

Influence of Treasury Single Account on Cash Flow Management in Federal Colleges of Education in South-South, Nigeria

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Abstract

This study examines the influence of Treasury Single Account (TSA) on the cash management in Federal Colleges of Education in South-south, Nigeria. To achieve its purpose, two specific objectives and two hypotheses were formulated to guide the study. The study adopted an analytical survey research design to collect data for analysis. The population of the study was made up of 32 top management staff comprising of 18 bursary staff made up of three cashiers, 12 accountants, and three bursars and 14 internal audit staff of the three Federal Colleges of Education in south-south, Nigeria. The entire population was used for the study because it was a manageable size. Questionnaire was used to collect data related to the hypotheses which was developed based on two rating scales of agreed (4-points) and disagreed (2-points). The data collected were analysed using t-test. The results show that there is no significant difference in the opinion of the bursary staff and audit staff on the influence of TSA on cash management in the Federal Colleges of Education. It also show no significant difference in the opinion of the bursary staff and audit staff on the influence of the TSA on the availability of cash for the Federal Colleges to meet their future financial obligation as at when due. Based on the findings, the following recommendations were made among others, that the Federal government of Nigeria, should stop sweeping of the cash balances in the TSA platform of the Federal Colleges of Education which is meant for their future payments. That the TSA platform should be design to be able to reverse payment within 48 hours when it is initiated in order to avoid losing huge scares financial resources due to errors.

Keywords: Public financial management reforms, Centralizing cash balances, Control corruption in Federal institutions.

1. Introduction

Over the past years, the Federal Government of Nigeria (FGN) has made tremendous efforts in Public Financial Management (PFM) reforms, particularly with the objective of ensuring efficient management of her scare financial resources especially during the period of vulnerable international crude oil prices. Sheriff and Saleh (2014) noted that most renowned among the FGN efforts is her effort at adopting and implementing the Treasury Single Account (TSA) and the Integrated Financial Management Information System (IFMIS). Asselin and Srivastava (2009) posited that these PFM reforms are drivers to efficient public funds management to the extent that guarantee efficient public service delivery, create more wealth and create employment.

United States Agency for International Development (USAID, 2008), described the TSA as an account or set of linked accounts through which the government transacts all payments. Supporting this, Sheriff and Saleh (2014) observed that the Treasury can ensure central control over cash balances of ministries and agencies through the adaptation of Treasury Single Account (TSA). Asselin and Srivastava (2009) posited that the efficient implementation of budget requires the timely processing and generating of payments for goods and services provided in line with approved commitments. The World Bank Report (2006) noted that the timely availability of cash for successfully implementation of budgets can be ensured through the implementation of TSA.

According to Simson, Sharma, and Aziz (2011) centralizing cash balances through a Treasury Single Account (TSA) is an effective way to achieve keeping operating cash balances to a minimum. Sheriff and Saleh (2014) noted that the institutional arrangements of TSA can vary. For instance, in some countries treasury department controls all financial transactions and makes payments on behalf of spending agencies. In others, the treasury department may set cash limits for transactions but spending agencies have the power to transact payments directly. Whatever the arrangements, the treasury department maintains central control of cash, sweeping idle balances from spending agencies' accounts and consolidating the government's cash position at the end of each day. Supporting this, USAID (2008) noted that the Treasury of many countries especially in the developing world has adopted the TSA in order to ensure central control of cash, sweeping idle balances from spending ministries' and agencies' accounts and consolidating the government's cash position at the end of each day. Therefore, the TSA arrangement allows grouping financial resources under one centralized account such that the finance ministry can gain the ability to make more productive use of its cash balances (World Bank Report, 2006).

The FGN in her effort to ensure efficient utilization of her financial resources and reduce the high rate

of corruption among public office holders; adopted and implemented the TSA through the Federal Ministry of Finance as an alternative strategy to her cash management. The implementation started as far back as 2013 with few MDAs on board, however, with the coming of the President Muhammadu Buhari's administration in May 29th, 2016, the whole Ministries, Departments and Agencies of the Federal government has been mandated to join the TSA and make all payments through same platform. The Federal Colleges of Education are not exempted from this mandate.

Simson, Sharma, and Aziz (2011) noted that the major challenge for the Treasury is how to manage cash flow in order to ensure that funds are available in time to meet payment obligations, while preventing arrears accumulation, reducing the need for government borrowing and maximising returns on cash balances. USAID (2008) posited that to ensure central control over cash, most governments have now adopted and implemented TSA. There are different methods of managing transactions linked to this account: countries may centralise all payment transactions through the single account, centralise cash balances only but channel funds to spending agency accounts for payment purposes or operate an imprest system, whereby spending agencies are given advances which they clear on a regular basis.

According USAID (2008) cash management is basically meant to monitors and forecasts cash flows and financing requirements, and perform reconciliation between bank accounts and IFMIS records. Peterson et al. (2008) posited that in modern cash management, the emphasis is usually on the part of the cash management which is responsible for many operations. They further opined that the unit responsible for the cash management function is primarily concerned with short-term financial activities. Therefore, suggested that in a changing money management environment, it is more important to know how to improve the organization's cash position, including managing accounts receivable, improving cash flow, transferring funds, and controlling cash disbursements. The adaptation and implementation of TSA is thus on the right track since it is a platform that tracks financial events and summarizes financial information (Bartel, 2009), which can be used to provide cash needs of ministries and agencies.

Controlling public cash inflow and outflow is the most vital aspects that guarantee successful budget execution. Supporting this, McCappery (1999) noted that controlling cash inflow for the purpose of budget implementation requires accounting for all funds generated and the minimization of the interval between the time when cash is received and the time it is available for carrying out expenditure programs. Therefore the collected revenues in the consolidated account of the government need to be processed promptly and made available for use. According to Polidaro (2006) the major purpose of controlling cash outflows is to ensure that there will be enough cash to meet up with future financial obligations and to minimize the costs of transactions, while keeping cash outflows compatible with cash inflows and fiscal constraints. Odoyo; Adero and Chumba (2014) posited that during budget implementation, cash outflows must also be regulated through cash plans to ensure availability of sufficient cash balances. On the other hand, Bruce (2001) opined that payment methods can affect the transaction costs of cash outflows. The author noted that depending on the financial architecture of an institution and the nature of expenditures, various payment methods may be considered (check, cash, electronic transfer, debit card, etc.). Modern methods of payment, for example, Odoyo; Adero and Chumba (2014) noted that payments through electronic transfers promoted by TSA, allow the government to plan its cash flow more accurately, expedite payments, and simplify administrative and accounting procedures. They further noted that this helps to eliminates unnecessary and unofficial charges normally requested by corrupt personnel before processing payments.

Several studies have been conducted across the world with respect to implementation of TSA in various aspect of PFM. Bartel (2009) in his study also asserted that the ease of use, reliability, security, flexibility of TSA that is meant to provide timely, accurate, and consistent data for cash management and budget decision-making has also been questioned by users who noted that while TSA has been considered to be necessary, it has weaknesses that need to be addressed. However, these studies have neglected the facts that TSA as a platform is implemented to guarantee successful elimination of human contact with physical cash during receipts and payments; therefore its effect on public cash management cannot be underestimated. In addition, its effect can only be determined considering the needs it is tailored to serve. Thus, the cost implications of the architectural structures and human capacity building for the implementation of TSA as tool for monitoring cash flows can only be justified when the platform helps to achieve the objective for which it is setup. It is for these reasons that the present study is aimed at examining the bursary and audit staff opinion of the influence of TSA on cash flow management in Federal Colleges of Education in South-South, Nigeria. Specifically, the study seeks to:

- i. Determine the difference in the opinion of audit and bursary staff on the influence of TSA on cash management of Federal Colleges of education.
- ii. Determine the difference in the opinion of audit and bursary staff on the influence of TSA on availability of cash for Federal Colleges of Education to meet their financial obligations as at when due.

1.1. Theoretical Framework

This study is based on the framework of country-circumstantial theory of public finance management. According to Polidano (2006) most reforms fail not because of the contents or technical aspects of the reforms, but because of the way they were implemented. Supporting this, Schick (2008) posited that policies and procedures cannot be transferred, without taking into account the peculiarities of the environment in which the policies and procedures are design to work. Therefore, this theory suggested that no matter how good a reform may be, it will be dangerous not to consider the local realities in which it will be operated. This is because all reforms are executed within a system that has its distinct historical, political, cultural and social context different from others. This theory is relevant to the present study because it emphasized the need to consider the objectives of the reforms (TSA) in line with the characteristics of the organizations where they are designed to work. Therefore, there is need to find out from the end users how the TSA has significantly affect their financial transactions in line with the objectives of their institutions and the reform. This is because as earlier stated the concern of the TSA is with efficient management of the public funds in order to eliminate mismanagement, misappropriation and corruptions in Federal ministries, agencies and departments.

1.1.1 Research Methods

The following null research hypotheses were tested at 0.05 level of significant:

- i. There is no significant difference in the opinion of audit and bursary staff on the influence of TSA on cash management of Federal Colleges of education.
- ii. There is no significant difference in the opinion of audit and bursary staff on the influence of TSA on availability of cash for Federal Colleges of Education to meet their financial obligations as at when due.

1.1.2 Research Design

The design of the study is analytical survey research. This is because the opinion of the end users of the TSA platforms in the Federal Colleges of Education are sought to complete the work. Osuala (2005) noted that when data are to be collected through respondents' opinion, survey research design is the most appropriate.

1.1.3 Population, Sample and Sampling Technique

The population of the study is made up of 32 top management staff (Cashiers (3), Accountants (12), Internal Auditors (14), and Bursars (3)) of three Federal Colleges of Education across three South-South States in Nigeria. The institutions are: Federal College of Education, Asaba, Delta State; Federal College of Education, Obudu – Cross Rivers State and Federal College of Education (Tech.), Omoku, Rivers State. The entire population of the study was used as the sample and selected for the study using convenient sampling technique. This is because the population size is a manageable to be used for the study.

1.1.4 Instrument for Data Collection and its Reliability

Questionnaire was developed based on the hypotheses to be tested at 0.05 level. The questionnaire was designed on the basis of two rating scales of Agreed (A-4points) and Disagreed (D-2points). The questionnaire contains 10 items and was tested for reliability using Crombach Alpha Coefficient. The instrument was administered to 7 internal auditors from Federal agencies and analysed to obtain a reliability index of 0.76. Independent t-test was used to analyse the data obtained using 16.0 version of Statistical Package of Social Sciences (SPSS).

2.1 Results and Discussions

Test of Hypothesis 1: There is no significant difference in the opinion of audit and bursary staff on the influence of TSA on cash management of Federal Colleges of education.

Table 1: t-test scores on Influence of TSA on Cash Management in FCEs

		Independent Samples Test				
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
VAR00001	Equal variances assumed	-1.26	30	.218	-4.92	3.92
	Equal variances not assumed	-1.25	27.63	.221	-4.92	3.93

Source: Field Survey, 2016

Table 1 show that the difference in the opinion of the audit and bursary staff on the influence of TSA on cash management in FCEs is not significant as $t(30) = -1.26, p > 0.05, 2 - \text{tailed}$ using SPSS.

Test of Hypothesis 2: There is no significant difference in the opinion of audit and bursary staff on the influence of TSA on availability of cash for Federal Colleges of Education to meet their financial obligations as at when due.

Table 2: t-test scores on the influence of TSA on the Availability of Cash in FCEs

		Independent Samples Test			Mean Difference	Std. Error Difference
		t	df	Sig. (2-tailed)		
VAR00001	Equal variances assumed	.51	30	.614	1.39683	2.74229
	Equal variances not assumed	.56	23.58	.582	1.39683	2.49975

Source: Field Survey, 2016

Table 2 show that the difference in the opinion of the audit and bursary staff on the influence of TSA on availability of cash for Federal Colleges of Education to meet their financial obligations as at when due is not significant as $t(30) = 0.51$, $p > 0.05$, 2 – tailed using SPSS.

2.2 Discussion of Findings

The result of the study shows that there is no significant difference in the opinion of audit and bursary staff on the influence of TSA on cash management of Federal Colleges of education. This is because both the audit and the bursary staffers agreed that TSA has reduced human contact with cash for the purpose of receipt and payment in my College compared to when TSA was not involved. They also agreed that there is accountability of IGR from the College with the implementation of TSA compared to when TSA was not involved. They also agreed that TSA helps ensure internal control of cash flow that when TSA was not involved. These findings are supported by Odoyo; Adero and Chumba (2014) when they noted that payments through electronic transfers promoted by TSA, eliminates unnecessary and unofficial charges normally requested by corrupt personnel before processing payments.

However, the both disagree that Receipts and payments are made easier with the implementation of TSA compared to when TSA was not involved. They also disagree that payments authorization can be easily reversed in error with the implementation of TSA compared to when TSA is not involved.

The finding also shows that there is no significant difference in the opinion of audit and bursary staff on the influence of TSA on availability of cash for Federal Colleges of Education to meet their financial obligations as at when due. The no significant difference in the respondents' opinion is based on the fact that they all agreed that college cash balances are quickly swept off the TSA platform which affects her ability to pay third parties compared to when TSA was not involved. They also agreed that there are accumulated arrears of payments to beneficiaries because of non-availability of funds in the TSA platform compared to when TSA was not involved. They also agreed to the fact that college cash position has significantly been affected with the implementation of TSA compared to when TSA is not involved. And also agreed that there is timely processing, generating and payment of cash to third parties are easier with the TSA compared to when TSA is not involved. The finding of the study is in line with the postulation of USAID (2008) when the organization noted that many countries especially in the developing world has adopted the TSA in order to ensure sweeping of idle balances from spending ministries' and agencies' accounts and consolidating the government's cash position at the end of each day. The finding is also supported by Simson, Sharma, and Aziz (2011) when the opined that TSA is faced with the challenge of preventing arrears accumulation. The findings are also in line with the opinion of Odoyo; Adero and Chumba (2014) when they noted that payments through electronic transfers promoted by TSA, expedite payments, and simplify administrative and accounting procedures.

However, they all disagreed with the fact that the college is timely provided with funds to meet its financial obligations with TSA compared to when TSA was not involved. This finding is supported by Simson, Sharma, and Aziz (2011) when they noted that the major challenge for the Treasury is how to manage cash flow in order to ensure that funds are available in time to meet payment obligations. However, the finding is contrary to the opinion of Polidaro (2006) when the author asserted that the major purpose of controlling cash outflows using TSA is to ensure that there will be enough cash to meet up with future financial obligations.

3. Conclusion

In conclusion the overall results suggested that TSA has positively influence the cash management of the Federal Colleges of Education in south – south Nigeria by eliminating corruption associated with direct dealing with cash and unnecessary charges requested by corrupt personnel before effecting payment. It has also expedited payments and simplifies administrative procedures related to payments. However, it affects the available of cash for the FCEs to meet their future financial obligations. This is because the Federal government has access to the

cash balances of the FCEs in their TSA platform and in most cases sweep the balance off in order to meet other financial obligations. Therefore, affecting the FCEs due payments leading to the accumulation of arrears. In addition, a situation where it is difficult to reverse wrong payments can cost both the institution involved and the Federal government huge sum of money.

3.1. Implication of the study

The implication of the findings of this study is as follows:

- i. It is important that the cash balances of the FCEs which are meant for particular future payments should be left in their TSA platform in order for them to meet their future financial obligations.
- ii. It is important to make the system such that reversal of payments can be made possible within a reasonable period of time.

4.1. Recommendations

Based on the findings and their implications, the following recommendations are put forward:

- i. The Federal government should avoid sweeping of cash balances in the TSA platforms of the FCEs which are also allocated for future payment in order for the institutions not to accumulate arrears.
- ii. The TSA platform should be designed to be able to reverse payment within 48 hours when it is initiated in order to avoid losing huge scarce financial resources due to errors. This can also be achieved by the central control leaving the authorisation in queue for 48 hours before payment.
- iii. Federal government should train all the bursary and accounting officers of FCEs on how to initiate receipt payment using the remittance platform with credit cards. This is to avoid going to banks for such transactions.

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Appendix

Influence of Treasury Single Account on Cash Management in Federal Colleges of Education Questionnaire (ITSACMFCEQ)

Dear Respondents,

I am a researcher trying to find out how the TSA has significantly affected your institution's cash management since its total implementation. I require your assistance to enable me complete this study. Please kindly respond to the following items in the opinionnaire by ticking the most appropriate. You are assured that this is to be used only for research purpose.

Thanks for your anticipated cooperation.

Yours faithfully,

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Instruction: Please tick as it is most appropriate.

Questionnaire item	Options	
	Agreed	Disagreed
Hypothesis 1	There is no significant difference in the opinion of audit and bursary staff on cash management of Federal Colleges of education before and after the introduction of TSA.	
TSA has reduced human contact with cash for the purpose of receipt and payment in my College compared to when TSA was not involved.		
There is accountability of IGR from the College with the implementation of TSA compared to when TSA was not involved.		
Receipts and payments are made easier with the implementation of TSA compared to when TSA was not involved.		
TSA helps ensure internal control of cash flow that when TSA was not involved.		
Payments authorization can be easily reversed in error with the implementation of TSA compared to when TSA is not involved.		
Hypotheses 2:	There is no significant difference in the opinion of audit and bursary staff on availability of cash for Federal Colleges of Education to meet their financial obligations before and after the introduction of TSA.	
The College is timely provided with funds to meet its financial obligations with TSA compared to when TSA was not involved.		
College cash balances are quickly swept off the TSA platform which affects her ability to pay third parties compared to when TSA was not involved.		
There are accumulated arrears of payments to beneficiaries because of non-availability of funds in the TSA platform compared to when TSA was not involved.		
The College cash position has significantly been affected with the implementation of TSA compared to when TSA is not involved.		
Timely processing, generating and payment of cash to third parties are easier with the TSA compared to when TSA is not involved.		