Financial Reforms of Corporate Firms
& Macroeconomic Stability

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Introduction

The term economic reform or financial reform is one of the most used and most used terms in the contemporary economy. It is meant to be inclined towards neoliberal policies, strategies and norms. Faced with structural weaknesses and severe external shocks on the domestic front, many developing countries have for decades implemented financial reforms, especially since the decade of the 1980s, in order to ensure better allocation of resources and improve financial performance. Due to changes in strategies and standards, the financial reform process includes macroeconomic stabilization and restructuring. The main goal of achieving macroeconomic stability was to restore the balance of payments and reduce inflation at a low and manageable level in the short term. Efforts have been made to stabilize the intention of measures that influence the demand side of the economy. The tools include:

- Devaluation of overvalued exchange rates.
- Less budget deficit,
- Tax increases, budget cuts, tax reforms, etc.
- Structural adjustment of external debt.
- Obtaining government debt on capital markets instead of monetary financing.
- Increasing interest rates (financial liberalization);
- rising food prices;
- Price increases for public services.
- Payroll management

Restructuring measures have led to long-term improvement in the supply of economic systems. The scope of the restructuring program is more inclusive in breaking down the role of the state and liberalizing the economy as a whole, so the main criteria for the economic crisis are the following.

- Prices actually reflect the scarcity
- Promote more efficient financial behavior.
- Discrimination against agriculture in favor of the industrial sector should stop.
- Restrictions on trade and capital flows must be phased out.
- The protection of domestic industry through tariffs and quotas must be reduced.

- Domestic companies should be more exposed to foreign competition and penetrate on export markets.
- Export must follow comparative advantage.
- The reconciliation package often includes the following policy moves:
- Liberalization or relaxation of the domestic market
- the abolition of price controls and the liberalization of pricing policies, strategies and standards;
- Prepare a wage index for inflation and end the abolition of the minimum wage rule.

Trade policy

- Depreciation of overvalued exchange rates. Cheap currencies make your income more expensive and your exports cheaper. Import substitution - domestic production yields more revenue.
- Liberalization or easing trade policy by abolishing import quotas. The tariff system for import duties becomes more transparent and the tariff itself is reduced. When the exchange rate is determined by the market forces, an increase in income will lead to a depreciation of the exchange rate. This in turn is intended to restore the external balance.
- Liberalization or softening of imports weakens the monopolistic position of traders who have benefited from import licenses under the trade regime for protection. Former domestic monopolies are exposed to international competition rules.
- Promote a stronger external orientation by maintaining a balance between incentives for imports that replace production and incentives for export production.

Government sector, tax policy, government expenditure, public companies

- Budget and reform of fiscal soundness to effectively manage government expenditure and tax collection.
- Public expenditure and reduction of government deficits.
- Prioritization of government investments. Priority for investments in the agricultural sector.
- Increase the government capacity to formulate and maintain government investment programs. Increase the general efficiency of the government.
- Increasing the production and efficiency of losses of public enterprises (parastatals).
- Privatization of public companies and public activities.
- Cut energy and food subsidies. Tax increases for consumer goods.

Capital market

- Liberalization of domestic and foreign capital markets.

- Deregulation of interest rates. High interest rates result in higher domestic savings. High interest costs make the use of capital more efficient during production.
- Create a new financial institution; Privatization or restructuring of government-controlled banks.

Agricultural policy

- Increase agricultural prices to accelerate agricultural production.
- Abolish or restrict the role of the National Marketing Council, which monopolises the trade in food and export products. Liberalization of agricultural trade or relaxation.
- Reduction of subsidies for agricultural inputs.

Industrial policy

- Strengthen the incentives for effective production in the industrial sector and reinforce incentives by refusing to rescue unfunded companies and investment projects like any other company.

Energy policy

- We are increasing domestic energy prices to reduce government budgets. Domestic delivery and promoting the efficient use of energy.

Conclusion

Stabilization programs and restructurings are somewhat different, but the two conditions are complementary. The economic instability caused by the financial crisis in the short term is partly due to the insufficient domestic supply in relation to domestic demand. This results in a vanity and a shortage of the current balance of payments. In the long term, mitigating structural barriers and increasing the flexibility of the production structure is the best way to prevent a recurrence of financial crises.

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