AJEMATES
African Journal of Educational Management, Teaching and Entrepreneurship Studies
VOL.11 (1), January-April, 2024 https://ajemates.org

TECHNOLOGICAL CAPABILITY AND MARKET PERFORMANCE OF SELECTED DEPOSIT MONEY BANKS IN LAGOS STATE, NIGERIA

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ABSTRACT

Deposit-taking institutions are crucial for economic stability as they ensure funds flow to sectors in need and facilitate transfers between economic units. However, deposit money banks often struggle to meet expectations due to underutilization of technology, resulting in reduced customer satisfaction, decreased trust, market share decline, and operational inefficiencies. This study examines the impact of technological capability on market performance in selected deposit money banks in Lagos State, Nigeria. Using a survey research design, the study involved 3,098 top, middle, and low-level management from five banks in Lagos State. Data was collected through a reliable questionnaire, and descriptive and inferential analyses were conducted using SPSS. The response rate was 69.11%. Multiple regression analyses revealed that technological capability significantly influenced market performance (Adj. R2 = 0.377; F (4, 306) = 47.983, p < 0.05). Specifically, technology had a significant effect on customer satisfaction, trust, market share, and operational efficiency. In conclusion, technological capability significantly impacts market performance in deposit money banks in Lagos State, Nigeria. The study advises banks to recognize technology as a key driver of overall performance and develop comprehensive strategies aligned with business goals and customer needs. Staying updated on emerging technologies and industry trends is also vital for maintaining competitiveness.

Keywords*:* Customer satisfaction, Customer trust, Market share, Market performance, Mobile banking.

Introduction

Deposit money banks play a crucial role in economies by ensuring the flow of funds to sectors in need and facilitating financial transactions between economic units. Maintaining strong market performance is essential as it reflects the bank's overall performance over a specific period. Despite efforts to improve market performance through measures like risk management and capital reserves, deposit money banks often face challenges due to inadequate implementation of technological capabilities. This leads to decreased customer satisfaction, diminished trust, declining market share, and inefficient operations. This study aims to investigate the impact of technological capability on the market performance of selected deposit money banks in Lagos State, Nigeria. It is important to examine how technological advancements can enhance the performance of these banks in order to address the observed issues.

Globally, deposit money banks have experienced positive market performance in recent years, with steady increases in deposits, profits, and customer satisfaction. The adoption of technology has allowed banks to expand their customer base, offer new services, and improve efficiency. The trend of consolidation within the banking industry has also contributed to increased efficiency and profitability, ensuring competitiveness in the changing global market. Additionally, stringent regulations imposed by governments and central banks have contributed to the safety and security of the banking system, reducing the risk of financial losses. In the Nigerian context, deposit money banks have faced challenges related to liquidity, capital adequacy, and non-performing loans. However, despite the economic downturn caused by the COVID-19 pandemic, the banking sector has maintained profitability, with total assets increasing and non-performing loan ratios decreasing. The sector has embraced digitalization, offering online banking services and mobile banking apps to enhance convenience and security for customers. Measures such as two-factor authentication and biometric authentication have been implemented to ensure customer security. However, issues related to poor service delivery, including long queues and slow processing times, have adversely affected customer satisfaction and trust.

Therefore, this study aims to explore how technological capabilities can impact the market performance of deposit money banks in Lagos State, Nigeria. By addressing the challenges and leveraging technological advancements, it is possible to improve customer satisfaction, trust, and overall financial performance in the banking sector.

Research Hypothesis

The following hypotheses were tested at 0.5 level of signicant

H_{01}: Technological capability has no significant effect on customer satisfaction
H_{02}: There is no significant effect of technology capability on customer trust.

Technology Capability

Technological capability refers to an individual or organization's ability to develop, deploy, and effectively utilize technological resources (Li & Chan, 2019). It encompasses both hardware and software capabilities, as well as the supporting infrastructure and resources necessary for the

technology to function optimally (Al Dari et al., 2020). Technological capability can also encompass the adaptability of a technology to new tasks and its capacity to scale to meet increasing demands. It represents an organization's capacity to acquire, create, and deploy technologies to enhance its operations, efficiency, effectiveness, and competitive advantage (Castro, 2019).

The effectiveness of a technology's capability can be measured by various features such as speed, accuracy, reliability, scalability, security, and usability (Mikalef et al., 2020). Speed refers to the technology's ability to process data and deliver results quickly, while accuracy ensures that the technology consistently produces the desired results (Tirastittam et al., 2020). Reliability indicates that the technology consistently performs without errors or inconsistencies. Scalability refers to the technology's ability to adapt to different contexts and purposes. Security measures protect data from unauthorized access, manipulation, or corruption, and usability refers to the ease of use of a technology (Khin & Ho, 2018).

Technological advancements have provided businesses with numerous advantages, enabling increased efficiency and productivity. Automation and digital systems save time and resources by automating mundane tasks, allowing businesses to focus on more critical aspects (Mikalef et al., 2018). Real-time communication capabilities have facilitated quicker problem-solving, faster decision-making, and improved customer service by connecting businesses with customers, suppliers, and partners worldwide (Fernando et al., 2019). Enhanced security measures protect businesses from cyber threats, ensuring the safety of data and systems (Ca, 2019). Technology has also reduced costs through automation and cloud-based services, resulting in savings on labor and materials (Singh & El-Kassar, 2019; Soto-Acosta et al., 2018). Furthermore, data collection and analysis enable businesses to make informed decisions by gaining insights into customer behavior and market trends (Singh & El-Kassar, 2019; Soto-Acosta et al., 2018). However, there are potential disadvantages associated with technology. Staying updated with evolving technologies can be challenging for organizations lacking the necessary resources or expertise (Mikalef et al., 2019). Data security becomes a significant concern as businesses must protect their systems and data from cyber-attacks and adhere to privacy regulations (Ashrafi et al., 2019). Implementing new technologies may face resistance from users, necessitating proper training and support (Ashrafi et al., 2019). Additionally, technology investments can be costly, requiring careful consideration of implementation and maintenance expenses (Jiang & McCabe, 2021). In this study, technology capability will be measured by evaluating the use of specific technologies such as point-of-sale systems, mobile banking, debit cards, and chatbots. These technologies serve as indicators of an organization's ability to utilize technology effectively to achieve desired outcomes.

Customer Satisfaction

Researchers have provided various definitions of customer satisfaction. Kurdi et al. (2020) define it as the degree to which a customer is pleased with a product or service, while Hamzah and Shamsudin (2020) describe it as the extent to which customers

are contented with their acquisitions. Customer satisfaction is derived from customers' assessment of the perceived value of a product or service in relation to their expectations. It encompasses customers' emotional reactions and serves as a metric for evaluating how well a company meets or exceeds customer expectations (Kurdi et al., 2020; Yi & Nataraajan, 2018). Methods for assessing customer satisfaction include surveys, interviews, and Net Promoter Score (NPS) evaluations (Suchánek & Králová, 2018). Key features of customer satisfaction include reliability and consistency of products or services, trust in the company, effective communication, respect and appreciation, personalized experiences, prompt issue resolution, and building strong customer relationships (Farisa et al., 2019; Lin et al., 2020; Budur & Poturak, 2021; Dam & Dam, 2021).

Customer satisfaction brings several benefits to businesses. Satisfied customers are more likely to exhibit loyalty, leading to reduced customer turnover and increased customer lifetime value (Gajewska et al., 2019). They also tend to share positive feedback, resulting in recommendations and the acquisition of new customers. Satisfied customers may engage in repeat purchases, boosting sales revenue, and contribute to enhancing the company's brand image and reputation. Additionally, satisfied customers typically require less customer support and refunds, leading to cost savings (Al-Omari et al., 2020). Positive word-of-mouth communication from satisfied customers can further enhance the company's overall reputation (Mohammed & Rashid, 2018). However, there are potential challenges associated with customer satisfaction. Unrealistically high customer service expectations can lead to disappointment and negative reviews if not met. Without clear goals and measurement metrics, it becomes challenging to assess success and make improvements. Improving customer satisfaction may require additional resources, which can be costly. Furthermore, despite best efforts, there will always be some unsatisfied customers who may leave negative reviews and harm the company's reputation (Vasić et al., 2019; Dam & Dam, 2021).

In summary, customer satisfaction refers to the level of happiness and contentment experienced by customers with the products or services provided by a company. It is an important indicator of a company's performance in meeting customer expectations, and high levels of customer satisfaction can lead to various benefits such as customer loyalty, positive word-of-mouth, increased sales, and enhanced brand reputation. However, challenges such as unrealistic expectations and the cost of improvement should be considered in managing customer satisfaction.

Customer Trust

Customer trust is the belief and confidence customers have in a company or brand to deliver on its promises and meet their needs and expectations. It encompasses the assurance and reliability customers feel towards a business, its products, and services. Trust is built on openness, consistency, reliability, security, privacy, and responsiveness to customer feedback. Openness and transparency involve providing readily accessible information about products, customer service policies, and company history. Consistency ensures

that customers can expect the same level of quality each time they engage with the company. Reliability means delivering on promises in a timely manner and providing products of good quality. Security involves protecting customer data and ensuring the safety of transactions. Respecting customer privacy means not sharing information without permission and using customer data only for intended purposes. Lastly, listening to customer feedback and acting upon it demonstrates a customer-centric approach.

Building and maintaining customer trust has several benefits. Trusted companies are more likely to retain customers and benefit from positive word-of-mouth recommendations. Trust also contributes to increased sales and revenue as customers are more willing to purchase from a brand they trust. Trust fosters customer satisfaction, loyalty, and long-lasting relationships. A good reputation gained through trust enhances a company's standing in the marketplace and boosts employee morale. Trust also facilitates customer feedback and helps businesses better understand their customers' needs, leading to more efficient service. However, not respecting customer trust can result in higher churn rates, reduced sales, and a damaged reputation. Legal risks may arise if customer data is mishandled, and customers may become more vulnerable to security threats. To establish and maintain trust, businesses should prioritize transparency, consistency, reliability, security, privacy, and responsiveness to customer feedback. Therefore, customer trust is the mutual feeling of confidence and assurance between customers and businesses. It is built on openness, consistency, reliability, security, privacy, and responsiveness. Trust leads to improved customer retention, increased sales and revenue, positive reputation, better employee morale, and enhanced customer understanding. Failing to respect customer trust can result in negative consequences such as higher churn rates, reduced sales, damaged reputation, legal risks, and increased vulnerability to security threats.

Empirical Review

Technological Capability and Customer Satisfaction

Numerous studies have examined the relationship between technological capabilities and customer happiness, yielding mixed results. Khin and Ho (2018) found a positive relationship between digital technology, digital capabilities, and organizational performance. Lidiya (2020) observed a correlation between customer satisfaction and effectiveness, assurance, pricing, and reliability. Alzaidi (2018) and PWC (2018) highlighted the use of artificial intelligence in the banking industry to automate tasks and improve customer service. Prentice et al. (2020) showed that both AI and service quality are significant factors in customer happiness and loyalty.

Andarwati et al. (2020) found no functional flaws in the tested POS information system, and Nilesh and Sachin (2020) demonstrated that a point-of-sale (POS) system positively impacts the profitability of the food and beverage industry. Ekwutosi (2020) determined that POS businesses reduce unemployment rates. Baabdullah et al. (2019) identified factors influencing actual usage behavior, while Singh and Srivastava (2018) developed a model predicting the intention to use mobile banking. Boonsiritomachai and

Pitchayadejanant (2019) found that Generation Y's adoption of mobile banking is driven by hedonic motivation. Königstorfer and Thalmann (2020) highlighted the potential of AI in the commercial banking sector, and Mor and Gupta (2021) documented a decrease in inefficiency due to AI implementation in Indian banks. Yun (2021) and Shankar et al. (2020) explored the relationship between technological capability and innovation, and the impact of trust on mobile banking adoption was observed in studies by Kwateng et al. (2018) and Zhang et al. (2018). Okoye (2018) found that cashless banking has an insignificant effect on unemployment rates in Nigeria, and Omotayo (2015) examined factors influencing the adoption of POS systems.

Diffusion of innovation theory

The diffusion of innovation theory, proposed by Everett Rogers, explains how new ideas, products, or services spread through social systems. It considers factors such as comparative benefit, compatibility with values, complexity, and trialability. This theory has been applied in various fields, including marketing, public health, technology, and social movements. In summary, research has shown the positive impact of digital technology, AI, and POS systems on organizational performance, customer satisfaction, and profitability. Factors influencing adoption include trust, usability, security, and hedonic motivation. The diffusion of innovation theory provides insights into the spread of new ideas and technologies across different contexts.

Research Method

A survey was conducted in Lagos State, Nigeria, involving 3098 individuals who have deposited money in selected banks: First Bank of Nigeria Plc, United Bank of Africa, Guaranty Trust Bank, Access Bank, and Zenith Bank Plc (collectively referred to as FUGAZ). The sample size of 450 was determined using a sampling table, and standardized questionnaires were used to collect the data. The findings showed that the Cronbach alpha coefficient exceeded the threshold of 0.7, indicating good reliability. Descriptive and inferential methods were employed to analyze the data. Additionally, a preliminary investigation was conducted in Ogun State, where the survey instrument was distributed to deposit money banks for reliability and validity assessment using SPSS version 25. These banks were chosen due to their reliability, protected environment, and diverse financial services offered. Strict regulatory measures instill confidence in clients regarding the safety of their funds. The pilot study was conducted in Wema Bank with a sample size of 45, representing 10% of the total population. The questionnaire used an ordinal interval scale with response options ranging from Very High (6) to Very Low (1). The reliability of the instrument was assessed using the Cronbach alpha, where a value of 0.7 is considered reliable (Taber, 2018).

Table 1: Reliability Statistics Result.

S/N	Variables	No. of Items	Cronbach alpha Coefficient	Composite Reliability
1.	Customer Satisfaction	5	0.875	0.916
2.	Customer Trust	5	0.892	0.923

Source: SPSS Output Result (2023)

The results of the internal consistency test of the questionnaire are presented in Table 1. The purpose of this study was to assess the questionnaire's ability to maintain consistency across various studies and circumstances. The Cronbach alpha coefficient was employed to evaluate both the internal consistency and reliability of the measure. The resulting values were above the alpha benchmark of 0.70, and the composite reliability (CR) was more significant than 0.6. This confirms that the questionnaire and its variables successfully passed the internal consistency test.

Testing of hypothesis

H_{01}: Technological capability has no significant effect on customer satisfaction

Table 2: Summary of multiple regression between technological capability components and customer satisfaction of selected deposit money banks in Lagos State, Nigeria.

(Constant)	0.795	0.000	4.129				
Point of sales	0.132	0.008	2.676				
Mobile banking	0.077	0.137	1.492	0.000[b]	0.621[a]	0.385	47.983
Debit card	0.204	0.000	3.954				
Chatbot	0.178	0.000	4.096				

Predictors: (Constant), Point of sales, Mobile banking, Debit card, Chatbot,
Dependent Variable: Customer satisfaction

Source: Author's computation, 2023 underlying data from field survey

The findings of the multiple regression analysis, as presented in Table 2 illustrate the impact of several components of technological capability on customer satisfaction within a sample of deposit money banks located in Lagos State, Nigeria. The findings of the study indicate that there is a positive and statistically significant relationship between point of sales (β = 0.132, t = 2.676, $p<0.05$), debit card (β = 0.204, t = 3.954, $p<0.05$), and chatbox (β = 0.178, t = 4.096, $p<0.05$) with customer satisfaction. However, the effect of mobile banking (β = 0.206, t = 3.210, $p>0.05$) on customer satisfaction was found to be positive but not statistically significant. This suggests that point-of-sales, debit cards, and chatbots serve as indicators of customer happiness within the chosen deposit money institutions.

The correlation coefficient of 0.621 suggests that there exists a moderate positive association between the components of technological capability and customer satisfaction among the chosen deposit money banks in Lagos State, Nigeria. The coefficient of multiple determination refers to a statistical measure that quantifies the proportion of the variance in the dependent variable that the independent variables can explain in a multiple regression model. The adjusted R^2 value of 0.385 suggests that approximately 38.5% of the variability observed in customer satisfaction within deposit money banks in Lagos State, Nigeria, can be explained by factors related to technological capability. The remaining 61.5% of the observed changes are attributed to other variables that were not included in

the model. The predictive and prescriptive multiple regression models are expressed as follows:

$CS = 0.795 + 0.132POS + 0.077MB + 0.204DC + 0.178CB + U_i$ ---Eqn(i) (Predictive Model)

$CS = 0.795 + 0.132POS + 0.204DC + 0.178CB + U_i$ ---Eqn(ii) (Prescriptive Model)

Where:

CS = Customer satisfaction
POS = point of sales
MB = Mobile banking
DC = Debit card
CB = Chatbot
U_i = Stochastic Error Term

The regression model reveals that when all technological capability components are held at a constant value of zero, the predicted customer satisfaction score would be 0.795, which is a positive value. The predictive model reveals that all sub-factors of technological competence, with the exception of mobile banking, exhibit a positive and statistically significant impact on customer satisfaction. Consequently, the company's management can prioritise these variables, which is why they are incorporated into the prescriptive model. The findings of the multiple regression analysis, as observed in the prescriptive model, indicate that a one-unit rise in point of sales for mobile banking is associated with corresponding increases of 0.132, 0.204, and 0.178 in customer satisfaction. Conversely, a decrease in point of sales would result in declines of the same magnitudes in customer satisfaction. This suggests that the implementation of additional point of sales systems, debit card services, and chat box features would result in a higher level of customer satisfaction among chosen deposit money banks in Lagos State, Nigeria.

The F-statistics (df = 4, 306) = 47.983, with a significance level of $p = 0.000$ ($p<0.05$), suggests that the overall model is statistically significant in predicting the impact of technological capability components on customer satisfaction. This finding implies that technological capability components play a crucial role in determining the level of customer satisfaction among selected deposit money banks in Lagos State, Nigeria. The results indicate that it would be beneficial for chosen deposit money banks in Lagos State to prioritise the enhancement of their technical capabilities, specifically focusing on the development of point of sales systems, debit card services, and chatbot functionality. This strategic approach is expected to lead to an improvement in customer satisfaction levels. As a result, the null hypothesis (H01) asserting that technological capability does not have a substantial impact on consumer satisfaction was rejected.

H_{02}: There is no significant effect of technology capability on customer trust.

Table 3 Summary of multiple Regression of technological capability components and Customer trust of selected deposit money banks in Lagos State, Nigeria.

Model	B	Sig.	T	ANOVA (Sig.)	R	Adjusted R^2	F (4,306)
(Constant)	0.866	0.002	3.074				
Point of sales	0.151	0.037	2.091				
Mobile banking	0.154	0.042	2.047				
Debit card	0.263	0.001	3.485	0.000[b]	0.565[a]	0.310	35.859
Chatbox	0.182	0.004	2.863				
Predictors: (Constant), Point of sales, Mobile banking, Debit card, Chatbot							
Dependent Variable: Customer trust							

Source: Researcher's Findings, 2023

Table 3 displays the findings of a multiple regression analysis of the association between technological capability components and customer trust in selected deposit money institutions in Lagos State, Nigeria. The results of the study reveal that there is a substantial positive relationship between consumer trust and the use of point of sales ($\beta = 0.151$, $t = 2.091$, $p < 0.05$), mobile banking ($\beta = 0.154$, $t = 2.047$, $p < 0.05$), debit card ($\beta = 0.263$, $t = 3.485$, $p < 0.001$), and chatbox ($\beta = 0.182$, $t = 2.863$, $p < 0.01$). This implies that the technological capabilities components have a significant impact on fostering trust among customers of the chosen deposit money banks. The coefficient of determination (R) is 0.565, suggesting a modest positive correlation between the components of technological competency and customer trust. The obtained corrected R-squared value of 0.310 indicates that around 31% of the variability in customer trust can be accounted for by the technological capacity components incorporated in the model. The remaining 69% of the variation is probably impacted by additional factors that were not taken into account in the present investigation.

$CT = 0.866 + 0.151POS + 0.154MB + 0.263DC + 0.182CB + U_i$ ---Eqn(i) (Predictive Model)

$CT = 0.866 + 0.151POS + 0.154MB + 0.263DC + 0.182CB + U_i$ ---Eqn(ii) (Prescriptive Model)

Where:

CT = Customer Trust
POS = point of sales
MB = Mobile banking
DC = Debit card
CB = Chatbot
U_i = Stochastic Error Term

The regression model demonstrates that when the technological capability components are held constant at zero, the estimated value for customer trust is 0.795, indicating a positive relationship. The predictive model reveals that all sub-factors of technological capabilities exhibit a positive and statistically significant impact on customer satisfaction. Consequently, the company's management can prioritise these variables, which justifies their inclusion in the prescriptive model. The findings of the multiple regression analysis, as demonstrated in the prescriptive model, indicate that enhancing point of sales, mobile banking, debit card, and chatbot by one unit is associated with a corresponding rise in

customer trust by 0.151, 0.154, 0.263, and 0.182, respectively. Conversely, a decrease in these factors by one unit would result in a decrease in customer trust by the same magnitude. This suggests that the use of point of sales systems, mobile banking services, debit card usage, and chatbot technology would result in a higher level of client trust among chosen deposit money banks in Lagos State, Nigeria.

Additionally, the statistical analysis reveals that the F-statistic (df = 4, 306) is 35.859, with a significance level of $p < 0.001$. This finding suggests that the entire model has statistical significance in its capacity to forecast the impact of technological capability components on consumer trust. This indicates that the technological competence components play a significant role in influencing client trust in the chosen deposit money institutions in Lagos State, Nigeria. The findings suggest that deposit money institutions should prioritise the enhancement of technical capabilities, specifically focusing on areas such as point of sales, mobile banking, debit cards, and chatbots. This strategic approach is crucial for fostering increased consumer trust. As a result, null hypothesis two (H02), which posits that technological capability does not have a significant impact on customer trust, was shown to be rejected.

Discussion of Findings

The findings of this study align with previous research. Yun (2021) found that business size, technological aptitude, and current research and development (R&D) spending are positively associated with innovation. The age of the firm showed a positive correlation but was not statistically significant, suggesting that deliberate technological efforts hold greater importance for fostering innovation compared to experiential learning alone. The combination of economies of scale and technological prowess highlights the potential significance of government support for technologically disadvantaged enterprises, although existing evidence suggests that such support has been inadequate.

Similarly, Shankar et al. (2020) found that argument quality, valence, and consistency positively influence the adoption of mobile banking. The level of initial trust in mobile banking plays a mediating role in this relationship. Kwateng et al. (2018) identified habit, price value, and trust as primary determinants of mobile banking adoption in Ghana. The impact of gender, age, educational level, and user experience on the adoption of mobile banking varies among individuals. Zhang et al. (2018) highlighted the importance of perceived usefulness, perceived ease of use, and technology safety in influencing consumer adoption of mobile banking. Innovative features and enjoyable aspects of the technology also contribute to adoption, along with the establishment of trust in financial institutions.

Okoye (2018) examined the impact of cashless banking on the unemployment rate in Nigeria and found that it had a statistically non-significant and negative effect. Contrary to popular belief, the study suggests that the implementation of a cashless banking system does not significantly contribute to the rise in unemployment rates. Additionally, the system generates employment opportunities for individuals with specialized skills in operating machines such as ATMs, POS

devices, and those used in internet and mobile phone transactions.

Omotayo (2015) investigated the factors influencing the adoption of point-of-sale (POS) systems in urban areas of Nigeria. The study found a significant association between subjective norms, perceived ease of use, and the deployment of POS machines by organizations. However, there was no significant correlation between company attributes, image, and perceived utility in relation to POS system usage. The study provides a comprehensive framework for banks to consider when implementing POS machines. In summary, these studies provide insights into the factors influencing innovation, mobile banking adoption, the impact of cashless banking on unemployment, and the adoption of POS systems. They emphasize the importance of technological capabilities, trust, perceived usefulness, and ease of use in shaping customer behavior and organizational outcomes.

Conclusion

This study investigated the impact of technical capabilities on the market performance of a specific group of deposit money banks located in Lagos State, Nigeria. Several significant findings resulted from the study. The studies mentioned above provide insight into the notable impact of technology competence on multiple facets of banks' operations and performance. The study findings indicate a notable correlation between technical capability and customer satisfaction among a specific group of deposit money banks in Lagos State, Nigeria. The study also found a notable correlation between the technological capabilities of deposit money banks in Lagos State, Nigeria and the level of trust customers place in them. The findings of the study revealed a statistically significant relationship between the technological capabilities and market performance of the chosen deposit money banks in Lagos State, Nigeria. The banks that effectively utilise technology have demonstrated superior market performance outcomes in comparison to their peers with limited technical skills. The findings mentioned above jointly underscore the significance and beneficial influence of technological capabilities within the chosen deposit money banks situated in Lagos State, Nigeria.

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