GALAXY INTERNATIONAL INTERDISCIPLINARY RESEARCH JOURNAL (GIIRJ)
ISSN (E): 2347-6915
Vol. 9, Issue 11, Nov. (2021)

THE ROLE OF TREASURY SINGLE ACCOUNT IN TREASURY

Navruzova Go'zal Olimjon qizi
Student of Tashkent Institute of Finance

Saidov Rasulbek Boltaboevich
Candidate of Economic Sciences, Associate Professor of
Tashkent Institute of Finance

Tashmuhammedova Dildora
Candidate of Economic Sciences,
Associate Professor of Tashkent institute of Finance

ANNOTATION

The Treasury Single Account (TSA) policy was designed to block revenue loopholes, promote transparency and accountability, prevent mismanagement of government's revenue, unify government bank accounts, improve the processing of payments and collections, and reduce borrowing costs. It aims to ensure complete, real-time information on cash resources and improves operational and appropriation's control. The management of the government's cash resources and how that links to the budget preparation and execution processes. More specifically, the chapter discusses the management of the daily, weekly and monthly patterns of government spending and revenue flows; cash flow forecasting; and how this treasury function (as it is generally termed) is best developed and managed through a treasury single account (TSA) held at the central bank. Other cash management activities, such as the targeting of the government cash balances in the TSA or the banking sector and the smoothing of the government's daily cash flow by transactions in the financial markets, are linked operationally with debt management.

Keywords: Treasury single account,t Central Bank, Commercial Bank, Bank Account, Cash Balance, government cash balances.

INTRODUCTION

A TSA system helps consolidate government cash balances, gives the ministry of finance/treasury oversight of all government cash flows, and brings improvements in budget control and monitoring. A TSA enables regular and effective monitoring of government cash resources by providing complete and timely information. A TSA also facilitates better fiscal, debt management, and monetary policy coordination as well as better reconciliation of fiscal and banking data, which in turn improves the quality of fiscal information. Finally, the establishment of a TSA significantly reduces the government debt servicing costs, lowers liquidity reserve needs, and helps maximize the return on investments of surplus cash. A TSA can be defined as a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. It separates transaction-level control from overall cash management. In other words, a TSA is a bank account or a set of linked bank

GALAXY INTERNATIONAL INTERDISCIPLINARY RESEARCH JOURNAL (GIIRJ)
ISSN (E): 2347-6915
Vol. 9, Issue 11, Nov. (2021)

accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at the end of each day. This banking arrangement for government transactions is based on the principle of fungibility of all cash irrespective of its end use. While it is necessary to distinguish individual cash transactions (e.g., a typical revenue and/or expenditure transaction of a government unit) for control and reporting purposes, these objectives are achieved through the accounting system and not by holding and/or depositing cash in transaction-specific individual bank accounts. This enables treasury to delink management of cash from control at a transaction level.

The adoption of a TSA system by any country has overarching objectives and benefits. The objectives include minimizing transaction costs during budget execution, notably by controlling the delay in the remittance of government revenues by collecting banks, and making rapid payments of government expenses; facilitating reconciliation between banking and accounting data; exercising efficient control and monitoring of funds allocated to various government agencies; and facilitating better coordination with the monetary policy implementation. The laudable benefits of a TSA, which flow from its objectives result from its conceptualization to allow complete and timely information on government cash resources. This means that information on cash flow will be available at the actual time and complete updated balances will be available on a daily basis, which improves appropriation control.

It is important for the government to award the contract for the TSA through competitive and open bidding. This will enable competent and lowest bidder selection, which in no small measure will reduce the high costs associated with the operation of the policy.

An effective TSA system is founded on three key principles: • The government banking arrangement should be unified, to enable ministry of finance/ treasury oversight of government cash flows in and out of these bank accounts and allow complete fungibility of all cash resources, including on a real-time basis if electronic banking is in place. Although a TSA structure can contain ledger sub-accounts in a single banking institution (not necessarily a central bank), and can accommodate external zero-balance accounts (ZBAs) in a number of commercial banks, these separate accounts should be integrated with a top account (called the TSA main account) usually at the central bank for netting off their balances (usually at the end of each day) to get the consolidated cash position.

- No other government agency should operate bank accounts outside the oversight of the treasury. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated. The treasury, as the chief financial agent of the government, should manage the government's cash (and debt) positions to ensure that sufficient funds are available to meet financial obligations, idle cash is efficiently invested, and debt is optimally issued according to the appropriate statutes. In some cases, debt management including issuance of debt is done by a Debt Management Office (DMO).
- The TSA should have comprehensive coverage, i.e., it should ideally include cash balances of all government entities, both budgetary and extrabudgetary, to ensure full consolidation of government's cash resources (see Section II for TSA coverage).

  Fragmented government banking arrangements hinder effective cash management. The primary objective of a TSA is to ensure effective aggregate control over government cash balances. The international best practice for Treasury Single Account is to have the banks transfer revenues collected to the TSA main account on the same day. The consolidation of cash resources through a TSA helps to avoid borrowing and paying additional interest charges to finance the expenditures of some agencies while other agencies keep idle balances in their bank accounts. Effective aggregate control of cash is also a key element in monetary, debt, and budget management. A TSA system should embody the following principles:

-The government banking arrangement should be unified to ensure the fungibility of the government's cash resources;

-No other government agency should be allowed to operate bank accounts without the oversight of the treasury;

-The coverage of the tsa should be comprehensive, encompassing all government cash, both budgetary and extrabudgetary.

The design of a TSA in a particular country depends on the stage of development of the public institutions and financial management systems and the degree of maturity of its banking system, including the technology used for the interbank settlements and clearing systems. In countries with well developed PFM systems and an advanced banking network, best practice implies creating a TSA in the central bank, while a well developed accounting system records all transactions of different entities that may have transaction accounts in commercial banks on a zero-balance basis.

REFERENCES

1. A. Khan and M. Pessoa, 2010, Conceptual Design: A Critical Element of a Government Financial Management Information System Project, Technical Notes and Manuals (Washington: International Monetary Fund).
2. I. Lienert, Modernizing Cash Management, Technical Notes and Manuals (Washington: International Monetary Fund.
3. Philip Olawale Odewole "Treasury Single Account: A Tool for Effective Cash Management in Nigeria" (2016) 4(6) Journal of Finance and Accounting accessed 15 April 2018.
4. Karen A. Horcher, 2006, Essentials of Managing Treasury, John Wiley & Sons, Inc.