5 suggesting that lot still needs to be done in achieving optimal result bon the use of TSA.

Response rate on item 5 above shows that 9 (3%) of the total respondents strongly disagree with the statement, 16 (4%) of the respondents disagree, 163 (43%) of the respondents agree and 167 (45%) of the respondents strongly agree that diversion of funds is closely monitored and controlled via TSA, while 20 (5%) of the total respondents were undecided. From table 6 and item 5 above, the average (mean) and standard deviation of the overall score are 4.22 and 9.74 respectively.

Responses on item 6 above shows that 15 (4%) of the total respondents strongly disagree with the statement, 25 (7%) of the respondents disagree, 145 (39%) of the respondents agree and 175 (47%) of the respondents strongly agree that accountability on financial appropriation of public funds is engendered by TSA, while 15 (4%) of the total respondents were undecided. From their responses on item 6, the average (mean) and standard deviation of the overall score are 4.34 and 3.79 respectively.

More so, responses on item 7 above shows that 180 (48%) of the total respondents strongly disagree with the statement, 30 (8%) of the respondents disagree, 40 (11%) of the respondents agree, and 105 (52%) of the respondents strongly agree that Adoption of TSA prevent accounting officers from tempering with public funds in organization, while 20 (5%) of the total respondents were undecided. Given their responses on item 7, the mean and standard deviation of the overall score on the questionnaire item were 3.03 and 3.42 respectively.

Item 8 above shows that 15 (4%) of the total respondents strongly disagree with the statement, 10 (3%) of the respondents disagree, 165 (44%) of the respondents agree and 180 (48%) of the respondents strongly agree that financial linkages of funds have been curbed via TSA, while 5 (1%) of the total respondents were undecided while the mean and standard deviation on their scores were 4.31 and 6.92.

**Test of Hypothesis**

Step 1: Research Problem

What is the effect of TSA on the reduction of financial leakages in revenue collection of Nigerian custom service?

Step 2: Assumptions:

The test of this hypothesis is based on the assumption that (i) the sampling distributions are normal, and (ii) the sampling distribution are independent.

Step 3: Statement of Hypothesis:

H<sub>01</sub>: TSA has no significant effect on the reduction of financial leakages in revenue collection of Nigerian custom service.

H<sub>a1</sub>: TSA has a significant effect on the reduction of financial leakages in revenue collection of Nigerian custom service

Step 4: Data and computation.

**Table 9: Test of Hypothesis 1**

No	ΣX	ΣY	ΣXY	ΣX <sup>2</sup>	ΣY <sup>2</sup>
375	1393	1244	4713	5560	4530

Source: Field survey, 2023

Table 9 shows the summary of independent variable (X) and dependent variable (Y) computations needed to test hypothesis 1, as shown in Table 9. From Table 9 above, number of respondents = 375, ΣX = 1393, ΣY = 1244, ΣXY = 4713, ΣX<sup>2</sup> = 5560, and ΣY<sup>2</sup> = 4530, respectively.

$$r = \frac{n \sum XY - (\sum X)(\sum Y)}{\sqrt{(n \sum X^2 - (\sum X)^2)(n \sum Y^2 - (\sum Y)^2)}}$$

$$r = \frac{375(4713) - (1393)(1244)}{\sqrt{[(375 \times 5560 - 1940449)][(375 \times 4530 - 1547536)]}}$$

$$r = \frac{1767375 - 1732892}{\sqrt{(144551) \sqrt{(151214)}}$$

$$r = \frac{34483}{747840}$$

$$r = 0.46$$

$$\text{Coefficient of determination } (r^2) = 0.2116$$

Computation of t-value:

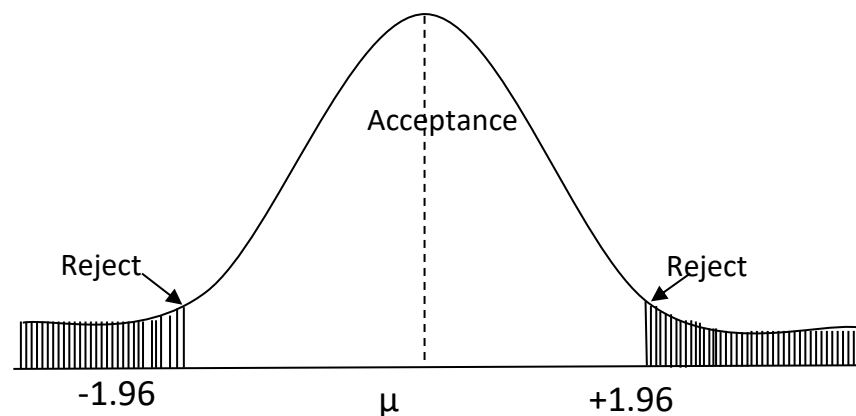
$$t_c = \frac{r \sqrt{n-2}}{\sqrt{1-r^2}}$$

$$t_c = \frac{0.46 \sqrt{375-2}}{\sqrt{1-0.2116}}$$

$$t_c = 10.005$$

For hypothesis One:  $r = 0.46$ ,  $r^2 = 0.2116$  and  $t_c = 10.005$

**Step 5: Decision Rule:** At 0.05 level of significance and degree of freedom, reject  $H_0$ , if the computed t-value is greater than the critical t-value or is less than the negative critical t-value.



**Figure 1:** Normal Distribution Curve showing Rejection and Acceptance Decision Regions for Hypothesis 1.

### Step 6: Decision:

At 0.05 level of significance and degree of freedom, the calculated t-value of 10.005 is greater than the critical t-value of 1.96, so the study rejects the null hypothesis that TSA has no significant effect on the reduction of financial leakages in revenue collection of Nigerian custom service and accepted the alternate hypothesis.

### Step 7: Interpretation

Given the result on the coefficient of determination ( $r^2 = 0.2116$ ) which shows 0.21% extent by which TSA have significantly affected the reduction of financial leakages in revenue collection in Nigerian custom service. The same was also affirmed given the correlation result of 0.46, though weak, suggesting a positive and significant relationship between TSA and reduction of financial leakages in revenue collection.

### Findings

From the analysis and test of hypotheses for this study, the following findings were made:

1. There is a significant relationship between the introduction of Treasury single Account and the reduction of financial leakages in the Nigerian custom service.

2. TSA has help promote transparency and accountability in the management of public funds in Nigerian custom service.

### **Recommendations**

From the findings and conclusion drawn, the following recommendations are made:

1. That the federal government through Central Bank of Nigeria should continue to explore the opportunities of Treasury Single Account (TSA) in checkmating fraud, funds diversion and every form of financial leakages in revenue collection in Nigeria. The socio-economic development of every country is wholly tied on its revenue base, therefore blocking loopholes and leakages would help in mobilizing enough financial resources for effective service delivery.

2. The result revealed that the use of TSA had promoted transparency and accountability in financial mobilization, appropriation and utilization by 57% significantly and thus recommended that the federal government should intensify her efforts in ensuring strict compliance of MDAs and other federal government agencies to Treasury Single Account policy (TSA) in fighting corruption. This is pertinent because the growing incidence of corruption would be ameliorated as every financial receipts and expenditure would be modulated effectively.

3. That the federal government should ensure that all legal framework, extant laws, cash management processes and policies, financial regulatory framework and the alike are put in place to guide the TSA operations. This can be achieved by orienting the relevant internal and external stakeholders before, during and after the commencement of the TSA scheme. The importance of the recommendation cannot be over-emphasized because it shall continue to curb financial misappropriation in the Public Sector in Nigeria.

4. Leadership is a key factor in the success of TSA policy. There should be strong willingness on the part of the leaders to ensure the success of the policy. This is because the policy can only achieve its intended goal if the leaders ensure its effective implementation.

5. TSA requires political will, determination and sincerity on the part of government so as to rise above the diverse challenges identified in order to achieve the expected benefits of the system through reduction in the cost of governance in Nigeria and revolutionize our society for better

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