EFFECT OF TREASURY SINGLE ACCOUNT (TSA) ON BANKS’ PERFORMANCE IN NIGERIA: AN EXPLORATORY STUDY

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Abstract

The study set out to investigate the effects of Treasury Single Account (TSA) and Bank performance in Nigeria. The study adopted a survey research design. Three hypotheses were formulated for the study. Ordinary least square (OLS) using SPSS 16.0 Statistical tools were used to test the hypotheses formulated for the study. The study revealed a negative significant relationship between TSA and bank Liquidity; a positive significant relationship between TSA and job loss and a negative significant relationship between TSA and profitability in the Banking industry. The study recommends that TSA policy be revisited and the government should retain 50% of Federal funds in deposit money banks (DMBs) to create the needed funding in the banking sector. This will shore up liquidity, reduce job loss and help guarantee profitability in the banking industry.

Keywords: Treasury Single Account (TSA), Bank Liquidity, Bank Profitability, Job Security, Ministries Department and Agencies

Introduction

In order to promote transparency and accountability in public finance section 80 and 162 of the 1979 Constitution expressly directed that all federally generated revenue should be paid into the federation account. Successive governments have grossly breached that section of the constitution especially with regards the management of the country’s financial resources. In order to correct this financial anomaly, treasury single account (TSA) was recommended in 2004 by the Federal Government Economic Reform and Government Programme. Sadly so, this lofty idea was jettison in 2005 following the stiff pressure from the banking industry. TSA is listed as pillar 3

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under National strategy on public service reform in vision 20:20 (Tari, Myatafadi & Kibikiwa, 2006).

In 2012, the Federal government undertook a pilot scheme of TSA using 217 Federal Ministries, Departments and Agencies (MDAs). Shockingly, the scheme saved the federal government a whopping sum of N500b from frivolous spending. The success compelled the government to fully implement TSA in Nigeria (Rockstar 07, 2015). Consequently, upon the success of pilot scheme of TSA, the federal government fixed February 28 2015, as the deadline for full implementation of all federal MDAs in Nigeria. The deadline was grossly ignored and no sanction was inflicted by the government. The adduced reason ranges from pressure from the Banking sector and financiers of Jonathan’s re-election bid (Bashir, 2016). However, Taiwo (2015) posited that although TSA is new in Nigeria but it is an old concept in the developed nations namely France, United States, United Kingdom and even in developing economies such as Indonesia and India.

Few months after the new government was sworn in 2015, the president gave a directive for the full implementation of TSA through the Head of Service of the federation with file no: HCS/428/S.I/120 dated 7th August 2015 titled: Re: the introduction of Treasury Single Account. The directive was with immediate effect, but the deadline put in September 2015. Prior to the full implementation of TSA in August 2015, many MDAs operate Banks accounts with Deposit Money Banks in which several Billions of Naira were swept into. These MDAs remit to government coffers only what they feel like remitting and spend the rest. The number of Bank account and actual amount collected are only known to them and not to CBN, National Bureau of Statistics nor Federal Ministry of Finance.

Okwe, Nelson, Adeoye and Ogah (2015) posit that out of N3.06trillion generated by the MDAs in 2009, only N46.8billion was remitted to the Federation Account. In 2010, out of N3.07trillion collected only N54.10billion was remitted to government coffers. In 2011, NNPC and its subsidiaries generated N6.132Trilion but did not remit a dime to government coffers. During the 31st December 2015 presidential media chat, president Buhari painfully revealed that NNPC operates 45 different bank accounts while Nigeria military operated 70 Bank accounts. According to Jegede (2015) in Bashir (2016), prior to the implementation of TSA over 10000 multiple bank accounts were being operated by the MDAs, with money in these bank accounts, the deposit money bank lent back to the government or even invest same in Foreign exchange speculation. Taiwo (2015) however, laments that prior to the full implementation of TSA many banks delayed the remittance of revenue collected on behalf of the government to CBN in order to temporarily trade with the money at the expense of government. Some MDAs trade with government fund for personal gain to the detriment of budget execution and timely payment to a beneficiary such as pensioners.
There are mixed arguments with regards the effects of TSA on bank performance. While some were of the general view that TSA will enhance transparency and accountability in public financial management in Nigeria but others strongly disagreed. The head of BGL argues that TSA will inculcate sound banking culture and norms in Nigeria and will not affect shareholders return in the banking industry (Shosanya, 2015). Saleh (2015) on the other hand, argued that TSA will cause liquidity squeeze in the banking sector and this will trigger interest rate to rise as well as plummet job and borrowing in the banking industry. Uzor (2015) strongly believes that TSA was not properly articulated by the Federal Government before the full implementation and that he sees the policy being reversed because it will lead to a serious job loss in the banking industry. Holger (2010) penned that full implementation of TSA will hurt the banks that it will lead to falling in banks profitability. Eme, Chukuirah and Iheanacho (2015) reported that in the wake of full implementation of TSA, NNPC in one week withdrew ₦400b from First Bank plc account. The question that comes to mind here is, how this bank was able to effectively adapt to the liquidity shocks consequent upon TSA full implementation.

Given the fact that TSA is a new financial management system that is fully implemented in a year and a few months now, not much have been empirically documented especially as it relates to its effect on banks performance. Consequent upon this perceivable gap, this study seeks to achieve the following objectives:

i. Investigate the effects of treasury single account (TSA) on bank liquidity in the banking industry Nigeria.

ii. Investigate the effects of treasury single account (TSA) on job security in the banking industry in Nigeria

iii. Investigate the effects of treasury single account (TSA) on banks profitability in Nigeria.

**Conceptual Framework**

The concept of treasury single account may be new in principle but its constitutional provisions have been with us since 1954 when Oliver Lyttleton provided that the central government should operate a single Account. However, Tari, Myatafidam and Kibikiwa (2016) noted that the era of multiple accounts started in Nigeria during the civil war under the administration of General Gowon. Most of the accounts were related to the war and post-war issues. Thereafter, successive government flagrantly disregarded the constitutional provision of treasury single account.

According to Pallanayak and Fainboim (2011), TSA is a unified structure of Government bank account enabling consolidation and optimum utilisation of government resources. It is a system in which all Government revenues (receipts, income etc.) collected by deposit money banks (DMBs) are channelled into a single account with the Central Bank of Nigeria (CBN)
and all payments of the federal government are made in the same account. The essence, being to engender transparency and accountability in government financial management. However what was in place is a negation of the true principles of TSA which has given rise to serious anomalies. In order to correct the anomalies of the previous government, section 80 subsection 1 and section 162 sub-section 1 of the 1999 constitution stipulated that all Government revenue should be paid into a single account. Despite these provisions of the law on a single account, successive leaders in Nigeria bluntly refused to implement the provision of the law. As a result in 2004, the Federal Government Economic reform and government programme strongly recommended the full implementation of Treasury Single Account but it was strongly resisted by the powers that be.

The actual spark of the issue of TSA actually came into force in 2012, but many MDAs refused to remit monies collected on behalf of the federal government. This action made the government to forcibly collect N120b in 2012 and N3b in 2013 from them (Basher 2015). Consequently, in 2012, the federal government undertook a pilot scheme of TSA using 217 of MDAs and in the process saved the Country of over N500b of frivolous spending, the success led to the government of Jonathan to fix the deadline for full implementation of TSA on 28th February 2015 of all MDAs in Nigeria. The deadline was grossly ignored and no sanction was inflicted on the MDAs (Rockstar 07, 2015).It is interesting to note that barely three months after the new government took over the mantle of leadership of the country, the president directed the full implementation of TSA through the head of the service of the federation on 7th August 2015.

**Review of Related Literature**

Treasury single account is a financial management system in which all government revenue are paid directly into a Single Account. With the Nigeria model of TSA, the CBN opened a consolidated revenue account in which all MDAs remits all revenue collections into (Single Account) through the deposit money banks approved by CBN. Every money collected by MDAs through the DMBs is remitted into the single account on a daily basis thus leaving the account with zero balance at the end of each working day.

Obuh (2016) posits the benefits of TSA as follows; the treasury (MOF) will now have full control of the budget, guarantee timely information of government resources on a daily basis. Promote efficiency, accountability and transparency in public financial management. This Would enable the government to have more access to its funds when necessary and above all reduce to the barest minimum government borrowing cost.

According to Systemspec (2015), TSA will block all forms of leakages in public finance, curb corruption and would enable the treasury (MOF) to monitor funds flow as no MDA is allowed to operate any account outside the single account. According to IMF (2010) two models of TSA abounds;

i. The centralised TSA model and
ii. The distributed (decentralised) TSA architecture.

Under the centralised TSA model, all government revenue is paid into a single account and only the central authority/Treasury that has the power to make payment. In other words, MDAs submits their payment orders as contained in their budget for approval and payments are affected.

Adapted from IMF (2010)

*Fig 2.1 Centralised Payment Model of TSA*

The distributed (decentralised) TSA architecture is one in which TSA account is opened with the central bank but with several zero bank account (ZBA) opened with deposit money banks by the MDAs. These ZBA must be approved by the central bank. All revenue collected is remitted to single account through the deposit money banks. Likewise, all payment orders in line with the budget are sent to treasury and upon approval direct the DMBs to pay. Thus, the net balance (revenue collected and approved payment on a daily basis) are swept into the treasury single account, thus leaving a zero balance at the end of each working day. Reconciliation is thereafter done between CBN and treasury.

Adapted from IMF (2010)

*Fig 2.2 Distribution (Decentralised) Payment TSA Architecture Model.*
As can be seen above, the concept of TSA is fully accepted and adopted by various countries of the world be it developed or emerging economies. According to Udo (2016), TSA was adopted in Nigeria in order to guarantee the continuous monitoring of all government revenues and payments in all perceived leakages since they are not allowed to operate multiple government accounts.

**Treasury Single Account and Bank Liquidity**

There has been a mixed feelings with regards the full implementation of TSA in Nigeria, while many argue that TSA is a better financial management system that will guarantee accountability, transparency of public finance while others fear that the policy was hasty as no palliative measures was put in place by government as it relates to how it will affect the banking industry. Dogarawa (2012) opines that commercial banks plays a unique role in credit and payment intermediation, money creation and provides distinct financial services.

The withdrawal of government funds from commercial banks in 1989 resulted in a serious liquidity crisis. Banks were unable to meet their obligations with depositors and were “forced” to increase interest rates. Finance companies sprang up with higher interest rate than the one the banks were offering. In less than two years the entire banking industry was thrown into serious crisis (Sobowale, 2015).
The withdrawal of 50% of public sector deposit (N1 trillion) by CBN from deposit money banks in August 2013 had a huge effect on the banks. In fact, the lending rate went up. Fidelity bank rate rose from 2.0% to 3%, Skye bank rose from 0.4% to 3.60% and Wema bank rose from 2.7% to 3.75%. The implication is that higher interest rate will lead to inflation, affects productivity negatively and above all lower profit margins. Again, the banks that may have used public sector deposit to grant loan would be in a greater liquidity problem because they will not be able to call back the loan. (Scannews, 2013)

Obuh (2016) is of the opinion that TSA policy will affect banks as government funds provided the DMBs with “hot money” will no longer be available and this will affect them in the short run but in the long run, government will save enough funds for which she will use to invest in infrastructure in the economy that will stimulate the economy and this will lead to mass employment of the citizens. Saleh (2015) argues that TSA will create an unpleasant liquidity squeeze of DMBs and as such would cause interest rate to rise. Consequently, both jobs and borrowing in the banking sector will plummet. He further quoted Fitch saying that TSA will make banks head towards operational and financial turmoil and this will result in sharp loss of liquidity, capital ratio and profitability.

The head of BGL strongly believes that TSA policy will inculcate as much as possible a sound banking culture and norms in Nigeria. And that banks need to invent proper financial intermediation mean in order to improve liquidity in the system and make reasonable returns for their shareholders (Shosanya, 2015). CBN report for the third quarter of 2015 reveals that public sector deposit will be close to ₦2.2 Trillion and with the whole sum swept off the banking system in order to meet the September deadline will be detrimental to the banking industry. Based on the above, we, therefore, propose that TSA does not significantly affect bank liquidity in Nigeria.

**Treasury Single Account and Job Security in the Banking Industry**

There is the fear that the TSA policy will not lead to job insecurity in the banking industry. Uzor (2015) notes that the TSA policy was not properly articulated and implemented; and argues that the policy will lead to increase in interest rate and this will hurt both banks and the small businesses and as such, they will be forced to close down. Also, the foreign investors are shutting down because of foreign exchange remittance, the policy is “time bomb” waiting to explode and in no time half of the bank’s staff would be laid off especially the credit officers. Once that starts in one bank, it runs to another and before long the system crumbles.

The late 1980s effects of government withdrawal from the banking sector were colossal. Inflation climbed as much as 30%. There was under-utilisation of factory installed capacity. Lots of businesses folded-up UAC, PZ, Leventis merged some division and unemployment soared (Sobowale 2015). Shosanya (2015) sees the new TSA policy as a very serious challenge...
in the banking industry and may cause some banks to downsize their workforce in order to cope with the policy.

Onuba (2016) reported that the current massive sack of bank workers was not unconnected to the full implementation of TSA. Ecobank has so far fired 1040 of its own, Diamond Bank has sent 200 of its own workers packing, and FBN holding would prone his workers by 1000. In response to the spate of sacking in the banking industry the Minister of Labour and Productivity has directed bank management to stop the retrenchment exercise otherwise, they would be sanctioned.

The questions that come to mind here are; Are the banks justified to downsize the workforce in a bid to fully implement the new policy and the same time consider the fact that they have to meet the need of the shareholders? Also, is the Minister of Labour and Productivity justified to stop the bank management from downsizing the workforce all in a bid to adjust to the policy inflicted on them?

Based on the above, we propose that TSA does not significantly affect job loss in the banking industry in Nigeria.

**Treasury Single Account and Bank Profitability in Nigeria**

The position of Ocheni as reported in Chijioke and Nelson (2016) is that TSA will positively impact on the Banking Industry in that it will compel Banks to be focused on the primary purpose of Banks-collect from customers, keep them safe, channel these deposit (intermediation role) in order to create wealth, job and in the process make adequate profit for shareholders.

Mutarib, Bulkachuwa, Uarame and Chijioke (2015) note that as much as N2.2T of public funds flowing out of Deposit Money Banks to Treasury Single Account. The implication is that there will be liquidity problem in the country and as such will cause stiff competition amongst Banks for private sector funds. Consequently, at least in the short run, there would be a fall in lending and banks profitability.

Holger (2010) posits that with the full implementation of TSA it will hurt the Deposit Money Banks and this will lead to a fall in Banks profitability. In a similar vein, Chukwu (2015) laments that full TSA implementation will not only Banks liquidity but will constrain Banks ability to create and this affects Banks profitability.

Balogun (2015) argues that TSA will help to sterilise the Banking industry in such a way that it will become difficult for Banks to create money or credit. The implication will be that cost of borrowing will be high. This will ultimately result not only liquidity problem but will stifle growth in the Banking Industry. Consequently, we propose that TSA does not significantly affect bank profitability.
Theoretical Framework

This study adopts the incremental model of public policy. The model of incrementalism was the brainchild of Charles Lindblom in his treatise of public policy in 1959 which he coined “muddling through”. Simon (1955) and Lindblom (1959) recognise that human problems are not only complex but there is low analytical skill and poor resources to solve them. Amidst these obvious challenges, people disagree almost in every aspect and there is no sure way to resolve social problems in a satisfying way.

In order to surmount these obstacles, early political thinkers in the likes of Simon (1955) and March and Simon (1958) opine that decision maker should not only solve social problems through analytical means but use “bounded rationality”. In response to solving complex human problems, Lindblom (1959) suggests that as a result of uncertainty, complex human problems, consistent disagreement, the paucity of analytical skill and cost central decision makers should use interactive adjustment to solve such problem. The TSA policy is anchored on the incremental model of public policy because it is aimed at increasing government revenue and as a tool to solve manifold problems of social policy such as corruption, no accountability, leakages which have undermined government efforts to fulfil the social contract in delivery public goods to the people.

Woodhouse and Collingridge (1993) reported that empirical studies in budgeting by Davis, Dempster and Wildavsky (1966) and Wildavsky (1974) in the USA and Britain fingered the use of incrementalism. Wikipedia (2016) notes that incrementalism is a model that is robustly used in politics, Engineering, Software design, Organisation etc. Many empirical works have criticized incrementalism: Dror (1964), Froster and Etzioni (1967) and Froster (1984). The main criticism is that the policy is not goal oriented and not enduring.

Barely three months after President came into office, he issued a circular through the Head of Service of the Federation to fully implement TSA in the month of September 2015. The haste with which the decision to fully implement the policy by a new government without in-depth study of its implications dovetailed to the requirement of incrementalism. The policy as is being perceived will engender accountability and transparency of public finance but failed to consider the effect it would have on the banking industry in which over 70% of public funds are “warehoused”.

According to Scot (2010) in Eme, Chukwurah & Iheanacho (2015), the incremental decision was applied in the Afghanistan, Vietnam and Iraq war. Today, that decision is regrettable.

Methodology

The study adopted a survey research design. Our target population is the management and staff of deposit money banks in Agbor, Asaba, Awka, Benin, and Onitsha. Beyond the reason of proximity, most banks and Federal
MDAs have their overwhelming presence in these towns. It is a primary data based study. In order to arrive at a convenient sample size, a judgmental sampling method was adopted. Cresswell and Plano (2011) contends that judgemental sampling method can be used if the researcher can select individuals or groups that are proficient and well-informed of the phenomenon being studied. Consequently, a sample size of 125 was arrived at.

The study made use of five (5) point Likert scale Questionnaires to elicit responses from the respondents. The Ordinary Least Square (OLS) using SPSS 16.0 statistical tool was used to test the hypotheses formulated for the study.

**Model Specification**

Bank performance is measured by three models

LIQ = f (TSA)..........1

**Testable Form**

LIQ = a₀+B₁ TSA+ Er............2

Model 2

JOBS = f (TSA).......1

JOBS = a₀+B₁ TSA+ Er............2

Model 3

ROA = f (TSA).......1

ROA = a₀+B₁ TSA+ Er............1

Where:

LIQ = Liquidity

a₀ = Intercept of the model

B₁ = Regression coefficient of the model.

TSA = Treasury Single Account

Er = Error term

ROA = Return on Assets

JOBS = Job security

Bank performance is measured by two variables in this paper.

(i) Bank performance is measured by bank liquidity: Liquidity is chosen because the Basel Accord III places a high emphasis on Bank liquidity.

(ii) Bank performance is measured by Profit after tax. Profit after tax is chosen because it represents the financial performance of an entity.
Data Presentation and Analysis

Table 2: TSA Full Implementation Has Significant Adverse Effect On Banks Liquidity.

<table>
<thead>
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<th>RESPONSES</th>
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<th>PERCENTAGE(%)</th>
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</table>

SOURCE: Field Survey, 2016

Table 3: TSA Full Implementation Has Significantly Adverse Effects On Job Security In The Banking Industry

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<th>FREQUENCY</th>
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SOURCE: Field Survey, 2016

Table 4: TSA Full Implementation Has Significant Adverse Effect On Bank Profitability

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<tr>
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SOURCE: Field Survey, 2016
Table 5: TSA Full Implementation will Lead to Public Fund Accountability and Transparency In Nigeria

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<th>RESPONSES</th>
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SOURCE: Field Survey, 2016

Table 6: TSA and Bank Liquidity

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<th>Model</th>
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<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<td>(Constant)</td>
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<td>.048</td>
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<tr>
<td></td>
<td>TSA FULL IMPLEMENTATION IS A WELCOME DEVELOPMENT IN THE COUNTRY</td>
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Change Statistics

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<td>1</td>
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<td>.000</td>
<td>2.448</td>
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a. Predictors: (Constant), TSA.
b. Dependent Variable: Bank Liquidity

Table 6 above shows that linear regression test result of the series TSA and Bank Liquidity in the Banking industry tested at 5% level of significant. The regression equation extracted is as follows: Bank Liquidity = 0.180 - 0.799TSA. Bank liquidity is the Dependent variable while TSA is Independent variable. The intercept of the equation is 0.180 which shows that if the independent variable (TSA) is held constant, Bank liquidity in the Banking Industry will be 0.180. The coefficient of the equation is -0.799 and is negative. This implies that a negative relationship exists between TSA and Bank liquidity in the Banking industry.

The interpretation is that a unit change in TSA is capable of decreasing Bank Liquidity by 0.799 (79.9%). The relationship is given a t-value of 35.161 which is greater than 2 with an associated significant value of .000.
that is less than 5%. The implication of this finding is that there exist a negative significant relationship between TSA and Bank Liquidity in the Banking Industry. The value of R2 in the model is 0.910. This indicates that TSA was able to predict the behaviour of Bank Liquidity in the Banking Industry by 91% while the remaining 9% was accounted for by another factor not considered in the model. Also, the closeness of R², Adjusted R² and R² confirm that the model is a good fit. The Durbin-Watson value is 2.448. Going by the rule of thumb, if the value is greater than 2, it indicates that there is no serial correlation of the error term. Here, the Durbin-Watson is greater than 2 and as such, there is no serial correlation.

The finding in the study is in consonance with Obuh (2016) and Saleh (2015) who argued that TSA will create unpleasant liquidity squeeze of deposit money banks and as such would cause interest rate to rise.

Table 7: Linear Regression Results for TSA and Loss of Jobs in the Banking Industry

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<td>B</td>
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<td>Beta</td>
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<td>TSA</td>
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</table>

SOURCE: SPSS Output, 2016

a. Predictors: (Constant), TSA

Table 7 shows the linear regression test results of the series TSA and Loss of Jobs in the banking industry tested at 5% level of significance. The regression equation extracted is as follows: Loss of Jobs = .058 + 1.022 TSA. Loss of jobs is the dependent variable while TSA is the independent variable.

The intercept of the equation is .058 which shows that if the independent variable (TSA) is held constant, loss of jobs in the banking industry would be .058. The coefficient of TSA in the equation is 1.022 and positive. This implies that a positive relationship exists between TSA and job losses in the banking industry. The interpretation is that a unit change in TSA is capable of increasing job losses in the banking industry by 1.022. The relationship is significant given a t-value of 45.590 which is greater than 2 with an associated significant value of .000 that is less than 5 percent. The
implication is that a positive significant relationship exists between TSA and loss of jobs in the banking industry. The model summary has an $R^2$ value of 0.944 which indicate that TSA was able to predict the behaviour of job losses in the banking industry by 94.4% while the remaining 5.7% was accounted for by other factors not considered in the model. Importantly, the equality among $R^2$, Adjusted $R^2$ and $R^2$ Change of .944 confirms that the model is a good fit. The Durbin-Watson value is 2.570 and going by the rule of thumb if the value is greater than 2, it indicates that there is no serial correlation of the error term. In this case, the Durbin-Watson is greater than 2 as such there is no serial correlation.

The findings are in tandem with the fear being expressed by Uzor (2015), Onuba (2016) and Shosanya (2015) who contended that TSA policy is a very serious challenge in the banking industry and may cause some banks to downsize their workforce in order to cope with the policy.

**Table 8: Linear Regression Result For TSA And Bank Profitability.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
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<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.053</td>
<td>.030</td>
<td>.989</td>
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<tr>
<td></td>
<td>TSA</td>
<td>-1.053</td>
<td>.014</td>
<td>74.156</td>
</tr>
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</table>

**Model** | **R** | **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** | **R Square Change** | **F Change** | **df1** | **df2** | **Sig. F Change** | **Durbin-Watson** |
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<tbody>
<tr>
<td>1</td>
<td>.989</td>
<td>.978</td>
<td>.978</td>
<td>.18738</td>
<td>.978</td>
<td>5499.093</td>
<td>1</td>
<td>123</td>
<td>.000</td>
<td>2.977</td>
</tr>
</tbody>
</table>


a. Predictors: (Constant), TSA

b. Dependent Variable: BANK PROFITABILITY

Table 8 above shows the linear regression test results of the series TSA and Banks profitability in the banking industry tested at 5% level of significance. The regression equation extracted is as follows:

Bank profitability = -.053 - 1.053 TSA

Bank profitability is the dependent variable while TSA is the independent variable. The intercept of the equation is .058 which shows that if the independent variable (TSA) is held constant, loss of jobs in the banking industry would be -.053. The coefficient of TSA in the equation is -1.053 and negative. This implies that a negative relationship exists between TSA and bank profitability in the banking industry. The interpretation is that a unit change in TSA is capable of decreasing bank profitability in the banking industry by 1.053. The relationship is significant given a t-value of 74.156 which is greater than 2 with an associated significant value of .000 that is less than 5 percent. The implication is that a negative significant relationship exists between TSA and bank profitability in the banking industry. The model
summary has an $R^2$ value of 0.978 which indicate that TSA was able to predict the behaviour of bank profitability in the banking industry by 97.8% while the remaining 2.2% was accounted for by other factors not considered in the model. Importantly, the equality among $R^2$, Adjusted $R^2$ and $R^2$ Change of .978 confirms that the model is a good fit. The Durbin-Watson value is 2.977 and going by the rule of thumb if the value is greater than 2, it indicates that there is no serial correlation of the error term. In this case, the Durbin-Watson is greater than 2 as such there is no serial correlation.

The findings confirmed with Balogun (2015), Mutalib et al (2015), and Holger (2015) who strongly believe that TSA will hurt the deposit money banks and this will lead to a fall in banks profitability. However, the findings are at variance with Chijoke & Nelson (2016) who argued that TSA will positively impact on the banking industry and as such create wealth, job and in the process make an adequate profit for shareholders.

**Conclusion and Recommendations**

The study revealed that there is a negative significant relationship between TSA and Banks liquidity. A positive significant relationship exists between TSA and job loss and also a negative significant relationship exists between TSA and profitability in the banking industry. Additional findings obtained from questionnaire responses is that TSA will engender accountability, transparency and put paid to wholesale corruption of public fund. However, there is the palpable fear that the TSA policy will lead to another crisis in the banking industry like what was experienced in the early 1990s.

TSA reduces the ability of DMBS to create money since all Federal government funds are transferred to CBN which otherwise ought to be used to create loans to deficit economic units (borrowers) who have needs for the fund to expand their economic activities. On the strength of this, TSA needs to be revisited and the government should consider retaining a certain percentage of Federal funds in DMBS to finance businesses in the form of loans/overdrafts. In the 80s and 90s, the banking industry which used to be one of the highest employers of labour has now been suffocated to the point of disengaging staff arbitrarily, consequent upon the introduction of TSA. On the other hand, the shortage of funds in the industry has led to the non-employment/decreased employment of new staff members. Again, if 50% of the Federal revenue collected is left with the DMBs, it will go a long way to boost the intermediation process which will translate to job security and increased employment level in the banking industry.

The core source of bank revenue is interest and this interest increased where there are funds for granting loans/overdrafts. Since the federal funds have been evacuated from the vault of DMBs, the ability to grant loans is reduced. To this end, part of the Federal funds collected should be retained with the DMBs, this will increase their ability to have access to funds to give
as loans/overdraft and ultimately boost bank profitability and sustainability in the banking industry.

References


