EDITORIAL: COVID-19: The unexpected and disruptive event that will radically shake up and change the world as we know it

Dear readers!

The fourth issue of the journal explores a number of stimulating subjects related to the future of finance, banking, and financial systems such as the impact of big banks' digitalization and mergers and acquisitions (M&A) strategies on the sustainability of local banks' business models and on their relationship with the territory; the factors affecting portfolio investment decisions in the emerging markets, or central banks' mission to assure stability to the purchasing power of their currencies.

The importance and relevance of these topical issues have been constantly on the rise in the past years leading to an impressive number of research studies, technological transformations, strategic changes, and new regulatory frameworks. Some of the major enabling factors of the current emerging trends in banking and finance include the rise of globalization and global competition in the financial service industry; the rapid expansion of the fintech sector to increase financial inclusion and to reduce rising inequality (Bank for International Settlements, 2021; Moro-Visconti, Quirici, & Borroni, 2020; Pezzuto, 2019); and the urgent need for banks to adopt lean, agile, and scalable digital business models in order to deliver a superior customer experience and to defend their "*top line*" and "*bottom line*". The social and economic impact of the Global Financial Crisis of 2008 (Pezzuto, 2012); the recent shock of the COVID-19 pandemic (Pezzuto, 2020), and the rapidly changing consumer behavior and demand towards more convenient, digital, user-friendly, and environmentally-sustainable services are also amplifying and accelerating the ongoing trend of structural transformation in the global financial industry.

The COVID-19 pandemic, like other previous health crises, is a severe and unlikely predictable event that will probably leave lasting economic and social scars around the world in the years to come, but hopefully, it will also probably become the catalyst of a brighter and more sustainable future, thanks to the acceleration of new priorities, values, and lifestyle habits in society and to the rapid changes in industries' transformation, digitalization, automation, consolidation, reconfiguration of sustainable supply chains, and the invention of exciting new business models (Pezzuto, 2020; Mudassir, 2020).

The fact that the global communities have been hit by this pandemic crisis almost simultaneously will certainly become a powerful driver of change, adaptation, and resilience for economies, and the enabler of a more rapid and coordinated global crisis resolution strategy (Pezzuto, 2020).

Dramatic health and social crises often can become the catalyst of unexpected innovations; of new waves of ideas, and the inspiration for reimagining and rebuilding a new and more inclusive, sustainable, and environmentally-friendly economic model and a more socially-responsible social contract (Pezzuto, 2020).

In fact, history teaches us that human kind has always found a way forward, no matter how hard things have been. Creativity, disruptive innovations, and some of the most unimaginable new discoveries have often come to life after prolonged periods of suffering and hardship (Pezzuto, 2020).

This crisis is opening up or accelerating new exciting growth and job creation opportunities in new areas of business and, in particular, in new emerging industries related to eco-friendly and sustainability-conscious productions; clean, recycled, and renewable energy sources; mobility and transportation; digitalization, social entrepreneurship, and space exploration, and industry 4.0 innovations, as consumer and firms learn to adapt to the "New Normal" and to reinvent themselves (Pezzuto, 2020; Ulrich & Fibitz, 2020; Mudassir, 2020).

National central banks, national health organizations, supranational entities and institutions (i.e., E.U., ECB), and multilateral institutions (i.e., IMF, World Bank, UN, and WHO) have ensured unprecedented rescue measures to help shield national and global communities from the health and humanitarian crises since the unveiling of the virus outbreak. Central banks, in particular, have undertaken exceptional measures to support domestic economic recovery and financial stability offering all-time low-interest rates, purchasing massive quantities of government debt,

mortgage-backed securities, and corporate bonds, and offering low-cost loans to business (Group of Thirty, 2020; Pezzuto, 2020).

A number of central banks might take even bolder unconventional measures in the future to rescue their economies if the recession will persist, introducing yield curve controls, buying equities, purchasing maturing debt as long as required, completing banking union projects, or relying on debt monetization.

In many countries, even the fiscal policy response has been quite rapid and aggressive in order to offset the economic fallout and to sustain employment and consumer spending. In fact, a number of governments have provided exceptional fiscal stimuli such as government-backed credit facilities and loan guarantees, a moratorium on debt repayments, bans on evictions of tenants who can't pay rent due to COVID hardships, temporary nationalizations of firms, subsidies for bank recapitalizations, government guarantees on bank risk, unemployment insurance benefits, and even forgivable loans to small firms that would not lay off workers (Pezzuto, 2020).

Thus, the exceptional stimuli deployed by governments, central banks, supranational entities, and multilateral institutions, combined with the effective implementation of structural reforms, digital transformation journeys, circular economy, and infrastructural investment plans, and the promising results of the COVID-19 vaccination campaigns, should be able to assure a relatively robust economic recovery in the next few years (i.e., 2022-2023). Massive infrastructural investments, scientific and technological innovations, productivity enhancements, upskilling and reskilling of employees, reflationary policies, sustainability and social inclusion initiatives, and fintech ventures should enable a more rapid economic recovery. Relevant growth opportunities for the financial sector in this context consist of initiatives related to Big Data and AI-based credit scoring models, digital lending services, instant digital payments, digital wallets, crowdfunding and digital trading platforms, rob advisory and wealth management services, adaptive portfolio asset allocation optimization with deep learning, blockchain-based digital currencies, and insurtech, alternative finance, sustainable investing and green finance ventures (i.e., environmental, social, governance (ESG) investing) (Moro-Visconti et al., 2020; Pezzuto, 2020).

Yet, in order to mitigate potential systemic risks in the post-pandemic scenario, it is critical that financial institutions, regulators, and supervisory authorities will continue to upgrade and strengthen their macroprudential and microprudential policies; their crisis resolution mechanisms, and their policy response (i.e., M&A operations, bank recapitalizations, and "*bad banks*" schemes, etc.) (Cutura, 2020; Kostyuk & Ivanyi, 2015; Pezzuto, 2020).

The periodic resurgence of new waives of pandemic outbreaks with their variants and mutations; the likely asymmetric economic recovery across countries, and the logistical complexity of the global vaccination campaign roll-out, however, are likely to increase the threat of delayed recovery in a number of economies.

Global indebtedness, that is, the ratio of global debt to the gross domestic product, according to the Institute of International Finance (IIF, 2020) is likely to rise from 320 per cent in 2019 to a record 365 per cent in 2020. Despite the reassuring statements of central bankers about their commitment to keep low-interest rates for long and to continue purchasing maturing debt as long as required, the debt burden and a slower than expected economic recovery might eventually affect consumer confidence and the marginal propensity to consume (Rajan, 2020; Davies, 2020; Pezzuto, 2020).

Financial markets, for the moment, seem to have ignored these warnings with global equities currently reaching new highs and credit spreads narrowing, but the generalized bold expectations of a rapid recovery in the coming years, driven by the recovery funds and zero-lower bounds (ZLB) rates, might eventually prove to be too optimistic, in case of a double-dip recession, if consumer demand will continue to remain subdued; if personal saving rates will continue to increase; if attempts to reach herd immunity prove less effective, and if governments fail to contain or delay a potential wave of bankruptcies. A fragile and uneven economic recovery might probably further inflate global imbalances and underlying risks and may drive to increasing inequalities (Romei, 2021; Davies, 2020; Pezzuto, 2020).

On the contrary, if the massive fiscal stimuli deployed by governments will lead to a sharp rise in inflation, in an environment of stretched valuations, the sudden and sharp market repricing could lead to substantial losses for investors (Romei, 2021; Davies, 2020; Pezzuto, 2020).

Finally, in terms of healthcare, social, and economic resilience and global governance, it is worthwhile mentioning that global cooperation on health systems' resilience and on vaccine development and distribution will probably continue to remain a key priority in the years to come, as well as, a strong commitment by the global community to develop a new sustainable and environmentally-friendly growth model for the next generations (Gen Y and Gen Z) who are much more sensitive than the previous ones on the themes of the clean energy transition, ethical consumption, digitalization, social justice, diversity and inclusion.

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