THE IMPACT OF TREASURY SINGLE ACCOUNT ON THE
PERFORMANCE OF BANK INSTITUTIONS IN TANZANIA,
THE CASE OF NMB, CRDB & NBC BANK

BY
MERCY A. SHILLA

A Research Report Submitted in Partial Fulfillment of the Requirements for the
Degree of Master of Science in Accounting and Finance (A&F) of Mzumbe
University
2018
CERTIFICATION

The undersigned, certifies that the study done by Mercy A. Shilla entitled “The impact of Treasury Single Account on the performance of bank institutions in Tanzania: The Case of NMB, CRDB and NBC banks”, was prepared under supervision and is now ready for submission in partial fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance of Mzumbe University.

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________________________
Internal Examiner

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DEDICATION

This research is dedicated to all my family members who supported my academic life since childhood and who encouraged me to embark on further studies.
ABBREVIATIONS

TSA = Treasury Single Account
CRDB = Cooperative and Rural Development Bank
IMF = International Monetary Fund
NBC = National Bank of Commerce
NMB = National Microfinance Bank
UK = United Kingdom
PEFA = Public Expenditure and Financial Accountability
IPO = Initial Public Offer
BOT = Bank of Tanzania
TISS = Tanzania Interbank Settlement System
MdAs = Ministries, departments and Agencies
WC = Working capital
MoF = Ministry of Finance
ROA = Return On Asset
ROE = Return On Equity
QAT = Quick Asset Test
GIFMIS = The Government Integrated Financial Management Information System
ABSTRACT

The study is premised on the need to clearly understand the actual impact of TSA on bank performance in Tanzania given the fact that there are hardly any related studies done in Tanzania and therefore this study stands out as one of the pioneer studies. It was guided by four specific objectives namely: to examine the impact of Treasury Single Account on the liquidity position of the Bank, to examine the impact of Treasury Single account on shareholders dividend of the Bank, to examine the impact of Treasury Single account on the profitability of the Bank and to assess the effect of Treasury Single Account on credit to private sector.

The key data collection instrument is documentary review whereby different publications such as Bank of Tanzania annual financial stability reports, annual reports of NMB, CRDB and NBC were reviewed as well as publications from various researchers and scholars.

The key findings include: there is a significant correlation between TSA and bank liquidity as evidenced by a significant p value which less than 5% level of significance implying that TSA has eroded bank liquidity. More so, it was noted that TSA has substantively affected bank profitability in that after introduction of TSA, banks profitability dropped. However, it was noted that TSA has no significant effect on shareholders’ dividends and it has also no significant effect on credit to private sector.

The study recommends a need to have a robust profitability and liquidity management and the central bank should provide all the technical and logistical support needed by commercial banks. More so, banks should maintain a high liquidity position and there should be collaboration with other stakeholders.
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CHAPTER ONE
BACKGROUND INFORMATION

1.1 Introduction
Treasury Single Account (TSA) has been reported as a very crucial tool for monitoring government resources so as to ensure that there is integrity in all government activities so as to meet the required level of accountability. In addition to that it accelerate accountability of government revenue as well as to avoid misapplication of public funds and ensure proper cash management through eliminating idle funds usually left with different commercial banks (Adeolu, 2015; Ajetunmobi et al., 2017). As such, TSA has been implemented for many years in both developed and developing countries. Developed countries implemented TSA include the United States, UK, France while developing countries include Nigeria, India and Indonesia (Chinedu and Okoye, 2013; Kerosi, 2016). These nations adopted the TSA in order to do away with the idle cash balances in the government bank accounts, though that idle bank balances in commercial banks are never idle for those banks, but are used to extend loans to their customers (Adeolu, 2015; Agbo et al., 2016; Ajetunmobi et al., 2017).

In developing and low-income countries, governments do not have good bank agreements that impede effective liquidity management and control of cash balances. It is common to find ministries / agencies that have multiple bank accounts in commercial banks with idle cash (Pattanayak and Fainboim, 2010). Development partners have promoted the implementation of TSA as a main tool to optimize liquidity management, strengthen oversight and facilitate the mobilization of inactive money to cover essential expenses (Pattanayak and Fainboim, 2010; Vion, 2017). Some of the developing countries, such as India, Nigeria, Kenya, Tanzania and others, have adopted the TSA following the advice of the development partners.
According to Victor et al. (2017) for a long time, many banks in most developed and developing countries have enjoyed the benefits of having public accounts through money deposited by ministries, departments and government agencies and the same banks lent to the same institution with relative high interest rates.

However, the banks were in reluctant mode as they depended more on deposits from government institutions instead of focusing on increasing deposits from other sources," the situation has caused much fear in the banking sector even before its implementation. As such, the base of deposits of commercial banks was reduced, which affected the bank performance (Chinedu and Okoye, 2013).

Prior to the commencement of TSA in 2016 in Tanzania, the various government agencies and ministries had multiple accounts in different banks which generated revenues to the banks as these banks took advantage of these revenues to finance their operations and investments (Guardian, 2016). For the case of Tanzania TSA has been implemented since 2016, aiming at going through an economic reform program with a commitment to make sure that there is close monitoring and follow up of all Government revenue and expenditure transactions.

More so, before TSA, came into effect, Tanzania had spitted banking arrangements for payment and revenue transactions and this has coasted the central government huge sums of money to run its operations. Such excessive costs led to loss of billions of shillings though the banks enjoyed huge revenues and had money for lending to the private sector (Obinna, 2015). (Yusuf, 2016) Furthermore, the introduction of the TSA will not only help the government stop excessive spending, but will also ensure that there is adequate collection and management that eliminates the misappropriation of cash as all the money is paid to the central bank's treasury.

Likewise, there will be improvements in proper management of cash by eliminating all the idle funds which are usually left in the Government accounts which are managed by different Banks in Tanzania. Therefore, the implementation of TSA has affected the deposits mobilization among commercial banks in Tanzania (Fairman et
al., 2013), this raise questions on how bank institutions performs, by comparing the
deposit mobilization, profitability, shareholders dividend, liquidity position, credit to
private sector before and after implementation of TSA. This question draw basis for
undertaking this study, taking CRDB, NMB and NBC as study areas to draw
lessons of experiences for learning and knowledge sharing.

1.2 Statement of the problem

Köhler(2018) argues that it is marked that banks operate in an ever changing
environment with an increasing customers requirements, operational costs,
environmental awareness and limited resources on one side, and on the other hand
there is competition for construction business marketplace and banks have
pounding pressure on their financial sustainability.

Sustainable bank profitability is turning out to be a very contemporary issue indeed
not only in Tanzania but on the entire world as well. International standard setters
like the Bank for International Settlements (BIS) have suggested that bolder
initiatives be taken to promote higher returns and standards in banking institutions.
These initiatives were driven mainly by the financial failures and lapses noted during
the global financial crisis in the banking sector. The crisis has shown that there is not
only the need for banking institutions to improve their financial reliability, but that
managers must also ensure that sound corporate management structures and
competent employees are thoroughly and consistently implemented BOT (2016).
However Daily News (2016) reports that there are profitability issues in some
Tanzania banks which have impaired sustainable financial performance.

The main functions of commercial banks in developed and developing countries,
including Tanzania, are accepting deposits and advancing loans. As such, loans are
the main business of commercial banks and deposits are the main source of financing
in the banking sector (Ojeaga al el., 2013).

According to the Bank of Tanzania in Tanzania, deposits are recognized as the main
source of financing in the banking sector, which includes 72.4 percent of total assets
at the end of September 2015 (Guardian, 2016). Moreover, in Tanzania, commercial banks have been acting as the custodians of government funds. As such, the Tanzanian government introduced TSA and withdrew from the banks one Trillion shillings which reduced cash deposits level and lending capacity of commercial banks, accordingly, a reduction in disbursements (Guardian, 2016).

Several scholars such as Kanu (2016); Onuorah (2016); Ajetunmobi et al., (2017); Zayol et al. (2017); Victor et al. (2017) and Andornimye (2017) argue in relation to TSA that it has a negative impact on the performance of banks. However, these studies are based on the banking sector in Nigeria and no related studies have been done in Tanzania. In addition to that, though banking institutions operate in a more similar way all over the world, each country is peculiar in its banking industry operations models, systems, policies, management and other key performance factors Tanzania inclusive. Also the concept of TSA is still new in Tanzania with barely five years of existence so it is imperative to have a detailed analysis of its implications with regards to bank. This study aims to fill this gap by examining the impact of TSA in the Bank's institutions in Tanzania and in particular by examining the impact of TSA in mobilization depots, credit to the private sector, the bank’ profitability, shareholder dividends and the liquidity position of the Bank's institutions in Tanzania.

1.4 Objectives of the Study

The general objective of the study is to examine the impact of Treasury Single Account (TSA) on the performance of Bank institutions in Tanzania and the study was guided by the following specific objectives:

i) To examine the impact of Treasury Single Account on the liquidity position of the Bank.

ii) To examine the impact of Treasury Single account on shareholders dividend of the Bank

iii) To examine the impact of Treasury Single account on the profitability of the Bank
iv) To examine the impact of Treasury Single Account on the Bank ‘credit to private sector.

1.5 Research Questions
i) What is the impact of Treasury Single Account on the liquidity position of the Bank?
ii) What is the impact of Treasury Single account on shareholders dividend?
iii) What is the impact of Treasury Single account on the profitability of the Bank?
iv) What is the impact of Treasury Single Account on the Bank ‘credit to private sector?

1.6 Significance of the study
The findings from this study will contribute a lot in adding knowledge to the researcher in relation to TSA; it will also inform the policy makers, the banks and the government about the impact of TSA on the performance of bank institutions and hence contributing to new policy formulation. Taking the fact that this study is still very new, it will serve as a tool to educate the general public about TSA and its advantages and disadvantages to Tanzanian’ economy.
In addition to that, the study will also provide room for further studies to be conducted as well as contributing knowledge to literature and reference for other scholars and researchers.
Also, the researcher will not only gain meaningful experience and exposure on completion of this study which could be helpful in future engagements but will also on successful completion of the study be awarded a master’s degree from the Mzumbe University.
1.7 Limitation of the Study

The study faced several challenges such as lack of enough funds during the entire process of writing the thesis as well as during the data collection period due to the fact that the researcher was self sponsored in meeting all the costs such as travels, and stationeries. Time allocated to this study was not sufficient to collect, present and analyze information.

The study was expensive as it entailed incurring costs such as stationary and printing which are very expensive. This was countered by sourcing for funds from various sources including personal savings and salary.

It was very challenging and difficult accessing documented literature as some of the information was sensitive; however this was overcome by assuring the bank officials that the information gathered was primarily for academic purposes and that it would be treated with utmost confidentiality.

1.8 Scope of the Study

The study covered the impact of TSA on bank performance whereby three commercial banks were selected namely: NMB, NBC and CRDB and it looked at the state of affairs of these banks from the period 2015 to 2018 and specifically entailed: the impact of Treasury Single Account on the liquidity, shareholders dividend, profitability and credit to private sector.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter provides a general overview of what has been written in relation to the study. The focus of this section is to review the impact of Treasury Single Account in the performance of Bank institutions in Tanzania. The chapter basically deals with the conceptualization of key terms applied in this study. It also highlights theoretical context as well as reviews of empirical literature relevant to the study area.

2.1 Conceptualization of Key Terms
2.1.1 Treasury Single Account
A Treasury single account has been defined differently among scholars. Ajetunmobi et al., (2017) defines the TSA as a unified structure of government bank accounts offering a consolidated view of government cash resources (Ajetunmobi et al., 2017). Andornimye (2017) defines that TSA is a special program adopted by the government to ensure that it efficiently manages its revenue and payments, all of which have been passed through a single central bank account so as to consolidate all ministries revenue and its agencies deposited in commercial banks in a single account in the Central Bank of the nation. In addition, the International Monetary Fund (IMF) defines the TSA as a combined structure of the government’ bank accounts that allows the unification and optimal use of all the government’ cash resources (Kerosi, 2016). The study adopts the IMF definition provided by Kerosi (2016).

Moreover, the TSA seems to have so many advantages for the various governmental economies, for example Ajetunmobi et al. (2017) and Ahmed (2016) cited by Ofor et al. (2017) claimed that the benefits of TSA include the guarantee of time information on government cash resources and assistance in preparing accurate and reliable cash flow forecasts. Other benefits include optimizing the all the cost related to government operations, facilitating efficient payment mechanisms, give improvement to operational control and allocations at the time of budget execution,
and improving the efficiency and timeliness of bank reconciliation. In addition to this, the benefit of TSA has been identified as assistance in public money control as well as other functions such as monitoring and payment management of all government units. This is possible because TSA has a network of different accounts that works like one and these accounts are under the control of the central bank of the country. (Pattanayak, 2010).

According to (Yusuf, 2016), TSA refers to a structure adopted by the central government to make sure all its payments and revenues go through the central banks through a set of linked bank accounts so as to have effective monitoring of cash inflows and outflows. More so, TSA came into force as a result of a presidential directive aimed at having a closer grip of the finances of the central government so as to avert the previously existing situation whereby government losses enormous revenues. The TSA is a tool that gives room for effective control and management of public funds, management of banking positions and liquidity. As the name itself elaborates, TSA groups and consolidates the government accounts into one account.

IMF, (2010) elaborated three areas that are crucial during the implementation of TSA:

- a. There should be a unification of the government banking arrangements so as to assist and help the ministry of Finance to have proper and clear responsibility for the government’ cash flows generated by these banks and other financial institutions.
- b. There must not be any government agency that has to manage bank accounts outside the agreements established by the TSA.
- c. All the resources consolidated are supposed to be inclusive, and include the entire funds both planned and unplanned.

Thus TSA can be inferred as a system of payment and revenue collection in which all government resources pass through a consolidated or individually linked accounts held at the central bank with the objective of safeguarding government’s resources. (Kanu, 2016).
As stipulated by (Yusuf & Chiejina, 2015), Treasury Single Account is a combined arrangement of all government’ bank accounts which assist in controlling all the government cash resources deposited in banks and other financial institution. It is a bank account managed by the central bank or any agent appointed by the central bank so as to monitor all the transaction conducted by government ministries and departments. A TSA therefore is a preconditioned agent for contemporary cash administration and is a crucial instrument which will assist the treasury and the ministry of Finance to institute supervision and centralized control of all the government’s resources. (IMF) defines TSA as a combined structure of the government’ bank accounts that allows the unification and optimal use of all the government’ cash resources (Kerosi, 2016). The study adopts definition of IMF as provided by Kerosi (2016).

2.1.2 A Bank
A bank is a financial organization that provides banking services and other financial services to the clients and customers as needed. It is best developed as an institution offering basic banking services, such as receiving deposits and granting loans. There are also other financial institutions apart from the banks that offer similar banking services without fulfilling the legal definition of a bank. Banks are a subset of the financial services sector.

In many countries, the regulator of the banks is the central bank of the country. For example, the Bank of Tanzania is the regulator of all the banks in the country. Banks can be categorized into two categories, i.e. the central bank and commercial banks.

2.1.3 The central Bank
The central bank acts as a regulator of all the activities conducted by commercial banks, its main function is to control all commercial banks and their several economic activities.

2.1.4 Commercial banks
These provide banking services with an intention of making profit. Commercial banks may be categorized in several types such as deposit banks, saving banks,
industrial banks exchange banks, and others. Several activities have to be conducted by commercial banks which are ordinary to both developing as well as developed countries which are known as general banking functions. The functions can be categories into two main categories, i.e. (a) Primary functions and (b) Secondary functions.

Commercial banks primary functions include the acceptance of deposits, Credit/loan provision, loan advancements, cheque clearing, financing foreign transactions and transfer of funds. On the other hand, the secondary functions of commercial banks include the provision of Agency services on behalf of clients and customers such as payment and collection of credit instruments i.e. bill of exchange, cheque, purchase of several securities and sale of securities for example shares and bonds and other functions which are in relation to Agency services (Maharana et al., 2015).

2.1.2 Bank performance

Bank performance is defined differently among scholars, for example Bikker (2010) provides five types of performance indicators including competition, efficiency, costs, profit (margin) and market structure. Alexandru and Laurenţiu (2008) provides return on asset, equity, leverage multiplier, the margin of assets utilization and profit rate as bank performance indicators. Ajetunmobi et al., (2017) considers liquidity and profit after tax as important measures of bank performance. Likewise, Andornimye (2017) highlights Current Ratio (CR), Credit Creation (CC), and Deposit Mobilization (DM) as measures of bank performance. For the case of this study the bank performance is measured by liquidity position, credit to private sector, shareholders dividend, profitability and the deposit mobilization.

Mostly, Financial performance is used as a main tool to measure the organization’ performance so as to determine if the organization is performing well or not. The above description has been also discussed by Greenwood and Jovanovic (1990) who explained that financial performance is a very important tool to measure if the organization performs well or not by looking at its primary mode of business and revenue generation. There are so many other ways in measuring financial
performance, but all measures must be taken together. Individual items such as operating income, revenue from operations, and cash flow from operations can be used, as well as total unit sales (Jayawardhera and Foley, 2000).

Performance is the key instrument in measuring the profitability of Bank institutions; there are a range of ratios used such as: Return on Asset, Return on Equity and Net Interest Margin (Murthy and Sree, 2003). ROA is a major ratio that shows the profitability of a bank. (Khrawish, 2011). More so, it measures the ability of an institution’s management in generation of income by utilizing the company’ assets at their disposal

(a) **Return on Asset**

The essential measure of bank profitability that is suitable for the size of the bank is the return on assets (ROA). It is calculated by dividing the net income of the bank by the amount of its assets. ROA is a constructive measure of how well a bank manager is doing on the job required, as it indicates how a bank's assets are used to generate income and profits.

Furthermore, the ROA shows how efficiently and effectively the company's resources have been in generating profits and revenues. In addition, it also indicates the efficiency of an organization's administration in generating net income from all the resources of the organization. Wong (2004) said that a higher ROA shows that the company is more efficient in using its resources.

The ROA for five years indicated that since the introduction of mobile banking, there has been a steady increase in revenue generated by the activities of a bank. Indicates that the company's performance was good, except in 2015, where it decreased by 0.7% compared to the previous year

(b) **Return on Equity (ROE)**

ROE is a one of the financial index that shows the profit obtained by a company in comparison with the total amount of capital invested or which appeared in the balance sheet. The outcome obtained through the computation of ROE is what the company’ shareholders expect to get in return for what they have invested.
An organization that has a high level of capital return or return in equity is more likely to be one of the organizations that are competent in the generation of their cash from within the organization. Therefore, the company with greater ROE is in the better position in terms of generation of profits. This is well elaborated by Khrawish (2011), that Return On Equity (ROE) is the ratio calculated by taking net income after taxes divided by the total social capital.

(e) Liquidity Ratio

Liquidity ratios are reports that prove of a company's ability to meet its short-term debt obligation. The proportions give an image of how an organization can pay its short-term liabilities for when they expire. Liquidity rates are calculated by dividing liquidity and other liquid assets from short-term loans and current liabilities.

In addition, the liquidity indices indicate the number of times that short-term debt obligations are covered by cash. If the value appears to be greater than one, it means that the short-term obligations are completely covered.

In general, the greater the liquidity ratio, the greater the margin of safety the organization have to meet its current obligations. The proportions of liquidity above one indicate that the company has a good financial situation and is less likely to be in a financially difficult situation.

In relation to the above, Grier (2007) explains more concerning the liquidity so as to indicate the level at which the bank or financial institution is able to meet its obligations. Banks raise funds by mobilizing short-term deposits at a lower interest rate and, therefore, by granting loans or by investing these long-term funds at very high rates, making it dangerous for banks not to adjust to their interest rates. Organizations that have more liquid assets are in a better position to achieve good results because they have access to cash at any given time and, in doing so, can meet all current financial obligations upon maturity. These organizations also have less financial risks. (Shiu, 2004). If you do not have sufficient liquidity funds, banks and other financial institutions will have a very high risk of bankruptcy or you may be
forced to sell your investment securities at substantial losses. This will affect the financial performance of the bank and other financial institutions as well.

(i) Acid-test ratio
The other name of the Acid Test Ratio is the quick ratio that measures short term or current liquidity. The accountants use this ratio to make analysis of the weight of the organization's current assets against current liabilities, which translates into the relationship that indicates the liquidity of the company and is achieved as follows:

\[
\text{Quick ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current liabilities}}
\]

(ii) Cash ratio
Cash ratio is also known as the cash asset ratio and refers to the relationship between an organization's cash and cash equivalents with respect to total liabilities. And it provides more details on the extent to which cash and cash equivalents can meet current financial obligations and is given by the following formula:

\[
\text{Cash ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current Liabilities}}
\]

(iii) Current ratio
The current ratio of the company shows an organization’s ability to meet its short-term debt obligations. It measures to see if an organization has sufficient resources to meet its short-term debt within a year. An organization's creditors prefer to use this reason to determine whether they can issue short-term loans or not. The current financial report can also help to indicate the effectiveness and efficiency of an organization's operating cycle or its ability to sell its product and obtain money. The
other name of the current relationship is the working capital ratio and it is calculated by using the following formula:
The current ratio is calculated by dividing current assets and current liabilities:

\[
\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

According to Bank of Tanzania (2017), in aggregate terms, the sector consistently maintained sufficient capital and liquidity levels beyond regulatory limits. This sector was also resilient when it was subjected to stress test under various adverse but plausible shocks. However, at individual level, eight banks holding about 0.4 percent of the total banking sector assets were undercapitalized even before stress test. Affected banks were directed to come up with capital restoration plans by end December 2017.

The sector was characterized by slow credit growth and heightened credit risk, which moderated its profitability. In response to rising NPLs, banks adopted a tighter stance on their lending standards and continued to use credit reference system partly to contain risky borrowers. Banks actions altogether with the government’s hard work to pay confirmed suppliers’ arrears by using the earmarked budget allocation for the year 2017/18 is expected to reduce NPLs level going forward. It is worth noting that banks in other EAC Partner States also experienced higher levels of NPLs. Despite the elevated credit risk, the banking sector in the EAC remained well capitalized in aggregate terms.
Table 2.1: The condition of Government Bank Accounts with Commercial Banks as of 13th April, 2013

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Number of Accounts</th>
<th>Balance reported on 31.12.2012 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMB</td>
<td>26,806</td>
<td>602,835,942,176.61</td>
</tr>
<tr>
<td>CRDB Bank Ltd</td>
<td>905</td>
<td>25,188,595,179.38</td>
</tr>
<tr>
<td>NBC</td>
<td>707</td>
<td>52,305,817,554.48</td>
</tr>
<tr>
<td>Dar es Salaam Community Bank</td>
<td>274</td>
<td>144,324,228.74</td>
</tr>
<tr>
<td>Citi Bank</td>
<td>57</td>
<td>11,552,091,621.00</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>52</td>
<td>15,282,426,105.00</td>
</tr>
<tr>
<td>Stanbic</td>
<td>39</td>
<td>20,525,977,027.25</td>
</tr>
<tr>
<td>Bank of Africa (BOA)</td>
<td>24</td>
<td>24,702,974,813.40</td>
</tr>
<tr>
<td>I and M Bank</td>
<td>24</td>
<td>14,652,208,875.00</td>
</tr>
<tr>
<td>Exim Bank</td>
<td>22</td>
<td>4,117,556,467.88</td>
</tr>
<tr>
<td>Commercial Bank of Africa</td>
<td>18</td>
<td>7,352,909,885.46</td>
</tr>
<tr>
<td>Bank M</td>
<td>18</td>
<td>321,373,926.92</td>
</tr>
<tr>
<td>Barclays Bank (T) Ltd</td>
<td>14</td>
<td>12,648,840,950.95</td>
</tr>
<tr>
<td>International Commercial Bank</td>
<td>11</td>
<td>11,374,572,889.00</td>
</tr>
<tr>
<td>United Bank of Africa</td>
<td>11</td>
<td>7,988,602,419.71</td>
</tr>
<tr>
<td>Kenya Commercial Bank</td>
<td>11</td>
<td>153,212,895.71</td>
</tr>
<tr>
<td>ECO Bank</td>
<td>7</td>
<td>5,828,282,707.31</td>
</tr>
<tr>
<td>Bank of India</td>
<td>7</td>
<td>1,100,000,000.00</td>
</tr>
<tr>
<td>Access Bank</td>
<td>5</td>
<td>6,300,000,000.00</td>
</tr>
<tr>
<td>Equity Bank</td>
<td>4</td>
<td>4,000,000,000.00</td>
</tr>
<tr>
<td>First National Bank</td>
<td>3</td>
<td>3,500,000,000.00</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>2</td>
<td>1,025,836,126.24</td>
</tr>
<tr>
<td>Habibiu African Bank</td>
<td>1</td>
<td>25,301,554.74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29,022</strong></td>
<td><strong>832,826,847,404.78</strong></td>
</tr>
</tbody>
</table>

*Source: Tanzania Central Government PEFA Report, (2013)*

2.3 Treasury Single Account (TSA) in Tanzania

It is not questionable that the banking sector is the crucial part of the economy of nations and for any country which has a good economy its success is related to the stability of its banking industry. Saying so, it means that if the banks are affected the economy of the country will be affected as well (Kanu, 2016). For the case of
Tanzania, bank institution has been holding money which was deposited by different government ministries and departments. For the case of Tanzania, commercial banks and bank institutions were benefiting though the money deposited by government’ ministries and departments, and thereafter lending the same money to the same government’ ministries and departments with high interest rates which helps the banks to generate much profits. Since the introduction of TSA the banks suffer lack of funds and therefore have to come up with strategies that will help to sustain them in their operations and enhance their performance. Though TSA has been looked as a challenge to the banks, it is a tool that will help to control government cash flows as well as the performance of banks as they must come up with sustainable plans to boost their liquidity base and therefore it will enhance the economy of Tanzania.

For a number of years, a discussion about TSA has been going on in Tanzania but without a success. Following the 2015 elections and the obstacles that the government was facing through its multiple accounts operated by commercial banks, the government made an strategic efforts towards implementing a TSA. In early 2016, total balances in the governments’ accounts operated by commercial banks were estimated at TZS 600 billion or around 0.6 percent of Tanzania’s 2015 Gross Domestic Product. Initially, an order was given that all national MdAs and regional administrative secretariats should remit their funds to the Bank of Tanzania (BOT) accounts by the end of January 2016.

Apparently, they were permitted to maintain commercial accounts to meet monthly operating expenditures; however, the payment of suppliers of goods and services was transferred to be transacted directly through a Tanzania Interbank Settlement System (TISS). An order was declared that, local governments should move their cash balances to BOT accounts from June 2017 (Fritz et al., 2017)

The risks flowing from global macro financial environment continue to be stable though there is an expectation to decrease in the coming six months and that will be up to March 2018, in looking forward for a favorable economic condition in the important advanced and up-coming economies markets, higher product prices and
escalation home demand. In the domestic economy, the banking industry has to stay firm while other financial markets and money markets are predicted to improve their position in assisting the banks in all money demands so as to tap the benefit from strong macroeconomic environment and better monetary conditions.

Continuous investment in infrastructure is working as an excellent starting point to achieve a better sustainable growth path, which will increase all economic activities. This will go hand in hand with the bank's measures to include those risky borrowers, as well as the government's efforts to make an effort to pay the residual amount of all confirmed suppliers in order to reduce unprofitable lending from now on. There should also be reforms in the payment of all pension funds. Insured and insurance companies are expected to increase efficiency and reduce liquidity risks accordingly (Bank of Tanzania, 2017).

2.4 Theoretical Literature Review
The study has reviewed stakeholder theory, liquidity assets theory, financial Intermediation theory, bank led theory, management theory and modern money theory as follows;

2.4.1 Stakeholder theory
The stakeholder theory points out values and morals in the process of managing an organization. Initially, this theory was described by Dr. F. Edward Freeman in 1983 (Miles, 2012). The theory has been criticized by Blattberg (2004) that the interests of various stakeholders cannot be at best, compromised or balanced each other. In the context of the study Ajetunmobi et al., (2017) argues that that adoption of TSA by government is a result of the pressure from stakeholders/citizens as an important instrument of fighting corruption and creating transparency in government funds management. Therefore, the reflection of the theory was done during report writing and it is relevant to this study as it focuses on all stakeholders in relation to TSA some of whom include the World Bank, IMF and the general public in Tanzania among others.
2.4.2 Liquidity assets theory

The theory of liquid assets establishes that banks must take a large amount of liquid assets as reserves against any payment claims (Emeka and Werigbelegha, 2016). Ajetunmobi et al., (2017) points out that the theory is imperfect mainly in two aspects, such as the challenge of accurately determining the amount of notes that can be presented at any given time and also, ".... great shortage in a world of dynamic money markets and purchased funds, in which the flow of funds can move with substantial level of speed and the banks are gradually more dependent on the market ". Thus, the study examined how TSA has influenced liquidity, its reflection and therefore is related to the theory and it distinguished that despite the TSA was implemented, many banking institutions still have moderately good liquidity positions, which shows little impact on bank liquidity.

2.4.3 Financial Intermediation Theory

Financial inter mediation is a situation involving surplus units depositing funds in banks or financial institutions that grant loans to units in deficit. Furthermore, Bisignano (1992) has emphasized that monetary mediators can be eminent with four criteria. First, its main categories of liabilities or deposits are specified by a fixed amount that is not related to the performance of a portfolio. Secondly, deposits tend to be short-term and much shorter than their activities. Thirdly, a high percentage of liabilities can be verified, which can easily be withdrawn upon request.

In addition, Diamond and Dybvig (1983) examined stipulation of liquidity which is conversion of the banks’ liquid assets into the liquid liabilities. From the view of this representation matching investors or depositors are in danger and unsure regarding the timing of their prospect expenditure need with no an intermediary all investors are protected into liquid long term reserves that give way to high reimbursement to those who consume it later on.

Furthermore, Scholtens and Van (2003), pointed out that the task of the financial mediators is fundamentally seen as that of creating particular financial commodities. These are formed every time a mediator finds that it can sale them for prices which
are projected to cover all expenses of their production, both direct expenses and opportunity costs. In money markets, information asymmetries are particularly well-known. Borrowers logically identify their security, sincerity, and ethical truthfulness better than the lenders do. Looking on the other direction, entrepreneurs have within information concerning their own projects for which they search for financing (Leland and Pyle, 1977).

The financial intermediary theory is interrelated to this study as it stipulates the fund flow in financial institutions are mainly from deposits, the surplus units depositing funds with monetary institutions who then lend to discrepancy units. Also the creation of special commodities that can sell in price which covers all cost of production among which they created services such as mobile bill payments, mobile banking deposits and withdraws and money transfer.

2.4.4 Bank led theory
The bank-driven model is a dissimilar substitute for branch-based conservative banking, where clients conduct financial transactions at a full level of retail agents rather than bank branches or bank employees. In this condition, the bank is the final provider of financial services and is the financial institution in which customers manage their accounts.

According to the theory of banks, all retail agents have a face-to-face communication with customers and perform cash entry and exit functions in the same way that a sales employee would make withdrawals and process withdrawals. Furthermore, according to the bank's theory, virtually any channel that has cash and is positioned close to customers could serve as a retail agent. Regardless of the plant, each retail agent is equipped to communicate electronically with the bank he is working for. Furthermore, the equipment can be an electronic point of sale that reads cards or simply a mobile phone.
In the event that a bank account is opened or a loan has been granted, the client must contact the agent for all his transactions relating to all or part of the bank account or loan. The retail agent examines the customer identification documentation presented and processes the transaction requested through the client's debt and crediting the payee's bank account if it is a purchase or transfer of funds between accounts. (Lyman et al, 2006).

This theory is connected to the study because it emphasizes how financial institutions such as banks and other financial institutions take their financial services through a retail agent in a situation where the bank initiates products in connection with banking services, but delivers them to the bank’s retail agents that can operate through the operation of mobile phones. This is one of the ways to mobilize the deposits that banks and commercial institutions use as a new tool to increase financial inclusion and facilitate the transaction, especially in areas where the bank is not. The model improves banking institutions to increase their deposits and lead to better financial results.

2.4.5 Management Theory
The theory of management makes predictions that the entire arena of mobilizing financial resources and expenditures must be well governed and administered by the government of the nation for the well being of the nation. Therefore, it includes the mobilization of resources, the definition of the priorities of the different activities and the budget process, the efficient control of resources and the control to avoid threats. The Treasury's single account (TSA) mainly serves to prevent the incorrect application of public funds.

2.4.6 The Modern Money Theory (MMT)
The theory of modern money investigates how the governments of the monetary monarchy operate and their effects on the economy of the nation. It emphasizes that it is important to combine the central bank and the treasury in a government sector that can be financed through monetary formation so that the financial position of the
treasury and the central bank are so interconnected that they are in constant contact with one another.

2.5 Empirical literature review

2.5.1 The impact of Treasury Single Account on the liquidity position of the Bank

Andornimye (2017) conducted the study on the impact of the introduction of TSA on bank liquidity in Nigeria and confirmed that the TSA has a negative effect and has an impact on the current relationship of Nigerian banks. The study found that after the government withdrew its money, the current assets and working capital of commercial banks was significantly reduced, which had a negative impact on bank liquidity. Furthermore, the TSA has weakened banks in their ability to create credit. This implies that the introduction of the TSA has left the banks with reduced financial power as they do not have the huge funds passing through the funds, which limits their liquidity stability and therefore the TSA directly reduces the bank's liquidity position and could potentially lead to financial difficulties.

Contrary to the disadvantages of the TSA that negatively influence the bank's liquidity position, the TSA has in one way or another reduced corruption in which some unscrupulous people spend fraudulent cash through the banks and this position is also shared by Kerosi (2016) which states that TSA has helped to control corruption in Kenya with numerous benefits associated with TSA. These include lower financing costs, better liquidity management, better coordination of fiscal and monetary policy and the generation of high quality banking and tax data.

Ajetunmobi et al., (2017) in their study of the impact of TSA on the liquidity position of banks in Nigeria, confirmed that the implementation of the TSA has a negative impact on the liquidity of banks in Nigeria. In addition, the study found a large difference in the after-tax benefit (PAT) of banks in Nigeria before and after the implementation of the TSA. This same position applies to banks in Tanzania, where many banks are going through financial crises after realizing that public accounts have been closed and channeled through the central bank.
In addition, Kanu (2016) and Onuorah (2016) support other studies in which the TSA has influenced the liquidity position and the performance of the banking sector. Furthermore, Esther and Henry (2017) have examined the implications of TSA implementation in public sector accountability and transparency. They found that the TSA has a long range effect on the collection of government revenues by promoting transparency in revenue collection in ministries, departments and agencies. Evidently, these arguments show that the TSA improves the liquidity position of the government more than commercial banks and, therefore, can be considered a necessary tool, since it is in the best interests of the economy.

Oguntode et al. (2016) conducted the study on TSA and Nigeria's economy in the years 1999 and 2015. The study was conducted to examine whether the implementation of a combined structure of public bank accounts introduced the Treasury Single Account (TSA) will minimize the unusual and dishonest spending situation of government funds and thereby eliminate losses, improve liquidity management and improve control of government resources. The study was conducted by using secondary data applied by the statistical bulletin CBN (1999-2015) and the data were analyzed with the OLS estimator. The result indicated that the Treasury's single account has a significant positive impact on the country's economy, but the aforementioned impact is limited by several factors, one of the factors being the current implementation of the policy in Nigeria, which causes difficulties in discovering the historical information. It is concluded that the federal government of Nigeria must take the first step in the policies amendments and obtain various means to ensure that there is adequate accounting for the funds that enter the TSA and that this fund must follow the correct process.

Furthermore, any subsequent contaminated game by an agency, or even the CBN, is duly processed. It can be deduced that the real impact of TSA on banks' liquidity is not evident, since there are a multiplicity of factors that intervene and confuse the effects of TSA, for example some banks have an adequate financial base and, therefore, the TSA did not shake them completely, but just as the TSA was implemented in Tanzania, some government entities still have specific accounts in
several commercial banks due to funding increasingly deep bottlenecks in some areas of the country. Therefore, it is difficult to conclude with precision that the TSA has ultimately affected the liquidity of all banks, as it depends on the specific financial position of the bank.

2.5.2 The impact of Treasury Single Account on the Bank ‘credit to private sector

Victor et al. (2017) have documented the impact of the TSA on the performance of the banking sector and the study revealed that the Treasury Single Account aims to reduce the deposit of the federal government in commercial banks. It will considerably reduce loans to the private sector, the mobilization of deposits and loans and advances to commercial banks. Furthermore, Zayol et al. (2017) examined the effect of the TSA on the liquidity of monetary depositories in Nigeria. The study found that the implementation of TSA negatively affects the liquidity base of commercial banks in Nigeria and, therefore, if not properly managed, can lead to an increase in the unemployment rate in the country due to the reduction of staff. The above position is realistic given that before TSA banks had many funds available, the funds are redistributed to the private sector in the form of credit or loans, but now, after the TSA, these banks have tightened their belts and have become more adverse to the risk because there is now little money available to lend to the private sector and this eventually paralyzes the general government's goal of promoting entrepreneurship and access to cheap financing.

Furthermore, TSA has not only negatively impacted access to credit from the private sector, but has also contributed to integrating and optimizing the use of resources not only in banks but also in the private sector as elaborated by Zubairu (2016), who identified the integration of human resources realignment technology, stakeholder concern, and supervisory and oversight problems accumulated by banks' consolidation in Nigeria. We see the return of the season when women get a job in the banks, in particular for the mobilization of deposits, and are encouraged to use all the means necessary to obtain funds and, therefore, as a result of the above, this
study seeks to examine the impact of the Treasury Single Account on the banking sector.

On the other hand, the implementation of the TSA policy by the government has led to an increase in the unemployment rate. For example, Okafor (2013) found out that in the banking sector in Nigeria there are challenges for human resources, Matannu (2015) mentioned in Idowu (2015) identified a wide gap between the instant or short-term effects of programs and standards, economic and the principles essential for job security. He concluded that the ability of programs to create jobs in the last decade has been very poor. In addition, Adeyeme (2017) added that banking reform programs, such as the only Treasury bill in Nigeria will generate unemployment; more so, the implementation of the Treasury's single account (TSA) policy by the government will increase the interest rate on deposits.

It is evident that the TSA has had multiple negative effects in the private sector, for example, when banks avoid increasing their loans due to the scratching effect of the TSA, the private sector is given increasingly restricted access to credit, which limits their skills to solve their financial needs. In the worst case, some even make agreements or reduce their operations. The even worse rates charged by banks have increased after the TSA and the costs are subsequently transferred to borrowers, who often face difficulties in meeting their financial obligations and could create financial difficulties for many individuals or entities in the private sector.

It is also noteworthy that TSA has influenced MDA’s, accounting information and public funding responsibility not only in Nigeria but also in other places, for example, a study by Adeyeme (2017) indicated that the introduction of the TSA will further reduce the lack of integrity, corruption and misconduct of government funds and, consequently, the government's capital base will increase considerably and this will lead to an increase in the economy of Nigeria. This explains the possibility of urgently tackling the TSA, so some unscrupulous government officials may not take advantage of the shortcomings in the system so as to enrich themselves.
The introduction of the TSA is based on the good intentions to ensure the proper use of national resources and funds in such a way as to serve the interests of the country and the private sector in one way or another. This is done so as to capture the complementary benefits of the TSA. For example, this position is shared by Aminatu (2016), who conducted the study on the impact of the integrated financial management system on economic development: the case of Ghana.

The study investigated the impact of the integrated financial system and it used quantitative and qualitative data. The statistical tool that was used to analyze the data was the regression analysis, the data obtained during the ten (10) year period by the Ministry of Finance and Economic Planning. The study was conducted to examine the impact of the government's intergovernmental financial management (GIFMIS) system on the development of the Ghanaian economy. Gross domestic product (GDP) was analyzed through the study, as well as the allocation of resources and economic growth in all the main sectors from which the country's economy was provided and it was noted that the TSA is a strategy advantageous for both parties, the public and private sector and, in some cases, the government has been able to cover the financial shortcomings of the private sector that has accumulated funds through the TSA.

Furthermore, the studies established a foundation on the importance of TSA for the public sector and its ability to control government expenditures and income generation in ministries, departments and agencies in Africa. Although most of the studies conducted concern all government entities; this study was conducted to explicitly evaluate how Tanzanian banks are affected after the start of the TSA.

2.5.3 The impact of Treasury Single account on shareholders dividend
The commencement of the TSA influenced dividends of bank shareholders, as some banks suffered a financial shock, because of the TSA and, as a result, recorded lower profits, which ultimately meant that no dividends were paid or few dividends to shareholders. TSA negatively affects shareholder dividends and the previous position is also reiterated by a study by Ndubuaku et al. (2016) on the involvement of the
Treasury single account (TSA) in the Nigerian Banking sector and the Nigerian economy, in general, it was found that the Treasury single account (TSA) has no significant negative effect on the banking sector in Nigeria. In terms of effect on economic development, the Treasury Single Account (TSA) also has a significant effect on the price of shares and dividends paid to shareholders. In fact, it reduces corruption, improves the transparency of government activities by motivating adequate control and management of funds in its ministries, departments and agencies.

Therefore, it has been suggested that the Central Bank of Nigeria, in cooperation with the federal Government, will act on policies that provide guidance on the effective functioning of the Treasury Single Account (TSA) and on the financial affairs of the Nigerian economy. The compliance of ministries, departments and agencies of the federal government must be done with the key into the project for effective management of government money.

On the other hand, it can be considered that the TSA has had a multiplier effect that not only benefits for the shareholders, but also for the general public, the government being the main beneficiary for a better management of national resources. Ekubiat and Edet (2016), who conducted the study on the implementation of the Treasury single account by the governments of Nigeria, share this thesis: advantages, challenges and forecasts. The study was conducted on the basis of the examination of the benefits, challenges and prospects of the implementation of the Treasury Single Account (TSA) by the state governments of Nigeria. The researcher used primary and secondary data in the conduct of his study. In this way, we use the descriptive design of the transversal investigation. The study population copied 200 accounting professionals in the state of Akwa Ibom. The statistical formula of Taro Yamane was adapted to select the sample size of 133. The researcher used the purposive sampling technique and selected 133 interviewees. The data obtained from the questionnaire management were analyzed using descriptive statistics and t-test statistics. It was found that the introduction of the TSA and its full implementation in state governments will be of enormous benefit, as shown in the weighted average scores
of 4.20 and in the table of 24.87; the challenges will be there for a while, but the long-term benefits will surely overcome them.

2.5.4 The impact of Treasury Single account on the profitability of the Bank

There is no doubt that Treasury Single Account has negatively affected the financial position of many banks, with some financial difficulties due to the fact that the cash supply has been cut from public accounts and, ultimately, this translates into lower profitability and can threaten the long-term financial sustainability of banks. This is also shared by Anyanwu (2010), which highlighted the challenges of the banking sector at present, in its study which includes the unfavorable macroeconomic context, the troublesome documentation process, the poor long-term finances, the lack of databases on borrowers and the weak infrastructure caused by the lack of liquidity of the banks, and in relation to this should encourage the public by increasing the interest in the deposit rate.

Furthermore, Mutalib et al (2015) conducted a study on the impact of the Treasury Single Account (TSA) in ministries, departments and agencies (MDA’s) and the analysis showed that different sectors of the economy contribute a lot to GDP growth whereby it is not so with other sectors and the TSA has meant some banks to lose income from various public accounts that they had previously in their banks. This later indicates that the banks' profitability has been reduced to a certain extent immediately after the implementation of the TSA, and this is particularly true for many banks in Tanzania.

2.5.5 The impact of Treasury Single Account on deposits mobilization of the Bank

The mobilization of deposits at banks has been partly paralyzed by the TSA, since before the banks could easily mobilize deposits from various public accounts, but with the advent of TSA, this easy access to deposits was cut, which makes it much more difficult for the banks to quickly raise funds. This position is also shown in a study conducted by Agbo et al., (2016) on effects of TSA on performance and
survival of deposit money banks in Nigeria. It was revealed that TSA has no effect on banks performance, since banks have created another strategy done in developed countries by seeking deposits through investing in different economic sectors however adverse bearing had on deposits mobilization. Another strategy used by banks is diversification refocused on original purpose of collecting funds through deposits not necessarily government funds. The bank has encouraged business men and companies to deposit their money through fixed deposits and others. It is evident that since inception of TSA most banks have devised strategies of survival to reduce reliance on government deposits and the ones that have spearheaded such drives have always found a way to cushion the shockwaves of TSA and subsequently have strong financial soundness.

2.5.1 Research Gap

From the empirical studies, many scholars such as Kanu (2016); Onuorah (2016); Ajetunmobi et al., (2017); Zayol et al (2017); Victor et al., (2017) and Andornimye (2017) argues that TSA has negative impact on bank performance. However, these studies based on banking sector in Nigeria and no any study conducted in Tanzania, which shows the need of conducting this study for learning and knowledge sharing. In addition to that, though banking institutions operate in a more similar way all over the world, each country is peculiar in its banking industry operations models, systems, policies, management and other key performance factors Tanzania inclusive.

This study will therefore attempt to bring to light the underlying state of affairs as to the impact of TSA on bank performance in Tanzania given the fact that TSA is barely 5 years old in Tanzania.

2.6 Conceptual Framework

The Treasury Single Account (TSA) is one of the financial policies introduced by the Tanzanian central government with the aim of consolidating all the revenues of all government departments, agencies and ministries in the country through one account operated by BOT.
The amended constitution states that "all income or other funds raised or received by the government (other than income or other money payable under this Constitution or any act of the national assembly in any other government fund established for a specific purpose) must be paid into a consolidated public revenue account ..."

The conceptual framework of the study is built with three major variables. These include independent, intervening and dependent variables. In view to independent variable the study aims at examining TSA, whereby its applicability specific banks was examined. Also, the intervening variables included government TSA policies and commercial bank policies related to deposits mobilization were reviewed and documenting how it affects the bank performance in the context of TSA. Dependent variable in this study is bank performance which is measured by liquidity position, credit to private sector, profitability and shareholders dividend.

(Figure 2.1).

Source: Victor et al., (2017)

Figure 2.1: Conceptual framework

In reference to figure 2.1 it is evident that there is a strong impact of TSA on the performance of the bank as the dependent variable on which was measured in four dimensions namely: liquidity position, credit to private sector, shareholders dividend,
and profitability. It is inferred that when TSA was introduced in Tanzania in 2015/16, the effect was almost immediately felt in the banking sector in that all government agencies and ministries withdrew their accounts from the commercials banks, thus leaving these banks with little available funds which previously boosted their liquidity position. More so, TSA also made led to decline in cash available for loans thus making many banks to shy away from giving out more loans to the public. More so, TSA has resulted into banks failing to mobilize adequate savings since cash inflows form government agencies and ministries is no more this also ultimately adversely affects the profitability of these banks since enormous revenue is lost due to loss of accounts and government transactions.

The following are descriptions of the dependent variables indicators;

i) **Liquidity**

Liquidity is an economic monetary terminology meaning the amount of resources that is available for investment. It can also be defined as the state or condition of a company to meet its short term obligation as they fall due. In referring to the theory of risk and return, the investment which have more risk have also possibilities for more return. Thus, the company which has high of liquidity of working capital may have low risk than the company with low level of its liquidity of working capital (Ajetunmobi *et al.*, 2017).

Andornimye (2017) argues that sufficient liquidity enables commercial banks to meet major three risks such as time risk; this comprises the ability of the bank to reimburse for non-repayment of funds at a specific time. The following is the financial risk; this is the ability to replace net outflows of funds and, finally, it is the loan risk that determines the bank’s ability to cope with frequent withdrawals from rational client funds.

ii) **Credit to private sector**

Credit and loan provision is the other primary function of commercial banks. It involves provision of advances and loans to all types of institutions and people especially to businessmen and entrepreneurs who need money to run their activities as well as to other private sectors. Credit and loans can be provided through several
facilities which are available in the banks such as overdraft facility, cash credit and other facilities as well.

In the banking industry, Credit to the private sector means financial assistances which are provided to the private sector by another depository institution, such as purchase of securities other than equity securities, loans and commercial loans and other credits that establish a reimbursement request. There is general agreement that for economic growth to occur there must be strong support from the financial sector that provides a source of funding. So the role of financial institutions is to bring together borrowers and lenders so as to meet that demand. The banking sector attracts deposits which can either lie idle or be used productively and then changes deposits into assets that are advanced to the private sector.

iii) **Dividend**

Dividend is an allotment given to shareholders out of profit. It is the portion of profit attained after Tax deductions which is distributed among all shareholders/owners of the company. It may also be defined as a return that shareholders get out of the profit of their investment. It is that part of the net earnings of a business that is distributed to its stockholders.

iv) **Profitability**

Profitability measures the general performance of a company and its efficiency in the management of assets, liabilities and capital. Profitability can be calculated in relation to sales, where we obtain the ratio between the gross profit margin and the net profit margin ratio and also the profitability can be calculated in relation to the investment, where we obtain reports such as return on investment and the return on capital. (Maharana *et al*., 2015).
### Table 2.2: Measurement of variables

<table>
<thead>
<tr>
<th>Category of Variables</th>
<th>Type of variable</th>
<th>Indicators</th>
<th>Measurement</th>
<th>Type of analysis technique in SPSS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variable</strong></td>
<td>Treasury Single Account (TSA)</td>
<td>Public organizations depositing their money into a single account at the Central Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dependent Variable</strong></td>
<td>Performance of Bank institution</td>
<td>Liquidity position</td>
<td>- Current Ratio (Current Assets/Current liabilities)</td>
<td>The paired sample t-test (comparison of liquidity position of before and after TSA)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Quick Ratio((Current Assets-Inventory)/Current Liabilities)</td>
<td></td>
</tr>
<tr>
<td>Credit to private sector</td>
<td>Volume of credit to private sector from Bank’ financial reports</td>
<td></td>
<td>The paired sample t-test (comparison of credit to private sector before and after the TSA)</td>
<td></td>
</tr>
<tr>
<td>Shareholders Dividend</td>
<td>Shareholders Dividend from Bank’ financial reports</td>
<td></td>
<td>The paired sample t-test (comparison of shareholders dividend before and after TSA)</td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td>- Gross profit Margin ratio(Gross Profit/Sales Revenue)*100)</td>
<td>The paired sample t-test (comparison of profit before and after TSA)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Net Profit Margin ratio ((Net Profit After Taxes/net sales)*100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Return on Investment ((Net Profit After Taxes/Total Assets)*100)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Return on Equity ((Net Profit After Taxes/Shareholders Equity)*100))</td>
<td></td>
</tr>
</tbody>
</table>

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This chapter explains how the study was conducted. It entails several sub topics such as research design, study area, sampling, study population, sample size, sampling techniques, data collection, data types and data sources, data collection techniques, data validity and reliability and analysis of data.

3.1 Research Design
The research design can be named as a plan that gives guidance to the researcher in his process of data collection, data analysis and the interpreting the data. There are several known types of research projects, namely surveys, archives, experiments, case studies, traversal and longitudinal projects. The choice of using a particular research design depends on one's type of research questions, the researcher's control on real behavioral events and on the degree of concentration on contemporary events (Yin, 2013). This study adopted a cross-sectional research design because the researcher conducted the study in three commercial banks simultaneously at a given time which are one of the popular banks that had many government accounts and were the custodians of many government’s deposits of federal funds.

3.2 Study area
This study was conducted in three different commercial banks, namely the CRDB bank PLC, the NMB bank and the NBC bank in Dar es Salaam, the reason being that these banks are the popular ones which had many government’s accounts and that they were the custodians of government’s federal funds deposits before the implementation of TSA. Therefore, the researcher believes that CRDB, NMB and NBC bank are appropriate study area for this study which led to the attainment of substantial amount of information needed. The banks were selected because they are the largest banks which control nearly 65% of the total banking transactions in in Tanzania and they are deeply rooted in almost all areas of the country, moreover,
they have been in existence for considerably longer time and therefore it is easy to collect data concerning their performance over years.

### 3.3 Sampling

Sampling is a process of selecting a number of individuals or elements of a population. The researcher has selected only some elements of the universe for the study purposes. A study based on a representative sample is often better than one based on a larger sample or the entire population, since it is not necessary to interview a large number of people who say the same. In this context, the sampling process allowed the researcher to acquire the requested data at the lowest cost in terms of commitment, time and financial resources. Sampling is the assortment of a subset within a statistical population to approximate the characteristics of the entire population.

#### 3.3.1 Sampling techniques

Sampling techniques give a number of ways for eliminating the amount of data that should be collected when only data from a subgroup are considered, instead of all probable cases or elements (Saunders, 2011). The study used purposive sampling technique. This is a non-random sampling technique in which the researcher requires sources or people with specific characteristics relevant to the study. The selected bank was chosen intentionally because it is the old banks that have opened about 98% of the public accounts in commercial banks and, moreover, 82% of the money deposited in commercial banks was under their control as the custodian of these banks. (PEFA Report of the Tanzanian central government, 2013).

Purposive sampling, also known as subjective or judgmental sampling, is that type of sampling technique that focuses on the specific group of people or items. It is a non-probabilistic sampling focuses on sampling techniques in which the investigated units are based on the researcher's judgment (Kothari, 2005). The main objective of purposive or intentional sampling is to focus on the particular characteristics of a population that is interesting for the study, which will allow the researcher to better
respond to research questions. The intentional or purposive sampling technique was used because it ensures that only relevant respondents will be addressed that will provide relevant answers.

3.3.2 Study population
The significance of the study population is individuals or objects that meet the agreed requirements for membership in the general group. It is defined as the complete set of cases from which a sample is taken (Saunders, 2011). The population of this study included banking institutions with government departments, ministries and institutions accounts and it covered banks from the period 2015 to 2018 given the fact that TSA came into effect in 2015 whereby data was analyzed on a quarterly basis, thus giving 48 observations.

3.3.3 Sample size
Best and Kahn (2006) elaborated that a sample is a small percentage of a population selected for the study and analysis, the characteristics of which can help the researcher to issue a strong judgment on the population from which the sample is shown. There is no sample size that is the best; any sample may be acceptable depending on the nature of the study performed.

The expected sample size of the study was three commercial banks i.e. CRDB Bank PLC, NMB Bank and NBC Bank out of 24 banks which the government deposited its money.

The selection of the three bank institution is due to the reason that this study measures the impact of Treasury Single Account on the performance of bank institutions in Tanzania. The selected banks altogether hold 98% of the government’ bank accounts i.e. a total of 28,418 accounts out of all 29,022 government accounts opened in commercial banks and 82% of all government money i.e. TZS 680,330,354,910.47 out of a total amount of TZS 832,826,847,404.78 deposited in commercial banks in Tanzania. The selected banks are subjected to the great impact
though the introduction of TSA in Tanzania. (Tanzania Central Government PEFA Report, 2013)

3.4 Data Collection
Data was collected basing on the four objectives of the study i.e credit to private sector, shareholders dividend, bank profitability and the liquidity position of the Bank. The study relied on secondary data. Secondary data was collected from commercial banks annual reports and other publications.

3.4.1 Data collection techniques
The study relied on secondary data. Secondary was collected from commercial banks annual reports and other publications.

i) Documentary review
The document review involved the review of published financial reports and the statements of commercial banks in Tanzania that helped the researcher analyze the TSA before and after its implementation. It is the use of published external material, sources to support the idea of an academic work. This method involved the review of all literature resources in reports, journals, textbooks, articles, newspapers and presentations, among others. This tool is useful because it provides accurate historical data on particular problems and, therefore, is easier to use.

3.5 Data validity and reliability
Reliability refers to the extent to which the data collection techniques or analysis procedures will produce consistent results (Saunders, 2011). To ensure reliability and validity, a pilot study was conducted to test data collection tools. In addition to that, the study used multiple sources of evidence, namely the document review that allowed triangulation. Finally, during the test of the internal consistency of the measuring instrument (Likert scale), a Cronbach alpha test was applied.

3.6 Data analysis
Data analysis is the process of collecting, classifying, organizing and structuring data. The process involves the ordering and structuring of data to produce knowledge (Magigi, 2013). The study collected both qualitative and quantitative data.
Quantitative data have been quantified and verified and susceptible to statistical manipulation. These data were analyzed using the Statistical Package for Social Sciences (SPSS).

The paired sample t-test, was used to determine whether the mean difference between two sets of observations is zero, to make comparison of liquidity position, credit to private sector, shareholders dividend, profitability and deposits mobilization of before and after the introduction of TSA (Table 2). The results were displayed using tables and figures. Qualitative data was not expressed as a numbers, they were collected from reports and thus data was categorized under themes.

Data was regressed and the model showed the independent variables which consisted of Treasury Single Account whereas the dependent variable was performance which was measured in five dimensions namely: liquidity, bank credit, shareholders dividends, profitability and deposit mobilization as shown in the below regression equation:

\[ P = \beta_0 + \beta_1 \text{TSA}_1 + \text{GP} + \varepsilon \]  

Where;
\[ \beta_0 = \text{Intercept, a sample-wide constant} \]
\[ P = \text{Performance (liquidity, bank credit, dividends, profitability)} \]
\[ \text{TSA}_1 = \text{Treasury Single Account} \]
\[ \text{GP} = \text{Government Policies} \]

\[ \beta_1 = \text{coefficient of correlation for performance} \]
\[ \varepsilon = \text{Error term (It defines the variations in the response variable, performance, which cannot be explained by the predictor variable.} \]
CHAPTER FOUR
PRESENTATION OF FINDINGS

4.0 Introduction
This chapter lays out the detailed findings and, in particular, the details on the impact of the Treasury Single Account on the liquidity position of the banks, as well as on the bank credit to the private sector, the dividend of the shareholders and the profitability of the banks.

4.1 Descriptive Statistics
The study covered the impact of Treasury Single Account on the performance of bank institutions in Tanzania and specifically looked at three banks namely: CRDB, NBC and NMB whereby data for the period running from 2015 to 2018 which is presented on a quarterly basis of 12 quarters over the four year period giving 48 observations and the independent variable consisted of Treasury Single Account whereas the dependent variables were measured in three dimensions namely: liquidity (Current Ratio), shareholders dividends (Earnings Per Share) and profitability (Return on Assets) and the table below shows the descriptive statistics of the Treasury Single Account which affects the financial performance of banks in Tanzania.

Table 4.1: Descriptive statistics of independent variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Single Account</td>
<td>48</td>
<td>68686368.0</td>
<td>18237087250.0</td>
<td>41648073743.0</td>
<td>6342825464.0</td>
</tr>
<tr>
<td>Liquidity</td>
<td>48</td>
<td>0</td>
<td>9.00</td>
<td>.8333</td>
<td>1.82915</td>
</tr>
<tr>
<td>Dividends</td>
<td>48</td>
<td>.00</td>
<td>70.00</td>
<td>14.2667</td>
<td>19.31267</td>
</tr>
<tr>
<td>Profitability</td>
<td>48</td>
<td>10.30</td>
<td>51.60</td>
<td>31.1312</td>
<td>7.92970</td>
</tr>
<tr>
<td>Credit to Private Sector</td>
<td>48</td>
<td>.00</td>
<td>.04</td>
<td>.0085</td>
<td>.01018</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>48</td>
<td>.00</td>
<td>.05</td>
<td>.0263</td>
<td>.01127</td>
</tr>
</tbody>
</table>
The above table shows that the introduction of TSA has had a bearing on the commercial banks’ general financial performance in Tanzania with average TSA at 4,164,8073,744 and average liquidity being 14.3 implying that current assets are more than sufficient to cover current liabilities. In addition, average earnings per share stood at 31 and average profitability stood at 0.0085.

4.2 The Impact of Treasury Single Account on the liquidity position of the Bank.

The conducted study involved the review of the effect of Treasury Single Account (TSA) on the liquidity position of banks whereby TSA was measured and in doing so; a regression analysis was conducted whereby TSA was measured by the volume of government cash going through the banks whereas liquidity was measured by the Current Ratio (CR). The regression analysis results of TSA and liquidity is as shown here under:

Table 4.2: Correlation of TSA and Liquidity

<table>
<thead>
<tr>
<th></th>
<th>Liquidity</th>
<th>TSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>Liquidity</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>.568</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>Liquidity</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>Liquidity</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Field Data (2019)

Table 4.2, shows that there is a significant correlation between TSA and bank liquidity as evidenced by the fact that the Pearson correlation of 0.568 is nearer to one (!) and a significance value of 0.000 which is less than 0.05(5%) level of
significance, thus, the findings further indicates that when the Tanzanian government introduced TSA in 2015, the liquidity of banks were generally affected thus it can be construed that TSA substantively affected financial position of the banking sector in Tanzania.

Furthermore, the regression analysis gave rise to the model summary as presented here under:

**Table 4.3: Model Summary of TSA and liquidity**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.568&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.323</td>
<td>.308</td>
<td>16.06216</td>
<td>.323 21.948 1 46 .000</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Treasury Single Account

Source: Field Data (2019)

Table 4.3, shows that there is a significant relationship between TSA and Liquidity banks as indicated by a significant value of 0.000 which is more than 0.05(5%) level of significance, More so, the R squared for the regression model was 0.323 indicating that the model is explaining 32.3% of the change in liquidity hence these findings show that TSA can explain only 32.3%of the change in liquidity of the banks. It can therefore be deduced that the introduction of TSA adversely affected the financial performance of banks in Tanzania.

In addition, the regression of TSA and liquidity of banks gave rise to the coefficient of correlation as shown hereunder:

**Table 4.4: Coefficients<sup>a</sup> of TSA and Liquidity**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
</table>


Table 4.4 shows that, the test of the statistical significance of the independent variable in the model was done using the t-test which indicates that TSA has a significant positive coefficient when used as a predictor for liquidity with t-statistic of 4.685 which was significant at 5% level of significance. The findings therefore indicate that the introduction of TSA meant that less government money passes through banks which lead to low liquidity and the reverse is true.

More so, TSA has a negative impact on banks in Tanzania because banks have been surviving with government funds, with the introduction of treasury single account (TSA) those money which are been used to trade would been paid into the country’s treasury account. This money which is paid into treasury is used to appraise government performance. The era of banks depending on government funds has since passed consequences upon the implementation of the treasury single account. The banks should have to look for another source of generating funds in Tanzania.

4.3 Impact of Treasury Single account on shareholders dividend of the Bank

The study involved the review of the effect of Treasury Single Account (TSA) on shareholders’ dividends whereby TSA was measured and in doing so; a regression analysis was conducted and TSA was measured by the volume of government cash going thru the banks whereas shareholders dividends was measured by Earnings Per Share (EPS) More so, the regression analysis results of TSA and shareholders dividends is as shown here under:
Table 4.5: Correlation of TSA and Shareholders dividends

<table>
<thead>
<tr>
<th></th>
<th>Dividends</th>
<th>TSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>1.000</td>
<td>.121</td>
</tr>
<tr>
<td>Treasury Single Account</td>
<td>.121</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td>.206</td>
</tr>
<tr>
<td>Treasury Single Account</td>
<td></td>
<td>.206</td>
</tr>
<tr>
<td>N</td>
<td>Dividends</td>
<td>48</td>
</tr>
<tr>
<td>Treasury Single Account</td>
<td></td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Field Data (2019)

Table 4.5, shows that there is no significant correlation between TSA and shareholders’ dividends as evidenced by the fact that the Pearson correlation of 0.121 is further away from one (!) and a significance value of 0.206 which is more than 0.05(5%) level of significance, thus, the findings indicates that when the Tanzanian government introduced TSA in 2015, the shareholders dividends of banks were generally not affected thus it can be construed that TSA does not substantively affect dividends paid to shareholders.

Furthermore, the regression analysis gave rise to the model summary as presented here under:

Table 4.6: Model Summary of TSA and Shareholders’ Dividends

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>.121</td>
<td>.015</td>
<td>-.007</td>
<td>7.95612</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.015</td>
<td>.688</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.411</td>
<td></td>
</tr>
</tbody>
</table>
a. Predictors: (Constant), Treasury Single Account

Source: Field Data (2019)

Table 4.6 shows that there is no significant relationship between TSA and shareholders’ dividends as indicated by a significant value of 0.411 which is more than 0.05(5%) level of significance, More so, the R squared for the regression model was 0.015 indicating that the model is explaining only 1.5% of the change in shareholder hence these findings show that TSA can explain only 1.5% of the change in shareholders’ dividends which is very insignificant. It can therefore be deduced that the introduction of TSA has no strong relationship with shareholders dividends of banks in Tanzania.

In addition, the regression of TSA and shareholders’ dividends of banks gave rise to the coefficient of correlation as shown here under:

**Table 4.7: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1  (Constant)</td>
<td>30.499</td>
<td>1.378</td>
<td>1.518E-11</td>
</tr>
<tr>
<td>Treasury</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.518E-11</td>
<td>.000</td>
<td>.121</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Dividends

Source: Field Data (2019)

Table 4.7 shows that, the test of the statistical significance of the independent variable in the model was done using the t-test which indicates that TSA has an insignificant positive coefficient when used as a predictor for liquidity with t-statistic of 0.83 which was insignificant at 5% level of significance. The findings therefore
indicate that the introduction of TSA meant changes in shareholders’ dividends arose as a result of other factors but not because of TSA implying existence of hardly any relationship between the two variables.

4.4 The impact of Treasury Single account on profitability of the Bank

The study involved carrying out a regression analysis between TSA and profitability of banks in Tanzania and profitability was looked at in terms of Return on Assets (ROA) as shown below:

**Table 4.8: Correlation of TSA and profitability**

<table>
<thead>
<tr>
<th></th>
<th>Profitability</th>
<th>TSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>Profitability</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>.636</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>Profitability</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>Profitability</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>48</td>
</tr>
</tbody>
</table>

*Source: Field Data (2019)*

Table 4.8, shows that there is a significant correlation between TSA and profitability of banks as evidenced by the fact that the Pearson correlation of 0.636 is closer to one (!) and a significance value of 0.000 which is less than 0.05(5%) level of significance, thus, the findings indicates that when the Tanzanian government introduced TSA in 2015, the profitability of banks were generally adversely affected thus it can be construed that TSA has a strong relationship with bank profitability.
Furthermore, the regression analysis gave rise to the model summary as presented here under:

**Table 4.9: Model Summary of TSA and Profitability**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.636a</td>
<td>.404</td>
<td>.391</td>
<td>.00794</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.404</td>
<td>31.196</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Treasury Single Account

**Source: Field Data (2019)**

Table 4.9, shows that there is a significant relationship between TSA and bank profitability as indicated by a significant value of 0.000 which is less than 0.05(5%) level of significance, More so, the R squared for the regression model was 0.404 indicating that the model is explaining 40.4% of the change in profitability hence these findings show that TSA can explain 40.4% of the change in banks profitability which is substantial. It can therefore be deduced that the introduction of TSA has a strong relationship with profitability of banks in Tanzania.

In addition, the regression of TSA and profitability of banks gave rise to the coefficient of correlation as shown here under:
Table 4.10: Coefficients\(^a\) of TSA and Profitability

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>.004</td>
<td>.001</td>
<td>3.077</td>
</tr>
<tr>
<td>Treasury Single Account</td>
<td>1.020E-13</td>
<td>.000</td>
<td>.636</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Profitability

**Source: Field Data (2019)**

Table 4.10 shows that, the test of the statistical significance of the independent variable in the model was done using the t-test which indicates that TSA has a significant negative coefficient when used as a predictor for profitability with t-statistic of -5.58 which was insignificant at 5% level of significance. The findings therefore indicate that the introduction of TSA meant less revenues and profits to the bank implying that it led to decline profitability of banks in Tanzania and the reverse is true.

The above findings are a clear indicator that when TSA was effected by government in 2016 most of the banks in Tanzania experienced reduced profitability hence suggesting a strong relationship between TSA and bank profitability, this arises because previously before TSA the banks were levying fees on every transaction made by government agencies or ministries which money has now been cut off since all funds now pass through the central bank.
4.5 The impact of Treasury Single account on Credit to private Sector

The study involved analyzing the relationship between TSA and credit to private sector which gave rise to the following correlation statistics:

**Table 4.11: Correlation of TSA and Credit to private sector**

<table>
<thead>
<tr>
<th></th>
<th>Credit to Private Sector</th>
<th>Treasury Single Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>Credit to Private Sector</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>-.186</td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>Credit to Private Sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>.102</td>
</tr>
<tr>
<td>N</td>
<td>Credit to Private Sector</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Treasury Single Account</td>
<td>48</td>
</tr>
</tbody>
</table>

*Source: Field Data (2019)*

Table 4.11, shows that there is no significant correlation between TSA and credit to private sector as evidenced by the fact that the Pearson correlation of -0.186 is further from one (!) and an insignificance value of 0.102 which is more than 0.05(5%) level of significance, thus, the findings indicates that when the Tanzanian government introduced TSA in 2015, the bank’s credit to private sector were generally not adversely affected thus it can be construed that TSA has no strong relationship with credit to private sector.

Furthermore, the regression analysis gave rise to the model summary as presented here under:
Table 4.12: Model Summary of TSA and Credit to private sector

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.186a</td>
<td>.035</td>
<td>.014</td>
<td>.01119</td>
<td>.035</td>
<td>1.655</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
<td>df1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df2</td>
<td>Sig. F</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Change</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.655</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.205</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Treasury Single Account

**Source: Field Data (2019)**

Table 4.12, shows that there is no significant relationship between TSA and bank credit to private sector as indicated by a significant value of 0.205 which is more than 0.05(5%) level of significance, More so, the R squared for the regression model was 0.035 indicating that the model is explaining 3.5% of the shift in the credit to private sector hence these findings show that TSA can explain only 3.54% of the change in banks credit to private sector which is very small. It can therefore be deduced that the introduction of TSA has no strong relationship with bank credit to private sector in Tanzania.

In addition, the regression of TSA and profitability of banks gave rise to the coefficient of correlation as shown here under:
Table 4.13: Coefficients\(^a\) of TSA and Credit to private sector

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1  (Constant)</td>
<td>.028</td>
<td>.002</td>
<td></td>
</tr>
<tr>
<td>Treasury Single Account</td>
<td>3.312E-14</td>
<td>.000</td>
<td>-.186</td>
</tr>
</tbody>
</table>

\(\text{a. Dependent Variable: Credit to Private Sector}\)

**Source: Field Data (2019)**

Table 4.13 shows that, the test of the statistical significance of the independent variable in the model was done using the t-test which indicates that TSA has a significant negative coefficient when used as a predictor for credit to private sector with t-statistic of -1.286 which was insignificant at 5\% level of significance. The findings therefore indicate that the introduction of TSA meant less credit to private sector.

### 4.6 Banking sector overview

The review of the annual report of the Bank of Tanzania (BOT) and individual banks in Tanzania revealed a different indicator of financial performance as explained below: Tanzania's financial total assets sector increased 1.9\% to 39,424, 1 million TZS By the end of September, 2016, since March 2016. The banking sector kept on playing a dominant position during the period, although its market share decreased slightly to 70.3 percent, from 71.4 percent. Meanwhile, social security participation increased to 27.0 percent from 26.0 percent, mainly due to an increase in investment
income and contributions from members who were invested in favor of government bonds. Insurance and collective investment plans remained virtually unchanged at 2.0% and 0.7% respectively.

During the period, the sector generally maintained a reasonably high level of capital and liquidity reserves above regulatory minimums, despite the increase in non-performing loans in recent quarters that reduced profitability. *(Table 4.14)*

**Table 4.14: Selected Financial Soundness Indicators for the Banking System**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. THE CAPITAL ADEQUACY.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core- Capital/TRWA.</td>
<td>Min 10.0</td>
<td>17.9</td>
<td>16.1</td>
<td>16.7</td>
<td>17.5</td>
<td>18.0</td>
<td>17.2</td>
<td>17.3</td>
</tr>
<tr>
<td>Total capital/TRWA.</td>
<td>Min 12.0</td>
<td>19.1</td>
<td>17.6</td>
<td>18.7</td>
<td>19.5</td>
<td>20.0</td>
<td>19.2</td>
<td>19.1</td>
</tr>
<tr>
<td>2. THE LIQUIDITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquid Assets/Demand Liabilities.</td>
<td>Min 20.0</td>
<td>35.5</td>
<td>37.3</td>
<td>35.7</td>
<td>37.2</td>
<td>37.0</td>
<td>37.0</td>
<td>34.2</td>
</tr>
<tr>
<td>Total Loans/Customer Deposits</td>
<td></td>
<td>76.8</td>
<td>76.6</td>
<td>78.9</td>
<td>78.9</td>
<td>82.6</td>
<td>85.8</td>
<td>87.1</td>
</tr>
<tr>
<td>3. THE EARNINGS &amp; PROFITABILITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Net Interest Margin (NIM)</td>
<td></td>
<td>67.5</td>
<td>65.9</td>
<td>67.1</td>
<td>67.0</td>
<td>65.6</td>
<td>68.0</td>
<td>69.3</td>
</tr>
<tr>
<td>The Non-Interest Expenses/Gross Income</td>
<td></td>
<td>63.8</td>
<td>65.1</td>
<td>67.2</td>
<td>68.1</td>
<td>63.1</td>
<td>64.7</td>
<td>66.9</td>
</tr>
<tr>
<td>The Personnel expenses to non-interest expenses</td>
<td></td>
<td>44.6</td>
<td>45.9</td>
<td>44.7</td>
<td>44.1</td>
<td>45.5</td>
<td>45.4</td>
<td>44.9</td>
</tr>
<tr>
<td>The Return on Assets- (PBT/Average Total Assets).</td>
<td></td>
<td>3.1</td>
<td>2.9</td>
<td>2.7</td>
<td>2.7</td>
<td>3.2</td>
<td>3.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>
The Return on Equity (ROE (PAT/Average)

| The Shareholders’ funds | 16.2 | 15.1 | 13.5 | 13.0 | 16.9 | 15.4 | 12.1 |

4. ASSET COMPOSITION & QUALITY.

| Loans to Total Loans - Foreign Exchange | 37.5 | 38.6 | 37.8 | 38.0 | 37.8 | 36.7 | 36.1 |
| The Gross Non-Performing Loans to Gross Loans | 5.0 acceptable | 6.5 | 6.6 | 6.8 | 6.6 | 7.5 | 8.7 | 9.1 |
| The NPLs net of provisions/Total Capital | 14.0 | 16.5 | 15.7 | 14.2 | 17.0 | 21.1 | 22.0 |
| The Large Exposures to Total Capital | 137.0 | 124.0 | 126.8 | 124.1 | 128.7 | 128.6 | 125.3 |
| Advances to Total assets and net Loans | 53.3 | 53.2 | 54.6 | 54.7 | 55.1 | 56.2 | 56.5 |

5. MARKET RISK’SSENSITIVITY

| FX Currency Denominated Assets/Total Assets | 31.7 | 34.2 | 34.9 | 34.7 | 33.6 | 32.0 | 31.6 |
| FX Currency Denominated Liabilities/Total Liabilities | 37.6 | 39.8 | 39.6 | 39.7 | 38.9 | 37.8 | 38.9 |
| FX/Total Net Open Positions Capital | 7.5/ | -2.1 | -2.2 | -2.4 | 1.3 | -1.1 | 1.4 | -2.4 |

Source: BOT (2017)

Moreover, the BOT reviews on publications indicates that the banking sectors’ total assets grew by 14.95% that is TZS 19.522.92 billion in 2013 from TZS 16,984.49 billion in 2012. Total liabilities of the banking sector also increased to 16,975.95 billion TZS 2013 of TZS 14.853.02 billion registered in the year before. Total capital increased to 2,546.97 billion TZS in 2013 from 2,131.47 billion TZS registered in 2012. The aggregate off-balance sheet items increased from 2,399.29 billion TZS recorded as at 31 December 2012 to TZS 3,591.03 billion at the end of December
2013. The following tables show the trend of the bank sector’s total assets from the year 2009 to the year 2013 and the percentage variations of the same. The background of the bank institutions under study is as expounded hereunder

**The CRDB Bank**

CRDB Bank Plc is the bank that deals with the provision of banking products and services. It offers banking services to all small and medium enterprises, businesses, individuals, microfinance companies, insurance companies and many others. CRDB Bank also offers mobile banking and Internet services. The company manages its business through the following areas: corporate banking, retail banking, microfinance and treasury. CRDB Bank was founded in July 1996 and is based in Dar es Salaam, Tanzania and throughout the country (Tanzania Banks, 2015).

**NBC BANK**

NBC (Tanzania), whose full name is National Bank of Commerce (Tanzania) Limited, is a commercial bank in Tanzania. It is one of the commercial banks authorized by the Bank of Tanzania (BOT) which is the central bank of the country and the national banking regulator. It is the oldest banks in the country whose roots can be traced back to Tanzania’s independence. At the end of the year, in 2015, the bank had a capital base of more than 773 million dollars equivalent to 1690 billion TZS and is the fourth best capitalized in the country, behind National Microfinance Bank, CRDB Bank and Bank FBME commercial bank. The bank has its origins in 1967, when the Tanzanian government nationalized financial institutions, including banks. In 1991, the banking sector was liberalized. Six years later, in 1997, the institution known as "NBC" was divided into three separate entities:

a) National Microfinance Bank (NMB) (b) NBC Holding Corporation and (c) NBC (1997) Limited. In 2000, the South African banking group Barclays Africa Group, at the time known as Absa Group Limited, acquired a majority share holding position in NBC (1997) Limited. The Tanzanian government has maintained a 30% stake and the International Finance Corporation (IFC), a member of the World Bank Group, has acquired 15% of the bank’s capital. The new entity became known as the National Bank of Commerce (Tanzania) Limited. NBC Bank Tanzania operates a
network of branches of 55 branches and numerous ATMs in most of the major cities and towns of the country.

**NMB**

The National Microfinance Bank Plc (NMB) is one of the largest commercial banks in Tanzania, which offers banking services to individuals, customers of small and medium-sized enterprises and large companies. It was established under the 1997 National Bank of Microfinance Limited Constitution Act, after the disintegration of the former National Commercial Bank, by a Parliament law. Three new companies were formed during that time which was named NBC Holding Limited, The Banco Nacional of Commerce (1997) Limited and National Microfinance Bank Limited. By then, NMB could only give services related to payment and tender a limited credit savings account before changing to a true universal retail bank.
CHAPTER FIVE

DISCUSSIONS OF FINDINGS

5.0 Introduction
This chapter presents the detailed discussions of key findings with are either in agreement, disagreement or indifferent with findings of various scholars/authors as per the objectives of this study.

5.1 Treasury Single Account and the liquidity position of the banks
This study noted that that there is a noteworthy impact of TSA on the liquidity position of the banks under study as liquidity as evidenced by the fact that the Pearson correlation of 0.568 and R squared for the regression model was 0.323 indicating that the model is explaining 32.3% of the change in liquidity hence indicating that the introduction of TSA though means most funds previously coming from government institutions is now channeled through the central Bank has substantively affected the liquidity position of the bigger banks in Tanzania although many of these banks are big enough and they could easily maintain adequate liquidity levels so as to avoid liquidity shocks.

In addition, this study agrees with Victor et al., (2017) and Ajetunmobi et al., (2017); who all agree that bank liquidity is adversely affected when TSA is implemented given that the fact that cash is withdrawn into the central bank leaving banks with not much money to lend to the public.

Furthermore, the above findings are not in agreement with Agbo et al., (2016) who conducted a study on effects of TSA on performance and survival of deposit money banks In Nigeria. It was revealed that TSA has no effect on banks performance, since banks have created another strategy done in developed countries by seeking deposits through investing in different economic sectors. Another strategy used by banks is diversification refocused on original purpose of collecting funds through deposits not necessarily government funds. The bank has encouraged business men and companies to deposit their money through fixed deposits and others.
This study finding generally reveals that despite the implementation of the policy of treasury single account (TSA) by the Tanzania government, banks implies that banks liquidity position shook since the major source of funds for banks has been the government, business and the public.

The era of banks depending on government funds has since passed consequences upon the treasury single account introduction. Banks should have to look for another source of generating funds in Tanzania. The lack of fund for banks will increase than services towards their customers; it will also create room for staff competition among the banks.

This study also agrees with Adeolu (2015) and Ajetunmobi et al (2017) who argue that TSA has been argued as main instrument to ensure accountability of government revenue, enhance transparency, avoid misapplication of public funds and ensure proper cash management through eliminating idle funds usually left with different commercial banks

More so, this findings agree with Ajetunmobi et al., (2017); Zayol et al (2017); Victor et al., (2017) and Andornimye (2017) who argue that TSA has negative impact on bank performance

Furthermore, this study finding is in line with Clementina (2016) who conducted a study on the Effect of Treasury Single Account on the Liquidity of Base and Performance of the Banking Sector and concluded 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. In addition, this study is in line with the arguments of Kanu(2016) who asserts that the introduction of TSA will tremendously adversely affect the capital sufficiency of banks thereby denying them the much needed funds to give to borrowers.

5.2 Treasury Single account and shareholders dividend of the banks
This study revealed that there is no significant relationship between TSA and dividend paid to shareholders of banks as evidenced by P value of 0.411 which is
more than 5% level of significance hence it can be inferred that when government introduced TSA; it did affect the dividends policy of commercial banks hence indicating a direct relationship between the two variables.

The above findings are in agreement with Agbo et al., (2016) who conducted a study on effects of TSA on performance and survival of deposit money banks In Nigeria. It was revealed that TSA has no effect on dividends, since banks have created another strategy done in developed countries by seeking deposits through investing in different economic sectors and ensuring that adequate dividends are paid to shareholders.

Also, the above study finding agrees with a study by Ndubuaku et al (2016) on the implication of the Treasury Single Account (TSA) on the Nigerian Banking Sector and the Nigerian economy as a whole which noted that Treasury Single Account (TSA) has no significant adverse effect on the shareholders’ dividends of Nigerian banking sector. In terms of its effect on economic development, the study also observed there is a significant effect on treasury single account (TSA). It actually minimizes corruption, increases transparency in government activities by allowing for an efficient control and management of funds in its ministries, departments and agencies.

More so, the above study finding disagrees with a study by Ndubuaku et al (2016) on the implication of the Treasury Single Account (TSA) on the Nigerian Banking Sector and the Nigerian economy as a whole which noted that Treasury Single Account (TSA) has no significant adverse effect on the Nigerian banking sector. In terms of its effect on economic development, the study also observed that Treasury Single Account (TSA) also has a significant effect. It actually minimizes corruption, increases transparency in government activities by allowing for an efficient control and management of funds in its ministries, departments and agencies.

In addition, this study disagrees with Victor et a., (2017) and Ajetunmobi et al., (2017); who all agree that credit to the private sector in adversely affected when TSA
is implemented given that the fact that cash is withdrawn into the central bank leaving banks with not much money to lend to the public.

In addition, the result of this study is not in line with Clementina (2016), who did a study on the effect of the Treasury's single account on the liquidity of the base and on the performance of the banking sector and gave a conclusion that the introduction of the Treasury's single account in public sector’ accounting system negatively influenced the liquidity base and the performance of the banking sector in Nigeria. In addition to that, this study is not in line with the arguments of Kanu (2016) that states that the introduction of the TSA will greatly affect the capital adequacy of banks, thus denying them the much needed funds to give to borrowers.

5.3 Treasury Single account and profitability of the banks

The noted that there is a significance relationship between the introduction of TSA and profitability of banks in Tanzania as evidenced by a P value of 0.000 which is less than 5% level of significance, hence suggesting a strong relationship between TSA and bank profitability, this arises because previously before TSA the banks were levying fees on every transaction made by government agencies or ministries which money has now been cut off since all funds now pass through the central bank. Furthermore, above findings are also in line with Andornimye (2017) who conducted the study on impact of the implementation of TSA on the liquidity position of banks in Nigeria and found TSA has an unfavorable consequence and impact on bank’s current ratio in Nigeria. The study found after government withdrawing its money, current assets and the working capital among commercial banks were reduced significantly which had negative impact on liquidity among banks. Also, the TSA has weakened banks on its ability to create credits.

Furthermore, this study agrees with Chinedu and Okoye (2013) who argues that The banks however, operated “arm chair banking” as they no longer mobilized funds from other sectors of the economy”, which generated much fear in the banking industry even before its implementation. As such, the deposits base of commercial
banks was reduced which affected baking performance. it also agrees with Victor et al., (2017) who assert that for many years commercial banks in developing countries relied on deposits from government ministries, departments and agencies and lent back to the government at high interest rates.

5.4 Treasury Single Account and Bank ‘credit to private sector

It was observed that hat there is no significant effect of TSA on bank credit of commercial banks in Tanzania as evidenced by a P value of 0.89 which is more than 5% level of significance, thus indicate that when TSA was effected to a lesser extent it affected the volume of credit advanced by banks to the public and therefore loans and Non-Performing Loans were not substantively affected hence indicating that many of the banks still had enough funds to loan out to the public even after TSA was effected.

This study is in line with Victor et al., (2017) who studied the impact of TSA on the performance of the banking sector and revealed that TSA aims to reduce Federal Government deposit in the commercial. Banks will extensively reduce giving credit and loans to the private sector as well as advances to the commercial Banks.

This study is in line with Agbo et al., (2016) who argues that no effects of TSA on performance and survival of deposit money banks In Nigeria. It was revealed that TSA has no effect on banks performance, since banks have created another strategy done in developed countries by seeking deposits through investing in different economic sectors. Thus implying that, they have adequate liquidity to cater for borrowers needs.

Furthermore, Andornimye (2017) whose study found out that after government withdrawing its money, current assets and the working capital among commercial banks were reduced significantly which had negative impact on liquidity among banks. Also, the TSA has weakened banks on its ability to create credits, thereby limiting available funds for lending.
Furthermore, the findings of this study disagree with Ajetunmobi et al. (2017) in their study on the impact of TSA on bank liquidity in Nigeria confirmed that the implementation of the TSA has negative impacts on the liquidity of banks in Nigeria. And many financial institutions and banks have limited funds for borrowers after the introduction of TSA.
CHAPTER SIX
SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.0 Introduction
This section presents the key summaries of the research findings, the objectively arrived at conclusions as well as practical recommendations and area for further research.

6.1 Summary
The study covered the impact of Treasury Single Account on the performance of financial institutions in Tanzania and specifically looked at three banks namely: CRDB, NBC and NMB whereby the independent variables consisted of Treasury Single Account whereas the dependent variable was performance which was measured in four dimensions namely: liquidity, bank credit, shareholders dividends, and profitability as shown in the below regression equation:

\[ \text{The study noted that there is a significant correlation between TSA and bank liquidity as evidenced by the fact that the Pearson correlation of 0.568 and R squared for the regression model was 0.323 indicating that the model is explaining 32.3\% of the change in liquidity hence these findings show that TSA can explain only 32.3\% of the change in liquidity of the banks. Furthermore, the, thus, the findings therefore indicate that the introduction of TSA meant that less government money passes through banks which lead to low liquidity and the reverse is true.} \]

In addition, the study noted that there is no significant correlation between TSA and shareholders’ dividends as evidenced by the fact that the Pearson correlation of 0.121 is further away from one (!) and a significance value of 0.206 and R squared for the regression model was 0.015 indicating that the model is explaining only 1.5\% of the change in shareholder, hence the introduction of TSA meant changes in shareholders’ dividends arose as a result of other factors but not because of TSA implying existence of hardly any relationship between the two variables.
Furthermore, the study noted that there is a significant correlation between TSA and profitability of banks as evidenced by the fact that the Pearson correlation of 0.636 is closer to one (!) and a significance value of 0.000 which is less than 0.05(5%) level of significance and R squared for the regression model was 0.404 indicating that the model is explaining 40.4% of the change in profitability hence these findings show that TSA can explain 40.4% of the change in banks profitability.

More so, the study noted that there is no significant relationship between credit to private sector and TSA which implies that despite the introduction of TSA in 2015, most banks continue to lend money to the private sector without being shaken.

6.2 Conclusion

The introduction of TSA in Tanzania in 2016 though has good intentions, has brought about mixed results to not only the banking sector but also the general public at large for instance the affection of TSA in 2016 has in one way or other affected commercial banks in Tanzania and CRDB, NMB and NBC are no exception, however contrary to the popular fallacy that TSA has enormously eroded the financial performance of banks, it was noted that whereas TSA had a strong correlation with bank profitability and liquidity, it did not significantly correlate with bank credit and shareholders’ dividends. More so even the shareholders or dividends policy has not changed due to TSA and so to some extent it is business as usual in most segments of the banks save for profits and savings mobilization which has reduced owing to introduction of TSA.

However, despite the negative effects of the TSA on banking services, there is no doubt that consolidation into a TSA paves the way for timely capture and payment of all revenues owed in government funds without intermediation of multiple banking agreements. This prevents loss of income in terms of loss in revenue and poor management by operators of all revenue generating agencies. This results in best liquidity management practices, as the Treasury can always have an overview of the government's cash position, compared to the fragmented positions of different ministries, departments and agencies that must laboriously gather to obtain an overall
image. Generally, this will reduce the cost of borrowing by the government and its agencies, since the government will likely have a surplus in most periods of the year.

6.3 Recommendation

Based on the key findings the study notes that there is need to have a robust profitability and liquidity management system whereby the banks should be well versed with the nifty grit ties of boosting financial performance. In addition, the banks should opt to invest in new profitable areas where they can reap good returns. More so, the central bank (BOT) should provide all the technical and logistical support needed by commercial banks in the management of financial and liquidity risks.

The study recommends that commercial banks should maintain a high liquidity position for it is found out that it is a significant influencing variable on the financial performance of the banks. Hence banks that are having a highest liquidity ratio are in good position to counter the effects in liquidity risk and minimize the impact of liquidity risk on its performance.

Furthermore, it is important for the different banks in collaboration with other stakeholders to establish a Resource Pool for capitalization funds as well as establishing a scheduled training and development programme which cater for both the staff and clients on how well to improve their performance. More so, the central bank should set aside a bailout fund to help banks deal with emergency funds requirements.

Lastly but not the least, there should be specific Laws and policies which will be enacted to guide the whole concept of TSA rather than looking at it on theoretical point of view.

There is need for a deliberate public and private sector intervention driven by the respective ministry i.e. Ministry of Finance and Planning to smoothen the implementation of Treasury Single Account so as to minimize shock effects and spill
off to the various stakeholders such as private borrowers who now find it difficult to access bank credit due to TSA.

6.4 Area of further study

The study focused on the impact of Treasury Single Account on performance of bank institution in Tanzania and specifically looked at three banks namely: CRDB, NBC and NMB, however, this is limiting in the essence that it leaves out a number of other variables and players in the banking industry thus the need for a much broader and comprehensive studies so as to gain a much greater understanding, these areas for further research include the following:

a) The effect of Treasury Single Account on bank customers

b) The effect of Treasury Single Account on the overall economy of Tanzania

c) The perceptions and reactions of banks to the introduction of Treasury Single Account.
REFERENCES


Public Expenditure and Financial Accountability (PEFA) Assessment Mainland Tanzania (Central Government), 2013


dse.co.tz/profile-company/132)


www.bates.edu
APPENDIX I

Composition of Banking Sector Assets

<table>
<thead>
<tr>
<th>TYPES OF INSTITUTION</th>
<th>Sep-16</th>
<th>Mar-17</th>
<th>Jun-17</th>
<th>Sep-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>94.3</td>
<td>94.1</td>
<td>94.2</td>
<td>94.0</td>
</tr>
<tr>
<td>Development Financial Institutions</td>
<td>2.9</td>
<td>3.1</td>
<td>2.9</td>
<td>3.0</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Microfinance Institutions</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Community Banks</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total Assets (TZS Billions)</strong></td>
<td>27,715.4</td>
<td>28,314.3</td>
<td>28,995.5</td>
<td>28,920.3</td>
</tr>
</tbody>
</table>

Figure 2.2: Bank Profitability