## ECONOMIC REFORM PROGRAMMES

Economic reform usually refers to deregulation, or at times to reduction in the size of government, to remove distortions caused by regulations or the presence of government, rather than new or increased regulations or government programs to reduce distortions caused by market failure.

Economic reforms refers to policies directed to achieve improvements in economic efficiency, either by eliminating or reducing distortions in individual sectors of the economy or by reforming economy-wide policies such as tax policy and competition with an emphasis on economic efficiency, rather than other goals such as equity or employment growth. Examples of some of the economic reform programmes include: consolidation of financial institutions, privatization and commercialization, indigenization, nationalization and deregulation.

Other reform programmes include the roles performed by some government agencies such as EFCC, NAFDAC, ICPC and SON toward the operation and performance of the economy.

## TYPES OF ECONOMIC REFORM PROGRAMME

For the purpose of this study, we shall discuss two of the types of economic reform program. These are:

i. National Economic Empowerment and Development Strategy (NEEDS)
ii. Structural adjustment program (SAP)

NATIONAL ECONOMIC EMPOWERMENT AND DEVELOPMENT STRATEGY

The NEEDS is the response to the development challenges of Nigeria. In 1999, most people grossly underestimated the extent of social, political and economic decay of the country. Since 1999, we have succeeded in stabilizing the polity, consolidated the democratic governance structure and made modest progress in the social and economic spheres.

The goal of NEEDS is to mobilize the resources of Nigeria to make a fundamental break with the failures of the past and bequeath a united and prosperous nation to generations to come.

STUCTURAL ADJUSTMENT PROGRAMME

Structural adjustment programme (SAP) are economic policies for developing countries that have been promoted by the world bank and International Monetary Fund(IMF) since the early 1980s by the provision of loans conditional on the adoption of such policies.

## CONSOLIDATION OF FINANCIAL INSTITUTIONS

Consolidation means the combining of assets, liabilities and other financial items of two or more entities into one. In the context of financial accounting, the term consolidate often refers to the consolidation of financial statements, where all subsidiaries report under the umbrella of a parent company. These statements are called consolidated financial statements. Consolidation also refers to the merger and acquisition of smaller companies into larger companies. A consolidation, however, differs from a merger in that the consolidated companies could also result in a new entity, whereas in a merger one company absorbs the other and remains in existence while the other is dissolved.

In financial accounting, consolidated financial statements provide a comprehensive view of the financial position of both the parent company and its subsidiaries, rather than one company's stand-alone position. In business, consolidation occurs when two or more businesses combine to form one new entity, with the expectation of increasing market share and profitability, and the benefit of combining talent, industry expertise or technology.

## BENEFITS FOR SMALL FINANCIAL INSTITUTIONS

In the last few years, there has been an increasing number of financial mergers and acquisitions in advanced countries as well as in Nigeria. As a result, the size of each financial institution has become bigger and the number of institutions has been decreasing in major financial markets. According to a report submitted to the G10 meeting in early 2001, the characteristics of such financial consolidation can be summarized as follows:

First, most of the financial consolidation cases that increased rapidly in the late 1990s were mergers and acquisitions within the same industry, especially the banking industry in each country.

Second, the main reasons for such consolidation are to reduce current costs and to improve profitability by scale expansion and/or product diversification. In particular, scale expansion has been made possible and indeed necessary due to the IT revolution and deregulation on a global scale. However, analyses of the consolidated financial institutions have generally failed to identify the effects of cost reduction or higher profitability due to the economies of scale or scope, except in some cases of relatively small financial institutions.

In Nigeria financial integration became active a little later than in other advanced nations, and it has been mostly the cases of liquidation or mergers of failed banks

or salvaging mergers of weakened banks with relatively few cases of strategic mergers and acquisitions among healthy banks.