



## FOREWORD

Although economic growth in most Asian countries turned negative in 2020 due to the COVID-19 pandemic that started to spread globally early in the year, economic growth in Asia is forecasted by the Asian Development Bank to be back at 7.2% for 2021. However, public debt outstanding in Asia has been increasing as a result of the governments' active fiscal stimulus measures, and stricter fiscal management will be needed to address this situation. Moreover, the financial behavior of firms and households has been impacted amid the prolonged COVID-19 pandemic.

The COVID-19 pandemic has had significant impacts on the business environment for micro, small and medium-sized enterprises (MSMEs) across various sectors. While governments have introduced various support measures for MSMEs, they could not provide them with sufficient financial support due to fiscal constraints. MSMEs, which generally have lower creditworthiness than large enterprises, often have difficulty in borrowing money from traditional financial institutions such as banks. Under these circumstances, alternative financing options such as peer-to-peer (P2P) lending and equity crowdfunding are attracting more attention.

The impact of the COVID-19 pandemic on the financial behavior of households can be characterized in two ways. The first is an increase in online financial transactions due to people spending more time at home under government lockdown policies and social distancing measures. The number and volume of transactions via internet banking and mobile banking have been increasing. In addition, more and more individual investors are starting online equity investing against the backdrop of continued low interest rates and good performance in equity markets. While increased participation of individual investors in equity markets is expected to improve market liquidity, it also highlights the necessity of promoting financial literacy and strengthening investor protection. The second impact of COVID-19 on household financial behavior is the withdrawal of savings due to increased unemployment and decreased income arising from worsened corporate performance. There is concern that the deterioration in the financial condition of households will make retirement planning more difficult in the medium to long term.

This issue of *Nomura Journal of Asian Capital Markets* features articles related to the effects of the COVID-19 pandemic in the region, including the financial support measures governments have taken and the changing financial behavior of firms and households in major ASEAN countries.