

## Chapter One

### Introduction

#### 1.1 Background to the study

The adoption and full implementation of the Treasury Single Account (TSA) by any government, especially in a dwindling economy cannot be over-emphasized. Treasury single account (TSA) is a financial policy in use in several countries all over the world. It was proposed and partially implemented by the Federal Government of Nigeria in 2012 under the Jonathan Administration- and fully implemented by the Buhari Administration to consolidate all inflows from all agencies of government into a single account at the Central Bank of Nigeria. Efficient management and control of the government's cash resources rely on government banking arrangements. Nigeria, like many low-income countries, employed fragmented systems in handling government receipts and payments. Establishing a unified structure as recommended by IMF, where all government funds are collected in one account would reduce borrowing costs, extends credit and improved government's fiscal policy among other benefits to the government<sup>1</sup>.

A government lacking effective control over its cash resources can pay for its 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 these resources, incurs unnecessary borrowing costs on raising funds to cover a perceived cash shortage. Third, 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.

Establishing a unified structure of government bank accounts via a treasury single account (TSA) will solve these problems, improving cash management and control. It should, therefore, receive priority in any public financial management reform agenda. A TSA also facilitates better fiscal and monetary policy coordination as well as better reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information. Finally, the establishment of an effective TSA significantly reduces the debt servicing costs<sup>1</sup>.

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 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 to enhance reconciliation of revenue collection and payment<sup>2</sup>. He believes that The President of Nigeria, Muhammad Buhari's directive to all Federal Ministries, Departments and Agencies (MDAs) to start paying all government revenues, incomes and other receipts into a unified pool of single account with the Central Bank of Nigeria (CBN), is a bold and highly commendable move directed at one of the strongholds of corruption in the polity, public institutions<sup>2</sup>.

The Nigerian constitution posits that...

*“all revenues, or other monies raised or received by the Federation (not being revenues or other monies payable under this said constitution or any Act of the 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<sup>3</sup>.”*

Despite this, successive governments of Nigeria have continued to operate multiple accounts for the collection and disbursing of government revenues in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account.

According to the former A.G.F prior to TSA, Nigeria had fragmented banking arrangements for revenue and payment transactions. He stated that “There were more than 10,000 bank accounts in multiple banks, which made it impossible to establish government consolidated cash position at any point in time. It led to pockets of idle cash balances held in MDAs’ accounts when government was out borrowing money<sup>4</sup>.”

The idea of treasury single account came into being when some agencies refused to declare and remit the 25 percent of their annual revenue they generated to the treasury as demanded by law. In 2012 about N120 billion was forcefully collected by government from MDAs being 25 percent of their gross revenue to the treasury with another N34 billion collected in 2013. Before then, most of the MDAs were reluctant to remit the requested amounts by law to the treasury<sup>5</sup>.

Furthermore, it was common practice for agencies saddled with revenue generation to defraud the government by siphoning public funds through all sorts of bank accounts in their custody and unknown to the authorities. With all government revenues and receipts being pooled into the TSA, not only would it be difficult for this monumental fraud to continue without serious sanctions, but also it would afford government a glance at the daily funds pooled into the TSA by revenue generation agencies. TSA also has the advantage of blocking capital flight and other leakages that would ensue from the pockets of unauthorized foreign accounts; and thereby retain more revenue for the system.

Governments in Nigeria have never hesitated to place the educational sector in their priority list for development believing that every other sector depends on it to achieve growth and development. The Treasury Single Account policy involves all Federal Government Ministries, Departments and Agencies (MDAs) as players. Automatically, the Federal Government-owned universities fall under these categories in which the treasury single account is being implemented. There has been agitation over the years that there is a need to increase the budget allocation to the education sector because of the pivotal role education plays in the developmental process of the Nigerian economy. Budgets made by government for the sector is usually minimal compared to the universally accepted percentage as stipulated by United Nations Education and Scientific Cooperation (UNESCO). United Nations Education and Scientific Cooperation provide 26% of the total annual budget for developing countries like Nigeria<sup>6</sup>. He noted that Nigeria educational budget is 8% of total annual budget. Despite the agitation for upward review of budgetary allocation to the sector, it is common to discover that the yearly allocation to this sector is not often totally released; and where a percentage of it is released, it is usually delayed.

## **1.2 Statement of the Problem**

The directive by the President that all revenues due to the Federal Government or any of its agencies must be paid into the Treasury Single Account (TSA) or designated accounts maintained and operated in the Central Bank of Nigeria (CBN) has been described by many as a welcome development. It is seen as one of the very good measures adopted by the current administration in its fight against corruption.

“The TSA is 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 legion. 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 arrangements<sup>7</sup>.”

“The funding of education in Nigeria has declined over the years and the 2016 educational allocation is the lowest since 2011 and when releases of such funds are delayed, academic activities in institutions are affected<sup>8</sup>.” Because of the aforementioned, there is a yearly financial problem in the educational sector, most tertiary institutions fall back on their internally generated revenues to complement government funding in carrying out academic activities. This complementing source seems to be eroded with TSA implementation. It is, therefore, not out of place to perceive that the inclusion of public tertiary institutions in the implementation of TSA may have a negative effect on the administration of universities/polytechnics because of non-release of budgeted funds or undue delays in the release of approved funds.

In his reaction and protest against the inclusion of public universities in the implementation of Single Treasury Account, he posits that “the universities, by means of their operations and services should be regarded as peculiar establishments, which should not be treated as purely public services in function and should not be categorized as revenue-generating agencies. He opined that the implementation of TSA in the university system might distort effective functioning of the institutions since government allocations are hardly enough to carter for the needs of the institutions, he continued by saying that

universities collect third party funds for the provision of services, praying that this function should not be disrupted on account of TSA implementation<sup>9</sup>.”

Another fear about treasury single account implementation is the effect on the banking sector. “The liquidity in the banking sector will be affected. This is because once the banks collect government funds, such funds are immediately sent to TSA at the CBN. The free fund such banks normally enjoy will no longer be there<sup>10</sup>.” This will have an adverse effect on liquidity in the banking industry and end up putting pressure on interest rates and availability of credits to the economy, which the universities are part. In other words, the short term credits with low-interest rate that the universities previously enjoy will no longer be there because of liquidity problem in the banking industry.

Also, there is support for universities to expend whatever they realize as internally generated revenue<sup>11</sup>. Though the FRA is an Act of government, it tends to contradict the Treasury Single Account policy. This is because section 22 sub-section 1, stipulates that; government agencies can only remit 80% of their operating surplus of what is generated. The Federal Government, in defiance of the provision in this Act, included the universities in the implementation of TSA.

ASUU National President said in a meeting held at Owerri that the Federal Government must deliberate over the TSA policy with university representatives to make it workable. The TSA, introduced to block financial leakages and prevent mismanagement of government's revenue, unifies all government accounts through a single treasury account, enabling it to prevent revenue loss and mismanagement by revenue-generating agencies. He said universities cannot function without the financial autonomy that the TSA takes away. "There is no way any university can operate freely without having financial

autonomy and the union will fight against any plans to deny us such,” He explained further that the autonomy enables universities to make long and short term plans and taking it away will have consequences. “When government shifts funding responsibilities to university authorities, the implication will be enormous<sup>12</sup>.”

It will be recalled that ASUP National President had advised while addressing the press in Abuja that, President Buhari should provide a special consideration for educational institutions in the country as regards the TSA. According to him, if the revenue generated by tertiary institutions which are needed for their day-to-day running were to be remitted as prescribed by the TSA policy, the effect would be counterproductive<sup>13</sup>.

However, it is because of the aforementioned inherent challenges of financial leakages in the revenue generation; remittance; and absence of transparency, revenue loss as well as mismanagement by revenue-generating agencies, that the researcher undertakes to carry out this research.

### **1.3 Research Questions**

The following research questions shall serve as a guide to this study:

- i. Has the implementation of the Treasury Single Account (TSA) helped in prompt payment of expenditures in Federal tertiary institutions in Kwara State?
- ii. Has the implementation of the Treasury Single Account (TSA) aided revenue generation in Federal tertiary institutions in Kwara State?
- iii. To what extent is the Treasury Single Account (TSA) effective in blocking financial leakages in Federal tertiary institutions in Kwara State?

#### **1.4 Objectives of the Study**

The main purpose of this study is to examine how the Treasury Single Account (TSA) has helped in the management of financial resources in Federal tertiary institutions in Kwara State. Specific objectives were to:

- i. examine if implementation of Treasury Single Account (TSA) has helped in the prompt payment of expenditure in Federal tertiary institutions in Kwara State;
- ii. examine if the implementation of the Treasury Single Account (TSA) has aided revenue generation in Federal tertiary institutions in Kwara State; and
- iii. evaluate the extent to which the implementation of the Treasury Single Account (TSA) is effective in blocking financial leakages in Federal tertiary institutions in Kwara State?

#### **1.5 Hypotheses**

The following hypotheses were raised:

H<sub>01</sub>: implementation of Treasury Single Account (TSA) has not helped in the prompt payment of expenditure in Federal tertiary institutions in Kwara State.

H<sub>02</sub>: implementation of Treasury Single Account (TSA) has not aided revenue generation in Federal tertiary institutions in Kwara State.

H<sub>03</sub>: Treasury Single Account (TSA) is not effective in blocking financial leakages in Federal tertiary institutions in Kwara State.

## **1.6 Scope of the Study**

This study is undertaken to examine how Treasury Single Account (TSA) has helped in the management of financial resources in Federal tertiary institutions in Kwara State, with a particular focus on University of Ilorin, located in Ilorin, and The Federal Polytechnic Offa, located in Offa, both in Kwara State, Nigeria. It aims at determining to what extent the implementation of TSA can enhance prompt payment of expenditures in tertiary institutions to avoid or reduce poor financial performance, to also ascertain if TSA has aided revenue generation. It also looked at how the implementation of TSA has effectively blocked financial leakages. The study covered the periods between 2012 when it was proposed under Jonathan's Administration to 2016 when it was implemented during Buhari's Administration, although TSA has been in existence long before then, but this is the period when the concept became popular in Nigeria.

## **1.7 Significance of the Study**

If this study is applied, it will go a long way to enlighten the general public on the benefits of the Treasury Single Account to the economy of the country. The outcome of this research will serve as an input to policy-makers in decision making concerning the management of public finance.

The outcome of this study will be of great benefit to the Federal Government in the sense that, it will shed more light on the need or otherwise of the inclusion of tertiary institutions in the TSA implementation. The State Governments will equally benefit from this work when they intend to implement TSA in the future. This is because of the hasty nature of implementation of the policy by the Federal Government without much analysis

of the implications of inclusion of all government agencies. Moreover, this study is expected to be of great benefit to tertiary institutions affected by their inclusion in TSA implementation to the extent that the positive or negative implications of their inclusion will be revealed. This will therefore help them to make appropriate decisions that will help them fortify their revenue sources. Another group of people that will benefit from this study is the scholarly group which comprises researchers that will be interested in this area in the future as well as students. It is believed that the information contained herein will be of tremendous benefit to them by giving them insights and guidance for further research.

### **1.8 Limitation to the Study**

Research works are usually not free of some limiting factors. This study is also not an exception. Those that are peculiar to this study include the following:

- a) It is not all questionnaires that were returned on scheduled call backs and it could not cover all research sections.
- b) The study is selective as it does not take a look at other tertiary institutions in Kwara State.
- c) The attitude of respondents characteristically viewed the intention of the researcher with suspicion and fear hence, some refused the questionnaire outrightly while others gave unrealistic answers.
- d) Time Constraint: Since the research work is under a time specification for submission and the demanding nature of the respondents' jobs, they might not have time to properly fill the questionnaires.

## 1.9 Operational Definition of Terms

Some keywords and concepts that have been used frequently in the course of this research work have been defined below as sub-headings to ensure proper and easy understanding.

**Treasury Single Account:** Treasury Single Account (TSA) is a public accounting system under which all government revenue, receipts and income are collected into one account usually maintained by the country's Central Bank. As well, all payments are effected through this same account.

**Public Financial Management:** Public Financial Management (PFM) refers to the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilize revenue, allocate public funds, undertake public spending, account for funds and audit results.

**Central Bank:** A national bank that provides financial and banking services for its country's government and commercial banking system, as well as implementing the government's monetary policy and issuing currency.

**Deposit Money Banks:** Deposit Money Banks (DMBs) are resident depository corporations and quasi-corporations which have any liabilities in the form of deposits payable on demand, transferable by cheque or otherwise usable for making payments.

**Treasury:** This is a place where the funds of the government, of a corporation, or the like are deposited, kept, and disbursed.

**Tertiary Institution:** This is an institution with higher learning that provides education for people from aged 16 and older, it can be university, polytechnic, college of education, university of science and technology.

**Ministry of Finance:** The Ministry of Finance is the government body that manages the finances of a State or Federal Government.

**Federal Government:** A federal government is a system of government that divides the power between a larger central government and the local and regional governments beneath it. In Nigeria, the federal government's powers were established by the Constitution.

**Constitution:** This is the basic principles and laws of a nation, state, or social group that determine the powers and duties of the government and guarantee certain rights to the people in it or a written instrument embodying the rules of a political or social organization.

**Revenue:** Revenues earned by the government are received from sources such as taxes levied on the incomes and wealth accumulation of individuals and corporations and the goods and services produced exports and imports, non-taxable sources such as government-owned corporations' incomes, central bank revenue and capital.

**Funds:** Funds are amounts of money that are available to be spent, especially money that is given to a government, an organization or person for a particular purpose.

**Idle Cash/Funds:** Money which has not been invested into any interest-earning vehicles and is earning no income for the owner. Money deposited into a no-interest current account would be one example of this concept.

**Consolidated Revenue Fund:** The Consolidated Revenue Fund is an account that is owned and managed by the Federal Government, where all its revenues are paid.

**Accountant General of the Federation (AGF):** The Accountant General of the Federation is the administrative head of the treasury of the Federal Republic of Nigeria. The office holder is often appointed by the President of Nigeria to serve a four years term following the constitution of the federal republic of Nigeria. The office was established in 1988 under the Civil Services reorganization Decree No. 43 of the constitution of Nigeria.

**Economy:** An economy is the system according to which the money, industry, and trade of a country or region are organized. Economy is the use of the minimum amount of money, time, or other resources needed to achieve something so that nothing is wasted.

**Fiscal Policy:** Fiscal policy is how a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. It is the sister strategy to monetary policy through which a central bank influences a nation's money supply.

**Borrowing Cost:** Borrowing cost can be defined as interest and other costs incurred by an enterprise in relation to the borrowing of funds, borrowing cost also refers to the expense of taking out a loan, expenses like interest payments incurred from a loan or any other kind of borrowing.

**Cash Management:** Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments.

**Remita:** It is a payment gateway adopted by the Federal Government for its Treasury Single Account (TSA) policy, to avoid strenuous processes, one can pay for licenses renewals, school fees, PHCN/NEPA bills, FIRS Taxes, Corporate Affairs Commission, NYSC fees etc with Remita easily.

**Excess Crude Account (ECA):** Excess Crude Account (ECA) is the name of a Nigerian government account that was created to save revenues above the budgetary benchmark price that were generated from the sale of oil. Established in 2004, the ECA's primary objective was to protect Nigeria's planned budgets against shortfalls caused by the volatility of crude oil prices. By detaching government expenditures from oil revenues, the Excess Crude Account aimed to insulate the Nigerian economy from external economic shocks. It sought to protect public expenditure from being patterned on the boom-and-bust cycle of the international oil market.

**Real-time Gross Settlement (RTGS):** Real-time gross settlement (RTGS) is the continuous process of settling payments on an individual order basis without netting debits with credits across the books of a central bank (e.g., bundling transactions). Once completed, real-time gross settlement payments are final and irrevocable.

**Integrated Financial Management Information System (IFMIS):** An IFMIS is an information system that tracks financial events and summarizes financial information. In the private sector, such systems provide critical support for management and budget decisions, fiduciary responsibilities, and the preparation of financial reports and statements.

**Extra Budgetary:** The term extra-budgetary funds generally refers to public resources and government transactions that are not included in the annual budget or are not subject to the same general level of reporting, regulation, or audit as other public finance items.

**Gross Domestic Product (GDP):** Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health.

## Endnotes

- <sup>1</sup>Sailendra Pattanayak, and Israel Fainboim, *Treasury single account, Concept, design and implementation issues*, (IMF Working papers 2010): 143, no.10: 1-47.
- <sup>2</sup>Adeolu Akande, *Understanding the Treasury Single Account (TSA) System Things You Should Know*, (Business & Economy, Market Development 1. 2015).
- <sup>3</sup>*Section 80, (1) of the Nigerian Constitution (1999 as amended) Federal Government of Nigeria.*
- <sup>4</sup>Eze Onyekpere, *Treasury Single Account: Giving Life to Jonathan's Dead Policy Directives*, (The Guardian, August 8. [www.ngrguardiannews.com](http://www.ngrguardiannews.com) 2015): Accessed June 4, 2019
- <sup>5</sup>Nwankwo S.N.P, *Transition to Treasury Single Account (TSA) Scheme in Nigeria; Issues, Challenges and Prospects*, (International Journal of Innovative Finance and Economics Research 5(2):21-23. April-June 2017. [www.seahipaj.org](http://www.seahipaj.org)) Accessed April15, 2019.
- <sup>6</sup> Mathew Akindele, *Financial allocation to education: Trends, issues and way forward in Nigeria*, (Journal Plus Education 2016): 14, no. 1: 227-242.
- <sup>7</sup>Michael Jegede, *Buhari and the Treasury Single Account*, (May 8, 2015 [www.pmnewsnigeria.com](http://www.pmnewsnigeria.com)): Accessed May 2, 2019.
- <sup>8</sup>Ayodeji Omole, *Funding higher education in Nigeria, A pragmatic proposal for the Polytechnic Ibadan*, (working paper no.1006. 2016), prepared for the Governing Board.
- <sup>9</sup>Micheal Faborode, *An assessment of the treasury single account policy on Nigeria economy*, (Social Sciences Journal of Policy Review and Development strategies 2. 2015): no. 1: 74-82, Accessed July1, 2019.
- <sup>10</sup>Okechukwu Eme, Daniel Chukwurah, and Emmanuel Iheanacho, *An analysis of pros and cons treasury single account policy in Nigeria*, (Arabian Journal of Business and Management Review 2015): 5, no. 4: 20-39, Accessed June 25, 2019.
- <sup>11</sup>*The Fiscal Responsibility Act (FRA) 2007, Federal Government of Nigeria.*
- <sup>12</sup>Nasir Fagge, *Treasury Single Account ASUU questions Buhari's TSA policy, warns of implications*, (ASUU NEC Meeting. [www.pulse.ng.com](http://www.pulse.ng.com) September 14, 2015): Accessed April15, 2019.
- <sup>13</sup>Chibuzor Asomugha, *Buhari's TSA is not good for Nigeria's tertiary institutions*, ([www.pulse.ng.com](http://www.pulse.ng.com) September 24, 2015): Accessed April15, 2019.

## **Chapter Two**

### **Review of Related Literature**

This chapter is divided into three parts; the conceptual clarification which critically spelt out the relationship between the independent and dependent variables under investigation, the theoretical framework regarding Treasury Single Account (TSA) and, the empirical review of related literatures, which shows various previous studies about TSA and its effect on tertiary institutions.

#### **2.1 Conceptual Review**

##### **2.1.1 Concept of Treasury Single Account**

A Treasury Single Account (TSA) is a public accounting system under which all government revenue, receipts and income are collected into one account usually maintained by the country's Central Bank. As well, all payments are effected through this same account<sup>14</sup>.

Treasury Single Account was defined as “a unified structure of government bank accounts enabling consolidation and optimum utilisation of government cash resources”. In their submission, “a Treasury Single Account transacts all its receipts and payments and gets a consolidated view of its cash position at the end of each day”. In their words, the TSA is “a banking arrangement for government transactions which is based on the principle of fungibility of all cash irrespective of its end use<sup>15</sup>.”

Treasury Single Account (TSA) can also be defined “as a unified arrangement which enhances the inter-changeability of all the government cash resources, and implies that no

other government agency should be allowed to operate bank accounts without the oversight of the treasury<sup>16</sup>.” He stated that the TSA is comprehensive and encompasses all government cash. He is however of the opinion that, TSA does not have a “single model or design”. He stressed that the implementation in each country depends on the stage of development and quality of its public institutions and financial management system, its technological development and communication infrastructures and the degree of maturity of its banking system. Public monies irrespective of whether the corresponding cash flows are subject to budgetary control or not should be brought under the direct control of government. Government banking should be unified to give room for control by the Accountant-general of the Federation and the Ministry of Finance.

Treasury Single Account (TSA) refers to “a public accounting system using a single account or a set of linked accounts by government to ensure all revenue receipts and payments are done through a Consolidated Revenue Account (CRA) of the Central Bank of Nigeria.” He noted that all government ministries, departments and agencies are expected, under the TSA arrangement, “to remit their revenue collections to the CRA through their deposit money banks on a fee-for-service remuneration basis<sup>17</sup>.” Deposit money banks (DMBs) are allowed to maintain revenue collection accounts for MDAs, that all such collections must be remitted to the CRA at the end of every banking day which means the MDAs accounts with DMBs must be zero balance at the end of every banking day. He also emphasised that TSA “allows government banking to be unified, to enable the relevant stakeholders, such as Ministry of Finance and Accountant General of the Federation to have full oversight of all cash flows across the different accounts”. Under the TSA policy, depositors make payment to a transit account in a commercial

bank and they are automatically remitted to the CRA at the CBN at regular intervals, say at the end of every business day or more frequent intervals.

It was opined that Treasury Single Account is “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 payment and gets a consolidated view of its cash position at any given time<sup>18</sup>”. He emphasised that a TSA is a prerequisite for modern cash management and is an effective tool for ministry of finance/ treasury to establish oversight and centralised control on government resources<sup>18</sup>. Treasury Single Account, therefore, enhances the overall effectiveness of a public financial management system.

Treasury Single Account (TSA) is seen as “a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash recourses. 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 time<sup>10</sup>.”

Moreover, Treasury Single Account was defined as “one of the financial policies implemented by the government to consolidate all the revenues from all the ministries, departments and agencies (MDAs) in the country by way of deposit into commercial banks traceable into a single account at the Central Bank of the country<sup>22</sup>”. TSA policy is introduced to “reduce the proliferation of bank accounts operated by MDAs and also to promote transparency and accountability among all organisations of government<sup>19</sup>.”

Treasury Single Account (TSA) is seen as “the Federal Government independent revenue e-collection initiative that will automate revenue collections of Ministries, Departments and Agencies (MDAs) directly into Federal Government Consolidated Revenue Fund (CRF) account at the CBN through the Remita e-collection platform and other electronic payment channel<sup>20</sup>.” The adoption of TSA will, therefore, involve retail banking which commercial banks can perform. This includes collection of taxes, levies and disbursement of funds as well as payment of salaries to civil servants.

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 maintenance of a single account will help ensure proper cash management by eliminating idle funds usually left with different commercial banks and also enhance reconciliation of revenue e-collection and payment<sup>21</sup>.

The Revenue Mobilization and Fiscal Commission released an audit report which indicted some banks for withholding about N12b revenue collected on behalf of the Nigerian Customs Service and Federal Inland Revenue Service. The institutionalization of TSA helps the money depositing banks over their proliferated and chain of activities which they perform. It includes disbursements of funds and collection of taxes/levies as well as the remuneration of civil servants. Some substantive government agencies maintain proliferated bank accounts in the collection and spending of revenues, thereby disregarding the provision of the constitution which requires the remittance of all the revenues into one account. The CBN kept and maintained a Consolidated Revenue

Account to receive all revenue of the government from all sources as well make payments through this account.

All MDAs and extra ministerial departments are required to remit money collected in this account through the Deposit Money Banks (DMBs) who are the collection agents. Although, DMBs will still keep revenue accounts for MDAs and extra ministerial departments but all the treasuries collected by the money depositing banks shall be paid to the CRF maintained with the CBN daily. Also, ministries, departments and agencies and extra ministerial departments cash balance with the money deposit banks will have nil balance daily by remitting all the treasuries collected to the TSA. This as a result restricts money depositing banks from having access to multiple deposits resulting from multiple accounts<sup>22</sup>.

A full-fledged TSA shares three essential features:

1. First, the government banking arrangement should be unified, to enable ministry of finance (MOF) (or treasury) oversight of government cash flows in and out of these bank accounts. A unified structure of government bank accounts allows complete fungibility of all cash resources, including on a real-time basis if electronic banking is in place. The TSA structure can contain ledger sub-accounts in a single banking institution (not necessarily a central bank) and can accommodate external zero-balance accounts (ZBAs) in some deposit money banks.
2. Second, no other government agency operates bank accounts outside the oversight of the treasury. Options for accessing and operating the TSA are mainly dependent

upon institutional structures and payment settlement systems (see the section 2.1.5 on Transaction Processing under a TSA System).

3. Third, the consolidation of government cash resources should be comprehensive and encompass all government cash resources, both budgetary and extra-budgetary. This means that all public monies irrespective of whether the corresponding cash flows are subject to budgetary control or not (e.g., in the case of reserve funds, earmarked funds and other off-budget/extra-budgetary funds) should be brought under the control of the TSA. The cash balance in the TSA main account is maintained at a level<sup>23</sup>.

### **2.1.2 History of Treasury Single Account in Nigeria**

Treasury Single Account, as a public accounting system, aims to ensure accountability in government earnings (revenue), enhance transparency and to avoid misapplication of government funds. Treasury Single Account is the product of the 1999 Constitution which stipulates that “all revenues or other monies raised or received by the Federal Government (not being revenue or other money payable under the 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<sup>3</sup>.”

The treasury single account dates back to 1954 Lyttleton constitution which conferred the status of a federation on Nigeria in which the federal government has always been mandated to operate a single revenue account for the country. The constitutional provision for single account right from 1954 notwithstanding, successive administrations have been breaking the law by operating multiple accounts<sup>24</sup>.

The TSA policy was first recommended by the Federal Government's Economic Reform and Governance (ERG) Programme in 2004. Also, the TSA is a part of the public financial management (PFM) reforms which falls under Pillar 3 of the National Strategy for Public Service Reforms towards Vision 20:20 to address impediments to effective and efficient cash management. The government embraced electronic payment (e-payment) system for all financial transaction in 2008. Consequently, the Accountant General of the Federation issued a treasury circular for its take-off on January 1, 2009, in all MDAs<sup>25</sup>.

Treasury Single Account in Nigeria became operational in 2012 under President Goodluck Jonathan. But not much was known about it until 2015 when President Muhammadu Buhari took over the reins of governance and the full-fledged implementation of TSA took effect with all the Federal Government Ministries, Department and Agencies. Prior to the full-fledged introduction and implementation of TSA, Nigeria paraded fragmented multiple banking systems for her inflows and outflows<sup>26</sup>. The TSA, a single pool for harvesting revenue inflows of MDAs was not Buhari's idea. It was conceived by the immediate administration of President Goodluck Jonathan, but it remained a mere policy on paper due to lack of political will on the part of past administration to enforce it<sup>10</sup>. TSA was in line with a series of treasury reforms, which began in 2012, aimed at ensuring transparency and accountability in the management of the nation's finances.

Former Senior Special Assistant to the Vice President on Media and Publicity mentioned that; “all receipts due to the Federal Government or any of its agencies must be paid into TSA or designated accounts maintained and operated in the Central Bank of Nigeria (CBN), except otherwise expressly approved. The presidential directive, in the view of analysts, would end the previous public accounting situation of several fragmented

accounts for government revenues, incomes and receipts, which in the recent past has meant the loss or leakages of legitimate income meant for the federation account. President Buhari had earlier promised state governors at the inaugural meeting of the National Economic Council (NEC), in June, that all revenues prescribed for lodgement into the federation account will be treated as such under his watch and that he will ensure strict compliance with all relevant laws on accounting, allocation and disbursement<sup>27</sup>.

Since then the presidency has worked with relevant agencies of the federal government to evolve this policy directive. This directive applies to all fully funded organs of government including federal tertiary institutions. For any agency that is fully or partially self-funding, Sub-Accounts linked to TSA are to be maintained at CBN and the accounting system will be configured to allow them access to funds based on their approved budgetary provisions.

In November 2013, The Central Bank of Nigeria (CBN) called for an urgent implementation of the Treasury Single Account (TSA) in order to properly manage the country's revenue.

In countries with fragmented government banking arrangement, the establishment of a TSA receives priority in the public financial management reform agenda". The CBN lamented that the "erosion of the fiscal buffers through the depletion of the Excess Crude Account (ECA) has further exposed the economy to vulnerabilities while the fall in oil revenue has left capital inflows as the only source of external reserves accretions<sup>10</sup>." It also expressed concern that the federal government's debt had also risen phenomenally along with its deposits at the deposit money banks. This, it said, showed the federal government as a net creditor to the system. "This underscores the urgent need for the immediate implementation of the Treasury Single Account. The continued delay in

returning government accounts to the Central Bank is adding to the huge cost of government debt due to poor cash flow management<sup>10</sup>.”

Early in the year 2015, the Office of the Accountant -General of the Federation (OAGF) directed all Ministries, Departments and Agencies (MDAs) of the Federal Government yet to comply with the Treasury Single Account (TSA) regime domiciled at the Central Bank of Nigeria (CBN) to embrace the policy not later than 15th September 2015. By implication, the MDAs were directed to close all the revenue accounts they maintain in different Banks in the country and transfer the proceeds to the TSA.

This no doubt was a move to actualize the promise by the then federal government through the former Coordinating Minister of the Economy and Minister of Finance, Dr. Okonjo-Iweala in October, 2015 to block avenues of revenue leakages to shore up government revenue in the face of dwindling earnings due to falling oil prices.

### **2.1.3 Treasury Single Account Implementation**

The main purpose of TSA implementation is to maximize the use of cash resources through concentration and reduction in float costs. The TSA solutions are designed to capture detailed information about the government’s cash resources and spending on a daily basis. However, it is not enough to simply capture timely information on cash balances and flows, if balances are not immediately available to the Treasury (because of a lack of formal authority, or due to lengthy accounting and transfers/payment processes).

Also, the ability to forecast cash inflows and outflows and resultant balances on the TSA is essential in improving cash management. It should be noted that the FMIS platforms can provide reliable information through properly designed TSA interfaces on most of these key aspects. There are some ways to implement the TSA depending on country-

specific conditions (regulations, banking system, and electronic payment system (EPS) arrangements.). In many countries, “centralized TSA operation” is preferred to monitor the daily collections and spending promptly and cost-effectively. In order to achieve this, a reliable TSA infrastructure needs to be established before the implementation of FMIS solutions (it is usually more difficult and costly to introduce TSA after the development of FMIS), based on a mutually agreed TSA Protocol (between the CT and the CB).

#### **2.1.4 Structure of Treasury Single Account (TSA)**

Treasury Single Account can be grouped into the following structure:

- a) A purely centralized arrangement is one in which all revenue and expenditure transactions of the government pass through a single account generally maintained with the central bank.
- b) At the other extreme, a TSA could be virtually operational even through line agencies down to the lowest level in the organizational hierarchy are allowed to retain separate transaction accounts in the banking system. However, in the latter case, balances in all transaction accounts should be swept into the TSA main account at the end of each day by way of auto-sweep.
- c) In some countries, the TSA is composed of a single bank account (sometimes with subsidiary ledger accounts) at the central bank, which is operated either by a centralized authority (such as the treasury and its regional units) or by a number of budget institutions. In the latter case, each budget institution’s transactions are tracked, accounted for, and managed through a well-developed general ledger system.

d) On the other hand, there are countries like Sweden that have several linked bank accounts outside the TSA main account with their balances automatically swept off at the end of each day. Individual line agencies (including de-concentrated units) are allowed to have separate transaction accounts and operate them. The TSA in this case is organized along the following lines:

- i. accounts for individual spending agencies are opened either at the central bank or with commercial banks; in both cases, the accounts must be authorized by the minister of finance.
- ii. these accounts are zero balance accounts, with money being transferred to the accounts as specific approved payments are made.
- iii. the balances in the accounts are automatically swept at the end of each day (where the banking infrastructure allows daily clearing) to the TSA main account.
- iv. the central bank consolidates the balances in all the government accounts at the end of each day. Special ledger arrangements may be required in cases where the authority to operate the government bank accounts is centralized, particularly if some entities have the legal authority to retain self-generated funds, or if there are legal requirements that the funds of social security institutions be maintained separately from other funds.

Sometimes, multilateral and/or bilateral donors, even if they agree to manage their aid resources through the TSA, may request that such arrangements be set up to ring-fence the loans or grants they provide. This would require sub-accounts within the TSA and/or the development of a comprehensive treasury ledger system to track, account for, and report on specific flows through the bank accounts.

### 2.1.5 Transaction Processing under a Treasury Single Account System

One key question is how the consolidation of cash balances through a TSA will interface with transaction processing and accounting systems, the latter being either centralized or decentralized. Issues related to cash management should not be confused with issues related to the distribution of responsibilities for accounting control and administration of the payment system. A TSA can operate with both centralized and decentralized (or de-concentrated) transaction processing and accounting control systems. However, the feasibility of implementation depends on the level of technological development of the banking sector and the government, including an Integrated Financial Management Information System (IFMIS) and a reliable communications network. Poor banking and technological infrastructure in some developing countries and Low-Income Country (LICs) is sometimes an obstacle to combining consolidation of cash balances with decentralization of payment processing. In countries with an underdeveloped banking infrastructure, daily clearing of accounts with various banks could be more difficult than daily settlement within a set of accounts at the central bank. Maintaining a large number of accounts at commercial banks could also hinder the implementation of appropriate clearing and consolidation procedures.

There are two primary transaction processing models, each of which could be associated with either the centralized or distributed TSA architecture.

- i. The first model is based on *centralized transaction processing*. This implies, a concentration of authority at the treasury to process transactions, access, and operates the TSA. In this case, the treasury (supplemented in some countries by a network of regional treasuries) provides payment services for spending agencies

and has the exclusive authority to operate the TSA, including its regional treasury subaccounts.

The budget institutions submit their payment requests to the centralized authority/treasury before making payments. Such a transaction processing model could be associated with either the centralized (e.g., Brazil and France) or the distributed TSA structure (e.g., the United Kingdom). In both cases, only the centralized authority/treasury operates the TSA main account and transaction accounts. There could be separate transaction accounts for each regional treasury unit and/or individual budget institutions.

- ii.* The second model is associated with *decentralized payment and accounting systems*. In this case, each budget institution processes its transactions during budget execution and directly operates the respective bank account under a TSA system. Such a transaction processing model could be associated with either the centralized (e.g., India, where a single bank account at the Reserve Bank of India, the central bank, is supplemented by subsidiary ledger accounts to record and control payments attributable to individual line ministries) or the distributed TSA structure (e.g., Sweden, where each decentralized budget institution has one or more transaction accounts at one more banks). Combining the options of the decentralized TSA structure and the decentralized transaction processing model would, however, require an efficient and reliable communication network and interbank settlement system for netting of balances of several transaction accounts with the TSA main account.

### **Centralized model**

Under this model, requests for payments are prepared by individual budget agencies and sent to a central treasury payment unit for control and execution. The central payment unit

manages the float of outstanding invoices. This model may create a useful synergy between cash management on the one hand, and expenditure control and transaction accounting on the other hand. However, the centralization of expenditure transaction processing can also lead to inefficiencies, including high transaction costs, and the potential for corruption in countries where the control systems are inadequate. Another issue that needs to be considered is whether the authorization of commitments is centralized or decentralized to individual spending agencies. In the latter case, if the commitment control and payment systems are not well integrated (i.e., if commitments are entered into by spending agencies well beyond the authorized cash profile that serves as the basis to process payments when the commitments mature), payment arrears may occur.

Although in this model the payment and accounting functions are centralized, individual spending agencies are treated as distinct accounting entities through a treasury ledger system. Therefore, information on the individual ledger accounts of the spending agencies (including information on their respective transactions) is maintained and controlled internally by the treasury and thus not visible to the banking system. Under this model, only the treasury central unit deals with the commercial banks, making payments from the TSA and receiving collected revenues into the TSA.

The central unit processes and records all inflows and outflows and cash balances to the appropriate ledger account. However, some part of budgetary accounting could still be the responsibility of the respective spending agencies (particularly when commitment control is decentralized) and, therefore, clear procedures should be in place to harmonize (and reconcile) the accounts maintained both by individual spending agencies and the central payment unit.

### **Decentralized model**

Under this model, individual budget agencies process and make payments directly to suppliers and account for these transactions through a TSA system. Modern technology allows electronic links between spending agencies, the central bank, the commercial banks, and the treasury. The treasury sets the cash limits monthly or quarterly for the total amount of disbursements to be made by a particular budget agency, but does not control individual transactions. The authority to make commitments is granted to the budget agencies periodically (generally each quarter) by the budget office, and cash limits are set by the treasury, often on a monthly basis. This is a model of centralized cash control, but decentralized responsibility for commitments, payments, and accounting. This model makes the spending agency responsible for internal control and management while keeping central control of cash through the TSA.

An example of a decentralized model is one that combines TSA sub-accounts for line ministries and zero-balance accounts for individual spending agencies within each line ministry. Under this variant, the ministries/departments maintain sub-accounts of the TSA at the central bank. Various sub-accounts may be set up for different institutional types and each may have different operating rules. Cash limits should be set for each spending entity.

On the other hand, individual spending agencies within a parent ministry/department have zero-balance transaction accounts authorized by the treasury, generally in commercial banks, which are automatically swept at the end of each day (if the banking sector can do this). Cash is transferred as specific payments are approved (or daily credit limits negotiated). At the end of the day, the central bank records the cash to the appropriate

major institution subaccount in the central bank so that a balance of all government accounts incorporating the TSA can be seen.

Under the decentralized model, the process of sweeping a large number of bank accounts, especially if these are in different banks, may pose a challenge and errors may result. Daily sweepings are difficult to manage because of the staff time required to ascertain how much cash to return the following day to cover payments that, for some reason, were not processed on the expected day. To work efficiently, this model requires fast electronic clearing of payments and ideally a Real Time Gross Settlement System (RTGS).

The efficiency of each model, including its capability for immediate reporting, is dependent on the availability of revenue and expenditure information at different stages of the budget execution cycle. In a manual environment, the centralized model would have the capability for immediate reporting on payments and expenditure. However, information on outstanding commitments and payables (which is needed for cash planning and management) may still not be available centrally if such information is maintained by respective spending agencies. In a computerized environment, particularly in cases where a comprehensive Integrated Financial Management Information System (IFMIS) has been implemented, tracking of transactions at different stages of the budget execution cycle and reporting on them should not be a problem irrespective of whether a centralized or decentralized model is selected.

There are also other more decentralized models, which in practice cannot be considered TSA models. For instance, in some countries, budget institutions maintain their bank accounts in the central bank or a commercial bank to which cash transfers are made from the central bank. These transfers are recorded as expenditures even if payment to the final beneficiaries takes place at a later stage, implying that funds can remain in the respective

institution's bank account for a significant period. Because this model permits the maintenance of idle balances in bank accounts, it is not a TSA.

### **2.1.6 Establishing the Treasury Single Account**

#### **a) Design**

The following key parameters influence the design of the Treasury Single Account in a country

- i. The state of development of the country's banking system, including available banking technologies and geographical coverage.
- ii. The preferred degree of centralization (or decentralization) of transaction processing.
- iii. The need for agency-specific transaction accounts.
- iv. The need for transit accounts (particularly for collection of main revenue streams).
- v. The required interface between transaction processing/accounting and the TSA system.
- vi. Bank reconciliation procedures.
- vii. The prevailing interbank settlement and clearing systems.
- viii. Required changes to the chart of accounts/treasury ledger system and associated accounting processes and procedures.

More specifically, the following questions/issues need to be addressed while designing a TSA and sequencing its implementation:

- a. Whether revenue-specific separate bank accounts should be set up for the major sources of government revenue and customs receipts? This is a normal practice in

many countries with broad-based revenue collection arrangements such as the use of the commercial banking network for the purpose.

- b. Whether there is a need to have transit accounts other than for revenue collection.
- c. Whether a daily settlement between the ZBAs of budget institutions and the TSA main account would be technically feasible. As mentioned above, this would depend upon the technology used for interbank settlements and the system used by the central bank for clearing of collections and payments with the commercial banks.
- d. What should be the distribution of roles and responsibilities (between ministries, spending agencies, commercial banks, the central bank and the treasury) and reporting arrangement for bank reconciliation under the TSA arrangement?
- e. Whether there should be special arrangements—cash safes and impresses, for remotely located budget institutions without access to the banking network.
- f. What should be the appropriate interface between the TSA and the transaction processing/accounting systems, the latter being either manual or electronic?
- g. What specific procedures for processing, recording, and reporting of transactions should be developed, to enable the consolidation of fiscal data at agency, department, and whole-of-government levels once agencies' cash-holding bank accounts are closed to implement the TSA (as a consequence of which inter-departmental and inter-agency transactions will be treated as nonbank transactions)?
- h. What accounting arrangements need to be established to integrate the cash balances of legally constituted extra-budgetary funds into the **Treasury Single**

**account** structure, and allow the government to maintain the distinct accounting identity of these funds?

- i. What would be the appropriate strategy for obtaining payment processing and revenue remittance services from commercial banks on a remuneration basis?

**b) Preconditions**

Governments should take into account the preconditions for establishing a Treasury Single Account. Unless these are in place, the implementation of the Treasury Single Account is unlikely to be successful, as the experience of many countries demonstrates. While some of these preconditions are critical and should be addressed upfront, progress on others can take place in tandem with the introduction of the Treasury Single Account. Successful implementation of a Treasury Single Account also requires sound treasury systems and processes. It is, therefore, important to look at Treasury Single Account and treasury reforms as one integrated package.

There are at least seven key preconditions for establishing a Treasury Single Account:

- i. *Preparing an inventory of existing bank accounts.* In countries with a fragmented government banking arrangement, the process of establishing a Treasury Single Account should start with a census of the existing bank accounts of all government entities. Following the census, a complete inventory of government accounts should be prepared (including their nature, type, and cash balances). This would facilitate identifying bank accounts for eventual closure/merger with the TSA.
- ii. *Political support.* Establishing a Treasury Single Account can require hard decisions, such as closing the existing bank accounts of budget organizations (outside treasury control), that can provoke powerful opposition. For success, a

TSA, reform must be explicitly and strongly supported by the highest levels of government. Cabinet decisions to initiate and reinforce the reforms are helpful.

- iii. *Legal and regulatory requirements.* The legal framework should be amended as necessary, to allow for the establishment of the Treasury Single Account. The establishment of a TSA must be accompanied by the closure of irregular bank accounts of ministries and budget units while legal authority for opening government accounts should be vested in the Ministry of finance.
- iv. *Technological requirements.* The technological feasibility and capacity of the banking system to participate in the operation of a Treasury Single Account and to report on TSA transactions should be established. In fact, a decision on TSA could trigger the acquisition of necessary technology by the banking system as banking services will be commission based.
- v. *Appropriate interface between the treasury and the banking network.* The interface between the treasury, line agencies and the banking network should be agreed by all stakeholders and formalized through agreements. Such agreements should provide for the modalities for issuing payment orders/checks, and the arrangements for reporting and reconciliation. An electronic interface between the treasury and the banking network will facilitate a full-scale centralized TSA. This should be addressed during the conceptual design phase of the TSA.
- vi. *A comprehensive chart of accounts.* With the establishment of a Treasury Single Account, some information that is currently available from the banking system is likely to be lost. If such data are relevant for budget management purposes, they should be captured through the chart of accounts, which may require modification.

This work should also be completed during the conceptual design phase of the TSA.

- vii. *Capacity development of the Treasury Single Account users.* The prospective users of the Treasury Single Account system both within the Ministry of Finance/treasury and line agencies will need to be trained in the new procedures and applications. Such training should be carefully coordinated with the introduction of the TSA. A user manual on receipt and payment procedures under the TSA system should also be developed.

### **c) Implementation**

The implementation of a TSA should include the following key steps:

- i. The Ministry of Finance/treasury should prepare a comprehensive plan for implementing the TSA, covering all key functional and technical requirements, identifying any required amendments to the existing laws and regulations, and specifying the revised receipt and payment procedures.
- ii. Revised templates should be developed for reporting by the banks on government transactions under the TSA. Key elements of the daily reports from the banks should include daily opening and closing balances, and a summary of receipts and payments on a daily basis. An appropriate format for monthly aggregate reports should also be developed.
- iii. An orderly migration of cash balances from the commercial bank accounts to the TSA should be implemented, to ensure minimal disruption to the banking system, liquidity and monetary policy.

- iv. A decision on the timing of the introduction of the new arrangements should be taken. For accounting purposes, it may be preferable to align changes in banking arrangements with the beginning of the fiscal year.
- v. When commercial banks are involved in revenue collection or expenditure payments, the banking arrangements, including the commission of commercial banks for providing banking services to the Treasury, must be negotiated competitively and contracted by the Ministry of Finance/treasury. The relationship between the government's primary banker (normally the central bank) and other commercial banks must be clearly defined.
- vi. The Ministry of Finance/treasury should work closely with the ministries and budget institutions, to ensure that the latter has full information about the reforms and the necessary changes in their banking and payment arrangements.

In many cases, a full Treasury Single Account would require a staged implementation. Transitional arrangements for moving from existing accounting and banking systems to the TSA should be decided. During this period, the Ministry of Finance/treasury and the central bank should closely monitor the implementation of the new arrangements daily and establish procedures for resolving procedural difficulties. The objective should be a progressive integration of government bank accounts operated by the treasury and by budget institutions into the TSA without disruption to the ongoing financial operations of the treasury. The use of pilot projects in selected ministries/agencies could be considered. Drawing on the experience of these pilots, the TSA could be rolled out to all line ministries/agencies. While it might be necessary to keep a certain number of cash holding accounts in the commercial banks initially, this number should be further rationalized in the medium to long term.

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

The fundamental objective of a TSA is to ensure effective aggregate control over government cash balances. The consolidation of cash resources through a TSA, aggregate control of cash is also a key element in monetary and budget management. There are other objectives for setting up a TSA, they 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. Other objectives include<sup>28</sup>:

- i. To provide greater transparency in the Public Financial Management (PFM);
- ii. To gain greater clarity to national financing needs and the management of the public debt;
- iii. To increase fiscal savings (less transaction charges, more revenues);
- iv. To improve financial markets;
- v. To provide more accurate accounting and improved reporting.

### **2.1.8 Accounts under Treasury Single Account System**

#### **A. TSA Main Account**

This is the treasury's account with the central bank, which consolidates the government's cash position (it is the central TSA account). When the TSA arrangement in a particular country consists of a set of linked accounts, cash balances in all linked accounts are swept into this account. In other words, all government receipts finally flow into it, and all disbursements are made from it.

## **B. TSA Subsidiary Accounts or Sub-accounts**

These are special accounts within the main TSA account. This is an accounting arrangement to group together a set of transactions that allows the government to maintain the distinct accounting identity or ledger of its budget organizations (line ministries/agencies) effectively. A cash disbursement ceiling for each entity can be enforced against these ledgers. Balances in these sub-accounts are netted off with the TSA main account for cash management purposes.

## **C. Transaction Accounts**

Sometimes government bank accounts that are justified for retail banking transaction operations are opened separately and structured as transaction accounts. These separate transaction accounts could be opened for government entities that need banking transaction services, but do not have a direct access to the TSA main account or a subsidiary accounts, and/or a specific category of operations (special funds). A transaction account could take the form of a zero-balance account or an impress account.

## **D. Zero-balance Accounts (ZBAs).**

Where transactional accounts are necessary, they are generally opened on a zero-balance basis that is, end-of-day cash balances in these accounts are swept back into the TSA main account periodically (preferably daily). Such accounts opened in commercial banks are used for disbursements or collection of government revenues (particularly non-tax revenues). At the end of the day, all revenues collected would be deposited in the TSA. The commercial bank would honour payments of the respective agency and would be reimbursed by the TSA overnight. ZBAs have many similarities with special credit line arrangements,

where budget agencies are provided spending credits towards the amount of payments they can make within a specified period, to be reimbursed by the TSA in the central bank. A ZBA also has the benefit that it bypasses the normal interbank settlement process for each transaction, which is often time-consuming in developing countries and ensures same-day settlement on a net basis for all receipts and payments passing through the accounts.

**E. Impress Accounts.**

These transaction accounts can hold cash up to a maximum amount authorized and are reimbursed from time to time. Such accounts might be necessary in some cases, particularly when there is only limited availability of interbank settlement facilities. However, the number of impress accounts should be kept to a minimum and the strategy should be to progressively transform these accounts into zero-balance accounts.

**F. Transit Accounts**

These accounts are not meant for day-to-day banking transactions of government units. A transit account simply serves as a transit for eventual flow of cash into the TSA main account. Transit accounts might be necessary for major revenue streams to monitor their collection and remittance by the banking system and to facilitate revenue sharing (formula-based sharing from a common pool of resources) between tiers of government in a federal system in line with constitutional provisions.

**G. Correspondent Accounts**

A separate ledger account is opened for each correspondent. The correspondent entity has real-time information on the balances it maintains in the TSA. There

should be safeguards to ensure that each correspondent government is provided with the funds needed to implement its budget in a timely manner. The central bank (which maintains the accounts in the TSA) has the obligation to make payments to the extent of the balances available in a correspondent's account (including the required ex-ante control for authorizing payments).

### **2.1.9 How Treasury Single Account Works**

For TSA to work effectively there must be daily clearing of and consolidation of cash balances into the central account even where the MDA's accounts are already held at the CBN such as the FIRS. Some may argue that it is necessary to separate the cash transactions of each MDA for control and reporting purposes; however, this objective can be achieved through proper accounting rather than by holding cash in separate bank accounts. In any case, the various bank accounts held by MDAs in commercial banks do not necessarily have to be closed, but they must be operated as Zero-Balance Accounts where any closing balance must be swept to the TSA at the Central Bank of Nigeria (CBN) on a daily basis to give government a consolidated cash position. TSA can therefore cover all funds including earmark and extra-budgetary accounts or even funds held in trust by the government. To make this work, accounting systems must be robust and capable of accurately distinguishing trust assets in the TSA. This is not different from what a private company operating in many states or even internationally will do to consolidate its funds rather than fragment them by divisions or sub-entities. Hence, a company will only borrow externally if and only if its overall cash position is negative rather than when a division has a deficit even though others may have surpluses. TSA is not a new concept; it has been adopted for decades in many countries both in the

developed world such as the United States, UK, France and developing economies like India and Indonesia.

#### **2.1.10 Receipts, Payments, and Accounting Processes under a TSA System**

Technological advancements have played an important role in changing governments' banking practices in recent decades. Cheque processing has been accelerated, and electronic payment systems expanded; the availability of electronic banking networks at commercial banks allows for very effective, virtually cost-free sweeping of balances on a daily basis.

##### **A. Revenue Collection**

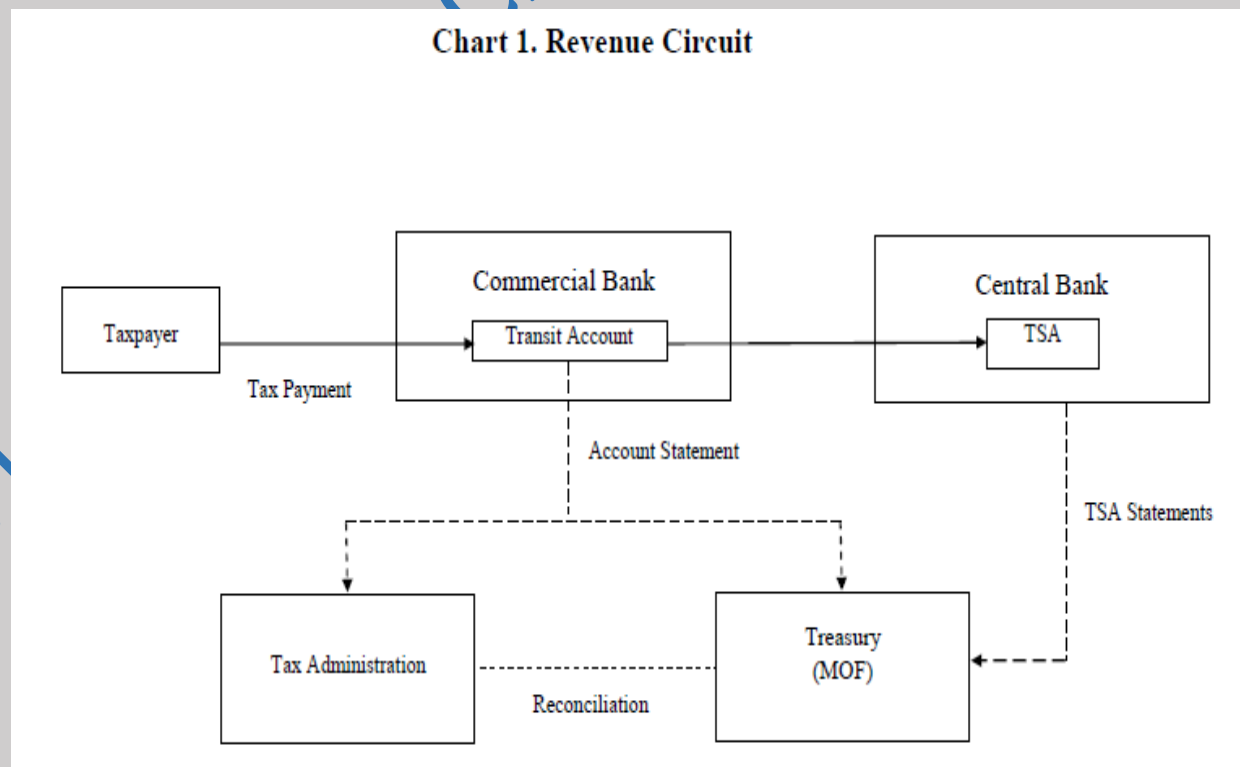
In most countries, commercial banks are used for revenue collection purposes on a remuneration basis. International best practice is to have the banks transfer revenues collected to the TSA main account on the same day (eliminating one of the sources of float).

The banks are remunerated on a fee-for-service, based on the number of transactions that have been processed. The fee is usually established through a competitive bidding process.

When there are Real Time Gross Settlement Systems (RTGS) in place that, allows commercial banks to network with other banks and with the central bank, the fee can be negotiated and reduced to a small amount. In some countries, banks providing revenue remittance services are remunerated by allowing them a float for a few days. This remuneration system is not transparent and does not clearly indicate the cost of revenue collection services provided by banks. The banks use

the free float to invest in interest-bearing securities. This process clearly distorts the TSA structure and concept.

**Chart 1** below describes a simple revenue circuit. The taxpayer makes the payment to a transit account in a commercial bank. The funds are automatically remitted to the TSA in the central bank at regular intervals (for instance, at the end of the business day or at more frequent intervals if an RTGS is used). Each day the bank submits an account statement (ideally in electronic format to facilitate reconciliation) to the tax authority and to the treasury, which is used for reconciliations against taxpayer records (tax authority) and the TSA (Ministry of Finance/Treasury). As mentioned above, an Real Time Gross Settlement System (RTGS) could enable within-the-day transfers from taxpayers' accounts to the TSA, via commercial bank accounts.



Source: IMF WP/10/143 – May 2010

In countries where the banking system does not have a network of branches with ample coverage and the communication infrastructure is inadequate, the treasury might have to collect revenues through its regional offices. In some countries, the treasury contracts with private sector companies (non-banking companies) for the collection of government revenues in geographically dispersed areas. These difficulties significantly compromise the TSA concept but can only be improved as the electronic banking infrastructure is developed.

### **B. Payment Disbursement**

The main objectives of a disbursement system are to pay the government's obligations in a timely and cost-effective manner and to reduce opportunities for fraud and theft.

Manual or semi-automated treasury systems imply slow payment processes. Many developing countries have very basic financial management systems and communication infrastructure, together with a manual or semi-automated (and often not integrated) treasury system and limited communication capabilities. In such countries, payment requests often go through regional or local treasury offices and are submitted for payment and settlement against the TSA. This results in slower payment processes than with fully automated systems.

A computerized treasury system (such as an Integrated Financial Management Information System (IFMIS)) and an advanced communication infrastructure allow electronic fund transfers from the TSA to the recipient's account, eliminating payment delays and idle balances and thus reducing operational risks. As with revenue collection, one of the objectives of the treasury should be to eliminate or shorten any delay in payments. Good international practice has been

to automate the payment processes and adopt an electronic payment system, with direct payments to the bank account of the beneficiary. Many governments offer direct deposits (of salaries, pensions, etc.) to employees' and pensioners' accounts. This is efficient and less prone to fraud than other options, such as payments in cash or by cheque.

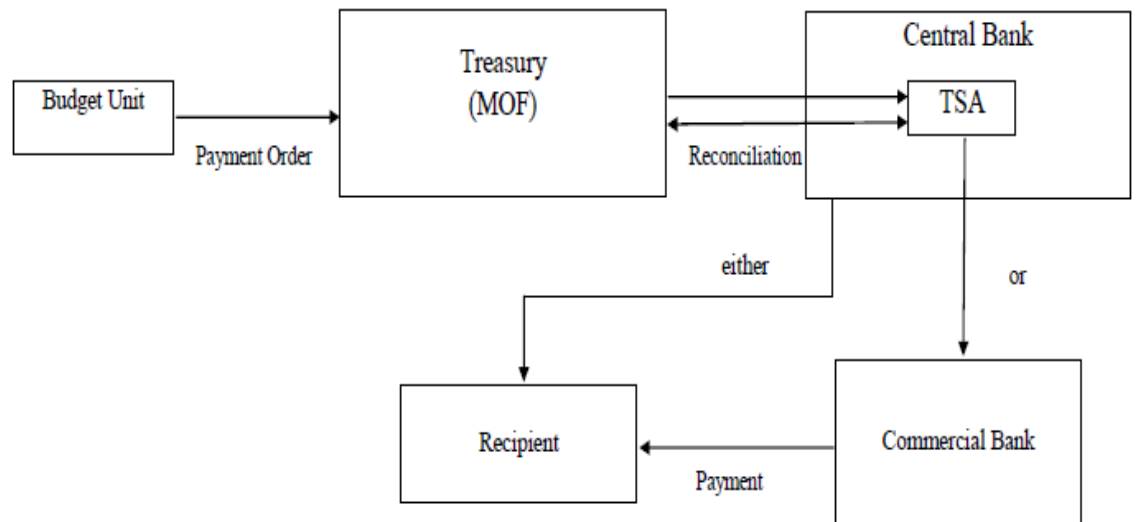
Payment by cheque has advantages, but also important disadvantages. Cheques provide a paper trail. However, they slow the speed of disbursements by payors, due to time delays between the issuance, encashment and clearing of a cheque, which also gives rise to significant cheque floats in some cases. There is also a high incidence of fraud related to such transactions. Writing and delivering cheques is expensive and can introduce errors, creating the need for a separate reconciliation process, and affecting the effectiveness of the cash management system. Cheques can also be stolen or altered. This does not mean that electronic payment systems are not potential areas for fraud and do not require fraud prevention measures such as sound internal controls, passwords, restricted access, and restricted authorization to prevent access to fund transfer initiation systems.

Some countries have adopted the practice of making large or important payments through direct bank transfer (to the beneficiaries' accounts) by the treasury, whereas smaller payments are handled by checks issued on zero-balance accounts in commercial banks, where they are settled against the TSA and reconciled. The method of direct bank transfer is often also used for payment of salaries and pensions. In such cases, the treasury agrees that a bank/financial institution deposit the funds directly into the bank accounts of an approved list of public employees (based on the payroll) and pensioners.

The feasibility of a daily settlement between the zero-balance accounts (ZBAs) of budget institutions and the TSA main account depends upon the technology used for interbank settlements (e.g., settlements done electronically, through fax or otherwise) and the system, electronic and/or manual, used by the central bank for clearing of collections and payments with the commercial banks.

A procedure for centralized payments by the treasury is described in **Chart 2** below. The spending units submit payment requests (payment order (PO)) to the treasury, which checks them against the authorized limits and processes them for payment from the TSA through one of the interbank payment systems. The funds are deposited in the recipient's account in a commercial bank.

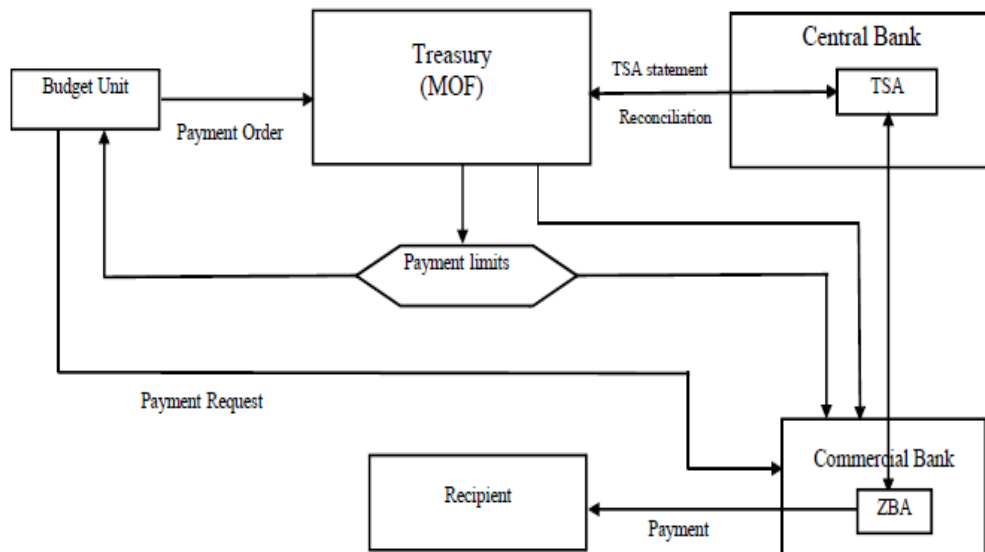
**Chart 2. Centralized Payments by the Treasury from the TSA**



Source: IMF WP/10/143 – May 2010

A centralized payment procedure could also be implemented through zero-balance accounts in commercial banks. A spending unit submits the payment orders (POs) to the treasury central unit for authorization. The treasury does not make the payment itself but notifies the commercial bank about the cash limit it has approved on the zero-balance accounts of the spending unit. The spending unit then submits the treasury-authorized payment orders to the commercial bank. The bank checks the payment orders against the cash limits authorized by the treasury, and if the payment orders are within the limits, the bank makes the payment to the recipient and gets reimbursement from the TSA. The treasury reconciles the reimbursements made from the TSA with its records of approved payment orders. Under a decentralized system, the respective spending agencies verify the payment orders and directly submit them to the commercial banks for payments to be made from the zero-balance accounts, as described in **Chart 3** below. Although in this case, the control of individual payment transactions is decentralized, the centralized cash control is enforced through total cash disbursement limits set by the Treasury/Ministry of Finance on each of these zero-balance accounts. These limits are notified both to the respective commercial banks and the payment controllers in spending agencies.

**Chart 3. Decentralized Payments Through ZBAs**



**Source: IMF WP/10/143 – May 2010**

If commercial banks provide transaction banking services, strategies for obtaining payment processing and revenue remittance services from them should be carefully formulated keeping in view the reach, quality of service, and risk exposure of the commercial banking network. In cases where the authorities want the taxpayer to be able to remit taxes at any bank of his choice, the strategy for revenue remittance services would differ from that for payment processing services. For example, the remuneration of banks providing revenue remittance services could be based on the unit price per electronic transaction instead of being linked to the turnover value of transactions.

### **C. Accounting through a Treasury Ledger System**

The government accounting system should be designed to record all transactions and capture relevant information independently of the cash flows in specific bank accounts. There may be problems, in practice, in achieving this result. In many countries with manual accounting systems, a comprehensive treasury ledger system does not exist and a significant part of the information required for budgetary and financial accounting purposes continues to be derived from the government's bank accounts structure such as information specific to spending agencies, budget lines, etc. If a computerized Integrated Financial Management Information System (IFMIS) is being considered, it comes with an inbuilt treasury general ledger (TGL). TGL systems typically have layers of sub-accounts for handling all types of treasury operations related to receipts, payments, financing, and surplus cash placement.

Depending upon how it is implemented, a TSA system could have implications for the accounting system. Two particular issues need to be addressed:

- I. First, important financial information may be lost if budget agencies' bank accounts are closed as part of the implementation of a TSA. For example, in some countries, the implementation of a TSA has necessitated the addition of codes providing required geographical and organizational information. The coding structure used in the chart of accounts (including that to be used in an IFMIS) should be reviewed for adequacy in the context of the implementation of the TSA.
- II. Second, the implementation of a TSA might require changes to accounting systems and processes, including the redistribution of accounting roles and responsibilities between the central treasury unit, ministries, spending agencies,

etc. Depending on the structure of the TSA, either the treasury or line ministries/agencies or both, would maintain the initial accounting records such as cash books and have bank reconciliation responsibilities. Accounting system should also be able to track and control annual appropriations and monthly/quarterly allocations to spending agencies.

A Treasury Single Account can be established without an Integrated Financial Management Information System (IFMIS), but an IFMIS will enhance its efficiency.

As mentioned, the advantages of working with an Integrated Financial Management Information System include the possibility of creating in the IFMIS any number of sub-accounts that are needed for financial management purposes.

The Integrated Financial Management Information System should also provide electronic interfaces between the treasury and spending agencies on the one hand and the banking system (including commercial banks providing transaction banking services) on the other, to reduce transaction costs for electronic payments and revenue transmittals.

An Integrated Financial Management Information System with a treasury general ledger (TGL) can operate under either model of transaction processing. However, the feasibility of implementation (particularly under the decentralized arrangement) would depend on the level of technological development of the banking system and the government's accounting and banking arrangements. This would also require the installation of an efficient and reliable communication network to link each budget institution on a real-time basis to the system, re-engineering existing procedures to ensure control functions in an automated

environment, capacity building and training to use the system, and adhering to a well-designed system maintenance plan throughout its life cycle.

The issue of designing an appropriate interface between the TSA and the transaction processing/accounting systems, whether centralized or decentralized, should also be addressed at the conceptual design stage of an Integrated Financial Management Information System. With the introduction of electronic fund transfer (EFT) in the banking sector, it would be possible to move towards direct payments from the TSA main account, especially for large value payments to suppliers, or regular large quantity transactions (such as wages).

#### **D. Bank Reconciliation**

A Treasury Single Account facilitates full reconciliation between the government accounting systems and cash flow statements from the central bank and commercial banks, usually through automated mechanisms. Each day, all banks involved should submit to the tax administration and the treasury bank account statements to be used for reconciliation against taxpayer records and the treasury general ledger (TGL). The expenditure data maintained by the treasury/spending units should be fully reconciled with banking transaction data. There should be reconciliation of parallel but related streams of transaction data.

First, at the agency level, cheques issued should be reconciled with those paid by the banks; second, at the treasury, receipts from banks should be reconciled with the cheques paid by taxpayers, and cash balances in the banks netted off against transactions by spending agencies. If adequate communication infrastructure exists, the treasury should be electronically linked with the central bank and commercial banks to enable the electronic transfer of payment instructions, the

electronic receipt of bank statements, and the exchange of information for facilitating automatic bank reconciliation.

### **E. Cash and Liquidity Management**

A TSA regime should be supplemented by proactive cash management. This involves forward cash planning as a precondition and implies the development of a strategy for remunerating temporary cash surpluses and financing temporary cash needs. The overall objective of effective cash management is to reduce the average cash balances of the government to a minimum level (consistent with unexpected variations from reasonably accurate forecasts), to avoid unnecessary borrowing and to maintain stable liquidity levels as far as possible.

Many advanced countries attempt to minimize the level of cash balances held in the TSA by actively targeting a minimum balance. Where the treasury successfully targets a stable cash balance in the TSA, the effect of the government's fiscal transactions is largely neutralized for money market and monetary policy purposes, therefore simplifying liquidity management operations. This can be achieved through the use of various instruments that allow the government to place surplus balances in the market or to access funds at short notice if there is an unexpected requirement for funds. It will be difficult for many developing countries and low-income countries (LICs) to target cash balances in the absence of a developed domestic government short-term securities market, or arrangements with commercial banks to lend cash at short notice to the treasury. However, the development of an active cash balance targeting policy should be a long term objective, to be implemented when the necessary pre-conditions are in place.

Once a TSA has been established and its target balance has been set, a strategy needs to be developed for investing available surplus cash and funding temporary cash shortfalls. The strategy should include options for both short-term and longer-term investments. The management of surplus cash investment and short-term borrowing could be handled either by a specialized unit within the Ministry of Finance or by a fiscal agency agreement with the central bank. In developing countries, the Ministry of Finances/treasuries often lack the expertise required for undertaking money market operations and tend to let the central bank handle this task on their behalf. The reason is that money market operations are a usual central bank activity, performed as part of its monetary operations. As with all fiscal agency operations performed by a central bank, however, these market transactions must be transparently distinguished from any monetary policy operations.

#### **2.1.11 Reasons for the Adoption of Treasury Single Account in Nigeria**

Until the introduction of the TSA, the country faced numerous challenges with the management of public funds which affects government efficiency and effectiveness in service delivery, transparency and accountability. Some of these challenges are:

**a) Loss of Control on the Number of government Bank Accounts:**

MDAs are required under the Financial Regulation 701 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. However, many MDAs failed to comply, 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 (OAGF). 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 OAGF in 2010 puts the number of accounts at over 10,000. With such a large number, the government could not have timely consolidated information on cash position necessary for effective and efficient cash management in the country.

**b) Idle Cash in MDAs' Accounts While the CRF Account is perpetually overdrawn:**

Prior to the reforms, the government finances its personnel and overhead costs monthly in advance while capital projects were funded quarterly in advance but often the funds remained underutilized for the periods. This leaves the Consolidated Revenue Fund (CRF) Account from which MDAs are funded in line with Section 38 (2) of their Act. Accordingly, the government incurs a cost of borrowing on the overdrawn balance while the DMBs that are keeping the MDAs' idle funds do not remunerate them but buy government treasury bills and bonds to earn interest income. The level of ways and means granted by CBN to meet cash flow shortfalls has grown over the years reaching N342 billion in 2014.

**c) Maintenance of Several Extra Budgetary Funds:**

There exist a number of funds (dedicated accounts) outside the Consolidated Revenue Fund (CRF) with huge balances while government suffers charges on the CRF overdrawn balance with the CBN. If the extra-budgetary funds were linked to the CRF, it would have eliminated the ways and means charges, as the net position

would have been positive. Besides, the extra-budgetary funds would have been an easy source for short-term borrowing instead of treasury bills/certificates

**d) Non-Remittance of Independent Revenues by MDAs**

A number of MDAs fail to remit their revenues into the CRF in line with Section 80 of the Constitution and spend the funds without appropriation.

**2.1.12 Benefits of Treasury Single Account**

Among others, the benefits of the implementation of the TSA are mainly financial as the absence of multiple banking arrangements will bolster the monitoring and transparency of MDA operations and prevent funds from been easily diverted from their original purpose. This is because the Treasury will at all times have an accurate view of the Government's cash position as against the present system where the positions of different agencies have to be pooled together to get an overall picture. It will also curb financial excesses on MDA's and the Federal Government. For instance, prior to the directive, some MDA's deposited their earnings in commercial banks who ironically lent same to the Federal Government at a high-interest rate. Therefore by introducing economy and efficiency in the management of scarce public resources, the Government is in a better position to realize its policy goals.

Presently, although the TSA directive includes all government agencies including partially funded establishments like teaching hospitals and medical centres, there have been fears that its effect may be averse to certain agencies such as the Nigerian National Petroleum Corporation (NNPC) and the Nigerian Ports Authority (NPA) if special rules or conditions are not drafted to take their numerous operations and cash obligations into account. There is also the salient point that the Executive and Legislative arm of

Government will have to live up to their responsibilities by presenting and approving the budget in a timely manner as late presentation and approval of budget in Nigeria has become a recurrent theme.

The main benefits of Treasury Single Account according to <sup>1</sup> are explained below:

1. *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.
2. *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.
3. *Improves operational control during budget execution:* When the treasury has full information about cash resources, it can plan and implement budget execution in an efficient, transparent, and reliable manner. 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 channelling expenditures through off-budget arrangements.

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

5. *Reduces bank fees and transaction costs:* Reducing the number of bank accounts results in lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, and reduced banking fees.

6. *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.

7. *Improves bank reconciliation and quality of fiscal data:* A TSA allows for effective reconciliation between the government accounting systems and cash flow statements from the banking system. This reduces the risk of errors in reconciliation processes, and improves the timeliness and quality of the fiscal accounts.

8. *Lowers liquidity reserve needs:* A TSA reduces the volatility of cash flows through the treasury, thus allowing it to maintain a lower cash reserve/buffer to meet unexpected fiscal volatility.

### **2.1.13 Challenges and Problems of Treasury Single Account in Nigeria**

Although TSA enhances the overall effectiveness of a financial management system, some challenges are facing the implementation of TSA in Nigeria. Some of these challenges include<sup>25</sup>:

- i. The scepticism by States and opposition party to TSA. The TSA coverage is still limited and has not yet been extended to most States and Local Governments. This would certainly limit the effectiveness of the TSA. Again, the National Assembly has also exempted itself from TSA compliance.
- ii. The ailing economy and hard times owing to the dwindling revenues available for public spending by the various tiers of government present a daunting challenge. Most of the State Governments are beginning to realize the need to cut down on waste and restless spending.
- iii. The negative attitude and complete lack of support by the MDAs for the TSA policy through instilling fiscal discipline, clearing and prudent spending. Also, there are fears by some MDAs resisted to key-in adducing reasons of their peculiarities.
- iv. Academic Staff Union of Universities (ASUU) has criticized the Treasury Single Account (TSA) policy, that it will constitute bottlenecks in the smooth running of the Nigerian University System if hurriedly implemented. ASSU

believed that financial autonomy that the TSA takes away is very crucial for the effective functioning of the university system.

- v. It has also been observed that commercial banks stand to lose immensely from the implementation of TSA. This is because public sector funds constitute a large chunk of commercial banks' deposits. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds in the first quarter of 2015<sup>29</sup>. As a result, most banks will have to downsize to cut their recurrent expenditures. Banks will continue to devise means of mobilizing funds from the private sector. We see a return of the era when women are employed by banks specifically for deposit mobilization and tacitly encouraged to use any means necessary to get funds. We see increase in deposit interest rates as a major means of inducing customers and most importantly, a drop in lending and profitability of banks, at least, in the short to medium term until they fully come to terms with the impact of the policy and begin to properly position themselves for true banking business.

#### **2.1.14 Prospects of Treasury Single Account in Nigeria**

The adoption and full implementation of the Treasury Single Account (TSA) by any government, especially in a dwindling economy cannot be over-emphasized. This is because a Treasury Single Account is primarily to ensure accountability of government revenue, enhance transparency and avoid misappropriation of public funds<sup>30</sup>.

With the adoption of TSA, the government will borrow less and therefore the debt servicing cost should reduce drastically to probably less than half of the current level. It is also likely that a lot of funds previously unaccounted for will be uncovered. One major

issue in the past was that many banks delayed the remittance of revenue collected on behalf of the government in order to temporarily trade with the money at the expense of the government<sup>31</sup>. They noted further that TSA should also provide some transparency around unspent budgetary allocation which can be carried forward to another year. I have always wondered why we have low budget executions (sometimes 60% or less) and yet we begin every budget year based on zero revenue. TSA would facilitate transparent reporting of tax revenue and pave way for tax off-setting and faster payment of refunds.

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 arrangements. This prevents revenue leakages in terms of revenue loss and mismanagement by operators of all revenue-generating agencies<sup>4</sup>. If TSA is properly implemented, agencies of government will spend in line with duly approved budget provisions. The maintenance of a single account for the government will enable the Ministry of Finance monitor flow of funds as no agency of government is allowed to maintain any operational bank account outside the oversight of the Ministry of Finance.

The primary benefit of a Treasury Single Account is to provide for proper monitoring of government receipts and expenditure. In the Nigerian case, it will help to block most, if not all of the leakages that have been the bane of the economy. We have a situation where some Ministries, Departments, and Agencies manage their finances like independent empires and remit limited revenue to the government treasury. Under a properly run Treasury Single Account, it cannot be possible, an agencies of government are meant to spend in line with duly approved budget provisions<sup>20; 22</sup>.

In Nigeria, it is expected that the implementation of TSA will help tame the tide of corruption in areas of financial leakages and embezzlement. The implementation of Single

Treasury Account (TSA) is expected to block revenue leakages within the government parastatals, as the Ministry of Finance will be able to monitor the inflows and outflows, hence, augment the reduction in oil revenue due to dwindling oil prices. TSA will help to block most if not all the leakages that have been the bane of the growth of the economy.

### **2.1.15 Definition of Tertiary Institution**

Tertiary institution also referred to as a third stage, third level, and post-secondary education, is the educational level following the completion of a school providing a secondary education. The World Bank, for example, defines tertiary education as including universities as well as trade schools and colleges. Higher education is taken to include undergraduate and postgraduate education, while vocational education beyond secondary education is known as further education in the United Kingdom, or continuing education in the United States.

Tertiary education generally culminates in the receipt of certificates, diplomas, or academic degrees.

The UNESCO stated that tertiary education focuses on learning endeavours in specialized fields. It includes academic and higher vocational education.

## **2.2 Theoretical Review**

Several different theories on socioeconomic accounting were borrowed to form sound foundation to substantiate Treasury Single Account adoption and implementation.

A. **Stakeholder Theory:** Stakeholder theory is a theory of organizational management and business ethics proposed by <sup>34</sup> in 1984. He asserts that managers must

satisfy a variety of constituents (investors and shareholders, employees, customers, suppliers, government and local community organizations). Rather than defining the unit of analysis as "interest groups" or "constituencies", the term "stakeholder" deliberately denotes a contrast to "stockholders", or "shareholders"<sup>32</sup>. Consequently, its proponents understand the stakeholder theory of the firm as an open challenge to the prevailing neoclassical economic theory of the firm<sup>33</sup>. The stakeholder research tradition began to unfold in the wake of <sup>34</sup>. The book initiated a still ongoing academic discussion. It suggested in a comprehensive fashion that strategic management of private sector firms might produce better results if managerial efforts adequately regard various stakeholders' concerns. Or, in other words, shareholders benefit long-term if other legitimate interests in the firm do not fall by the wayside.

Two distinct strands of stakeholder research have developed over the past decade and a half. The "Instrumental" or Social Science strand, and the "Business Ethics" strand. While both cover some common ground (e.g. the aforementioned bias), they differ drastically in methods used and results achieved. The Social Science strand sees itself as part of Organizational Studies partly overlapping with agency theory, network theory, and resource dependence theory, to name a few.

Scholars of this strand rely on methodological rigour.

The Business Ethics-based stakeholder theory implements different means and reaches for different ends. It assumes that each stakeholder of the firm has an intrinsic value regardless of her actual power or legal entitlement. It seeks to formulate correct ethical norms for managerial behaviour.

Through stakeholder theory roots in and pertains to the private-sector organization of the firm, there is tremendous interest in applying at least part of the findings to the managerial

decision-making in public-sector organizations. While some proponents of stakeholder theory are extremely sceptical regarding this undertaking, inter and intra-governmental decision processes may benefit from the application of stakeholder principles. This seems particularly to be the case regarding large-scale investments in information technology where the risk of failure is notably high.

### A Typical Stakeholder Map a Large Firm

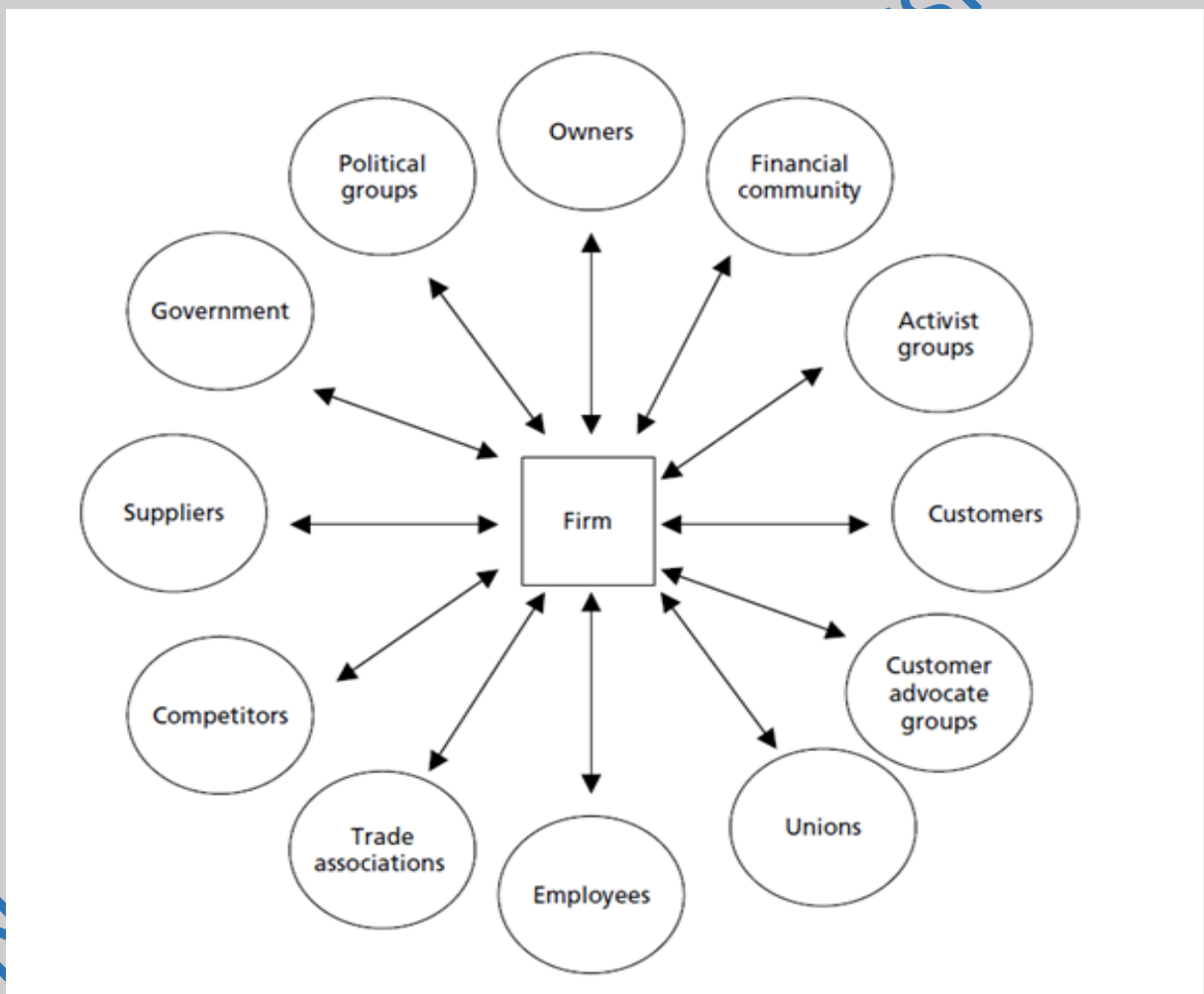


Fig. I Source: Freeman (1984. 55)

**The Unfolding of a Stakeholder Research Tradition!**

The definition of the two terms "stake" and "stakeholder" needs to antecede any further discussion of the theory. A "stake" in an organization in terms of stakeholder theory rests on "legal, moral, or presumed" claims, or on the capacity to affect an organization's "behaviour, direction, process, or outcomes". Stakes are understood to impose normative obligations; stake will be defined as 'an interest for which a valid normative claim can be advanced. The definition of a stakeholder comes in various forms and flavours, some of which prefer a narrow interpretation; others deliberately maintain the broadest possible scope. The classical (and most frequently cited) definition is Freeman's:

A stakeholder in an organization is (by its definition) any group or individual who can affect or is affected by the achievement of the organization's objective.

Freeman gave this same definition in a 1983 article under the same title in which the broader term organization's mission was used instead of organization's objective. This definition has been accepted, and simultaneously, criticized depending on the scholarly position.

While the business ethics track generally embraces a wider definition, the social science track favours a narrow one. The use of the term in business ethics reaches beyond the one in discussions of law, conveyance, and gambling. It has been argued that such broad definitions make it possible to include even such groups as terrorists and competitors who, indeed, could affect the firm painfully. This dilemma can partly be resolved by narrowing the definition in a meaningful way. There is an argument that the use of risk as a second defining property for the stake in an organization helps to narrow the stakeholder field to those with legitimate claims, regardless of their power to influence the firm or the legitimacy of their relationship to the firm. A similar approach posits that focusing the

stakeholder definition on only those groups that have a vested interest in the survival of the firm can be referred to as stakeholders.

The concept is not uniformly accepted, in most cases, however, the differences refer to the scope of the definition.

Stakeholder theory attempts to describe, prescribe, and derive alternatives for corporate governance that include and balance a multitude of interests. The theory has drawn considerable attention and support since its early formulation. However, as discussed above, there are at least two major branches or strands of stakeholder theory.

### **The Two Strands**

The **social science track** encompasses the two areas of descriptive/empirical and instrumental research. He offers this short formula<sup>35</sup>: stakeholder theory asks,

- 1) Who are they?
- 2) What do they want?
- 3) How are they going to try to get it?

He described the first strand as revolving around the two claims that managers regard stakeholders because of the intrinsic justice of their claims, and because information on stakeholder interests makes the firm more manageable<sup>36</sup>. The view of the descriptive nature of stakeholder theory was supported that the organization as a constellation of cooperative and competitive interests possessing intrinsic value<sup>37</sup>. However, they doubted the theoretical originality of this branch of the theory and argue that the fundamentals of descriptive stakeholder theory are ill-defined. They conclude that descriptive stakeholder theory looks just like a derivative of other social science theories<sup>38</sup>.

The *instrumental* strand links managerial actions to outcomes and attempts to explain how these links work. Given the intrinsic value of all stakeholders' interests, those organizations that actively manage stakeholder interest's fare far better in traditional measures such as return on investment than those who do not. As he asserts, instrumental stakeholder theory comes to exactly opposite conclusions as neoclassical economic theory does: Trusting, trustworthy, and cooperative behaviour, he maintains, leads to superior results than opportunistic and selfish behaviour<sup>39</sup>. On the other hand, they see a compatibility of the two theories to the end, that financial managers, for example, have the goal "to maximize the value of the organization". They concede that "value maximization is subject to the constraints of the legitimate claims of the different stakeholders<sup>40</sup>". He adds that the reputational capital of the firm is at stake if stakeholders are not properly managed<sup>41</sup>. The instrumental branch helps corporate managers manage stakeholders in practice. It is about "Who and What Really Counts". Under this label, a dynamic perspective on stakeholders than the inevitably static hub-and-spoke view was developed. Their approach distinguishes between attributes of power, legitimacy, and urgency<sup>51</sup>. With help of these attributes, seven classes of stakeholders are identified who need different managerial attention at different times.

The normative or **business ethics track** deducts norms and principles for corporations in a more or less axiomatic fashion from philosophical vantage points.

Kant's categorical imperative is a central pillar in building the theory of the firm's stakeholders. Others ground it on the theory of the common good<sup>42</sup>, or the principle of fairness<sup>43</sup>. He proposed to anchor the theory normatively on Critical Theory. He argues that all citizens have a general stake, namely, that their "political equality (is) assured." A firm may even operate within the legal framework but may still become a threat to just

this political equality. He further advances his argument by pointing to the need that all humans have a legitimate interest in securing their physical and material lives. On this basis, he claims, any economic system must have the capacity to benefit everybody. Consequently, everybody must have a fair economic opportunity. Since firms can undermine this fair opportunity, a legitimate stake in the activity of the firm can be assumed. This, he continues, encompasses forming and maintaining one's own identity and choosing one's own life projects. On this basis, he formulates a very general stake: "We all have a stake in all members of the communities to which we belong living in accord with the norms and values of our shared identity<sup>44</sup>".

Though the normative track is mainly concerned with the ethical appropriateness of corporate and managerial activity, it does not completely ignore economic necessities. As they emphasized, it does not seek to shift the focus of firms away from marketplace success toward human decency but, to come up with understandings of business in which these objectives are linked and mutually reinforcing<sup>36</sup>. However, as almost provokingly asked, "wouldn't normative stakeholder theory's concern for the intrinsic interests of all legitimate stakeholders sometimes dictate that a firm should go out of business?" They conclude that normative foundations are not essentially necessary to demonstrate the superior performance of corporations who honor and properly treat their stakeholders<sup>38</sup>.

Another school of thought finds the three approaches mutually supportive<sup>37</sup>.

Most scholars agree that ultimately stakeholder theory relies on normative foundations. The social science track, as pointed out earlier, heavily leans up on other social science theories such as agency theory, network theory, game theory, corporate social performance theory, resource-based theory, transaction cost theory, company-as-contract theory, private property theory, to name just a few. Even in the normative track

organizational justice theory or fairness theory or the theory of the common good among others are proposed as foundations.

This may lead to the conclusion that stakeholder theory is a hybrid with unclear parenthood. The considerable number of attempts and proposals indicates, at least, a diverse and even controversial understanding the foundations any stakeholder theory rests on. He argued that firms that treat stakeholders in a trustworthy manner will develop a competitive advantage since they are able to reduce costs; in other words, good stakeholder management translates into good business<sup>39</sup>. An observation was made that the instrumental justification (as good business) has not been verified and that there is no compelling evidence for superior performance in terms of traditional measures when proper stakeholder management is employed<sup>37</sup>.

Along the same (i.e., instrumental) lines, he claims that the corporation defined as a system of primary stakeholder groups can only survive in the long run if, and only if, it maintains its ability to create wealth and value for the whole primary stakeholder system of the firm<sup>45</sup>. This proposition, of course, is the most far-reaching and needs to be rigorously tested. If confirmed, the justification of stakeholder theory from an instrumental perspective would no longer be in question.

The instrumental perspective is concerned with a management issue: will the firm, I am managing to be better off if I factor in other stakeholders' interests? Normative theory rather looks upon the firm from the outside and is concerned whether or not this form of human organization does produce more harm than good for a broader community of stakeholders. There are different avenues to anchor this perspective. One is, ironically or not, rooted in the property rights themselves. It was observed; the notion that property rights are embedded in human rights and that restrictions against harmful uses are intrinsic

to the property rights concept clearly brings the interests of others (i.e., of non-owner stakeholders) into the picture<sup>37</sup>.

A similar conclusion was reached pointing at the changing interpretation of property laws that increasingly attach strings to property rights and emphasize societal obligations<sup>46</sup>. Corporations are a societal creation, and society grants shareholders a valuable privilege in exchange for which the society can seek some specific consideration. It was also argued that the concept of property rights includes duties to multiple stakeholders, not just the shareholders of the firm<sup>47</sup>. Normative stakeholder theory was in turn anchored on the principle of fairness<sup>43</sup>. He sees the obligation of informed consent if individuals or groups are affected, as the basis for normative stakeholder legitimacy<sup>48</sup>. They both maintained that there are four core principles antecedent to law or any contract of whatever nature (e.g. between principal and agent) which include<sup>47:48</sup>:

- i. avoid harm to others,
- ii. respect the autonomy of others,
- iii. avoid lying, and
- iv. honor agreements.

Acting with regard to these principles is the moral obligation of all humans, no matter what profession or position.

The absence of respective law does not forsake any of these fundamental principles. That is, individuals are entitled to demand protection under such normative principles regardless of the legal framework that they may live under. On this basis, a very fundamental (and conclusive) justification of stakeholder theory on normative grounds was presented: since a firm may threaten the individual and the community in at least two dimensions ("harm", "autonomy"), there are stakes in the activity of any firm<sup>44</sup>. He

stresses, that capitalist business practice is not self-justified or granted *per se*. It may only represent a generalizable interest as long as it provides efficient markets, fair distribution, limited marginalization (in terms of minorities), limited colonization, and limited hierarchical management.

He also emphasizes that these norms hold, even if they are not, or not yet, backed up by common law. Before this background, it is amazing that there is still a debate about the justification of stakeholder theory. Effective legislation has been passed (and successive case law has developed) that mandates the consideration of stakeholder interests, or at least, off-burdens management from serving shareholder interests alone. With the advent of stakeholder statutes, and evolving case law in this area, the scenery has changed in favour of advocates of stakeholder interests.

### **Stakeholder Theory and the Public Sector**

Despite the opposition from prominent proponents of the theory, the stakeholder concept has even found its way into the scholarly discussion of the public administration literature<sup>50</sup>, and public sector practice. The value and appropriateness of such undertaking was completely doubted because they see the theory as merely one of the (private-sector) firm governed by fundamentally different principles and implications than any public sector organization<sup>37</sup>.

However, even though most public-sector managers perform their tasks for different reasons (e.g., public interest) as opposed to their private-sector counterparts (e.g., survival of the firm, or profit), their decisions have the same capacity to affect individuals or groups pursuing their organization's objective. Also, others—as in the private sector— can affect public managers and governmental organizations. In other words, Freeman's stakeholder definition applies to managerial decision-making also in a governmental

context. Instrumental and normative considerations can be applied to public-sector stakeholder scenarios as much as in the private sector. However, as it was discovered, public sector managers lack a proper toolkit for stakeholder identification and management<sup>50</sup>. This leads to difficult stakeholder situations after public-sector decisions have been made. Since the public sector manager's self-understanding is shifting from being a public administrator towards the one of a public facilitator, the authors see an even greater necessity for a solid grounding of stakeholder management in the public sector. Working in the public sector has become a multi-jurisdictional and multi-sector endeavour according to the two authors<sup>50</sup>. In other words, the shift from a more hierarchical to a more network-type organization further demands inclusion and management of constituencies.

John and Albert<sup>50</sup> proposed the combination of <sup>51</sup> concept of stakeholder identification along the lines of power, legitimacy, and urgency with <sup>52</sup> diagnostic topology of stakeholders' potential for collaboration versus their potential for threatening the organization.

The stakeholder theory and its potential applicability to the public sector has been reviewed, and more generally, government decision-making. It has demonstrated that a unified stakeholder theory does not exist. Instead two divergent<sup>1</sup>, rather than convergent, Thomas and Andrew strands of stakeholder theory exists<sup>36</sup>. Though these two strands may have been originated from the same source, their implications and prescriptions differ in various ways. Stakeholder theory is primarily a theory of the private-sector firm. In its instrumental interpretation, it mainly challenges the neoclassical economic theory of the firm and maintains that those firms that are managed for optimal stakeholder satisfaction thrive better than those firms that only maximize shareholder interests (that is, profit).

Despite the fact that stakeholder theory primarily applies to the private-sector firm, the insights from this area can be applied in part to public sector settings, and in particular, to the context of decisions regarding major government initiatives and policies. This is due to the circumstance that public management responsibilities begin to resemble private-sector management tasks not only formally but also regarding the emerging network-nature of organizations in both spheres.

This theory is conceptualized on the assumption that the adoption of Treasury Single Account (TSA) by the Federal Government of Nigeria (FGN) was as a result of the pressure mounted on the government by the stakeholder for the eradication of corruption. Based on this theory, the researcher argued that the emergence of TSA was as a result of government response to the yearnings, demands and aspirations of critical stakeholders by way of developing strategic options towards eliminating corruption. The stakeholder's theory, therefore, explains the motivating factors that made the government to adopt and implement the TSA.

B. **Modern Monetary Theory or Modern Money Theory (MMT)** is a heterodox macroeconomic theory that describes currency as a public monopoly for the government and unemployment as evidence that a currency monopolist is overly restricting the supply of the financial assets needed to pay taxes and satisfy savings desires<sup>53;54</sup>. MMT is an evolution of chartalism and is sometimes referred to as neo-chartalism. Its macroeconomic policy prescriptions have been described as being a version of Lerner's theory of functional finance<sup>55</sup>.

MMT advocates argue that the government should use fiscal policy to achieve full employment, creating new money to fund government purchases. According to advocates, the primary risk once the economy reaches full employment is inflation, which can be addressed by raising taxes and issuing bonds to remove excess money from the system<sup>56</sup>. MMT is controversial, with active debate about its theoretical usefulness, and the effectiveness and risks of its policy prescriptions<sup>57</sup>.

MMT's main tenets are that a government that issues its own money:

1. Can pay for goods, services, and financial assets without a need to collect money in the form of taxes or debt issuance in advance of such purchases;
2. Cannot be forced to default on debt denominated in its own currency;
3. Is only limited in its money creation and purchases by inflation, which accelerates once the real resources (labour, capital and natural resources) of the economy are utilized at full employment;
4. Can control demand-pull inflation by taxation and bond issuance, which remove excess money from circulation (although the political will to do so may not always exist)<sup>58</sup>;
5. Does not need to compete with the private sector for scarce savings by issuing bonds.

These tenets challenge the mainstream economics view that government spending is funded by taxes and debt issuance<sup>59;60;57</sup>.

The first four MMT tenets are not in conflict with mainstream economics in terms of how money creation is executed and how inflation works. However, MMT economists disagree with mainstream economics about the fifth tenet, on the impact of government deficits on interest rates.

## **History of Modern Money Theory (MMT)**

MMT synthesizes ideas from the State Theory of Money of Knapp (also known as Chartalism<sup>61</sup>) and Credit Theory of Money of Mitchell-Innes<sup>62</sup>, the functional finance proposals of Lerner and Minsky's views on the banking system<sup>55:63</sup> and Fullwiler, Kelton, and Wray's Sectoral balances approach<sup>64</sup>.

Writing in 1905, he argued that "money is a creature of law" rather than a commodity<sup>61</sup>. He contrasted his state theory of money with the Gold Standard view of "metallism", where the value of a unit of currency depends on the quantity of precious metal it contains or for which it may be exchanged. He argued that the state can create pure paper money and make it exchangeable by recognizing it as legal tender, with the criterion for the money of a state being "that which is accepted at the public pay offices<sup>61</sup>".

The prevailing view of money was that it had evolved from systems of barter to become a medium of exchange because it represented a durable commodity which had some use value<sup>65</sup>, but proponents of MMT argue that more general statements appearing to support a chartalist view of tax-driven paper money appears in the earlier writings of many classical economists<sup>66</sup>, including Adam Smith, Jean-Baptiste Say, J.S. Mill, Karl Marx, and William Stanley Jevons<sup>67</sup>.

Writing in 1914, he argued that money exists not as a medium of exchange but as a standard of deferred payment, with government money being debt the government may reclaim through taxation<sup>62</sup>. He argued:

Whenever a tax is imposed, each taxpayer becomes responsible for the redemption of a small part of the debt which the government has contracted by its issues of money, whether coins, certificates, notes, drafts on the treasury, or by whatever name this money is called. He has to acquire his portion of the debt from some holder of a coin or

certificate or other forms of government money and present it to the Treasury in liquidation of his legal debt. He has to redeem or cancel that portion of the debt. The redemption of government debt by taxation is the basic law of coinage and any issue of government 'money' in whatever form.

By 1947, when he wrote his article "Money as a Creature of the State" economists had largely abandoned the idea that the value of money was closely linked to gold. He argued that responsibility for avoiding inflation and depressions lay with the state because of its ability to create or tax away money<sup>55</sup>.

Economists Bill and Pavlina are largely responsible for reviving the idea of chartalism as an explanation of money creation<sup>69and70</sup>; Wray refers to this revived formulation as Neo-Chartalism<sup>66</sup>.

A Professor of Economics and Director of the Centre of Full Employment and Equity (CofFEE), at the University of Newcastle, New South Wales, refers to an increasing related theoretical work as Modern Monetary Theory<sup>71</sup>.

Scott has developed the first mathematical framework for MMT and has largely focused on developing the idea of the Job Guarantee<sup>72</sup> while Bill has added detailed technical analysis of the banking and monetary systems<sup>73</sup>.

Some contemporary proponents, such as Wray, place MMT within post-Keynesian economics<sup>66</sup>, while MMT has been proposed as an alternative or complementary theory to monetary circuit theory, both being forms of endogenous money, i.e., money created within the economy, as by government deficit spending or bank lending, rather than from outside, as by gold. In the complementary view, MMT explains the "vertical" (government-to-private and vice versa) interactions, while circuit theory is a model of the "horizontal" (private-to-private) interactions<sup>74:75</sup>.

Minsky seemed to favour a chartalist approach to understanding money creation in his book *Stabilizing and Unstable Economy*<sup>63</sup>, while Mosler in his book *Horizontalists and Verticalists*, list the differences between bank money and state money<sup>76</sup>.

In February 2019, the first academic textbook based on the theory was published<sup>57</sup>.

### **Theoretical Approach**

In sovereign financial systems, banks can create money but these "horizontal" transactions do not increase net financial assets as assets are offset by liabilities. According to MMT adherents, "The balance sheet of the government does not include any domestic monetary instrument on its asset side; it owns no money. All monetary instruments issued by the government are on its liability side and are created and destroyed with spending and taxing/bond offerings, respectively<sup>54</sup>." In MMT, "vertical money" enters circulation through government spending. Taxation and its legal tender enable power to discharge debt and establish the fiat money as currency, giving it value by creating demand for it in the form of a private tax obligation that must be met. In addition, fines, fees and licenses create demand for the currency. This can be a currency issued by the domestic government, or a foreign currency<sup>77;78</sup>. An ongoing tax obligation, in concert with private confidence and acceptance of the currency, maintains its value. Because the government can issue its own currency at will, MMT maintains that the level of taxation relative to government spending (the government's deficit spending or budget surplus) is, in reality, a policy tool that regulates inflation and unemployment, and not a means of funding the government's activities by itself. The approach of MMT typically reverses theories of governmental austerity. The policy implications of the two are likewise typically opposed.

MMT labels any transactions between the government, or public sector, and the non-government, or private sector, as a "vertical transaction". The government sector is considered to include the treasury and the central bank. The non-government sector includes domestic and foreign private individuals and firms (including the private banking system) and foreign buyers and sellers of the currency<sup>79</sup>.

MMT is based on an account of the "operational realities" of interactions between the government and its central bank, and the commercial banking sector, with proponents like<sup>80</sup> arguing that understanding reserve accounting is critical to understanding monetary policy options.

A sovereign government typically has an operating account with the country's central bank. From this account, the government can spend and also receive taxes and other inflows<sup>74</sup>. Each commercial bank also have an account with the Central Bank, by means of which it manages its reserves (that is, money for clearing and settling interbank transactions)<sup>81</sup>.

When the government spends money, the treasury debits its operating account at the central bank, and deposits this money into private bank accounts (and hence into the commercial banking system). This money adds to the total deposits in the commercial bank sector. Taxation works exactly in reverse; private bank accounts are debited, and hence deposits in the commercial banking sector fall.

Virtually all central banks set an interest rate target, and conduct open market operations to ensure base interest rates remain at that target level. According to MMT, the issuing of government bonds is best understood as an operation to offset government spending rather than a requirement to finance it<sup>80</sup>.

In most countries, commercial banks' reserve accounts with the central bank must have a positive balance at the end of every day; in some countries, the amount is specifically set as a proportion of the liabilities a bank have (i.e. its customer deposits). This is known as a cash reserve requirement. At the end of every day, a commercial bank will have to examine the status of their reserve accounts. Those that are in deficit have the option of borrowing the required funds from the central bank, where they may be charged a lending rate (sometimes known as a discount rate) on the amount they borrow. On the other hand, the banks that have excess reserves can simply leave them with the central bank and earn a support rate from the central bank. Some countries, such as Japan, have a support rate of zero<sup>82</sup>.

Banks with more reserves than they need will be willing to lend to banks with a reserve shortage on the interbank lending market. The surplus banks will want to earn a higher rate than the support rate that the central bank pays on reserves; whereas the deficit banks will want to pay a lower interest rate than the discount rate the central bank charges for borrowing. Thus they will lend to each other until each bank has reached their reserve requirement. In a balanced system, where there are just enough total reserves for all the banks to meet requirements, the short-term interbank lending rate will be in between the support rate and the discount rate<sup>82</sup>.

Under an MMT framework where government spending injects new reserves into the commercial banking system, and taxes withdraw them from the banking system<sup>83</sup>, government activity would have an instant effect on interbank lending. If on a particular day, the government spends more than it taxes, reserves have been added to the banking system (see vertical transactions). This will typically lead to a system-wide surplus of reserves, with competition between banks seeking to lend their excess reserves forcing the

short-term interest rate down to the support rate (or alternately, to zero if a support rate is not in place). At this point, banks will simply keep their reserve surplus with their central bank and earn the support rate<sup>84</sup>.

The alternate case is where the government receives more taxes on a particular day than it spends. In this case, there may be a system-wide deficit of reserves. As a result, surplus funds will be in demand on the interbank market, and thus the short-term interest rate will rise towards the discount rate. Thus, if the central bank wants to maintain a target interest rate somewhere between the support rate and the discount rate, it must manage the liquidity in the system to ensure that the correct amount of reserves is on hand in the banking system<sup>83</sup>.

Central banks manage this by buying and selling government bonds on the open market. On a day where there are excess reserves in the banking system, the central bank sells bonds and therefore removes reserves from the banking system, as private individuals pay for the bonds. On a day where there are not enough reserves in the system, the central bank buys government bonds from the private sector, and therefore adds reserves to the banking system.

It is important to note that the central bank buys bonds by simply creating money — it is not financed in any way<sup>85</sup>. It is a net injection of reserves into the banking system. If a central bank is to maintain a target interest rate, then it must necessarily buy and sell government bonds on the open market in order to maintain the correct amount of reserves in the system<sup>86</sup>.

Proponents of MMT claim that it provides a better framework for understanding quantitative easing (QE) than the traditional textbook money multiplier model. Paul argued that when the central bank purchases government debt securities as opposed to

private sector risk assets, QE is best viewed as a debt refinancing operation of the consolidated government<sup>87</sup>. MMT emphasizes that governments create central bank reserves when they run budget deficits and expunge those reserves when they issue debt securities. Wray also argued that quantitative easing can be seen as the third stage in this process, turning the government debt securities back into reserves<sup>88</sup>. The unwinding of quantitative easing just reverses this yet again.

### **Horizontal Transactions**

MMT economists describe any transactions within the private sector as "horizontal" transactions, including the expansion of the broad money supply through the extension of credit by banks.

MMT economists regard the concept of the money multiplier, where a bank is completely constrained in lending through the deposits it holds and **it's** capital requirement, as misleading<sup>89;90</sup>. Rather than being a practical limitation on lending, the cost of borrowing funds from the interbank market (or the central bank) represents a profitability consideration when the private bank lends in excess of its reserve and/or capital requirements.

According to MMT, bank credit should be regarded as a "leverage" of the monetary base and should not be regarded as increasing the net financial assets held by an economy: only the government or central bank is able to issue high-powered money with no corresponding liability. Kelton and John argued that bank money is generally accepted in settlement of debt and taxes because of state guarantees, but that state-issued high-powered money sits atop a "hierarchy of money"<sup>91;92</sup>.

## Policy Implications

Economists Stephanie and Paul explained several policy claims made by MMT in March 2019<sup>59;60</sup>:

- 1) Under MMT, fiscal policy (i.e., government taxing and spending decisions) is the primary means of achieving full employment, establishing the budget deficit at the level necessary to reach that goal. In mainstream economics, monetary policy (i.e., central bank adjustment of interest rates and its balance sheet) is the primary mechanism, assuming there is some interest rate low enough to achieve full employment. They claimed that cutting interest rates is ineffective in a slump because businesses expecting weak profits and few customers will not invest at even very low interest rates<sup>59</sup>.
- 2) Government interest expenses are proportional to interest rates, so raising rates is a form of stimulus (it increases the budget deficit and injects money into the private sector, other things equal), while cutting rates is a form of austerity.
- 3) Achieving full employment can be administered via a federally funded job guarantee, which acts as an automatic stabilizer. When private sector jobs are plentiful, the government spending on guaranteed jobs is lower, and vice versa.
- 4) Under MMT, expansionary fiscal policy (i.e., money creation to fund purchases) can increase bank reserves, which can lower interest rates. In mainstream economics, expansionary fiscal policy (i.e., debt issuance and spending) can result in higher interest rates, crowding out economic activity<sup>60</sup>.

Economist Randall explained several of the premises of MMT and their policy implications in March 2019<sup>93</sup>:

- 1) The private sector treats labour as a cost to be minimized, so it cannot be expected to achieve full employment without the government creating jobs as well, such as through a job guarantee.
- 2) The public sector's deficit is the private sector's surplus and vice-versa, by accounting identity.
- 3) Idle resources (mainly labour) can be activated by money creation. Not acting to do so is immoral.
- 4) Demand can be insensitive to interest rate changes, so a key mainstream assumption that lower interest rates lead to higher demand is questionable.
- 5) When the economy is below full employment, there is a "free lunch" in creating money to fund government expenditure to achieve full employment. Unemployment is a burden; full employment is not.
- 6) Creating money alone does not cause inflation; spending it when the economy is at or above full employment can.

MMT claims that the word "borrowing" is a misnomer when it comes to a sovereign government's fiscal operations, because what the government is doing is accepting back its own IOUs, and nobody can borrow back their own debt instruments<sup>94</sup>. Sovereign government goes into debt by issuing its own liabilities that are financial wealth to the private sector. "Private debt is debt, but government debt is financial wealth to the private sector"<sup>95</sup>.

In this theory, the sovereign government is not financially constrained in its ability to spend; it is argued that the government can afford to buy anything that is for sale in currency that it issues (there may be political constraints, like a debt ceiling law). The

only constraint is that excessive spending by any sector of the economy (whether households, firms, or public) could cause inflationary pressures.

MMT economists advocate a government-funded job guarantee scheme to eliminate involuntary unemployment. Proponents argue that this can be consistent with price stability as it targets unemployment directly rather than attempting to increase private sector job creation indirectly through a much larger economic stimulus, and maintains a "buffer stock" of labour that can readily switch to the private sector when jobs become available. A job guarantee program could also be considered an automatic stabilizer to the economy, expanding when private sector activity cools down and shrinking in size when private sector activity heats up<sup>96</sup>.

**Comparison of MMT with Mainstream Keynesian Economics**

MMT can be compared and contrasted with mainstream Keynesian economics in a variety of ways<sup>57;59;60</sup>:

Topic	Mainstream	MMT
Funding government spending	Advocates taxation and issuing bonds (debt) as preferred methods for funding government spending.	Emphasizes that taxation and debt issuance are not required to fund spending
Purpose of taxation	Fund government spending and address inequality.	Primarily to drive demand for the currency. Secondary uses of taxation include addressing inflation, addressing income inequality, and discouraging bad behaviour <sup>97</sup> .

Achieving full employment	Main strategy uses monetary policy; the Federal Reserve System has "dual mandate" of maximum employment and stable prices, but these goals are not always compatible. For example, much higher interest rates used to reduce inflation also caused high unemployment in the early 1980s <sup>98</sup> .	Main strategy uses fiscal policy; running a budget deficit large enough to achieve full employment through a job guarantee.
Inflation control	Driven by monetary policy; the Federal Reserve System sets interest rates consistent with a stable price level, sometimes setting	Driven by fiscal policy; government increases taxes or issues bonds to remove money from private sector. A job guarantee also provides a NAIBER, which acts as an inflation control mechanism.
Setting interest rates	Managed by the Federal Reserve System to achieve "dual mandate" of maximum employment and stable prices <sup>98</sup> .	Emphasizes that an interest rate target is not a potent policy <sup>59</sup> . The government may choose to maintain a zero interest-rate policy by not issuing public debt at all <sup>99</sup> .
Budget deficit impact on interest rates	At full employment, higher budget deficit can crowd-out investment.	Deficit spending can drive down interest rates, encouraging investment and thus "crowding-in" economic activity <sup>100</sup> .

Automatic stabilizers	Primary stabilizers are unemployment insurance and food stamps, which increase budget deficits in a downturn.	In addition to the other stabilizers, a job guarantee would increase deficits in a downturn <sup>96</sup> .
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### Criticisms of MMT

A 2019 survey of leading economists by the University of Chicago Booth's Initiative on Global Markets showed a unanimous rejection of assertions attributed to modern monetary theory in the survey: "Countries that borrow in their own currency should not worry about government deficits because they can always create money to finance their debt. Countries that borrow in their own currency can finance as much real government spending as they want by creating money<sup>101,102</sup>." Directly responding to the survey, MMT economist William K. Black said "MMT scholars do not make or support either claim<sup>103</sup>." Multiple MMT academics regard the attribution of these claims as a smear<sup>104</sup>.

The post-Keynesian economist argued that MMT is largely a restatement of elementary Keynesian economics, but prone to "over-simplistic analysis" and understating the risks of its policy implications<sup>105</sup>. He denies the MMT claim that standard Keynesian analysis does not fully capture the accounting identities and financial restraints on a government that can issue its own money. He argues that these insights are well captured by standard Keynesian stock-flow consistent IS-LM models, and have been well understood by Keynesian economists for decades. He also criticizes MMT for assuming away the problem of fiscal-monetary conflict<sup>106</sup>, that is, the governmental body that creates the spending budget (e.g. Congress) may refuse to cooperate with the governmental body that controls the money supply (e.g. the Federal Reserve). In Marc's view, the policies

proposed by MMT proponents would cause serious financial instability in an open economy with flexible exchange rates, while using fixed exchange rates would restore hard financial constraints on the government and "undermines MMT's main claim about sovereign money freeing governments from standard market disciplines and financial constraint<sup>106</sup>. He also argues that MMT lacks a plausible theory of inflation, particularly in the context of full employment in the employer of last resort policy first proposed by Minsky<sup>63</sup> and advocated by Bill<sup>70</sup> and other MMT theorists; of a lack of appreciation of the financial instability that could be caused by permanently zero interest rates; and of overstating the importance of government created money. Marc concluded that MMT provides no new insights about monetary theory while making unsubstantiated claims about macroeconomic policy, and that MMT has only received attention recently due to it being a "policy polemic for depressed times<sup>106</sup>."

<sup>107</sup> Paul argued that whilst the neochartalist argument is essentially correct, many of its counter-intuitive claims depend on a confusing and fictitious consolidation of government and central banking operations<sup>107</sup>, again what Marc called "the problem of fiscal-monetary conflict<sup>106</sup>."

New Keynesian economist and Nobel laureate argues that MMT goes too far in its support for government budget deficits and ignores the inflationary implications of maintaining budget deficits when the economy is growing<sup>108</sup>. He described MMT devotees as engaging in calvinball (a game from the comic strip Calvin and Hobbes in which the players change the rules at whim). An Austrian School economist states that MMT is dead wrong and that the MMT worldview doesn't live up to its promises<sup>109</sup>. He observes that MMT's claim that cutting government deficits erodes private saving is true; only for the portion of private saving that is not invested and argues that the national accounting

identities used to explain this aspect of MMT could equally be used to support arguments that government deficits crowd out private sector investment.

The chartalist view of money itself, and the MMT emphasis on the importance of taxes in driving money, is also a source of criticism<sup>107</sup>. Economists Eric and Wray argued that modern money draws its value from its ability to cancel (private) bank debt, particularly as legal tender, rather than to pay government taxes<sup>110</sup>.

### **MMT and TSA**

This theory deals with how sovereign government should act, operate, especially in terms of the management of finance and the impact of her action on the economy.

Udo and Esera are of the view that the government should aggregate all government revenue into one single account<sup>30</sup>. This theory advocates for the concurrent existence of the Treasury Single Account (TSA) and the Central Bank of Nigeria such that the Central Bank of Nigeria, being the apex bank is allowed to be in charge and in control of the TSA. Modern Monetary Theory labels any transactions between the government sector and the non-government sector as a vertical transaction. The government sector is considered to include the treasury and the central bank, whereas the non-government sector includes private individuals and firms (including the private banking system) and the external sector, that is, foreign buyers and sellers<sup>110</sup>.

**C. The Theory of Change (ToC):** This is a specific type of methodology for planning, participation, and evaluation that is used in companies, philanthropy, not-for-profit and government sectors to promote social change.

Theory of Change defines long-term goals and then maps backward to identify necessary preconditions<sup>111</sup>.

Theory of Change explains the process of change by outlining causal linkages in an initiative, i.e., its shorter-term, intermediate, and longer-term outcomes. The identified changes are mapped as the outcomes pathway showing each outcome in logical relationship to all the others, as well as chronological flow. The links between outcomes are explained by rationales or statements of why one outcome is thought to be a prerequisite for another<sup>112</sup>.

The innovation of Theory of Change lies

- i. in making the distinction between desired and actual outcomes and
- ii. in requiring stakeholders to model their desired outcomes before they decide on forms of intervention to achieve those outcomes.

A common error in describing Theory of Change is the belief that it is simply a methodology for planning and evaluation<sup>113</sup>. Theory of Change is instead a form of critical theory that ensures a transparent distribution of power dynamics. Further, the process is necessarily inclusive of many perspectives and participants in achieving solutions.

Theory of Change can begin at any stage of an initiative, depending on the intended use.

A theory developed at the outset is best at informing the planning of an initiative. Having worked out a change model, practitioners can make more informed decisions about strategy and tactics. As monitoring and evaluation data become available, stakeholders can periodically refine the Theory of Change as the evidence indicates. A

Theory of Change can be developed retrospectively by reading program documents, talking to stakeholders, and analyzing data. This is often done during evaluations reflecting what has worked or not in order to understand the past and plan for the future.

### **History of Theory of Change**

Theory of Change emerged from the field of program theory and program evaluation in the mid 1990s as a new way of analyzing the theories motivating programs and initiatives working for social and political change<sup>114</sup>. Theory of Change is focused not just on generating knowledge about whether a program is effective, but also on explaining what methods it uses to be effective<sup>115</sup>. Theory of Change as a concept has strong roots in a number of disciplines, including environmental and organizational psychology, but has also increasingly been connected to sociology and political science<sup>116</sup>. Within industrial-organizational psychology, John and Jean have noted that approaches to organizational development are frequently based on more or less explicit assumptions about<sup>117</sup>:

- 1) the processes through which organizations change, and
- 2) the interventions needed to effect change.

Within evaluation practice, Theory of Change emerged in the 1990s at the Aspen Institute Roundtable on Community Change as a means to model and evaluate comprehensive community initiatives. Notable methodologists, such as Huey Chen, Peter Rossi, Michael Quinn Patton, Heléne Clark, and Carol Weiss, had been thinking about how to apply program theories to evaluation since 1980. The Roundtable's early work focused on working through the challenges of evaluating complex community initiatives. This work culminated in a 1995 publication, 'New Approaches to Evaluating Comprehensive Community Initiatives'<sup>114</sup>. In that book, Carol Weiss, a member of the Roundtable's

steering committee on evaluation, hypothesized that a key reason complex programs are so difficult to evaluate is that the assumptions that inspire them are poorly articulated. She argued that stakeholders of complex community initiatives typically are unclear about how the change process will unfold and therefore place little attention on the early and mid-term changes needed to reach a longer term goal.

Weiss and Connell popularized the term “Theory of Change” as a way to describe the set of assumptions that explain both the mini-steps that lead to the long-term goal of interest and the connections between program activities and outcomes that occur at each step of the way<sup>114</sup>. She challenged designers of complex community-based initiatives to be specific about the theories of change guiding their work and suggested that doing so would improve their overall evaluation plans and would strengthen their ability to claim credit for outcomes that were predicted in their theory. She called for the use of an approach that, at first glance, seems like common sense: lay out the sequence of outcomes that are expected to occur as the result of an intervention, and plan an evaluation strategy around tracking whether these expected outcomes are produced. Her stature in the field, and the apparent promise of this idea, motivated a number of foundations to support the use of this technique later termed “the Theory of Change approach” in the evaluations of community change initiatives. In the years that followed, a number of evaluations were developed around this approach, fueling more interest in the field about its value and potential application<sup>114</sup>.

Between 2000 and 2002, the Aspen Roundtable for Community Change led the dissemination and case studies of the Theory of Change approach, although still mostly applied to the field of community initiatives. As the Aspen Roundtable concluded its

leadership in the field and moved on to apply Theory of Change to such topics as structural racism, others expanded the visibility and application of Theory of Change into international development, public health, human rights and more. The visibility and knowledge of Theory of Change grew with the creation in 2002 of theory of change.org<sup>118</sup> and later of Theory of Change Online software<sup>119</sup>.

In the early days of Theory of Change, TOCO and others established three quality control criteria. These are:

1. Plausibility
2. Feasibility
3. Testability

1. Plausibility refers to the logic of the outcomes pathway. Does it make sense? Are the outcomes in the right order? Are the preconditions each necessary and collectively sufficient to reach the long-term outcomes and ultimate impact? Are there gaps in the logic?
2. Feasibility refers to whether the initiative can realistically achieve its long-term outcomes and impact. Does the organization have adequate resources? Does it need partners? Does the scope, expectations, or timeline of the theory need adjustment?
3. Testability refers chiefly to the indicators: Are they solid and measurable? Will they yield sufficient information to evaluate the success of the initiative?

In addition to these three basic quality control criteria, Act Knowledge has added another key criterion<sup>120</sup>: Appropriate Scope. An actionable theory that can be communicated to the key audiences is dependent in part upon choosing the right scope: broad enough to leave

no gaps in the model, yet focused enough on the opportunities and resources at hand. Appropriate Scope also integrates the evaluation concept of accountability. Many Theories of Change outcome pathways include an accountability ceiling, often a dashed line drawn across the pathway that separates outcomes the organization will monitor and claim credit for attaining from higher-order outcomes that are beyond its power to achieve e.g. a just society<sup>122</sup>.

### **Basic Structure of Theory of Change**

The outcomes pathway is a set of needed conditions relevant to a given field of action, which are placed diagrammatically in logical relationship to one another and connected with arrows that posit causality. Outcomes along the pathway are also preconditions to outcomes above them. Thus, early outcomes must be in place for intermediate outcomes to be achieved; intermediate outcomes must be in place for the next set of outcomes to be achieved; and so on. An outcomes pathway, therefore, represents the change logic and its underlying set of assumptions, which are spelt out in the rationales given for why specific connections exist between outcomes and in the theory narrative<sup>113</sup>.

### **Theory of Change in Process and Action**

#### **1) Measuring Change**

The ultimate success of any Theory of Change lies in its ability to demonstrate progress on the achievement of outcomes. Evidence of success confirms the theory and indicates that the initiative is effective. Therefore, the outcomes in a Theory of Change must be coupled with indicators that guide and facilitate measurement.

Indicators may be said to operationalize the outcomes that is, they make the outcomes understandable in concrete, observable and measurable terms. The relationship of indicator to outcome can be confusing and may be clarified with this simple formula: “I’ll know (outcome reached) when I see (indicator).” For example, “I’ll know that teenagers in the program understand the prenatal nutrition and health guidelines when I see program participants identifying foods that are good sources of nutrition.” Ideally, every outcome on the outcomes pathway (below the dashed accountability ceiling) should have an indicator, but available resources often make that difficult to do. Many groups want to designate priority outcomes that is, outcomes they know they need to measure if the theory is going to hold. These are the outcomes that must be operationalized (that is, made measurable by one or more indicators.) At a minimum, every outcome for which initial interventions will be designed should have at least one indicator<sup>113</sup>.

## **2) Monitoring and Evaluation**

As the origins of Theory of Change lie in the field of monitoring and evaluation, developments over the years have ensured that Theory of Change continues to be an invaluable method to conduct evaluations of many different types of projects and organizations. Often, posing theory-based evaluation questions helps to focus evaluation effort on key concerns. As well, there may be a need to pick the right indicators from among the many available, and one can use monitoring questions to select the indicators that will be most helpful. The monitoring questions take the form of “What do we really need to know in order to manage grant-making directed to the achievement of this outcome<sup>123</sup>? It is important to understand success beyond just

knowing “what works”. Experience has shown that blindly copying or scaling an intervention hardly ever works. An important task for monitoring and evaluation is to gather enough knowledge and understanding so as to be able to predict with some degree of confidence how an initiative and set of activities might work in a different situation, or how it needs to be adjusted to get similar or better results. We also need to be able to combine evidence from a number of studies in order to build a stronger picture of what is taking place, how it is unfolding, and, most importantly, how context influences the initiative.

Just as development of a Theory of Change is a participatory process, a ToC-based monitoring and evaluation system can be designed in a participatory way. For example, grant managers can be involved in choosing the outcomes of greatest interest to them in their decision-making. Similarly, people on the ground can have input into which indicators to use and how to operationalize them, choices of instruments and methods of data collection, and which existing sources of data may be used in tracking indicators<sup>124</sup>.

### **3) Growth**

The use of Theory of Change in planning and evaluation has increased exponentially among philanthropies, government agencies, international NGOs, the UN, and many other major organizations in both developed and developing countries. This has led to new areas of work, such as linking the Theory of Change approach to systems thinking and complexity. Change processes are no longer seen as linear, but as having many feedback loops that need to be understood. Consequently, Theory of Change is strengthening monitoring, evaluation and learning. They are also helping to

understand and assess impact in hard to measure areas, such as governance, capacity strengthening and institutional development. Innovations continue to emerge despite the growing ubiquity of Theory of Change, however, especially in the development arena, understanding of the approach and the methods necessary to implement it effectively are not uniform. In fact, there is evidence of some confusion about what the term ‘theory of change’ actually means; in some cases, what some program developers describe as a Theory of Change is, in essence, simply log frame, strategic plan or another approach that does not encompass the complexity of the theory of change approach.

### **New Horizons of Theory of Change**

There are two areas of work that, although not coordinated with Theory of Change, offer much to think about in making Theory of Change more focused and effective:

1. The Annie E. Casey Foundation proposes mapping an organization’s social change work along three criteria: Impact, Influence, and Leverage.

- a. The impact of your work is its program outcomes
- b. Your influence is how much other actors change as a result of your work
- c. Your leverage is how much investment others put into your model<sup>126</sup>.

To date, Theory of Change has not distinguished impact, influence, and leverage as types of outcomes, but it may be useful to do so as a way of focusing the Theory of Change on measurable achievements. Particularly, when using Theory of Change to guide monitoring and evaluation, the Casey rubric helps focus the group’s attention on outcomes, which could, if achieved, be convincingly attributed to the group’s work. Other than direct

program-related outcomes (impact), the Theory would anticipate outcomes in influence and outcomes in leverage. This approach could thereby help to avoid mapping outcomes involving broad shifts in behavior and values among whole populations, which are easy to think about, but are very difficult to monitor and to attribute to any one program.

2. Another refinement, which directly addresses this problem of attribution, comes from Outcome mapping. This process distinguishes changes in state from changes in behaviour, changes in state being just those broad shifts in economic conditions, policy, politics, institutional behavior, and so on, among whole populations (e.g., cities, regions, countries, industries, economic sectors, etc.). Measuring changes in state can exceed the capacity of any one actor's monitoring capabilities. Governments collect data on changes in state but, of course, the data may not be calibrated to measure the kinds of change anticipated in any one Theory of Change. Changes in state are also as stated above, difficult to attribute to any one source.

In contrast, changes in behavior are much easier to monitor, and more easily related to a group's own work. The Outcomes Mapping focus on changes in behavior would tend to direct a Theory of Change toward outcomes like this, which are outcomes the change agent cares most about and which it can relatively easily monitor and evaluate. There would be proportionately less attention to outcomes such as every child is within five minutes walk of a playground or residents are healthy. Such changes in state are more difficult to monitor and to attribute with certainty<sup>127</sup>.

### **Theory of Change and Being Strategic**

Does Theory of Change frustrate or complement strategic thinking? This is an ongoing and important discussion, especially as there is an increasing emphasis on and demand for

strategy as grounded, flexible, and opportunity-driven. Some perspectives understand ToC as a fixed model that gets in the way of effective work and useful evaluation. However, Patricia and Quinn notes that ToC is only at odds with strategic behavior if an organization treats their ToC like any other fixed plan<sup>124</sup>. Once assumptions in a theory of change are laid out,

- 1) foundations don't actually test those assumptions, and
- 2) they don't see using the model as a continuous process.

It is, like, 'Well, we did our ToC and now we are done'. If the change model is instead treated as something to adjust as organizations learn what works from experience in the field, then the theory should not be at odds with strategic behavior. If strategy is about seizing opportunities and trying out what works, the Theory of Change model serves as a guiding frame of reference. A list is not a model; a list does not push practitioners to consider the goals as part of a systematic model of change, or to think critically and strategically about how best to attain the outcomes along the pathway.

### **Limitations of the Theory of Change**

Given that things don't happen in a straight-line sequence, as things impact each other in multiple, partly unpredictable ways, with all kinds of feedback loops that aren't modeled in a top-down diagramming format, an important question is:

How adequate is the linear Theory of Change model as a description of what's going to happen? One answer to the question is that Theory of Change does not, in fact, model how things happen; rather, it models how we believe things will happen.

Theory of Change is a forecast that shows what conditions we believe must exist for other conditions to come into being. Because it is forward looking and logical, Theory of Change reflects the way we think logically, that is, if a, then b and chronologically first this, then that. The linear format is therefore appropriate. It can be helpful to complement Theory of Change with a process model that shows how the Theory of Change fits into a larger, more cyclical scheme in which theory leads to action, which leads to monitoring and evaluation, which leads to adjustment of the theory, which leads to the next action, more monitoring and evaluation, and so on. Such a process model depicts the linear theory as a conceptual driver of change, which must, to remain useful, be accompanied not only by taking action but also by evaluation and recalibration<sup>122</sup>.

The theory of change has been seen by some critics as a mere methodology. The critics are of the opinion that the explicitness of preconditions and goals notwithstanding, it could result to a mere methodology which cannot be certain about outcome. This argument is buttressed by the fact that environmental factors are bound to have impact on outcome of any plan. When environmental factors suddenly turn unfavourable, the theory of change becomes ineffective, the laudability notwithstanding. Example is the sudden fall in prices of crude oil at the advent of the present regime in Nigeria.

### **Theory of Change and TSA**

For the purpose of this research work the researcher is adopting the Theory of change, because it is a tool for developing solutions to complex social problems. Theory of change is a product that provides a comprehensive picture of early and intermediate term changes that are needed to reach long-term goals. It is a tool that explicitly provides understanding of the early and intermediate steps required for long term changes to occur. It thus creates

a picture of the steps required to reach a goal. A basic theory of change explains how a group of early and intermediate accomplishments sets the stage for producing long-term goals. Theory of change is essentially a comprehensive description of how and why a desired change is expected to happen. Since treasury single account is a long term goal, this theory will be applicable.

Applying the theory of change in Nigerian case, the present government has as their major goal “change” of society for the better. Before and after the election of the present government of Muhamadu Buhari into office, the slogan “Change” has been its major objectives. The President had stated severally that the Nigerian society would change for the better in all its ramifications. In order to achieve the much desired change both politically and economically, the government spelt out modalities and activities that must be performed as pre conditions. One of such activities is the full and immediate implementation of the Treasury Single Account. Having the belief that the previous government of Nigeria allowed leakages and loss of revenue for not having the political will to implement the treasury single account policy, the present government quickly jumped on the opportunity with a directive for the full implementation and compliance to the TSA policy as a pre-requisite to achieving the much desired economic change. In other words, the government will not be able to bring economic change to bear in Nigeria if the status quo of non-implementation of TSA is allowed to continue.

The new government realized a need to go back to the basics and work in line with the Nigerian Constitution which stipulates that a single treasury account be maintained with the Central Bank of Nigeria.

First, the economy was highly volatile, with loose fiscal policy and poor management of both the volatility and the fiscal policy.

Second, there was no clear and consistent budgetary framework or budget process. The two sets of problems were strongly related indeed, as we increasingly discovered, they were intertwined- and solutions had to be found to both, hence the need to change the ways managing government funds and comply with international best practice as globalization limits the ability of national governments to act independently.

This change was also necessary to:

1. Improve poor cash management and resource allocation
2. Enable FGN undertake central control and monitor expenditure and receipts in the MDAs.
3. Facilitate access to information on financial and operational performance.
4. Strengthen internal controls to prevent and detect potential and actual fraud.
5. Facilitate timely financial reporting.
6. Enhance efficiency in government business.
7. Provide audit trails and provide central data base of government financial operations.

### **2.3 Empirical Review**

Ekubiat and Ime studied the Adoption of Treasury Single Account (TSA) by State Governments of Nigeria: Benefits, Challenges and Prospects. According to the study, Nigeria's Public Funds at all levels have been wrongly accounted-for by previous administrations. But to avert this threat coupled with the present country's dwindling economy, Federal Government of Nigeria has implemented Treasury Single Account

(TSA) to properly manage the scarce financial resources but State Governments of Nigeria have been left-out<sup>30</sup>. The aim of this study was to examine the benefits, challenges and prospects of adoption of Treasury Single Account (TSA) by State Governments of Nigeria. Descriptive cross-sectional survey design was adopted for the study. The population for the study consisted of 200 Professional Accountants in Akwa Ibom State. Taro Yamane's statistical formula was used to select sample size of 133. Purposive sampling technique was used to select the 133 respondents/samples. The data obtained from questionnaire administration were analysed using descriptive statistics and t-test statistics. The finding reveals that, TSA adoption and full implementation by the state governments will be of greatest benefit as showed in the weighted means scores of 4.20 and tcal of 24.87; there will be challenges in a short-run but the benefits at a long-run will definitely out-weigh the challenges. It is the conclusion in the study that, State Governments of Nigeria should adopt and fully implement TSA for successful control and accountability of public funds so as to avoid bailout funds always from any source<sup>30</sup>. State governments should enlighten all stakeholders on the benefits of TSA adoption as well as professional and regulatory bodies (ICAN, CBN, IMF, etc.) should help in designing, conceptualizing and road-mapping TSA for the states.

Ahmed studied the Treasury Single Account (TSA) as an Instrument of Financial Prudence and Management: Prospects and Problems<sup>28</sup>. According to the study, the Treasury Single Account (TSA) was recently implemented fully in the Nigerian economy by the present government in order to ensure prudence and probity in the management of financial resources. With the TSA government expects to block all loopholes and leakages of financial resources of the government and also ensure a robust financial management

system. The paper therefore provides the conceptual meaning of the TSA and also gives its expected benefits to the economy of Nigeria such as enhance system of financial management and control, unification of various Accounts of government, reduction of the costs of government borrowing and ensuring of optimum utilization of government financial resources. The paper also analyses the objectives of the TSA systems and its various Accounts such as TSA main account, Subsidiary Account, ZBAs, Transit and Imprest Account among others. The paper finally discusses the prospects of the TSA system and its challenges and concludes that the system requires political will, honesty and determination so as to overcome the various challenges identified in the paper in order to achieve the expected benefits of the system.

Omodero and Okafor conducted a research on the Efficiency and Accountability of Public Sector Revenue and Expenditure in Nigeria (1970-2014)<sup>128</sup>. The study was carried out to examine the accountability of public officers in the management of the financial resources of the country and means of achieving an efficient, accountable and transparent society. The study made use of secondary data to examine the total federal government revenue and expenditure, state governments' revenue and expenditure were collected from Statistical bulletin from the Central Bank of Nigeria from 1970-2014. The results were analyzed using descriptive and inferential statistics; t-test statistical tools and regression were equally used to test the hypotheses formulated in the study. The findings reveal that efficiency of public sector expenditure do effectively have implications on accountability in Nigeria in spite of the absence of other the efficiency of public sector expenditure variables because the EPSE has significant effect of 2.930 (t-value) on recurrent expenditure and as well the significant effect of 3.939 (t value) on capital expenditure.

The research concluded that there is significant relationship between the efficiency of public sector expenditure, recurrent expenditure and capital expenditure in Nigeria from 1970-2014.

Aminatu studied the Impact of Integrated Financial Management System on Economic Development: The Case of Ghana<sup>129</sup>. The study assessed the impact of the Integrated Financial System by making use of both qualitative and quantitative data. Regression analysis was used as a statistical tool to analyze data accumulated over the last ten (10) years by the Ministry of Finance and Economic Planning. This study looks at the impact of GIFMIS on Ghana's economic development by looking at gross domestic product (GDP), economic growth, and resource allocation to major sectors of the economy. It is noted from the analysis that some sectors of the economy contributed immensely to GDP growth whereas other sectors have an adverse effect. Analysis results also showed that GDP growth does not have a direct impact on economic growth.

Tari et al considered Treasury Single Account (TSA) Policy in Nigeria: Reviving Jonathan's 'Dead' Policy Directives<sup>24</sup>. The main study attempts to look at the contributions of reviving the Treasury Single Account. The paper relied on secondary methodology to effectively examine the fiscal impact of reviving the TSA policy and anchored on incremental model as a framework of analysis. The paper suggested better ways of making the policy effective amidst the dwindling oil price and the superiority of Dollar against the Naira. Hence, the researchers concluded that except proper monitoring of government account is carried out, in all government institutions and strong punitive measure applied against defaulters and corrupt officers, that TSA will be a failure in Nigeria.

Ibrahim carried out a study on the effects of Treasury Single Account on public finance management in Nigeria<sup>18</sup>. The main objective of the study was to examine the extent to which Treasury Single Account can block financial leakages, promotes transparency and accountability in public financial management. Both primary and secondary data had been employed in the study. The populations of the study are Ministries, Department and Agencies (MDAs) within Bauchi metropolis using a sample of 72 respondents through judgment sampling. The data were analyzed using the Pearson Correlation techniques. The result of the study showed that the adoption of a Treasury Single Account (TSA) is capable of plugging financial loopholes, promoting transparency and accountability in the public Financial System<sup>31</sup>.

Oguntodu et al carried out an Assessment of Treasury Single Account and Nigeria's Economy Between 1999 and 2015<sup>130</sup>. According to the study, a treasury single account is a pool in which all government revenue is collected and controlled by the Central Bank of Nigeria, with the view to boost the economy and reduce corruption. CBN statistical bulletin (1999-2015) was analysed using the OLS estimator. To this effect, an empirical analysis of the relationship between Treasury Single Account and economic performance in Nigeria was carried out. The result shows that the Treasury Single Account has a positive significant impact on the country's economic growth but this impact is limited by various factors, one of them being the recent implementation of the policy in Nigeria which made the discovery of historical data difficult. The study recommended that the federal government of Nigeria should initiate policies and various means to make sure that there are proper accounting of the funds entering into the Treasury Single Account and that such fund should follow due process. Also that any subsequent foul play by any agencies or even the CBN is duly prosecuted.

## 2.4 Conceptual Framework and Model Specification

**H<sub>01</sub>:** implementation of Treasury Single Account (TSA) does not have any effect on prompt payment of expenditure in tertiary institution.

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \varepsilon$$

Therefore,

$$PPE = \alpha_0 + \beta_1 PS + \beta_2 PI + \beta_3 PF + \varepsilon$$

PPE = Prompt Payment of Expenditures

$\alpha_0$  = constant

$\beta_{1-3}$  = coefficient

PS = Payment of salaries

PI = Payment of Impresses

PF = Payment of Furniture and Fittings

**H<sub>02</sub>:** there is no significant relationship between Treasury Single Account (TSA) and revenue generation.

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \varepsilon$$

Therefore,

$$RG = \alpha_0 + \beta_1 GS + \beta_2 NGS + \beta_3 TF + \varepsilon$$

Where,

RG = Revenue Generation

$\alpha_0$  = constant

$\beta_{1-3}$  = coefficient

GS = Government Sources

NGS= Non-Government Sources

TF= Tet fund

H<sub>03</sub>: Treasury Single Account (TSA) have no influence on financial leakages.

$$FL = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \varepsilon$$

Therefore,

$$FL = \alpha_0 + \beta_1 CI + \beta_2 CO + \beta_3 R + \varepsilon$$

Where, FL = Financial Leakages

$\alpha_0$  = constant

$\beta_{1-3}$  = coefficient

CI = Cash inflow

CO = Cash outflow

R = Remittance

## 2.5 Summary of Gaps in Literature

Despite the fact that some studies have been conducted on TSA and how it affects revenue generation, most studies formed their conclusions based on people's opinion and not on the government revenue data made available by the Central Bank of Nigeria. Example, the study conducted by Ekubiat and Ume made use of 200 Professional Accountants in Akwa Ibom State to evaluate the benefit of the adoption and full implementation of TSA by the state governments of Nigeria<sup>30</sup>. Also, Yusuf et al used a sample of 72 respondents through judgment sampling to examine the effects Treasury Single Account has on Public Finance Management in Nigeria<sup>31</sup>. Other studies focused on the commercial banking sectors<sup>22</sup>. As

a result, this study will examine the effect of TSA on tertiary institution by comparing the total revenue generated before and after its introduction.

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## **Chapter Three**

### **Methodology**

This chapter is divided basically into six parts which includes; research design, study population, sample size and sampling technique, data collection instrument, data collection method and method of data analysis. The research is to examine Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State (a study of University of Ilorin and Federal Polytechnic Offa).

#### **3.1 Research Design**

The research design adopted for this study is the survey design as the researcher gathered information directly from the respondents to describe the existence of the problem in the study and proffer solutions. This method is useful in describing the characteristics of a large population which ensures a more accurate sample, to gather targeted results in which to draw conclusions. Survey design also allows for anonymity in that; it allows the respondent to answer with more candid and valid answers. To get accurate data, respondents need to be as open and honest as possible with their answers. Surveys conducted anonymously provide an avenue for more honest and unambiguous responses than other research methodologies, especially if it is clearly stated that the survey answers will remain completely confidential. The method was chosen because it helps to record, describe, analyze and interpret the belief, opinion, thought and feelings of the respondent in the cause of the research work.

### **3.2 Population of the Study**

The population of this study covered all members of staff of the Bursary department of both University of Ilorin and Federal Polytechnic Offa, with a total population of One Hundred and Forty-three (143) University of Ilorin bursary Staff (Directorate of Human Resources) and Forty (40) from the bursary department at Federal Polytechnic Offa, (The Polytechnic Archive) with the total of One Hundred and Eighty-three (183). The researcher aims to examine Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State. The bursary department was selected because they are directly responsible for all the financial transactions in the institution.

#### **Brief History of the Case Study**

University of Ilorin, also known as Unilorin, is a Federal government owned tertiary institution, established by a decree of the Federal Military Government in 1975. It is located in Ilorin-South Local Government Area of Kwara State, Nigeria. The ancient city of Ilorin, the capital of Kwara State is about 300 km from Lagos State and 500 km from Abuja, the country's administrative capital. The institution's land mass is among the largest in Nigeria covering approximately 5000 hectares. It is strategically located at the geographical and cultural confluence of the North and South with a land mass of 5,000 (approximate) hectare (University of Ilorin website). The institution began as a University College affiliated to the oldest university in Nigeria (University of Ibadan) in 1975 under the leadership of the then principal, Dr. T.N. Tamuno. He was a Professor and Head of History Department at the University of Ibadan, and was appointed the first Principal of the College in September 1975 till December 1975 when he was appointed the Vice-

Chancellor of the University of Ibadan. Therefore, a new Principal was appointed in the person of Professor O.O. Akinkugbe, former Dean of the Faculty of Medicine, University of Ibadan, in December 1975. The Institution attained full autonomous status with the appointment of Professor O.O Akinkugbe as first vice-chancellor. The university now has 15 faculties: Arts, Agriculture, Environmental Sciences, Life Sciences, Management Sciences, Physical Sciences, Social Sciences, Communication and Information Sciences, Education, Engineering and Technology, Pharmaceutical Sciences, Veterinary Medicine, and Law; a College of Health Sciences (with 2 Faculties-Basic Medical Sciences and Clinical Sciences); two institutes (Institute of Education and Unilorin Sugar Research Institute); and the Postgraduate School. These faculties have over 60 academic departments (NUC Archive -2015).

The Federal Polytechnic, Offa is also a Federal Government tertiary institution located in Offa, Kwara State (Polytechnic Archive). Established in 1992 during the administration of General Ibrahim Babangida, the Polytechnic offers National Diploma and Higher National Diploma courses at undergraduate levels (Polytechnic Archive). Consequently, a local task force was then constituted by His Royal Highness, the then Olofa of Offa, under the Chairman of Alhaji Tihamiyu Olatinwo with six other eminent indigenes of Offa with Chief Ayotunde Raji as the Secretary.

The pioneer Rector of the Polytechnic, Engr. (Mrs.) Taiwo Adeife Osemeikhian, administered both administrative and academic matters in the Polytechnic from February 1992 to year 2000, under the supervision of a Federal task force led by the Director of Science and Technology, Federal Ministry of Education. The task force was responsible for taking major policy decisions affecting the polytechnic and performing the functions

of the Governing Council. She handed over to Dr. Razaq Bello as the Rector who in turn handed over to Dr. Mufutau Olatinwo in 2006. Dr. Ademola Olatunji took over from Dr. Olatinwo to pilot the affairs of the Polytechnic from 2016 till date. The first Governing Councils of the Polytechnic was inaugurated alongside councils of other tertiary institutions in year 2000, the second in 2005, the third in 2009 and the current council headed by Chief Zikora Oseloka, was constituted in 2017.

The first batch of three hundred and sixty (360) students, were admitted into the initial six programmes: Financial Studies, Business Studies, Secretarial Studies, Science Laboratory Technology, Electrical/Electronic Engineering; and Computer Science.

Schools in the polytechnic are School of Applied Science and Technology, School of Business and Management Studies, School of Communication and Information Technology, School of Engineering Technology, and School of Environmental Studies.

### **3.3 Sampling Size and Sample Techniques**

The sample size was determined from the total staff strength of One Hundred and Eighty-three (183) bursary staff. The Taro Yamane (1967) Formula was used to determine the sample size.

$$n = \frac{N}{1 + N(e^2)}$$

Where;

n= number of population

N= sample size

e= standard error assumed to be 0.05

$$n = \frac{183}{1 + 183(0.05^2)}$$

$$n = \frac{183}{1 + 183(0.0025)}$$

$$n = \frac{183}{1 + 0.4575}$$

$$n = \frac{183}{1.4575}$$

125.557461  $\approx$  126 respondents.

The researcher used a sample size of 126 for the study. The 126 selected span across the senior staff, and junior staff of the institutions.

### 3.4 Description of the Instrument

The research instrument used is the structured questionnaire which consists of open and close-ended questions, where respondents were required to tick some questions and fill in information wherever necessary in the open spaces provided. An open-ended question asks the respondents to formulate their own answer, whereas a close-ended question asks the respondents to pick an answer from a given number of options. The use of Likert's scale questions was adopted to make it easier to measure levels of agreement or disagreement on certain variables.

A questionnaire is a research instrument consisting of a series of questions to gather information from respondents. Questionnaires have advantages over other types of research instruments in that; they are cheap and simple way of compiling data. The respondents had choices either to agree or disagree with the statement made within the range. This was to ensure that the answer chosen directly addresses issues and to also make data collation and analysis easy.

### **3.5 Pilot Study**

Fifteen (15) University of Ilorin bursary Staff and Ten (10) bursary department staff at Federal Polytechnic Offa was used as pilot test before the actual field work.

### **3.6 Validation of the Research Instrument**

The instrument used was developed by the researcher in accordance with the research topic: Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State. The validity of the instrument was determined by experts in test and measurement who matched the variables of the instruments with the research questions in order to determine whether or not the instruments measured what they were supposed to measure. The validity of research instrument was measured using face-validity.

### **3.7 Reliability of the Instrument**

The reliability of the research instrument was tested by the internal consistency using Cronbach's Alpha, developed by Lee Cronbach in 1951. Cronbach's alpha tests to see if multiple questions (Likert scale survey) are reliable. It will tell if the test designed is accurately measuring the variables of interest.

### **3.8 Administration of Instruments**

Data collected for the purpose of this research was sourced from primary data. The data consulted were from published and unpublished documents of the institutions, journals, textbooks, business magazines, articles and the web. The primary data was collected through the use of questionnaire.

Questionnaires sent out to respondents had a covering letter explaining briefly the purpose of the survey, the importance of the respondents' participation, the person carrying out the research work and a statement ensuring confidentiality (see Appendix below). The questionnaires were distributed one- on -one by the researcher to the bursary staffs of both institution in the month of April 2019 and this lasted for a period of 5 weeks. Respondents are made to understand the importance of the research before the questionnaire was administered. They were also encouraged to be truthful and that their answers will be treated as confidential to make the research easier and worthwhile.

### **3.9 Method of Data Analysis**

The data collected by the researcher was quantified, then statistically analysed using frequency table, correlation and regression analysis. The result of the data collected was analyzed using Statistical Package for the Social Sciences (SPSS), computer software was used to determine the correlation and regression of the various variables for easy interpretation.

## Chapter Four

### Results and Discussion of Findings

The chapter is divided into four parts. The first part discussed the frequency distribution and analysis of responses relating to the demographic characteristics of the respondents, the second part focused on analysis of Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State, the third part deals with test of hypothesis, while the last segment discussed the results and application of the analysis. The data were presented using frequency tables while the hypotheses were tested using the chi-square test and multiple linear regressions. All tests were performed with 0.05 level of significance.

#### 4.1 Data Presentation

**Table 1a: Analysis of Responses to Questionnaire**

Description	Frequency	Percentage
Administered	126	100.0
Returned	126	100.0
Not returned	0	0.0

*Source: field survey, 2019*

Table 1a above shows that, out of the 126 copies of questionnaire administered to the respondents, all of the copies were completed and returned, which implies a response rate of 100.0%, while none of the questionnaires were returned non-responded. Based on the large response rate by the respondents, therefore, the population of the study is fully represented by the selected sample size. The implication is that there was a high response rate of the validity of the findings.

#### 4.1.1 Demographic Data of Respondents

**Table 1b: Demographic Characteristics of Respondents**

Demographic Characteristics		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Gender</b>					
Valid	Male	74	58.7	58.7	58.7
	Female	52	41.3	41.3	41.3
	Total	126	100.0	100.0	100.0
<b>Marital Status</b>					
Valid	Single	37	29.4	29.4	29.4
	Married	69	54.8	54.8	54.1
	Divorced	7	5.6	5.6	5.6
	Widow/Widower	13	10.3	10.3	10.3
	Total	126	100.0	100.0	100.0
<b>Age</b>					
Valid	18-23 years	1	.8	.8	.8
	24-29 years	10	7.9	7.9	7.9
	30-35 years	24	19.0	19.0	19.0
	36 and above	91	72.2	72.2	72.2
	Total	126	100.0	100.0	100.0
<b>Academic Qualification</b>					
Valid	SSCE/O'LEVEL	8	6.3	6.3	6.3
	OND/NCE	18	14.3	14.3	14.3
	HND/B.sc/B.A	63	50.0	50.0	50.0
	POSTGRADUATE DEGREE	31	24.6	24.6	24.6
	OTHERS	6	4.8	4.8	4.8
	Total	126	100.0	100.0	100.0
<b>Managerial Level</b>					
Valid	Junior Staff	50	39.7	39.7	39.7
	Senior Staff	52	41.3	41.3	41.3
	Management Staff	24	19.0	19.0	19.0
	Total	126	100.0	100.0	100.0

**Religion**

Valid	Islam	69	54.8	54.8	54.8
	Christianity	57	45.2	45.2	45.2
	Total	126	100.0	100.0	100.0

**Work Experience**

Valid	0-5 years	15	11.9	11.9	11.9
	6-10 years	55	43.7	43.7	43.7
	11-15 years	36	28.6	28.6	28.6
	16 years and above	20	15.9	15.9	15.9
	Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 1b above shows the demographic information of the respondents in this study.

**Gender of Respondents**

It is shown that 74 of the respondents were male while 52 were female. This implies that the study would focus more on male respondents than female respondents

**Marital Status of Respondents**

The marital status of the respondents is shown to be single 37 (29.4%), married 69 (54.8%), divorced 7 (5.6%) while widowed 13 (10.3%). This implies that the study is studying the married respondents than it does the other marital status.

**Age of Respondents**

The age distribution of the respondents shows that 1 of the respondent is between 18-23years, 10 are between 24-29years, 24 are between 30-35years while 91 are 36years and above. This implies that the study investigates adult more than youths.

### **Academic Qualification of Respondents**

The result from the analysis of academic qualifications of the respondents shows that 8 (6.3%) have SSCE/O'level, 18 (14.3%) have OND/NCE, 63 (50.0%) have HND/Bachelor's degree, 31 (24.6%) have Postgraduate degree while 6 (4.8%) have other qualification. This implies that the focus of this study is the first degree graduates.

### **Managerial Level of Respondents**

The study shows that 50 (39.7%) of the respondents are junior staffs, 52 (41.3%) are senior staffs while 24 (19.0%) are management staffs. This implies that the study consists more of junior and senior staffs than management staffs.

### **Religion of Respondents**

The religion of the respondents shows that 69 (54.8%) are Muslims, while 57 (45.2%) are Christians and none of the respondents are traditional worshippers or other religion. This implies that, the study focused on the Christians and Muslims.

### **Work Experience of Respondents**

From the work experience of the respondents, it is shown that, 15 (11.9%) have 0-5years of experience, 55 (43.7%) have 6-10years, 36 (28.6%) have 11-15years while 20 (15.9%) have 16years and above experience. This implies that the study may be bias to respondents with other years of experience except respondents with 6-10years of experience.

## 4.2 Data Analysis and Interpretation

**Table 2: Since the implementation of TSA, Release of Funds by Federal Government for Expenses have been Slow**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	8	6.3	6.3	6.3
Undecided	15	11.9	11.9	11.9
Agree	47	37.3	37.3	37.3
Strongly Agree	56	44.4	44.4	44.4
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 2 above shows that none of the respondents strongly disagree, 8 (6.3%) disagreed, 15 (11.9%) are undecided, 47 (37.3%) agreed while 56 (44.4%) strongly agreed that, since the implementation of TSA, the release of funds by the federal government for expenses has been slow. This implies that more than 70% of the respondents agreed that, the release of funds by the federal government for expenses have been slow since the implementation of TSA.

**Table 3: Implementation of TSA Slows Down the Process of Purchase of Stationeries**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	17	13.5	13.5	13.5
Agree	44	34.9	34.9	34.9
Strongly Agree	56	44.4	44.4	44.4
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 3 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 17 (13.5%) are undecided, 44 (34.9%) agreed while 56 (44.4%) strongly agreed that, implementation of TSA slows down the process of purchase of stationeries. This implies

that over 70% of the respondents agreed that the implementation of TSA by the government slows down the process of purchase of stationeries.

**Table 4: TSA Implementation Slows Down Payments for Environmental Sanitation Expenses**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	19	15.1	15.1	15.1
Agree	49	38.9	38.9	38.9
Strongly Agree	49	38.9	38.9	38.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 4 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 19 (15.1%) are undecided, 49 (38.9%) agreed while 49 (38.9%) strongly agreed that TSA implementation slows down payments for environmental sanitation expenses. This implies that over 75% of the respondents agreed that TSA implementation slows down payments for environmental sanitation expenses.

**Table 5: Since the Commencement of TSA, Payments for Teaching and Learning Materials have Become Slow**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	19	15.1	15.1	15.1
Agree	49	38.9	38.9	38.9
Strongly Agree	49	38.9	38.9	38.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 5 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 19 (15.1%) are undecided, 49 (38.9%) agreed while 49 (38.9%) strongly agreed that, since the commencement of TSA, payments for teaching and learning materials have become

slow. This implies that over 75% of the respondents agreed that, since the commencement of TSA, payments for teaching and learning materials have become slow.

**Table 6: TSA Implementation Causes Slow Pace of Procurement of Furniture and Fittings**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	21	16.7	16.7	16.7
Agree	47	37.3	37.3	37.3
Strongly Agree	49	38.9	38.9	38.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 6 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 21 (16.7%) are undecided, 47 (37.3%) agreed while 49 (38.9%) strongly agreed that TSA implementation causes slow pace of procurement of furniture and fittings. This implies that over 75% of the respondents agreed that TSA implementation causes slow pace of procurement of furniture and fittings.

**Table 7: Since the Commencement of TSA, Salaries of Staff do not Come as at When Due**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	19	15.1	15.1	15.1
Agree	49	38.9	38.9	38.9
Strongly Agree	49	38.9	38.9	38.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 7 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 19 (15.1%) are undecided, 49 (38.9%) agreed while 49 (38.9%) strongly agreed that, since the commencement of TSA, salaries of staff do not come as at when due. This implies that

over 75% of the respondents agreed that, since the commencement of TSA, salaries of staff do not come as at when due.

**Table 8: Bureaucratic Bottlenecks in Accessing Approved Funds Have Increased Since TSA Implementation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	13	10.3	10.3	10.3
Undecided	18	14.3	14.3	14.3
Agree	46	36.5	36.5	36.5
Strongly Agree	49	38.9	38.9	38.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 8 shows that none of the respondents strongly disagree, 13 (10.3%) disagreed, 18 (14.3%) are undecided, 46 (36.5%) agreed while 49 (38.9%) strongly agreed that Bureaucratic bottlenecks in accessing approved funds have increased since TSA implementation. This implies that over 75% of the respondents agreed that Bureaucratic bottlenecks in accessing approved funds have increased since TSA implementation.

**Table 9: Activities in the Accounts/Bursary Unit Have Slowed Down Since the Implementation of TSA**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	21	16.7	16.7	16.7
Agree	37	29.4	29.4	29.4
Strongly Agree	59	46.8	46.8	46.8
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 9 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 21 (16.7%) are undecided, 37 (29.4%) agreed while 59 (46.8%) strongly agreed that

Activities in the accounts/bursary unit have slowed down since the implementation of TSA. This implies that over 75% of the respondents agreed that Activities in the accounts/bursary unit have slowed down since the implementation of TSA.

**Table 10: Inadequacy of ICT Facilities has Aggravated the Inability of Bursary Staffs to Fit into the Implementation of TSA**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	22	17.5	17.5	17.5
Agree	46	36.5	36.5	36.5
Strongly Agree	49	38.9	38.9	38.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 10 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 22 (17.5%) are undecided, 46 (36.5%) agreed while 49 (38.9%) strongly agreed that inadequacy of ICT facilities has aggravated the inability of bursary staffs to fit into the implementation of TSA. This implies that over 75% of the respondents agreed that inadequacy of ICT facilities has aggravated the inability of bursary staffs to fit into the implementation of TSA.

**Table 11: TSA Implementation has a Negative Effect on Activities of the Bursary Department**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Undecided	18	14.3	14.3	14.3
Agree	51	40.5	40.5	40.5
Strongly Agree	48	38.1	38.1	38.1
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 11 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 18 (14.3%) are undecided, 51 (40.5%) agreed while 48 (38.1%) strongly agreed that TSA implementation has negative effect on activities of the bursary department of the institutions. This implies that over 75% of the respondents agreed that TSA implementation has a negative effect on activities of the bursary department of the institutions.

**Table 12: Based on Your Understanding of TSA, Is Finance Management in Tertiary Institutions Better Off?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	11	8.7	8.7	8.7
Undecided	17	13.5	13.5	13.5
Agree	52	41.3	41.3	41.3
Strongly Agree	46	36.5	36.5	36.5
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 12 shows that none of the respondents strongly disagree, 11 (8.7%) disagreed, 17 (13.5%) are undecided, 52 (41.3%) agreed while 46 (36.5%) strongly agreed that based on their understanding of TSA, finance management in Tertiary Institutions is better off. This implies that over 75% of the respondents agreed that based on their understanding of TSA, finance management in Tertiary Institutions is better off.

**Table 13: TSA Ensures Funds are Utilized for the Purpose it was Meant**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Valid Undecided	41	32.5	32.5	32.5
Agree	51	40.5	40.5	73.0
Strongly Agree	34	27.0	27.0	100.0
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 13 shows that none of the respondents strongly disagree nor disagreed, 41 (32.5%) are undecided, 51 (40.5%) agreed while 34 (27.0%) strongly agreed that TSA ensures funds are utilized for the purpose it was meant. This implies that over 67.5% of the respondents agreed that TSA ensures funds are utilized for the purpose it was meant.

**Table 14: Under TSA, More than 85% of the Funds Received are Utilized for Projects Meant For**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Valid Undecided	44	34.9	34.9	34.9
Agree	44	34.9	34.9	34.9
Strongly Agree	38	30.2	30.2	30.2
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 14 shows that none of the respondents strongly disagree nor disagreed, 44 (34.9%) are undecided, 44 (34.9%) agreed while 38 (30.2%) strongly agreed that under TSA, more than 85% of the funds received are utilized for projects meant for. This implies that over 60% of the respondents agreed that under TSA, more than 85% of the funds received are utilized for projects meant for.

**Table 15: Treasury Single Account Ensures Proper Cash Management for Collection of Revenue**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Valid Undecided	36	28.6	28.6	28.6
Agree	53	42.1	42.1	42.1
Strongly Agree	37	29.4	29.4	29.4
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 15 shows that none of the respondents strongly disagree nor disagreed, 36 (28.6%) are undecided, 53 (42.1%) agreed while 37 (29.4%) strongly agreed that Treasury Single Account ensures proper cash management for collection of revenue. This implies that over 60% of the respondents agreed that the Treasury Single Account ensures proper cash management for collection of revenue.

**Table 16: Under TSA Monies Collected from TETFund has been Properly Utilized**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Valid Undecided	40	31.7	31.7	31.7
Agree	44	34.9	34.9	34.9
Strongly Agree	42	33.3	33.3	33.3
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 16 shows that none of the respondents strongly disagree nor disagreed, 40 (31.7%) are undecided, 44 (34.1%) agreed while 42 (33.3%) strongly agreed that under TSA monies collected from TETFund has been properly utilized. This implies that over 67% of

the respondents agreed that under TSA monies collected from Tetfund has been properly utilized.

**Table 17: Adoption of TSA has Ensured Centralized Revenue Management**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	0	0.0	0.0	0.0
Valid	Disagree	9	7.1	7.1	7.1
	Undecided	20	15.9	15.9	15.9
	Agree	53	42.1	42.1	42.1
	Strongly Agree	44	34.9	34.9	34.9
	Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 17 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 20 (15.9%) are undecided, 53 (42.1%) agreed while 44 (34.9%) strongly agreed that adoption of TSA has ensured centralized revenue management. This implies that 77% of the respondents agreed that adoption of TSA has ensured centralized revenue management.

**Table 18: Since the Adoption of TSA Revenue Generation has Increased**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	0	0.0	0.0	0.0
Valid	Disagree	9	7.1	7.1	7.1
	Undecided	19	15.1	15.1	22.2
	Agree	49	38.9	38.9	61.1
	Strongly Agree	49	38.9	38.9	100.0
	Total	126	100.0	100.0	

*Source: field survey, 2019*

Table 18 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 19 (15.1%) are undecided, 49 (38.9%) agreed while 49 (38.9%) strongly agreed that since the

adoption of TSA revenue generation has increased. This implies that over 75% of the respondents agreed that since the adoption of TSA revenue generation has increased.

**Table 19: TSA has Made Grants Collected from Non-governmental Sources Easily Accessible**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	8	6.3	6.3	6.3
Undecided	14	11.1	11.1	11.1
Agree	59	46.8	46.8	46.8
Strongly Agree	45	35.7	35.7	35.7
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 19 shows that none of the respondents strongly disagree, 8 (6.3%) disagreed, 14 (11.1%) are undecided, 59 (46.8%) agreed while 45 (35.7%) strongly agreed that TSA has made grants collected from non-governmental sources easily accessible. This implies that over 81% of the respondents agreed that TSA has made grants collected from non-governmental sources easily accessible.

**Table 20: TSA Ensures Transparency and Accountability of Cash Inflow**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	8	6.3	6.3	6.3
Undecided	20	15.9	15.9	22.2
Agree	56	44.4	44.4	66.7
Strongly Agree	42	33.3	33.3	100.0
Total	126	100.0	100.0	

*Source: field survey, 2019*

Table 20 shows that none of the respondents strongly disagree, 8 (6.3%) disagreed, 20 (15.9%) are undecided, 56 (44.4%) agreed while 42 (33.3%) strongly agreed that TSA

ensures transparency and accountability of cash inflow. This implies that over 77% of the respondents agreed that TSA ensures transparency and accountability of cash inflow.

**Table 21: TSA Policy Will go a Long Way to Identify Financial Leakages in Revenue Generation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	8	6.3	6.3	6.3
Valid Undecided	19	15.1	15.1	15.1
Valid Agree	55	43.7	43.7	43.7
Valid Strongly Agree	44	34.9	34.9	34.9
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 21 shows that none of the respondents strongly disagree, 8 (6.3%) disagreed, 19 (15.1%) are undecided, 55 (43.7%) agreed while 42 (34.9%) strongly agreed that TSA policy will go a long way to identify financial leakages in revenue generation. This implies that over 77% agreed that, TSA policy will go a long way to identify financial leakages in revenue generation.

**Table 22: TSA has Reduce Corruption and Financial Misappropriation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Valid Undecided	22	17.5	17.5	17.5
Valid Agree	40	31.7	31.7	31.7
Valid Strongly Agree	55	43.7	43.7	43.7
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 22 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 22 (17.5%) are undecided, 40 (31.7%) agreed while 442 (43.7%) strongly agreed that TSA

has reduced corruption and financial misappropriation. This implies that over 74% agreed that TSA has reduced corruption and financial misappropriation.

**Table 23: TSA can be Said to be Successful in Area of Blocking Financial Leakages**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	8	6.3	6.3	6.3
Valid Undecided	20	15.9	15.9	15.9
Valid Agree	42	33.3	33.3	33.3
Valid Strongly Agree	56	44.4	44.4	44.4
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 23 shows that none of the respondents strongly disagree, 8 (6.3%) disagreed, 20 (15.9%) are undecided, 42 (33.3%) agreed while 56 (44.4%) strongly agreed that TSA can be said to be successful in the area of blocking financial leakages. This implies that over 77% agreed that TSA can be said to be successful in blocking financial leakages.

**Table 24: TSA Exposes Financial Loopholes**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	9	7.1	7.1	7.1
Valid Undecided	19	15.1	15.1	15.1
Valid Agree	47	37.3	37.3	37.3
Valid Strongly Agree	51	40.5	40.5	40.5
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 24 shows that none of the respondents strongly disagree, 9 (7.1%) disagreed, 19 (15.1%) are undecided, 47 (37.3%) agreed while 51 (40.5%) strongly agreed that TSA

exposes financial loopholes. This implies that over 77% agreed that TSA exposes financial loopholes.

**Table 25: TSA has Guaranteed Swift and Accurate Remittance of Revenue Generated**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	2	1.6	1.6	1.6
Undecided	8	6.3	6.3	6.3
Agree	60	47.6	47.6	47.6
Strongly Agree	56	44.4	44.4	44.4
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 25 shows that none of the respondents strongly disagree, 2 (1.6%) disagreed, 8 (6.3%) are undecided, 60 (47.6%) agreed while 56 (44.4%) strongly agreed that TSA has guarantees swift and accurate remittance of revenue generated. This implies that over 81% agreed that TSA has guarantees swift and accurate remittance of revenue generated.

**Table 26: TSA has Facilitated Ease in Auditing and Financial Reporting**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Valid Disagree	2	1.6	1.6	1.6
Undecided	9	7.1	7.1	7.1
Agree	57	45.2	45.2	45.2
Strongly Agree	58	46.0	46.0	46.0
Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 26 shows that none of the respondents strongly disagree, 2 (1.6%) disagreed, 9 (7.1%) are undecided, 57 (45.2%) agreed while 58 (46.0%) strongly agreed that TSA has facilitated ease in auditing and financial reporting. This implies that over 81% agreed that TSA has facilitated ease in auditing and financial reporting.

**Table 27: All Financial Transaction are Properly Documented and Recorded**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	0	0.0	0.0	0.0
Valid	Disagree	3	2.4	2.4	2.4
	Undecided	11	8.7	8.7	8.7
	Agree	62	49.2	49.2	49.2
	Strongly Agree	50	39.7	39.7	39.7
	Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 27 shows that none of the respondents strongly disagree, 3 (2.4%) disagreed, 11 (8.7%) are undecided, 62 (49.2%) agreed while 50 (39.7%) strongly agreed that all financial transaction are properly documented and recorded. This implies that over 81% agreed that all financial transaction is properly documented and recorded.

**Table 28: Through TSA Financial Irregularities are Promptly Reported**

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	0	0.0	0.0	0.0
Valid	Disagree	4	3.2	3.2	3.2
	Undecided	8	6.3	6.3	6.3
	Agree	56	44.4	44.4	44.4
	Strongly Agree	58	46.0	46.0	46.0
	Total	126	100.0	100.0	100.0

*Source: field survey, 2019*

Table 28 shows that none of the respondents strongly disagree, 4 (3.2%) disagreed, 8 (6.3%) are undecided, 56 (44.4%) agreed while 58 (46.0%) strongly agreed that all financial transaction are properly documented and recorded. This implies that over 81% agreed that all financial transaction is properly documented and recorded.

#### 4.2.1 Re-statement of Research Questions and Hypotheses

**Hypothesis one: implementation of Treasury Single Account (TSA) has not helped in prompt payment of expenditure in Federal Tertiary Institutions in Kwara State**

**Table 29: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.355	.085		4.175	.000
	Payment of Salaries	.941	.080	.988	11.793	.000
	Payment of Impresses	-.074	.166	-.076	-.447	.655
	Payment of Furniture and Fittings	.059	.146	.061	.403	.688
R=0.973						
R-Square=0.948						
Adjusted R-Square=0.946						
Durbin Watson=1.820						
F-Ratio=736.820						
Sig.=0.000						

a. Predictors: (Constant), Payment of salaries, Payment of Impresses, Payment of Furniture and Fittings

b. Dependent Variable: Prompt Payment of Expenditures

**Source: SPSS printout, 2019**

Table 29 shows the model summary of how the implementation of the Treasury Single Account (TSA) has helped Prompt Payment of Expenditures. It shows an R-square of 0.973 which indicates that; there is very high (97.3%) change in Prompt Payment of

Expenditures explained by the implementation of Treasury Single Account. The R-square implies that Payment of salaries, Payment of Impresses and Payment of Furniture jointly effect a 97.3% change in Prompt Payment of Expenditures.

The table also shows the analysis of variance of the fitted ordinary least square model. Since the P-value (0.000) is less than the significant level (0.05), we reject the null hypothesis that implementation of Treasury Single Account (TSA) has not in any way helped in prompt payment of expenditure in Federal tertiary institutions in Kwara State. This implies that, Payment of salaries, Payment of Impresses and Payment of Furniture jointly, statistically and significantly influence Prompt Payment of Expenditures.

Finally, the table shows the coefficients of the various parameters. It shows the constant coefficient to be 0.355 which is significant at 0.05 significant level. Coefficient of payment of salaries (0.941) is significant at 0.05 significance level, however, payment of impresses (-0.074) and Payment of Furniture (0.059) was not significant at 0.05 significance level. This implies that the changes in Prompt Payment of Expenditures is as a result of significant changes in payment of salaries, however, the change in Payment of Impresses and Payment of Furniture may not significantly influence a change in Prompt Payment of Expenditures.

**Hypothesis two: implementation of the Treasury Single Account (TSA) has not aided revenue generation in Federal Tertiary Institutions in Kwara State**

**Table 30: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.180	.085		2.123	.036
	Government Sources	.655	.068	.677	9.617	.000
	Non-Government	.021	.103	.021	.201	.841

Sources					
Tet fund	.290	.079	.292	3.681	.000
R=0.975					
R-Square=0.951					
Adjusted R-Square=0.949					
Durbin Watson=2.180					
F-Ratio=783.702					
Sig.=0.000					

a. Predictors: (Constant), Government Sources, Non-Government Sources, Tet fund

b. Dependent Variable: Revenue Generation

**Source: SPSS printout, 2019**

Table 30 shows the model summary of the relationship between Treasury Single Account (TSA) and revenue generation. It shows an R-square of 0.975 which indicates that there is very high (97.5%) change in Revenue Generation explained by Treasury Single Account. The R-square implies that Government Sources, Non-Government Sources and Tet fund jointly effect a 97.5% change in Revenue Generation.

The table also shows the analysis of variance of the fitted ordinary least square model. Since the P-value (0.000) is less than the significant level (0.05), we reject the null hypothesis that there is no significant relationship between Treasury Single Account (TSA) and revenue generation. This implies that Government Sources, Non-Government Sources and Tet fund jointly, statistically and significantly influence Revenue Generation.

Finally, the table shows the coefficients of the various parameters. It shows the constant coefficient to be 0.180 which is significant at 0.05 significant level. Coefficient of Government Sources (0.655) and Tet fund (0.290) are significant at 0.05 significance level, however, Non-Government Sources (0.021) was not significant at 0.05 significance level. This implies that the changes in Revenue Generation is as a result of significant

changes in Government Sources and Tet fund, however, the change in Non-Government Sources may not significantly effect a change in Revenue Generation.

**Hypothesis three: Treasury Single Account (TSA) is not effective in blocking financial leakages in Federal Tertiary Institutions in Kwara State**

**Table 31: Coefficients**

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.035	.166		.212	.832
	Cash inflow	.541	.118	.545	4.598	.000
	Cash outflow	.411	.115	.423	3.569	.001
	Remittance	.021	.030	.018	.707	.481
R=0.961						
R-Square=0.924						
Adjusted R-Square=0.923						
Durbin Watson=1.956						
F-Ratio=497.648						
Sig.=0.000						

a. Predictors: (Constant), Cash inflow, Cash outflow, Remittance

b. Dependent Variable: Financial Leakages

**Source: SPSS printout, 2019**

Table 31 shows the model summary of the effectiveness of the Treasury Single Account (TSA) in blocking financial leakages in Federal Tertiary institutions in Kwara State. It shows an R-square of 0.961 which indicates that there is very high (96.1%) change in Financial Leakages explained by Treasury Single Account. The R-square implies that Cash inflow, Cash outflow and Remittance jointly effect a 96.1% change in Financial Leakages.

The table also shows the analysis of variance of the fitted ordinary least square model. Since the P-value (0.000) is less than the significant level (0.05), we reject the null

hypothesis that Treasury Single Account (TSA) is not effective in blocking financial leakages in Federal Tertiary institutions in Kwara State. This implies that Cash inflow, Cash outflow and Remittance jointly, statistically and significantly influence financial leakages.

Finally, the table shows the coefficients of the various parameters. It shows the constant coefficient to be 0.035 which is not significant at 0.05 significant level. Coefficient of cash inflow (0.541) and cash outflow (0.411) are significant at 0.05 significance level, however, remittance (0.021) was not significant at 0.05 significance level. This implies that the changes in financial leakages are as a result of significant changes in cash inflow and cash outflow, however, the change in remittance may not significantly influence a change in financial leakages.

#### **4.3 Discussion of Findings**

This study examined Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State. From the result of the analysis, the findings were as follows;

The first objective was to determine how the implementation of Treasury Single Account (TSA) has helped in the prompt payment of expenditure in Federal tertiary institutions in Kwara State. This objective was achieved using hypothesis one. The hypothesis was tested using the multiple linear regression analysis. The result of the analysis showed that the implementation of the Treasury Single Account (TSA) has significantly helped in the prompt payment of expenditure in Federal tertiary institutions in Kwara State. The result also shows that there is 97.3% of changes in prompt payment of expenditure due to the implementation of the Treasury Single Account (TSA). Interestingly, in line with the

Pattanayak & Fainboim submission that treasury single account “ensures that all cash received is available for carrying government’s expenditure programmes and making payments in a timely fashion”. They emphasised that TSA is simply a unified structure of government bank accounts that gives a consolidated view of government cash resources<sup>1</sup>.

The second objective was to examine if the implementation of the Treasury Single Account (TSA) has aided revenue generation in tertiary institutions in Nigeria. This objective was achieved using hypothesis two. The hypothesis was also tested using the multiple linear regression analysis. The result of the analysis showed that the Treasury Single Account (TSA) has significantly aided revenue generation in Federal Tertiary institutions in Kwara State. The result also shows that there is 97.5% of changes in revenue generation due to Treasury Single Account (TSA).

The third objective was to evaluate the extent to which the Treasury Single Account (TSA) is effective in blocking financial leakages in Federal tertiary institutions in Kwara State?

This objective was achieved using hypothesis three. The hypothesis was also tested using the multiple linear regression analysis. The result of the analysis showed that there is Treasury Single Account (TSA) is very effective in blocking financial leakages in Federal Tertiary institutions in Kwara State. The result also shows that there are 96.1% of changes in financial leakages due to Treasury Single Account (TSA). According to Ahmed, the Treasury Single Account (TSA) was recently implemented fully in the Nigerian economy by the present government in order to ensure prudence and probity in the management of financial resources. With the TSA government expects to block all loopholes and leakages of financial resources of the government and also ensure a robust financial management system<sup>28</sup>.

## Chapter Five

### Conclusion

It is very important to note here that, the summary presented here is a review of the findings of the research, while the conclusions represent the inferences made from the summary of the findings and lastly, the recommendations were suggestions emanating from the conclusions of the study. This chapter discussed the summary of findings, conclusions generated based on findings and recommendations.

#### 5.1 Summary of Findings

The aim of the study is to examine Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State Nigeria. The study used percentage and table for the presentation and analysis of data collected from the field of study, regression analysis tool was used to test hypotheses formulated for the study based on the research questions raised. The finding from the study shows that the Treasury Single Account has a positive influence on the Management of Financial Resources in Federal tertiary institutions in Kwara State. In providing answers to the research questions and to test the hypotheses formulated for the study, qualitative analysis of data was employed in determining the relationship of variables involved in the study.

As observed from analysis in chapter four, the empirical result that emanated from the study revealed that Treasury Single Account have a significant influence on Management of Financial Resources Federal tertiary institutions in Kwara State. The hypothesis was tested using the multiple linear regression analysis; it is found that there is a significant

influence on the implementation of Treasury Single Account (TSA) on prompt payment of expenditure in tertiary institutions.

The findings also revealed the influence of the Treasury Single Account (TSA) on revenue generation. This objective was achieved using hypothesis two. The hypothesis was also tested using the multiple linear regression analysis. The result of the analysis revealed that there is significant influence of the Treasury Single Account (TSA) on revenue generation.

Finally, the results also revealed the influence of the Treasury Single Account (TSA) have in blocking financial leakages. The result of the analysis showed that there is significant influence of the Treasury Single Account (TSA) in blocking financial leakages.

## **5.2 Conclusion**

Based on the findings of the study, it is concluded that Treasury Single Account policy would go a long way in blocking the identified financial leakages in revenue generation and promote transparency and accountability in Tertiary Institutions' financial system if it is fully implemented. It would equally pave way for the prompt payment of expenditures and capturing of all revenues generated by the Federal Government Institutions.

Treasury Single Account is justifiable since it provides a secure funds management system, and permits full transaction tracking and visibility. With this in place, it has become increasingly difficult for federal tertiary institutions in Nigeria to play "Santa" with monies in its trust.

This study concluded that the Treasury Single Account (TSA) helps in the Management of Financial Resources in Federal Tertiary Institutions in Kwara State Nigeria.

### 5.3 Recommendations

Based on the findings of the study, the followings recommendations were made:

1. Since the adoption of TSA has significantly improved the prompt payment of expenditures, the policy framework should be reviewed and amended where necessary to include training of Bursary staffs, with regards to the growing trend in ICT in order to be able to effectively utilize Integrated Payroll and Personnel Information System (IPPIS), and Integrated Financial Management Information System (IFMIS) framework.
2. Treasury Single Account policy should be fully implemented to address the ghost workers' syndrome in tertiary institutions. This will help cut down personnel cost budget by the institution, thus rewarding only those who are in active workforce.
3. Considering the benefit of maintaining single account, the federal government should secure as soon as possible the appropriate legislative support to facilitate the relevant regulatory agencies which will drive the effective implementation of the Treasury Single Account in the Federal and State-owned tertiary institutions in order to promote accountability and transparency in revenue generation.
4. On the whole, the adoption of the Treasury Single Account should be positive for the economy in general and also the tax system in particular. The appropriate authorities will have to now embrace transparency and accountability more than ever before.
5. The Remita platform providers are advised to update their facilities in order to facilitate the process of implementation of the Treasury Single Account. As it is

today, the Remita platform seems to be frustrating the process since receipts and payments cannot be readily carried out as the need arises. The protracted delays in the implementation process need to be seriously appraised by the providers towards ensuring more effective and efficient process.

6. The Federal government should initiate policies and various means to make sure that proper accounting of fund into the Treasury Single Account follows due process and any subsequent violation by any agency or even the CBN is duly investigated and culprits sanctioned.

#### **5.4 Contribution to Knowledge**

The aim of the researcher in the study is to examine the concept of Treasury Single Account and Management of Financial Resources in Federal Tertiary Institutions in Kwara State Nigeria. So far, most studies on Treasury Single Account have focused on its impact in Public sectors but the researcher has been able to examine how Treasury Single Account has helped in the management of financial resources in Federal Tertiary Institutions in Kwara State with prompt payment of expenditure such as; Payment of salaries, Payment of Impresses, Payment of Furniture and Fittings so that people will be able to fully understand the concept of Treasury Single Account and its effect on Tertiary Institutions in Nigeria.

#### **5.5 Area of Further Research**

This study mainly focused on the Treasury Single Account (TSA) and Management of Financial Resources in Federal Tertiary Institutions in Kwara State Nigeria. The study suggests that similar studies should be done on other tertiary institutions as the effect

adduced does not conform to the rule of thumb or one-size-fits-all mantra as different tertiary institutions have different operational environment and differ in age and size. There is also need to carry out similar research on other federal government ministries and departments as this will increase the scope of the research and capture the holistic view of how TSA has helped in the management of financial resources in the Nigerian economy. Further research also needs to be done to know if the adoption of TSA has improved accountability of government revenue, enhanced transparency and prevented misapplication of public funds amongst others.

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*your IOU to your neighbour because you borrowed some sugar, could you borrow it back? No, you can't borrow back your own IOUs.* 2016. [www.youtube.com](http://www.youtube.com).

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### **Government Legislation**

*Section 80 (1) of the Nigerian Constitution. 1999 as Amended*. Federal Government of Nigeria.

*The Fiscal Responsibility Act (FRA) 2007*. Federal Government of Nigeria.

## Appendix I

Department of Management and Accounting,  
Faculty of Environment, Management and Social Sciences,  
Leadcity University Ibadan,  
Oyo State, Nigeria.

Dear Sir/madam,

I am a MSc. student in the Department of Management and Accounting, Faculty of Environment, Management and Social Sciences, Leadcity University Ibadan, Oyo State, Nigeria.

I am presently carrying out a research titled “Treasury Single Account (TSA) and Management of Financial Resources in Tertiary Institutions in Kwara State Nigeria” A questionnaire has been developed essentially for the purpose of this research and nothing else. Hence, your participation and invaluable contributions to the success of the research will be greatly appreciated. In addition, since it is purely for research and academic purposes, your responses will be treated with utmost CONFIDENTIALITY.

You can be assured that no one will ever know how you responded to the questions.

Please, do not write your name anywhere on this questionnaire.

Thank you in anticipation for your kind assistance and cooperation.

Yours Faithfully,

*Signed*

*Abbas Babajide Ayodeji*

*Matriculation Number: LCU/PG/000016*

## Questionnaire

### Section A

Instruction: Please specify your answer by placing a (x) on the relevant answers provided.

1. Gender:

Male ( )                      Female ( )

2. Marital Status:

Single ( )                      Married ( )

Divorced ( )                      Widow/Widower ( )

3. Age:

18-23 ( )                      24-29 ( )

30-35 ( )                      36 years and above ( )

4. Educational Qualification:

SSCE/GCE ( )                      OND/NCE ( )

University Degree/HND ( )                      Postgraduate Degree ( )

Others ( )

5. Position/Level:

Junior Level ( )                      Senior Level ( )                      Management Level ( )

6. Religion:

Christian ( )                      Muslim ( )                      Traditional ( )                      Others ( )

7. Work Experience

0-5 years ( )                      6-10 years ( )                      11-15 years ( )                      16 years and  
above ( )

**Section B**

**(Tick Where Applicable)**

1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, 5 = Strongly Agree; X = Do not know

<b>Prompt Payment of Expenditures</b>	<b>SD</b>	<b>D</b>	<b>U</b>	<b>A</b>	<b>SA</b>
Since the commencement of TSA implementation, release of funds by federal government for expenses has been slow					
Implementation of TSA slows down the process of purchase of stationeries					
TSA implementation slows down payments for environmental sanitation expenses					
Since the commencement of TSA, payments for teaching and learning materials have become slow					
TSA implementation causes slow pace of procurement of furniture and fittings					
Since the commencement of TSA, salaries of staff do not come as at when due					
Bureaucratic bottlenecks in accessing approved funds have increased since TSA implementation?					
Activities in the accounts/bursary unit have slowed down since implementation of TSA					
Inadequacy of ICT facilities has aggravated the inability of bursary staff to fit into implementation of TSA					
TSA implementation has negative effect on activities of the bursary department of the University					

<b>Revenue Generation</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
Based on your understanding of TSA, is finance management in Tertiary Institution better off?					
TSA ensures funds are utilized for the purpose it was meant					
Under TSA, more than 85% of the funds received are utilized for projects meant for					
Treasury Single Account ensures proper cash management for collection of revenue					
Under TSA, monies collected from Tetfund has been properly utilized					
Adoption of TSA has ensured centralized revenue management					
Since the adoption of TSA, revenue generation has increased					
TSA has made grants collected from Non-governmental Sources easily accessible					

<b>Financial Leakages</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
TSA ensures transparency and accountability of cash inflow and outflow					
TSA policy will go a long way to identify Financial leakages in revenue generation					
TSA has reduced corruption and financial misappropriation					
TSA can be said to be successful in area of blocking financial leakages					
TSA exposes financial loopholes					
TSA has guaranteed swift and accurate remittance of revenue generated					
TSA has facilitated ease in auditing and financial reporting					
All financial transactions are properly documented and recorded					
Through TSA financial irregularities are promptly reported					

# Lead City University

## Biodata

### A. Personal Data:

1. Abbas, Babajide Ayodeji (2, Eastern Reservoir Road, Off University Road, Tanke, Ilorin, Kwara State. Nigeria). [babajideabbas@gmail.com](mailto:babajideabbas@gmail.com)  
08035138595
2. 2<sup>nd</sup> July, 1979. Kano, Kano State.
3. Nigeria.
4. Abbas, Atinukemi. Rectory Department Federal Polytechnic Offa, Kwara State, Nigeria.

### B. Educational Background:

1. Chapel Nursery and Primary School, Ilorin, Kwara State (1984 - 1991)  
First School Leaving Certificate (FSLC).
2. St. Anthony's Secondary School, Ilorin, Kwara State (1991 - 1997) Senior  
Secondary School Certificate (SSCE).
3. Osun State Polytechnic, Iree, Osun State (2000 – 2003) National  
Diploma, Accounting.
4. Covenant University, Ota, Ogun State (2003 - 2007) B.Sc Accounting.

### C. Working Experience with dates:

1. Kenneth Odusanya & Co. (Chartered Accountants) 2 Alara Street, Sabo,  
Yaba, Lagos State (2003)
2. Kenneth Odusanya & Co. (Chartered Accountants) 2 Alara Street, Sabo,  
Yaba, Lagos State (2005)

3. Zenith Bank Plc, Nsukka, Enugu State (Nov 2007 – Sept 2008)
4. Zenith Bank Plc, Offa, Kwara State (Oct 2008 - Till Date)

**D. Professional Bodies:**

1. Institute of Chartered Accountants of Nigeria (ICAN) - Student Member

**E. Conferences/Workshops Attended:**

1. Leadership 101 by Talent Equip (June 2019).
2. Basic Selling Skills & Customer Relationship Management by Selling Skills Support Services (March 2018).
3. Effective Communication, Business Writing & Presentation Skills by Greenfield Consult(November 2018).
4. Operational Risk, Sustainability, Environmental & Social Risk Management by H.Pierson (July 2017).
5. Basic Credit & Credit Risk Management by Augusto Consulting (July 2016).
6. Excellent Customer Service Skills by Universal Anchor Ltd (May 2014).
7. Zenith Bank Orientation Programme by Dele Omoleyinwa & Co Chartered Accountants (March - April 2009).

21<sup>th</sup> October, 2019

### University Compliance Certificate

This is to certify this thesis by ABBAS, BABAJIDE AYODEJI with Matric no LCU/PG/000016 in the Department of Management and Accounting, Lead City University, Ibadan, is in FULL compliance with the approved University format and style.

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