# Effects Of Treasury Single Account On Performance And Survival Of Deposit Money Banks In Nigeria

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**ABSTRACT**

Treasury Single Account policy is a financial reform policy of the Federal Government of Nigeria introduced in 2015 to curb corruption that has eaten deep into the Nigerian Society, ensure accountability and transparency in all government finances. It is a government banking arrangements aimed at managing and controlling government's cash resources. As interesting as this may sound it has its implications on the financial sectors mainly the banks which are the heartbeat and the engine of growth in any developing economy. This research specifically examines the effect of treasury single account policy on the performance of banks and their survival in Nigeria. The objective of this research is to examine the effect of the policy on banks performance and survival. Secondary data had been employed. The populations of this study are deposit money banks in Nigeria using a sample of 6 banks financial statement for one year through judgment sampling. The data were analyzed using the paired sample t- test analysis techniques and percentages. The result of this research shows that adoption of a Treasury Single Account (TSA) does not affect banks performance and survival using the two widely used measure of banks performance, the Return on Asset ROA and the Net Interest Margin NIM and measures of survival: the total assets, total deposit, loans and advances profit and before tax. Thus, the researchers recommend that for the banks to sustain this performance, it must redefine the nature of competition, diversify economically and refocus on the original purposes for which they were set up- to collect depositors' funds (not necessarily government funds), keep them safe; engage in intermediation to create wealth and jobs for the economy and in the process earn profit for themselves.

**Keywords:** Treasury Single Account, Banks Performance, Survival.

## INTRODUCTION

Treasury single account (TSA) is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on this principle and the unity of treasury, TSA is a bank account or a set besides plugging loopholes, it breeds accountability. All inflows are seen the exact way they come in, can be tracked, and proper documentation of linked accounts through which the government transacts all its receipts and payments" IMF (2010). Adeolum, (2015) added that "the maintenance of Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payment".

The purpose is primarily to ensure accountability of government revenue, enhanced transparency and avoid undue delay in the remittance of government revenue. The maintenance of a treasury single account will facilitate effective cash management by eliminating idle funds usually left with different deposit money banks and in a way minimizes the borrowing costs. (IMF, 2010).

The move would plug loopholes, where hitherto resources were filtered away. If a Ministry, Department or Agency (MDA) has various accounts and doesn't have a unique one for receiving inflows; it is very easy to tell its clients to pay money into any of its accounts, which is supposed to be illegal maintained.

The directives by President Mohammadu Buhari that all government revenues should be remitted to a treasury single Account is in consonance with this programme and in compliance with the provisions of the 1999 constitution (CBN, 2015) which control the situation of accountability and proper documentation.

Treasury Single Account will cause cash crunch and liquidity challenges to the banking sector, who before the introduction of the TSA feed fat on the "float" created by the duplicated and unaccounted MDA's accounts in all the Commercial Banks in Nigeria. The question is; what is the impact of this TSA on the banks' liquidity in Nigeria?

### Statement of the Problem

Deposit Money Banks in Nigeria seem to lack the ability to generate deposits outside the Public Sector Funds which are under the control of the Government. When the Federal Government in Nigeria fully implemented Treasury Single account (TSA) in 2015, over 2 trillion naira deposits was moved to the Central Bank of Nigeria leaving these Deposit Money Banks financially deflated. (Jat:2016). Deposit Money Banks are therefore observed to experience liquidity problems which significantly affect profitability and their survival in the long run. Secondly, significant reduction in these Deposit Money Banks affects their lending capacity and subsequent interest rate which strengthens these banks operation and their survival.

It is perceived that the performance of many money deposit banks seem to have been on the decrease in Nigeria since the adoption of Treasury single account by the Federal Government. This is believed to be as a result of over dependence on Public Sector Funds which constitute a greater percentage of the bank deposits therefore faced with strategic thinking of problem how to stay in business or faced total liquidity.

### Objectives of the Study

Generally, this study seeks to explore the effect of treasury single account on performance and survival of deposit money banks in Nigeria as its main objective. However; the specific objectives are to:

i: examine the difference between the Return on Assets of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account

ii. Examine the difference between the Net Interest Margin of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account

### Research Questions

To achieve the objectives of this research the following research question will be raised:

i: What is the difference between the Return on Assets of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account?

ii. What is the difference between the Net Interest Margin of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account?

### Statement of Hypothesis

In view of the above objective the researcher formulated the following hypothesis:

**$H_{01}$:** There is no significant difference between the Return on Assets Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account

**$H_{02}$:** There is no significant difference between the Net Interest Margin of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account

This paper therefore seeks to provide an insight on the influence of TSA adoption on liquidity and performance of banking system in Nigeria. We structured the paper into four parts. Following this introduction Part 2 which reviews the related literature, part 3 discusses the methodology; part 4 presents the analysis and implication of findings while part 5 is the conclusion and recommendation.

## CONCEPTUAL FRAMEWORK

### Treasury Single Account (TSA)

The TSA is a process and device that combines all government accounts in a single unit for the effective management of its finances, bank and cash position. With this, all MDAs are to comply and must close all revenue accounts maintained in different Banks or branches and transfer the proceeds to the TSA maintained by the CBN (Oyedokun, G. E. 2016).

The adoption of TSA will involve retail banking which deposit money banks can perform. It includes: collection of taxes/levies and disbursements of funds as well as payment of salaries to civil servants. As a public accounting system, the primary aim of TSA is to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds. It is to ensure that transparency of unspent budgetary allocations is carried forward automatically to another year.

It was argued that TSA concept is not new in Nigeria as it dates back to the regime of the former President Goodluck Ebele Johnathan but the directive by President Muhammadu Buhari in August 2015 marked the beginning of the full implementation of Treasury Single Account (TSA) system in Nigeria. Notwithstanding, TSA was not implemented before the directive in contrary to the provision of Section 80 (1) of the 1999 Constitution as amended that states "all revenues, or other moneys raised or received by the Federation (not being revenues or other moneys payable under this 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"; successive governments have continued to operate multiple accounts for the collection and spending of government revenue in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account (SystemSpecs, 2015).

SystemSpecs (2015), government ran a pilot scheme for a single account using 217 Ministries, Department and Agencies as a test case in year 2012. The pilot scheme saved the country about N500 billion in frivolous spending. The success of the pilot scheme motivated the government to fully implement TSA, leading to the directives to banks to implement the technology platform that will help accommodate all MDA's in the Treasury Single Account scheme.

IMF (2010), averred that full-fledged TSA shares three essential features: First, the government banking arrangement should be unified, to enable the ministry of Finance (MoF) (or treasury) to have an oversight responsibility for, over government cash flows in and out of these bank accounts. Second, no other government agency operates bank accounts outside the TSA arrangement. Third, the consolidation of resources should be comprehensive, and encompass all funds both budgetary and extra-budgetary. Therefore, the TSA is a payment system in which all revenues due to the government are paid 88 into a unified account domiciled with the CBN. Its objective is to ensure fiscal discipline and transparent management of the nation's finances (CBN, 2015).

### TSA and Banking Sector

The banking sector is the engine of any nation's economy. In Nigeria, commercial banks have been the custodians of government funds. Therefore, with the maintenance of a single account, banks will be deprived of the free flow of funds from ministries. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds at the beginning of the first quarter of 2015. When such amount of money leaves the system is obvious. When one considers the fact that each time the monthly federal allocation is released, the banking system is usually awash with liquidity, and as soon as this public sector fund dries up, the result is liquidity problem with an increase in interbank rates. The banks must be affected, when such high revenue generating parastatals like the NNPC moves out of commercial banks. As a matter of fact, commercial banks stand to lose immensely from the implementation of Treasury Single Account. This cause insufficiency of available cash in the banking system, resulting in a surge in money market rates during the period as banks source for funds to cover their poor liquidity positions. Indeed, the Nigerian banking industry, on an aggregate basis, would be affected regarding deposits and funding cost structure. As a matter of fact, TSA generated much fear in the banking industry even before its implementation. The fear is that with the high Monetary Policy Rate at 13%, Cash Reserve Ratio (CRR) at 20% and 75% available for private and public sector deposits respectively, its implementation would not be favourable to banks. Irrespective of how tough his policy will be on banks, it will perhaps compel the banks to focus on the funds of the real sector of the economy, rather than spending much on Federal Government projects, Oil & Gas Transactions, Forex dealings. Any commercial bank that fails to operate based on the core banking functions for which they were licensed must definitely close shop. This will cause heavy downsizing of staff, thereby increasing the unemployment rate in the country. Managements of banks should understand the aim of establishing banks. The Government is not only customer banks have. The issue of banks chasing government money at the expense of other clients especially in the sector of the economy is a questionable commentary on the performance of the banks. A good number of people in Nigeria is unserved by the bank, many lack access to financial services, and some have no opportunity to save or invest their resources.

To affirm this, Kanu & Oyims (2015) observe that "in most developing countries, the formal financial system reaches only to top 25 per cent of the economically active population" According to the authors, 75 percent of the people were left without access to financial services apart from those provided by money lenders and families. The issue of the non-accessibility to financial service cause poor economic sustainability and rural development in Nigeria. The adoption of the TSA is in the greater interest of the states, as it will pave the way for the timely payment and capturing of all government revenue in a single government treasury account, without the intermediation of multiple banking arrangements as had been the case. Moreover, embracing the scheme can help reduce the mismanagement of public funds by revenue-generating agencies, as well as check excess liquidity, inflation, high interest rates and round-tripping of the government deposits. The use of multiple bank accounts left room for the misappropriation of huge sums of money belonging to all levels of government in the country. It encouraged unbridled corruption in the management of public finances, with the result that all tiers of governments became heavily cash-strapped.

**Treasury Single Account and Economy**

Government sees Treasury Single Account as a useful tool to establish centralized control over its revenue through effective cash management. It enhances accountability and enables government to know how much is accruing to its accounts on a daily basis. In Nigeria, it is expected that the implementation of TSA will help tame the tide of corruption of financial 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 falling oil prices. CBN, (2015) reasoned in the same direction and said that the implementation of TSA will enable the Ministry of Finance to monitor fund flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the ministry of finance. The implementation of the TSA will have a positive effect on the national economic planning, swift & full budgetary implementation; reduce leakages and other irregularities in the MDAs, aid appropriate planning, data collection, analysis and timely aggregation of Federal Government Revenue.

Realization of the government revenue on time causes its effective allocation. 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, 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 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. Tayo A. (2015), said that "Government should make banking arrangements for efficient management and control of government's cash resources". It should be designed to minimize the cost of government borrowing and maximize the opportunity cost of fund. TSA ensures that all money received is available for carrying out government's expenditure program and making payments on time.

Many low-income countries have fragmented systems for handling government receipts and payments. In these countries, the ministry of finance/treasury lacks a unified view and centralized control over government's cash resources. As a result, this fund lies idle for extended periods in numerous bank accounts held by spending agencies while the government continues to borrow to execute its budget. Hence, Udoma U. U. (2016) opines that maintenance of TSA will enhance funding government budget rather than depend on Federal allocation. In any economy where the budget is fully funded, the aim certainly will be accomplished. The consequence should be; improved economic system, political and social development. IMF (2010), made it clear in her working paper that a government that lacks 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 banks are not idle for the banks themselves, and can be used to extend credit. Therefore, the implementation of TSA will promote a healthy economic system. Hence, a member of the Monetary Policy Committee

(MPC), in his contribution said: "it has indeed become very clear that total economic restructuring is an urgent imperative.

Although the falling oil price is making the fiscal space more complicated, I believe that there is still room for improvement. One area that can be easily improved upon is the reduction of wastages in government finances, which is as a result of poor financial management

**Banks Performance**

A major objective of bank management is to increase shareholders' return epitomizing bank performance. Banks performance refers to how well or badly banks are functioning in order to achieve its aim and objectives. It generally implies the ability of a bank to realize its predetermined objectives within a given period of time (Abanewe, Ogbulu & Ndugbu: 2013). According to Rose (2001) a fair valuation of any bank performance should start by evaluating whether it has been able to achieve the objective set by the management and shareholders. The greater credit availability leads to the opportunity to increase the productive assets and bank's profit.

**Return on Assets**

A basic measure of bank profitability that corrects for the size of the bank is the return on assets (ROA); it divides the net income of the bank by the amount of its assets. ROA is a useful measure of how well a bank manager is doing on the job because it indicates how well a bank's assets are being used to generate profits (Olubayo, Taiwo & Ayodele 2004).

$$ROA = \frac{\text{Net income}}{\text{Total Asset}}$$

**Net Interest Margin**

Another commonly watched measure of bank performance is called the net interest margin (NIM), the difference between interest income and interest expenses as a percentage of total assets. One of a bank's primary intermediation functions is to issue liabilities and use the proceeds to purchase income-earning assets. If a bank manager has done a good job of asset and liabilities management such that the bank earns substantial income on its assets and costs on its liabilities, profits will be high. How well a bank manages its assets and liabilities is affected by the spread between costs on its liabilities. This spread is exactly what the net interest margin measures. If the bank is able to raise funds with liabilities that have low interest costs and is able to acquire assets with high interest income, the net interest margin will be high profitable. If the interest liabilities rise relative to the interest earned on its assets, the net interest margin will fall, bank profitability will suffer. (Olubayo, Taiwo & Ayodele, 2011)

$$NIM = \frac{\text{Interest income} - \text{Interest Expense}}{\text{Total Assets}}$$

**Corporate Profitability**

Profitability indicates how efficiently management utilizes its total asset in order to generate earnings (Chen & Hammes 2004). Shareholders are concerned with the profitability of the firm because this can predict the future earnings of that firm and its survival.

**Firm's liquidity**

This indicates if a company is strong enough to survive in tough times Sibilkov (2009) defines liquidity as the ability of the firm to fulfill its short term obligations, hence the ease with which a firm's asset can be converted into cash.

**Theoretical Frame Work**

**Public Finance Management Theory**

This theory assumes that all aspects of financial resources – mobilization and expenditure should be well managed in government for the benefits of the citizenry. It includes resources mobilization, prioritization of programmes, the budgetary process, efficient management of resources and exercising control to guide against threats. The purpose of treasury single account primarily is to avoid misapplication of public fund (Grubber,2005). This theory conforms to the study as TSA is concerned with the consolidation and prudent management of public funds for the benefit of the citizenry.

Modern Monetary Theory (Mmt) also (Known as Neo-Chartalism) was proposed by Georg Friedrick Knapp (1905). It is a macro economic theory which describes and analyses modern economies in which the national currency is flat money, established and created by the government. The key insight of MMT is that "monetarily sovereign government is the monopoly of it currency and can issue currency of any denomination in physical or non-physical forms. As such the government has an unlimited capacity to pay for the things it wishes to purchase and to fulfil promised future payments, and has an unlimited ability to provide funds to other sectors, thus insolvency and bankruptcy of government is not possible. MMT stipulated that, 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 (Scott Fullwilter, 1914).

MMT is based on a detailed empirical account of the "operational realities" of interactions between the government and it central bank and the deposit money banking sector. MMT shows that it is relevant to aggregate the central bank and the treasury into a government sector that finances itself through monetary creation such that financial position of the treasury and the central bank are so intertwined that both of them are constantly in contact in order to make fiscal and monetary policies run smoothly. This theory also falls in line with the study subject, as the rationale behind TSA also make the responsibilities of the national treasury and the central bank intertwined.

**Empirical Review**

Patricia, Yohanna& Okwoli (2015) examine the effect of treasury single account policy on the performance of banks and their survival in Nigeria. The result of this research shows that adoption of a Treasury Single Account (TSA) does not affect banks performance and survival.

Ndubuaku, Ohaegbu & Nina (2015) examined the impact of TSA on the performance of the banking system in Nigeria. The data were analysed using regression and correlation analysis. The results from the research analysis confirmed that the TSA had a significant impact on Credit to the Private Sector, Deposit Mobilization and Loans and Advances.

Kanu (2016), examined the Impact of Treasury Single Account on the Liquidity in Nigeria. Questionnaires were administered to the Management staff of the ten banks selected for the study. Chi-square was employed as a statistical tool for analysis of the data. The results obtained confirmed that the implementation of Treasury Single Account in the public accounting system impacted negatively on the liquidity base and the performance of banking sector in Nigeria

**Gap Identified in the Literature review.**

From the few empirical studies, it is evident that there is little literature specifically that dealt with the effect of TSA on banks performance and survival in Nigeria, some of the researches conducted in this area are just recent and others were observations with no findings as to the achievement so far, especially in Nigeria with its introduction two years ago. The effects on the bank performance in these studies has been measured using the annual financial statements of 2014 &2015. To have a robust result, the financial statements of 2013 to 2016would be used to measure the effect of TSA on bank performance. The period has been chosen for the purpose of comparing the performance of Nigeria banks before the introduction of TSA (2013 to 2014) and after the adoption or implementation of TSA (2015 to 2016)

**Research Methodology**

The study adopted the ex-post facto design known as casual comparative research design. This has led to the review of literatures in the area of TSA and performance of banks before and after the adoption of TSA policy. Secondary data was used that is the annual reports of the banks for the periods 2014 to 2016, journal articles, government reports, newsletters and opinion of experts from newspapers were also the other sources of information.

Population of the study comprises of 19 Deposit Money Banks listed on the Nigeria Stock Exchange for the periods 2014 to 2016.

Sample size covers 10 banks as at 31 December, 2016 on the Nigerian stock exchange between these two years (2014to 2016). These data are coalesced together to generate a pooled data series. Hence the study is both time series and cross sectional. A total of six annual reports from 2014 to 2016 pre and post TSA era consist of the study. The secondary method of data collection was used. The data from the annual reports of the bank were retrieved from the various banks' statement of financial position and the statement of respect to total assets, deposits, loans and comprehensive income.

For this purpose, two categories of performance measures are explored. These are the net interest margin (NIM) and the return on assets (ROA). The paired sample t-test is used to analyze these data; NIM and ROA have been used in most banks' performance studies. ROA measures the profit earned per naira of assets and reflects how well bank management uses the bank's real investments resources to generate profits while NIM is focused on the profit earned on interest generating activities.

**Descriptive Statistics**

| | | ROAbeforeTSA | ROAafterTSA | NIIbeforeTSA | NIIafterTSA |
|---|---|---|---|---|---|
| N | Valid | 14 | 14 | 14 | 14 |
| | Missing | 0 | 0 | 0 | 0 |
| Miean | | .0518 | .1021 | 56836119.1429 | 57635089.0000 |
| Std. Deviation | | .05824 | .14700 | 65257268.11889 | 81347627.14403 |
| Skewness | | 3.200 | 2.517 | .606 | 1.291 |
| Std. Error of Skewness | | .597 | .597 | .597 | .597 |
| Minimum | | .01 | .01 | 30812.00 | 60864.00 |
| Maximum | | .25 | .53 | 184581251.00 | 246551364.00 |

**Results and Discussion**

This study examines the performance of selected banking industries by examining the mean of their profitability measures of Return on Asset and Net Interest income from the period of four years with a break of two years in between. The comparison is based on if there is a difference in the mean the selected banks between 2013/2014 and 2015/2016, then it will be taken to mean that introduction of Treasury Single Account was responsible for the increase/decrease in performance.

As shown from the result of the descriptive statistics above, return on asset (ROA) before the adoption of TSA has a mean of 0.0518, with a standard deviation from the mean of 0.05824 and a positive skewness of 3.200. Return on asset after the adoption of TSA has a Mean of 0.1021 with a standard deviation from the right side of the mean of 0.14700 and a positive skewness of 2.517 from the right hand side of the Mean. Net Interest Income before the adoption of TSA has a Mean of 56836119.1429with a standard deviation of 65257268.1188and a positive skewness of 0.606. Net Interest Income after the adoption of TSA has a Mean of 57635089.0000with a standard deviation of 81347627.14403and a skewness of 1.291.

These distributions speak about the characteristics of the data under investigation and their behaviour as they interact with one another as they move from one year to the other in a trend. To model an empirically meaningful relationship, this behaviour ought to be investigated.

## Testing of the hypotheses

**$H_{01}$:** There is no significant difference between the Return on Assets Deposit Money of Banks in Nigeria before and after the adoption of Treasury Single Account

**Paired Samples Statistics**

| | | Mean | N | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Pair 1 | ROAbeforeTSA | .0518 | 14 | .05824 | .01556 |
| | ROAafterTSA | .1021 | 14 | .14700 | .03929 |

**Paired Samples Test**

| | | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|---|
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | Upper | | | |
| Pair 1 | ROAbeforeTSA - ROAafterTSA | -.05029 | .15241 | .04073 | -.13829 | .03770 | -1.235 | 13 | .024 |

The result of the paired sample test showed that there is a significant difference in the probability value of the mean difference of Return on asset before the adoption of TSA and Return on asset after the adoption of TSA and the result is statistically significant ($p<0.05$). Hence, we reject the null hypothesis; in other words, we accept that the estimate is statistically significant at 5% level of significance. Hence, there is a significant difference between the Return on Assets of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account. This is in line with the findings of Ndubuaku, Ohaegbu & Nina (2015) who examined the impact of TSA on the performance of the banking system in Nigeria using regression and correlation analysis. The results from the research analysis confirmed that the TSA had a significant impact on Credit to the Private Sector, Deposit Mobilization and Loans and Advances. The significant difference (increase in the mean of pre and post TSA adoption) in the performance of the bank before and after the adoption of TSA in our result could be as a result of management decisions in the studied banks to go for non-government accounts thereby boosting the bank's revenue and therefore the performance

**$H_{02}$: There is no significant difference between the Net Interest Margin of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account**

**Paired Samples Statistics**

| | | Mean | N | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Pair 1 | NIIbeforeTSA | 56836119.1429 | 14 | 65257268.11889 | 17440738.52127 |
| | NIIafterTSA | 57635089.0000 | 14 | 81347627.14403 | 21741067.85714 |

**Paired Samples Test**

| | | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|---|
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | Upper | | | |
| Pair 1 | NIIbeforeTSA - NIIafterTSA | -798969.85714 | 71710442.78388 | 19165421.99651 | -42203346.82628 | 40605407.11200 | -.042 | 13 | .967 |

The result of the paired sample test showed that there is a difference in the mean of Net Interest Income before the adoption of TSA and Net Interest Income after the adoption of TSA but the result is not statistically significant (p>0.05). Hence, we accept the null hypothesis; in other words, we accept that the estimate is not statistically significant at 5% level of significance. Hence, there is a significant difference between the Net Interest Margin of Deposit Money Banks in Nigeria before and after the adoption of Treasury Single Account but the difference is not statistically significant (p>0.05). This is in line with the findings of Patricia; Yohanna &Okwoli (2015) who examined the effect of treasury single account policy on the performance of banks and their survival in Nigeria and found that the adoption of a Treasury Single Account (TSA) does not affect banks performance and survival. The studied banks may have their own internal growth mechanism not to be affected by the introduction of TSA and the withdrawal of government found in the banking sector.

## 5.0 Conclusion and Recommendations

This study empirically examined the effect of government financial reform (TSA) on banks performance in Nigeria. The analysis and discussion made in section 4 can therefore be concluded that the financial reform (TSA) has no effect on banks performance as banks have been forced to leave their comfort zone caused by dependence on government money to now become as creative and inventive as it is the case in modern economies around the world, which is to seek private deposits through investment in the real sector of the economy. The era of economic diversification has since begun in the banks with previous reforms thus most Deposit Money Banks had refocused on the original purpose for which they were set up to collect depositors' funds (not necessarily government funds), keep them safe; engage in intermediation to create wealth and jobs for the economy and in the process earn profit for themselves. As such all that needs to be done is to consolidate on the previous strategies. Findings indicate that TSA systems should be improved since it has a significant effect on banks performance and survival. The study of Adeolu (2015) observed that TSA will have significant effect on the banking sector which is in conformity with the findings of this study.

### Recommendation

Based on the findings of this study, the following recommendations are made;

Deposit Money Banks should position themselves and initiate policies that will counter the negative effect of the TSA on their operations in the long run as given in the short period after its implementation may not depict a true picture.

The banks should avoid over-reliance of government funds and source for funds from other sectors of the economy. Rural banking should be aggressively undertaken to mobilize funds from the un-banked among rural dwellers. The government should find other avenues to encourage the private sector. The policy however should not be killed by policy intricacies.

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